Strategic alliances rarely survive the epoch in which they are born. But, the Indo-Russian strategic alliance has done just that. The time-tested relations between the two nations, based traditionally on mutual trust and understanding, have survived the end of the Cold War and the post-Cold War period, and moved into the new, though yet unnamed period of global politics. Since such alliances are based on the hard facts of national interests rather than sentimental attachments, it alerts us to the simple fact that for both Russia and India, their strategic concern in Asia has not radically changed since the 1950s.

During the State visit of the Russian President Vladimir Putin in October 2000, a declaration on Strategic Partnership between the Republic of India and the Russian Federation was signed. This is a document of cardinal significance and marks a new step forward in the elaboration of the principles of our bilateral relations. It lays down the broad contours of bilateral relations between the Republic of India and the Russian Federation in the twenty-first century.¹

After the disintegration of the USSR and the emergence of Russia as an independent State, Russia declared itself to be ‘State-continuator’ of the erstwhile USSR in the early 1990s. Nonetheless, India recognized Russia as the successor-State to the former Soviet Union. India’s relations with the Russian Federation are multi-faceted and encompass varied sectors including political consultations, economic and commercial relations and cooperation in trade and economy, science and technology and military. It is significant that India and...
Russia are the world’s largest democracies, India in terms of the size of the population and Russia in terms of its size.\(^2\)

The importance of the declaration of strategic partnership signed in the end of year 2000 between India and Russia is that it promises economic, political, scientific and cultural cooperation. Equally significant is that the two countries will not only share vital information, old consultations on important issues and evolve joint decision to face international terrorism. The establishment of an intergovernmental commission on defense matters between the two countries is another facet of this partnership. Above all India arid Russia has pledged to work for a multipolar world based on sovereignty equality of states.\(^3\)

For an understanding of Indo-Russian relations, especially Russia’s policy towards the issue of Kashmir it is important to understand the subject prior to the Soviet disintegration for two reasons: first, the study of the Soviet policy provides the historical background; second, it provides a comparative study of the same issue in pre and post-disintegration phases and thus providing some useful insights. Important among them is the continuity discerned in Russia’s perception and policy towards the Kashmir issue since the Soviet time.

The Kashmir issue surfaced in the wake of the independence of the Indian subcontinent in 1947 from the British colonialism. After the invasion of Kashmir by the mercenaries and the tribal forces, aided and supported by Pakistan in 1947, the ruler of the then princely state decided to accede to the Indian federation. The Soviet perception towards the Kashmir issue was noncommittal at that time. The Soviet Union under the leadership of Joseph Stalin was under the impression that the whole Indian subcontinent was an
offshoot of capitalism; hence it had no role to play in the region. At that time it was the Cold War, moulded with ideological rivalry between the power blocs that influenced the Soviet policy towards the Kashmir issue. Stalin was of the view that India, like Pakistan, leaned towards Anglo-American bloc. The Soviet relations with India and Pakistan were based on Andrei Zhadnov's thesis of two camps. Both South Asian countries were considered to be in the rival western camp. Hence, Stalin maintained equidistance from both the countries. In the pursuit of such a policy the Soviet representative remained absent during voting when the Kashmir question came up for discussion in the United Nations Security Council in 1948.4

Shift in the Soviet Policy and the Cold War Dynamics

The later years witnessed dramatic changes in the international political scenario. The US-Pak axis grew to a new height. In 1948, Pakistan offered a base to the US in Gilgit area of Pakistan occupied Kashmir. For the Soviet Union the US presence in the South Asian region was a threat to its security. In 1949, when the Pakistani Prime Minister visited the US, he was offered military and economic support. The US policy towards Kashmir at that time was favourable to Pakistan and "unsympathetic and even hostile" towards India.5 Pakistan joined the Baghdad pact in 1955 and South East Asian Treaty Organization (SEATO), sponsored by the US in 1954. These steps of Pakistan created grave concern in the minds of both, the Soviet and Indian leaders. The developments led to reorientation in their foreign policies as a result of which both moved closer to each other.

It took four years for the Soviet Union to take any stand on Kashmir since the inception of the issue. When the United Nations Security Council met on 17 January 1952 to discuss the issue in its meeting, the Soviet delegate, Jacob Malik, spoke at length on the problem. Referring to various plans put forward
by London and Washington, he observed that those plans "instead of speaking a real settlement, were aimed at prolonging the dispute and at converting Kashmir into a trust territory of the US and the UK under the pretext of giving it assistance through the United Nations." In support of his argument, he quoted from Pakistan and the US newspapers. On 9 August 1952 Pravda published a TASS report on the proceedings of Indian Parliament and supported the proposal made by CPI members, A.K. Gopalan and H. Mukerjee, in their debate on 7 August 1952 to withdraw the Kashmir question from the United Nations.

The initial response of India to the Soviet offer of closer relationship was lukewarm. The Soviet support to India on the Kashmir issue in the UN Security Council 1952 was not taken seriously by the Indian leadership. It appeared that India did not want Kashmir to be a factor in bloc politics between the two super powers. K.S. Shelvanker from The Hindu, attributed somewhat similar reasons to the Indian Prime Minister, Jawaharlal Nehru’s position: "...I understand that this is precisely the sort of development Indian diplomacy had been endeavoring to avoid from the beginning involvement of the Kashmir dispute in the Conflict between the rival power blocs and the propaganda and Passions of the cold war." New York Times, on 21 January 52, wrote, “Indians fear Malik statement on Kashmir may complicate settlement of the dispute”, that the “general feeling here is that India wants an early settlement of the long-standing issue before the UN and that the manner in which the Soviet delegate delivered his frontal attack against the West has hardly contributed towards that end. It is feared in informed circles that Mr. Malik’S speech although it reflects Indian sentiment, might pose new problems and further complicate the dispute.”
Khrushchev criticized Pakistan’s policy as it is not guided by the vital interests of their people, of their state, but is dictated by monopoly circles of other countries. The proximity of Pakistan with the US and its membership of the ‘notorious’ Baghdad Pact, ‘the aim of which is anything but peace’, and its sanctioning of its territory for establishing American military bases, were considered detrimental to its security interests. This factor provided impetus for growing Indo-Soviet friendship. Bulganin, in a press conference in New Delhi on 14 December 1955 said, “As for Kashmir during our visit there we saw how greatly the Kashmirians rejoice in their national liberation, regarding their territory as an integral part of India.”

After completing his visit to India, Burma and Afghanistan, Bulganin in his report to the Supreme Soviet of the USSR argued that, “on the pretext of supporting Pakistan on the Kashmir question certain countries are trying to entrench themselves in this part of India in order to threaten and exert pressure on areas in the vicinity of Kashmir. The attempt was made to sever Kashmir from India artificially and converts it into a foreign military base.” But, he said, the people of Kashmir are emphatically opposed to this imperialist policy. “The issue has been settled by the Kashmiris themselves; they regarded themselves as an integral part of India. We became profoundly convinced of this during our meetings with the people in Srinagar, and in our conversations with the Prime Minister of Kashmir, Mr. G. M. Bakshi, and his colleagues”. Further he said, “The Soviet government supports India’s policy in relations to the Kashmir issue, because it fully accords with the interests of peace in this part of Asia. We declared this when we were in Kashmir, we reaffirmed our declaration at a press conference in Delhi on December 14, and we declare it today. Khrushchev in his speech expressed similar sentiments, “In Kashmir we were convinced that its people regarded its territory as an inalienable part of the
Republic of India. This question has been irrevocably decided by the people of Kashmir."

As a mark of growing friendship, the Soviet Union in the Security Council proceedings on Kashmir, in February 1957, applied its first veto on a resolution to use UN force to facilitate demilitarization. It was co-sponsored by Great Britain, the US, Australia and Cuba. The resolution was unacceptable to India. The resolution noted the importance the Security Council “attached to the demilitarization of the state of Jammu and Kashmir preparatory to the holding of a plebiscite” and “Pakistan’s proposal for the use of a temporally United Nations force in connection with demilitarization”. The Security Council held “that the use of such a force deserved consideration.” The Security Council authorized its president Gunnar Jarring to visit India and Pakistan to bring about demilitarization or further the settlement of the dispute.

Sobolev, the Soviet delegate, on 18 February 1957, proposed amendments to the above mentioned resolution. He argued “the situation in Kashmir has changed considerably since 1948 when the Security Council had first called for a plebiscite. The people of Kashmir had settled the question themselves and now considered their territory an integral part of India.” In his resolution the Soviet delegate deleted reference to “the use of a temporary UN force in connection with demilitarization in Kashmir. After his amendments were rejected by the other Security Council members, he vetoed the Western sponsored resolution on 20 February 1957. He justified it by arguing that the resolution, as it stood, favoured Pakistan. In his government’s opinion the people of Kashmir had in fact already settled the question.

