



VIVEKANANDA INTERNATIONAL FOUNDATION

Monograph

Russia, Europe and The United States: Emerging Power Play

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About the Author



Dr. Harinder Sekhon is a Senior Fellow at the Vivekananda International Foundation and has over three decades of research, writing and teaching experience on various aspects of Indo-US relations, US policy and strategy in Asia and regional security challenges in South and East Asia.

From 2004 till 2013, she was Senior Fellow, US Studies Programme at the Observer Research Foundation, a New Delhi based Public Policy Think Tank. Before that, Dr. Sekhon worked as an Intelligence and Strategic Analyst with the National Security Council Secretariat, Government of India for two years and was engaged in data analysis and preparing assessments on strategic issues for policy implementation by the Government of India.

Dr. Sekhon was Associate Professor of History at MCMDAV College for Women, Chandigarh from 1986 till 1998 and was a Post Doctoral Research Fellow at the Centre of Contemporary Studies, Nehru Memorial Museum and Library from 1999 to 2001. She has authored three books: *Garland Around My Neck: The Story of Puran Singh of Pingalwara*, published by UBS Publishers, New Delhi in 2001, *Five Decades of Indo-US Relations: Strategic and Intellectual* published by UBS Publishers, New Delhi, in 2002, and *India and the United States: Breakthroughs, Prospects and Challenges Ahead* published by Macmillan India in 2008.

She has presented research papers at several national and international conferences and writes frequently for academic journals and several newspapers on her area of study. She appears frequently on numerous TV channels on panel discussions pertaining to her areas of specialization.

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Russia-Europe & US Post Ukraine

Foreword

Against the backdrop of the Ukraine crisis and the military airstrikes in Syria, the West has come to view Russian foreign policy as unpredictable, assertive and revisionist. The West feels that not only was Russian action in both cases hasty and unwarranted, but that its response was disproportionate to the risk posed to Russia's national interests. Syria and especially Ukraine are seen as a distinct variation in the trajectory of Russian foreign policy in recent years though in reality, the crisis in Ukraine is part of a continuing pattern that began in 2008 when Russia attacked Georgia. Russia's conflict with Georgia marks the beginning of its policy to advance its own geopolitical goals in its near- abroad by intervening in the former Soviet Republics to thwart Western plans of encircling Russia through various means like NATO expansion and deployment of ballistic missiles on its periphery.

A closer examination of the geopolitical reality shows that both Russia and the West are hostages to the fragility of the post-Soviet space as many of the erstwhile Soviet Republics are so weak and faction-ridden that they can collapse even without outside interference. Such a crisis like situation and political vacuum, therefore, naturally causes concern both in Russia and the West. While Russia naturally seeks to secure its neighbourhood through political dialogue, or even military intervention, when it feels a situation warrants such an action, the West feels the necessity to intervene on the pretext of "democracy promotion" in these countries. Both sides must ideally introduce prudence and caution in their conduct but this is something that does not seem likely at the moment as sanctions against Russia have been extended until January 2017.

This therefore, is a timely and meticulously researched monograph that examines Russia's overarching security concerns at the turn of the century and the causes that led to its economic and political collapse. It analyses the role of the main players, mainly Russia's relations with the United States in the years after the disintegration of the Soviet Union, and provides a brief over view of the factors leading to the emergence of Russia's 'red lines' in the region.

This study also explores the reasons for Russia's new assertiveness, fuelled to an extent by its international isolation and the imposition of Western backed sanctions following its military intervention in Ukraine. Besides impacting power-play in Eurasia, these events have global implications elsewhere as has been witnessed in Asia. Russia's Asia pivot has become more visible since the Ukraine crisis and China has emerged as a major player in its economic development and strategic plans. What is unfolding is a deeper partnership that includes, besides energy cooperation and pipelines, collaboration in diverse areas spanning trade,

infrastructure development and defence. Putin's vision of Russia's integration into "greater Europe" seems to be gradually getting replaced by a "greater Asia" with the goal of building an economic corridor from Shanghai to St. Petersburg. This is something that complements the Chinese "One Belt One Road initiative", through which they are seeking a stronger foothold in Central Asia, thereby signaling a greater competition with the United States.

While the crisis in Ukraine is largely a European problem, in an increasingly globalised world, there can be grave consequences for all and more so for an emerging player like India that has close historical ties with Russia and now an emerging partnership with the United States. Any military standoff between the two adversaries of the Cold war era has the potential to polarize the world once again on the same lines as the Cold war period.

Therefore, strategically, it is in India's interest that a balance is maintained in Europe between Russia and Europe/NATO. Russia's weakening affects the international balance of power negatively for India, while strengthening the position of China significantly, something that concerns us. These multiple factors that are shaping the new geo-political environment are thoroughly analyzed and lucidly put together in this timely publication that comprises four main sections:

- (1) Russia, the US and the West: the Post Soviet Years
- (2) The Putin Years
- (3) Emerging Realignments in Eurasia: Russia and China
- (4) India and Russia

I will like to convey my compliments to the author, Ms. Harinder for a very comprehensive work.

New Delhi
Date 22 July 2016

(General NC Vij)
PVSM, UYSM, AVSM
Director VIF
Former Chief of the Army Staff
&
Founder Vice Chairman, NDMA

Russia, Europe and The United States: Emerging Power Play

On March 18, 2014, Russian President Vladimir Putin addressed State Duma Deputies, Federation Council members, heads of Russian regions and civil society representatives in a historic speech at the Kremlin. He justified his reasons for the annexation of Crimea on the basis of a referendum that was “held in Crimea on March 16 in full compliance with democratic procedures and international norms.... More than 82 percent of the electorate took part in the vote. Over 96 percent of them spoke out in favour of reuniting with Russia. These numbers speak for themselves,”¹ he said. As a result, Russia’s relations with its European neighbours and the United States descended to their lowest level since the Cold War. While Ukraine continues to simmer, Putin has stepped up his international involvements with a vigorous military intervention in Syria forcing the US and the West to re-examine its Russia policy and craft a suitable response to the Russian challenge.

Russia has bolstered its military and asserted itself on the world stage with a forcefulness not seen since the Cold War after its annexation of Crimea in March 2014. Russia has increasingly either entered or skirted the airspace of other countries, including the United States, since then and also increased its military budget by over \$ 11 billion during 2014-2015. It has taken steps to modernize 70% of its military by 2020 through technological development, upgrade and acquisition of defence hardware ² and is reported to have laid out an ambitious mechanism for the mobilization of more than 100,000 troops, besides unannounced exercises that will move thousands of troops with ‘almost no notice.’ Russia is also renovating its bases in the Arctic and building new ones “as it seeks to exploit and defend maritime trade routes and oil and natural gas resources in areas made more accessible by melting ice.”³

The invasion of Syria was the most audacious act of overseas military deployment by Russia since the fall of the Soviet Union, an act that caught NATO and the West off guard. After Russian action in Ukraine, there was

¹ For full text of speech see, <http://en.kremlin.ru/events/president/news/20603>

² The Economist, 24 May 2014, *Putin's New Model Army*, available at, <http://www.economist.com/news/europe/21602743-money-and-reform-have-given-russia-armed-forces-it-can-use-putins-new-model-army>. Accessed on 10 March 2016.

³ Catrin Einhorn, Hannah Fairfield & Tim Wallace, Will this be Russia’s Year? *The Indian Express*, New Delhi, December 28, 2015.

apprehension that this act would further increase tensions between Russia and the West. It was a chance that Putin took to guarantee Assad's survival but justified it as being necessary to save Europe from the stranglehold of the ISIS and the consequent migrant crisis. The gamble has obviously paid off and though the West still sees Russia's acts as brazen attempts to provoke the US and NATO, this bold step by Putin in the face of dithering by the US, has boosted Putin's popularity at a time when Russia faces serious economic challenges due to sanctions imposed after its conflict with Ukraine and dropping oil prices, and the West has grudgingly accepted the practicality of Putin's swift action in Syria. While the US and its European allies seem to find merit in NATO coordinating with Russia in an effort to destroy the Islamic state and stem the flow of refugees from Syria, Moscow's Syria gamble is a risky venture and will need sustained coordinated diplomatic, military and political support from Washington as has been demonstrated by the recent Syrian ceasefire that came into effect in February 2016.

Soviet Union ceased to exist twenty-five years ago but tensions between Russia and the West have remained high despite the end of the Cold War. The West still seems to be struggling to come to terms with the reality of a post-Soviet Russia and is not clear how to craft its policies towards a Russia that seeks to "regain its lost prestige" under Putin. This work therefore seeks to examine Russia's trajectory and Western attitudes toward Moscow and analyze the reasons for Russia's new assertiveness and the global implications of this emerging power play in Eurasia. The work also evaluates the impact of these strategic developments and factors leading to Russia's Asia pivot, the role that Asia, and more especially China now play in its economic development plans. The last section assesses Russia's efforts to balance its strategic partnership with China by cultivating equally strong links with other East Asian nations and taking steps to reboot India-Russia relations.

Russia, the US and the West – the Post Soviet Years:

During the first decade of the post-Cold War period, relations between Washington and Russia were on the whole cordial. The HW Bush administration understood the merits of treating Russia with respect during its difficult period of transition following the implosion of the Soviet Union and avoided any "public triumphal rhetoric," a policy that was continued by Bill Clinton. For the Clinton administration, resetting the trajectory of US – Russia relations "became one of the defining themes of his eight years in

office.”⁴ In Russia this was the era of Boris Yeltsin who had had a meteoric rise to power as a chosen prodigy of Gorbachev, whom he ironically later deposed. Yeltsin had been a Politburo member of the CPSU during the 1980s but resigned in 1987 due to certain political differences with his mentor, Gorbachev. In May 1990 Yeltsin contested the elections for the Russian Federation or the Russian Soviet Federative Socialist Republic (RSFSR) Parliament. He won the election and was elected Chairman of the Presidium of the Supreme Soviet (parliament) of RSFSR, a post equivalent of the President of the Republic. As Chairman, Yeltsin amended the RSFSR Constitution, declared sovereignty, and called for direct elections for President of RSFSR. In the elections held on 12 June 1991, Boris Yeltsin, won with a handsome margin and secured about 60% of the vote.

The emergence of a “sovereign” Russia, under an independent [non-Communist] President were the principal factors that Yeltsin stare triggered a coup attempt in August 1991 by traditionalist communist leaders; Yeltsin defeated the coup attempt by addressing the Army from atop a tank in Moscow and asking them not to fire on its own people. This iconic moment in Russian history gave Yeltsin legitimacy throughout the country that made him undisputed leader, enjoying power and popularity that Gorbachev could not match. Towards the end of 1991, he, together with the leaders of Ukraine and Belarus announced their secession from the USSR, which then became a hollow shell, since the three were the Slavic heart of the USSR and accounted for some 70% of the total population of the USSR. Gorbachev recognised the inevitable, and announced not only his own resignation as President of the USSR, but also the dissolution of the USSR. Yeltsin also encouraged the independence to the other nations of the Soviet Union by declaring the creation of the Commonwealth of Independent States (CIS) comprising ten former Soviet Republics and replaced Communist Party rule with multi-party democracy and the socialist economy with a liberal market economy. In a short period, he had succeeded in becoming the first popularly elected leader in a thousand years of Russian history. He had blocked violent attempts at counter-revolution and overcome powerful resistance to his reform program. All of this went down well with Washington, which saw Yeltsin as the architect of a new liberal western oriented Russia. During the seven years both were in office, Clinton and Yeltsin met eighteen times, nearly as often as their predecessors had met throughout the entire Cold War.⁵

⁴ Angela E Stent, *The Limits of Partnership – U.S. – Russian Relations in the Twenty-First Century*, Princeton University Press, New Jersey, 2014. P 14.

⁵ US Department of State, Office of the Historian, *Milestones: 1993-2000*. Available at, <https://history.state.gov/milestones/1993-2000/clinton-yeltsin>. Accessed on 10 March 2016.

Practical considerations shaped Washington's policy towards Russia during the early post Cold War years. Of primary concern to The US was the future of the over eleven thousand strategic nuclear weapons and more than fifteen thousand tactical or battlefield nuclear weapons in the Soviet nuclear arsenal.⁶ US efforts were directed at securing Russia's own nuclear stockpile and seeking its assistance in denuclearizing the newly independent non-Russian post Soviet states – Belarus, Ukraine and Kazakhstan – through a series of arms control agreements with Russian cooperation that often strained relations between the two in an otherwise amicable phase in their association by bringing Russia's historical insecurities to the forefront. The US, for its part, had three main fears: the danger of jobless Soviet scientists seeking employment with states and even non-state actors on the lookout for acquiring their own nuclear capability; chances of theft of unsecured nuclear materials from erstwhile Soviet facilities; and, illicit technology transfer.⁷

One of the earliest negotiated settlements, the Lisbon Strategic Arms Reduction Treaty (START), was signed in May 1992. US Secretary of State, James Baker, and the foreign ministers of Russia, Ukraine, Belarus and Kazakhstan mutually agreed that Russia would remain the only post-Soviet nuclear state while the other three would become nonnuclear “in the shortest time possible” and accept the nuclear Nonproliferation Treaty. The United States and Russia had earlier signed a START protocol agreement in July 1991, whereby both powers agreed to mutually reduce their stockpile of strategic nuclear weapons.

