2 CHAPTER TWO: LITERATURE REVIEW

2.1 Review of Literature

Several studies have been conducted on India’s bilateral economic relationship with other countries. These studies have been critical and vital especially considering the fact that India is a strong economy in the world and any bilateral or multilateral economic relationship with her tends to send ripples in the economic world. In this section, we shall attempt to review some of these studies in order to find some aspects relevant to this researcher’s study. It should be noted however that only those studies that are most significant to this study have been reviewed.

2.1.1 S. Vasudeva Shetty conducted a study in 1976 on India’s trade relations with East European countries during the period 1948-49 to 1972-73. The study examines the role of international trade in promoting economic relations and its limitations in the modern world. It uses classical theories of international trade for this purpose, namely, 1. Mercantilism (William Petty, Thomas Mun and Antoine de Montchrétien model) 2. The Absolute Advantage (Adam Smith model) and 3. The Comparative Advantage (David Ricardo model). The study dwelt on the prevailing economic situation in socialist countries of Eastern Europe. It highlighted the trading system of these countries and how the systems affect bilateral trade with other countries.

The researcher built a strong case of bilateral trade with an assumption that contrary to the general belief that free trade was the best policy, such a policy would be hard to apply in the prevailing economic world of that time. The author also noted that India had not entered into bilateral trade relations with countries in East Europe prior to

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1948 but was trading with them multilaterally. But after the signing of the first trade quota agreement with Yugoslavia in December 1948, bilateral trading with the socialist countries of East Europe began. Between December 1948 to March 1951, India had concluded bilateral trade agreements with Hungry, Czechoslovakia and Poland.

These trade agreements were aimed at promoting export of Indian goods, and in return India would get essential goods. This trade was well reviewed in the study, including some problems that it resulted in. These problems, as author noted, included additional criterion, switching, price stabilization, unit value realization and terms of trade. The study also focused on economic aid from European countries to India. The author conducted a comparative analysis on this aid, detailing the pattern, utilization and terms of assistance.

The economic assistance received from socialist East Europe countries constituted an insignificant portion of India’s economic aid received from foreign nations. However, the study noted that this aid was received at a time when India needed it the most. And with the emergence of East Europe as a donor, India had a better chance to bargain effectively with the West who had been primary donors for years.

The study rightly concluded that India had gained more that she had lost in the bilateral trade with East European countries. This was after thoroughly analyzing the imports and exports fronts. On the export front, the author selected eleven commodities that were exported from India to East European countries with an aim of examining the switch trading. The commodities were: coffee, tea, pepper, unmanufactured tobacco, oilcakes and meal, iron ore, jute manufactures, castor oil, raw wool, cashew kernel and goat skin. These commodities were selected on the basis of their importance to India’s exports and their production relationship with other trading partners.
The study found that some commodities like coffee, iron ore, cashew kernel and castor oil were delivered to non-rupee areas. The author also went on to examine whether India’s trade with socialist countries of East Europe contributed positively in increasing India’s earnings in volume and unit from exports globally. Traditional commodities which were thought to be tradable were computed using Coppock’s index of instability. The findings revealed that although it was strongly assumed that trading with countries in East Europe would stabilize India’s earnings from exports, this was not the case under the bilateral trade and payment agreements. Instability indices in volume and unit value of India exports to East Europe were higher in the cases of six and three commodities respectively as compared to the rest of the world. In the case of unit value realization, the East European countries paid slightly higher prices to India as compared to the West in some years. However as far as imports into India were concerned, the study showed that higher prices were not charged. This was concluded after 100 unit values of imports of chemicals, fertilizer, newsprint, iron ore and steel products from East European countries were studied.

2.1.2. Similar studies were undertaken and compiled in a book *Indo-CMEA Economic Relations*, edited by Suresh Kumar (1987)\(^{11}\). The book contains six articles dealing with trade in and with Socialist Countries of Eastern Europe (SCEE) which came together to form the Council for Mutual Economic Assistance (CMEA). The studies are spread over a period of four decades starting from 1950s to 80s. Of greater significance to this researcher’s study is the article by Suresh Kumar himself, entitled *Special Trade and Payment Arrangement: Genesis, Development, Problems and Prospects*\(^{12}\).


\(^{12}\) Kumar, S., "*Special Trade and Payment Arrangement: Genesis, Development, Problems and Prospects.*" In Kumar op.cit pp 85-105
Kumar’s study highlights why trade between India and CMEA was important. It shows that India was keen to improve her international economic relations by trading with various countries and trading blocs after independence. These states did not belong to any multilateral trading and financial institutions of GATT, IMF and World Bank and so economic relationship with them could be drawn only through Special Arrangements based on the countries’ foreign and trade policies. The study showed that India and CMEA both benefited from this trade though with phases of downward trend.

The study goes on to define bilateralism in a broader form in relation to Indo-CMEA trade. Bilateralism is defined as the balancing of a country’s exports and imports vis-à-vis individual trading partners whereas multilateralism is the balancing of a country’s exports and imports globally. The study notes that SCEEs have a form of bilateralism that is based on the principle of equality, most favored nation and mutual benefit regardless of their socio-economic systems and on the basis of country specific planning and negotiation. This is the system which India traded into, and, of which, analysis has been done in the study. India adopted the Rupee Payment System which rendered the Rupee convertible following the first Agreement of 1953. Application of this Agreement came into effect in 1958. This system ensured that all credits were repaid within this system, which meant that, the debtor had the opportunity of discharging his debts directly and in a planned way. The study also examines the role of Technical Credit and Special Payments Arrangements. On the former point, the study concludes that there is a need for improvement of technical credit management since this is the most important management tool in the system. All details and the position of technical credit accounts were to be published at the end of each year for the sake of transparency and for warning of possible fluctuations on the side of payments.
Further, the study examines issues like switch trading, terms of trade in indo-CMEA trade and trade surplus in Indo-USSR trade. The study found that switch trading is on the negative. There is a thorough study on Indo-USSR trade, of which the conclusions are, that there has been trade surplus here continuously since 1971, though this did not mean there was payments surplus. Trade data gathered showed that trade with other CMEA countries did not live up to its expectation except for that with USSR that showed steady increase in both exports and imports. Between 1979 and 1981 for example, Soviet Union accounted for 79% of the incremental earnings of India with oil being the greatest contributor. The study revealed that by the mid 70s there was stagnation with all SCEEs but for USSR. This was after USSR introduced crude oil as part of its exports to India.

2.1.3. An article by Hari Bhushan in the same book focused on role of aid and technology transfer. On aid, the study noted that aid from CMEA was not of great magnitude as compared to that from the rest of the world, but what is worth noting is that this aid went to the most vital sectors of the economy like steel, oil, power, heavy engineering, defense among others. Effectiveness of aid and technology transfer from India to those countries and vice versa is dealt with in detail. In conclusion, it is asserted that CMEA technology should not be taken lightly or with bias. The author also concludes that there is still a wide scope of widening cooperation in the areas of technology between India and CMEA and that CMEA countries need to make more efforts in India especially in the public sector. The study observed that CMEA is not present in areas like rail and road equipment, fertilizers, cement, machine tools, electronics and communications in India and calls for entry of CMEA countries to these areas.

