

SOVIET AID TO INDIA

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RUSSIAN AID TO INDIA AND ITS EFFECTS

INTRODUCTION

The question of Soviet policy towards the newly independent India became significant with the declaration of Indian independence on August 15, 1947. Throughout the Stalin era, Moscow remained hostile to the Indian government. Stalin refused to consider India as an independent state. He firmly believed that the Congress government of India was a tool in the hands of the British imperialists. Accordingly, the adoption of a hard-line policy by the Indian communist party in 1947-48 along the directives of Moscow, sharply isolated the communist party. The 1948 communist instigated revolt in Telengana failed. The intransigence of the Communist party of India reinforced Delhi's suspicions regarding Moscow's intentions towards India. Thus the communists failed to obtain a direct voice in India's domestic politics. It became evident to the Soviet leaders that the method of obtaining a direct voice in India to enhance Moscow's influence in South Asia through the Indian Communist Party was not workable. This failure pointed to the need for an alternative to achieve the same goal.

Role of Foreign Aid

Foreign aid is increasingly recognised as a significant foreign policy instrument of the donor countries and 'Aid' programmes are shaped to suit the objectives of the aid-giving countries. The distribution of economic aid has been governed largely by the political and economic policies of the chief aid-giving countries. The effects of foreign aid are manifested in international relations and in the domestic politics of both the giver and receiver. The essence of aid is the transfer of money, goods and services from the donor nation to the recipient.

Did Russia interfere through Aid

The hypothesis is that the USSR did interfere both with Indian foreign policy and her internal affairs. Eldridge, in his recent study of the policies of foreign aid to India, rightly argues that Indo-Soviet relations were dominated by foreign policy considerations and that the USSR did actively support the Communist Party of India (CPI).

Indo-Soviet political relations can be appreciated fully only against the background of the new i. e. post-Stalin, foreign policy towards the developing countries and the role assigned to India, and, India's own attitude towards international relations, especially with great powers. Indo-Soviet relations formed a part of the general campaign by the Soviet Union to make friends among the developing countries. Most of the newly liberated countries were still economically dependent on the West for markets, technical know-how and capital but were anxious to break free. Since the USSR had no foothold among these countries, it was no sacrifice to express sympathy with their aspirations for independence. On the contrary, reducing Western influence among these countries was a desirable development. Therefore, the aspirations of developing countries for economic independence coincided with USSR interest. The policies advocated by newly liberated developing countries were threatening the vested interests of Western Powers, and it was natural that they should try to protect their interests. In so doing, however, they exposed themselves to charges of interference, whereas all the USSR had to do was to side with the developing country.

The description given above is very general and obviously the USSR has tailored its strategy and tactics to local circumstances. Generally speaking, however, the goal of Soviet policy was to promote friendly relations with the developing countries and this necessarily involved supporting the local bourgeoisie, the leaders of the movement for independence who generally formed the government. Again, supporting the nationalist bourgeoisie did not necessarily mean that was a secondary objective.

While Indo-Soviet relations conformed to the general pattern, India was given special treatment for the following reasons. First, India was one of the first countries under colonial rule to gain independence and take the Pro-Soviet

stand on world matters. Her views were very close to those advocated by the Soviet statesmen. Secondly, because of her size and stable leadership, and the policies advocated by the Indian Government consistent opposition to "imperialism and colonialism" the country had earned a special place among the developing countries. Thirdly, because of her geographical location and the Soviet Union's concern about Communist China, the USSR may have been anxious to have India on her side. The Sino-Soviet conflict did not start till the late 1950s, but the Russian statesmen may have expected some trouble from a strong China.

Since the USSR was anxious to establish her good faith among developing countries by demonstrating that she did not intend to interfere in the internal affairs of the country concerned, it was in her interest to make sure that India was not only acting completely independently, but was seen to be acting independently with leanings towards Moscow. India's reputation as an independent nonaligned country was in itself an asset for the USSR because the two governments saw eye to eye on many world problems. India's stand on many matters carried some weight with other developing countries. From the Soviet Union's point of view it was desirable to have India criticise Great Britain and France in the Suez crisis, for example, or the United States in the first Cuban crisis. In a sense India had nothing to gain by opposing these powers, which provided financial assistance, whereas the USSR was obviously an interested party and its criticism would not be accepted in the same manner as Indian criticism.

It is interesting to mention in this context that India-China relations became strained around 1958 before the rift between the USSR and China was acknowledged. However, the Soviet Union and other East European countries made no effort to withdraw any credits. On the contrary, the USSR and Czechoslovakia announced new credits to be utilised for projects during the Third Plan. Similarly, after the 1962 Indo-Chinese border dispute, the Russians did not refuse to sell defence equipment but agreed to set up a MIG factory in India. To this day, the USSR remains an important supplier of defence equipments to India.

On India's side, the establishment of economic relations

with the USSR and other East European countries did not represent a fundamental departure in foreign policy or a sharp break with past practice of ties with the West. One of the basic tenets of foreign policy was non-alignment and opposition to military alliances, and the government had maintained that position since independence. In a speech made by Nehru in the Constituent Assembly in 1948, he emphasized that non-alignment was the best policy for India.

At the annual session of the Indian National Congress, the ruling party adopted a resolution that the foreign policy of India must necessarily be based on principles which have guided the Congress in the past years. These principles are the promotion of world peace, the freedom of all nations, racial equality and the ending of imperialism and colonialism. It should be the constant aim of the foreign policy of India to maintain friendly and cooperative relations with all nations and to avoid entanglements in military or similar alliances which tend to divide the world in rival groups and thus endanger world peace.

India's stand on non-alignment which is acceptable to Moscow is too well known to need any elaboration, but a brief review will show the direction of Indian foreign policy. In line with its policy of establishing friendly relations with the USSR, diplomatic relations were established in 1947 and India was the second non-Communist country to recognize China's communist regime in 1950. The government of India advocated China's admission to the U. N. opposed its condemnation as an aggressor in the Korean War, and sought to bring about peace in Korea. If friendship with socialist countries did not develop before 1954, the problem was lack of opportunity and not lack of will.

It is undeniable that after 1956 India moved much closer to the USSR than before, but this friendship with the Soviet Union did not represent a fundamental departure in India's policy either towards the USSR or towards others, nor was it influenced by the Russian willingness to offer credits. This hypothesis is supported by the fact that even though communist China did not offer any credits, India was quick to recognize China. Indeed India had to accept China's claim to Tibet in 1954, and was willing to pay this price to keep up its idealistic

stance in foreign policy.

Between 1954 and 1956, Indo-Soviet cooperation increased very rapidly, backed by exchanges of ideas, goodwill missions, and visits by senior political dignitaries of both countries. The socialist countries were among the first to accept prime Minister Nehru's famous five principles of 'Panchshil' admittedly only because it suited their own ends. Nonetheless, the fact that China and the USSR were willing to accept 'peaceful co-existence' with other nations gave this doctrine wide circulation and enhanced India's prestige in the world. During his visit to India in 1955, Marshal Bulganin went as far as to say "Soviet-Indian relations based on the famous five principles convincingly confirm the correctness of the thesis of possibility of peaceful co-existence and friendly cooperation of states with different socio-political systems. In fact, the joint communiqué issued at the end of Nehru's visit to the USSR in 1955 extended the third principle of non-interference in each other's internal affairs for any economic - political - or ideological reason.