Another major achievement during the Bush administration was the enactment of the Nunn-Lugar Act in November 1991 that established the Cooperative Threat Reduction Program⁸. It was funded by a \$ 1.27 billion grant from the US Department of Defence “to help the states of the former Soviet Union handle responsibly weapons of mass destruction,”⁹ and signed into law by President Bush in December 1991. It was an innovative programme that was designed to secure the nuclear stockpile of the former Soviet states, provide technical support for the dismantling of weapons of mass destruction and also help support unemployed scientists and help them find proper employment in Europe and the US. However, the

⁶ Angela E Stent, p. 9.

⁷ Ibid.

⁸ For details see, Paul I Bernstein and Jason D Wood, *The Origins of Nunn-Lugar and Co-operative Threat Reduction*, Case Study of the Centre for the Study of Weapons of Mass Destruction. National Defense University, Washington, DC, April 2010.

⁹ See “Changing Threats in the Post - Cold War World,” speech by Senator Sam Nunn at the Monterey Institute of International Studies, August 20, 1995.

programme suffered due to American bureaucratic hurdles. The US also failed to rush adequate economic aid and humanitarian assistance to an economically bankrupt Russia that faced critical food shortages in the first year of its existence after the Soviet break up. According to Yegor Timurovich Gaidar a Russian economist, politician, and author, who also became the Acting Prime Minister of Russia from 15 June 1992 to 14 December 1992, "Everything was in a terrible, unbelievable mess. We had no money, no gold, and no grain to last us through the next harvest – it was like traveling in a jet and you go into the cockpit and you discover that there's no one at the controls."¹⁰ Though there were calls for putting together a comprehensive aid package for Russia, budgetary constraints limited US financial assistance at a critical juncture of Russia's transformation causing disillusionment and Yeltsin's eventual estrangement with the United States.

Russia's honeymoon with the West and especially the United States did not last beyond the mid 1990s. Boris Yeltsin felt betrayed by the Clinton administration's bombing of Serbia during the war in Kosovo without authorization from the United Nations. This unilateral action by the Americans was in complete disregard of Russian sentiments and its old ties with the Serbs. Another issue was the matter of NATO expansion that became a reality in July 1997, when the West under American leadership, ignored Russian concerns and issued a notification to incorporate the three former Eastern Bloc countries – Hungary, Poland and Czech Republic – and the Baltic States – Estonia, Lithuania and Latvia – into NATO thereby practically deploying NATO forces on Russia's borders. The fear of losing its territorial integrity and eventually sovereignty began to haunt Russia as it became increasingly uncomfortable with "Washington's arrogant belief in its unilateral right to intercede wherever and whenever it chose."¹¹

Throughout the Clinton administration, U.S.-Russian relations were entangled over how to address the challenges of European security. During the Cold War, with the two sides organized on opposite sides of the Iron Curtain, the United States and its Western European allies established the North Atlantic Treaty Organization (NATO) in 1949; and in 1955, the Soviet Union and its Eastern European allies established the Warsaw Treaty Organization as a counter to NATO. When the Warsaw Pact formally disbanded in February 1991, there was an intense debate amongst NATO on how to adapt itself to the realities of post-Cold War Europe. Discussions

¹⁰ Yegor Gaidar interview in Daniel Yergin and Joseph Stanislaw, *The Commanding Heights* (New York, Simon and Schuster, 1998), pp 280-281.

¹¹ Gregory L Freeze, ed. *Russia – a History*, Oxford University Press, Third Edition, 2009. p. 485.

included a proposal to expand membership to include not just the former Soviet breakaway republics but also Eastern Bloc countries that were under the Soviet sphere of influence.

NATO debates became more urgent with the outbreak of war in the former Yugoslavia, in particular, Bosnia-Herzegovina in April 1992. In an effort to address concerns in Warsaw, Prague, and other capitals of East Europe—without at the same time unduly raising concerns in Moscow—NATO formally agreed in January 1994 to establish the Partnership for Peace, which in effect created a roadmap that assured membership for nations joining the organization, without extending the security commitment of the alliance. Russia joined the Partnership in June 1994. Despite this agreement on paper, events on the ground increasingly threatened to undermine bilateral relations.

Marginalized by the US and the West, from the mid 1990s Yeltsin increasingly turned his attention to the former Soviet republics – the near abroad – and took steps to foster closer economic and political links with these ‘fraternal republics’ as they were called. Moscow also began to take keen interest in the fate and welfare of the over twenty-five million ethnic Russians who lived in these former Soviet republics and made occasional appeals for protection from Russia. Safeguarding the interests of Russian ethnic minorities “raised delicate border issues, as in the Crimea, which Khrushchev had ‘given’ to Ukraine in 1954 but which had a Russian majority that identified with Moscow, not Kiev.”¹² The growing threat of Islamic fundamentalism in the region, especially in Chechnya was a major worry to Moscow while the US felt that Moscow had a tendency to exaggerate the threat of Islamic radicalism “in order to refurbish its leadership and influence in the newly independent states of the Caucasus and Central Asia.”¹³

Clinton objected to Russian military intervention in the autonomous region of Chechnya, including the siege of Grozny, which began in January 1995; and Yeltsin objected to U.S. military intervention in Bosnia, including NATO airstrikes in September. The Dayton Agreement, which ended the Bosnian War in December, and the Khasavyurt Accord, which ended the First Chechen War in August 1996, did not resolve growing tensions between the two countries. At its meeting in Madrid, July 1997, NATO formally invited three former Soviet satellites—Poland, Hungary, and the Czech Republic—to join the alliance; and in March 1999, less than two weeks after their

¹² Gregory L Freeze, ed. P. 486.

¹³ Ibid.

membership became effective, NATO began to bomb Serbia, Russia's ally, in an effort to end its military operations in Kosovo. Yeltsin denounced but could not deflect either development. Likewise, Clinton could do little but protest five months later as Russia began a massive bombing campaign in the Second Chechen War.¹⁴ Thus towards the end of the Yeltsin era, relations between Russia and the United States had deteriorated to such an extent that when Clinton and Yeltsin met in Istanbul in November 1999 at the summit of the Organization for Security and Cooperation in Europe (OSCE), the camaraderie that the two leaders once had was gone and they were barely civil to each other at what was to be their last meeting.

A beleaguered Yeltsin was confronted with another major crisis at this time - the specter of a virtual economic collapse challenged Russia. A critical factor of Russia's economic decline had been its poor tax collection mechanism that was exploited both by Russian citizens and business enterprises. People also took advantage of Yeltsin's partiality towards certain influential individuals and corporate groups with whom he made special financial deals which in a way "legalized" tax evasion as people gradually simply refused to pay taxes and in 1997 only 16 percent of the taxpayers paid their dues in full while over 34 percent paid nothing. This gave way to rampant corruption and even organized crime and tax collection "came to resemble civil war" where tax officials faced physical assault and violence. Government revenues declined sharply and by the late 1990s dropped to a mere 16 billion dollars, equivalent to just one percent of US treasury revenues. During the same period, Russia's GDP dropped a staggering 43 per cent, something which the Soviet Union did not have to contend with even during World War – II, when its GDP declined by 24 per cent. As tax revenues nose-dived, the state was forced to cut back on basic essential services like public health, education and even national defence that had a devastating impact on its military industrial complex and the preparedness of Russian armed forces. Boris Yeltsin's government resorted to desperate financial measures to retrieve the situation but he received a further blow due to the East Asian financial crisis in August 1998 and the price of Russian oil fell from 18 dollars a barrel in 1997 to 11 dollars a barrel in 1998 – a drop of 39 per cent.¹⁵

In August 1998, Russia defaulted in its loan repayment to the IMF and this precipitated a downward economic spiral from which Yeltsin never

¹⁴ For details, US Department of State, Office of the Historian, Bill Clinton, Boris Yeltsin, and U.S.- Russian Relations, available at, <https://history.state.gov/milestones/1993-2000/clinton-yeltsin>, accessed on 13 March 2016.

¹⁵ Gregory L Freeze, pp. 470-484.

recovered. His liberal policies, so very popular at one time, now appeared to be a complete fiasco and Yeltsin took the blame even though a lot of Russia's problems were inherited from the Soviet era and therefore much beyond his control. The Soviet Union had collapsed because "ethnic separatism, economic decline and political paralysis were severe problems"¹⁶ even before Yeltsin came to power. His neoliberal ideas and surmounting domestic and international pressures only made things messier.

Yeltsin was isolated internationally; his presidency at home was no longer the vibrant institution he had established, his political and physical condition were both extremely fragile and he was unable to appear in public without being bodily supported by his aides. Politically, the Duma started to gain the upper edge in its battle with Yeltsin and in September 1998 it appointed Yevgeny Primakov as prime minister and also made plans to impeach the president. This was period of great political turmoil in Russia which saw five prime ministers being appointed within seventeen months. Finally in August 1999, Yeltsin named the relatively unknown Vladimir Putin, a former KGB officer, as the new prime minister and also anointed him his successor when his final second term would end in July 2000.

The Putin Years

Just before the Soviet collapse, during the last two years of Mikhail Gorbachev's leadership, Moscow had hoped to integrate completely with Europe and share some kind of a "joint global leadership with the United States."¹⁷ In a speech to the Council of Europe at Strasbourg on July 6, 1989 Gorbachev had presented a detailed explanation of his vision of the "Common European Home" where he called for a reduction in the number of strategic nuclear weapons and outlined his vision for the peaceful co-existence of the two erstwhile separate blocs to henceforth live peacefully in an area that would extend from the Atlantic to the Urals.¹⁸ But this was not to be. Boris Yeltsin too had tried to "fully integrate the country by joining

¹⁶ Stephen Sestanovich, Is it All Yeltsin's Fault? *The Washington Post*, 24 December 2006. Available at <http://www.washingtonpost.com/wp-dyn/content/article/2006/12/22/AR2006122201170.html>. Accessed on 25 March 2016.

¹⁷ Dmitri Trenin, The Ukraine Crisis and the Resumption of Great-Power Rivalry, Report of the Carnegie Moscow Centre, July 2014.

¹⁸ Mikhail Gorbachev, "Europe as a Common Home," *Making the History of 1989*, Item #109, <https://chnm.gmu.edu/1989/items/show/109>, accessed April 03 2016. Full text of speech available at polsci.colorado.edu/sites/default/files/1A_Gorbachev.pdf, accessed April 03, 2016.

NATO and forging a direct alliance with the United States”¹⁹ but the West was not responsive enough.

While Putin’s ascendancy has marked a sharp decline in Russia’s relations with the West, but to understand Putin’s vision for Russia and what has motivated his actions, one needs to refer to his inaugural speech to the Russian Duma on 16 August 1999 when he became Prime Minister. He said, “Russia has been a great power for centuries, and remains so. It has always had and still has legitimate zones of interest... We should not drop our guard in this respect, neither should we allow our opinion to be ignored.”²⁰ He further added, “Russia's territorial integrity is not a question for discussion, much less the object of bargain or blackmail.... we will act toughly and use every legal method against anyone who encroaches on our integrity.”²¹ Besides ensuring Russia’s territorial integrity, Putin’s other priorities were strengthening Russia's armed forces, improving the military industrial complex, continuing economic reforms aimed at improving the quality of life for all Russians, and ensuring "fair and honest" parliamentary elections in December when Yeltsin’s term would come to an end.²² And this has been his motivating factor over the past fifteen years both as Prime Minister and as President of Russia. In foreign relations he has strived to regain Russia’s prestige in global affairs and in domestic matters he has sought to restore stability by bringing to an end the impact of the US engineered “colour revolutions” that according to him had made Russia weak. These two core aims have been the drivers of all his actions since 1999.

Soon after succeeding Yeltsin in 2000, Putin started out by trying to upgrade and strengthen Russia’s relations with the West. Within the first few weeks in office, the new Russian leader reached out to the NATO Secretary General Lord George Robertson seeking a response to Russia’s request for NATO membership. At the same time Putin sought an alliance with the United States, especially after the September 11, 2001 terrorist attacks when he called for a collective international alliance against terror and even “ordered immediate, massive, and highly valuable support to the US operation to

¹⁹ Dmitri Trenin, Carnegie Report, July 2014.

²⁰ Keith E Rice, The West and Russia: a Divergence of Values? *Eros and Kosmos magazine*, available at <http://eroskosmos.org/english/the-west-and-russia-a-divergence-of-values/> accessed on 25 March 2016.

²¹ Peter Heinlin, *Correspondent Report Number 2-252835* from Moscow, dated 16 August 1999. Available at <http://fas.org:8080/news/russia/1999/990816-russia1.htm>. Accessed on 25 March 2016.

²² Russian Duma Confirms Putin as Prime Minister, available at <http://edition.cnn.com/WORLD/europe/9908/16/russia.putin.03/>. Accessed on 25 March 2016.

defeat al-Qaeda and the Taliban in Afghanistan.”²³ Russia officially joined the “alliance against terror” after nearly two weeks of intensive negotiations between “Putin and Duma deputies, ministers, the military and leaders of the central Asian republics of Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Turkmenistan, as well as a 45-minute long telephone call with US President Bush.”²⁴ Much against the desires of an unconvinced Kremlin, Putin opened up Russian air-space for “humanitarian flights” by NATO, Putin also promised Russian participation in search and rescue actions to aid the war effort, including the delivery of weapons to the Afghan Northern Alliance in its fight against the Taliban, which would also include the exchange of intelligence. Putin also virtually allowed unlimited use of former Soviet military bases in the Central Asian Republics, the traditional backyard of Great Russian politics, by the US military.²⁵ But former CIA Director George Tenet is dismissive about the extent of Russia’s cooperation and contribution to the global war on terror. According to him the legacy of the Cold war precluded any real intelligence sharing and Russia seemed to be more preoccupied with Chechnya rather than the more serious fight against the Taliban.²⁶ But despite disagreements, both the US and Russia made efforts to move beyond the hostility of the Cold War years.

