



INDO-SOVIET TRADE RELATIONS

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ABSTRACT

Indo-Soviet trade relations are very old. Soviet Union and Great Britain signed a trade agreement on March 16, 1921. Under this agreement India exported rice, tea, spices, dyes, and jute. Imports constituted oil and oil products (Kerosene and Petrol). However, the volume of the total trade was negligible. Efforts at increasing the trade turnover started only after India's independence. The two countries signed a barter trade agreement in June 1951¹. Under the agreement Soviet Union agreed to supply to India wheat in exchange for tea, tobacco and jute. India participated in the international economic conference held in Moscow in 1952². It was stated in the conference that trade payments can be made in the local currency of the country concerned in its trade with the Soviet Union. Since USSR was not a member of the GATT Indo-soviet trade was conducted as per the terms of the bilateral trade agreements. The first comprehensive long term trade agreement between India and Soviet Union was signed in December, 1953. The agreement covered a period of 5 years. Since then the two countries have signed 6 such agreements up to 1985. From 1953 onwards trade relations between the two countries began to develop rapidly. Moreover, with the extension of Soviet credits to India trade turnover began growing steadily. In November, 1958 India and the Soviet Union signed the second five year trade agreement. The agreement provided for the expansion of trade between the two countries. The agreement made provision for establishment of a central Soviet account with RBI to facilitate the Soviet trade operations³. Before 1959 commercial and non-commercial transactions were made in Indian rupee or pound sterling. There was a provision for each country to convert the balance in rupee account into pound-sterling at the usual bank rate for the sterling. The second trade agreement introduced a new clause. According to this clause all commercial and non-commercial transactions will be made in Non-Convertible Indian Rupee⁴. Any deficit in the trade balance of either of the two countries should be made up only with further increase in its exports. This clause of the second trade agreement made both countries to increase the trade turnover. After 1959, Sino-Soviet relations began to deteriorate owing to the political difference between these two countries. This gave a further momentum to the Indo-Soviet trade. Earlier Soviet Union was importing goods like, food stuffs, oil seeds, hides and skins, textile products etc., from China. Now India was exporting these goods to Soviet Union⁵. Apart from this, Soviet Union also waived off tariffs on goods imported from developing countries including India since 1965. Also, in 1966, India and Soviet Union signed a protocol under which the Soviet foreign trade organizations agreed to sell goods on commercial credit terms⁶. These gave a further boost to the Indo-Soviet Trade. Apart from these measures, the Soviet Union aid to India also contributed to the expansion of trade. Many industries built with the help of Soviet Union imported machinery and equipment from Soviet Union. Due to these sustained efforts to expand the bilateral trade, by both the countries, the trade turnover which was just Rs. 1.75 crores in 1953-54 increased to Rs. 347.5 crores by the end of 1969-70⁷. Imports from Soviet Union increased from Rs. 0.60 crores in 1953-54 to Rs. 171.3 crores and exports from Rs. 1.15 crores to 176.2 crores. The Fourth trade agreement signed in December, 1970⁸, provided for 15 per cent annual growth in both exports and imports from the Soviet Union. The Agreement added a new clause to increase the trade

turnover. Under Article XII of the agreement the two countries would cooperate in setting up of joint ventures in the third countries, both for expansion of trade and for setting up of new industries. India would supply equipment to such projects.

KEYWORDS: oil products , trade turnover , trade agreement.

INDO-SOVIET TRADE SINCE 1971

By the end of 1969-70 Soviet Union emerged as one of India's most important and largest trading partners and India enjoyed a surplus balance of trade. The conclusion of Treaty of Peace, Friendship and Cooperation in 1971, gave a solid political foundation to the economic cooperation between the two countries; Article VI of the treaty says : 'Attaching great significance to economic, scientific and technological cooperation between them, the high contracting parties will continue to consolidate and expand trade.. Between them on the basis of... mutual benefit and most favoured nation treatment, subject to the existing agreements... as specified in the Indo-Soviet trade agreement of 26 December, 1970⁹.

India and Soviet Union signed a trade protocol in 1972¹⁰. Both the countries agreed to set up a Joint Committee of the foreign trade ministries of the two countries to explore the possibility of trade expansion between the two countries. In addition to other items Soviet Union agreed to supply over 2 lakh tons of fertilizers. The Protocol was significant in the sense that, Soviet Union agreed to supply a number of items like zinc, copper, newsprint, fertilizers etc. previously these items were imported from USA under its non project aid¹¹. As USA suspended aid in 1971, supply of these commodities by Soviet Union represented a reduction in the adverse impact of aid suspension. Moreover, as these new items are to be paid through exports to Soviet Union, trade with USSR would considerably increase over time. However, no commitment was made for the supply of crude oil to India. Owing to the oil crisis crude oil was in great demand in India.