In the 1950s its financial credits were not big enough to give the USSR any leverage in Indian politics, but nevertheless the Soviet Union's friendship was very important. The geography and politics of the Indian subcontinent, with its division between India and Pakistan, are such that if one country draws close to one super-power, the other is likely to make friends with the adversary. After independence there was a feeling in India that the Western powers favoured Pakistan.

Against this background, and the support given by Britain and the United States to Pakistan's position, the Government of India was concerned about the repercussions of Pakistan's joining an American-sponsored military alliance. Indian statesmen felt that Pakistan would exploit her membership to gain further support for a plebiscite in Kashmir. What the Indian Government needed was a friend in the Council to veto any unacceptable resolutions. The USSR used her veto many times on India's behalf. The USSR popularity was due to the un-equivocal stand Bulganin and Khrushchev took on the Kashmir issue during their visit in 1955. Eldridge in his book, while emphasizing the limitations of a public opinion survey, points out that after the Bulganin and Khrushchev visit there was a marked

pro-Soviet trend, and that the public attitude was much more influenced by the outsiders' stand on Kashmir and Goa than by foreign aid. It is interesting to note in this connection that there was some tension following the 1965 Indo-Pakistan war and subsequent wooing of Pakistan by the Soviet Union.

The fact that Nehru, as the chief architect of foreign policy cherished a friendship with the USSR, did not mean as is often suggested, that his policy became pro-Soviet. There is one concrete case in which the Government of India's stand in the U. N. was apparently affected by its anxiety not to offend the USSR, viz, the U. N. debates on the Hungarian crisis. The criticism was that there was a sharp contrast between Indian reaction to the Suez and to the Hungarian crises. Indian condemnation of the USSR's actions was not forthright, and India abstained from voting for certain U. N. resolutions especially the one on 4 November 1956.

In discussing the possible political effects of economic co-operation with the Soviet Union, the question can be treated at two levels, first, government policy towards the CPI or right-wing groups; second, whether co-operation with the USSR changed public opinion or altered the fundamental balance of power in such a manner as to promote the cause of parties advocating socialist principles.

At the first level the question is relatively easy. The CPI always functioned as an independent party in India and as such participated in elections, and there has been no change in policy. During Nehru's time government policy towards the CPI was consistent. Nehru openly ridiculed its loyalty to other powers. The CPI was not granted special favours because of Indo-USSR friendship. In response to popular unrest at Kerala, the government imposed President's rule, even though the communist controlled government had not requested help.

The other question, however, is much deeper, and cannot be answered so easily. It is this author's opinion, however, that, while the USSR may have made a favourable impression on public opinion, foreign policy was not an important issue in any of the elections. Also, to ensure friendship with the USSR it was not necessary to have a communist government. The Congress Government was friendly with the USSR. Therefore the fortunes of political parties depended much more on their stand on local issues, leadership and organisation. Looking

back at the history of general elections it is undeniable that the CPI has improved its position significantly, especially in West Bengal and Kerala. However, its success has been very uneven, depending upon local circumstances, and the USSR's aid policies had much to do with it.

The possible political effects of Indo-Soviet aid were mainly in two directions. First, the impact of availability of credits from the USSR on the policies of other donors, discussed partly in this chapter and partly in the next. Second, by making available credits for industries in the public sector, the pattern of investment between public and private sectors was influenced to some extent. The resultant income distribution in favour of the public sector may have had some political consequences, but it is too early to assess these effects.

LINKING AID WITH FOREIGN POLICY
A SOVIET OBJECT

Soviet policy makers are unanimous on the point that economic aid of their government to the developing countries is an integral part of its foreign policy. It is, therefore, expected that the objectives, strategy and tactics of this aid would be revealed by a close look at this policy.

What is the basic goal of this policy? It has been no other than economic, political and cultural hegemony over the globe, since the very inception of the Soviet states. And a totalitarian regime like this cannot but seek this goal. It is the expression of its very need of self-existence.

To bring about in all countries outside the Soviet bloc social changes that serve economic, political and ideological interests of the Soviet bloc. This has been the constant goal of Soviet foreign policy, Comintern or no Comintern. The organisational instruments for furthering this policy have been changed from time to time. The foreign policy of the Soviet Union, the entire internationalist activity of the party and the State are based on the principles laid down by Lenin that the party is a party of internationalists and that international policy is a contribution by the Soviet people to the common cause of fighters against imperialism, for the liberation of people against social and national oppression.

ANTECEDENTS OF THE THEORY OF NON-
CAPITALIST DEVELOPMENT PATH

Now what is the relation between the Soviet Union's foreign policy objective and its programme of economic aid to underdeveloped countries like India?

A resumé of the history of international strategy and tactics of the Soviet Union should precede our answer to this question.

The importance of the countries of the Third World, particularly that of India, was recognised by Soviet Communists even in the earlier stages of the Comintern. Lenin told this organisation in 1921 that "it is perfectly clear that in the im-

pending battles of world revolution, the movement of the majority of the population of the globe, which is first directed towards national liberation, will turn against capitalism and imperialism and will, perhaps, play a much more revolutionary part than we expect." But despite this emphasis, developments in Europe were assessed as more crucial and decisive from the point of view of the world revolution and the movements in the colonial countries were taken as auxiliary forces of the socialist world revolution.

To begin with, Moscow misjudged the entire phenomenon, but, after a couple of years, its momentous significance began to be grasped. The newly free countries presented dangerous possibilities. Though nascent with regard to democratic ideals and methods, and neutral with regard to the conflict between democracy and communism, Moscow did visualise that by virtue of their spiritual social content and the impress of democratic philosophy on their national liberation movements, these new societies were likely to grow into new bastions of democracy and human freedom, and thereby to pose a greater than ever threat to the Soviet system. At last, it was decided to face the issue squarely: Would the Third World countries become the reservoir of world capitalism or the reservoir of socialism? A decision for a massive intervention in this region was taken. Consequently the major focus of Soviet Foreign policy shifted from Europe to the countries of Asia, Africa and Latin America.

In order to counter-act the activities of imperialism, a world wide anti-imperialist and anti-monopolist movement became an urgent task.

What was the objective of this movement? The Soviet answer was: that in the course of the anti-monopolist and anti-imperialist united action, favourable conditions would be created for the uniting of all democratic trends into a political alliance capable of... bringing about such radical, political and economic changes as would ensure the most favourable conditions for continuing the struggle for socialism.

In this respect the role assigned to the Soviet Union was described as follows in the International Conference of Communist parties of 1969:

"The world socialist system is the decisive force in the anti-imperialist struggle. Each liberation struggle receives

indispensable aid from the world socialist system, above all from the Soviet Union."

What particular form does this movement take in an underdeveloped country?

