



Vivekananda International Foundation



70th Anniversary of Russia-India Relations: New Horizons of Privileged Partnership

(VIF-RIAC Joint Paper)



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In 2017, Russia and India celebrate the 70th anniversary of diplomatic relations. Over the years, the two states have steadily developed mutually beneficial ties. Their cooperation has achieved the level of special and privileged strategic partnership. Regular contacts between the two leaders have become an established practice. On June 1–2, 2017, Prime Minister of India Narendra Modi is visiting Russia. On May 30, 2017, President of Russia Vladimir Putin’s article [“Russia and India: 70 years together”](#) was published in the Times of India. In the article the Russian President stated that the enormous potential of cooperation between the two great powers will be further explored for the benefit of the peoples of India and Russia and the international community in general.

However, in order to make full use of the collaboration potential, ties between Russia and India should be taken to a qualitatively new level. Russian International Affairs Council (RIAC) and the Vivekananda International Foundation ([VIF](#)) have drafted a joint report in order to open up a new discussion on the prospects of Russia-India relations and the steps required to develop them further. The authors express hope that ideas and recommendations expressed in the paper will provide the necessary expert support for state level contacts and will be helpful in foreign policy decision-making by the two governments.

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Preface

India had an enduring friendship with the Soviet Union during much of the Cold War. The two countries built a strong strategic, military, economic and diplomatic relations that culminated in the Indo-Soviet Treaty of Peace, Friendship and Cooperation in August 1971. This was a remarkable diplomatic achievement for both India and the Soviet Union. Treaty served India and the USSR well during height of the Cold War, and relations were the strongest between them in the late 1970s.

However, due to changing global realities and their own preoccupations at the end of the Cold War, the relationship began to drift. It is only in recent years that once again India and Russia are trying to find ways to forge a common response to the new challenges facing the international community by refocusing on each other.

Over the last 15 years, the trade turnover between Russia and India has grown six-fold, large-scale military-technical projects have been implemented, natural resources have been developed jointly, and the number of academic programmes and educational exchanges has been growing. Russia and India enjoy a relationship based on deep trust and understanding, but need to do more to forge common positions on influential international platforms, including new platforms such as BRICS.

Still, to achieve substantial progress in bilateral relations it is necessary to renew their strategic paradigm. Working on a range of cooperation projects that meet the new economic needs of Russia and India will make a qualitative leap in economic ties possible. Joint initiatives should be based on the global competitive edge of both countries and transition to new development models. The cooperation mechanisms must be revised to adapt to new realities. The ultimate goal of this revision is to make Russia–India relations independent of their ties with third countries and impervious to crises and changes in global circumstances.

The present paper, which is a result of a joint effort undertaken by the Russian International Affairs Council (RIAC) and the Vivekananda International Foundation (VIF), opens up a new discussion on the prospects of relations between the two countries and the steps required to develop them further. The authors express hope that ideas and recommendations expressed herein will provide the necessary expert support for state level contacts and will be helpful in foreign policy decision-making by the two governments.

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Russia and India in the International Arena

Russia–India relations do not exist in a vacuum, and the prospects of their development depend on the nature of interactions of the two countries with other global and regional players, and on the positions the two countries take on the most pressing foreign policy issues.

Traditionally, Russia and India share a common vision of a new, more just, balanced and polycentric world order. The countries hold the same, or similar, positions on several of the key problems of modern international relations, including the issue of increasing the role of developing countries in decision-making on global political and economic problems. Both parties are prepared to expand multi-dimensional ties with all partners on the basis of equality, non-interference in internal affairs, mutual respect for each other's interests (especially in fighting terrorism and extremism) and the inadmissibility of using terrorist organizations to achieve political goals.

Russia and India strive for an inclusive world order where the United Nations plays the central role. In 2014, Russia reiterated its position on the need to make the UN Security Council “more representative” and supported making India a permanent member [1]. With few exceptions, when voting in the UN General Assembly, Russia and India take similar positions on the problems of sustainable development, strategic stability and international security. For instance, in an open vote on November 21, 2014, India supported the UN General Assembly draft resolution against glorifying Nazism proposed by Russia [2].

Russia and India agree that current global economic problems can only be addressed with greater participation of developing countries in global trade, finance and investments. This requires a reform of the international financial institutions. Joint efforts succeeded in increasing the quotas of developing countries in the International Monetary Fund (IMF). In early 2016, for the first time in the IMF's history, Russia, Brazil, India and China made it together to the list of top ten members of the IMF. BRICS will have 14.7 per cent of the votes (up from its previous share of 14.18 per cent) [3]. At a time of global economic uncertainty, it is also important for India and Russia to work actively in the G20 group to stabilize the global economy.

Russia and India are together in their fight against terrorism. They believe that “fighting terrorism is possible only by uniting the efforts of all countries and by avoiding double standards.” [4] They consider it inadmissible to divide terrorists into “good” and “bad” and flirt with radical organizations to promote one’s political interests. They both called for action to bring those guilty of terrorist attacks in India, including Mumbai 2008, to justice including the “dismantling of terrorist sanctuaries and safe havens and disrupting all financial and other support for terrorism.” [5] The annual INDRA military exercise held since 2003 serves to improve combat training and further the exchange of experience and intelligence information.

However, several issues require further discussions and specification of positions and intentions of both sides. The growing friendship between Russia and China, as well as Moscow’s appreciation of the Belt & Road Initiative and the plans to co-develop the Eurasian Economic Union with the Silk Road Economic Belt, are being watched closely by India. India has reservations about the geopolitical consequences of the Belt & Road Initiative, as it will serve to consolidate China’s power in India’s neighbourhood. India has particular concerns about the China-Pakistan Economic Corridor as it involves issues of its sovereignty.

India has concerns about the growing “all-weather” friendship between Pakistan and China, which has now taken a new dimension of providing China with naval use of the Gwadar port. In India’s view, China’s expansion into Eurasia is a counter to the US pivot towards the Asia-Pacific, apart from creating markets for its excess capacity in certain sectors. This indirectly affects India too, as China’s westward expansion undercuts a potential India’s role in the region. China’s military and nuclear cooperation with Pakistan continues to be of serious concern to India. This includes civil nuclear cooperation that in Indian view violates China’s commitments as an NSG member [6].

