



Kanwal Sibal

“THERE IS DEEP REALIZATION IN INDIAN POLITICAL CIRCLES OF THE ENDURING VALUE OF INDIA’S RELATIONS WITH RUSSIA”

**PIR Center Director Vladimir A. Orlov, Editor-in-Chief of Security Index, spoke with Mr. Kanwal Sibal, Ambassador Extraordinary and Plenipotentiary of India to Russia. The interview reflects the personal views of the Ambassador, and should not be viewed as a policy statement.<sup>1</sup>**

**SECURITY INDEX:** A number of factors at the recent turn of the century have led to the situation where India is considered to be the United States’ main ally in South Asia, replacing Pakistan in this position. Will a U.S.-India alliance counterbalance growing Chinese influence in the world in general and Asia in particular? Is U.S.-Indian cooperation based on a strategic partnership or it is just a tactical union?

**SIBAL:** The assumption that India is now considered to be the main ally of the United States in South Asia, instead of Pakistan, is questionable. Relations between the United States and India have greatly improved in recent years. During the Cold War, the two countries were, in some ways, in opposite camps. Today, India and the United States are engaging each other seriously and building areas of convergence. The U.S. is India’s single largest trading and investment partner. On issues of international terrorism and global spread of democracy, the two countries have a shared interest. It is this common commitment to democracy that led former Prime Minister Vajpayee to declare that India and US were “natural allies.” The Indo-U.S. nuclear deal is such a departure from previous U.S. positions on India’s nuclear capability that it is understandable that some analysts have begun to see India as the “main ally” of the U.S. in South Asia.

Pakistan has been a military ally of the U.S. since the 1950s, when it joined the Baghdad Pact and SEATO. President Ayub Khan of Pakistan once described his country as the “most allied of the allies” of the United States. Pakistan acted against the Soviet Union in Afghanistan in league with the U.S., which also did not prevent the rise of the Taliban with Pakistan’s connivance. There have been ups and downs in U.S.-Pakistan relations certainly, but the U.S. has now declared Pakistan as its “major non-NATO ally.” President Bush has frequently called Pakistan a key strategic ally in the war against terrorism. Pakistan is today a recipient, as it has been in the past, of massive military aid from the U.S.

The U.S. has multiple interests in South Asia. On some issues (economy, democracy, and non-proliferation) it is closer to India. On other issues (Afghanistan, Central Asia, the Islamic World, combating international terrorism, defense) it leans towards Pakistan. A shift in India-U.S. relations attracts attention as India is a much bigger country, with far greater potential than Pakistan, and because improved Indo-U.S. relations have greater international salience. However, to believe that “the Indo-U.S. alliance” can become a counterbalance to China’s growing regional and global influence is certainly misreading India’s intentions. Some U.S. analysts here and there have made statements suggesting the China factor in the improved



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U.S.-India relationship. I have not, however, seen any authoritative U.S. government statement suggesting this. In our case, our prime minister reiterated only recently in London that the world is big enough to accommodate both a rising India and a rising China. Our political commentators and analysts have frequently rejected the assessment that the improved India-U.S. relationship has a China angle. Our own relations with China, as you know, have greatly improved. China is today our second largest trading partner. The United States' own relations with China are far more intensive and wide-ranging than those India has with China. This would be another argument in favor of caution in making assessments rooted in "balance of power" thinking. The United States is the most powerful country in the world today, politically, economically, and militarily. It would be in the strategic interest of India to build a partnership with the United States. Similarly, the United States cannot ignore the demographic and economic size of India. Common sense would dictate that its relationship with a country like India, which shares with it, besides, the strong bonds of democracy and pluralism, ought not simply to be tactical.

**SECURITY INDEX:** Energy security issues are among the most crucial ones in international politics nowadays. They were the main item on the St. Petersburg G8 Summit agenda. The struggle over pipeline routes is similar to the struggle over railway routes in the 19<sup>th</sup> century, there is a gas "dispute" between Russia and Ukraine, and there are many other such examples. What is India's viewpoint on the issue of security of supplies of energy resources (oil and gas)?