13 Bhushan, H., "Economic Assistance from CMEA and Other Countries." In Kumar op.cit pp 186-210
2.1.4. A study by P.C. Rawat (1974)\textsuperscript{14} on Indo-Nepal Economic Relations focused on historic aspect of Indo-Nepal economic relationship. The study noted that relationship between these two countries can be backdated to 750 A.D., though it was in 1815 that their relationship was formalized. The author noted that Nepal is strategically placed geographically owing to its proximity with China, a country that has not had very cordial relationship with India over the years. The study noted, for example, that Nepal was an important ally during the Indo-China border clashes.

The post- Indian independence and post- war period brought new challenges to the development of these two countries. Nepal, whose main, and almost only trade partner was India, could not obtain all she needed for sustainable trade and thereby opened up trade with other countries. India, on her part, needed to be careful with how she traded in order to utilize her resources to earn foreign exchange and still deal with deficits caused by war. But it was the organization of People’s Republic of China as a nation in 1949 and letting off of the Ranas in Nepalese administration that prompted India and Nepal to come together in a more proactive way. This led to the signing of bilateral Treaty of Trade and Commerce in July 1950.

This treaty was a pace setter for a trade that would flourish over the years. But this bilateral trade was not without its share of challenges. For starters, the treaty of 1950 was limited and could not live up to its expectations. India’s foreign policy was also so stringent that it almost crippled that of Nepal. A second treaty, replacing the 1950 treaty, was signed in 1957. This ended 1960. In 1960, a third treaty was signed and this year is regarded as the new dawn of Indo- Nepalese trade. The main focus of this treaty was the freedom it accorded Nepal to run her own commercial activities and on her part, India was to provide transport facilities through her territories.

\textsuperscript{14} Rawat, P.C. \textit{Indo Nepal Economic Relations}. Delhi, National Publishing House, 1974
The outcome after this treaty was signed was impressive. It resulted in India’s balance of trade between 1961 and 1971 being positive. This study, based on data from Indian Trade Journal, showed that India’s balance of trade was at Rs. 55.7 million in 1961 and grew to Rs.140.2 in 1971. India was gaining from this trade, while Nepal, though benefiting, had a negative balance of trade throughout this period. The study also focused on India’s aid to Nepal. This grew from Rs. 38.3 million 1961 to Rs. 139 million by the end of 1968-69 financial year. This figure was estimated to rise to Rs. 161.9 million during 1969-70 periods. This was a crucial period when the region was susceptible to cold war between USA, USSR and China. The study also focused on other areas like currency, industrial development, Indo-Nepal border smuggling and other impediments to sound economic development between these two countries.

2.1.5. A study by A.G. Leonard, S.J (1993)\textsuperscript{15} sought to analyze economic relations between India and Japan between 1966 and 1985. This detailed study examined the trends, instability, diversification, competitiveness, elasticity, policies and strategies of trade between these two countries. The study was both qualitative and quantitative, and a large amount of quantitative data was analyzed for the sake of the study. This data was on major commodities selected on the basis of the amount of money traded on them. A floor of one crore rupee was fixed in selecting which items were to be analyzed. This means only those items that had a rupee value of one crore rupees and above were selected. Unless such a criteria was employed it would have been impossible to analyze such data, considering that India exported 1080 commodities to Japan and imported 1980 commodities from Japan.

Further, the selected commodities were subdivided into subgroups- 14 for exports and 13 for imports. The authors then sought to know the trend and in doing so employed

\textsuperscript{15} A.G, Leonard SJ. \textit{India’s Trade Relations with Japan: An Economic Analysis}. Indus Publishing Company, New Delhi, 1974
time series analysis to estimate the annual compound growth rates. Data was gathered for comparison and analysis from trade with not only between India and Japan but from other countries as well. This data would be useful in estimating instability of exports. The study employed Coppock’s Instability Index to estimate indices of instability of the collected export data.

2.1.6. Suzzane Paine\textsuperscript{16} in her paper ‘\textit{China’s Economic Relations with less developed Countries: 1950-1976}, shows various aspects of China’s economic relations with Third World countries. In her paper, the author starts by giving a sketch on a railway project in Tanzania, an 1162 mile-long railway project that connected Tanzania and Zambia. The line was used to transport copper and zinc from Zambia; grains, chemical fertilizers, steel products and machinery to Zambia. The foreign cost of this project was financed by an interest-free loan of $401 million given by the Chinese, in addition to which the Chinese gave the Tanzanians a grant of 106 million Yuan in July 1976.

Apart from the direct economic benefits of this project, it is estimated that the project created more than 40,000 jobs to the Tanzanians alone during its construction and after that, more than 10,000 jobs for running it. This was, and still is one of the best examples of how developing nations can actively assist LDCs economically. The project was initially rejected by Western donors but after China stepped in, the Tanzanian ambassador to the USA had this to say:

That China’s assistance

…was the sole offer we had. We had no other alternative. Ironically, it turned out to be the softest we had ever hoped to get. And it wasn’t from a Super-Power. It successfully challenged the invincibility of western technological superiority and dominance. It was a demonstration of our potential and capabilities- if only the Third World [had] stopped to exploit it.

The Chinese also made a point to this effect and said:

That railway is also a triumph for the third world countries and people who rely on their own efforts and support each other in developing their national economies. It is of far reaching political and economic significance. It helps Tanzania exploit the coal and iron deposits in its southern region and Zambia to break the Rhodesian and South African racists’ blockade. It helps consolidate the independence of Tanzania and Zambia and develop their national economies and strengthen relations between both countries and between the East, Central and Southern Africa countries. The successful completion of the railway is a telling blow to imperialism and a great encouragement to the people of the Third World. The two super-powers, the United States and the Soviet Union, and other imperialist countries had all refused to help build the railway.

The paper also goes on to elucidate various aspects of China’s trade with LDCs and first gave seven general features of China’s foreign trade between 1950 to 1976.

1. All trade is managed through eight state-owned foreign grade corporations which act as agents, carrying out a trade plan under the guidance of Ministry of Foreign Trade, with some aid from the China Council for the Promotion of International Trade (CCPIT).

2. Chinese trade has always given more preference to balanced trade.

3. Implementation of the ‘self-reliance’ approach, together with the fact that China is a large economy, has meant that throughout the whole post-liberalization period trade has constituted a fairly low proportion of national product, imports having remained below 4 percent in the ‘high trade’ years of the mid 1950s and mid 1960s.

4. Chinese trade has been characterized by the comparatively high degree of fluctuation in its total, which is attributed not just to variations in Chinese and/or world economic conditions, but also to the differences, referred to in 3 above, in the interpretation of the extent to which trade is consistent with self-reliance.

5. Chinese trade direction has taken a major shift from the Soviet Union and Eastern Europe towards advanced capitalist countries.

6. Though not well known, Chinese trade is actually multilateral in nature.
7. On commodity composition, China’s exports have consisted mainly of natural or processed primary commodity commodities, and imports have consisted of mainly producer goods and certain essential raw material and primary commodities.

At the level of individual countries the Chinese pattern of imports has, for instance, involved purchases of rubber from Indonesia, Malaysia, and Sri Lanka, cotton from Sudan, Egypt, Tanzania, Kenya, and Uganda, petroleum from Iraq, grain from Argentina etc.

