Chapter Four

THE ECONOMIC DIMENSION OF INDO-SOVET RELATIONSHIP
Chapter Four

THE ECONOMIC DIMENSION OF INDO-SOVIEV RELATIONSHIP

Although the Indo-Soviet treaty had important politico-security dimensions it had an important non-strategic aspect, purely economic in nature. This found expression in Article 6 of the Treaty which attached great importance to "economic, scientific and technological cooperation" between the two countries "on the basis of the principle of equality, mutual benefit and most favoured nation treatment".

Though the main effort of India's modernisation was considered to come from her own resources, the external component had never been rejected by any of its decision-makers. India had consistently accepted foreign aid and had maintained equable economic relations with all the principle actors in the contemporary international system. Nonetheless, Moscow became a privileged partner. After the mid-1950s it had become more increasingly involved with India's developmental strategy to build up an industrial base through the public sector. For India, the Soviet Union was a highly attractive source of raw materials, capital and technology as well as a large market for India's exports, both traditional as well as non-traditional. The Soviet Union too enjoyed a number of advantages from her economic ties with India. Among the Third World countries India was the cheapest, stable and large, scale supplier to the Soviet Union, and import from India saved a considerable amount of hard currency.
But this fruitful cooperation spread over decades was not free from problems. One of the major structural problems was that both these countries belonged to two different stages of development: one, an advanced country and a super power, and the other developing (though an important one) among the newly emerging nations. This often created apprehension that the economic relationship would be based on unequal bargaining capacity in which India could be a losing partner. Secondly, there were unpublicised murmurs of dissatisfaction in India over the rupee-rouble ratio.¹ The use of this instrument for conducting trade between the two countries trade had been criticised by many responsible sections in India, as well as by many international economic institutions, such as International Monetary Fund (IMF) and General Agreement on Tariffs and Trade (GATT) as resulting in economic loss to the weaker trading partner and disturbing international trade. But India defended the use of this instrument to promote her relationship with Moscow. The third problem was India’s constantly favourable trade balance with Moscow which took a serious dimension in early eighties. After having developed a large heavy industry sector and having acquired in the process an indigenous capacity to meet her own industrial needs India’s demand for what the Soviets could supply diminished. Since the Indo-Soviet accord stipulated trade equilibrium India was obliged to use its surplus to make advance repayments of Soviet credit, to advance technical credits to Moscow and to pay for some of India’s arms purchases. The result was that India was having favourable balance with Moscow leading to acute imbalance in balance of payment position

¹The trade with the Soviet Union was based on a clearing account in rupees. All imports were paid for by Indian importers in rupees which went in a central account maintained by the Reserve Bank of India. All other transactions between India and the Soviet Union were also routed through this account resulting in accumulation of rupees. This money was used to buy goods from India by the Soviet Union.
which became serious during 1980-1983 period. Lastly, Rajiv-Gorbachev era brought change in each other’s approaches towards economic issues. While Rajiv Gandhi showed greater interest in trade with the industrialised West, Gorbachev under his "perestroika" launched a radical economic reconstruction programme in Soviet Union based on a new approach of interdependence and showed more eagerness with regard to the market economics of the developing, and more so with the developed countries, since they had in their possession high technology that the Soviets needed to modernise their economy. This made for a situation when India had to tackle issues on purely economic grounds and the leverage so far provided by political and strategic considerations in deciding trade and economic interests became limited. During the discussion on the treaty on 10 August 1971 the Foreign Minister stressed on the importance of the economic provision of the Treaty in promoting India’s economic development and in achieving self-reliance in this sector which was crucial for India’s independence—a view widely shared, although there were few members who focused on some critical aspects of Indo-Soviet economic relationship. This chapter will attempt to review

---

2 As Gorbachev indicated at the 28th CPSU Congress, "Perestroika signified a radical turn towards a policy aimed at country’s innovation....The old economic mechanism is in the process of been dismantled...but the creation of a legal basis for urgent economic and political change has been unjustifiably delayed...." As a remedy he suggested a "qualitatively new international cooperation based on" extensive expansion of world economic contacts", the "elimination of impediments to scientific technological and economic exchanges", and more importantly channelising Soviet-American relations in an "effective partnership"; 28th CPSU - Congress of the Communist Party of the Soviet Union (Moscow, 1988) pp.77-90.

3 For Foreign Minister’s remark see India, Lok Sabha, Debates (New Delhi, Lok Sabha Secretariat), vol. 7, no.57, 10 August 1971, col. 332.

S.D. Sharma referred to the clause relating to the "most favoured nation treatment" which he thought would bring new dynamism in Indo-Soviet economic relations, ibid., col. (continued...)
these by discussing the three components of the relationship; trade, economic aid and technical assistance. The new forces of collaboration developed during late eighties specially the joint ventures between Soviet enterprises and Indian private companies will be reviewed in this context.

**Pattern and Problems of Soviet-Indian Trade**

Trade is the basic component of Indo-Soviet economic relationship. There has been a dramatic increase in the trade between the two countries with a rise of about eight fold measured in roubles and eleven fold measured in rupees between 1970 and 1985. The expansion was noted in both directions. The Soviet Union's intake of India's exports increased from a negligible 1.15 crores in 1953-54 to Rs. 644.65 crores in 1979-80 and reached the share of 17.6 per cent in 1985-86; similarly the value of India's imports from Soviet Union rose from Rs. 0.60 crores to Rs. 728.60 crores during the same period. The share rose to 8.5 per cent in 1985-86.

\[^3\](continued)

239; A.K. Gopalan observed that unequal terms attached to Western trade, aid and grants hampered India's independent growth leading to collaboration agreements between monopolies in the country and outside, and the implementation of article six would improve that, ibid., col. 233; Samar Guha on the other hand expressed apprehension that article six would affect India's trade with western countries from where eighty per cent share of aid came; ibid., col. 327.

\[^4\]Calculated from Soviet and Indian sources cited in Peter J.S. Duncan, *The Soviet Union and India*, (London: Royal Institute of International Affairs*, 1989), Table I and Table II, p.75.

\[^5\]Cited from various issues of Director General of Commercial Intelligence and Statistics (DGCIS), *Foreign Trade Statistics* (Calcutta), in Sumitra Chishti, "Indo-Soviet Economic Cooperation", in Satish Kumar, ed., *Yearbook on India's Foreign Policy 1987-88* (New Delhi, 1990), Table 1 & Table 2, p.155.
India's first trade agreement with the Soviet Union was in December 1953 for a period of five years—the first long-term trade agreement which independent India had with another state. This was followed by two others till the end of sixties. However, these trade agreements were not sufficient for substantial growth of trade. The subsequent trade agreements covered longer duration and provided for better planning in bilateral trade and also contained provisions regarding industrial cooperation for expanding trade and cooperation in the Third World countries. An important trade protocol signed after the treaty was in May 1972 which foresaw a substantial increase and diversification in trade. The protocol was beneficial to India since the Soviet Union promised to sell a number of items previously obtained from the United States. The only disappointment to India was the Soviet refusal to include crude oil in its exports to India. The 1972 trade protocol was followed by another in 1973 which envisaged a 15 per cent increase in Indian exports to Soviet Union and a total trade turnover midway between the $435 million transacted in 1970 and $670 million projected for 1972.\(^6\)

