



**LEGAL AND STRATEGIC PORTRAIT OF DEFENCE AND ENERGY
COOPERATION BETWEEN INDIA-RUSSIA UNDER INTERNATIONAL TRADE
FRAMEWORK**

Aditya Narayan*

ABSTRACT

This article looks into a two-sided bilateral relation in defending and energizing India and Russia through the purchase of a Sukhoi fighter planes and crude oil. This paper considers its legal framework in light of several aspects that include WTO, sanctions, and bilateral agreements. Understanding the consequences of changes in geopolitics and compliance with the international legal basis, the article discusses the difficulties of the Indian Foreign Service in the management of strategic and economic interests. On that note, this paper offers legal and policy recommendations to make these important trade relations sustainable and legal.

Keywords: India-Russia Trade, Sukhoi Jets, Crude Oil, International Trade Laws, WTO, Sanctions, Bilateral Agreements.

INTRODUCTION

India and Russia amicably enjoy a long-standing strategic relationship and can be aptly described as time-tested partners based purely on economic and geopolitical benefits. The basis of this relationship is trade in Defence and Energy industries. Purchasing of Sukhoi Su-30MKI state-of-the-art fighter aircrafts and bulk imports of crude oil from Russia also indicate that India has been fully trusting Russia to meet the strategic and economic demands. But this dynamic has not undergone this process without some cohort of problems. Recent changes in the global trade laws, the sanction policies and geopolitical dynamics have come in the way of building a proper relationship between the two.

*BBA LLB, FIRST YEAR, CHANAKYA NATIONAL LAW UNIVERSITY.

This article will aim at bringing out the relationship between international trade law and India-Russia trade specializing in defences and energy. This paper looks at how WTO rules, bilateral agreements, and sanctions factor into these transactions. Further, the implications for the strategic autonomy of India and the stability of the economy are also discussed here.

INDIA-RUSSIA TRADE NEXUS- DEFENCE AND ENERGY

India and Russia trade tie can be summed in two major fields which are defence and energy. These sectors are experienced to be in operation as distinct from one other, yet have similar strategic objectives. The business dynamics involved in the defence trade with Russia is more inclined towards procurement of equipment and weaponry of high technology, where as in the case of energy trade crude oil forms the major chunk of import that is vital in meeting the energy requirement of fast developing India. Both sectors are very crucial for India's internal security and external growth.

DEFENCE TRADE- SUKHOI JETS AND MILITARY EQUIPMENT

Bilateral relation between India and Russia in defence sector can be defined as strategic cooperation which started many decades ago and much depends on arms import. The most important part of this relationship is the purchase of Sukhoi Su-30MKI fighter aircraft, which is a model of Russian T-30 developed for India. These jets are serving as primary strength within the Indian Air Force (IAF) and underline the strong defence relations between India and Russia. The defence contract goes well beyond simple sales of defense equipment; it involves technology cooperation and licensed production programs. For example, not only does the Indian Air Force 'procure' Sukhoi jets from Russia, but has even embarked upon licensed production in India. India's **Hindustan Aeronautics Limited (HAL)**¹ has been involved in the licensed production of these types of fighter aircrafts in the country useful in transferring important technologies and manufacturing technologies. This partnership militates India's approach of attaining 'Aatma nirbhar Bharat' in defence production while using international technology.

However, such defence transaction is regulated by international legal frameworks such as the **Arms Trade Treaty (ATT)**² to which both India and Russia are parties to. The ATT aims at

¹ Annual Reports of the Hindustan Aeronautics Limited- HAL

² [The Arms Trade Treaty | Home Page](#)

controlling the export, import, transit and transfer of conventional arms and also to curb the procurement of such weapons. India has to guarantee that it did not violate the treaty provisions when purchasing defence equipment from Russia omitting controls over the transfer of breach of technologies and conventional arms as per the international standard.

These transactions are still made more complex by the export control regime. For example, the **Wassenaar Arrangement**³ regulates export of dual-use goods which are most significant for civil and military use. The application of defense related export control systems requires strict adherence in order to prevent the unauthorized end-users from gaining access to any sensitive technologies; hence it implies that the control systems must be strictly followed while procuring equipment from Russia.

