



# Indo-Russian Relations Need Re-Energising

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PR9.NET January 27, 2007 - New Delhi: Relations between India and Russia have stood the test of time. But, times change, and so do policies and priorities of nations. Even though the defence-technical cooperation between the two countries has been growing at a rapid pace, trade and economic ties are lagging woefully behind, despite the plethora of agreements initiated and the optimism exuded by their leadership. President Vladimir Putin's Indian visit will indeed be a historic event if it helps remove certain troublesome areas in bilateral relations, which now require a new basis in the light of new realities and cannot be judged by the nostalgic Soviet-era standards.

Such areas of cooperation as energy security, engineering, metallurgy, information and telecommunications, biotechnology, pharmaceuticals, joint space exploration and major infrastructure projects are on the agenda. It remains to be seen whether agreements will be clinched and a firm basis laid for development of relations in all these areas, and much more, given the fact that both are rapidly expanding economies with huge markets. Russia has overcome the trauma of the disintegration of the former Soviet Union, which had reduced its economy to a basket case, and is now prepared to do business with the world on entirely new terms.

During his previous visit in December 2004, President Putin had envisioned rapidly expanding cooperation with India. Prime Minister Manmohan Singh's Moscow visit in Dec. 2005 noticeably encouraged large businesses to more actively seek mutually beneficial contracts. Putin's visit to Bangalore, the software capital, showed there are prospects for Russian-Indian cooperation in the IT field, which is presently worth \$30 billion in Russia and growing at 25 per cent annually.

Bangalore is also the headquarters of Hindustan Aeronautics Ltd, which has for long been cooperating with many Russian entities. Russian businessmen, who accompanied Prime Minister Mikhail Fradkov during his Indian visit in March, 2006, discussed substantive proposals with their Indian counterparts and the newly-created Business Council for Cooperation with India signed MoUs with CII, ASSOCHAM and FICCI. Russia shows interest in developing military-technical cooperation, but the fact that trade in mechanical equipment makes only 10 percent civilian cooperation cannot be viewed as an achievement. It is, therefore, important to add to the list of products that India exports to Russia, which has traditionally been dominated by food, textiles and pharmaceuticals.

Total trade turnover last year was only \$ 3 billion. Bilateral trade turnover at \$3 billion last year remain modest, when Russia's trade with China has already touched \$30 billion and is growing. Though Moscow and New Delhi have agreed to increase trade to \$10 billion by the end of the decade, \$5 billion is considered a realistic objective. Russia is a growing IT market and Indian companies also can find export opportunities there. In the field of defence technical cooperation, India continues to be a major buyer of Russian arms and equipment for all the three services and even though the relationship is many decades old, the problem of finding spares remains very acute till today. Mr. Putin has now created Rosoboronservice India, a company which will address the Indian Navy's concerns about poor availability of Russian-origin spares. A technical centre or a spare parts storage facility needs to be set up in India to meet the needs of the Indian Air Force.

Projects in stealth and hypersonic technologies have also been identified. Russian companies have a chance to establish a foothold in the Indian defence sector, following the Government's decision to allow private participation in the manufacture of defence equipment. Even though Mr. Putin intervened to allow India a stake in Sakhalin-I on product-sharing basis, New Delhi cannot expect special favours in future. At this juncture the entire gamut of bilateral relations needs to be re-assessed and re-evaluated and a new dynamism injected into it.

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## About Dipayan Mazumdar & Associates

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