In March 1959, a Soviet delegation led by A. Andrew visited Kashmir to demonstrate that they regarded Kashmir as an Indian state. He described
Kashmir as ‘the most beautiful place of the world’ and reiterated that they regarded ‘Jammu and Kashmir as an integral part of the Indian Republic.’ Pointing out that Kashmir “is not far from the Southern frontier of the Soviet Union” he declared that “in your struggle we are your comrades.” The following month Karan Singh visited the Soviet Union. At a reception Khrushchev welcomed the guest from ‘friendly India’ and reiterated the Soviet support to the Indian Policy in Kashmir. Karan Singh thanked them for their unequivocal support to India, especially in the case of Kashmir.

To discuss the Kashmir issue, when the Security Council met on 27 April 1962, Platon Morozov (the Soviet delegate) declared that Kashmir is an integral part of India and the people of Kashmir have decided this issue. In its meeting on 21 June 1962, the representative of Ireland, supported by the British representative, introduced a resolution. According to Morozov, the ‘principal aim’ of the draft resolution was the holding of plebiscite and that would be nothing but ‘flagrant interference’ in the domestic affairs of India. He, therefore, urged the Council to reject the Irish resolution, which according to him was basically in line with the dictates of the US. When the Irish resolution was put to vote on 23 June 1962, the Soviet representative vetoed it. He declared that the question of holding plebiscite in Kashmir was ‘dead and outdated’ and the Kashmir question had been solved ‘once for all.’

The Khrushchev period witnessed a close relationship between India and the Soviet Union. It supported the Indian stand on Kashmir at Various fora. It also supported Nehru’s decision to withdraw the special status of Jammu and Kashmir and to integrate the state into the Indian Union fully. The Soviet attitude towards Kashmir has not changed since his visits to India in 1955 and 1960. When the Kashmir question came before the Security Council in February 1964, the Soviet representative, Federenko, reiterated his country’s
view that the question of Kashmir had already been settled 'once for all'. He supported the Indian contention that a Security Council resolution would aggravate the situation.¹⁸

The Brezhnev Policy

The Soviet attitude towards the Kashmir issue in the post-Khrushchev era underwent change. However, the Soviet envoy to India, Benediktov assured New Delhi in October 1964, policy towards Kashmir remain the same. During her visit to Moscow, the new Soviet Prime Minister Alexi Kosygin assured Indian Prime Minister, Indra Gandhi, that the Soviet support for India’s policy on Kashmir remains unchanged and that Moscow regarded ‘Kashmir as an integral part of India’.

However, the later years were marked with uncertainty regarding Soviet policy towards Kashmir. This shift could be attributed to the Indian defeat in the Sino-India war of 1962. There was a general trend in Soviet diplomacy to extricate itself from an immoderate involvement in intricate problems that were of no direct concern to its vital interests. By adopting such a policy the Soviet Union succeeded in disengaging itself from the Indo-Pakistan conflict in which it had embroiled itself. It took a neutral stand towards Kashmir issue, as it was interested to develop closer relation with both India and Pakistan.¹⁹

Leonid Brezhnev, unlike his predecessor, decided to adopt a different policy towards the Kashmir issue. He envisaged the Kashmir issue as an opportunity to bring India and Pakistan closer and to turn the subcontinent into a peaceful arena under the aegis of the Soviet Union. In pursuance of this policy, the Soviet leaders attempted in the 1960s to develop good relations with Pakistan with an aim to counter Chinese influence there.²⁰ However, due to certain factors it remained short-lived. During the Soviet attack on Afghanistan
Pakistan, along with the US, had played a key role in supporting the fighters’ struggle against the Soviet army. The Soviet interests, according to Brezhnev, would be better served if India and Pakistan could be developed as an independent counter-force free of American and Chinese influence. Reconciling Pakistan would help in improving Indo-Pak relations and consequently fulfilling the Soviet dream of India-Pakistan Soviet alliance. Such a triangular alliance, if it could be forged, would be a great bulwark against American and Chinese intervention in the subcontinent.  

The Soviet leaders in the initial years of the Brezhnev period tried to establish closer economic and political relations with Pakistan to eliminate the American influence and at the same time prevent Pakistan from moving closer to China. It was in this Context that the Soviet leaders inaugurated their new policy to use Kashmir as a device for furtherance of Soviet foreign policy objectives and invited Pakistan’s President Ayub Khan for a visit to Moscow. Ayub Khan arrived in Moscow on 3 April 1965 and met Brezhnev, Kosygin and other Soviet leaders. Ayub’s visit was concluded with a joint communiqué containing a formula on national liberation movements, ambiguous enough to be applicable to Kashmir and, indeed, was so interpreted by Pakistan government and its controlled press.

From the position of negative neutrality, that is to say, simply limiting the action to the development of relations with the two rivals, the Soviet leaders began to display concern over the manner in which the Indo-Soviet relations continued to deteriorate. Following the outbreak of war between India and Pakistan in August 1965, Kosygin sent several letters to the leaders of both countries, appealing for immediate cessation of hostilities. He also offered his country’s ‘good offices’ in negotiating for a peaceful settlement. The Soviet Union warned all the other countries, especially in an indirect reference to the
Western countries that: no government has any right to pour oil in the flames. At the UNSC, where this matter was raised several times, the Soviet delegate attempted to maintain a nonpartisan view of the issue, though he referred to the Indian state of Jammu and Kashmir. He blamed the current conflict on those 'forces which are trying to disunite and set against each other the states that have liberated themselves from the colonial yoke' and those 'which are pursuing the criminal policy of dividing peoples so as to achieve their imperialist and expansionist aims.'

The friendship with the Soviet Union nevertheless stood in good stead when it came to the support of India on points of objection that India raised. On 25 October 1965, India’s Foreign Minister Swaran Singh objected to Pakistan’s Foreign Minister Z.A. Bhutto’s reference to the internal situation in Kashmir and upheld that it was India’s internal affair. He held that the opposite view was a deviation from the agreed agenda and thus walked out in protest. The Soviet Union had shown support to the Indian interpretation that the Council’s deliberations should be only on “questions directly connected with the settlement of the armed conflict, i.e. complete ceasefire and withdrawal of armed personnel.” It had also abstained from voting on the resolution adopted by the Council on 5 November 1965. The Security Council resolutions failed to resolve the crisis.

The Soviet Premier Kosygin, on 17 September 1965, in an identical message to Indian Prime Minister Lal Bahadur Shastri and Pakistan President Ayub Khan reiterated the offer for a meeting in Tashkent to reach an agreement on the restoration of peace ‘if both parties so desire.’ The Soviet Union was not interested to mediate in the conflict between the two sides but to facilitate to cease hostility and restore peace. The Soviet offer was accepted by both India and Pakistan.
Lal Bahadur Shastri, in a public meeting on 5 December 1965, reiterated his willingness to go to Tashkent and to accept the mediation of the Soviet Prime Minister to bring about understanding and good neighbourly relations with Pakistan. But he made it clear that the question of Kashmir could not be discussed there. The Soviet Union had expressed a similar view earlier and advised both India and Pakistan to avoid discussing major issues at Tashkent and regard the meeting as the first among a series of bilateral discussions. Shastri and Ayub agreed to meet at Tashkant on 4 January 1966. Kosygin attended the meeting at the request of both the parties. In his opening speech at the Tashkent summit, Kosygin said, in proposing this meeting, the government of the Soviet Union was guided by feelings of friendship towards the people of Pakistan and India, by a desire to help them to find a way to peace and to prevent sacrifices and hardships brought by the disaster of war. After a weeklong (4-10 January 1966) hectic parleys between the two sides, in which Kosygin took active part to break the deadlock in arriving at a mutually suitable agreement, Shastri and Ayub signed the Tashkent Declaration on 10 January 1966.

The important points in the Declaration were: withdrawal of force by both sides to former positions (held on 5 August 1965) and no later than 25 February 1966; observance of conditions of ceasefire in Kashmir; stoppage of hostile propaganda; resumption of diplomatic relations and renewal of normal diplomatic functions, etc. Kosygin hailed the Tashkent Declaration as an important political document and a new stage in the development of relations between India and Pakistan. Shastri, in a press meeting on 10 January 1966 praised Kosygin for the ‘great and noble role’ he played in holding the talks.

Thus, it was the shift in the Soviet foreign policy approach aimed at diminishing the US and the Chinese influence in the South Asian region that
shaped its policy towards the Kashmir issue. To achieve that objective it was necessary, the Soviet leadership might have thought, to give equal weight to Pakistan alongside India. Moreover, it rested on the idea that the Kashmir problem was created by neither India nor Pakistan, but thrust upon them by the colonial powers. That was implied when Kosygin said during the Tashkent summit, it should be recalled that the discord between India and Pakistan is the heritage of long dominations of colonialists who set enslaved peoples against each other. The Soviet leadership maintained a balanced attitude towards the Kashmir problem in the period though its strategic policy considerations were changing under the new leadership in the region. This was evident from the report of the PTI correspondent in Tashkent during summit discussions: “Russia considers Jammu and Kashmir as an integral part of India; it is learnt from the highest authority here. The Soviet stand on Kashmir remains as before according to the sources. The sources said that Tashkent Declaration would improve relations between India and Pakistan on the one hand and further strengthen India’s relationship with Russia on the other.”