During the visit of Breznev to India in 1973, the two countries signed an agreement for a period of 15 years, for further development of economic cooperation and trade between them. In the Joint communiqué issued at the end of Breznev's visit the two sides committed to increase their efforts to ensure an increase of the order 50 to 100 percent in trade before 1980¹². The highlight of the trade plan for 1974 was that Soviet Union agreed to increase the supply of some important commodities to India. These commodities were kerosene (One million tonnes) diesel (one lakh tonnes), fertilizers (3, 25,000 tonnes), asbestos (35,000 tonnes) news print (45,000 tonnes). Apart from these Soviet Union agreed to supply sunflower oil to help India's Vanaspati industry, which was in a crisis. Indian exports constituted apart from the traditional items, storage batteries, surgical instruments, power cables, hand tools and garage equipment¹³.

Due to these concerted efforts by both the countries, Indo-Soviet Trade has grown phenomenally (see Table-1). The two way trade increased from Rs. 296.02 crores in 1971-72 to Rs. 540.74 crores in 1973-74 and then to a record 830 crores in 1974-75. The share of the Soviet Union in India's global trade increased from 8.62 percent in 1971-72 to 10.57 percent in 1974-75. The share of the exports to the Soviet Union increased from 12.97 percent in 1971-72 to 15.46 in 1972-73.

Table 1: Trade with USSR and Rest of the World

Year	India's Global Trade		Trade Balance	Trade with USSR		Total Balance
	Exports	Imports		Exports	Imports	
1970-71	1535.16	1634.20	-99.04	209.85	106.13	+103.72
1971-72	1608.22	1824.54	-216.32	208.70	87.32	+121.38
1972-73	1970.83	1867.44	+103.39	304.82	114.37	+190.45
1973-74	2523.40	2955.32	-431.92	286.01	254.73	+31.28

1974-75	3329.00	4519.00	-1190.00	421.00	409.00	+12
1975-76	4043.00	5265.00	-1222.00	417	310	+107
1976-77	5176.00	5074.00	+72.00	454	316	+138
1977-78	5404.00	6025.00	-621.00	657	446	+211
1978-79	5726.00	6814.00	-1088.00	411	471	-59
1979-80	6459	8908	-2449	638	824	-186
1980-81	6711	12524	-5813	1226	1014	+212
1981-82	7803	13671	-5868	1505	1156	+349
1982-83	8908	14356	-5448	1558	1513	+45
1983-84	9865	15763	-5898	1305	1659	-354
1984-85	11396	16592	-5196	1635	1740	-105

Source: DGCI & S Monthly Statistics of the Foreign Trade of India, Calcutta, Various issues.

But came down to 12.64% by 1974-75. However, the share of imports increased from 4.78% in 1971-72 to 9.05% in 1974-75.

India and Soviet Union signed a long term trade agreement (fifth) in April, 1976, covering the period 1976-80¹⁴. The agreement envisaged, at constant prices, a trade turnover of more than Rs. 1000 crores by 1980. The new trade provisions were worked out at 1975 prices. The agreement provided for the continuation of the Rupee payment. Among export items, India would export apart from the traditional items like tea, coffee, oil cakes, etc. non-traditional items like electronics instruments and components, cables, drugs, freight containers, etc. Imports from Soviet Union included oil drilling equipment, kerosene and diesel oil, fertilizers, non-ferrous metals, newsprint, machinery and components, etc. It is to be noted that the import list does not represent any radical change. The much wanted crude oil was not included in the list. However trade in absolute terms decreased in the years 1975-76 and 1976-77. From Rs. 830 crores in 1974-75, it went down to Rs. 727 crores in 1975-76 and Rs. 770 crores in 1976-77. However, exports increased from Rs. 421 crores in 1974-75 to Rs. 454 crores in 1976-77. But imports from Soviet Union went down to Rs. 316 crores in 1976-77 from Rs. 409 crores in 1974-75.

Through exports increased in value terms, the share of the Soviet Union in India's total exports came down sharply. From 12.64% in 1944-75 the share of the Soviet Union provided an assured market for the Indian goods in the wake of worldwide economic recession and increasing protectionist tendencies in the other developed markets.

