Perhaps the most potent indicator of the growing Indo-Soviet rapport was witnessed in the wide-scale Soviet commitment to India for its economic development. A brief resume of the increase in the volume of trade between the two countries would be in place. Within a period of two decades spanning from 1955 to 1974, the volume of trade between India and the Soviet Union had increased a hundred times, from 55 million to Rs.5,500 million in 1974, and with the upward trend continuing the total trade turnover crossed the Rs.700 million mark in 1975. The first official trade agreement was signed in 1953 and incidentally this five-year agreement was India's first long-term agreement with a foreign country. The provision for clearance in the Indian rupee and the self-balancing system imposing obligations on both parties to increase trade according to their mutual requirements contributed to the dynamic growth of Indo-Soviet trade.¹

From a modest start of Rs.13 million in 1953-54, the trade turnover went up to 431 million in 1958-59. The second trade agreement, also for five years was signed in 1958, and by the end of the period the turnover almost
trebled to reach ₹.1559 million. In 1963 the 3rd five year trade agreement was signed which was later extended upto 1970 by mutual agreement. By then, the trade between the two countries equalled ₹.3269 million. The fourth trade agreement signed in 1970, also for five years contained a new clause on possible joint undertakings in third countries, a search for a new way of industrial cooperation and the promotion of expansion of trade exchanges in old and new areas. The 15-year agreement concluded on the further development of economic and trade cooperation during Brezhnev's visit to India in 1973 gave a fresh impetus to Indo-Soviet trade. The volume of trade which stood at ₹.4,300 million in 1973 went upto ₹.6,500 million in 1974. It was proposed that the new five-year trade agreement for 1976-80 would provide for another 100 per cent increase by the end of the decade thereby realising the wishes of the leaders of the two countries Mrs. Gandhi and Leonid Brezhnev.

The advantages of Soviet trade lay in the fact that growing trade with the Soviet Union helped India to overcome the colonial pattern of its trade with the capitalist world, wherein India perforce had to accept whatever price was offered by them for raw materials and pay fantastic prices for finalised products. This far-reaching change in India's trade pattern which was
solely because of the emergence of the Soviet Union as a visible alternative to the capitalist market proved highly beneficial to India. Further the rupee trade had emerged as something more significant than a system of mere commodity exchange. It was vitally important to India particularly because of the foreign exchange difficulties. It also helped India to have a balanced trade with the Soviet Union.

Another important feature was the stable nature of the trade without any ups and downs. Guided by a planned economy the Soviet imports and exports did not suffer any fluctuations nor were they guided or subjected to the vagaries of economic depression which plagued the capitalist countries.

The increase in the volume of Indo-Soviet trade was accompanied by a considerable diversification of goods. Beginning with three or four items of export in 1953, India in 1976 exported over a hundred items. During the fifties India exported tea, coffee, jute manufactures, hides and skins, raw wool, wollen manufactures, spices, vegetable oil, cashew and shellac. But by 1976 the emphasis was more on manufactured or semi-manufactured goods like engineering goods, leather shoes, wollen knit wear, readymade garments, chemicals,
essential oils and paints and varnishes. This diversification was in addition to the conventional exports.  

Imports from the Soviet Union had also diversified. Earlier, they were limited to machinery and equipment. But in 1976, they included sophisticated electronic items, industrial raw materials and above all petroleum products. During 1971-75 shipment of petroleum products amounted to 3.6 million tons. In 1974 alone, the Soviet Union had supplied 1 million ton, an increase of 112 per cent, specially to meet India's urgent needs. India's import of industrial raw materials included such vitally important commodities as ferrous and non-ferrous metals, melted steel, newsprint, chemicals and asbestos. During 1971-75, India received 1 million tonne of fertilisers (more than 30 per cent compared with the previous five-year period), 68,000 tons of zinc (55% more), 240,000 tons of steel products (50% more), 86,000 tons of sulphur (9 times more) and 140,000 tons of asbestos (3 times more). In 1976, the Soviet Union was the biggest trade partner of India in the socialist world and was among the top four in the world and India ranked the second biggest partner of the Soviet Union among the developing countries. In the backdrop of the report of Brezhnev to the 25th CPSU Congress reiterating the line of close economic cooperation with India, it
could be said with confidence that the relations between the two countries in economics, trade and other fields would strengthen further. The Soviet trade teams together with their Indian counterparts in 1976 explored new avenues of trade expansion one of them being production sharing. If implemented it implied a further qualitative improvement and deepening of the economic cooperation. The Economic Times observed, taking this impressive figure of trade transactions between the two countries, it would be worthwhile to mention that Indo-Soviet economic and trade relations were directly linked with the alround development programme of this country.

In the aftermath of the Bangladesh War of 1971, the Planning Minister and former Indian Ambassador to Moscow D.P. Dhar in 1972 picked up the thread from where Mrs. Gandhi had left in September 1971 during her visit to Moscow. Dhar met Skachkov, Chairman of the State Committee for External Economic Relations and Baibakov, Chairman of the State Planning Committee on economic matters. The major accomplishment of this visit was the signing of an agreement formally establishing an Inter-Governmental Soviet-Indian Commission on Economic, Scientific and Technical Cooperation. The basic purpose of this Commission which was to meet annually was to work out means for further expansion of Indo-Soviet cooperation. It was stipulated that in these joint
production projects, the Soviets would export raw materials which would be converted to finished goods and reexported for the Soviet market. There was also a Soviet agreement on extending technical cooperation for the development of Indian metallurgical industries, petroleum refining, fertiliser output, electronic industries and atomic and space research. Dhar's initiative resulted in the Indo-Soviet Commission meeting in New Delhi in February 1973 which led to the signing of a protocol covering numerous areas of Soviet economic and technical assistance and Indo-Soviet cooperation. In addition to the complex joint projects and plans for diverting of the two countries' five-year plans, the most significant aspect of the new step in economic collaboration was the agreement for USSR assistance to India's fifth-five-year plan, which was set to begin in 1974. The Soviets agreed to aid India in a variety of areas including steel, non-ferrous metals, oil refining and exploration, chemicals, power generation, shipping and transport and electronics.

It was in the specific context of economic cooperation that the Brezhnev visit of December 1973 assumed considerable significance. Despite Indian efforts by 1973, for diversifying its trade and irrespective of the emerging trade prospects with the
West, the Brezhnev visit gave sufficient indications of continued Soviet economic ties with India. Indeed, the main thrust of the Brezhnev visit was more economic than political, though of course, Asian collective security, was discussed at some length with the Indian leaders. Brezhnev's speech on the occasion of the Indo-Soviet friendship rally at the Red Fort, New Delhi elaborately dwelt on the future prospects of promoting Indo-Soviet economic cooperation and he observed that it was gratifying 'to note that not only political, but also economic relations between India and the USSR are being considered'. The Soviet Commentators reviewing the prospects of the Brezhnev visit remarked 'India will be guaranteed against all kinds of contingencies in the development of its industry'. Brezhnev asserted that the real test of the friendship between the Soviet Union and India lay in forging in the specific joint endeavour production projects which had been finalised earlier but had not been put into operation, due to the intervening crisis in the subcontinent. In accordance with the Soviet strategy of setting up projects designed to take advantage of the labour costs in the third world, Brezhnev emphasized upon making vigorous use of the benefits of 'equal' and mutually advantageous trade'. The idea of setting up mutually advantageous cooperation between the Soviet Union and India was
initiated by Brezhnev through 'cooperation' that would be based on, 'joint operations and division of labour between our countries on the reciprocal supplementing of our economic potentials'.

It would not be out of place, however, to bear in mind that Soviet overtures to India in the economic field were made keeping in view the essential Soviet interests of expanding its own economic base. In this context Brezhnev's visit to India was of immense consequence for the future of the Soviet economy itself, since the visit came about in the immediate aftermath of the failure of the call for East-West cooperation in the vast joint projects covering time-spans of 30-50 years which Brezhnev and leading Soviet officials had been making upto late summer of 1973. The impetus for the campaign, keeping in line with Brezhnev's new foreign policy initiatives, was essentially aimed at striving for expansion of economic and technological cooperation with the West. It was necessitated by the acute need to obtain credit, equipment and assistance in technical innovation so as to secure on a long-term basis, economic growth not only for the Soviet Union but also of the other Comecon countries as envisaged by the Comecon complex programme drafted in 1969 and adopted in 1971. It was probably hoped that a broadly based
cooperation with the West would help in speeding up the expansion of the consumer goods industry and increase the standard of living in the Soviet Union. Thus, as a result of the spirit of detente that prevailed during a greater part of the seventies and perhaps also encouraged by Nixon's three stage formula—confrontation, negotiation and cooperation—Brezhnev first adopted a conciliatory attitude towards efforts by influential members of the American Congress to link granting of most-favoured nation status to the USSR within the framework of the proposed 1974 Foreign Trade Act, to demands for easier emigration for Soviet Jews and Soviet dissidents. Consequent upon the blocking of the 1972 Soviet-American trade agreement by the American Congress, Brezhnev rejected the idea of linking the most favoured nation status with the emigration of Jews and Russian dissidents which inevitably led to the collapse of the attempts being made for a rapid expansion Soviet-American Commercial relations. When this broadly-conceived economic and technological cooperation with the U.S., which Brezhnev had been striving for and which had already been agreed to by the Nixon administration, was blocked by the Congress, Brezhnev had to look out for areas where joint economic projects could be initiated. The Soviet economy had to be compensated for the severe damage inflicted on numerous large scale
Soviet-American projects, some of them already in fairly advanced stages of completion. Though nothing could have compensated the loss of American partnership, yet the damage had to be limited by looking out for areas where joint production projects could be initiated. Nevertheless, inherent in this initial Soviet desire for cultivating joint economic ventures with the USA, was its tacit acceptance of the expanding capacity of the American economy. Thus, the Soviet economy showing no great signs of elasticity and being confined to trade primarily with Comecon countries, it was imperative for Moscow to venture into areas where there was a probability of Soviet economy generating a degree of expansion and elasticity. No other third world country, other than India with its expanding public sector and massive population seemed more suitable to the Soviet Union.

