



**Directorate of  
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# **India-USSR: Strains in Relations**



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**An Intelligence Assessment**

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*NESA 86-10044  
November 1986*

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# **India-USSR: Strains in Relations** [Redacted]

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**An Intelligence Assessment**

This paper was prepared by [Redacted] Office  
of Near Eastern and South Asian Analysis, with  
contributions from [Redacted]

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Office of Soviet Analysis. [Redacted]

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Comments and queries and welcome and may be  
directed to the Chief, South Asia Division, NESA [Redacted]

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**India-USSR: Strains in Relations** [Redacted]

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**Key Judgments**

*Information available as of 7 November 1986 was used in this report.*

Indo-Soviet relations have experienced strains in the two years since Indian Prime Minister Rajiv Gandhi and Soviet General Secretary Mikhail Gorbachev took office. Gandhi's drive to modernize India's military and industry by incorporating advanced Western technology and both leaders' initiatives to reduce tensions with their neighbors have weakened the convergence of the two countries' strategic interests. [Redacted]

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Gorbachev's selection of India for his first visit to the Third World as General Secretary reflects his interest in preserving the strength of bilateral contacts. Although Moscow is not complacent about India's turn to the West, it believes New Delhi's continuing concern about Pakistan and China will perpetuate close ties to the USSR. But New Delhi, which welcomes the visit of a major supporter and military supplier, does not wish to strengthen its ties to Moscow significantly. [Redacted]

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Gandhi views the United States and other Western nations—not the USSR—as natural partners in his effort to transform India into a modern economic power. The USSR, in his opinion, cannot supply the technology India needs. Gandhi has accelerated purchases of Western technology, such as advanced computers and telecommunications equipment, and is counting on Western help to improve India's capacity to design and manufacture the military's next generation of tanks, combat aircraft, helicopters, and warships. Since the beginning of 1985 the share of Indian military purchases from the West has increased from about 20 percent to 45 percent, while the share from the USSR declined from 80 percent to 55 percent. [Redacted]

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Gandhi has used personal diplomacy to try to improve relations with the United States, Pakistan, and China. For his part, Gorbachev has undertaken foreign policy initiatives in Asia that have given New Delhi pause. The General Secretary's revival of proposals for a Moscow-sponsored Asian security forum and his offer to withdraw Soviet troops from Mongolia in the interest of improving Sino-Soviet relations have troubled India. Gandhi is concerned that Gorbachev's proposals will frustrate India's aspirations to be the guarantor of security in South Asia and that Soviet overtures to Beijing will diminish New Delhi's importance to Moscow. [Redacted]

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During Gorbachev's visit New Delhi and Moscow will probably try to keep the best face on their relationship and protect the gains realized from several decades of close ties. The Indians will want to protect their access to Soviet markets and cheap military equipment, but they are likely to make only token commitments to purchase Soviet technology—more with a view to satisfying Moscow's interest in appearances than from a desire to expand cooperation. 

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The Soviets will work to protect their position as the predominant supplier to India's public sector and the military while limiting Western inroads. During the visit Moscow is likely to call attention to its sale of the MIG-29 aircraft to India and to promise to help New Delhi match any AWACS capability the United States provides Pakistan. Privately, the Soviets may also dangle offers of SA-5s, more advanced air-to-air missiles, and MIG-31s to demonstrate their interest in a continuing arms relationship. Moscow may soft-pedal its Asian security proposals during bilateral talks in order to avoid ruffling Indian political sensitivities. Neither side is likely to raise the Afghan situation. 

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Several developments could lead to a deterioration in Indo-Soviet relations, although none is likely to lead in the near term to a major problem in relations:

- New Delhi's continuing disdain for Soviet advanced technology could increase strains in the bilateral economic relationship in view of the Soviets' interest in using trade to maintain a close political relationship.
- Moves by the Soviets to extend their influence beyond Afghanistan to Pakistan or elsewhere in the Indian Ocean region would arouse Indian sensitivities.
- Moscow's efforts to improve relations with Beijing could lead to a weakening of Indo-Soviet ties.
- A decision by Moscow to stir up domestic political troubles for Gandhi in order to divert his Western-oriented drive to modernize India could strengthen Gandhi's resolve to reduce the Soviet presence in his country.

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**Figure 1**  
**India's Strategic Geopolitical Position**



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**India-USSR: Strains in Relations**



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Close relations with each other have long been important to both India and the USSR. Indian Prime Minister Rajiv Gandhi has said repeatedly that he values good relations with the Soviet Union, describing Moscow as a "loyal and trusted friend of India." He has visited Moscow twice since becoming Prime Minister in 1984. Soviet Communist Party General Secretary Mikhail Gorbachev has selected India for his first venture into the Third World since he took office. Moreover, India was the only Third World country, aside from Afghanistan, mentioned by Gorbachev in his report to the 27th Soviet party congress in February 1986.



Nonetheless, there are developments that have strained bilateral relations. Gandhi and Gorbachev have taken steps to reduce tension on their respective borders—Gandhi with Pakistan, Gorbachev with China—that threaten to alter their previously compatible views of the strategic situation in Asia. Gandhi has also increased New Delhi's efforts to acquire sophisticated military and commercial technology from the West, a development the Soviets see as a threat to their longstanding ties to India.

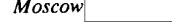


**The Foundations of Indo-Soviet Relations**

Moscow's efforts to limit US and Western influence in South Asia by promoting Indian preeminence have long complemented India's aspirations to regional dominance. In New Delhi's view, the Soviets have provided security assistance that has allowed India to achieve a significant military advantage over Pakistan, its most immediate strategic threat. Indian policymakers also long considered Soviet military and economic aid a crucial counterweight to US and Chinese influence in the region. The Soviets view India's size, location, and regional dominance as a roadblock to the spread of Chinese influence—their most immediate concern in South and East Asia since the early 1960s.



*Rajiv Gandhi with Mikhail Gorbachev in Moscow*



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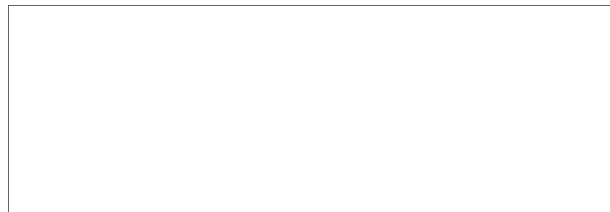
Indian and Soviet strategic interests began to diverge with the Soviet invasion of Afghanistan in 1979, which was undertaken without India's foreknowledge. From New Delhi's perspective, Pakistan replaced Afghanistan as India's western buffer, and its concern about Soviet intentions in Pakistan increased. From Moscow's perspective, Islamabad's support for the Afghan resistance gave Moscow an interest in neutralizing Pakistan that went beyond support for India's strategic concerns.



