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International  
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Bearing in mind the particular importance Russia attaches to its relations with India, the Russian International Affairs Council has arranged a series of expert workshops dedicated to specific areas of bilateral relations. The following postulates represent the preliminary results of this work. The key objective here is to test some hypotheses related to developing cooperation between Russia and India. We address readers anticipating some sort of feedback. Taking into account readers' comments and proposals a final version of the postulates will be subsequently prepared and published.

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# Contents

<b>Preface</b> .....	4
<b>I. Russia and India on the International Arena</b> .....	6
Russian and Indian Positions on Creating a New Architecture of International Relations.....	6
Interaction on Regional Problems.....	7
Searching for Common Approaches to the Nuclear Non-Proliferation .....	9
<b>II. Russia and India: Towards a New Agenda in Economic and Trade Relations</b> .....	10
Key Features of India's Current Economic Development .....	10
Problems and Prospects of Bilateral Trade and Economic Relations.....	11
<b>III. Russia and India: Towards Economic Modernization</b> .....	15
<b>IV. Russia-India Relations: New Agenda in Military-Technical Cooperation</b> .....	17
Key Features of India's Arms and Military Equipment Market.....	17
Status, Problems and Prospects of Russia-India Military-Technical Cooperation.....	18
<b>V. Problems of Cultural and Humanitarian Cooperation Between Russia and India</b> .....	21

## Preface

India has undoubtedly entered the 21<sup>st</sup> century alongside the United States and China as a country that can rightfully claim the status of being a center of global influence. There is a good chance that the world's future will be largely determined by developing relations in the United States – China – India triangle. India's position in the global political and economic system makes it even more important that Russia attaches particular significance to the development of bilateral relations with this Asian giant.

The strategic partnership between Russia and India is a natural phenomenon. The two countries' national interests either coincide or at least do not contradict each other. Geopolitical considerations dictate the need to strengthen mutual relations. There is an explicit parallel to be drawn between foreign policy developments in which India is involved in South Asia and the Russian role in the post-Soviet realities of the CIS. Similarities between the two countries' objectives in the foreign policy domain cannot be ignored. Russia and India should seek further integration in the global economy, enhanced competitiveness and a degree of protectionism with regard to their own production. The proximity of two countries' approaches to the fundamental problems of global development is especially evident.

In the meantime, Russia-India relations have begun to stagnate. While key areas of cooperation (military and technical cooperation, nuclear power) are developing positively, that alone is not sufficient to maintain growth trends in the long term, especially given the growing U.S. interest in rapprochement with India.

Taking into account the significance of relations with India to Russia, the Russian International Affairs Council has organized a series of expert workshops dedicated to specific areas of bilateral relations. **The postulates under review can be regarded as preliminary results of this work. The key goal of these postulates is to test a number of hypotheses concerning the development of cooperation between Russia and India.** In addressing the readers we hope to generate some sort of feedback. A final version of the postulates will be prepared and published taking into account readers' comments and proposals.

The workshops were chaired by V.I. Trubnikov, Member of the Directorate at the Institute of World Economy and International Relations (IMEMO) of the RAS, most recently Ambassador Extraordinary and Plenipotentiary of the Russian Federation in India. Senior Research Fellow at IMEMO RAS A.G. Volodin and Professor at Moscow State Institute of International Relations under the Russian Ministry of Foreign Affairs S.I. Lunev acted as co-chairmen during the workshops.

The postulates were prepared on the basis of materials and presentations prepared by workshop participants. They include V.I. Yurtaev, Research Fellow at the Department of Theory and History of International Relations at the Peoples' Friendship University of Russia, B.M. Volkhonsky, Senior Research Fellow at the Russian Institute of Strategic Studies,

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## I. Russia and India on the International Arena

### Russian and Indian Positions on Creating a New International Relations Architecture

1. Russia and India **have similar positions on** building a new architecture of global relations. Built around the principle of a polycentric world structure, these positions theoretically create new opportunities for interaction between the two countries in a variety of global and regional formats.

**The two states' national interests** coincide in the following areas:

- a unipolar world is wholly unacceptable;
- the absolute need to continue to combat political extremism and radicalism;
- aspects of economic globalization that have a negative impact on developing nations must be staunchly opposed.

The Russian Federation and India uphold similar views, with rare exceptions, during votes at the UN General Assembly sessions on problems related to global sustainable development, strategic stability and international security.