Encouraged by the Soviet-Indian trade turnover during the past ten years which had increased four-fold, Soviet, economic prospects in India seemed bright. The USSR had become not only one of India's main trade partners, but India too held a vital place in the Soviet Union's foreign trade programmes. In that context the production collaboration agreements signed between India and the Soviet Union in 1973 were significant, for while
the Soviet Union was to export raw materials to India and the finalised products were to be marketed in the Soviet Union. For example, it was stipulated that Soviet cotton were to be converted into sewing threads and textiles, wool was to be turned into knitwear and steel was to be manufactured into cutlery, nuts and bolts and were to be exported to the Soviet Union. Hence, Brezhnev asserted that 'more than half of what the Soviet Union buys in India now is made up of products of your young industry.' While these projects were of obvious benefit to the USSR, they were welcomed in India too for their capacity to provide Indians with job in India's underutilised industrial plants. Bhilai and Bokaro continued to be the pet Soviet projects in India and Brezhnev with pride declared that the day was not far off when the largest metallurgical giant in South-East Asia - the plant in Bokaro - would begin to operate at full capacity'. It was estimated that the 7,000,000 tons and 10,000,000 tons of steel to be produced annually would solve the problem of supplying the metal to the new construction projects and plants in India 'and would serve as a foundation for higher tempos in the country's industrialisation. To alleviate India's energy problems which had been acute as a result of the oil crisis, the Soviet Union had been assisting India's specialists in discovering petroleum in the
State of Gujarat and over 3,000,000 tons of that valuable product was being extracted there. The major new petroleum refining combine that was being built in Mathura was also to a large degree a result of the joint efforts by India and the Soviet Union. Besides, in 1973, the Soviets signed a protocol providing for intensive oil drilling operations and rapid development of known oilfields and the maximum utilisation of the production wells. The coal industry in India, though nationalised, had been weak and it needed Soviet assistance to be revitalised. Hence a protocol was signed on December 27, 1973 providing for Soviet assistance for the development of those open cast mines. The Soviet Union apparently made a bold effort to bolster India's energy needs.

A notable change in the character of Soviet economic assistance to India was its announcement of substantial credits for India's fifth five-year plan without earmarking these funds for specific projects as in the past. Moscow's flexibility was evidently aimed at ensuring that Soviet aided projects to be operating at maximum efficiency. In accordance with the signed protocol, the Soviet Union provided technical assistance in the construction of India's first subway in Calcutta.
In its desire for upgrading economic collaboration with India, the Soviet Union in the fifteen year pact on trade and economic cooperation, signed in December 1973, called for improvement in the terms of credit and methods of account, which meant a longer grace and repayment periods on credits. A separate agreement signed during the Brezhnev visit established a study group consisting of members of the Soviet Gosplan and Indian Planning Commission, working jointly to eliminate supply bottle-necks and coordinate economic collaboration more effectively. The study group was also mandated to facilitate the transfer of knowledge in economic forecasting and planning methodology. With an intention of restricting India's technological dependence on the industrialised capitalist states, the Soviet Union encouraged India to develop its indigenous design facility of heavy industrial complexes like the one at Ranchi.

It was estimated that if the joint production programme and other Soviet aided economic programmes operated on schedule, the proposed target of a 50 to 100 per cent increase in Indo-Soviet trade by 1980, envisaged during the Brezhnev visit would have been achievable. It also seemed probable that if the 1973-74 trend continued the Soviet Union could well have
replaced the United States as India's biggest trade partner, since, largely as a result of Soviet efforts to fill the gap left by the abrupt U.S. cessation of deliveries of non-ferrous metals, newsprint, rolled steel and fertilisers, following the December 1971 War, Indo-Soviet trade had expanded by more than 20% in 1972 to 451 million roubles. In continuation with the spirit of December 1973, the Soviet Union rendered all possible help to India to cope with her energy crisis by taking recourse to various measures in 1974. These measures included the development of new resources of coal, construction of a plant for iron and steel equipment in Durgapur, expansion of the coking plant in Ramgarh (Bihar), construction of a power plant of 200 MW capacity in Hardwar and finally the delivery of tankers. In addition an agreement on the delivery of Soviet machine tools was signed on 23rd September 1974.

Indeed, Soviet-Indian commercial ties had grown sharply by 1974. The volume of trade in 1973 had jumped to 588,000,000 roubles exceeding the 1972 indices by more than 100,000,000 roubles. In 1974, the Soviet Union was first in exports to India and second in imports from India and India was one of the USSR's main trading partners among the developing countries. It was also noteworthy that the content of trade was also changing considerably by 1974, for, more than half of India's exports to the Soviet Union were the products of India's 'fledgling industry'. 
But just as surface appearances reveal only surface truths, Indo-Soviet trade remained more promising in prospects than in actual practice. In other words, Indo-Soviet trade could not overcome the bottlenecks inherent in 'managed trade'. Despite intentions on both sides to evolve a more vibrant economic relationship, as had been outlined by the Brezhnev visit in 1973, the relations in the practical field failed to pick up momentum. A trade protocol was actually negotiated in January 1974 by a 12 member Soviet delegation visiting New Delhi under I.T. Grishin, the Deputy Minister for Foreign Trade, and the Soviets expressed their willingness to aid India in three crucial areas of need in the Indian economy through increased exports of Kerosene, fertilizers and newsprint. But it was soon realised that the increase in trade also implied a substantial rise in prices too. Thus despite the boost in Indo-Soviet trade since the war of 1971, Indian economists felt the need for a diversification of trade since it was well foreseen that the possibilities for a continued growth in Indo-Soviet trade was extremely limited. While on the surface it appeared that Indo-Soviet trade was guaranteed through the joint production collaboration ventures, yet a detailed probing revealed the discrepancy between Indian exports over imports. For example, India exported 312.5 million roubles worth of goods to the USSR in 1972 and received only 138.5 million roubles worth of Soviet imports. Besides, the Soviets had not also imported
proportionately as many Indian manufactured products as were intended. 22 By far the greatest difficulty with Soviet trade was that the USSR itself experienced a shortage of those very items of which India was in critical need, like non-ferrous metals, steel alloys, newsprint and fertilisers. From the Soviet viewpoint it was but logical to charge higher prices from India since it was in critical need of these products, and the Soviet Union was the only country which was making an effort to meet India's needs. As far Kerosene, the prices quoted were double of what had been charged for 1973. In addition, 'Soviet prices of commodities which have a ready market in hard currency areas are invariably higher than prevailing world prices. 23 A Reserve Bank of India report questioned the advisability of continuing trade with East European countries and asserted that India had often had to pay higher import prices and had received lower export prices. It also criticised the prevalence of 'Switch Trading' whereby the East European countries reexported Indian goods to hard-currency areas. 24 Thus Asha Datar's endorsement of the hypothesis that the Soviet Union and East European countries could provide only certain types of equipments was supported by the fact that if there were fertiliser equipment to spare in the USSR, it would have been offered on credit terms to break the monopoly of private firms in a politically sensitive industry. 25 The Soviet shortage of this vital Indian need made India look out for different avenues. Though the
Soviet Union made a great effort to shore up India's requirement of fertilisers as exemplified by the 80 million deal for 325,000 tons of Soviet fertiliser - the largest single fertiliser contract ever signed by the Indian government - it nevertheless confirmed the hypothesis that it took a long time for the Soviet Union to earmark a credit for a project. 26

Another major disadvantage with Soviet trade was the lack of experience of the socialist countries in planning for a mixed economy. In a centrally planned economy, as in the Soviet Union domestic buyers had no choice because all the production was centrally planned. But in a mixed economy such as India the buyers had the option of turning to alternative sources of supply within the country or import the goods. The basic defect of the Soviet Union in planning many of the joint Indo-Soviet enterprises was that it had not taken into account the preferences of customers in India and it was not obligatory on the part of the India buyers to buy products manufactured through Soviet aid. 27 It was further, pointed out that very few of the enterprises implemented in collaboration with the Soviet Union were complete and the need to tackle the problem of marketing was already apparent. Most of these projects were suffering from an under-utilisation of capacity for a variety of reasons including bad planning on the part of the Indian authorities. An example of the problem of marketing in
Soviet aided projects was reflected in the United State's refusal to buy equipment from the heavy machine building plant at Ranchi and India had to be satisfied with only exporting to the USSR.\

It was argued that in the past the Soviets had also supplied essential machinery and equipment for various industries. But the main difficulty in expanding trade between the two countries was the lack of coordination between the partner countries. Unless a developing country like India was prepared to coordinate its production and trade plans with the centrally planned economies there were bound to be difficulties in funding the imports needed. The biggest problem for a developing country therefore was how to combine the advantages of assured sources of supply and tied markets without creating excessive dependence on them.

