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ROLE OF SOVIET IN THE INITIAL INDISTRIALIZATION OF INDIA –A HISTORICAL OVERVIEW

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ABSTRACT:
The role of Soviet in the initial industrialization is remarkable. Even though, Soviet doubted India's non-alignment policy and her occasional nearness to USA, Soviet continuously extended her economic aid and support to India. In the industrialization of India Soviet provided technological knowhow and loan facilities to India. However, most of the products of industrial development in India were exported mostly to Soviet alone. By entering the economic sphere of India, Soviet also aspired to enter her economic domain into the Third World Countries. Further, the machinery item imported from Soviet were no sophisticated in comparing with the Western counties. By providing economic support, Soviet also attempted to check the growth of Western influence especially the domination of USA in the third world countries like India.

KEYWORDS: *Soviet, USSR, USA, India, Five Year Plan, Goods, Multinationals, Western, Economic Relations.*

INTRODUCTION

Irrefutably, there prevailed active undercurrents that developed into an inter-relationship of the economic and the political elements of the Indo-Soviet relations. The political aspect of the relationship paved the way for insights into the increased economic relations between India and Soviet . These relations reached pinnacle on the eve of the Soviet disintegration.

The Soviet planning experience had become conventional wisdom for Indian political and economic scientists in pre-independence days. The Bombay Plan of 1944 attested it .This Plan urged the need for planning as a strategy as well as the need for a major role of the public sector in the development of heavy industry.

According to P.C. Mahalanobis (1953) , an option was opened to India was an industrializing economy -.This option was similar to the Soviet strategy. India determined to import capital goods (machine tools) to make capital goods which in turn are used to make other capital goods, investment goods and so on.

Soviet and East European aid was necessary to the implementation of the Indian development strategy . For a while, the Second Plan encouraged industrial investment. During the First Plan period, the first loan was accorded for the Bhilai steel plant and it was extended in early 1955 The planned nature of both economies induced the Soviets to commit project aid for the duration of a whole five-year plan period, and extend project aid for investments of an "interlocking character" . By that, Soviet expected that the Indian economy could achieve an independent technological capability in rudimentary and major goods. Every Five-year Plan ensured Soviet loan. The Second (1956-61), Third (1961-66), Fourth (1969-74) and the Seventh Plan (1985-90) got impetus because of the Soviet loan .

Soviet aid helped much for the growth of Indo-Soviet trade in the 1950s and 1960s and 1980s. Because of the Soviet aid India imported 82.4 per cent of goods from the USSR between 1956-1957 and 1960 , and 66.1 per cent between 1961-1962 and 1965-1966.[1] That share fell noticeably from the late 1960's and rose again in the 1980's because of the Russia's extension of several new loans since 1977. By providing these loans , Soviet encouraged India to import more Russian machinery and equipments. This policy was cleverly implemented by Soviet Likewise the credits received during 1950s and 1960s also impelled India to export more goods to USSR in the 1970s.

The Soviet aid scheme to India differed from other donors in some aspects. Firstly, the Soviets gave a much larger share of its aid for steel. Secondly , the Soviet was the first to come forward to help the oil sector. Thirdly , the donors like the International Bank for Reconstruction and Development (IBRD) gave a fifth of their aid to developing an infrastructure in transport.[2]

Furthermore, steel projects like Bhilai (1955), Bokaro (1965) and Vizag (1971), in the field of mechanical engineering, three Soviet-aided projects in late 1950's - Heavy Machinery Building at Ranchi, Mining and Allied Machinery Plant in Durgapur and Hardwar Heavy Electrical Plant paved the way for the initial Indian industrialization. -. In the power generation sector, Soviet contribution was immense. Soviet assisted India in establishing power plants in most of her states of the Indian Union : two in Tamil Nadu, one in Madhya Pradesh , two in Uttar Pradesh, one in Bihar, one in Punjab, two in Orissa, one in Andhra Pradesh and one in Karnataka . The overall power generation capacity of these plants was to the level off 3.35 million Kilowatts.[3]

The Soviet penetration in Indian oil industry was started in December 1955.The Soviet put on eye on extractable oil reserves gas reserves. At the same time, "AkademikArkhangelsky" the Soviet research ship, surveyed the Indian Continental shelf and found the large oil deposit at Bombay High. Cooperation between ONGC and corresponding Soviet organizations led paved the way for the identification of over 160 oil-bearing structures and 26 oil deposits in India.[4] In the sector of Drug and Pharmaceuticals, three Soviet aided India to make plants. Surgical Instruments Plant in Madras, Synthetic Drugs Plant in Hyderabad and the Antibiotics plant in Risikesh under the Indian Drugs and Pharmaceuticals Limited (IDPL) came into operation under the Indi-Soviet Agreement of 1959. Indo-Soviet cooperation also emerged in the coal sector, agriculture sector (seeds, irrigation, dam and canal building, flood control, water management, weather forecasting, production of agriculture machinery , science and technology.