Leonoid Brezhnev's visit to India in November 1973 boosted the growth of Indo-Soviet trade. Among several economic agreements produced during that time one stood out as particularly significant for Indo-Soviet trade expansion. This was the "Agreement on the Further Development of Economic and Trade Cooperation" which was to remain in force for 15 years. It pledged the two states to continue developing and strengthening economic and technical cooperation and trade in the fields of industry, power, engineering, agriculture, geological prospecting, the training of cadres, as well as in other areas where there were

---

favourable opportunities for rapid development. There was an increase in the turnover of Indo-Soviet trade from Rs. 412 crores in 1973 to Rs. 550 crores in 1974. Both the countries placed high hopes on this trade agreement.

However, Moscow's partial response to the staggering increase in oil prices which beginning in 1970 took a quadruple jump with the Middle East war of October 1973, created reservation in some circles. Since the oil crisis India became active in "oil diplomacy" and searched for assured supplies of crude and long-term credits to finance its purchases. Although most of India's attention was focused on the Persian Gulf and Middle East Oil producers, New Delhi also sought assistance from the Soviet Union. When the request was placed before Brezhnev it was turned down on the plea that the Soviets were supplying finished petroleum products such as kerosene and fertilisers. India's demands were met only in the 1974 Trade Protocol signed during the visit of I.I. Grishin, Deputy Minister of Foreign Trade, USSR. Soviet willingness to aid India in three critical areas of the Indian economy through increased export of kerosene, fertilisers and newsprint was reflected in the protocol. However, it was still criticised in certain circles that a large share of the increase in trade was in the form of higher prices of kerosene and fertilisers and that Soviet prices of commodities which had a ready supply in hard currency areas were invariably higher than prevailing world prices.

---


8 For Soviet view, see Rostislav Okutov, *USSR-India: An Important Factor of Peace*, (New Delhi: Information Department of USSR Embassy in India), also MEA *Report 1974-75*, p.4.

coincided with the release of a Reserve Bank of India report that questioned the benefits of trade with Eastern Europe in general asserting that India often had to pay higher import prices and received lower export prices. It also criticised the prevalence of "switch trading" whereby the East European countries re-exported Indian goods to hard currency areas.\textsuperscript{10} Towards the end of the year Moscow turned down India's request for a loan of 3 million metric ton of wheat and finally began a move to revalue rouble against the rupee amid growing concern in New Delhi. This, however, proved to be a temporary irritant and the Indo-Soviet trade protocol for the year 1977 contained Soviet offer of crude oil on a long-term basis, beginning from one million tonnes in 1977 to 1.5 million tonnes in each of the subsequent years during 1978-80. Indo-Soviet trade in the category of petroleum products, thus, became important since 1974. During Indira Gandhi's visit to Moscow in 1976 both sides expressed their "firm intention" to continue developing and strengthening economic and technical cooperation on a "mutually beneficial basis".\textsuperscript{11}

During the Janata regime the effort to maintain a balance in its relations with the two Super Powers and a stability in Indo-Soviet cooperation was witnessed. During the visit of the Indian Prime Minister to Moscow in October 1977 the two sides noted that Indo-Soviet friendship was not subject to transient considerations, like changes of leadership, and pledged to further strengthen the relationship.\textsuperscript{12} Although the Soviets took business-like approach in

\textsuperscript{10}Far Eastern Economic Review (Hong Kong) April 22, 1974, p.45, and July 15, 1974, p.43.

\textsuperscript{11}Government of India, Ministry of External Affairs, Foreign Affairs Record (New Delhi), vol. 22, no.6, June 1976, pp. 192-3; henceforth to be cited as Foreign Affairs Record.

\textsuperscript{12}MEA, Report 1977-78, p.19.
certain economic dealings, in other exchanges they seemed motivated more by political consideration—especially when it came to the issue of Indo-China normalisation drive. Such a politically motivated economic deal was Moscow's coming forward with an agreement on the ratio between rouble and rupee, thus removing a significant irritant in the relationship that existed in 1971-75 period. Moscow also made the politically significant and economically costly gesture of offering an additional 600,000 tonnes (over the 1.5 million already promised) of crude oil to India for 1979. The value of trade was projected to grow by another 50-100 per cent during 1981-85. In 1978 there was a total turnover of Rs. 1,000 crore and the protocol for 1979 projected growth to Rs. 1,200 crores. Grishin, Soviet dignitary arrived in New Delhi in December 1979 and signed a protocol that envisaged a further jump to Rs. 1,900 crores in 1980. All the agreements placed continued emphasis on joint ventures in third countries and provision for Soviet "buy back" of production.

Washington-New Delhi relationship requires attention in the context of Janata Government's balanced approach. Both President Jimmy Carter of United States and India's Prime Minister Morarji Desai seemed committed to pulling the relationship out of the doldrums into which it had plunged during the Bangladesh crisis. During President Carter's visit to India in January 1978 both sides agreed to continue bilateral discussions in Geneva for the conclusion of the Multilateral Trade Negotiations which could fight protectionism and work towards a

---

13 For details see Rajan Menon, "India and the Soviet Union: A New Stage in Relations?", Asian Survey (Berkeley, California), vol. 18, July 1978, p.738.

more open global trade system. Vice-President B.D. Jatti while speaking at a seminar on Indo-US economic cooperation noted with satisfaction the favourable balance of trade for India with the USA. Nevertheless, leaders from both India and the Soviet Union believed that a long-term planning for a mutually beneficial cooperation in various sectors in the Indian economy should be worked out.

In the early eighties there was a chill so to speak in Indo-Soviet economic relations due to the emerging policies in India related to economic liberalisation and more diversification of economic relations with the USA, Japan and western Europe. Well-known Indian economists were of the belief that India’s economic situation could be improved by relaxing some of the more important economic controls and by accelerating the liberalisation of the economic system. After Mrs. Gandhi returned to power in 1980 the shift in economic policy became evident. The emphasis now fell on export promotion, liberal imports against exports, a favourable approach to the import of foreign capital and technology.