The major character of these tactics is so to influence the events of the country that it enters into a relationship of economic and political solidarity with the Soviet Union. This helps the Soviet Union in two ways. The country is alienated from capitalist countries, which weakens the enemy. In Soviet eyes no country is neutral. A country which does not have close ties of economic and political friendship with the Soviet Union cannot but be an ally of imperialism. As the number of countries having close friendly ties with Soviet Union increases, the Soviet goal of world domination draws nearer. The Soviet view is that close unity of national liberation forces and their solidarity with the forces of Socialism and the world working class movement are a pledge of success against imperialism and neocolonialism. The second advantage is that the closer a country comes to the Soviet Union, the more are the chances of its becoming Sovietised. This is expressed by saying that, if a country does not develop close economic ties with the Soviet Union, it would fail to advance on the road of economic and social progress. For the purpose of national progress (that is sovietisation) there is no more effective weapon than increasing support of the USSR and its bloc.

In Soviet theory, a newly free country cannot make socio-economic progress without the support of and dependence on the Soviet Union. It has to utilise the experience of the Soviet Union to develop comprehensive ties with it and to depend upon its economic and technical assistance. If it depends only on itself or on any non-Soviet country, it will land itself in the camp of imperialism, even if its outlook of social reconstruction is socialistic.

Thus, the Soviet Union's anti-capitalist and anti-monopolist strategy takes the form of so influencing the course of events in an underdeveloped country, that it joins the anti-democratic camp led by the Soviet Union and becomes more and more dependent on the Soviet Union for political, military and economic assistance.

Moscow favours those countries of the Third world which follow the non-capitalist path of development. At the 24th CPSU Congress, L. I. Brezhnev drew special attention to the countries where "the struggle for liberation. . . . has in practical terms begun to flow into a struggle against exploitative relations, both feudal and capitalist." These countries were said to be socialistically oriented.

INDIA ON NON-CAPITALIST DEVELOPMENT

PATH

Having established that the major determinant of economic aid by the Soviet Union to a developing country is acceptance by the latter of the non-capitalist path of development, it would be pertinent to point out that India is one of such developing countries. Soviet writers repeatedly emphasise this fact. Chertikov in his article entitled USSR and Developing Countries: Economic Relations Chooses with pride two countries, one Egypt and the other India, as examples of such socialistically oriented states. Tyaguneko brackets India with Chile, Peru and Ceylon, as countries pursuing the non-capitalist path. With regard to this, he writes:

Revolutionary development in Peru, Ceylon and India has its own distinctive features. But what they have all in common is that the revolutionary patriotic forces in these countries. . . are intensifying the struggle against imperialism against the foreign and local exploiters. They are marching in the van of the struggle for the social and political regeneration of the entire life of the people who had been enslaved by imperialism. The progressive social changes in these countries provide the base for the following conclusion of the CPSU Central Committee to the 24th Congress: "The great Lenin's prediction that the people of colonies and independent countries, starting from a struggle for national liberation, would go on to fight against the very foundation of the system of exploitation is coming true. And this, of course, is a heavy blow at the position of capitalism as a whole, as a world social system."

Nothing can be a better certification of the fact that India is following what Soviet Communists describe as the path of non-capitalist development.

FOREIGN POLICY ASPECT

The second aspect of the non-capitalist development path concerns the foreign policy of the adopted country.

A striking thing in this connection is the view that anti-Communism is incompatible with the adoption of this path. In fact, successful advance on this path pre-supposes a pro-Communist foreign policy. In this connection examine the following candid statement of Kiva, a Russian authority:

The practice of the last few years has shown that anti-Communism, whatever its form is incompatible with the principle of non-capitalist development.

According to the above statement, the adopter country must seek cooperation from the Soviet bloc otherwise it cannot progress along the path it has chosen. The aid that it gets imposes certain demands on it with regard to its foreign policy. What are these demands? First. The adopter country should become an ally of the Soviet Union in the struggle against the democratic powers. Second. It should not equate the two world blocs. It should regard the American bloc as the exploiter of the people of the world and the Russian bloc as liberator and emancipator of mankind.

For an understanding of the third set of the constituents of the adopter country's foreign policy, we will examine another statement of Ulyanovsky.

As regards foreign policy, the non-capitalist path is characterised by the aspiration to put an end to economic exploitation by imperialist states, to promote cooperation with socialist countries and support national liberation movements.

The elements of the syndrome of the foreign policy mentioned in the above statement are these. The adopter country should aim at wiping out from the world the influence of democratic countries; it should support those movements in

other countries which Russia calls national democratic, and it should cooperate with socialist countries for this purpose.

It cannot be said that the foreign policy of our government over the years contains all these constituents of the foreign policy aspects of the non-capitalist path of development.

CULTURAL IDEOLOGICAL ASPECT

The fourth aspect of non-capitalist development path is regimentation of ideology, educational institutions and the media of mass communication.

One criterion of the advance of a country on the road of non-capitalist development is the steady growth of a particular ideological trend in its society as a whole. This trend is characterised by increasing dominance of Soviet ideology, rejection of all other kinds of ideologies and philosophies as capitalist, or bourgeois or reformist and therefore dangerous to social growth, and, adulation of the Soviet Union as the vanguard of the oppressed people and the beacon light for humanity. Through seminars and other methods, this ideological trend is systematically ingrained in the minds of all, including government administrators, political workers and teachers. We would adduce in our support two quotations from Soviet authorities:

One can speak of criteria of the non-capitalist way in ideology as well. These are the substantial and steadily growing influence of the ideology of scientific socialism, relentless exposure of the class and economic nature of imperialism, uncompromising criticism of the exploiting essence of modern capitalism, categorical rejection of apologies of bourgeois and right-wing socialist reformers, the understanding of the role played by the socialist system in the world revolutionary process.

Let us turn to the Soviet naval presence in the Indian Ocean.

According to a report on the Indian Ocean Region produced by the Australian Joint Committee on Foreign Affairs for the Australian Federal Parliament, the Soviet naval presence in the Indian Ocean in terms of ships per month was twenty ship months in 1968 and forty four in 1970. The latest tally of the number of Soviet naval vessels in the Indian Ocean, given by Henry Stanhope

in an article published in the 25 January 1971 issue of the Times was 14. The consensus of different assessments is that the Soviet naval strength in the Indian Ocean includes on a continuing basis several surface combat ships, a number of submarines, fleet maintenance vessels, intelligence ships, space support ships, hydrographic and oceanographic ships, and tankers. Then, in July 1970, Russia completed a strategic highway across Afghanistan, linking the Soviet Union with the Indian Ocean via Pakistan. As against this, the USA maintains three ships in the Persian Gulf. Britain has six surface ships east of Suez and two major ships in the Mozambique channel and France one major ship in the west Indian Ocean. Although data for the submarines is not available, it is widely believed that in this respect, Russia enjoys a greater superiority over other powers than in the case of surface ships.

Now what is the reason for such a heavy concentration of Russian navy in the Indian Ocean. Its target cannot be the USA. In the case of war with the USA and other Western powers, according to an Indian authority, major Soviet naval effort will be directed against the Atlantic, Pacific and Mediterranean life lines of the Western powers. The Indian Ocean can only be of marginal interest to them.

If the target is not the Western powers, what else is its objective? Obviously it is the land mass of the Indian subcontinent. It may have a number of aims, but one of them can be to interfere in India's internal situation in the event of a high tide of anti-Soviet popular feeling, which threatened to reverse the road of anti-capitalist development which we are going through today. Let us first summarise.

Having established that Soviet economic aid is primarily meant for countries adopting the non-capitalist path of development, we have described the main criteria of this path.

The country which follows this path differs from those which do not by certain clearly distinguishing features.