Russia’s military cooperation with Pakistan is a new development that India has noted with concern. In Russia’s view its military-technical cooperation with Pakistan is only intended to improve the latter’s counter-terrorist and anti-drug capacities, is not directed against third countries and will not endanger the military balance in the region. India has always contested such a rationale by any country for supply of arms to Pakistan. To remove any scope for misunderstanding, India suggests that the two sides should maintain a regular and frank dialogue with regard to the impact of arms supplies to Pakistan on India’s security.

For its part, Russia has concerns regarding India’s growing ties with the US. The growing defence relationship between India and the US has affected Indian acquisitions from Russia, even though these remain at a high level. Prime Minister Modi has stated that Russia remains its primary defence partner. Russian concerns also include the closer understanding between India and the US in the dynamics of the Asia-Pacific region. Both sides agree that it is essential to maintain freedom of movement and open economic linkages in this dynamic region, based on the rule of law.

Both sides agree that in developing ties with third countries, this should not be at the expense of the tried and tested relations between India and Russia.

As regards Afghanistan, although Russia and India do not differ much in their views on the situation in the country, India has misgivings about Russia’s limited contacts with Taliban as a ‘legitimate political force’ in Afghanistan. The Taliban are a proscribed organization, under sanctions flowing from UNSCR 1267, and are also designated a terrorist organisation under Russian national law. India’s policy towards Afghanistan is intended to protect its legitimate

interests in an independent Afghanistan without externally imposed restraints imposed by Pakistan on India-Afghanistan relations. Afghanistan is itself interested in involving all the influential regional countries in settling its problems and has invited India, Iran, China and Russia to become part of the Afghan settlement [7]. India is concerned about China's activity in Afghanistan, which it sees as promoting Pakistan's strategic goals there. After Modi's successful visits to Afghanistan in December 2015 and January 2016, Pakistan-sponsored, as India believes, terrorist attacked the Indian consulate in Mazari-Sharif [8].

India is the 6th largest investor in the Afghan economy having invested over \$ 2 billion and committed to a further investment of \$ 1 billion. India is participating in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline, which will pass through Afghanistan and Pakistan. But India does not want to be dependent on the unstable, hostile Pakistan for its energy. To create an alternative route for bilateral trade with Afghanistan – one that bypasses Pakistan – India has decided to invest in developing the port of Chabahar in Iran and reconstructing the road that connects Afghanistan and Iran [10]. While visiting Ashgabat in July 2015, Prime Minister Modi also suggested evacuating Turkmen gas to India via Iran.

Meanwhile, there are reasonable prospects for cooperation between Russia and India on the Afghan issue. The latest example is India providing Kabul with four Mi-35 helicopters purchased from Russia [11]. In the future, we might see a bilateral agreement on implementing joint economic programmes in Afghanistan. It would be advisable to extend the efforts of the two countries to defence and politics as well (for instance, in the form of joint programmes for training Afghani soldiers), and then expand such economic, military and political programmes to include Central Asia.

Russia and India can cooperate in Afghanistan and on other regional security issues within the SCO framework. Russia held the SCO and BRICS summits in Ufa in July 2015 simultaneously in order to express, together with India and China, a non-Western view of today's world order [12]. India obtained observer status in the SCO in 2005, but was invited to be a full member only in July 2015 along with Pakistan and is supposed to finalize its membership by the meeting of the SCO leaders in Astana in 2017.

Russia is far ahead of other partners of India in setting up nuclear power plants in India. It is currently completing the second unit of the Kudankulam nuclear power plant, with an agreement already on KK 3 and 4, while KK 5 and 6 are in advanced stages of finalisation. Civil nuclear cooperation between India and Russia has shown success in recent years and needs to be encouraged. Russia also supports India's membership of the Nuclear Suppliers Group.

The striking contrast between deteriorating Russia-US ties and improving India-US ties puts an additional burden on Indian diplomacy towards both Russia and the United States. India could examine to what extent it can play a role in bridging the gap between Russia and the US, starting with a Track 2 dialogue mechanism.

Given the ongoing crisis in Russia-West relations, Russia may more actively coordinate with India and China to forge common positions on international and regional issues where their interests converge. Developing economic cooperation in the Russia-India-China triangle that serves the interests of all parties equally could become a stabilizing factor in the region, and could give a new impetus to the development of the SCO. By uniting the enormous human, academic and resource capacities of the three countries, large-scale projects in producing and processing natural resources, transportation, space exploration, aviation, energy, engineering can be initiated

with all parties deriving mutual benefits from such cooperation. A gradual thaw in relations between India and China would contribute to strengthening this trilateral interaction, and BRICS, with fund availability amounting to \$200 billion, would be a promising platform for promoting these projects. In general, Russia could play a more proactive role in bridging relations between India and China.

The principled and constructive stance taken by the Indian government with regard to the Ukrainian crisis has been also important. According to official statements, New Delhi believes that the Ukrainian situation should be resolved through a peaceful dialogue and the interests of all the parties, including Russia, should be taken into account in the process [13]. The Modi government is against the sanctions imposed by the West on Russia [14]. When the UN General Assembly took a vote on the “Territorial Integrity of Ukraine” resolution in March 2014, India abstained.

Recently, India has been showing growing interest in the Arctic. In 2013, India became an Observer at the Arctic Council. Although Russia has always considered the Arctic states as priority partners in the Arctic, the anti-Russian sanctions opened up new opportunities for regional collaboration with Observer states. The Arctic has vast tracts of unexplored territory, which is the reason that the first US sanctions have been on exploration in the region. Meanwhile, an increased stake of India in the Vankor oilfield is among the most successful examples of Russia-India collaboration in the Arctic. In future, Moscow should continue to pay particular attention to Indian companies as promising business partners in the Arctic.

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Expanding Economic and Trade Relations

A new Government came to power in India in May 2014, the first since 1984 to enjoy a clear majority in the Lok Sabha. Introducing reforms intended to revitalize the economy’s structure, win back investors’ trust and reinvigorate economic growth is part of Prime Minister Modi’s agenda. By 2020, the Modi government aims to increase the share of manufacturing in the GDP from 15 per cent to 25 per cent [15]. It is promoting “Make in India,” in manufacturing, with a view to creating favourable conditions for foreign enterprises moving production to India, supporting Indian manufacturers, primarily export oriented. HSBC estimates that implementing the reform package will allow India’s exports to be increased more than fivefold by 2030, or by 11 per cent annually [17]. India has opened up fifteen strategic sectors of the Indian economy for investment. Private and foreign capital may now own up to 49 per cent of defence enterprises (up from 26 per cent) and up to 100 per cent of railway companies (from 0 per cent) [18].

