CHAPTER - IV

Main features of trade and payments agreement with East European Countries.
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MAIN FEATURES OF TRADE AND PAYMENTS

AGREEMENT WITH EAST EUROPEAN COUNTRIES

India's trade with East European countries was increasing very rapidly. Presently, it formed a remarkable proportion of our total trade. Irrespective of cost, pattern and volume of trade, the mode of trade and payments also showed many changes in Indo-East European trade. Initially trade expansion with these countries caused by India's will to over-turn its monopoly position in world trade in some agro-based items. Over the current span, trade expanded because of structural factors on the demand and supply sides.*

The theory of discriminating monopoly provided some attractive working hypothesis to explain the bilateral trading agreements between India and East European countries. It was taken into account that bilateral trading under inconvertible currency framework was quite different from trading under a discriminating monopoly framework, especially when the monopoly power was exercised by one side only. The theory assumes

that the option to discriminate was open to just one country; it did not give sufficient ground when both the trading partners resorted to discrimination. India's trade with East European countries increased significantly. The existence of high demand of India's export items to the developed market economies further overwhelmed the growth of this trade. In East-European countries, the growth of output and quick industrialisation led to fast growth of imports as inputs in their production processes. It gave a rapid increase in imports of consumer goods by these countries because the pattern of the product in case of demand tended to be more diversified than the output pattern of product. It was to be noted that the upward trade of the East European countries with India occurred simultaneously with the overall growth in their total trade. These countries generally argued that their trade follows the norms of International Socialist Division of Labour and was quite helpful to both the trade partners and, therefore, it did not entertain any sort of exploitation."

Authenticity of Agreements

The principal features of bilateral trade agreements between India and the East European countries were as follows:

1) The agreements laid down the objectives of economic operation between the trading partners and lay enough

*O.P. Sharma - Ibid.*
emphasis on the planned requirements and their
fulfilment to the maximum possible extent.

ii) The trade between the trading partners took place
in inconvertible currencies and the trade balances
outstanding at the end of the period were settled
either by the movement of commodities or by the
movement of inconvertible currency.

iii) All the transactions in the trade were assumed to
take place at world prices. However, fluctuations
in world prices were changed and thus did not make
any impact on the trade between India and East
European countries.*

These terms of trade agreements reflect the

following objectives:-

1) This trade helped India to find out sources of
   imports.

ii) It added to India's existing total trade and was
    not simply a diversion from India's trade with
    other countries.

iii) Such trade creation was possible due to and in turn
    assisted by export surpluses in India.

iv) This trade was without fluctuations and the instability
    in total trade was minimised by this trade also.

*Vide Article No.I, II, III, IV, V, VII, IX, XI, XII and
XIII of Trade Agreements with Bulgaria, Czechoslovakia,
Romania, Poland, U.S.S.R., G.D.R., etc. in years 1960,
v) Such trade framed 'Soft option'. It meant that India faced cut-throat competition particularly from marginal exporters and in those items India got some monopoly such as jute, tea, etc. Because on the demand side, India faced low income elasticity and high elasticity of substitution for these products in external markets.

vi) Such trade was dictated by the International Division of Labour and long run dynamic comparative advantage.

vii) Institutional factors like state trading and import incentive schemes affected trade flows to these countries.

viii) Such trade took place simply to exploit better demand conditions in East European countries.*

Bilateralism — Perfect Concept

The trade agreements with East European countries often contained clauses that specified clearing arrangements arising out of the transactions provided for in the main agreement. Under these clearing arrangements, payments for imports from East European countries were made in Indian Rupees and the trade agreements provided for opening of one or more accounts by the Central Banks of East

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European countries with the Reserve Bank of India and one or more commercial banks in India dealing in foreign exchange. These clearing arrangements conveyed an impression that bilateral payments agreements were influencing India's trade with East Europe. Because any balance in the rupee accounts was immediately convertible into sterling on demand and also any outstanding balances held by either party at the time of expiry of an agreement were to be accorded the same treatment. Thus, there was no inducement for India to discriminate in favour of imports from these countries. The rupee payment clauses of the trade agreements were, in fact, meant merely to facilitate the task of Indian traders in making the settlements arising out of trade deals with East European nationals with those trade and currency systems and regulations. Indian traders were not very familiar with them. The actual volume of trade was, therefore, still determined by the relative profitability or trade transactions, although it was true that external assistance extended by these countries to India in the form of largely of trade credits and development loans, did influence the volume of Indian imports from them.*