Major sectors of its industry, trade, mining and mineral resources, finance and, to some extent, its agriculture are state controlled and regulated. Its economy, as a whole, moves towards the progressive appropriation of the land of middle peasantry, steady but systematic elimination of the middle and

small traders and entrepreneurs, increasing integration with and subservience to the Soviet economy and attenuation of its ties with countries outside Soviet influence.

In outlook, the ruling group is not only socialist and markedly pro-Communist and pro-Soviet but, it also admits communists and their fellow travellers, irrespective of their popular acceptability, to the corridors of political power and it affords them significant opportunities to exercise a growing influence over the economic, political and social decisions of the government. At the same time, democrats and anti-Communists are systematically weeded out from the state and semi-state institutions and from the organisation of the ruling echelon.

The octopus of infiltration invades not only the mass media, but educational and cultural institutions of the country and works for increasing ascendancy of Soviet ideology and persistent denigration of all other streams of thought and culture.

Like the economic, the defence system of the country is closely linked with its Soviet counter-part, and Soviet military concentrations are tolerated close to its borders.

We have shown with the help of abundant references to Soviet literature, that Soviet authorities consider the above as the hall marks of the country adopting the non-capitalist development path.

We have also established that in the judgement of the Soviet Union India is marching satisfactorily along this path of non-capitalist development. Empirical evidence from our country has been adduced in order to re-inforce the Soviet assessment.

On the strength of the above, we now put forward the contention that the principle reason for the present Soviet economic aid to India is that India has accepted and is firmly treading the path of non-capitalist development.

Now what is the prospect before the country if it continues this journey? Ulyanovsky answers the question for us.

Imperialist ideologues and politicians will realise that another ten to fifteen years of successful advance along the non-capitalist road, will make the transition to socialism in such countries irreversible.

No paraphrasing is needed. A few years more of our onward journey on the present path of non-capitalist development and we, as a country would be reduced to a part of the Soviet system,

its economy, its politics, its ideology and its culture.

That powerful political forces ardently wish and strive for such an outcome is indicated, among others, by two recent events. The Forum for Socialist Action, a pro-Soviet lobby in the Congress and the most powerful group in this organisation, has recently adopted a resolution for its All India Convention, recommending that our planning should be dovetailed into the Russian economy and should also, be based on faith in and dependence on the Soviet Union. By adopting this resolution Chandreshekhar rightly puts, the Forum "has chosen to play a role which would have been better played by the public relations bureau of some diplomatic mission." The importance of this resolution should be judged from the fact that the Forum has nearly 200 M. Ps as its members, besides a number of ministers in central and provincial cabinets and Congress chiefs in various states. A more elaborate expression has been given to this attitude of the Forum by the Union Planning Minister, D. P. Dhar when on Dec. 18, 1972 he declared that "giant strides must be made to establish a socialist society on the pattern of the Soviet Union."

Ulyanovsky's book contains a candid account of the tactics of Communist parties in countries which follow the non-capitalist development path, described variously by the Soviet Union as 'progressive' or 'revolutionary democratic' or 'national democratic.'

It says "the establishment of a single party system of government is one of the most urgent political tasks of the revolutionary democratic type parties (e. g. the ruling Congress in India). But this ruling party is inconsistent with regard to its socialism and there are many points of difference between it and the Communist Party." This is undesirable. Therefore, this party must be transformed into a Communist party and this task is immediate and urgent:

Facts demonstrate that the transformation of the present-day mass popular revolutionary democratic parties into parties of vanguard (i. e. Communist) type is being placed on the agenda.

Throughout the book, it is fervently hoped that "revolutionary democratic parties in progressive countries like the Congress

party in India, can become reliable detachments of the international Communist and workers movement."

What are the methods for bringing about such a transformation? One is to bring these parties under the influence of trade unions, the youth movements and peasant organisations. But the most important is infiltration into the ranks of these parties.

* * * * *

A COMPARISON BETWEEN AID FROM RUSSIA
AND OTHER COUNTRIES

A comparison between the funds given by Soviet Russia and others to India serves three purposes. First, it helps in the appreciation of the differences between their attitudes and programmes regarding terms or repayment, and also how the aid is used. Second, it shows how the other countries reacted to the programme introduced by Russia and other East European countries. Third, it brings out the rigidity of the credit programme of the Soviet Union. Whilst other donors, mainly the United States, the United Kingdom and the World Bank Group, have responded to the changing requirements of the Indian economy, the nature and direction of the Russian programme has changed very little. If the Russian and East European countries do not have the flexibility or ability to cope with changing import requirements, their willingness to give credits may have little practical value in the years to come.

This chapter is divided into two sections: first, a comparison of the terms of aid, and, secondly, an assessment of the influence of the Russian aid programme on other donors. To recapitulate history briefly, external official funds utilised in the fourth plan amounted to more than ten times the funds utilised in the First Plan. At the same time the proportion of outright gifts to total assistance fell from 55 per cent in the First plan period to 22.5 per cent in the Second and 5 per cent in the Third plan period. Consequently the debt service ratio increased very rapidly.

The general trend was towards the "softening" of loan repayment terms from the Second to the Third plan. While there has been a variation in the terms of aid offered by different countries at different times, there was a clear recognition of India's difficult foreign exchange situation in the 1960s. The latest experiment in coping with the foreign exchange situation is 'debt relief'. The USSR and other East European countries, however, have not changed the terms of their credits nor offered concessions.

The USSR was the first donor to accept the principle of giving development loans on concessional terms. The concessional element depends on the rate of interest, amortisation period

and currency of repayment. The USSR merely offered low interest rates. When other donors also accepted the principles of concessionary loans they offered larger amounts at nominal interest rates and with longer amortisation periods. The total loans authorised from other countries at interest rate of $2\frac{1}{2}$ per cent or less amounted to Rs. 7,580 million until 1965/6, compared to Rs. 5,265 million from the East European countries, especially Russia. The actual receipts from other countries were twice as much as from the East European countries and Russia.

Since 1965 the United Kingdom has given interest-free loans worth U.S. \$220 million. The total receipts from IDA up to the end of 1969-70 amounted to Rs. 6,456 million, compared to Rs. 3,085 million from the USSR.

However, a comparison between nominal interest charged on different loans does not do full justice to the softening of terms after 1960. Interest payments for a number of years were waived on many loans, and therefore, the effective interest rate - that which makes the sum of all the future annual interest payments equal on a present value basis to the credit originally received - is lower than the nominal interest rate. Some important examples are:

(1) The United States gave a wheat loan of Rs. 903.0 million at an interest rate of $2\frac{1}{2}$ per cent but agreed to postpone 18 semi-annual instalments of interest and principal without additional interest payments. This postponement implies an effective interest rate of 2 per cent per annum.

(2) All the PL 480 loans signed since the inception of the Third Plan have an effective interest rate of between $\frac{3}{4}$ per cent and $2\frac{1}{2}$ per cent. The total value of loans authorised up to the end of 1969/70 amounted to Rs. 17,030 million (post-devaluation rate of exchange).