Despite the assurances by the Soviet leadership that its policies would not negate India’s interests, there were overtures from its side that were likely to hamper India’s interests. A high-level Pakistani military mission went to Moscow in June 1966 to explore the possibility of Soviet arms supply to Pakistan. New Delhi warned that Soviet arms to Pakistan would weaken Indo-Soviet relations. To allay India’s fear, the Soviet Union assured India that their policy with regard to Kashmir has not changed and they regard Kashmir as an integral part of the Indian Republic. Further, to demonstrate Moscow’s sincerity, the Soviet New Times published a map of India showing the entire state of Jammu and Kashmir as a part of the Indian Union. Despite all these assurances, a group of Soviet senior naval officers led by Vice-Admiral
Smirnov arrived in Pakistan in March 1968 to explore the possibility of cooperation between the two navies.

Kosygin’s visit to Pakistan to strengthen relations with Islamabad followed in April 1968. A Pakistani military mission led by General Yahya Khan arrived in Moscow on 6 June 1968 to negotiate the first Soviet-Pakistani arms agreement. The next day, it was announced that the Soviet Union has agreed to supply arms to Pakistan. Immediately Moscow began deliveries of tanks, artillery and armed personnel carriers. Protests from India were ignored. President of India, Zakir Hussain during his visit to Moscow from 8-10 July 1968, informed the Soviet leaders of India’s concern regarding the arms supply to Pakistan, but the Soviet Union did not pay attention to the Indian objection. Swaran Singh, in a statement to Parliament on 9 April 1969, said, “We have ... to admit that we have not been able to convince USSR of the greater danger implicit in the supply of arms to Pakistan. The Soviet policy continues to be to supply arms to Pakistan.”

**Turn in Kashmir Policy**

If the above discussions serve any indication, it was amply clear that during the initial years, 1991-92, Russia did not have any clear-cut policy towards Kashmir. The pro-Western drive to protect and promote national interests was the major thrust of Russia’s foreign policy in that period. Hence, it was not surprising to see changes in the Kashmir Policy on unexpected lines. It was evident during the visit of Russian Vice President, Alexander Rutskoi to Pakistan in December 1991. During the visit, he announced a very significant change in his country’s stand on Kashmir by saying that the right of self-determination of the people of Kashmir should be decided under UN auspices and in accordance with its resolutions. The Russia-Pakistan Joint Communiqué, issued on 22 December 1991, read, along with other things: “The Russian side
acknowledged Pakistan’s position and expressed the hope that the issue would be resolved peacefully through negotiations between Pakistan and India on the basis of international agreements.”\textsuperscript{27} This was in clear negation of the Indian stand on the Kashmir issue.

It was also against the provisions of the Shimla Agreement signed by both India and Pakistan, which emphasized on the resolution of the Kashmir issue bilaterally without any third party mediation. This approach of Russia caused grave concern in the Indian political establishment in particular and public in general. Kesava Menon, expressing concern over the Russian stand, wrote, “It is now possible that Russia, which takes the Soviet Union’s seat on the United Nations Security Council, will not exercise veto in favour of India.”\textsuperscript{28}

Some other instances could be cited here to corroborate the Russian shift from its traditional approach towards India and Pakistan. The delegates of the Islamic conference, held in Moscow in September 1992, were received by Vice President Rutskoi and Russian Supreme Soviet Chairman, Khasbulatov. Among other things, the conference drew attention to the state of affairs in Kashmir, reported \textit{ITAR-TASS} a news agency. From these events, it seemed apparent that Russian leaders were not interested in maintaining ‘special relationship’ of the earlier Soviet period because it had a ‘negative impact on relations with Islamabad’. The Khrushchevian policy of supporting Indian stand on Kashmir unequivocally seemed to be a relic of the past.

Initially Russia’s policy towards India was thus not identical with that of the erstwhile Soviet Union. In this period of transition, marked by turbulence in every aspect of Russian society, polity, economy and culture, the leadership gave up the traditional approach towards its old allies including India. In the
post-confrontation, post-communist world, the focus was on democracy, market reforms and pluralism for which, the leaders thought, western aid was essential. Nevertheless, the sudden shift in the priority areas proved costly for the Russian society. Gulf crisis, Yugoslavia-crisis and cryogenic rocket controversy, etc. provided ample proofs of Russia’s weakness. It was thus on expected lines that its relations with India, including stance on the Kashmir issue, should get affected in 1991-92. However, to view it as a radical change was premature, as later year’s unfolded.  

The Yeltsin Period

Russia’s policy towards the Kashmir issue favouring India appeared in a major way during the Yeltsin visit. The Russian president minced no words in expressing Russia’s ‘unequivocal’ support to the Indian stand on the Kashmir issue. He cleared the doubt in the Indian mind that the newly emerging Russian state, in its drive to shed the old ideology, had made a dramatic turn from the old Soviet policy. Yeltsin asserted the Russian stand on Kashmir while speaking at a meeting with Indian businessmen on 28 January 1993 in New Delhi: we stand for the integrity of India; we support the settlement in Kashmir according to the Indian version so as to maintain integrity and unity of India. We support it. And in whatever international organizations it may be the United Nations Security Council or others we shall stand by this point of view. These words were strong enough to clear any doubts in anyone’s mind.

Yeltsin’s pronouncement on the Kashmir issue was one of the important proofs of the Russian attempt to revive its relationship with India. The Hindustan Times editorial on 30 January 1993 titled ‘Yeltsin strikes a positive note’ wrote: supporting India’s position that Kashmir is its integral part and pledging to stand by it in the United Nations Security Council, the Russian President has held out the hope of a Soviet-type counter to Pakistan’s renewed
efforts to internationalize the issue. The Yeltsin visit also removed the Indian anxiety about the Russian stand not only on issues like Kashmir but also other related issues like Pakistan-sponsored terrorism and Pakistan’s move to spread religious fundamentalism in the region. He also clarified that “Russia will not seek to improve relations with Pakistan at India’s cost. In this backdrop of Russia’s unequivocal support to India on Kashmir, it was in expected lines that while the Indian press hailed the Yeltsin visit as ‘it heralds new phase of ties’, the Pakistani press described the Russian stand as ‘contradictory’ show of ‘poor judgment’ ‘threat to regional stability ‘serious attempt to isolate Pakistan at the global level’ and the like.

The Rutskoi visit to Islamabad earlier in December 1991 was disappointing for India as he was advocating international arbitration of the Kashmir issue. However, by 1993, the Russian leaders realized their mistakes and were bold enough to mend them. This was evident during the visit of K. Srinivasan, India’s foreign Secretary to Moscow in August 1994. His visit was important in view of Pakistan’s effort to internationalize the Kashmir issue in the forthcoming 49th session of the United Nations General Assembly. During discussions the Russian leaders expressed support to the Indian version of the Kashmir issue, i.e. it is a bilateral issue and should be resolved bilaterally according to the provisions of the Shimla agreement.

Russia’s Kashmir policy i.e. support the Indian stand on the issue, was reiterated later on many occasions. For instance, in the wake of Hazratbal crisis, Russia came forward to support India. In diplomatic changes the Russian government assured the Indian government that it sees Jammu and Kashmir as an integral part of India and the happenings there as internal affair of the country. 29 This was a clear rebuff to the Pakistani attempt to internationalize the issue. It supported the Indian action in tackling the crisis in the meetings
that took place between Indian and Russian diplomats after the Hazratbal seize.

Russia came heavily on Pakistan for artificially politicizing the Kashmir issue and for using human rights slogans for ‘non-human rights end.’ Oleg Malghinov, First Deputy Russian foreign Ministry’s Department on International Humanitarian Cooperation and Human Rights during his visit to India in the first week of June 1994, voiced his concern artificial politicization of the Kashmir issue by Pakistan. Kashmir is not a human rights issue, he said, and it should be resolved by means of direct talks by India and Pakistan on the basis of Shimla agreement. Malghinov was a member of the Russian delegation at the session of the Human Rights Commission in Geneva that year where Pakistan had to withdraw its bid to press for a vote on the human rights in Kashmir. He emphasized the Russian policy that we are for India’s integrity and we think that manipulating human rights slogans to give an additional argument by those who stand for its disintegration is a bad practice. He compared the Indian situation with Russia’s problems emerging out of ethnic violence and separatism and said, “We have the same problems here in Russia.”

