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READERS' COMMENTS & PREVIEW

Our editorial this time is naturally enough on the IMF loan and its implications. This has been the issue of the moment. It is a major development. In our view some of the intellectual representatives of the recognised left like Dr. Ashok Mitra have failed to make out as strong a case as they could have because they did not focus on the heart of the matter. The meaning of this loan is also an indirect validation of a major thesis contained in our programme--- our rejection of the concept of "Soviet social imperialism." The Indo-Soviet connection is, in fact, the subject of our other article where we concentrate, in particular, on the economic and military aspects of this relationship.

In response to the article on the Congress party and the landlords which was carried in our last issue, a reader has sent in the following comments. He points out that during the depression years of the 1930s, there was considerable peasant unrest. The political effectiveness of these movements forced the Congress to become responsive to peasant demands. The kisan sabhas, the Congress socialists and the leftwing all pushed for reforms. Thus the Congress party in Bihar for example, in order to develop a mass base, had to commit itself in 1935 to a programme of land reforms.

This reader also points out that according to John McLane who wrote about early Punjab, the Congress party there was early on dominated by commercial and non-agricultural castes whose interests were opposed to those of the landlords. By the late nineteenth century more and more land was passing into their hands as they bought or foreclosed the farms of small proprietors. These new purchasers of land were mostly merchants, lawyers and moneylenders of the Vaishya caste. When the British proposed the Punjab Land Alienation Act to limit such sales and mortgages, the Congress party in Punjab under pressure from these non-agricultural castes tried to oppose it. If this move did not succeed at that time in 1899, it was because those being pushed to sell were mostly Punjabi Muslims, many of whose brethren were also in the Congress party. But the main point to be noted is how this brief excerpt from history supports the central theme of the article--- that the Congress was not the party of the landlord class. In the next issue we will again return to the investigation of agrarian relations in India.

In Bihar and UP recently, there were terrible massacres of the landless and untouchables. These oppressed

classes and castes have become more assertive in defending themselves and fighting for their rights even if this means taking on the lackeys of the state governments. If in the last ten years there has been a general upturn in such struggles, it is a reflection of a certain process of mass politicisation that has been going on. No village in India is as isolated as it once was. The awareness of social inequalities has become greater and the expectations of a better life stronger.

Nor must we forget the work that small scattered groups of leftists are doing up and down the country. Whatever the weaknesses in their theory, in Bihar for example, there are ML cadres who are trying to organise the landless labourers in the face of the most severe repression. And in Kerala it is some ML cadres who, in a dramatic and original fashion (by setting up "peoples' courts"), have brought to light the day-to-day corruption that goes on. These efforts must be paid tribute. We oppose and will continue to oppose most of the fundamental political perceptions of the CPI-ML since they are dangerously misleading and a barrier to formulating a revolutionary programme that can lead to overall effective action. But we will also not hesitate to salute genuine and sincere comrades, who by their actions show themselves to be motivated by the revolutionary spirit of concern and love for the oppressed. Harry Levine, a Jewish poet once put in words what stands as both a definition and an ideal for revolutionary communists. "A communist", he said, "is a dead person on leave."

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THE SIGNIFICANCE OF THE IMF LOAN

The Indian government has signed an agreement with the International Monetary Fund (IMF) entitling it to a loan of 5 billion SDRs (Special Drawing Rights) equivalent to \$5.8 billion or Rs. 5000 crores. This is the biggest single loan ever given by the IMF to any member country. Sections of the left in India, led by Ashok Mitra, CPM finance minister in the West Bengal government, have called it a massive "sell-out". The right, and representatives of the government like Union finance minister, Venkataraman, have hailed it as a major achievement which is supposed to have given the Indian economy a great opportunity to make a de-

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cisive leap forward. What is not in doubt is that whichever way you look at it, this event is of truly major significance. But what exactly is its fundamental significance?

According to Mitra and the group of 23 economists gathered together by the West Bengal government the answer is straightforward--- it represents a decisive "loss of economic sovereignty". The IMF is a western, particularly American tool. The conditions the Fund has imposed on the loan are nothing short of humiliating. The bourgeois government of India, they say, has signed away to the IMF and the west, its own right as the elected government of the Indian people to oversee and guide the economy.

The loan of 5 billion SDRs comes in three instalments. 900 million SDRs is the first instalment (itself broken up into three hand-outs) which will become available between now and June 30, 1982. The second instalment of 1.8 billion SDRs must be fully drawn by June 30, 1983, and the final instalment of 2.3 billion SDRs will be available upto June 30, 1984. Before each of these dates the IMF will review and monitor the performance of the Indian economy before deciding whether to allow further disbursements of the loan. If not satisfied it can stop these payments.

