



ASPEN INSTITUTE INDIA

# The Evolution of India's Bilateral Relations with Russia

AMBASSADOR **RANENDRA SEN** (RETD.)

Policy Paper

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2P, SECTOR 31, GURGAON-122 001 (HARYANA)



# Foreword

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# Overview

India's relations with the former Soviet Union, and subsequently with Russia, have been rightly acknowledged by both the governments and most analysts as representing the most resilient relationship since India's independence. Inter-governmental relations have steadily been strengthened and evolved into a strategic partnership. Yet this relationship appears to be steadily losing its public resonance both in India and Russia. This paper is intended to provoke more debate on this relationship, given its vital importance both in the bilateral and global perspective.

This paper is not based on any academic research. It is more in the nature of a personal recollection of some developments and trends I witnessed as the only Indian, so far, to serve in every diplomatic rank from Third Secretary to Ambassador in Moscow – in the late '60s, early '70s, '80s and most of the '90s. I will take the reader on a conducted, but sometimes meandering, walk down memory lane. Along the way, I may have occasional bouts of amnesia. Some issues remain very sensitive. These issues will be skirted, or referred to in passing. I will focus primarily on bilateral relations and how these were affected by domestic developments in Russia. Some stereotypes and shibboleths would undoubtedly be shed along the way. At the end there may well be more questions than answers.

It was, in many ways, easier to fathom and predict the way of functioning and developments in the former Soviet Union, than in the Russian Federation in the initial years of its emergence. It was always difficult to make generalized statements about Russia. The oft-repeated remark that whatever you say about India will be true, applies equally for Russia.

# Ideological Differences in the Relationship

Stalin had strong misgivings about independent India's continued links with the British, including British officers heading our armed forces. Contrary to perception, he was somewhat patronizing when he received our ambassador, S. Radhakrishnan, eminent philosopher and later President of India, at the Kremlin. Jawaharlal Nehru was not an uncritical observer of the Soviet system. He made no secret of his serious concerns of continued covert instructions and assistance from the Kremlin to leaders of the Communist Part of India (CPI). The de-Stalinization programme of Khrushchev made little difference in this respect. Nehru's concerns were fully shared by Indira Gandhi. These concerns were well founded. They were borne out by meticulously recorded documents in the Communist Party of the Soviet Union Central Committee (CPSU CC) Secretariat.

Soviet ideological positions were essentially opportunistic. Pragmatism masqueraded as party principles. After advocating support to the Emergency, Soviet leaders wrote off Indira Gandhi after her election defeat in 1977. References to her were deleted in some Soviet publications. Her return to power in 1980 caught them completely off-balance and deeply embarrassed. Foreign Minister Andrei Gromyko was dispatched to Delhi. He got a cold reception from an uncommunicative Indira Gandhi. Brezhnev's visit to India in 1980 was a good one. It did not however, dispel reservations of Soviet ideological orientations.

Indira Gandhi attempted to dilute these fraternal contacts. For instance, she approved the discontinuance of scholarships for Indian students being awarded through the communist dominated Indo-Soviet Cultural Society (ISCUS). The selection process was thereafter conducted in a more transparent manner by our Ministry of Education. She broke the monopoly of people-to-people interaction under the auspices of ISCUS by setting up a parallel Friends of the Soviet Union (FSU) association, much to the discomfiture of some staunchly pro-Soviet leaders of her own party. The CPSU in the meantime had also open links with the dominant leftist party in India, namely, the Communist Party of India (Marxist). As happens in such situations, Indira Gandhi was fed with some misleading reports. For instance,

she was told that the *Pravda* coverage of Brezhnev's meeting with CPI leaders during his 1980 visit was more prominent than during his 1973 visit. She got to know that this report was false only while attending Brezhnev's funeral in December 1982.

After Stalin, the CPSU under the leadership of Khrushchev and Brezhnev had deep empathy with Jawaharlal Nehru and Indira Gandhi respectively. This did not apparently prevent Khrushchev from favouring their Chinese brothers and Indian friends, and promising Mao of Soviet non-intervention in case of Chinese military action against India. Moscow, under Brezhnev's watch, had also refused to include Khrushchev's speech in Srinagar in 1955, where he had unequivocally declared that the State of Jammu & Kashmir is a part of India, in a proposed joint compilation of Indo-Soviet documents. CPSU ideologues were also consistently uncomfortable with Mahatma Gandhi's propagation of non-violence. I witnessed their discomfort during discussions in the early '80s in Moscow of the Indo-Soviet documentary on Nehru directed by Shyam Benegal. The Delhi Declaration on the Principles of a Nuclear Weapon-Free and Non-Violent World signed by Rajiv Gandhi and Michael Gorbachev in 1986 was a landmark document. This was not just in the context of its advocacy of complete nuclear disarmament, which was recognized as a desirable long term goal by Barak Obama and others over two decades later. It also marked Soviet ideological acceptance for the first time of the concept of non-violence. This was shortly before the non-violent collapse of the Soviet Union itself.



## Popular Perceptions about the Relationship

Two generations of Soviet citizens were brought up cherishing close affinity and affection for India, represented by Jawaharlal Nehru and Indira Gandhi. Early Hindi film classics, like *Awara* featuring Raj Kapoor and Nargis, had wide popular appeal all over the Soviet Union. Anyone wearing a sari was treated with great warmth.

