

# India and the Socialist World

NEW TRENDS IN TRADE &  
ECONOMIC COOPERATION

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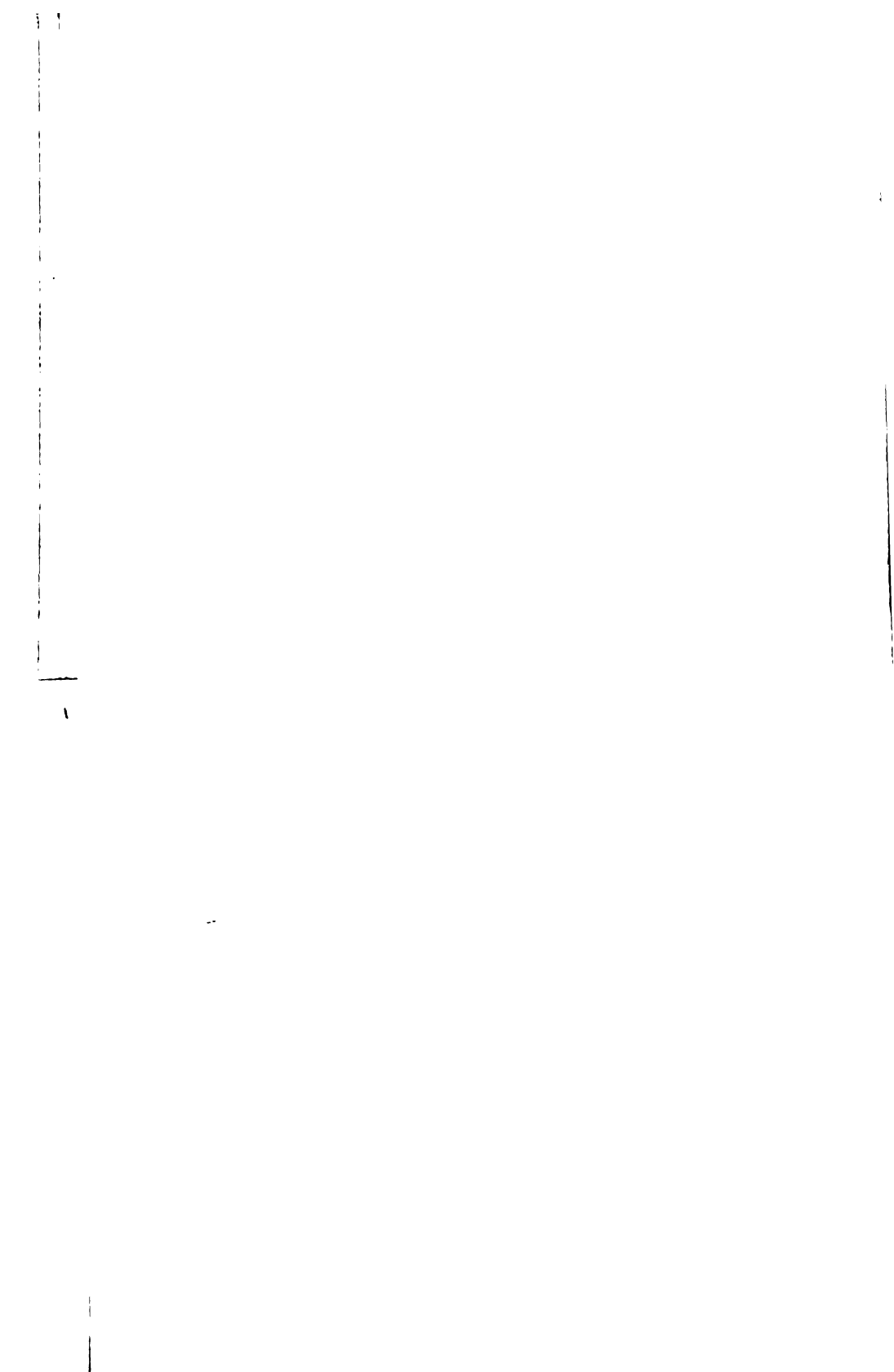
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*Edited by*

VINOD BHATIA



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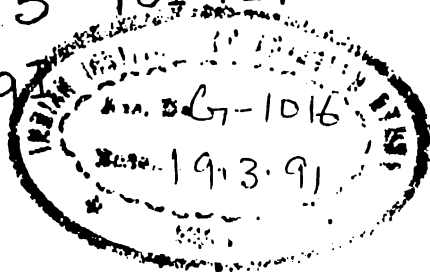
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## Introduction

**Vinod Bhatia**

The world is moving inexorably to a new era of hope. This is now admitted even by the American Establishment. Mikhail Gorbachev, the Soviet President, has made a significant contribution to this change in the global scenario.

All this began three years ago with the Reagan-Gorbachev summit at Geneva in 1985, when in their joint declaration they stated that a nuclear war could not be won and should never be fought. Gorbachev took the next logical step: he presented a comprehensive nuclear disarmament programme on January 15, 1986. Unfortunately, the USA refused to take this logical step. In fact, it stepped up its arms drive.

We need not go here into the details of the tortuous course of the Geneva negotiations on arms control or the Vienna talks on the reduction of conventional forces and arms in Europe. But some milestones may be mentioned.

At their summit in Reykjavik in 1986, Gorbachev again presented a package of measures for nuclear disarmament during a period of ten years. If Reykjavik did not produce an agreement, it was because the USA was not ready to

give up its nuclear deterrence doctrine. In July 1986 Gorbachev made his now famous Vladivostok speech, in which he extended the disarmament process to the Asia-Pacific region. In November 1986, Gorbachev and Prime Minister Rajiv Gandhi announced a programme for a nuclear weapon free and non-violent world, now called the "Delhi Declaration". In 1987 Gorbachev proposed the partial elimination of nuclear weapons—the short and medium range missiles—from Europe. This produced the INF Treaty in 1987 during Gorbachev's visit to Washington. The Treaty was ratified by both countries before the fourth summit between the two leaders in 1988 at Moscow, which heralded a new era in the relations between the two super powers and a turn in global developments.

Gorbachev has continued to maintain that development depends on disarmament and that the first task before mankind is to bring about a reversal of the arms drive. However, further progress in nuclear disarmament was blocked by the Western fear that the elimination of nuclear weapons would give superiority to the Soviet Union in conventional forces and arms. It was to break this stalemate that Gorbachev made a major announcement on unilateral reduction of 500,000 men, 10000 tanks, 8000 artillery pieces and 800 combat planes in his address to the 43rd UN General Assembly in December 1988. This will mean a significant reduction in the Soviet presence in Eastern Europe and considerable saving in Soviet military budget.

Though the NATO countries are yet to respond to Gorbachev's package of measures in a concrete manner, the proposals have received wide acclaim throughout the world, including the Western countries.

Disarmament today is the key to the solution of many of the global problems. For example, to regional conflicts. The solution of these conflicts will release huge resources for development.

However, four decades of the cold war have distorted both the political and economic process in the world,

as also militarised the thinking of many people. As a result, there is today a powerful demand for democratising the entire world order. Simultaneously, many problems, which were national in character, have become global problems—for example, food, population, energy, environment, information and others, calling for global cooperation and solution. This cooperation, in turn, can be an important input for universal security. In the meantime, the global economy is becoming a single complex. But it cannot function on the basis of the old model. There is need for a fundamentally new basis for the functioning of the global economy. This is not the only task before mankind. It is also necessary to devise a new form of industrialisation, for the old methods threaten ecological disaster, which could be as dangerous as a nuclear war. The developing countries, which are taking to industrialisation today, must avoid the mistakes of the past.

Equally important is the need to reduce the growing gap between the rich and poor nations. This has always posed a threat to global peace. There is thus need not only to reduce this gap but also to find ways to promote a balanced interest of all.

Therefore, in this new era, as Gorbachev has pointed out, progress has to be shaped by universal human interests and politics by universal human values. In short, mankind has to move away from the disorderly interplay of passions and “vital interests”, claimed by nations, to universal consensus.

So the formula for economic development, which was based on the exploitation of man by man, nation by nation, has to be given up. There can be no genuine progress on the basis of exploitation. It can only lead to uneven growth and therefore to grievances. And not only should we give up exploitation of men and nations, but of nature, too. The plunder of nature is already threatening the survival of many communities. There is, therefore, no escape from creating a balance of interests within an international framework based on consensus.

Before the world can move to the new era of economic development, it is necessary to resolve the debt problem, for it has become the most formidable obstacle to further economic progress of the developing countries. Gorbachev recognises the magnitudes of this problem and had called repeatedly for an international conference to resolve the debt issue. Now he has come forth with a package of unilateral measures to ease the debt burden. He has said that he is prepared to initiate a long-term moratorium, up to 100 years, on debt servicing by the least developed countries, and in quite a few cases to write off the debt altogether. As regards other debtors, he has proposed limiting their official debt, repayments and servicing on the basis of the performance of the economy of the debtor countries, granting debtors a long period of deferral in the repayment of a major portion of their debt, supporting the appeal of UNCTAD for reducing debts owed to commercial banks, guaranteeing government support for market arrangements in debt settlement, including the creation of a specialised international agency that would repurchase debt at a discount. These are positive proposals which can resolve the debt problem to some extent and some of these proposals have been mooted earlier and found favour with both creditors and debtors.

By taking up the reconstruction of the Soviet economy (*perestroika*) and reforming Soviet foreign economic relations, Gorbachev has set the pace and mood for global economic reforms. He has recognised the need to accept the global economy as one single complex, and has taken steps to integrate the Soviet economy with the global economy. How far the capitalist countries will respond to his proposals will depend on the progress of disarmament and the economic compulsions they face in the coming years. For the USA, such compulsions are already evident: from being the greatest postwar creditor, it has become the largest debtor of the world. It too, therefore, needs a *perestroika* to retain some of its pre-eminent advantages in the global economy. And this is true of most of the developed countries, which

are ridden with slow growth and unemployment, and are facing the threat of a crash of the global economy, the warning of which came in the recent New York, Tokyo and London stock market crashes.

The role of the socialist economy, that of the USSR in particular, in the context of these developments is crucial to bring about new international economic relations. It is true, the socialist economy is not in the best of form. But the reforms, as also plans to integrate the socialist economy with the global economy, can give it a new dynamism.

The East European countries are opening up not only to the EEC countries, their neighbours, but also to other capitalist countries. The USSR has applied for GATT membership and promised to make the rouble convertible in the near future. In the final analysis, the weight of the socialist economy (and this must include that of China) is sufficiently strong to exert a positive influence on the global economy.

Today the world economic perspectives are different from what they were before the eighties. The USA, which dominated the global economy, is on the decline, relatively to the EEC and Japan. The EEC has emerged as the most formidable rival to the US economy, and Japan has emerged as the world's largest creditor.

In the meantime, there is a drastic shift in the economic strength of nations and of groups. There has been a clear re-distribution in the share of global industrial production among nations. The US share has gone down from about 60 per cent to about a third of industrial production, while the EEC and Japan together have raised their share to about 28 per cent. As for the socialist countries, their share is approximately 26 per cent, while the developing countries have been able to raise their share to about 10 per cent. In short, new centres of economic power are emerging and the days of economic dominance of single countries are nearly over. In this scenario, the future performance of the socialist countries and of the developing world

is of great importance in order to maintain the economic balance.

The Council for Mutual Economic Assistance (CMEA) has been playing an important role ever since it was set up forty years ago in 1949, not only to bring about integration in the economies of the socialist countries but also to support the economic development of the newly free nations. But more than anything else, the CMEA experiment set before the world a form of international cooperation among nations that could be an example for the future. If that experiment has not been fully successful, it was because of the hostility of the Western nations towards the socialist countries. The cold war not only hampered that experiment but also distorted the natural development of the developing nations. Today the EEC is also moving in the same direction of integration and has set 1992 as the target date to bring down all barriers within the EEC. But there are significant differences between the EEC and CMEA.

The CMEA countries, which now have about 10 per cent of the world's population, account for about 26 per cent of the world's industrial production, including 43 per cent of the output of coal, 21 per cent of electric power, 28 per cent of steel, 24 per cent of cement, 29 per cent of milk and 20 per cent of grain. And yet in 1949, when they set out on their quest, the CMEA had only 15 per cent of the world's industrial production.

There is no doubt that the experience of the socialist countries in planning and economic integration is of great importance to the developing countries, including India, which are not only eager to bridge the gap of economic backwardness but also to create a new international economic order in which they can secure economic justice. The socialist countries are in sympathy with the hopes and aspirations of the developing countries.

The CMEA countries are not only on the side of the developing countries but have emerged as a major alternative source of aid and assistance.

Cooperation among the members of the CMEA is distinguished by important features. They depend on each other for their raw materials and for the marketing of their products. The Soviet Union, as the most resourceful member of the community, has been a major supplier of raw materials to other members at less than international prices. Similarly, it absorbs a substantial part of the agricultural and industrial produce of the CMEA members.

Like the EEC, the CMEA has also set before itself a programme of economic integration. Already the power system has been integrated. So, too, gas supplies. Today there is not only a division of labour within the CMEA on the basis of resources and capabilities but also industry-wise. Similarly, the community has integrated research and development efforts and shares out the benefits among the members.

The CMEA, as a community, has extensive economic and trade relations with the developing countries. The members of the CMEA have assisted the developing countries to set up over 5,000 industrial and other projects all over the Third World. They have also provided extensive credits on favourable terms. As for trade, the CMEA countries take as much as 10-15 per cent of the export of developing countries.

India has emerged as a major economic partner of the CMEA countries. In the sixties, India imported equipment and plants from these countries. In the seventies, because of India's industrial progress, it began to import less machines and more of oil, oil products, fertiliser, steel and chemical goods.

India, on its part, has been exporting to these countries traditional products like tea, coffee, spices, tobacco, jute, raw leather, iron ore, etc., though of late the share of manufactures in exports has gone up.

Hungary has become the first country to import India's Maruti car, as also mopeds, bicycles and software. Poland buys photocopying equipment and textile machinery. The GDR buys leather items, textiles including cotton fabrics

and jute products, machine tools, hand tools, motor parts and components.

More than 420 industrial and other projects, mainly in the Indian public sector, have been built with the cooperation of CMEA members. Machine-building is a major segment of this assistance.

India's cooperation with CMEA countries is not confined to the public sector alone. Several small and medium projects have been set up in the private sector. But it is true that these are rather few compared to the private sector's cooperation with the Western countries. However, cooperation with the private sector is now well established in the light, food, medical, building material, transport, communication, agriculture, irrigation and other fields.

However, it is recognised by CMEA countries and India that the level of their cooperation is lower than what is possible. In order to overcome the difficulties, it has been proposed that they should develop new forms of cooperation like production cooperation, joint ventures and others.

