

# Indo-Russian relations in the Neoliberal Era: Problems and Possibilities

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## ABSTRACT

*Neoliberal institutions, policies and ideas hold a dominant position in much of the world today. Despite American President Donald Trump's America First and protectionist policies, it is continuing. In its most general meaning, neoliberalism refers to the view that the state should play a very limited role in the economy. According to this view, if the state largely recedes from economic life, the result will be an optimum of efficiency, income distribution, and technological progress. The state as an economic actor is seen as inevitably a source of corruption, inefficient allocation of resource arbitrary redistribution of wealth and obstruction of economic process.*

*The fact is that we live in the age of neoliberalism and last few decades since the 1970s have seen the emergence, consolidation and also crisis of neo-liberal policies, and particularly since 1991 after demise of soviet Union it took a new height under American hegemony only on the terms of Washington Consensus. The aim of this article is to evaluate the Indo-Russian Relations in the post-Washington consensus phase of Neo-liberalism since 1991 after emergence of Federation of Russia as an independent state as the "state continuator of the erstwhile soviet Union after its disintegration".*

**Keywords:** *Indo-Russian relations, Neoliberalism, Economic process, Technological Process*

## INTRODUCTION

The modern neo-liberal vision largely evolved during the governments of Ronald Reagan and Margaret Thatcher. By the 1980s neo-liberalism came to describe the predominantly laissez-faire market driven economic policies that have been sweeping across the globe<sup>1-3</sup>. It may be recalled that at Cancun conference in 1981, both Regan and Thatcher attacked the Keynesian notion of the international economic order. Neo-liberalism is a repudiation of Keynesian state and the economic and social policies that come along with it. Neo-liberalism emerged as an updated version of lissez-faire economics. Their focus has been on free markets and liberal reforms. The overarching claim was that free markets maximize human welfare. The state in the neo-liberal scheme of things has to be a minimal state.

The core principles of neo-liberal economic reforms are described in Washington consensus, to be followed by Afro-Asian, Latin American countries, and since then these principles have been insisted upon countries by world bank, IMF and GATT/WTO as part of their understanding of the concept of good governance<sup>4,5</sup>.

So the boldest claim of neo-liberalism is that it offers the best guide and indeed the only effective guide for undertaking a major transformation of a country's economic system. Two kinds of major economic transformation are relevant here. One is economic development, which entails the movement of less developed country towards the world frontier with respect to living standards and technology proficiency. The second is economic transition, which is the common term for the shift from an economic system based on central planning to one based on market forces. The emergence of new world order based on neo-liberal economic principles changed the texture of international relations of the nations. In the

backdrop of above context 'A study of Indo-Russian Relation in the Neo-liberal Era is worthwhile for microscopic and macroscopic probe as the economic transition of both the countries: India and Russia from economic system based on central planning to one based on market forces simultaneously started in 1991.

### **Background of Indo-Russian Relations**

India-Russian relations are time-tested and based on continuity trust and mutual understanding since the regime of Soviet Union of Cold war days to still now. It is a comprehensive and multifaceted and gathers all areas including political, economic, defence, scientific and technological, and cultural spheres, based on shared perceptions and mutuality of interests and mutual benefits.

Russia, a successor state of erstwhile USSR, is now a not superpower but a great power while India is a growing world power in 21<sup>st</sup> century<sup>6,7</sup>. Hence relation between these two great nations are of attraction in world affairs as well as regional affairs particularly in the realm of post-cold war neo-liberal market economy.

Federation of Russia is the vastest country of the world in area even after the disintegration of USSR and spread over in the big Chunk of Europe and Asia with 76% of the land area and 54% of the population of erstwhile Soviet Union which was one of the two superpowers during the cold war. Norway and Finland are situated on the North-West boarder of Russian Republic and seven other republics of erstwhile Soviet Union have formed its western and south-western boundries; while Mangolia and China are attached with its southern boarder. It has got the 90% of oil 50% of wheat 50% of textiles, 75% of minerals and important defense and industrial units of the erstwhile Soviet Union. Although Russia is not a superpower any more but with its strong scientific and technological base it is a big growing economy of the world which is very crucial for India. As a second most populous and world's largest democracy India has emerged as the fastest growing economy and the 2<sup>nd</sup> largest market of the world and after China a potential world power<sup>8</sup>.

