In this study, an attempt is made to analyse India's trade and economic cooperation with the East European countries. India has moved from its original situation of dependence on the trading partners in Western Europe to a more comfortable situation of inter-dependence in its relationship with the trading partners in Eastern Europe. The relationship that has evolved is one of mutual benefit. There has been a spectacular expansion in India's trade with these countries. In 1955-56, the total trade of India with these countries taken as a group was only Rs.16 crores. As against this, the turnover in 1975-76 amounted to over Rs.1,200 crores, accounting for 13 to 14 per cent of India's total trade.

Import-Mix

The trade relations between India and these countries enabled India to import capital equipment and machinery. The main criteria determining import structure is the general one, viz., industrial raw materials and capital goods for enlarging the industrial base of the economy and for meeting the existing industrial capacity. In earlier years, plant and equipment and other capital goods constituted a predominant share of India's imports from East Europe. In recent years, East Europe has
emerged as bulk supplier of considerable quantities of fertilisers, urea, muriate of potash and sulphur, tractors, oil prospecting equipment, special steels, petroleum products, newsprint, base metals such as iron and steel and nickel. This has helped the country in stepping up investment in certain vital lines and at the same time avoid strain on the lean foreign exchange resources.

Export-Mix

Composition of India's exports to the East European countries has mainly comprised traditional items such as jute manufactures, tea, coffee, spices, tobacco, hides and skins, raw jute, raw wool, mica, cashew kernel and essential oils. In recent years, some non-traditional items, including leather, footwear, clothing, chemical elements and compounds, dyeing, tanning and colouring materials, medicinal and pharmaceutical products, iron and steel and engineering products, have also been exported.

Even in the case of traditional commodities, it had been in India's interest to find alternative markets at a time when the demand for them in some of the market economy countries had started declining.

The East European countries have also benefitted from this relationship in a sense that they have been able to sell some of their products which had not captured an assured market. Besides, they have been able to obtain some essential items of consumption and raw materials, e.g. tea, coffee, animal feed, jute manufactures etc.,
without having to spend convertible currencies for their acquisition. Thus, it can be said that the trading relations that have emerged out of two and a half decades are of mutual benefit to the trading partners.

**Bilateralism**

Bilateralism is a method by which trade is financed between two countries on the basis of a balanced trade. Under the system, imports are paid for by exports. Bilateralism is, thus, the deliberate control of trade, which may arise either from trade agreement or from the means of financing established by bilateral agreements. The underlying principle of bilateralism is clearance in terms of commodities rather than in terms of currency. It provides for a self-liquidating system which contains within itself the mechanics of repayments on the basis of reciprocity. If in a particular year, exports exceeded imports from a given country and if other payments, say by way of invisibles and capital movements, could not help in eliminating this imbalance, then the overall balancing had to be done in the form of extension of technical credits by the surplus country to the other one in deficit. These technical credits were again to be liquidated by exports of goods by the deficit country to the surplus one. Thus at no stage the convertible currency comes into the picture in the balancing mechanism. This mechanism has helped India in the development of her industries and obtain capital goods without the use of scarce currency.
The main objectives of bilateralism are to diversify and increase India's exports by opening up new markets for non-traditional exports and by reducing dependence on traditional export markets; to stabilise prices of our traditional exports and to obtain capital goods and scarce industrial materials without straining the hard currency. The history of two and a half decades of bilateralism is enough evidence to prove that these objectives have been met with a fair degree of success.

But still the basic question that arises is if the trade relationship between India and these countries should continue to be governed by pure and simple bilateralism or some adjustments should be made in this relationship. It all depends upon the developments taking place in these countries and the changes that have been brought about in their foreign trade policies. The East European countries are now tending more and more towards the West in their trade and economic relationship in recent years. It is difficult to ignore these developments and India should be prepared to make such changes in its trading relationship with the East European countries as may be found to be necessary and desirable.

Switch Trade

Ruppee trade has been subjected to certain criticisms. One major point that has arisen in this connection is that these countries have purchased our traditional products
in excess of their requirements and disposed thereof in our traditional markets at prices lower than those charged by India for the same products. This is popularly known as switch trade. The problem of switch trade has been examined by many authorities but with conflicting viewpoints. There is disagreement even to the very existence of such a trade, and more so about its extent. The Government of India points out that under the current trade and payments agreements, the understanding between India and each of the East European countries is that the goods exported will not be re-exported by the importing country. In some of the studies, it is pointed out that East European countries did indulge in what is called switch trade but the magnitude of this trade was very small. However, switch trade is not in the best interests of healthy bilateral trading relationship and should be discouraged.