On September 25, 2001, in a speech in the German Bundestag, where Putin spoke in German, he was candid about Russia’s European choice and sought the strengthening of the Berlin-Moscow Axis by emphasizing the combined weight that Germany and Russia would together carry in international affairs. He added, “No-one doubts the great value of the relationship between Europe and the United States. However, I am simply of the opinion that Europe can only ensure its reputation as a powerful and genuinely independent centre of world politics when it unites its own possibilities with those of Russia... Now is the time to consider what needs to be done to ensure that a unified and secure Europe becomes the herald of a united and secure world.”²⁷

²³ Dmitri Trenin, *Russia’s Breakout from the Post-Cold War System – the Drivers of Putin’s Course*, Carnegie Moscow Centre, December 2014, pp 7-8.

²⁴ Patrick Richter, *President Putin Visits Germany: Moscow and Berlin seek a new Role in World Politics*, 03 October 2001. World Socialist web Site, <https://www.wsws.org/en/articles/2001/10/puti-o03.html>. accessed on 04 April 2016.

²⁵ Ibid.

²⁶ Angela E Stent, p. 67.

²⁷ Full text of Putin’s speech, available at, http://www.larouchepub.com/other/2001/2838putin_bundestag.htmlhttp://www.larouchepub.com/other/2001/2838putin_bundestag.html, accessed on 04 April 2016.

Putin reiterated his desire of integrating Russia into Europe with the words “the Cold War is over” and that Russia was “a friendly European country” where education expenditure exceeds that for defence. He was keen to project Russia as a modern Western power that gave more importance to economic strengths rather than military might and took steps to assimilate Russia into the European economic model through diversification and modernization of the Russian economy. In his annual address to the Russian Federal Assembly on 16 May 2003, he spoke at length of his vision to rebuild a strong Russia by reversing the deterioration and decay that has set in during the Yeltsin years. “Russia will take its recognised place among the ranks of the truly strong, economically advanced and influential nations,” Putin declared. He outlined his vision for Russia to be a strong country with “modern, well-equipped and mobile Armed Forces” that would be fully capable of protecting Russia’s national interests, while domestically he favoured the creation of “a flourishing civil society and stable democracy, a country that fully guarantees human rights and civil and political freedoms.”²⁸ His strategic aims were therefore no different from those of any other forward-thinking Western democratic leader.

But Western leaders were disinclined to take notice of Russian aspirations and Putin began to feel increasingly alienated. Putin had hoped that his support for the war on terror would bring international recognition and acceptance as an equal. According to John Beyrle, former US Ambassador to Russia, “Russia was looking for respect and acknowledgement that (it’s) voice mattered and that the United States would listen to Russia and act as if its opinions mattered.”²⁹ Russia desperately sought American appreciation for its support and wanted to be an equal partner in any international coalition that would be shape the new world order. But a patronizing US led Western coalition was only willing to accommodate Russia as a junior partner of the US and EU. While Russia was allowed to keep the Soviet Union’s UN Security Council seat, and granted membership of various international economic fora like the Council of Europe in 1996, the G8 in 1998 and the WTO in 2012 after eighteen years of laborious negotiations, its strategic and post Soviet imperialist privileges and ambitions were severely curtailed. The West was in no mood to allow Russia to maintain a zone of influence over the breakaway Soviet republics or permit Russia to have a say in the strategic choices of its former Warsaw Pact allies who were encouraged to join NATO.³⁰

²⁸ Full text available at, <http://en.kremlin.ru/events/president/transcripts/21998>. Accessed on 9 April 2016.

²⁹ Angela E Stent, p. 69.

³⁰ Dmitri Trenin, *The Ukraine Crisis and the Resumption of Great-Power Rivalry*, Carnegie Moscow Centre Report. July 2014, pp 10-12.

For Russia, the ultimate threshold was reached in end-2003 with the developments in Georgia. Washington's sponsoring of the 'Rose Revolution' convinced Moscow that the Americans were working to a plan to expand its influence into Russia's surrounding regions and even to encourage the countries of these regions to challenge Russia's interests. These fears were further reinforced with the 'Orange Revolution' in the Ukraine in early 2004 and the 'Tulip Revolution' in Kyrgyzstan in March 2005.

Matters came to a head when in 2008 NATO began to look further eastwards to include Georgia and Ukraine. Earlier Russia had no option but to accept the first two rounds of NATO expansion in 1999 and 2004 as it was too weak at that time to resist the inevitable. At that time Russia had comforted itself that so far none of the NATO countries, with the exception of the tiny Baltic States, shared a border with Russia. But with the Western move to admit Ukraine's 'Orange' government and Georgia's 'Rose' leadership, Putin warned that this was a "direct threat" to Russia and is said to have warned US President George Bush in a conversation "that if Ukraine was accepted into NATO, it would cease to exist."³¹ Russia's invasion of Georgia in 2008, which ended in a quick and decisive victory for Russia, should have cautioned the United States and Europe about Moscow's determination to prevent Georgia and Ukraine from joining NATO. According to Moscow, the West had been moving into its backyard, challenging its core strategic interests, and to be fair, Putin constantly advised the West not to provoke Russia. Speaking at the 43rd Munich Security Conference on February 10, 2007, Putin dropped all diplomatic niceties and in a hard hitting speech he "accused the United States of provoking a new nuclear arms race by developing ballistic missile defenses, undermining international institutions and making the Middle East more unstable through its clumsy handling of the Iraq war."³² He spoke at length about the US led unipolar world, the attempts by Washington to shape the global order with the US as "One single center of power. One single center of force. One single center of decision-making. This is the world of one master, one sovereign."³³ And Putin would have none of it.

³¹ John J Mearsheimer, Why the Ukraine Crisis is the West's Fault – the Liberal Delusions that Provoked Putin, Foreign Affairs, available at, <https://www.foreignaffairs.com/articles/russia-fsu/2014-08-18/why-ukraine-crisis-west-s-fault>. Accessed on 10 April 2016.

³² Putin Says US is Undermining Global Stability, *The New York Times*, 11 March 2007. Available at, <http://www.nytimes.com/2007/02/11/world/europe/11munich.html? r=0>. Accessed on 10 April 2016.

³³ Ibid.

Today, the West sees Putin's 'revisionist agenda' and growing Russian assertiveness as a serious threat to any lasting peace in the region. Putin on the other hand would like to draw attention to the US led NATO expansion and to understand what he did in Ukraine, one must go back to the EU Athens Conference of April 2003, which according to him has led to the current security stalemate. At the Athens Conference the West decided that besides Malta and Cyprus, the three former Soviet Baltic states – Estonia, Latvia and Lithuania, and four former Warsaw Pact countries – Hungary, Poland, the Czech Republic and Slovakia, would all join both the EU and become NATO members in 2004. To Russia this was nothing but a US led move to serve its own geo-political interests and in complete violation of a promise made to Mikhail Gorbachev in October 1990 at the time of the German Unification that NATO would not expand "even an inch eastwards." The trigger for taking back Crimea by Russia seems to be the result of attempts by NATO since February 2012 to install a Ballistic Missile Defence System in those NATO countries that border Russia thereby encircling Moscow.

Russia's Economic Revival and Current State

The mood in the Kremlin began to change after the middle of 2003. Economic measures introduced by Putin had started to show results and Russia was becoming richer giving it the confidence to seek a more vigorous international foreign and economic interconnectedness. High oil prices, doubling oil output and Putin's effective management of its macroeconomic and fiscal policies fueled Russia's economic resurgence. Putin rationalized the chaotic tax system and implemented a flat income tax at 13 percent. He also introduced judicial reforms that created an enabling environment for business, a land code that legalized private ownership of agricultural land and a simple, more effective customs system. An enabling economic environment at home gave Russia a sense of self-assurance and the "urge to restore its historical role as an independent Great Power and to reverse the perceived humiliation of the years of weakness since 1991 ..." ³⁴ The balance of power within the Kremlin shifted to the hardliners who were opposed to West inspired reforms and predispositions and were imbued with the idea of making the Russian voice heard in the international arena.

As a result of Russia's economic revival, the per capita GDP (PPP) rose from 4,200 dollars in 2000 to 14,600 dollars in 2008; during this period there was four-fold increase in the personal income of its citizens and surplus

³⁴ Keir Giles, Philip Hanson, et al, eds. *The Russian Challenge*, Chatham House Report, London, June 2015, p. 5.

revenues made it possible for the State to run a slew of socio-economic benefit schemes for its citizenry. Between 1999 and 2008, Russia was one of the fastest growing economies in the world and its GDP grew at the rate of 7 per cent per annum. As a result of this impressive economic growth, Russia was able to pay back its \$130 billion sovereign debt to the IMF in January 2005 – three and a half years before the due date in mid 2008. Russia also created stabilization emergency funds on the Norwegian model and by 2008, Russia had \$600 billion in currency reserves and had the third largest currency and gold reserves in the world.³⁵ The price of Russian oil had reached \$ 147.27 a barrel. The architect of much of Russia's economic resurgence was Putin's Finance Minister, Alexei Kudrin, Putin's colleague from his St. Petersburg days and the one who was responsible for bringing Putin to Moscow. During this period Putin's approval ratings too rose to impressive heights – 75 percent in December 2005 and 86 percent three years later when the global economic hit Russia badly.

Russian oil prices fell to \$ 35 per barrel in six months, the stock market suffered a 75 percent fall in value over the same period, and Russian currency reserves fell from \$600 billion to less than \$ 400 billion. Growth rates fell from 7 percent to 2-3 percent in one year.³⁶ Unemployment rose to 9 percent, endangering the very social stability on which the Putin administration's legitimacy was based as Putin who had promised economic prosperity for its people, had engendered the reemergence of autocratic rule and a gradual rollback of democracy. Before the economic crisis Russian leaders had failed to grasp how deeply assimilated capitalist Russia was with the global economy. While Medvedev was surprised at the impact of the global crisis on the Russian economy, Putin acknowledged that Russia was affected by the crisis because it had become globally integrated, something which Russia had strived for.³⁷ However, though Russia managed its financial crisis reasonably well, its dependence on oil to fuel its economic growth makes Russia vulnerable to global upheavals as has been witnessed as a result of the recent Ukraine crisis and the imposition of Western sanctions on Russia.

The Ukraine Crisis

The roots of the Ukraine crisis can be traced to its vacillation between Russia and the European Union, and an attempt by both to control the

³⁵ Angela E Stent, pp. 178-186.

³⁶ Bobo Lo, "Russia's Crisis – What it Means for Regime Stability and Moscow's Relations with the World," Centre for European Reform Policy Brief, February 2009.

³⁷ Angela E Stent, p. 184.

“future geo-economics orientation of Ukraine.”³⁸ Since its independence, Ukraine has not had a stable Government. The oligarchs have played a destructive role in keeping Ukraine divided along religious, linguistic and ethnic lines, governance has been ineffective, its economic development lopsided that have kept the country divided along distinct eastern and western halves. While Russia would have us believe that Ukraine was firmly integrated economically with Russia and has benefited from the Russian gas pipelines that pass through Ukraine, the West finds this Russian claim is overstated. But there is no denying that Ukraine and Russia have deep ‘fraternal’ links going back to the ninth century. “Ukraine also plays an important role in Russia’s energy trade; its pipelines provide transit to 80 percent of the natural gas Russia sends to European markets, and Ukraine itself is a major market for Russian gas. Militarily, Ukraine is also important to Russia as a buffer state, and it is home to Russia’s Black Sea fleet, based in the Crimean port city of Sevastopol under a bilateral agreement between the two states.”³⁹ So it was naïve for the US and the West to even remotely assume that Russia would accept Ukraine as a collaborator of pro-Western elites in Kiev who had stepped up their anti-Russia rhetoric.

For Russia Ukraine is critical both as a buffer against the West and as a route for delivering energy to Europe and therefore, any US led moves to instigate Ukraine against Russia were seen as efforts to destroy the Russian Federation, “sending it the way of the Soviet Union.”⁴⁰ Putin decided to shed his diffidence and sensing a certain war weariness on the part of the US due to its war in Iraq and protracted engagement in Afghanistan, for Putin the time for decisive action was now. Putin also seems to have taken this dramatic and bold step to consolidate his domestic political power as he was faced with a deeply stagnant economy. Putin announced his plans to incorporate Crimea into the Russian Federation and achieved his goal through a quick and decisive military move. Despite significant economic and foreign policy costs, politically – and especially, domestically, Putin seems to have benefited enormously from the military intervention in Ukraine. The move has appealed to Russian nationalism as “most Russians strongly endorse the annexation of Crimea: according to the independent Levada Centre (in Moscow), 88 percent of Russians support the annexation. As a result, Putin’s ratings have again rocketed. The seizing of Crimea also had the effect of uniting more people behind the president and splitting the opposition. Beyond his usual support base of (50 -60% of the populace),

³⁸ Dmitri Trenin, *The Ukraine Crisis and the Resumption of Great-Power Rivalry*, p.4.

³⁹ Robert McMohan, *Background Briefing: What you should know about the Ukraine Crisis*, Council on Foreign Relations, Washington DC, March 7, 2014.

⁴⁰ George Freidman, *Can Putin Survive? Stratfor Weekly*, 17 March 2015.