In this context, the Russian support to India on the Kashmir issue was reassuring: while Russia was confronting the problems of separatism and religious fundamentalism in its Chechnya province, India was suffering from similar problems in Kashmir.

Vladimir Zhirinovsky, Russia’s liberal party leader supported the Indian stand on Kashmir in his usual radical tone. He minced no words in criticizing Pakistan for its help to terrorists in Kashmir during his visit to India on 6 March 1995. Referring to the fighting in Bosnia and Chechnya he said the same
element of religion which played havoc in Kashmir had now been injected in Bosnia and Russia. For him the problem in Kashmir was an internal problem, hence there was no necessity of any external interference. He stated that there would have been no conflict over Nagorno Karabakh if Armenia had been handed over that enclave; similarly there would have been no conflict if Kashmir had been with India.31

Pakistan’s regular forces backed and reinforced an infiltration Kargil sector of Kashmir in the spring of 1999. The intrusion plan was in preparation while the Indian Prime Minister was on friendship mission to Lahore in February 1999. Russia was vocal in its support to India It assured of blocking any Pakistan to internationalize the issue at any international forum including the United Nations Security Council. A senior official in the Russian foreign ministry said: “we will block any attempt by Pakistan to raise the Kashmir issue in the United Nations.”32 This stand could be compared to Yeltsin’s unequivocal support to the Indian stand on the Kashmir issue about six years ago in January 1993.

Hence, the entire Yeltsin period, except the initial two years, was marked by consistency regarding its Kashmir policy. While the initial two years were marked by uncertainty, the later years witnessed marked improvements in bilateral relations. In this emerging scenario Russia’s policy towards Kashmir was favourable to India.33

Putins Approach Towards India and Kashmir

India’s approach to the situation in Afghanistan and Central Asia was not much different from that of Russia. The terrorists active in Kashmir had (and still have) their bases in Pakistan and Afghanistan. Abdullah Abdullah, the Northern Alliance Foreign Minister, in May 2000, stated that 5000 Pakistanis
were training in Taliban run camps for guerilla war and terrorism in Kashmir. In this context, both India and Russia had common stakes in the turn of events in Afghanistan and Central Asia. Alexaer Kadakin, Russian Ambassador to India, rightly pointed out in the background of Prime Minister Vajpayee’s visit to Moscow in November 2003 that “New Delhi’s views on the situation in Afghanistan and Iraq are consonant with the assessments of our diplomacy.”

The joint declaration issued during the visit stated, “India and the Russian Federation strongly believe that Afghanistan should emerge as a peaceful, strong, prosperous, united and independent nation that would be free from external interference and living in peace and harmony with its neighbours.” It could be mentioned here that the political scenario that emerged after September 2001 provided the opportunity for leaders of both India and Russia to understand each other’s concerns in a better way; and this mutual understanding in turn led to the convergence of approaches of both the countries in tackling the terrorist menace in Chechnya, Kashmir and elsewhere.

A new development that took place after Putin came to power was the leader’s recognition of similarities between the issues of Chechnya and Kashmir. Putin utilized many occasions to draw parallels between the two issues. Some instances could be cited to corroborate this point of view. During his visit to India in October 2000, Putin shared a piece of information with the members of Indian parliament, which is ‘absolutely true and verified’ that, “the same individuals, the same terrorist organizations, extremist organizations are organizing and, very often, the same individuals participate in organizing, in conducting and igniting terrorist acts from Philippines to Kosovo including Kashmir, Afghanistan and Russia’s northern Caucasus.”

When there was the seize of one Moscow theatre named Nord-Ost on 22 October 2002, Putin replied to those who advocated for negotiation with the terrorists, “Osama Bin Laden, Taliban supreme Mullah Omar and their like minded are calling shots in...
Kashmir, West Asia, Chechnya and elsewhere in the world. He rejected any possibility of talks with the terrorists. It was reported that in the year 2003 the terrorists killed about 300 people in Russia and it is no better in case of India. It was the psychological urge, besides the Pragmatic considerations, that brought leadership of both the Countries together. In this background, it was no surprise to see Russian leadership urge Pakistan to stop cross-border terrorism in India.

After the terrorist attack on Indian Parliament on 13 December 2001, the Russian Foreign Ministry warned Pakistan, in strict terms, to stop cross-border terrorism and create a conducive atmosphere for bilateral dialogue and consultation. To jointly tackle the menace of terrorism, during the visit of Prime Minister Vajpayee to Moscow in November 2001, India and Russia signed the Moscow Declaration. They set up joint working group during the visit of President Putin to India in December 2002. Moscow strongly condemned the terrorist attack that took place on 26 March 2003 in the Nandimarg village of Kashmir, killing more than twenty people. Besides condemning the terrorist attack, the Department of Information and Press of the Russian Foreign Ministry expressed its support to the measures taken by India to stop the activity of terrorist forces.

Taking into account all these positive developments, it would be logical to emphasize the point that terrorism is one of the important contributory factors for perceptual convergence between the two countries. This convergence led Russia and India to support each other on their stands on Kashmir and Chechnya respectively. The Ministry of External Affairs in India praised the referendum of March 2003 in Chechnya, under the guidance of the Russian government as important for the restoration, normalization, rehabilitation and economic reconstruction of Russian Federation’s Chechen republic within the democratic framework. Similarly, the Russian Foreign
Ministry release after the general election in Kashmir in October 2002, said that, very fact of holding elections is an evidence of the striving of Delhi and the population of Jammu and Kashmir to restore the normal situation in the state. Despite the attempts of the extremist elements to frighten the population of Kashmir, they could not hinder the voting.\textsuperscript{42}

It would be too hasty to generalize based on one incident; this attempt at mediation may be an exception. The exceptions do not prove the rule, was confirmed by his statements made during his visits to India. Putin, speaking before the members of the Indian parliament on 4 October 2000, stated: This issue (the Kashmir issue) can be resolved on a bilateral basis on the basis of a compromise and on an unconditional respect for the line of control. Any foreign interference should be stopped. The same position he further reiterated during his visit to India in December 2002. During a joint press interaction, Putin supported the Indian position that for the resolution of the Kashmir issue, India and Pakistan should adhere to the principles of Shimla agreement and Lahore declaration. This position of Russia is in consonance with the position of India to peacefully resolve the issue bilaterally.

Besides supporting India’s position on Kashmir, Russia has expressed concern, from time to time, over the problem of cross-border terrorism from which India suffers. Russia agrees with the position of India that for any peaceful settlement of the Kashmir issue, Pakistan must create conducive atmosphere and for this to be possible it must stop promoting and supporting, overt or covert, cross-border terrorism. After the terrorist attack on Indian Parliament on 13 December 2001, Russia came forthwith in criticizing the terrorist attack and warned Pakistan against providing any kind of help to the terrorists. Kanwal Sibbal, India’s Foreign Secretary told the press in Moscow during the Vajpayee visit in November 2003 that Russia had backed the Indian
position on Kashmir by reiterating that an end to cross-border terrorism and the dismantling of the terrorist infrastructure in Pakistan was a prerequisite for a purposeful dialogue. During the visit, President Putin welcomed the initiatives taken by Prime Minister Vajpayee to improve relations with Pakistan. The joint statement issued during the visit expressed hope that Pakistan will come out with a positive response to the Indian initiatives for peace.

From the above discussions it is clear that Russia is unlikely to change its position on the issue of Kashmir because any contrary position would have its obvious bearing on the issue Chechnya. Both Chechnya and Kashmir are regions infested with terrorist and separatist elements. Tatiana Shaumian rightly pointed out that both the regions are fragile and both the regions have implications for territorial integrity of both the countries. It would be difficult to sustain any deviation from the stated position on these issues, especially when the menaces of terrorism separatism have affected both the countries and still continue to affect them. Hence, Putin’s approach on Kashmir is likely to continue on the same line in his second tenure in office. As the post-Cold War realities unfold, it has become almost imperative for both the countries to cooperate for mutual benefits.

Putin, in the context of India, realizes the nature of the rising Asian power. Despite the differences between Russia and China, both are searching for potential long-term partnerships. Between Russia and India there are virtually no differences. At the politico-military level the relations between the two countries can be termed as the best in the world, though the economic relations are moving at a slow pace. Whether, it is the issue of Kashmir or Chechnya, or the role of the UN, or the issue of democracy the Interests of both the countries converge. The visit of Manmohan Singh in 2005 was a promising
one as it witnessed some important agreements in the economic sphere. In this growing stage of relationship, it can be said that Indo-Russian relations under the leadership of Putin in Russia would not witness any dramatic changes. Putin’s approach towards the Kashmir issue is likely to continue, that the issue is a bilateral one and it should be resolved bilaterally.43

Military and Technical Cooperation

Indo-Russian Defense Cooperation aftermath of the collapse of the Soviet Union in 1991 got a severe jolt, first due to new Russia’s pro-Western tilt, and second, due to poor relations accumulated by many factors, one is certainly the diversion of interests of both the countries. While more than half of the Indian defense requirements were met by the Soviet Union, its collapse suddenly reduced the percentage of supply. As a result India searched for other suppliers. The first half of the nineties were very slow in defense cooperation between the two countries, thus to motivate Indian Defense Minister, Sharad Pawar to visited other countries including the United States, Britain, Israel and Ukraine far defense purposes. The conditions later improved, especially with the visit of Yeltsin to India in 1993, and visits to Russia by Indian Prime Ministers, Narasimha Rao and Deve Gowda in 1994 and 1997 respectively. In the current scenario, it can be said that Indo-Russian defense cooperation is the best part of their relations, as Russia has once again become India’s largest arms supplier.