In her doctoral dissertation Asha Datar asserted that tying credits to imports very often resulted in an underutilisation of local skills, because 'donors often insist on using their own technicians to design a project.' Though Soviet contractors were generally willing to use local talents due to the easy availability of cheap labour, yet in specific cases like Bokaro the Soviet Union insisted on doing everything by themselves. In this context, therefore, popularisation of the idea of expansion of Indo-
Soviet trade after December 1971 was criticised by the West, and the criticism seemed pertinent. It was maintained that the expansion represented not merely an effort to further synthesise their economic relations, but inherent in these Soviet overtures were the latent Soviet intention of drawing India into the 'international socialist division of labour between socialist and developing countries', advanced by the Soviet economists. Though the Indo-USSR trade agreement in the Seventies undertook the diversification of both exports and imports, it was nevertheless recalled that under the previous treaty of 1965 too, the USSR agreed to export products of Soviet aided raw materials and to import Indian manufactured goods. Even quantitative targets had been agreed upon, but in practice the commodity composition of trade did not change as rapidly as was expected. Perhaps the greatest indictment of Soviet trade were the repeated accusations that Soviets charged higher prices for its exports and lower prices for India's.

For India, however, the prime motivating factor in receiving Soviet aid had been Soviet credits for building up heavy industry in the public sector when other donors were reluctant to do so. This helped India break the monopoly of the private sector. Besides, and that was significant, because of cold war rivalries, other donors responded to the USSR's aid programme by increasing the amounts of aid, softening the terms of loans and broadening the end use of
credits. But, while Soviet aid strengthened India's bargaining position vis-a-vis other aid givers and helped India to break the monopoly of foreign firms, it had not helped much in reducing India's dependence on other sources of finance and other markets. While the rate of growth of trade with the Soviet Union had been high indeed, India still relied mainly on other countries for both exports and imports and all available trends indicated that it would continue to do so. Thus, it was not out of place when many in India resisted to a considerable degree the idea of developing an exclusive economic relationship with the Soviet Union. For example, officials in the Ministry of Heavy Industry, adhering to the government goal of Indian economic self-sufficiency refused to buy Indian thermal power equipment from the Soviet Union which would have delivered them in two years and instead placed orders with the State sector heavy machine building plant even though delivery would have taken at least 36 months.32

It was evident, therefore, that even if there had been a smooth economic collaboration between India and the Soviet Union, it was never likely that India would have eventually become an economic surrogate of the Soviet bloc. India's industry, depending heavily upon the deliveries of advanced technology and highly sophisticated complex equipment, apart from her endemic needs for grain imports, made India's search for Western markets inevitable.
Brezhnev's promise for adjusting the USSR's long range plans to provide for Indo-Soviet economic collaboration notwithstanding, it was apparent that while close economic links with Moscow could enhance the long term stability of Indo-Soviet relations it could by no means be assured that Soviet influence over Indian political and economic system could have a profound influence. In other words, India was not likely to be significantly pressured by attempts of 'rouble diplomacy'.

The legacy of three military engagements within a decade and particularly the Bangladesh war weighed heavily upon the Indian economy and left their indelible impressions. No sooner had the euphoria of Mrs. Gandhi's victory in the war and her overwhelming success in the 1972 Assembly elections, settled down, she had to battle the baffling problem of an economy that showed no signs of resuscitation. The trails and travails of a two-front war coupled with the burden of refugees was proving to be insurmountable particularly when the economy in the past decade had shown no growth or elasticity. Mrs. Gandhi's problems were compounded by a running inflation, spiralling prices, massive urban and rural unemployment, widespread corruption, bureaucratic lethargy and incompetence. The successive failure of monsoon in 1973 and the virtual exhaustion of government granaries, which in any case had been all but emptied to feed the ten million refugees from
Bangladesh, made a mockery of not only the Green Revolution India boasted to have achieved but also of Mrs. Gandhi's radical and populist rhetoric of 'garibi hatao'. Ensuring economic growth with social justice sounded an empty boast. The scarcity of fertilisers and electric power greatly impeded India's efforts at attaining agricultural self-sufficiency. Climaxing it all was the sudden quadrupling of petroleum prices which created in official admission the worst economic crisis since independence.\textsuperscript{36} India found itself relegated to the 'Fourth World' - the untouchables of an international caste system contrived on the basis of affluence and oil.\textsuperscript{37} In the circumstances, therefore, apart from India's security gap widening, its dependence on external powers for its economic sustenance increased. Even while praising Soviet economic assistance to India - 'Economic relations with the Soviet Union are easier for us since we pay them through the export of commodities and this mode of payment makes the Soviet credits self-liquidating',\textsuperscript{38} Mrs. Gandhi made great efforts to diversify India's economic requirements, even at the risk of being criticised to be pursuing contradictory goals. But, India's economic weakness and her desire for development were sufficient incentives that compelled her to continue to seek assistance from both the Soviet Union and the United States. The economic crisis and the consequent need for foreign aid, especially a stand-by credit from the IMF, required the abandonment of radical policies and reversion to economic
liberalisation and concession to foreign investors. As if to demonstrate India's non-aligned credentials, Mrs. Gandhi sought aid from the United States as she had been seeking from the Soviet Union. Even while professing socialism she slowly but steadily moved away from some of the policies adopted by her predecessors. Thus, while during the early part of her regime the public sector continued to grow, in the later period she liberalised the economy and gave a considerable free hand to the private sector. Populist programmes and policies were replaced by pragmatism. Yet, however, she could not see through her programme easily as she was under tremendous pressure from the communists as well as the leftists within her party, who protested against this retreat from socialism. As a dole to the radicals, in one of her last acts in the series of nationalisations and wholesale takeovers in trade, she consented to the imposition of ceilings on urban land ownership. By August 1973, it was apparent that Indian economy was in the doldrums and given India's precarious condition, Brezhnev's visit to India in December, 1973 assumed considerable significance. But the Soviet economic aid not being enough to revitalise the sagging economic situation, India made a fervent appeal to the World Bank and the IMF for emergency help. Its availability depended upon conditions imposed by the world body. Though it implied an obvious backtracking on the economic strategy pursued since 1971, Mrs. Gandhi
accepted reality and even knowing that her policy would be 'politically unpopular' commented. 'What is required to be done must be done'. The thrust of the budget of 1974 was essentially on liberalisation.

The change in Indian economic priorities in 1974 though subtle, were definite and had not been missed by the Soviet Union. For all the assurances of an 'unshakable' friendship between the two countries attested to during the September 1974 visit to Moscow by the Indian Foreign Minister Swaran Singh, the Soviet Union could hardly afford to overlook India's new found liberalising tendencies. Already the strains were apparent when Moscow indicated its reluctance to buttress India's request for Soviet financial aid in order to meet the targets of the Fifth Five-Year Plan (1974-78). Negotiations on this topic had to be postponed from March to September 1974. India's request for an emergency loan of 4 million tons of wheat was turned down twice because the USSR itself had to cope with shortages of supply and this caused considerable hard feelings in India. The staggering increase of oil prices by 1974 put India in an extremely difficult position. By the end of 1974 about 70 per cent of India's oil needs were met by imports which meant a tremendous drain on the country's foreign exchange reserves. India's request for crude oil during Brezhnev's visit had been turned down and the request
was again made during Grishin's visit, but with the same result. Friction also resulted from India's lack of foreign currency resources and mutual complaints about delays in agreed deliveries. The Soviets however, consented to supply finished petroleum products such as Kerosene and fertilisers and agreed to collaborate with India in oil exploration and production.

Nevertheless, there was a certain stagnation if not cooling of relations between the Soviet Union and India in the period under review and it was evident in particular in the sphere of credit relations. A potential increase in Soviet capital aid and more particularly improvement of credit terms for India had been on the agenda in Moscow as early as June 1974 during the one week visit by the Indian Finance Minister Chavan. His Soviet counterpart Garbuzov agreed to consider the 'points raised which were thought important' and also promised that 'they (would) be taken into account in formulating a position on this question.' But at the same time, it seems he advised Chavan to address himself to Comecon's International Bank for, following Chavan's visit his State Secretary Kaul began negotiations with the representatives of the Bank. These negotiations, however, failed to provide any concrete results. According to an Indian source the Comecon representatives stated that they were indeed very much in favour of extending credit for
the realisation of projects in India. But what they had in mind above all were projects in those areas of production useful to the Comecon countries themselves. It was for ventures of this kind that they were prepared to grant credit at favourable terms. Yet, however, the USSR still remained India's most important trading partner, the total volume of trade poised for an increase from 2.3 billion in 1973 to 6.5 billion rupees in 1974.