The scientific-technical cooperation is also a promising sphere. Hungary, Poland, GDR, and the USSR have made significant contributions to the development of scientific institutions and of technology in India.

Soviet economic, trade and scientific/technical cooperation has been steadily rising over the years. The USSR has helped the developing countries to construct about 2,200 projects. However, the Soviet trade with the developing countries has gone down in the eighties. Only 4 per cent of the trade of the developing countries is with the USSR, while the share of the developing countries in Soviet trade remains at 11 per cent.

A great deal is expected from the reforms being carried out of Soviet foreign economic relations. Soviet import of machines and equipment from the Third world countries remains modest, as Soviet commentators have pointed out. For example, in 1985 the developing countries exported machines and equipment to socialist countries worth about 4.4 billion roubles, to capitalist countries



worth 28.7 billion roubles and to developing countries worth about 14.1 billion roubles. The Soviet Union, has, therefore, plans for giving more credits, technical assistance, as also for augmenting trade and scientific cooperation.

India and the Soviet Union has had a unique relation for over four decades. This can be traced to their mutual sympathy—that of Indian leaders for the Great October Socialist Revolution and of Soviet leaders to India's struggle for freedom. This was strengthened by their bitter experience in the postwar years brought about by the cold war, which distorted the political and economic processes in the world. As the Soviet Union emerged as an alternate source of assistance to the newly free countries, India's relations with the USSR were strengthened by their growing economic cooperation. Mutual trust and confidence led to the Indo-Soviet Treaty of Peace, Friendship and Co-operation in 1971. The tradition of consultations between the leaders of the two countries further strengthened this process.

All these trends were given a new impetus from 1985 after the advent of Mikhail Gorbachev at the helm of Soviet affairs. The visit of Prime Minister Rajiv Gandhi to the USSR in 1985 led to an agreement on "guidelines of cooperation" for the rest of the century. In 1986, during the visit of Gorbachev to India, these were concretised into specific projects. Detailed programmes of cooperation were worked out in 1987 for steel, oil, coal, power, agriculture, computers and electronics. Thus development of India's public sector got a new momentum.

In the meantime, Soviet cooperation with India's private sector has emerged as a new exciting field of joint endeavour. An agreement was concluded on "new forms of cooperation" with special emphasis on joint ventures, production cooperation and others with India's private sector. The two countries have also entered into an integrated long-term programme for scientific and technological cooperation in July 1987. All these are now being consolidated into one long-term programme of coopera-

tion till the end of the century. Thus, all is set for Indo-Soviet cooperation to take off to a new and high level.

The visit of Gorbachev to India in November 1988 has given a new impetus to Indo-Soviet relations. In this growing relation, one must not forget the significance of the growing cultural relations between the two peoples. The holding of the year-long Festivals by the two countries to mark the 40th anniversary of the Indian Independence and the 70th anniversary of the October Revolution was an unprecedented event, which brought the peoples of both countries closer to each other.

Indo-Soviet cooperation began from early 1955 with the construction of the Bhilai Steel Plant. Since then the Soviet Union has helped India to set up about 70 projects in steel, oil, power, heavy machines, power equipment, instrumentation, agricultural farms and many others. All these helped the industrialisation of India and the growth of India's economic independence. Along with these, the Soviet Union also advanced India's scientific potential.

Today, as the world is moving to a new era of international relations, India and the USSR are playing an ever increasing role to bring about further disarmament, to restore the role of the UN as the key global organisation for peace-keeping and for development initiatives.

These new hopes and aspirations are reflected today in the growing cooperation between the Soviet union and India. In all, about thirty new projects are to be built before the end of the century in India with Soviet assistance. Including the ongoing projects, the total may be fifty. The main thrust of these projects is to develop the fuel-energy complex.

To finance these projects, the Soviet Union has already advanced a credit of over Rs. 6,000 crores. To this, the USSR has added another Rs. 54,000 crores during Gorbachev's recent visit. Such a huge credit, it must be pointed out, is unprecedented in India's foreign economic relations. These are on soft terms—at 2.5 per cent interest spread over a period of 20 years or so. The USSR has

also undertaken in some cases to meet the rupee component of projects considering India's lack of rupee resources.

The largest part of these credits will go to boost fuel and energy development. In the pipeline are power plants, both hydel and thermal, of a total capacity of 6000 MW. By the way, this is almost double the capacity created through Soviet help in over 30 years earlier. To these will now be added a nuclear power plant of 2000 MW capacity in the south of the country. The USSR is also to assist in setting up three major high transmission lines as part of a future national power grid. About fifty per cent of the cost of these projects will be covered by Soviet credits.

There are a number of coal projects under design or construction of a total capacity of over 60 million tonnes of coal per annum, along with beneficiation plants and development of coal gasification technology; oil prospecting in three basins on turnkey basis (Cauvery, Cambay and West Bengal); the modernisation and technical upgradation of Bokaro steel plant; completion of the construction of the Vizag steel plant, and so on. In addition, the Soviet Union is to undertake the modernisation and technical upgradation of a number of Indo-Soviet projects built earlier such as the power plants at Hardwar, Ranchi and Durgapur heavy machine building plants. The work on activating some of the idle oil wells is going apace. It is proposed to expand the range of products produced at Korba aluminium plant apart from the construction of a bauxite-alumina complex. The two countries are also planning close cooperation in the modernisation of Indian railways.

The USSR is also to advance Indian agriculture through assistance for irrigation and water management, as also through its major assistance for food processing.

As for cooperation with the private sector, the legal and institutional foundations have already been created. Over 50 projects have either been cleared or are in the process of approval. Most of these are for joint ventures either in India or the USSR. They cover a wide range

of fields like chemicals, petrochemicals, pharmaceuticals, synthetic rubber, woodpulp and paper, processing of meat, soya and sunflower, electronics, metallurgy and engineering, textiles and leather, technical services, restaurants and hotels, to mention a few. In fact, there is great scope for this cooperation and a hundred joint ventures may be in place before long. The Soviet Union has proposed financial credit for these joint ventures and will set up branches of its Foreign Economic Bank in India which will channel credit through the Industrial Development Bank of India.

A great deal of the future success of the two nations depends on the rapid development of science and technology. Today they are engaged as equal partners in joint research in a number of fields. The 1987 agreement raised the level of cooperation to a new high to cover frontier technologies, including designing powerful accelerators, space and laser technologies, computers, new materials, as well as catalysis, biotechnology and immunology. Solar energy, metal corrosion, power metallurgy, physics of high temperatures and pressures, meteorology and protection from earthquakes are other areas of joint endeavour.

In the meantime, the Indo-Soviet trade protocol for 1989-90 signed in December 1988, was unprecedented in its scope. It sought to raise the trade turnover of Rs. 5200 crores during 1988-89 by 35 per cent to Rs. 7,000 crores (i.e. Indian export Rs. 3,800 crores, Soviet export Rs. 3200 crores). Thus, the Soviet Union has again emerged as India's leading trade partner.

The two countries have set a trade target of Rs. 10,000 crore by 1992. It is realised that to achieve such a magnitude of trade turnover, the Indian private sector must play a major role. For the past several years, while 80-85 per cent of Indian exports to USSR emanated from the Indian private sector, the latter accounted for a mere 10-15 per cent of the imports from the USSR. The 200 largest Indian companies accounted for a mere 5 per cent of the imports, a fact which became a matter of concern to the

USSR, more so because of the 11,400-odd collaborations sanctioned by the Government of India in the private sector since 1957, the USSR had no share at all. It is to redress this kind of situation that efforts have been made of late to bring in the private sector into active participation in Indo-Soviet Cooperation. The effort is new, the way uncharted, but the goal promising.

The two countries recognise today that traditional exports are exhausting their possibilities, though provision has been made in the new protocol for stepping up Soviet purchase of tea and coffee, while India will buy more oil and oil products. So the emphasis is on the export of manufactures.

All these new efforts to boost economic cooperation and trade promotion must be seen in the light of the vast economic reforms that are going on now in the USSR and the liberalisation of its foreign economic relations. The USSR is to double production by the end of the century and raise the living standards of its people. Naturally, these will throw up vast opportunities for Indian business. What is more, the USSR has decided to throw open Soviet Far East and Siberia for cooperation with Asia-Pacific nations, including India. Soviet authorities have particularly welcomed Indian participation in these new endeavours.

The present volume, which deals with India's trade and economic cooperation mainly with European Socialist countries, is based on the materials made available by their respective embassies in Delhi. Their help and assistance is duly acknowledged.

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## India and Soviet Union

**Gennadi Shcherbakov,**

*Trade Representative of the USSR in India*

Trade and economic cooperation between the USSR and India is one of the most important factors in the development and strengthening of friendly ties between the two countries and peoples.

The commodity turnover between the USSR and India increased from 13 million rupees in 1953 to 45 thousand million rupees in 1987. India is one of the major trade partners of the USSR and firmly occupies the first place among developing countries in terms of Soviet financial aid and economic and technical assistance.

A qualitatively new stage in the development of trade and economic ties between the two countries was created during the past few years when the leaders of the two countries started regularly meeting each other. At the summit talks held in November 1986 General Secretary of the CPSU Central Committee Mikhail Gorbachev and Prime Minister Mr. Rajiv Gandhi elevated our trade and economic ties to a new level, when they set the task of increasing the commodity turnover between the USSR and India by

2.5 times. Taking into account the absolute volume of commodity turnover sought to be attained by that date every per cent of its increment will exceed twice the annual volume of trade turnover during the fifties, the task now set is unprecedented and demands considerable efforts by various organisations of the two sides and the introduction of new forms of trade and economic relations.

Economic and technical cooperation between the Soviet Union and India has been successfully developing over the years. More than 70 industrial and other projects in the important branches of economy have been built in India with Soviet assistance and nearly fifty other projects are in the process of designing and construction. The projects of Soviet-Indian cooperation play a significant role in the economic development of India. The steel plants at Bhilai and Bokaro, an aluminium plant at Korba, the machine-building plants at Hardwar, Ranchi, and Durgapur, the oil refineries in Gujarat and Assam, power stations at Neyveli, Bhakra, Obra, Korba and others are well known in India. The projects of Soviet-Indian cooperation account for about one-third of steel and aluminium, about one-fourth of oil and one-half of oil refining, a considerable part of heavy machinery for power, steel and mining industries and 10 per cent of total power generation in India.

At present the construction of the first phase of the Visakhapatnam Steel Plant is nearing completion, the Vindhyachal super-thermal power station is being erected at a rapid pace. The coal mine at Jhanjra and the Nigahi open-cast mine and others are also under construction.

Inter-governmental agreements, signed during Mr. Rajiv Gandhi's visit to Moscow in May 1985 and Mikhail Gorbachev's visit to India in November 1986 and later of the Chairman of the USSR Council of Ministers N.I. Ryzhkov's visit to India in November 1987 are of great significance for the development of Soviet-Indian economic

and technical cooperation. In accordance with these agreements the USSR is rendering and will continue to render assistance to India in the construction of the Kahalgaon Thermal Power Station and one more thermal power station with a capacity of 840 megawatts each, a number of major projects for the extraction of coking and power coal, Tehri hydro-power complex, Karnal oil refinery, and the oil pipeline in Chaksu-Karnal geo-exploratory works on contract basis for oil and gas in Gujarat, Tamil Nadu, West Bengal, reconstruction and modernisation of the steel smelting and rolling facilities at the Bokaro Steel Plant. In accordance with the above mentioned agreements, the USSR gave inter-governmental credits to India at concessional rates which substantially exceeds the total Soviet credits extended to India so far during the entire previous years of cooperation. The construction of projects on turn-key basis and partial crediting of local expenditure during the erection of some projects is one more distinctive trait of the new agreements. Thus, Soviet-Indian economic and technical cooperation is contributing a great deal to the task of increasing commodity turnover between the Soviet Union and India.

Not stopping at what has already been achieved, the Soviet and Indian organisations are doing everything possible for the further development of economic and technical cooperation between the two countries. Active steps are being taken for identifying new projects of cooperation in power, coal and oil industry and in non-ferrous metallurgy. Real possibilities are opening up in civil aviation, railways and water transport and other branches of national economy.

Considerable work is being done in the field of Soviet-Indian trade. As is known, after registering constant growth in the commodity turnover during all these years, in 1986, following the steep decline in the prices of oil and petroleum products in the world market, the commodity turnover also declined. However, as a result of the



efforts made by the two sides, in 1987 it became possible to stabilise bilateral trade and ensure its growth. For this, new commodities such as plastics, ammonia, cellulose, raw materials, non-ferrous metals and methanol, etc., were added to the Soviet Indian trade as new additional possibilities were explored for increasing the supplies to India of a number of important goods. The commodity turnover, it is expected, will reach 50 billion rupees in 1988.

For ensuring the rates of growth of mutual trade, necessary for its increase by 2.5 times in the coming years, it is planned to increase the commodity turnover between our countries to 60 billion rupees in 1989 and 70 billion rupees in 1990. The trade organisations of both sides are working out a strategy for fulfilling this task. New commodities are being identified and their volumes determined. At the same time there are certain difficulties in supplying Soviet goods to India. Heavy customs duties are imposed on a number of goods because of which they cannot compete in the Indian market. Besides, Indian importers face problems in getting import licences for the purchase of mutually agreed items.

As proved by experience the development of trade and economic ties on a wide scale cannot be attained by old traditional forms and methods. More active introduction into our ties of such progressive forms as production cooperation, creation of joint enterprises, commodity turnover deals and the like are necessary. This work is in progress. In November 1986 an agreement was signed on developing new forms of cooperation while in 1987 a long-term programme of cooperation in the sphere of production cooperation was adopted. However, the practical contribution of these forms of cooperation to commodity turnover does not correspond to the existing potential. Production co-operation is carried out only with machine-building plants in the public sector which were built earlier with Soviet assistance, but their volumes are not large. The private sector of India's economy possessing great potential

and mobility, is still outside the range of this type of co-operation. However, Soviet organisations and Indian private firms are working out the details of cooperation in the production of a number of items and one can expect practical results in the following years.

Our achievements in building joint enterprises are also not very significant. Only one joint enterprise, the Delhi Restaurant, is functioning. A joint Soviet-Indian enterprise—Indsotra India Private Limited—is being set up in Delhi. By the end of 1988 two more joint enterprises will start functioning. Besides, 50 proposals on creating joint enterprises of various types in the USSR and India are being studied. In the near future one can expect results from nine of them. This would be an important development since India has not entered into such arrangement with the Soviet Union although it is known that it has entered into commodity turnover deals with other countries which are working satisfactorily.

The reasons why the development of new forms of cooperation has not progressed at a satisfactory pace are well known. Many of them are being removed as the economic reforms in the USSR are being implemented which involve financial and economic self-reliance of industrial enterprises, rights of direct producers and consumers to enter the foreign market. All these are yielding results. The time required for studying proposals and inquiries has been reduced, mutual exchange of information has improved, talks are now being held on a concrete basis. The activity and interest of Indian firms and organisations in developing trade contacts with Soviet enterprises have increased. All this gives ground to think that the new forms of cooperation will soon adequately contribute to the development of trade and economic ties of our two countries.