2. India's position, from the outset, has been directed at creating a world order based on the principle of "**uniformity through diversity.**" This model incorporates consensus-driven world politics and international relations, while groups of "horizontally" organized states acting in accordance with the principle of coordination rather than subordination will inevitably become key players on the international arena.

3. Prospects for the development of Russia-India relations on a global scale largely depend on the nature of **interaction displayed by India with regard to the key players on the international scene**: relations with China and the United States are of paramount importance for India just as they are for Russia.

4. India has demonstrated a genuine interest in establishing an **inclusive world order** in which China could be one of the major, but not dominant, states. This does not run counter to Russia's interests.

5. Despite the positive trend in how U.S.-Indian relations are developing on a global scale, a latent growth in conflict potential between the **United States and India** can be observed as resulting from fundamental disagreements on geopolitical and geo-economic issues (especially during the sessions of UN bodies). As a result, Russia, in the absence of the expected results from its "reset" in relations with the United States, facing differences with the United States on a number of issues, alarmed – much like India – by neighboring China's growing strength, could create an **alli-**

**ance** with India, that proves to be **strategically important** to both parties, lending fresh impetus to political, trade/economic and cultural relations.

6. Renewed efforts in economic and political cooperation within the **RIC group (Russia, India, China)** have good prospects. Highly-efficient interaction is likely in areas involving Russian fundamental science and resources, India's engineering theory and Chinese production that boasts high-quality low-cost labor. Products generated by this linkup could enjoy a high capacity market: BRICS countries have the highest long-term growth rates in the world, and the purchasing power of their populations is invariably also on the rise. Specific areas for cooperation may include agricultural production, joint development of mineral, fuel and energy and forest resources in Siberia and Russia's Far East, manufacturing industry, coordination of aviation projects, space exploration, power engineering, and machine building, in particular car manufacturing oriented towards markets in the countries under review. Establishing a special-purpose Energy Association (possibly with Japan and South Korea) could also prove useful.

7. India and Russia share the view that today's problems cannot be effectively resolved without **broader involvement of developing nations** in global trade, finance and investment. Developing countries can and must become the real drivers of global economic growth.

8. Russia should reaffirm its position regarding support for **India gaining the status of UN Security Council permanent member** and call for comprehensive assistance to Delhi in its desire to become an APEC member.

### Interaction on Regional Problems

9. India strongly opposes the involvement of external international forces in the solution of regional problems in South Asia, whether in Kashmir or in the Indian Ocean zone. India is watching the development of United States-Pakistan relations in the military and political spheres with great suspicion, given the American forces' stated intention to withdraw from Afghanistan in 2014.

10. Russia has invariably taken a low-profile stance on regional problems such as **Kashmir and Tibet** that are highly sensitive to India. Russian diplomacy has every reason to believe that the "internationalization" of these problems would be unlikely to facilitate their settlement and may damage India's political prestige.

11. Indian experts view the Indian Ocean as a key element in the country's policies and in its historical destiny. To the east of the Indian Ocean, India should enhance its efforts to strengthen ties with Myanmar, Indone-



sia, and Singapore as well as Vietnam, South Korea and Australia, potentially creating a kind of “**diamond ring**” of countries friendly towards **India**. It is highlighted that this initiative should not be a smokescreen for efforts to create an anti-Chinese alliance. At the same time China is acting as a major investor in the economies of these countries thus reducing the effect of the Indian foreign policy.

12. The development of Russia-India relations will also benefit from **Russia’s comprehensive support for India** in interactions with other states in the region. It would seem reasonable to find a way of mentioning the fact that Russia is not rendering any military assistance to Pakistan (while highlighting arms supplies to Pakistan from the United States, France and other Western countries); it is also worth highlighting those foreign policy processes in South Asia that parallel Russia’s post-Soviet realities, and the similar positions that India and Russia have respectively taken in these regions, in particular the remarkable similarity in the approaches that Russia has applied to solving problems faced by the CIS and those taken by India regarding issues in South Asia.

13. India’s policies on **Afghanistan** are determined by three key considerations: a) concerns over an Islamist victory, the spread of radical Islam across Central Asia and possible appearance of an Islamist bloc comprising Pakistan, Afghanistan and Central Asian republics characterized, among other things, by a radical anti-Indian thrust; b) undesirable strengthening of the great powers’ influence in Afghanistan and their increasing involvement in regional affairs; c) the goal of transforming Afghanistan into a transit country between Central Asia and India.