Following the collapse of the Soviet Union, a noticeable change in Russian attitude towards Indians became evident. Indians were targeted even in daylight robberies in Moscow and St. Petersburg. There were two clear trends in the changing attitudes towards Indians. Firstly, there was a clear generational divide between the continued goodwill of the older Russians and the indifference of increasingly westernized younger Russians. This was evident within the Russian governments as well. Yeltsin told me, during my first meeting with him at Kremlin, that he looked forward to his visit to India, not only as President but as an average Russian with popular goodwill towards our country. He added that his two day single country visit to India was too short, like just one set of a (tennis) match. His much younger Foreign Minister, Andrei Kozyrev, could not be accused of harboring any such sentiments. With the passage of time this generational gap has presumably grown. Secondly, in the '90s there was a marked difference in the perception of India between Moscow and St. Petersburg and elsewhere in the Russian Federation. In the republics and regions, my wife and I were invariably warmly welcomed with special ceremonies not extended to ambassadors of other countries. The change in attitude applies equally to Indians as well, at least among the vast majority of urban Indians. This worrying trend needs to be addressed.

Both governments took initiatives in reviving high profile cultural exchanges since the '90s. The Jawaharlal Nehru Cultural Centre was set up in Moscow. There were high profile cultural festivals. As part of our public outreach initiatives, we organized quiz competitions about India in popular television and leading newspapers. By far the most successful quiz programme was in St. Petersburg, thanks to the First Deputy Mayor who took great personal interest and spent several hours in discussions at our Consulate with the Press Counselor of our Embassy, Ajai Malhotra, who is currently our ambassador in Kuwait. The First Deputy Mayor was Vladimir Putin. There were efforts to create better awareness of the rich legacy of the Roericks in promoting better understanding between our peoples. The intensification of such exchanges, combined with new initiatives for cooperation in the film and entertainment industries, improvements in the visa regime and other recent steps are welcome. Yet these are baby steps. We have long way to go in promoting people-to-people ties between India and Russia.

Russia has an incredibly rich civilizational heritage which is far better appreciated globally than in India. On the other hand, Indian culture, cuisine, music, literature

etc. are becoming part of the western mainstream and no longer limited to the Indian diaspora. The number of Indians resident in Russia is miniscule, in fact insignificant, in comparison to the millions resident in the US, the UK and elsewhere. Multitudes of Indians have multiple-entry long term visas to these destinations. In this broader context, Russia does not need to be over sensitive to western concerns about illegal migration from India through Russia. Concerns relating to the much better monitored but still porous internal borders in the Commonwealth of Independent States (CIS) are understandable. So are concerns on terrorism, illegal trafficking in narcotics, arms and people. These are high in the national security priorities of both the countries. Restrictions on travel are, however, no substitute for effective intelligence monitoring and sharing.



## The Collapse of the Soviet Union

By the early '80s there were clear indications that the Soviet economy was running out of steam. It was also becoming almost rudderless and in a state of drift. Once young and action oriented-leaders began to resemble a gerontocracy. The most guarded state secret was the health of the leadership. Within the span of less than two and a half years, from November 1982 to March 1985, there were three changes in the top Soviet leadership, compared to the same number of changes in the preceding six and a half decades. We witnessed a series of funerals – of Brezhnev, followed by those of Andropov and Cherneyenko, before Gorbachev assumed charge. We were probably the first embassy in Moscow with confirmed information of Brezhnev's death. We were one of the first to know with certainty that Andropov was seriously ill. Of course anyone watching television knew that Cherneyenko would not live long and that Gorbachev would be his successor.

The succession process itself confirmed the ossification of the Soviet system. Virtually all major decisions were put on hold. As a result, the Soviet economy was already facing a severe crisis when Gorbachev took over as General Secretary of the CPSU CC. He had privately conveyed this to Rajiv Gandhi, with whom he enjoyed a

good personal rapport. Later Rajiv Gandhi had observed that his discussions with Gorbachev did not seem to be filtering down the line. His observation was prescient. Gorbachev's attempt to reform the communist system from within, with *glasnost* preceding *perestroika*, was clearly encountering some resistance within the CPSU CC. By 1998 we began feeling these tremors, including unusually erratic defense supplies. From subsequent conversations, it appears that somewhere down the line Gorbachev lost control of the forces he had unleashed. Yeltsin was determined to seize power, if need be by breaking up the Soviet Union in the process. He was a charismatic leader with extraordinary courage. It was, however, doubtful if a free and fair referendum would have endorsed the breakup of the Soviet Union. The Baltic States had already asserted their independence, but the outcome elsewhere was far from certain. Yeltsin decided to present the Soviet people with a *fait accompli*, when he and his Ukrainian and Belarusian counter-parts signed the Belavezha accords pre-emptively dissolving the Soviet Union, and replacing it with the Commonwealth of Independent States (CIS) in December 1991.