In the background of above facts, historical realities, change in political, economic and cultural sphere of both countries and overall the emerging post-cold war neo-liberal international order and other relevant dimensions moving around the bilateral relations of the both countries this research article examines "the problems and possibilities of the Indo- Russian Relations in the Neo- liberal Era" marked by disintegration of erstwhile Soviet Union and emergence of separate state Federation of Russia. The paper also examines the status of Indo- Russian Relations in and after cold war. The emphasis of the paper is given to Indo- Russian relations in the post- cold war neoliberal era since 1991. The article is based on the research and findings of my Ph.D. thesis of the same title.

### **RESEARCH METHODOLOGY AND DATA COLLECTION**

Analytical methodology of research under empirical approach has been adopted for this research project . Data for this research work has been collected mostly from secondary sources such as : speeches , writings , declarations of top political and administrative officials , memories, biographies , diaries, books, articles, published - unpublished Ph.D./ M. Phil. thesises , internet and social media *etc.*

### **DISCUSSION**

#### **Relations between two Nations:**

For any meaningful discussion of the Indo-Russian relations in 21<sup>st</sup> century, it is important to understand and analyze the Soviet and post-Soviet relations between the two countries.

### **Cold -war Relations:**

Soviet Union came into existence in 1917 as a result of the Russian Revolution based on Marxian-Socialist ideology. In accordance with the socialist ideology, right from the beginning, the Soviet Union condemned colonialism and supported freedom struggles including that of India<sup>9,10</sup>. The process of planning adopted by the Soviet Union made it a developed and a powerful state within a few years. India's leaders fighting against British imperialism, and facing the consequences of capitalist oppression were obviously appreciative of both the Soviet support for its freedom struggle and the achievements that country had made. They, therefore, did not share Western countries' apprehensions about communist expansionist designs.

At the time of independence of India the expectation was for development of relationship of cooperation between the two countries, irrespective of differences of ideologies. Hope was strengthened with the Soviet Union formally recognising India as a sovereign State in April 1947, that is, four months before its independence, and establishment of diplomatic relations<sup>11</sup>. However, at the time of India's independence the Soviet Union was under the control of Stalin, who was very rigid in his approach which included the perception that all those who were not communists were against the Soviet Union. India's joining the Commonwealth after independence was projected as India's pro-Western policy. Similarly, India's adoption of non-alignment and its independent stand on certain issues at that time did not please Soviet Union. As such, in 1947, the Soviet Union was quite skeptical about India's independence and its future identity. The situation, however, started changing from 1953 onwards. With the end of the Stalin era, a new Soviet leadership the began to look towards the newly independent Afro-Asian countries as its natural allies. It, therefore, appreciated India's non-alignment. The Soviet leadership realised that India was not suffering from any perceived threat of the spread of communism. In fact, India was resisting the expansion of Western influence into Asian region if it threatened self-determination. India had adopted a policy of non-alignment to address its own security and national concerns. Above all, the Soviet Union realised India's importance as a strategic partner when in 1954 Pakistan joined SEATO and CENTO alliances, and provided a basis to America on Russian borders<sup>12</sup>. As a consequence, the Soviet Union Considered Pakistan as an American client state, advancing and nurturing the US military and strategic interests in the region. From this period onwards relations between India and the Soviet Union started developing very cordially and friendly. One area in which Soviet Union has solidly stood by India was in regard to Kashmir. By 1955 it had clearly taken a pro-India stand and declared unequivocally that Jammu and Kashmir was an integral part of India. As has already been mentioned above in the discussion on Indo-US relations, some other events in international arena and country's responses to them further brought the Soviet Union and India Closer *vis-a-vis* Pakistan and the USA<sup>13</sup>.