Prima facie, there was a considerable scope for expanding trade between India and Eastern Europe. The
standard of living in these countries was very low. As their living standards rose, there was a great scope for higher consumption by them of many commodities which entered into India's export trade. There was promising opportunity of increasing India exports of tea, textiles, vegetable oils, tobacco and leather goods to East European countries. These countries were well suited to meet many of India's import needs especially of capital goods. This was how trade among these countries was conducted. Price inflexibility was no doubt, a feature of bilateral deals, but prices had often been re-negotiated among the communist countries themselves in the light of changing trends in 'capital prices' i.e. those ruling in the world markets. This in turn depended first on their capacity to export capital goods in general and more important on their willingness to import more from India.*

In the long run, India's exports expanded under the bilateral arrangements, and in the short run the possibilities of essential Indian goods being dumped by East European countries on the world markets were avoided. They were allowed to make purchases in India as freely as possible in accordance with their own requirements. India's exports to her traditional markets did not suffer

in the process. Production facilities in India possessed a high degree of elasticity both in the short and long run. This was of course its own costs in so far as some permanent excess capacity had to be tolerated in the interest of greater flexibility. However, the extent of needed excess capacity greatly reduced because India approached these countries for longer term commitments of mutual purchases than were provided for the yearly exchange of commodity lists. *

The export capacity of the countries in Eastern Europe was likely to remain small because of their domestic needs and commitments to the other members of the bloc for the supply of machinery. In the long run, their export capacity was greatly expanded and there was large opportunities for trade with the primary producing countries of East Europe who relied increasingly on international trade to meet their growing needs of primary products. @

Thus it was quite clear why they suitably modified their later plans to allow for larger imports from India as they were satisfied with the working of existing agreements.

@K.D. Dodha - Economic Relations in International Trade, page 85.
No doubt, long term agreements provided risks as well as opportunities. The existence of an agreement prevented an exporting country's taking advantage of higher prices ruling in other export markets. Similarly, in period of falling prices, an importing country's opportunity to buy at the cheapest price was also restricted. But provision was made to re-negotiate prices in the light of changing trends. The risks arising out of price fluctuations even in the short run were reduced by including more than one commodity in the agreement so that the losses on some lines were made good by profits on some other commodities. Basically, a long term agreement was a form of mutual insurance in that it assured the importer of a fairly secured supply and the exporter a guaranteed market for at least a part of his exports.*

Payments relating to commercial and non-commercial transactions between India and East European countries were effected in Indian Rupee or Pound Sterling. Any balance in rupee account maintained in the authorised banks of either country, was to be converted on demand into sterling at the bank's usual selling rate for

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sterling as fixed from time to time by the exchange banks in India. The Foreign Trade Bank maintained a Central Account with Reserve Bank of India for the said purpose. As per agreement, Central Account maintained for depositing the rupee balances and for replenishing the accounts with the commercial banks and for operating transactions relating to the credit for smooth flow of trade between trading partners.*

All the relevant transactions were reported by the commercial banks to the Reserve Bank of India by means of 'Form A-7' for rupee remittances. Another 'Form R-5', giving the details of returns, was submitted by these banks to the Reserve Bank of India twice a month. This was operated under normal control of Foreign Exchange Regulation Act. Only to simplify transactions, commercial banks came into play. Inter-bank transactions were freely permitted to balance the deficit of one account with that of profit of the other. Reserve Bank transferred the main account to the commercial banks, if the loss occurred as a whole. Individual exporter/importer operated freely with rupee payment countries.**

In case of imbalance in trade, technical credit system facilitated the flow of trade. Under this, the


**Ibid, pages 6-7.
surplus country provided credit to make purchases by deficit country. Reserve Bank of India or commercial banks provided such credit either at nominal rate of interest or free of interest up to a limited amount for a specified period of three to six months.*

The Foreign Trade Bank or the Central Bank of the other trading partner was expected to give standing instructions to the Reserve Bank of India, authenticating the latter to repay the loans under technical credit while the Central Account crossed the stipulated working balances. The additional balances in Central Account above the working balance had to be invested in the three months' Treasury Bills of the Government of India.@

All the amounts due on account of repayment of credits and other transactions were paid into a special Account of Reserve Bank of India. Transfers were made from this account to the Central Account while the latter showed a deficit.