The sixth trade agreement between India and the Soviet Union (1981-85) signed on 10 December 1980 during Brezhnev’s visit to India kept the growth rate at the same level as that

\[\text{\textsuperscript{15}}\]\textit{Ibid.}, vol. 24, no.1, January 1978, p.56.

\[\text{\textsuperscript{16}}\]The US continued to be India’s largest trading partner of India accounting for 10.7 per cent of India’s exports valued at Rs. 549.58 crores and 21.5 per cent of imports valued at Rs. 1,055.53 crores during 1976-77 period; see India, MEA, \textit{Report 1977-78}, p.23.

\[\text{\textsuperscript{17}}\]\textit{Ibid.}, p.19.

of the fifth trade agreement (1.5 to 2 times); but Brezhnev brought with him an additional offer of raising Soviet crude supplies to India by one million tonnes per year. Mrs. Gandhi in her statement in Indian Parliament after the visit by the Soviet President in India dwelt extensively on Soviet cooperation in further strengthening India's economic sector. Her statement found substantiation during her visit to Moscow in 1982 when a significant trade agreement was signed between the two countries setting the target growth from $2.6 billion to $3.9 billion annually, together with a provision for review of further expansion of economic cooperation. Making a statement on Prime Minister's visit to Moscow India's Foreign Minister noted with satisfaction the future plan for further strengthening Indo-Soviet cooperation in critical areas, such as ferrous and non-ferrous metal, coal, oil, power and machine building. Since India's developmental strategy shifted the focus in these areas-Soviet cooperation became significant from that point of view.

Paradoxically, a study of Indian statistics will show that despite India's growth of trade with the Soviet Union stipulated in the 1980 Trade Agreement, India continued to have "fairly diversified pattern of trade". Although USSR remained the largest single country source of India's import with 33.1 per cent increase during 1982-83 over the previous year, its share in

---


21Foreign Affairs Record, vol.28, no. 9, September 1982, p.236.

India's exports declined in comparison to the increasing share of OECD and OPEC countries, especially USA and Japan. The trend indicated India's lesser dependence on USSR and eagerness to diversify trade with the rest of the world.\textsuperscript{23} Soviet Union's own economic relations with India were hamstrung by severe constraints. Industrial products constituted a mere 12 per cent of Soviet exports to India in 1981, and it declined further with Soviet exports confined to the traditional areas, like metallurgy, machine-building, fuel and energy. It was observed in \textit{Economic Survey} that the "moderation" of India's imports from the Soviet Union witnessed in 1981-82 as well as in 1982-83 could be attributed to an increase in India's domestic production of items such as petroleum, fertilisers, non-ferrous metals etc., along with the associated factor of decline in world prices of these items.\textsuperscript{24} India's export direction indicated that despite the general sluggishness in India's total export which was caused by a sharp decline in export value of tea, sugar, spices, oil and jute, the share of East European countries in India's exports improved considerably from 13.1 per cent in 1979-80 to 20.9 percent in 1980-81, in which the Soviet share was 81 per cent, with an increase from 638 crores in 1979-80 to Rs. 1,157 crores in 1980-81.\textsuperscript{25}

\textsuperscript{23}In the share of India's export to major trading blocs as represented by OECD, the OPEC and the EEC countries, the USA had accounted for the bulk of imports from India with a value of Rs. 1,475 crores during 1982-83, 3.3 per cent higher over the level of Rs. 920 crores in 1981-92. A corresponding decline in export to the USSR was noted with 6.2 per cent in 1982-83, although imports from this country reflected an increase of 33 per cent during the same period; \textit{Economic Survey 1983-84}, pp.66, 69, 70.

\textsuperscript{24}Ibid., p. 64.

\textsuperscript{25}Ibid., of 1981-82, p.57.
The first meeting of the Working Group on Indo-Soviet Trade which took place in Moscow from 4-10 July 1984 was significant from this point of view. It identified a number of new areas to widen the range of exports from both the countries to ensure expansion of trade. The Indo-Soviet Inter-Governmental Trade Protocol of 1985 provided for a record level increase in Indo-Soviet trade with an expectation of 20 per cent increase in turnover. The protocol made a break-through by widening Indian exports to Soviet Union like chemicals, packaged tea, cigarette, fruit juice, garments, handicrafts, and machine tools. Rajiv Gandhi’s visit to the Soviet Union spawned long-term agreements on basic guidelines for cooperation in trade, science and technological areas. Indo-Soviet trade was boosted with measures for dynamic and steady growth of mutual trade in accordance with rupee trade, aid and payment arrangement on long term basis. The two governments stressed the need for maintaining the tempo of growth of trade and finding out new forms of trade, including production cooperation, co-production, cooperation in other sectors. Curiously enough, although during the period Soviet Union became India’s biggest trade partner among the Third World countries, she lost the first position to the United States. According to India’s Finance Ministry, India’s exports to the Soviet Union during the 1985-86 period stood at Rs. 1,937 crores, accounting for 17.6 per cent of India’s total exports, i.e., slightly less than the share.

---

26India, MEA, Report 1984-85, p.29.

of the United States (18.1 per cent). The Soviet share in India's total imports was 8.5 per cent as compared to the US share of 10.6 per cent during the same year.\textsuperscript{28}

Volume of Indo-Soviet trade, too, declined in the said period (from Rs. 3,667 crores in 1984-85 to Rs. 3,610 crores in 1985-86) due to a steep fall in oil prices in 1986. This led India into a critical situation of trade surplus with the Soviet Union. Presumably, this was the reason for Soviet offer to India of huge economic aid amounting to 2.5 billion roubles between May 1985 and November 1986 -- a generosity interpreted by an analyst as Moscow's desire to provide a "needed shot in the arm to reverse their unfavourable position in trade".\textsuperscript{29} In fact the huge Soviet aid in the perspective of India's trade surplus with the USSR led to an interesting debate in Indian Parliament. Jaswant Singh raised the query as to how India could set the target of an increase in Indo-Soviet trade to a stupendous two and a half time by 1992 when India was consistently having favourable balance of trade with the Soviet Union and when the problem remained regarding non-utilisation of Soviet credit. Denying any such correlation between the two, the Prime Minister maintained that the target was quite "accessible and probable".\textsuperscript{30}


\textsuperscript{30}India, Rajya Sabha, Debates, vol.CXL, no.21, 2 December 1986, col.207, and 221 respectively.
It was, therefore, clear that despite some problems India's trade with the Soviet Union expanded at a steady pace and it had not been at the cost of India's trade with other countries. India’s exports to the Soviet Union grew at an annual average of 13.7 per cent in the seventies and imports grew at the rate of 17 per cent during the same period. Though there was a slight slackening of this trend in the beginning of eighties, this was corrected and the exports to the Soviet Union grew at the rate of 7.3 per cent during 1980-87 and imports at the rate 0.9 per cent during the same period. Composition of India’s export items to the Soviet Union also revealed striking change with more diversified exports to the latter, composed both of traditional products, and the manufactured goods accounting for almost a half of India’s total export-earnings. Because of low elasticity of demand for these items in other competitive markets-this proved fairly advantageous for India in overcoming a slowly growing market for India's goods. Several studies in India indicated that India’s trade with Moscow led to an expansion of India’s exports in general.31