Putin has managed to also rally those on the far right and left of Russia's political spectrum – nationalists as well as communists and those who lament the collapse of the Soviet Union ... behind him."⁴¹

The Current Stalemate:

A ceasefire deal to end the fighting in Eastern Ukraine was reached in Minsk after a marathon session of negotiations running into almost seventeen hours amongst the leaders of Russia, Ukraine, Germany and France. This seeks to end a year of bitter fighting that has seen many thousands killed and millions uprooted from their homes. The main points of the peace agreement are:

- Ceasefire to begin at 00.00am local time on 15 February
- Heavy weapons to be withdrawn in a two week period starting from 17 February
- Amnesty for prisoners involved in fighting
- Withdrawal of all foreign militias from Ukrainian territory and the disarmament of all illegal groups
- Lifting of restrictions in rebel areas of Ukraine
- Decentralisation for rebel regions by the end of 2015
- Ukrainian control of the border with Russia by the end of 2015⁴²

This is still a tenuous agreement as the more hardcore element among the rebels is not satisfied with the deal but was forced to agree to the truce due to pressure from Russian President Vladimir Putin, who was the first to announce the breakthrough in negotiations. Putin too took his time to accept the negotiated settlement and at one stage it seemed that the talks would flounder due to certain conditions put by Russia that the Ukrainian President Poroshenko found unacceptable – apparently over the control of the crucial city of Debaltseve, important due to its strategic network of roads and rail links, and whose control seems to have become a matter of prestige for both the Ukrainian forces and the separatists who consider Debaltseve an integral part of its territory. When the ceasefire was announced, Ukrainian forces were holding out against heavy odds - surrounded by Russia backed rebels from three sides and their supply route from Artemivsk under imminent danger of coming under rebel fire. After

⁴¹ Nicu Popescu, *After Crimea: Putin's balance sheet*, Issue Alert of the European Institute for Security Studies, Paris, April 2014

⁴² <http://www.theguardian.com/world/2015/feb/12/ukraine-crisis-reports-emer...>

the ceasefire was announced, the rebels launched an offensive by shelling the town of Artemivsk in an attempt to gain control of Debaltseve before the ceasefire came into effect, thereby raising an alarm whether the ceasefire would hold at all. The West has stepped up its diplomatic pressure on Russia in a bid to ensure some semblance of calm to eastern Ukraine.

The deal in Minsk followed hectic parleys by the German Chancellor Angela Merkel and the French President François Hollande. It also took US President Obama's personal intervention a day before the scheduled talks to get Putin to assume a more reasonable posture at the talks. In a phone call to the Russian President, Obama emphasised "the importance of ... seizing the opportunity presented by the ongoing discussions between Russia, France, Germany and Ukraine to reach a peaceful resolution" to the violence in Eastern Ukraine.⁴³

This seemed to be a last ditch effort by the European leaders to bring peace to Ukraine. The Ukraine Crisis that dominated the proceedings of the 51st Munich Security Conference saw a widening gulf between the US and the EU over what needed to be done to control the fast deteriorating situation. While the Americans were harsh in their criticism of Russia and explored the possibility of bolstering Ukrainian effort to fight off Russia backed rebels by supplying lethal weapons to Ukraine, the EU pushed for a diplomatic effort to control the crisis. The EU seemed determined to ensure that no further military escalation takes place on European soil and push Europe further towards a "New Cold War." Economically too, sanctions against Russia have hit the EU and have had no effect on the US.

At the Munich Security Conference, the Russian Foreign Minister, Lavrov, was strident in his criticism of the USA and said, "Through every step, as the crisis has developed, our American colleagues and the EU under their influence have tried to escalate the situation."⁴⁴ According to a Facebook statement by the Russian Foreign Ministry, Lavrov also warned US Secretary of State, John Kerry that any US plans to supply Ukraine with military equipment would have "unpredictable consequences", including "disrupting the efforts to resolve the crisis in southeastern Ukraine."⁴⁵

The German and French leaders made a dash to Moscow for a closed-door meeting with Putin a day before the 2014 Munich Security Conference. It is this meeting that seems to have broken the impasse and resulted in a

⁴³ Ibid.

⁴⁴ <http://rt.com/news/230219-lavrov-munich-speech-ukraine/>

⁴⁵ Ibid.

positive outcome at Minsk whereby some of the stringent economic sanctions against Russia would be eased if the latter agreed in principle to the September 2014 Minsk agreement that called for Russia ceasing direct military support to the rebels. That the issue of Russia's seizure of Crimea would not be brought up was the other concession the West has given to Russia.

All the stakeholders would need to display tremendous tolerance in ensuring that this tentative peace holds and leads to a permanent political settlement. According to Putin, "The first thing is constitutional reform that should take into consideration the legitimate rights of people who live in Donbass. There are also border issues. Finally there is a whole range of economic and humanitarian issues."⁴⁶ While the deal has covered all contentious issues like border control, decentralization and the resumption of economic relations, it is a fragile agreement and the slightest provocation by any of the players could scuttle this initiative. The next part of the Minsk plan that seeks to ensure Ukraine's existence as an independent and economically stable country would need sustained European attention and adequate funds. As a start, the IMF has announced a \$17.5 billion rescue and rehabilitation package for Ukraine to be spread over the next four years. But the EU would need to bolster this initial effort through its own funding sources as well.

Politically too, Ukrainian President Poroshenko has to show sagacity by adopting an inclusive policy to overcome the divisions that have come to the fore within Ukraine. According to Angus Roxburgh of the Guardian, "It would be a disaster if the current situation—self-declared 'people's republics' based around the cities of Donetsk and Luhansk—were allowed to ossify into a 'frozen conflict,' establishing de facto a separate rebel-run state and partitioning Ukraine, perhaps for ever."⁴⁷ Poroshenko has a difficult task of ensuring that Ukraine does not become a pawn of big power rivalry between the US and Russia and would have to show great political sagacity as he walks a difficult tightrope to ensure the survival of his country.

"Though the deal doesn't grant Putin his ultimate wish—to keep Ukraine within Russia's orbit economically and politically—he couldn't have hoped for that without a decisive military victory. The optics are good for him

⁴⁶ <http://www.theguardian.com/world/2015/feb/12/ukraine-crisis-reports-emer...>

⁴⁷ <http://www.theguardian.com/commentisfree/2015/feb/12/vladimir-putin-russia-ukraine-military-support-west>

domestically, though, and Putin can hope to cut the costs of war, including those imposed by the Western economic sanctions," writes Leonid Bershidsky at Bloomberg View.¹⁵ While Putin may have not got what he wanted, he has achieved three things through the Ukrainian offensive – (1) a stranglehold on Ukraine, (2) successfully demonstrated to the West that he will not accept any strategic encirclement of Russia, and, (3) he has been able to create dissension among the Europeans and between Europe and the United States.

Having achieved his objective, Putin should adopt a conciliatory posture and end the war in the Donbass so that the West can focus on the economic rebuilding of Ukraine that would be beneficial to Russia's own economic well being as well. Escalating tensions will not help anyone and the United States and Europe must reciprocate by promoting a Ukraine strategy that is "part of a larger Russia strategy whose goal has to be a strong and friendly Russia."⁴⁸

In a bid to defuse the standoff in Ukraine, US Assistant Secretary of State for European and Eurasian Affairs, Victoria Nuland and Russian Deputy Foreign Minister Grigory Karasin spoke over the phone in the third week of July 2014, thus ending the impasse. The timing and substance of this bilateral conversation reaffirms that Russia and the United States are the key players in this conflict and who alone can hammer out a solution in Ukraine. The crisis in Ukraine and the future of Ukrainian security and stability continue to remain one of Europe's formidable challenges. The Ukrainian conflict has exacerbated tensions between Russia and the West, particularly the United States, putting stress on the cooperative phase of their relations. The situation today is reminiscent of the Cold War days and the "Ukraine crisis has rekindled a rivalry between the US and Russia that's quite comparable to the 19th century's Great Game."⁴⁹

It is a conflict between two geopolitical realities: "If Ukraine supports Moscow, Russia becomes a regional power on the rise. If Ukraine supports the west, Russia becomes vulnerable from without and from within."⁵⁰ It is therefore significant that the two main players, the United States and Russia have decided to start regular bilateral talks in a bid to defuse tensions. This

⁴⁸<http://www.foreignaffairs.com/articles/143056/alexander-j-motyl/the-west-should-arm-ukraine..>

⁴⁹Dmitri Trenin, The Ukraine Crisis and the Resumption of Great-Power Rivalry, available at http://carnegieendowment.org/files/ukraine_great_power_rivalry2014.pdf

⁵⁰U.S., Russia: The Case for Bilateral Talks, Geopolitical Diary, available at, <https://www.stratfor.com/geopolitical-diary/us-russia-case-bilateral-talks>

is a positive move that builds upon the earlier diplomatic efforts by the European Union, particularly Germany and France, in February that led to the Minsk-II Agreement.

While a tenuous peace holds in Ukraine after the adoption of the second ceasefire agreement, the Minsk II agreement of February 15, 2015, tensions have remained high in this region and stability in Ukraine remains elusive as Eastern Ukraine continues to face the threat of Russian military intervention. Fierce fighting broke out here in June 2015 when Russia-backed separatists pushed westward toward Maryinka and Mariupol leading to a warning by Ukraine's President Petro Poroshenko to his army to be prepared for the possibility of a "full-scale invasion" by Russia along the entire length of Ukraine's border. This coincided with Putin's visit to a "military-patriotic recreation park" near Moscow, where he made a speech announcing the addition of 40 new intercontinental ballistic missiles to Russia's military inventory in 2015.

Though the West was caught unawares by Russian action in Crimea, it nonetheless feels that it holds all the cards and if they are able to continue with the imposition of sanctions and maintain their unity, Putin will come under both domestic and international pressure and be forced to give up his revisionist agenda. But this has not happened so far as Putin has adopted a more competitive stance against the West. According to Carnegie expert, Andrew S Weiss, "Putin has also been signaling for some time now that he sees reestablishing Russian influence over the political and economic development of neighboring countries via the establishment of a Eurasian Union as the centerpiece of his third term in office."⁵¹ Russian assertiveness and a heightened sense of empowerment need to be handled carefully especially as China and Russia become more politically aligned. This has larger global implications and something that India too needs to watch.

Russia's Economic Indicators

With oil and gas accounting for nearly 70 percent of Russian exports, falling oil prices and the impact of Western sanctions have hit the Russian economy hard, as Russia loses about \$ 2 billion in revenue for every dollar fall in oil price. The Russian economy is in recession and according to various reports, Putin's Russia is more fragile than he admits. Living standards have been falling for the past two years, and average salaries have decreased from \$ 850 a month in January 2014 to \$ 495 in September

⁵¹Available at <http://carnegieendowment.org/2014/03/27/what-are-global-implications-of-ukraine-crisis..>

2015 and the ruble has fallen by about 50% against the US dollar over this period.

Table 1. **Russia: Key Economic Indicators**

Metric	1999	2007	September 2015
Average Wages	\$88/month	\$610/month	\$495/month
Sovereign Debt	162% of GDP	7% of GDP	18% of GDP
Foreign Exchange Reserves	\$7.6 billion	\$452 billion	\$318 billion
Inflation Rate	37%	11.9%	15.7%

Sources: World Bank, Bloomberg, IMF, Russian Central Bank, and Russian Federal State Statistics Service.

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Measured in PPP terms, Russia's sovereign debt has doubled since 2007; inflation has gone up while foreign exchange reserves have declined.

Table 2. **Chinese, EU, Russian, and U.S. GDPs as Percentage Shares of the Global GDP**

	1999	2007	2015	2020 (projected)
China	7.2%	11.4%	17.2%	19.3%
EU	24.1%	21.1%	16.9%	15.4%
Russia	3.0%	3.7%	3.1%	2.7%
United States	21.1%	18.5%	15.9%	14.9%

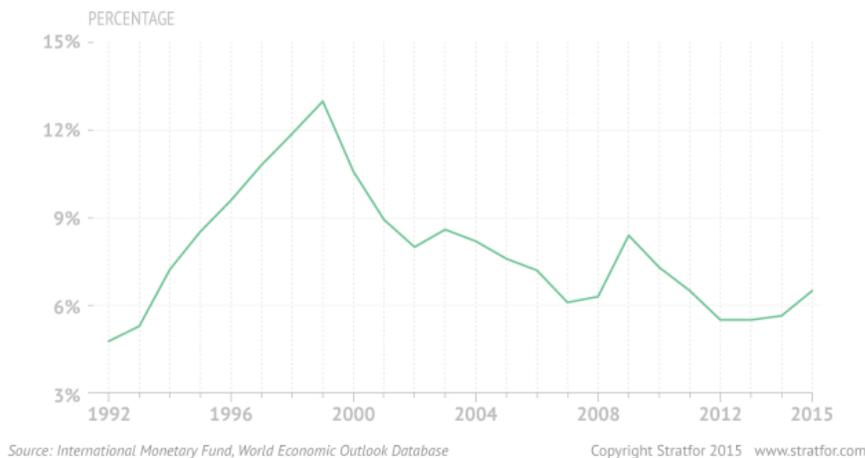
Sources: IMF.