India and Russia launched the policies of liberalization and market reforms in 1991. Both were facing, as President Yeltsin saw, ‘mostly the same problems’ and for the Solution of these problems the Russian leader suggested, “we are to cope with enormous economic and social tasks, and cooperation between India and Russia in this area could prove useful and important.”44 After the withdrawal of excessive reliance on the Western help, Russia turned
towards the old allies, including India. Slowly Russia recovered and the major irritants between India and Russia, like rupee-ruble controversy, were resolved during the Yeltsin visit in 1993. This paved the way for smooth Military Cooperation.

Also, there have been agreement on cooperation in terms of joint research and development ventures, such as the Brahmos missile and the fifth generation jet fighter, in the fields of biomedical and other technologies and joint space efforts, and Joint collaborations in Central Asian republics. Among the ten accords signed during the visit of Prime Minister Atal Bihari Vajpayee to Moscow in November 2003, there was an agreement on cooperation in space research, which included Russian assistance in an Indian lunar mission. India is the only Country with which Russia is engaged in the joint development and production of high-tech and complex weapon systems. Another hallmark in the relationship is the Indian production of the Su-30 MKI jet fighters, under Russian license, for sale to Malaysia. Russia has expressed willingness to cooperate with India on co production of weapons systems and platforms, like a fifth- generation fighter aircraft, advanced warships and submarines. Russia’s recent offer includes joint production and investment-sharing in the development of a fifth-generation fighter aircraft and a medium-class passenger-cum-cargo aircraft. There are negotiations for opening an Amour-class submarine assembly line in India. Russia’s sale to India forms 40 per cent of its total sale of military equipment worldwide.

One of the long-hassled defense deal finally came to a settlement after India signed its biggest ever defense deal ($1.5 billion or over Rs. 7000 Cr) With Russia for the purchase of the aircraft carrier, Admiral Gorshkov, in New Delhi on 20 January 2004. Defense Ministers of both the countries, George Fernandez of India and Sergei Ivanov of Russia, rightly called the deal a
‘historic landmark’ in bilateral ties. The Russian carrier would replace India’s only aircraft carrier, INS Virat. Its induction in 2008 would ensure that the navy does not lose its expertise in handling aircraft carriers. By 2006 New Delhi intends to buy at least 30 anti-stealth 2-D 5576-3 radar systems and locally produce 50 others. This project is estimated to cost $ 200 million. A Russian firm, Beriev, is currently building three A-50 AWACS (Airborne Warning and Control Systems) called A-50Ehl. The surveillance aircraft will be the first of its kind to be built in Russia, and combines a variety of systems from Israel, India and Russia.

India has become a trustworthy partner of Russia. But both are apprehensive about Pakistan’s military expansion. Russia’s Ambassador to India V. Truvnikov said in Shimla on 2 April 2005 that the US sale of F-16 jets to Pakistan could trigger arms race in South Asia. To quote him “At a time when relations between India and Pakistan have thawed, it would be a pity that the supply of F-16 fighter planes would destroy the fragile environment in South Asia and give rise to an arms race in the region.... America should think twice before the supply of these fighter planes to Pakistan.”

The Indian and Russian troops held joint military exercises in October 2005. Undergoing familiarization at Agra, paratroopers from both countries moved to Rajasthan and conducted a mock operation to destroy a terrorist camp. At the same time, the navies conducted joint exercises on the eastern seaboard. Some key Indian military and naval personnel underwent a two-month course in Russian to transcend the language barrier. A joint naval exercise was held in 2003. This is the first time that both wings of the armed forces simultaneously held mock war games. The two Countries hoped to make the joint exercises a regular event on the lines of similar exercises with the Western Countries Deepak Sinha, heading the 50th Independent Pars Brigade,
said the training of airborne forces was being held in two parts. The first was carried out in Agra, while the second was carried out in the Mahajan field firing range in Rajasthan. Five warships from the Russian Pacific Fleet, including a missile cruiser and two amphibious assault ships, took part in the ‘Indra.2005’ joint naval exercises which were more of anti-terror in nature and have been organized within the framework of Indo-Russian anti-terror cooperation. The exercise is supposed to enhance the capacity of both the countries to counter maritime threats. It was a two-day exercise that ended on 19 October 2005. The exercise was large in Scope in comparison to the last one held in 2003 as it focused more on tactical part rather than on using more weapons.

Bilateral defence was one of the major components of Prime Minister Manmohan Singh’s visit to Moscow in December 2005. The two sides agreed to shift the main emphasis in their military technical cooperation to joint development and manufacture of futuristic weapon systems. In his joint press conference with President Putin, Singh observed: Our perspective goal is to move towards collaborative projects involving design, development and Production of the next generation of military products. On 6 December 2005, both countries signed the much debated Intellectual Property Rights agreement, which opens the way for joint high-tech projects on a large scale. As per the agreement the accord would apply to new deals only, and not with retrospective effect. India agreed to give preference to Russian suppliers, but on condition that they make deliveries within reasonable time and price. The Multi-role Transport Aircraft and the 5th-generation fighter plane have been identified as two such projects. During the visit, both countries also updated their 10-year programme on military-technical cooperation up to 2010 to take into account the new thrust towards joint production of new weapons. The two sides signed a protocol on procedures for making changes in the programme.
According to Russian sources, the lease by India of two nuclear submarines is also in the pipeline. Under a $1.8 billion contract for a 10-year lease of two nuclear submarines, Project-09710 ‘Shchuka-B’, Russia has resumed the construction of the vessels, which were frozen in the 1990s. Both sides also discussed the plan to jointly use a military base in Central Asia.

*The Tribune* reports that Russia has offered MIG-35s to India. Each of the fighter planes that the Indian Air Force would buy could cost anywhere between Rs 150 crore to Rs 200 crore, while the total contract would well be over Rs 25,000 crore. There are indications that the Indian government could be issuing the Request for Proposals, finally putting the process for the purchase in motion. The aircrafts are an improved version of the MIG-29s with capabilities that MIG Corporation claims no other fighter aircraft in the world has. The Russian experts have stated that the aircraft has an all aspect thrust vector control; can actually stop mid-way during flight. This quality would not only allow the fighter to get better accuracy in its attack role, but would also help to avoid an enemy fighter chase.

From the above discussions, it becomes clear that the factors of terrorism, multipolarism, democracy and economic imperatives have brought India and Russia closer. To maintain its territorial integrity and sovereignty, post-Soviet pluralistic Russia, like India, has been fighting the menace of terrorism. It is but natural for Russia to appreciate India’s position on the Kashmir issue. Besides terrorism, other factors like multipolarism democracy and economic imperatives also act as cementing force for peace and friendship. Both are interested in the promotion of a multipolar cooperative security world order that is aimed not at any particular country but at the tendencies and policies, which promote unilateralism thus undermining international cooperative framework such as the UN and other multinational fora.
India and Russia have expressed similar expressions towards establishing democratic order in respective countries and in the world. The multi-ethnic and pluralistic culture of both countries has further reinforced their democratic sentiments. Though Russian experience in democracy is new which at times leads to diverse interpretations regarding sustainability of democracy in Russia, the discussions above show that the evolution of democracy is slow but steady. The lack of experience problems of separatism and terrorism further compound Russian dilemma whether to follow a particular course in democratic enterprise or to try different experiments. In contrast, India has been able to evolve a smooth democratic culture. Both countries have posed faith in each other to promote the spirit of democracy together. The establishment of Inter-Parliamentary committee is a step in that direction.

Indo-Russian Economic Collaboration

India and Russia continue to sustain the close and cordial relations in the post-soviet era. In recent years both the countries have been pursuing the course for establishing a strategic partnership which is regarded as the ultimate form of relationship between the two independent states. This goal indeed demands that the present relationship be enhanced to a qualitatively new level, particularly in the trade and economic spheres. This is reflected in the exchange of visits between the two countries at the level of heads of state and prime ministers, besides other political levels, exchange of trade delegations etc. Several agreements and Memorandum of Understandings have been signed these exchanges to further strengthen the economic relations. These agreements covering bilateral cooperation have been in the areas of industrial, financial and scientific fields.
The most important characteristic of Indo-Soviet economic cooperation is that the credits were not repayable in hard currency but in Indian rupees. This amount was utilized for the purchase of Indian goods exported to the Soviet Union. This had threefold advantage for our economy. First, the country saved foreign exchange resources including those on some of the commodities, which the country otherwise would have to buy in hard currency, such as crude oil and petroleum products. Secondly, it stimulated Indian export to the Soviet market—a market, which was assured and stable. Thirdly, it enabled India to industrialize itself and build basic industries.