Trade Creation Vs. Trade Diversion

Another ground for the criticism of rupee trade is that a large proportion of our exports to these countries represents diversion of goods from our traditional markets, thereby depriving India of its capacity to earn and spend free foreign exchange to that extent. In this connection, the study made by Mr. Arya says, "There is evidence to suggest that some of the increases in exports to the Soviet Bloc were made at the expense of hard currency export earnings". He has specially referred to oilcakes, cashew, pepper and tea. Deepak Nayyar and Dr. Sumitra Chishti, however, conclude that there has been no largescale
diversion of exports from traditional markets to these countries. The reasons for the decline in exports to traditional markets, if any, have, therefore, to be found elsewhere. Besides, India's global exports over the last two and a half decades had shown a near continuous upward trend. This would, therefore, imply that the expansion of exports to one region was not necessarily at the expense of exports to some other region. But a more meaningful way would be to make a commodity by commodity analysis, for that alone can show whether in the case of India's important export items, trading with the East European countries had indeed led to trade creation as opposed to trade diversion. Throughout the the study, it is felt that a proper distribution of exports between the East European countries and other areas had indeed helped in increasing or at least maintaining the unit value of agro-based items in the latter.

Unit Value Realisation

It is also alleged that the prices charged by the East European countries for products supplied by them to India have been higher than the prices at which these products could have been from free market countries. The Government of India contend that our bilateral trade agreements adequately protect us against this possibility by making all imports subject to prices being internationally competitive. Comparisons of prices of imports from the East European countries and the free market countries
has been rendered difficult because of qualitative differences. Prices of imports from the developed Western countries financed by tied loans have generally been higher.

Another question is how do the unit value realisations on India's exports to the East European region compare with the corresponding figures in respect of exports to the rest of the world? This study shows that the export prices realised from the East European countries and from the rest of the world were very largely identical. In a few commodities like mica, tea, iron ore, manganese ore, and footwear, the export prices realised from the East European countries far exceeded those from other areas. In general, there was a trend towards equalisation in prices from the two areas, because in those items, where export prices realised from market economies were higher, there was a rapid increase in the prices from the East European countries.

To sum up, it can be said that trade with East European countries has evidenced mutual beneficial phenomenal expansion during the last two and a half decades. And in the same way, growth in trade needs to be reinforced with the necessary changes in the pattern of trade. There is the need to increase the proportion of non-traditional items in India's exports and also to ensure that the pattern of India's imports is compatible with its changing requirements.
Production Integration

India's trade with these countries will have limited possibilities of expansion under the existing production structures. Unless India changes its production structure by integrating it with the production structures of the countries of this region, substantial success in the field of trade cannot be achieved. However, it is possible in the beginning, to proceed with production integration which implies agreement between two or more countries to allocate among themselves a certain number of industries whose products will have free access to the markets of these countries. Production integration refers to cooperation in the industrial sector which has a direct impact on the pattern of growth in individual countries.

Since comprehensive integration arrangements can possibly take some time, production integration is the first step to its formation. And production integration covers only part of the country's industrial sector and in effect broadens the market for specific products determined in advance. It may mobilise additional resources for investment and it may stimulate a more efficient distribution of productive activities among the countries concerned. Compared to the overall integration effort, production integration usually raises fewer difficulties. Besides, it is more easily negotiable, first because individual countries need not take important supplementary measures in other sectors to render the agreement...
effective and therefore, they retain almost intact their national control over economic affairs and secondly because the gains and losses to the various partners can be more easily identified and therefore, weighed before the application of the agreement. Moreover, if production integration is focussed on new industries, it would not run into any problems of vested interests.

Production integration can take two forms. one in which each country individually is responsible for the construction and the running of industries allotted to it according to the production integration agreement, while the products of those industries could circulate freely in all the member countries' markets. This form constitutes essentially a limited free trade area where only two or more products enjoy free market conditions. Under the second form, the construction and running and consequently the benefits from each are some of the industries are shared by a few or all of the participating countries.

Production integration is particularly attractive to those countries with a some sort of industrial sector which they might be unwilling to hazard in a full scale integration effort. These countries would be ready to try to cooperate on a limited scale for new industries, as India has done. This more limited approach to cooperation is probably more realistic for countries which have
different economic and social systems or even for those who rely on different policies to promote their economic development.

Such production cooperation has enabled India to attain the economies of scale and the needed level of industrialisation. Larger market enables larger production units to be selected which may in turn lead to appreciable cost reductions. In some cases, expansion of the market may be the pre-requisite for creating new product lines because the minimum capacity necessary for profitable running of a firm may exceed the demand of an individual country.