Along with strategic relations, gates were opened for trade and economic relations. The beginning was made with the Indo-Soviet Trade Agreement of 1953. It was followed by another agreement in 1955 for the construction of Bhilai Steel Plant. India received economic aid from the Soviet Union at low interest rates and on a long-term basis. An important aspect of trade relations has been the rupees trade. It means that trade was regulated under the rupee agreement under which imports into India were to be paid through export commodities. Transactions involving free foreign exchange were eliminated and the rupee served as an account unit. The trade relations between India and the USSR developed enormously. During the cold war, India's goal was to avoid being drawn into the sphere of influence of the major superpowers. At the same time, India required weapons for its defense, especially after the Chinese aggression in 1962. Indian defense procurement was limited due to budgetary constraints and a scarcity of foreign exchange. Under pressure from Pakistan and for its own

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strategic reasons, the United State provided only limited weapons, that too under conditions prevailing immediately after Chinese aggression. But the Soviet equipment was sold to India on concessional rates and lower rates of interest, and on long-term schedules. During India's war with China, the Soviet Union generally supported India's position. During India-Pakistan war in 1965, Pakistan freely used American weapons, their sophisticated tanks and some of the Chinese weapons against India. Further, the United States' efforts to come closer to China and possibilities of US-Pakistan axis were also a matter of serious concern for India<sup>14</sup>.

The impact of the US-China-Pak axis became clear during the Bangladesh crisis in 1971. It was in this situation that in August 1971 a Treaty of peace, Friendship and Cooperation was signed between India and the erstwhile Soviet Union. This treaty proved to be a deterrent and the USA did not intervene in the war. The 1971 Treaty was the first political treaty concluded by India with one of the superpowers. Many critics observed that it was a deviation from non-alignment, but given the situation and America's direct threat, perhaps it was essential. In India the treaty was universally hailed. Hence, onwards the Indo-Soviet relations continued to develop under all governments in India. So much so that, even at the time of clear indications of the collapse of the Soviet Union, the 1971 Treaty, which was signed for 20 years, was renewed for another two decades in August 1991. In general, India-Soviet Union relations were based on mutual benefit and certain common visions about international politics. Both believed in national freedom and social equality, support to national liberation movements and fight against colonialism, racial discrimination and oppression as a matter of principle. Of course, the military and strategic interest of both the countries played a pivotal role in determining these relations. The same in many ways still continues as the India-Russia relations.

However after the soviet invasion of Afghanistan in 1979, India was also confronted with a dilemma of how to preserve its non-aligned credibility without Jeopardizing its relations with USSR. During the 1980s Rajiv Gandhi journeyed to the Soviet union in 1985, 1986, 1987 and 1989 and achievements to expand economic, cultural and scientific and technical cooperation, both nations signed pacts to boost bilateral trade and provide soviet investment and technical assistance for India's industrial, telecommunications, and transportation projects. In 1985 and 1988 the Soviet union also extends to India credit of 1 billion and 3 billion rubles respectively to purchase Soviet Machinery. Protocols for scientific co-operation signed in 1985 and 1987, provides the frame work for joint research and projects in space science and such high technology areas. The flow of advanced Soviet military equipment also continued in the mid and late 1980s.

So, India had a very good relationship with Soviet union before its disintegration in 1991 and Indo-Soviet Co-operation was poised for great achievements. The deep rooted relationship with the Soviet Union received valuable political, diplomatic and strategic support on vital issues affecting India's national interests. At crucial times, it was Soviet Union that consistently stood by India in international forums on vital issues like Kashmir, Bangladesh and Other issue affecting India's territorial integrity and Sovereignty. India received valuable inputs in areas of industrialization, scientific and technical developments, infrastructure as well as economic front.

### **Post - Cold ward Relations:**

The disintegration of Soviet Union in 1991 and end of cold war brought about a fundamental transformation in the geopolitical map of the world. The most prominent among the successor states of Soviet Union, Russia in spite of inheriting the formidable military might of USSR, suddenly reduced to the position of a regional power. Its predicament was further compounded by economic chaos and political uncertainty at the domestic level. India

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was also faced with difficult task of reorienting its external affairs and forging relations with the Soviet successor. Actually with dissolution of USSR, the ties between India and Russia wavered during the 1990s. But soon both the nations ascertain their position in the emerging post-cold war international order based on neoliberal principles.