2.1.7. R.K. Sharma (1980)\textsuperscript{17} conducted a study on Indo-Soviet economic relations after independence. The study is more of an economic analysis showing how economic relationship between these countries has impacted various sectors of Indian economy. India’s economy after independence was in shambles and a lot had to be done to sustain the nation and make it in tune with rest of the world. That being the case, India embarked on trade with other nations but at the same time tried to avoid dependence on a single Western power. This made India turn to other areas and one of them was the Soviet Union.

The first step to promote Indo-Soviet trade was taken in 1950 when the two countries signed a regular sea deal, under which the USSR agreed to send three shiploads of wheat to relieve the serious food shortage that was facing India, in exchange for tea and jute. This was the beginning of a long economic relationship between these two nations. It was a relationship many doubted since it was with a socialist country. It was a new experiment in India’s foreign trade relations. However it is a relationship that worked well and the author noted that trade between India and the socialist countries has been the most dynamic sector of Indian economy since 1960, accounting for a major proportion of the total increase that has actually taken place in India’s exports since that year.

The study notes that relationship between these two countries was particularly beneficial to India during the critical economic times of the fifties and the sixties. India

\textsuperscript{17} Sharma, R.K: \textit{Indo-Soviet Relations: Economic Analysis}, Allied Publishers, New Delhi, 1980
had to repay huge loans that flowed in to the country in the past two decades of her economic development. To help India in the repayment, the Soviet Union assured India that it would buy large quantities of India goods towards the repayment of the loan account. This was a huge boost to India’s exports to the Soviet Union. India’s principal exports to the Soviet Union included jute manufactures, coffee, tea, tobacco, spices, cashew kernels, cotton textiles, leather, castor oil, storage batteries, power cables, drugs and pharmaceuticals, engineering goods, hosiery and readymade garments, garage equipment and hand tools, machine made carpets, footwear, etc.

The author also notes that India’s experience of more than two decades of trading with the Soviet Union proved beyond doubts that the Soviet Union was a reliable trade partner and placed friendship with India above business considerations. This relationship, he notes, helped business communities in India a great deal. One example given to support this is a case where in the period of 1966-67 recession, the USSR placed an order for 100,000 tonnes of rolled metal and 600,000 tonnes of steel.

2.1.8. Prior to this study, Sharma (1979)\(^{18}\) had concluded a similar study where he has taken inputs from eminent and noted Indian economists. The study was an attempt to show that contrary to many critics of Indo-Soviet trade, India indeed benefited from the trade and payment agreement entered into by the two countries in 1953. The critics alleged that India was selling cheaply and buying dearly from USSR, which was an indication that the terms of trade favored the Soviet Union rather than India. Other charges the study attempted to counter were that the increase in India’s export to the Soviet Union amounted to trade diversion from the convertible currency areas and that the composition of trade had been static over the years and that the Soviet Union indulged in switch trade to the detriment of India.

The study began by laying the background for the growth of Indo-Soviet trade. It pointed out that during the pre-independence days, particularly from 1937, India had very little trade with the Soviet Union. Till the conclusion of the bilateral trade and payment agreement, the volume of trade between the two countries was a negligible amount of less than Rs 2 crores. The overwhelming need for India to diversify her market to counter the persistent disequilibrium in her balance of payments position necessitated exploration of the Soviet market which was of course impossible due to the British imperialist control of the direction and contour of India’s trade. The high point of the agreement was the element of maturity and equality. It provided that India was not obliged to pay for the import in gold and hard currencies.

Under the terms of agreement, the USSR agreed to provide various types of machinery and equipment required to launch Indian’s industrialization on a large scale. This agreement, the authors noted, marked the beginning of greater economic co-operation between the two countries. The second agreement, concluded in 1958, added a new dimension of the Indo-Soviet trade, known as the Rupee Trade Agreement. It enabled India to import from the Soviet Union essential items like machinery, capital equipment and other materials on a large scale on rupee payment basis. It also enabled the Soviet Union to purchase various agricultural and industrial raw materials and consumer goods from India through payments in India rupees generated from India’s imports from the Soviet Union.

Under these agreements, Indo-Soviet trade grew rapidly from a total turnover of just 1.56 crores during 1950-51 to 708.60 crores during 1975-76. However, the initial growth began during 1954-55. Besides showing the quantitative growth, the study also highlighted the qualitative character registered in the trade between the two countries. With the Soviet co-operation, India was able to build a solid industrial base. A number of
enterprises like the Bhilai Steel Plant (1955), Bokaro Steel Plant (1964), heavy machine building plant at Ranchi, Allied Machinery Plant, Durgapur; and Precision Equipment Plant at Kota were established with the assistance and co-operation of the Soviet Union. Apart from disproving the claim that Indo-Soviet trade relations amounted to trade diversion, it further revealed that India received higher unit prices for her export to the USSR vis-à-vis other major importers and paid lower prices for her imports from the Soviet Union. In conclusion, the study suggested that for further growth in Indo-Soviet trade and economic co-operation, heavy investment strategy taken as the optimum, India must export those goods which are produced by means of heavy equipment conserving techniques even if it entails granting subsidy. On the other hand, India must import heavy machinery and other goods which are to be used in heavy investment sector.

2.1.9. Another study on India’s trade with East Europe was conducted by Sumitra Chishti19 in 1973. This study came following India’s trade and payment agreement reached between the two regions in the 1950’s. In a bid to expand India’s trade with the centrally planned economies of East Europe, and to achieve the twin objective of diversification of exports and exploring of new markets, the trade and payment agreement was deemed to be the appropriate channel. However, a number of questions have been raised regarding the usefulness of trade under the agreement.

An impression that had gained currency was that trade under bilateral agreements had been propped up through administrative devices. Questions arose as to whether India was trading at a loss in terms of prices, whether India was diverting her trade away from the convertible currency areas and thus losing valuable foreign exchange and, whether India was getting comparable quality products. To analyze the economic and trade implication of the agreement, the author started out by considering necessary guide-post to

19 Chishti, Sumitra. *India’s Trade with East Europe*. India Institute of Foreign trade, New Delhi, 1973.
adjudge the benefits from trade under bilateral payment agreements—whether India would have established significant trade relations with the centrally planned economies of East Europe. With these trade and payment agreements, the composition and high level of trade established was advantageous to India. The export prices secured from the East European countries were lower than those secured from other countries. The import prices from these countries were higher than the prices of imports from the convertible currency countries. The term of trade had moved against India.

The study started briefly surveying the origin of bilateral trade and payment agreements in international trade policy. It then examined the main features of the trade and payment agreement with East European countries. Additionally, the study undertook a quantitative examination of the pattern and composition of India’s trade with the East European countries in general, and individual countries that make up the block in particular. It also analysed the presence of each country in India’s trade by computing their percentage share in India’s export and imports. It assessed India’s gains from trade with East European countries by studying the unit value realization in a number of commodities and examined in detail the terms of trade between India and the Soviet Union. The study revealed however that on the basis of trends in trade on certain commodities, it was apprehended that a portion of exports may have been subject to switch operations. The commodities involved included coir products, oil cakes, mica and coffee.