**SIBAL:** Energy security has certainly become a very topical issue in the face of the unprecedented rise in oil prices. Whether or not the rise is justified on the basis of objective factors can be debated. How much this is a result of financial speculation and movement of vast sums of excess funds circulating in the international financial system, only experts know. Conservation, taxation policies, development of new fields, building of reserves, recourse to alternative fuels and renewable—all of this has a bearing on "energy security." At one level one can understand the problem arising from, on the one hand, depletion of fossil fuels and, on the other, expansion of needs worldwide as economic growth touches more and more developing countries and energy consumption levels rise globally. However, at another level, the situation presents itself differently. Much of the world's oil and gas resources are located in countries that are either less developed or with small populations. So "energy security" becomes a competition for access to oil and gas supplies by the principal consumers of the world which, as it happens, until the rise of China and India, have been largely located in the developed world. "Energy security" has, thus, in some ways, become a power game.

The reference to a "struggle" in your question over pipeline routes and the parallel drawn between this and the struggle over railway routes in the 19<sup>th</sup> century suggests that the issue is being seen largely in the European/Eurasian context, with colonial scrambles as the background. Russia has emerged as a major supplier of oil and gas and its vast territories contain huge untapped reserves of fossil fuels. Russia, as supplier, would naturally like to use its energy resources most advantageously for its national interests. At the consumer end, there is a natural desire to diversify sources of supply, create conditions of competition, and enhance bargaining positions. Which is why some countries are not happy with the North European Gas Pipeline, others seek to route pipelines through territories outside Russia's control for evacuating Caspian Sea oil, etc. The supply of Russian oil and gas resources to Chinese, Japanese, and South Korean markets in the east, and competition between China and Japan in this regard, is another aspect of the politics of pipeline routes.

For India, the issue of energy security is a challenging one. We produce only about 30 percent of our current needs. Already we are one of the largest consumers of oil and gas in the world. With our economy of a billion people growing at over eight percent currently, and with a very low level still of per capita energy consumption, our energy needs are shooting up. Already we are importing 98 million tons of petroleum products per year and this figure will go up in the coming years. We have, of course, stepped up oil and gas exploration in India, both onshore and offshore, and some large deposits have been discovered. We have put a very liberal licensing policy for exploration of hydrocarbons in place and are trying to attract international oil companies to make bids for the blocs on offer. At the same time, we are trying to get access to

equity oil by investing in oil fields in several countries. India, Iran and Pakistan are engaged in complex negotiations on a gas pipeline from Iran to India via Pakistan. We have also shown interest in the Turkmenistan-Afghanistan-Pakistan-India gas pipeline. We have invested U.S. \$2.7 billion in Sakhalin-I. This is the largest investment India has made in any country so far in the oil and gas sector. We are willing to invest more in Russia's oil and gas sector if opportunities are available. Our national companies are in touch with Gazprom and Rosneft. Some proposals have been made by us, without tangible results so far. We do feel that the India-Russia economic relationship can be transformed through energy cooperation. Russia has an energy surplus, while we have an energy deficit; Russia has the resources and we have the need. President Putin has described energy security not only as security of supply but also security of demand. We can certainly assure security of demand! We are not geographically contiguous to Russia and that is cited as a handicap in the way of our cooperation. But India can be a market for Russian oil and gas from its Far Eastern region. If the project to build a Russia-Bulgaria-Greece pipeline materializes, we could possibly be beneficiaries. Practical swap arrangements with others can also be made for any Indian share of Russian oil and gas which might be expensive to transport to India. In the India-Russia context, "energy security" would mean an imaginative approach by the two countries to strengthen the economic aspect of their strategic relations through an energy partnership.

**SECURITY INDEX:** When Chinese oil companies enter new markets, a lot of people start talking about the threat of Chinese expansion. However, not much attention is paid to similar cases involving Indian oil companies (in Sudan, for example). In your opinion, why there is such a difference in approaches to the two new world powers?