It appears that the reason for India’s activity in the Afghanistan-Pakistan (Af-Pak) conflict zone indicates Delhi’s intention to increase the quality of its economic, political and possibly military positions in the regions, primarily at the expense of Pakistan and China.

14. There are no principal disagreements between Russia and India over the situation in Afghanistan, while the **prospects of interaction** between the two countries are quite explicit in the **Af-Pak node of tension**. Specifically, a bilateral agreement on joint implementation of economic programs in Afghanistan is likely to be signed. It would also appear quite feasible to unite the two countries’ efforts in the military-political sphere (for instance, in joint programs to train Afghan servicemen) while in the longer term it might be efficient to disseminate similar economic and military-political programs across Central Asia.

## Searching for Common Approaches to the Nuclear Non-Proliferation

15. According to the views of the Indian political class, India is a **de-facto nuclear state** whether or not it is recognized as such by the Treaty of Non-Proliferation of Nuclear Weapons. Indian officials contend that there is no sense in joining a Treaty that has been criticized by Indian society for so many years.

16. The fragility and contradictory nature of the **nuclear non-proliferation regime** is reflected in India's position: Delhi has invariably emphasized nuclear disarmament over nuclear non-proliferation. India has always viewed the proliferation of nuclear weapons as a threat to regional and global security, and as a consequence has viewed nuclear proliferation as illegitimate (hence non-proliferation, i.e. maintaining a privileged status of "nuclear club" members). India is scrupulous about compliance with this regime as it has categorically refused to transfer "sensitive" technologies and fissionable materials to other countries.

17. The logic behind India's position on nuclear non-proliferation and nuclear security suggests **that cooperation in this area** between the two countries under review has no meaningful political prospects.

## II. Russia and India: Towards a New Agenda in Trade and Economic Relations

### Key Features of India's Current Economic Development

18. The **Indian economy** has entered a complicated period of development, despite the fact that the country avoided the impact of the 1997-1998 Asian crisis and was able to maintain **high growth rates**. It is agreed for India that a minimum or "politically secure" level of economic growth is at least 7 percent per year. Any growth rates below this threshold are regarded as "critical" while the "politically desirable" economic growth rates are 9 percent or above. Although in 2012 economic growth fell below 6 percent, the Indian economy is expected to pick up in early 2013.

19. India's economic **potential** has grown significantly. The country is trying to achieve two objectives simultaneously, both to complete "classical" industrialization while also continuing to develop heavy industry (chiefly the power industry), and expanding scientific and technological innovation services, information and communication technologies, scaling up outsourcing, expanding the banking sector, and cooperating with international high-tech companies. India's interest in **modernization technologies** amounts to a clear trend in India's economic development. Meanwhile, international companies are predominantly using licensing and service provision contracts in their operations with India (due to persistent limitations on foreign direct investment and local subcontractors' rapidly increasing capacity).

20. The long-term government policy that refrained from criticizing India's citizens, including skilled specialists and researchers, for going to other countries has produced good results. The government made efforts to maintain regular ties with them. In 2010, net cash transfers to India from this **foreign diaspora** totaled \$53.124 billion.<sup>1</sup>

21. Deteriorating global trade conditions in the context of the **Indian economy's increasing openness** to global economic trends and processes has a negative impact on the prevailing mood in Indian society. One of the manifestations of the country's declining foreign economic vigor is the growing mutual disappointment within Indian and U.S. business communities with the prospects and results of joint activities aimed at "opening" their respective markets.

22. One of the new political and socio-economic factors expected to gain influence in the medium term is India's **middle class** (numbering be-

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<sup>1</sup> Net current transfers from abroad (current US\$). World Bank indicators. URL: [http://api.worldbank.org/datafiles/IND\\_Country\\_MetaData\\_en\\_EXCEL.xls](http://api.worldbank.org/datafiles/IND_Country_MetaData_en_EXCEL.xls)

tween 100 and 400-500 million people<sup>2</sup>). One of the likely outcomes of this phenomenon is the growing role to be played by small- and medium-sized businesses on India's political field.

23. **Medium-sized businesses** are mainly entrepreneurs who entered the market thanks to reforms carried out in the 1990s. They typically view the idea of the Soviet Union's role in Indian industrialization as a myth; many of them were educated in Western countries, and have little interest in business relations with Russia, which is to a certain extent due to unclear foreign economic policies pursued by Russia with regards to India.

### Problems and Prospects of Bilateral Trade and Economic Relations

24. Despite the "privileged political partnership" status between Russia and India, **trade and economic ties are still the weakest link in bilateral relations**. One impediment is Russian foreign economic players' limited awareness of qualitative shifts in India's economy and a relatively low level of mutual trade operations.