Though differences between Indian and Soviet perceptions had always existed, they became too apparent by March 1975. They were rooted in the decision by the Indian Government in December 1971 to float the rupee in conjunction with the pound sterling, thereby no longer maintaining a link with the gold standard. But what seems to have influenced the Soviet mind to adopt a hard stance vis-a-vis India were that, due to sharp increases in prices for raw materials and energy resources on world markets, the Soviets were in a position to obtain higher returns for their own exports than originally estimated. Consequently, Soviet leaders' 'self confidence in dealing with 'Capitalist' trading partners increased and they were less ready to make concessions. In other words, when the Soviet Union was in a position to obtain hard currency for its exports, it saw little benefit providing loans to India at concessionary rates. More important however, for the Soviet Union was
that despite its lenient economic aid, India was reluctant to support the Soviet concept of an Asian collective security system.

Thus, the simmering discontent between India and the Soviet Union over the rupee-rouble exchange rate manifested in the open during the early part of 1975. The timing of the expression of discontent was significant in the sense that India in its effort to liberalise its economy was no more inclined to take a liberal view of Soviet sponsored exchange rates than the Soviet Union which by no means could approve of India's liberalising process. In any case, the Soviet Union stuck to its reputation of being tough bargaining partners in economic dealings. Talks on the massive devaluation of the rupee vis-a-vis the rouble by Russia by 27.8% since the Smithsonian agreement on floating rates had been reached in 1971, and its impact on repayment of credits to the Soviet Union began in March 1976. The matter was important since the rupee-rouble rate had been constantly revised unilaterally by the State Bank of Russia since 1971 and particularly since October 1974 when the change was being made monthly. During the later part of 1974 Russia had depreciated the value of the rupee by 6%. Under this unilateral revision the revaluation of the rouble worked out to a colossal 38.5% since December 1971, and if applied to repayment of Soviet credit, the additional burden to India of this could have been several hundred crores of
rupees. The Finance Ministry claimed that it did not know the reasons for the changes made by the Russians, but it was obvious that this was because the rupee was linked to the £ which had been floating downwards since 1971. It was calculated that the weighted depreciation of the £ and hence the rupee since the Smithsonian agreement to date was 21.3% as against the Russian calculation of 27.8%. That made the matter more serious since the Russians through their own calculations fixed the rouble rate at Rs.100 - Roubles 8.66 in March 1975. That compared to the rate of Rs.100 - Roubles 12 when the Smithsonian agreement was signed in 1971. By Russian calculation the rupee had depreciated by 27.8% since then and the rouble had risen in value by 38.5% in relation to the rupee. The Russians apparently attached different weightages to the changes in values of various currencies. The weighted depreciation of 21.3% of the £ in the first three years was on the basis of the calculations done by the British authorities and which were followed by India because of the Rupee's link with the £. During the talks with the Russians in March 1975 an attempt was made by India to find the basis of their calculations. According to the broad information given by the State Bank of Russia, the rate of exchange by it from time to time was based on the de facto value of the rupee in relation to the rouble as arrived at by the Russian Bank by averaging the cross rates of major currencies in the international market with the rupee. Beyond this no reason was given. The talks were
conducted between the delegations led by I.A. Balagourev, Dy. Chairman of the Board of the Russian State Bank and M.G. Kaul, Secretary to the Economic Affairs Department in the Finance Ministry. The conclusions reached were bound to have serious implications since the Russians were reported to have sought repayment of outstanding credit at the new rate announced by them. Some estimates were that because of the high amounts due on capital and defence accounts, India would be liable to pay as much as Rs. 400 crores more than it thought.44

The Finance Ministry, however maintained that the exchange rates of the Rupee with the Eastern European countries and with Russia was determined with reference to the gold content of the respective currencies. It stated further that the rate of exchange between the rupee and the currencies of the socialist countries had been prescribed in the trade and payments agreements which had been concluded with them from time to time. But this was disputed by the Russians who had their own ways of calculating the rupee's external value, especially in relation to the rouble since the rupee was delinked from gold and linked with the £ in 1972. The implication was that the rouble stood massively revalued and the Russian's claim for additional payment was based on that.
In 1966 when the rupee was devalued, payments of credits to the Soviet Union were automatically revalued at 57.5%. Obviously Moscow wanted this precedent followed although the method of doing so had to be worked out since the £ and the rupee had depreciated in value slowly over the period 1972-74. The Indian case was that the exchange rates had been prescribed in all trade and payments agreements concluded with Russia and East European countries and hence such a revaluation was not called for from the Russian point of view, however, it seemed that the Russians probably would not have taken up the matter if it related only to 'non-commercial' transactions since these did not amount to much. But outstanding credit was a different matter since the amount was substantial. In other words, it was explained by the Soviet Union that the revaluation of the rouble or the devaluation of the rupee related only to non-commercial transactions with the Soviet Union. Hence neither would it have affected the Indian economy nor the Soviet aid to various projects in India.\textsuperscript{45}

India, however, refused to accept the Soviet contention that the changed parity rates would affect only the non-commercial purposes. Since the basis of exchange rates had already been agreed upon, the changes made by the Soviet bank were unwarranted according to the Indian stand. The crux of the matter was that while the gold content of
the rupee was defined clearly, the content of the currencies of the Soviet bloc were prescribed unilaterally by them. The rate had been fixed at the time of signing the trade agreements.

The Indian view was based on the fact that the unilateral step of the Soviet Union could affect Indo-Soviet transactions that did not fall within the framework of the rupee trade and payments agreements. Moreover, the rupee was not convertible and therefore the value of the rupee should not have affected Indo-Soviet balance of payments. Thus the attempt to make India pay more in rupee terms on the ground that the rupee had flattened down with sterling evoked a sharp reaction in India. India contended that the float had always been taken into account while determining prices of goods sold to and bought from the Soviet Union and a fresh adjustment along the lines sought by Moscow amounted to double payment. India maintained that the rouble was not a convertible currency and that consequently, the Soviet Union could not legitimately apply a 'hard' exchange rate to other 'soft' currency countries.46

The basic problem the two countries had to grapple was that there was no basis for a reasoned settlement. The differences in perception lay in the very nature of the two currencies. The rupee was pegged to the pound sterling and therefore found its worth under pressures of the
international market. The rouble on the other hand was totally isolated from the international market as a result of which its value could not be tested against any independent yardstick. To find a basis for relating the two currencies when the international monetary system did not recognise gold as a basis was indeed a difficult proposition. The Soviet position was that the value of the rupee had since December 1971 depreciated about 28% in terms of the official price of gold of $42 an ounce, the rouble on the other hand had stayed at its old level of a rouble equal to almost one gramme of gold. India refused to accept the Soviet contention.

Apparently, the Soviet Union attached a great importance to the ongoing controversy. The Soviet delegation came to India for three days but it stayed for three weeks and could have stayed further if there were any signs of arriving at a settlement. India too appeared to be worried that Moscow might adhere firmly to its hard line on the problem of credit exchange rates. The Indian side tried to use the negotiations to change the Soviet Union's mind so that it could be made to agree to a programme of rearrangement of debts. But India's internal political and economic situation prevented India from detaching itself from Soviet economic aid and Soviet aided trade and commerce. The controversy of 1975 was deferred to a later date.
Despite differences, one of the crucial factors that stimulated India to continue with its Soviet connection was the sustained endeavour by both India and the Soviet Union to enhance the area of expanded economic cooperation. But the prime motivating factor behind the Soviet economic aid to India during the period of emergency (1975-77) was largely influenced by India's keen desire to normalise relations with China. It could be by no means gratifying to the Soviets to witness India's changing relationship with China and thus to stem the slide, Moscow, though not spontaneously, came in to provide further economic incentives and aid to India. In April 1976 the third session of the Intergovernmental Soviet-Indian commission was held in Moscow and further progress was apparently made on a number of projects. It broke new ground in such areas as joint ventures and cooperation in production and other concrete proposals in that area were also examined. Shortly after that the Soviet Deputy Premier Arkhipov visited India leading a Soviet delegation for the formal opening of a hotrolling mill at the Soviet assisted Bokaro Steel Mill. Mrs. Gandhi was present on the occasion and the Soviets heaped lavish praises on her while commenting on the significance of the Indo-Soviet friendship and the role of Soviet cooperation in India's economic development. Indeed, the Soviet behaviour was more of a supplicant out to woo India away from the Chinese mirage, than that of a big
power economic benefactor. The signing of a long-term trade agreement for 1976-80 in New Delhi in mid-April seemed to lack the earlier enthusiasm witnessed normally during such events. If Indian press reports were any indication surely the bland statements made during the occasion conveyed it all. It was reported merely that the talks had begun in 1974, that there had been two rounds of talks in 1975 and a Soviet trade delegation had worked on it in January and February 1976. It was but evident that India's efforts to normalise relations with China had spurred the Soviets to action leading to the signing of the accord with India in 1976. Thus, India's economic relations with the Soviet Union underwent a crucial change in the early phase of 1976, not only in terms of quantity and the range of trading but also in the pattern of cooperation. The protocol eventually signed by the two countries in Moscow following Mr. Haksar's visit envisaged the construction of new enterprises in India with Soviet assistance which was to be repaid with part of the output in the form of exports. That meant a dovetailing of certain sectors of the two economies for meeting the Soviet Union's demand for more and better consumer goods for raising the standard of living for its people and for quality producer goods which could help its industries. It was in this larger context that the new trade agreement had been negotiated for the period 1976-80. According to the Indian Commerce Minister Prof. D.P. Chattopadhyaya the Indo-
Soviet trade agreement for 1976-80 would reflect certain structural changes to provide a powerful stimulus to growth of two-way trade.\(^{50}\) He referred in this context to the report of the Soviet Prime Minister, Kosygin to the 25th Congress of the CPSU and said that strong emphasis was laid by the Soviet leadership on expanding economic and trade relations with the developing countries on democratic and just principles with a view to strengthening the economic independence of such countries.\(^{51}\) Prof. Chattopadhyaya expressed India's appreciation of the decision of the Soviet leadership to accept the proposal that the 2 million ton Soviet wheat loan be repaid through export of Indian goods and commodities, thus allowing India to build up its wheat reserves. This represented a significant Soviet concession.

