INTRODUCTION.

After independence, we have struggled hard to develop the economy in order to attain economic freedom also, thus to convert an essentially colonial economy into a viable and self-sustained economy by harnessing all the available resources. The world realised the genuineness of our desire and some of the developed nations extended co-operation and help to enable us to make rapid strides in this direction.

India is an under-developed country. The bulk of the Indian population lives in misery and hardship, though there exists vast unutilised natural resources. The Planning Commission has stressed: "an under-developed economy is characterised by the co-existence in greater or less degree of unutilised or under-utilised manpower on the one hand and unexploited natural resources on the other. This state of affairs may be due stagnancy of techniques or to certain inhibiting socio-economic factors which prevent the more dynamic forces in the economy from asserting themselves."¹ There is no doubt that the distinction between under-developed and developed economy is rather loose and also arbitrary to some extent. In the developing economics, the road blocks

¹ Planning Commission: I Five Year Plan, Page 6, 1951.
confront on all known avenues to progress and advancement such as shortage of capital, lack of skilled personnel, lop-sided production, backward agricultural systems, country-wide poverty, with the consequence of low volume of effective demand, large labour surplus, etc. These are the main obstacles to progress and growth in under-developed countries. In short, crucial deficiencies are in capital, labour and management skills and organisational structure. It is a country characterised by poverty and hunger, high percentage of illiteracy, inadequate supplies of power, insufficient transport, poor communication and has few hospitals and few institutions of learning. In spite of the general prevailing poverty of the people, it may have isolated islands of prosperity with a few persons living in luxury. Another striking feature of an under-developed economy is that it exports to other countries usually small staple products with a possible admixture of luxury handicrafts.\(^1\) According to Jacob Viner, under-developed economy is one which has good potential for using more capital or more labour or more available mineral resources; or all of these, to support its present population on a higher level of living or if its per capita income level is already fairly high to support a larger population on a not lower level of living. The basic criterion is thus whether the country has good potential prospects...

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of raising the per capita income for an increased population. The process of economic development involves the growth of national output. To achieve an expansion in national output, it is essential to combine natural resources, human resources and resources in capital. Most of these under-developed countries with the dawn of self-rule are embarking on programmes of economic development. Consequently, in the absence of opportunity to draw upon the natural resources of other countries, most of the under-developed nations are striving to industrialise quickly.

India as a developing country was receiving the technical assistance and financial help from the developed nations in her nation building activities. Assistance was forthcoming from the advanced countries to build up the hydro-electric projects like the Damodar Valley Corporation, Bhakra Nangal Dam, Kundha Project, etc. The construction of steel rolling mills was also undertaken by U.S.A., U.K. and West Germany. Aluminium and petroleum industries have been receiving aid from U.S.A. Under the Colombo Plan, exchange of technicians have been made. U.S.S.R. has also come forward to render technical assistance and to extend economic co-operation in the reconstruction of our country.

Economic assistance and aid have come to our country in the form of aids, grants and loans. In fact, grants and aid are very meagre in quantum which need not be

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repaid. But loans are to be repaid with interest commitment. External assistance utilised as follows: Under I Plan Rs. 317.7 crores, under II Plan Rs. 2,292.6 crores, under III Plan Rs. 4,571.6 crores and under IV Plan Rs. 2,614 crores (Public Sector). If we include assistance given to public as well as private sectors from 1951 to 1970-71 the total assistance figures come to Rs. 13,564 crores. The foreign aid and assistance has helped India from time to time to raise the level of investment, and stabilise the food price and import raw materials for our industries. The aid given to us, has helped us in assisting to build up our irrigation potential, in building up iron and steel industries and enlarge technical resources. This has also mitigated to some extent our foreign exchange crisis. Social development has shown a remarkable change on account of this. If all the aid happen to be grants then there is no burden on the slender resources of our country. But grants constitute a small percentage of the total assistance and the bulk of it is in the form of loans but of which 92% of the same have yet to be repaid. On these total loans, interest charges amounting to Rs. 800 crores yearly are paid to the creditor countries. Foreign aid and economic assistance are very often used as a weapon for political pressurising but so far, we have tried successfully not to be pressurised and hence we have by and large rejected
economic assistance with strings. India has sought economic assistance from both camps, i.e., Western democracies and the Socialist countries. India's experience of foreign aid both from the U.S.A. and the Soviet Union has been remarkably free from tension or conflicts of an ideological character. This is due to the fact that India has a mixed economy and her programmes of economic development give ample scope for private enterprise and for public enterprise. One more difficulty is the aid receiving country is expected to purchase and import from the aid giving country all her requirements and avail of their shipping and insurance services. This is, of course, a logical corollary. Naturally, the aid giving country charges a higher price for their services. This also goes a long way to increase the debt burden.

