CHAPTER VI

ECONOMIC DIMENSIONS OF THE INDO-SOVIET TREATY

This chapter is devoted to examine the impact of the Indo-Soviet Friendship Treaty on the dynamics and dimensions of Indo-Soviet economic co-operation and trade relations. After the signing of Indo-Soviet Treaty, economic relations between the two countries entered a new and enduring phase. The successful development of Indo-Soviet economic co-operation lies in the national interest of the two countries based on the terms of the Treaty of Peace, Friendship and Co-operation. The Treaty, which was signed in August 1971, further strengthened the relations between the two signatories and, to a greater extent, contributed to the strengthening of Indian economy in its most vital sectors.

The economic relations between India and the Soviet Union could be understood mainly in the light of the ever growing developmental needs of India. India wanted to reconstruct its economy on a solid basis, which was shattered on account of British imperialist and colonialist policies. Although territorially India stands out as one of the largest countries in the world, economically she suffers from serious disadvantages. India had to improve the living conditions of its people and was badly in need
of a strong industrial infrastructure. Though India had a strong economic base, the policy makers felt that it had to meet many challenges from the neighbouring countries. Therefore, after independence, India adopted a foreign policy conducive to fulfil all of its vital national interests. Thus the adoption of the policy of non-alignment by India had the specific purpose of, among other things, overcoming its economic constraints.

Independent India wanted to get economic assistance from whatever sources available for her developmental needs. It has very eagerly accepted economic assistance from both the power blocs - the Western bloc and the Communist bloc. The Western bloc, under the leadership of the United States was not prepared to encourage India's industrialization programme. The Western assistance to India confined generally to meet its short-term needs like food, agricultural commodities, general imports, power development, transportation, public health, education and multi-purpose projects. The Western powers, in fact, desired India's continued existence as a rich potential for the supply of raw materials and a profitable market for their finished products. Despite changes in the political field, they had not given up their imperialistic motive.

Whereas the Indo-Soviet co-operation was developed in full conformity with the planned strategy of India's economic growth,
which was aimed at securing self-reliance within a short span of time. India received all possible help and assistance from the Soviet Union in order to develop its vital areas of industrialization, especially, in the public sector. For this Independent India always sought to develop close and friendly ties with the Soviet Union. Both the Soviet Union and India realized that their politico-strategic relationship would be more meaningful, enduring and beneficial if it were built on a sound economic interaction. Therefore, at the early stages of their ties, both the countries developed mutual relations and co-operation, which undoubtedly contributed to strengthening of politico-strategic links between them. India has been the most valued Soviet partner in Asia in the 1950's not merely because of the former's impressive size and influence in Asian and Third World affairs but also because of the vastness of the Indian economy and the potentials of mutual gains out of close trade and economic relations¹.

The economic co-operation between the Soviet Union and India is regulated by legal and contractual norms which ensure equal and mutually beneficial exchange of goods and services. The Soviet Union attached more attention to the real implementation of

these principles without restricting itself by its formal declaration. The relations between the two countries developed solidly on the terms of the Treaty of Peace, Friendship and Co-operation of 1971, which covered almost all areas, viz., economic, trade, technology, education, culture, space-research, defence, sports and the like. These relations have blossomed into a unique friendship and co-operation between the two different political systems by providing a typical example of peaceful co-existence to be followed as a model by other countries in the world.

The Indo-Soviet Treaty, far from being a military pact, was indeed a pact for mutual friendship and co-operation in the socio-economic spheres. Article VI of the Treaty expressed "the intention of the parties concerned to consolidate and expand mutually advantageous and comprehensive economic, scientific and technical co-operation on the basis of the principles of equality, mutual benefit and most favoured nation treatment" and has given a great boost to the growth of economic relations between the two countries. Its results have been manifestly phenomenal particularly in the expansion of trade. In fact, the treaty only formalised the existing friendly co-operation between them and opened up good prospects for future developments and consolidation of mutual relations.

2. Text of the Treaty, Appendix No.II.
Economic Co-operation

The Indian attempts to industrialise, was not well accepted in Western circles. It was genuinely feared that they would result in the decline of so-called complementarity existing between the two parts of the world. That is why India was advised to concentrate on the development of agriculture, and if necessary, on certain light industries because they were "comparatively advantageous" to it and were less capital intensive\(^3\). It was argued that the development of basic and heavy industries would result in rise in prices and unemployment due to their intensive nature of capital and long gestation period. Politically also it was feared that an ever-expanding strong public sector would lead to the development of an independent economy which would sustain India's independent foreign policy and strengthen its resilience to joining military blocs and make its intervention in world politics more effective\(^4\).

However, Nehru, the architect of India's industrial policy was firm on having heavy industries for India. Many US Steel corporations and authorities approached India for collaboration in this field but they were rejected on the ground that offers might have strings attached to them. A thorough and detailed study of


economic development of a number of countries led Nehru to conclude that if India was to strengthen its foundations for steady economic and social progress it should give top priority to the development of heavy industry. In this connection, Nehru's speeches at sessions of the National Development Council, devoted to the Second Five Year Plan, were significant. Nehru said: ... greater stress was laid on the heavy machine-making industry being encouraged as that was said to be the basis of industrial growth. He also addressing the Conference of All India Manufacturers Organisation in Delhi on 14 April 1956, gave a new objective and a new look to the Indian economy by declaring that:

if we really wish to industrialise, we must start from the heavy, basic and mother industries. There is no other way. We must start with the production of iron and steel on a large scale. We must start with the production of machines which make machines. So long as you have not these basic things, you are dependent on others and can never really grow rapidly enough.

To achieve this objective, public sector was given a major role in effecting this transformation.

It was in such a situation that the Soviet Union offered its


help for building a steel plant in the public sector. In February 1954, the Soviet Union indicated that it would give economic and technological assistance to those nations "advancing the cause of peace" that is, India, Afghanistan, Burma, Indonesia and Egypt. It explained that no political strings would be attached to the Soviet economic assistance. The Soviet Union signed the Bhilai steel plant agreement in 2 February 1955 on favourable terms and was able to put the plant into operation before the British built Durgapur and the West Germans built Rourkela. Although the USA shunned aid for the development of heavy industry on the grounds of economic rationality, the Soviet Union shared the Indian thinking that development of heavy industry on the grounds of economic rationality was the quickest path of industrialization.

The first major Soviet aid project in the Third World, the Bhilai steel mill, was the product of a congruence of Soviet and Indian aspirations regarding the objectives and purposes of foreign aid. Bhilai was the centre piece of several complementary Soviet projects designed to facilitate the self-generative industrial growth of India. As a result of a number of agreements between the two countries, more than 80 modern projects have been built, or under construction, in the key branches of the Indian economy—steel, power, coal, heavy machines and oil. These developments have put India on the industrial map of the world. The key branches of the Indian economy include the Bhilai, Bokaro, and Vizag Steel Plants;
the oil refineries at Barauni, Koyali and Mathura; the heavy electrical equipment at Hardwar; the hydro-electric and thermal power stations at Harduaganj, Patratu, Ballmela and Neyveli; the heavy machine building plant at Ranchi, etc. These projects were mainly in the public sector which actually strengthened the foundations of Indian economic independence. The USSR granted large credits to India on easy terms for these projects. The repayment for these credit is made by India through export of goods and thereby it saved not only hard currency but also gets a guaranteed market for its own commodities.