25. To maintain the "privileged" status of Russia-India relations, it is important to outline guidelines for our foreign economic activities. Practice shows that good economic and socio-political motivation providing a positive impetus for maintaining bilateral relations can be achieved at a minimum level of trade turnover reaching at least \$17-18 billion.

26. It is necessary to strengthen ongoing work done by bilateral committees and raise the efficiency of control over how decisions that are made by these bodies are implemented. The final documents often reiterate one goal, for example, reaching the target figure of \$10 billion in trade turnover between Russia and India, while this indicator has been well below the declared target for many years. It is quite obvious that reinvigorating **traditional approaches to cooperation** can boost trade and economic relations: upgrading enterprises built in India with Soviet assistance, military and technical cooperation, and nuclear power industry.

27. In 2011 the volume of Russia-India trade turnover amounted to \$9 billion.<sup>3</sup> This low indicator can be explained, above all, by **logistics problems**. Therefore the volume of foreign economic ties between India and, say, China (\$73.9 billion<sup>4</sup>) should not be used as a benchmark, as the

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<sup>2</sup> Deutsche Bank Research. URL: [http://www.dbresearch.de/PROD/DBR\\_INTERNET\\_DE-PROD/PROD000000000253735.pdf](http://www.dbresearch.de/PROD/DBR_INTERNET_DE-PROD/PROD000000000253735.pdf)

<sup>3</sup> Overseas India Facilitation Centre. URL: <http://m.oifc.in/Resources/News/India-and-Russia-set-US-24-20-BN-bilateral-trade-target-by-2015>

<sup>4</sup> India-China trade hits all time high of \$73.9 billion in 2011. URL: <http://indiatoday.intoday.in/story/india-china-trade-hits-all-time-high-of-usd-73.9-billion-in-2011/1/171137.html>

share of trans-border trade and exchange operations is quite significant in that relationship.

28. **Unblocking transport routes** linking Russia and India could become a powerful incentive for the growth of Russia-India trade and economic ties. This implies primarily “unfreezing” the North-South international transport corridor. What is needed here is streamlining multimodality, developing linear maritime traffic, building container trains and a uniform transportation system at fixed tariffs within the declared transit time spot, and granting customs benefits. Interaction with Iran could lend an impetus to reestablishing the Moscow – Tehran – Delhi geo-economic triangle.

29. The existing **visa regime** remains an important problem blocking the strengthening of trade and economic ties. It appears that, with the relevant political will displayed by Russia, the visa regime could be liberalized in the near future.

30. A **preferential trade agreement** with India seems quite a realistic prospect, and could even be signed in the near future, facilitating an increase in Indian exports. As the world leader in **diamond cutting**, India is keen to receive Russian diamonds directly and is ready to set up joint companies for jewelry exports. In the **pharmaceutical industry** it is the Russian consumer that will definitely reap the benefits from Russia-India cooperation, as high-quality Indian drugs are significantly cheaper as compared to other imported equivalents.

31. In the **power industry**, the greatest hopes have been related to the development of **nuclear energy**. However, cooperation in this area has failed to achieve the desired goals: after the Fukushima disaster anti-nuclear sentiment was running high in the Indian population, nourished by Russia’s competitors (primarily from the United States). In effect, India adopted a law on nuclear power station builders’ responsibility for any damage incurred during the facility’s operation. Given the volume of contracts operated by Rosatomstroj, India has more to gain from this cooperation than Russia. Therefore, Russia must adopt a firm stand and suspend cooperation in this area. In the meantime, there is a clear need to build partnerships with **Western companies** (Germany’s Siemens is probably the best choice in this respect) and major Indian private businesses, as India will soon pass a law allowing private capital investment in this sphere (Indian companies such as **Larsen, Tubro and Tata** could be potential partners). In the medium-term it would be advisable to start cooperating with India in the area of **building fast neutron reactors**, as Russia so far has no competitors in this area. Russia’s position on India’s nuclear market could be strengthened by vigorously stepping up production within Russia of **small and medium capacity plants** (for large Indian cities) in cooperation with Indian partners.

32. There are few prospects in **hydropower energy** due to the fact that Russian Federation has stopped manufacturing equipment for small and medium capacity hydropower stations, which are the focus of India's interest.

33. It would be equally important for Russia to continue efforts aimed at **expanding gas supply systems in India**. According to existing estimates, gas consumption in the country will increase 70 percent by 2020<sup>5</sup>.

