CHAPTER - II

Distinctive features of East European economies and markets.
CHAPTER II

DISTINCTIVE FEATURES OF EAST EUROPEAN ECONOMIES AND MARKETS

To appreciate the strategy basis and content of the trade relations between East European countries and India, it would be necessary to visualise some important distinctive features which are characteristics of East European markets and economies.

**East European Practice**

The more the prices on the socialist world market could form to international ones, the better would they serve the development of exchange and growth of production.

Or

This process (growth) retarded by keeping up the present system of fixing prices for the world socialist market, as it was unscientific, supported conservatism and the scattering of resources, protected artificially technical backwardness and impeded the growth of the productivity of the social labour.

Or

The adoption of national labour outlays as trade prices between C.M.E.A. (Council of Mutual Economic Assistance)
members as a principle made more difficult mutual advantage in goods exchange and hindered the achievement of a rational international division of labour.

There was no reason to consider interest differently from, for example, commodities, money, profit, etc. which were linked to commodity production and which manifested themselves in the socialist economy, even if there they showed different socio-economic characteristics than in capitalist countries. In socialist countries, a part of what is produced for society takes the form of interest, which is not, therefore, any more a part of surplus value. But interest in itself can and does exist in the field of short term credits.*

Varying forms of a market economy at different stages of development were replaced by a centrally planned economic mechanism which, within a relatively short time-span, nationalised most means of production, abolished the role of prices as indicators of relative scarcity and allocated to itself the power to decide on practically all macro-economic issues and on many micro-economic ones. The abolition of private ownership of the means of production in the East European countries and the substitution of central planning board for the individual role of the entrepreneur, marks the great

* A. Boltho - Foreign Trade Criteria in Socialist Economies.
difference between capitalist and socialist forms of planning.

It is true that freedom of choice in consumption and occupation was limited for a certain time and to a significant extent in certain cases. The socialisation of the means of production, and the determination by the share of national income allocated to investment, had far reaching consequences on the institutions, organisation and working of the economic system of the East European countries. Rough adjustments that could be applied to their trade figures, would tend to give the impression of relatively balanced trade but this item inevitably forms their commercial policy, very often based on bilateral or even barter agreements. "Import needs are in fact much larger and suppressed only because of the limited availability of exports. As for the structure of exports, through agricultural commodities and primary products more generally, are still very important, manufacturers are rapidly increasing their share in the total."*

Two theoretical propositions existed in centralised planning. One is ideologically motivated adoption of Marxist economic principles embodied in the Labour Theory of Value. But the application of this to International

*A. Boltho - Foreign Trade Criteria in Socialist Economics.
Trade is bit impractical, because the second is the welfare economic solution suggested by Lange & Lerner which, theoretically, would have combined all the advantages of a market economy with those of planning. The progressive development and refinement of such criteria, in a world in which relative prices have little bearing on many economic choices, gradually led to the adoption of mathematical techniques and notably linear programming models which, thanks to shadow pricing, can displace the imperfect planning tools used in piece-meal analysis.

The East European countries together accounted for one-third of the world industrial output in 1968 but for only some 10% of world trade.* According to U.N. document this fact (i.e. relatively high share in world industrial production, relatively low share in world trade), combined with the plans of these countries for continuing process of rapid economic expansion indicated the possibility of a much higher volume of trade with the rest of the world than existed. The process of integration in Eastern Europe was carried further and intra-C.M.E.A. trade continued to represent in the foreseeable future a high and possibly increasing

efficiency and therefore encouraging exports and raising the share of national income going to consumption, thereby providing a further need for imports would seem to point in this direction.

Under capitalism although the prices are a resultant of the behaviour of all individuals on the market, each individual separately regards the actual market price as given data to which he has to adjust himself. Under socialism prices will maintain this function - those for consumer goods will be determined by the market, those of capital goods will be fixed by the planning board so as to equilibrate demand and supply by a trial-and-error method and will, therefore, be outside the control of individual managers.*

This argument was based on the imperfections existing in the capitalist world, which make perfect resource allocation an unattainable ideal. The socialist blueprint avoid these distortions by central action. The welfare skeleton of pure competitive theory was shown not to be incompatible with socialist institutions and collective ownership.†

The criteria by which to choose the country's exports or imports are relatively simple. Comparative

*Lange & Taylor - Economic Theory of Socialism, page 70.
costs provide the solution just as in a capitalist world. Foreign trade will be carried on until relative prices are equal in the world as a whole and welfare will be maximised.