The five-year (1976-80) trade agreement between India and the USSR was signed in Moscow by N.S. Patolichev, Soviet Minister of Foreign Trade and Mr. D.P. Chattopadhyaya on behalf of their respective countries. In terms of the agreement the turnover at constant price levels in 1980 was expected to be of Rs.935 crores and during 1976-80 period of the order of Rs.4346 crores. However, in industrial exports to third countries, the total turnover in 1980 would exceed Rs.1000 crores at constant prices with India's exports touching Rs.800 crores. Under the agreement the USSR agreed to supply India oil drilling construction and earthmoving
equipment, kerosene and diesel oil, fertilisers and various non-ferrous metals components and equipment required by projects set up with Soviet assistance. It would also continue to supply fertilisers, asbestos, sulphur and newsprint. These were important inputs for the Indian economy. The USSR would receive from India in exchange a number of non-traditional and promotional goods in engineering and chemical fields, like storage batteries, garage equipments, aluminium power cables, electronic instruments and commodities including software, pharmaceuticals, medicines, besides the traditional goods like tea, coffee, spices, oil cakes, leather shoes and jute goods. The Soviet Union also agreed to import new items like pig iron, freight containers, dry core telecommunication cables, alluminium foils and wood veneers.

An important and connected development was the signing of the agreement on the repayment of wheat loan that the USSR had extended India in 1973. In keeping with the friendly relations that existed between the two countries, the USSR agreed to the proposal made by India that the repayment of loan could be effected through export from India of goods and commodities, like mechanics of which had been finalised and built into the Trade Plan for 1976-80.

The new trade agreement which was provisionally finalised and initiated at the official level in February
1976 was operative from 1976. The existing pattern of rupee trading through single clearing account system between the two countries was to continue for another period of five years according to the agreement. The agreement indeed was a demonstration of the Soviet will to sustain the tempo that had picked up in Indo-Soviet relations. To dispel allegations that Indo-Soviet trade were showing signs of stagnation, Moscow sought to illustrate the continuous expansion of Soviet trade with India, by this agreement. But facts, however, revealed that these allegations were not altogether unfounded. In 1955-56 India's imports from the Soviet Union represented less than 1 % of India's total imports. In 1974-75, the figure was almost 9 % India's exports to the Soviet Union in 1955-56 represented just over 0.5 % of India's exports while for 1974-75 the figure was more than 12 per cent. However, Indian exports to the Soviet Union had already peaked in 1972-73 at 15.5 %. While Indo-Soviet trade increased in absolute terms almost every year partly due to rising prices, Moscow's percentage share of India's trade declined. The Soviet share of India's imports dropped to around 6 per cent in 1975-76 and 1976-77 and its share of India's exports plummeted to 10.3 % and the to 8.6 % for those years. From being India's number-one export market in 1974-75, the Soviet Union slipped to the fourth place by 1976-77, behind the United States, United Kingdom and Japan. In imports the Soviet Union ranked
fourth behind the United States. United Kingdom and Iran and was also being pressed hard by West Germany and Japan. Moscow's 10 plus percent share of India's total trade was good for second place in 1974-75, in 1975-76, however, that share was less than 8 per cent and the Soviets had dropped to third and by 1976-77, the figures were 7 per cent and a fourth place ranking.54

Nevertheless, Soviet-Indian trade had been and remained significant throughout the seventies. After all, growth in India's trade with the Soviet Union from the 1950s until the mid 1960s was the largest of India's trade with any country. The Soviets had provided new and assured markets for Indian goods that might not have been otherwise competitive on world markets. Soviet trade helped India in saving valuable foreign exchange by repaying aid programmes through increased exports. Trade with Soviet Union had allowed India to reduce its economic dependence on the West. But the continuing disagreement over the rupee-rouble ratio as well as Moscow's ongoing reluctance to shift to programme assistance, such as raw materials and components designed by India did not augur well for the future of Indo-Soviet trade.

Nevertheless, an effort was again made to arrive at an agreement on the future rupee-rouble exchange rate in June 1976 by Indian and Soviet experts. Differences on the
issue had been narrowed down considerably, especially as a result of the discussions held in Moscow in May-June 1976, on the eve of Mrs. Gandhi's visit to the Soviet Union.

The meeting ground had been provided by the fact that the rupee had been gaining strength since it was delinked from the sinking pound sterling in September 1975 and linked to a 'basket of currencies'. Earlier when the rupee value was going down along with that of the floating pound sterling, the Soviet authorities unilaterally revised the rupee-rouble parity by averaging the cross rates of the major currencies in international market with the Indian rupee. In 1976 an almost similar position was taken by Indian in linking the rupee to a 'basket of currencies'. It was hoped therefore, that it could not be difficult to arrive at a mutually acceptable rupee-rouble exchange rate.

In any case, the exchange rate would have had a limited application to non-commercial transactions. So far as commercial transactions were concerned, the price of a commodity was comparable to the prevailing international price and expressed in rupee for accounting purposes. The real issue, however, which remained to be settled was the valuation of old credit repayment due to the Soviet Union from India. When the value of the rupee went down by almost 30 per cent along with the pound sterling, the Soviets had wanted a corresponding make up in these repayments. At that
time it would have been an additional liability of ₹.300 to ₹.400 crores to India.

Before embarking on her trip to Moscow in 1976, Mrs. Gandhi praised previous Soviet assistance and made clear that one of the major purposes of her trip was to 'continue to look for new forms of cooperation to avoid any slackening of the pace of development of our relations'. Brezhnev reciprocated Mrs. Gandhi's views on Indo-Soviet economic cooperation and hoping that it would deepen Indo-Soviet relations, was reported to have said that the Soviet Union was 'ready to seek those new forms of economic cooperation'. The Soviet-Indian declaration on further development of friendship and cooperation emphasized the need for bilateral cooperation in the economic trade, scientific and technical fields. Both sides were pleased to note that such cooperation was steadily developing and strengthening in accordance with the agreements reached during the summit meeting in New Delhi in November 1973 and were in confirmation with the goals and commitments set forth by both countries in the joint Soviet-Indian Declaration. The joint declaration further specified that in accordance with the Government of India's desire to strengthen the country's economic independence the Soviet Union would respond positively in providing India with the assistance necessary to achieve that goal. Soviet-Indian economic and technical cooperation were further diversified
to include such key branches of the economy as ferrous and non-ferrous metallurgy, machine building, electric power, the extraction and processing of petroleum and natural gas, the coal and mining industry, agriculture and other fields, which were mutually advantageous.

Yet, however, despite the emphasis by both sides on economic issues Indo-Soviet economic cooperation was unable to get the boost that was expected. The sticking point was the rupee-rouble exchange rate problem that could not be resolved through an economically oriented advanced team had preceded Mrs. Gandhi to Moscow. In spite of the desire in bringing about new forms of economic cooperation, it could hardly be denied by the Soviets that the Soviet-Indian economic relations were getting stagnated. Though an important shipping agreement was signed by the two countries in July, little else was accomplished until August when a long awaited protocol that identified new areas of collaboration in third country projects was signed. This agreement provided for the first time, for India's entry into heavy industrial construction abroad. In September the two sides signed another agreement by which India agreed to supply steel plants in Soviet Union with 30,000 tons of metallurgical equipment to be produced by the Heavy Engineering Corporation (HEC) at Ranchi, which was one of the major public sector projects built with Soviet assistance. Together, these two agreements would help in
enhancing Indo-Soviet cooperation and aid India by utilising more of its public sector production which would enable these industries to produce at closer to full capacity.