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The West feels that with the annexation of Crimea, Putin has started a process that could have serious long-term foreign policy and economic costs for Russia due to the impact of Western economic sanctions and its exclusion from Western groupings. Economically, Russia will need to spend billions every year to bankroll Crimea as nearly 70 % of Crimean budget was subsidized by the Central government in Kiev. Russia would have to allocate resources to pay salaries and pensions, and undertake infrastructure schemes to link it to Russia, the most important being the Kerch Strait Bridge, a road-rail bridge under construction in Russia, to span the Strait of Kerch between the Kerch Peninsula of Crimea and the Taman Peninsula of Krasnodar Krai on the Russian side. Another casualty of the Russian action has been the demise of tourism in Crimea as nearly 70% of the tourists who visited the region came from other parts of Ukraine. Russia

feels that it can offset a lot of these expenses from the Ukrainian gas reserves in Crimea that Russia now controls. The financial situation is nonetheless precarious, as the Western sanctions against Russia have witnessed over \$ 160 billion worth of capital flight in 2014 and another \$ 80 billion in 2015. At the same time, a volatile Russian ruble has depreciated by over 40 % of its value in late 2014 and the federal budget had a deficit of approximately \$ 45 billion in 2015. Inflation and rising unemployment are the other problems that the Russian people face. For example, in March 2015, inflation went up dramatically from 7% to over 17% in just one month. “Food price inflation has risen even faster because of Russia's ban on importing food from the European Union and the United States to cut its import bills. According to the Agriculture Ministry, (within a short span of six months), the cost of cabbage in Russia has risen 66 percent, onions rose 40 percent, potatoes 36 percent, carrots 32 percent, and beef 10 percent”⁵² forcing Russian supermarkets to announce a “two-month price freeze on more than 20 socially important items, including meat, fish, milk, sugar, salt, potatoes, cabbage and apples. Some regional grocery chains, such as the ones in the Norilsk region that are run by Russia's largest mining firm Norilsk Nickel, are taking losses to subsidize food prices.”⁵³

UNEMPLOYMENT RATE IN RUSSIA, 1992-2015



In addition, the economic pressure has adversely impacted the country's job market. According to Russia's Labor Ministry, approximately 154,800 jobs were cut in 2014, and about 127,000 jobs were cut in the first two months

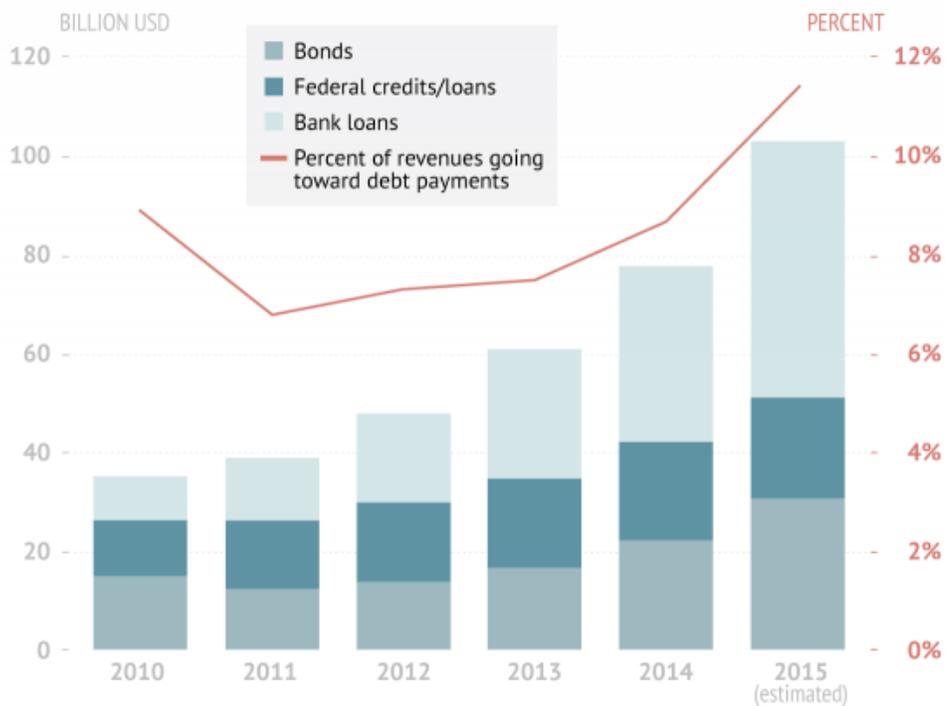
⁵² Amid an Economic Crisis, Russia Contains Dissent, Stratfor Analysis, April 3, 2015. available at, <https://www.stratfor.com/analysis/amid-economic-crisis-russia-contains-dissent>. Accessed on 13 April 2016.

⁵³ Ibid.

of 2015. Russian Deputy Labor Minister Sergei Velmyaikin said that the “majority of these layoffs were at large Russian firms, such as Rosneft, Rostelecom, Avtovaz and Mechel, which are run by the state or oligarchs.”⁵⁴

Social sectors like health and education too have been adversely hit forcing the closure of medical facilities in certain regions, including Moscow and Vladivostok, while school teachers in Murmansk and Zabaikalsk regions protested as they had not been paid their salaries for over three months. While Putin has released Federal funds to salvage the financial situation in the regions, according to reports, the measures are not enough and 63 of the 83 regional governments are either likely to default on their loan repayments or go bankrupt in the next few years.

RUSSIA'S REGIONAL DEBT TYPES



Source: S&P

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Since the 2008-2009 financial crisis, the debt of the regional governments has risen by more than 100 percent. “Standard and Poor's estimates regional government debt in 2015 will reach \$103 billion. Russia's overall government debt — the federal and regional governments combined — is

⁵⁴ Ibid.

around \$300 billion, or 14 percent of Russia's gross domestic product.”⁵⁵ While this may well be within limits for a country as large as Russia, but the dilemma is that much of the debt is concentrated in the regions, which do not have the same kind of resources for debt reduction as the federal government does. Putin has responded by sanctioning \$ 1.6 billion to restructure loans taken by regional governments from the federal treasury and has also extended the loan repayment term from 2025 to 2034.

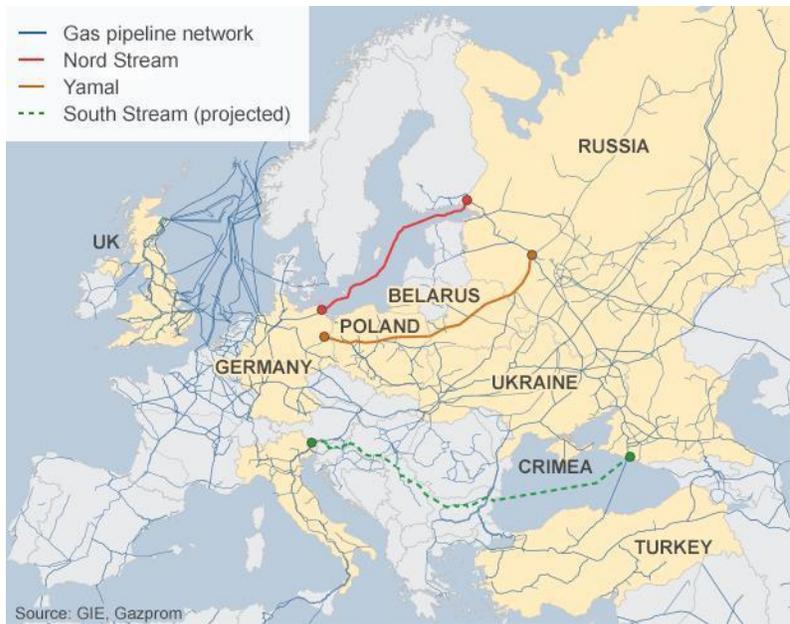
The impact of these emergency measures has so far been somewhat sluggish as banks in Russia were cut off from Western capital markets due to the post-Ukraine sanctions and face major defaults in loan repayment leading to some kind of a crisis situation. For example, Russian Economy Minister Alexei Ulyukayev announced on 30 March 2016 that the federal government would support measures to restructure the repayment terms of the debt that the state development bank, VEB, also known as Vnesheconombank, owes to the central bank as a top priority rescue measure for the troubled lender. The VEB, which was one of the major funders of the Sochi Winter Olympics, has been given a recapitalization loan of 150 billion rubles (\$2.2 billion) as a long term deposit as state support to cope with bad loans and to honour its own debt obligations. This may not be enough to bail out the VEB as officials estimate that the bank would need at least 1.2 trillion rubles to honour all its commitments but at least the Russian government is aware of the grave economic situation.⁵⁶ But Russia's economic situation is nowhere as precarious as it was in 1998 during Yeltsin's time. Then government debt was 50% of GDP and reserves just 5% of GDP. Today, despite recession, Russia still maintains a current account surplus of \$ 50 billion due to the austerity measure put in place by Russian President Putin.

“In terms of foreign policy costs, Russia finds itself ‘suspended’ from the G8, and talks on visa-free travel with the EU have been put on hold.”⁵⁷ Russia also found it difficult to pursue the usual pipeline diplomacy in Europe and on December 1, 2014, during an official visit to Turkey, Putin announced the cancellation of the South Stream pipeline project.

⁵⁵ Ibid.

⁵⁶ <http://www.cnn.com/2016/03/30/reuters-america-update-1-russian-minister-supports-restructuring-vebs-debts-to-cbank.html>. Accessed on 13 April 2016.

⁵⁷ Nicu Popescu, EUISS Report, April 2014.



The South Stream pipeline was intended to transport gas from Russia across the Black sea to south-East Europe and its cancellation is likely to affect the energy security of several South-East European countries. Putin said, “If Europe does not want to implement [South Stream], then it will not be implemented. We will redirect our energy flows to other regions of the world”⁵⁸ — mainly Asia. The South Stream discussions first started due to Russia’s need for diversification of its gas transit routes following the first major disruption of its gas supplies to Europe through Ukraine in January 2006. Ironically, Ukraine is the major beneficiary from the cancellation of the mega South Stream project as it will continue to remain the key transit country for Russian gas exports to Europe, vesting it with the prerogative to continue playing the hedging game against Russia.



⁵⁸ Helene Richard, Why Russia Cancelled South Stream, *Le Monde Diplomatique*, June 2015. Available at, <http://mondediplo.com/2015/06/07south-stream>. Accessed on 12 April 2016.

In the meanwhile, with the lifting of sanctions on Iran, Russia has started substantive studies to explore the viability of establishing a North-South Transport Corridor from Russia to Iran and on to Mumbai through Azerbaijan, something that had been stalled since the mid-2000s due to the Western sanctions on Iran. According to Russian Railways Logistics, this would be a multimodal project involving the use of maritime, rail and road transport corridors and will start from St. Petersburg, going on to Moscow and then Astrakhan in Russia and then via Baku in Azerbaijan, it would go to Mumbai in India via Bandar Abbas in Southern Iran. This new corridor will bypass the congested traditional route through the Suez Canal and reduce the travel time by half to just fifteen days from Russia to Mumbai.⁵⁹

Russia's Military-Industrial Complex:

Russia's stagnant economy and plummeting oil prices have also taken a toll on its once vibrant military industrial complex. Deficiencies of Russian military organization were first noticed during the Georgia War in 2008, which prompted Putin to launch the country's military reforms formally in 2011. That year, despite its difficult financial state, "Putin made a major decision to begin a wholesale modernization of the Russian military through 2020 – a program worth 20 trillion rubles, or \$ 700 billion at the time. Ever since, Putin has remained true to this decision. Russia, he continues to believe, needs a strong military before many other things."⁶⁰ Putin has constantly strived towards re-building and re-creating a strong national defence apparatus in Russia and according to the latest SIPRI report, today Russia's military budget ranks fourth globally, having increased its military spending by 7.5 % in 2015 to \$ 66.4 billion despite weakening oil prices. While Russian armed forces showed off their fighting prowess during air strikes in the recent operations in Syria, and released professional videos of cruise missiles and satellite guided bombs hitting their target, according to reports, back home "large parts of the Russian military-industrial complex are faltering."⁶¹

One striking example of stress in the Russian military industrial base is the case of the Armata armoured tank being produced at its most famous and perhaps the world's biggest defence production complex, the Uralvagonzavod. This state - of - the - art next generation battle tank -

⁵⁹ Olga Samofalova, North-South Corridor from Russia to India to compete with Suez Canal, *Russia Beyond the Headlines*, April 12, 2016. Available at, <http://rbth.com/business/2016/04/12/north-south-corridor-from-russia-to-india-to-compete-with-suez-canal> 584017. Accessed on 30 May 2016.

⁶⁰ Dmitri Trenin, *Russia's Breakout from the Post-Cold War System: the Drivers of Putin's Course*, Carnegie Moscow Center, December 2014. P.9.

⁶¹ Thomas Grove, Russian Defense Industry Hits Speed Bumps, *Wall Street Journal*, 26 November 2016.

designed to beat “anything the NATO has on the battlefield – is considered a centerpiece of Russia’s \$ 300 billion plan to rearm its military by 2020.”⁶² But the Armata project seems to have run into financial hurdles and the project is running behind schedule besides having exceeded its budgetary projections. Flaws with the tank became apparent when one of these participating at Moscow’s annual military parade on 9 May 2015, broke down at the Red Square. In 2014 Uralvagonzavod (UVZ) had to shut down its programmes with Caterpillar to manufacture locomotive diesel engines and with Bombardier for the manufacture of metro cars in Moscow due to Western sanctions against Russia. Its creditors have taken the UVZ to court, as it owes over \$ 1 billion to them.