During the visit of Soviet Deputy Foreign Minister to India in December, 1976 Soviet Union and India signed a trade protocol. The important aspect of the protocol was that, it provided for Soviet supply of crude oil in exchange for Indian pig iron. Soviet Union has agreed to supply 5.5 million tonnes of crude oil during 1977-80, one million of it in 1977 and 1.5 million tonnes each year in 1978, 1979 and 1980. The cost of the crude oil would be matched by a supply of additional 4 lakh tonnes of pig iron from India¹⁵. Supply of crude oil helped the trade between the two countries to expand rapidly. Moreover, India was saving scarce foreign exchange. Since a high degree of self-reliance achieved in the heavy industry has shifted India's demand away from Soviet capital goods¹⁶, supply of crude oil helped the trade between the two countries to expand rapidly. Thus there was an increase in trade turnover. It increased from Rs. 770 crores in 1976-77 to Rs. 1103 crores in 1977-78 and to Rs. 1462 crores in 1979-80. However, there was decrease in the trade turnover in 1978-79. From Rs. 1103 crores in 1977-78, it went down to Rs. 882 crores in 1978-79. The decrease was due to sharp decrease in India's exports to Soviet Union. From Rs. 657 crores in 1977-78 exports declined to Rs. 411 crores in 1978-79. But increased to Rs. 638 crores by 1979-80. But imports from Soviet Union increased

steadily from Rs. 316 crores in 1976-77 to Rs. 824 crores by 1979-80. The increase in the imports was mainly due to crude oil imports. In 1979-80 alone crude oil constituted 34.39% or Rs. 283.5 crores. Similarly, the share of the Soviet Union in India's global trade increased from 7.51% in 1976-77 to 9.51% in 1979-80. The increase in the share of the Soviet Union in India's exports, however, was only marginal from 8.77% in 1976-77. It has grown to 9.87% in 1979-80. But the increase in the share of the Soviet Union in India's total imports was impressive. From 6.22% in 1976-77 its share increased to 9.25% by 1979-80.

In December, 1980, India and Soviet Union signed the sixth long term trade agreement¹⁷. The two sides committed to double the trade turnover by 1985. The agreement provided, Soviet imports for the period 1980-85 mainly of machinery, equipment and spare parts, crude oil the petroleum products, fertilizers and chemical products and ferrous and non-ferrous metals. Soviet Union agreed to increase the crude oil supplies by one million tonnes per year from 1.5 million tonnes to 2.5 million tonnes and that the petroleum products from 1.9 million tonnes to 2.25 million tonnes annually¹⁸. Due to the steep increase in the oil process in 1979, increase in the supplies of oil and related products relieved India from foreign exchange crisis. Moreover, India was in search for new sources of oil due to the conflict between Iran and Iraq which together supplied 70 percent of India's oil imports. Under these circumstances a stable source of supply of oil was essential for India, which was provided by USSR.

Increase in oil supplies and an expansion in the Soviet demand for Indian agricultural products and consumers goods such as cosmetics etc.¹⁹, increased the trade turnover between the two countries in the eighties. Thus, total value of the trade increased from Rs. 2240 crores in 1980-81 to Rs. 3071 crores in 1982-83. Soviet Union's share in India's global trade steadily increased from 11.64% in 1980-81 to 13.20% in 1982-83. However, increase in Indian exports was more than the imports. Exports increased from Rs. 638 crores in 1979-80 to Rs. 1558 crores in 1982-83. Increase in Indian imports was also impressive. They increased to Rs. 1513 crores by 1982-83 from Rs. 824 crores in 1979-80. The share of the Soviet Union in India's total exports increased from 9.87% in 1979-80 to 17.48% in 1982-83. Similarly, Soviet Union's share in India's total imports rose to 10.53% in 1982-83. But the year 1983-84 experienced a reversal in this trend, mainly due to a sudden decline in Soviet demand for Indian products in 1983 to correct the large trade imbalance that had accumulated in favour of India²⁰. Indian exports to Soviet Union declined from Rs. 1558 crores in 1982-83 to Rs. 1305 crores in 1983-84. At the same time imports increased marginally. The total trade turnover for the year was only Rs. 2964 crores, 3.48% less than previous years turnover. However, due to the persistent efforts by both the countries this trend was reversed. In 1984-85 Indian exports to Soviet Union increased considerably. From Rs. 1305 crores in 1983-84 to Rs. 1635 crores in 1984-85. Imports also increased to Rs. 1740 crores in 1984-85. Thus the total trade turnover increased to Rs. 3375 crores in 1984-85 constituting 12.05% of India's global trade.