This is not all. The loan is subject to two kinds of conditions. First, are those specific quantified targets of monetary and budgetary policy which the IMF insists must be met. Thus for the three years 1981 to 1984 during which the loan will be disbursed, the Indian government must not increase money supply beyond 15.7% for 1981-82, 14.5% for 1982-83, and 14% for 1983-84. Total domestic credit is also to be fixed by the IMF as well as the maximum size permissible of the yearly budget deficits of the government. This "financial discipline" is supposed to curb inflation and lay the foundations for sound economic growth.

Second, are those more general conditions regarding the direction government policies should now take. Of course, if the IMF is not happy at the time of review about the Indian government's performance in this respect, it can turn off the financial tap.

So the IMF wants taxation policy to move in the direction of raising indirect taxes (which will affect the ordinary person in the street), and reduce personal and

corporate taxes to the benefit of the already well-off, as well as the private corporate sector of industry. Regarding pricing policy, prices should be raised across the board since this will then presumably give an incentive to the public and private sector to invest and produce more. (It could of course just increase profits and lead to negligible increases in supply but that is a different matter). According to the terms of the loan, the prices of coal, power and steel should be raised.

As far as trading policy is concerned, the era of import substitution industrialisation must now give way to a new era of import liberalisation which will operate in a basically indiscriminate fashion covering almost all areas of production and trade. Another condition put forward by the IMF is that India must now give every encouragement to foreign collaboration and foreign capital, multinational or otherwise, to invest freely in the country. Royalty and collaboration payments should be substantially increased and the whole paraphernalia of government controls over monopoly houses, licensing capacities, equity holdings by foreign firms etc. should be greatly relaxed.

Borrowing from private capital markets abroad should be limited, as also India's bilateral trade with the Comecon countries and the USSR. Since the loan must eventually be repaid, the balance of payments (b/p) position must progressively improve till it reaches and stays in surplus and this, the IMF says, is only possible if there is export promotion on a big scale for both domestic and foreign firms producing for the outside market. To cut down "unnecessary" government expenditure it will be necessary to eliminate and reduce many existing subsidies. But export subsidies should be increased, which along with the tax incentives should bring about a big spurt in export production and sales.

A devaluation of the rupee has not been specifically stipulated but the rupee's exchange rate (which is tied to a basket of currencies) has effectively depreciated by 18% vis-a-vis the dollar, since the negotiations for the loan became public knowledge.

All this is nothing short of the most coherent, wide-ranging and systematic blueprint that has yet been put down for how Indian capitalism should develop in the future. This is the fundamental significance of the IMF loan and its attached conditions. The Indian economy is in

a new phase where it is being consciously integrated into the world capitalist economy in a manner which will enable the private corporate sector, private capital both foreign and domestic, and market forces to play the leading role in driving the economy forward. The intervention of the Indian state in the economy is to be reduced. The era when Indian "planning" had more than just indicative significance (during the building of the industrial infrastructure) when it was seen as the principal mechanism to ensure capitalist growth has come to a close.

The public sector will continue to play an important role. What has been built must be maintained and improved. It cannot be otherwise. Indeed in the sixth plan now underway, the public sector's share of total planned investment outlay is to rise from 46% to 53%. But the technological renovation of even this sector is to be accomplished more and more through imports of western technology and collaboration with foreign multinationals.

The drift in this general direction has been evident since the mid-seventies. But the clearest articulation of this new phase of Indian capitalism has come only now. The IMF loan is also a turning point in that all pretences of a "socialistic pattern of society" inscribed in the Constitution have in effect been dropped. The Indian bourgeois state knows where it wants to go and has now got the map which it will follow.

In the light of this it is also possible to explain why the loan was shrouded in such secrecy. The full details of the deal have still not been disclosed by the government. When Britain and Italy applied for massive IMF loans in 1977, these governments first had to discuss the matter in full detail in parliament, get a vote of confidence and only then could they proceed to make the deal. As Mitra himself correctly points out, the reason for this secrecy was the desire of the Indian government to use the IMF and this loan as a shield and scapegoat to deflect the criticism of such a blatant departure from its often declared "commitment to socialism".

But Mitra and his fellow economists in the group of 23 are quite wrong when they argue that the Indian state has "surrendered its economic independence". The Americans in fact strongly opposed the IMF granting such a loan to India. Their representative on the IMF's executive directors board abstained when the vote was taken on

whether to give the loan. All other representatives voted for the loan. The USA did not vote against it because the required majority for sanctioning the loan had been easily achieved without it and so a US no would only have humiliatingly exposed American impotence in this matter.