## The Emergence of New Russia

The situation I encountered on my arrival, as India's first accredited envoy to the Russian Federation, was tragic, indeed traumatic. The economy was in a free fall. The familiar Soviet era queues for scarce consumer goods were missing, since much of the merchandise in the new shopping centres was out of reach for the vast majority. People who had not experienced inflation and who were used to unchangeable prices, as literally engraved on durable goods, were disoriented and distressed with rapidly increasing prices. Conspicuous consumption by a few and the flight of capital abroad were accompanied by hyper inflation. Lifetime savings of pensioners were reduced to about a year's expenditure; Millions of immediate relatives became foreigners overnight. There was a massive increase in suicides, a further decline in already low birth rates, a rapid fall in male life expectancy and a breakdown of law and order. War veterans were reduced to selling cherished med-

als. Household pets were abandoned on streets. Once-proud babushkas scoured the markets for scraps of food. Respected academics drove their cars as taxis to make ends meet. These were some of the manifestations of the self-proclaimed western victory in the cold war and the much celebrated advent of democracy and free markets reforms in Russia.

Not surprisingly, the worst affected areas of the economy were the strategic sectors of proven Soviet prowess – civilian and military nuclear and space sectors, defense research and production and scientific centres of excellence. Healthcare, food production and social services, also suffered greatly. Yet in the midst of all these tribulations the Russian people found innovative ways to survive.

In the wake of the collapse of the Soviet Union, there were internal **challenges to the unity and integrity of the Russian Federation** itself. This was not only manifested in the secessionist violence in Chechnya. Presidents of some republics and governors in a number of regions unilaterally asserted their authority as directly elected representatives of their people. Most of the governors I met privately expressed their exasperation about central directives not being supported by financial allocations to permit their implementations, or often reflecting Moscow's ignorance of local conditions and priorities. They set up zones of economic cooperation with contiguous regions. A number of Russian republics made individual or collective forays in the foreign policy domain. The governor of Saratov wrote to Helmut Kohl seeking a German consulate in the region citing historical links. The federal authorities had difficulties in persuading the president of Kalmykia from signing agreements with H.H. the Dalai Lama. High level representatives of Bashkortostan (where we witnessed a wonderful rendering of the Ramayana), Tatarstan, Dagestan and four other republics in Russia participated in the conference of Turkic states in Istanbul in 1997, and supported recognition to the Turkish Republic of Northern Cyprus. Belated attempts by Yeltsin to rein in the regional satraps proved ineffectual. It was left to President Vladimir Putin to make systemic changes and restore better central control over the regions.



## Russian Interests in the CIS

Since its breakup, the “inner borders” of the former Soviet Union were porous, even notional. While immigration and customs check-points were in the process of being set up, the Federal Border Service (FBS) had to quickly attempt some control of the “outer borders” of the CIS. The FBS was already stretched thinly in the vast and sparsely populated international border areas in the far eastern regions of Khabarovsk and Primorye. Illegal Chinese immigrants were most conservatively estimated by the FBS at around 100,000 in mid '98, of which only about 13,000 were deported from '94 to mid '98.

After a brief period of euphoria, there was a growing feeling in Russia that the US and its allies sought to take advantage of Russian vulnerabilities in the transitional period, by pushing the expansion of NATO and undermining Russian interests, particularly in Ukraine, Georgia, Azerbaijan and Uzbekistan. They were also seen as adversely affecting Russian interests in Caspian Sea oil and other resources. Moscow also kept a wary eye on the destabilizing influence of developments in Afghanistan. US, Iranian and Turkish moves in Central Asia were carefully monitored. Russia took some early, though limited, measures. These included joint patrolling of some CIS borders, maintaining residual security forces, continuing to control selected military establishments and retaining control of the CIS air space.

Our people were not fully aware of some of these elements of continuity in the midst of the dramatic changes. After Yeltsin's one country visit to India, Narsimha Rao's first visits to the CIS were to Uzbekistan and Kazakhstan. Flight clearances were sought from these two countries. These flight clearances were sent from Moscow. Another instance was during the launch of an ISRO satellite from Baikonur space station in December 1995: our people did not seem to be aware that this strategic space centre located in Kazakhstan remained under Russian jurisdiction and that access to the centre was solely under the control of the Military Space Force of the Russian Ministry of Defense. The Indian delegation travelled to and from Baikonur from Moscow by a Russian military aircraft. There were other such instances.

These turbulent years in Moscow saw the increasing **influence of oligarchs**. They emerged on the basis political patronage and then sought to play an increasing role in policy formulation. As one of Yeltsin's close aides explained to me, you

acquired some Kremlin patronage to get some money and used the money to get more power and this process continued. Many of these oligarchs owned television channels, radio stations and newspapers, in addition to massive financial resources. This enabled them to play a role in influencing election outcomes. This was witnessed during the 1996 presidential polls leading to Yeltsin's re-election. There were no effective laws or regulatory bodies. Rival groups sometimes cooperated and sometimes targeted each other. One even published taped conversations to target a senior political figure. Putin cut some oligarchs down to size. He ensured the Kremlin's control over strategic sectors of oil, gas, mineral resources and defense. It is, however, evident that umbilical linkages between the political leadership and handpicked business groups remain a reality in the Russian system.

Yeltsin was projected as an icon of **democracy**. His style of governance was, however, not democratic. He used tanks to destroy and then dissolve the same parliament he had once defended. He treated the parliament elected thereafter like a rubber stamp for any decision that he took. All this, and more, attracted scant western attention, let alone criticism. This was in contrast to the constant carping about Putin.

