

Interview of Ambassador of India
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1) Your Excellency, ambassador, I would like to ask you about the forthcoming “India Show” exhibition that will be held in Moscow later this month. It will be interesting for our listeners to hear your opinion not only as the Indian ambassador to Moscow but also as a person who pays great attention to the promotion of Indo-Russian trade and economic ties. What are the main aspects of the exhibition?

The aim of “India Show”, which is from September 24 to 26, is to showcase some of the Indian businesses in major sectors such as pharmaceuticals, engineering, textile, apparels etc. to the Russian public and to Russian businesses in order to enable them to form links which will promote business; in order to bridge what we often call the awareness gap between businesses of the two countries. Businesses of the two countries don’t seem to know fully the opportunities that are available in the other country and the “India Show” is an effort to bridge that gap. It has a number of elements – it’s not only companies that are coming to exhibit their products to the Russian businesses; we are also holding sectoral workshops: we have a workshop on the pharmaceuticals sector for example, we have a workshop on the leather sector and we have a workshop on banking and finance. In each one of them, we are trying to put together the people of the two countries involved in the whole range of activities surrounding that sector, the legal framework, the regulatory framework, the nature of the industry in India and in Russia. To give an example: in pharmaceuticals, India is a major exporter to Russia, however, many Russian pharmaceutical importers, many Russian doctors, and many Russian regulators do not know that India’s manufacturing strength is not only in generics but also in some of the most advanced formulations.

For Example?

A number of specialized medicines for treatment of cancer, specialized medicines for tuberculosis, specialized medicines for treatment of various specific ailments. A large number of Indian pharmaceutical manufacturers have GMP (Good Manufacturing Practices) certification from WHO. It is not well known here. As a matter of fact, we have more pharmaceutical factories with WHO GMP certification in India than you have in Russia. So, things like this, when you do the India Show, you try to expose these aspects which are less known to the public and corporate organizations.

But, nevertheless, I would like to admit that there are probably a few initial steps of combining the possibilities between India and Russia as far as treatment of cancer and tuberculosis is concerned. Am I right?

Yes, there is already action being taken, there is already collaboration. What we are trying to do is to widen it, to give it much greater exposure, so that what has

started small can become much bigger. Because the potential is so much that what has been achieved is a small fraction of the total potential.

2) At present, the annual trade volume between Russia and India is estimated at only \$10 billion although our two countries strive for increasing the volume. What is the reason for such a slow growth?

Well, the first reason is something what I have just now told you. It is a certain lack of awareness. There are a few sectors in which trade is doing well: pharmaceuticals is one which I have mentioned; in defence, which is in the reverse direction, from Russia to India, there is vibrant trade. And then of course, we have trade in commodities, everybody knows about Indian tea, coffee, tobacco etc. But we have to move from commodities and some specific sectors to a much wider variety in our trade basket. Until we do that, our trade will remain limited. That is what we are trying to do. We are trying to enter the engineering sector; we are trying to show possibilities of collaboration in joint ventures, collaboration in manufacture. You know the new initiative that our Prime Minister has recently launched: it is called "Make in India". Basically, we are inviting foreign entrepreneurs and foreign industries to come to India and get their requirements manufactured in India. Because India has the manufacturing capacity, India has the technical manpower. So come and make in India, you can get your product cheaper, you can make your product of good quality and this will boost exchanges between our two countries.

These are the new areas we need to see and in India Show we are going to do that; besides the workshops I mentioned about, we are also going to have a special programme on "Make in India", it will show our PM launching the "Make in India" programme and we will have discussions about the facilities India can offer to Russian industries which want to make in India.

For the time being what is the response of the Russian side?

The response of the Russian side has been very positive, because Russian industry also understands that it does not have full information. So, our efforts to provide the information have been very well received. Of course, we will now see: when we come to the India Show, we will see the full extent of the Russian response. I must also tell you that we have written to all the regions of Russia, not just the Moscow region – to tell them about the India Show, to invite them to meet Indian business people there and, in fact, two Russian regions are going to be making presentations at the "India Show".