The American objection to the loan is two-fold. First, it has been saying that for a loan of this magnitude the terms are too soft! This loan is to be repayed over a period of 12 years at an average interest rate of a little over 10% per annum, whereas commercial rates for medium term loans are 16% and above. Moreover, the Americans argue that these conditions when compared to those demanded by the IMF for much smaller loans from other borrowers (Peru, Jamaica etc.) are much milder (which is true). Certainly the Americans are going to press the IMF to be much stricter when it comes to the time of reviewing Indian performance. They know, of course, that the Indian government can, if pressed too hard, reject the IMF's recommendations and give up claim to further instalments. The Indian balance of payments position is not that bad.

This, in fact, is the second point the Americans are making--- that the Indian b/p deficit is likely to be only around Rs. 2000 crores. And that if all the Indian government wanted was to overcome the constraint of an external deficit, which is what it has been arguing, then it does not need such a big loan. It is ironic that Mitra and the Americans are in full agreement on this score. Indeed both give similar recommendations in this respect. To get a temporary breathing space, India, they say, could sell off some of its gold reserves or it could borrow 1.3 billion SDRs from the IMF with virtually no strings attached.

So why did the Indian government go in for a much larger loan? The very fact that it was not in desperate need of a loan shows that its bargaining position vis-a-vis the IMF was quite strong, thus undermining to a considerable degree Mitra's thesis of a "sell-out". It is also important to note another implication. It was not any immediate problem of say, a severe b/p deficit, that was behind the application for an IMF loan. Instead the move was based on a calculated, clear-headed and long-term vision on the part of the Indian state.

The blueprint for "economic recovery" embodied in the conditions (most of which are of a recommendatory nature) that the IMF drew up were accepted by the Indian

state because it accords with what the Indian bourgeoisie and its representatives themselves want! They share the same economic ethos as the IMF and are in fundamental agreement regarding the direction the Indian economy must take. This is the central point, not the red-herring of a "sell-out".

The Indian state has calculated that this attempt at fundamental restructuring of Indian capital by "opening" the economy to foreign capital and the world capitalist market, will in the short and medium term mean a certain deterioration in the balance of payments position as import liberalisation and foreign competition is encouraged. In time it expects, or more correctly hopes, that exports will pick up sufficiently so that the b/p position progressively improves till it is in surplus. It has also pinned high hopes on rapid expansion in domestic crude oil production which should then mean a substantial reduction in imports of the same. Even the loan itself will add greatly to the debt burden. For the 5 billion SDRs the state is borrowing, it will eventually have to repay over 12 years a total of 8.283 billion SDRs.

So, in a sense the government is taking a big gamble. There are also many other unknown factors such as the impact on inflation of such a "turn". On general principles, it is very reasonable to assume that this will rise as a result of the policies that will be promoted. It is also reasonable to expect the b/p position to progressively worsen. Judging by past trends according to which India's exports have been a steadily declining proportion of world trade, there is no reason to expect a reversal of this trend in the future. In absolute terms obviously exports will increase, but will it (and remittances) increase by enough to compensate for the rising external debt and greater imports? Oil exploration and production is the "bright spot" and there is some reason to believe that in the medium term crude oil imports may fall to 30% of the total import bill instead of the 50% and over that it has been since OPEC raised its prices in 1973.

But whether the gamble fails or succeeds i.e. achieves eventually a b/p surplus, is not really the crucial issue. After some years sections of the Indian bourgeoisie may once again complain (some will complain even now-- those that will be hit by the liberalisation of imports) that the b/p deficit is too big and is a severe constraint

and demand state "protection" or perhaps further "liberalisation". None of this will, of course, significantly reduce mass poverty. It will be the job of the rightwing ideologues and intellectuals to provide the necessary "trickle-down theories" as justifications. But the main thing is that the consolidation of the new phase promises a bonanza to private capital for some time to come. That is more than enough for the individual capitals that together make up the Indian bourgeoisie to be happy about.

With the benefit of hindsight it is clear that a number of policies that the Indian government formulated and implemented earlier this year were inspired to some degree or the other by the negotiations with the IMF and the collective elaboration of the economic strategy that is now fully unveiled. Such, for example, were the wide-ranging tax cuts in the budget, the rise in prices of petroleum products that the government announced, and the Essential Services (Maintenance) Act that was passed to curb the working class.

Finally, one must not forget the implication of this IMF loan, of this "new phase" in Indian capitalism, for the whole conception of "Soviet social imperialism", particularly with respect to India. Can the adherents of this thesis, in the light of what is now happening seriously argue that the so-called hold of "Soviet social imperialism" on India is the greatest obstacle to revolutionary change in India, or even that it is as great a danger as western imperialism? Please note, it is precisely Mrs. Gandhi's party and government (the supposed representative of the pro-Soviet section of the bourgeoisie) which has organised this systematic turn towards western capitalism!

The Soviets, when investing capital or giving credit and aid have tried to lay down their own conditions regarding the operation of the individual projects they were helping to set up. Never could they hope to change the basic framework or the full range of economic policy-making in the way that is now happening.