The study arrived at the inescapable conclusion that expansion of trade with the East Europe region had been a net addition rather than a diversion. The shifts required, noted the author, are in favor of expansion of non-traditional items of exports to match India’s growing industrial potential.
2.1.10. A study conducted by Gyanu Raja Shrestha\textsuperscript{20} of Nepal’s Ministry of Finance in 2003 briefly reviewed trade relations between India and Nepal starting from recorded times in history up to the culminating year of the study. The study presented evidence dating back to 400 BC when Kautilya, a great economist of those days mentioned Nepal as a major exporter of woollen goods to India. The trade continued to flourish during the golden age of Guptas from 320 AD. Bilateral trade between these two countries was formalized with the signing of the first Trade Treaty in 1923. This treaty is seen as the first precedent to what has been the nature of Indo-Nepal trade up to date. For example, the treaty asserted: “No customs duty shall be levied at British Indian Ports as goods imported on behalf of the Nepal government for immediate transport to that country.” The study also noted that the nature of economic relations between India and Nepal is based on the movement of goods and people across the 1,600 Indo-Nepal border. This movement of goods is described as free and spontaneous.

The study has also attempted to give an overview of trade treaties held between Nepal and India over the years. The author noted that the signing of the Treaty of Peace and Friendship, and Treaty of Trade and Commerce between Nepal and an independent India in July 1950 was the major boost to the relationship between these two countries. The treaty of 1950 officially formalized trade ties between India and Nepal. This Treaty was modified and renewed in 1961 and 1971, and incorporated provisions regarding transit facilities extended by India for Nepal’s trade with a third country, as well as on cooperation to control unauthorized trade. Three more agreements were signed in 1978 which were significantly modified in 1991. The treaty signed on 6\textsuperscript{th} December 1991 was one of the major treaties signed between these two countries. This treaty was meant to

\textsuperscript{20} India. Research and information system for the Non-aligned and other developing countries (RIS). Nepal-India Bilateral Trade Relations: Problems and Prospects. New: Delhi, 2003
promote mutual trade between the two countries for the benefits of mutual sharing of scientific and technical knowledge and experience.

Among the provisions made in the 1991 treaty was one to allow all goods of Indian or Nepalese origin to move unhampered to Nepal or India without being subjected to any quantitative restrictions, licensing or permit system with the exception of restricted or prohibited goods and articles. At the same time, the Treaty of Transit was also signed. This treaty provided for unhampered movement of vessels from these two countries without discrimination. Further, exemption was given from customs duties and from all transit duties or other charges except for reasonable charges for transportation and such other charges as needed to cover the cost of services.

The study further noted that the Indo-Nepal Treaty of 1996 was one of the most significant of all treaties signed and went on to analyze the impact of this treaty especially in improving trade relation between the two countries. This treaty gave a new direction in the trade related areas as well as a scope for the trade improvement especially to Nepal. There were modifications for the earlier treaties and inclusion of new policies to this new treaty. A new area that was highlighted here was the signing of an Agreement of Cooperation (AoC) between His Majesty’s Government of Nepal and the Government of India to control unauthorized trade. The Treaty of Transit was also modified in 1996. Major policy changes were made in this treaty. Among such changes, the negative list of product imported to India were shortened from seven to three items which are alcoholic liquors/beverages and their contents except industrial spirits, perfumes and cosmetics, cigarettes and tobacco. Government of India also provided access to the Indian market free of customs duties and quantitative restrictions for all products manufactured in Nepal on the basis of the certificate of origin. Another major change was the Nepal’s decision to open the Nepali Stock Exchange to overseas investors.
The study further examines other treaties and agreement signed between India and Nepal up to 2002. The author then elucidated the impact of Trade and Transit Treaties on bilateral trade between India and Nepal. In a nutshell, the author noted that these Treaties provide guidelines and also scope for furthering bilateral trade between India and Nepal. The study also focused on trade points in Nepal and India, their functions and operations. The author points to the importance of these trade points in both countries as a tool to further bilateral trade between the two countries as they provide information on trade related issues and connect other trade points across the globe electronically.

The study also analysed the trends in economic and trade relations between India and Nepal. As far as economic relations are concerned, the study showed that India has been a very important and the main donor to Nepal for many decades after India’s independence. For example, Indian assistance to Nepal has increased from IRs. 150 million in the mid-1980s, to IRs. 750 million in 1999/2000. According to the study, in the initial stages of their relationship, areas of economic relation were mainly confined to the basic infrastructure which cover; airports, irrigation, agriculture, supply of drinking water, roads, bridges, power projects, heath, industrial estates, communication, surveys, education, forestry, building construction, etc.

As far as trends in trade are concerned, the study revealed that during the period of 1956/57 to 1970/71, Nepal’s exports to India comprised of 98.7 per cent of the total exports. However, Nepal’s exports to India as well as imports from India started declining steadily after 1970/71 due to trade diversification policy that Nepal adopted. This policy was geared towards removing Nepal’s over dependence on India and opening up of Nepal’s trade with other foreign countries. Due to this the export share of Nepal’s exports to India came down to 75.4 per cent in 1975/76, 40 per cent in 1985/86, and 21 per cent in 1990/91. It further came down to a mere 9.6 per cent in 1992/93. Likewise, share of
imports from India out of the total imports came down to 61.9 per cent in 1975/76. It declined to 42.5 per cent in 1985/86 and it further declined in 1995/96. The study noted however that though trade volumes between India and Nepal have been declining, there is an indication that the total foreign trade of Nepal is continuously increasing except for the year 2001/02. It also noted that the share of India in the total foreign trade of Nepal has shown improvement after 1996/97 to 43.3 per cent in 2000/01 and 48.1 per cent in 2001/02.

Summing up, the study attempted to identify the scope and areas of improvement in Indo-Nepal trade relations. To do this, the author outlined problem areas in this bilateral trade and then discusses the prospects of the relationship. Some of the problems cited included trade imbalance, lack of adequate market for Nepalese manufactured goods, frequent revisions in duties and rules, administrative and procedural complications and delays, lack of proper EXIM facility to maintain favourable trade balance, failure to conduct trade in the spirit of understanding and good faith, and unauthorized trade. On the brighter side, the study noted that although India and Nepal show some disparities in terms of economic strength, physical structure of the countries and resource endowment, they share common traits in various social and economic aspects. The study also elucidated various areas where India and Nepal can further their cooperation. Some of the areas pointed out include tapping and utilization of hydroelectric power, advancement of tourism industry, trade related education and training, mineral exploration and exploitation, and development in the areas of information and communication technology (ICT). The study also revealed that Nepal is open to Foreign Direct Investment (FDI) in projects such as hydropower, mineral exploitation, chemicals, hotel and resort, transport and communication, housing and apartments, construction, agriculture and forestry, food and beverage, textile and garments and, specialized service sector industries. India is
among the top investors in Nepal and this is an area that shows great scope of improvement. The study observed that favourable investment environment in India has greatly boosted trade between Nepal and India with each country coming up with investment incentives to promote bilateral trade.