34. It is also important to participate in India's **electrification**. It appears quite reasonable to sign in the coming year an agreement on creating **joint ventures to supply gas to Indian brown coal** to generate electricity powered by gas turbines.

35. **Hydrocarbon supplies** to India are unlikely to yield many benefits due to the considerable delivery distances involved. There is therefore a need to identify new supply patterns. One such pattern involves creating new hydrocarbon production joint ventures in Russia (based on Sakhalin-1 example) and in third countries (chiefly in Central Asia). The hydrocarbons received via these channels could be sold by India to its partners. It would be advisable to review swap deals in this sphere.

36. The anticipated sharp rise in the size of the middle class (600 million people by 2030) with a consumption level comparable with that of Europe and environmental problems will push India to identify new **ways of providing food supplies**. Russia could be a natural partner in this area, helping to resolve this problem. Bilateral cooperation in the **agricultural sector** might open up Russia's path to the widely acclaimed achievements of Indian agricultural science. Russia is especially interested in raising India's investment in the **Russian agro-industrial sector**.

India has to date retained high import duties for agricultural produce (the average duty on farm produce in the fiscal year of 2010-11 stood at 33.2 percent, compared with import duties on other kinds of produce, which stood at 8.9 percent). That is why there is a clear need to develop joint projects rather than relying on exporting finished products.

In particular, **a pilot project** on cooperation between our countries' breadbasket areas – Russia's Stavropol and Krasnodar regions and India's Punjab and Haryana states – looks very promising. Russia could offer to lease out land plots for farming in exchange for new jobs in Russia and Indian farming technologies.

37. The prospects of **building further links between Russian research** (and its resources) and **India's engineering skills** (which can be witnessed already in the military realm) supplemented by low-cost Chinese labor with sufficient quality level look extremely promising.

38. Bringing together India's **software production** capacity with Rus-

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<sup>5</sup> Release. Alexei Miller and Ajai Malhotra discussed questions of LNG supplies to India. URL: <http://www.gazprom.ru/press/news/2011november/article123401/>

sian hardware and software exports also has potential to deliver positive results. In the innovations sphere it would also be rational to explore the possibility of targeted support for Russian projects in the Skolkovo Innovation Center. It is important to consider various different approaches to boosting **Indian investment** where it has the potential to support Russian innovation projects that will eventually gain a presence on the Indian market.

### III. Russia and India: Towards Economic Modernization

39. Although the resource base and the socio-economic structures in Russia and India are different, the problems of maintaining development and modernization of the economy are common.

40. **Planning** is key in managing the modernization of the Indian economy. Indian planning is based on a **close relationship with the academia**. First, this is determined by the composition of the Planning Committee, which incorporates both experts and officials. Second, various experts from research institutes, universities, government institutions and organizations, business communities, etc., take part in developing and preparing the plans, although they are not members of the Planning Committee.

41. All Planning Committee summary documents (group lists, their members, set objectives, and submitted reports) are openly accessible. This increases the responsibility of the working group members and allows a wide range of academicians and experts to review the reports and offer their assessments and suggestions.

42. Where there is limited scientific and technological potential, it is not “innovations in general” that are regarded as a cornerstone, but those **directions that have priority** significance for the solution of problems at a given stage of economic modernization. The Planning Committee has therefore established the Committee for Scientific and Technological Research Orientation that is to draft its own report. Planning is the main mechanism ensuring that science is engaged in modernization and in the solution of the related problems, while the state’s high demand for science stimulates its development.

43. Fiscal policy in India is based on the understanding that economic modernization and the overall acceleration of socio-economic development require an **increase in capital investment**, even if this results in budget deficit. Controlled deficit financing aimed at increase value-added investment is one way of accelerating economic growth in transition economies where structural modernization of the economy is the main priority.

44. India uses **zero base budget planning** in order to optimize budget expenditures. Therefore the current year’s budget is not extrapolated as a base estimate for that of the following year’s. Even current expenditure items are scrutinized so as to determine whether they should be kept. Thus, zero base budgeting serves as an alternative to optional cutting of budget items.

45. India recognizes that foreign capital cannot form the basis of investment in a large country; only the **increase of domestic savings** may be the main source of growth.



India is expanding the network of bank branches, particularly in the countryside where the majority of population lives, in a bid to mobilize the population's personal savings.

