

The Changing Face of Russia-South Asia Relations

Russia is broadening its relations with South Asia, as illustrated in the recent visits by Pakistan's President Musharraf to Russia and Russia's President Putin to India. Russia's long-standing ties with India are still driven by important defense links and shared hopes to create a multipolar world. Both countries are trying to breathe new life into their much-diminished economic relationship. Russia's new interest in Pakistan is driven largely by concerns about Islamic extremism and Central Asia. At a time when Russia's priorities are to a large extent internal, South Asia is a relatively accessible area for engaging in global geopolitics, but Russia is unlikely to become a major player in India-Pakistan diplomacy in the next few years.

Russia-India—Old Friends, New Focus: India and Russia share a long friendship, marked especially by strong political and defense ties. They keep up a brisk pace of high level contacts: President Putin has visited India twice in two years, and Yashwant Sinha, India's external affairs minister, is soon to visit Moscow.

The Military Foundation: Defense relations still drive the Indo-Russian relationship. Russia is India's biggest supplier of defense equipment, and India is the cash-strapped Russian defense industry's biggest customer. India is the only country with which Russia is engaged in the joint development and production of high tech, very complex weapons systems. In October 2000, Russia and India finalized defense deals worth \$3 billion for 140-150 Su-30 multi-role fighters, and 310 T-90S main battle tanks, with payments and deliveries spread over five years. In January 2002, the Indian Air Force (IAF) added stealth modifications to its \$340million program to upgrade 125 of its MiG-21bis fighters to MiG-21-93 standard. More recently, defense ties have also expanded to include joint research, design, development and co-production. India is set to acquire the Krivak class missile frigate this month. Indian and Russian flotillas conducted their largest-ever, 15-day-long war games in the Arabian Sea last month. Indo-Russian cooperation has gone offshore with the joint production of the Su-30 MK 'I' fighter jet by India under Russian license for sale to Malaysia in April 2002.



Energy cooperation is growing. In February 2001, India's state-owned oil and gas company ONGC Videsh Ltd. (OVL) and

the Russian state owned Rosneft Company signed an

agreement providing for Indian investment in the Sakhalin oil and gas fields in Far East Russia. OVL has acquired a 20% stake from Rosneft in the Sakhalin-1 offshore project and is expected to invest \$1.5-\$2.0 billion in the project over the next five years, with oil and gas production scheduled to begin in 2005-2006. Civil nuclear cooperation has also been important, especially since U.S. law and policy place this field off limits for U.S. companies. Russia plans to construct two nuclear power reactors in India's southern state of Tamil Nadu.

Changing Political Focus: During the long Cold War years, India was able to count on Russian diplomatic support. Russia accepted India's position that Kashmir was part of India, and backed a wide variety of Indian positions, a favor India reciprocated. The end of the Cold War made some of this diplomatic log-rolling obsolete, and Russia's reduced global profile and need to focus on its internal development have made Russia a less important player in international disputes. But Russia's continuing political backing for India was best illustrated when Putin publicly backed Indian permanent membership in an expanded United Nations Security Council during his last visit to Delhi. Russia and India also signed a Declaration on International Terrorism on November 2001. Not stated but implicit in the declaration is India's and Russia's common concern with Islamic extremism, in Kashmir and in Central Asia.

With the end of the Cold War, India's priorities shifted to closer relations with the United States. President Clinton's March 2000 visit to the subcontinent reflected a U.S. effort to pursue similar close ties. Since then, the most dynamic area of cooperation between the Indian and U.S. governments has been defense cooperation. This has not impaired Indo-Russian defense ties, however. Established supply relationships and lower Russian prices give Russia a continuing edge in military supply. And like their Russian counterparts, India's leaders continue to see a multipolar world as the ideal state of affairs. This adds to the importance that India places on its ties with countries that could be seen as counterweights to U.S. power.

Weak Economic Base: India's strong defense and political relations with Russia rest on a remarkably thin economic foundation. Bilateral trade in 2002 stood at about \$1.4 billion, with Russia buying only 2 percent of India's exports. This compares with over \$4 billion in two-way trade before the end of the Cold War, with Russia accounting for 16-18 percent of India's exports. This sharp decline reflects the political and economic uncertainty in Russia after the collapse of the Soviet Union, and the transition by both countries to more market-

oriented economic policies in the early 1990s. Another factor is the demise of the Cold War-era ruble-rupee arrangement, in which India had paid for defense equipment, oil and some nuclear expertise with exports of Indian goods at a negotiated exchange rate.