Economic experts n the subject have explicitly emphasized and have agreed upon certain unique elements of Soviet economic assistance to India

The Soviet assistance opted setting up of industrial complexes and not industrial plants It helped the development of ancillary industries not only horizontally but also vertically.[5] The Bhilai steel project is supplied with iron ore by Rajar Pahar and Dal mines, limestone by Nandini querry, power by Korba plant and machinery by such plants at Ranchi, Durgapur and Hyderabad . All of them were Soviet aided endeavours.[6] The creation of "vertically integrated industrial complexes" was the part of a whole strategy of import substituting industrialization.[7] The provision of making credit repayment through export of goods (even of goods manufactured in Soviet aided plants, in some cases) was another significant feature. Unlike the market economies, the USSR examined the techno-economic possibilities of only the particular project, and not the entire gamut of India's economic policy", before providing any assistance . The Soviet help was crucial in stalling the monopoly of multinationals (MNCs) in certain sectors of the Indian economy, with the added benefits of a better bargaining position vis-a-vis MNCs and a resultant saving of scarce foreign exchange for India. Two such areas were exploration of oil and natural gas and manufacturing of drugs. India extracted valuable concessions from MNCs in their bids for oil refineries like the one in Madras, and the Soviet-aided public sector medicine plants in India attracted large scale investment from MNCs. Further , the Soviet equipments proved to be less sophisticated but more hardy than western equipments in the same category .

Furthermore, costs of Soviet-technology-transfers to India was significant. Firstly First, inadequate planning and little understanding of the demand for specific products led the MAMC and the Surgical Instrument plants to disastrous failure. Secondly, the practice of one-off sale of design, documentation, and equipments" (with the design being at least ten years old) and with no further provision of supplying any improvement effected during the contract period was another problem with Soviet technology transfer.

Soviet collaboration is essentially similar to Western Collaboration in many aspects.[8] Firstly, like the Western collaboration, the motive of Soviet collaboration was also to find markets for its products, though mainly in COMECON and developing countries, as the Soviet industry could not compete in the world market because of its lower technological level. Secondly, Soviet long-term credits in the industrial sector are "double tied" - project- tied and source - tied (as in the Western case), but, significantly, with lower interest-rates and longer maturity period, in comparison with Western loans. Thirdly, both the Soviet and Western collaboration did not allow the Indian side to modify the standard process design and sequence to suit Indian conditions. Fourthly, in comparing respective pricing, in BF (Blast Furnace) coke oven and sintering plant where the Soviet technical level is equivalent to the West. Soviet prices correspond more closely to western prices. In steel making furnaces and rolling mills where the Soviet technical level is lower than in the West, and Soviet prices are lower. Further, the indigenisation of spare parts for plants was easier in Soviet collaboration. Fourthly, in both Soviet and Western collaboration, there are several restrictions on horizontal transfer of technology.

Though India's economic venture in the relationship might have been greater than the Soviet Union's, several economic factors that motivated the USSR to maintain and expand economic links with India. India provided significant quantities of certain raw and processed materials, some machinery and considerable quantity of consumer goods needed by the USSR. Soviet involvement in the Indian market with a wide range of goods served a key to Soviet penetration into other Third World markets. It is worth to mention that India was a top purchaser of Soviet weapons. So the Soviet venture lay in promoting a stable Indian purchasing power through its economic initiatives to pay for the same. On the Indian side, the USSR was India's first and second largest foreign customer, providing a major market for a significant range of commodities and consumer goods that preferred Indian manufacturers for world market.

India apprehended, in the 1980's about the value of Indian imports from the USSR failed to grow, both due to falling oil prices and a Soviet inability to meet India's requirements for more sophisticated military technology, in the long term. This trend also reflected in a declining growth in exports, even though such exports were secured in the short term by the large volume of the Indian debt to the USSR. In fact, total trade earnings between the two declined abruptly in 1983 in step with a decline in oil prices to Rs. 29.64 billion during 1983-1984 from Rs. 30.82 billion during the period of 1982-1983.[9]

Yet, the most important motive of both USSR and India for bilateral relationship was political. India, like the USSR, wanted closer economic ties to safeguard the close affinity of political relations .In the 1970s the pursuit of economic advantages became a major goal of Soviet economic relations with LDCs (Less Developed Countries) as distinct from the period from 1954-1964 when economic relations were used largely as a political weapon. In this, though, the relationship with India was distinctive and conclusive since Soviet arms export to and civilian trade with India were conducted in inconvertible rupees, it had no role in alleviating Soviet hard currency trade deficit with the West and thus Soviet economic interests in India were different in nature from its interests in LDCs, in general as hard currency trade surplus from LDCs, mainly based on arms exports, relieved Soviet trade deficit with the West. Soviet prepared her to sell oil and oil products to India at the cost of its severe hard currency needs points. It is for strategic political reason that India is important to the USSR rather than for economic ones.[10] Hence a corroborative economic interest intertwined with reciprocal strategic political interests. These interests were not identical but strengthened the depth of the relationship.

To conclude, Industrialization in India began in India with the introduction of Five Years Plans during the times of Jawaharlal Nehru as the Prime Minister of India. Indo-Soviet collaboration was occupied an important place in the industrial progress of infant India. Not only by providing loans but also supplying technological knowledge, by sending experts Soviet helped India much in the march towards India's economic development. Due to this development, bilateral relations between India and Soviet were strengthened. Soviet helped in establishing a number of industrial plants in India. India imported machinery items from Soviet and exported industrial goods to Soviet. India purchased huge number of arms from Soviet. The economic ties between these nations also paved the way for the growth of political relations among them.

END NOTES

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