Since 1955 the Soviet aid to India has increased largely, and it is in fact, the largest recipient of Soviet aid among the developing countries. The total volume of Soviet credit facilities to India has already reached Rs.2,464 crores. The USSR has so far provided long-term credits of Rs.1,814.40 crores.\(^7\)

Co-operation between India and the Soviet Union in the economic, commercial, scientific and technological fields is mutually beneficial to both sides. The two countries' co-operation is entirely based on the principle of equality and also their independence of partnership. The importance of the enterprises built with Soviet economic and technical help is clear from the fact

\(^7\) Backgrounder, Information Department of the USSR Embassy in India, New Delhi, July 30, 1981, p.1.
that they contribute 40 per cent of steel production, 35 per cent of oil production and account for more than 10 per cent of electricity generation. When completed they will be responsible for 53 per cent of oil refining and 41 per cent of coal mining capacity. The total permanent direct employment opportunities provided by Indo-Soviet projects amount to more than 1.6 lakh. Thanks to the co-operation with the Soviet Union, India has one of the largest stocks of technical know-how. More than two lakhs of people have been trained in connection with Soviet aided projects.

Over 70 industrial and other projects have been built or are under construction in India with Soviet assistance, and more than 50 have been put into operation. Of these, six are in metallurgy, 10 in coal and mining, 11 in oil, 16 in machine-building, 10 in education and science. Thus, as pointed out above, Indo-Soviet co-operation is developing in full conformity with the planned strategy of economic growth of India, aimed at securing self-reliance within a short duration.

Indeed, there were certain characteristics of Soviet


9. Ibid.

assistance which made it acceptable to India. First, it was a government to government programme for expansion of public sector industry. Secondly, the USSR gave aid without strings by refraining from criticising over all India's, foreign and economic policy. Thirdly, Soviet aid was characterised by its emphasis on programmes instead of project aid. And finally, the comprehensive agreements covered designing supply of raw materials and equipment and the training of India's personnel.

Soviet assistance can be assessed from various angles. The loans are given on a long-term basis. Soviet Union has never put any pre-conditions, political or otherwise, for assisting India. Whatever aid India has received from the Soviet Union is to be repaid in the Indian currency, i.e., in rupees which are utilised by the Soviet authorities for the purchase of Indian goods for export to the USSR within the framework of the Indo-Soviet trade plan enforced from time to time. This means that no foreign exchange burden is involved by way of debt servicing obligations under these credits. As such, there is no borrowing from the Soviet Union or from any other country to pay for the earlier credits provided by the USSR. There is also no commitment charge payable on the USSR credits and interest is charged for the amount drawn from the date of drawal. In this way, Soviet aid, though always tied, is a more defensive arrangement on the ground that interest and repayment are subject to the same arrangement as a part of
wider network of payment agreements\textsuperscript{11}. These credits are advantageous because they do not add to the balance of payment difficulties and also do not necessitate deliberate efforts on the part of the recipient country to find out markets for exports\textsuperscript{12}.

The Soviet aided projects are conceived and implemented in a manner that they are economically linked together and become mutually beneficial, supplementary enterprises. This has been the motive force behind all the Soviet credits to India\textsuperscript{13}.


13. The first Indo-Soviet agreement of 2 February 1955, which gave a credit of Rs.101.93 crores was directed to build the first phase of the Bhilai Steel Plant. The Second Soviet credit worth Rs.93.71 crores of 9 November 1957 was to be utilised for the construction of the Ranchi Heavy Machinery Plant and the Ophthalmological Glass Plant in Durgapur, a complex at Korba and the first phase of the Neyveli Thermal Power Station. The third Soviet credit of Rs.14.99 crores was given on 29 May 1959 for the construction of the pharmaceutical industry - the Antibiotics Plant at Rishikesh, the Synthetic Drugs Plant at Hyderabad and the Surgical Plant in Madras. The Fourth Soviet credit of 12 September 1959 was intended for financing the projects of the third Five Year Plan, which included some of the ongoing projects in addition to Thermal Power stations, construction of the Barauni Oil Refinery, Heavy Electrical equipment Plant at Hardwar and prospecting and drilling work for oil and gas. This credit was worth Rs.281.14 crores. Till 10 December 1980, the Soviet Union had given to India six more credits - Rs.18.75 crores on 8 September 1959, Rs.93.75 crores on 21 February 1961, Rs.166.67 crores on 25 January 1956, Rs.250 crores on 10 December 1966, Rs.208.25 crores on 27 April 1977 and Rs.520 crores in December 1980. See, V.D.Chopra, \textit{India and the Socialist World} (New Delhi, 1983), pp.142-43.
Post Treaty Developments

Soviet relations with India expanded and deepened after the Treaty of 1971. Between 1972 and 1974 the two countries concluded as many as 40 agreements or protocols for economic, technological, scientific and cultural co-operation. Since the signing of the Indo-Soviet Treaty in 1971 there has been growing mutuality of national interests between the Soviet Union and India. Since 1971 India has been considered as the keystone of the Soviet Union's Asian policy. Leonid Brezhnev, General Secretary of the Soviet Communist Party's Central Committee, said at Party's 25th Congress that "close political and economic co-operation with India is our constant policy". As a friend and well-wisher of India the Soviet Union stepped up its military and economic aid to India. Indo-Soviet co-operation had become an important factor in building a "flourishing and independent" economy in India. India had proved to be a "reliable partner" in economic co-operation, paying its debts to the Soviet Union without delay. The Soviet people are proud that Indo-Soviet co-operation has become a major factor in India's national economy.

In the early 1970's, restructuring of the system of international relations, considerable expansion of economic ties and

15. Pravda (Moscow), 9 August 1972.
growth in the division of labour under the stimulating impact of the scientific and technological development became the important centre of attention of the entire world, particularly among the newly independent countries. Relaxation of international tensions and improvement in the political situation of the world created the necessary conditions for normalizing and expanding ties between countries having different socio-political structures. Consequently, by early 1970's, the strengthening of the world socialist system and the development of the USSR into powerful socialist country had brought about major changes in the international division of labour.