The Uralvagonzavod, built during Russia’s first Five Year Plan from 1931 to 1936 has been at the forefront for its rail coach and battle tank manufacturing capabilities. The modern mass tank, the T 72, which is the basic tank in most modern armies in the world, including India, was manufactured at this facility. UVZ then moved on to the production of the T 90 tank and has maintained its edge over other armament manufacturing facilities because of State patronage and orders for supplies to the Russian armed forces. Today, while the UVZ is a “diversified engineering association,”⁶³ having made significant contribution to the design and manufacture of “systems and equipment for launch of artificial satellites, and manned orbital vehicles, reusable space system “Energy Buran”, it has been forced to seek Federal funds and go in for restructuring to remain competitive.

While Russia has ambitions to scale up its military production capabilities and either renew old links with traditional buyers of its military hardware or explore new markets, it can be a daunting task as it still continues to be plagued by the Soviet era problems of inefficiency and corruption. Russian research and development of its Fifth Generation Fighter Aircraft, the SUKHOI T 50, has been going on for many years and is reportedly at an advanced stage. According to the commander of the Russian Air Force, Viktor Bondarev, the T 50 is undergoing various tests, “including weapon tests and the last (11th) plane of the test squadron will be built in 2016. The aircraft factory in Komsomolsk-on-Amur is ready for serial production of

⁶² Ibid.

⁶³ URALVAGONZAVOD, Global Security.org, August 2015. Available at, <http://www.globalsecurity.org/military/world/russia/uralvagonzavod.htm>. Accessed on 13 April 2016.

the T 50”⁶⁴ and Russia aims to have the export version of the plane ready by 2020. Many countries, including India, have shown interest in the Russian jet for co-production under India’s Make in India initiative but not much headway has been made so far. This project is behind schedule and suffers from lack of funds and Russia is looking for overseas joint ventures. The Russian navy too is looking forward to inducting at least eight next-generation Borei nuclear submarines, having the capacity to launch a nuclear torpedo that would irradiate the enemy’s shore, by 2020 but here again, the on ground situation is not so reassuring.

Russia’s Deputy Defence Minister Yuri Borisov has candidly admitted in an interview “for the first half of the year (2015), Russia’s arms industries only fulfilled 38% of their contracts.”⁶⁵ Even Kalshnikov, the maker of Russia’s famous assault rifle, has fallen behind and owes \$ 78 million to the defence ministry. While the Russian defence ministry has defended the accuracy of the Russian air strikes in Syria, observers are of the opinion, that the equipment used by Russia in Syria has its limitations and Russia has mainly dropped conventional old fashioned bombs, and hence its decision to go in for a hasty ceasefire and withdraw from Syria before the shortcomings could come to the fore.

Russian President, Vladimir Putin, has undoubtedly initiated significant steps that should see a renewal of Russia’s defence industrial manufacturing capabilities. During 2014 and 2015, despite Western sanctions and the economic slowdown, Russian defence companies have seen their revenues grow largely due to Russia’s own military expansion and heavy investment by the Russian government. While the top ten global defence companies were all major western firms, “Russian companies are riding the wave of increasing national military spending and exports. There are now 11 Russian companies in the Top 100 and their combined revenue growth over 2013-2014 was 48.4%,”⁶⁶ says Seimon Wezemean, senior researcher at SIPRI. The Russian company showing the most significant growth in arms sales is Uralvagonzavod, with an increase of 72.5 per cent in its arms sales has shown the most significant growth while Almaz-Antey, maker of Air Defence Systems, including the BUK missile system, with a near 23 per cent

⁶⁴ Russian 5th Generation FighterJet T50 PAK FA sets World Record in Rate of Climb, Sdelanounas.ru, 19 February 2016. Available at, <http://www.fort-russ.com/2016/02/russian-5th-generation-fighter-jet-t-50.html>. Accessed on 14 April 2016.

⁶⁵ Russian Defence Industry Hits Speed Bumps, *Wall Street Journal*, 26 November 2015.

⁶⁶ “Global Arms industry: West still Dominant despite decline; sales surge in rest of world, says SIPRI,” Stockholm International Peace Research Institute, December 14, 2015. Available at <http://www.sipri.org/media/pressreleases/2015/SIPRI-Top-100-December-2015>. Accessed on 15 April 2016.

increase in arms sales, is now in 11th position and is Russia's highest ranked defence firm.⁶⁷

But Putin is thinking more like a strategist and has subordinated the Russian "economy to the wider political calculation of staying in power"⁶⁸ by projecting the image of a greater and resurgent Russia, marching purposefully towards reclaiming its lost prestige and place in the global order. A gamble that has obviously paid off with the resoluteness displayed by Russia's action in Syria where the US had been dithering for years watching the situation spiral out of control. This has obviously gone down well with Russians who see nothing wrong in Putin tightening his grip on power. While Russia is in recession and is likely to remain so for some time to come, Vladimir Putin's approval ratings continue to remain above 80% ever since the crisis in Ukraine erupted. Ordinary Russians see him as a "saviour" who has restored the country's prestige and image globally by taking a tough stand against the West. The approval rating of President Vladimir Putin shot up to 89.9 percent in October 2015 and pollsters say the fresh surge in the Russian leader's popularity is due to the successful anti-terrorist operation in Syria.⁶⁹ This perhaps reflects the preference of the Russian people for stability for which they are willing to make some compromises.

Russia and the West - an Assessment:

Through its massive military intervention in Syria in September 2015 that took the world by surprise, Russia has signaled its return to the international arena as a major player and has shown its determination to protect its interests in West Asia, a vital part in the global power play. A major achievement for Moscow was that it managed to set up the foundations of military coordination with Washington, Paris, Jordan, and Israel, thereby ending its international isolation that came after the

⁶⁷ Ibid. For more details about Russian defence industry see, also see, Matthew Bodner, Russian Defense Industry Revenues Soar Despite Western Sanctions, *The Moscow Times*, 28 July 2015.

⁶⁸ Nicu Popescu, *After Crimea: Putin's balance sheet*, Issue Alert of the European Institute for Security Studies, Paris, April 2014

⁶⁹ Putin's approval Rating hits new Historic High of almost 90%, RT News, 22 October 2015. Available at, <https://www.rt.com/politics/319343-putins-approval-rating-hits-new/>. Also see, Damien Sharkov, Putin's Approval Rating will be the last to Fall, *Newsweek*, 20 January 2016. Available at, <http://www.newsweek.com/putin-approval-rating-last-fall-pollster-417707> and Michael Birnbaum, How to understand Putin's jaw-droppingly high approval ratings, *The Washington Post*, 6 March 2016. Available at, https://www.washingtonpost.com/world/europe/how-to-understand-putins-jaw-droppingly-high-approval-ratings/2016/03/05/17f5d8f2-d5ba-11e5-a65b-587e721fb231_story.html. All accessed on 13 April, 2016.

annexation of Crimea in 2014. Russia also got a much-needed opening to showcase its latest weaponry and test its combat worthiness for the first time, giving it the opportunity to address shortcomings and glitches. Russian intervention has proven to be a game-changer in many ways, the foremost being that the manner, in which regime changes were hastily and arbitrarily executed in the past, would now hopefully come under closer international scrutiny. It has also paved the way for “open and enhanced Iranian involvement in Syria” with its Islamic revolutionary Guards Corps providing better tactical and qualitative support to Syrian military commanders both with strategic planning and in direct battle.⁷⁰ And, most importantly for Moscow, the United States felt compelled to work together as co-chair of the International Syria Support Group (ISSG) and hammer out a peace settlement to end hostilities in Syria.

According to the Joint Statement⁷¹ Moscow and Washington have agreed to “*work together to exchange pertinent information,*” such as up-to-date maps indicating which sides have agreed to the ceasefire, and where they are located. This will ensure that the parties who have confirmed their adherence to the terms of the ceasefire will not come under fire from either side. This way it is hope that firepower would get concentrated on Islamic State and other jihadists.

A Task Force, co-chaired by Moscow and Washington, has been set up to “*promote compliance and rapidly de-escalate tensions,*” serve as an arbiter to “*resolve allegations of non-compliance,*” and refer “*persistent*” truce-breakers to senior officials to “*determine appropriate action, including the exclusion of such parties from the arrangements of the cessation of hostilities.*” A direct hotline has also been established between Moscow and Washington to avoid internal squabbles and improve contact and communication within the Task Force. The statement also leaves a role for public institutions and journalists in keeping the peace, promising that the ceasefire “*will be monitored in an impartial and transparent manner and with broad media coverage.*”⁷² Moscow’s image as a weak nation, withdrawn from the international arena has undergone a change by this one bold, determined and swift move by Putin, which also signals his ambition to now push back against international challenges and be more assertive in the future.

⁷⁰ Ranjit Gupta, *Potential Implications of Russia’s Military Involvement in Syria*, Institute of Peace Studies, New Delhi. 2 November 2015.

⁷¹ Full text of Joint Statement of the United States and the Russian Federation, as Co-Chairs of the ISSG, on Cessation of Hostilities in Syria available at, <http://www.state.gov/r/pa/prs/ps/2016/02/253115.htm>

⁷² Ibid.

Moscow is becoming more and more aware that the United States now increasingly needs Russia even though it may claim to be the sole remaining superpower. The fact of the matter is that the Americans may have a low opinion of the United Nations but the UN's stamp is still needed for assembling any credible coalitions while meeting challenges like Iran, Syria or North Korea. (Iraq has shown the severe limitations of 'unilateralism'.) This means that the U.S. has a constant requirement to get Russia on board. Russia's acquiescence at a minimum, and the necessity of its cooperation, has become a prerequisite for the United States for effectively dealing with Syria or Iran or North Korea. On the other hand, any deliberately obstructionist role by Russia holds the potential of seriously complicating U.S. diplomatic endeavours. There are growing signs that such an imperative has begun working on the U.S. administration. Washington is acutely conscious that it is no longer possible to take Russia for granted as it did in the 1990s. But at the same time, curiously, the U.S. also remains uncertain what price, if any, it must pay for building up a working relationship with Moscow.

The result is that the United States has ended up compartmentalizing its relations with Russia. There is tangible eagerness to cooperate on issues that are vital to American interests – terrorism, Iran, oil, Syria, nuclear non-proliferation– while at the same time allowing the overall climate of relationship to descend to acrimonious levels when it comes to issues such as Russia's relations with its Eurasian neighbours or freedom of expression and the rule of law within Russia under Putin's leadership.⁷³

Emerging Realignments in Eurasia –Russia and China:

Russia's estrangement with the West following its annexation of Crimea in 2014 has had an interesting geopolitical outcome. While Russia has had very tenuous relations with China since the turn of the twenty-first century, these were not deep and were more in the nature of Moscow's "marriage of convenience" with Beijing. But post-Ukraine this has turned into a deeper partnership that includes, besides energy cooperation and pipelines, collaboration in diverse areas spanning trade, infrastructure development and defence. Putin's vision of Russia's integration into "greater Europe" seems to be gradually getting replaced by "a greater Asia" with the goal of building an economic corridor from Shanghai to St. Petersburg.⁷⁴ While

⁷³ Interactions with Ambassador K Bhadrakumar during 2007 -2008.

⁷⁴ Dmitri Trenin, *From Greater Europe to greater Asia? The Sino-Russian Entente*. Carnegie Moscow Center, April 2015.

Russia and China, along with India, have been a part of the regional RICs grouping, the new strengthened Russia and China bonhomie seems to signal greater competition with the United States.

Russia and China signed a major 30-year energy deal worth \$ 400 billion in 2014 for the delivery of Russian oil and gas to China. The payments will be in local currencies not in dollars and both have started working towards this as in 2014 there was a nine-fold increase in bilateral trade in their respective national currencies between China and Russia over 2013. This indicates that Russia and China are carefully planning a long-term strategy of getting out of a cycle of dependency on the US currency, something that, as the US sanctions last year revealed make both countries vulnerable to the vagaries of US policy and currency.⁷⁵

China has also agreed with Russia to unify the new Silk Road high-speed rail project with Eurasian Economic Union. At the same time Beijing has announced it is creating a huge \$16 billion fund to develop gold mines along the rail route linking Russia and China and Central Asia. This suggests that there are plans to build up gold reserves as central bank reserve share.⁷⁶ Home to some of the world's largest natural gas and coal reserves, Central Asia has emerged as an important arena of both cooperation and power play between Russia and China.

While traditionally Central Asia deferred to Russian authority due to the region's inclusion in the Soviet Union, China has emerged as a new patron in recent years through new trade relations and investments. Kazakhstan and Turkmenistan are important players in Beijing's 'New Silk Road' project, an ambitious Chinese attempt to expand its presence and infrastructure across three continents. Russia is not comfortable with such developments and Moscow has ramped up efforts to secure its position as the region's leading strategic player. Russia has made concerted efforts to increase its military and security presence in the region and has been working with its allies to strengthen the Collective Security Treaty Organization while also strengthening its own engagement with China in the SCO. In December 2014 President Putin signed the Federal law to ratify an earlier agreement of June 2009 for establishing a secret command system for the CSTO's collective security forces. The CSTO is also establishing a cyber warfare command to protect the alliance from potential cyber attacks. Simultaneously, Russia is

⁷⁵ F William Engdahl, Russia Gets Very Serious on De-dollarizing, New Eastern Outlook, 6 June 2015.

⁷⁶ Ibid.

also strengthening its own military infrastructure in the CSTO countries to protect them from attacks by NATO.⁷⁷

In January 2015, President Vladimir Putin formally launched the Eurasian Economic Union, comprising of Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan.⁷ While Russia still possesses substantial hard power, in terms of economic clout, Beijing is widely perceived as having the upper hand due to the impact of Western sanctions and Russia's protracted recession. With China increasingly financing more Russian projects and companies due to Moscow's deteriorating economy, the bilateral relation balance seems to be tilting more towards Beijing.