Of late one more factor has appeared in Soviet-Indian cooperation. It is about the participation of Indian firms in the construction of projects in the USSR. At present contracts have been concluded for the construction of three

hotels in Tashkent, Bukhara and Samarkand. A long-term programme for such co-operation has been outlined, according to which about 70 hotels will be built by Indian firms by the year 2000.

The desire of both sides to actively develop the trade and economic ties and to ensure the implementation of the task of increasing the commodity turnover between our two countries by 2.5 times was convincingly demonstrated at the session of the joint Soviet-Indian Committee on Cooperation held at the end of September 1988 in Delhi. The authorities of the Commerce Ministry of India, high level delegations of the Federation of Indian Chambers of Commerce and Industry, Confederation of Engineering Industry, Indo-Soviet Chamber of Commerce and Industry held frank businesslike and constructive talks with the authorities of the USSR Chamber of Trade and Industry, with the Association of Business Cooperation with India which was recently set up to find partners for setting up bilateral and multi-faceted cooperation among Soviet and Indian firms and organisations as the main task, supplying them with necessary information, rendering service in solving organisational and procedural questions and so on; and with the authorities of a number of Soviet industrial enterprises. The session revealed the drawbacks which hinder the development of trade and economic cooperation between USSR and India, especially in the sphere of the introducing new forms. Concrete proposals in this regard have been enunciated, and the ways of eliminating the drawbacks outlined.

Two years have passed since Mikhail Gorbachev's first visit to India. During this period Soviet and Indian organisations have done a great deal of work in strengthening and widening Soviet-Indian trade and economic ties and created a good potential for their further development. Undoubtedly, the forthcoming summit meeting will open new horizons and give a new impetus to the development of fruitful and mutually beneficial Soviet-Indian cooperation for the well-being of the peoples of our two countries.

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## India and CMEA

**A. Olshany**

*Head, Research Group, International Institute for  
Economic Problems of the World Socialist System,  
CMEA*

India's steadily growing and versatile contacts with the Soviet Union and other CMEA countries have a major role to play in boosting its key economic sectors and strengthening its economic independence. Trade and economic cooperation between the CMEA members and India is based on respect for sovereignty, on equality, mutual benefit and non-interference in internal affairs.

Foreign trade between the CMEA and India, which is the most indicative of their economic relations, grew almost by six times between 1970 and 1986 and exceeded 4,000 million dollars, India has become the CMEA's biggest trade partner among the developing states.

The CMEA and India maintain their commercial relations on the basis of long-term, predominantly five-year, intergovernmental trade agreements.

In the past 20 years the structure of their trade has

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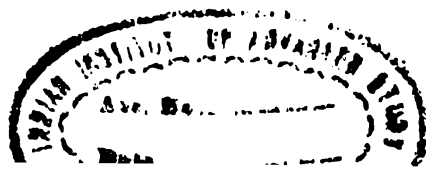
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## **NEW FORMS AND PROSPECTS**

Though highly assessing the level of economic relations attained, the CMEA and Indian statesmen and businessmen point out that their cooperation does not yet fully meet the needs and potential of the partners. They also note that mutual trade in 1986 and 1987 dropped as compared with 1985. The point is that the traditional commodity exchange has reached the limit of its resources. To maintain dynamism in their trade it is essential to switch over to new forms of economic contacts such as production cooperation on a long-term basis, joint enterprises, direct contacts, expansion of mutual trade in finished products, and promotion of business contacts with state organisations, as well as with small, medium and large private firms in India. Only through new forms and methods of cooperation is it possible to achieve the goal set by Mikhail Gorbachev and Rajiv Gandhi during their talks in Delhi in November 1986 : to increase Soviet-Indian trade by 150 per cent in the coming six-seven years.

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The TEMIS Chemicals Ltd. which incorporates the Hungarian Medimpex (25 per cent of the stocks) and an Indian firm (75 per cent), meets 25 to 30 per cent of India's vitamin B12 needs.

After a 15-year partnership, the Polygraph plant (the GDR) and an Indian factory printing machines have set up a joint stock company in Delhi. Its printing machines are intended to satisfy India's growing requirements and for export.

In Madras a joint Indian-Rumanian company dresses leather and sheepskins and sells them on the domestic market and in foreign countries, including Rumania.

Negotiations are currently in progress for starting a joint company to build a farm near Delhi where three million broilers will be raised annually. It is planned to attract as share holders the Indian firm Mathew Sons (60 per cent) and the Soviet Pyatigorskselmash factory which turns out farm machines in the city of Pyatigorsk (40 per cent). If the company shows good performance, it is planned to build on the same terms, with the help of the Pyatigorsk factory, a plant to produce equipment for poultry farms and a poultry factory, to raise 50,000 laying hens with a view to subsequently increasing its capacity to 500,000 hens.

The restaurant "Delhi" opened in Moscow a short while

also undertaken in some cases to meet the rupee component of projects considering India's lack of rupee resources.

The largest part of these credits will go to boost fuel and energy development. In the pipeline are power plants, both hydel and thermal, of a total capacity of 6000 MW. By the way, this is almost double the capacity created through Soviet help in over 30 years earlier. To these will now be added a nuclear power plant of 2000 MW capacity in the south of the country. The USSR is also to assist in setting up three major high transmission lines as part of a future national power grid. About fifty per cent of the cost of these projects will be covered by Soviet credits.

There are a number of coal projects under design or construction of a total capacity of over 60 million tonnes of coal per annum, along with beneficiation plants and development of coal gasification technology; oil prospecting in three basins on turnkey basis (Cauvery, Cambay and West Bengal); the modernisation and technical upgradation of Bokaro steel plant; completion of the construction of the Vizag steel plant, and so on. In addition, the Soviet Union is to undertake the modernisation and technical upgradation of a number of Indo-Soviet projects built earlier such as the power plants at Hardwar, Ranchi and Durgapur heavy machine building plants. The work on activating some of the idle oil wells is going apace. It is proposed to expand the range of products produced at Korba aluminium plant apart from the construction of a bauxite-alumina complex. The two countries are also planning close cooperation in the modernisation of Indian railways.

The USSR is also to advance Indian agriculture through assistance for irrigation and water management, as also through its major assistance for food processing.

As for cooperation with the private sector, the legal and institutional foundations have already been created. Over 50 projects have either been cleared or are in the process of approval. Most of these are for joint ventures either in India or the USSR. They cover a wide range

of fields like chemicals, petrochemicals, pharmaceuticals, synthetic rubber, woodpulp and paper, processing of meat, soya and sunflower, electronics, metallurgy and engineering, textiles and leather, technical services, restaurants and hotels, to mention a few. In fact, there is great scope for this cooperation and a hundred joint ventures may be in place before long. The Soviet Union has proposed financial credit for these joint ventures and will set up branches of its Foreign Economic Bank in India which will channel credit through the Industrial Development Bank of India.

A great deal of the future success of the two nations depends on the rapid development of science and technology. Today they are engaged as equal partners in joint research in a number of fields. The 1987 agreement raised the level of cooperation to a new high to cover frontier technologies, including designing powerful accelerators, space and laser technologies, computers, new materials, as well as catalysis, biotechnology and immunology. Solar energy, metal corrosion, power metallurgy, physics of high temperatures and pressures, meteorology and protection from earthquakes are other areas of joint endeavour.

In the meantime, the Indo-Soviet trade protocol for 1989-90 signed in December 1988, was unprecedented in its scope. It sought to raise the trade turnover of Rs. 5200 crores during 1988-89 by 35 per cent to Rs. 7,000 crores (i.e. Indian export Rs. 3,800 crores, Soviet export Rs. 3200 crores). Thus, the Soviet Union has again emerged as India's leading trade partner.

The two countries have set a trade target of Rs. 10,000 crore by 1992. It is realised that to achieve such a magnitude of trade turnover, the Indian private sector must play a major role. For the past several years, while 80-85 per cent of Indian exports to USSR emanated from the Indian private sector, the latter accounted for a mere 10-15 per cent of the imports from the USSR. The 200 largest Indian companies accounted for a mere 5 per cent of the imports, a fact which became a matter of concern to the

USSR, more so because of the 11,400-odd collaborations sanctioned by the Government of India in the private sector since 1957, the USSR had no share at all. It is to redress this kind of situation that efforts have been made of late to bring in the private sector into active participation in Indo-Soviet Cooperation. The effort is new, the way uncharted, but the goal promising.

The two countries recognise today that traditional exports are exhausting their possibilities, though provision has been made in the new protocol for stepping up Soviet purchase of tea and coffee, while India will buy more oil and oil products. So the emphasis is on the export of manufactures.

All these new efforts to boost economic cooperation and trade promotion must be seen in the light of the vast economic reforms that are going on now in the USSR and the liberalisation of its foreign economic relations. The USSR is to double production by the end of the century and raise the living standards of its people. Naturally, these will throw up vast opportunities for Indian business. What is more, the USSR has decided to throw open Soviet Far East and Siberia for cooperation with Asia-Pacific nations, including India. Soviet authorities have particularly welcomed Indian participation in these new endeavours.

The present volume, which deals with India's trade and economic cooperation mainly with European Socialist countries, is based on the materials made available by their respective embassies in Delhi. Their help and assistance is duly acknowledged.

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## India and Soviet Union

**Gennadi Shcherbakov,**

*Trade Representative of the USSR in India*

Trade and economic cooperation between the USSR and India is one of the most important factors in the development and strengthening of friendly ties between the two countries and peoples.

The commodity turnover between the USSR and India increased from 13 million rupees in 1953 to 45 thousand million rupees in 1987. India is one of the major trade partners of the USSR and firmly occupies the first place among developing countries in terms of Soviet financial aid and economic and technical assistance.

A qualitatively new stage in the development of trade and economic ties between the two countries was created during the past few years when the leaders of the two countries started regularly meeting each other. At the summit talks held in November 1986 General Secretary of the CPSU Central Committee Mikhail Gorbachev and Prime Minister Mr. Rajiv Gandhi elevated our trade and economic ties to a new level, when they set the task of increasing the commodity turnover between the USSR and India by

2.5 times. Taking into account the absolute volume of commodity turnover sought to be attained by that date every per cent of its increment will exceed twice the annual volume of trade turnover during the fifties, the task now set is unprecedented and demands considerable efforts by various organisations of the two sides and the introduction of new forms of trade and economic relations.

Economic and technical cooperation between the Soviet Union and India has been successfully developing over the years. More than 70 industrial and other projects in the important branches of economy have been built in India with Soviet assistance and nearly fifty other projects are in the process of designing and construction. The projects of Soviet-Indian cooperation play a significant role in the economic development of India. The steel plants at Bhilai and Bokaro, an aluminium plant at Korba, the machine-building plants at Hardwar, Ranchi, and Durgapur, the oil refineries in Gujarat and Assam, power stations at Neyveli, Bhakra, Obra, Korba and others are well known in India. The projects of Soviet-Indian cooperation account for about one-third of steel and aluminium, about one-fourth of oil and one-half of oil refining, a considerable part of heavy machinery for power, steel and mining industries and 10 per cent of total power generation in India.

At present the construction of the first phase of the Visakhapatnam Steel Plant is nearing completion, the Vindhyachal super-thermal power station is being erected at a rapid pace. The coal mine at Jhanjra and the Nigahi open-cast mine and others are also under construction.

Inter-governmental agreements, signed during Mr. Rajiv Gandhi's visit to Moscow in May 1985 and Mikhail Gorbachev's visit to India in November 1986 and later of the Chairman of the USSR Council of Ministers N.I. Ryzhkov's visit to India in November 1987 are of great significance for the development of Soviet-Indian economic

and technical cooperation. In accordance with these agreements the USSR is rendering and will continue to render assistance to India in the construction of the Kahalgaon Thermal Power Station and one more thermal power station with a capacity of 840 megawatts each, a number of major projects for the extraction of coking and power coal, Tehri hydro-power complex, Karnal oil refinery, and the oil pipeline in Chaksu-Karnal geo-exploratory works on contract basis for oil and gas in Gujarat, Tamil Nadu, West Bengal, reconstruction and modernisation of the steel smelting and rolling facilities at the Bokaro Steel Plant. In accordance with the above mentioned agreements, the USSR gave inter-governmental credits to India at concessional rates which substantially exceeds the total Soviet credits extended to India so far during the entire previous years of cooperation. The construction of projects on turn-key basis and partial crediting of local expenditure during the erection of some projects is one more distinctive trait of the new agreements. Thus, Soviet-Indian economic and technical cooperation is contributing a great deal to the task of increasing commodity turnover between the Soviet Union and India.

Not stopping at what has already been achieved, the Soviet and Indian organisations are doing everything possible for the further development of economic and technical cooperation between the two countries. Active steps are being taken for identifying new projects of cooperation in power, coal and oil industry and in non-ferrous metallurgy. Real possibilities are opening up in civil aviation, railways and water transport and other branches of national economy.

Considerable work is being done in the field of Soviet-Indian trade. As is known, after registering constant growth in the commodity turnover during all these years, in 1986, following the steep decline in the prices of oil and petroleum products in the world market, the commodity turnover also declined. However, as a result of the



efforts made by the two sides, in 1987 it became possible to stabilise bilateral trade and ensure its growth. For this, new commodities such as plastics, ammonia, cellulose, raw materials, non-ferrous metals and methanol, etc., were added to the Soviet Indian trade as new additional possibilities were explored for increasing the supplies to India of a number of important goods. The commodity turnover, it is expected, will reach 50 billion rupees in 1988.

For ensuring the rates of growth of mutual trade, necessary for its increase by 2.5 times in the coming years, it is planned to increase the commodity turnover between our countries to 60 billion rupees in 1989 and 70 billion rupees in 1990. The trade organisations of both sides are working out a strategy for fulfilling this task. New commodities are being identified and their volumes determined. At the same time there are certain difficulties in supplying Soviet goods to India. Heavy customs duties are imposed on a number of goods because of which they cannot compete in the Indian market. Besides, Indian importers face problems in getting import licences for the purchase of mutually agreed items.

As proved by experience the development of trade and economic ties on a wide scale cannot be attained by old traditional forms and methods. More active introduction into our ties of such progressive forms as production cooperation, creation of joint enterprises, commodity turnover deals and the like are necessary. This work is in progress. In November 1986 an agreement was signed on developing new forms of cooperation while in 1987 a long-term programme of cooperation in the sphere of production co-operation was adopted. However, the practical contribution of these forms of cooperation to commodity turnover does not correspond to the existing potential. Production co-operation is carried out only with machine-building plants in the public sector which were built earlier with Soviet assistance, but their volumes are not large. The private sector of India's economy possessing great potential

and mobility, is still outside the range of this type of co-operation. However, Soviet organisations and Indian private firms are working out the details of cooperation in the production of a number of items and one can expect practical results in the following years.