In 1993 India and Russia redefined their relationship according to post -cold war realities, 1971 treaty was replaced with the new trend of Friendship and cooperation which dropped security clauses. Yelstin in his Delhi visit described India and Russia as 'natural partners. But It was only with the arrival of Valdmir Putin on the scene and increasing economic and political stability in Russia that the threads of old friendship were pickled up again." The first major political initiative since the collapse of the Soviet Union between India and Russia began with the strategic partnership signed between the two countries in 2000. President Valdmir Putin stated in the Hindu, "The Declaration of strategic partnership between India and Russia signed in October 2000 became a truly historic step." Since then Indo-Russian Relations has been a key pillar of India's foreign policy. Indo-Russian collaboration developed tremendously in different sectors<sup>15,16</sup>.

Area of collaboration between the two countries are described by the then Prime Minister of India Man Mohan Singh during the March 2010, visit of Putin as the Prime Minister in the following terms.

"Relations with Russia are very pillar of our foreign policy and we regard Russia as trusted reliable strategic partner. Ours is a relationship that not only stands independent of any other, but whose significance has grown over time. Our partnership covers areas such as defense, civil nuclear energy, space and technology, hydrocarbons and trade and investment." Anti- terrorism cooperation and space are also important areas of their cooperation.

Both countries closely collaborate on matters of shared national and interest these included at the UN, BRICS, G20 and SCO, Russia also supported India receiving a permanent seat at the UN Security council. Russia has baked India joining the NSG and APEC. Moreover it has also expressed interest in joining SSARC with observer status. The India- Russia Inter-Governmental commission (IRIGC), the Indian -Russia Forum on Trade and Investment, the Indian-Russian Business council, the India-Russia Trade, Investment and Technology Promotion council and Indo-Russian chamber of commerce are the bodies that conduct and review the relation between the two countries.

India and Russia have several major joint military programmes including.

- BrahMos cruise missile programme
- 5th generation fighter jet programme
- Sukhoi Su-30MKI programme (230+to be built by Hindustan Aeronautics)
- Ilyushin/HAL Tactical Transport Aircraft
- KA-226T twin- engine utility helicopters
- some frigates Additionally, India has purchased/ leased various military hardware from Russia:
- S-400 Triumf
- Kamov Ka-226 200 to be made in India under the Make in India initiative.
- T-90S Bhishma with over 1000 to be built in India
- Akula- II nuclear submarine (2 to be leased with an option to buy when the lease expires)
- INS Vikramaditya aircraft carrier programme

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- Tu-22M3 bombers (4 ordered, not delivered)
- US\$900 million upgrade of MIG-29
- MII MI-17 (80 ordered) more in Service.
- Ilyusin II-76 Candid (6 ordered to fit Israeli Phalcon radar)
- The Farkhor Air Base in Tajikistan is currently jointly operated by Indian Air Force and Tajikistan Air Force.

So the two countries seek stronger ties in military sector. The Kremlin keeps its competitive else and remain the largest supplier of weapons to the Indian market.

The previous year was a breakthrough in bilateral relations for Moscow and New Delhi. Both nations experienced impressive 22 percent growth in trade and boosted cooperation in a number of spheres ranging from agriculture to energy to pharmaceuticals. Earlier, Russia's largest oil producer, Rosneft, closed a \$ 12.9 billion purchase of India's largest private oil refiner, Essar Oil, which marked one of the biggest foreign investment in India. New Delhi likewise the major guest country of the St. Petersburg International Economic Forum (SPIEF) in 2017, Russia's top national forum for international cooperation, and hosted the pavilion titled "Make in India" along with Modi's participation in a plenary session next to Putin.

Annual summits since 2000 between the two in each other country are special occasion for mutual understanding and development of ties. P.M. Narendra Modi visited Russia for the 18<sup>th</sup> Annual summit in June 2017. The visit of Indian Prime Minister Narendra Modi to Russia also marked the 70th anniversary of the establishment of diplomatic Relation between India and Russia on 13 April, 1947.

The previous calendar year was marked by a rare feat: the Indian defense Minister and National Security advisor each visited Russia twice. This year too Indian Defense Minister has visited Russia twice so far.