These agreements sometimes explicitly stated that during the period of operation the total value of imports equalled to the total value of exports, making scope for a bilateral balancing of trade. Any balance in rupee account of the bank and any debt with the bank of

*Sumitra Chisti - India's Trade with East Europe, pp.6-7; Article VII, Agreement India-Bulgaria, 1960.
@Report from Office of the Economic Adviser, Government of India.
the contracting parties from the technical credit could, upon expiry of the agreement, be used during the ensuing six to twelve months for the purchase of Indian or respective East European goods, as the case might be, or settled as per further agreement between the two governments. These balances were transferred and adjusted for the subsequent period in actual practice. The funds were readjusted proportionately if a change occurred in the par value of Indian rupee.*

"Reciprocal commitments expressed in a currency other than the Indian rupee but paid in Indian rupee, were to be converted into Indian rupees at the official parity of that currency in force on the day of payment. Efforts had been made to introduce gold clause to avoid the difficulties arising out of difference in exchange rates."?

"In all agreements, the contracting parties agreed to give the 'Most Favoured Nation Treatment' to each other in respect of customs duties and other local charges while in the trade agreements, no quotas or ceilings were stipulated. In the actual operation, however, the quotas of values were quantities used as

*Office of the Economic Adviser to the Government of India.
@Trade agreement between India and Bulgaria, Article VII, 6 and 7, 1974.
indicator for determining the level of trade to be achieved."* A trade plan was negotiated between the Governments indicating not only commodities, but also the value or quantity of each item to be imported or exported. These purchases from each other were made, keeping pace with the price, quality and terms of delivery. Additional commodities were included or value/quantity was altered in the trade plan with the expressed desire in writing on the part of the governments concerned. Thus, the trade plans and the execution of the trade plans were the main means to guide the trade flow as well as to achieve the required bilateral balancing.@

Joint committees were formed as per some agreement to review the progress of trade between the two countries and examine any difficulties which could arise and suggest ways and means of overcoming such difficulties. The committee was required to meet twice a year at the request of both the contracting parties. The recommendation of the committee was furnished to the Government for final decision.

The two governments normally expressed their willingness to assist in arranging for business contracts in various fields. It was also stated that they provided

all the facilities for encouraging trade between the countries. Some agreements consisted of shipping clauses also. The contracting parties agreed that in exercise of their right of shippers preferences, they made the best use of vessels either owned or chartered for shipping cargoes imported or exported under these agreements on the basis of world competitive freight rates and conditions.*

Most of the agreements also stipulated the possibility of co-operation in broader economic, industrial and technical fields. The agreements with the U.S.S.R. and other East European countries were showing impact in this respect.@@

The bilateral accords on payments often left an option for the bilateral partners to use foreign currency itself for the purpose of their financial transactions. The development programmes inevitably lead to an overall shortage of foreign currency for India and the bilateral device suited well as an useful adjunct to her external and internal economic policies.** There was a relative decline in the imports of manufactured articles and a relative increase in their exports. This change was partly


@Sumitra Chisti - India's Trade with East Europe, pp.9-10.

due to our policy of encouraging exports of manufactured articles and partly due to a relative improvement in our industrial position making it unnecessary to import some goods altogether or to import them in large quantity. This change was also likely to become a long-term feature for our foreign trade, although special care was taken to maintain India's foreign markets. A correct estimate of a country's balance of payment was:

1. An indicator of the present and future economic activity;
2. An index of country's credit-worthiness and its capacity to pay, and
3. Useful in matters of international collaboration.

Thus, while the trade quota arrangements with target values of quota schedules stipulated the inconvertibility of resident balances beyond the limits set by the quotas, the list-type or non-quota arrangements were completely neutral in their efforts on the direction and the pattern of trade. It was but clear that the bilateral agreements with Offset Settlements, provisions were successful in both stimulating the value of India's trade in new directions and bringing about a marginal addition to the volume of her exports and imports with

*R.L. Varshney - India's Foreign Trade, page 102 and 147.
no undesirable repercussions on either the composition or unit prices of the commodities traded. The rupee arrangement with Offset Settlement provisions also proved useful in terms of their built-in balancing device and with the automatic mechanism for paying off the charges on account of imports and capital inflows by an increased volume of exports.