Our achievements in building joint enterprises are also not very significant. Only one joint enterprise, the Delhi Restaurant, is functioning. A joint Soviet-Indian enterprise—Indsotra India Private Limited—is being set up in Delhi. By the end of 1988 two more joint enterprises will start functioning. Besides, 50 proposals on creating joint enterprises of various types in the USSR and India are being studied. In the near future one can expect results from nine of them. This would be an important development since India has not entered into such arrangement with the Soviet Union although it is known that it has entered into commodity turnover deals with other countries which are working satisfactorily.

The reasons why the development of new forms of cooperation has not progressed at a satisfactory pace are well known. Many of them are being removed as the economic reforms in the USSR are being implemented which involve financial and economic self-reliance of industrial enterprises, rights of direct producers and consumers to enter the foreign market. All these are yielding results. The time required for studying proposals and inquiries has been reduced, mutual exchange of information has improved, talks are now being held on a concrete basis. The activity and interest of Indian firms and organisations in developing trade contacts with Soviet enterprises have increased. All this gives ground to think that the new forms of cooperation will soon adequately contribute to the development of trade and economic ties of our two countries.

Of late one more factor has appeared in Soviet-Indian cooperation. It is about the participation of Indian firms in the construction of projects in the USSR. At present contracts have been concluded for the construction of three

hotels in Tashkent, Bukhara and Samarkand. A long-term programme for such co-operation has been outlined, according to which about 70 hotels will be built by Indian firms by the year 2000.

The desire of both sides to actively develop the trade and economic ties and to ensure the implementation of the task of increasing the commodity turnover between our two countries by 2.5 times was convincingly demonstrated at the session of the joint Soviet-Indian Committee on Cooperation held at the end of September 1988 in Delhi. The authorities of the Commerce Ministry of India, high level delegations of the Federation of Indian Chambers of Commerce and Industry, Confederation of Engineering Industry, Indo-Soviet Chamber of Commerce and Industry held frank businesslike and constructive talks with the authorities of the USSR Chamber of Trade and Industry, with the Association of Business Cooperation with India which was recently set up to find partners for setting up bilateral and multi-faceted cooperation among Soviet and Indian firms and organisations as the main task, supplying them with necessary information, rendering service in solving organisational and procedural questions and so on; and with the authorities of a number of Soviet industrial enterprises. The session revealed the drawbacks which hinder the development of trade and economic cooperation between USSR and India, especially in the sphere of the introducing new forms. Concrete proposals in this regard have been enunciated, and the ways of eliminating the drawbacks outlined.

Two years have passed since Mikhail Gorbachev's first visit to India. During this period Soviet and Indian organisations have done a great deal of work in strengthening and widening Soviet-Indian trade and economic ties and created a good potential for their further development. Undoubtedly, the forthcoming summit meeting will open new horizons and give a new impetus to the development of fruitful and mutually beneficial Soviet-Indian cooperation for the well-being of the peoples of our two countries.

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## India and CMEA

**A. Olshany**

*Head, Research Group, International Institute for  
Economic Problems of the World Socialist System,  
CMEA*

India's steadily growing and versatile contacts with the Soviet Union and other CMEA countries have a major role to play in boosting its key economic sectors and strengthening its economic independence. Trade and economic cooperation between the CMEA members and India is based on respect for sovereignty, on equality, mutual benefit and non-interference in internal affairs.

Foreign trade between the CMEA and India, which is the most indicative of their economic relations, grew almost by six times between 1970 and 1986 and exceeded 4,000 million dollars, India has become the CMEA's biggest trade partner among the developing states.

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undergone some changes. In the 1960s, when India was building up new industries and expanding key industries, machines and equipment figured prominently among its imports from the CMEA countries; the proportion of machines and equipment in the overall deliveries from the socialist community amounted to 69 per cent in some years, and to 75 per cent in the Soviet deliveries. In the 1970s, as India was building up its national production basis, the proportion of machines, equipment and transport facilities began to show a downward trend in its imports from the CMEA countries, while that of oil, oil products, fertilisers and other chemical goods was on the rise.

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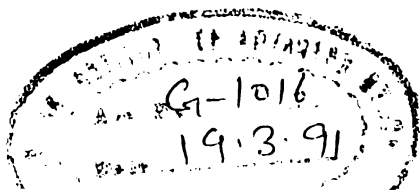
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Skodaexport, 24.7 per cent) manufactures sprayers and other products. The company Diesels Ltd. (83.53 per cent of the capital belongs to the Indian firm and 16.47 per cent to the Czechoslovak Transacta) puts out hydraulic shock-absorbers, fuel pumps for diesel engines, and other products at its factory in Ahmedabad. Components for diesels are made under Czechoslovak licences and a part of the output is exported.

Joint enterprises serve as a basis for expanding production cooperation in new areas. In 1987 the Czechoslovak Technopol signed a contract with the joint stock company Skoda India Private Ltd. on cooperation in the manufacture of equipment for the flour industry.

The TEMIS Chemicals Ltd. which incorporates the Hungarian Medimpex (25 per cent of the stocks) and an Indian firm (75 per cent), meets 25 to 30 per cent of India's vitamin B12 needs.

After a 15-year partnership, the Polygraph plant (the GDR) and an Indian factory printing machines have set up a joint stock company in Delhi. Its printing machines are intended to satisfy India's growing requirements and for export.

In Madras a joint Indian-Rumanian company dresses leather and sheepskins and sells them on the domestic market and in foreign countries, including Rumania.

Negotiations are currently in progress for starting a joint company to build a farm near Delhi where three million broilers will be raised annually. It is planned to attract as share holders the Indian firm Mathew Sons (60 per cent) and the Soviet Pyatigorskselmash factory which turns out farm machines in the city of Pyatigorsk (40 per cent). If the company shows good performance, it is planned to build on the same terms, with the help of the Pyatigorsk factory, a plant to produce equipment for poultry farms and a poultry factory to raise 50,000 laying hens with a view to subsequently increasing its capacity to 500,000 hens.

The restaurant "Delhi" opened in Moscow a short while

- General lack of information and appreciation in the two countries about each others economic development and trade opportunities.
- Low priority accorded by the business community and the governments to the mutual promotions of trade and economic relations.
- Long distance and inadequate or inexistent shipping services.
- Problems of communications arising out of differences in languages and cultural patterns.
- Existence of tied aid, foreign loans and credit facilities that in the case of the Cuban foreign trade act as major elements to determine where to buy and whom to buy.

Certainly, there is some truth in the above stated trade inhibiting factors but drawing upon the significant and often repeated elements in this regard, it is necessary to critically re-examine these constraints.

First of all there have not been enough visits of high level delegations to each other's countries, standing out practical suggestions to improve the present trade flow.

Secondly, the problems of language, distance, inadequate air and shipping services, credit facilities do not appear to be unsurmountable. What account most is the right type of product, right price, right place and right communication, It seems there is a need to promote a policy of encouragement and incentives from both Cuba as well as India's government.

Therefore, not only is there a pressing need to overcome the existing obstacles to our relations but we also have to attain our strategy keeping in mind the changes taking place in both economies in recent years. The growth of Cuba's foreign debt has obliged a reduction in its import bill during the last few years. Another cause of that reduction has been the depressed prices of sugar—its Pivotal export item—in the international market. Thus, barter deals have gained much popularity mainly with countries facing some problems as in the case of some

African Countries where the obvious advantage rests in the fact that without involving hard earned foreign exchange, each country can satisfy its demand for a particular commodity.

### **Prospects of Future Collaboration**

Until now there is no commercial agreement between Cuba and India. Moreover, no joint commission has been created to analyse the prospects of a future collaboration.

The latest news available in this regard is that India and Cuba will exchange high level delegations to explore areas of potential trade between the two countries. This was decided at a meeting between Union Finance Minister of India Mr. Narayan Datt Tiwari and Cuban Vice-President Carlos Rafael Rodriguez with the approval of the Prime Minister Rajiv Gandhi, at the beginning of 1988.

Another important landmark in the common strategy to strengthen economic ties has been the recently concluded visit to Cuba (Sep. 88) of H.E. Mr. K.R. Narayanan, Minister of State for Science & Technology, opportunity which allowed both countries to sign an Indo-Cuban Protocol on Science & Technology, which will open the way to greater and more fruitful economic cooperation in several spheres.

Cuba, being the first exporter and one of the largest producer of sugar in the world, the Cuban side was of the view that India and Cuba could have cooperation in the field of sugar production.

Rather than to focus the entire attention to trade-related issues, the future seems to be poised for increasing trade in technology its easy task taking into consideration the great efforts made by both countries to increase their technical manpower having well trained and capable professionals in all branches of science and technology in field as complex as nuclear power generations.

Besides, in the sphere of commodities there is much more that India and Cuba can do jointly for their own bene-

fit for marketing products in other countries where the market environment obstructs a direct approach like in the cases of Middle East Countries and the Gulf Cooperation Council Countries.

### **Joint Ventures**

For the purpose of expanding exports and international tourism, Cuba has decided to promote the establishment of economic associations with foreign entities which have market possibilities, production experience and financial resources to complement these of the Cuban party.

The corresponding Cuban organisations have specific ideas to offer to eventual partners and are also ready to analyse their suggestions.

The economic associations may exploit existing installations that may be leased or whose temporary user-tract may contribute, or other installations that are built through joint efforts. Ownership of the installabtion will be Cuban (in case of existing ones) or will revert to the Cuban party when the association is dissolved (in case of new installations that are built through joint efforts) in accordance with the conditions governing the joint venture's liquidation that the parties have agreed upon in the memorandum of association.

Those joint ventures may be affected by means of the constitution of joint enterprises or through other forms of associations that do not imply the creation of an enterprise.

The joint enterprises that are created will adopt the form of corporation with nominal shares.

As a general rule, foreign participation may be as much as 49 per cent of the shares ; in exceptional cases, with the express authorization of the Government, it may be 50 per cent or even more.

The parties contribution will consist of cash/or other assets the latter assessed on the basis agreed to by the two parties.

Legislature decree 50, February 15, 1982, establishes

the legal conditions under which economic associations involving Cuban and foreign entities may continue to be developed in the Cuban territory.

Other, earlier legal decrees, such as the commercial code fiscal regulations and laws concerning economic contracts and state arbitration, will also apply to these associations. The stipulations of international treaties that Cuba signed on related matters are also applicable, as are those related to shipping and the ownership of trade marks and patents.

For all these foreign entities interested in this legislation, the Chamber of Commerce of the Republic of Cuba has prepared a pamphlet entitled 'joint Ventures', which includes the full text of the legislative decree on economic assistance, a brief summary of other pertinent legal instruments in force and a minimum reference list of supplementary regulations.

### Conclusions

1. Cuba's economy during the last 3 years has attained important achievements which have transformed the traditional composition of Cuba's Foreign Trade including a large variety of non-traditional items such as engineering goods, capital goods, electronics, chemicals, computers, etc., that have progressively lead to a change.
2. The trend of trade flow between Cuba and India increased but remained at a low level as compared to the stage of the political relations and mutual understanding existing at present between the two countries.
3. The trade inhibiting factors can be summarised as follows :
  - Insufficient information and appreciation in the countries about each others economic developments and trade opportunities.
  - Insufficient priority accorded by the business commu-

nity and the governments to the mutual promotion of trade and economic relations.

- Long distance and inadequate or inexistent shipping services.
  - Problem of communication arising from the differences of languages and cultural patterns.
  - Existence of tired aid, foreign loans and credits facilities acting as key elements to chose where and whom to buy.
4. Prospects for future collaboration are unlimited depending upon the interest of each government to develop better economic relations.
  5. Rather than to focus the entire attention to trade relations issues, the future seems to be poised for increasing trade in technology for which there is better scope.

### **Recommendations :**

1. Exchange of high level delegations to study the areas of possible collaboration should be considered as a primary stage for developing a mutual understanding.
2. A joint commission to analyse concrete spheres of activity should be set-up which could accelerate the course of action to mutually advantageous decisions.
3. The schemes of collaboration between Indian and some Latin American countries should be the object of further analysis to determine to what extent this can be applicable to the Cuban conditions.
4. Efforts should be made to work out a Trade agreement taking into account the interest of both countries.
5. Emphasis should be laid on implementation of barter trade or rupee payment agreement due to the obvious advantages resting in the fact that without involving hard currencies each country can satisfy its demand for a particular commodity.
6. The starting point to develop a sound trade relation should commence with an interchange of commercial

and economic information which enable business community of each country to appreciate the areas of mutual interest.

7. The visit of the president of the Chamber of Commerce of the Republic of Cuba to some of the more prestigious Chambers of Commerce and Industries of India could be a catalyst for the process of Indo-Cuban Trade development, and in promoting the goodwill among businessman.
8. Decisive steps should be undertaken in order to promote the establishment of joint ventures in areas where Cuba enjoys technological advantages like setting up of sugar mills and production of harvesting machines for sugar canes.



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## India and Czechoslovakia

This year, Czechoslovak society marks 40 years of its socialist development. In the life of an individual, this is a long period, during which man grows up, attains maturity and his work yields fruit.

In the life of society, 40 years is also a time when a balance-sheet can be drawn, when the achievements in its development can be reviewed, its shortcomings analysed, and on the basis of experience, new aims and ways of further development can be set.

In February, Czechoslovakia will recall the fortieth anniversary of the historical landmark in the life of its nations. For the first time in their history going back more than a thousand years, the Czechs and Slovaks decided of their own free will to build a common state, on the basis of social justice, equality and economic and political independence.

By the common spontaneous decision of the people, Czechoslovakia, using constitutional methods, set out on the road of socialist development, the road of cooperation with fraternal socialist countries, led by the Soviet Union.

The February 1948 victory of the Czechoslovak working people solved once and for all the problem of Czechoslovakia's position in European conditions, both politically and economically.

Czechoslovakia found its place in the international division of labour within the block of socialist-oriented countries, within the world socialist system, alongside the Soviet Union.

Thus it became an active factor of the development and strengthening of a new type of economic relations among states, relations which found expression in cooperation in the frame work of the Council for Mutual Economic Assistance.

When recalling the historical year 1948, we cannot fail to mention that less than two months after the February victory, the process of nationalising the key industries, begun immediately after the end of the Second World War in 1945, was consummated with the passage of the law on the nationalization of foreign trade.

The first state import/export organizations, modern enterprises, usually taking the form of joint-stock companies, emerged after the nationalization of foreign trade in April 1948.

They were enterprises with a strong economic and capital basis, guaranteeing them a sufficiently strong position on the international market as equal partners to big economic enterprises in both the socialist and non-socialist countries.