With each passing year of Yeltsin's presidency, there was increasing nostalgia for the past. The vast majority did not want a return to communism. There was also no desire for the reversal of the break-up of the world's first socialistic state and the resultant dismantling of the empire built over centuries by revered rulers like Peter and Catherine. What people yearned for was the restoration of *pyryadok* or order. This was recognized by Putin and accounted for his popularity.



## Problems of Governance

One system has collapsed. A stable new system was nowhere on the horizon. It would obviously take years, more likely decades, to evolve. People were pulling in different directions and working at cross purposes. This was not just between Moscow and the regions but within Moscow itself. There was a multiplicity of government organizations, periodically restructured, dissolved, resurrected and

merged. There was a constantly revolving door of personal changes at all levels.

Yeltsin ruled by issuing a series of presidential decrees. I knew one instance when two interest groups had presidential decrees giving diametrically different directives. There could well have been other such instances. There were, however, no structures of governance or effective delivery mechanisms to implement these decrees. No one was given clear-cut responsibilities. Hence no one could be held accountable. Yeltsin wanted to be seen in charge, and yet above the political fray. But how long could he exercise power without assuming personal responsibility? If something went wrong, he fired someone. During my six years in Moscow in the '90s, there were four changes of government in Russia. In the end Yeltsin ran out of scapegoats to blame or cards to shuffle. It was sad to witness the transformation of Yeltsin from a charismatic, likeable and exuberant extrovert to an isolated, often confused, incoherent and paranoid Kremlin recluse preparing to leave with whatever dignity he could muster.



## Challenges in Reviving the Relationship

Since his assumption as President of RSFSR and later as President of the Russian Federation, Yeltsin felt that our government's initial attitude towards him was one of reluctant acceptance. Almost immediately after reaching Moscow in October 1992, I found a wide-spread and well entrenched perception in Russian political circles and the local diplomatic corps that senior officers of our embassy had not only predicted the success of the attempted coup by the "State Emergency Committee of USSR" in August 1991, but even thereafter maintained that the days of Yeltsin and his democratic supporters were numbered. I discovered, much to my dismay, that this general impression was not unfounded.

This unfortunate situation contributed to and was accompanied by a general sentiment in the new dispensation in Moscow that India-Russia relations were part of

the Soviet ideological baggage which should be shed while charting a more enlightened and pragmatic course for Russia's foreign policy. In our establishment, on the other hand, Russia was viewed as a pale shadow of the former Soviet Union, which had lost not only its super-power status but also its self esteem in its subservience to the United States. The Russian inclination to re-orient its foreign policy priorities did not result in any fundamental change in our foreign policy. Contrary to popular belief, the end of the cold war did not facilitate closer relations between India and the west, particularly with the US. On the contrary, the US was perceived as urging Russia not to adhere to past Soviet commitments in some areas of strategic cooperation with India. Even in a wider perspective, after the end of the cold war there was followed by almost a decade of benign neglect of India – US relations by both countries.



## Restoration of Indo-Russian Relations

One immediate task was to change mutual perceptions and promote wider recognition of the reality than Indo-Soviet relations were never based on ideological affinities. In fact, this relationship was projected in Soviet times as a model of close friendship between countries with different socio-political systems. Even the dynamics of the bi-polar cold war divide did not play an excessive role in the relationship, which was primarily anchored in shared interests and in mutually beneficial cooperation.

In a fluid situation, when all the pieces of the chess-board were being moved simultaneously by multiple players, it was clear that normal diplomatic functioning would not work in a highly volatile transition period. The stakes involved were too high. The primary focus would have to be on outcomes and not on processes.

The Yeltsin years are sometimes written off as wasted years. This may probably be true in terms of domestic developments and even some aspects of foreign and defense policy orientation. However, such an assertion in terms of Indo-Russian relations would be false. During the 90s, during Yeltsin's watch, we not only arrested but reversed the decline in virtually all areas of our bilateral relations. We went beyond

the stage of problem resolution. We set up new structures of cooperation. We imparted new content and momentum to the relationship.



## Strategic Partnership & Cooperation

I was involved as an aide to a principal player during the prolonged and very difficult discussions at high political levels on strategic issues before the signing of the Indo-Soviet treaty of 1971. I was thereafter involved in negotiations completed in a couple of hours of the current **Indo-Russian treaty** signed in 1993 by Narasimha Rao and Yeltsin. The new treaty involved the dilution of a security clause of the Indo-Soviet treaty, but included notable aspects of continuity and positive developments in Indo-Soviet relations in the two decades thereafter.

The Moscow **Declaration on the Protection of the Interests of Pluralist States** was signed in 1994 by Yeltsin and Narasimha Rao. As far as I know, it was the first international document signed at the highest level on post-cold war threats posed by religious extremism, terrorism, separatism etc. This declaration contains a clause which was similar to one rejected by the Soviet authorities, namely, support to each others' territorial integrity "as constituted by law and enshrined in their respective Constitutions."

During the recent visit of Medvedev in December 2010 we marked the 10<sup>th</sup> anniversary of the **India-Russia Declaration of Strategic Partnership** signed by Atal Bihari Vajpayee (who was also the first Indian Prime Minister to describe India and the US as "natural allies") and Vladimir Putin in October 2000. The first official proposal for such a declaration was, however, made in December 1998 by Yevgeny Primakov as prime minister in the Yeltsin administration.