The year 1972 started with the signing of two agreements, one for the aluminium plant at Korba in Madya Pradesh and another protocol for the expansion of the Bhilai Steel Plant. The agreements were signed in Moscow in July 1972. The decision on setting up an Indo-Soviet Joint Commission to strengthen the economic, scientific and technical ties between the two countries, was taken in August 1972.\(^\text{16}\)

In September 1972, the Indian Planning Minister, D.P. Dhar led an economic delegation to the Soviet Union for "intensive talks" on Indo-Soviet co-operation as well as to explore further development of trade and economic relations between the two

\(^\text{16. National Herald (Lucknow), 18 August 1972.}\)
countries. In the Soviet capital he met Skatchkov, Chairman of the State Planning Committee, as well as Prime Minister Kosygin and deputy Foreign Minister Firyubin. His talks with the Soviet leaders were "highly successful" and he returned home "highly satisfied" with his extremely fruitful talks. During his visit, both countries signed an agreement formally establishing an inter-governmental commission on economic, scientific, and technical co-operation whose main task would be to discover ways of further expanding Indo-Soviet co-operation. The Commission, which was decided upon during Indira Gandhi’s visit to Moscow the previous year, would meet at least once a year alternatively in Moscow and New Delhi.

Skatchkov hailed the setting up of the inter-governmental commission as a "great event" in the history of Indo-Soviet bi-lateral relations. He said that Indo-Soviet Treaty had provided a strong foundation for the working of the Commission. "We should now work out measures which would effectively promote solution of issues pertaining to economies of both countries". He had no doubt that the work of the Commission would raise the status of Indo-Soviet economic co-operation and yield rich harvest. Prime Minister Kosygin also promised "full support" for strengthening the

17. Indian Express (New Delhi), 2 October 1972.
18. Times of India (New Delhi), 20 September 1972.
existing lines of co-operation and extending it on long-term basis.\(^{20}\) In October 1972, both the countries signed an agreement for setting up a centre of scientific and technical information in India with Soviet assistance. The agreement provided for joint research and exchange of documents, patents, literature and delegations between the two countries.\(^{21}\) Though the official experts of the two countries would know how far this Commission has justified the role assigned to it, one thing is clear that this was a unique agreement and among the non-socialist countries, it was India alone which had entered into such an arrangement with the Soviet Union.

In February 1973, a Soviet economic mission led by Skatchkov, Chairman of the State Planning Committee arrived in India to discuss further co-operation in many economic and technical fields with India. A Soviet delegation of oil experts also came to India in February to advise the Indian Government on further increase of oil production in the country. Soviet Union agreed to assist India in a big way in developing key industries in the field of iron and steel and non-ferrous metals production, prospecting, production and refining of oil, natural gas, coal and other minerals, power engineering, petrochemical industry, shipping and other branches of industry, agriculture as well as providing

\(^{20}\) Statesman (New Delhi), 23 September 1972.

\(^{21}\) Ibid., 3, 9 October 1972.
facilities for training personnel, will be effected by expanding projects previously undertaken with the assistance of the USSR, by setting up new industrial and agricultural and other projects, and also by assisting in establishing institutes for specialised training.  

The raising of Indo-Soviet economic relations to a new higher level found its reflection in the results of summit talks during the official visit to Brezhnev to India in 29 November 1973. This visit brought about a "qualitative improvement" in the Indo-Soviet relations. In the course of his visit among the important documents which were signed between the two countries were an agreement on the further development of economic and trade co-operation between the two countries and a protocol which mapped out a series of concrete steps to be taken for the implementation of this agreement. Both the sides re-affirmed in this agreement the desire to develop the economic co-operation between the two countries on the basis of the principles of sovereignty, territorial integrity, non interference in internal affairs, equality and mutual benefit.


The protocol provided an opportunity for the development and strengthening of co-operation in the fields of industry, power engineering, agriculture, geological prosperity, personnel training and trade. In fact, the agreement reflected the mutual understanding and the necessity of developing co-operation based on the doctrines of international division of labour and mutual strengthening of the economic potentials of the two countries. Another significance of the agreement related to co-operate between the Soviet Planning Committee and the Planning Commission of India. It also visualized a joint research group of both India and Soviet Union to be set up for co-operation in planning.

During his visit Brezhnev assured Mrs. Gandhi that India's interests would in no way be sacrificed in Soviet-US detente. Mrs. Gandhi said that talks with Brezhnev covered a wide range of subjects, had confirmed that the two countries had a similar approach to the problems of peace and detente. The steady and continued growth of co-operation, both in depth and dimension, between the two countries is not accidental phenomenon. It is an outcome of the concerted efforts by both sides to promote bi-lateral relations.

After the visit of Brezhnev, the tempo in Indo-Soviet relations was accelerated. On 20 December 1973 a nine-man Soviet

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team came to India for talks about the Soviet aid for developing coal mines in India. A week later, India and the Soviet Union signed a protocol under which Moscow agreed to supply India with machinery and equipment as well as to provide trading facilities for Indian mining engineers. On 14 January 1974, India and the Soviet Union signed another protocol for Soviet assistance for oil prospecting in India.

On 8 August 1974, Indian Foreign Minister, Swaran Singh arrived in Moscow and held talks with Gromyko on Indo-Soviet relations and international subjects of mutual accord. Thereafter, Moscow agreed to speed up its aid to New Delhi in a demonstration of Soviet friendship for India. When an Indian economic delegation led by Dhar, Minister of Planning arrived in Moscow to participate in the second session of the Indo-Soviet joint commission for economic, scientific and technical co-operation on 14 September 1974. The Soviets were found very anxious to demonstrate their readiness to help India in her economic, scientific and technological developments. The Soviet Union also agreed to step up her efforts to complete the projects in the core sector of Indian economy. Moscow also agreed to send a Soviet team to India to co-ordinate the design work for the expansion of the Bhilai and Bokaro steel mills to achieve an annual capacity of 40,00,000 tons in each case. Moscow also announced its readiness to assist India in the expansion
and modernization of the machine tool industry.25

According to an agreement signed in New Delhi in February 1975, Soviet Union promised assistance for the Calcutta Under Ground Railway Transport Projects. India received Soviet credit for purchase of equipment and technical assistance including deputation of Soviet specialists to India and Indians trained in Soviet Union. Another agreement was signed for the supply of equipment and technology for the Kota Instrumentation Plant. In August 1975, India and Soviet Union signed four protocols relating to the supply of Soviet raw materials and spare parts to India for Soviet equipment, for Soviet assistance for a satellite programme, for a tele-communication link between the two countries and for dealings with the subject of standardization.

On 8 June 1976, Mrs. Gandhi arrived in Moscow for an official visit. Of course, her visit to the Soviet Union helped to further strengthen Indo-Soviet relations. Both sides had given and received assurances on strengthening mutual relations. Since then economic, technical and scientific co-operation between the two countries was stepped up. In mid-July 1976, the Secretary of the Indian Ministry of Steel and Mines arrived in Moscow for talks on the expansion of the Bhilai and Bokaro steel mills. Also in July the Soviet Minister for Merchant Marine, Gurzhenko came to India

and signed a five-year shipping agreement.

In August India and the Soviet Union signed a protocol for active collaboration in third-country projects involving Indian know-how and capability in civil construction, which provided for India's entry into heavy industrial construction for the first time. There was also an enhancement of co-operation in the field of science and technology. India and the Soviet Union signed two protocols in July and August 1976 for the expansion of co-operation in fundamental science and in cybernetics and laser techniques.