46. **Foreign capital regulation policy** in India pursues two main objectives. On the one hand, the government seeks to raise foreign capital to develop modern equipment and technologies and to finance development programs, particularly in the most capital-intensive industrial facilities, and in cases where construction involves foreign currency outlays. On the other hand, the government also strives to limit the foreign risk to capital influx that could destabilize the financial situation in the country, limit the competition of foreign capital preventing the growth of national capital, and establish Indian control over companies with foreign interest.

47. Foreign private companies are **not usually allowed to buy securities** in Indian enterprises on the secondary stock market. Foreign investment in India is usually associated with creating new capacity rather than the transition of operating enterprises under their control.

Therefore, raising **foreign direct and portfolio investment** is a tool to deter the attraction of loan capital, especially regarding short-term loans, and reduce foreign investment related to India's external debt increase. Industry-oriented foreign capital inflow corresponds mainly to the general priorities of the state's social and economic policy - the primary development of capital-intensive and technologically sophisticated scientific and engineering concerns, especially in the electronics sector, as well as the services industry (primarily information support, the software industry, business and consulting, data processing, etc.). As a result, the Indian government was able to channel most foreign direct investment to the strategic sectors determining the country's scientific and technical progress.

## IV. Russia-India Relations: New Agenda in Military-Technical Cooperation

### Key Features of India's Arms and Military Equipment Market

48. India is **one of the world's largest national arms markets**, behind the United States, Saudi Arabia, and (until recently) China. However, India's military-technical cooperation (MTC) with foreign countries pursues the exclusive aim of strengthening its own security, and therefore **is unlikely to have a negative impact on regional security** in South Asia.

49. India's elites (supported by a significant proportion of the society) are keen to continue **substantial "supplementary arming"** of India, considering it a deterrent to the "geopolitical expansion" of China, a country that has experienced problematic relations with India following the border conflict in 1962, and as a means of implementing the military-political doctrine of India that aims to transform the "Elephant" into a **leading force in the area from "Suez to Singapore."**

50. India is diversifying the products supplied on the Indian market by a **variety of foreign manufacturers**, working towards saturating **its defense-industrial complex with science and technology capacities**, including broad based "naturalization" of foreign ideas and R&D. The main purpose of this is to stimulate the creation and development of domestic original ideas and solutions.

51. The main feature of India's MTC is **the trend aimed at purchasing weapons systems** that are manufactured in accordance with individual requirements of Indian customers. Almost all newly-purchased air and sea platforms feature cockpit equipment and armaments from various manufacturers. As a result, India has enjoyed access to the maximum number of technologies that are available on the market.

52. Due to the stable trend in India's MTC towards focusing on the quality and technological prowess of purchased products **the importance of price factors has declined.**

53. For several decades, India has been purchasing large consignments of armaments together with **licenses allowing domestic production.** However, the Indian industry is currently experiencing considerable **difficulties as it tries to develop licensed production** of high-end weapons systems. The country's defense industry does not seem able to substitute arms imports in the foreseeable future.

54. Since the early 1980s, India has been trying to implement its **own national programs** to manufacture major weapons systems. To date, most projects have not entered serial production, with the results India has demonstrated in creating an advanced national defense-industrial complex

being far from encouraging. Limited success has been achieved only in ballistic missiles production.

55. Meanwhile, the practice of **organizing tenders** for arms and military equipment purchase as a **means of internal political struggle** has emerged in India. The domestic political opposition invariably declares that tender results do not serve the country's best interests and has accused the ruling party of corruption. This practice has now resulted in extreme delays around tender procedures: the bidding process can last a very long time due to fears it could trigger a political crisis or that tender results could be canceled and the tender re-opened.

### Status, Problems and Prospects of Russia-India Military-Technical Cooperation

56. Russia is a **major exporter of arms and military equipment to India**. Russia accounts for 55.3 percent of all purchases made by India in this area in 2008-2011. Overall the portfolio of orders contracted for March 2013 amounts to \$10.3 billion.

*For reference. The United Kingdom was the second-largest exporter of military equipment to India in 2008-2011 at \$2.007 billion. Orders booked in 2003-2010 comprise \$4.094 billion. Israel ranks third at \$1.839 billion and has an order book of \$3.452 billion. The United States ranks fourth with \$1.144 billion (and \$3.986 billion on order), while Italy comes fifth with \$690 million (and an order book of \$4.23 billion). Overall, India imported armaments from 14 countries in 2008-2011<sup>6</sup>.*

57. In 2012-2015, **Russia's share in the Indian arms market will fall to 37.5 percent<sup>7</sup>**, whereas maintaining leadership in absolute figures. This is related to several factors:

- India's diversification policy;
- Russia's inability to compete with other countries on a full range of purchased arms and military equipment (while India increases the number of areas for MTC);
- Our main competitors' consent to supply licenses for military production and the most advanced weapons to India (which they often refused to do previously);
- Indian armed forces' efforts to acquire the most combat-effective systems with payment issues being moved to the background.