Lange argues that a socialist economy would be better placed to take into account such divergencies between private and social cost. A socialist economy would be able to put all the alternatives into its economic accounting. Thus it would evaluate all the services rendered by production and take into the cost accounts all the alternatives sacrificed.*

The central plan lays down only the more general targets, though it still allocates some of the investment fund. Prices of most commodities are left free to fluctuate according to demand and supply, with ceilings introduced only in some cases and very few prices actually fixed at the centre. The East European reforms seem to be going in the direction by freeing most prices from their previous controls and letting them to be determined by market forces and by envisaging a much higher degree of competition between domestic and foreign producers through measures of import liberalisation.

In drawing up the import plan, the foreign trade ministry takes into account, on the one hand, the demands

for imports made by enterprises to the respective industrial ministries and on the other the state of foreign markets and the supply estimates derived from the material balances communicated to it. The foreign trade ministry is thus the link between the supreme planning authority and the corporation which is actually engaged in foreign trade. It sets general trade policy, in the form of both yearly and longer term plans, and is responsible for the implementation of the current year's plan.*

Their links with the domestic enterprises which provide the exports or purchase the imports are very tenuous. Trade with these countries is also conducted on the basis of world prices, usually the world prices valid for some previous base year. They are adjusted so as to avoid undue fluctuations.

The fact that prices in intra-socialist trade are adjusted to the specific comparative advantageous situation existing in the bloc, is not considered.

If the price is set at a level which is relatively low, then the demand for the commodity is likely to increase rapidly and the import would be substituted for whatever domestic products were used in its place beforehand. The opposite would happen in case of a price that

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was set too high.

**Distinctive Features of East European Market**

(1) **Total Insulation:** The most striking characteristic of the foreign trade organisation of Eastern European countries, and that by which they differ most from market economies, is the almost total insulation of the domestic market from the other western countries. The effects of inflationary pressure at home on the balance of payments, or of changes in foreign demand on the domestic employment or output situation are avoided by the system of export subsidies and import levies and by the quantitative nature of foreign trade planning. The only field in which foreign trade can have some influence on the internal situation is the financial one, since the balance of subsidies in the domestic balance of payments can affect the total supply of money, if actual trade differs from trade plans.*

(2) **Tariff Mechanism:** Tariffs and the other mechanisms by which market economies protect themselves from foreign competition, play no part in the foreign trade organisation of East European countries. Some kinds of tariffs existed in the Soviet Union, the G.D.R., Czechoslovakia, Poland and Hungary and are used with purely discriminatory aims in order to encourage foreign trade corporations, given

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*E. Ames - *The Exchange Rate in Soviet Type Economies.*  
A. Boltho - *Foreign Trade Criteria in Socialist Economies.*
their commodity plans, to buy from (or sell to) those
countries not subject to duty.

Indian exports to the East Europe were not subject
to any tariff. India's exports to the Western Bloc were
subject to both tariff and non-tariff restrictions.
Those were to be marketed in the face of high competitive
prices. Indian goods had an assured market in the plan
and economy of the East European countries while in the
Western Bloc they had to face steep competition in prices.
The confirmed markets in the Soviet Union and other
socialist countries and India's trade relationship with
them indirectly helped her in realising better prices
even in the capitalist countries despite the constraints
exercised by them.*

(3) Planning Structure: Most of the C.M.E.A. countries,
however, envisaged some alternations in their planning
structure or are already introducing them. A common
characteristic of practically all the changes is the
attempt to close the gap between producers and foreign
trade enterprises. This aim is being pursued by letting
selected firms deal directly with foreign customers by
allowing some measures of decentralisation in foreign
trade and planning. The aim is to make total availabi-
"lities coincide with total needs. The planners'

*Indo-Soviet Relations - R.K. Sharma, page 104
preferences reflected in the choice of the priority sectors and given the theoretical possibility of a consistent plan, the material balances technique can just like an input-output table, arrive at quantities of goods that are consistent with each other.*