It is time that the misleading and therefore dangerous myth of "Soviet social imperialism" is buried once and for all!

THE INDO-SOVIET CONNECTION

Many radical leftists accept the Chinese thesis of "Soviet social imperialism". According to this thesis, the USSR "exploits" third world countries through its economic and military relationships with them. Since India has had a longer and deeper economic and military relationship with the USSR than almost any other third world country, this nation is something of a test case for the whole thesis of "Soviet social imperialism".

Does the USSR "exploit" India in an imperialistic manner? Nobody can argue that the classical Marxist-Leninist description of imperialism with 'export of capital' as its key mechanism, applies to the Soviet Union. But by calling it "social imperialist", the supporters of this thesis are saying that the USSR's method of imperialistic exploitation may be different from that of the advanced capitalist countries of the west but its essential result is the same--- namely, the "exploited" country becomes increasingly dependent on the USSR.

We must be very clear about what is meant by the "dependence" that results from imperialistic exploitation. The Indian state like any other bourgeois dominated state exploits the Indian masses. Soviet economic and military support to this state certainly helps to strengthen this exploitation, so indirectly the Soviet Union is oppressing the Indian masses. But this is not what is meant by any Marxist theory of imperialism.

After all, Chinese aid and economic support to Tanzania, Sri Lanka, Nepal etc. also helps the ruling classes in these countries and therefore helps them to further exploit their masses. In this sense it is logically no different from Soviet aid to India. So why not call China "social imperialist"? In order to prove this "social imperialist" thesis one has to show that the bourgeoisie of this "exploited" country becomes increasingly dependent on the outside imperialist power and is less and less able to grow into a relatively independent and stronger national bourgeoisie with a growing capacity to stand up to the USSR and the western imperialist powers.

This is the meaning of dependence in a Marxist

theory of imperialism. And by applying this criterion it can be easily shown that India is not suffering from domination by so-called "Soviet social-imperialism". Indeed the opposite is true. The Indo-Soviet connection has enhanced the relative independence and strength of the Indian state ie. the Indian bourgeoisie as a whole. This result constitutes a grievous blow to the whole thesis of "Soviet social imperialism". Now let us investigate both the economic and military aspects of the Indo-Soviet connection.

From a Marxist perspective imperialistic "economic exploitation" means the extraction of surplus value by the ruling class of one country from that of another's. This takes place in two ways, either through unequal exchange which transfers surplus value created in one country to the other, or through its direct creation and appropriation which is the case when foreign capital can be said to own and fully control the production processes of factories and enterprises in another country.

It is immediately clear as far as the Indo-Soviet connection goes, that Soviet investment in India never leads to Soviet ownership (equity control) and full control of the production process in Indian industries. It is thus not able to directly create and extract surplus value for its own capital accumulation. This leaves unequal exchange through trade ie. buying cheap and selling dear, as the major mechanism of appropriating surplus value. But unequal exchange characterises the behaviour of even a bazaar merchant. It is common to the trade patterns of all societies past and present. It is not the defining characteristic of capitalism or imperialism. Besides trade, the other method by which the USSR supposedly "exploits" India is through aid.

Trade and Aid

To start with it should be recognised that foreign trade plays a much smaller part for Soviet capital accumulation than it does for the West. It accounts for only a very small part of the USSR's total GNP of roughly \$800,000 million.

The USSR has certainly benefited from its trading with India and other less developed countries (LDCs). And this has grown rapidly. From a modest total of Rs. 8.84 crores of imports and exports in 1951-52, Indo-Soviet

trade in 1979-80 reached a turnover of nearly Rs. 1500 crores and this year should approximate Rs. 2000 crores. Soviet imports are now 7% of India's total imports and the USSR's share of India's exports is 10%.

Early on India like most other LDCs supplied primary products and industrial raw materials. Insofar as these reduced Soviet imports of the same from the West it meant a saving in hard currency for the USSR. But the nature of Indo-Soviet trade has been dynamic i.e. the pattern of trading has changed. India is more and more a supplier of semi-processed goods and manufactures. Between 1960-61 to 1962-63, 15% of Indian exports to the USSR were manufactures. By 1971-72 to 1972-73, manufactures were 40% of the total Indian exports to the USSR. This trend has strengthened since then. Conversely as India became a major industrial power its need for imports of machinery and equipment from the USSR declined. Thus in 1968, machinery and equipment accounted for 74.2% of Soviet exports to India. By 1977 this had come down to 24% and the share of raw materials has risen.

This is an important point because terms of trade between primary products and manufactures generally move in favour of the higher value manufactures. Thus this shift in the pattern of trading is quite unlike the relationship between American imperialism and the primary producing nations of Latin America which suffer more and more from the deteriorating terms of trade for their exports.