2.1.11. Another study on Indo-Nepal economic relations was carried by N.P Bansokta\footnote{Bansokata, N.P. Indo-Nepal Trade and Economic Relations. National Publishing House, New Delhi, 1981} in 1981. The study carried a historic review of Indo-Nepal trade and economic relations since ancient times, describing the structural changes that have taken place over the years. A review of the various Indo-Nepal treaties during 1923, 1950, 1960 and 1970 were also undertaken, highlighting the areas that were not completely satisfactory to the growing economic needs of Nepal, thereby necessitating re-negotiations of the terms of agreements. The study found that over a period of eighteen years, there was no noticeable change in the composition and direction of Indo-Nepalese trade. Agriculture produce such as rice, gram and pulses dominated Nepal’s exports to India, while imports from India featured prominently iron and steel, kerosene, salt, sugar, cotton twist and yarn and cotton piece goods. It further observed that ‘geography was the main deterrent to Nepal’s trade with India which accounted for between 95 and 99 percent of Nepal’s total export and 91 and 99 percent of her total imports during 1956-57 to 1969-70. A quantitative analysis of Indo-Nepal trade was also carried out first by estimating the index of instability for thirteen agriculture commodities which account for 70-80% of Nepal’s export during 1956-57 to 1964-65. It established that instability in both value and volumes were responsible for the low degree of diversification in Nepal’s trade with India. This position was further reaffirmed by the estimation of Morton Paglin’s index of specialisation. Unit price realisation for the major traded commodities between India and Nepal were
computed. On average, the unit prices paid by Nepal to India were more than the unit price that she charged India.

Nepal’s net and gross barter terms of trade were computed for twelve major commodities accounting for 60-70 percent of the total trade during 1956-57 to 1964-65. Both terms of trade were found to be favourable to Nepal. The gains were attributed to the rising prices of food grains in India.

To tackle the factors inhibiting Indo-Nepal trade, the author suggested further cooperation in such areas as transit rights, diversification of trade, and reduction of adverse trade balance, removal of bottlenecks and establishment of institutions for industrial development finance.

2.1.12 A study by Naser Izzat D. Nabolsi in 1989 of Indo-Jordan economic relations during the period 1966-86, started by reviewing the Indo-Jordan trade relations under three distinct historical stages viz, the Pre World War period, the two World War periods and the period since Independence of India. The study pointed out that since the dawn of history, ties between India and the Arab countries had been quite close, that India's commercial relations with the Arab world may be traced back to the third millennium B.C., that there is evidence pointing to the presence of Indian merchants from Mukram and Baluchistan in the great cities of Elam and Sumer in the early dynastic times. Since ancient time up to 1921, Jordan was successively occupied by the Assyrians, Chaldeans, Persians, Nabataean Arabs and Ottoman Turks. The probable reason for Jordan having no permanent name in the past history was that the area was never a separate and independent entity. Therefore, there are no statistical data pertaining to India's trade with Jordan as a separate entity prior to 1921.

The study went on to examine Indo-Jordan balance of trade in great detail and revealed that throughout the period under study (1966-1986), India suffered adverse balance of trade with Jordan except during the years 1970-72, 1975-76 and 1976-77 in which India enjoyed favorable balance of trade. To find out the real benefits of Indo-Jordan trade relations, net barter terms of trade, income terms of trade and unit price comparisons were computed. It was evident from the empirical findings that during 1966-67 through 1971-72, India experienced unfavorable terms of trade with Jordan. However, during 1972-73, for the first time the net barter terms of trade became favorable to India, a development which was attributable to a simultaneous increase in the export price index and a decrease in import price index.

On unit value of exports from India to Jordan and to other major countries, it emerged that Jordan paid relatively more to India for her purchase per unit of iron and steel, paper and paper products, cashew kernel and relatively less per unit of animals, tea, spices, fruits and vegetables, in comparison with other major countries importing the same from India. But it concluded that on the whole, Jordan paid less for her imports from India since the group comprising tea, fruits and vegetables, spices and animal constituted India’s major exports to Jordan. Similarly, comparisons of import prices paid by India to some major exporters were computed for the two major commodities that India imported from Jordan: rock phosphate and non ferrous metal waste, and it was found that overall, imports obtained by India from Jordan had been cheaper than those imported from other major sources. The study also examined the text of the various trade agreements between India and Jordan, beginning from the 1960 bilateral trade and economic agreement to see whether these had been instrumental in furthering trade growth between the two countries.

A survey of the trend of Indo-Jordan trade relations under the various agreements brought out the fact that although Jordanian exports to India were increasing very rapidly,
India's exports to Jordan were not showing any steady progress and therefore, the author suggested quota system to be followed while framing the bilateral trade agreements between India and Jordan. The study also examined India's trade policies under the various plan periods. Quantitative interpretation of the pattern of trade between the two countries was attempted, using different techniques. Firstly, instability indices for the seven commodities accounting for 90.1% of India's total exports to Jordan during the years 1966-67 to 1975-76 and 1976-77 to 1984-85 were calculated and, it was found that the world earnings index was slightly lower than that of the rest of the world, meaning thereby that trading with Jordan acted as a stabilizer of India’s export receipts. Using the Lorenz curve, commodity concentration index was computed. The findings showed that the concentration of exports in the case of India declined consistently, reflecting a real shift in the composition of India's exports. With the help of Gini's co-efficient index, the geographic concentration of exports and imports were computed and it revealed a consistent decline in the geographic concentration of exports and imports for India, an indication of a favorable change in the geographic distribution of India's trade. Using regression equations, attempt was made to establish the relationship between instability in export earnings and commodity concentration, geographic concentration and concentration on primary products, but the relationship was found to be insignificant. Further, the study examined the volume and composition of Indo-Jordan trade with particular attention paid to the major as well as minor commodities, as well as their percentage share in the total trade. An examination of project exports by India to Jordan and the complementarities of the two economies were also discussed.

In conclusion, the study maintained that there are vast possibilities for bilateral economic and technical co-operation between the two countries which need to be exploited in a planned manner for their mutual benefit. Great scope for such cooperation
existed because of Jordan's advantage with respect to some natural resources as also India's ability to provide technical expertise.

2.1.13 A study by H.P.B. Moshi and J.M. Mtui\textsuperscript{23} in 2008 sought to analyze China’s relationship with Africa, and in particular Tanzania. The study started by showing how Tanzania’s rigid socio-economic system coupled with the war with Uganda and external shocks, during the late 1970s had resulted in major macroeconomic imbalances, economic stagnation and a decline in per capita income that lasted over fifteen years. This situation hastened Tanzania’s liberalization process in the 1990s where it focused on large scale privatization, liberalization of the economy and macro-economic stabilization. During this time when Tanzania was opening its economy further to the world, one of the key players in funding key projects, giving of aid and even Foreign Direct Investment (FDI) was China.

China’s relationship with Tanzania, the authors noted, started early, with China officially establishing diplomatic ties with Tanganyika and Zanzibar on December 9, 1961 and December 11, 1963 respectively. On April 26, 1964, when Tanganyika and Zanzibar were united and became Tanzania, China established its diplomatic relations with the United Republic of Tanzania on the same day. China’s relationship with Tanzania has been strong since then. Tanzania’s First President Julius Nyerere was a great friend of China. He was one of the first world leaders to get strong support and lead the non-aligned movement and he led his country into embracing socialism rather than capitalism. In his lifetime, Nyerere visited China thirteen times and signed important agreements and treaties geared towards social, economic and political strength between the two countries.