**SIBAL:** China has 1.3 billion people and the country has grown at over 10 percent for the last 15 years or so. It is already the third largest economy in the world. Because of such phenomenal growth of such a populated country, with such low per capita consumption to date, it is inevitable that questions of pressure on global resources coming from China's hydrocarbon hunger would arise. As it happens, the West has so far quasi-monopolized world resources for the last couple of centuries, transcending the colonial period. Capital, technology, giant corporations, international financial institutions, banking—all these sectors are dominated by the West and this is key to understanding the present unequal consumption of global resources between developed and developing countries. Naturally, China's emergence on the scene creates the perception of a threat. This is reinforced by the nature of China's political system and the perceived gap between Chinese political and social values and those of the West. India is not perceived in the same way as the Indian economy is not as large as China's and its growth not as spectacular. More importantly, its commercial strategy, unlike that of the Chinese, is not export dominated. When Chinese oil companies invest in countries like Sudan, or those with dictatorial regimes or dubious human rights records, there might be concern that China would develop a vested interest in sustaining or reinforcing such non-democratic governments. Since India is a democracy, with more acceptable political credentials in western eyes, when its companies invest in "difficult countries" the reaction is different. In China's case, the perception could be, rightly or wrongly, that to secure its economic interests it would be prepared to extend support to unsavory regimes. India as a democratic country gets better understanding.

**SECURITY INDEX:** When we talk about the strengthening of India's influence in the world, we should mention an economic component as well as a political component to that. Mittal Steel's merger with Arcelor turned Indian businessman Lakshmi Mittal into a real steel market monopolist. In this case, can we talk about an emergence of a new type of entrepreneur with a difference managerial culture? And how can you characterize Indian businesses compared to Russian business, if we, for example, draw a parallel between Russian billionaire Roman Abramovich and Lakshmi Mittal?

**SIBAL:** I think it is wrong to look at the Mittal Steel-Arcelor merger in terms of a steel market monopoly. Throughout the 1990s, the big corporate story has been that of acquisitions and mergers. In a globalized world, with interstate barriers breaking down and competition becoming tougher, leading companies in the western world have tried to restructure their businesses, not only to maximize their profits but simply to survive as global players. We have seen consol-



idations of companies in the defense, communication, and automobile sectors, the entertainment industry, in pharmaceuticals, and information technology. (We see this currently happening in Russia in the oil, gas, and metal sectors and plans in the aeronautical sector.) At the same time, all these acquisitions and mergers have had to satisfy anti-trust and anti-monopoly legislation in the United States and Europe. The Mittal Steel-Arcelor merger obtained the approval of the EU's Anti-Monopoly Commission because the business of the two merged companies was different and non-competing in nature. It is true that the managerial culture in big family-owned businesses, such as Mittal, differs in character from that of big western corporations. But I don't think Lakshmi Mittal represents the emergence of a new type of entrepreneur. It is simply the case of a success story that has caught international attention. I don't think it sets up a new trend.

India has a much larger experience of modern entrepreneurship than Russia. We have had entrepreneurship not only for the last 60 years but even before independence. Russia's new entrepreneurship is about 15-16 years old. Unlike Russian billionaires who have largely emerged from the wreck of the Soviet Union state monopolies, many Indian entrepreneurs have either built up their empires from scratch or have grown in a competitive and entrepreneurial business culture. This perhaps should explain the difference between Abramovich and Lakshmi Mittal. This does not mean that Russians lag behind in entrepreneurship. The Russians are a highly gifted people and now that they have the opportunity to show their entrepreneurial spirit, given Russia's assets, they will demonstrate their talents more and more in the years ahead.

**SECURITY INDEX:** In March 2006, the United States and India signed an unprecedented agreement, opening up entrance to the nuclear states' club for India. However, there is still no agreement between India and the Nuclear Suppliers Group; the negotiations are still underway. What are the prospects for these negotiations taking into account the Chinese position (in connection with Pakistan)?