India’s imports from the Soviet Union also underwent a radical change. The share of manufactured goods in total imports from the Soviet Union declined while the share of petroleum and petroleum products went up from 13 per cent to 23.1 per cent. The rising demand for Soviet petroleum products in India was corroborated by both Soviet and Indian statistics. In Soviet assessment in early 1980s oil and petroleum products amounted to 80 per

31See Chishti, n.5, Table 1, p.144; for commodity-wise comparison, see Table 3A, 2B and 3B, pp.155, 156 which she prepared by consulting the issues of DGCIS, Monthly Statistics of Foreign Trade and Economic Survey; also see index of rate of growth prepared by Sucha Singh Gill, "Indo-Soviet Trade and Economic Developments in India" in Shankar Dayal Sharma, ed., Studies in Indo-Soviet Cooperation (New Delhi, 1982), pp.167, 173.
cent of Soviet exports to India. In India's official statistics in 1975 and 1980 Soviet supply of crude oil and petroleum products to India reached six million and eight million tonnes respectively, with increase noted in 1980-81 alone to Rs. 3,923 crores (about 27 per cent), but export of capital goods remained at a low level of 4.4 per cent during the same period. This was an important index of the economic cost to Soviet Union when measured in hard currency. In order to maintain the increased oil supplies to India (and other Third World countries) the Soviet Union had to reduce exports of this item to Western Europe and thus loose precious foreign currency. In Soviet view India saved convertible foreign currency in these items received from the Soviet Union in exchange of goods that India could not sell in the Western markets. However, an expected decline in the import of crude oil due to India's increased domestic production was mentioned in Finance Ministry report.

As has already been noted Indo-Soviet trade was channelised through trade and payment arrangements, which in many quarters raised doubt regarding its promotional role in trade exchanges. India had certain vital objectives in using this instrument which did not fall below

---


35 *Economic Survey 1983-84*, p.64.
the expectation. This is evident from the following assessment. Firstly, the exports to the Soviet Union under rupee payment arrangement was not a diversion from potential markets in hard currency areas. There had been considerable concern that diverting trade from convertible currency to non-convertible currency areas would adversely affect India’s trade expansion. A detailed statistical analysis has shown that though there occurred diversion in the early years, there was no such trend in the later years to support the thesis that India neglected convertible currency markets in preference to non-convertible currency markets. This could be seen in the growth registered in India’s exports to the Soviet Union and to the rest of the world. The rate of growth of exports to convertible currency areas was higher than that to the Soviet Union.\textsuperscript{36} Also, India’s expansion of trade with the Soviet Union was not at the cost of its expansion of trade with hard currency market, for example USA, which remained the single largest source of India’s purchases.\textsuperscript{37} Under rupee-rouble trade agreement both sides bought commodities at international prices which implied that it was for the buyer and the seller to negotiate the price and ensure that the trade was carried on at international price. As a result the price relationship between India and the Soviet Union did not differ substantially from price relationship that existed between India and the rest of the world. Excepting one or two years there was evidence that the Soviet Union while providing additional market for many Indian

\textsuperscript{36} Chishti, n.5, Table 1, p.155.

\textsuperscript{37} Exports to USA increased from Rs. 207 Crores in 1970-71 to Rs. 809 crores in 1979-80 registering an annual growth rate of 16.4 per cent. A growth rate of export was evident in 1983-84 period of 13.7 per cent from the previous year making USA the single largest market for India, with a share of 11.4 per cent; Economic Survey, 1980-81, p.52 and ibid., of 1984-85, p.73; for a comparison of India’s trade with the USA and USSR see Duncan, n.4, Table 2, p.75, arrived at through survey of Statistical Pocket Book of India.
exports, did pay comparable prices. In a survey made by Indian Council for Research on International Economic Relations (ICRIER) it was found that exports to the USSR did not fetch lesser prices. Some analysts felt that the terms of trade were as good or better than India’s terms of trade with other countries.

Regarding the other related criticism of India having trade surplus with the Soviet Union due to fall in demand in India of Soviet machineries and the speculation about Soviet Union of trading Indian goods by reselling to the hard currency market thereby hurting India’s sales, some Indian economists pointed out that the favourable trade balance was used by India to make repayment of Soviet credits and defence purchases. Indeed it was claimed by an analyst that if arms transfers were included the Soviet Union had always had a trade surplus with India. The debt according to this view would have been greater but for the favourable military credit. Economic Survey noted with concern the deteriorating balance of payment position in 1981-82. An improvement was noted in 1982-83 due to decline in trade deficit in

---

38 Chishti, n.5, p.145; also S. Singh Gill through study of the estimates of India’s terms of trade with the Soviet Union dealing both different periods of time came to the conclusion that India enjoyed favourable terms of trade; n.31, pp.172-5.


41 For example during 1975-81 India repaid amortisation and interest amounting to Rs. 6,746 million while surplus on trade account was Rs. 8,870 million during the period; See Mehrotra, ibid., p.173.

42 Mukherjee, n.33, p.25.
India because of massive import saving as domestic production increased.\textsuperscript{43} Therefore, the existing trade and payment arrangement between India and the Soviet Union, although occasionally becoming a source of irritation, was not going to be abandoned. As V.P. Singh, India's Finance Minister stated during a seminar that the framework of rupee trade would prove a factor of stability and a mechanism for meeting many of India's essential requirements during the seven Five Year Plans, since through this India acquired trade expansion without loss of foreign exchange.\textsuperscript{44}

**Soviet Economic Assistance**

Soviet economic aid to India played a vital role not only in promoting Indian economic development but also in promoting the strategy of the Government of India of supporting the public sector. From the beginning Soviet credits were earmarked for building key industries in public sector. American aid was comparatively higher than the Soviet aid; but unlike the American component more than 50 per cent of Soviet economic assistance went into industrial development or for the productive sector.\textsuperscript{45} The Soviet Union was also the first country to commit aid for the entire duration of India's each five year plan rather than on a year to year basis.

\textsuperscript{43}Economic Survey of 1981-82, p.70.