The strengthening Russia-China relationship, including the increased flow of Russian defence supplies to China, in response to western pressures on Russia has implications for Indian interests. The growing entente between Russia and China is also a factor in Russian overtures to Pakistan, as both countries have been responsive to each other's interests and sensitivities as a result. Russian policies towards Afghanistan may also undergo evolution not entirely aligned to Indian interest following China's direct involvement now in the reconciliation process and the centrality of Pakistan, not only in this, but the Chinese 'One Belt One Road' project of which the CPEC is a part and which would link Central Asia more closely with Afghanistan and Pakistan.⁷⁸ Pakistan's membership of the SCO along with India may encourage Russia to act as a broker between India and Pakistan in the context of geopolitical changes occurring in the region following China's Eurasian strategy. This requires a profound and frank dialogue with Russia. We have to make sure Indian interests are not compromised because of these developments. Beyond that, to preserve our strategic autonomy and for a better balance in our international ties, we need to conserve our relationship with Russia that has been cemented by mutual confidence over decades.

Russia would like to balance its growing dependence on China in the future by developing closer relationships with other Asian countries. It was assumed that since the most natural partners – Japan and South Korea – are US treaty allies, Russia will have to explore alternatives to reach out to the region and India was well placed to facilitate a dialogue between Putin with

⁷⁷ For more details see, <http://www.themoscowtimes.com/business/article/with-ukraine-revitalizing...> and Pavel Baev, The CSTO: Military Dimensions of the Russian Reintegration Effort, available at, <http://www.silkroadstudies.org/resources/pdf/publications/4-1409GrandStrategy-Baev.pdf...>

⁷⁸ Nyshka Chandran, Central Asia's Battleground: Who's winning? Available at <http://www.cnbc.com/2015/06/14/russia-or-china-whos-winning.html>

other East Asian countries. But Putin used the Sochi ASEAN Summit on May 19-20, 2016 to set the stage for forging stronger ties with the region by focusing more on geo-economic cooperation rather than geo-political coalitions. Moscow promised an uninterrupted supply of energy resources on a long-term basis to ASEAN besides exploring opportunities for collaboration on other mega projects, and has shown interest in building a 190 kilometer mass transport facility in Kalimantan, Indonesia, where the Russian Railway already has a contract to build a coal freight corridor. Indonesian President, Joko Widodo, led a high-powered business delegation to Russia when he went there to attend the ASEAN Summit in Sochi and a number of cooperative ventures are expected between the two countries as Indonesia seeks to modernize its infrastructure network and economy.⁷⁹

Earlier, on May 6, 2016, Japanese Prime Minister Shinzo Abe and Russian President Vladimir Putin held an unofficial meeting at Sochi in a bid to defuse tensions between their two countries. This followed Abe's joint interview with Japan's Nikkei business daily and the Financial Times in January 2016 where he articulated his desire to bring Russia back into the G7 and said, "appropriate dialogue with Russia, appropriate dialogue with President Putin is very important."⁸⁰ Abe wants to play a bigger international role by facilitating a rapprochement between Russia and the West, especially the United States with two main objectives: he sees Russia as an important power broker in West Asia and feels that Russia could play a constructive role both in Syria and Iran if handled with sensitivity and the second is the China factor and its influence on Russia that Western isolation imposes. Bilaterally, an energy-starved Japan seeks LNG and oil from Russia while Putin is keen to attract Japanese investment into Russia's underdeveloped eastern part. Both hope that geo-economic considerations would pave the way for a resolution on their territorial disputes involving the Russian administered Kuril Islands that the Japanese claim as their Northern Territories. The two are scheduled to hold another bilateral meeting in September 2016 in Vladivostok.

Indications are that the refugee crisis and the threat posed by the Islamic State will compel Europe too begin "positioning itself to enter into

⁷⁹ Sergei Blagov, Sochi ASEAN summit: Russia Eyes economic expansion in SE Asia, *Asia Times News and Features*, 23 May 2016. Available at <http://atimes.com/tag/russia-eyes-economic-expansion-in-southeast-asia/>. Accessed on 30 May 2016. See also, Russia interested in building railway transport facility in Kalimantan, available at, <http://www.antaranews.com/en/news/104812/russia-interested-in-building-railway-transport-facility-in-kalimantan>. Accessed on 30 May 2016.

⁸⁰ Japan's Abe seeks Western rapprochement with Putin: Nikkei-FT. Available at, <http://www.nigerianbulletin.com/threads/japan%E2%80%99s-abe-seeks-western-rapprochement-with-putin-nikkei-ft.166994/>. Accessed on 30 May 2016.

negotiations with Moscow over a new security arrangement for Europe, including conventional and nuclear force postures that minimizes the risks of new proxy wars on Russia's periphery and a direct military conflict between NATO and Russia." ⁸¹ Fortunately India is well positioned to play an active and positive role as it has good relations with multiple players. While India upgraded the strategic partnership with Russia into a special and privileged one, it also entered into special and global partnerships with others, including a formal Declaration of Friendship with the US at a time when the West is attempting to isolate Russia internationally. Indian foreign policy is capable of tackling such challenges and take steps that are necessary to safeguard its core interests through the pursuit of a more robust diplomacy that will involve sustained engagement with multiple players. But the time for India to act is now and it must not be seen as dithering as it did in the case of Iran in 2005-06 under pressure from the US.

Implications for India:

While the crisis in Ukraine is largely a European problem, in an increasingly globalised world, there can be grave consequences for all and more so for an emerging player like India that has close historical ties with Russia and now an emerging partnership with the United States. Any military standoff between the two adversaries of the Cold war era has the potential to polarize the world once again on the same lines as the Cold war period. Another spin off has been the hasty signing of a 400 billion dollar Russia-China gas deal that had not seen fruition for over a decade. India needs to be watchful of any China-Russia rapprochement, as it could be an impediment for India. This has been the first major face-off between the two traditional adversaries since the Soviet invasion of Afghanistan in 1979 and as India draws strategically and economically closer to the United States, it could face increased demands from both Russia and the United States to make hard choices.

India has so far maintained a nuanced stance on the Ukraine crisis and in a statement issued on March 6, 2014, soon after hostilities broke out, it was stated "India hopes that a solution to Ukraine's internal differences is found in a manner that meets the aspirations of all sections of Ukraine's population. It would be important, in this context, for a legitimate democratic process to find full expression through free and fair elections

⁸¹ Edward W Walker, A Strategic response to Russia's Role in the Ukraine Crisis, May 6, 2015, available at, [http://eurasiangeopolitics.com/2015/05/06/a-strategic-response-to-russias-role-in-the-ukraine-crisis/...](http://eurasiangeopolitics.com/2015/05/06/a-strategic-response-to-russias-role-in-the-ukraine-crisis/)

that provide for an inclusive society. India calls for sincere and sustained diplomatic efforts to ensure that issues between Ukraine and its neighboring countries are resolved through constructive dialogue.”⁸²

However, later the same day, an informal interaction between India’s former National Security Advisor and the media was blown out of proportion. While the former NSA was careful in his choice of words and said, “We hope that whatever internal issues there are within Ukraine are settled peacefully and that the broader issues of reconciling the various interests involved, and there are after all legitimate Russian and other interests involved, are discussed and negotiated,”⁸³ the West picked up only “legitimate Russian interests” and not the rest of his statement where he talked of “reconciling the various interests,” thereby drawing criticism in the West and praise from Putin.

Though India has strong views on the territorial integrity of nations and may be uneasy about the annexation of Crimea despite its civilizational linkages with Russia, India could explore the viability of using its good relations with both Russia and the US to make a positive contribution in diffusing the crisis. Russia will not revoke the annexation of Crimea and neither can one entirely absolve the West of anti-Russia activities on its periphery. But the need is to end the game of one-upmanship, prevent the international isolation of Russia, which will push it closer to China, and for all stakeholders to work sincerely towards the establishment of an economically and politically stable Ukraine.

India and Russia:

India had an enduring friendship with the Soviet Union and the two were staunch allies during much of the Cold War. *Realpolitik* necessitated that the two build a strong strategic, military, economic and diplomatic relations and this warmth between the two unlikely allies, with very different political orientations, culminated in the Indo-Soviet Treaty of Peace, Friendship and Cooperation in August 1971 which was a remarkable diplomatic achievement for both India and the Soviet Union as it followed Kissinger’s secret trip to Beijing in July 1971 that paved the way for Nixon’s historic visit to China in February 1972. The Indo-Soviet treaty gave “India security

⁸² Ranjit Gupta, Russia and the Ukraine Crisis: an Indian Perspective, available at http://www.ipcs.org/print_article-details.php?recNo=4569

⁸³ Varun Sahni, Indian perspective on the Ukrainian crisis and Russia’s annexation of Crimea, available at http://www.peacebuilding.no/var/ezflow_site/storage/original/application...

and the backing of a superpower and the USSR ended up with an ally in the biggest and most important country in South Asia.”⁸⁴ This Treaty served India and the USSR well during height of the Cold War and relations were the strongest between them in the late 1970s.

However, due to changing global realities and their own pre-occupations at the end of the Cold War, a drift set in what was once a special and strategic partnership between India and Russia. Both had their own compelling priorities – mainly economic and domestic- that prevented the same level of involvement in the post Cold War unipolar world. Russia, which views itself more as a Eurasian power, is naturally keener on forging closer geo-economic links with Europe and Central Asia and has naturally been focusing its energies on building the Eurasian Economic Union which would make Russia a major economic player in East Europe, Central Asia and the South Caucasus. More recently, as its tensions with the West have escalated, Russia has been engaged in building gas pipelines to China and is also keen to explore the resources of the Arctic Region and has taken the lead in developing the Northern Sea Route that would link Asia and Europe across the Arctic⁸⁵ in a bid to lessen its dependence on the European market. It is only more recently since the present Indian Government assumed charge in 2014 that once again India and Russia, faced with common challenges in a multi-polar world, are trying to find ways to forge a common response to these problems by refocusing on each other. There is a lot that still binds India and Russia and it is a relationship based on deep trust and understanding since the two have no basic differences.

Russia may not be a neighbour and geo-politically Russia would have been more important if it dominated and controlled Central Asia, as was the case when this region was part of the Soviet Union, but its growing relationship with China and its appreciation of the benefits of the Chinese One Belt One Road Initiative, are matters of concern. Neither does Russia echo India’s geo-political concerns about Afghanistan. Given its past experience, Russian policy towards Afghanistan is very cautious and it is not very vocal on the threat of a Taliban take over of Afghanistan. Another worrisome development from India’s perspective has been Russia’s recent military overtures to Pakistan, including willingness to sell offensive weapons and neither has India been able to significantly leverage Russia in its relations

⁸⁴ Ajay Kamalkaran, 41 Years after the Indo-Soviet Friendship Treaty, *Russia and India Report*, 9 August 2012. Available at, https://in.rbth.com/articles/2012/08/09/41_years_after_the_indo-soviet_friendship_treaty_16889. Accessed on 17 April 2016.

⁸⁵ Dmitri Trenin, Pressing Need to Tap Potential of Bilateral Ties, in *A New Era: India-Russia Ties in the 21st Century*, Published by Rossiyskaya Gazeta, Moscow, 2015. P. 14.

with Iran to its advantage. The North-South Corridor Project is also languishing.

Therefore, strategically, it is in India's interest that a balance is maintained in Europe between Russia and Europe/NATO. Russia's weakening affects the international balance of power negatively for India, while strengthening the position of China significantly by giving it more weight and influence in other regional grouping fora like the RIC and BRICS, as well as in the SCO, where China has in any case maintained its clout since the beginning. India's admission to the SCO as full member came in July 2015 along with Pakistan even though India had been granted observer status at the SCO in 2005. Chinese reluctance to admit India without such a concession being given to Pakistan was a hurdle but Putin's invitation to Indian PM Modi to attend the Ufa Summit in July 2015 suggested that Russia might want India as a counterweight to China in the organization. However, despite India's entry into the SCO, and given the dynamic of Russia-China relations, it is not clear if Russia has any clear cut policy of strengthening India against China and neither is India central to the Russian and Chinese maneuvers in Central Asia.

Russia supports China's One Belt project covering Eurasia, whereas India has reservations about its geo-political consequences, especially its potential connectivity with Pakistan and Afghanistan, as that would serve to consolidate China's power in India's neighbourhood. China's expansion into Eurasia is intended to counter the US pivot towards the Asia-Pacific, apart from creating markets for its excess capacity in certain sectors. This affects India too, albeit indirectly as China's westward expansion undercuts a potential India role in this region.⁸⁶

Deteriorating Russia-US ties contrast with improving India-US ties. This puts an additional burden on Indian diplomacy towards both Russia and the United States. India could examine to what extent it can play a role in bridging the gap between Russia and the US, to start with at Track 2 level and perhaps also consult with Shinzo Abe, who already seems to have moved ahead in this respect. India however has an advantage as it has no territorial dispute of its own with Russia.

Russia is also concerned about growing Iran-US rapprochement, the impact of which could be felt in Syria. Geographically Syria controls the gas

⁸⁶ Kanwal Sibal, India is Now In, But Let's Not Forget the 'S' in SCO Stands for Shanghai. The Wire, 23 July 2015. Available at, <http://thewire.in/2015/07/23/india-is-now-in-but-lets-not-forget-the-s-in-sco-stands-for-shanghai-7057/>. Accessed on 30 May 2016.

pipelines from the Gulf to Europe that could in turn compete with Russian gas supplies to that Continent. If Iran decides to sell its gas to Europe since the nuclear issue is out of the way and it is no longer under Western sanctions, and seeks to transport it through Iraq and Syria, Assad will come under tremendous pressure, as he would have to do a fine balancing act between Iran and Russia. As a consequence of these geo-political challenges, Russia has taken steps to improve relations with Saudi Arabia and Moscow's abrupt decision to withdraw a large part of its forces from Syria after a quick surgical operation is seen as an attempt to repair its relations with Saudi Arabia, a key regional player.