ENERGY TRADE- CRUDE OIL IMPORTS

Energy security is still present when it comes to the focused country. Indian energy relations with Russia have recently gained more significance too. Russia has become a major supplier of crude oil to India and the dependence on Russia as a partner has increased especially in the current global political transformations. New dynamics in the global oil scene especially the ability of western countries to sanction Russia after the Ukraine issue has clearly underlined the fact that India needs Russia's energy resources more than ever before.

Nevertheless, Russian crude continues to be cheaper option for India to source its oil needs from. India has relied on Russia where Moscow sells its oil at cheaper prices than the current global oil prices more so during emergencies like today. This trade has also used barter trade, especially the **Rupee-Ruble**⁴ trade system, this allows India to import Russian oil in the middle of the finance restrictions considered by the West. However, such an operating model gives rise to crucial concerns as to whether it operates within the frame of the general rules of international trade.

The peculiarities of the functioning of economic sanctions are reflected in the Indian experience of purchasing Russian crude oil. The **European Union v. Council of the European Union** which was heard in 2014 at **Court of Justice of the European Union (CJEU)**⁵ concerned questions connected with sanctions and their influence on international

³ Wassenaar Arrangement Policy Guidelines on Export Controls- 2021

⁴ India's National Security Strategy and Global Trade Position- 2022, ORF Special Report

⁵ [CURIA - Home - Court of Justice of the European Union](#)

trade. This case study is useful to understand how economic sanctions affect the nature of trade relations even in third countries such as India.

LEGAL FRAMEWORK GOVERNING TRADE

International trade laws define the basic framework of the relationship between India and Russia as most of the interactions are categorized in form defense and energy. Such laws include international conventions, bilateral treaties or agreements and national laws.

World Trade Organization (WTO) Rules

India being a member of **WTO**, the principles of WTO such as non-discrimination and liberal trade are applicable. Thus, WTO has its **General Agreement on Tariffs and Trade (GATT)**⁶ that makes sure that participants stick to these trade practices to maintain equal competition. But the WTO also has provision which allows the exceptions in such circumstances as national security which has enabled India to continue trading with Russia while the other trading partners are barred by international bans.

The former of the most relevant provisions is the **Article 21 of GATT**⁷, under which the countries cannot restrict the trade and investment only on the ground of National Security. Some of the nations have quoted this article as the reason for sanctions or trade restrictions as evidenced by the trade on the Russian aggression of Ukraine. In return India could use this provision to defend its trading relationship or associate with Russia under extraordinary circumstances.

Furthermore, the bilateral barter agreements and Rupee-Rouble trade to trade with Russia may violate WTOs norms and standards regarding transparency and payments. The question of the WTO norms compliance in such alternative trade arrangements has been raised and could be seen from previous experience where countries were brought before an authoritative panel for violating multilateral trade frameworks. However, this may cut a sorry figure for India as its strategic interests might well require such mechanisms provided that they are within the conventional legal architecture of the International Trade Law.

⁶ [What Is the General Agreement on Tariffs and Trade \(GATT\)?](#)

⁷ [GATT-AI-2012-Art21](#)

Sanctions and Their Impact on Trade

The restrictions such as those made by the Western countries especially the US and the EU has been a major influencer of India-Russia trading relationships. These sanctions affect mainly Russia's energy, defense and financing industries, and have raised costs, and complications when completing trade transactions. India's attempts to work around these restrictions through the creation of instruments such as the Rupee-Ruble trade system remain very important in the provision of energy and defense equipment from Russia.

UNSC⁸ has placed several of sanctions lately on Russia, some of which are based on Russia's military action on Ukraine. However, India has never affected such sanctions in the past, even then it has to deal with the legal and diplomatic implications of such measures that are a part of global politics. India should be careful to avoid getting in a skirmish with the international sanctions as it carries out its trade with Russia especially in the defence and energy sectors.

Trade Barriers and Dispute Resolution Mechanisms

Various trade barriers set by the western countries provide much hindrance to the Indian economy. Such are foreign trade control measures such as exports controls, sanctions and embargo that hinder the free transfer of goods and services. These barriers can be managed by the international trade law systems and the main channel is the WTO dispute system. In the event that a trade dispute arises between India and any other WTO member state, India has the option of seeking resolution under the WTO's **Dispute Settlement Understanding (DSU)**⁹.

For example, in the case of US's measures affecting the Cross-Border Supply of Gambling and Betting Services¹⁰ in WTO (2005) The WTO's Appellate Body held that the United States's measure of restrictions violated the GATS commitments. It is the similar scenarios might emerge when it comes to sanctions or trade restrictions in the interactions with Russia for India. One way India can seek redress in such events is through dispute at WTO though it will be within diplomatic corridors.