Despite the privileged political partnership between Russia and India, trade and economic ties between the two countries remain the weakest part of their relations [19]. In 1989-1990, Russia’s share in India’s foreign trade was 16% and 17% respectively. In 1994, it dwindled to 2% and in 2015-2016 financial year to 0.96 per cent [20]. There are areas where trade volumes can be increased, even within the existing constraints such as in energy, pharmaceuticals, diamonds, agricultural products and so on. To preserve the “privileged” status of Russia–India relations, it is important to raise the trade turnover to above \$17–18 billion as that is the figure that sets in a positive dynamics in economic ties. Given India’s active industrial policy, Russia has an opportunity to increase its non-resource exports to the country.

The impact of bilateral commissions must be increased, with better implementation of the decisions taken. Russia and India have created an extensive cooperation infrastructure at different levels, namely, the India–Russia Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation. The India–Russia Trade and Investment Forum has been held every year since 2007. In 2008, Russia-India Business Council was formed, which now works under the aegis of the Chamber of Commerce and Industry of the Russian Federation and the Federation of Indian Chambers of Commerce and Industry (FICCI). Together with the Confederation of Indian Industries which collaborates closely with the Russian Union of Industrialists and Entrepreneurs, the Council encourages business to business links between the two countries and tries to assist the Inter-Governmental Commission through their recommendations. The main task is not to create additional cooperation mechanisms but to boost the activities of the existing formats that are now in some cases only formal or declaratory.

Investment cooperation between the two countries also remains extremely low. The total amount of Indian investments into the Russian economy in 2000–2015 was over \$8 billion. Russian investments in India over the same period were about \$4 billion [21]. Russian investments go mostly into nuclear power and technologies, as well as transportation, but Indian investments are not confined to the energy sector any longer. In recent years, Indian companies like Tata Consultancy Services and Infosys are looking at making investments in Russia. India has also emerged as a major player in the Russian agriculture and pharmaceutical sectors, and it is considered a reliable supplier of high quality generic drugs to Russia. The negative, though limited, effect of Western sanctions on the Russian economy provides further opportunities to enhance bilateral trade and business cooperation. As Russia looks for investment, the scope for business collaboration is vast [22]. Russia is now developing local manufacturing, and opportunities for Russia-India collaboration are emerging in the food industry, frozen sea-food, bovine meat, milk and milk products, egg-powder, cut flowers, orchids, procurement of diamonds, IT-enabled services, etc. With the fall in oil prices and depreciation of the ruble, it would be time to buy real estate assets in Russia, exploit the dearth of FMCGs, look for new opportunities in the agricultural sector and invest in infrastructure. Another area of cooperation can be in skill development where Russia has a lot of expertise and India is looking at its “skilling India” initiative. While it is for the two leaders to set the tone and tenor for a robust cooperation, the Indian private sector needs to be more involved in furthering relations with Russia through more frequent visits of business delegations.

The “Make in India” programme has opened up new opportunities for trade and economic cooperation between the two countries. Commercializing Russia’s cutting-edge technologies and manufacturing products under licenses from Russian companies are also promising. Interaction between the two countries in energy, aviation industry, petrochemicals, the pharmaceutical industry, biotechnologies, telecommunications and the hi-tech industry is of great significance. This is the path taken by Russia’s Sibur which, together with its Indian partners, is currently constructing a butyl rubber manufacturing plant in Jamnagar, the largest of its kind in South Asia [23]. On the other hand, the “Make in India” programme reduces opportunities of Russian companies to export finished goods to India in certain sectors and requires prompt transformation of collaboration formats.

Unblocking transportation routes that connect Russia and India could serve as a powerful impetus to the growth of Russia–India trade and economic relations. The International North-South Transport Corridor (INSTC) is languishing and could be “unfrozen.” Russia, Iran and India signed the relevant agreement on September 12, 2000 in St. Petersburg. It is necessary to introduce smooth customs clearances, multi-modality, develop maritime traffic, launch container

trains, and create a unified shipping plan for a flat rate in a fixed transit time interval. Interacting with Iran in this respect could provide an impetus to restoring the Moscow–Tehran–New Delhi geo-economic triangle with the possible involvement of the Central Asian region. In order to develop contacts on transportation issues, a Memorandum of Understanding on technical cooperation in railway sector was signed between Russian Railways and the Ministry of Railways of India during Modi's visit to Moscow in December 2015. This memorandum provides for cooperation in high-speed railways, modernizing the current railway infrastructure, and also developing freight corridors [24]. Less than six months later, on May 24, 2016 in Tehran, during Modi's visit to Iran, the leaders of India, Iran and Afghanistan held a meeting and signed an agreement on opening the Iranian port of Chabahar, which is being developed with considerable Indian investments [25]. India's interest in developing this port stems not only from the desire to promote its ties with Afghanistan, but also to strengthen its position in Central Asia and step up efforts to diversify its transit routes, including through the use of the North–South ITC, of which Chabahar is a part.

Almost a quarter of the world's uncut diamonds are produced in Russia, while India produces up to 65 per cent by value of the world's polished diamonds. An important area of Russia–India cooperation is the increase in direct contacts between diamond businesses, bypassing European intermediaries [26]. Cooperation in the pharmaceutical sector would benefit the Russian consumer: high-quality Indian medications are significantly cheaper than similar products manufactured in other countries. The parties should regularly coordinate their positions in this sphere, also taking into account Russia's interest in diversifying its imports and developing import substitution in the pharmaceutical sector. Today, India is one of the major exporters of pharmaceuticals into Russia. In January–September 2015, India exported medications worth a total of \$341 million into Russia, accounting for 20 per cent of India's overall exports (cf.: India's share in Russia's overall medication imports is 6.7 per cent) [27]. This is why India is localizing its pharmaceutical manufacturing in Russia. Russia's Diod and India's Aurobindo Pharma have built a pharmaceutical plant in the suburbs of Moscow to produce medications, mostly generics. Another promising project is India's Cadila Pharmaceuticals starting pharmaceutical production in the Yaroslavl Region [28].