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Making the best of what they considered a bad situation, the Indians pressed the Soviets for more advanced military equipment at reduced prices to match US support for Pakistan. The USSR and India signed a comprehensive arms agreement worth approximately \$2.4 billion—the largest in Indian history—in May 1980. Since then India has not altered its policy on Afghanistan. Some Indian officials have quietly savored the fact that, so long as the Pakistanis face the Soviets on their Afghan border, Pakistan is less likely to attack India, [redacted]

New Delhi toward the end of the 1970s won increasingly generous concessionary financing, payable in soft currency, for these purchases. Although the Soviets offered only 10-percent financing with 40-percent downpayments in the early 1960s, by the late 1970s they were negotiating 15-to-20-year loans at 2.5 to 3 percent with no downpayment on most items. Despite these highly advantageous terms, Indian negotiators typically have pressed for lower prices and faster delivery. [redacted]

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**Security Assistance**

Arms agreements have been the most visible aspect of the Indo-Soviet relationship [redacted]

[redacted] we estimate that India has purchased \$15 billion worth of defense materiel from the USSR in the past 25 years, making Moscow New Delhi's primary arms supplier. India's purchases from the USSR, which rival those of Libya, Iraq, Syria, and Cuba, have grown progressively larger and more sophisticated:

Indian officials have said publicly that they are worried about the growing debt owed the Soviets for military equipment. Annual payments to Moscow for equipment already purchased totaled an estimated \$600 million in 1985 and are projected to increase to more than \$1.8 billion by 1994. [redacted]

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**Commercial Ties**

The USSR is India's second-largest commercial trading partner—after the United States. Two-way trade totaled slightly less than \$3.7 billion in 1985, compared with \$4.1 billion for trade with the United States. The value of bilateral trade grew by an average of almost 20 percent annually between 1970 and the early 1980s, largely because of growing Soviet oil deliveries and higher oil prices, but has leveled off in the last few years as the Soviets have reduced purchases of Indian agricultural products and consumer goods. [redacted]

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- Agreements in the 1960s totaled just over \$1 billion for the decade, and India became the first non-Communist country to coproduce a major Soviet weapon system—the MIG-21.
- India escalated its purchases of arms from Moscow in the 1970s, following its war with Pakistan and the US-Chinese rapprochement. New Delhi's \$3 billion worth of purchases in this decade included missile boats, T-72 tanks, and BMP-1 infantry combat vehicles.
- From 1980 to 1986 the combined value of Indo-Soviet arms agreements amounted to \$11 billion, and India became the first Third World country to order Kilo-class submarines, Tarantul-class missile corvettes, and TU-142 Bear antisubmarine patrol aircraft. India also acquired coproduction rights for the T-72 tank and the BMP-2 infantry combat vehicle. [redacted]

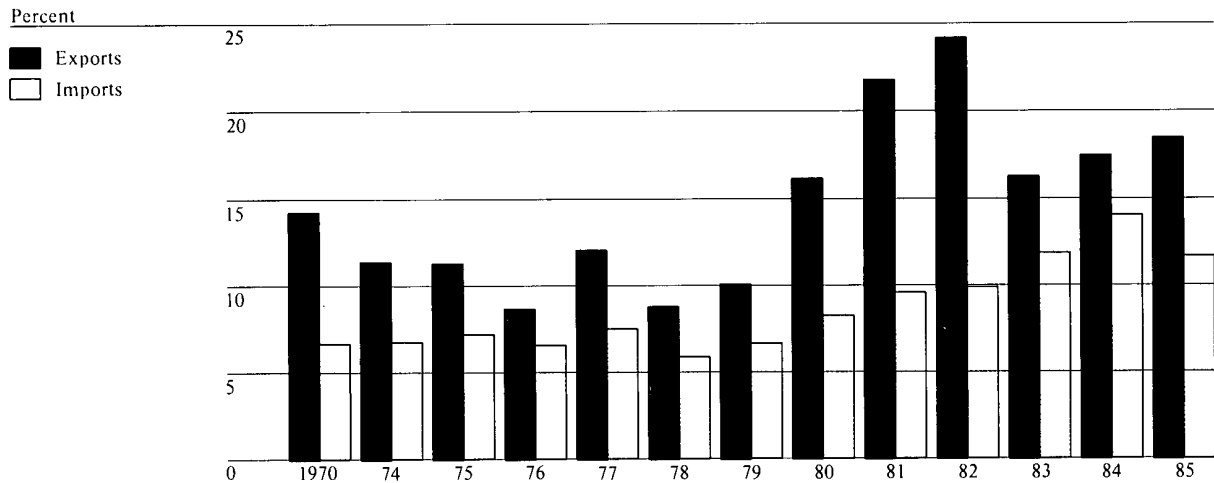
The Soviet Union has become a more important commercial trading partner for India in the last decade—even though the rate of growth has leveled off—as trade with the rest of the world, particularly Western Europe, has slowed and as oil prices have declined. Indian exports to the Soviet Union as a share of total Indian exports increased from nearly 12 percent in the late 1970s to over 20 percent in the early 1980s. The increase in import share, while less dramatic, has grown from 7 percent to over 10 percent in the same period. [redacted]

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**Figure 2**  
**India: Soviet Share of Total Trade,**  
**1970-85**



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Indian commercial exports play an important role in New Delhi's military relationship with the Soviet Union. We believe the Indo-Soviet economic relationship calls for an Indian surplus in commercial trade to be used to cover a portion of New Delhi's debts for purchases of Soviet military equipment. Indian officials have indicated that Indian military payments are taken into account when planning trade adjustments to achieve an overall balance in India's trade with the USSR. [redacted]

- The Indians paid an average of \$32 per barrel for deliveries of crude oil and petroleum products during this period—roughly the world market price.
- Most of the crude oil is delivered from the Middle East on the Soviet account, while a large share of the petroleum products has been of Soviet origin.

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The commercial trading relationship consists largely of the exchange of Soviet petroleum for Indian agricultural products and consumer goods. Our analysis of Indian and Soviet trade statistics indicates that crude oil and petroleum products have accounted for about 70 percent of India's commercial imports from the USSR over the last three years:

- India's petroleum imports have averaged about 115,000 barrels per day, or roughly 40 percent of India's net oil imports.

The Indians have consistently resisted a major increase in the import of Soviet manufactured goods, contending that their own industry can satisfy most of these needs. Indian imports of machinery and equipment from the USSR have declined in importance, accounting for only 15 percent of Soviet exports last year compared with 65 percent in the early 1970s.