The Soviet Deputy Foreign Minister Grishin visited India in December 1976 and with his Indian counterparts drew up a trade protocol that earmarked a trade turnover of ₹.900 crores. Besides, the Soviet Union was to import Indian non-traditional goods such as machinery from the HEC, freight containers, fork-lift trucks and machine tools. India was to continue to import petroleum products, non-ferrous metals and engineering goods among other items. However, the real significance of the Grishin visit lay in the Soviet offer for the first time to sell crude oil to India. Throughout the early seventies when oil prices had reached an unprecedented high and India was in perennial short supply, it had been seeking crude oil from the Soviet Union, but Moscow had refused oil sales to New Delhi on the ground that its domestic and East European consumption was just about enough of what it produced. The real fact, however, being that oil having become an attractive and currency spinner, Moscow obviously gave priority to only those areas from where hard currency could be derived. In 1974, during the energy crisis, the Soviets had been willing to offer kerosene and diesel fuel but not crude oil and they had continued that policy since then. But in December 1976 Grishin announced Moscow's willingness to supply crude oil
on a long term basis in exchange for Indian pig iron of which India had an abundant supply. The Soviets offered 5.5 million metric tons of crude, 1 million out of it in 1977 with 1.5 million coming in each of the next three years. With oil being exchanged for pig iron it was optimistically speculated that bilateral trade could perhaps reach the 1980 target in 1977. Besides, India was to get between 7 to 10 percent of its crude oil imports from the Soviet Union at virtually no cost in foreign exchange.

Given India's ongoing requests for crude oil from the Soviets and Moscow's previous resistance, the Soviet agreement to sell crude oil on the rupee or barter basis was significant and indeed implied the exercise of considerable influence by India. It was not clear what India traded for this or even what prompted the Soviets to finally capitulate. Knowing India's inclination to move closer to China, if there was one step the Soviets could take to demonstrate to India and to third parties the importance Moscow attached to its relationship with New Delhi, it was the provision of crude oil. And if there was any inducement that could defer India's drift towards China, it was oil, of which India was in critical need.

The protocol on Indo-Soviet trade for 1977 signed in Delhi envisaged a to-way trade of ₹900.00 Crores, representing an increase of about 8.4 percent over the target
for 1976 set in the trade plan. Since the actual turnover during 1976 was about Rs. 75.00 Crores less than was anticipated in the trade plan, the proposed increase in 1977 was considerable. Besides, a separate agreement was in the offing for the Soviets to supply a million tons of petroleum crude against the export principally of pig iron, and steel products from India. The Soviet crude would not involve any draft on free foreign exchange under 'rupee payment' arrangement. Also the export of pig iron and steel products would relieve the existing glut. The million ton import was to be part of a long term programme for the supply of crude by the Soviet Union. The price was still to be negotiated and the Soviet Union was a tough negotiator. Even its East European allies had to pay more for crude and India was unlikely to be shown special consideration. However, in view of the OPEC decision there were to be more than one international price for petroleum crude and it could be reasonably assumed that the Soviet Union would charge the lowest of prevailing prices. Although theoretically India had a similar advantage in pricing its exports to the Soviet Union, it did not amount to much.

The trade plan incorporated a wider range of products to be exchanged. The Soviet Union agreed to buy new items like freight containers, fork lift trucks, machine tools, medical instruments, aluminium foil and wood veneers. It was hoped that this would provide some stimulus to some
languishing industries. An important provision was the Soviet purchase in 1977 of Rs.5.00 Crores worth of machinery and equipment from Soviet assisted projects in India like the Heavy Engineering Corporation. The more difficult problem of diversifying Soviet exports to India - partly responsible for the future to reach the 1976 target - had yet to be resolved. Efforts were made to obtain Soviet machinery and equipment for coastal cement plants which were export oriented. Cooperation plans were proceeding apace and contracts worth about Rs.33.00 Crores were signed for the supply of Indian equipment to Soviet aided steel and metallurgical projects in such countries as Cuba, Turkey and Bulgaria. Moreover, the proposal that India take care of the civil construction side of Soviet aided projects in West Asia and elsewhere was taking shape. The changing patterns of industrial and commercial requirements of the two countries, though opened up new opportunities for both countries, it made the task of coordinating needs and capacities a more complicated exercise.\textsuperscript{61}

With the wisdom of hindsight, however, it becomes apparent that but for the massive Soviet economic aid during the turbulent seventies, India's condition would have been far worse. American hostility remaining as implacable as ever, and the West being stingy in its aid to India, it could only have fallen back on the Soviet Union for its economic sustenance in whatever way it came. Soviet ulterior intentions notwithstanding, it was of vital consequence to India that the USSR stood behind it during its critical hour of need.
The Soviet friendship for India extended well beyond the confines of economic partnership and traversed into the realms of military cooperation which made India's Soviet connection so eventful during the critical phase of 1966-77. Shaken out of its utopian, ideological moral trepidations after the 1962 fiasco, military modernisation became a part of the Indian psyche that was reflected in the bureaucratic as well as political thinking. Mrs. Gandhi, a product of this new thinking, overcame the internationalism inherent in Nehru's philosophy and grasped the realities of realpolitik and power politics, which she believed were the surest guarantees to ensure her position internally and also the position of India in the international arena. Under Indira Gandhi utopianism of the Nehru brand persisted only marginally in Indian diplomatic thinking and conference diplomacy. Indeed having moved away from the utopian peace diplomacy of Nehru towards power politics by military means, Mrs. Gandhi effectively transformed Indian military capabilities as a result of military modernisation in which the most outstanding contribution was made by the Soviet Union.

Thus, another vital area where India's Soviet connection proved extremely beneficial was in the field of armaments. Ever since the Kremlin decision to open out to the Third World, the Soviet Union regarded the supply of
arms as an effective way of building political influence and as such perceived its interests being served by strengthening India as a counterpoise to China. In bolstering Indian defence the Soviet Union was confident of its long-term position in India and of the likelihood that the two countries would continue to perceive a convergence of their interests. Hence, the Soviet Union was willing to risk sharing some of the latest military technology with the Indians. The significance of this Soviet decision lay in the fact that though the agreements for licensed production began as back as 1962, the Soviet Union in the mid-seventies had not extended the sharing of military know-how to more than a handful of countries and India was one of the handful few. A motivating factor, though, in providing India with sophisticated weapons was that Indian purchases kept the Soviet production lines running and enabled the costs to be kept down.

The initial transfer of arms from the Soviet Union to India was made in the early 1960s, when India's needs for increasing its overall defense capacity to meet its security requirements had become well defined. India's reluctance to exclusive dependence upon the United Kingdom and its strongly felt aspiration for developing a self-reliant defence industry made it look for an ally which could
satisfy these Indian desires. The then Defence Minister V.K. Krishna Memon, was an uncompromising admirer of the Soviet Union and was convinced that it could only be Moscow that could fulfil India's dream of modernising its military and help it attain self reliance. Besides, obtaining arms from the Soviet Union was the only way to improve India's defence vis-à-vis China.

In the 1950s, India bought most of its arms from Britain. In the early 1960s, however, Britain, the United States and France expressed unwillingness to meet certain Indian requests apparently doubting India's ability to handle particular naval weapons and declined to offer credits. The U.S. refused to supply F-104 Starfighters and C-130 transport aircraft which it had been supplying Pakistan. In 1964, a dejected Defence Minister Y.B. Chavan left Washington and approached the U.S.S.R. for help and as the then U.S. Ambassador to India Chester Bowles remarked, "there they received all they asked for and more". The Soviet Union which had been selling India limited quantities of arms since 1960 offered its defence loans for ten years at 2% interest. Though the exact terms on which the Soviet Union made arms transfers to India were never published, according to P.R. Chari, the Defence Director of the Institute of Defence Studies and Analysis, India received
loans amounting to U.S. $270 million at a nominal 2 percent for ten years in 1964. However, one could be reasonably sure that the terms agreed in the mid-1960s were concessionary. The advantage of the Soviet supplied weapons system lay in its compactness and the relative simplicity of the weapons, that worked as a positive factor for the Indian Army. Indeed, members of an initially British trained Army which had adopted Soviet weapons with reluctance and out of necessity became their strongest advocates. Another factor that weighed in favour of the Soviet cooperation in defence in the 1960s were that apart from helping the country to become self-reliant, the credit terms were easy and the costs in comparison to those of Western hardware much less. The 'price conscious' Indian bureaucracy accepted the Soviet equipment with enthusiasm. India, thus, turned to the Soviet Union not only for the cheapness of these credits but also because of its desire to acquire symbolic support against China and to counter the American supply of supersonic Starfighters to Pakistan. According to Nihal Singh, only the Soviet Union seemed sympathetic to India's wish of becoming a strong military power with its own defence industry. The year 1964 saw an enlargement in the dimension of cooperation between India and the USSR in the field of defense. A new agreement was signed under which India received four squadrons of MiG 21S, helicopters, light tanks, missiles and other sophisticated weapons.
India was to pay for these supplies in rupees or goods produced in the country over a period of ten years. The Soviet willingness to continue deliveries to India during the 1965 war with Pakistan contrasted with the American suspension of military equipment. Thereafter India depended heavily on the Soviet Union over the period 1967-77 to the tune of 81% of its arms imports.