\textsuperscript{45}Vinod Mehta, *Soviet Union and India's Industrial Development* (New Delhi, 1975), p.8.
The Indian and Western statistics on Soviet aid to India differ. In Indian official statistics the total aid from the Soviet Union till 1977 was Rs.843 crores which rose to Rs.1,982 in 1986 making gross total of Rs.2,825 crores up to 1986. The share of Soviet Union on total authorisation of aid to India had been set around 7 per cent. Among the Western statistics OECD estimated Soviet economic assistance in 1985 at 0.28 per cent of GNP the bulk of which went to members of Council for Mutual Economic Assistance (COMECON), with India's share of 3 per cent. According to CIA estimate, over the whole period between 1954-1984, India was the second largest recipient of Soviet economic aid after Turkey. In 1985 India overtook Turkey in terms of the aggregate of aid (receiving $4,442 million against Turkey's share of value $3,399 million). Although discrepancy was noted in these western aid figures it was clear that at least up to 1985 Soviet Policy makers were involved in a major economic aid commitment to India. However, Soviet aid was lower compared to the Western aid. Figures of Western aid issued by the UN Conference on Trade and Development (UNCTAD) relating to official development assistance (ODA) for the OECD Development Assistance Committee (DAC) countries showed that over the period 1979-83, aid to India reached a high of $931 million in 1981, and leaving aside the exceptional year of 1985, the aggregate of Western economic aid to India dwarfed that provided by the Soviet Union.

---

47 Cited in Duncan, n.4, p.71.
48 Cited in ibid., pp.71-72.
49 Ibid., p.72.
low amount of Soviet economic aid was corroborated by Indian account, too. *Economic Survey* reported that by March 1978 the aggregate economic assistance authorised by the USSR was Rs.1,431 crores in comparison to Rs.5,233 crores by the World Bank and the International Development Agency, Rs.3,659 crores by the US, Rs.1,422 crores by the UK and Rs.1,264 crores by the OPEC, with Aid India Consortium members increasing assistance by about $1000 million in 1980-81.\(^5\)

Though the magnitude of Soviet aid was, thus, not large, it was perceived to have its usefulness. Initially Soviet assistance stimulated the western competitive spirit into greater generosity towards India. Further, the aid granted till 1985 was to be repaid in Indian rupees which was to be used to buy Indian goods. This reduced the burden of repayment to a certain extent. Secondly, the interest rate on this aid was 2.5 per cent. It was not costlier than the aid from other sources. This was because the socialist countries operated within the framework of world peace. Thirdly, the maturity period was somewhere between ten to thirteen years. Finally, the grant element in the aid was less compared to that from multilateral funding agencies and some western countries.\(^5\) The usefulness of Soviet assistance towards the growth of projects regarded as high priority investment had been appreciated by successive leadership in India. The MEA Report for 1974-75 described Soviet willingness to help India's

---

\(^5\) *Economic Survey* of 1980-81, p.49.

\(^5\) See the article by Sumitra Chishti, *India's Trade with East Europe : An Overall View*, *Foreign Trade Review* (New Delhi, Indian Institute of Foreign Trade), vol.12, no.1, April-June 1977, pp.6-12.
key sectors of the economy as a further manifestation of friendship. The $300-400 million Soviet credit offered to India during Gromyko's visit to India in early 1977 with favourable financial terms was meant to be used for import from Soviet Union equipments needed for India's steel plant, coal mines, etc. It was reported that up to 1976-77 Soviet credits contracted through agreements amounted to 1225 million roubles for financing purchase of goods, and services from the Soviet Union for setting up individual projects in steel, heavy machinery, building plant, coal, oil exploration and refinery. The Janata Government described Soviet willingness to assist India in key sector of the economy as a "distinctive feature in Indo-Soviet relationship". After the Soviet credit of 1.63 billion in May 1980 for the purchase of weapons India was offered another Soviet loan of $520 crores in the same year during Brezhnev's visit to India in December, for specified thermal project and the Bokaro Steel Plant during India's Sixth Plan period.

During Gorbachev's visit to India in 1986 India was offered 1.5 billion roubles in addition to one billion offered when Rajiv Gandhi visited Moscow in 1985. The combined sum of 2.5 billion roubles credit was reported to have eclipsed 900 million roubles credit received from the Soviet Union during thirty years. Some of the special features of the 1985 agreement with the Soviet Union attracted wide attention. This aid was for specific projects, like the

---

52 India, MEA, Report 1974-75, p.4.
54 India, MEA, Report 1977-78, p.20.
construction of the Tehri Hydropower Complex in UP with a capacity of 2400MW, the construction and modernisation of the convertor shop and continuous casting department of the Bokaro Steel Plant, the establishment of four underground coal mines and intensive onshore exploration of hydro carbons in West Bengal. The aid package also reduced the constraint of rupee resources by the Soviet offer of Rs.500 crores generated from Soviet export. Of the total aid package of 1986, Rs.2,346 crores carried an interest rate of 2.5 per cent repayable in seventeen years which could be available for the import of equipments and services from the Soviet Union. Repayment of the loan could be made either in Indian Rupees or US dollars. Many questioned the utility of this Soviet credit since India was running a trade surplus of over Rs.1,700 crore over the USSR and when 70 per cent of the previous credit remained unutilised.\(^56\) Prime Minister assured that the Soviet credit was not a burden to India since a new provision was included in the agreement which offered scope for better utilisation of credit, adding that there remained no contradiction between trade surplus and utilisation of credit.\(^57\)

**Technology Transfer**

The Soviet Union emerged as one of the leading suppliers of technology for a large number of basic industries which India wanted to develop because of the importance in developmental strategy. In the initial period the Soviet Union had been a forerunner in helping

---

\(^{56}\) Statement by V. Arunachalam in Rajya Sabha, *Debates*, n.30, cols.211-12.

\(^{57}\) For details see ibid., cols.221-2.
India to set up a large number of projects in vital sectors like steel, fertiliser, refineries and mining. The basic principle of the economic and technological cooperation between India and the Soviet Union was the establishment of modern industrial units in key sectors of economy which became potent factors in India's struggle for economic independence. As the MEA Report of 1977-78 noted, "A distinctive feature of Indo-Soviet economic relation has been the Soviet willingness to assist India in key sectors of the economy to enable it to realise self-sufficiency. These include steel, heavy machine building, power generation, drugs and pharmaceutical". 58 Later, however, India started looking to other countries for technological assistance since there was a shift in the pattern of industrial production in India. The utility of the Soviet Union in providing technology declined and consequently there was greater diversification in the field of technology transfer from other countries than in that of arms supplies. As a result, between 1980-1981 India's share in the total volume of economic and technical assistance of the Soviet Union declined although it remained the second highest after Mongolia. This was corroborated in Soviet data. 59

The subsequent Indo-Soviet collaboration in technical field therefore, tried to explore new areas of cooperation in areas like oil, coal and power where the shifting requirement of India's economic development rested. The Indo-Soviet protocol for technical collaboration

58 India, MEA, Report 1977-78, p.20.

59 In 1980 India's share was 7.8 per cent; 9.12 per cent in 1970-71; 6.16 per cent in 1975, and in 1981, 5.34 per cent; see Euler, "Economic and Technical Assistance" in Bhabhni Sengupta, ed., Soviet Perspective of Contemporary Asia (New Delhi, 1983), p.101.
signed in 1976 was a step in that direction. During her visit to Moscow the same year Prime Minister Indira Gandhi specially complimented the Soviet Union for its assistance in building up industries in India's public sector which went a long way in helping India to achieve economic self-reliance. The joint communique released after the visit expressed both countries' resolve to expand production cooperation particularly in the field of ferrous metallurgy, textile industries, electronics, agricultural production and other branches of mutually beneficial cooperation. In the mid-seventies it was estimated that the Soviet aid was responsible directly or indirectly for over 60 per cent of the total public sector and industrial investment.