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The Soviets are the biggest buyers of a number of Indian products—about 70 percent of Soviet purchases are manufactured and semiprocessed goods—

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### *Origins of the Indo-Soviet Economic Relationship*

*Indian industrialists and economic planners of the early postindependence period believed that the private sector could not survive on its own and would need strong government regulations and protection. At that time, most Indian leaders considered central planning the most efficient system to allocate resources and to direct private investment. Strict anti-monopoly regulations were enacted to avoid great concentrations of wealth, to ensure that no private industrialist gained unfair advantage in a particular sector, and to assure the continued existence of traditional small industries. Export promotion was discouraged so that no industrialist gained undue advantage over his local competition by being successful overseas. Foreign investment and imports were discouraged to avoid competition from large multinational firms and to promote economic self-sufficiency.* [redacted]

*Soviet willingness to finance major public-sector industrial projects stimulated economic cooperation between Moscow and New Delhi. Machinery and equipment accounted for one-half to three-fourths of Indian purchases from the Soviet Union during the mid-1950s to the mid-1970s as New Delhi built up its*

*heavy industrial base. The projects built with Soviet collaboration now account for roughly 40 percent of India's steel output, 80 percent of metallurgical equipment, 40 percent of mining equipment, 55 percent of heavy power equipment, 35 percent of oil extraction, 40 percent of oil processing, and 10 percent of power generation. All of these projects are in the public sector and are considered by many Indian economists as inefficient—partly because of the poor quality of the plant.* [redacted]

*By the mid-1970s, growth in bilateral trade had nearly stopped, according to US Embassy officials, because Indian payments for Soviet goods were not sufficient to sustain growth in their imports of Soviet goods. Indian manufacturers had reached a point where they could supply much of the country's requirements for machinery and equipment. The Soviet Union then agreed to sell India more petroleum, enabling economic relations to resume their expansion. Several increases in the quantity and the price of petroleum provided Moscow with higher rupee earnings and stimulated rapid growth in trade in the early 1980s.* [redacted]

and some Indian industries are almost wholly dependent on the Soviet market. Almost 90 percent of woolen knitwear manufactured in Punjab goes to the Soviet Union. Sales of Indian cosmetics are also heavily dependent on the Soviet market. The Soviet Union became the largest customer for Indian tea last year, when it bought more than 40 percent of India's exports. [redacted]

The Soviet Union is not dependent on Indian trade for any critical imports or markets. New Delhi accounts for less than 5 percent of Moscow's trade. By a classic economic division of labor, however, the USSR has fit the Indian economy into Soviet needs. Moscow exports machinery and other civilian goods—as well as weaponry—that it can readily manufacture, but that it might not be able to sell in more competitive and more quality-conscious Western markets. In return, it

gets industrial as well as low-technology manufactured goods and some raw materials that India can produce more easily and cheaply than the USSR can. Since the late 1960s the Soviets have assigned Indian imports a significant role in filling needs that the USSR does not have to meet. Moscow would be reluctant to lose such inputs and will be careful not to damage the economic relationship. [redacted]

#### **Political Influence and Advantage**

Indo-Soviet political ties have developed less from an ideological affinity than from the two countries' perceptions that they have strategic concerns in common. India signed a Treaty of Peace, Friendship, and Cooperation with the USSR in 1971 that serves as the basis for their political relations. At the time, New

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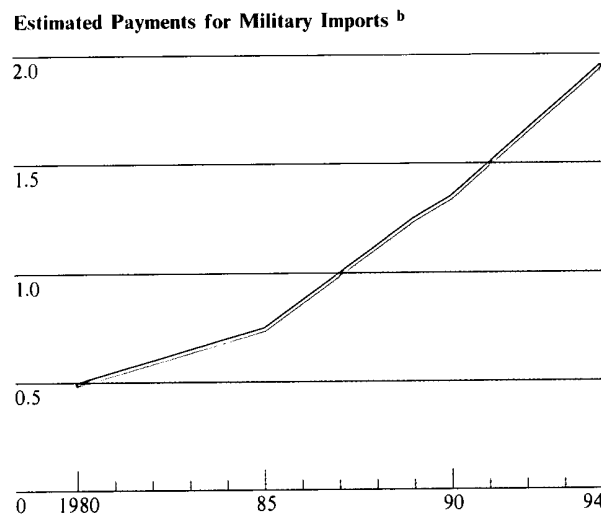
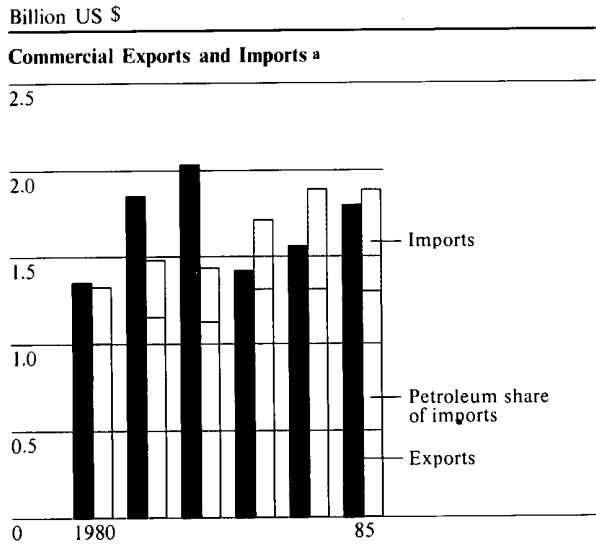
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**Figure 3**  
**India: Trade Relations With the USSR,**  
**1980-94**



<sup>a</sup> May include some unspecified military items.  
<sup>b</sup> Projections, based on CIA estimates, exclude payments for contracts signed in 1986.

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**Rupee Trade**

India's economic relations with the Soviet Union are governed by an agreement to balance all bilateral payments for imports, exports, and debt. All transactions, whether commercial or military, are handled in Indian rupees through the Indian banking system. The two states have neither any need to pay nor an opportunity to earn hard currency. In 1978, Moscow and New Delhi agreed to make periodic adjustments in the rupee-ruble ratio on the basis of changes in the value of the Indian rupee relative to a specified basket of currencies. The variable exchange rate helps protect Moscow against a decline in the purchasing power of rupees that India pays under long-term contracts and for debt servicing. In July 1986, the Reserve Bank of India announced a 3-percent devaluation of the rupee in terms of the ruble. The current exchange rate is 13.37 rupees per ruble.

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Delhi wanted to ensure Moscow's support during the war over Bangladesh, and both viewed the treaty as a response to US moves to improve relations with China. The Indians frequently observe that Soviet military and economic support in the 1970s came without political strings.

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Indira Gandhi took advantage of Moscow's backing to consolidate her support at home. She used Moscow's attention and the domestic political support of the Moscow-oriented Communist parties to bolster her reputation as a national leader worthy of succeeding her father, Jawaharlal Nehru.