For India, Russia can be vital to India's quest for energy security. The agreement between Russia and India on civil liability for nuclear damage confirms that both parties want to expand cooperation in the nuclear sector. The two countries have significant plans for peaceful nuclear power. For the moment there is agreement for 12 Russian-supplied NPPs in India. In the medium term, it would be useful to begin cooperation with India to build fast-neutron reactors, an area where Russia has no competitors.

According to long-term forecasts made by the International Energy Agency, the total capacity of hydroelectric power plants (HPP) may increase by 1.5 times by 2040. About 90 per cent of new HPPs will be built in developing countries, which have a large demand for power and underutilised hydro capacities (in India, no more than 25 per cent of its hydro capacities is used) [29]. This is why Russian companies may be interested in developing Indian hydropower. For instance, earlier the company Power Machines modernized the Tehri and Koteshwar hydroelectric power plants in the state of Uttar Pradesh [30]. RusHydro shared plans to design and build the second stage of Upper Siang, India's largest HPP on the Brahmaputra River [31]. It would be advisable to expand cooperation between electricity companies in both countries in modernizing currently operational power plants and building new electric power facilities in India. India and Russia could also cooperate in setting up hydro-power plants in Nepal.

Cooperation in oil and gas industry is extremely promising, as Russian on-shore technology is considered as one of the most advanced in the world. India's largest investment in the hydrocarbon sector is in Russia (\$4.5 billion), and this yields the most returns, with 30% of oil from all foreign investments coming from there. India could consider investing in hydrocarbon exploration in the Arctic, in addition to OVL's decision to invest \$1.3 billion in the Vankor field in exchange for its 15 per cent share [32]. However, India must act soon as oil prices are low and Russia needs financial inflows pursuant to western sanctions. India and Russia could also explore the possibility of gas swaps involving Japan, Korea, Taiwan and Qatar and Iran as suppliers since oil pipelines from Russia to India are not commercially viable.

Energy cooperation with Russia should not be left solely in the hands of the Public Sector Undertakings and should be dealt with at the Government-to-Government level. India could consider committing to long-term expenditure of about \$20 to \$30 billion, whether in exploration, mid-stream, refining or pipelines as a starting point and see how this works. Creating new joint ventures in hydrocarbon production in Russia (similar to Sakhalin-1) and in third countries (in Central Asia first and foremost) could be an effective way of promoting collaboration. India could sell part of the produced hydrocarbons to its partners. A promising agreement was reached in July 2015 between Rosneft and India's Essar on oil sales to India. The agreement concerns the supply of a total of 100 million tonnes of oil over 10 years for an oil refinery in the city of Vadinar, one of the largest refineries in India and South Asia as a whole. Also, Rosneft gets 49 per cent of the refinery's shares. In the future, the parties intend to develop a chain of 1,600 petrol stations. This project is of strategic importance for Russia-India relations, as it allows trade turnover between the two countries to be increased by 50 per cent [33].

It is important for Russia to continue its participation in India's large-scale gas infrastructure development. It involves Russia's Sroytransgaz Group, which has completed a series of landmark projects in India. Among these projects is the construction of "East-West", India's largest gas-distribution system, in 2008. The 1,300-km gas pipeline stretches from Kakinada (in the state of Andhra Pradesh) to Bharuch (in Gujarat) [34]. Current estimates predict that by 2020 India's gas consumption will grow by 70 per cent (compared to 2011) [35]. The new strategy of the Ministry of Petroleum and Natural Gas of India aims to enhance its energy security and to decrease its excessive dependence on oil, looking for ways to import natural gas [36]. Since liquefied natural gas (LNG) is the most economically advantageous, Gazprom and India's GAIL signed a long-term contract for LNG supplies in 2012, under which Russia commits to ship 2.5 million tonnes of LNG annually for 20 years [37]. Rosneft is not far behind the Russian gas giant: it has been negotiating the sale of a 20 per cent share in the Far Eastern LNG project with India's Oil and Natural Gas Corporation (ONGC) [38].

It is estimated that a sharp increase in the middle class (600 million people by 2030 [39]) in India, whose consumption level will be comparable to that of the European middle class, as well as environmental problems, should prompt India to look for new ways to meet the food demand. Russia could become India's natural partner in addressing this need and ensuring India's food security. A measure of success has already been achieved in this area. In May 2015, Uralkali concluded a contract with Indian Potash Limited for the supply of 800,000 tonnes of potassium fertilizers to India [40]. Russia's PhosAgro and Acron are also present on the Indian market. What is more, Rosatom plans to create a network of food and food product (including export-oriented food product) radiation decontamination centres in India [41].

It is extremely important to increase Russia's hi-tech exports to India. Thus, Russia has recently offered cooperation in production of components for SSJ-100 and MS-21 [42]. Russian business

has demonstrated an interest in the Indian telecommunication sector, with the joint venture between Russia's Sistema and India's Shyam Group. In 2017 Sistema is in process of merging its telecommunication assets in India (Sistema Shyam Teleservices) with another large company, Reliance Communications [\[43\]](#).

Another promising area of cooperation would be to combine the capacities of the two countries in software exports. As for innovations, targeted support for Russian projects coming from the Skolkovo Innovation Center should be considered. Particular attention should be paid to attracting Indian investments for Russian innovative projects that could enter the Indian market. For example, Russia and India have already made the decision to jointly develop and introduce GLONASS/GPS satellite navigation services in India [\[44\]](#).

Russia and India have a good track record of cooperation in space exploration. 2015 marked the 40th anniversary of the launch of Aryabhata satellite on the Soyuz carrier rocket. On that occasion, the space agencies of the two countries signed a memorandum that would give an additional impetus for cooperation in the peaceful exploration and use of the outer space. The parties may establish collaboration in rocket and engine construction, spacecraft development (including spacecraft designed for long-distance Earth probing and space meteorology) and satellite navigation.