Soviet assistance in expanding geological prospecting for oil and gas was well known. This started with the first session of the Indo-Soviet Joint Commission held in New Delhi in February 1973. This gave way to the 1974 protocol signed between the two countries for increasing oil production by prospecting in Assam-Arakan-Tripura and Cambay sedimentary basins. It also stipulated commercial development of new oil fields and joint studies to determine India's overall oil and gas resources, according to which in 1977 a group of Soviet and Indian geologists drew up plans for geological exploration in various promising regions. The Soviet Union provided training to Indian geologists and oil workers particularly in the

---

61 Ibid., n.11, p.183.
62 Ibid., p.192.
63 Sebastian Stanislaus, Soviet Economic Aid to India (New Delhi, 1975), pp.268-9.
matter of oil extraction. The ONGC had large member of specialists in various fields of oil industry specially trained in the USSR. In July 1978 Soviet Union signed a protocol on building the Mathura Refinery with a capacity of 6 million tonnes per annum as one of the biggest refineries in India. This was followed by a protocol signed in 1981 for exploration of hydrocarbons in West Bengal. In 1984 a permanent Working Group was set up under the Indo-Soviet Joint Commission in order to promote cooperation in the oil industry. After the conclusion of the meeting of the Working Group a protocol was signed between D.A. Takoev, the Soviet Deputy Minister of Oil Industry and A.S. Gill, Secretary in Petroleum Ministry in India, which provided for cooperation in such areas as seismic exploration, exploratory on-shore drilling in the Western region of India and technical cooperation in petroleum and geology between Soviet research institutions on one side and institutions under control of ONGC in India.

Signs of Soviet willingness to transfer technology were noted in other areas, too, like coal, power and nonferrous metallurgy. A high level delegation led by S.B. Lal, Secretary in the Department of Coal in India visited Soviet Union in June 1984 to identify major areas of cooperation between the two countries in the long-term development of Indian coal industry. This gave way to a protocol signed between the two countries in November 1984 on cooperation in the development of new coal projects during 1985-90. It also provided for

---

64See the speech of Arkhipov at the ceremony of commissioning of Mathura oil refinery on 14 May 1983, Soviet Review (Information Department of USSR Embassy in New Delhi), vol.20, no.21, 14 May 1983.

designing of an open-cast mine in the Jharia coal field with an annual capacity of about ten million tonnes of coking coal; another project with a capacity of 2.5 million tonnes in Sitamala mine, and a similar one with a capacity of 10 million tonnes of power generating coal in the Mohar open-cast mine at Singrauli. The Soviet Union also agreed to transfer the necessary technology for the chemical utilisation and gasification of coal and for detailed engineering an construction of washeries. A significant development in Soviet assistance in the field of power was a meeting of the Indo-Soviet Working Group on Power which took place in January, 1985 to review the progress made in the construction of the Vindhyachal Thermal Power Plant and to consider steps to strengthen cooperation in the maintenance and repair of power stations built with Soviet assistance, with India urging to expedite the supply of spare parts. The two countries also signed a contract providing for the training of Indian specialists at relevant centres in the USSR.

Non-ferrous metallurgy was another area where Soviet importance was felt in India with Korba complex coming up through Soviet technical and financial assistance. The importance of this complex could be understood from the fact that in 1975-76 alone India exported aluminium products worth Rs.700 crores. The Indo-Soviet Working Group on non-ferrous metallurgy met in Moscow in 1985 to decide setting up a bauxite mine and an aluminia complex near Vishakhapatnam in Andhra Pradesh with Soviet assistance. The agreements contained a Soviet priority for establishment of the bauxite mine with an initial capacity of 2.3

---


67Ibid.
million tonnes for export to the Soviet Union on a compensation basis, to which India offered to export a million tonnes of bauxite and 0.2 million tonnes of alumina to the USSR annually beginning in 1987. The Soviet Union also agreed to submit a proposal for the construction of an alumina-silicon alloy pilot plant to the National Aluminium Company (NALCO) and offered technical collaboration with the Bharat Gold Mine Limited in the matter of high speed shaft-sinking.

The outcome of these negotiations showed that the Soviet Union and India confined themselves largely to the traditional areas of Soviet aid, that is coal, oil, power and metallurgy. This also reflected limited Indian interest in Soviet technology in such areas as electronics and communication. However, due to Soviet Union's own industrial collaboration with the West as also with the USA and Japan from mid-eighties, India began showing interest in collaboration with the Soviet Union in these fields too. For example, on February 27, 1984 an Indo-Soviet protocol was signed between the two countries on computers and electronics. The protocol identified a number of institutions for the importation, installation, commissioning, evaluation and maintenance of computers from the USSR, and provided for India's export of computer software and electronic items worth Rs.40 million to the Soviet Union during 1984.

The Soviet Union also promised India modernisation of the existing plants. In 1984 the Soviet Deputy Minister of Heavy and Transport Engineering and the Secretary of India's

---

69 'Foreign Affairs Record', vol.31, no.2, February 1984, p.83.
Department of Heavy Industry signed a protocol on the expansion of cooperation between the two countries for the development of the machine-building industry in India. This protocol provided for modernisation, improvement of designs and technology development in Heavy Engineering Corporation (HEC), Mining and Allied Machinery Corporation (MAMC) and Bharat Heavy Electricals Limited (BHEL). It also envisaged joint designing and development of new industrial products by the two countries.\textsuperscript{70}

From this point of view the signing of two agreements by Prime Minister Rajiv Gandhi and the General Secretary of the CPSU Mikhail Gorbachev in May 1985 ushered in a new era of Indo-Soviet technical cooperation. The first agreement related to Soviet economic aid of a billion roubles to India for use in the modernisation of Soviet-aided projects and to construct new projects in such fields as ferrous, non-ferrous metallurgy machine-building, power, oil and coal.

The second was far more important. It was an agreement on "Basic Direction of Economic, Trade, Scientific and Technological Cooperation" for a period of fifteen years, i.e., up to the year 2000. Under this agreement India and the Soviet Union were to exploit the complementarities in their economies. This was assessed by the Soviet side as "dynamic development of mutually advantageous economic, commercial, scientific and technological cooperation" between the two countries on a long term planned basis.\textsuperscript{71}

\textsuperscript{70}Soviet Review, n.68, pp.22-29; also see the speech of Arkhipov at the inauguration of Vishakhapatnam steel plant in 12 May 1983, in ibid., vol.20, no.21, 19 May 1983, p.67.