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India has a key place in Moscow's Afghan policy. The USSR values India as a potential threat to Pakistan and as the most important Third World country that has not condemned the Soviet occupation. New Delhi's refusal to condemn Moscow has helped keep the Soviets attentive to India's requirements. In dealing with New Delhi, Moscow has minimized the role of the Afghan war in stimulating Pakistan's military buildup, denied that it has regional ambitions, and encouraged the notion that the Soviet presence in

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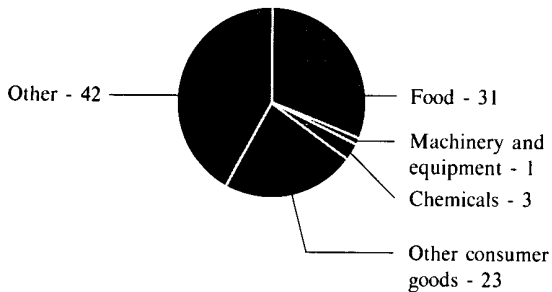
**Figure 4**  
**India: Composition of Trade With the USSR,**  
**1970 and 1985**

Percent

**Exports**

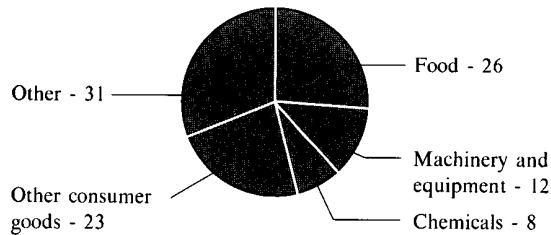
1970

Total = US \$269 million



1985

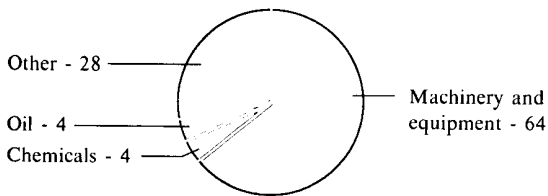
Total = US \$1,800 million



**Imports**

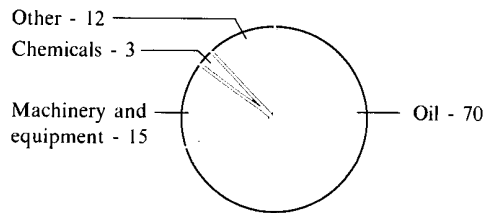
1970

Total = US \$136 million



1985

Total = US \$1,887 million



[Redacted]

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Afghanistan keeps Pakistan from directing its full attention to India. The Soviets have sought to undermine improvements in Indo-Pakistani relations with a steady stream of articles in leftist Indian newspapers and magazines warning India of Pakistani duplicity.

[Redacted]

Nonaligned Movement—makes its support for Soviet positions valuable in securing the backing of other countries. The Soviets tout their relationship with New Delhi as an example of the mutual respect and cooperation possible between nations with differing social and political systems, an approach that they undoubtedly believe plays well not only in India but in other Third World states.

[Redacted]

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We believe that Moscow also sees the Indo-Soviet relationship as an important means of extending its influence in the Third World. India's prestige among developing nations—in particular as a leader of the

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Moscow has assiduously fostered India's aspirations to become a major player on the international stage and has taken care to impress on the Indians the importance that it attaches to the special relationship:

- The Soviets have maintained a steady stream of high-level contacts, both for public relations purposes and to assure Indian leaders that they merit special consultations and briefings.
- Moscow has praised New Delhi's role in the Non-aligned Movement and lauds Gandhi's leadership in the Six-Nation Disarmament Initiative by referring to the group as the "Delhi Six."
- Indian diplomats in Moscow enjoy easy and frequent access to the most important Soviet leaders, and visiting Indian officials always receive VIP treatment. [redacted]

Moscow has exploited close Indo-Soviet relations to establish a substantial presence in India and to develop an extensive network of personal contacts throughout the Indian Government and society.<sup>2</sup> US officials estimate that more than 800 Soviets work in India in an official capacity, including diplomats, information and cultural officers, trade mission representatives, journalists, and Aeroflot representatives. In addition, [redacted] we estimate that about 500 Soviet military personnel are associated with defense industrial projects and the maintenance of military equipment in India, although the Soviets do not provide tactical military training or advice. [redacted]

In addition to official representatives, the Soviets have fostered an extensive and committed pro-Soviet lobby among Indian politicians, bureaucrats, members of the press, and public and private businessmen. This lobby resists any diminution of the Soviet position in India. [redacted]

[redacted]

[redacted]

India's widely accepted independence and neutrality in the superpower rivalry are sufficiently useful that Moscow tolerates a political climate in which the Moscow-backed Communist Party (CPI) is largely ineffectual. According to the US Embassy in New Delhi, the party is nearly a spent force in Indian politics, declining steadily in size and influence. Although the Soviets continue to support the CPI, the Embassy reports that they spend most of their efforts building ties to Gandhi's Congress Party. When the CPI had some clout, Moscow brought pressure on it to restrict its criticism of the government. [redacted]

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**What Has Changed Under Rajiv Gandhi and Gorbachev?**

Gandhi has set domestic priorities, and both he and Gorbachev have undertaken diplomatic initiatives that place previously compatible Indian and Soviet strategic interests in conflict. External factors, such as lower international oil prices and US initiatives toward India, have also contributed to tensions in the relationship since the two leaders came to power in 1984. [redacted]

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We believe Gandhi's determination to modernize India rapidly has hurt relations with Moscow. He has accelerated New Delhi's efforts to acquire sophisticated Western technology and looked increasingly to the Indian private sector to assimilate it. He has attempted to improve relations with Pakistan and Sri Lanka so that New Delhi's resources can be more fully devoted to domestic development. [redacted]

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Gorbachev has taken initiatives in foreign policy that we believe have given New Delhi pause. His revival of Moscow's proposals for an Asian security pact and his overtures to improve Sino-Soviet relations are viewed in India as coming at New Delhi's expense. [redacted]

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**Changing Economic Priorities and Conditions**

Gandhi has concluded that India must acquire the advanced computer and telecommunications technology he believes is driving a new industrial revolution in the developed countries—or risk economic decline

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*Pro-Soviet Indian Politicians*

*Nawal Kishore Sharma, General Secretary, Congress Party*

Sharma, 61, is one of the founding members of the Congress Party's Friends of the Soviet Union (FSU). Sharma is a self-described "leftist" member of the Congress Party, but Embassy officers say he denies that FSU members are Communists. He claims instead that Indira Gandhi established the FSU in 1981 to undercut Congress Party membership in the Indo-Soviet Cultural Society, a Soviet front organization. Sharma is a longtime member of the lower house of Parliament. He is the editor of Socialist India magazine. [redacted]