After the French went back on assurances given at the highest level on the **supply of cryogenic engines**, we had in the late 1980s signed a contract, at a fraction of the price, with a Soviet state agency. The Russian Foreign office unambiguously conveyed to me the decision of their government not to implement this contract. Both the French and Russian decisions were probably under US pressure. The official Russian

decision remained unchanged. However, all the cryogenic engines desired by us were sent to India, commencing before my departure from Moscow in 1998. The desired technical documentation and testing for the development of indigenous cryogenic engines were also made available.

Despite initial Russian reservations, we ensured continued consultations and cooperation in the 1990s for the implementation of the 1988 inter-governmental agreement on the supply of two VVER-1000 **reactors for the Kudankulam Nuclear Power Station (NPS)**. We had also agreed, in principle, on the supply of additional reactors for this NPS.

The continuation of some other projects, with which I happened to be associated since the early '80s also became problematic. However we continued collaboration on the construction of a **nuclear submarine**. It was decided that the second lease of an advanced Russian nuclear submarine would be dove-tailed with the commissioning and subsequent operational deployment of the jointly developed nuclear submarine.

The enabling agreement on the first major India-Russia joint venture for the **Brahmos supersonic cruise missile** was signed between then Secretary, DRDO, A.P. J. Abdul Kalam, (subsequently President of India) and his Russian counterpart at our Embassy.

It would be naive to assume that cooperation in some strategic sectors, including those referred to above, could have continued through routine channels. There were deep differences between and within different Russian ministries and agencies on such cooperation at that time. These choppy waters had to be navigated with great caution and discretion to continue collaboration on an even keel and embark on new projects.

Given the vastly improved present circumstances for bilateral strategic cooperation, under the leadership of Putin and Medvedev, we should be able to significantly enhance and broaden the scope of such collaboration and also take new initiatives. The recent decision in December 2010 to give unfettered access to high precision military grade signals from the GLONASS GPS system is a positive development. Presumably it is a long-term agreement unencumbered with pre-conditions. This would not be the first time we would get such access to military grade high resolution imagery.



# Defence Cooperation

The Soviet Union, and subsequently Russia, had been a trusted and reliable partner in defence cooperation. Despite occasional differences in perceptions, defence cooperation has never been with any strings attached. It has never ever been interrupted. After the collapse of Soviet Union, we faced unprecedented problems of product support which seriously affected our defence preparedness. Thousands of enterprises and subsidiary suppliers were dispersed over Soviet Union. About 80% of defence industries remained in Russia, as well as almost all design bureaus for major weapon systems. No other CIS country had the ability, except the Ukraine to some extent and for some systems, to support and sustain defence sales to India. However, even Russia by its own could not produce a number of weapon systems entirely on its own. In the meantime Russian state export agencies acted essentially as intermediaries retaining high unspecified service charges, while not making payments to their defence enterprises to enable timely supplies.

We were able to overcome most of these and other challenges. Defence cooperation was restored. Several initiatives were taken to transform the buyer-seller relationship to that of longer term partnership, based on research and development collaboration and co-production. We sought pricing linked not just to initial procurements of weapon systems, but predetermined escalation of prices of spares, aggregates and other product support to get a clearer picture of projected life-time costs. As a result of these and several other initiatives, defence supplies from Russia to India increased from \$150 million in 1991 to over \$4 billion by mid-1996, excluding special projects. Moreover, the steps taken at that time resulted in multi-billion dollar deals for supplies and collaborative projects. For instance, the initial requirement of two squadrons of SU-30MKI aircraft for which the agreement was signed in 1996 has since increased to around 240 such aircraft. The project for the upgrade of 120 MIG-21 BIS aircraft commenced, as also for advanced frigates, modern conventional submarines; initiating actions for acquisition of T-80 tanks and other weapon systems.

The major new step in Indo-Russian defence collaboration was the signing of the Preliminary Design Contract for the Fifth Generation Fighter Aircraft (FGFA). This project, if successfully undertaken, will dwarf other defence collaborations.

Even with existing and envisaged projects, Russia's share in India's defence sector for quite sometime to come may well remain more than the rest of global suppliers combined. The main challenge in sustaining such defence collaboration will be the imperative of rapid and radical modernization of the manufacturing sector of Russia and much greater private sector participation in India.



## Atomic Energy, Space and Science & Technology Cooperation

The Soviet Union, and subsequently Russia, has been a highly trusted and valued partner in the field of **atomic energy cooperation**. France, with a tacit nudge from the US, had continued fuel supplies for our Tarapur atomic power operation (TAPS) after the stoppage of US supplies. Subsequently France stopped fuel supplies for TAPS. The Soviet Union continued supplies for heavy water and other materials, and even fuel supplies for TAPS shortly before the NSG exemption to India.

Our primary objection to the unilateral US decision to terminate implementation of the Tarapur agreement was that domestic laws, such as the Nuclear Non-proliferation Act adopted by the US Congress, could not override international commitments of the US, including on TAPS. Sensing uncertainties in the Soviet system at that time, we had inserted a clause on the non-retroactive application of subsequent laws to the Indo-Soviet agreement of 1988 on the supply of two VVER nuclear power reactors for the envisaged Kudankulam NPS in Tamil Nadu. In accordance with this clause, the Russian Government did not apply subsequent Russian laws in pursuance of its acceptance of the NSG guidelines.