One of the few raw materials for which terms of trade have vastly improved is of course crude oil. But in this respect the Indo-Soviet connection has been a great asset to the Indian bourgeoisie. Supply of Soviet crude oil reduces the foreign exchange burden of import of oil from OPEC and the west. Soviet crude is generally given at lower prices than those on the world market, it is in rupee-roubles and it is an assured supply. Given this situation where alternative sources are more expensive and unreliable, it is hardly possible to complain about Soviet "exploitation".

As India goes on supplying more manufactures and semi-processed goods to the USSR, the latter is also able to move from domestic production of these goods to that of more sophisticated technological products. So clearly this is another way the USSR benefits from trade with

India. But these benefits are not one-sided. The Indian state has also benefited in a number of ways.

First, Indian exports to the USSR are on balance considerably in addition to what it otherwise would have been able to sell elsewhere. This point is important because many supporters of the "social imperialist" thesis argue that what India exports to Russia is "lost" to the west, whereby the country i.e. the Indian bourgeoisie could gain from currency sales. All estimates indicate that at best 20% to 25% of Indian exports are "diversionary" i.e. could have been sold elsewhere to hard currency areas.

Another argument put forward is that the USSR cheats India with regard to the pricing of exports and imports. But the prices for merchandise trade that India gets from the USSR are comparable to those it gets from the west. But with regard to imports of machinery from the USSR, India does have to pay somewhat higher prices than it would for similar commodities from the west and thus an element of Soviet "exploitation" exists. However, we've seen that the proportion of machinery purchases from the USSR is declining.

There is also the problem of undervaluation of the rupee in the rupee-rouble rate, which works to the advantage of the USSR. They can get more rupees to the rouble so Soviet imports from India are cheaper and exports relatively dearer. But it is interesting to note that India has surpluses or idle balances of roubles because it sells more than it buys from the USSR. And these balances are growing because the Indian bourgeoisie wants things which the USSR is less and less able to supply.

Nor when it comes to totting up the balance sheet of advantages and disadvantages from Indo-Soviet trade should a few other things be forgotten. The very fact that trading is in rupee-roubles means that India, especially in the early phase of the trade was never bedevilled by the financial dependence on hard currency or the balance of payments problems so characteristic of its trade with the west. Moreover there was much saving of foreign exchange since otherwise India would have had to purchase the things it got from the USSR, from the west.

In the decades since independence, Soviet purchases have greatly stimulated Indian industry. This is the case with textiles, leather, thermoses, knitwear, hosiery,

light engineering goods etc. In the case of engineering there is little doubt that, in the early post-independence period this sector faced a western market which was extremely difficult to penetrate. It benefited greatly from access to the Soviet and the East European market. Brand name reliability and skills of all kinds were acquired which stood Indian entrepreneurs, big, small and medium in very good stead when they later took on the task of penetrating the lucrative western market.

The "social imperialist" supporters in order to bolster their argument about Soviet economic "exploitation" of India have pointed to what is called "switch trading" i.e. Soviets purchasing Indian goods and then selling them for hard currency elsewhere, thus indirectly depriving the Indian state of such gains. There are a number of points that must be made here.

First, everybody carries on "switch trading", India as well as the USSR. Even if we concede (and this is not at all certain) that the USSR does more "switch trading" in volume and value terms than India, this is not a significant aspect of the Indo-Soviet trade relationship. "Switch trading" is almost totally concentrated in non-manufacture bulk trading since packaging, advertising and brand name and consumer familiarity become major obstacles to practising the deception involved in "switch trading". Since the "traditional" exports like tea, jute, cashew etc are becoming relatively less and less important in Indo-Soviet trade, "switch trading" by the Soviet side is becoming of lesser and lesser significance. Finally one should not forget that India's trade with the west is hardly free of this phenomenon.

Because of the rupee trade, Soviet aid to India has been linked to trade since such aid and credit to India has been paid back in kind by Indian goods. This aid has played a vital role in helping to build India's public sector and thus build the basic infrastructure for a powerful industrialised economy.

Part of the reason for the USSR's move towards bilateral aid and trade relations with India in the early 'fifties was the political shift by the Kremlin towards "peaceful coexistence" with the west. Thus economic competition for influence with the existing regimes of the third world countries became the operative principle for expanding the Soviet sphere of influence.

The Indo-Soviet economic relationship has been on a state-to-state basis. Soviet aid has been overwhelmingly directed towards the Indian public sector. It has been project oriented and repayments of principal and interest have been made in rupees. Soviet aid has financed 30% of India's steel making capacity, 70% of its oil extraction facilities, 20% of its power generating capacity and 80% of its metallurgical equipment production. India's core sector owes its development largely to Soviet and East European aid. By the end of 1979, Soviet aid disbursement added upto Rs. 8.65 billion. Rs. 8.16 billion is the amount of principal that India has paid back and Rs. 1.2 billion the interest it has paid.