(4) Role of Industrial Growth and Policies in C.M.E.A. Countries: However, it is not the size of the market alone which counts, but the industrial development and other economic activities play an important role in commercial relations. India's share in their global trade was only a fraction of 1%. The C.M.E.A. account for over 12% of world trade and more than 30% of the world's industrial production. Any projection for the future growth of trade cannot be viewed in isolation confined only to a particular country for the entire spectrum of their economic activities was taken as one unit. They were engaged in long term planning relating to production, economic activities, pattern of trade, etc. even for 1980-1991.@

This helped the Indian trade and industry to adjust their production programme according to their future requirements both in long and short term. Since the Rupee payment system came into being, the trade turn-over

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*Mantias - Planning with Material Balances, pp. 967-974.
@Dr. P.C. Alexander - A speech delivered - September 1977.
increased manifold with each country.

Ever since 1955 when the first agreement came into vogue, Indo-East Europe trade ties were playing a significant role in the development of India's national economy in eradicating economic discrepancies with an eye on gaining economic self-reliance. C.M.E.A. economic corporation has been of an explicitly different kind. They were not permitted by their state laws to reap profits from foreign investments and markets. During the last 27 years, relations between India and East Europe only grew warmer and closer but were also visualised by sincere understanding of the future needs of the two areas. They greatly increased their trade, economic, scientific and technical co-operation. This was what helped India establish new lines of heavy and basic industries in the public sector and enable her to shelve neo-colonialist pressures.

Presently, in every important field of Indian economy, socialist countries of East Europe were co-operating in fields like oil exploration or refining, setting up of agricultural farms or sheep breeding centres, heavy or light machinery, monsoon forecasting or space-exploration. Consequently India attained self-sufficiency in many key sectors of her national economy. With the co-operation of East Europe, India came up as one of the ten top industrialised nations in the world. From an
importer of capital goods and exporter of raw materials, she became an exporter of capital goods and importer of raw materials. By any standards, this was a magnificent contribution for the establishment of a sound and profitable industrial base by a most modern and dynamic society wedded to scientific and technological creed and for the raising of the quality of life and environments of common man.*

(5) **Foreign Assistance:** A developing country like India, keen to gear up economic development in the minimum time and dedicated to the policy of non-alignment was apt to look for economic assistance from all available quarters. Consequently, she accepted assistance from both the West and the Socialist countries. Amongst the former, the U.S.A. was the biggest contributor. Similarly, the U.S.S.R. was the major donor amongst the socialist countries. A comparison of the economic assistance received by India from these two major countries, therefore, would not be out of place.

The merit of East European assistance lay more in its qualitative rather than its quantitative factors. India's progress towards self-reliance was the story of growth of her basic industries. Since these basic industries owe their development to the U.S.S.R. and

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other East European countries, it was likeable to assert that Soviet assistance played a very vital role in the building of India's self-reliant economy and it helped this country as a medium-level developed state.

(6) Nature and Extent of Help from East European Countries: Soviet help to India mostly directed to the development of basic industries such as mining of raw materials, ferrous and non-ferrous metals, oil and power, heavy machinery, drugs and pharmaceuticals, precision instruments, as also agriculture, science and technology. In all these fields, India already attained a high level of development. The Soviet-aided projects from the hard core of the public sector and, therefore, a major sector in India's economic advancement. East Europe assisted projects helped India to reduce import of various items, thus enabling her to conserve foreign exchange. During 1975-76 fiscal year, e.g. out of the gross production of Indo-Soviet projects worth ₹199 crores, the net substitution of imports constituted ₹110 crores. With East Europe's co-operation, India organised import-substituting branches of her economy and moved further for boosting her export-oriented sectors. Goods manufactured and built in India with East Europe's co-operation surpassed the new markets which practically include some industrially developed countries. This was a praiseworthy factor for future encouragement.*

*Indo-Soviet Relations - R.K. Sharma, page 102
Equally important phase came into shape with industrialisation. For example, Soviet-aided projects increased the employment opportunities and enabled India with skilled workers, technicians and engineers. Over 1,50,000 people were engaged in Indo-Soviet projects where they largely enhanced their skills. Over 60,000 of them, including about 10,000 engineers and technicians, were trained with Soviet technical assistance. In most of the states and backward sectors of India, Soviet-aided projects could be seen. This went deeply to eradicate regional imbalances and assured on the whole a balanced economic development of the country. Further, these projects had a direct influence on the growth of ancillary units. By May 1977, direct influence on the basis of 10 main co-operation projects, 813 small enterprises in ancillary branches were either built or are in the process of construction.*

The East Europe was initially a major supplier of plants and machinery to India. Today it is one of the biggest suppliers of industrial raw materials, spares and components to India. Supply of petroleum products, non-ferrous and ferrous and special metals, fertilisers, newsprint, etc. at a time when India was short of foreign exchange helped the country to maintain production and to utilise its capacity to the maximum.