\textsuperscript{71}For the text of a press release issued in Moscow on 22 May 1985 on the economic agreements, see Foreign Affairs Record, vol.31, no.5, May 1985, pp.142-3.
Minister, V.P. Singh stated that the 1985 agreement would provide a framework for growth in the long-term perspective and would lend a further momentum to ongoing cooperation in the core areas of steel, power generation, oil, natural gas and oil, for which some projects had already been identified and others were being examined. 72 A noted Indian analyst rightly viewed that the financial and commercial cooperations with the Soviet Union assumed added significance in the context of India's difficult situation when the western capitalist countries, despite their adherence to the principles enshrined in GATT, persisted in maintaining discriminatory restrictions on our trade. Soviet assistance made it possible for India to obtain developmental credit from the Soviet Union and to repay them in instalments through export of Indian goods, thereby increasing its export earnings without any foreign exchange constraints involved in expanding its industrial cooperation with Soviet Union. 73 However, the implementation of the projects on a turn-key basis created misgivings in certain sections that Soviet assistance provided for absorption of only its own technology; but as a noted economist stated, this was necessary for the Government of India because of the inadequate budgetary resources available for the project. 74

Moscow, thus, undoubtedly became a privileged partner in bringing about India's industrial development, although India's pursuit of high technology made for rethinking about its continued utility leading to India's diversification in economic relations to US, Japan and

72 Cited in Ahmed, n.44, p.263.

73 K.B. Lall's statement cited in ibid.

74 Chishti, n.5, p.147.
Europe. But side by side Rajiv Gandhi showed interest in Indo-Soviet technical cooperation regarding which immense scope was perceived to have existed. Acknowledging this Rajiv Gandhi stated,

We deeply appreciate the substantial and principled support which the Soviet Union has given to our economic development. We look forward to rapid enlargement of this cooperation...(and) interested in stable and long-term expansion of trade and economic relation which take cognisance of the needs, constraints and potentialities of our two nations' economies. New areas and mechanism of cooperation must be developed.

The new Soviet thrust under perestroika to make Soviet economy more efficient also augured well for a further strengthening of Indo-Soviet relationship. Soviet Union recognised that international trade could be increasingly used to bring about modernisation of Soviet economy by upgrading its technological base. This, they perceived could be done by ensuring that Soviet goods met the highest techno-economic and aesthetic requirement of the consumer and attained a competitive edge in the world market. The pivot of Soviet restructuring of its trade and economic relations, therefore, revolved around its relation with the developed market economies. This was evident in Soviet effort to build up effective relationship with the market economies not only through bilateral arrangement but also by participating in the international economic arrangements in which they had important role, like the General Agreement on

---

75 For details of India's economic collaboration with the West see Harish Kapur, "India's Foreign Policy under Rajiv Gandhi", *Round Table* (London), no.304, 1987, p.474.

76 See Rajiv Gandhi's statement at the banquet hosted by M. Gorbachev in Moscow on 21 May 1985 in *Foreign Affairs Record*, n.71, p.137.

Tariffs and Trade (GATT) which was previously perceived by Soviet Union as an "instrument of US hegemony". This has favourable implications on Indo-Soviet economic cooperation. India could look to the Soviet Union as a source of hi-tech technology which it sought from the West for modernising its industrial structure. New modes of cooperation were being visualised to make the Soviet economic relationship with other countries more efficient based on mutually beneficial relations. One of these new forces included Soviet cooperation with Indian private sector, both in trade and industry.

Private Sector and the Soviet Union

Since late 1970s notable Soviet personalities like Karen Brutents, Deputy Head of the International Department of the Academy of Science, Institute of Oriental Studies (IOS), encouraged the Third World countries to maintain a private sector and cooperate with foreign capital, on the argument that the Soviet Union was unable to give LDCs more favourable economic treatment than what the West had already provided. In 1980 Evgeny Primakov, the head of USSR Academy of Science's IOS and later the foreign policy advisor to Gorbachev, argued against the suggestion in an IMEMO book urging LDCs to move quickly to the socialist transformation and claimed that the Third World countries had been able to make progress within the world capitalist economy. In the past the disinterested aid and

78Chishti, n.5, p.150.
79Cited in Duncan, n.4, p.88.
80In early 1987 Primakov wrote: "Gone are the days of far-fetched reference to something like (continued...)
equitable treatment given by the Soviet Union to the newly free countries were contrasted with allegedly exploitative nature of the West's link with them and, therefore, the relationship between the socialist countries and the Third World was presumed to be based on "socialist solidarity", an idea which later in 1980s was thought to be erroneous by Oleg Bogomolov, Director of the Institute of the Economic and the World Socialist Movement. It was an indication that the Soviet Union was shifting its attention from the countries of socialist orientation to the larger, more influential countries in the Third World which had mixed economy such as Mexico, Argentina, Brazil and India.

One of the important fall-outs of Perestroika was a major reorganisation of the foreign trade system effecting the very basis of the foreign trade system effecting the very basis of the concept of state monopoly vis-a-vis decision-making and the organisational set-up of foreign trade. The domination by the Ministry of Foreign Trade and its enterprises which controlled nearly 90 per cent of Soviet trade was reduced through the introduction of a number of enterprises under various ministers to perform foreign trade function.

One of the most important development under the changed scenario was joint ventures between Soviet Union and foreign business partners within the USSR as a supplement to

87(…continued)
India's socialist development which was interpreted that time as an important argument in favour of Soviet-Indian cooperation" cited from Pravda, 5 January 1987.

81Cited in Duncan, ibid.

82For some major aspects of this reorganisation, see Chishti, n.5, p.149; she cites from UNCTAD, Prospects for Trade and Economic Cooperation among Countries having Different Economic System, UNCTAD/ST/TSC/6, June, 1986.
traditional trade exchanges. The Government of USSR under a newly enacted legislation permitted joint ventures between the Soviet Union and foreign business partners; latter’s share in the authorised form of joint venture was permitted up to 40 per cent. It was regarded that more than forty two ventures were already in the pipeline with thirteen major Indian companies having offered to cooperate in this framework in which there existed private industries, too.

Faced with serious difficulties in promotion of its industrial products in the Indian market, the Soviet Union radically altered its long standing policy of encouraging the public sector and started wooing the Indian private sector in the early 1980s with tempting offers of credits, technology, and an expanding market. According to UNCTAD, a protocol was signed between a Soviet company and an Indian private sector company with 60 per cent of the share being held by the Indian company and 40 per cent by the Soviet company.83

In December 1983 Ivan Arkhipov, the First Deputy Prime Minister of the USSR addressed the captains of Indian industry and lauded the role of the Indian private sector in the country’s drive towards self-reliance and in the cause of Indo-Soviet trade.84 Later during his visit to India in November 1984, the President of the Soviet Chamber of Commerce, E.P. Pitronov urged India’s private sector to step up imports from the USSR substantially to promote Indo-Soviet trade. Assurance was also given to the private sector that Soviet Union would encourage long term barter agreement between its own enterprises and Indian firms.