The study listed a number of agreements signed under the umbrella of economic, trade, aid and technical cooperation between China and Tanzania which included: The


In terms of trade between these two countries, the study showed that Tanzania's main exports to China include dry seafood, raw leather, log, coarse copper and wooden handcrafts, while Tanzania’s imports from China are mainly foodstuffs, vehicles, textiles, light industrial products, chemical products, mechanical equipment, electric appliances and steel. Total trade value between these countries has been growing steadily over the years. Between 1996-2002 China's total trade with Tanzania averaged US$ 70 million and the trade was mainly dominated by imports. However, after 2002, this growth stepped up to an average of 59% annually up to 2006 making China one of Tanzania’s major trading partners. Trade balance has been worsening over the years with Tanzania being the victim and the net importer. Tanzania’s Total exports to China averaged only US$ 5.8 million during 1996-2002, but increased significantly to annual average of US$ 64.3 million in 2003-2006. Imports also showed an upward trend, averaging US$ 80.8 million during 1996-2002 and increased to US$ 205.2 million in 2003-2006.
The study also mentioned some of the key Chinese investments in Tanzania, which included the Friendship Textile Co. (URAFIKI). This company was transformed in 1996 into Tanzania-China Friendship Textile Corporate Ltd, where the Chinese government invested US$ 5.5 million (51%) with enhanced profits and job creation. Another major joint venture is the Chinese-Tanzania Joint Shipping Company where each country holds 50% stakes each with capital of TZS 17.2 billion (US$ 15.5 million). The study showed that by the end of 2006, there were 140 Chinese companies registered in Tanzania with official figures released by Tanzania Investment Centre (TIC) indicate that on aggregate the Chinese share of FDI to Tanzania stood at 2.4% of total FDI flow to Tanzania between the years 1990-2006. Aid also plays an important role in Sino-Tanzania relations. China has provided assistance to Tanzania in several areas. A major assistance given by China to Tanzania was the Tanzania-Zambia Railway (TAZARA), where the agreement to build 1,860 km long railway line from Dar es Salaam to Kaprimposhi-Zambia, at the cost of US$ 401 million for construction, the provision of locomotives and rolling stock was signed in 1967. It was an interest free loan with a grace period of five years repayable in 30 years, shared equally between the two countries. The project represented China’s largest single commitment of foreign aid and technical assistance in the third world and the African Continent, at that time. Recently, in 2004, China assisted in the construction of Tanzania’s National stadium. The modern 60,000-seater stadium, which was completed during the fourth quarter of 2007, was constructed at a total cost of US$ 43.5 million, with 53 percent of the cost financed by the Government of Tanzania and 47 percent (US$20.5 million) financed through a soft loan from China.
2.1.14 A study in 1970 by Vadilal Dagli\textsuperscript{24} surveyed a number of German and Indian exports to determine various aspects of Indo-German economic relations. The study examined the very nature of Indo-German co-operation from the viewpoint of trade, aid and investment. Also, it examined in historical detail, Indo-German cultural and economic co-operation and revealed that even though the economic co-operation does not have such a long and venerable tradition behind it as cultural relations, noticeable areas of co-operation include technological fields such as research into the peaceful use of nuclear energy. On Indo-German trade, the study examined India's share in the German market as well as the composition of India's exports to Germany. Prominent among India's exports to Germany were: cashew kernel, coffee, tea, spices, rosewood, iron ore concentrate, cotton manufacturers and coir yarn. India suffered unfavorable balance of trade with Germany for the period 1961-62 to 1968-69, but overall, India was a net gainer in Indo-German co-operation when the value of German aid through multilateral as well as bilateral institutions was taken into account. Between 1957 and 1969, India secured 35\% of all German official bilateral loans and 10\% of all technical assistance grants. In the area of investment, the setting up of the German aided Rourkela steel plant marked the beginning of active interest of German industry in India's development. From 1957 onwards, the study noted, the number of West German foreign collaborations approved by the government of India had steadily increased. To further Indo-German co-operation, the author suggested the formulation of plans that could increase German imports from India in 1975 to half a percent in Germany's imports. This would imply a fivefold increase of German imports from India in 1975. The study further suggested joint ventures in third countries wherein India could contribute some engineering equipment required in the joint venture at lower cost.

2.1.15 A study by Edgar Sebei\textsuperscript{25} in 2006 examined agricultural trade flows between Kenya and South Africa in order to identify existing trade patterns and scan for potential opportunities. The study, though focusing on Kenya, did compare trade flows with other African and world countries, apart from South Africa, in order to come to concrete conclusions and analysis. The study starts by laying down facts about Kenya in order to provide a broad outline of several key features of the country. A brief historical background is then provided followed by an overview of the Kenyan economy and the country’s infrastructure. The author notes that Kenya is predominantly an agricultural country though only a very small percentage of the entire land is productive for crop cultivation. Of the total 582,646 square kilometres of land, only 8.08\% of that is arable and 0.98 is under permanent crop. The rest 90.94\% is either arid, semi-arid or does not support much of agricultural production to be categorized as ‘agricultural’. However, in terms of GDP, Kenya earned more in 2003 from services (62.4\%of GDP) while agriculture contributed only 19.3\%.

Next, the author discussed Kenya’s participation in regional and international trade organizations, followed by a discussion on agricultural trade relations between Kenya and South Africa. Kenya is a member of the Common Market for Eastern and Southern Africa (COMESA), which 29 member states created with the aim of promoting regional economic integration through trade and investment. Kenya is also a very active participant in the East African Community (EAC) and the first African country to qualify under AGOA (African Growth and Opportunity Act). On the international front, Kenya is a founding member of World Trade Organization (WTO). The study goes on to analyze South Africa’s agricultural trade relations with COMESA. Deriving inputs from World Trade Atlas, the study showed that in 2004 agricultural flows between South Africa and

\textsuperscript{25} Sebei, Edgar. \textit{Trade potential between South Africa and Kenya}. Pretoria: Gov Press, 2006
COMESA constituted only 1.6% of total South African agricultural imports, while South African agricultural exports to COMESA constituted approximately 16.3% of total COMESA agricultural imports. Zimbabwe emerged as the main trading partner in terms of agricultural trade imports. Kenya was fourth with little but important contribution. In terms of exports from South Africa to COMESA, the major destinations of South Africa’s products were Angola, Zimbabwe, Kenya, Mauritius, Zambia and DRC. The major products imported from COMESA by South Africa were mainly cotton, coffee, tea, mate, tobacco and manufactured tobacco, sugar and sugar confectionary and food industry residue used for preparing animal feed. The main products exported from COMESA to South Africa were beverages, spirits and vinegar, cereals, sugar and sugar confectionery, tobacco and manufactured tobacco substitutes, animal or vegetables oils, dairy products, citrus fruits and milling products such as malt and starch.

The study also examined key features of Kenyan agricultural and trade policy. A detailed analysis has been made in regards to Kenya’s trade barriers including custom procedures, tariffs, other levies and charges, import prohibition and licensing, trade sanctions, contingency trade remedies, rules of origin, standards and other technical requirements required in international trade. The trade analysis examines the existing agricultural trade structure between Kenya and South Africa. South African leading agricultural exports to and imports from Kenya are identified and discussed. This is done with the aid of trade databases. Products with the greatest trade potential are then identified and discussed. South Africa’s current agricultural trade profile with Kenya reveals that Kenya was an important destination for South African exports. Kenya was the fourth largest market for South African agricultural exports in Africa, accounting for revenue of R416 million in 2004. Exports of agricultural products to Kenya represented
almost 2% of total South African agricultural exports, whilst imports from Kenya represented less than 0.2% of total South African agricultural imports.