Central management of commercial policy in foreign trade and central planning of foreign trade relations ensured the state a good balance of its foreign trade and its payments.

This policy proved its worth throughout the period of Czechoslovakia's socialist development, and it is much to the credit of this policy that Czechoslovakia has to this day maintained on the world markets the name of a reliable partner who honours consistently his commercial and pay-

ment obligations, and with whom it is advantageous to cooperate.

The forty years since February 1948 have been a period of the greatest flourishing of Czechoslovakia. The country has solved its basic economic problems such as ensuring a sufficient supply of energy by developing coal production and building a dense network of power stations.

Massive reconstruction of Czechoslovakia's industrial production was carried out switching over from the predominant light industry to the construction of big and efficient engineering complexes.

The backward regions of the state have been industrialized. Modern industrial enterprises have been built, especially in Slovakia. In keeping with world trends, there has been an unprecedented development of the chemical industry, including oil processing and the chemical processing of timber.

Agriculture has undergone a dramatic reconstruction making possible large-scale socialist cooperative production, and resulting, in the final analysis, in self-sufficiency in cereal crops and a number of other farm produce.

The cultural, scientific and technical revolution has prompted the development of a powerful potential of scientific and research capacities, and other spheres of the country's social, political and economic life, the socialist health service especially, have also undergone considerable expansion.

Quite necessarily, such a powerful economic development has brought about new problems requiring solution. For a long time, the economy was developing in a predominantly extensive way, and over the years, barriers formed preventing the economy from growing at the previously high rates.

As a country with inadequate raw material resources, Czechoslovakia first had to solve the problem of building an adequate raw material base for its advanced manufacturing industry.

It found such a reliable base in its firm economic rela-

tions with the powerful market and the immensely rich raw material base of the Soviet Union. The Soviet Union took an increasingly greater share of Czechoslovakia's overall foreign trade turnover until it exceeded the 44 per cent mark.

Further barriers, which were not easy to surmount, appeared in the later 1960s, with the shortage of manpower and problems linked with transition to the intensive form of economic development based on an accelerated practical application of scientific and technical progress.

These problems proved to be the main obstacle to development in the mid-1980s. Therefore, after thorough analysis of the situation, the state leadership decided to map out a line for the reconstruction of the country's economic mechanism that would make it possible to change the present behaviour of economic subjects by enabling them to act more flexibly in the more discriminating world market situation and to develop on the basis of the principles of self-financing, greater operative competence, independence and responsibility.

The period of the present reconstruction is being often compared to the revolutionary changes that took place exactly forty years ago, in February 1948. Indeed, there are important changes in evaluating the role of the different economic subjects within the national economy, new forms are being sought of raising the productivity of labour, of making the working people more interested in the successful realization of the results of their work on the market.

The States Enterprise Bill and some other documents, which have just submitted for nationwide discussion, will, on their partial introduction, show the function and the mission of the economic mechanism appear in a new light, and the structure and organization of industrial production and other branches of the Czechoslovak economy will change more profoundly.

Therefore, the practical application of the model of management and organisation of foreign trade and its relationship with production, envisaged by the principles of

Czechoslovakia's economic reconstruction, must on the one hand respect, from the factual and temporal points of view, the restoration of the internal and external balance of the national economy as the basic prerequisite of the higher responsibility and greater competence of economic organisations in the sphere of external relations and foreign trade, as well as the gradual limitation of directive and administrative elements in the management of this sphere by the state and its bodies. On the other hand, it must meet the demand for accelerating the restructuring, scientific and technical progress and innovation, growth in the productivity of labour and reduction of cost, as a condition for the rapid growth of the export efficiency of the Czechoslovak economy.

Important manufacturing organisations will have an opportunity to conduct their own business, especially as regards exports, if their export efficiency is conclusively better than, that under the present system.

Manufacturing and other economic organisations will have the competence and responsibility for scientific and technical cooperation, industrial cooperation and specialisation, joint production in Czechoslovakia and abroad, including joint ventures, and for establishing direct relations with organisations in other CMEA member countries.

They will have the choice of a differentiated use of the services and other expert activities provided by foreign trade organisations in the form of delivery contracts and contracts on expert assistance.

A meaningful increase in the export ability and export efficiency of the country's economy and in the competitiveness of the products will only be possible if greater pressure is brought to bear in the economic mechanism on accelerating significantly scientific and technical progress, on ensuring greater innovation in production, increasing the significance of objective world criteria of quality and effectiveness, and on stimulating and giving preferential treatment to export-efficient manufacturing enterprises.

These viewpoints will have to be emphasized both in the implementation of the Comprehensive Experiment of Increasing the Responsibility and Competence of Economic Organisations for effective Development and in the prepared restructuring of Czechoslovakia's economic mechanism.

Thus, we are entering the new year at the stage of fruitful discussion of new, more effective forms of work, proposals for more rational organisational structures.

The aim is to improve the adaptability of the economy to the requirements and the situation on the world markets, to stimulate economic interest in flexible changes of the offer, in increasing the export ability of Czechoslovakia's main exporters.

Although many of the elements of the new mechanism will be introduced only this year, I am confident that already this year's results in Czechoslovakia's foreign trade will prove that this target will be met, a target which, by its consequences, matches the historical moments in the life of Czechoslovak society which just now, in the period of the 40th anniversary of Victorious February, is being recalled.

We are linked by friendship and co-operation.

Cooperation between Czechoslovakia and India has a long-standing tradition, intensive development of friendly relations came after 1947. Czechoslovakia was one of the first countries to establish full diplomatic relations with India as early as in 1947.

The large volume of economic cooperation between India and Czechoslovakia provides evidence of the fact that geographical distance is not decisive when trading contacts are based on traditional trust arising from the development of friendly relations stemming, in turn, from the prevailing favourable political atmosphere. The long-standing, stable and reliable development of cooperation furnishes proof of the strong attitude taken by the partners of both countries as well as of the willingness to become familiar with the possibilities of the other side as well as of the endeavour to offer suitable commodities for meeting the needs of the economy.

Although India, in geographical terms, is the most distant country, it is nevertheless, one of the five of Czechoslovakia's biggest trading partners in the developing world. On the other hand, in terms of volume of trade, Czechoslovakia ranks third after USSR and Poland from among India's East European partners. India has had trade relations with Czechoslovakia long before independence but the first formal trade agreement between the two countries was signed in 1960.

The trade between the two countries is at present conducted on the basis of five years' trade and payment agreement providing bilateral balance of trade in non-convertible Indian rupees. Trade protocols are concluded yearly with the aim to specify the volume of mutual deliveries of goods depending upon the requirements and possibilities of the two countries and keeping in view the need for further diversification of the commodity structure of trade.

The main exports from Czechoslovakia to India are engineering goods (at present more than 50 per cent of Czechoslovak exports to India), namely, components for the plants built with Czechoslovak cooperation, diesel generating sets, machine tools, textile and leather and shoe-making machinery, printing machinery, ball bearings, iron and steel products, plastic materials, etc. Czechoslovakia buys from India coffee, manganese ore, iron ore, pepper, de-oiled cakes, textiles, leather goods, jute manufactures, non-traditional items were added to the Indian export basket, xerographic equipment and consumer electronics.

The structure of Czechoslovak exports and imports from India has undergone a change due to the process of industrialisation by India.

In 1987 the turnover between the two countries reached 250 cr. rupees. The Trade Protocol between the two countries for 1988 stipulates the volume of the exchange of goods between Czechoslovakia and India 540 crores rupees, with the aim to double the actual trade turnover in the coming years and to further diversify the existing structure of the exchange of goods between the two countries.

With the aim to deepen and extend mutual trade and economic relations, in 1967 the Czechoslovak-Indian Committee for Economic, Trade and Scientific Technological Cooperation was established whose activity has had a positive influence on the development of the Indo-Czech relations from the very beginning. The XIII session of the above mentioned Committee was held in Prague in May 1987.

Enough evidence is available to establish that Czechoslovakia is a perspective partner in the development of India.

There is room for wider industrial cooperation, especially in industrial/mechanical sectors. It has been decided to intensify industrial cooperation and transfer of technology in the areas of machine tools, textile machinery, printing machines, chemicals and petrochemicals industry, tractors, bearings, electronics, etc.

Growth of trade through joint ventures between the two countries has been planned. India could become the third non-CMEA country to set up joint ventures in Czechoslovakia, the other two being Denmark and Holland. Transakta (the Czech Trade Corporation responsible for all commercial transactions and joint ventures with foreign partners) has held discussions with Indian private parties for setting up joint ventures in Czechoslovakia.

Czechoslovakia and India signed an agreement to avoid double taxation in June 1986 in respect of taxes on income.

There is a wide scope to develop further the bilateral relations between the two friendly countries.



# TERRITORIAL STRUCTURE OF THE CZECHOSLOVAK FOREIGN TRADE

in mill. Kcs fco frontceir of the exporting country

Index 1987/  
1986

Area	1975	1980	1985	1987	Index 1987/ 1986
Total exports	46 651	80 163	119 818	125 875	103.4
Out of which :					
Socialist countries;	33 377	55 799	92 239	99 805	105.6
Out of which :					
CMEA countries	31 021	52 228	86 335	94 909	106.1
Non-socialist countries	13 274	24 364	27 579	26 070	95.6
Out of which :					
Economically advanced					
capitalist countries	9 255	17 442	18 874	19 570	102.5
Developing countries	4 019	6 922	8 705	6 500	79.4
Total imports	50 716	81 540	120 323	127 259	101.4
Out of which :					
Socialist countries;	35 398	57 214	97 072	100 406	100.5
Out of which :					
CMEA countries	33 264	53 728	91 245	95 988	101.0
Non-socialist countries	15 318	24 326	23 251	26 853	105.3
Out of which :					
Economically advanced					
capitalist countries	12 499	19 868	18 421	22 441	108.5
Developing countries	2 819	4 458	4 830	4 412	91.5

# TERRITORIAL STRUCTURE OF FOREIGN TRADE

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	Exports				Imports			
	1980	1985	1986	1987	1980	1985	1986	1987
	in per cent							
Total	100	100	100	100	100	100	100	100
Socialist countries	69.6	77.0	77.6	79.3	70.2	80.7	79.7	78.9
of which :								
CMEA	65.2	72.1	73.5	75.4	65.9	76.1	75.7	75.4
other countries of which ;	30.4	23.0	22.4	20.7	29.8	19.3	20.3	21.1
Advanced capitalist								
countries	21.8	15.7	15.7	15.6	24.4	15.3	16.5	17.6
of which EEC*)	13.0	9.1	9.6	9.5	12.9	8.6	9.7	10.6
Economically developing;								
countries	8.6	7.3	6.7	5.1	5.5	4.0	3.8	3.5
of which :								
Asian countries	5.3	4.9	3.4	2.9	2.7	1.9	1.7	1.7
African countries	2.4	1.8	2.5	1.6	0.8	0.7	0.7	0.6
American countries	0.9	0.6	0.8	0.6	2.0	1.4	1.4	1.2

\*) EEC—from 1981 including Greece; from 1986 including Portugal and Spain

## INDIA

INDIA AND CZECHOSLOVAKIA

Code SITC-rev. 2	Commodities	in thous. Kcs	
		1986	1987
	Total exports	482 662	538 252
2	Crude materials, inedible, except fuels;	—	12 265
5	Chemical and related products, n.e.s.	68 832	111 460
6	Manufactured goods classified chiefly by material	138 900	108 273
7	Machinery and transport equipment	249 691	290 489
8	Miscellaneous manufactured articles	24 363	15 284
9	Commodities and transaction not classified	876	481
274	Sulphur and unroasted iron pyrites	—	12 265
514.6	Single or complex oxygen-function amino-compounds	286	369
514.7	Carboxyimide-function compounds	378	161
522	Inorganic chemical elements, oxides and halogen salts	—	57 789
523.1	Fluorides, chlorides, sulphides, dithionites, etc.	1 189	115
541	Medical and pharmaceutical products	1 147	1 749
562	Fertilizers, manufactured	13 387	16 051
583	Products of polymerization and copolymerization	34 375	34 934
664	Glass	126	409
672	Ingots and other primary forms, of iron or steel	4 945	6 037
673.2	Bars and rods (excl. wire rod), of iron or steel	9 173	5 166
674.4	Sheets and plates, rolled, thickness more than 4,75 mm;	14 151	1 362

Code SITC-rev. 2	Commodities	in thous. Kos	
		1986	1987
674.6	Sheets and plates, rolled, thickness less than 3 mm;	23 566	22 854
678.2	"Seamless" tubes and pipes; blanks; for tubes and pipes	27 487	25 780
679	Iron and steel castings, forgings and stampings, n.e.s.	1 364	1 018
692.1	Reservoirs, tanks a. other, of iron, steel, aluminium;	2 224	2 469
699	Manufactures of base metal, n.e.s.	1 273	1 928
713	Internal combustion piston engines, n.e.s.	2 0242	2 164
716	Rotating electric plants and parts thereof, n.e.s.	30 036	45 025
722	Tractors (excl. semi-trailer)	7 024	6 709
724.4	Machines for extruding man-made textiles, n.e.s.	8 007	11 593
724.5	Weaving machines, knitting machines, etc.	1604	3 823
724.8	Mach. for preparing, tanning, etc. hides, skins, etc.	3 721	7 066
726.4	Printing presses	8 286	13 024
727	Food-processing machines (excl. domestic), n.e.s.	596	1 322
728.4	Mach. for particular industries and parts, n.e.s.	1 740	12 896
736	Machine-tools for working metal, n.e.s.	15 966	22 653
737.1	Foundry equipment and parts thereof n.e.s.;	21	82
743	Pumps (excl. for liquids), compressors, centrifuges, etc.	1 939	2 416
745	Other non-electrical machinery, tools a. parts, n.e.s.	126 330	113 780
749.1	Ball, roller or needle roller bearings;	21 894	27 968
778	Electrical machinery and apparatus, n.e.s.	1 990	1 670

Code SITC-rev.2	Commodities	in thous. Kcs	
		1986	1987
791.9	Railway a. tramway track fixtures and fittings, n.e.s.	5 527	2 939
874	Measuring, checking, analysing a. controlling instrum.	664	524
884.1	Optical elements	635	1 023
	Total Imports;	454 713	540 422
0	Food and live animals	192 125	270 338
1	Beverages and tobacco	13 450	16 542
2	Crude materials, inedible, except fuels;	123 917	117 537
4	Animal and vegetable oils, fats and waxes	1 614	502
5	Chemical and related products, n.e.s.	1 745	9 049
6	Manufactured goods classified chiefly by material;	97 613	97 818
7	Machinery and transport equipment	7 439	10 675
8	Miscellaneous manufactured articles	16 810	17 961
057	Fruit and nuts, fresh or dried	17 181	61 492
071	Coffee and coffee substitutes	16 219	17 562
074	Tea and mate	10 183	12 052
075	Spices	23 698	35 034
081	Feeding stuff for animals	124 825	143 124
122	Tobacco, manufactured	13 450	16 542
211	Hides and skins (except furskins), raw	13 250	8 960