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<sup>6</sup> CAWAT. URL: <http://armstrade.org/includes/periodics/news/2012/0815/105514316/detail.shtml>, URL: <http://armstrade.org/includes/periodics/news/2011/1027/164510149/detail.shtml>

<sup>7</sup> Ibid.

The Indian party has consistently raised issue of state control over the quality of products and after-sales services exported expressing dissatisfaction with the “superfluous” (intermediary) links in the Russia-India military-technical cooperation.

58. MTC with India may have a **favorable effect on the industrial structure of the national economy** due to the programs’ long-term nature and consistently significant purchase volumes. There is a clear need to approach the Indian market **with unique solutions and technologies** on operations and sub-strategic levels (in the area of missile defense, missile warning systems, nuclear-powered submarines, and missile technology) along with the opportunity to link these deliveries with conventional arms procurement.

Russia may also join the Indian program to build INS Arihant **nuclear submarines** (multiple flaws were identified after the first submarine was built).

59. It is necessary to find a **breakthrough branch** in military-technical cooperation with India. This could be a major project for a national missile warning system and air defense development (the Indian system is based on outdated Soviet technology). The Indian party is very interested in developing a modern AMD system. This is an area in which the Russian Federation is in a position to offer India new developments, particularly in long-range air defense systems demonstrating extensive anti-missile potential, such as the Antey-2500 military air defense system, the Tor-M2E-2 and Buk-M2E anti-aircraft missile systems, and new modifications such as the C-400 (C-500 for the future).

60. The Russian party could facilitate the joint design and **production of a fifth-generation light fighter**, given the advanced aviation know-how that already exists in the national defense complex.

61. The two countries’ participation in **joint projects involving third countries** (chiefly Israel) seems a promising and profitable avenue for both parties to explore.

62. Criticism consistently leveled by the Indian side over delays in spare parts delivery for imported Russian military equipment is largely caused by the Russian side’s **cumbersome bureaucracy**. Claims to Russian enterprises go through Rosoboronexport, resulting in delays that may last several months. Reputable companies should be selectively allowed to perform independent operational interventions. The time schedules followed by Western competitors should be used as benchmarks (replacing a unit normally takes 3-4 days). There is also a clear need to align servicing operations and provide technical maintenance for Russian equipment through to the end of service life, as other vendors do when dealing with India.

63. It would also be advisable to establish and finance an **adequate**

**and aggressive information support** strategy for military cooperation, neutralizing the negative propaganda funded by Russian companies' competitors. Particular attention should be paid to Indian professional defense and technology sector magazines, while special emphasis should be placed on working with them. These magazines play a crucial role in shaping the opinion of the national military elite and that of the individuals that make decisions on MTC.

## V. Problems of Cultural and Humanitarian Cooperation Between Russia and India

64. Russia is perceived as a **potential geopolitical ally** capable of helping boost India's status in international relations. Concepts that are popular among the Indian audiences such as BRICS and (to a lesser degree) the Russia-India-China "triangle" contribute to a positive perception of the prospects for bilateral relations. Based on this premise it seems reasonable to note that Russia-India relations are **characterized by equal partnership**, while economic cooperation is not limited to trade but in effect amounts to full-fledged cooperation, the exchange of knowledge and technology.

65. The **positive image of Russia** mainly results from its leading positions in space exploration, nuclear energy and military equipment production, which creates favorable conditions for cooperation in these areas. However, outside these areas, Russia is perceived in India as falling behind in economic development.

66. Bilateral cultural cooperation operates against a backdrop of **fierce competition over influence** on India in which the United States has a considerable advantage. In recent decades **Russia has been losing the advantages** it enjoyed previously with regard to India, mainly due to the lack of information and communication tools. This creates certain prerequisites for Delhi's shift towards greater interaction with other states.

67. The main negative factor in Russia-India relations is that Moscow continues to treat India as a **second-tier nation**, invoking a similar response from Delhi. In the Indian *Nonalignment Report 2.0: India's Foreign Policy and Strategy in the 21<sup>st</sup> Century*, released in 2012, in terms of its importance to India, Russia is listed as a third tier-nation. Although the report is not an official document it nevertheless reflects the prevailing sentiment in India.