Financial support and state guarantees are required in order to develop promising initiatives in the priority sectors of economy and create new innovative production facilities. One solution is to create joint investment funds. In 2012, the Russian Direct Investment Fund (RDIF) and the State Bank of India created a co-investment consortium intended to finance the demand for implementing infra-structure projects, creating high added value in the production and processing of natural resources, and developing processing facilities and services enterprises [\[45\]](#). In 2014, the RDIF and India's Infrastructure Development Finance Company (IDFC Ltd.) agreed on the joint implementation of investment projects, with initial plans supposing that each country should contribute \$500 million, to be mostly spent on developing transportation corridors [\[46\]](#). The RDIF created another fund jointly with Tata Power to develop investment in the energy sector, including the production of green energy [\[47\]](#). Finally, in 2016, Russian Direct Investment Fund and National Investment and Infrastructure Fund of India have agreed to set up a Russia-India Investment Fund and invest in it \$500 million each.

Implementing joint Russia-India economic, technological, scientific and research projects requires significant financial support, which could be provided, among others, by the banking system. Currently, Sberbank of Russia (since 2009) carries out commercial banking in India. Vnesheconombank, Promsvyazbank and Gazprombank have opened offices in India. Commercial Indo Bank represents the Indian banking sector in Russia [\[48\]](#).

Financing for large projects may be obtained from international financial sources. Large financial resources (up to \$100 billion) are available with the Asian Infrastructure Investment Bank where China, India and Russia have the majority of votes: 27.8450 per cent, 8.0294 per cent and 6.3349 per cent, respectively [\[49\]](#). The BRICS New Development Bank, which focuses on financing infrastructure projects in the BRICS countries, will be another source for funding joint projects [\[50\]](#).

In June 2015, the Central Bank of Russia and the Reserve Bank of India formed a joint working group to study the possibility of using their national currencies for mutual payments. Several Russian companies already use rupees and roubles for mutual payments. For instance,

Uralvagonzavod successfully sells its spare carriage parts for rupees [51]. India is also interested in using national currencies for payment. The Ministry of Commerce and Industry of India has started developing a new mechanism for making mutual payments with Russia in the “rupee–rouble” pairing, removing dollars and euros from transactions [52].

Introducing a free trade regime between India and the EEU may also contribute to expanding Russia–India trade cooperation. A joint research group has been formed and is already working on the issue; it will present its conclusions on the feasibility of such an agreement [53].

Cooperation in tourism is very promising. It is particularly relevant now that Egyptian resorts are still “closed” for Russian tourists and Turkish resorts are not as popular as before among Russians. India, with its rich recreational potential, could become a worthy substitute for the Middle East, although rouble’s sharp depreciation in late 2014 resulted in less Russian tourists going abroad, including India. In 2014, a total of 205,000 Russian tourists visited India. In 2015, India welcomed 118,100 Russian guests, and in 2016 it hosted 169,202 tourists from Russia. To stimulate bilateral tourism, Russia could take steps similar to those that New Delhi took concerning private visits to India. Since October 2014, Russians have been able to obtain their visas upon their arrival at nine Indian airports (the duration of stay is up to 30 days). Liberalization of the visa regime on both sides will contribute to implementing joint projects. It is particularly important to expedite the issuance of visas to highly qualified specialists, and to groups attending business, academic and cultural events in both countries.

The two countries are continuing efforts to remove barriers hindering business initiatives. In December 2015, a protocol was signed in the presence of the two heads of state on simplifying the travel requirements for several categories of citizens of the two countries. Now businessmen can visit Russia and India upon receipt of direct invitations from their partners, and not through a narrow circle of authorized organizations [54]. Moreover, visas to India can be obtained online without visiting a consulate or a visa centre. India might become the first country to sign an agreement with Russia on the mutual issuance of tourist visas valid for six months [55]. The Federal Agency for Tourism of the Russian Federation (Rostourism) will open a Visit Russia centre in India in 2017 to attract tourists to Russia. Similar centres are already efficiently operating in Helsinki, Berlin, Dubai and Beijing [56]. Similarly, carrying out a more aggressive advertising campaign in Russia to promote Indian hotels and destinations could attract more tourists from Russia.

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Toward a New Agenda in Military-Technical Cooperation

India is one of the largest importers of military equipment in the world [57]. Since the early 1980s, India has attempted to implement its own national programmes to create major weapons systems. However, until now, the majority of projects have not evolved into serial manufacturing.

During the last election campaign, the BJP announced that it would pursue the goal of “developing indigenous defence technologies” and encourage India’s military production for its own military needs and for export [58].

As some Russian experts argue, India has purposefully diversified its arms imports and has purchased weapons systems that are specifically tailored to its individual requirements. Moreover,

for several decades, India has gone in for large scale license manufacturing of weapons and equipment in the country with the objective also to gain skills to expand its own military production. Such a policy has resulted in New Delhi gaining access to a number of technologies available in the market.

Russia can today offer India a wide range of modern weapons, from drones to multirole robotic systems. This has become possible due to the large-scale programme of investments in the Russian military industrial complex. The devaluation of the Russian rouble also offers an additional competitive advantage.

Russia–India military-technical cooperation is both systemic and long-term. India is the only country in the world to implement a long-term cooperation programme in the weapons sector with Russia. The programme is intended to run for 10 years, from 2011 to 2020. The India–Russia Intergovernmental Commission for Military-Technical Cooperation, presided over by the Russian and Indian ministers of defence, plays a significant role in developing this line of cooperation. Russia is the principal exporter of arms and military equipment to India. In 2012–2016, Russia's share of military technology supplies to India was 68 per cent [59]. The estimated value of the contract portfolio is about \$35 billion [60]. Currently, the Russia-India MTC programme includes around 200 joint projects [61].

In the near future, Russia's share on the Indian market may decrease, although it will retain its leadership in absolute terms, due to India's diversification policy and the accelerated development of its own defence industry, as well as Russia having to compete with other global weapons' manufacturers. Despite the United States emerging as the biggest supplier of defence hardware to India in recent years, the country continues to be heavily dependent on Russia as almost 70% of its defence equipment is still based on the Soviet era platforms. After the Soviet Union collapsed, the experience of the Indian Air Force, which still has 70% equipment of Russian origin, has been mixed. From the Indian perspective, the refurbishing of the aircraft carrier, Admiral Gorshkov or the INS Vikramaditya, represented some of the problems faced by India in defence cooperation with Russia.