India has been the premier beneficiary of the external assistance and as mentioned earlier we have received aid from different quarters because we are not committed to any particular camp in the world context. Our performance in utilizing the foreign assistance has been fairly encouraging as shown from the following table:

### External Assistance Utilisation

(In crores of rupees)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total External Assistance</th>
<th>Grants</th>
<th>Share of grants in total assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to I Plan</td>
<td>317.7</td>
<td>110.6</td>
<td>34.6</td>
</tr>
<tr>
<td>During II Plan</td>
<td>2,252.6</td>
<td>233.0</td>
<td>11.2</td>
</tr>
<tr>
<td>During III Plan</td>
<td>4,351.0</td>
<td>167.6</td>
<td>3.7</td>
</tr>
<tr>
<td>1966-67</td>
<td>1,131.4</td>
<td>97.1</td>
<td>9.6</td>
</tr>
<tr>
<td>1967-68</td>
<td>1,195.6</td>
<td>60.7</td>
<td>5.1</td>
</tr>
<tr>
<td>1968-69</td>
<td>902.6</td>
<td>68.2</td>
<td>7.2</td>
</tr>
<tr>
<td>1969-70</td>
<td>856.3</td>
<td>26.1</td>
<td>3.0</td>
</tr>
<tr>
<td>1970-71</td>
<td>791.4</td>
<td>43.5</td>
<td>5.5</td>
</tr>
</tbody>
</table>


From the foregoing it is clear that during the I Plan, the utilisation of foreign assistance was around Rs.317.7 crores, grants and aid were around Rs.110.6 and these formed 34.6 per cent of the total utilisation of foreign aid.

During the II Plan, the utilisation of foreign assistance was Rs.2,252.6 crores and grants have been Rs.253. However, comparatively the grant worked out only 11.2 per cent of the total utilised on foreign assistance. That means, the foreign debt burden was on the increase. During the III Plan, the external assistance rose up to Rs.4,531.0 crores - a very high rate of debt utilisation followed by
an average Rs.167 crores by way of grants worked out to
be 3.7 per cent. In 1966-67, the utilisation of total
foreign assistance was Rs.1,131.4 crores and grants
Rs.37.1 crores. Grants formed 3.6 per cent of the total
utilised out in 1967-68, the grant was around Rs.60.7
crores out of the total utilisation of assistance during
that year of Rs.1,195.6 crores, thus forming 5.1 per cent.
In 1968-69 the external assistance was 902.6 and grant
Rs.65.2 and grant forming 7.2 per cent on the utilisation
of assistance. During the first year of the IV Plan,
the external assistance was Rs.856.3 crores followed by
a grant of Rs.26.1 crores forming only 3 per cent. During
the second year of the IV Plan, the external assistance
was Rs.781.4 followed by an amount of Rs.40.3 crores by
way of grant forming 5.5 per cent during the entire period
from 1951 to 1971, the external assistance utilised was
Rs.11,978.6 crores and grants Rs.823.2 forming just 6.9
per cent whereas the total external assistance granted
was Rs.13,564.1 crores. During the I Plan, the external
assistance formed 15 per cent of the total imports of
that period. In the II Plan, it amounted to 19 per cent
of the total imports and it went up to 44 per cent in
the III Plan. In the IV Plan, for public sector, India
estimated the amount of external assistance at Rs.2,614
which was nearly 16 per cent of the total outlay for public
sector. This is rounded off to Rs.2,600 crores. This is
The imports of trade and invisible items and I.M.F. payments Rs.9,750 crores, Rs.140 crores and Rs.280 crores respectively, thereby aggregating Rs.10,150 crores and adding debt servicing payments of nearly Rs.600 crores, the total would be Rs.10,950 crores and deducting exports of Rs.6,900 crores, the net assistance would be Rs.2,050 crores.

The external assistance has been received from U.S.A. Rs.6,501 crores in 1969 of which Rs.6,415 crores had been utilised and it works to 57.8 per cent of the total assistance. World Bank Aid Consortium and International Development Bank had sanctioned Rs.1,625 crores of which Rs.1,419 crores had been utilised and the percentage of assistance works to 12.8. West Germany had assisted to Rs.865 crores of which Rs.763 crores had been utilised. U.K. had sanctioned Rs.697 crores of which Rs.628 crores had been utilised and the assistance of U.K. amounts to 5.7 per cent of the total assistance. U.S.S.R.'s assistance was around Rs.1,031 crores out of which Rs.624 crores have been utilised and share of U.S.S.R. in the total assistance works to 5.6 per cent. The assistance of Hungary and Bulgaria have not been utilised so far. Less than 10 per cent of the total assistance is from the countries like Australia, Belgium, Czechoslovakia, France, Italy, Netherlands, Poland, Switzerland and Yugoslavia.¹

¹ U.S. Information Bulletin issued by United States Information Services, 1972, New Delhi, appendix.
Since the IV Plan, various developed nations have rendered economic assistance to India, and their shares are: U.S.A. 56%, World Bank Group 14%, U.K. 7%, West Germany 7%, U.S.S.R. 5.5%, France 4.5%, and other aid giving countries 6%. Debt servicing has been increasing considerably from a level of Rs. 143 crores in 1961-62 to Rs. 33 crores in 1967-68. Debt servicing burden during 1970-71 was Rs. 450 crores and it continued to be at the same level for 1971-72. The peak expenditure is estimated around 30% of our export earnings in 1973-74. External assistance of non-food foreign aid of which 86% was fully utilized to strengthen our infrastructure or for augmenting the output of producers' goods industries, 7.6% utilized in consumer's goods industries, 3.6% in Education and Research and 2.8% in unspecified items.\(^1\)