In September 1976 an agreement was signed under which Soviet Union agreed to receive 30,000 tons of metallurgical equipment for steel plants. Indo-Soviet relations acquired a new dimension in December 1976 when the Soviet Union agreed to supply India with 200 tons of heavy water for the Rajasthan atomic power plant (after the Canadian refusal) as a demonstration of Moscow's friendship for India in December 1976, Indo-Soviet relations acquired a new dimension.

The major step of the Soviet Union in its efforts to mend relations with the Janata regime, which was a new one, came with the visit of Soviet Foreign Minister Gromyko to New Delhi. He arrived barely one month after the electoral triumph of Janata Party. In what was mainly a "damage-limiting" visit aimed at de-emphasizing any negative reverberations of the USSR's partisan support for Mrs. Gandhi, Gromyko also sought to ensure the

continuation of the development of Indo-Soviet relations. Foreign Minister Vajpayee spoke enthusiastically about Soviet friendship at a luncheon he gave for Gromyko. Significantly, he also set at rest all speculation, about the Janata Government's attitude to India's ties to the Soviet Union, "the bonds of friendship between the two countries were strong enough to survive the demands of divergent systems, the fate of an individual or the fortunes of a political party".

During the course of the meeting Gromyko and his delegation also signed several agreement with the Indian leaders. The most important among the accord was the extension of a new 20-year credit of about $300-340 million. This substantial loan was on very favourable terms - repayable in 20 years, after a grace period of 3 years, and with an interest rate of only 2.5 percent annually - and was to be for the import of equipment for India's steel plants, coal mines and other industries.

In the economic realm, Soviet efforts to strengthen ties were very substantial and India seemed highly interested. New Delhi, by the middle of the year had reversed its earlier stand of not wanting any further Soviet assistance in the steel industry. Moreover, the two countries signed an agreement for Soviet aid in an additional steel mill at Vishakapatnam on India's coast. In

September, India and the Soviet Union signed a protocol providing the expansion of production of the Bokaro and Bhilai steel mills and to increase their co-operation in joint consultancy and turn-key projects for third countries. In early February 1978 a Soviet delegation led by Soviet Higher Education Minister, Yeltin came to India and signed an agreement on educational co-operation between the two countries. In the same month India and the Soviet Union signed a protocol for a long-term co-operation in the development and production of non-ferrous metals.

In early March Soviet deputy Prime Minister, Ivan Arkhipov came to India and signed a protocol with Vajpayee for the expansion of the production capacity of Bokaro and Bhilai steel mills and the modernization of their technology and production process. Major areas of co-operation which came up for detailed examination were steel; heavy machine building; oil exploration, production and refining; coal, non-ferrous metallurgy; communication and transport; irrigation; co-operation in third countries; production on co-operation; trade and science and technology. Based on the recommendations of the Working Groups, an Inter-Governmental Protocol was signed on March 6, 1978, which sets out


various steps to be taken in an agreed time-frame. A working
group has been set up to prepare a long-term economic programme
which was envisaged in the Joint Declaration.\textsuperscript{30}

On 9 March 1979 Kosygin arrived in India to modernize
India against China and on 14 March Kosygin and Desai signed a
long-term programme of economic, trade, scientific and technical
co-operation between the two countries. As a consequence of this
protocol, a new trend has emerged in the Indo-Soviet co-operation.
It envisaged the expansion of co-operation in metallurgy, machine
building, oil, coal, industries and agriculture. The Bhilai and
Bokaro steel mills would be expanded to a capacity of four million
tons each annually. A new steel mill would be build in Vishakapa-
tnam. An aluminium plant with six to eight million tons capacity
would be set up in Andhra Pradesh and a technical economic plan
would be drawn for 1981-1990 for the exploration and exploitation
of overland oil and natural gas. The agreement also foresaw
the expansion of co-operation in the fields of technology and
applied and fundamental sciences. Other documents signed by
Kosygin and Desai were a five-year agreement on medical science
and health care co-operation, an agreement on the supply to India
of 6,00,000 tons of crude oil in exchange for 2,00,000 tons of heavy

\textsuperscript{30} Ibid., pp.158-159.
water and build a new nuclear power station in India. In addition, the Soviet Union offered sophisticated military weapons to India.  

The Indian Prime Minister Desai visited the Soviet Union again hardly a week before the SALT II agreement was to be signed on 18 June 1979. This was considered to be a strategic meet. Desai said at Tashkent on 10 June that, "our effort is to create an atmosphere of co-operative endeavour and trust which can allow each nation to get on with the vital task of bettering the lot of man, and peace and goodwill among nations."  

The Indo-Soviet Joint Commission took some important decisions regarding certain projects in India. For instance, the Soviet Union would be required to provide India with a project report on Soviet equipment for Bokaro expansion from the four million stage to 5.5 million tons capacity. In case of Bhilai expansion the Commission is likely to plan for its expansion to the four million stage by the end of 1980. In respect of the Vishakapatnam project a number of changes were made in the original agreement.

32. U.S.-USSR had started discussion on SALT in November 1969. SALT I agreement was concluded on 8 June 1979. SALT II agreement was signed between President Carter and President Brezhnev.
33. The Times of India, 11 June 1979.
Instead of blast furnace complex which was to be completed in 36 months, now as both steel and pig-iron shorter began to show up in India, it was decided to go in for an integrated steel plant with a capacity of 1.2 million. It is now likely that the integrated steel plant will have a capacity of 1.5 million tons with built-in infrastructural facilities to take it up to three million tons in five or six years. In the non-ferrous sector, the principal project to be implemented would be the alumina plant with a 6,00,000 tons capacity. In the field of science and technology, the Joint Commission is likely to identify research in magnetohydro-dynamics as a major field for collaboration\(^34\). Besides, the Soviet Union has agreed to give India additional heavy water for the Rajasthan atomic plant. It will consider supplying 2.5 to 3 million tons of crude annually. The joint statement signed by Brezhnev and Desai on 12 June 1979 reiterated familiar positions of both the governments on various international issues such as, detente, good-neighbourliness, nuclear arms race, limitation of strategic offensive arms, disarmament, new international economic order, South-East Asian situation, Afghanistan, West Asia, Indian Ocean, non-alignment and co-operation in the United Nations\(^35\).

In June 1979, Desai visited the Soviet Union for the second

\(^34\) *The Hindustan Times* (New Delhi), 12 June 1979.

time and made references for growing Indo-Soviet friendship. At a dinner he gave in honour of Desai, Brezhnev said that co-operation between the Soviet Union and India was "becoming deeper and more multifarious with each passing year". A joint statement issued at the end of Desai's visit to the Soviet Union noted that Brezhnev and Desai discussed bi-lateral relations their world outlook, "the great values" of their meeting and recent economic and scientific agreements as "new manifestations" of friendship between "the two great nations - the Soviet Union and India".