**SIBAL:** While the U.S., Russia, France, and many other countries are in favor of accommodating India, some countries still have reservations. The Nuclear Suppliers Group seems to be awaiting the enactment of the U.S. legislation before taking its own decision. India has been in touch with the Nuclear Suppliers Group, both with individual members as well as with the group as a whole. We are encouraged by the gathering support within the Group in our favor. China, of course, will have its say in the NSG, of which it is a member. The U.S. and other major powers are seeking to open doors for India because India's record of nonproliferation is reassuring. Countries are convinced that India has not been, and will not be, a proliferator. Its democracy gives a sense of confidence. Its government is considered responsible. If China wishes to introduce the Pakistan factor, then it will have to persuade the U.S., Russia, and other NSG countries that they should overlook existing evidence about Pakistan's nuclear proliferation activities (the A.Q. Khan affair), its involvement in the North Korean, Iranian, and Libyan nuclear programs, and also that they should disregard the fact that Pakistan is a military regime and that it is the breeding ground of international terrorism and home to the al-Qa'eda and Taliban leadership. This has salience in the context of WMDs getting into the hands of terrorist groups. The NSG works on the basis of consensus. Objectively, it should be easier to build consensus on India's case than Pakistan's. But we are not in competition with Pakistan in this regard.

**SECURITY INDEX:** During the last few years, the Kashmir problem is seemingly being solved. In your opinion, is it an example of real inter-civilizational dialogue instead of tensions like Samuel Huntington's *clash of civilizations*? What is the "recipe" for eliminating the tensions among Muslims, Christians, Hindus, Jews, and representatives of other religions and nationalities?

**SIBAL:** It would be a serious analytical error to look at the recent positive trends in addressing the Kashmir problem as an example of a "real inter-civilizational dialogue." India itself has as many, if not more, Muslims than Pakistan. The state of Jammu and Kashmir is also religiously diverse: Jammu being majority Hindu, Ladakh being majority Buddhist, and the Kashmir valley being majority Muslim. The inter-civilizational dialogue that you are referring to is a fact of

everyday life within our borders, as we are a country of tremendous diversity, with a variety of religions, languages, cultures, and ethnic groups. The root of the Kashmir problem is Pakistan's political claim to the territory of Jammu and Kashmir on religious grounds. Pakistan itself was a creation of religious politics, and the country has never been able to give up mixing religion and politics, despite the havoc that such practice is causing today in the form of international terrorism. The terrorism of Islamic circles flows from mixing radicalized religion with politics. As regards a "recipe" for eliminating tensions among various religions, there is but one, which is adherence to the concept of a secular state and the secularization of politics. Religion should be treated as a personal affair and not become an instrument of state politics. Whereas countries with Christian populations have essentially ceased to act like "Christian" countries at the state level or in international politics, and whereas despite 80 percent of its population being Hindu, India is a secular country and does not project itself internationally as "Hindu," the Muslim countries, by and large, emphasize their Islamic identity both internally and externally. If the creeping trends of intolerance in western liberal democracies are a cause of concern, the failure of Muslim societies to root out religious extremism from their midst is disturbing. To use religious ideology to achieve political ends and to fight perceived injustice by mobilizing cross-national religious fervor unleashes highly dangerous forces within the global system. Faith is often nourished by rigidity of belief whereas politics is nourished by flexibility in thinking. The two must be kept separate. Religion may provide internal peace, but for external peace reason should substitute for it.

**SECURITY INDEX:** During the Cold War era India was a strategic partner of the USSR. After the Soviet Union's collapse India began searching for a new place in the international system. It seems that India has found a position as a regional (and even global) power with a rapidly growing economy and adherence to democratic values (the latter ensures U.S. support for India). So nowadays who are India's major partners, its allies and friends, and what is the role of Russia for India?