The Soviet basis of bilateralism was "selling strictly what the buyer was in need of". Neither Soviet Union demands repayments of her aid in terms of military or political commitments nor was tied up with conditions making for intervention in the internal affairs of the recipient countries. While trading with India, Soviet Union took care that the transactions were effected on mutual and stable long-term basis and they were free from price fluctuations in the world market.*

Importance of Rupee Trade to India

Rupee trade was playing an important role to help the country to have a more balanced international trade. The composition of Rupee Trade was in accordance with India's National Priorities. Rupee Trade agreements ensured a fixed market for Indian goods. The system of bulk purchase by East Europe helped India much to stable the prices of many of her goods and in this way helped

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*Ratan Kumar Jain - International Economic Co-operation, page 42.
much in obtaining a better unit value of her exports. Indian industries were able to obtain the benefits of economies of scale contracts for exports to East European countries. It also increased the Indian exporters' experience in international trade and raised her confidence in such trade.

**Chief Characteristics of Bilateral Agreement**

i) Bilateral trade and payment were of various types. They could be single or a partial instrument.

ii) Bilateral trade and payment could be arranged without a formal agreement i.e. the trading countries committed themselves to spend in the other countries a certain proportion of their exchange earnings from the latter, although payments either way continued to be made in convertible currencies.

iii) Bilateral trade and payment agreements signed for a fixed time i.e. a year or two or three years, as the case may be.

iv) In this trade agreements it was normally accepted practice to indicate the amount of trade that was carried and to suggest various types of goods that were traded in both ways. In some of the agreements, there was also a desire to trade in particular amount of goods and quotas were also indicated.

v) There was a definite clause regarding their reciprocal current settlement in a way agreed by both the parties
whose objective was to minimise the use or convertible exchange and gold. In many of the agreements in order to maintain the continuance of trade, understanding was also reached regarding the temporary finances needed for the trading parties in the form of technical credit or swing arrangements to enable a deficit country to continue its imports from the surplus country.

vi) In these agreements various transactions were indicated. In accordance with the terms and agreements provided for, a mixed commission composed by representatives of both the countries. These commissions were charged with preparing the negotiations in the next trade agreements as well as settling the problems arising out of current negotiations.

Advantages of Trade and Payments Agreements

1) Trading parties got opportunities to find outlets for their goods.*

ii) They increased export earnings and thus corrected the balance of payment difficulties.

iii) It was a means to diversify the export trade of developing countries.

iv) Price and volume stability in the trade of given country.

Bilateral trade under the rupee arrangements was not coming up to the expected levels and there was a shortfall of 50% during the last three to four years. So East Europe was taking interest in Switch Trade. It was also a fact that the demand for our products from East Europe was much economic, but our trade with the convertible currency areas inhibited by low price, competition from substitutes, competition from other countries, high tariff and non-tariff restrictions, etc.

**Future of Rupee Trade**

A) Switch trade should be completely forbidden. Government should watch this condition and adopt suitable policies from time to time whenever any sign of Switch trade takes place.

B) India and East European countries, both sides, were very eager to expand and diversify their trade. India was industrialising very fast and need for importing machinery equipment and finished articles here will shrink in future. But the growing needs of India for fertilisers, organic intermediates, some of the heavy chemicals, newsprint, special steels will have to be supplied by U.S.S.R. and the East European countries by enlarging their production of these goods in the respective 5-year plan. India will have to set factories with the help of East European countries in India to produce consumer
goods, refrigerators, air-conditioning equipment, railway equipment and various other types of products which are required by U.S.S.R. and East Europe.

C) A favourable price should be secured both for imports and exports.

D) A third country clause should be introduced in order to expand our exports to them. These countries might be allowed to supply essential specified goods to India from third countries.

E) In recent years, it was suggested that India should diversify her commodity-concentrated and direction-concentrated trade, so that pressures on foreign reserves could be reduced.

The Economic Limits of Bilateralism

It was conceded that complete non-discrimination in the application of balance of payments restrictions, in a situation where such restrictions could be dispensed with, was not necessarily conducive to the best of results and that bilateralism, even though it had its weaknesses arising out of its failure to take advantage of trilateral adjustments, showed an improvement over a completely non-discriminatory application of import restrictions.*

Generally speaking, India was not in such a strong bargaining position as to be able to force bilateral

settlements on her trading partners. The bulk of Indian imports of capital goods, intermediate products and essential consumer goods were of such a nature that India contemplated a reduction in their volume only at the cost of slowing down the speed of her development process. On the other hand, there was no single country that depended to any significant degree on the Indian market for her exports. Thus, India did not use the treat, "If you would not buy from us, we would not buy from you" to induce other countries to import from India.