The India-US civil nuclear deal and the successful US-led initiative at the NSG in 2008, freed India from global nuclear isolation. The recent debate in our Parliament and much of our public discourse on the nuclear liability legislation in 2010 appeared to have been based on assumptions which were not necessarily true. One possible erroneous assumption was that the issue of suppliers' liability was primarily to meet

the requirements of US companies. The Russians were actually the first to raise this issue with us. It was subsequently realized that not only the US but Russia, France and other potential foreign suppliers shared these concerns. If our domestic suppliers are given *carte blanche* indemnifications it would raise other problematic issues. All major supplier countries expect us to honour the Vienna Convention on Supplementary Compensation for Nuclear Damage (CSC) which we signed subsequently. The provisions of the CSC and our domestic legislation are diametrically different on suppliers' liability. It remains to be seen how we square this circle while framing the rules and regulations pursuant to the legislation we adopted. As in the case of defence cooperation we will need to facilitate private sector participation if we are serious about a rapid increase in nuclear power generation.

Both countries have a stellar record of **cooperation in space**. It is heartening that cooperation in this sector is being expanded, including in commercial applications. In the current improved circumstances, we should, if needed, continue collaboration involving the supply of additional stages by Russia and indigenous production of cryogenic stages.

The Integrated Long-term Programme on **Science & Technology Cooperation** (ILTP) was signed during Gorbachev's visit to India in 1987. It was the result of initiative taken by Rajiv Gandhi. The ILTP was intended to encourage direct contacts between scientists and institutions focused on collaborative projects amenable to industrial application and commercial utilization. Projects were set up on powder metallurgy and new materials, polio vaccine production, computing research etc. The ILTP Joint Council met in Moscow some days after our May 1998 nuclear tests. The President and top members of the Russian Academy of Sciences signed a press release at our Embassy at that time hailing our nuclear tests. This was in sharp contrast to the strongly negative official Russian reaction. It is good that the ILTP has been extended subsequently and new areas of potential cooperation have been identified, with greater focus on innovation.



## Trade & Economic Cooperation

The Soviet Union had played a pioneering and invaluable role in the industrialization of India. We should always remember that this assistance was extended at a time when other countries were reluctant to cooperate in establishing our industrial base. Others followed suit.

The Indo- Soviet **rupee-rouble trading system** was certainly beneficial for us. Virtually all our imports of oil, metals, edible oils, and other commodities were at prevalent international prices. Imports of manufactured goods, including all imports for major projects like the Bhilai and Bokaro steel plants, remained at constant prices even as the costs of Indian inputs escalated. Our substantial defence procurements were often at less than market prices. There were of course irregularities, including rice imports from India. Some imports from India like high quality tea and cashews were re-exported by Soviet agencies. There were questionable issues of the origin of our imports by our state agencies from former COMECON countries. For instance, newsprint was imported from Romania which did not produce newsprint. Many of our exports of knit ware, shoe uppers etc. were sub-standard and would have been rejected outright in the international market. On balance, however the rupee-rouble payment system played its due role at a time when our overall economic policies created severe and persistent shortage of foreign exchange. By the late 1980s, it was clear the rupee-rouble system could no longer be sustained beyond a limited period.

A decision was taken by Narasimha Rao and Boris Yeltsin in end January, 1993 to repay all credits extended to India by the former Soviet Union to Russia in Indian rupees over a 12 year period at an effective discount of one-third the face value. Settling the debt at market rates was perhaps legally viable. It was, however, never a serious option for us. For instance, in 1986 we procured Soviet submarines at an equivalent of Rs. 767 million each, with soft credit. The same year we placed orders for German submarines for DM 215 million each, then equivalent to Rs. 870 million each. If repayment of the credit was to be at market rates it would mean the revaluation of each Soviet-origin submarine to a ridiculous amount which would be well below that of a premium car. The option of repayment of the entire amount in free foreign exchange at a substantially higher discount rate was explored. Perhaps it would have been the best option in purely monetary terms. Our final decision was, however, also influenced by other longer term considerations. By settling all Soviet credits

with Russia we recognized it not just as one of successor States of the former Soviet Union but as what was termed as the “State continuator” responsible for all international commitments made by and to the former Soviet Union. India was the first major country to settle all Soviet debts to Russia on a realistic basis recognizing the mutually beneficial nature of past Indo-Soviet cooperation. The debt settlement was also aimed at preventing an abrupt and sharp decline in trade and investments and providing a bridge of continuity during a difficult transition period. Despite initial problems, these objectives have been achieved to a substantial extent.

Indo-Russian **bilateral-trade** is increasing at a good pace. Indian and Russian trade statistics vary, with the latter estimating the trade volume in 2009 as \$7.5 billion with Indian imports given as \$5936 million and Indian exports \$1524 million. Current trade is restricted to a narrow range of goods. Diversification of the trade basket is clearly needed. A notable aspect is that the trade imbalance in favour of Russia grew from 2:1 in 2000 to almost 4:1 in 2009. If Indo-Russian defence deals are taken into account the actual imbalance in favour of Russia is significantly higher. This is an unhealthy trend. It needs to be addressed.