3) According to your opinion, what are the challenges and difficulties facing Indian business in Russia? What are the steps that should be taken to assure a stable growth in trade and economic ties between the two countries?

Are you talking about the challenges being faced by Indian business in Russia?

Both.

As far as Indian business in Russia goes, again I come back to the same issue: they are not fully aware of the opportunities. All the other issues are solvable; you know people say that language is a barrier. But between any two countries, language is a barrier. When you do business, you learn to overcome the barrier. These are not the issues. Also, knowledge of regulatory framework, local business customs – these are all aspects that exist when two countries trade with each other. I do not see them as barriers. The real barrier is information. Other than that, I would say there are actually great advantages for doing business between India and Russia. It is the tremendous relationship between the two countries, it is the welcoming attitude that the Government of each country has towards businesses from the other country, and it is the people-to-people links that enable closer exchanges that enable helpfulness to each other. So, I would say that rather than talking about barriers, there are actually a number of circumstances between India and Russia that encourage trade.

And what are they?

As I just mentioned, cultural affinities that we have between the two countries, close political relations that we have, the atmosphere of trust that exists between the two countries. These are things that should promote commerce.

For so many years we have been talking about the lack of information. Don't you think that time has come to overcome that barrier?

Well, I would not say that we have been talking about the lack of information for so many years. We have been trying to bridge this gap. It has to be a slow process. You know these are large territories, large populations and to be able to communicate between the corporate entities of the two countries, it takes time. But I think we are reaching there. We have achieved considerable understanding. We are also now increasing the number of business delegations between our two countries; all these will help.

4) Is there an intention to shift to national currencies of India and Russia from dollar in bilateral trade? The two countries are the members of the BRICS group. The issue of using national currencies in making trade and economic deals is considered by the BRICS countries as a path to strengthening and promoting mutual ties. Am I right?

Yes, I would like to mention actually three specific ways in which we are looking to see a significant increase in trade exchanges between our two countries. The first is what you mentioned, trade in national currencies. It is obviously advantageous, because trade between Russia and India is now through the currency of a third country which means that business people have to hedge against two different currencies – between rupee and dollar and then dollar to ruble and vice versa. So if you cut out one currency, obviously transaction costs are lower and trade

becomes more competitive. We have already a joint working group between our Reserve Bank of India and Central Bank of Russia, which is considering the modalities for putting this in motion. We hope that it will soon recommend to the two Governments on how to go about it. This we believe will be a major boost to trade.

The second is the discussions between the Customs authorities of our two countries for a smoother flow of information by which Customs clearance of goods on either side can be speeded up. This again will reduce the transaction costs. This is called a “Green Corridor” for goods moving between the two countries and that can reduce the transaction costs.

The third is something which is a little bit further down the line, but which the two countries are exploring very strongly, which is to have a corridor for trade, which is called a North South Corridor – from ports in India to ports in Iran, up by the overland route and then into Russia, either across the Caspian Sea or through Azerbaijan. Now, if you look at a map, this actually reduces the total length traversed by goods between India and Russia by half. If a container takes 45 days to go from a western Indian port to St Petersburg, it will take only 20 to 25 days through this route. It would also mean half the cost of freight. If this can be activated, this can be another huge boost to trade activity. We had recently an Indian company commissioned by our Ministry of Commerce and Industry, which recently did a dry run of this route with an empty container, physically taking it through customs of various countries on the route. It discovered that this link is very much viable. What we have to do now is to create the procedures for it between India, Iran, Azerbaijan and Russia. Then it can start. Of course we need to publicize it among the business communities of our countries.

If these three elements are put in place, they can have a huge impact on trade between the two countries.

As far as the Corridor is concerned, businessmen from Russia will try to use it. But much remains to be done. When can we expect that this route will be available for companies to use?