(3) On all US AID loans granted before 1963 the nominal interest rate was only $\frac{3}{4}$ per cent per annum. This was raised to 2 per cent in 1963/4 and to $2\frac{1}{2}$ per cent after October 1964. But because the interest in 1963/4 and from October 1964 respectively, is only $\frac{3}{4}$ per cent and 1 per cent the effective interest rate is even lower. The effective interest rates on these loans are 1.69 per cent and 2.125 per cent per annum respectively. India was granted Rs. 6,793 million in AID loans during

the Third Plan, more than the total amount granted by all the East European countries during the period 1951 to 1965/6.

(4) The interest rate charged on British loans negotiated before 1964 was linked to the treasury rate, but because interest payments during the first seven years were waived, the effective interest rate on a loan with 6½ per cent interest was only 3½ per cent.

A trend towards the softening of terms can be seen also in longer amortisation periods. The average amortisation period was greater during the Third Plan than throughout the Second Plan. Only 3.7 per cent of the official credits received had amortisation periods longer than 25 years during the Second Plan, but this percentage had risen to nearly 40 per cent during the Third Plan. The trend has continued in the past four years, and 'debt relief' has been introduced as a new element.

During the Third and Fourth Plans the credits with relatively shorter maturity periods were official suppliers' credits from Belgium, France, Italy and official loans from Czechoslovakia, Poland, Yugoslavia and the USSR. In theory, most of the Russian credits are to be repaid in eight to twelve years.

In practice, the repayment of principal does not start until a year after the final invoice for machinery and equipment for each project is received. Since Russian projects take three to four years to complete, the amortisation period is usually longer; ten to twelve years from the date of first drawing on the credit for any project instead of eight and fourteen to seventeen years.

Notable exceptions to this general pattern were the credits for the Bhilai and Bokaro Steel Plants. In the case of Bhilai, the repayment started a year after the receipt of the invoice for each instalment of equipment and not after the invoices for all the equipment had been received. These two credits constituted 33 per cent of the total credits granted by the Soviet Union during the period 1956/7 to 1965/6. This arrangement therefore meant that India started repaying the credit even before the project was completed and production had started.

India is one of the few countries which has received development assistance from both Russia and Western countries. Her experience is that while the former gave only 8 per cent of the total assistance utilised, and 17 per cent of the credits for in-

dustrial development, their credits were useful beyond their actual contribution in two ways. First, they gave credits for building up heavy industry in the public sector when other donors were reluctant to do so and thereby helped to break the "monopoly of the private sector." Second, because of cold war rivalries, other donors responded to the USSR's aid programme by increasing the amounts of aid, softening the terms of loans, and broadening the end use of credits.

The late Nikita Khrushchev put it neatly: "This aid which the capitalist countries are planning to extend to the states which have recently won their independence should also be viewed as a particular kind of Soviet aid to these states. If the Soviet Union did not exist, it is unlikely that the monopolies of the imperialist powers would aid the underdeveloped countries."

It is interesting to note that the USSR has not reacted in a similar manner to new initiatives taken by other donors. While other donors have responded to the changing requirements of the economy by granting debt relief and non-project assistance, the Russian credit programme has been characterised so far by its relative rigidity. If the Russians do not introduce flexibility in their programmes, the difficulties in finding projects to utilise their credits will increase. Their willingness to give credits may not mean very much unless the scope of these credits is broadened to accelerate the process of utilisation.

The East European credits are all tied to projects as well as to the country of origin. However, since the repayment arrangements are comprehensive, the criterion for measuring the cost of these credits is not import prices, but the difference between terms of trade with Russia and others.

The two case studies of imports of equipment (Bokaro and oil - refineries) show that prices set by the USSR were higher than those offered by the alternative sources of supply. Imports of machinery and equipment constituted more than 60 per cent of total imports from East European countries until 1965/6. However, due to the lack of data, no definitive conclusion about import prices of machinery from Russia is possible.

Since the prices of exports to the East European and Russian markets are comparable, the usual criteria for measuring

costs of tied credits can be applied to give a rough indication. It was pointed out that the prices of Russian machinery may in many cases be 15-20 per cent higher than the cheapest source.

In theory, Russia declares its willingness to finance any project. It is not known whether the Indian Government initially wanted different projects, but changed its decisions in order to take advantage of the aid available from Russia. The hypothesis that Russia can provide only certain types of equipment is supported by the fact that it takes a long time to earmark a credit for a project. Another example, though not of the same kind, illustrates the same point. If there was any fertiliser equipment to spare in the USSR, it is likely that it would have been offered on credit terms to break up the monopoly of private firms in a politically sensitive industry.

Another disadvantage is the lack of experience of the Communist countries in planning for a mixed economy. In a centrally planned economy domestic buyers have no choice because all the production is centrally planned. In a mixed economy such as India, the buyers can turn to alternative sources of supply within the country, or import the goods. In planning many of these enterprises, customers' preferences were not taken into account. This difficulty is not insurmountable and a marketing wing can be developed. Had a proper market study been made at the beginning, the composition of output might have been different.

In importing different technologies in the same or interdependent industries, India has taken a big risk. If these industries use different specifications in their products they may not be able to use each others' output. This indirect cost of borrowing from different countries may prove to be high. It is too early to say whether this will be serious a problem, because most of the Soviet-aided projects have not reached their full capacity, perhaps for political reasons.

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SOVIET RUSSIA & INDIAN OCEAN

A development that is causing considerable anxiety in many quarters is the growing Soviet interest in the Indian Ocean. Of particular concern in this context is the marked increase, during the last two years or so, of Soviet naval activities in an area, which hitherto had been one of unchallenged Western dominance. The appearance, by accident or by design, in Singapore waters of two Soviet warships during the British Commonwealth conference there in mid-January 1971 has served to heighten this concern.

STRATEGIC SIGNIFICANCE OF THE INDIAN OCEAN

SOVIET GLOBAL MILITARY STRATEGY

Although the USSR has traditionally been less interested in the Indian Ocean than in the Atlantic, the Pacific, or the Mediterranean, there is no doubt that it is well aware of the strategic significance of this vast expanse of water. Current Soviet global military strategy calls for Soviet presence on all the seas. As Admiral Gorshkov has said, "We must be present in all waters and move easily from one sea to another". The importance of the Indian Ocean to the Soviet Union must also be seen against the background of the global objectives of Soviet foreign policy. These objectives include ensuring the security of the Soviet Union, the expansion of Soviet influence outside the Soviet bloc and the undermining and disruption of Western influence. Then there is the containment and elimination when possible of Communist Chinese influence.

OTHER STRATEGIC CONSIDERATIONS

In terms of its prodigious size and geography, the Indian Ocean merits the interest of any naval-minded nation. Stretching northward from Antartics, the broad expanse of the Indian Ocean is contained by Africa to the West, Australia and Indonesia to the east, and South Asia to the north. Including its bays, seas and gulfs, the Indian Ocean is 28.3 million square miles, larger than either the North or the South Atlantic. With

a main depth of 13,000 feet, it is deeper than either half of the Atlantic. It is also free of ice.

The Indian Ocean was already a commercial and cultural highway long before Columbus crossed the Atlantic to discover America, or Magellan circled the globe. Today, despite the growth of air transport, the Indian Ocean continues to be a major shipping lane. Early in 1967, for example, there were in the Indian Ocean some 1,300 ships of over 1,500 tons belonging to NATO countries. By way of comparison, there were at the same time some 1,400 ships belonging to these countries in the Pacific Ocean. The Indian Ocean carries Japan's trade with Europe, the increasing Chinese trade with west Africa, Europe and South America, as well as some inter-Oceanic Soviet trade. More significant perhaps, nearly 50 per cent of Europe's oil requirements, nearly 90 per cent of Japan's 60 per cent of Australia's and 80 per cent of Africa's move through the Indian Ocean.