⁸ United Nations Security Council Resolutions on Sanctions against Russia

⁹ [DSU](#)

¹⁰ [Measures Affecting the Cross-Border Supply of Gambling and Betting Services | United States Trade Representative](#)

Compliance with Export Control Regimes

India's defence purchases from Russia especially sensitive products such as fighter jets has to follow the export control. The Wassenaar Arrangement which controls exports in items that have civil as well as military application, has a big influence in the regulation of exportation of military and communication technologies. In the US – **Export Administration Act (2004)**¹¹, the United States had banned export of certain sensitive items for national security reasons. This case demonstrates that international export controls are not simple and the problems India encounters when trying to acquire more sophisticated military equipment in Russia.

Challenges in India-Russia Trade

It should be noted that the trade relationship between these two countries has had its ups and downs, yet remained healthy. There are various challenges that play a major role such as geopolitical pressure, regulations and changes in market conditions which poses a great threat and need to be well handled by India.

Geopolitical and Economic Pressures

Newer geopolitical realities especially throughout the Russia Ukraine crisis have put India in a tricky spot. In one conflicted vein, India continues to foster its defense and energy partnership with Russia and on the other political and diplomatic – it seeks friendly relations with the liberal democracies of the west led by United States and the European Union. This delicate balance is especially hard to maintain in view of the ever-increasing pressure brought to bear on nations to limit their dependence on Russian resources.

The border tension between India and China has also raised a further factor that is significant for India to concern, that is the strategic interests of India in Asia. On the other hand, **Quadrilateral Security Dialogue (QUAD)**¹², where India is a part, is further contributing to India's conundrum. India should make it a point that its defense and energy cooperation with Russia does not jeopardize the Quad countries as well as its wider foreign policy strategy.

¹¹ U.S. Department of Commerce

¹² [What is Quad? - Objectives, Principles, Significance and Summit](#)

Regulatory and Legal Compliance

One of the on-going issues of Indian legislation is the compliance with the norms of international law. However, the use of mechanisms that compete with the conventional methods of payment such as currency exchanges and barter fulfilments as effective as they maybe in circumventing sanctions remain bound by WTO principles of trade and several other international trade laws. Non-compliance with this principle may pose legal threats to India in future and may lead to trade tensions.

Economic Feasibility

Another concern is the economic viability of sustaining good trade relations with Russia. Volatility in oil prices and an impact of sanctions on Russia's energy sector exaggerates the risks connected with future supply costs in India. In addition, the longevity of the defense deals with Russia should be reviewed on the grounds of efficiency, especially bearing in mind India's quest for hi-technology military equipment.

Policy Recommendations

To address the challenges outlined above, India should consider the following strategies-

- **Strengthen Bilateral Agreements:** Strengthening of legal conditions of bilateral cooperation with Russia as well as additional guarantees against certain risks can be achieved through improving the legal regulations of bilateral agreements. Trade compliance clause, intellectual property clause, and dispute solution clause shall be the important ones.
- **Ensure Compliance with Multilateral Frameworks:** India needs to persevere to guarantee its flow of trade complies with the principles of WTO and other international requirements. A presence in these multilateral forums would also aid in non-compliance risk management.
- **Diversify Trade Partners:** Maintaining a polite distance from Russia, breaking the monopoly of Russian suppliers in both the energy sector and the military industry is mandatory for India to gain comprehensive strength and strategic independence.
- **Enhanced Monitoring Systems:** Trade Transaction monitors that will provide real time data on transactions will also ensure that Indian traders do not violate laws of other countries and promote transparency.

- **Diplomatic Engagement:** It is high time for India to pursue diplomatic negotiations with the countries in the West as well as Russia, and other counterparties with a view to pursue the interests of their friendly country, the legal basis for developing a mutual trade continuously.

CONCLUSION

Defence and energy trade between India and Russia continues to be one of the most significant in both strategic and economic dimensions of the two countries. These are beneficial trades that come with legal and geopolitical challenges. These challenges can be met by acting in compliance with the international trade laws and regulations, by enhancing the bilateral relations and by diversification of the contractual relations. Continuous engagement based on mutual vision and adherence of the legal requirements will be critical in defining the future of India Russia top trading partners.