India was able to use bilateralism to induce at least some of these countries to import more from India. But a wide-spread resort to bilateralism in under-developed countries was only to harm India's long-term interests in these countries. We were going to remain the major source of Indian imports. It was equally obvious that these countries offered only a limited opportunity for expanding Indian exports to them. Thus for a long time to come, India did not hope to balance her trade with these countries by direct exports. She, therefore, had to rely on her export surpluses with other countries to balance her external account with the advanced countries. The standard of living in these countries was much lower than in Western countries and the consumption of many agricultural commodities was, therefore, far below the saturation point. As their living standards rose, there
was a great scope for higher consumption by them of many commodities which entered India's export trade.

The mere fact of certainty that supplies were available in stated quantities at the right time, had important consequences for the success of a planning process which lay a tremendous emphasis on an achievement of physical targets. Price inflexibility had no doubt a feature of bilateral trade, but prices were often renegotiated among the communist countries themselves in the light of changing trends in capital prices, i.e. those ruling in the world market. The underlying principle being that taking both trade and other payments together, the receipts and payments over a period of time were balanced. If in a particular year or any other designated period, exports exceeded imports from a given country and if other payments, say by way of invisible and capital movements, could not help in eliminating this imbalance, then the overall balancing had to be done in the form of extension of technical credits by the surplus country to the other one in deficit. These technical credits were given again by the surplus country to the other one in deficit. These technical credits were again to be liquidated by exports of goods by the deficit country to the surplus one. Thus there was no need for bringing convertible currencies into the balancing mechanism. Having regard to world developments, these countries always insisted on a
rigid framework of bilateralism and preferred selective and planned departures from the usual bilateral trade and payments frame.

Instrumentalities

Trade Plans And Production Co-operation:

Bilateral trade and economic co-operation agreements entered into between India and each of the East European countries provided the broad framework for action to be taken by the countries concerned to promote closer economic relations. It helped in drawing up trade plans for specific products rather than in terms of specific overall values of currency. This provided for a self-liquidating system and mechanism of payments for the products on the basis of reciprocity.*

Planning

Free market economy planned their requirements for imports on the basis of availability of products competitively and suiting the volume of requirements and end-users, exercised freedom in the selection of commodity in terms of quality, price and delivery. Here the guidelines were centrally determined and then passed on to the respective planning authority. The end-user industries provided the planning authorities with the basic information concerning their import needs and their plan of operation.

Industrial domestic trade and services organisations submit to their preliminary requirements and production schedules to the planning authorities. This information served as the basis for planning. The national needs and resources were compared and a draft import plan made, which formed an integral part of the total national plan. The import guidelines stem from the data made available by the end-users. A market research institute continued to make proposals for upgrading quality and enlargement of the product range. End-users' representatives participated in commercial negotiations in influencing the decision making process. The requirements of products were large in volume and value. Successful marketing helped in contracting with single agency on an annual basis. This also helped in drawing up a stable and consistent production schedule with adequate advance planning of essential raw material inputs and shipping arrangements. In contrast to the free economy markets in developed and developing countries, East Europe presents a single bloc for specifically identified products for a definite period and for a substantial volume. It was because of this large volume potential for specific products that special marketing drives became necessary.

New Avenues of Trade Agreements – Production Co-operation

The recently concluded trade agreements with some of the East European countries indicated that the pattern
of trade with these countries underwent a change in emphasis from the classical concept of commodity exchanges, as shown in trade plans to higher forms of economic collaboration such as production co-operation and conversion deals.

The East European countries were also pursuing the method of production co-operation successfully with India to purchase her technology. The difficulties faced by them because of the non-convertibility of their currencies were largely overshadowed by the method of production co-operation because it usually placed greater emphasis on commodity exchange rather than monetary exchange.*

Factors Important for Production Co-operation

The following were broadly the conditions suitable to enter into production co-operation:

1) It contained an element of joint enterprise.

2) It was necessary that each of the co-operating partners possessed some advantages, which the other did not possess.

3) Through the transfer of this advantage, one party assisted the activities of the other.

It rendered the following advantages:

1) East Europe possessing technical know-how and machinery, sold them to India.

2) East Europe received the finished products in return.

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for their supply of machinery and technical know-how.

iii) With the result India conserved the capital to be invested.

iv) India got benefited by receiving technical know-how and machinery. She did not part with foreign exchange in terms of finished products.

v) She was assured of a market for her products in East Europe.

Mode of operation

Here the parties to the co-operation agreement manufactured some products in such a way that they shared between them the phases of production. They sold the products jointly or separately.