India has consistently insisted on quality control of the products exported to India by Russia's state agencies and on efficient post-sales maintenance. It has also raised the issue of intermediaries in Russia–India military-technical cooperation. Previously, the Indian side has levelled criticism over the need to largely deal with Rosoboronexport, Russia's state-run arms export company that back in 2010 accounted for over 85% of Russia's arms exports, which allegedly gave it the clout to raise prices arbitrarily. It is only the positive engagement between Indian Prime Minister Modi and Russian President Putin that has resulted in progress towards the formalization of more industry-to-industry linkages rather than dealing with the Russian state-owned enterprises. Reliance Defence Limited and Russia's leading developer and manufacturer of air defence missile Systems 'AlmazAntey' signed a deal in December 2015 to work jointly on the entire range of Air Defence Missile and Radar Systems for the Indian defence forces.

India has constantly raised the issue of delayed shipments of spare parts for military equipment purchased in Russia. These delays are to a great degree due to the cumbersome bureaucracy of Russian partners. Letters of complaint sent to Russian factories pass through Rosoboronexport, which leads to months-long delays in responses. It would be advisable to respond within the same time frames as those of Russia's Western competitors. Such an approach is possible if a list of companies that have already proved themselves reliable could be agreed upon, and these companies would be able to directly and immediately rectify any deficiencies in their products.

Servicing and lifetime maintenance of Russian technical equipment must be set up as well, as India's other suppliers have done.

In the case of a joint Russia-India Fifth Generation Fighter Aircraft, while India has paid 50% of development costs, its involvement in the design phase has been only 13%. Sukhoi Company and Hindustan Aeronautics Limited seemed to have agreed on all technical details, and India's primary concern has been over its limited access to Russia's technology [62].

Meanwhile, Russia as a supplier of weapons has its own concerns about the transfer of technology. Although Russia and India occasionally have disagreements on the economic and technical aspects of various projects, there has never been an issue over theft of Russian intellectual property between the two countries. The two countries have a successful history of cooperation in the field tracing back to the Soviet times, and India continues to be Russia's natural partner in manufacturing licensed equipment. Russia has proved to be strong in cutting-edge software, in powerful radars, coastal management, all areas that India needs to modernise. Therefore, more frank exchanges between the two sides are required to redress some structural issues in the relationship and to agree on mutually beneficial terms of long-standing deals in future.

Joint development and manufacture is a reliable option to transfer of technology. Using Russia's and India's manufacturing and engineering resources to design new equipment and supply finished products to third countries looks promising and profitable for both parties. For instance, the Russia-India BrahMos consortium has been involved in negotiations on supplying its missiles to select third countries. In addition, when Prime Minister of India Narendra Modi made an official visit to Russia in December 2015, a cooperation agreement to produce 200 Ka-226T helicopters jointly in India was signed, including for export.

Russia and India should take into consideration the current massive R&D investment into selected areas of military and dual use technology taking place in US and China. That includes artificial intelligence, robotics, lasers, 3D printing etc. Pooling resources could help Russia and India to keep pace with the world's two biggest economies.

Russia and India require a breakthrough in military cooperation. This could include a large-scale project of a national missile warning system and anti-aircraft defence. India's air defence system is based on obsolete Soviet technologies, and the country is greatly interested in modernising it. In this regard, Russia could offer India its new inventions, in particular, when it comes to a long-range anti-aircraft defence system with significant anti-missile capacities, the Antey-2500 anti-ballistic missile system, the Tor-M2E-2 and Buk-M2E missile systems. Negotiations on the delivery of S-400 to India are at an advanced stage [63]. The two sides need to boost cooperation in space taking into account current boom in investment in both military and civilian space technologies in the US and China.

To maintain the positive momentum of Russia – India military-technical cooperation in mid- to long-term a transition from routine export and import transactions to deeper cooperation in production is required. The successful examples of such collaboration may be found in the history of Russia – India ties, such as the Brahmos project.

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Educational, Scientific and Cultural Cooperation

Russia's positive image in India is largely linked to the country's great culture and literature and its leading positions in space exploration, nuclear energy and defence manufacturing. These factors create favourable conditions for developing cooperation in these spheres. However, beyond these areas, India sees Russia as a country lagging behind economically.

The Indian media largely purveys the Western point of view on events in Russia and the world. Indian academic writing too is influenced by anti-Russian publications by US and Western authors that can be easily accessed from the Internet, while the Russian point of view, mostly presented in Russian, remains ignored. This orients New Delhi towards other countries, and equally causes distrust among the Russian officials and scholars about its real intentions.

The problem of 'Alienation of Elites' of the two countries is also among the biggest challenges for the future of bilateral relations. In the Soviet times, when relations with India were among policy priorities of the ruling Communist Party of the Soviet Union (CPSU), there was a continued track-2 dialogue between the elites of the two countries with an extensive exchange of intellectuals and research scholars. However, due to the collapse of the USSR and transition to market economies in both countries, new powerful elites have emerged. Interaction between these elites is now at a low level, in part because Russian elites are mostly oriented toward the West and see India as an enigma. Even after the beginning of the crisis in Russia-West relations and Western sanctions imposed on some representatives of the Russian elite, Russian attitudes towards India remain ambivalent.

Since the middle of the XX century, Soviet and Russian universities have educated over 13,000 professionals for various sectors of India's economy. Today, Russia must resume attracting large numbers of Indian students to study at Russian universities. For this purpose, a large-scale programme for attracting Indian students should be developed in collaboration with Russian universities. The programme should also involve Indian professionals who have studied at Soviet universities and currently hold high-ranking positions in the Indian education system. This area is of crucial importance for Russia's image and commercial attractiveness of Russian universities.

India still highly values Russian higher education in science and technology. Yet the lack of relevant information on higher education in Russia, recognition of Russian degrees and concerns for personal safety undermine the competitiveness of the Russian education system. In order to overcome this problem annual Russian, mostly federal, university fairs in India could be held. It is necessary to speed up the development of intergovernmental agreements on recognizing Russian degrees.

It is also necessary to strengthen ties in higher education and gear Russian universities toward expanding cooperation with Indian partners (carrying out exchanges for professors and students, holding joint conferences and seminars, publishing joint works in Russian, etc.). Given the tradition of teaching Hindi in Russia, Hindi studies in universities should be promoted, not only for future linguists and interpreters, but also for professionals in applied disciplines. A system of internships and studies for Russian students studying Hindi and other Indian languages should be set up in Indian universities.