The Indo-Soviet relations continued to flourish in 1980 with Mrs. Gandhi's re-emergence in India. Soviet Deputy Prime Minister Ivan Arkhipov came to India with a delegation to participate in the 25th annual celebration of the Indo-Soviet economic co-operation. The Silver Jubilee of the co-operation was celebrated with great fanfare to emphasise the mutual benefits of Indo-Soviet relationship.

Since then, both the countries continued to strengthen their co-operation in economic, scientific, and other fields. They signed a protocol for Soviet aid in the location of coal seams, the design of coal mines and the supply of mining equipment and training of Indian specialists in the USSR. Soviet Union also agreed to train Indian geo-scientists in the detection and survey of mineral resources.

Indian Atomic Energy Commission's Chairman, Dr. Sethna visited Moscow and held talks with the Soviet officials on further
Indo-Soviet co-operation in the nuclear field. A Soviet delegation led by Deputy Minister for Energy, Lopatin came to India for talks about ways of increasing the power production of India. Mr. Singh, the Indian Minister of Agriculture, went to Moscow to discuss the Indo-Soviet co-operation in the field of agriculture and animal husbandry. The Indian National Academy of Science and the USSR Academy of Sciences signed an agreement for research in outerspace and earthquake predictions. The Soviet leaders Brezhnev and Kosygin congratulated India on landing the earth satellite 'Rohni'. In the meanwhile, Prime Minister, Mrs. Gandhi announced the Soviet Union had indicated the possibility of sending an Indian into space.

On 8 December 1980, Brezhnev accompanied by an entourage of 300 officials arrived in India creating excitement in the Soviet Union about the earthshaking nature of his pilgrimage to India. A significant aspect of Brezhnev's visit was the inducements which he apparently brought along with him such as the agreement for Soviet assistance in the implementation of a broad range of projects. On the occasion he particularly emphasized steel and aluminium expansion and oil prospecting. In fact, the most significant contribution of Brezhnev to India was his agreement to raise the crude oil supplies of the USSR by one million

tons per year. This agreement assumed tremendous importance for New Delhi, which had been scrambling for new sources of oil since the conflict had erupted between Iran and Iraq, which together supplied about 70 per cent of India's oil imports. When Mrs. Gandhi reported the Soviet deal to Parliament, saying that these additional imports would be paid for not with hard currency but with more exports to the Soviet Union and that "we appreciate this friendly gesture", her announcement was greeted with rousing cheers from the members of Parliament. That this was a significant step for Moscow when it became apparent that the Soviet Union was having to cut its exports to Western Europe, at the cost of precious hard currency, in order to increase supplies to India and certain other developing states. 37

The Soviet Union offered assistance to India for expanding the output of oil, raising power production, studying the possibility of Soviet participation in setting up a large complex and furtherance of expansion of metallurgical industry. Mrs. Gandhi said that the Soviet Union had agreed to co-operate in coalmining, oil exploration, power industry and "some other projects" during the next five-year plan and offered a credit of 52,00,00,000 rupees. Moscow also offered to increase the delivery of crude oil from 1.5 million tons to 2.5 million tons.

Indo-Soviet Trade

Indo-Soviet trade ties are founded upon long term bilateral agreements, and are of considerable assistance to India. It stimulates imports from the Soviet Union by exporting to its equal quantity of Indian items and the settlement of all accounts in rupees rather than foreign exchange. According to India, it is beneficial to trade with the Soviet Union as the latter possessing a socialist economic structure is able to calculate the consumption requirements in advance. The lack of tariffs on goods imported into the Soviet Union from developing states in conjunction with the above factors guaranteed India generally stable demand and stable prices for its exports.

38. The trade with the Soviet Union and East European countries is regulated by the Rupee Payment agreements under which imports into India are to be paid for in terms of export commodity. Transactions involving free convertible foreign exchange are eliminated and the rupee serves as an accounting unit. Any COMECON country having a payment arrangement with India, keeps a central clearing account with the Reserve Bank of India, or any other commercial banks authorised to deal in foreign exchange. All payments for imports into India are credited and those for exports are debited to this account. The settlement are made in rupees.

The Soviet Union adopted the most favoured nation treatment as a principle for developing economic relations with other countries. Partly due to the most favoured nation treatment and partly as a result of the general Soviet policy to grant favourable terms to developing countries and also due to the signing of the 1971 Treaty India has become the Soviet Union's biggest trade partner in Asia.

The Indo-Soviet economic relations were officially opened by the signing of a five year trade agreement in 2 December 1953. On the basis of this agreement trade and commerce between the two countries on a planned basis received momentum. Since then, five year trade agreements had been concluded regularly by the two countries. These agreements laid down the volume and patterns of goods to be exchanged between Soviet foreign trade organizations. Since 1953 five trade agreements had been signed or agreed. The first trade agreement envisaged total trade turnover of Rs.177 crores, whereas the fifth agreement projected a trade turnover of Rs. 5,251 crores. This clearly shows a thirty-fold increase of trade between India and Soviet Union 1953-1980.

40. The substance of this principle is that each of the contracting states undertakes to grant to the other contracting state, in a field of their relations specified in the Treaty, the rights, preferences, privileges and benefits favourable as it grants or will grant to any third state.
Indo-Soviet economic and commercial relations have become an important element in their bi-lateral relationship. Since the early 1950's a large number of agreements have been signed between the two countries. Ever since Nehru's visit to Moscow in June 1955 and Khrushchev's visit to New Delhi in November the same year, the two countries had exchanged government delegations of different types at different levels and signed agreements, protocols and contracts at a rate rarely experienced in inter-state relations elsewhere and surely more often than between the Soviet Union and any other Third world state.

The Indo-Soviet trade was roughly balanced during the decade prior to the 1971. However, in the ensuing period, India found it increasingly difficult to maintain this position as it struggled to meet payments for the economic and military assistance of the Soviet Union. In 1970-71 the net outflow of financial resources from India to the Soviet Union had stood at $28 million. By 1972-73 the India deficit had climbed to $165.4 million. In December 1970 India and the Soviet Union signed a five year agreement that would make it India's largest trade partner by 1975. Indo-Soviet trade in 1970 was valued at 440 million dollars but under this agreement this value of trade was to increase to 775 million dollars by 1975.

There was also a rapid development taking place in the trade and economic relations between the Soviet Union and India. In January 1972, an Indian delegation led by a Joint Secretary of the Ministry of Foreign Trade, Kumar arrived in Moscow and signed a contract on the processing of Soviet cotton in Indian textile mills\textsuperscript{43}. On 4 May 1973 an Indian trade delegation headed by Misra, Minister of Foreign Trade went to the Soviet Union to discuss Indo-Soviet trade relations. On the next day an Indo-Soviet trade protocol for 1972 was signed providing for a 20 percent increase in trade between the two countries.