68. Views about Russia are mainly based on information obtained during the Soviet period. More than half of India's population believes that Russia and the Soviet Union is one and the same country, and that only the name has changed. Less than 50 percent of respondents are familiar with the basic facts, while only a tiny proportion of the audience has any detailed understanding of the country. This pattern is characteristic of all social groups including the most educated and economically active strata. **An acute shortage of information** is apparent: people in India receive virtually no information about Russia via conventional channels. Taking into account the growing popularity of the **RIAC web-site** abroad, it would be appropriate to exploit it in dealing with the Indian expert community as a relevant target audience.

69. The **Russian and Indian mass media both fail to perform its primary function** of unbiased coverage of events that take place in two

countries. Attention is primarily focused on negative events and problems in bilateral relations, particularly when it comes to defense-tech cooperation. Meanwhile, reports about meetings between the two countries' leaders have all but vanished from the headlines. **Monitoring the mass media** in order to determine the accuracy and relevance of information on India and its relationship with Russia should help overcome this problem; journalistic mistakes damage Russia's image in India.

70. The events of the early 1990s had a negative effect on Russia's image in India. In addition, during the years of rapid economic development, a noticeable **change in the values system** of Indian society became apparent: market pragmatism trends have noticeably strengthened. In effect, today we observe a very **low level of interpersonal contacts** between citizens of these two countries and between members of business communities in Russia and India.

71. The level of affection for and interest in Russia remains high among the **younger generations**. The **inventory of means** available in Russia to exert **soft influence** on India (such as associations of Russian universities' graduates, etc.) would allow to form an adequate interaction algorithm with India's youth audience, as well as with Russian expat community in India and Indian expat community in Russia. It is important to build separate communication formats with the Indian youth and to perform **segmentation** of Russian mass media **target audiences** in India.

72. The **enrollment of Indian students in Russian universities should be revived**. To this end, a group to identify bottlenecks should be created and a program for the large-scale admission of Indian students should be developed with financial support from Russian universities. It could also engage Indian professionals who studied at Soviet universities and now hold influential positions in the Indian education system. This is an extremely important area both from the perspective of Russia's image and in terms of enhancing Russian universities' commercial appeal. To this day there is a very real appreciation within India of the value of Russian **higher education**, particularly for medical and engineering professions; however the dearth of adequate information about the Russian higher education system, the continuing lack of clarity over the international recognition of Russian diplomas, and personal safety concerns make Russia less competitive on India's education market. Conducting annual "trade fairs" for Russian universities, primarily federal universities, in India could be one way of overcoming this problem.

73. Higher education ties should be strengthened, while Russian universities should be geared to expanding comprehensive cooperation with their Indian partners (teacher and student exchanges; joint conferences and seminars, joint publications in Russian and English).

74. Under these parameters, there is also a need to promote more **vigorous cooperation between scientists**. It is especially advisable to orga-

nize regular expert conferences on foreign policy and political and military subjects on bilateral and multilateral levels, in particular within the framework of the SCO, RIC and BRICS.

75. In order to improve Russia's image in India, there is a clear need to streamline and organize activities aimed at the **public promotion of projects that Russian companies and corporations** implement in India. The emphasis should be placed on both large and medium-sized businesses.

76. **Increase RIA Novosti's range of activities in India**, with the main focus on creating a positive image of Russia. Additional agreements must also be signed with major Indian newspapers covering the provision of Russian materials. An English-language Russian online publication for India is also a good option. The opportunity for Indian media to open Moscow offices or bureaus should be permanently on the table. It is important to step up journalist exchange programs. Funds should also be allocated to cover costs incurred in providing Russian materials to the Indian press in areas of special importance to Russia.

77. Expansion of the Voice of Russia radio broadcasting in India could be another good option, however **the target audience must first be identified**. The emphasis should be on programs of interest to the Indian audience thereby resulting in an increase in the audiences of Indian radio stations.

78. The promotion of popular Russian books, movies, and TV shows should not rely solely on government financing. **It would be reasonable to raise private funds for this.**

79. It would be appropriate to offer our Asian partners the opportunity to conduct regular **large-scale cultural festivals in Russia and India** to promote better mutual understanding. During cultural activities special attention should be given to publicity campaigns. So far the Indian public is generally not very well informed about upcoming events.



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