Similarly there are signs that Russia may be adjusting its strategy towards South Asia too to bring it more in orientation with the interests of China and Pakistan, as India seems to be aligning more closely with the United States. It is therefore necessary for India and Russia to seriously work towards not letting these competing forces hinder their bilateral relations and they both "need to systematically upgrade the modalities of their cooperation"⁸⁷ through top level ministerial and bureaucratic dialogue at greater frequency rather than just the annual bilateral summit between the leaders of the two countries and also through the development of a more robust economic and business engagement.

Energy Cooperation:

For India, Russia is still a dominant player in the energy sector and vital to India's quest for energy security. Russian on-shore technology is still the best in the world. Energy cooperation with Russia holds more potential (as shown by OVL's reported decision to invest \$1.3 billion in the Vankor field). India's largest investment in the hydrocarbon sector is in Russia (\$4.5 billion), and this yields the most returns, with 30% of oil from all foreign investments coming from there. India could consider investing in hydrocarbon exploration in the Arctic, as the French company Total has done (20% share). The Arctic region has vast tracts of unexplored territory, which is the reason that the first US sanctions have been on exploration in the Arctic.⁸⁸ India must act soon as oil prices are low and Russia needs financial inflows as multinationals have moved out because of sanctions. India could also explore the possibility of gas swaps with Russia involving Japan, Korea, Taiwan and Qatar since oil pipelines from Russia to India are

⁸⁷ Ibid. p. 15.

⁸⁸ Based on an interaction on India-Russia relations at the Vivekananda International Foundation, 27 August 2015.

not commercially viable.⁸⁹ Energy cooperation with Russia should not be left solely in the hands of the Public Sector Undertakings and must be dealt with at the Government-to-Government level. India could consider committing to long-term expenditure of about \$ 20 to \$ 30 billions, whether in exploration, mid-stream, refining or pipelines as a starting point and see how this works.

Defence Cooperation:

Despite the United States emerging as the biggest supplier of defence hardware to India, the country continues to be heavily dependent on Russia as 70% to 80% of its defence equipment is still based on the Soviet era platforms. However, in recent years Transfer of Technology (ToT) arrangements with Russia have not been successful and this has impacted the life cycle and upgrading of equipment, making India somewhat hostage to the Russians in the defence sector. The refurbishing of the aircraft carrier, Admiral Gorshkov or the INS Vikramaditya is a case in point. This happened as all contracts between India and Russia were under Inter Governmental Agreements whereby India had to deal exclusively with Rosoboronexport (ROE), Russia's state-run arms export entity that at one time (2010) accounted for over 85% of Russia's arms exports, that gave it the clout to raise prices at will. The relationship became highly commercialized, but without efficient after sales service. Delivery was erratic and due to Russia's membership of international technology denial cartels, India was denied certain testing equipment in order to check the feasibility and efficiency of certain weapon systems that India sought to purchase.⁹⁰

Since the ToT method did not work satisfactorily, India looked for alternatives through joint development, of which Brahmos cruise missile was the only example till fairly recently. But the successful induction of the INS Arihant, India's first nuclear powered ballistic submarine in 2013 under the Indian Navy's Advanced technology Vessel Programme conceived after the 1971 Indo-Pakistan war has been a big step forward.⁹¹ There has rightly emerged a view that India should seriously consider taking Russians as consultants for design and co-production under the Make in India programme, as has been done to an extent by the Indian navy. This would in the long run prove beneficial to both countries.

⁸⁹ Interaction with Ambassador PP Shukla, Vivekananda International Foundation. February 2016.

⁹⁰ VIF Interaction on 27 August 2015.

⁹¹ Arun Mohanty, India's first nuclear sub built with Russian assistance ready for sea trials, *Russia and India Report*, 5 December 2013. Available at, https://in.rbth.com/economics/2013/12/05/indias_first_nuclear_sub_built_with_russian_assistance_ready_for_se_31401. Accessed on 30 May 2016.

Complementarities of interests guided much of India and the Soviet Union's defence partnership during the Cold War and India was able to modernize its armed forces fairly economically through the rupee- ruble arrangement, which worked more like a barter trade agreement, where India paid in kind for Soviet MIGs, tanks, ships and other military hardware.⁹² But after the break up of the Soviet Union, the experience of the Indian Air Force, which still has 70% equipment of Russian origin, has been mixed. While Russian technology is robust and India has a comfort level with it, we have not used our buyer's clout with Russia to get a better deal especially since the West is now wooing India as well. In the case of the Fifth Generation Fighter Aircraft, while India has paid 50% of development costs, its involvement in the design phase has been only 13%. India's access to technology has been very limited too. ⁹³

Fortunately, the positive engagement between Indian Prime Minister Modi and Russian President Putin has resulted in satisfactory headway being made towards the formalization of more industry-to-industry linkages rather than deal largely with Russian PSUs. Reliance Defence Limited and Russia's leading developer and manufacturer of Air Defence Missile Systems 'AlmazAntey' signed a deal in December 2015 to work jointly on the entire range of Air Defence Missile and Radar Systems that are required for Indian defence forces. Likewise, with India likely to choose Grigorivich frigates for its navy, Russia's United Shipbuilding Company (USC) is expected to partner with the Anil Ambani-led Pipavav Defence, to build four of these ships under Prime Minister Narendra Modi's "Make in India" initiative. ⁹⁴

Similarly India needs to step up its engagement and see if it can obtain jet engine technology from Russia through a co-development project on a priority basis. Russia is still very strong in cutting edge soft ware, in powerful radars, coastal management, all areas that India needs to modernize and therefore more frank exchanges with President Putin are required to redress some structural issues in the relationship which has great potential.

Economic Engagement:

Bilateral economic relations between India and Russia are a major challenge and have much ground to cover. In 1989-90 Russia's share in our foreign

⁹² Chandra Rekha, *India-Russia Post Cold War Relations – A New Epoch of Cooperation*, CAPS, New Delhi, 2016. P. 29.

⁹³ Based on an Interaction at the VIF on 27 August 2015.

⁹⁴ The News Journal Search. Available at, http://www.newsjs.com/in/reliance-defence-partners-russias-almaz-antey/dERoYVSx0tSaQnMyEhv_iZ6gXkANM&authuser=0/. Accessed on 30 May 2016.

trade was 16/17%; in 1994 it dwindled to 2% and today it is 1%. The situation with regard to trade in the services is even poorer. In comparison, Russia does much better with its other trading partners like China with which its trade is eight times than that of India.⁹⁵ The India - Russia Inter Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC) is the main institutional mechanism that reviews economic cooperation between the two countries. It is assisted in its work through recommendations made by the various trade and business entities like the India-Russia Business Council that is part of the Federation of Indian Chambers of Commerce and Industry (FICCI), the Confederation of Indian Industries through its association with the Russian Union of Industrialists and Entrepreneurs (RUIE) of Russia, who try to encourage business to business links between the two countries.

Indian Companies are quite active in Russia and their presence is not confined to just the energy and defence sectors any more. In recent years, Indian entities like Tata Consultancy services and Infosys are looking at making investments in Russia. India has also emerged as a major player in the Russian agriculture and pharmaceutical sectors, and India is considered the most reliable supplier of high quality generic drugs to Russia. The sanctions on Russia provide further opportunities to enhance trade and business cooperation between India and Russia. The Russian are learning lessons from sanctions and are now creating a local industry, in which India could participate. There are opportunities in the food sector, frozen sea-food, bovine meat, milk and milk products, egg-powder, cut flowers, orchids, procurement of diamonds, IT enabled services etc. With the fall in oil prices and depreciation of the ruble, it is time to buy real estate assets in Russia, exploit the dearth of FMCGs and look for opportunities in the agri-sector and infrastructure. Another area of cooperation can be in skill development where Russia has a lot of expertise and India is looking at its "skilling India" initiative. While it is for the two leaders to set the tone and tenor for a robust cooperation, the Indian private sector too needs to be more involved in furthering relations with Russia through more frequent visits of business delegations. As Russia looks for investment, the scope for business collaboration is vast.⁹⁶

India could work in partnership with Russia in the fields of education and especially scientific and technological education where Russia has a great advantage over India. Russia has a sound education system and is ranked amongst the top twenty in the world. A World Bank survey has also

⁹⁵ Chandra Rekha, p. 133.

⁹⁶ Based on discussion with a member of the Confederation of Indian Industries, New Delhi, 7 March 2016.

estimated that 54% of the Russian labour force was graduates, the highest in the world.

Culturally, Russia respects 'strength' and someone who will keep the given word and this is where the Chinese score over Indians. India has to learn to 'deliver' and then 'talk' from a point of strength. We also have to learn the art of give and take, which is an apparent and successful part of the Chinese strategy. The Chinese are indeed graduating to the next paradigm - they are mastering the art of implementing and reducing the time gap between 'giving', generating and implementing.⁹⁷

Unfortunately, many of the assertions in the Indian academia are based on the 'loaded' anti-Russian publications by the US, Western authors who can be readily accessed on the web, while the Russian point of view, since 90 percent of it is in the Russian language, remains ignored. Often ignorance and at times lack of understanding about present day Russia, results in inaccurate inferences of scholarly research.

This equally causes distrust among the Russian officials and scholars about the real intentions of New Delhi, leading to growing feelings in Moscow of a US leaning drift in the Indian foreign policy. It leads to misinterpretation of Indian realities, often based on the Western analyses. Both sides therefore need to engage and arrive at a better understanding of each other.

Besides the number of challenges in India-Russia bilateral relations, there are some challenges, which are inherent and need to be appropriately addressed. The problem of 'Alienation of Elites' of the two countries is one of the biggest inherent challenges for the future of bilateral relations. In the Soviet times, when relations with India was the policy of the ruling Communist Party of the Soviet Union (CPSU), there was a continued track-2 dialogue between the elites of the two countries with an extensive exchange of intellectuals and research scholars. While Soviet intellectuals and scholars provided direct feedback and recommendations to the Kremlin, their Indian counterparts, despite various party affiliations and sympathies, could lend their voice to decision making in New Delhi, thanks to our robust parliamentary democracy.

However, due to the Soviet collapse and transition to market economies in both countries, new powerful elites have emerged, who simply ignore each other. For them what matters most is quick financial gain rather than building human relations. About a decade ago a Commerce Secretary-level

⁹⁷ Interaction at the VIF, 27 August 2015.

Joint Task Group (JTG) was set up to identify bottlenecks in bilateral trade and economic cooperation and propose a set of recommendations to give a fillip to business ties. The Russian co-chair of the JTG in a private conversation said: “the Russian officials and big business have their families in Europe, every weekend they travel to meet them, for them India is an enigma, with which they abhor to deal with.”⁹⁸ Despite Western sanctions that have targeted the big businessmen who are part of Putin’s inner circle, Russian attitudes towards India remain ambivalent. Therefore soft power between India and Russia needs to be strengthened to bring about better understanding.

A real challenge would be to fill the information gap between the two societies. At the time of Soviet collapse there were eight Indian accredited correspondents in Moscow representing mainstream media and their inhuman efforts in the most difficult times helped to keep Russia alive on the Indian radar. Today India has no press representatives in Moscow for independent unbiased coverage of Russia. The decision makers in New Delhi are often influenced by the biased western coverage of Russia, portrayed as a damned country suppressed by Putin’s tyranny.

The recent signing of MoU between Prasar Bharti and Digital TV Russia, a paid service provider of state broadcaster, the All-Russia State Television and Radio Broadcasting Company or the VGTRK is a welcome step in the right direction. Since, private Indian media houses are not interested in Russia, Doordarshan and All India Radio could set up their joint bureau in Moscow.⁹⁹ Soft power between India and Russia could also be improved through greater cultural exchanges, media exchanges and media reporting in both countries, as was done during the Soviet times. India could also tap in to the large numbers of Indian students who go to study in Russia and become more involved with them at the official level and perhaps look at ways to boost student exchange programmes and people-to-people contact between the two countries. Both India and Russia have all the requisites and synergy to build the solid foundations for a constructive partnership in a highly globalized world through cooperation in multiple areas. With its bold and decisive action in Syria, Russia has once again entered the global arena as a key participant and will not give this up easily. It is also important to bear in mind that Russia is still the world’s largest country and despite falling oil prices, still the world’s largest oil producer. It is also one of the five permanent UN Security Council members that gives it adequate international clout; and in keeping with its new found confidence, Putin has

⁹⁸ Interaction with Moscow based correspondent Vinay Shukla at the VIF, 3 March 2016.

⁹⁹ Ibid.

embarked upon an ambitious plan to modernize Russia's nuclear, scientific, technical and military base that has strained its economy. Russia therefore will naturally seek more geo-economic engagement with other nations, especially in Asia, and here India should leverage its historical linkages to the mutual advantage of both countries.

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The Vivekananda International Foundation is an independent non- partisan institution that conducts research and analysis on domestic and international issues, and offers a platform for dialogue and conflict resolution. Some of India's leading practitioners from the fields of security, military, diplomacy, government, academia and media fields have come together to generate ideas and stimulate action on national security issues.

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