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*Mohsina Kidwai, Minister of Urban Development and of Transport*

[redacted] Early in her career she attended World Peace Council meetings in Hungary and the Soviet Union. Kidwai, 54, was probably chosen for her post because she represents both Muslim and women's minorities. [redacted]

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*Margaret Alva, Minister of State for Youth Affairs, Sports, and Women*

US Embassy officers identify Alva, 44, with the Indian left but not with Communist parties. [redacted] During March 1985, when she was Minister of State for Parliamentary Affairs, Alva used her influence to advocate "left lobby" candidates for three influential Congress Party parliamentary posts. She visited Cuba in 1983 and was hailed by Fidel Castro as "the second most important woman in India" (next to then Prime Minister Indira Gandhi). [redacted]

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***K. K. Tewari, Minister of State for Public Enterprises***

*In March 1985, US Embassy officers described Tewari as a "left lobby" member of the lower house of Parliament. Before Rajiv Gandhi became Prime Minister, these officers say Tewari had been active "recruiting" young MPs to sign petitions that were critical of US foreign policy in South Asia. Tewari has used his current post to attack Minister of Energy Vasant Sathe for "deviation" from Indian socialist economic orthodoxy.*

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***P. Shiv Shankar, Minister of Commerce***

*Shankar, 57, who was Foreign Minister during May-October 1986, quickly raised hackles in New Delhi after his appointment for his indiscreet comments about his preference for close Indo-Soviet ties over Indo-US ties. After he lost his Foreign Ministry post, one Indian newspaper said Shankar "had the disadvantage of being perceived as too close to Moscow." Gandhi claimed that his appointment of Shankar to both the Commerce and Foreign Ministry portfolios had proved too much work for one person.*

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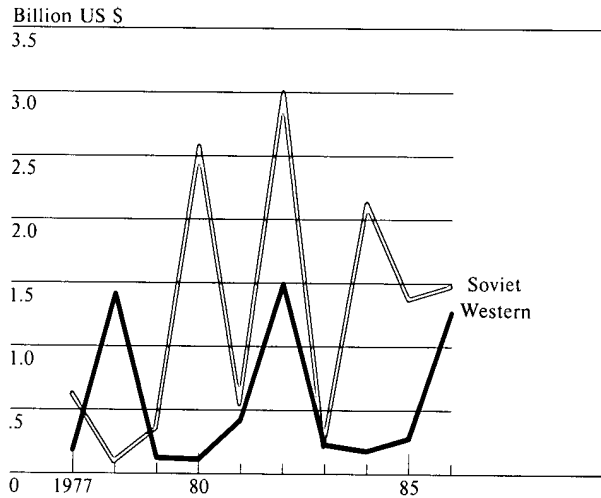
in the 21st century, according to US Embassy reports. He has accelerated purchases of advanced technology from the United States and other Western states and reduced government restrictions on India's private sector. As a result, New Delhi is placing less priority on the acquisition of Soviet equipment. [redacted]

New Delhi is enjoying somewhat more economic and foreign policy maneuvering room as lower prices for imported oil have helped to ease India's short-term foreign payments situation in the West and altered India's balance of trade with the Soviet Union. The drop in the average price of imported oil from \$30 per barrel in 1984 to \$15 per barrel in 1986 will save New Delhi approximately \$2 billion annually—\$700-800 million with the Soviets—at the 1985 delivery level. [redacted]

Low oil prices are likely to swing the balance in Indo-Soviet trade in India's favor and lead to a decline in the value of total imports from the Soviet Union in 1986. Total Indian imports from the Soviet Union during the first half of 1986 are down 40 percent from the same period in 1985. After protracted negotiations last spring, we believe that the USSR lowered the price it charged India for oil—as it did for other countries outside the Council for Mutual Economic Assistance (CEMA)—to world market levels. The change resulted in a 50-percent drop in the value of Soviet oil sold to India. The savings from lower oil prices almost certainly have given New Delhi unexpected flexibility in coping with its debt to Moscow for military equipment purchased during the 1980s. [redacted]

Moscow appears reluctant to let New Delhi use its current trade surplus to reduce its dependence on the Soviet Union and is pressing India to purchase additional goods and military equipment to offset the impact of lower oil prices. Soviet officials have indicated to New Delhi that Moscow cannot maintain its levels of imports without additional Indian purchases. Trade talks in June that the Indians hoped would lead to a doubling of Indian textile exports to the USSR over the next few years resulted in little more than a continuation of current levels. Soviet commercial imports of Indian products for the first half of 1986 are down 15 percent from the same period last year. [redacted]

**Figure 5**  
**India: Arms Agreements,**  
**1977-86**



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**Changing Military Procurement Strategy**

As Gandhi has modernized the Indian military, the Soviet share of Indian military procurement has fallen steadily. We estimate that, since the beginning of 1985, the Soviet share of India's purchases of foreign military equipment declined from 80 percent to 55 percent. The West's share increased from about 20 percent to 45 percent. New Delhi purchased \$1.7 billion worth of arms from Western Europe in the 18 months after Rajiv assumed office, compared with deals totaling \$2.5 billion signed with Moscow during the same period. In recent months the Indians have discussed with the United States potential purchases of military equipment valued at several hundred million dollars. [redacted]

Gandhi has accelerated purchases of Western military equipment in order to upgrade India's capacity to design and manufacture its next generation of tanks,

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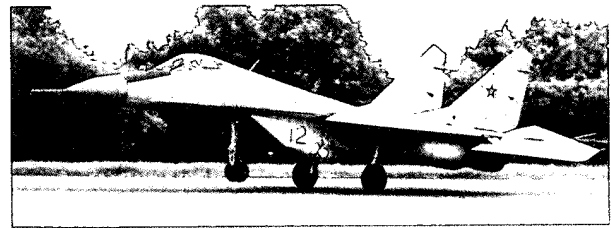
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combat aircraft, helicopters, and warships. New Delhi has asked the United States and other Western vendors to sell prototypes, transfer technology, and help with the design and development of Indian equipment for the 1990s and beyond. [redacted]



Soviet MIG-29 [redacted]

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The purchase of Western equipment by New Delhi has improved its leverage in its arms negotiations with Moscow. Moscow has offered new weapons on even more concessionary terms since India's turn to the West for military equipment. India has become the first foreign customer for the MI-26 heavy-lift helicopter and the new IGLA-IM man-portable surface-to-air missile. [redacted]