A negative legacy of the Soviet era is that Indian consumer products, except tea and a few other items, were largely perceived to be of poor quality. Russians are known for their preference for western products. During the Soviet-era representatives of state procurement agencies suggested that “Made in India” labels on cosmetic items be replaced by “London-Paris-New York”. Censorship in Soviet times was focused more on western advertisements for consumer goods than on political commentaries on Voice of America or Radio Free Europe. The destabilizing concept was that of *vybor* or choice-of choice of political representatives, choice of social lifestyle, and most of all choice of consumer goods and services. Now Russians have the choice, and increasingly the means to exercise it. Consumer spending in Russia, especially for high quality products, is growing faster than its GDP growth. Even the decline of the Russian economy in the wake of the global economic crisis did not diminish this growing demand. We have to recognize this and take appropriate actions. Geographical distances, particularly long inland distances to ports within make the transport of coking coal, fertilizers and newsprint difficult. But these are not insurmountable. If India was able to export goods and services totally \$35.3 billion to the open, competitive and distant US market in 2009, in the immediate aftermath of the economic crisis, the reasons cited for our poor export performance to Russia are not convincing.

There should be complementarities between the largest producer of rough diamonds and the biggest cutter and polisher in the world. But discussions on diamonds seem destined to last forever. Drugs and pharmaceuticals is another area where there were bureaucratic barriers to trade which I discussed with successive Russian Health Ministers and Ministers of Foreign Economic Relations. A working group on pharmaceuticals was set up in 1995. There are more US FDA approved Indian pharmaceutical companies in India than in any other country. Quality is now no longer a credible issue. It is good that cooperation in this and other areas of the health sector are being accorded greater priority now. There are numerous other areas where transport and other logistic constraints are irrelevant.

It is unfortunately a similar story in **investments** in both directions. Energy security is a key element of national security. Russian and Indian interests may not coincide entirely. Russia may prefer oil and gas prices to stabilize at higher levels than India. Yet there are complementarities in this sector between the world's biggest producers and one of the fastest growing consumers. Largely due to the personal initiative of my successor in Moscow, Satinder Lambah, ONGC (Videsh) was able to get a 20% stake in the Sakhalin-I project for about \$2 billion. The only other project that India got in the oil and gas sector was after the acquisition of Imperial Energy's stake by OVL in Tomsk region for \$2.1 billion. This only required a routine clearance from the Russian authorities. There has also been no Russian initiative to participate in oil and gas exploration in India. The recent signing of an inter-governmental agreement in the hydrocarbon sector during Medvedev's visit to India in December, 2010, was a good development. This should hopefully lead to two-way investments in this sector. Indian investments in Russia are around \$4.5 billion, virtually all in the oil and gas sector. Russian investments in India, mostly by utilizing rupee debt repayment funds so far, total around \$1 billion including in the telecom sector. This is expected to double in the near future. The bulk of these investments, current and projected, are by M/s Sistema.

The major longer term constraint is that Indo-Russian trade, investments and other exchanges are driven by inter-governmental arrangements. The recent unauthorized leakages of taped conversations led to distorted perceptions of collusion between our government and our corporate sector. There will probably be reduction in some discretionary powers, greater transparency of procedures and strengthening of the regulatory frameworks. However, the process of our economic reforms, which

has so evidently been successful, will not be stalled, let alone reversed. Increasingly, decisions will be taken in board rooms of not only private, but hopefully of public sector companies as well. The role of private sector will thus be of crucial importance to Indo-Russian trade, economic, scientific and technological cooperation.

Russian business groups seem shy of participating in international tenders. They still tend to rely on their government to help them to enter the Indian market on a preferential or nominated basis. On the other hand, Indian businessmen appear to have the impression that entry in the Russian market lacks predictability or transparency, and that high level political patronage is required. Even in sectors tightly controlled by the Russian government, like oil or gas, there is a perception of clear Russian preference for western multinationals.

The importance of private sector participation in promoting bilateral relations was recognized by Rajiv Gandhi even in the Soviet-era. I recall that he was the first Indian Prime Minister to receive a delegation of the Confederation of Engineering Industry (which was later re-named the Confederation of Indian Industry) which was organized by its Director General, Tarun Das, at the Kremlin during his first official visit in 1985. Much has changed in India, in Russia and in the world since then. Yet the relevance of this symbolic gesture remains. The setting up of the Indo-Russian CEOs Council, on the pattern of the first such a forum between India and the US, was a step in the right direction. Yet it has not generated much enthusiasm so far. The underlying reasons have to be recognized and addressed.



## *Concluding Observations*

**A**fter its emergence after the dissolution of the Soviet Union, the Russian Federation changed its national emblem. The hammer and sickle was replaced by the imperial twin-headed eagle by a leadership which had destroyed the edifice of the empire with that of the socialist state. In strategic terms, the eagle looks to both the West and the East. In economic, political, even civilizational terms, however, both the heads of the eagle are directed predominantly to the West.

While proud of its own unique identity, the yearning for moorings in a common European home was evident not just during Czarist rule but also during the Soviet period. This continues. It was reflected in Medvedev's reference to "Russia, the European Union and North America" being the "three branches of European civilization". Russia has strengthened its strategic ties with India and China. It is asserting its Eurasian identity and role in central, east and south-east Asia. At the same time it has responded in a proactive and calibrated manner to overtures from the West. It has made proposals at the Russia-NATO Joint Council summit in Lisbon in November, 2010, especially on cooperation in ballistic missiles defense. If successful, such a project could fundamentally change European and global power equations. It is premature to predict the outcome.