### **Irritants in indo-russia co-operation in present context**

- Russia downgrading its military-technical relationship with India from that of an exclusive partner to a preferred partner.
- Such pragmatism should come as no surprise given that India has diversified its own military import portfolio and no longer considers Russia as its exclusive trading partner.
- Russian military export overtures towards Pakistan are now perceptible. In a noteworthy development, Russia recently decided to supply *Mi-35 Hind* attack helicopters to Pakistan. Prior to this, Moscow had refrained from supplying lethal military equipment to Pakistan on account of New Delhi's strained relationship with Islamabad-the legacy of this Indo-Russian military exclusivity can be traced all the way back to the Indo-Soviet Treaty of Friendship, Cooperation and Peace of 1971.
- Consequently, the Pakistan deal caught many geo-political commentators by surprise; some, like Pavel Felgenhauer, have even gone so far as to call it an "important, key change in Russian policy in the region."
- Conscious of Indian sensitivities, Russian diplomats have been quick-perhaps to point out that the negotiations are part of an "ongoing cooperation with Pakistan in the field of defense and counter-terrorism."
- But the 123 Agreement that India signed with the U.S. and Russia's share of military sales to India is now in steady decline. In consonance with India's enhanced geopolitical status and strategic rapprochement with the U.S., New Delhi has found new partners in the West.

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- Russia's increasing bond with China also to some extent brings strain in Indo-Russia relations.
- India conducts more military exercises with US than any other country.
- The Chinese arms industry is known for reverse engineering foreign-origin military hardware and has already burned Russia in the past when it acquired a small number of Russian Su-27 Flanker jets and then reverse-engineered the J-118 aircraft.

Apart from these, when India was trying to isolate Pakistan internationally Russian sent its troops for joint training in Pakistan. India is also perceived to be moving closer to US as relationship with US is based on larger commerce and technology transfer. US also has the dour to push India's case at the NSG and other regimes. Also, India has not criticized Russia's role in Crimea and Syria but it has also not come in open support. Between 2013 and 2017, Russia accounted for 62% arms sales to India, down from 79% between 2008 and 2012.

## CONCLUSION

In the changing dynamics of international politics set in motion by the end of the cold war and break up of the Soviet Union in 1991, there were paradigm shift's in the nature of relations among countries. India and Russian Federation how even were soon able to find a new basis for re-establishing their close and friendly relations. Within a span of decade Indo-Russian relations have evolved into a strategic partnership. Except for a brief period in early 1990s India's relations with Russia have been based on mutual trust and confidence. In the mid 1991 relations were restored to respectable levels which have been further strengthened since the signing of their strategic partner in 2000. Currently the main pillars of this relationship are strategic. Commerce, defense ties, nuclear partner and hydrocarbons. The major challenge for India and Russia is how to sustain this relationship in the absense of dynamic commercial ties. Future bilateral economic relations will depend on Russia's importance to India's development needs and vice versa. In the pre-cold war period USSR played an important role in India's industrialization process. Now in neoliberal era Russia-India Partnership has experienced an upward trend in the past years, Russian president Vladimir Putin and Indian Prime Minister Narendra Modi enjoy cordial relations, meet regularly hold telephones conversations, and see to boost further bilateral trade. Although the official presentation of mutual ties seems cloudless, fundamental shifts happening behind the curtains.

In recent times there has been difference of opinion between India and Russia over how to stablise Afghanisatn and Pakistan's support to Taliban. Russian infact backs Pakistan to plan an enabling role to negotiate Afghanisatan. India is also perceived to be moving close to U.S. Overall the present status is being dictated more by the international relations in which US sanctions on Russia are making Russia's move closer to China. US Pivot to Asia making China Seek Russian Support. Now china has pulled Russia in its camp and Pakistan is already there. This leaves India perplexed because China/Pak are enemies and Russia was a hope who could reach in no time for help but now with its own national interests conflicting. Russia may just stay silent. India's traditional ties with Russia dating back to the days of Soviet Union have been complicated by Moscow growing economic and political alliances with china and Pakistan. India has also conveyed to Russia its unhappiness over military cooperation with Pakistan.

But still India- Russia relations remain vital for both countries a mind changing regional and global security environment as ahead of 18<sup>th</sup> summit of India and Russia between Prime Minister Narendra Modi, Russia President Vlidimir Putin and Indian

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Ambassador Pankaj Saran said "Our Relation with Russia is on a different pedestal and we have a full agenda between us that is important to both of us. We have clear understanding of our core concerns and vital security interests." Surely there are problems that the two countries need to address.

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