TRADE SURPLUS

The most significant aspect of India's trade with Soviet Union was the trade surplus accumulated over the years in favour of India. India enjoyed surplus in her trade with the Soviet Union in as many of 11 years in the 15 years period since 1970-71. As a result India accumulated a large trade surplus amounting to Rs. 815.83 crores after accounting for the negative trade balance in the remaining four years. As this trade surplus was in non-convertible Indian Rupees, it was argued that the surplus in the trade balance in favour of India virtually amounts to interest free loan to Soviet Union. Moreover, the trade surplus cannot be converted into the required development imports. The very fact that India's imports were far less than the exports means that Soviet Union was not in a position to meet the India's import requirements. Thus, it was argued that rupee trade was suffering from 'inconvertibility of currency and inconvertibility of commodity'²¹.

However, when viewed in the context of commercial and non-commercial transactions made under rupee payment agreement, trade surplus, in India's favor does not pose any serious problems. One important component of the trade surplus was the repayment of loans by India extended to her by the Soviet Union during the period 1971-85. India repaid amortization and interest amounting to Rs. 544.95 crores. At the same time surplus on the trade account was Rs. 815.83 crores. If we deduct the credit

repayments from the trade surplus the net trade surplus amounts to only Rs. 204.85 crores. Secondly, part of the explanation for the surplus can be attributed to the payment for defence purchases. However, the purchase of defence equipment by India from the Soviet Union was not shown in the trade account. India paid for these items through exports. The 'special payment arrangement has in effect meant that trade is balanced in terms of payments'²².

Thus India does not have any serious problems from the balance of payments account. India and Soviet Union have intensified their efforts to correct whatever the surplus that remained. In this effort, the federation of Indian chambers of commerce and industry and the associated chambers of commerce and industry also took part because of the importance of the Soviet market for India's exports²³.

RUPEE-ROUBLE EXCHANGE RATE

Indo-Soviet trade under Rupee payments arrangements was affected by Rupee-Rouble exchange rate. After devaluation of Rupee in 1966, the exchange rate was fixed at 12 Rouble per Rs. 100. In 1971, following the collapse of Brettonwood agreement, exchange rates of different currencies was delinked from the Gold Parity. The determination of the exchange rates was left to the market forces. At this time Soviet Union arbitrarily changed to Rupee-Rouble exchange rate to 11.39 roubles per Rs. 100. In 1974, the exchange rate was further changed to 9.5 Roubles per Rs. 100, which was further changed to 8.6 roubles in March, 1975²⁴, raising controversy in India.

It was argued by the Soviet Union that the Rupee-Rouble exchange rate should be governed by the same principles that governed other currencies with which its (Rupee) value depreciated considerably. India argued that determination of exchange rate by the Soviet Union was not always on the commercial grounds as the role of foreign trade in the Soviet economy was not the same as in India which has a market economy.

In 1978, India and Soviet Union came to an understanding on this controversy. A Protocol was signed on November 25, 1978 which fixed the exchange rate at Rs. 100 per 10 roubles²⁵. According to the agreement, 'the extent, of devaluation of the Rupee vis-à-vis its 1966 level was about 20% whereas on the cross-rate basis the devaluation should have been around 40%'²⁶. The new exchange rate will be adjusted from time to time depending on the change in the value of the Rupees in terms of a basket of currencies, with which India Rupee was linked. However, the adjustment will be made only if change in the value of Rupee exceeds three percent. Further, according to the Protocol, Soviet Union agreed to the repayment of the additional Indian liabilities over a period of 45 years without any interest²⁷.

However, Rupee-Rouble exchange rate has not affected India's trade growth with Soviet Union. Since world market prices were used as a basic of prices of imports and exports between the two countries which means that first the price was negotiated in hard currency and then converted into Rupee at the current exchange rate²⁸. But changed exchange rate was relevant for two kinds of transactions. Firstly goods supplied by the Soviet Union on credit. India receives huge credits for the purchase of armaments. Secondly, for the settlement of invisible transactions.

COMMODITY COMPOSITION OF INDO-SOVIET TRADE

Beside volume, the utility of trade depends on the type of commodities exported and imported. They influence the economic growth and also further trade. India's trade pattern with Soviet Union has changed over the period of time. The various trade agreements signed between 1970 and 1985 have emphasized expansion of exports of traditional items and also the expansion of non-traditional exports from India.

COMPOSITION OF EXPORTS

Indian exports to the Soviet Union are well diversified (Table-2). Exports constituted traditional products like tea, coffee, spices etc., and manufactured goods such as cotton textiles, garments, leather manufactures, foot wear, iron and steel etc.