**Diverging Strategic Perceptions**

Both Gandhi and Gorbachev have sought to reduce tension on their borders, but each has reacted negatively to the other's actions. Secretary Gorbachev's Vladivostok speech in July 1986 revived the USSR's long-stagnant Asian security pact designed to project Moscow as a political and economic—not just a military—power in Asia. In the speech Gorbachev lavished praise on Beijing and offered to discuss the withdrawal of Soviet troops from the Sino-Soviet border and Mongolia. The Chinese have reacted cautiously to Moscow's overtures—so far agreeing only to reopen border talks broken off in 1978. [redacted]

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Moscow, according to US Embassy and [redacted] is worried—rightly, we believe—that Western offers of sophisticated technical assistance and equipment for India's indigenously designed weapons ultimately will reduce New Delhi's dependence on Moscow. West German firms, for example, have become the chief foreign design consultants for the Arjun main battle tank, the advanced light helicopter, and the light combat aircraft projects. The Soviets appear to be the leading partner only in a program to produce a 6,700-ton frigate in the 1990s. [redacted]

Although the Indian press has reported from Moscow that Gorbachev expects India to play a crucial role in his proposed Asian security forum, New Delhi has not been enthusiastic about Gorbachev's initiative. New Delhi does not welcome Moscow's efforts to bring South Asia under its security umbrella, [redacted]

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[redacted] Indians are concerned that Sino-Soviet rapprochement will diminish New Delhi's importance in Moscow. [redacted]

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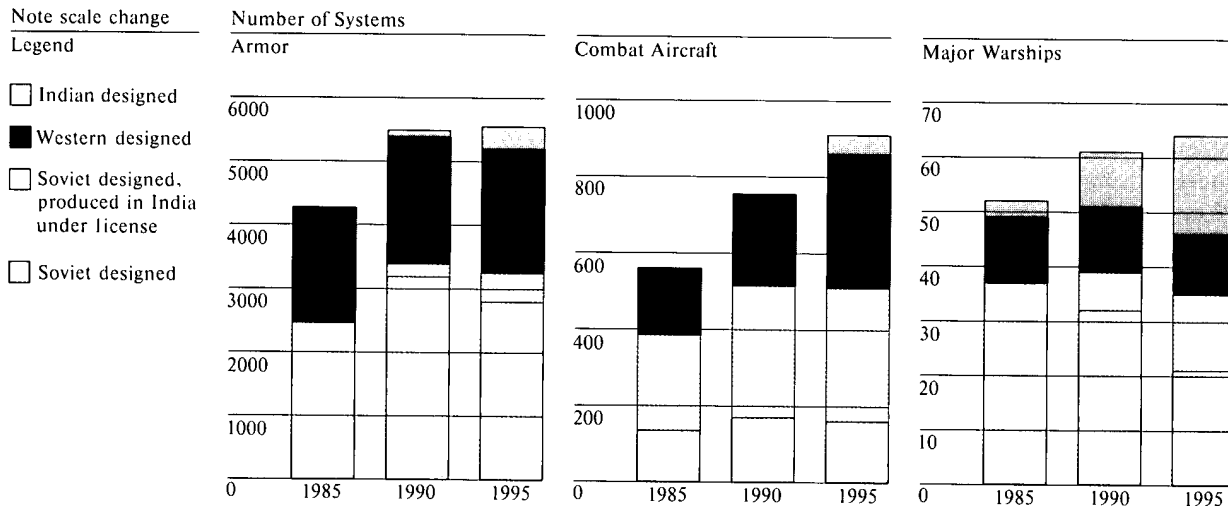
The Indians have said that they hope to slow the rapid growth of India's armed forces and believe that the need for large quantities of new Soviet equipment will diminish as this expansion slows. Gandhi has said he expects to substitute indigenous production for Soviet imports as well as to acquire advanced subsystems and production technology from the West. On the basis of our estimate of current Indian military inventories and signed contracts, we calculate the proportion of Soviet-supplied combat aircraft to fall from 70 percent of India's active inventory in 1985 to 56 percent in 1995. Similarly, we calculate the Soviet share of major Indian warships to decline from 70 percent to 55 percent and of armor to remain about the same over the same period. [redacted]

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**Figure 6**  
**India: Arms Inventory,<sup>a</sup>**  
**1985-95**



<sup>a</sup> In active service.

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We believe that Moscow has tried indirectly to disrupt Gandhi's efforts to improve relations with Pakistan, the United States, and China by playing on longstanding worries in the minds of many Indian officials, politicians, and journalists. The Soviet disinformation apparatus in India has placed articles in the leftist Indian press cautioning New Delhi against rapprochement with Pakistan. The articles repeatedly charge that the nuclear weapons program of Pakistan and its alleged meddling in Punjab are a threat to India. Moscow has warned New Delhi that its purchase of Western technology is opening the door to manipulation by multinational corporations that will exploit India. The Soviets have also tried to discourage Gandhi's efforts to improve relations with China independent of Moscow's lead. The Soviets continue to characterize Chinese intentions toward India as hostile.

#### Putting the Best Face on Indo-Soviet Relations

Despite bilateral strains, we expect New Delhi and Moscow during the coming months to try to protect the advantages they each have won as a result of nearly 30 years of close ties. New Delhi's preparations for Gorbachev's visit in late November suggest that the Indians are intent on protecting their access to traditional types of Soviet economic and military assistance. Although New Delhi has welcomed Soviet officials marketing Soviet nuclear power plants, computers, and telecommunications equipment, the Indians are unlikely to make more than token purchases because of their preference for Western technology. They are, however, likely to sign agreements outlining continued cooperation in public sectors of the Indian economy—railways, electrical power, and steel—where the Soviets have long provided assistance.

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**Recent Soviet Disinformation**

*"Doing Business With Weinberger: Dangers To Avoid . . . A note of warning should be in order and a cautious approach called for in any pursuit for high technology from the USA whether in the acquisition of weapons or in the field of modernisation of the production process necessary for ushering India into the 21st century. Just as one cannot afford to put all the eggs in one basket as far as arms transfer is concerned, it is even more true in the case of the United States, given the record of broken promises not only in relation to India but also some of our neighbors."* [redacted]

Link magazine  
12 October 1986

*"As a matter of fact, our imperialist enemies, the US, in the first place, have consistently tried to change the leadership in order to change the basic policy of our country. It has tried to do so by cajoling, coercion, and, in the most recent period, by physical removal. It is employing the same approach toward our present Prime Minister."* [redacted]

The Patriot  
8 October 1986

*"The Pakistani Army . . . has become a kind of 'vanguard' of the US Rapid Deployment Force in the Near and Middle East. Pakistan has not only become a forward military springboard in the 'undeclared war' against Afghanistan but trains and arms terrorists of the separatist underground in Punjab."* [redacted]

Press Trust of India in  
The Patriot  
29 September 1986

Moscow has responded to Gandhi's turn to the West—and most specifically warming US-Indian ties—with both old and new tactics designed to protect its interests in India. The Soviets have pointedly countered every Western initiative with a Soviet move:

- Moscow accelerated negotiations on the MIG-29 sale when Gandhi showed an interest in Western assistance for the development of an indigenous light combat aircraft.