Code SITC-rev. 2	Commodities	in thous., Kos	
		1986	1987
212	Furskins, raw	38 552	62 070
263	Cotton	29 047	23 207
278.5	Quartz, mica, felspar, fluorspar, oryolite, chiolite	6 609	5 270
281	Iron ore and concentrates	16 428	7 549
291	Crude animal materials, n.e.s.	3 451	4 156
292.4	Plants and parts of trees for perfumer a. pharmacy	6 697	4 927
424	Other fixed vegetable oils, fluid or solid	1 614	502
541	Medical and pharmaceutical products	653	1 175
553	Perfumery, cosmetics and toilet preparations	205	1 692
585.1	Modified natural resins, etc.	887	5 993
611	Leather	117	2 471
612	Manufactures of leather, n.e.s.	109	2 091
651	Textile yarn	52 455	42 452
654	Textile fabrics, woven, excl. cotton or man-made fibres	25 759	28 247
658.1	Sacks and bags, of textile materials	16 615	15 214
659	Floor coverings, etc.	—	5 963
71	Power generating machinery and equipment	4 444	6 480
736	Machine-tools for working metal, n.e.s.	1 005	1 528
778.84	Electrical capacitors (condensers), fixed or variable	1 348	1 655
812	Sanitary, plumbing, heating and lighting fixtures	99	108

831	Travel goods, handbags, etc.	6 177	7 281
842	Outer garments, men's and boy's of textile fabrics	3 417	4 687
845	Outer garments and other, knitted (excl. elastic)	1 916	264
846	Under garments, knitted or crocheted;	174	62
848	Articles of apparel a. clothing accessories, headgear	—	648
894	Baby carriages, toys, games and sporting goods	3 737	2 736
897	Jewellery, goldsmiths' and silversmiths' wares, n.e.s.	547	744
898.3	Gramophone record and other sound recording	307	910

**Czechoslovak Exports to India.**

January—September 1988

Czechoslovak Exports to India during the nine months of the calendar year 1988 reached the level of cca 1.200 mil. INR, being 64.6% higher compared with the same period of 1987.

The main machinery items were :

Capital goods : ;	140 mil. INR
DG sets and spare parts :	138 mil. INR
Ball bearings :	60 mil. INR
Machine Tools and spare parts :	40 mil. INR
Textile Machinery and Shoemaking Machinery and Leather Processing Machinery :	70 mil. INR

The main non-machinery items :

Fertilisers :	80 mil. INR
Steel and Steel products :	410 mil. INR
Plastic Materials :	150 mil. INR



**Czechoslovak Imports from India****January—September 1988**

The Czechoslovak Imports from India in the above mentioned period reached the level of 1.130 mil. INR.

The decisive imported items were :

De-oiled cakes and rice bran :	263 mil. INR
Cotton yarn :	180 mil. INR
Black Pepper and Spices :	80 mil. INR
Cachew, Kernals, Dry fruits and vegetables ;;	120 mil. INR
Leather products :	130 mil. INR
Coffee :	65 mil. INR
Tea :	75 mil. INR

Iron Ore concentrates and pellets : 45 mil. INR

Textiles :	40 mil. INR
Mica :	10 mil. INR
Tobacco :	25 mil. INR
Jute products :	40 mil. INR
Consumer Electronics :	20 mil. INR
Shock-absorbers :	20 mil. INR

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## India and GDR

The German Democratic Republic is an efficient industrialized country with a well developed agricultural sector. Though the share of its population amounts to only 0.4 per cent of the world population, the GDR produces 1.3 per cent of the world's national income and 1.8 per cent of the world's industrial production. Production per capita is four times higher than the world's average.

The GDR, which ranks among the ten leading industrial nations in the world, is an attractive trading partner due to its stable and dynamic economic development. During the first half of 1988 the national income grew by 4.1% over the corresponding period last year. Net output in industry rose by 7.9% and labour productivity by 7.8 per cent. The intensified use of scientific and technological findings was conducive to this growth in labour productivity and net output, improved quality standards and cost saving.

Thus the GDR belongs to the most industrialised countries in the world and the industrial-sector contributes more than 70 per cent to its national income. A wide range

of machinery and equipment as well as chemicals are produced in the GDR and these form the bulk of its exports to more than 90 countries all over the world.

As a member of the Council of Mutual Economic Assistance, the major trading partners of the GDR are the socialist countries—the USSR, Czechoslovakia, Poland, Hungary, Romania and Bulgaria. The leading trading partners among the capitalist countries are the Federal Republic of Germany and France. In its international economic relations with developing countries, the GDR adherence to its principle of mutual advantage, equality in endeavouring to use the most effective forms, means and methods that take into account the concrete requirements of these countries as also correspond to its own capabilities.

The GDR attaches maximum importance to its relations with developing countries and their further steady and universal development.

The economic relations between the GDR and India received a big boost with the conclusion of the long-term agreement on the economic, industrial, scientific and technical cooperation on January, 9, 1979. The agreement was signed during the visit of Mr. Erich Honecker, General Secretary of the Central Committee of the Socialist Unity Party of Germany and Chairman of the Council of State of the GDR, to India.

From a low figure of Rs. 2 million in 1954, the two-way trade rose continuously to Rs. 975 million in 1979 and further to Rs. 2420 million in 1984. An important step taken is the signing of the Long-term Trade Protocol between the two countries covering the trade exchanges up to 1990. This Protocol envisages increased trade turnover by a more extensive exploration of all the possibilities like supply of heavy machinery for coal and minerals, exploitation, transfer of technologies as well as industrial collaboration.

The year 1987 was another successful one in further developing the traditionally good and long-standing mutual cooperation in trade and industrial production. The trade turnover has increased by about 15 per cent. GDR-

enterprises, manufacturing or dealing with engineering goods have been able to strengthen their export of machineries and equipment such as flour mills, open cast mining equipment, captive power houses, food processing and other machineries to India.

INDO-GDR trade turnover is slated to rise by about 10 per cent during the year 1988 according to the existing trade protocol for 1988.

The planned major items of imports from GDR in 1988 include muriate of potash, rolled steel products, organic and inorganic chemicals, newsprint, photographic X-ray and jumbo roll films, and machinery items like printing machinery, mining machinery, machine tools, diesel generating sets and equipment for power projects.

The new selected items added to the list of imports in 1988 are : microlithographic equipment, equipment for chemicals and petro-chemical industry, equipment for manufacture of electronic components, mainframe computers, image processing system for application in science, industry and medicine, active and passive electronic components, including TV components, communication cables, titanium dioxide and petrochemicals.

The main items of export from India in 1988 are : coffee, spices, deoiled cakes, iron-ore, mica and mica products, finished leather and leather goods, shoe-uppers, textiles including garments, knitwear and cotton grey clothes and jute manufactures and engineering items including machine tools, hand tools and automobile parts.

The new selected items added in the list of exports in 1988 from India are : Iron-ore pellets, cashew shell liquid, castor oil based chemicals, organic and inorganic chemicals, petrochemicals, cotton yarn and made-ups of cotton clothes, computer peripherals and parts as well as software and carbide-tipped cutting tools.

The Foreign Trade Enterprises of the GDR, which will celebrate the 40th anniversary of its foundation next year, have contributed to the economic development of India by supply of totally:

- more than 850 diesel generating sets
- 19 planetaria
- 1250 printing machines of various types
- 12,000 book binding machines
- 5,300 machine tools
- 1,000 high speed flour rolling mills (displayed at the GDR-Collective Exhibition and handed over to the Indian buyer today).

as well as by providing technical assistance, knowhow, technology transfer for numerous industrial projects.

It has already become a good tradition that GDR enterprises take part in trade fairs, exhibitions and technological symposia held in India. The GDR presence at the ongoing IITF'88 with a collective exhibition in the Nilgiri Hall (Hall N. 8A) is regarded as a symbol of its strong and lasting desire to strengthen and expand relations with India for the mutual benefit of the peoples in both countries for peace and progress.

Indian manufacturers of engineering items have repeatedly shown their capabilities within the framework of India's collective exhibitions or as individual exhibitor at the traditional Leipzig Fair. As a result, more and more GDR companies regard India as a potential supplier of these kinds of goods.

It can be stated that the GDR and India continued in 1987/88 to strengthen their economic, technical and scientific cooperation, too. In the second half of September 1987 important discussions were held during the 7th Session of the Joint Commission GDR/India on Economic, Scientific and Technical Cooperation in Berlin between the Deputy Chairman of the GDR's Council of Ministers, Mr. Horst Soelle, and India's Minister of Industry, Mr. J. Vengal Rao. The Working Groups on Coal, Lignite and Energy as well as Trade and Industry signed protocols providing a solid basis for more efficient cooperation. A vivid example of enhanced cooperation is a joint venture established between one of the biggest GDR enterprises and leading producer

of polygraphic arts machineries, Messrs. VEB Kombinat Polygraph "Werner Lamberz" and its Indian counterpart for production of rotary printing presses in India.

In the field of Planning, progress has been achieved as well. The 8th Session of the Joint GDR/India Working Group of Planning Experts was held at Berlin in September, 1988. The delegations assessed the work done so far and agreed upon to intensify cooperation between the two countries' highest planning bodies in specific fields, such as the development and application of high-technologies, the efficient utilization of energy and the development and utilization of human resources.

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## India and Hungary

Hungary, a landlocked country in the centre of Europe, is surrounded by Czechoslovakia in the north, the Soviet Union and Rumania in the east, Yugoslavia in the south and by Austria in the west. Her territory is 93,000 sq. km and number of inhabitants is 10,5 million. Hungary is one of the smallest countries of the CMEA. At present, the GNP is around 24 billion US\$ and the per capita national income is around 2,000 US\$. The external trade turnover of the country is around 20 billion US\$ and in magnitude it corresponds to the external trade turnover of India. About half of the turnover is in convertible currencies and the other half, in transferable Roubles, with the CMEA countries; the largest trade partner is the Soviet Union, followed by the Federal Republic of Germany.

Since 1968, Hungary has been implementing economic reforms. The goal of the reform is to build up a socialist economic system with the combination of the regulated market system in which the favourable effects of both the market economy and planned economy can prevail. In the process of the reforms considerable changes have

been taking place in the organisation of the economy. Some of them are the followings :

- The enterprises cannot be directed to implement the central plan;
- The State has to encourage the enterprises to implement the plan by financial stimuli and taxation system;
- The independence of the companies has been growing continuously;
- In the majority of the enterprises the managers are elected by the workers of the enterprises, their salaries and tasks are set by the workers;
- In a broad range of products the prices are governed freely by the demand and supply position of the product on the market, while price increases in facing inflation have to be intimated before being effected and the Price Authority may postpone the price increase;
- The private sector is an integral part of the socialist economy and 1/3rd of the national economy belongs to this sector. The Government is for establishing more and more independent small scale industries;
- In October 1988, the Hungarian Parliament enacted the new Company Law. According to the new regulations private enterprises with as much as 500 workers will be allowed to function;
- The new Company Law has established very favourable circumstances for the inflow of foreign working capital into the Hungarian economy. Joint ventures with less than 50% of foreign participation need no special permission. If the foreign participation is higher than 50% the authorities have to decide on sanctioning within 90 days;
- The banking system has been transformed as well. In 1987 several commercial banks have been formed and the two-level banking system has been established. Till then, the Reserve Bank alone could give direct credits to the enterprises, and now, it is not the case.



The Reserve Bank regulates the commercial banks through financial instruments;

- Considerable changes have been taking place in the institutional framework in the working of the economy. In 1981 several Ministries, which directed particular branches of the industry, have been merged into the Ministry of Industry. In 1988, the Ministry of Internal Trade and the Ministry of External Trade have likewise been merged into one Ministry of Trade.
- From 1988, as the first country among CMEA countries, Hungary has introduced the personal income-tax and the value-added tax. The taxation system has been simplified by this.
- The method of pursuit of foreign trade has been changed as well. Before 1968, each classified product could be exported or imported by one single foreign trade company. This method was being relaxed gradually, and now, from 1988 the majority of the products can be exported by any foreign trade company or by the producer as well. This change in our foreign trade method can be seen in our commercial relations with India also with more and more Hungarian companies entering the Indian market.

In spite of considerable organisational changes, some problems have surfaced in the Hungarian economy. The economy could not adapt itself adequately to the changing requirements of the world market. The structure of the Hungarian economy had become too stale to keep pace with the currents of the world market. A considerable foreign trade deficit occurred in convertible currencies. Hungary has, for the time being, a gross debt of about US\$ 16 billion and a net debt of US\$ 10 billion. Large enterprises, with uneconomical production, received huge budgetary support. The Budget deficit in 1986 reached US\$ 1 billion, which was reduced in 1987 to about US\$ 500 million. In 1987 the Government has worked out a Consolidation and Development programme till 1990. The

aim of this programme is to diminish the foreign trade deficit and to stop and reduce the increase of our debts in convertible currency, as well as to improve the profitability of the production.

As the first step of the programme, the internal consumption has to be brought down. Hence, in 1988 the consumer prices will rise by about 15%, which is partly connected with the new taxation system.

The status of the Hungarian economy has not affected the economic relations between India and Hungary, in that our bilateral turnover reached in 1987 US\$ 110 million, registering a record increase of 60% over the 1986 figure, which in itself registered an increase of 40% over 1985 turnover.

Till 1978 our trade was being carried on in Rupee payment, and in that year we switched over to free convertible currencies for payment. Since then the transactions are usually carried on in US Dollars, but the use of other free convertible currencies is also possible.

We consider that payment in free convertible currencies is helpful in the development of free trade between our two countries. We are not planning to go back to the Rupee trade or Government counter trade, but understanding Indian trade policy of counter trade the enterprises of the two countries have the possibility to enter the counter-trade agreement.

The development of the economic relations between the two countries is regularly reviewed to survey the progress made and identify new areas of cooperation by the Indo-Hungarian Joint Commission for Economic, Scientific and Technical Cooperation. The Co-Chairman of the Commission from the Indian side is H.E. Mr. J. Vengala Rao, the Minister for Industry, Government of India and from the Hungarian side, H.E. Dr. Peter Medgyessy, the former Minister for Finance, who, though promoted to the office of the Deputy Prime Minister, continues to be the Co-Chairman of the Commission in view of the significance attached to the Indo-Hungarian relations. The Commission holds its session regularly, and its 8th Session was held

in Delhi in October 1988. The Joint Commission has two Working Groups, one for Trade and Finance and the other for Industry and Economic Cooperation. The Working Groups—which also meet on a regular basis—had their last meetings together with the Joint Commission in Delhi.