A larger zone enables industries to be established where the best natural conditions exist (raw materials, communication, electric power, appropriate labour resources, proximity to markets, etc.). When an industrial centre has sprung up, it can be of advantage to other enterprises to settle in the same location due to the benefits offered by local facilities (availability of qualified labour, by-products of other industries, direct connections with banks, etc.). External economies are naturally a secondary consequence of primary location advantages - the fact that external economies do not arise naturally but are conditioned by industrialisation itself is of supreme importance for the problems of development within such a cooperation agreement.
Economic cooperation is also of great help in the field of industrial specialisation. This is a form of economies of scale at the macro level, for only the increase in sales enables the production programme to be broken down into several specialised production units. Large scale production is very often accompanied by greater technological progress. Given a fairly long life of a capital asset, production can be more rapidly tuned to the latest technical developments when there is need for capital expenditure to increase production capacities. For the reasons given, total demand is likely to grow at a greater pace in a larger market with the result that a further plant of optimum size can be set up and fitted out with the most modern technological know-how, earlier than otherwise.

Plan Harmonisation

As already mentioned, trade expansion should not be based on the existing capacities of the countries concerned; it has severe limitations. It is the deliberate creation of new pattern of production in India and the countries of this region that will result in the new pattern of trade but also in expanded trade. Trade-cum-investment approach should dictate the selection of industries for economic cooperation which need a larger market than the national market. It would usher in not only the economies of scale mentioned earlier but also avoid the duplication of investments. As such the
trade plans of these countries must be supported by trade-cum-investment approach in order to attain more fruitful results.

In order to successfully implement such a strategy, plan harmonisation of the countries is an essential pre-requisite. Growth in trade can be accelerated only through the plan harmonisation strategy because it permits a more efficient utilisation of the country's resources by introducing a high level of division of labour and widening of markets and deliberate creation of new productive capacity and complementary production patterns in the participating countries. Harmonisation strategy will also eliminate wasteful duplication of investments and production efforts, augment the pool of real resources, exploit the economies of scale, permit foreign exchange savings through successful import substitution and lead to an increase in the export potential of the respective countries. Its advantages will also be particularly noticeable in the production of capital goods and durable consumer goods.

However, comprehensive plan harmonisation may not be achieved at one stroke. In the initial stages, partial harmonisation may be achieved introduced to overcome the difficulties of complete harmonisation. A commodity by commodity approach to plan harmonisation appears administratively and technically more feasible. It is satisfying that economic integration has taken place
is in a balanced way so that no payments problems emerge; yet there are short term lags and imperfect synchronization. Transitional payments problems arise of course but are resolved through mutual extension of credit. Thus, it is through this process of mutual credit extension that the dependence on hard currency has been done away with.

Annual Trade Plan

The annual trade plans are prepared by the Ministry of Commerce in consultation with other ministries and government departments as well as Export Promotion Councils and Commodity Boards. An agreed upon trade plan naturally emerges out of the bilateral negotiations between the trade delegations of India and the country concerned. After the finalisation of the Annual Trade Plan, it is published in official journals and communicated to the various Export Promotion Councils and Commodity Boards for a suitable action in respect of the commodities under their charge. The annual trade plans are also only indicative, they do not necessarily ensure that the targets would actually be reached. In fact, there emerge considerable divergences from the targets. As such it is very essential that the system of annual trade plans may be improved upon. Information about the progress of imports and exports need to be properly monitored in order to arrive at more realistic targets and their proper achievement.
Potential Projects

During recent years, the main emphasis in the bilateral trade and economic agreements between India and the East European countries has been on identifying new areas where cooperation in the field of production can be mutually beneficial. The forms of cooperation which seem to offer the maximum potential would be the projects involving the transfer of technical know-how and capital equipment against the delivery of products; conversion deals and collaboration in third countries. These areas project discernible benefits for both the countries. East European countries are already having such agreements with some of the West European firms but in that case they are at the receiving end. These collaborations have taken the shape of transfer of technical know-how against delivery of products; conversion deals; third country joint collaboration; joint ventures, joint development as well as the division of manufacturing range.