84Jayasekhar, n.66, p.177.
who would be encouraged to enter into production agreements to facilitate the inflow of Soviet machinery and equipments to India.\textsuperscript{85} A delegation led by K.G. Khosla visited Soviet Union in the middle of May 1984 to identify areas within Indian industry in the private sector which could profitably import from the Soviet Union. It came to the conclusion that India could import machine tools of larger sizes of more sophisticated nature from the Soviet Union, and that the level of design and manufacturing capability in the Soviet Union was of high standard, with new technologies available in other parts of the world being used.\textsuperscript{86} The President of the USSR State Committee on Science and Technology proposed an umbrella agreement between it and the Association of Indian Engineering Industries (AIEA) to an AIEA delegation which visited Moscow. The agreement was to provide for transfer of Soviet technology and for joint research and development (R&D) by the Soviet Union and the Indian private firms in respect of specified projects, like gas-based automobiles, oil exploration equipments, forging presses, and continuous steel-making, using pellets and electricity.\textsuperscript{87}

However, the foregoing propositions remained at an exploratory level. Leading Indian industrialists visited the Soviet Union for joint ventures, but there was no indication of enough of Soviet share in such agreements with the private sector; although most of India's several industrial collaboration agreements with a number of other countries had been with the private

\textsuperscript{85}Ibid., pp.177-8.
\textsuperscript{87}Jayasekhar, n.66, p.178.
sector in India. It was also realised that apart from non-availability of sufficient information, spare parts and repair facilities in some cases, ignorance of Soviet weapons in a large degree hampered the marketing of Soviet machinery, equipment and technology in India. Indeed, a Soviet trade official in New Delhi gave vent to Moscow's "surprise and regret" at the "alleged disinformation" and distorted reports about Soviet economic malaise that was reported in some newspapers. To overcome this the Soviets sent a Gosplan team to New Delhi in October 1985 to fill the information gap that allegedly existed within India's business community on the potentials of Soviet economy and exports. An Indo-Soviet Chambers of Commerce was set up in 1986 which identified over 100 potential joint ventures involving India's private sector. Apparently the Soviets were wooing the Indian private sector to bail themselves out of their negative trade balance with India.

**Conclusion**

From the foregoing analysis the following trends in Indo-Soviet economic relations in the post-treaty period can be outlined. The most outstanding implication of the economic clause

---


89Soviet trade official, N.I. Aleksandrov's speech at a seminar in New Delhi, cited in Banerjee, n.29, p.7.

90Girish Mishra, "Indo-Soviet Economic Relations", in Ahmed, n.44, pp.82-83.

91Ibid.
of the Treaty was that it gave institutional framework for guiding and planning a multifaceted economic cooperation on a long-term basis. Between 1972-1986 the most promising development in this regard was the conclusion of two major agreements, viz., the Agreement on Economic and Technical Cooperation, and the New Trade and Payment signed in 1985 and 1986 respectively during Rajiv-Gorbachev era. These agreements added a new dimension to the economic relations between these two countries by providing a framework of comprehensive growth in economic, scientific and technological spheres for the next two decades -- by far an agreement in the longest term perspective. The Soviets were increasingly emphasising the importance of such long-term agreements which provided a legal basis on which to conduct trade relations.92

However, the Soviet Union appeared to have gained more from economic and technological exchanges with India. India was the cheapest, most viable and larger-scale supplier of products to meet the demand of the Soviet domestic economy, which under Gorbachev's perestroika was committed to a rapid growth of economy through increased production. The Soviet Union had been able to meet a large part of such requirements through imports from India. For instance, even during 1980-82, 34.42 per cent of the total imports to the Soviet Union consisted of foodstuffs, consumer goods and raw materials.93 Western analysts pointed out Moscow’s advantage of acquiring superior technology from India without spending hard currency. India's potential to supply personal computers, automobiles,

92Michael Khaldin, "USSR and Developing Countries : Long Term Cooperation Programme", Foreign Trade (Moscow, Ministry of Foreign Trade, 1988), pp.36-38.

ancillaries, xerographic and electronic equipments, computers and software proved substantial. Indian private firms and Soviet enterprises made agreements for joint production in these areas.\textsuperscript{94} The Soviet leadership expressed pride and satisfaction in their economic relations with India as an expression of India's dissatisfaction of and opposition to US imperialism. "India", said a \textit{Pravda} columnist, "is an active champion of reorganising international economic relations on a just and democratic basis, of establishing the new economic order and of putting an end to the exploitation of liberated countries by the developed capital states".\textsuperscript{95}

For India, the Soviet Union was undoubtedly important in exploring new areas where she needed Soviet capital inputs and technology for building up the industrial base, which was crucial in achieving self-reliance. Successive leaderships in India un-equivocally acknowledged this. But after achieving a certain degree of self-reliance in this sphere the Soviet role in the development of Indian economy became only useful not "critical" as an Indian analyst observed.\textsuperscript{96} India became interested in assimilating modern technology from the West, especially USA, Germany and Japan. However, difficulty in this regard was removed to some extent in the light of the redirection of the economic objectives of the Soviet Union under Perestroika. By increasing Soviet contact with the OECD countries for technology and with her expansion of international trade, Soviet Union too became an attractive market for India to meet her demands for better technology. The Soviet willingness to cooperate with India in her

\textsuperscript{94}Duncan, n.4, p.78.


\textsuperscript{96}Jayashekhar, n.66, p.181.
shifting focus from heavy industry to development of energy resources, fertilisers, non-ferrous metal sulphur and coal also proved helpful in this regard. The Soviet Union was also showing interest in upgrading technology in a number of specified industries built with the support of Soviet enterprises, particularly in joint production in India's private sectors. In both Indian and Soviet analysis there were examples of Soviet efforts to boost Indo-Soviet economic relations by searching out new forms of cooperation. The rupee-rouble arrangement which proved to be an irritant in Indo-Soviet economic relations was also not abandoned and was perceived to have played a reasonably satisfactory role for mutual benefit in the context of Indo-Soviet trade. The rupee-rouble agreement proved to be trade-promoting rather than trade-diverting. The apprehension that the Soviet Union was reselling Indian goods in hard currency markets also did not commend wide support. In the light of these analyses both in India and the West did not foresee any immediate reversal of this arrangement. On the whole it may be suggested that despite some of the malaise, the benefits of Indo-Soviet economic cooperation had not been exhausted and exploration of new avenues was being searched out by both the countries to further deepen the relationship.


98 Chishti, n.5, p.153; Duncan, n.4, p.76.