Particular attention should be given to strengthening academic cooperation. The proper development of Russia-India relations requires expert conferences on foreign and defence policy

on bilateral and multilateral basis to be held regularly, in particular, within the framework of the SCO, RIC and BRICS. Some work has already been done in natural sciences. In December 2010, the Government of the Russian Federation and the Government of India signed the Integrated Long-Term Program (ILTP) for Cooperation in Science, Technology and Innovations for the Period up to 2020. In its current stage, the programme covers a wide range of scientific disciplines and includes about 60 joint projects. Leading research centres of the two countries are involved in bilateral projects (more than 70 Russian institutes and over 50 Indian institutes and laboratories). The following centres are already operational: seismological (New Delhi); biotechnological (Allahabad); powder metallurgy and new materials (Hyderabad); manufacturing polyvalent vaccines (Bulandshahr); and gas- hydrates research (Chennai). Specialists from the Lebedev Physical Institute of the Russian Academy of Sciences together with their Indian colleagues developed lasers intended to treat tuberculosis. The Institute for Computer Aided Design in Moscow served as a basis for the joint Computer Research Centre (RICRC) to model atmospheric processes, carry out research in microelectronics, medicine, seismology, environmental studies, etc.

Russia and India traditionally pay significant attention to strengthening cultural cooperation. Significant projects include the Year of Russia in India (February–December 2008), and the “reciprocal” Year of India in Russia that took place in 2009. Festivals of Culture have been held since 2011. The 2014 Festival was the biggest cultural event in India that year in terms of the number of visitors [64]. The Festival “Namaste Russia,” took place from May to November, 2015 [65]. The First International Yoga Day held on June 21, 2015 in over 60 Russian regions attracted over 45,000 people [66]. The Festival of Russian Culture in 2016 was very successful, and it was decided to hold the Festival of Indian Culture in Russia in 2017 [67]. These events were mostly organized by the Russian centres of science and culture in New Delhi, Mumbai, Calcutta, Chennai and Trivandrum, and the Jawaharlal Nehru Cultural Centre in Moscow.

Given the popularity of Indian films among a certain part of the Russian population, various film weeks and retrospective shows of popular Russian and Indian directors should be held more frequently. In 2014 and 2015, Indian Film Festivals had a great success in Moscow. It would also be advisable to translate the best works of Russian literature into Hindi and India’s other national languages. When holding cultural events, particular attention should be paid to advertising. Thus far, the Indian public has very little knowledge of forthcoming events. When promoting popular Russian books, films and TV shows, it would be wise to attract not only state, but also private financing.

A special mechanism should be created to promote closer cooperation with the Indian diaspora in Russia. The Embassy of India in Moscow estimates the Indian community to be about 15,000 people. What is more, there are about 1,500 Afghan citizens of Indian descent living in Russia. Although the majority of the diaspora does not belong to the policy-making community, they could contribute more to developing trade, economic and cultural ties between Russia and India. The Indian Business Alliance could act as a priority partner here, and its representatives should be more involved in expert meetings.

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Media Collaboration to Strengthen Mutual Understanding

The Russian and Indian media do not perform their primary function of objectively covering events in the two countries. Attention is focused on negative events in both states and on the problems in bilateral relations, especially when it comes to military-technical cooperation. Reports on the meetings between the leaders of the two countries no longer make it to the front pages. At the time of Soviet collapse there were eight Indian accredited correspondents in Moscow representing mainstream media that ensured keeping Russia alive on the Indian radar. Today India has no press representatives in Moscow for independent unbiased coverage of Russia. India's largest information agency India (PTI) closed its office in January 2012. In July 2014, The Hindu newspaper also closed its office. In order to fill the information gap between the two societies India should open new offices for its media outlets in Moscow, although this will be a decision for the autonomous and private news organisations in India.

In order to improve Russia's image in India, Russian media including Rossiya Segodnya and TASS should expand their activities. It is also advisable to sign additional agreements with India's largest media holdings (Hindustan Times and The Times of India), which would include offering materials prepared by Russian journalists and covering Russia and Russia's policies on global issues to the Indian media.

Significantly expanding the use of English and Hindi in Russia's information work with India should be considered. When the nationally oriented BJP came to power, the Hindi language began to be used noticeably wider, and this trend will persist. In his official speeches, Narendra Modi often uses only Hindi instead of English. India's nationally oriented audience will welcome greater use of Hindi in Russia's information activity.

These efforts should build on the successful example of activities of Russia beyond the Headlines (RBTH) in India. RBTH's India-oriented project in English [\[68\]](#) Russia and India Report has been operating for more than six years. Recently RBTH set up a special outlet in Hindi Rus-Bharat Samvad [\[69\]](#).

In 2014, Russia's TASS information agency signed information cooperation agreements with India's two leading information agencies: the Indo-Asian News Service (IANS) and the Press Trust of India. These agreements became the first official documents to be concluded between mass media outlets of the two countries since the collapse of the USSR. During Modi's visit to Moscow in December 2015, JSC Digital Television (JSC DT) and Indian state broadcasting company Prasar Bharati concluded a memorandum on interaction in television broadcasting [\[70\]](#). It is important to create favourable conditions to develop the agreements already in place, particularly in exchanging experience and information between the journalists of the two countries. In order to further media cooperation it would be also advisable for Doordarshan and All India Radio to set up their joint bureau in Moscow.

There should be programmes for inviting Indian journalists, students and winners of various competitions and quizzes on the Russian language and Russia to the country. The Federal Agency for the Commonwealth of Independent States, Compatriots Living Abroad and International Humanitarian Cooperation (Rossotrudnichestvo) could coordinate these efforts. It is important to create special communication formats with the younger generation in India and segment the target audience for the Russian media in India.

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Conclusions and Recommendations

India is Russia's long-standing and reliable partner. However, the current model of ties has largely exhausted itself, and cooperation should be taken to a qualitatively new level.

Giving a new impetus to Moscow – New Delhi relations would allow Russia to diversify its efforts in Asia. It is necessary for India and Russia to prevent third countries from exerting significant influence on their bilateral ties. The two countries “need to systematically upgrade the modalities of their cooperation” through top level ministerial and bureaucratic dialogue at greater frequency rather than just the annual bilateral summit between the leaders of the two countries, as well as through the development of a more robust economic and business engagement.