Both countries are trying now to expand economic ties, betting on accelerated economic growth to create more economically meaningful trade. They plan to improve transport and infrastructure, overhaul customs and ease visa regulations for corporations. In May 2002, the two countries brought into force an agreement establishing a sea-land corridor linking India, Iran and Russia. The new corridor is intended to move goods from India by sea to Iran, and then via Iranian roads and the Caspian Sea to Russia, highlighting the strategic significance of the energy-rich Caspian Sea region. Some of the industries identified by both countries to initiate joint ventures include banking, biotechnology, space exploration, education and entertainment. Energy can be expected to play a central role in future Indo-Russian economic ties. But for the next decade at least, Russia will remain a relatively minor economic partner, well behind the United States, Europe, Japan, and even China.

Pakistan-Russia—A New Opening: President Musharraf was the first Pakistani leader in 33 years to visit Russia. Relations between the two countries have long been strained because of close Russian ties with India. Soviet intervention in Afghanistan and Pakistan's key role in supporting the Mujahideen resistance with U.S. support also put them sharply at odds. The end of the Cold War changed the context, but did not resolve the mutual suspicion. The U.S. war on terrorism and the new U.S. interest and presence in Central Asia has heightened Russia's desire to influence developments south of that critical region. On Pakistan's side, the driving force behind the effort to improve relations with Russia is its desire to blunt the effect of Russia's close ties with India.

Focus on Terrorism: Although expansion of economic relations was the stated goal in Musharraf's February meeting with Putin, terrorism and Central Asia are clearly the guiding force in their relationship. Pakistan saw the war on terror and its own changed policy in Afghanistan as an opportunity to change its relations with Russia, which despite the post-Soviet turmoil remains an important player in world politics. Musharraf's public acknowledgement of Russia's concern that Chechen fighters had been allied with the Taliban in Afghanistan, and his reassurance that they would not find sanctuary in Pakistan, must have pleased his host. Musharraf's meetings in Moscow opened up a long-dormant dialogue, but they did not result in any major change in Russia's policy either toward India-Pakistan relations or toward Islamic extremism.

Economic ties remain very weak. Last year trade between Russia and Pakistan was only \$100 million. Musharraf stressed that Pakistan would like to encourage exports of traditional manufactures and farm produce to Russia and at the same time have Russia invest in oil, energy, and gas production sectors in Pakistan. Unspoken but important in this

calculation is Pakistan's hope that robust relations with the newly independent Muslim countries of Central Asia will provide it with "strategic depth," in its political relations if not in the strictly military sense.

View from Moscow: Russia's policy in South Asia is largely issue-driven and not determined by a comprehensive overarching South Asia policy. But the region is strategically important to Moscow both because of the region's proximity to the former Soviet states on its southern periphery, and because India-Pakistan hostility is a potential threat to stability in the region.

Russia's one effort to broker an India-Pakistan agreement took place in 1966, when a Russian-hosted conference in Tashkent essentially restored the status quo between India and Pakistan from before their 1965 war. In June 2002, as tensions escalated again between India and Pakistan, President Putin took credit for helping to defuse the crisis. Today, Russia has again offered its good offices to both countries. On all three occasions, Russian and U.S. policy have been in close alignment. There is little evidence, however, that South Asian peacemaking is likely to become a major facet of Russian foreign policy, or that Pakistan would welcome Russian involvement.

Moscow's principal strategic worry is the threat of Islamic extremism spilling over into Central Asia and affecting Islamic populations in Russia. Russia views Pakistan as a key part of this problem, and wants to prevent Pakistan-based Islamic groups from undermining Russian efforts to deal with terrorism in Chechnya and control strategic areas of Central Asia.

Impact on the United States: The United States has become the most influential external power in South Asia, but Russia remains a very important friend for India, and China for Pakistan. The end of the Cold War has dulled the competitive edge that used to affect policymakers in Moscow, Beijing and Washington. All three outside powers share some basic priorities with respect to the region: they are eager to avoid an India-Pakistan war, and are concerned about terrorism radiating outward from Afghanistan, Pakistan and Central Asia. But U.S. policymakers have been far more concerned about India-Pakistan conflict in the past decade than their counterparts from Russia or China. Similarly, concern about "nuclear leakage" from the subcontinent has been primarily a U.S. issue. Russia and China, for their part, probably see South Asia as a region where their own global roles can blossom, placing some limits on how freely the United States can extend its influence as the world's sole superpower. In short, well-coordinated policies by these three key outsiders could have a positive impact on the region, but they may prove difficult to sustain for any length of time.

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