When you say much needs to be done, what really needs to be done is to generate a volume of business. Because this can be viable only if ships are assured of sufficient business to ply between Western India and Bandar Abbas. Transporters should have enough business to transport from Bandar Abbas to either a port on the Caspian Sea or the overland route to Azerbaijan and Russia. Business people therefore have to wake up and commit themselves to this route. It is basically a chicken and egg question. Until business is assured, transporters will not make the necessary arrangements and until the transport arrangements are made, businessmen will not commit their business. So somewhere, Governments will have to cut through this, and try to facilitate between business and transporters, such that the links can start. Otherwise there is nothing much to be done. On the ground the facilities exist, the customs of all three countries are willing to talk about it; so it is for the Governments to tie up these loose ends.

Being present at the Gujarat delegation, I realized that the Russian businessmen were very much curious to know about the Corridor and seemed eager to participate in it, but it seemed Indian businessmen were not prepared or aware of the Corridor!

Perhaps those delegates did not know the results of the study. because this study was very recently conducted. The people who did the study came and met me about a month ago. They briefed me about how viable the route is. The point is that we have to get corporate India acquainted with it. That is why I said that there is work for the Governments to do, to enthuse the business people to use this route; to facilitate transport infrastructure, to facilitate logistical infrastructure (like Customs).

As far Russian side is concerned, we know that the details of corridor were earlier discussed and some difficulties have been overcome; is now the time to overcome the different difficulties on the part of Iran and Azerbaijan?

From the dry run that was done, I was informed that there is already a route through Iran and Azerbaijan. Of course there is talk about an additional railway line in Iran and there is a little railway line section between Azerbaijan and Iran. These are additionalities that can further speed up trade; but even without these, there already exists a corridor.

5) Your Excellency, What is your opinion? Are the Indian companies ready to and interested in occupying the niches that will be opened for business due to sanctions imposed by the West against Russia? What are the most interesting areas for India in the Russian economy?

I have been asked this question many times and my answer has always been that when you look at India Russia economic opportunities, you do not have to look through the prism of other external relationships. We have enough opportunities, we have lots of prospects; we should focus on them. Indian businesses are happy to find new business opportunities in Russia; Indian businesses are very happy to invite Russian business to come to India.

I just told you about our PM's new initiative: Make in India. We have the manufacturing capacities, we have the technical manpower, to make either full assemblies or sub assemblies, or components, for products that are being made by Russian industry. And I am sure that if this collaboration takes place, it will make these Russian products also very competitive in India, in Russia and in fact in third countries. This is what we should be looking at.

What areas Indian Industries are interested in?

They are so wide, that I can keep on talking about it. Let me mention a few of them. Hydrocarbons is definitely one area of great interest for India. There is interest in Russia's resources in coal; there are already ongoing discussions about the

possibility of Indian companies investing in coal mining in Russia. As you know, Russia is the world's biggest exporter of rough diamonds, and India is the world's biggest importer of rough diamonds; and yet direct trade between Russia and India in this commodity is very limited; much of it comes through third countries. We are looking to see whether we can reorient this trade to make it direct. India is a huge fertilizer consumer; Russia is a huge fertilizer producer. Again, we are looking at long term arrangements, not only for buying fertilizers from Russia but also looking to see whether we can invest in fertilizer production in Russia. There is an entire range of materials, where we would like to benefit from Russian technologies; where we would like to invite Russian companies to either invest in India or enter into joint ventures for production in India. A whole range of engineering products, which I mentioned to you, that we can jointly produce either in India or in Russia. India is very strong in automotive components; actually we manufacture automobile components for major cars around the world. It is an area in which we can collaborate with Russia. Even in the defence industry: there is a lot of procurement that India does from Russia; we could manufacture some assemblies and sub-assemblies in India for some of the platforms and equipment that we get from Russia. The same in nuclear energy: our nuclear energy agreement provides for increasing indigenization of equipment for nuclear power plants being set up with Russian assistance. The opportunities are so great that I can keep on talking about them.

Coming back to the question of sanctions on Russia, what is your opinion about it?

I have answered this question earlier. We are not party to the sanctions, which is why we are continuing to look at both trade and investment opportunities for us in Russia and for Russia in India.

Thank you very much!