Table 2: Share of selected Indian Exports to the USSR

S.No.	Commodity	1969-70	1974-75	1979-80	1984-85
1	Tea	13.54	14.10	12.62	16.08
2	Oil Cakes	2.31	2.65	0.03	-
3	Cashew Kernel	14.01	17.27	6.74	0.26
4	Tobacco (unmanufactured)	3.65	4.09	4.59	3.35
5	Cotton piece Goods	3.68	5.58	6.66	7.76
6	Jute Manufacturers	12.42	14.02	11.39	11.21
7	Leather and Leather manufacturers	11.14	7.68	10.83	8.13
8	Coffee	3.50	4.45	7.46	3.27
9	Spices	5.37	3.12	2.73	2.46
10	Mica	2.21	1.69	1.54	0.53
11	Medical and Pharmaceutical Products	0.34	0.97	5.80	5.91
12	Clothing	4.48	5.43	8.27	8.79
13	Electrical machinery, Apparatus and Appliances	0.23	1.88	2.95	3.64

Source: DGCI & S, Monthly Statistics of the Foreign Trade of India, Calcutta, Various issues.

Exports have shown relative stability. As shown in the Table-2, the share of 13 major exports varied between 71.39% in 1984-85 and 82.93% in 1974-75. The two years represent highest and lowest shares of these commodities. Out of these 13 commodities cashew kernel, oil cakes, and mica have lost their significance by the end of 1984-85. The share of the cashew kernel was 14.01% in 1969-70. It went upto 17.27% in 1974-75. But thereafter it declined considerably and by the end of 1984-85 its share in the total exports became insignificant.

The share of the tobacco and coffee and jute goods was almost constant though there was an insignificant variation. Jute goods, accounted for 12.42% in 1969-70. It increased to 14.02% in 1974-75 but decreased to 11.21% in 1984-85. Similarly, the shares of tobacco and coffee varied between 3.65% and 3.50% respectively in 1969-70 and 3.35% and 3.27% in 1984-85, though both the items registered an increase in 1974-75 and 1979-80.

There was constant decrease in the shares of the leather and leather manufactures. The item shared 11.14% of the total value of the exports in 1969-70 but declined to 7.68% in 1974-75. However, it rose to 10.83% in 1979-80 only to fall to 8.13% in 1984-85.

The most important item of the Indian Exports was tea. It improved its share in the total exports to Soviet Union. From 13.54% in 1969-70. Its share increased to 14.10% in 1974-75. Though it registered on decrease in its share in 1979-80 it improved considerably by 1984-85 constituting 16.08% of the total value of the India's exports to USSR.

Pharmaceutical products and electrical goods increased their share considerably. Pharmaceutical products, whose share was a mere 0.34% in 1969-70 increased constantly over the years. By the end of 1984-85 its share was 5.91%. Similarly, electrical goods too rose from a low share of 0.23% to 3.64% in 1984-85. Also cotton piece goods and clothing (material and accessories) bettered their position impressively. Share of these two items increased from 3.68% and 4.48% respectively in 1969-70, to 6.66% and 8.27% in 1979-80 and by 1984-85 their share further increased to 7.76% and 8.79% respectively.

Thus, there was an improvement in the performance of the manufactured items in the total exports of Soviet Union. Some of the traditional items like cashew kernel, oil cakes, mica, spices, etc., have become insignificant. Apart from these, some of items like light engineering goods, tyres, paint and synthetic products etc. have entered into Indian exports to the Soviet Union.

IMPORTS

Imports from the Soviet Union, as shown in the Table-3 have undergone a radical change. The table shows the share of 10 major import items.

The share of the petroleum products has increased tremendously. From 5.23% in 1969-70 its share has increased to 34.39% in 1979-80 and to 44.32% by 1984-85. The share of the fertilizers barring 1974-75 was almost stable, in 1969-70; its share was 2.02%. Its share rose to a phenomenal high of 22.51% in 1974-75 and came down sharply to 2.62% and 2.89% in 1979-80 and 1984-85 respectively.

All the other items registered decreasing share in the total value of the imports. The decrease was phenomenal in the case of machinery other than electrical goods. From a high of 43.53% in 1969-70, it came down steadily to 7.31% by 1984-85. Iron and steel which constituted 4.46% of the total imports became virtually non-existent by registering just 0.09% in 1984-85 similarly.