(7) **Help to Counteract Influence of Western Economies**

For example, the aid given by the U.S.A. was greater, it would have been admitted that it played a different role. The U.S. aid was mainly in commodity terms to meet short-term requirements and its capacity for encouraging economic growth is negligible whereas Soviet aid is framed to evaluate national economy. It is the socialist aid which helped India to shift her colonial economy into an independent self-reliant and national one. It is also understandable that in case the Soviet Union had not given substantial aid for India's Second Five Year Plan, the western capitalist countries, particularly the U.S.A., would not have stepped forward to offer substantial help. Practically, it was the unqualified Soviet assistance which compelled the western countries wilfully to assist India in the development of steel, oil, pharmaceutical and all other important industries of Bhilai Steel Plant induced the western countries to follow suit. Upto that time, they were either extremely reluctant or practically declined to associate themselves with our enterprises. Actually East European aid showed the path and will to offer other capitalist countries their respective expertise to India.
TABLE I

PATTERN OF SOVIET ECONOMIC ASSISTANCE
(As on March 31, 1975)

<table>
<thead>
<tr>
<th>Assistance</th>
<th>Per Cent</th>
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<tbody>
<tr>
<td>Iron &amp; Steel</td>
<td>52.3</td>
</tr>
<tr>
<td>Oil</td>
<td>16.2</td>
</tr>
<tr>
<td>Power</td>
<td>14.6</td>
</tr>
<tr>
<td>Coal Mining</td>
<td>2.3</td>
</tr>
<tr>
<td>Industry</td>
<td>12.0</td>
</tr>
<tr>
<td>Drug Projects</td>
<td>1.5</td>
</tr>
<tr>
<td>Others</td>
<td>1.1</td>
</tr>
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</table>


West helped India under Tied-in-aid Programme. The aid from them came in the currency of their own. To finance, India purchased from the companies as notified by them and the delivery of goods by their own shipping companies or those maintained by them. This practically was costlier arrangement than those prevailing in the world market. Western economists like Keynes, Milton, Friedman, etc., admitted that whereas tied-in-aid purchases, on an average, provided 50% margin of profit to the suppliers, the conditions of shipping helped these countries make additional substantial gains.

India's imports from Austria, Belgium, Canada, Denmark, France, West Germany, Italy, Japan, the
Netherlands, Sweden, the U.K. and the U.S.A. remained more or less at the same level, notwithstanding a proportionately higher level of exports. Her imports from the socialist countries had more than doubled mainly because of a sharp increase in the net aid. Net aid is defined as the total external assistance received minus interest and amortisation payment during a particular period.

The development of science and technology in India came in shape after a very long time. As it was not feasible to organise basic research and technological advancement by her, capitalist countries had a monopoly in this regard and were not willing to part with their knowledge. Moreover much of research work in the capitalist countries was being undertaken by private industries and organisations and they were not expected to divulge their achievements to the once-subject races. Western countries not only opposed India's goal for a socialist pattern of society but also her desires to move into a modern industrial state. The socialist countries on the other hand not only favoured India with generous help and co-operation in these spheres to smash the facade of superiority assumed by the Western countries and thus jettisoned their designs to keep India an industrially backward country. This co-operation did a lone service to help India develop her economy without
shoulder on the West. The co-operation now extends to a variety of spheres - industry, agriculture and fundamental and applied scientific and technological research.