Another aspect of Indo-Soviet cooperation was that public sector projects built with the Soviet assistance in their production capacities were comparable with those of the developed countries and even today constitutes a strategic component of the economy. It is relevant for instance to mention here that by the beginning of these projects had produced 48 million tonnes of pig iron, 38.5 million tonnes of steel and more than 30 million tonnes of rolled iron, 70 million tonnes of oil had been drilled, and about 4.30 lakhs of metallurgical and other machinery for heavy industries had been produced. These projects in the early eighties contributed 40 per cent of steel production...60 per cent of oil production and accounted for 15 per cent of power generation. This is how Indo-Soviet economic cooperation laid the basis for the industrialization of the country and transformed it from a developing country to a most developing nation. That more than 90 per cent of the Soviet economic assistance went to the share of metallurgy, fuel energies and machine building further reinforces this conclusion. If one takes into account Indo-Soviet cooperation in science and technology, space and nuclear technology in particular, the picture graphically illustrates how this friendly cooperation has made rich contribution in making India self-reliant. It is relevant to mention here that the first Soviet-Indian agreement of February 955. Which gave a
credit of Rs. 101.93 crore was directed to build the first phase of the Bhilai Steel Plant. The second Soviet credit worth Rs. 93.71 crore on 9 November, 1957 was to be utilized for the construction of the Ranchi Heavy Machinery Plant and the Ophthalmologic Glass Plant in Durgapur, a complex at Korba and the first phase of the Neyveli Thermal power station. The third Soviet credit of Rs. 14.99 crore was given on May 29.1959 for the construction of the pharmaceutical industry—the Antibiotics Plant at Rishikesh, The Synthetic Drugs Plant at Hyderabad and the Surgical Plant in Madras. The Fourth Soviet credit of September 12,1959 was intended for financing the projects of the third five year plan, which included some of the ongoing projects in addition to Thermal Power’ Stations, construction of the BaraUlil Oil Refinery, heavy Electrical equipment plant at Hardwar and prospecting and drilling work for oil and gas. This credit was worth Rs. 281.14 crore, to quote some figures.

On the other hand, India had found a new and stable market in the Soviet Union for its traditional export items such as jute, tea, jute articles, and coffee Spices, tobacco, skims and leather goods. With industrialization manufactured and semi manufactured goods to the Soviet Union, such a pig iron, accumulators and power cables. Another new area of India’s exports to the Soviet Union was consumer goods such as hosiery, cotton and woolen fabrics, garments, handicrafts, linen and some of the herbal medicines. And with the industrialization of the country, the pattern of the Indo-soviet trade too had started changing.

By early Eighties the trade turn over between the two countries was its. 2,000 crore and the Soviet Union became one of the biggest trade partners of India. It is also relevant to mention that with industrialization of India and growing demand of consumer goods in Soviet Union. The trade pattern between the two countries also started changing. Till the mid sixties, traditional
items of export-tea, coffee, raw wool, leather, spices. Jute and jute bags and cotton textiles constituted 80 per cent of India’s export to the Soviet Union but in the early Eighties, their proportion came down to some 50 per cent. This shift should be estimated in the context of expanding trade between the two countries.  

This shows that erstwhile Soviet Union became an important light partner of India, primarily because of rupee trade. Trade between the two countries increased from Rs. 1.3 crore in 1956 to Rs. 7.800 crore in 1990-91. India’s exports increased from Rs. 1.226 crore in 1980-81 to Rs. 5.255 crore in 1990-91 and her imports increased from Rs. 1,014 crore to Rs. 2,348 crore during the same period. The USSR accounted for 17 per cent of India’s exports in 1990-91 while USSR share in India’s imports was 5.9 per cent. It is important to mention that the trade denominated in Indian rupees benefited both the countries immensely. India like the Soviet Union, derived greater advantage as its need to source imports without spending foreign exchange was even more than that of the USSR.  

After the disintegration of the Soviet Union this unique model of economic relationship under-went basic changes. A 5-year trade agreement was signed between India and Russia in May 1992 which marked the end of Rupee trade from January 1993 and ushered a new-phase of Convertible currency trade. India also extended a line of credit of Rs. 250 crore lots the purpose of financing India’s exports of tea, coffee and tobacco to Russia. Indian debt to Russia was to be repaid to the extent of Rs. 3,000 crore annually through exports of goods and services. The Indian debt was evaluated at Rs. 31,377 crore, out of this, Rs. 19,044 crore carrying an average rate of interest 2.4 per cent was to be repaid in 12 years. The remaining Rs. 11,733 crore carrying a nil rate of interest was to be repaid in 45 years beginning April 1993. 2 This and
other measures laid the basis for restructuring the economic relations between India and Russia in the new conditions.

In August 1998, Russia faced a crisis due to (i) fiscal mismanagement (ii) overdue short-term foreign exchange liabilities. As a result rouble was under pressure. The IMF provided financial support of $22.6 billion to Russian bail it out.

As far as India is concerned rouble devaluation did not have much effect because 80 per cent of its exports are rupee denominated and governed by the Indian export Rs. 3.000 crore worth of goods are explored to Russia every year in discharge of its debt obligation to the former Soviet Union.

Political stability in Russia combined with economic reforms has begun to turn the tide. Russian industries, particularly consumer industries have begun to pick up. Real incomes have begun to rise and rouble in now appreciating.

In 1992-93 India’s exports to Russia was 3.3 per cent of its total exports and its imports in the same year was 1.2 per cent of the total imports. In 1998-99 India’s exports to Russia was 2.1 per cent of its total exports and its imports in the same year was 1.3 per cent of the total imports.

This shows that after the disintegration of the Soviet Union, Indo-Russian trade has registered no marked change and there are various reasons for this, including tuff competition from western countries and poor image which India has created in the minds of Russian consumers.

No doubt, Russia provides a large market. The market sized is estimated at $18 billion. It is growing by 4 to 6 per cent every year especially for
foodstuffs, beverages, textiles, leather goods, consumer electronics and cosmetics. The emphasis in the Soviet consumer market is on basic needs. However, it leans distinctly towards all western consumer goods. Russians have learnt to demand the best. Indian exporters can no longer treat the Russian market as a place to dump sub-standard goods. In fact, in many important commodities India has lost market share substantially. Traditionally, Russia has been the largest importer of tea from India together with other products like rice, tobacco, pharmaceuticals, textiles and leather garments. But in tea Sri Lanka is overtaking India.

Similar is the situation with Indian companies operating in Russia. Of the 400 Indian companies that had operations have closed shop and more are on borderline. The enthusiasm of a few years back has eroded by continuing problems and the recession. Cadila, Balmer Lawrie, L & T and Bharat lorge are reported to have lost faith in operations.

There are ample opportunities to collaborate for Indians to have joint ventures in Russia. The areas include petrochemicals telecommunications and development of port facilities in the black sea region. Departmental Stores, fast food chains and hotel industry also offer investment possibilities in Russia. Indian joint ventures in Russia can also help us in penetrating the European market.

There is a good opportunity for a strategic partnership between India and Russia in the field of diamond business. Russia's strong production base and India's processing capabilities could be pooled to improve value addition to each other business-resulting from a stable and viable price for Indian processing industry and an assured market for Russia demands. MMT from the Indian side and Gokhran from the Russian side are expected to identify
different types of rough diamonds which could be supplied by Russian to the Indian processing industry at reasonable costs to market ii more competition in world markets. Russia would benefit by direct sales which would be more remunerative due to elimination of intermediaries.

Future prospects of Indo-Russian economic cooperation should be examined on the basis of experience of India’s economic relations with the Soviet Union, complementary nature of the economies of the two countries and above all the new economic reforms being introduced in the two countries.

It is relevant to mention here that Russia has made it clear that it will discharge its foreign debt regularly. Russian also declared in 2002 that it intends to join WTO. Significantly Russia’s foreign debt has come down to 51 percent of the GDP and can fall to 45 per cent by the end of 2002. As much as 2.6 billion dollars were accumulated in 2001 as a financial reserve. This money can fully pass into the year of 2003 (the year of the most sizable foreign debt payments Russia must pay about 19 billion dollars). But even in case of a pessimistic variant of a fall of oil prices, for instance, if they drop to 14 dollars per barrel, Russia will not face serious problems with the financing of a deficit free budget, as well as with the fulfillment of the foreign-debts obligations.