The study revealed that Kenya employs a range of trade barriers, and, several market access constraints exist for exporters wanting to access the Kenyan market. Import requirements are stringent and often cumbersome. Restrictions facing imports of Kenyan products into South Africa are primarily in the form of non-tariff measures. Technical barriers as well as sanitary and phytosanitary (relating to the health of plants, especially with respect to the requirements of international trade) measures serve as the greatest restriction facing Kenyan exporters. The study identified a few leading competitors in the Kenyan agricultural market including the United Kingdom, United States and Netherlands. Other important competitors and potential competitors include Tanzania, the United Arab Emirates and Pakistan. The author however noted that South Africa enjoys a strategic (geographically) advantage over countries like UK, UAE, USA and Pakistan since it’s is located in Africa which makes it easier and quicker to transport goods to and from Kenya.

In conclusion, the study observed that the existing agricultural trade between South Africa and Kenya was biased in favour of South Africa. This was reflected by South African exports to Kenya being almost fifteen times larger than the imports from Kenya in value terms. The reason for this huge disparity could be that South Africa is more diversified in terms of agricultural production as compared to Kenya and is endowed with skilful commercial farmers, who are more competitive in the market. In order to overcome this disparity both countries can trade in those agricultural goods in which they have comparative advantage. South African potential lies in the exports of cereals, sugars, miscellaneous edible preparations and beverages. Whilst Kenyan potential lies in the exports of tobacco, sugar, raw hides and vegetables.
2.1.16 A study by S.S. Mehta in 1983 examined the various areas of economic cooperation between India and Pakistan. In its outset, it pointed out that economic cooperation between India and Pakistan is the surest guarantee not only of economic but also a long term political stability in the sub-region, that the history of estrangement between India and Pakistan is much too brief for the advocates of economic co-operation to allow themselves to be influenced by the prophecies of a perpetually doomed relationship.

The study went on to examine the few steps that have been taken for the normalization of relations between India and Pakistan. It noted that quite a few of the steps envisaged in the Simla Agreement of 1972 have been implemented. The ice was broken when the representatives of the governments of India and Pakistan signed a trade protocol on 30th November, 1974. This was followed by a regular Trade Agreement in January, 1975. Under the agreement, trade between the two countries was to be conducted through government agencies or undertakings. The protocol attempted a broad identification of the commodities with immediate potential for trade. These commodities include cotton, rice, engineering goods, jute manufacture, iron ore and railway equipment. Other complementary steps to promote restoration of trade include establishment of remittance facilities between the State Banks of India and Pakistan and the resumption of direct shipping service between the two countries. During 1976 however, private and non-governmental bodies were permitted to trade directly. This agreement, initially for one year, was extended till its lapse in 1978. A new agreement has not been signed since then as Pakistan has not shown an inclination to sign a Trade Agreement which is less restrictive than the earlier ones.

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An encouraging development, the study noted, has been the signing of an Agreement for the establishment of an Indo-Pak Joint Commission which might eventually lead to the conclusion of a fresh Trade Agreement. Yet another step taken by the government of Pakistan which might lead to an increase in Indo-Pak trade is the permission for private traders to import forty items from India. The import of these items however has to be conducted through the Trade Corporation of Pakistan.

The author postulated the possibility of raising the two way trade to Rs.500 crores during the next three years in view of the complementary nature of the two economies. Items like raw wool, inorganic chemicals, artificial resins, transport equipment, low grade coal, naphtha and pig iron could be imported from Pakistan. India on the other hand could supply goods like agricultural equipment, tires and tubes, offset printing machines, typewriters, jute, paper and textile machinery.

The author further noted that there is no sensible alternative to the improvement of mutual relations between the two countries, given a long common history and a rich composite culture inherited by both countries. This inheritance cannot be simply washed out of existence. The constraints of geography bind the two countries together. While examining the complementariness between the two economies, the study pointed out that Pakistan and India are in roughly similar stages of development, and, since the governments of the two countries are major partners in development, coordinated building up of manufacturing capacity, harmonization or at least dovetailing of plans of the two countries and establishment of major industries on the basis of complementarities, was necessary. This requires bold political decisions, which Pakistan — touchy about her sovereignty — will be most reluctant to take. To allay the Pakistani fears, the author suggested limited forms of co-operation which do not involve any surrender of sovereignty
and have no exploitative elements. These initial steps, opined the author, stand a reasonably good chance of success.

In conclusion, the study advocated the resumption of normal trade between India and Pakistan, establishment of common research institutes, bulk purchases from foreign suppliers so as to benefit from the bargaining power of the two countries, promotion of cultural exchanges and joint development of multinational projects.

2.1.17 A study by Aparajita Biswas\textsuperscript{27} sought to analyze political and economic relationship between India and Kenya in the post-independent period. The study covers a period of 30 years from 1947 to 1977 and is divided into two main periods. The first period is 1947-1977 i.e the Nehru years and the second period is 1966-1977, which is the first term of Indira Gandhi. The study begins by showing how important the Non Allied Movement (NAM) was in strengthening ties between India and African nations and Kenya in particular. India under Jawaharlal Nehru played a key role in promoting NAM at the time when the cold war was going on. The third world nations came together to form a movement that would voice their needs in many areas of life. The movement’s objective was to forge new ways and methods of bringing about cooperation between developing nations without isolating them from the rich nations of the North. The author notes that cooperation between Kenya and India was based on the objectives of NAM both as a principle of foreign policy and the collective movement for South-South cooperation.

The study further sought to trace the history of India and Kenya relations. Attempt has been made to trace the first contact between the Indians and the East Africans. The study revealed that there is written and archaeological evidence to show that Indians were trading with the East Africans as early as 8\textsuperscript{th} century AD along with Persians and Arabs. According to Al Masudi accounts ((10\textsuperscript{th} Century) and those of Al Idrisi (12\textsuperscript{th} Century),

\textsuperscript{27} Biswas, Aparajita. Indo-Kenya Political and Economic Relations. Delhi: Kanishka Publishing House, 1992
there has been a lot of evidence which shows there was a lot of interaction between East Africa and India. By 15th Century, the East African coast is said to be very much influenced by the Persian Gulf and India. The study shows that at this time, Indian traders to East Africa were mainly from Cambay, Sind and Malabar regions. Further, settlement of Indians in East Africa followed from trade, with the most significant of such migration being at the end of the 18th century and the beginning of the 19th century during the construction of the Kenya-Ugandan railway. The increase of people of Indian origin in Kenya brought about the concept of ‘Indian Question28, between 1913 and 1923. After Indian independence, Jawaharlal Nehru initiated a strong Indian-African policy which was aimed at promoting decolonization and independence of African states and enhancement of economic growth. The policy was seen also as a form of protecting the PIOs in East and South Africa who were gradually facing opposition from the native Africans.

After Kenya gained independence in 1963, the policies would change, and with the passing of Nehru in 1964, the effect would be seen. Shastri took over from Nehru but his tenure was too short to have any impact on Indo-Kenya relations therefore the study next looked at the Indira Gandhi period which also coincided with the first Kenyan president Mzee Jomo Kenyatta years. At this time Kenya was working hard to unite the nation that was on the verge of breaking apart as North Eastern and Coast regions sought to secede as separate states. Kenya knew that a strong foreign policy and good relationship with its neighbours would help her strengthen her progress. NAM was one vehicle through which Kenya would strengthen her foreign policy and India being a key proponent of the movement was one of the first choices of partners from NAM. The issue of the contemporary role of Asians in Kenya was addressed during this time with Mrs. Gandhi

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28 The term 'Indian Question' refers to the dilemma to colonial government found itself in not knowing exactly how to deal with the increasing population of people of Indian origin in Kenya. The government was not sure if it was to term them as Kenyan citizens or what role they would play in the government or what diplomacy measures to take to deal with them.
advising the Asians to join the mainstream of Kenyan social life and regard the ‘native’ Kenyan African interests as paramount.

