



Challenges in Major Defence Deals with Russia

For Prelims: Challenges in Major Defence Deals with Russia, [S-400 Deal](#), [War in Ukraine](#), [Countering America's Adversaries Through Sanctions Act \(CAATSA\)](#), [Rupee-Rouble Arrangement](#), [Society for Worldwide Interbank Financial Telecommunication \(SWIFT\)](#).

For Mains: Challenges in Major Defence Deals with Russia

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Why in News?

Major defence deals between India and Russia, particularly the [S-400 Deal](#), are facing uncertainties due to various factors including the ongoing [War in Ukraine](#) and payment challenges.

- The S-400 deal involves the **procurement of advanced air defense systems** from Russia. Three out of the contracted five **S-400 regiments have been delivered** as part of a deal signed in 2018.



What are the Challenges Faced by the Defense Deals?:

- **S-400 Deal Complexities:**
 - The S-400 deal has faced complications, including concerns about U.S. sanctions [Countering America's Adversaries Through Sanctions Act \(CAATSA\)](#) and delays in milestone payments.

- The war in Ukraine has compounded challenges in executing the deal.

▪ **Payment Crisis:**

- An estimated USD 3 billion payments are **currently held up due to payment challenges**. Efforts to resolve this crisis through a [Rupee-Rouble Arrangement](#) **have not been successful** due to trade imbalances and accumulating Rupees on the Russian side.
 - Due to [Russia's Exclusion](#) from the [Society for Worldwide Interbank Financial Telecommunication \(SWIFT\)](#) system, India and Russia had adopted a Rupee-Rouble payment mechanism to settle payments for defence deals.
- While small payments have resumed, larger payments remain stuck, creating challenges in **completing ongoing and future deals**.

▪ **Delays in S-400 Deliveries and Frigates:**

- While three regiments have been delivered, the delivery of the **remaining two regiments is delayed**. The revised schedule remains **uncertain until payment issues are resolved**.
 - Delivery of two [Krivak-Class Stealth Frigates](#) under construction in Russia for the [Indian Navy](#) is further delayed.

How is the Defence Trade Dynamics Between India and Russia?

▪ **Buyer-Seller Framework to Joint Research:**

- India-Russia military-technical cooperation has **evolved from a buyer-seller framework to one involving joint research**, development and production of advanced defence technologies and systems.

▪ **Joint Military Programmes:**

- [BrahMos cruise missile programme](#)
- 5th generation fighter jet programme
- Sukhoi Su-30MKI programme
- Ilyushin/HAL Tactical Transport Aircraft
- KA-226T twin-engine utility helicopters
- Some frigates

▪ **Military Hardware:**

- The military hardware purchased/leased by India from Russia includes:
 - [S-400 Triumf](#)
 - [Kamov Ka-226 200](#) to be made in India under the [Make in India initiative](#)
 - [T-90S Bhishma](#)
 - [INS Vikramaditya aircraft carrier programme](#)

▪ **Submarine Programmes:**

- Russia also plays a very important role in **assisting the Indian Navy** with its submarine programmes:
 - Indian Navy's first submarine, **'Foxtrot Class'** came from Russia
 - [INS Vikramaditya](#), the sole aircraft carrier operated by India, is of Russian origin.
 - India operates nine of the fourteen conventional submarines sourced from Russia.

▪ **Recent Development:**

- Between 2018 and 2021, defence trade between India and **Russia amounted to approximately USD 15 billion**, encompassing significant deals including **S-400, frigates, AK-203 assault rifles**, and emergency procurements.
- The defence trade relationship has been influenced by geopolitical dynamics, including the Balakot air strike in 2019 and the standoff with **China in Eastern Ladakh in 2020**.

What is Russia's S-400 Deal?

▪ **About:**

- Russia's S-400 deal refers to the procurement of the **S-400 Triumf, a highly advanced mobile Surface-to-Air Missile (SAM) system**.
- In October 2018, India signed a **5.43 billion USD deal with Russia for the S-400 Triumf missile system** despite objections from the US and the threat of sanctions under [Countering America's Adversaries Through Sanctions Act \(CAATSA\)](#).

▪ **Features:**

- The system can engage all types of aerial targets including aircraft, unmanned aerial

- vehicles (UAV) and ballistic and cruise missiles within the range of 400km, at an altitude of up to 30 km.
- The system can track 100 airborne targets and engage six of them simultaneously.

Way Forward

- Apprehensions among companies and traders about sanctions are hindering trade expansion. The Reserve Bank of India's **intervention is necessary to address these apprehensions** and promote bilateral trade.
- Officials acknowledge the **need for a comprehensive approach to resolve** the payment crisis, as no single measure may be sufficient.
- Currency diversification, including the use of **Yuan, is considered to mitigate payment challenges** and expand trade options.
- Resolving payment issues and streamlining mechanisms for executing major defence deals are critical for ensuring the timely delivery of advanced defence systems, bolstering national security, and enhancing the capabilities of the Indian armed forces.

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