This aid has been at much lower rates of interest compared to western aid. The cheapest western agency, the World Bank has given loans at an average interest charge of 8% whereas the Soviet interest charge averages 2½% per year. However, the Soviets demand payment more quickly than western creditors usually do, so the effective interest rate charged by the Soviets is not that much lower than the rates on western loans. On the other hand political considerations play a bigger part as far as the Kremlin goes, so it is often more flexible than the west in giving moratoriums or extending the period of payments for loans. For example, when the Janata was in power, the Soviets gave a sizeable loan of Rs. 2,250 million for 20 years at the interest rate of 2½% per annum. For one of the few times, this loan was not tied to specific projects but could be used in whatever way the Indian government wanted. This is important to note, because many cadres of the CPI-ML have argued that Mrs. Gandhi's party represents the pro-Soviet section of the Indian bourgeoisie. By implication, the Janata was assumed to represent the pro-western sections. In fact as far as economic relationships go, the Janata made no effort to weaken India's economic links with the USSR but did its best to sustain and deepen them.

There are some cases of direct links with and Soviet credit for private firms. But these have been isolated and few. Unlike collaboration agreements with the west, the Soviet tie-up never involves the slightest equity participation. Its credit is for the purchase of Soviet goods. So there is a tie-up of "maintenance imports" but this is not so significant as to warrant being considered a critical dependence. This state to state character of Soviet aid

is inevitable. Unlike the west, it has no "compulsion", economically speaking, to "export capital". Thus the motivations behind Soviet aid are much more political and military.

The nature of the USSR's economic ties are such that they cannot by themselves force another third world country into a dependent relationship. There can even be drastic political shifts. In 1972 for example, Sadat's Egypt which had had a very close economic and military relationship with the USSR, just kicked it out and turned to the west. Angola and Mozambique have turned to the west for economic support and are by no means happy with the USSR's economic support. The same thing is happening with Mengistu's Ethiopia, which is also trying to mend some of its fences, albeit slowly, with the west.

India itself is an example of the limits of Soviet influence in the political sense. Despite great urging by the Kremlin, the "pro-Soviet" Mrs. Gandhi in the mid-seventies flatly rejected pressure on the Indian state to join Comecon. She furthermore firmly dismissed Brezhnev's pet project of an Asian Collective Security System as irrelevant to India and similarly refused to countenance American and Soviet pressure to sign the Nuclear Non-Proliferation Treaty (NPT). She genuinely wants the Indian ocean to be a "zone of peace" where superpower navies cannot come in so that the Indian bourgeoisie's regional hegemony could be more secure.

The USSR's relationship with the third world countries lacks the bedrock of an economic class alliance which the U.S. for example, enjoys with its "client" regimes in Latin America. This is precisely why the USSR sets so much store by political/diplomatic/military treaties which it hopes can legitimise and formalise the allegiance of third world countries to it eg. the USSR-Iraq treaty, Indo-Soviet Friendship treaty. Only trouble is, these treaties are in no way a guarantee of allegiance. We have already given examples of the independent political behaviour of the Indian state. Even Iraq has moved closer to the west in search of a more "balanced", "non-aligned" role, playing off one bloc against the other. The relevance of the economic links which the USSR tries to forge lie not so much in themselves as in their capacity to act as levers to achieve other political/military benefits, which by their nature cannot be stable, lacking as they do a solid economic foundation.

As far as India goes it must be understood that there are inherent limitations in the very structure of Indo-Soviet aid and trade. Now that India has established its strong public sector it doesn't need that much technology from the USSR. The idle balances of roubles that India holds are growing and act as a restraining factor on the rate of growth of the trade between the two countries, since because of the rupee-rouble trade India's import needs from the USSR determines India's export potential to the USSR.

Even the "core sector" in seeking to further modernise itself is turning to the west. It has to. Only the west can supply the highly sophisticated cost-reducing technology it needs. A striking example of this is what is happening in ONGC, BHEL, IDPL, HEC, Instrumentation Ltd., MAMC (Mining and Allied Machinery Corporation), all initially set up with Soviet help. ONGC today is buying technology from the French, Italians and Americans. BHEL wants to enter into a comprehensive collaboration with Siemens of West Germany; IDPL is using Italian technology to improve yields; HEC has signed with an American company to manufacture open cast coal mining equipment; MAMC is to produce longwall mining systems with similar help; and Instrumentation Ltd. has signed up British and Japanese assistance. So much for public sector dependence on the Soviet Union!