On India-Kenya economic relations, the study found that there was a decline in trade between India and Kenya in the 60’s but trade picked up in the early 70’s. After 1971-72 trade started to pick up and by 1976-77, the value of India’s export to Kenya touched Rs. 71.1 million, a rise of more than 100% since 1970-71 and around 350% since 1965-66 although imports from Kenya had by and large stagnated around Rs. 70 million since 1967-68. According to the study, rise in India’s exports during the 1970s was due to two main reasons. First, the ‘Asian issue’ or ‘Indian Question’ was not a troubling issue anymore and Asians had actually become actively involved in economic and commercial life of Kenya. Secondly, India’s exports were highly diversified and the exports did not depend only upon traditional items such as textiles and the related group, which accounted for almost three fourths of the total value of India’s exports to Kenya in 1960-61. India had now started exporting non-traditional items, such as engineering goods and machinery which by this time accounted for 40% while chemicals (including basic chemicals, pharmaceuticals and allied products) accounted for 35% of India’s exports.

In conclusion the study asserts that in the years under reference, Indian and African leaders were in unity of thought as far as liberation aspirations of Africa from colonial and imperialist forces was concerned. After India’s independence in 1947, her foreign and economic policies became broader, moving from narrow national consideration to broad humanitarian principles, which were reflected in her African policy with respect to African liberation, racial equality and persons of Indian descent in Kenya and other East African countries. Both India and Kenya sought to expand their economic and technical cooperation with Southern countries especially the countries where they would gain from cooperation. Kenya became a more worthy ally of India since Kenya aligned with India
during the Sino-India border conflict of 1962 and was able to quell the Asian issue better than Uganda. Economic relationship between India and Kenya would therefore grow over the years with trade composition changing from traditional goods to medium and heavy industrial goods.

2.1.18 A study by M.S.N. Menon and V.P. Morozov in 1986 began by tracing the origin of Indo-Soviet contact five hundred years back. It showed the warm feelings the people of Russia had for India and her people even in those early days, and how these translated into mutually benefiting economic co-operation in the later years. Tracing the path of Indo-Soviet economic cooperation, the authors emphasized the influence of Jawaharlal Nehru's visit to the Soviet Union, in 1927, on the development policy choice of India. Nehru was so fascinated by the planned industrialization system adopted in the Soviet Union that at the Karachi session of the Indian National Congress, he introduced the resolution called "Fundamental Rights and Economic Policy". In 1938, Nehru helped set up a planning body — the National Planning Committee, which appointed him Chairman, to prepare a blueprint for India's planned development. He recognized, however, that under the conditions prevailing in India, it would be impossible to go over to full-fledged Socialism and a completely planned economy and saw it as a gradual process. India chose "mixed economy" for historical reasons, but it assigned the leading role to the public sector. It was the hope of Jawaharlal Nehru and others that the public sector, in being able to move the economy in a desired direction, would be able to influence the growth of the private sector. After studying the experiences of economic development in a number of countries, Nehru arrived at the conclusion that building ‘modern national industry’ was India's top priority task if it wanted to consolidate its hard won national

independence and lay the foundations for steady economic and social progress. When he
spoke of ‘national industry’, Nehru meant heavy industry.

The authors after elucidating on the historical path of Indo-Soviet relations, delved
into the detailed analysis of the assistance given by the USSR to India in the crucial
sectors of the economy. In the heavy industries segment, the writers highlighted the boost
which the Bhilai, Bokaro, Vishakapatnam and Arkonam steel plants have given to the
rapid industrialization of Indian industries and other related sectors. "Soviet assistance
helped India to develop those sectors that have formed the nucleus of the national
economy". These were evident from the increase in industrial output, agricultural
production and the change in the composition of India's exports from traditional
commodities to manufactures and semi-manufactures; a contribution made possible by the
fact that Indo-Soviet co-operation was founded on the principle of complete equity, respect
for sovereignty and territorial integrity, non-interference in each other’s internal affairs
and mutual benefit, aimed at helping to build an independent and comprehensively
developed national economy. On Indo-Soviet trade, the authors indicated that for the
period 1951-1973, India had a favorable annual balance of trade fourteen times and the
USSR only eight times. The unit value of commodities exported and imported by India
revealed that in her trade with the USSR, India realized a better unit value than with other
countries. For the years 1961-1976, India realized higher unit values from her export of tea
to the USSR than from other major Indian tea importers. Similarly, India paid lower unit
prices for her import of fertilizer, pig iron and steel to the USSR than she did to other
major supplier nations.

In sum, India gained enormously from her co-operation with the USSR particularly
in the areas of power generation, erection of steel and engineering plants, medical factories
and iron ore prospecting. Also, in training of cadres, shipping and trading on rupee basis without tariffs and custom barriers.

2.1.19 A study by R.G. Gidadhubli\textsuperscript{30} in 1983 focused particularly on the nature of Soviet import market during 1965 to 1980. The study which depended solely on trade data from Soviet Union sources addressed itself to the twelve most important commodities that the Soviet Union imported from India which included — tea, coffee, tobacco, (raw), black pepper, cashew, shellac, raw leather, raw wool, jute, jute bags, jute packing materials and cotton textile fabrics. The author undertook a detailed study of the trend of total import of these commodities, India's share in the total imports of these commodities by the Soviets, other major sources of import that directly compete with India in the Soviet market, and the proportion of domestic production of the imported commodities. The study examined the structure and composition of the Soviet imports from India and revealed that agricultural raw materials and agricultural consumer goods accounted for about eighty percent of Soviet imports from India during the 1960s. Subsequently, their percentage share showed a declining trend and manufactured industrial consumer goods featured noticeably.

Additionally, the unit value realization comparisons were made for the selected commodities, but the picture was mixed as India emerged a gainer in some cases and a loser in others. The balance of trade for the entire period under survey revealed that India enjoyed favorable balance for eleven out of the sixteen years, but it further indicated that the average annual growth rate of Indo-Soviet trade was declining.

The author undertook a brief historical account of Soviet trade theory and policy, Soviet trade performance and an in-depth analysis of Indo-Soviet trade. Using Lorenz concentration curves, the study indicated that between 1965 and 1980, there had been a

significant diversification in the import structure since the curve for 1980 was closer to the line of zero concentration than the 1965 curve.

On the basis of time series data for the sixteen years studied, an attempt was made to forecast the quantum and value of Soviet total import of selected commodities as well as the likely quantum of Soviet imports from India during 1985.

2.1.20 After going through various literature related to trade between India and Kenya, the researcher did not find any study made on trade between the two countries from 2000 to 2010. Considering that the world is changing fast with global issues like globalization becoming ever more important, it is vital for a study to be made to find out how a country like Kenya can assert herself in the global map. India is a country that is moving from a developing to a developed country or at least to an economic power. It makes academic sense therefore to study how trading with a country that has mixed strengths would be for a country like Kenya. The researcher is confident that this study can and should be used as a reference material in economics to study trade relations between Kenya and India in recent times.