Besides, the Chambers of Commerce of the two countries have a joint Business Council, which is also meeting regularly. The last meeting was held in Bangalore in February 1988 and that was the first meeting of this kind arranged outside of the capital of India.

Special emphasis is laid on cooperation in electronics. Mr. K.P.P. Nambiar, Secretary, Department of Electronics, Government of India, visited Hungary in October '87 and concluded a Memorandum regarding cooperation in this field between the two countries, when he was in Budapest.

An Indian Exhibition on Electronics was held in the Hungarian Capital and in reciprocity, an Hungarian Exhibition on Electronics was held in April this year in Delhi.

Hungary has traditional market in India for power generation equipment, telecommunication systems lamp making machinery, machine tools, plastic raw materials, pesticides, etc. Until now, we have delivered 3 lignite-fired boilers to the Neyveli Lignite Corporation Ltd., and Hungary has built 4000 km microwave networks in India.

Hungary has offered a credit of US\$ 200 million to India, on favourable terms, with a view to making her contribution to augmenting the energy sector in India. Negotiations in this regard are in progress.

As far as the Indian exports to Hungary are concerned, the purchases of Hungary are growing and constantly diversified. We buy a series of new non-conventional items in considerable quantities from India, and these should serve as references for Indian exports to other European countries as well. Till now, Hungary has been the most important buyer of Indian iron ore pellets. For Maruti passenger cars, Hungary is the only European buyer and imported 500 cars in 1987. In increased

quantity we bought consumer electronic items, with turnover in Dollars enhancing by the millions. Besides all these, we are continued buyers of Indian traditional items.

In Hungary there are several Indian garment shops, which sell only Indian products, and in the shelves of many Hungarian warehouses and stores can be seen Indian goods, being sold to the satisfaction of the customers.

In the future, we expect a further increase in our bilateral trade. Both the countries have the possibilities and the willingness to achieve this objective.

	1980	1981	1982	1983	1984	<i>-in Million US Dollars ;</i>		
						1985	1986	1987
Hungarian Exports into India	30.4	52.8	46.1	75.9	27.9	28.9	30.5	66.4
Indian Exports into Hungary	20.7	27.7	19.7	16.8	24.7	26.6	37.4	42.5
Bilateral Trade Turnover	51.1	80.5	65.8	92.7	52.6	55.5	67.9	108.9

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## India and Poland

Economic problems figure prominently in Polish-Indian relations in the postwar period. Economic relations initially embraced only trade. Later they were gradually extended to other fields, in particular transport, industrial cooperation, and scientific technical collaboration. Considering the dynamism and scope of economic relations, their development can be divided into three periods: in the *first* (1947-1959) reconstruction and exploration of the partners' possibilities dominated; the *second* (1960-1975) was characterized by a rapid quantitative and qualitative growth of economic cooperation; in the *third* (from the middle of the 1970s till this day) some difficulties occurred and fresh efforts were made to dynamize economic cooperation. It should be stressed that what characterized Polish-Indian economic relations (and also political and cultural ones) was continuity and stability.

Trade was the first concrete element in Polish-Indian relations, not only economic. It commenced almost immediately after the proclamation of India's independence, when contracts and agreements concluded with

enterprises operating in that country began to be realized. In 1947 Indian exports to Poland totalled about 175,000 US dollars and in 1948—900,000 dollars (over 7,000 tons of jute and over 200 tons of cotton). For its part, India imported in 1948 various iron and steel products worth 200,000 dollars. As can be seen, the volume of trade was small, but its significance consisted chiefly in that it initiated trade exchange between independent India and Poland.

Shortly after the proclamation of India's independence, the two countries arrived at the conclusion that the development of economic relations between them demands the providing of appropriate formal-legal foundations. Talks on these questions held in London were crowned with the signing in the Indian capital on April 22, 1949, of the first trade agreement between the two countries. Its preamble stated that, in concluding the agreement, the Polish and Indian governments were animated in equal measure by the desire to promote the development of direct trade relations between the two countries. In Article 7, the agreement defined the obligations of the governments of the two countries to promote trade and offer aid in this field, to grant licences according to commodity lists, which were of an indicative character, and to accord transport facilities on ships of both partners. The list of Polish exports included twenty-two items, including dyes, cement, steel constructions, pumps, machine tools, textile machines, pipes, zinc-coated sheet, engines, cables, and transformers. The list of Indian exports comprised thirteen items, among them jute, cotton, shellac, mica, skins, coconut oil, pepper, and tea. The lists were subsequently corrected and supplemented, but many of the articles mentioned in the first lists have become regular items in trade between Poland and India.

The agreement was concluded for one year, but after the lapse of this period no new document was signed, but for several years the two countries drew up commodity lists each year. The signing of the agreement and the further

extension of commodity lists initially did not contribute to an increase in trade, and until 1954 the volume of trade oscillated around 1,000,000 dollars. In 1954 Indian exports to Poland included six important items, among them sugar (exported for two years), textiles, chemicals, paper, and window glass. The reasons for such a modest volume of trade were many, both objective and subjective. An important role seems to have been played by difficulties of the first years of independence; lack of knowledge of the markets; failure to perceive and the underestimating of the partner's economic possibilities; and finally the lack of the necessary infrastructure.

Changes in this field did not began to occur until the mid-1950s. The establishment of diplomatic relations, cooperation in the international forum, and top-level meetings created more propitious conditions for the development of economic relations. It should be emphasized that economic problems were a regular subject of talks between Polish and Indian leaders. During Prime Minister Nehru's visit to Poland in 1955, the hope was expressed that Polish-Indian economic relations would continue to develop to the benefit of both countries. Two years later, the premiers of the two countries stated after talks in New Delhi that there existed considerable opportunities for expanding mutually beneficial trade and announced an extension of economic cooperation.

The further expansion of Polish-Indian economic relations was favoured by the economic development of Poland and India, which created greater export potentialities and a greater demand for the import of many commodities. It should be added that a favourable factor in this field was the considerable participation of the state sector in the development of the Indian economy. Also important was the growing experience and a more offensive approach to trade, especially on the part of Poland. One should emphasize in this context the opening of trade missions in Calcutta and Bombay in 1955 and the participation of fourteen Polish foreign trade companies in the International



Industrial Fair in New Delhi in the autumn of the same year. Some commodities exhibited at the fair later became regular items among Polish exports to India or the object of industrial cooperation, such as the Ursus tractor and the SHL motor cycle.

In 1956 three new agreements were concluded, which promoted directly or indirectly the development of economic relations. The most important was a long-term trade and payments agreement, signed in New Delhi on April 3, which remained in force until the end of 1959. The commodity lists (modified each year) appended to the agreement included, in addition to traditional articles, also new commodities. The list of Polish exports comprised forty-three items, among them complete industrial plants (i.a. sugar plants and a machine tool factory), rolling stock, road and building machines, various engines and tractors. The list of Indian exports included thirty-eight items, among them iron and manganese ores, tea, cotton, wool, artisanal and cottage industry products. Payments were to be made in rupees, with the possibility of conversion of the balance into pound sterling at the end of the year. Later, however clearing was gradually introduced, which at India's request became the sole form of payments as of January 1, 1959.

The other agreement, signed on May 16, 1956, concerned co-operation in shipping. It laid durable foundations for the previously commenced maritime transport between the two countries, expanding the scope of cooperation and setting up a joint shipping line, the Indopol. Finally, on September 29 of that year, an agreement on telecommunications traffic was signed, which provided a formal-legal framework for the development of telecommunications and defined the principles of payment for various services in this field. The agreement contained no provision as to its expiry and has remained in force till this day.

Thanks to these and other efforts, the volume of trade between the two countries considerably increased. Between

1955 and 1959, Indian exports to Poland totalled 14,900,000 dollars and its imports from Poland—32,200,000 dollars. As compared with previous years, this represented a significant increase, but in practice this volume was still small and accounted for less than 1% of the total trade of both partners. Some changes occurred in the commodity structure, especially of Polish exports, but these, too, were slow. In 1959, for example, the main Indian exports included oilseed cake, tea, jute, and iron ore, whereas steel sheet, rolling stock, paper, and metal working machines (128) predominated in Polish exports.

Altogether, the 1947-1959 period witnessed a slow but fruitful beginning of Polish-Indian economic relations.

In the period that followed (1960-1975), these relations were considerably expanded, and their overall development was characterized by a substantial growth rate. An external expression of this fact was a growth of trade from 13,200,000 dollars in 1960 to 63,400,000 dollars in 1970, and to 233,000,000 dollars in 1975, an increase of almost eighteen times. In effect, the share of each partner in the global foreign trade of the other partner increased, even though it still remained at a low level and showed some oscillations. Poland's share in India's total exports rose from 0.6% in 1960, to 1.1% in 1970, and to 2.5% in 1975. Their share in imports stayed at a similar level, although there were some differences in certain years. India's share in Polish exports was 0.5% in 1960, 1.1% in 1970, and 1% in 1975, and in imports: 0.5%, 0.9% and 0.8%, respectively. It should be added that in Poland's trade with the developing countries India was first in exports (third in 1960) and second or first in imports (fourth in 1960).

The dynamic development of Polish-Indian economic relations was conditioned by several factors: the growing possibilities and needs of the economies of the two countries; the experience acquired in the earlier period; and the new efforts of both partners in this domain. General tendencies in international trade also exerted a certain influence.

Polish-Indian economic relations continued to be

based on general agreements concluded for several years and on many special agreements. In the period in question, three agreements on trade and payments were concluded: in December 1963, in October 1968, and in December 1974. The contents of these agreements were similar. The sides granted the most-favoured-nation clause to each other and defined the framework for the development of trade, expressing the desire to increase and diversify it. Each year commodity lists were drawn up, and payments were settled through clearing. Such a system had both positive aspects and certain weaknesses. What was positive about it was the protection of the partners, who as a rule did not have too much hard currency, against foreign trade deficit. Its weakness consisted in limiting the trade expansion of the more active partner.

Special agreements concerning industrial cooperation played an important part in the development of Polish-Indian economic relations. Already in the second half of the 1950s, in addition to the afore-mentioned contract for the construction of a sugar plant in Madras, several other contracts were signed: for building two steel construction factories, a power plant and an electric motor factory. In 1959 the Ursus tractor factory signed with the Indian Escorts firm an agreement on cooperation in the production of the C-555 farm tractors. On the basis of the agreement, in addition to the equipment for the factory, the Polish side supplied by 1975 a total of 65,000 sets of parts for the assembly of these tractors. After that date, the Escorts firm itself continued production on the basis of the Polish design. So far about 200,000 such tractors have been manufactured. The Escorts also concluded an agreement on the production, to a Polish licence, of the SHL motor-cycle, which was called Rajdoot in India. It is estimated that about 500,000 such motor-cycles have been produced to date.

In the first half of the 1960s, three agreements on economic cooperation were signed. The first, signed on May 7, 1960, concerned granting a credit of about 30,000,000

dollars to India for the purchase in Poland of equipment for several industrial plants, including factories making small and medium-sized machine tools, compressors, pumps, and silos, and also equipment for three coal mines: in Sudamidih, in Monidih, and a coal washer in Gidi. The second agreement, signed on November 16, 1962, concerned a credit of about 32,500,000 dollars for the purchase in Poland by Indian enterprises of investment goods, among them equipment for several coal mines, a mining machine factory, a coal cleaning and ore dressing works, and also a zinc works, a tool factory, and a cellular concrete factory. The third agreement, concluded on January 25, 1965, provided for granting to India a credit of about 22,000,000 dollars to buy in Poland two power units for a thermal power plant. The implementation of these agreements, which also provided for employing Polish specialists, initiated cooperation in mining, power industry, metallurgy, electroengineering, chemical, building material, and food industries, cooperation which has been carried on with varying intensity ever since.

Shipping and fishing have played an important part in Polish Indian economic relations. In 1960 a new agreement on cooperation in shipping was concluded. The agreement which is still in force, regulates many organizational and technical questions concerning navigation. The two countries also decided to establish a Mixed Committee to ensure the proper implementation of the agreement and seek appropriate methods to expand cooperation in this domain. In September 1963 a contract for the supply of four general cargo carriers 9,300 DWT each was concluded with the Shipping Corporation of India. In the next year, a contract for four vessels 10,000 DWT each was signed with another shipping company. In February 1970, during the visit in India of Minister of Shipping, Jerzy Szopa, a protocol on cooperation in the field of navigation was signed. In April 1973 a five-year agreement on cooperation in sea fishing was concluded. It provided for such forms of cooperation as joint exploration of resources of the Indian Ocean.,

the supplying of Polish fishing vessels and licence documentation, the establishment of Polish-Indian fishing companies, and the training of Indian personnel in Poland.

The two countries also took many other steps aimed at boosting economic relations. In late 1959 and early 1960 Poland took part in the International Agricultural Fair in New Delhi, in 1960-62 in the Indian Industrial Fair, and in 1972 in the Asian Fair in New Delhi. In 1965 India participated in the Poznan International Fair, and since 1971 it has participated in the Fair quite regularly. In April 1964 an Indian-Polish Chamber of Industry and Commerce was opened in New Delhi, and in 1975 an Indian section was established at the Polish Chamber of Foreign Trade. Several years later, the Polish Chamber of Foreign Trade opened an information centre in New Delhi to promote trade. The centre functioned until 1981.

As the previous period, economic matters were the subject of discussions at top-level meetings. During the visit of Prime Minister Indira Gandhi in Poland in 1967, the two sides pointed to the further opportunities for economic cooperation which should bring about a faster development and diversification of trade exchange. They also expressed the desire that the joint exploration of opportunities for cooperation in some branches of industry, such as the production of railway cars, machine tool industry, and fishing should be promptly concluded, that concrete steps should be taken to implement the recommendations of experts.

In January 1972, during the visit in India of Vice-Premier Jan Mitrega, it was decided to call into being a Polish-Indian Commission for economic, scientific, technical, and trade cooperation. The Commission in principle convenes once a year, alternately in Warsaw and New Delhi, and analyzes the entirety of economic relations between the two countries. In time, four working groups have been set up within the Commission: for trade, mining and energy, industrial cooperation, and scientific-technical cooperation. The setting up of the Commission marked an im-

portant step along the road of building an appropriate infrastructure for the development of Polish-Indian relations.

Economic questions were also raised in the aforementioned Declaration of friendship of January 18, 1973. It was stressed that "economic co-operation is of special importance for the strengthening of the friendly relations which exist between them." Evaluating positively the achievements in this field, the declaration emphasized "the importance of full utilization of the existing potentialities and their further expansion on the basis of long-term planning and on the principle of mutual benefit". Noteworthy in this context is the establishment of contacts between the planning bodies of Poland and India and the signing of a protocol on long-term programmes of economic and scientific-technical cooperation.