(8) Methods of Repayment: The most important difference between the Soviet and American aid lies in the methods of their repayment. Soviet credits are to be repaid not by convertible Indian rupees, which they use for the import of Indian goods and services. Rupee payment does not involve any transfer of rupees or their worth in gold. It is made through our export of goods at or above the world prices. The repayment of Soviet loans is at times made self-liquidating by exports to the Soviet Union the products of the Soviet-aided projects. Bilateral payment agreements concluded between the two countries provide for the redemption of the credits and the payment of interest on them by traditional as well as non-traditional goods or the output of the Soviet-assisted projects without involving payments in free foreign exchange.* This facilitates the balance of payment and reduces the complexity of external debt to a large extent. The entire procedure is quite lucid and accommodating to common benefit.

(9) Trade Balance: In the case of other developed market economies like U.S.A., India is forced to repay the aid in convertible currency or in gold which is not only scarce but also expensive. Inference is that India

INDIA’S TRADE WITH U.S.A. & U.S.S.R.

India’s Imports from U.S.A. -\nIndia’s Imports from U.S.S.R. -\nTrade Balance -\nIndia’s Exports to U.S. A. -\nIndia’s Exports to U.S.S.R. -

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<tbody>
<tr>
<td>Rs. in Crores</td>
<td>210</td>
<td>106</td>
<td>121</td>
<td>87</td>
<td>255</td>
<td>31</td>
<td>117</td>
</tr>
<tr>
<td>India’s Imports from U.S.A.</td>
<td>413</td>
<td>409</td>
<td>421</td>
<td>286</td>
<td>255</td>
<td>12</td>
<td>133</td>
</tr>
<tr>
<td>India’s Imports from U.S.S.R.</td>
<td>696</td>
<td>501</td>
<td>346</td>
<td>153</td>
<td>156</td>
<td>362</td>
<td>529</td>
</tr>
<tr>
<td>India’s Export to U.S.A.</td>
<td>207</td>
<td>246</td>
<td>419</td>
<td>498</td>
<td>737</td>
<td>508</td>
<td>522</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>206</td>
<td>232</td>
<td>292</td>
<td>433</td>
<td>580</td>
<td>426</td>
<td>499</td>
</tr>
</tbody>
</table>
borrows afresh to repay the debts and interest charges, thus getting involved in never ending zig-zag of indebtedness. Previously, American market was not open for Indian goods, so our imports went on increasing, but our exports were restricted. Thus the balance of payment position of India became more and more disastrous. In contrast, India was having quite a balanced, rather favourable, trade with U.S.S.R.

**TABLE II**

**INDIA'S TRADE WITH U.S.A. AND U.S.S.R.**

<table>
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<tr>
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<tbody>
<tr>
<td>1970-71</td>
<td>453</td>
<td>207</td>
<td>-246</td>
<td>106</td>
<td>210</td>
<td>+104</td>
</tr>
<tr>
<td>1971-72</td>
<td>419</td>
<td>263</td>
<td>-156</td>
<td>37</td>
<td>209</td>
<td>+121</td>
</tr>
<tr>
<td>1972-73</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1973-74</td>
<td>498</td>
<td>346</td>
<td>-153</td>
<td>255</td>
<td>236</td>
<td>+31</td>
</tr>
<tr>
<td>1974-75</td>
<td>737</td>
<td>375</td>
<td>-362</td>
<td>409</td>
<td>421</td>
<td>+12</td>
</tr>
<tr>
<td>1975-76</td>
<td>1270</td>
<td>508</td>
<td>-762</td>
<td>296</td>
<td>413</td>
<td>+117</td>
</tr>
<tr>
<td>1976-77</td>
<td>1051</td>
<td>522</td>
<td>-529</td>
<td>307</td>
<td>440</td>
<td>+133</td>
</tr>
</tbody>
</table>

(Source: Indo-Soviet Relations - R.K. Sharma, p.109)

The above table reflects that Indo-Soviet Co-operation took a more purposeful and planned charter directed to establishing firm foundations of a huge range of industrial complexes spread all over the country. Apart from undertaking planned joint ventures, both
joined their hands to stimulate the economy of third countries also. In this process, they banked on the resources of both the countries to evaluate the development of the newly independent countries. This type of co-operation could not be viewed between a developing and capitalist country, like India and U.S.A. That was why the Fifth Plan was being prepared with a distinct socialist thrust, and policies were adopted to streamline the production and distribution apparatus and close bilateral economic links, were being forged with the socialist countries.