There is immense scope of extending such forms of cooperation between India and the East European countries given the considerable goodwill between them. A stage has reached when this goodwill has to be backed by the detailed work in priority areas. Further expansion of trade would very largely depend upon how seriously India and the East European countries take the tasks in the field of production cooperation and collaboration in the third countries.
Need for a Dynamic Marketing Strategy

The East European countries have achieved a tremendous industrial growth through economic planning during the last two decades and a half. These countries account for nearly 33 per cent of the world industrial production and 12 per cent of the global trade. Rapid increase in the national income and intra-regional trade of the East European countries has prompted the Western countries to subordinate their political prejudices for economic gains by establishing trade contacts with these countries. Share of the West Europe presently forms about 20 per cent of region's foreign trade. Trade of the developing countries with this region make up only a small and very insignificant segment of its total trade, although it has witnessed spectacular expansion in recent years.

With the achievement of desired level of growth in national income, the import bill of these countries will exceed 60 billion US dollars in 1980. In the growing imports, the share of India should also be rising considerably. Further the increasing tendency in these countries to direct the allocation of resources to take advantage of the international division of labour is indicative of the prospects of exports of manufactures from the developing countries. As such, East European countries constitute the most dynamic market of the world, much sought after by many developing countries.
Although these markets have already expanded for Indian products, concerted efforts are still called for to make further dent into these through the adoption of a dynamic marketing strategy. For increasing sales, there is a dire need to expand and strengthen relations with the organisations which handle foreign trade in these countries. Clear understanding of the working of the foreign trade organisations can help the Indian exporters to tap these markets more effectively. Their dealings with the foreign countries are purely on commercial basis in conformity with the objectives and targets set under their national plans. These receive a commission, generally fixed by the Ministry, for acting as buying and selling agents for domestic enterprises. Prices for imports are preferred on f.o.b. basis, while exports are quoted on c.i.f. basis. They have devised their own contract forms.

It may be kept in mind that the exporters have to deal exclusively with state trading enterprises in the East European markets. A small number of foreign trade organisations in any individual country can be considered potential importers of the country's products. The suppliers who have established an enduring relationship with them, will naturally receive preference for trade. They are normally informed of the requirements of these organisations.

In order to make further dent into the markets of East Europe, Indian Government and exporters need to
draw up comprehensive marketing strategy in the areas relating to the opening of foreign offices, strengthening of trade missions, participation in trade fairs and exhibitions, sponsoring of trade delegations and market research projects.

East European countries have also been ignored in the matter of sales teams and delegations consisting of businessmen. As the knowledge about the range of products particularly the new manufactures in the non-traditional group of commodities, that India can offer in trade and the extent of sophistication it has achieved in a number of products is not much known to the foreign trade organisations in these countries. It would be useful to invite delegations of the foreign trade organisations to visit India to study and see for themselves India's industrial progress and its capacity to supply them various items. The visits of Indian delegations to these countries are also equally important. Delegations from India have gone but they consisted of government officials only. It is thus imperative to sponsor more Indian delegations consisting of government officials and businessmen to each of the East European countries to explore and tap these markets for Indian products.
Market research for selling to Eastern Europe still seems relatively to be a new technique, but for securing strong foot-hold in these markets, there is a need for it. Because of the complex nature of the markets accompanied by changes in individual requirements in consonance with the process of planning, market research can provide guidelines in the matters like the size of the market, the extent of competition, and the quality demanded. The latest trends in consumption could be assessed only through on-the-spot studies. Although this method appears to be costly, this is necessary due to changes carried out in economic planning. While Hungary, Romania and Czechoslovakia have government sponsored market research agencies that undertake surveys for foreign clients; in the GDR and Poland they are to be entrusted to state advertising agencies. In the USSR and Bulgaria, Chambers of Commerce generally have to undertake this function.

Conservision deals for boosting exports of India's non-traditional items to the East European countries are presently in much currency particularly in view of the negotiations which are underway between India and USSR for manufacture in India cotton textiles and nuts and bolts for which raw materials, namely cotton and steel are supplied by the USSR. In addition to the employment opportunities created by this new technique, India will be in a position to step up the exports of non-
traditional items of the group of commodities whose production generally has been hampered by the non-availability of raw materials. However, to make use of this mechanism for expanding India's exports to the East European countries, there is need for advance planning for such deals in terms of identification of areas with utmost care so as to avoid distortions in Indian economy. There could be long term contracts for the manufacture of items in India for which the imports of raw materials could be financed by the East European countries. The purpose of having long term contracts is to protect the additional capacities created in the country to manufacture products to meet the requirements of these countries.

While concluding, it may be mentioned that to achieve breakthrough in exports to the East European countries, it is essential for the exporters to draw up marketing strategy encompassing effective participations in trade fairs and exhibitions, knowledge of trading practices of foreign trade organisations and the finalisation of trade plans with the association of exporters.