Table 3: Share of selected Indian Imports from USSR

S.No.	Commodity	1969-70	1974-75	1979-80	1984-85
1	Crude Petroleum	5.23	N.A.	34.39	44.32
2	Fertilizers manufactured	2.02	22.51	2.62	2.89
3	Paper, Paper Board	3.42	3.82	1.36	1.85
4	Iron and Steel	4.46	4.42	0.51	0.09
5	Non-Ferrous metals	1.34	5.09	1.57	2.29
6	Machinery other than electrics	43.53	11.12	5.93	7.31
7	Electric machinery	3.13	2.09	1.15	0.70
8	Transport equipment	0.72	0.76	5.20	0.10
9	Professional and Scientific Instruments	0.39	0.67	0.07	0.08
10	Manufacture of metals	0.47	0.42	0.08	0.44
	Total	64.71	50.09	52.88	60.07

Source: DGCI & S, Monthly statistics of the Foreign Trade of India, Calcutta, Various issues.

The share of paper and paper board too decreased from 3.42% in 1969-70 to 1.36% by 1979-80. But since then it had improved slightly in increasing to 1.85% in 1984-85. Electric machinery whose share was 3.13% in 1969-70 declined steadily to 0.70% by 1984-85.

However, non-ferrous metals were the only item apart from crude oil which registered an increase in its share. From 1.34% in 1969-70 its share increased to 2.29% by 1984-85.

To conclude India's imports from the Soviet Union were mainly intermediate products like fertilizers and petroleum products. Soviet Union was also supplying a number of vital commodities. However, their share in the value of the total imports came next only to crude oil. Exports mainly consist of primary products (Though their share was decreasing slowly) and products of agro based light industries. The increase in the share of the manufactured products like pharmaceuticals was highly encouraging.

Thus in terms of commodity composition, India's trade with the Soviet Union does not reflect the classic pattern of trade between developed and developing countries. The study of structure of trade shows that with its exports India was able to secure essential imports particularly oil, from the Soviet Union. These imports have been important for India's economic development. However, since trade between the two countries was governed by the international market prices, which were exorbitantly high for the capital intensive commodities and were very low for the traditional imports, the possibility of unequal exchange had increased.

INDO-SOVIET COOPERATION AND INDIAN ECONOMY

Economic assistance from Soviet Union had played a vital role in India's economic development. Soviet Union's assistance was in the form of loans. An important feature of the Soviet credits to India was the Amortisation and interest payments were made in Indian Rupee or through exports of goods to Soviet Union. The total amount of the Soviet aid authorized and utilised during 1971-85 was Rs. 838.6 crores and Rs. 749.8 crores (including Rs. 202.3 crores of wheat loan of 1973-74) respectively (see Table-4). The repayments in the same period amounted to Rs. 544.95 crores (excluding the wheat loan of 1973-74). The net aid amounted to only Rs. 204.85 crores. However, since repayment of Soviet aid was tied to exports from India to the country, repayment does not strain the foreign exchange position of India as in the case of aid from USA. The utilization of aid from the Soviet Union was very low. If we exclude the utilization of the wheat loans,

Table 4: Assistance from Soviet Union

Year	Authorization	Utilisation	Debt. Repayment Amortisation + interest	Net aid 2-3
1971-72	-	14.0	30.01	-16.01
1972-73	-	9.5	59.67	-50.17
1973-74	-	164.7	55.38	+109.32
1974-75	-	148.9	54.87	+94.03
1975-76	-	26.9	52.76	-25.86
1976-77	-	26.3	50.11	-23.81
1977-78	208.3	25.7	47.35	-21.65
1978-79	-	21.6	39.97	-18.37
1979-80	-	34.0	35.09	-1.09
1980-81	485.7	32.9	31.40	+1.5
1981-82	-	22.6	25.10	-2.5

1982-83	-	40.0	21.24	+18.76
1983-84	-	74.7	20.92	+53.78
1984-85	144.6	108.0	21.08	+86.92
Total	838.6	749.8	544.95	204.85

Source:

- GOI, Ministry of Finance, Economic Survey (annual) various issues
- R.B.I. Report on Currency and Finance Vol.II (annual). Various issues.
- GOI, Ministry of Finance, External Assistance (annual), various issues.

The Utilisation of the aid was only 65.28 percent of the authorized amount during the period 1971-85. There has been not only low utilization of the Soviet loans but also accumulation of a large amount of unutilized loans. The total Soviet aid undisbursed as on April, 1985 amounted to Rs. 604.29 crores. Utilisation of the loans sanctioned during 1971-85, was only about Rs. 266.98 crores i.e., just 31.83 percent²⁹. (Utilized amount shown in the table includes utilization of the loans sanctioned before 1971-72 also). The reason for the low utilization of the aid was attributed to the changed Indian requirements³⁰ i.e. from Heavy Industry to consumer goods industry. The larger availability of the soviet loan shows the 'Political willingness of the Soviet Union to help India but economic dynamism of the Indian economy'³¹ was allowing little room for the fuller utilization of the aid.