The Soviet Union also directed its attention to the economic co-operation with India. It pointed out that Indo-Soviet co-operation had become an influential factor in building flourishing an independent economy in India. India had proved to be a reliable partner in economic co-operation, paying its debts to the Soviet Union without delay. The Soviet people have proved that Indo-Soviet co-operation has become a major factor in India's national economy. Indian Minister of Foreign Trade, Misra praised the "phenomenal growth" of Indo-Soviet trade which "truly reflects the very cardinal and friendly feelings that exist in our political relations which have been so wisely and happily consolidated by the leaders of our two countries"\textsuperscript{44}.

\textsuperscript{43} Pravda, 28 January 1972.

\textsuperscript{44} Hindustan Times, 10 August 1972.
The Soviet Union had emerged as the second largest trading partner of India by 1973 accounting for 13 per cent of the latter's exports. When officials of the two countries signed a long term trade protocol in January 1974 in New Delhi, the Soviet Union had agreed sharply to increase supplies of fertilizers and kerosene at a time when India was in serious economic trouble. The declaration, indeed foresaw a near doubling of the trade volume by the end of the decade.

1975 marked the 20th anniversary of Indo-Soviet economic co-operation, and in January the trade representatives of the Soviet Union in New Delhi stated that currently India was the top trade partner of the USSR among Third world nations. Encouraged mainly by these friendly gestures, India opened the trade talks for 1975 for even larger supplies. As for instance, India asked for substantial increase in kerosene oil, diesel, fertilizers and newsprint quotas. India asked for an overall increase in the total volume of imports from about Rs. 280 crores in 1974 to sum of Rs. 800 crores in 1975.

In April 1976, India and the Soviet Union signed a long term trade agreement covering the period 1976-1980. While Indo-Soviet trade increased in absolute terms almost every year, partly due to rising prices, Moscow's per centage 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 per cent and then to 8.6 per cent for those years. From being India's number one export market in 1974-75, the Soviet Union slipped to fourth by 1976-77. In imports, the Soviet Union ranked fourth behind the U.S., the U.K. and Iran and was also pressed by West Germany and Japan. Moscow's 10-plus per cent 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. In March an Indian trade delegation visited the Soviet Union to review the prospects of long-term trade for the period of 1976-80. In May, a Soviet delegation led by deputy Foreign Trade Minister, Grishin arrived in New Delhi to discuss further development of trade relations between the two countries. During his sojourn he stated that the Soviet Union was determined to double the trade turnover with India.

On April 25, 1977 Gromyko arrived in India to discuss Indo-Soviet relations with the new government formed by the Janata Party. Gromyko, during the course of his visit held talks with


Morarji Desai on "fundamental questions concerning co-operation and its development" of Indo-Soviet relations and conveyed him an invitation for a visit to the Soviet Union. He also met acting President B.D. Jetti and had cordial and friendly conversations on Indo-Soviet friendship and co-operation. Gromyko also signed several agreements on economic and technical co-operation, on telecommunications and a trade protocol.

A series of agreements were signed between India and the Soviet Union during the Soviet Deputy Premier Arkhipov's visit to New Delhi on March 1978. The Indo-Soviet trade was to cross Rs.1,000 crores mark as a result of various economic deals in 1978. Again India and Soviet Union signed a trade protocol in December 1979 that envisaged a turnover of £1.1 billion sterling in 1980, a record for the two states. This would make the Soviet Union the largest in terms of the value of imports. The protocol include the supply of 1.5 million tons of crude oil and 1.7 million tons of petroleum products, thus relieving the pressure on supplies of a vital import.

**Indo-Soviet Military Co-operation**

Since independence there were military conflicts between India and Pakistan on the one hand, and India and China on the other. There was increasing pressure for military build up in the sub-continent and arms are required mainly for security reasons.
The situation further aggravated due to ambitious plans of the two super powers to establish spheres of influence in this region and the desire of China to become a major power in the Asian continent. Therefore, several forces worked on the continent to secure on each side as much military assistance as possible to counteract among strategy or to maintain balance of power in the sub-continent.

Arms on the Indian sub-continent are primarily required for security reasons. Ever since the emergence of India and Pakistan as two independent sovereign entities, competition followed on many bi-lateral issues. India wanted to rebuild its shattered economy and paid little care for a massive military build up. It was quite satisfied with whatever military equipments it had from the British rulers. Its main concern was peace in the subcontinent and wanted to establish good neighbourly relations with other countries. This expectation was miserably spoiled by the 1962 Chinese aggression on Indian borders. The humiliating defeat of India at the hands of China radically changed the direction of India's external relations and considerably tended to build up its military capability.

At the time of partition the position of India was militarily weak. In 1947, under the arrangements made for the partition of India, its army was apportioned 88 infantry batallions, 18½ artillery regiments and 61 Engineers. The Indian navy obtained 32 vessels including two frigates, four sloops, a survey ship and some.
minesweepers. Seven fighter squadrons, one transport-communications squadron, and some miscellaneous aircraft were allocated to the Air Force. The Indian armed forces were almost totally equipped with Britishers and this relationship continued for some more years. The Indian defence spending during fiscal years 1951-52 and 1961-62 never rose above 2% of Gross National Product. As of 1953, the Indian Army consisted of between 3,25,000 and 3,50,000 personnel of all categories and the size and development of the Army remained fairly static until 1956.

The Indo-Soviet military co-operation began prior to the Sino-Indian border conflict, when in 1955 the Soviet Union presented two-11-14 transport aircraft to India. It was on account of Pakistan's agreement to join the US sponsored Baghdad Pact (later renamed CENTO) during 1950's had posed a new threat to India. Pakistan had obtained some F-104 starfighters (the first supersonic fighterplanes from the US) in persuance of a policy of balancing non-aligned India's greater capability. These planes and the non-supersonic F-86 Sabres were much better than what India possessed. The US President Eisenhower approved the arms agreement with Pakistan on 25 February 1954, which enabled Pakistan to acquire more sophisticated armaments. According to then Indian Foreign Secretary S.Dutt, Prime Minister Nehru favoured

the question of securing arms from the Soviet Union by the end of 1955 in order to counter Pakistan. Again worried by the incidents along the Sino-Indian border in the late 1950's India made a request in 1960 for Soviet helicopters and supply-dropping planes. The Soviets reacted positively. And this was the beginning of the Indo-Soviet military relationship. Then the purchases totalled the modest figure of $31.5 million. In 1961, ten Mi-4 helicopters, eight AN-12 transport aircraft, and six jet engines for the indigenously manufactured HF-24 aircraft were acquired, and in 1962, 16 Mi-4s and 8 An-12s. The equipment was acquired not by the Armed Forces but by the Border Roads Development Board and was financed by a commercial credit for five years. Later, the Soviet Union had agreed to set up a plant in August 1962 for the production of the MiG-21. The MiG-21 was an aircraft which the Soviet Union had refused to the Chinese mainly due to the exacerbating relations with China. At the same time the Soviet Union tried to develop relations based on mutuality of strategic interests with India.