To put the Indo-Soviet relationship in perspective, in absolute terms it is less than that between India and the U.S.A., although last year because of a special oil deal it briefly occupied first place. In absolute terms Indo-Soviet trade will naturally grow, but its rate of has been steadily falling since the peak years of the late 'sixties and early 'seventies, with only last year's temporary spurt disturbing the trend. Japan and West Germany have faster rates of growth with respect to trade with India as also the U.S.A. Finally it is just as well to remember that the Soviet Union is not the biggest aid giver to India. It is sixth in the list behind the U.S.A., the World Bank/IMF group, the U.K., West Germany and Canada!

On the whole, it is clear that aid and trade with the USSR has benefited the rulers of both regimes which is why they want to keep up the bilateral rupee-rouble trade. It has strengthened the Indian state, and therefore

the Indian ruling classes. It has helped Indian capitalism to become stronger and stronger in the sense of becoming relatively more autonomous from the other industrial powers and more able to meet them (including the USSR) on equal terms.

The Military Relationship

Adherents of the "Soviet social imperialist" thesis have, of course, made a big to-do about the "military dependence" of India on the USSR. The Soviet Union is the principal supplier of arms to India. Till the early sixties the Indian armed forces were equipped almost entirely with weapons procured from western sources. It was after the 1962 debacle against China (and the widening Sino-Soviet rift) that the Indian bourgeoisie turned to the USSR for military support. Meanwhile the U.S.A. was moving closer to Pakistan, as its principal arms supplier and political underwriter. The U.S.A. supported Pakistan in the 1965 war despite a facade of neutrality and much more strongly during the 1971 war with India over Bangladesh.

Between 1965-74 Moscow supplied New Delhi with \$1.32 billions worth of arms compared to U.S.A.'s \$47 million. More than 50% of India's Air Force combat planes are Soviet in origin. The Navy is only slightly less dependent. India's entire fleet of submarines consist of ex-Foxtrot class boats. The Navy has also procured 16 Osa class fast missile boats, 12 Petya class frigates and one Kushin class destroyer from the USSR. In the Army, about half the armoured corps relies on Soviet-built T-54, T-55 and PT-76 tanks. In 1979-80 India signed a Rs. 1300 crore arms deal with the USSR. Clearly with such large amounts of Soviet built weaponry the Indian state does have to continue its purchases of spare parts from the USSR. Indian military strategy like the American's is based on an all-out eight weeks conventional full-scale war. It has sufficient stocks for this. All military powers have a similar ratio of military stocks to expected duration, perhaps a couple of weeks less or a couple more.

None of this, however, means that the Indian armed forces are in hock to the Soviets. For one thing all these arms purchases have been in rupees which has meant a tremendous saving in foreign exchange. For another, India's industrial base is sufficiently large in absolute terms to make it increasingly self-reliant in many of its defence

needs. This industrial base is also sufficiently sophisticated to be able to adapt originally Soviet (and western) designs to Indian requirements and specifications. This is a pre-requisite for indigenous mass production. The once British designed Vijayanta tank is now the mainstay of India's army.

But one should also note the obvious efforts of the Indian state to deliberately reduce its reliance on Soviet weaponry by establishing a more "balanced" supply position through purchases from the west. Thus we have the Rs. 1200 crore Jaguar aircraft deal with Britain followed by likely purchases of the French Mirage fighter. The Indian state plans to purchase and then indigenously manufacture the West German made Type 209 submarines. 155mm. howitzers and anti-tank TOW guided missiles are likely to be bought from America. The upper echelons of the Indian armed forces are highly conservative and in many cases strongly pro-western and they have been exerting their pressure for better military relations with the west. These recent purchases from the west and others in the pipeline represent an important shift in arms procurement policy. And once again it is noteworthy that it is the supposedly "pro-Soviet" faction of the Indian ruling classes represented by Mrs. Gandhi's government which is consciously pursuing this policy.

The USSR will remain the dominant supplier of Indian defence needs for some time to come even though this position will decline in relative importance. But this "military dependence" can in no way fix a permanent political orientation or alignment on the Indian state acting on behalf of its ruling class bloc. At this moment India is pursuing "normalisation" of relations with China regardless of Soviet fears, just as a couple of months earlier Mrs. Gandhi deliberately snubbed the Soviets by not going to Moscow for the tenth anniversary of the Indo-Soviet Friendship treaty though the Kremlin was extremely anxious that she should. It was her way of making it clear that whatever interpretation they may wish to put on the importance of this treaty she has her own assessment of its worth.

In fact purchases of Soviet arms has given the Indian bourgeoisie an overall qualitative edge over its Pakistani counterpart thus enhancing its position as the major power in south Asia. Soviet arms have also given the Indian military a qualitative edge over the Chinese military in some areas of weaponry and defence.