This trend should be seen in the context of on going structural reforms which are taking place in Russia at present. Russia has recently enforced laws controlling accumulation of wealth by criminals and mafia gangs. Importantly flight of Russian capital to other countries has dropped from 24.4 to 17 billion dollars.

This analysis shows how Russia is once again emerging as an economic power with its vast natural resources, crud oil, diamonds and its defense
manufacturing industries on one hand and expanding internal market on the other. This open new potentiality for Indo-Russian economic cooperation.

**Putin’s Claim of Qualitative Improvement in Russian Economy**

Vladimir Putin’s visit to India and in particular to Mumbai, the financial capital of India and his meeting organized by the CII and FICCI to discuss “India Russia Economic Co-operation” in which 350 CEOs of leading industrial firms of India interacted with the Russian President, assume great significance. As the long awaited visit of the Russian president to India has materialized, he has tried to convey to the Indian business circles that there has been a qualitative change in politico-economic life in Russia. So far as Russian economy is concerned, Putin seems to have turned the corner after the Country experienced major economic Crisis resulting from Rouble devaluation in August 1998. This is evident from the performance of the economy during the year 2000. The GDP growth for the year 2000 as a whole is expected to be about 6-7 per cent. Industrial output has registered a record 10 per cent growth during the period January-August 2000 against the corresponding period of the last year. On the agriculture front, grain collection has exceeded 70 million tons which is about 10 million tons more than that in 1999. This will reduce the dependence of Russia on the import of food grains. So far as the foreign trade sector is concerned, as of 1-8-2000, Russia has achieved a trade surplus of $ 38 billion as against $20 billion in the previous year by trading mainly with countries outside the CIS. What should be equally gratifying to Putin is that gold and foreign exchange reserves has exceeds $ 24 billion in August 2000 as against $ 13 billion when he formally took office in January 2000. Inflation has been brought down to below 40 percent and exchange rate of rouble has been stable at around roubles 26-27 to a dollar.
Continuing the record of good performance, according to available official sources, Russia’s tax collection has exceeded by about 75 per cent to reach 53 billion roubles ($2 billion by August 2000) and that profits of about 51,800 large and medium firms have risen by 110 per cent during January-July 2000 over the level of the corresponding period of last year. Sector-wise, the pre-tax profit making units were—communication tourism, food-processing and wholesale trade of industrial products. In the opinion of some analysts, Russia’s improved financial position is partly due to rise in world prices of oil and natural gas. It is estimated that at the minimum international price of $ 24 per barrel, there will be additional revenue to the tune of 54-60 billion roubles (about $ 2 billion) to the Federal budget. Hence it is contended that the Russian economy may be vulnerable if there is decline in the world energy prices. Notwithstanding this, there is overwhelming view in Russia that there is definite improvement in Russia’s economic Performance during the year 2000. Emphasizing Russia’s economic performance Putin has called upon Indian entrepreneurs to make use of Opportunities now available in Russia.

With this improvement in Russia’s economy there should be favorable influence on the general standard of living in the Country Hence there are expectations of increase in domestic demand for a wide range of consumer goods. In that case import demand for several consumer goods may go up. This situation may open up possibilities for India to step up exports of both traditional items such as tea, coffee, ready-made garments, medicines and even consumer durables. However, in view of the facts that at present most of these traditional items are exported against the DRF, the Russian government should be persuaded to auction rupee funds with greater regularity and transparency. This may create better opportunity and incentive and even provide a good basis for reliable and large export houses from India to supply good quality products to the Russian market.54
Unresolved Economic Issues

There are several problems and issues which still confront the Policy markers and they should be analyzed and considered objectively. Firstly, ML-Factor has assumed great importance. (In the former Soviet Union M-L meant Marxism-Leninism and now in Russia M-L stands for Money - Laundering). Money laundering has become a major problem since millions of dollars are being continuously siphoned off from the country by semi-legal and illegal means. According to available reports, over the last one decade, the quantum of money being laundered from the country every year has been more than what the Country has received from various international financial institutions. But the irony of the matter is that on the issue of money laundering the Russian policy makers does not appear to have paid much attention and presumably therefore have not achieved much success so far. But ML issue has often caused much criticism and embarrassment to Russia’s policy makers. In an effort to tackle the problem of money laundering although Russia has signed the convention in May 1999, the same has not been ratified even by September 2000 presumably due to bureaucratic and technical hurdles. The Russian government has, therefore, now urged Putin to submit the same to the Duma (the Russian parliament) for ratification. At a time when Russia badly needs resources for development, outflow of hard currency from the country on a large scale adversely affects the economy and sends unfavorable signals abroad. The issue of money laundering is also linked with the pervasive problem of mafia and other related economic crimes in Russia which are affecting economic development in the country.

Secondly, Russia has a major problem of repayment of foreign debt which is exceeding $150 billion, although part of this debt is being carried forward from the Soviet era. While Russia has not defaulted on debt repayment, it has managed to reschedule its debt to the London Club. In the
year 2000, Russia has to pay foreign debt of USD 14.5 billion, but in the budget for the next year provision has been made for only USD 11.3 billion. Hence Russia has to mobilize additional resources for repayment of debt which will exert pressure of the budget.

Thirdly, Russia has been facing the problem of wage arrears for the last several years affecting even crucial sectors of the economy such as coal mining, power generation etc. While the severity of the problem might have become less, the current wage arrears exceeds 2 billion roubles ($75-80 million) causing some burden on the Federal State budget.

Fourthly, the Russian government has not been able put in place ownership rights even as the policy of large scale privatization of state property has been carried out since the last 8-9 years. This is particularly affecting the interest of foreign investors. Similarly, the Russian government has been slow in carrying out the much needed tax reforms, since the present tax system is highly complex and open to misuse by the authorities to harass the genuine entrepreneurs. In this context the observation of the foreign minister of Japan seems relevant. He has opined that while Japan has given a loan of $6 billion to Russia, investing that amount has become impossible because ‘Russia’s tax system lack of transparency in conducting contracts and legal mechanisms do not promote formal economic cooperation.”

Lastly, although Putin has been able to get the support of the Duma for most of his policies, there are on-going conflicts between some oligarchs particularly, Gussinsky and Boris Berezovsky on the one hand and Russian government on the other. Similarly, some regional governors are unhappy with the consolidation of power back with the centre after Putin has assumed Presidentship. While it may be too early to predict as to how these issues are
likely to be resolved, they have potentiality to affecting economic development in the country.

Hence if Putin will succeed in solving these issues and is able to push through necessary legislation and more importantly implement the policies, then Russia may very well succeed in creating proper investment climate to attract more investment opportunities from foreign countries. Hence Indian policy makers and the business community should also watch closely developments in Russia’s economic scene to draw necessary conclusions from India’s own interest and perspective.

Indo-Russian economic cooperation has not been commensurate with their mutual potentials. Felix Yurlov agrees with the opinion of several others that the first ten years of economic relations were a ‘lost decade’, and a ‘decade of lost opportunities.’ He says: Russia, in the mid 1990s, started changing its foreign policy and turning its attention towards east, and India in particular. Time was lost in spite of all advantages which we had in our relations with India, cooperation in different fields like trade and economic field, scientific, military, cultural field. So, we have lost quite a lot in those five years. With a bad start at present the bilateral trade between the two countries is at a level of $1.5 billion. Some of the factors that obstructed the smooth growth of economic relations were rupee-rouble trade controversy, diversification of economy in both the countries, major focus on military cooperation and negligence of other areas such as energy, space, information technology, etc.

Economic cooperation would be mutually beneficial for both the countries. While India can fill the consumer market voids in Russia, Russia can meet the Indian requirements in arms, oil, natural gas, mineral resources and metallurgy. Under the Integrated Long-Term Programme of Scientific and
Technical Cooperation (LLTP) signed during President Putin’s visit to India in October 2000, both countries undertook more than 150 joint scientific projects, which could provide relatively cheap technologies in various fields from biomedicine to semiconductors, computer chips, new materials and energy sources. During the then visit of Indian Petroleum Minister Ram Naik to Moscow in February 2001, the Indian Oil Company, ONGC Videsh Ltd. and the Russian Rosneft signed an agreement on the joint exploration of hydrocarbon resources in the Russian Far-Eastern island of Sakhalin. During the visit of President Putin to India in December 2002, both sides signed the Joint Declaration on strengthening and developing economic, scientific and technological cooperation. A document on economic cooperation between Indian State of Karnataka and Samara region of Russia, and another document on telecommunication were signed during the visit.