Russia has, under the Putin-Medvedev leadership, raised the global profile of Russia and increased Moscow's options and leverage in a number of areas. Russia's principal challenges are to arrest its demographic decline, significantly lower its overwhelming dependence on oil, gas and mineral resources, modernize its manufacturing sector and upgrade its infrastructure. Russia's greatest resource is its incredibly talented and creative people. As a top Indian corporate leader put it Russia's "gene pool of innovation" is its major asset. This will be the key to Russia's resurrection as a great power of the 21<sup>st</sup> century.

Indo-Russian relations will remain firmly anchored in the convergence of the strategic interests of the two countries. This was the essence of our ties with the former Soviet Union. It remains so with Russia. There were problems of perception and differences on major issues. These were overcome. The Soviet support to India during Bangladesh crisis was not spontaneous or unconditional. There were large-scale Soviet supplies of offensive weapon systems to Pakistan, during negotiations leading to and even shortly after the conclusion of the Indo-Soviet treaty of 1991. There were persistent moves by Moscow to revive arms supplies to Pakistan and to revive leverage with Pakistan in the 1980s and, in a much more concerted manner, throughout my stay in Russia in 1990s. There were high-level discussions between the Russian and Pakistani defence establishments. We were aware of all these contacts. I was not interested in analyzing or even reporting most of these developments. My brief was to ensure that no Russian arms supplies were made to Pakistan. This was ensured. At that time, they had invoked French arms supplies to both Pakistan and India. It is possible that now some isolated and equally naïve Russian groups may invoke US arms

sales to both Pakistan and India. Ultimately good sense prevailed in the '90s. The futility of such thinking should be even more evident given our stronger strategic ties with Russia today.

In the past India had not supported Soviet proposals for Asian collective security perceived to be aimed at China. Later the Russian leadership, primarily urged by Yevgeny Primakov, took the initiative to establish a strategic partnership with China, and later with India. In 1996, when I was about to leave Moscow for taking up my officially announced assignment as ambassador to China (which did not materialize), most top Russian dignitaries I met urged me to support a trilateral Russia, India, China (RIC) dialogue mechanism. This dialogue mechanism was launched some years later. Russia also took the lead in proposing close coordination in the quadrilateral Brazil, Russia, India, China (BRIC) framework since the first G-20 summit convened by George W. Bush in 2008. Russia has also supported our full membership of the Shanghai Cooperation Organization (SCO). It has reiterated its support to India becoming a UN Security Council permanent member. Russia has overcome its hesitation in naming Pakistan as the major source and safe haven of terrorism, and reaffirmed the position which was taken by Putin earlier in this regard. There are a number of other manifestations of the shared concerns and inter-locking national interests of India and Russia. These will contribute to the stability of our strategic partnership on the basis of which we can build our relationship.

All this augurs well for the future of Indo-Russian relations. We will, however, have to do much more in broad-basing and strengthening our cooperation in different areas. Russia will, for instance, remain a highly valued and preferred partner in defence cooperation. Yet it cannot expect to be an exclusive partner or an automatic partner of first choice. Both sides will have to work increasingly on the basis of international best practices and of competitive bidding for defense systems and of lifetime product support for ensuring high serviceability. Both sides will have to honour all contractual commitments and accept penalty clauses for cost and time over runs.

It will be difficult to sustain any relationship on the sole basis of core geo-political or security issues. We will have to give greater economic ballast to the relationship. Inter-governmental arrangements are no substitute for business to business ties. These in turn will require two way flows of trade and investments. We need greater commercial linkages to joint research and development projects, or commercial applications of already developed innovative technologies

India has a vital interest in a strong, secure and prosperous Russia. It is clear that this interest is reciprocated in Russia with respect to India. The steady strengthening of Indo-Russian relations will benefit not just our two countries but have a wider positive and stabilizing impact in the world.



## About the Author



**RANENDRA SEN** | *After joining the Indian Foreign Service in 1966, he served in Indian Missions in Moscow, San Francisco and Dhaka in all capacities-Third/Second/First Secretary, Counsellor and Minister from 1968 to 1995. During the same period he worked as Deputy Secretary and Joint Secretary in the Ministry of External Affairs and as Secretary to the Atomic Energy Commission. From January 1986 to July 1991 he was foreign and defence policy advisor to the Prime Minister. Thereafter, he was Ambassador to Mexico (Sep 1991-Sep 1992); Ambassador to Russia (Oct 1992-Oct 1998); Ambassador to Germany (Oct 1998-May 2002); High Commissioner to the United Kingdom (June 2002-April 2004); and Ambassador to the USA (Aug 2004-end Mar 2009) the only Indian so far, to serve as ambassador to four G-8 countries, including three P-5 capitals. He had a number of assignments as Special or Personal Envoy of the Prime Minister for meetings with Heads of State or Government of neighbouring and other countries between 1987 to 1993. He also participated in around 180 bilateral and multilateral summit meetings in six continents.*







ASPEN INSTITUTE INDIA

**2P, SECTOR 31,  
GURGAON – 122 001  
(HARYANA), INDIA**

TEL: +91-124-421 8619/20/21/22/23

FAX: +91-124-421 8624

EMAIL: [admin@aspenindia.org](mailto:admin@aspenindia.org)

WEBSITE: [www.aspenindia.org](http://www.aspenindia.org)