The Indian Ocean is the direct link between the two most sensitive areas in the world today, the Middle East, where Soviet influence is already considerable, and South East Asia, where the Soviet Union is attempting with some success to gain a foothold, particularly in the economic, cultural, and diplomatic fields. The famous 19th century American Admiral, Alfred Mahan, may well have been correct when he said that the Indian ocean was the key to the Seven Seas. In the 21st century the destiny of the world would be decided upon its waters.

SOVIET INTEREST IN THE INDIAN OCEAN

SOVIET DESIGNS

Considering the rapid expansion of the Soviet Navy and the strategic importance of the Indian Ocean, particularly in the context of the current world situation, it is not surprising that the Soviet Navy is now showing greater interest in this body of water than ever before. In September 1969 an article published by the Royal Institute of International Affairs in London warned that the Soviet Union was pushing for control of the Indian Ocean as its most immediate objective, following Soviet penetration of the Mediterranean. The article, which appeared in the Institute's monthly magazine *The World Today*, said that

the Soviet move was apparently designed to secure control of the flow of Middle East oil and raw materials essential for Asian industries. Pointing out that a major part of these essential commodities must pass through the Indian Ocean to their ultimate destinations, it deduced:

"If hegemony can be established over this body of water, the ruler will influence the policies of the Asian peoples, wield powerful leverage against Africa and control the approaches to the Western Pacific."

The article also made the point that Moscow had extended more than one billion dollars worth of arms and economic aid to Asian Indians in the area, evidently in the hope of reaping the same rewards that it received from its extensive investments in the Middle East.

Admiral Gino Birindelli, former Commander-in-Chief of the Italian Navy and now Commander of Allied Naval Forces Southern Europe, declared in an interview with George Sammut, published in the 27 November 1972 issue of the *Times*, that the Russians are moving into the Indian Ocean to create an empire made up of the USSR, India and the surrounding countries. They would also try to drive a wedge between Europe and Africa by ruling off the Middle East along the shores of North Africa. By so doing the Russians would achieve three very important aims, namely to create a geopolitical unit of their own, complete in every respect, to neutralize China as far as possible, and to weaken Europe by isolating it from Africa.

SOVIET INTEREST CONCERNING OTHER COUNTRIES

Soviet interest is, however, not confined to the aforementioned countries. The Soviet Union is in fact trying to cultivate the goodwill of almost every country in the Indian Ocean region, including the Western oriented Kingdom of Thailand and such small states as the Maldives Islands.

It is significant to note that the Soviet Union has concluded air services agreements with Singapore, Burma, Pakistan, India and the UAR, and shipping services agreements with Singapore, India, Ceylon, Iraq and the UAR. A draft air agreement with Thailand was initialled on 27 February 1971.

In Yemen, the Soviet Union is developing a commercial port at Mina el-Hamadani, a naval and submarine base at Hodeida, and a deep-sea port, complete with oil storage facilities, at Ahmedi (near Hodeida). In Tanzania, Soviet Organisations have been permitted to station fishing vessels in its ports. In Ethiopia, plans to develop Assab into a major refuelling port and oil distribution centre with Soviet assistance have been reported, Soviet access to Socotra and Mauritius has already been mentioned above.

ROLE OF SOVIET MILITARY AID

Military aid has also served as a principle instrument to enhance Soviet influence in the Indian Ocean area.

SOVIET ECONOMIC ASSISTANCE TO DEVELOPING COUNTRIES

Three hundred and seventy establishments of national economic, social and cultural importance have been built with Soviet assistance in African, Asian and Latin American countries over the past two decades. Over 400 projects more are being built or are scheduled for construction, Semyon Skachkov, Chairman of the USSR State Committee for Foreign Economic Relations, said in an interview to the newspaper Trud on January 3, 1973.

"A characteristic feature of the Soviet Union's economic and technical cooperation with developing countries is that the USSR renders them assistance in the creation and strengthening of the state sector of the economy. This is of importance for hastening the rate of economic development, for consolidating the positions of developing countries in their struggle against imperialist monopolies.

"About nine-tenths of the means provided for by the agreements on economic and technical cooperation between the Soviet Union and developing countries is channelled for development of branches of the production sphere, Skachkov said. More than a half of the sum is earmarked for assistance in the construction of heavy-industry enterprises as a basis for development of an independent economy. It is in this way that the USSR cooperates for instance, with India, Egypt, Iran, Turkey, Iraq and Algeria."

"Such a substantial aspect of cooperation as the training of national personnel should also be mentioned. Over 250,000 specialists have been trained in developing countries over the entire period of their cooperation with the USSR. More than 120 educational establishments are being built with the Soviet Union's participation."

PRESENT "SUPPORT" FROM MOSCOW TO NEW DELHI

Support from any quarter for the Indian position in international affairs, when it comes gratis, is best quietly accepted in New Delhi. There may be more to it than meets the public eye, and to throw up caution and acclaim it might easily be harmful to the national interest in the long run. Such support has come now from Soviet Russia for the Indian position on the Sino-Soviet boundary. The support for the Indian position is part of a concerted Soviet attack on China's policies. The latest issue of the quarterly journal published by the Eastern Institute of the Soviet Academy of Sciences has accused China of duplicity against India in its dealings with this country on the border problem and in the way it occupied Aksai Chin. It has charged China with attempts to use the Kashmir dispute and India-Pakistan differences as levers to exert pressure on New Delhi. Almost simultaneous an article in the New Times of Moscow alleges that China is misrepresenting the Soviet position on nationalities in Russia and accuses it of seeking the elimination of its own minorities through a programme of forcible assimilation in Sinkiang, Inner Mongolia and Tibet. A Soviet weekly journal Zarubishom (Life-Abroad) has reprinted an article from a French newspaper expressing sympathy, for the struggle of the Khampas in Tibet to liberate themselves from the Chinese. Not long ago, an Indian publication on China was reviewed with approval, and significantly, Chinese territorial claims on India and Soviet Russia were put in the same category.

A number of factors come to mind at this so-called support for the Indian stand from Moscow. First, despite the concert of criticism directed at China for its duplicity in dealing with India, Soviet Russia's official maps continue to show the Chinese version of the Sino-Indian boundary. Repeatedly drawn Soviet

attention to the "inaccuracy" by our Government elicited at last only the reply that the "inaccuracy" had no political significance. New Delhi has had to be satisfied with this unsatisfactory reply. But this curious contradiction of the Soviet maps and the Soviet support for India in its stand on the Sino-Indian boundary has not apparently bothered Moscow. Secondly, it does seem a little strange that Soviet Russia should have taken over a decade to make up its mind about even this kind of support for the Indian position. A year after the 1962 clash, Khrushchev for the first time came out with mild criticism of the Chinese stance against India, as part of the Moscow-Peking quarrel. It has taken another nine years for Moscow to come out with similar concerted criticism. Thirdly, the support for the Khampa liberation struggle in Tibet has also come rather late in the day from a government which was aware of it for many years and has been extravagant in support of the so-called liberation struggle being carried on by the Vietcong in South Vietnam and the Pathet Lao in Laos, both openly aided by the North Vietnamese. Fourthly, it comes ill from a government to point to Chinese atrocities against the minorities in Tibet, Sinkiang and Inner Mongolia when it has itself indulged in similar action against minorities in Central Asia and Siberia.