In this agreement, the partner supplied process know-how and manufacturing process. The other partner paid for these services by delivering part of the products manufactured. This type of co-operation was often combined by putting at the recipients disposal manufacturing machinery and equipment (selling or leasing). The partners also co-operated in the sale of finished products. In this, partners also agreed to co-operate in research, design, production of prototype and manufacture of experimental series.
Advantages of Production Co-operation*

The following advantages evaluated from the above operations:—

1) Optimum utilisation of natural resources, capital efficiency and technology in either country;

ii) Exportation in certain sphere of production; and

iii) Increased turnover.

Here, a developing country like India always got technical know-how and offered only natural resources and raw materials in return. India enjoyed technical know-how without spending foreign exchange. It also geared up use of natural resources and there was a fixed market for its products in the developed socialist countries. It was also likable to export to third countries after meeting the internal demand for the products so manufactured.

The socialist country also conserved capital investment needed to manufacture the product within the country. They sold their technical advancement and machinery; in return they got the finished products to their own specification.

India and U.S.S.R. already joined their hands in the following fields:—

(i) Mica, (ii) Caustic Soda, (iii) Pulp and Paper,

(iv) Flourspar and fluorsic chemicals, (v) Alumina ,
(vi) Fertilisers, (vii) Non-ferrous metals,
(viii) Metallurgical plant equipment and services,
(ix) Leather, (x) Civil construction in third countries,
(xi) Railway track materials, (xii) General Machine Tools,
special purpose machine tools and cutting tools,
(xiii) Computer and computer software and (xiv) Ship-
building.

**Conversion Deals - Another Phase of Production Co-operation**

Under conversion deals, India was assured of
getting raw materials from East Europe. The entire deal
was negotiated upon and the conversion or compensation
rates fixed so that India got the maximum returns for
her operation.

This kind of conversion deal was first being
experimented in cotton textiles. As a result of negoti-
tiations for this conversion deal between India and the
U.S.S.R., the agreement was signed between Texprocil,
Bombay and Exportljon, Moscow.

*In view of the tremendous shortages of raw
material and the need to utilise fully the existing
capacity for the benefit of the country, it was found
necessary to identify more areas for the treatment of
conversion deals. Indian industries were labour-intensive

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*Conversion Deals: Technique and Diversifying India's Exports to the East European Countries, pp.37-39 -
Dr. S. Chisti - A study by I.I.F.T., 1966*
but had inadequate availability of raw material. The most important items for export were dry and storage batteries, wire ropes, all types of automobile components, sanitary fittings, knitting machines, aluminium conductors and certain hardware items.

The other dimension was to be considered in these conversion deals was building up additional capacity. It was found that to meet the massive demand of the U.S.S.R. and other East European countries, it was necessary to widen the production base as well, for which the import of machinery and equipment was very much required.

**Conclusion**

Rapid and sophisticated industrialisation in the East European countries leading to extreme diversification of inputs and change in the pattern of product provided opportunity to India to augment her exports. The terms of agreement aimed to open new sources of imports, introduced diversification, reducing instability, providing means to face competition, etc. clearing arrangements under the bilateral agreements were expected to influence favourably India's trade. The operation and working was different from that of the Western bloc. Rupee trade agreements were expected to work to mutual advantages of India and East European countries. Rupee trade agreements involved the principle of bilateralism
securing advantages like increase export earnings, price
and volume stability, etc. to the parties concerned.
But bilateralism had its own limits. However, certain
new avenues were opened indicating a departure of
classical concept of commodity exchange, bringing
advantageous production co-operation between India and
East European countries. Among the new avenues conversion
deals in commodities like cotton textiles, helped India
to obtain raw material, plant and machinery, etc. for
fuller utilisation of her industrial capacity, protect
themselves from foreign competition, play no part in the
foreign trade organisation of Eastern European countries.
Some kinds of tariff exist in the Soviet Union. The
G.D.R., Czechoslovakia, Poland and Hungary used it with
purely discriminatory aims in order to encourage foreign
trade corporations, gave 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. Indian 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 planned 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 help her in realising better prices even in
the capitalist countries despite the constraints
exercised by them.

Most of the C.M.E.A. countries are, however,
envisioning some alterations in their planning structure,
or are already introducing them. A common characteristic
of practically all changes is the attempt to close the
gap existing at present between producers and foreign
trade enterprises. This aim is being pursued by letting
selected firms deal directly with the Governments of
both the countries.