External assistance and foreign trade have to be considered from the point of view of economy of the country. If imports are excessive, it amounts to loans and interest commitments. But when exports are on the increase, the loans and debt burden will be reduced. In our all out efforts to find ways and means of solving the international debt payments, we have also resorted to establishing and promoting trade relations specially with all those countries from whom we are receiving aid so that our country be treated on par with the other.

traders by these countries. Secondly 'Most Favored Nations Clause' is observed by all such trading countries in respect of our exports and thirdly, the embarrassing political pressurisation may be either eliminated or minimised. As foreign trade is dependent on a number of unpredictable factors like foreign demand, the competitiveness of foreign and domestic production and political conditions, the future prospects of India's foreign trade is naturally hedged around uncertainties. These constraints external as well as internal vary from country to country. One of the most important factors is the role and place of foreign trade in the economy of the country with which we want to establish and promote trade relations. The countries of the world may be grouped in two broad categories, viz., where foreign trade generates high percentage of their national income and the other where the contribution of foreign trade towards the per capita income is comparatively small. In the first category we have countries like Poland, Hungary, Belgium and Austria; while in the second category are the countries like U.S.A., U.K. and U.S.S.R. The share of U.S.A. works out to 11.5% of her national income, and in the case of U.S.S.R. it is about 6.75% of her national income. This is justified as U.S.S.R. has to fulfill the requirements of internal consumption, and thus gives scope for countries like India to enlarge its trade with her. Presently India's share in the total U.S.S.R. foreign
trade is negligible but it has a great potential. It is estimated that by 1980, based on 1960 prices the U.S.S.R. foreign trade will touch the figures of 344,764 million. One can safely say that the framers of India's trade policy were alive to the prospects as back as 1953, when the First Indo-Soviet Trade Agreement was signed and since then there has been a constant and steady increase both in the value and volume of Indo-Soviet trade. The author developed interest in this subject so as to examine the future potential of the vital market for Indian products and also to explore the possibilities for the areas of economy where Soviet imports can be utilised.

Thus an attempt is made in the study to highlight the economic aspect of the Indo-Soviet Trade, to study the internal and external constraints and to draw conclusions on the basis of the available data. The following points have been discussed threadbare in the forthcoming pages on: the questions have been answered through the data made available to the author from different sources:

1. In order to assess the benefits of the Trade and Payment agreements, hypothetical question that could India establish trade with U.S. U.S. without these agreements has been examined.

2. Pricing of exports and imports to a large extent determines the Terms of Trade and in this study attempt has been made to examine whether India has been able to get world prices under these agreements with the Soviet Union.
3. Similarly, the question of prices of imports from Soviet Union are also examined.

4. The impact of bilateral trading with the Soviet Union in the test of flexibility of India's trade policy and consequent effects on compositions and duration of trade are being examined.

5. Lastly, the question whether we are able to import quality products under these agreements is probed into.

The entire work is divided into four (4) main chapters and conclusions are given after each chapter. At the end there is a fifth chapter which gives the conclusions only. The chapters will be as follows:

**CHAPTER I: HISTORICAL ANALYSIS** Under this chapter a historical resume of the evolution of trade theories is given and the author has attempted to synchronize the Marxist as much with the recent trade theories. Further, the various constraints, external and internal, the role of the international agencies in removing these constraints are discussed threadbare.

**CHAPTER II: A descriptive narration of the India's economy is given with its impact on her International Trade. Certain policies and institutions such as Rupee Payment, State Trading Corporation which have direct bearing on Indo-Soviet Trade are discussed in detail.**

**CHAPTER III: To facilitate a comparative analysis of salient features of Russian economy with special reference to its trade policy. Tariff policy, trade organisations,
aid programmes, etc., are thoroughly discussed.

CHAPTER IV: In this Chapter the Indo-Soviet Agreements are studied and analysed. This analysis gives an insight into the various questions based in the introduction. The working of the Indo-Soviet Trade Agreements have also been examined despite the handicaps the author has faced in collecting the requisite data.

CHAPTER V: CONCLUSIONS: This Chapter is a survey of conclusions already given at the end of each Chapter.

In the appendix abstracts of Indo-Soviet Trade Agreements are given for ready reference. Some policy statements and factual data are also reproduced for the same purpose. At the end a select bibliography is being given. The author does not confine himself to only the books or sources referred to in the bibliography but has covered larger ground and has also interviewed some officials, directly or indirectly concerned with the implementations of the Indo-Soviet Trade Agreements.

Without divulging into the results of this study the author can say that the Indo-Soviet Trade has been constantly increasing and is a broad-based one. The principle of bilateralism has been experimented with success and if on the one hand it has helped in technical development and on the other it has opened new markets for Indian exports. The introduction of the system of Reserve Payment has enabled India to conserve her foreign exchange.
Further, the Indo-Soviet Trade will ultimately enable India to come closer to the East-European Countries and enlarge her trade with them.