There ought to be no doubt in the minds of the policy makers of New Delhi that Soviet Russia's concertedly extended support for the Indian position is part of Soviet Russia's political moves and manoeuvres in the great power game. One aim obviously is to involve India, as perhaps no more than a catspaw, in the Soviet conflict with China. It is true that India has a number of outstanding problems with China which are not going to be easily solved nor soon enough. It is also true that Indian overtures to China for friendship, at a time when India does not possess the initiative, are bound to be ineffectual and seem pathetic. But that is no reason to tie policy to the coattails of Kremlin leaders. India's relations with China ought to be India's business.

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INDIA'S FIFTH PLAN AND SOVIET ASSISTANCE

The failures of the First Four Plans are more significant at the human level. There is a growing disparity between the rich and poor, unemployment, rising prices and discontent among the masses. These create a fertile ground for Communist cultivate.

This time India will not seek any large-scale foreign assistance. In any case, the climate for international assistance is becoming less favourable. The US, which stopped its aid to India in December 1971 has not yet changed its mind. And with British entry into the European Economic Community (or common Market) that inward looking organisation is more likely to concentrate its efforts on further progress of the EEC countries.

It is against this background that one has to view the prospects of cooperation with the socialist countries, particularly with the Soviet Union, one of the principal countries responsible for the growth of India's economic independence.

The basis for a new pattern of Indo-Soviet co-operation has already been laid in 1972. Mr. D. P. Dhar's discussions in Moscow with Soviet authorities led to two vital decisions: (1) to set up an inter-government commission on economic, scientific and technical cooperation; and (2) to invite Soviet experts of the Gosplan (Soviet planning commission) to study in depth India's needs, and to coordinate better the plans of the two countries to meet each other's requirements. The commission had its first and crucial meeting in New Delhi in early February 1973.

The Gosplan teams which arrived in New Delhi in November 1972, are working on three major fields: metallurgical development in India, that is, steel; development of non-ferrous metals such as copper and aluminium; and textile and leather industries.

In an interview with Pravda, the Soviet daily, Sri D. P. Dhar indicated the lines of cooperation between the two countries and mentioned among other things, metallurgy, research and processing of natural gas, petrochemicals, power generation, exploration of oil, outer space studies, use of atomic energy

for peaceful purposes, and electronic and computer development.

Discussions have already taken place for further cooperation in many of these fields. As shortages in steel, non-ferrous metals, oil, power and fertilizers are the more serious today, cooperation will be concentrated in these fields. India is importing steel worth Rs. 200 crores yearly. The immediate objective is to prevent this huge drain of foreign exchange.

An agreement has been arrived at with the Soviet Union to expand immediately Bhilai's capacity to 4 million tons. Bokaro is already set on producing a million tons of pig iron. It is now proposed that these two Soviet aided plants should reach rated capacity in the shortest possible time. It is also being considered whether the capacity of both the steel plants can be doubled. This, of course, will entail close coordination of the plans of the two countries.

In January 1972, a contract was signed between the two countries for the supply of Soviet equipments for the public sector aluminium plant at Korba, the Rs. 152 crore project, which will produce 100,000 tons of aluminium metal per year.

Crude oil production is to be raised to 8 million tons immediately. The oil and Natural Gas Commission has already worked out a five-year plan of oil exploration with an outlay of Rs. 600 crores. The Soviet Union is expected to give considerable assistance in this field. In the meantime it is providing kerosene and oil products.

The power shortage in the country is seriously hampering the further growth of industry and agriculture. The Fifth Plan target to raise another 25 million kw capacity will help to more than double the present capacity of 17 million kw. Mr. K. L. Rao's discussions in Moscow have already indicated Soviet assistance for the manufacture of power equipment, particularly of large 200 MW units. Another field of cooperation is expected to be in the development of a transmission system.

India spends about Rs. 200 crores yearly on the import of fertilizers. And the demand in the country for fertilizers is growing steadily. An immediate objective of the Fifth Plan is to raise the fertilizer capacity in the country, largely based on coal. The Soviet Union has offered its coal-based technology to the country, and is expected to provide credits and technical

assistance.

A great deal of further industrial development will depend on the use of control equipment. India is interested in the application of electronics to the development of communications, control equipments, computers, etc. An Indian expert team, after a study of Soviet electronic development, has already reported the possibility for wider cooperation in this field. The Kota Instrumentation plant, Soviet aided project, is already the premier plant producing various control equipment, and is now receiving from the Soviet Union a variety of other equipment of this kind which is being assembled at Kota in order that experience may be gained in their technologies.

The development of the mercantile marine, particularly bulk cargo carriers, has become an immediate necessity to conserve foreign exchange. Discussions of Mr. Raj Bahadur, Minister for shipping, Transport and parliamentary Affairs, in Moscow led to the Soviet acceptance in principle of India's plans to expand her shipbuilding capacity. In the meantime, the Soviet Union will supply both tankers and cargo vessels to India till 1980.

The agreement on scientific and technical cooperation in agriculture, signed in April, to exchange agricultural specialists in order to study latest agricultural development, particularly in Soviet cotton, wheat, rice, and sunflower, is of major significance to India's efforts to reach self-sufficiency in food-grains and agricultural raw materials.

For the past ten years, India and the Soviet Union have been cooperating in space exploration. An agreement was signed in May 1972 for further co-operation. The recent decision by the Soviet Union to provide launching facilities for an Indian satellite from Soviet territory is significant, for India has given up the project of launching a 30-kg satellite for a 250-kg satellite. This indicates some advanced specialisation in the making of satellites.

Another significant agreement of 1972, was a 10-year Indo-Soviet project to study the earth's crust by "deep seismic sounding." These studies are being undertaken for the first time in the country with the objective of preparing tectonic and seismic maps of India. These maps will be useful for planning earthquake proof river-valley projects, bridges and the con-

struction of cities. The project will be carried out by the National Geophysical Research Institute, Hyderabad, in collaboration with the Ukrainian Academy of Sciences, the Geological survey of India, the Oil and Natural Gas Commission, and several Indian universities. These studies will also reveal the formation of revised geological principles governing the distribution of economic minerals and might help in discovering entirely new mineralogical reserves.

These are but the highlights of the varied fields of cooperation that are opening up before the two countries. The first meeting of the joint Indo-Soviet commission is expected to discuss many of the proposals pending before both governments for further cooperation.

INDO-SOVIET TRADE

RUSSIA RE-EXPORTS INDIAN GOODS

The fear that India's rapidly expanding economic relations with the USSR and other East European countries may convert this country into a colonial economy in the near future seems to have intensified lately.

This was implied at the seminar which was organised by the National Alliance of Young Entrepreneurs in December 1972. The impending sittings in Delhi of the recently constituted Indo-Soviet Commission for Economic and Scientific Cooperation has assumed added significance.