- The Soviets scheduled a Festival of India for the USSR in July 1987 to match the favorable publicity generated by such festivals during 1985 in France and the United States.
- Moscow quickly offered to launch additional Indian satellites following launch failures in France and the United States that affected the Indian space program.
- The Soviets have sent technical and military teams to India in direct response to visits by equivalent US officials. [redacted]

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The Soviets have said they are looking to increase exports to India's private sector and are considering joint ventures with Indian companies. An Indian-USSR Chamber of Commerce and Industry was established last year to promote cooperation in the private sector. Although about 90 percent of India's exports to Moscow come from the private sector, almost all of India's imports from the Soviet Union go to the public sector. [redacted]

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The Soviets have launched a more ambitious propaganda offensive, aimed at discrediting the economic and technological assistance that India is seeking from the West. They have complemented visits to India by Soviet officials selling equipment with copious press placements highlighting Soviet technological achievements. These propaganda pieces impugn the quality and reliability of Western equipment and warn of the dangers of economic imperialism and political interference that such cooperation encourages. [redacted]

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We believe that Moscow's moves to counter Gandhi's turn toward the West demonstrate that it is not complacent about the Soviet position in India. Nevertheless, the Soviets are probably confident that the key element in the relationship—India's concern over the threats from Pakistan and China—remains valid. The US Embassy in Moscow reports that, following considerable initial nervousness after Rajiv Gandhi became Prime Minister, the Soviets have been reassured by the limited results of his efforts to expand relations with the West and to improve them with Pakistan and China. We are confident that they will

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continue to seek to protect their role in the Indian economy and military with offers of additional economic aid and advanced Soviet military equipment such as SA-5s, air-to-air missiles, and MIG-31s. The Soviets probably will grudgingly accept some foreign policy and economic reorientation by Gandhi as long as they perceive that India's long-term security interests still tie it to Moscow. [redacted]

### Potential Pressures

Several potential developments could increase the strains in Indo-Soviet relations, although none is likely to lead in the near term to a major problem in relations. [redacted]

#### A More Aggressive Soviet Role in Afghanistan/Pakistan

A more aggressive Soviet campaign in Afghanistan—or increased military and political pressure on Pakistan—might convince the Indians that Soviet aspirations in the region were no longer compatible with India's. From New Delhi's perspective, Soviet efforts to destabilize or conduct military operations in Pakistan would violate a sensitive Indian threshold. Soviet moves into Pakistan would place Moscow at odds with India's desire to be the preeminent power in the Indian Ocean region, and Moscow might come to be perceived as a significant threat along with Pakistan or China. [redacted]

A decision by Gandhi to change his Afghan policy in response to Soviet involvement in Pakistan probably would prompt Moscow to reevaluate its arms transfer policy. Although we do not expect it in the near term, if New Delhi publicly presses Moscow to accept a negotiated settlement in Afghanistan—including an early timetable for the withdrawal of Soviet troops—and privately considers offering support to a Pakistan threatened by the Soviets, we would expect Moscow to be less generous in pending arms negotiations, deliveries of spare parts, and transfer of production technology to India. [redacted]

Paradoxically, although it is unlikely, a settlement of the Afghan issue or the replacement of the Zia regime by a government less committed to supporting the

Afghan resistance could lead to problems in Indo-Soviet relations because it would remove the major irritant in Soviet relations with Pakistan. The closer ties between Moscow and Islamabad that might ensue could be perceived by the Indians as a threat to their security, even though, when forced to choose between India and Pakistan in the past, the Soviets have always chosen India. Some Indians might have less confidence in Soviet support in any future Indo-Pakistani war. [redacted]

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#### An Expanded Soviet Role in Asia

We expect Gorbachev's recent campaign to inject the USSR more forcefully into Asian affairs generally—along with Afghanistan—to be among the few controversial subjects on the agenda during the Soviet leader's visit to India. The Soviets probably will press New Delhi to agree to explore the proposed security pact. New Delhi, however, is likely to risk Soviet displeasure and to refuse to agree to include a specific reference to the Asian security pact in a final communique, although it may substitute general calls for greater cooperation among Asian states in the interest of peace. [redacted]

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#### Soviet Meddling in India

To the extent that Gandhi improves ties to the West, particularly the United States, as part of his modernization drive, Moscow may be tempted to stir up domestic troubles for him. The Soviets might calculate that growing domestic dissent would force Gandhi to blame the United States—as well as Pakistan—for his difficulties and to placate his critics who favor preserving close ties to the Soviet Union. Should Gandhi's domestic problems worsen, the Soviets could expand their use of bribes to buy or at least rent a wider spectrum of supporters in the Congress Party, the Indian business community, the press, the bureaucracy, and other opposition political parties, according to US Embassy reports. The Embassy claims that pro-Soviet members of Gandhi's Congress Party are behind criticism of Gandhi's efforts to lift restrictions on the import of Western technology. In addition to disinformation campaigns, large Soviet purchases of tea from the politically troubled Darjeeling district of West Bengal and textiles from Punjab

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**Coping Without Soviet Military Assistance**

*Although we do not expect a break in military ties, we believe India could cope with a cutoff of Soviet military assistance. A cutoff in the near term would reduce the operational readiness of India's Soviet-built equipment, but the Indians could take several steps to minimize this problem. They could immediately curtail training and normal peacekeeping operations and step up the production of spare parts for those weapons produced under license. New Delhi could also attempt to purchase subsystems and spare parts from non-Soviet sources, including Egypt, Yugoslavia, and North Korea, as well as Western arms manufacturers that have helped India and other Third World countries to maintain and upgrade Soviet-model equipment. Soviet contractual limitations on third-party sales of military equipment produced under Soviet license probably would limit Indian options for finding replacement sources.*

*We estimate that it would cost the Indians at least \$15 billion to replace the major Soviet weapon systems in their inventory with comparable Western arms. The Indian economy could not sustain a large-scale program of Western arms purchases, in our judgment, unless the government received substantial financial help from the West and spread the costs over a long period.*

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*Over the longer term, the Indians would increase the number of Western-made weapons in their inventory and would step up indigenous development and production of weapons designed with Western assistance. Alternatively, the Indians could produce fully developed Western systems to reduce their development costs.*

*New Delhi's acquisitions of Western arms during the 1980s would not necessarily help India cope with the immediate effects of a Soviet cutoff. By the end of the decade, India probably will have only an embryonic collection of new Western attack helicopters, remotely piloted vehicles, light tanks, and minesweepers, in addition to towed and self-propelled artillery, diesel submarines, Mirage 2000 and Harrier fighters, and maritime patrol aircraft. Moreover, some new weapon programs utilizing Western technology will still be several years from entering production at the end of the decade.*

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give Moscow indirect leverage to manipulate domestic events in those two troubled states.