The approach made by India to Moscow for arms initially was to counter US policy toward the sub-continent. But the Chinese designs in the continent were the major factors in the growing entete between India and the Soviet Union. The deepening relationship between Pakistan and China apparently alarmed the Soviet

49. Girish Mishra, n.3, p.120.
Union. Moscow in the mid-1960's adopted a policy of befriending Pakistan, in the belief that the Indo-Soviet relationship was sufficiently strong.

It was in this atmosphere the Indo-Soviet Treaty of Peace, Friendship and Co-operation came about in August 1971. The Treaty was essentially a signal to the United States, China and Pakistan. It secured for India the Soviet Union's countervailing support to meet external threats. But the Treaty had no direct relationship to the supply of Soviet arms, though shipments were considerably speeded up just before the next India-Pakistan war at the end of 1971.

India could not secure any support from the United States during the Bangladesh crisis in 1971. It was a bitter experience for India eventhough basic moral and humanitarian issues were involved in the refugee problem. The Western countries neglected India's efforts to find peaceful solutions for the resolution of problems created by the presence of refugees from Bangladesh.

The Treaty was not a military alliance involving subordination or co-ordination of India's defence and foreign policies to those of the Soviet Union. It does not provide for military bases or the stationing of forces by the Soviet Union in India. The arms and equipment that India got from the Soviet Union were on a commercial basis, every item being paid for. The scope for giving further substance and meaning to such a Treaty
was immense, for it was not against any other country. It does not debar signatories from developing friendship with third countries. Article IX of the Indo-Soviet Friendship Treaty categorically declares:

In the event of either party being subjected to an attack or threat thereof, the high contracting parties shall immediately enter into mutual consultations in order to remove such threats and take appropriate effective measures to ensure peace and security of their countries.\(^{50}\)

This clause, in particular, was invoked when Pakistan attacked India with disastrous results. Indian expertise and Soviet weapons got the better of the aggressors. This was a great political victory over the anti-Indian forces and its allies in the world. The Treaty was thus not only an acknowledgement of long term co-operation between the two countries but has heralded a new phase of qualitative change in Indo-Soviet relations. Soviet interest in India increased after the 1971 conflict and it altered the geostrategic equation on the sub-continent in favour of India at the expense of Pakistan.

An Indian delegation led by Minister of Defence Production, V.C. Shukla arrived in Moscow in early January 1972 to finalise the production of the improved version of MiG-21 fighter planes in India and to procure new defence equipment for the Indian army.\(^{51}\)

\(^{50}\) Text of the Treaty, See Appendix No.II.  
\(^{51}\) Indian Express, 13 January 1972.
A month later, the Chief of staff of the Indian Army General Manekshaw visited the Soviet Union at the invitation of the Soviet Minister of Defence, Marshal Greckho. Welcoming him Marshal Greckho praised the Indian Army for its role in the liberation of Bangladesh, its fine fighting qualities and combat-worthiness, and indicated that the Soviet Union wanted to see India as an unchallenged military power in South Asia. He said that "close co-operation" between the leadership of the Soviet and Indian defence forces had become an element of the new relationship following the Indo-Soviet Treaty. This had become a "bulwark" and a "guarantee" to peace in the subcontinent.\(^{52}\)

In April the Commander-in-Chief of the Soviet Navy Admiral Sergej Gorshkov accompanied by four senior naval officers came to India to discuss Soviet assistance for the expansion of India's naval power. In July India's Defence Minister Jagjivan Ram went to the Soviet Union to discuss India's security and defence requirements with the Soviet leaders. Pravda on July 17 reported that in Ram's talks with Kosygin "there was an exchange of opinions on questions of further development of Soviet-Indian co-operation in the spirit of the Soviet-Indian Treaty ...."\(^{53}\). Since the meeting had only limited substance, it is possible that Ram's visit was mostly

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52. Hindustan Times, 28 February 1972.
ceremonial, that is, a continuation of high-level political and military contacts, and perhaps signified a reciprocation of Admiral Gorshkov's visit to India in April 1972. Moreover, as Gorshkov had encouraged India to develop a strong naval fleet and Ram discussed the Indian Ocean situation with the Soviets, it may be that he was seeking further USSR aid in this area. The Soviets assured Ram that they would provide India with new and more ships and train Indian personnel in the Soviet Union.\(^{54}\)

Meanwhile, high-level exchanges in Indo-Soviet relations continued. The Chief of the Indian Navy, Admiral Nanda, arrived in Moscow at the invitation of the Soviet Government. In the Soviet capital he held talks with Marshal Grechko, Admiral Gorshkov and other military leaders on the development of Indian Navy. Shortly, thereafter, a delegation from the Indian National Defence College led by Major General Batra visited the Soviet Union for talks with Soviet military leaders. The Soviet Union also delivered two more destroyers for the Indian navy. In December 1972, the Soviet Union agreed to supply India with a number of submarines and patrol boats to strengthen Indian navy.

In April 1974, an Indian military delegation led by Narain, Secretary of the Defence Ministry, went to Moscow for talks with the Soviet military aid to India. In the course of his sojourn in the

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Soviet Union, Narain held talks with General Sokolovski, first deputy Minister of Defence and Marshal Grechko and received assurances of new Soviet military assistance to New Delhi. In India, Admiral Kohli, Chief of the Naval Staff, laid the foundation stone for the electrical and maintenance workshop for the navy at Vizhakhapatnam with Soviet assistance.

The Chinese hostility towards India, the American willingness to go with that hostility and Washington’s plan to lift the embargo on arms to Pakistan offered fortuitous opportunity to Moscow to demonstrate that the Soviet Union would always remained India’s dependable friend. The American decision to resume arms supply to Pakistan created concern in India and Mrs. Gandhi said that any renewed American arms supply to Pakistan would make Indo-US relations “difficult”\(^{55}\). Foreign Minister Charan Singh stated that US arms would "not only create new tensions between Pakistan and India but also revive old misgivings about US role in South Asia\(^{56}\). Thereupon, the Soviet Union invited India to send a military delegation to Moscow to discuss new Soviet arms aid. In November 1974, an Indian military mission went to Moscow and received Soviet promises of more arms. On 31 January 1975, Moscow Radio announced that Soviet defence Minister Marshal Grechko would visit India in the third week of February to discuss new Soviet

\(^{55}\) *Statesman*, 12 February, 1975.