(10) **Building Strong Infra-structure Element of Flexibility:**

Soviet assistance to India enabled this country to build a strong industrial infra-structure, train Indian workers and technicians and create employment opportunities for a vast number of people. The Soviet Union not only assisted India in her industrialisation, but also helped to develop the labour-intensive small scale sectors, like cotton and woollen knit-wear, shoe-making, handicrafts, etc., by importing a big percentage of their production. In addition, it provided a stable market for India's traditional produce too.

Being a socialist country, the Soviet Union did not allow the different system prevailing in India to stand on the way of its relations with this country. On the contrary, as a good and reliable friend, U.S.S.R.
extended its co-operation to this country in all earnestness. Although economic assistance as well as technical assistance from the East Europe was mainly confined to the state sector, it did not hesitate to assist the private sector also. The tractor plant near Ghaziabad, ball-bearing plant in Maharashtra, commercial vehicles project in West Bengal and wrist watch making units were eloquent proofs of all-embracing co-operation.

Largely as a result of the mutually-advantageous economic and technological co-operation with the East Europe, India was able to develop several economic branches which enabled India considerably to reduce its imports of equipment and materials, and even began exporting products manufactured by its processing industry. The 'secret' of this steady development of the Indo-East Europe economic co-operation lies in the objective interest shown by the two regions in continually expanding and deepening it, as indicated by the experience of those past years. They played and will play a weighty role in the Plans for developing Indian metallurgy in the coming decade: the combined capacity of the steel projects would reach the annual figure of some 14 million tonnes, which nearly equalled the level of steel production in the entire developing Asia and Africa.
(11) Indo-East European Co-operation towards Energy

Problems: In view of the fresh aggravation of the world energy crisis, special significance was attached to our bilateral co-operation in coal, oil and oil-processing industries. India's demand for oil products would be further met with the completion of another joint project - India's biggest oil processing plant in Mathura with an annual capacity of six million tonnes of oil. Promising vistas opened up for our continued co-operation in oil extraction by the programme of complex geological prospecting for oil and gas in Tripura and West Bengal. Indo-East Europe co-operation was making a substantial contribution to the solution of the problem of increasing coal production in India. Soviet organisations were helping India in designing the Jayant and Ramgarh open pits, the Jhanjra mine in the Raniganj fields with the overall annual extracting capacity of 16 million tonnes, the central electro-mechanical shops with the capacity of over 20,000 tonnes of equipment a year attached to the mining enterprises in the Singrauli field and other projects.

Appropriate Soviet and Indian organisations attach great importance to the development of co-operation in new areas not yet explored. Concrete measures mapped out for developing bilateral co-operation through meetings held in recent months.
between both the experts in food and pulp and paper industries, irrigation, building materials, industry and geology. The successful promotion and expansion of the mutually advantageous Indo-East Europe economic and technological co-operation strengthened the traditional ties of friendship between our nations.

This enabled the Indian economy to strengthen the public sector and solve on this basis the whole lot of important problems of Indian industrialisation. India was a big industrial agrarian power, which, as far as volume of industrial production was concerned, ranked among the 10 leading countries of the world, and third after the Soviet Union and the United States in the number of engineers and technicians. The fruitful and mutually advantageous Indo-East European co-operation in various economic areas played an important role in the achievements of the Indian economy. The increased economical potential of India and the complexity of tasks facing the Indian economy over the past few years were reflected in the nature and forms of the present day co-operation and in the programme for its further deepening and expansion on a long term basis.

There was scope of further promotion of trade for exporting non-traditional items like garments and electrical appliances to this market. In fact, India captured East European markets for all labour-intensive
products. The reason was that these countries were modernising their economies and switching over to a more sophisticated industrial capital-intensive base. Consequently, production of consumer goods was being discouraged and import thereof encouraged. The Soviet Union was and continues to be the biggest buyer of India's traditional articles such as tea, coffee, cashew nuts, mica, castor oil, tobacco, jute, spices, etc. The Soviet Union ranked as the biggest buyer of Indian coffee and coffee products accounting for 50 per cent of our total exports. They placed a very big order for the purchase of green coffee from India worth ₹515 million. This diversification of imports of Indian goods by the Soviet Union not only reflects progressive trends of our foreign trade but also testified in the scruples of the Soviet Union with regard to the developing countries in increasing the share of industrial goods in its imports.