In the period in question, important changes took place in the commodity structure of Polish-Indian trade. In Polish exports, the share of machines, means of transport, and investment goods initially increased from about 40% to 70% in some years to drop later below 40% in favour of other commodities, *inter alia* sulphur and artificial fertilizers on their components. The export of fertilizers, which commenced in 1969, reached 274,000 tons in 1974, and the export of sulphur exceeded 100,000 tons. As regards the export of investment goods, equipment for thermal power plants and coal mines played a prominent role; this was connected with the implementation of the aforementioned credit agreements. Important export items traditionally included dyes, some railway installations, and in some years also ships and ship engines, which were installed in ships built by the Hindustani Shipyard in Vishakhapatnam. What injured Polish trade was limitation or even discontinuation of the export of machine tools and textile machines. This may have been connected with the development of Indian industry in these fields, but probably also with the small activeness of Polish industry and trade.

What can be regarded as a positive aspect was the considerable diversification of Indian exports, although two

commodities, iron ore (over 500,000 tones in 1975) and oil-seed cake (over 300,000 tons) continued to predominate. The share of industrial articles in exports rose from about 18% to 40% in 1973. In this commodity group., one should mention various textiles and sporting goods, metal products, and plastics. Naturally, traditional articles continued to be exported, including tea (over 8,000 tons in 1975), mica (about 1,500 tons), skins (500 tons), and spices (over 1,500 tons).

The marked progress in economic relations in the period in question did not mean that all the existing opportunities had been utilized: this fact was not infrequently emphasised by both sides. It is to be regretted that even the level achieved heretofore could not be maintained in the years that followed.

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In the latter half of the 1970s, Polish-Indian economic relations were affected not only by stagnation, but even regress. An external expression of this fact was a decrease by two-thirds in Polish exports in 1976 as compared with the record year 1975. Imports stayed at a level similar to the previous during the next two years, but later were adapted to export possibilities. In the years that followed, the volume of trade, despite certain oscillations, continued to decline. It was only in 1983 that trade for the first time rose 18% on the previous year, and in 1984 by another 40% (from 96,000,000 to 135,000,000 dollars), and exceeded the level of 1973 and earlier years. Another characteristic feature of that period was a constant trade deficit on the Polish side. From 1976 to 1984 it totalled 178,000,000 dollars.

The difficulties in Polish-Indian economic relations had various causes, both objective and subjective. Among the latter one should mention the orienting of the Polish economy in the 1970s at trade with advanced capitalist countries, this being connected with credits obtained from those countries. In the 1980s Poland's general economic difficulties and far-reaching restrictions in foreign

trade played an essential role. It should also be stressed here that the share of imports from India in overall Polish imports in 1984 amounted to 0.8%, as it did in 1975, whereas the share of exports dropped from 1% to 0.5%. Poland's share in Indian foreign trade in 1983 dropped to 0.5% in exports and 0.2% in imports.

According to some specialists, also general phenomena in international economic relations, especially the growth of oil prices, resulted in a considerable increase of the costs of transport, thereby reducing the profitability of, or even making completely unprofitable, the export of bulk commodities, such as sulphur and artificial fertilizers. Hence the gradual limitation, and later complete discontinuation, of trade in these commodities, although as far as Poland was concerned, the exhaustion of their surpluses came into play. Another consequence of the growth of oil prices was the fact that both countries paid more attention to trade with petroleum exporting countries. In Poland's trade with the developing countries in 1980, India was reduced to the seventh place in exports and the eighth place in imports and was outdistanced by such countries as Libya, Iraq, Iran, and Nigeria. For its part, India made even greater efforts to develop trade with petroleum countries. The share of Poland and other socialist states in India's foreign trade considerably decreased (from 19.8% in 1972 to 11.8% in 1983 in exports, and from 9.6% to 6.2% in imports).

Another noteworthy element is the narrow scope of industrial co-operation and other durable ties in this domain. Experience shows that industrial ties belong to the most durable factors of economic cooperation between countries, factors which are resistant to fluctuations and negative phenomena in the international economic relations.

Difficulties arising in Polish-Indian economic relations were of course discerned, though not always in good time and with adequate keenness. Unfortunately, attempts to cope with these difficulties were for a long time little effective.



Economic problems were one of the highlights of talks held during the afore-mentioned visit of First Secretary of the PZPR Central Committee, Edward, Gierek, in New Delhi in January 1977. The sides stressed on this occasion "the need for the further development of exchange of experience in the field of industry, science, and technology". Several documents were signed during the visit, among them a long-term agreement on economic, industrial, and scientific-technical cooperation. The agreement, in force till this day, took into account long-term tendencies in the economic development of the two countries and outlined a broad framework for cooperation in mining, fishing, agriculture, shipping, ship-building industry, science, and technology. Unfortunately, the provisions of these documents were implemented to a limited extent only.

More efforts were made in subsequent years to invigorate Polish-Indian economic relations or at least check their decline. The mixed Commission for economic and scientific technical cooperation met almost every year. Moreover, trade ministers and heads of other economic ministries held about ten meetings and talks. In 1978 and 1981 new long-term agreements on trade and payments were signed. In both documents the two sides reaffirmed their will to expand trade and other forms of economic cooperation.

Until 1982 these efforts could not prevent downward tendencies in trade or check the shrinking of the assortment of exchange. According to the Standard International Trade Classification (SITC), the number of items in Polish exports to India diminished from 34 in 1975 to 16 in 1980, subsequently to increase to 30 in 1983. Two of these items, however, accounted for over 50% of the value of exports (hard coal became a new major export item). The number of items in Indian exports to Poland dropped from 34 to 8, to increase to 12, respectively, with two of the items accounting for 86% of the value of exports. Given below is the list of major commodities in Polish-Indian trade in 1983 and their share in exports and imports.

**A. Polish exports to India**

	Quantity (tons)	Value (US\$ thous.)	Share in; exports (%)
Equipment and materials for fuel and power industry	—	13,973	29.7
Hard coal	175,000	10,133	21.5
Assemblies and parts for rail transport	8,788	4,581	9.8
Internal combustion piston engines (two pistons)	—	3,378	7.2
Pharmaceuticals	22	2,627	5.6
Assemblies and parts for power machines	153	1,814	3.8
Cement	50,452	1,385	2.9
Machinery and equipment for light industry	353	994	2.1
Ready hot -rolled products	3,006	798	1.7
Hammered metalwork	2,056	768	1.6
Parts for mining machines and equipment	92	754	1.6
Power equipment and pipelines for ships	—	612	1.3
Roller bearings	248	611	1.3

**B. Imports from India**

	Quantity (tons)	Value (US \$; thous.)	Share in; exports (%)
Oilmeal	173,701	27,913	47.1
Tea	11,846	23,444	39.5
Cotton	3,062	4,465	7.5
Mica	769	1,276	2.2
Spices	986	1,112	1.9
Felt products and technical fabrics	469	242	0.4
Conserved skins	—	204	0.3
Knitwear	--	123	0.2
Plastics	51	87	0.1
Clothes and underwear	—	82	0.1

After 1981 Polish-Indian economic relations were thoroughly analyzed again, and an intensive search was undertaken for means to reinvigorate them. At the session of the Mixed Commission in Warsaw in late January and early February 1985, the two sides expressed the will to continue efforts and take necessary steps to increase the volume of a balanced trade exchange and a diversified export of their products. Moreover, the awareness seems to be growing on both sides that the old model of exchange of industrial commodities for raw materials and farm produce is now obsolete and does not correspond to the needs and level of development of the economies of the partners. Therefore, without rejecting trade in traditional articles, the Commission laid special emphasis on cooperation in various branches of the economy, science, and technology, perceiving in it vast opportunities for expanding exchange and laying durable foundations for economic relations between the two countries. It is worth noting in this context that India each year concludes about 400-500 agreements on industrial cooperation, in which Poland has so far had a minimal share.

**Mining and energy** are to be an important field of Polish-Indian cooperation, a field in which the two countries already have considerable achievements and positive experience. Poland is expected to take part in geological prospecting in designing and expansion of coking coal mines in Madhuband-Phularitand, with a capacity of 3,000,000 tons annually, including supply of equipment which is not manufactured in India; in modernizing mines built earlier with the aid of Polish firms and specialists. Cooperation in mine rescue and in the production of mining equipment is also envisaged. In the field of energy, Poland, in cooperation with Indian producers, will supply equipment for thermal power plants with a capacity of 200 to 500 MW, fuelled by hard and brown coal, and also for smaller plants.

**Processing industry** is another area of cooperation. Cooperation is planned in winning and processing non-

ferrous metals, notably copper. In **shipbuilding**, in addition to supplying Polish ships and ship engines, cooperation is planned on the principle of division of production. Among other areas of cooperation in electroengineering industry, mention is due to **machine tools, road and building machines, electronics** (including supply of Polish kinescopes and assemblies and mutual supplies of electronic sets), **farming machines** and machines for the **food industry**, and finally exchange of chemical technology. Also emphasized was the need for joint actions on third market in building turn-key projects and supplying components and technology in such branches as mining, chemical industry, metallurgy, power industry, etc.

Yet another important field of cooperation is joint research on the protection of the environment, the development of industrial technology in the above-mentioned branches, and the training and exchange of specialists and exports in the fields of interest to both sides. (At present, some 200 Polish specialists are working in India).

Economic problems were again a central subject of talks during the top-level meeting in New Delhi in February 1985. In the speech quoted at the outset, Prime Minister Rajiv Gandhi, referring to the recent session of the Mixed Commission, emphasized that it had presented a positive balance-sheet of achievements to date and indicated the lines of future development. He said that the talks had shown vast opportunities for further expansion of trade and economic exchange and added that the two sides should strive for the realization of these opportunities. For his part, Premier Jaruzelski stressed that "For Poland India is the most important, reliable partner among developing countries. We share the view that cooperation between India and Poland should be raised to a qualitatively higher level, that new impulses should be provided in all domains. The traditional forms of trade exchange no longer suffice, although we want to expand them considerably. Prospects are opening for cooperation in industry and scientific research." Also the final communique reflected the

interest of both sides in the further increase of exchange and diversification of trade as well as the development of industrial cooperation. The conclusion of a new long-term trade agreement was also announced.

It remains to be seen whether and to what extent these directions and new steps aimed at expanding Polish-Indian economic relations will prove effective. It is worth noting, however, that in the past two years not only regress was halted, but some progress, small as it is, was achieved. This provides a good starting point for the further favourable development of economic relations between the two countries in the forthcoming future.

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## India and Vietnam

During his official friendship visit to Vietnam in late 1985, Indian Prime Minister Rajiv Gandhi had said, "Vietnam and India should resolutely struggle for the freedom of all nations, for peace and security and for mutual understanding among nations." His recent visit to Vietnam in April 1988 was an occasion for him to renew his wishes, which conform to the aspirations of both nations. We once again express our esteem and admiration for Prime Minister Rajiv Gandhi, the clear-sighted and dynamic leader of the great Indian people, the brilliant successor of Mahatma Gandhi, Jawaharlal Nehru, and Indira Gandhi. He is a great friend of the Vietnamese people. We highly value the achievements recorded by the Indian people in national construction and defence, their efforts for the consolidation of the Non-Aligned Movement, for peace, and for elevating India's position in the international arena.

The Vietnamese and Indian leaders have exchanged views and reached agreement on the development of rela-

tionships between the two countries and on major regional and international issues of mutual concern.

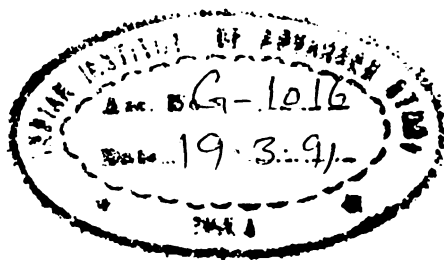
We are elated to note that the age-old friendship between Vietnam and India has grown ever closer with passage of time. As Prime Minister Rajiv Gandhi once said: "India has always stood by the side of Vietnam in her struggles, and now she continues to stand by Vietnam in national construction." In recent years, the two countries have fruitfully cooperated in many fields: agriculture, animal husbandry, railways, oil and gas exploration, textile industry, science and technology, etc. The Rice Institute at O Mon, the Murrha milk buffaloes, the Indira Gandhi Textile Mill, the agreement on oil and gas cooperation, the low-interest loans and emergency aid to Vietnam by the Indian Government, etc., all these are concrete and vivid manifestations of the increasing cooperation between Vietnam and India. The visits to India by our leaders and the visits to Vietnam by Indian leaders have instilled new vitality into relations between the two countries. For four decades now, India has been a constant messenger of peace and friendship. At present, the Vietnamese people are striving to overcome difficulties in order to implement the Resolution of the Sixth Party Congress aimed at stabilizing the country's socio-economic situation. At the same time we are defending our independence, sovereignty and territorial integrity. As General Secretary Nguyen Van Linh stressed, the presence of the Indian Prime Minister in these days of great significance in the city bearing the name of President Ho Chi Minh, who together with the late Indian Prime Minister Jawaharlal Nehru had laid the groundwork for and painstakingly built up friendship between the Vietnamese and Indian peoples, this presence was a noble gesture and a vivid manifestation of the solidarity and mutual support which have always bound the two peoples together in their common struggle. Our people consider this event as a great source of encouragement.

Together with other nations in the world, we uphold the important role of India in the common struggle for peace,



security, and international cooperation. India has made great contributions to the Non-Aligned Movement, to the struggle for peace, security, and cooperation in Asia and the world over. That peace-loving country has put forward many peace initiatives which have won strong and world-wide support. In particular, it has made continuous efforts in the search for a just solution to the Kampuchea issue. The Vietnamese people note with satisfaction that the increasing development, in both quantitative and qualitative terms, of the multiform cooperation between Vietnam and India has become a model for South-South cooperation. Facts have shown that Vietnamese-Indian relations constitute an important factor of peace, stability, cooperation and development in Asia and the Pacific.

On this occasion, the Vietnamese people once again reiterate their full support for India's just stand and her goodwill attitude in the defence of her independence, sovereignty and territorial integrity, and for her efforts to improve relations with her neighbours for the sake of peace and cooperation in South Asia and Asia as a whole, and to turn the Indian Ocean into a zone of peace.



Vinod Bhatia (42), M.A., Ph.D., is attached to the Centre for Soviet and East European Studies, School of International Studies, Jawaharlal Nehru University, New Delhi. His other published works include : *Jawaharlal Nehru and Making of Indo-Soviet Relations 1917-47*; *India and CMEA: Areas of cooperation*; *Indo-Soviet Relations-Problems and Prospects*; *Indian National Congress and Soviet Union*; *The October Revolution & 70 Years of Indo-Soviet Relations* and *Indira Gandhi and Indo-Soviet Relations* .



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