On 24 February 1975, the United States announced the lifting of arms embargo from Pakistan amidst India's opposition and denunciations. The next day Marshal Greckho accompanied by the Commander-in-Chief of the Soviet Navy Admiral Gorshkov and Commander-in-Chief of the Soviet Airmarshal, Pavel Kutakhov arrived in India for a three day visit. On the same day Greckho held talks with Indian Defence Minister Swaran Singh "on various aspects of the military and logistic situations connected with India's security" and "the latest development in the region, including military build up in the Persian Gulf area and Pakistan". The following day he had a 90 minute talk with Mrs. Gandhi. He also delivered a personal message to Mrs. Gandhi from Brezhnev containing "an expression of good wishes for the further expansion of Indo-Soviet relations for the good of the peoples of both countries". Marshal Greckho also held talks with Foreign Minister Chavan and further talks with Defence Minister Singh. On 27 February, Greckho had third round of talks with Singh. The Soviet Defence Minister later said that his talks with the Indian leaders had been "pleasant and useful". He had come to the conclusion that his visit had further strengthened the friendly relations between the peoples and armed forces of the Soviet Union and India. The Soviet people regarded India as a good neighbour and a trusted friend. The joint communique issued at the

end of Marshal Greckho's visit said that the Soviet Defence Minister had been impressed "with the progress made by India in different fields and highly assessed the peaceful foreign policy and its effort to achieve self-reliance ... both sides also express their grave anxiety at the actions taken by certain quarters to step up arms race in the region". In May, the Soviet Union supplied India with a small number of IL-38 aircraft for the Indian Navy. The IL-38 planes with sophisticated radar sonar equipment were considered among the best in the world for use of anti-submarine and the maritime reconnaissance operations.

In March 1976 Soviet Union agreed to supply India with the advanced version of MiG-21 planes and the know-how to manufacture it in India. In early December the Commander-in-Chief of the Soviet Navy, Admiral Gorshkov visited India and held talks with Admiral Cursetji and Defence Minister Bansilal on Indo-Soviet military co-operation.

Meanwhile, Indo-Soviet relations began to flourish as in the past putting an end to Western attempts to subvert their development. In May 1977, the Soviet deputy Defence Minister, General Pavlovski arrived in India for a six-day visit. During his stay he

58. Ibid., 27 February, 1975.
59. Ibid., 29 May, 1975.
60. Ibid., 3 March, 1976.
met the Chief of Army Staff, General Raina, acting President Jatti, Prime Minister Desai and Defence Minister Jagjivan Ram. He also visited military establishments in Pune and defence units in Kashmir and told the Indian newsmen that the Soviet Union and India would continue to co-operate "in their common struggle" and "friendly ties" between the two countries would continue to grow. He welcomed the proposals for an exchange of service personnel between the two countries and expressed the hope that his visit would strength political, military and friendly ties between the Soviet Union and India. The Chief of the Indian Army staff, General Raina, also visited the Soviet Union to meet the Soviet military leaders and discuss further Indo-Soviet military co-operation. The Chief of the Indian Navy Admiral Cursetji also went to Moscow to sign several agreements for India's purchase of destroyers, helicopters and maritime reconnaissance aircraft.

In March 1978, the Commander-in-Chief of the Soviet Airforce, Air Marshal Pavel Kutakhov paid a visit to India and offered further military assistance, particularly the improved version of MiG-23 and the Soviet willingness to produce it in India. Two months later Defence Minister, Jagjivan Ram went to the Soviet Union and held talks with Defence Minister Dimitin Ustinov and Prime Minister Kosygin on further Soviet arms aid to India.

Marshal Ustinov assured Ram that India would receive Soviet support for the furtherence of its objectives of speedy national self-reliance because "the central object of Indo-Soviet friendship derives from the strength of the peoples of our two countries". Ram replied that Indo-Soviet Treaty was "not just a document between the two Governments, but a symbol of the sentiment of the peoples of our two nations". They also agreed to increase further Indo-Soviet military co-operation and continue regular consultations between Defence Ministers of the two countries. During his sojourn Ram visited Sevastopol, Soviet army units, naval bases and talked to Soviet servicemen.

When Charan Singh was in power, in October 1979, a high level Indian delegation led by Defence Secretary Subramanian visited Moscow to discuss the progress of co-operation on defence production and to review the arrangements regulating supply of war materials, transfer of technical know-how as well as purchase of new arms. The Soviets were willing to give any assistance India wanted. They offered modern missile systems for the Airforce, MiG-23 planes, missile-carrying cruisers and corvettes, T-72 tanks, AN-32 transport planes and MiG-8 helicopters. They declared that "the USSR will allow no obstacles, including prices, to impair its assistance to India's defence needs".


intention to make India a strong military power in Asia.

The Soviet Air Chief, Pavol S. Kutakhov, came to India in April 1978. Defence Minister, Jagjivan Ram, visited the Soviet Union the following month and had talks with the Soviet Prime Minister, Kosygin and the Defence Minister, Marshal Ustinov. The Soviet Union wanted to continue its military co-operation with India. Russia wanted to offer their improved version of MiG-23 which could have been produced in India with ease as India had already established a production base for MiG-21. Eventually, the Janata Government did negotiate with the Soviet Union for the purchase of MiG-23 aircraft and the T-72 tanks.

In September 1979 a high level team from India visited to confer on the purchase of arms and it further revealed the nature of Indo-Soviet relations. The mission was led by the civil service head of the Indian Ministry of Defence and included representatives of all three services. They reportedly went to look at modern missile systems for the air force, MiG-23s, missile-carrying cruisers and corvetts and tanks. The visit was also significant in that the Jaguar deal had become a major domestic issue in India and there

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64. The Indo-Soviet arms deal of May 1980 was really initiated by Defence Minister Jagjivan Ram with the approval of Prime Minister Desai. The details were negotiated when Charan Singh was the Prime Minister and C.Subramaniam was the Defence Minister. The deal was completed when Mrs. Gandhi became the Prime Minister.
was considerable talk of a review and possible cancellation of that deal. No agreement was reached immediately on the MiG-23s, although India's defence minister later referred to "satisfactory progress" in the talks and hoped that new equipment, including the MiG-23 would "soon be with the Indian Airforce". The two sides did agree to a sale of AN-32 transport aircraft and Mi-8 helicopters. Moreover, it was known that India was seriously evaluating a large-scale purchase of the T-72 battle tank.

Moscows eagerness to solidify the Indo-Soviet relationship was revealed more clearly by the visit to Moscow of an Indian Defence Ministry team in May. This delegation, consisting of top officials, armament experts, and financial advisers, journeyed to the Soviet Union to resume negotiations, which were last held in September 1979. The results of this mission were substantial. The Soviets agreed to a $1.63 billion credit for India to purchase weapons and equipment over a 10-15 year period. The terms were beneficial: the credit was repayable over 15 years after a 2-year grace period at a 2.5 per cent rate of interest. At least as important for India were the items the Soviets agreed to sell at this time. These included 5 highly sophisticated MiG-25 "Fox bat" aircraft, an unannounced number of fast attack boats equipped with missiles, and 100 T-72 tanks with another 600 to be produced in India under license.

While accepting aid from outside the guiding factor will be whether the supplier will remain a friend in need or not. Moscow has time and again proved to be a dependable friend, while the contrary has been this country's experience with some other suppliers of essential equipment 66. While this did not represent influence - in fact, it was the antithesis of influence since it implied Moscow's obligation to aid India when the latter faced a need or an emergency - it at least provided the Soviets with an important influence-seeking tool in their relations with India.