The last quarter of 2003 witnessed some positive developments in economic relations between the two countries. The Confederation of Indian Industry (CII) opened its office at the Russian Chambers of Commerce and industry in October 2003 to facilitate the process of economic cooperation. During the visit of Prime Minister Vajpayee to Moscow in November 2003, 85 Indian businessmen accompanied him to study the prospects of investment and joint collaborations with Russian companies. Amit Mitra, Secretary General of FICCI (Federation of Indian Chamber of Commerce and Industry), accompanying the prime minister during the visit, estimated that the bilateral trade might reach $5 billion by 2005. He said such a breakthrough could be made through close cooperation in oil and gas industry, telecommunications and information technology, metallurgy and energy.

Mani Shankar Aiyar, India’s Petroleum Minister visited Moscow in October 2005 to discuss India’s energy requirements with Russia. He
welcomed Gazprom's (Russian firm) interest in the Iran-Pakistan-India pipeline (IPI). A 10-member high-level delegation of Gazprom arrived in Islamabad in October 2005 to begin formal discussion on the construction of the $7 billion Iran-Pakistan-India (IPI) gas pipeline, and an ambitious project of gas storage in Pakistan. It was the first visit of the Chairman of Gazprom to Pakistan, the world’s largest gas producing company with over 20 per cent share in global gas production.59

During Prime Minister Manmohan Singh’s visit in May 2005, both countries decided to set up a Joint Study Group (JSG) on Economic Cooperation to look into the feasibility of the Comprehensive Economic Cooperation Agreement (CECA). On the Kudankulam issue, the Prime Minister sought to allay fears of President Putin on the nuclear fuel falling into wrong hands and said a Bill to prevent its misuse would be introduced in the Indian Parliament. The Indian Cabinet had already Okayed the Bill. During Manmohan Singh’s visit to Moscow in December 2005 to attend the sixth bilateral summit, President Putin said, “We have been successfully cooperating in nuclear energy and Kudankulam nuclear power project is an example. We see India taking necessary steps to build relations with the Nuclear Suppliers Group (NSG).”60 Prime Minister Singh observed that there was a vast potential for expansion of cooperation in the field of civil nuclear energy given India’s growing energy requirements and the importance of nuclear energy as a clean and viable alternative energy source. Some of the most ‘significant and promising areas’ of cooperation identified during the visit were energy, telecom and transportation.

A major hurdle in Indo-Russian nuclear cooperation has been the restrictions imposed by Nuclear Suppliers’ Group (NSG) on both India and Russia. Russia, which is also a member of 44-member NSG, has assured India
of easing the restrictions. Sergei Ivanov, Russia’s Foreign Minister during his meeting with External Affairs Minister Natwar Singh in Moscow on 29 October 2005 indicated that NSG could make an exception regarding India in terms of norms observed by the nuclear group so that civilian nuclear energy cooperation could be expanded. Natwar Singh was in Moscow to attend the meetings of the Indo-Russian Inter-Government Commission (IRIGC) and the Shanghai Cooperation Organization (SCO).

During Prime Minister Singh’s visit an agreement was signed on technology safeguards while implementing the long-term cooperation in the area of joint development, operation and use of the Russian global navigation satellite system Glonass. G Madhavan Nair, Secretary, Department of Space and A Perminov, Director, Russian Federal Space Agency signed the agreement. This agreement envisages launching of Glonass satellite using GSLV launch vehicle of India. In turn, Russia will provide access to Glonass system signals for Indian use. It also envisages joint development of user equipment for exploitation of Glonass signals for commercial purposes. The agreement opens the road for the implementation of a 2004 agreement on joint design and launching of Glonass communication satellites, which will be used by both countries for civilian and military purposes.

Another agreement on cooperation in the field of solar physics and solar terrestrial relationships within the framework of CoronasPhoton project was signed during the visit. The Coronas-Photon mission aims at research in the field of solar physics and solar terrestrial relationships. The agreement enables integration of the Indian RT-2 payload with the Coronas-Photon spacecraft and the joint space experiment using the RT-2 equipment. The agreement basically revives a Soviet-era Coronas-Photon project under which six instruments fabricated at the Tata Institute of Fundamental Research (TIFR) were to have
been installed on a Russian Photon satellite. The project was frozen in the
1990s for lack of funds on the Russian side. During his visit to the Moscow
State University, which conferred the title of Professor Honoris Causa. Prime
Minister Singh urged the young Russians, especially the entrepreneurs, to visit
and invest in India. Speaking before the academic council of the university he
called on young Russians to, “Once again look at India and discover the new
face of India”, because “There is a need for a new generation of Indians and
Russians to discover each other...of late people-to--people, business-to-
business contacts have been far below potential and certainly below what our
friendship warrants.”

Viktor Khristenko, Russia’s Energy and Industry Minister invited India
to invest in Russia’s energy sector, and join Russian companies in exploration
and extraction activities in third countries, particularly in Central Asia. In the
context of the interest expressed by ONGC and other Indian companies in
picking up a stake in Russian energy companies like Transneft. Manmohan
Singh and Khristenko agreed to promote cooperation between their respective
oil companies through joint ventures and equity participation. The Russian
minister specifically welcomed India’s interest in participating in the Sakhalin-
3 oil project in Siberia. India has already invested $2.7 billion in Sakhalin-I but
is expected to have to bargain hard for a share in even more lucrative Sakhalin-
3 venture where Russian and international energy majors such as Lukoil,
Gazprom, Rosneft and Exxon Mobil are all jockeying for position. Prime
Minister Singh conveyed India’s willingness to consider positively the
construction of additional reactors in view of its growing energy needs.

In a meeting Prime Minister Singh and Russian businessmen agreed to
develop a long-term energy partnership and decided that India and Russia
would explore oil and gas assets both in production and explorations in third
world countries like the Central Asian region. India also responded positively to the Russian request to construct additional nuclear reactors in view of India’s growing energy needs. This was a clear signal that nuclear energy is set to play a pivotal role in India-Russia economic relations since international restrictions on technology transfer to India are expected to be lifted shortly. Referring to India’s investment in Sakhalin-I, Manmohan Singh showed interest in Sakhalin-III. The dialogue between ONGC, GAIL, Rosenefi and Gazprom, he said, is gaining momentum. Asking the business communities to seize the initiative, the Prime Minister also informed them that India was working on an agreement to permit the utilization of the remaining rupee debt for Russian investments in India as their bilateral trade was moving from the rupee-rouble arrangements to becoming a fully market determined phenomenon. Both countries discussed the difficult visa regime, lack of information, weak financial base and lack of transport links.

In the field of Indo-Russian economic cooperation, some new areas can be identified. One area is joint cooperation in Central Asia. India could play a bigger role in Russia’s energy strategy such as joint exploration and prospecting for new areas in eastern Siberia and in the Caspian Sea basin. Involvement in the construction of the pipeline network, modernizing and upgradation of existing port facilities is another such area. India will have to go for long-term agreements to buy Russian oil.

The transport route in the present situation is via the Black Sea. A new opportunity that has opened up is to directly deal with the vast regions of Russia. For instance, the agreement between Gujarat and Astrakhan, Karnataka and Samara, can prove helpful. The potential for cooperation in diamond processing, development of inland waterways and road construction needs to be explored.
Lastly it can be said that Indo-Russian strategic ties confront three significant challenges. The first and most important challenge is that both India and Russia recognize the importance of the United States in the current international order and the importance of maintaining good relations with the unipolar power. For both countries, this imperative over-rides most other strategic requirements. This affects Indo-Russian relations in a variety of ways, from the most obvious such as limitations on the extent of military ties and, particularly, research and development collaboration, to less obvious ones, such as the fact that both India and Russia have closer economic relations with the US than with each other.

The second challenge that India and Russia face is in understanding and dealing with China. There is a general reluctance in the foreign/strategic policy establishment of major capitals around the world to talk in anything more than a whisper about how to deal with China. Both India and Russia recognize the long term threat that China poses, but are unsure of how exactly to deal with this threat. In the Russian case, this problem compounded by Russian arms sales to China, which though necessary to maintain a viable Russian defense industrial base, something which is in India’s interest also, nevertheless impacts on the military balance in Asia and on India’s security.

The third challenge that the partnership faces is that both countries are relatively weak. Unlike the Soviet-Indian partnership during the Cold War period, this was anchored by Soviet superpower capabilities to back the other on significant international issues. For example, it is unlikely that Russia is today in a position to veto decisions of the UN Security Council unfavorably to India, as it did during the 1971 war.
Despite these challenges, the strength of the relationship lies in the continuing complementarity of interests. Neither India nor Russia can tolerate the dominance of any single power in the global community and in the region. American power and China’s potential power in Asia are realities with which both India and Russia have already come to terms. Indeed, both powers may have actually learned to use these powers to promote their own interests, as can be seen in the war on terrorism and on other issues such as on nuclear weapons and ABMs. But these are strategies of weaker powers, and both countries will be more comfortable balancing against these powers than bandwagoing with them. As both India and Russia grow stronger, their mutual interest in countering the dominance of any single power in global and Asian politics will only bring them even closer. ⁶⁴
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