Purpose wise Contribution of the Soviet Aid

Benefits from aid depend on its contribution to the development of different sector of the economy. Impact of the aid will be greater, if the aid was given to and utilized for the development of priority sectors of the economy. Soviet aid as shown in the Tables-5 & 6 was utilised for the development of Industrial Sector of the Indian Economy. Major part of aid during 1971-85 was utilized for the completion.

Table 5: Purpose-wise Authorisation of Soviet Aid

Year	Transport and Communication	Power Project	Steel & Steel Project	Industrial Development	Agricultural Development	Miscellaneous
1971-72	-	-	-	-	-	-
1972-73	-	-	-	-	-	-
1973-74	-	-	-	-	-	-
1974-75	-	-	-	-	-	-
1975-76	-	-	-	-	-	-
1976-77	-	-	-	-	-	-
1977-78	-	-	-	208.32	-	-
1978-79	-	-	-	-	-	-
1979-80	-	-	-	-	-	-
1980-81	-	-	-	432.27	-	-
1981-82	-	-	-	-	-	-
1982-83	-	-	-	-	-	-

1983-84	-	-	-	116.66	-	-
1984-85	-	-	-	-	-	-
Total	-	-	-	757.25	-	-

GRAND TOTAL: 757.25

Source: Reserve Bank of India, Report on Currency and Finance Vol.II (annual), various issues.

Table 6: Purpose-wise Utilisation of Soviet Aid (Rs. In Crores)

Year	Transport and Communication	Power Project	Steel & Steel Project	Industrial Development	Agricultural Development	Miscellaneous
1971-72	-	-	8.44	6.56	-	-
1972-73	-	-	4.28	4.24	-	-
1973-74	-	-	.87	12.92	-	-
1974-75	-	-	1.21	13.15	-	-
1975-76	-	-	.83	25.81	-	-
1976-77	-	-	4.24	21.61	-	-
1977-78	-	-	-	24.19	-	-
1978-79	-	-	-	21.52	-	-
1979-80	-	-	-	34.24	-	-
1980-81	-	-	-	32.91	-	-
1981-82	-	-	-	22.59	-	-
1982-83	-	-	-	46.11	-	-
1983-84	-	-	-	90.19	-	-
1984-85	-	-	-	139.25	-	-
Total	-	-	19.87	495.29	-	-

GRAND TOTAL: 515.16 Crores

Source: Reserve Bank of India, Report on Currency and Finance Vol.II (annual), various issues.

And expansion of the projects already agreed. The following areas of the Indian economy benefitted from the Soviet aid.

Iron and Steel

Iron and Steel Industry utilized considerable part of the Soviet aid during the period under study. Much of this aid had been utilized for the expansion of Bhilai and Bokaro steel projects. Bokaro started to produce steel and rolled stock in 1975³², and after 1978 work began for expanding its yearly output to four million tonnes of steel. The programme for the expansion of the Bokaro plant was carried out in accordance with the Indo-Soviet Protocol signed in 1970. By June, 1985 the proposed expansion of the Bokaro Steel Plant (4 million tonnes annual capacity) was completed. While the construction of the iron and steel works at Vizag, utilizing the latest technology from the Soviet Union was started in February, 1982.

Non-Ferrous Metallurgy Industry

Cooperation in the field began in December, 1966³³ with the signing of an agreement for the construction of an aluminum works in Korba Madhya Pradesh. Korba is the first public sector plant in the Aluminium industry. Its construction was completed in January, 1982. In addition to the Korba, Soviet Union has assisted in carrying out a number of projects in the Non-ferrous metal making industry. The agreement signed in December, 1980³⁴ provided for Soviet aid in the construction of a bauxite-aluminium complex in Andhra Pradesh with an annual output of 2.3 million tonnes of bauxite, and 6 lakh tonnes of aluminium.

Heavy Machinery Industry

This is a very important industrial sector for the development of the economy. This sector produces capital goods which are used for producing consumer goods. It plays an important role in achieving self-reliance of the country. Soviet Union helped India in setting up Heavy Machine Building Plant at Ranchi with a capacity of one million tonnes of equipment. This plant provides the equipment for the expansion programmes of Bhilai and Bokaro steel plants. In 1976 Soviet Union assisted the Ranchi Plant to set up a design institute for metallurgical equipment. This helped the plant to manufacture new types of machines and in improving quality of its products.

Heavy electrical plant at Hardwar and mining equipment plant at Durgapur were the other important projects built with Soviet assistance. During 1970's Soviet Union helped these plants in utilizing their full capacities and in manufacturing new types of machines and equipment.