The Soviet Union is today India's second largest trading partner being ahead of England, Japan, West Germany and Canada. Since 1953, when the trade turnover between the two countries was merely 13 crores, it has risen to an estimated Rs. 370 Crores in 1972, and to new estimated high of Rs. 410 Crores in 1973.

The agreement provides for about 25 per cent growth in the turnover within five years. Exports of Soviet machinery and equipment including tankers and cargo ships will increase at the end of 1975 by about 35 per cent.

At present, about 70 industrial and other projects have been, or, are being built in India with the cooperation of the USSR. Out of these 50 have already been completed. Some 30,000

Soviet tractors are now working on the fields in India. The Soviet Union has extended credits totalling Rs. 673 Crores as of June 30, 1971 in terms of actual disbursement, and technical assistance to enable India to set up several key industries from precision industries to heavy machine building.

The high level Delhi parleys are expected to devise ways and means to dovetail India's overall planning into that of Russia, a daring exercise which is being undertaken for the first time. Preparatory work for this has already been completed jointly by several teams of experts.

Many in India think that the Rupees payment agreements with Russia and other countries in the Soviet bloc is disadvantageous if not, harmful, to this country. This is because there is no such thing as buying foreign goods with India's money. Eventually India has to give in exchange goods and services for what she buys from Russia.

The disadvantage, it is pointed out, is reflected in switch trade. Experts estimate that at least Rs. 200 crores worth of Indian goods never reach the consumers. They are diverted en route to India's traditional buyers in the West, and sold at a price lower than the international price India would have fetched from a direct sale. This way the Communist countries get hard currency without having to sell their own goods. But India is deprived of hard currency she could easily have earned.

COTTON CONVERSION DEAL

Some months ago, the Swiss Press Review and News Report, Berne, published a despatch, entitled "Indian Textiles and Soviet Trade Exploitation a Warning to Developing Countries". The despatch relates the cause of the hitch over the recent cotton conversion deal whereby India was to process 20,000 tons of Russian cotton into textiles and to export the made-up items of cloth to the Soviet Union. The report alleged that Moscow may resell the end-products to earn hard currency. The report recalls the sad experience of Egypt in this respect.

The Delhi seminar, too, has drawn attention to the acceptability of Russian cotton, conversion charges and prices of the end-products to be exported. It has emphasised the necessity of safeguards for inspection of raw materials prior to shipment, the ability to produce strictly according to specifications

laid down by the suppliers of raw cotton, and delivery schedules. To top it all, the report that the Government subsidises the sale of the end products has gone uncontradicted.

The deal, friends of the Soviet Union say, reverses the colonial practice in that it is an instance of an advanced country supplying raw material to be converted into manufactured goods by a developing country. But the Indian suspicion about switch trading has not been dispelled. On the contrary, it has been strengthened by the Government's recent banning of the export from India of the book "Moscow's Hand in India", written by one of the editors of the Swiss Press Review, Mr. Peter Sager.

Also, Moscow has not cared to answer the long-standing allegation that it re-sells Darjeeling tea (which has no rival) to West Europe through other East European countries. Of late, Russia's tea imports from India have swelled both in volume and value from 20,964,000 kgs. in 1968-69 to 31,934,000 kgs. in 1970-71 and from Rs. 19 crores to over Rs. 26 crores during the three-year period.

The Soviet Union is the second largest buyer of tea, the first being Britain. At the Tea Auction in Calcutta she has almost acquired monopolistic buying of Darjeeling tea which often enables her to dictate prices, if she so chooses. The Russians cannot have a barter deal with West European countries as they have very few things to offer in exchange. By reselling Darjeeling tea they are indirectly conserving gold. By buying at a cheap exchange rate which is much higher than the value of a rouble in the free International market they are earning valuable hard currency. This is the Russian modus vivendi.

The current move to change the present system of tea auctioning, is said to have been started to curb monopolistic buying.

Over the years the trade turnover between Russia and India has resulted in mounting balances in favour of India. The balance which stood at Rs. 12.94 crores in 1960-61 reached a new high point in 1971-72 at Rs. 127.02 crores. This huge balance indicates that the wealth of India is being increasingly drained away in terms of goods.

The time has clearly come to review the arrangements with Russia in the light of persistent criticism. The fifties, when the arrangements were first agreed to, are not the seventies. India's problem then was paucity of foreign exchange without which she found it hard to reconstruct the colonial economy left by the British. And certainly trade with the East European Bloc,

had, as the Planning Minister, Mr. D. P. Dhar pointed out, made a significant contribution to India emerging as an industrial power capable of producing sophisticated items. Denying the critics claim that the principle of balanced trade was a losing proposition for India, Mr. Dhar has said that if the East European nations had insisted upon trade in free foreign exchange, the foundations for India achieving economic independence through rapid development of basic industries would not have been laid, apart from the foreign exchange difficulties that would have arisen.

Few will disagree with Mr. Dhar in his assessment of the contribution of the Soviet bloc. But forging a new pattern of economic and trade relationship with these countries is called for in the context of India's changing development needs and her intensified efforts towards achieving self-reliance.

What the Government cannot possibly afford to overlook is that the pattern of trade with Russia continues to be largely the same as with Great Britain in the colonial days. The traditional items still constitute the bulk of the Soviet purchases, though of late Russia has agreed to include some more manufactured and semi-manufactured items.

The projection is that by 1975 these items will account for some 60 per cent of India's exports to the USSR as against 52 per cent at present. By 1975, again, the share of engineering goods in India's total exports to the Soviet Union is expected to increase by about 15 per cent.

Why, it is asked, should not emphasis be shifted from the import of finished Russian products to that of raw materials that are not available in India? Why, again should India import computers from Russia when that country is known to be very backward in computer technology? India is much advanced in some fields of electronics, and Russia and her neighbours in the Eastern European in other aspects, which, it is suggested, could be linked up for mutual benefit.

The consensus at the Delhi seminar was that the main thrust of India's exports to the Socialist Bloc was in the area of engineering and consumer goods and other non-traditional items. Some 52 million pairs of shoes are imported in the USSR alone every year, and India's share of the market is stated to be only 1.4 million. If it is the declared policy of the Comecon countries

to help developing nations to find their feet surely they could buy labour intensive goods from India in Exchange for things like technology and consultancy?

At the seminar, the Government had to face the criticism that the prices fetched by Indian exports were lower than world prices, and that Indian imports were costlier than for other countries. All that its spokesman could say was that the issue of pricing should be considered in a wider perspective. It is now known why the much publicized Soviet purchases of wagons did not materialize.

But there is criticism on other scores, too. This relates to Russia's offer to buy the products of heavy industries built with her assistance. Apparently, the gesture has come because India does not require these products or cannot use them internally at present or in the near future. This is how a critic illustrate the point:

The Surgical Instruments plant at Madras, built at heavy cost to India, is producing surgical goods which the USSR imports at a cheap price as they have no market in India. Thus the USSR has in the first place avoided the capital cost of a plant of its own, secondly, has sold some machinery to India and finally managed to get cheap Indian labour and goods. This is exploitation, as some critics have pointed out.

All that one would like to say is that before contemplating new horizons of economic collaboration, the Government would do well to have a hard look at the transactions so far made. Have they been entered into on the basis of mutual benefit and equality, which is proclaimed to be the Russian policy?

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