**SIBAL:** The end of the Cold War has drastically reshaped the international system. Because the end of the Cold War coincided also with the collapse of the Soviet Union, the total effect on the international system was even more drastic. India, which did not wish to be caught in the coils of the Cold War, played a leading role in founding the Non-Aligned Movement. In this way, India wanted to have more liberty of action on the international stage in order to pursue its interests by engaging both the camps. It is true though that in many ways there was a strategic content to India's relations with the USSR. At the same time, links with the United States, especially at the people-to-people level, remained strong. All countries have had to readjust their international relations in the last decade and a half. In this period, with the liberalization of its economy, India has seen its growth rates spurt as never before, giving it more prominence in international economic and political affairs. Its advances in the sphere of the knowledge economy have attracted mounting international attention. With the U.S., the relationship today has never been better. It has become India's largest trading and investment partner and its demonstrated willingness to overcome the deep differences on nonproliferation dividing the two countries, which had badly damaged bilateral relations over the years, has given the relationship a new quality. China, despite certain political and territorial differences, has emerged as India's second largest trading partner, as a result of pragmatic decisions on both sides not to allow these differences to stand in the way of developing an all round mutually beneficial relationship. Having neglected Southeast Asia for many years, the 1990s saw the emergence of a new Indian "Look East" policy which has matured today with India becoming a partner in the ASEAN summit and a participant in the East Asian Summit. India is currently discussing a free trade agreement with ASEAN. With Japan relations are taking new political dimensions. The European Union as an entity is India's largest trading partner, and we now have summit-level dialogue between us based on a strategic partnership. Within the EU, U.K., Germany, and France are India's major political, economic, and technological partners. India has been a major beneficiary of globalization and the lessening of tensions with the end of the Cold War. This has allowed India to build pragmatic relationship with countries in various parts of the world. The IBSA (India-Brazil-South Africa) initiative is another example of an imaginative way of extending India's reach and interests.



With no other country has India maintained a more stable, steady, and strong relationship than the Soviet Union/Russia. There is deep realization in Indian political circles of the enduring value of India's relations with Russia. If our relationship with Russia has not fluctuated, as has been the case in the relationships of India with the U.S. and China, of China with Russia and the U.S., and of the U.S. with Russia and China, from enemy to friend and vice-versa, it is because on a whole host of issues India and Russia think alike and have common interests. I think the India-Soviet Union/Russia relationship over the last 60 years is an emblematic story of how two large countries, which are so different in so many ways, can succeed in forging a strong relationship capable of withstanding the pressures of a changing environment.

**SECURITY INDEX:** Indian-Russian relations in the nuclear sphere and in military technical cooperation are quite strong and fruitful. Can we consider these successes as examples of a complex and strategic approach in bilateral relations or only as tactical moves from both sides?

**SIBAL:** I think in the two spheres of nuclear and military technical cooperation, relations cannot be built on tactical moves. In these vital and sensitive areas, enduring relations can be built only with strategic underpinnings. Russia is the only country which is building nuclear power plants in India. Russia took this very important decision in favor of a non-NPT country because Russia had confidence in India and saw the strategic value of building a partnership in this sensitive area with a major country. If in future the doors open for international cooperation in India's civilian nuclear sector, Russia, with already a foot in the door, is well placed to be the earliest and biggest beneficiary. In the military technical sphere, India-Russia relations are outstanding. Most of the equipment used by India's army, navy, and air force is of Russian origin. We would hardly have allowed this dependence to grow to these levels if we did not view our relations with Russia strategically. When, after the collapse of the Soviet Union, the Russian arms industry was in dire straits, India relieved pressures by placing huge defence orders. Today Russia is supplying equipment and platforms which as yet are not being used by the Russian armed forces themselves. We have in a way pushed the Russian arms industry to upgrade itself by placing orders for equipment with very advanced specifications. The BrahMos missile is a fine example of a new thrust in our bilateral defence relationship, that of graduating from a buyer-seller relationship to joint research, development, production, and marketing. As arms deals involve enormous amounts of money and the life cycles of equipment are long, the core of decision making has to be essentially strategic, not tactical.

#### Note

<sup>1</sup> Vladimir Orlov's interview of Kanwal Sibal, Ambassador Extraordinary and Plenipotentiary of India to Russia, took place on October 23, 2006.