In 1976, Heavy machine building plant at Ranchi and the Durgapur mining equipment plant received large orders for the delivery of 22,000 tonnes of metal making equipment for projects being built with Soviet aid in Third Countries³⁵. During 1980-86 contracts for the delivery of more than 50,000 tonnes of various equipment of Soviet Union were signed with these plants³⁶.

These orders from Soviet Union helped to tide over the crisis of under-utilized capacities in Indian Industry.

Power

Development of the power industry is important for the development of other industries. Soviet Union helped India in the construction of a number of thermal and hydro-electric projects. During the period 1971-85 a total of five power projects were built with the help of Soviet Union are commissioned. In 1971 two thermal power stations, Obra in UP and PATRTU in Bihar were commissioned. Lower Sileru Hydro-power station in Andhra Pradesh with a capacity of 230 MW and Balinela Hydro-power station in Orissa with a capacity of 40MW were commissioned in 1976. In 1976, another Hydro-power station in Karnataka was commissioned³⁷. However, the share of the power industry in the total Soviet aid was negligible when compared to the Steel Industry.

Oil Industry

Soviet Union has helped India in oil exploration and extraction and also oil refining with the Soviet assistance oil and Natural Gas Commission (ONGC) was set up in 1956. Since then Soviet Union has helped India by supplying oil drilling equipment and other materials. In 1974 Soviet Union supplied an oil drilling rig to the ONGC for its exploration work in Iraq. Indo-Soviet joint research made it possible for the first time, to produce a scientific estimation of the oil and gas reserves in the whole country. In 1976 it was estimated that India had 14 billion tonnes of hydro-carbon reserves including 7.5 billion tonnes of oil and 6.5 trillion cubic meters of Natural Gas³⁸.

Soviet Union agreed to assist India to set up Mathura Oil Refinery in 1973, with a capacity of processing six million tonnes of oil every year. It was put into operation in 1983. However, the share of the Soviet Union economic and technical assistance was much smaller than the two refineries built with its help in the past. Only a part of the equipment was supplied by Soviet Union. India made use of licences got from USA to design equipment for secondary refining of oil which includes purification of kerosene, aircraft

turbine fuel, liquefied gas and naphtha. As a result the share of the Soviet Union in the overall cost of construction of this refinery was only 20 percent³⁹.

Coal Industry

With the assistance from Soviet Union a number of coal mining projects were set up in India. In 1973 Soviet Union prepared a detailed design of open cast mine at Jayant with an annual output of 10 million tonnes, another at Ramgarh with a capacity of 3 million tonnes of coking coal each year. Under the inter-government agreement signed in 1980, Soviet Union provided assistance for three coal mining projects; The open-cast mine with an annual output of 14 million tonnes in the Singrauli coal fields, Jharia coal field with an annual output of 12 million tonnes and the Jhanjra pits in the Ranigunj coal field with a capacity of 2.8 million tonnes⁴⁰.

Soviet aid in the development of the coal mining industry helped the expansion of India's energy supply base.

Others

Besides the above mentioned areas Soviet Union has also extended cooperation in agricultural development. The inter-governmental agreement signed in 1971 provides for Joint research and development work in crop production, pest control and improvement in livestock farming and breeding. So far, during the period of study, Soviet scientists have helped India with a new cotton variety, commonly known as Varalakshmi. Due to its per hectare yield, capability, it has become wide spread in India.

In the field of transport Soviet Union helped India's first underground railway line in Calcutta. As agreed in a protocol signed in 1974. Soviet Union supplied two 5.5 meters tunnel shields 3000 tonnes of metallic steel and other essential materials. In October, 1984 a four kilometer section of the proposed 17.5 kilometer railway line was put into service.

Thus in trade, Soviet Union provided a stable and expanded market to the Indian goods despite wide fluctuations in some years. Indian goods, which faced stiff competition in the international market from other developing countries, have benefitted from the trade relations India had with Soviet Union. Soviet market had been particularly important for Indian businessmen in the context of growing protectionism in the USA and other developed countries. Also, Soviet Union as a source of crude oil, fertilizers, capital and technology proved to be beneficial to India. Imports of these commodities from Soviet Union had saved India avert foreign exchange crisis to some extent. Similarly, Soviet Union too benefitted from its economic relations with India. India was the most stable and large scale supplier of the goods in demand in the Soviet market, among the third world countries. Soviet Union had been able to save a considerable amount of hard currency due to its trade relations with India.

The mutual benefits flowing from the economic ties have been substantial for both the countries. These benefits have sustained the Indo-Soviet relations at a reasonable high level.

FOOT NOTES

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