**Persistent Strains in Economic Relations**

Difficulties in expanding trade could lead to strains in the economic relationship. Lower world prices and ample world supplies of oil and other raw materials are likely to hold down the value of these Soviet exports to India. Although the Soviets will press the Indians to purchase advanced Soviet technology to make up the shortfall, New Delhi is likely to look to the West for sophisticated technology and for markets for its exports to earn hard currency. Moscow will be tempted to hold the Indians to their commitments to pay for commercial and military imports, while New Delhi will look for maximum flexibility. We expect both sides to engage in protracted negotiations—the Soviets on deliveries and the Indians on payments—to protect their interests.

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We believe that increased Soviet meddling in domestic matters would strengthen Gandhi's resolve to put distance between New Delhi and Moscow. Overzealousness from Moscow would almost certainly damage its reputation among Indians for reliability and noninterference. Gandhi did not hesitate early in 1985 to expel Soviet diplomats involved in a covert operation to acquire information about Indian military procurement plans and contracts with the West. He has also cautioned Indian editors of the main English-language newspapers to avoid publishing blatantly anti-Western articles.

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If the growth in trade is slowed, New Delhi could face increased indebtedness to the Soviet Union. Soviet trade statistics indicate that, in the last six years, India's exports to the Soviet Union exceeded imports by less than \$300 million compared with about \$700 million in the years 1974-79. We estimate that annual payments due to Moscow during 1980-85 for military equipment alone ranged from \$350 million to \$600 million compared with \$150-350 million during 1974-79. India met or exceeded the level of imports from the Soviet Union specified in the trade protocol, while Moscow fell below its quota for purchasing Indian exports, especially after 1982. [redacted]

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Another Indian complaint is that certain Soviet trading practices force New Delhi to spend its hard currency. Moscow imports some Western goods through Indian firms, paying in rupees, while the Indians bear the hard currency costs. In addition, the Soviets reexport Indian goods to the West for hard currency in direct competition with Indian exports, undercutting India's hard currency earnings. [redacted]

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Prime Minister Gandhi's emphasis on modernizing India's economy through increased imports of Western technology probably is Moscow's major economic concern. Indian officials and businessmen have for several years resisted Soviet pressure for a major increase in imports of machinery and equipment because of poor quality. [redacted]

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A source of future friction could involve India's efforts to export military equipment produced under Soviet license to other Third World countries seeking to reduce their dependency on Soviet-supplied arms and spare parts. New Delhi wants to earn hard currency for its arms industry [redacted]

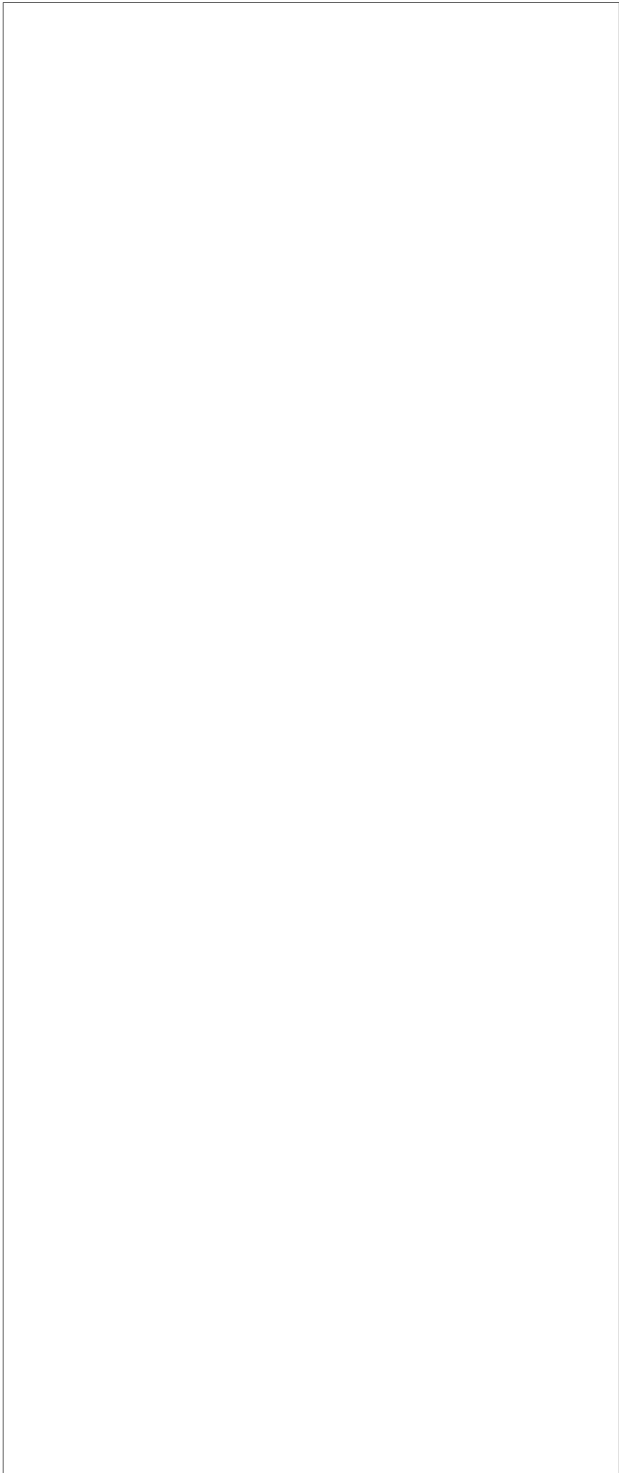
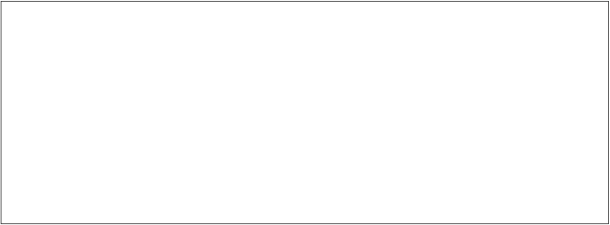
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[redacted] terms and spare parts are not competitive with European suppliers. Moscow will not want its client states to arrange alternative suppliers, however, and could find itself having to thwart New Delhi's plans. [redacted]

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