The U.S. and British inability to provide India with a submarine brought an offer from the Soviet Union for four polnoncy type landing craft, new 2,300 ton F-class submarines, two poluchet class fast patrol boats including Osa and Komar missile firing classes and other rocket firing types, two petya class frigates, six motor torpedo boats, to help strengthen India's sea defense. Two submarines came to India in 1968-69 and the remaining two in 1970, all before the 1971 war in which the U.S. - China alliance sought to see India militarily humbled. In the 1971 war with Pakistan, the Indian Navy by successfully holding the Pakistani Navy in Karachi, sealed the escape route to the Bay of Bengal, thereby cutting off reinforcement to the Pakistani soldiers in East Bengal. The deft Indian naval actions around Karachi in fact, surprised even the Soviets, for the armaments meant essentially for defence purposes had been effectively used offensively by the Indian Navy. By implication the Indian Navy had become the most dependent of the Indian services
on Soviet supplies and as a matter of fact the Indian submarine fleet was entirely Soviet equipped.

A distinguishing feature of the cooperation of the USSR with India in the field of defence was its willingness not only to supply to it sophisticated military hardware, but also to help it attain self-sufficiency in this field. Perhaps the most potent manifestation of Soviet sincerity in assisting India to attain self-sufficiency was its help in setting up indigenous factories for providing, not only MiG-21 supersonic jet fighters, but also radar equipment and missiles. The weapons supplied by the Soviet Union included AN-12, IL-14 and T4-124 transport planes, HI-4 and MI-8 helicopters, MiG-21 fighter interceptors, MiG-21M, OTI trainers and SU-7B fighter bombers, K-13 Atoli air-to-air missiles, SA-2 surface-to-air missiles and SS-N-2 'Styx' surface-to-surface missiles, PT-26 amphibious tanks and T-54 and T-55 main battle tanks, CT-62 and CT-64 armoured personnel carriers, besides landing craft, patrol boats, frigates, submarines and motor torpedo boats. A quick review of the extent to which India's air force, have been dependent on Russia, since the early sixties is pertinent. From the handful of tactical transport aircraft and utility helicopters procured from the USSR in 1961, the IAF went on in 1962-63 to receive the first combat aircraft of non-western origin. The service wrestled with unfamiliar systems and limitations of the early model MiG-21 to eventually harness this bisonic fighter's
potential in full even as later variants were selected for licence-production in India.

The Soviets were initially sceptical after the brief shooting match of September 1965 which had proved nothing as the IAF had only a handful of MiG-21 PFs in a half-formal unit which played virtually no part in that air war. But in December, 1971, with the IAF fielding half a dozen air defence squadrons flying the MiG-21FL version, with just a handful having a strap-on cannon with improvised gun sight to boost air combat capability, the world witnessed what a first-class air force flying first-class fighters could achieve. The MiG-21s outflew and outclassed the F-104 starfighters in each encounter, notching a 4:0 kill ratio in their favour.

The Russians and Mikoyan OKB Design Bureau were delighted but it was the IAF that had exploited the MiG-21s potential to the maximum and even exceeded it in areas that the designers themselves were wary to tread. The fellow-on MiG-21 MF and MiG-21 bis variants incorporated most of the advances in technology available and a fruitful relationship between the IAF and MiG OKB emerged. It would be no exaggeration to state that but for the IAF, the MiG-21 would never have been developed the way it was and but for the MiG-21, the IAF would never have been
developed the way it was and but for the MiG-21, the IAF would never have expanded the way it did.\textsuperscript{72}

The Indian expertise improvised upon the MiG-21M, making the new model superior in range, speed and striking power. Also the MiG factory made all requisite arrangements for the production of accessories and spare parts for MiG-21s and MiG-21Ms. The military correspondent of the Indian Express\textsuperscript{73}, reported that 'Soviet arms aid has been considerable, it has contributed to the modernisation of the Indian armed forces, and it has been forthcoming at a critical juncture of Indian history, when the western sources of supply had particularly dried up'. Defense Analyst K. Subramanyan stated that 'there could be no denying the fact that the Soviet military alliance has played a very important role in the Indian defense preparedness since 1964'. By 1972, the indigenous content of the MiG-21 had reached 60 per cent.

In terms of quality, the Soviet arms were thought to have a decided edge over western arms. The Indian made MiGs piloted by Indian airmen for instance, demonstrated the combat superiority to American's F-104s and the French Mirages. The terms for arms supplies and manufactures carried no stipulations, restricting the use of weapons. Finally, the terms did not limit India's options of shopping
for military hardware elsewhere. In the final analysis, however, it is important to bear in mind that India had to go in for the Soviet deal as it had virtually no other options.

The reliability and accuracy of Soviet weapons were tested in the Bangladesh War and thus during the early 1970s there was an acceleration of arms purchases and production by India. The Bangladesh War not only heightened the need for strengthening India's security, but also sharpened the need for replenishing the losses in the war. Indian defense production was given top priority which made India use licenses from France to produce the HAL SA-315 'Cheetah' and HAL SA-316B 'Chetak' air-craft and SS 11 Bharat ATM warheads. From U.K. India had licenses to produce some light weight fighter trainer and transport aircraft, the 'Vijayanta' medium battle-tank and the 'Leander' type frigate. In the aftermath of the Bangladesh War, India procured from the Soviet Union 450 T-54, T-55 and T-62 tanks for the Army, seven patrol boats, and six landing craft for the navy and various types of missiles and warheads. Prior to 1972, the SU-7 combat air-craft and helicopters had been made. Production of Gnat, MiGs and HF-24 aircraft in India were accelerated.

Yet, over-reliance on the Soviet Union for its armaments beyond a certain limit seemed disquieting for
India. Thus despite Soviet support for India in the Bangladesh War, in the mid 1970s Mrs. Gandhi began moves to diversify the sources of arms imports. That explains India's French and British contacts in arms deals. This was perhaps intended not only to widen options open to India but also to seek better terms from Soviet suppliers. In spite of the earlier enthusiasm of the advantages of Soviet purchases, there was a perceptible change in Soviet attitude after the 1971 War, when Moscow showed a great reluctance for a complete transfer of technology of sophisticated weapons. It is significant to note that Indo-Soviet relations had never been free from trouble on this score. Though India was producing an improved version of the MiG-21 under Soviet license, it was reported that the Soviets still exercised much control over the production of the aircraft in India through their exclusive possession of detailed designs and deliveries of more sophisticated components. Besides, the Soviets were proving hard bargainers and were parsimonious in giving spares at all stages of technology. For example, the Soviets showed no particular interest to grant the Indian request for providing MiG-23s and SAM-6 and 7s which had proved so effective during the October, 1973 Middle East War. After the 1971, Indo-Pakistan War, the Soviets, in fact resisted Indian requests for a deep penetration aircraft which forced Mrs. Gandhi to seek the Anglo-French Jaguar. Perhaps indicating Soviet reluctance to make
further commitments to India on sophisticated weapons, the Brezhnev visit to India in 1973, deliberately skirted the issue of weapons trade between the two countries. No where in his speeches were there any references to arms deals between the two countries. There were complaints about the inadequacies in Soviet equipment - the performance of the SU-7 bombers for instance. It was alleged that though unit prices of Soviet equipment was low, prices of spares and ancillaries subsequently required were high and their ready availability too was in doubt. Moreover, the Soviet penchant for secrecy inhibited the full sharing of technical knowledge, crucial for the future development of India's defence industry. It was apparent that there had never been a close interaction between the Russian instructors and the Indian servicemen whose proximity was confined merely to the technical training level. Mrs. Gandhi's government discouraged close associations between Indian servicemen and their Russian counterparts, or even for that matter the Americans. Indo-Soviet military cooperation remained a strictly controlled government-to-government matter and instructions to Indian servicemen was purely technical without any political indoctrination. A Soviet official was reported to have stated that 'Indian Officers remained incorrigibly bourgeois'. Often there were 'caustic comments' by Soviet observers on the 'reactionary' nature of the Indian economy and political leadership and the differences of opinion between Mrs.
Gandhi and Soviet leaders on international issues. The Indian officers were not allowed to attend the Soviet staff or War colleges where officers were trained and general strategic thinking was evolved. There were no opportunities provided for Indians to participate in programmes designed for their Soviet counterparts. Thus Indo-Soviet military cooperation produced only a 'limited association', and as S. Mansingh has inferred that a 'symbiosis between India and the super powers was' impossible as long as India aimed to reduce their spheres of influence.