A whole series of systemic barriers that currently impede bilateral relations must be overcome. These barriers include: an imperfect legal framework; tariff and non-tariff trade limitations that still exist between the two countries; the lack of up-to-date information on political processes in both countries; the low level of business contacts; and the outdated images of both Russia and India their citizens have. In order to solve these problems, it is necessary to involve experts, businessmen, journalists and the professional community. At the same time, the state has the responsibility to initiate and coordinate such contacts, since developing bilateral relations is ultimately a strategic and political task.

Foreign Policy

1. It is important to further expand Russia–India engagement on the international arena and to strengthen influential international groups such as the SCO and BRICS, which already figure amongst the pillars of the global architecture.
2. Russia should continue to actively support India's claim for greater participation in international affairs, particularly in reforming the United Nations, expanding the number of permanent members in the Security Council and membership of technology-related international regimes of which Russia is a member.
3. Historically, Russia and India have not pursued policies in the neighbourhood of either country that are geopolitically against their respective interests. This compatibility of geopolitical interests should be maintained. Inter alia, this requires additional consultations between Moscow and New Delhi on current dynamics in South Asia, Central Asia, Middle East, Eastern Europe and East Asia.
4. On the vital issue of terrorism and religious extremism, which is of concern to both sides, the two countries should give more visible mutual support to each other.
5. India and Russia can profitably cooperate with each other in economic projects in third countries, primarily in Nepal, Bangladesh and Sri Lanka, as well as in Central Asia.
6. Russia and India have a geopolitical interest in actively promoting the North-South Corridor through Iran so that connectivity projects in the region get diversified and single-country domination is avoided.

7. The two countries should not limit their relations just to the bilateral aspect but look at doing more on the global arena through trilateral partnerships – for example Russia – India – China, India – Russia – Israel, India – Russia – USA, etc. As a starting point, Track 2 dialogues serve well for discussing such interaction.

Under the special and privileged partnership India and Russia share, several institutionalized dialogue mechanisms that operate at both political and official levels to ensure regular interaction and follow up on cooperation activities could be revived.

The two states could use the RIC format to oppose Western civilizational attacks on all three RIC members through NGOs, specifically human rights and religious conversions; India and China should also seek better understanding with each other.

It is also advisable to seek India-Russia-Iran cooperation against terrorism in Afghanistan.

Bilateral Relations

1. Russia and India should repeat the 1994 Moscow Declaration formulation on territorial integrity of both countries. Summit meeting at the end of 2017 could be the occasion for such a statement. Alternatively, they could bring out a publication of major bilateral documents to mark the 70 years of relations. This should include the 1993 Treaty and 1994 Declaration on the Protection of Interests of Pluralistic States.

Trade, Economy and Military Cooperation

1. It is necessary to substantially modernize the contractual and legal basis of cooperation and remove administrative barriers hindering the movement of capital, services and labour. A free trade agreement between the Eurasian Economic Union and India (taking into account the strengths and weaknesses of a similar agreement already signed between the EEU and Vietnam) should be thoroughly discussed.

2. It is necessary to set out mutually acceptable business conditions, stimulate investment flows and greenlight mutual investments. The priority task is to finalize the update of the 1994 Agreement between the Government of the Russian Federation and the Government of the Republic of India for the Promotion and Mutual Protection of Investments, which is mostly declaratory. The new document should incorporate clearly stipulated mechanisms for dispute settlement and provide for property protection and revenue repatriation guarantees for investors.

3. It is important to increase the efficiency of existing cooperation mechanisms at all levels – above all, to encourage direct contacts between the business communities of the two countries. President Vladimir Putin addressed the issue at a meeting with Russian and Indian entrepreneurs in December 2015. The panel sessions of the St. Petersburg International Economic Forum held in New Delhi in January 2016 titled “Fulfilling the Indian–Russian Economic Promise” could serve as an example. Representatives of Russia’s leading companies and the heads of Russian regions took part in the sessions. In 2017 Prime Minister of India Narendra Modi is the guest of honour at the 2017 St. Petersburg International Economic Forum, with India as the guest country for the Forum.

4. It is necessary to strengthen industrial cooperation and create close technological alliances and integrated manufacturing chains in those sectors where both Russia and India have significant

capacities in terms of personnel and resources. Particular attention should be paid to promoting innovation in Russia–India cooperation and stimulating Russian and Indian businesses to take a more active role in national import substitution programmes.

5. It is important to secure and consolidate new trends in the development of military-technical cooperation and, first and foremost, to transition from the “seller–buyer” model to large-scale joint breakthrough projects such as Fifth Generation Fighters Aircraft (FGFA) and BrahMos missiles. These weapons could both significantly enhance the defence potential of both countries and have excellent export prospects. Russia should actively participate in India’s Make in India programme in defence manufacturing, with more technology transfers, as that would consolidate Russia’s dominant position as India’s defence partner.

Culture, Science, Education, and Media

1. Russian and Indian media should be more pro-active in covering events of great importance for bilateral relations. It is important that the media shape a positive image of Russia in India and vice versa. The needed legal framework is in place. Agreements have been signed between leading information agencies, and they must be fully implemented.

2. Priority attention should be paid to academic mobility, educational exchanges, creating joint masters programmes, and even setting up joint universities. The Russian–Indian Association of Universities should contribute to this task (a declaration on creating this Association was signed in May 2015).

3. It is important that an educational space be created by using the capacities of the SCO and BRICS network universities, and the issue of the mutual recognition of diplomas and academic degrees of the two countries should be thoroughly explored.

4. Education in Russia should be more actively promoted in India, a country where Russian higher education is still valued. The annual New Delhi Russian Education Exhibition and Fair is not sufficient. It is necessary to spread success stories of Indian graduates from Russian universities, and involve the Indian Alumni Association of Soviet/Russian Academic Institutions. An additional advantage of Russian educational programmes is their relatively low cost due to the rouble’s devaluation.

5. It is necessary to expand the range of cultural events; larger audiences should be involved. The new Cultural Exchanges Programme currently being created by the Ministry of Culture of the Russian Federation and the Ministry of Culture of India for the coming years should place particular emphasis on these issues (the previous programme was completed in 2015).

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