In sum, the benefits that India has gained from the Indo-Soviet connection has not been bought at the expense of irreversible political, economic or military payments. The Indian bourgeoisie does benefit from a Soviet-leaning "non-aligned" foreign policy, but this link with the USSR possesses a considerable degree of flexibility and there can be shifts in policy depending on which representatives of the Indian bourgeoisie are in power.

What we are most likely to see in the coming period is in fact, a deepening of India's economic and military links with the west, even though the overall political bias in favour of the USSR is likely to continue. The Indian bourgeoisie's principal aim is to establish its undisputed regional hegemony in south Asia. Too close a political relationship with either the USSR or the USA is therefore dangerous. At the same time its principal rival in the region and barrier to achieving its aim is the Pakistan bourgeoisie, which has consistently been more pro-western and in turn supported faithfully by the USA in particular. It is this fact which essentially explains the Indian bourgeoisie's political bias towards the USSR.

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THE PROGRAMME OF THE BOLSHEVIK LENINIST GROUP

1. INDIA IS A BACKWARD CAPITALIST COUNTRY.
2. WE REJECT AS NOT APPLICABLE TO INDIA, THE THEORIES OF 'SEMI-FEUDALISM', 'COMPRADORISM', AND 'NEO-COLONIALISM'.
3. NO SECTION OF THE BOURGEOISIE OR PETTY-BOURGEOISIE IS 'PROGRESSIVE'. ACCORDINGLY WE REJECT ANY STRATEGIC ALLIANCE WITH ANY SECTION OF THE BOURGEOISIE.
4. THE COMING REVOLUTION WILL BE SOCIALIST IN CHARACTER AND NOT BOURGEOIS DEMOCRATIC, NEW DEMOCRATIC OR PEOPLES DEMOCRATIC.
5. THE LEADING REVOLUTIONARY FORCES ARE THE URBAN AND RURAL PROLETARIAT. THE REVOLUTION WILL SEE AN ALLIANCE OF THESE FORCES WITH THE POOR PEASANTRY.
6. ALL SECTIONS OF THE WORKING CLASS ARE IN A HISTORIC SENSE REVOLUTIONARY. WE REJECT THE CONCEPTION THAT THE HIGHLY PAID INDUSTRIAL WORKER IS REFORMIST.
7. WE STAND FOR A UNITED FRONT WITH WORKERS' ORGANISATIONS ON SPECIFIC ISSUES, SUCH AS THE DEFENCE OF DEMOCRATIC RIGHTS. WE ALSO STAND FOR A UNITED FRONT OF ALL COMMUNIST FORCES ON A REVOLUTIONARY PROGRAMME.
8. WE SUPPORT AUTONOMOUS MOVEMENTS OF WOMEN, DALITS, TRIBALS & OTHER OPPRESSED MINORITIES.
9. WE SUPPORT THE RIGHT OF SELF-DETERMINATION FOR ALL NATIONALITIES THAT DESIRE IT.
10. WE SUPPORT THE EQUALITY OF ALL LANGUAGES, RELIGIONS AND CULTURES.
11. WE STAND FOR THE BUILDING OF A DEMOCRATICALLY CENTRALISED REVOLUTIONARY PARTY BASED ON THE PRINCIPLES OF WORKERS' CONTROL AND RANK-AND-FILE DEMOCRACY.
12. WE STAND BY THE DICTATORSHIP OF THE PROLETARIAT BASED ON SOVIETS AND NOT THE DICTATORSHIP OF THE PARTY FOR THE PROLETARIAT. IN SUCH A GENUINE SOCIALIST DEMOCRACY WORKERS WILL HAVE THE RIGHT TO STRIKE, FORM INDEPENDENT UNIONS AND MANY PARTIES.
13. WE REJECT THE THEORY OF 'SOVIET SOCIAL IMPERIALISM'. THE SO-CALLED SOCIALIST COUNTRIES ARE ONES IN TRANSITION BETWEEN CAPITALISM AND SOCIALISM. THESE POST-CAPITALIST SOCIETIES ARE RULED BY BUREAUCRACIES, MOST OF WHICH HAVE TO BE OVERTHROWN BY A POLITICAL REVOLUTION IF THERE IS TO BE A DECISIVE ADVANCE TOWARDS SOCIALISM.
14. SOCIALIST REVOLUTIONS WILL TAKE PLACE IN BACKWARD SOCIETIES AND IN ADVANCED CAPITALIST COUNTRIES JUST AS POLITICAL REVOLUTIONS WILL OCCUR IN THE TRANSITIONAL SOCIETIES. HOWEVER, THE CONSTRUCTION OF SOCIALISM CANNOT BE COMPLETED IN ANY SINGLE COUNTRY, BUT ONLY ON THE WORLD SCALE THROUGH THE CONSCIOUS CO-ORDINATION OF REVOLUTIONARY EFFORTS. FOR THIS A REVOLUTIONARY INTERNATIONAL IS VITAL.