It was apparent that the Soviet Union was bound by its geopolitical necessities and in that sense would work as a customary big power seeking to safeguard its interests and this was most evident during the Bangladesh crisis. Moscow was most reluctant to dismantle the delicate balance it had woven in the subcontinent in the aftermath of Tashkent. Though on the basics of the issue Moscow sided with New Delhi, it was by no means a willing partner to side with India's demand for a military solution. The Soviet Union remained evasive to India's inquiries regarding the Kremlin's attitude to military action in Bangladesh. Even after the signing of the Friendship Treaty in August 1971. Moscow aimed at bringing about a negotiated settlement with Pakistan. It was only when Indian military action became inevitable that the Soviet
Union came out in support of it. Hence, after the victory in the War, Mrs. Gandhi showed no special sense of gratitude to Moscow. On the contrary it was highlighted that the success in the war was primarily due to a systematic and successful timing - in the brilliant diplomacy of Mrs. Gandhi and the superb tactics of General Manekshaw. Besides, the private assurances that India received from the Chinese sources in Islamabad and Moscow that it would not intervene military in the crisis, seemed to have clinched the issue for India. For, in the absence of an effective Chinese help to Pakistan, India could have overcome the latter even without Soviet help. 'Here indeed, lay an ironic twist in the hidden, but significant realities of South Asian Power Politics'. China, India's enemy was reassuring in this major crisis while Soviet Russia, India's ally was evasive till the very last. It was China's explicit message that increased India's confidence in its military planning than did the balance of power diplomacy pursued by Moscow since 1965. Thus after the war though the Soviet Union became India's most effective card, it was by no means gratifying to India that Moscow still sought to normalise its ties with Pakistan. The crisis situation in the subcontinent had given Mrs. Gandhi the opportunity to emerge as a military strategist and a diplomatist on the regional and the world stage. She strove to use this opportunity to erase the stigma of being categorised as a dependent of the Soviet
Union. After the crisis, India viewed Moscow with suspicion that while it posed as India's friend, the central Soviet motivation and line of strategic action since the mid-1960s had been first to maintain pressure against the development of India's regional authority and second to insure that Pakistan maintained its line of pressure against India. A conglomeration of these circumstances therefore, made India revise its strategy and Mrs. Gandhi earnestly tried to diversify Indian defence requirements instead of exclusively depending upon the Soviet Union for the future. Reports of India's desire to expand its options by seeking arms from France, Britain and Canada were hardly soothing to Moscow and indications of a cooling in the relations between India and the Soviet Union in the military sphere were too apparent for all to see.

But India's efforts at arms diversification were scuttled by the United States which was opposed to any further accretion of India's defenses. In theory though the United States arms policy did not officially discriminate between India and Pakistan, in practice, the U.S. indulgence of Pakistan was clearly perceptible. Pakistan's image as an ally seemed to have made a permanent impression upon the U.S. defence establishment as a result of which, despite professions of equidistance between India and Pakistan, the unsaid understanding between the Pentagon and Pakistan
remained as cordial as ever. Though the U.S. was aware of India's preference for certain kinds of sophisticated American weapons and even arms manufacturers in the U.S. welcomed the prospects of investing in a lucrative Indian market, official American apathy to arms sales to India, defeated all official Indian efforts of reducing excessive dependence on the Soviet Union. An obvious U.S. intention was to force India into an open alliance with the West and the tactic it adopted was to squeeze India into a position of dependence on the Soviet Union which would eventually lead to disillusionment. President Anwar Sadat provided the finest example of the success of such tactics in a non-aligned country. The United States even opposed West European supplies for modernising India's defenses.

In the circumstances India had no alternative but to fall back upon its one and only 'dependent' ally, the Soviet Union, which despite its dithering at times, had all the same stood by India and had rendered great help in modernising the Indian defence industry. Another potent factor that weighed in favour of a continuation with the Soviet arms aid was the increasing superiority of the Warsaw Pact over NATO in conventional armaments, the rapid expansion of the Soviet nuclear arsenal in which the USSR had by 1974 achieved a position of parity with and even numerical superiority over the United States. The qualitative and quantitative strengthening of Soviet forces
and their armaments during the period under review, developed at a much more steady pace and more effectively than the expansion of economic and technological cooperation between Comecon states and the industrialised states of the West over the same period. Thus, for India the choice was too limited, and with the United States finally lifting the arms embargo on Pakistan in 1974, India could have only looked upon Moscow for help. Moreover, it has been rightly pointed out that the infrastructure of India's industry and power supply were not capable of supporting a sophisticated defence industry. Though ordinance factories continued to meet the major needs of defence services, they could not manufacture advanced weaponry. Hence, India's ideas of self-reliance in defence and of its modernisation could not be achieved which in turn affected the efficiency of India's defence production. It would, therefore, not be far-fetched to infer that India's talk of diversification and self-reliance were clever ploys aimed at goading the Russians to make further commitments to the Indian arms industry.

However, Pakistan's hosting of naval forces from Great Britain, Iran and Turkey with obvious concurrence of the U.S. in November for CENTO 'Midlink' naval exercises undoubtedly increased the anxiety of Moscow and New Delhi. And responding to Indian demands the Soviets hosted an Indian military mission and reached an agreement to dispatch
a delegation under Defence Minister Grechko to India in 1975. The Grechko mission was indeed a significant one for not only was Grechko, Minister of Defence but also sat on the CPSU politburo. Besides, his delegation included the naval Chief Admiral Gorshkov and the Air Chief Marshall Kutakhov and such a group was one of the most powerful military delegations to have visited a country. The enthusiasm and response in India was understandable and the press made a wide coverage of the visit. The latest development in the region including the growing military build-up in the Persian Gulf area and Pakistan were discussed at great lengths with the Defence Minister Swaran Singh. The delegation also met with Mrs. Gandhi and discussed political relations in addition to defence and security problems of India. The joint communique was an indication of the Soviet approval of expanding the area of cooperation with India in the field of defence production. It was reported that India was to be provided with more advanced Soviet technical knowledge in order to produce an improved version of the MiG. This seemed to satisfy India's desire for further 'indigenisation' of its defence. It was the Indian Navy that gained most from this visit, for it was certain that India would buy four IL 38 'May' antisubmarine aircraft and eight 'Nanuchka' missile patrol boats. The Soviet efforts to sell its antisubmarine warfare aircraft to India was accepted and India decided to coordinate its ASW forces with the Soviet Union in detecting U.S. submarines in
the Arabian Sea and the Bay of Bengal. There was, however, no evidence of an agreement involving the Indian Air Force except for the MiG contracts for producing indigenous parts and materials under license from the Soviet Union. Thus the trend of allocating the maximum of the Soviet aid to the Indian Navy, with tanks and armoured personnel carriers for the army, continued.

In military parlance, though the Grechko visit did not bring about a new stage in military relations, it was by no means insignificant. It was indeed ironical that the Grechko mission coincided with Washington's announcement of its lifting the embargo on arms sales to South Asia, that is Pakistan. Though the Grechko mission did not automatically imply a covergence of views on all issues, yet it went a long way in strengthening Indo-Soviet ties as a counterpoise to U.S. - Pakistan ties which in any case had given a severe jolt to both Moscows and New Delhis efforts to get closer to Pakistan and Washington respectively. For Mrs. Gandhi the choice was again too narrow and in the circumstances it was but imperative to develop a close military rapport and greater dependence on the Soviet Union. Perhaps Mrs. Gandhi was right when she said, 'the USSR has come to our support at the right time and at no cost to them, and perhaps the United States policy has given them the opportunity to do so.' Thus the degree of proximity in Indo-Soviet relations largely depended upon the extent to which the United States,
China and Pakistan responded to Indian and Soviet overtures. During 1974, the tentative efforts by New Delhi and Moscow to explore the possibility of improving ties with Washington and Islamabad respectively had strained Indo-Soviet relations. These efforts, however, lost their significance with the lifting of the U.S. arms embargo to Pakistan and China's unqualified endorsement of Pakistan's policies and opposition to both India and the Soviet Union in South Asia.

In May 1976 India, after protracted negotiations finally persuaded the Soviets to provide another advanced version of the MiG fighter plane. This was designated the MiG-21bis which was apparently more advanced than the aircraft agreed to by Grechko in 1975, and was an aircraft India had been seeking ever since the defence Minister's visit. The planes were to be produced in India at Hindustan Aircraft Limited where the other MiGs were also produced. Thus despite India's interest in aircraft from the west the Soviets once again seemed to offer New Delhi better terms than western countries. In 1976, it was in the Soviet interest to meet India's terms.

To infer that Mrs. Gandhi weakened India's defences by its over dependence on Soviet military aid would be fallacious. Facts reveal that Mrs. Gandhi did make a sustained effort at diversifying India's arms trade, but her
efforts were systematically thwarted by the United States. India's limited options gave Moscow the advantage by which it successfully converted the Indian ammunition industry to be entirely dependent upon Soviet military aid, Soviet influence over Indian decisions in the political field were extremely limited. From the Indian point of view, throughout the decade of the seventies India's security was guaranteed - thanks to India's Soviet connection. In fact, India's Soviet connection restricted the United States to making only verbal remonstrations against India and China refrained from pushing India too hard and probably in more ways than one China's raising of the diplomatic status with India in 1976 was in response to the awe in which it held the steadfastness of Indo-Soviet relations.

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