Thus apart from the usually beneficial aspect of Indo-East Europe trade was an effective means of speeding up India's economic development. Growing trade contract strengthened India's position in world trade. In the international division of labour, India and East Europe defined common principles and basic trends in the direction of their trade for 1981-85, and until 1990, and also for making efforts to maintain and increase the
current rates of trade development until 1990. In other words the aim was to expand the list of goods and also to explore new forms of trade.*

Like most industrialising economies, East European countries had a relatively high rate of growth compared with the economies of Western Europe and North America. Their high growth rates were reflected in the Foreign Trade sector as well, although since 1965 increase in imports and exports tended to fluctuate from year to year as a result of large annual adjustments in plan targets. During the years 1967-68 the growth of this area's trade was well above that of the developed market economies, with increase of 9.6 and 10.8 per cent for imports and exports respectively.

Economic planners usually set much higher targets for increases in their imports and exports than for national income, even though planned growth in national income was relatively high as compared with smaller growth in the foreign trade of many East European countries was from one-third to one-half higher than the planned and actual growth of their national incomes. As the economies expanded rapidly and became more complex, they increased their dependence on foreign trade.

Thus in short factor mobility, different currencies, different national policies, separation of markets, etc. streamline the laws of behaviour in international trade. As a derivative East European practices and objects in relation to developing countries stand in contrast to those of Western countries in respect of uncertain financial aspects, tariff mechanism, role of trade associations, like C.M.E.A., nature and content of foreign assistance, methods of repayment and the energy problem. All these distinctive features tended to enlarge the potentialities of promoting trade between India and East European countries.

In the following chapter an analysis has been presented to ascertain this fact by considering the direction and composition of trade.
TABLE III

<table>
<thead>
<tr>
<th>Origin and Destination</th>
<th>Exports Growth Rates</th>
<th>Imports Growth Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value 1971</td>
<td>Value 1971</td>
</tr>
<tr>
<td>East European countries to/from</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World</td>
<td>49.7 14.8 14.5 20.1 16.2 10.7</td>
<td>55.8 17.3 20.0 30.6 17.0 9.6</td>
</tr>
<tr>
<td>Centrally Planned economies</td>
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<td>36.6 14.4 12.0 15.6 23.6 11.2</td>
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<td>19.2 22.9 35.3 48.6 5.3 5.6</td>
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<td>4.0 18.1 26.9 74.5 -0.2 17.6</td>
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<td>35.1 20.4 16.8 21.2 41.6 7.3</td>
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<td>16.8 13.7 5.3 6.8 30.1 8.0</td>
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<td>15.5 30.5 32.0 36.2 56.3 11.9</td>
</tr>
<tr>
<td>Developing countries</td>
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<td>5.8 22.6 39.8 43.1 43.4 -2.2</td>
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(b) Data for 1976 are preliminary estimates.
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<th>Country</th>
<th>Net material product</th>
<th>Industrial output</th>
<th>Agricultural output</th>
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<td>Planned</td>
<td>Actual</td>
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<td>7.0</td>
<td>8.2</td>
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<td>Czechoslovakia</td>
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<td>G.D.R.</td>
<td>5.1</td>
<td>3.7</td>
<td>5.5</td>
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<td>Hungary</td>
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<td>3.0</td>
<td>6.0</td>
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<td>Poland</td>
<td>9.3</td>
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<td>Romania</td>
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<td>10.5</td>
<td>11.3</td>
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<td>Total Eastern Europe</td>
<td>7.6</td>
<td>6.0</td>
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<td>U.S.S.R.</td>
<td>5.6</td>
<td>5.0@</td>
<td>4.1@</td>
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<tr>
<td>Total Eastern Europe &amp; U.S.S.R.</td>
<td>6.1</td>
<td>5.3</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Please see clarifications on the next page.
**TABLE XIV** (Continued)

**Clarifications**

- * Change of five year average output from the average of the preceding 5 years, expressed as an annual commodity rate.
- ** Change in net value added; gross output change is likely to be smaller, perhaps 5%.
- *** Value of output sold.
  + Production and services of the agricultural sector and food industry.
  ++ Average annual compound rate between terminal years.
  @ Domestic uses of net material product (National Income Utilized).

**Source:** Centre for Development Planning, Projections & Policies of the United Nations Secretariat, based on national sources, plans and plan fulfilment reports.