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## INDEPENDENT INDIA'S INDUSTRIALISATION: THE HIDDEN MOTIVE OF FOREIGN ASSISTANCE

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**ABSTRACT:** The article aims to examine the process of Industrialisation that took place in Independent India for a self-reliant economy. The article illustrates the assistance of Soviet Union done to India when it was just growing aftermath Independence. Further, the article brings about the hidden motives and agendas of foreign assistance during the process of Industrialising India.

**KEYWORDS:** India, Industrialisation, Self-reliant, Soviet Union, Foreign Assistance

The strategy of industrialisation for Independent India elaborated during the period of Second Five Year Plan (1956-60). Jawaharlal Nehru described the Second Five Year Plan as “the first organised attempt at real planning in India”(Nehru,1958). The central idea of the Indian industrialisation programme was based on the Mahalanobis model (the idea was discovered by the famous Soviet economist Feldman). The model was simple in its feature and demanded that in order to ensure a high growth rate overall, a large fraction of net investment would have to be allocated to the capital goods sector. The sector producing complementary raw materials (coal, steel, power, cement etc) along with capital growth implied a long-term sustainable growth strategy for the economy as well. The output of the consumer goods would grow slow while the expansion of capital good industry would generate large increase in money income.(Bauer,1965)

As a whole over three-fifths were of the heavy industry programme and over three-quarters of the programme was in steel capacity which were all government –owned capacity. ). It is expressed in Professor Mahalanobis' *Draft Plan Frame*:

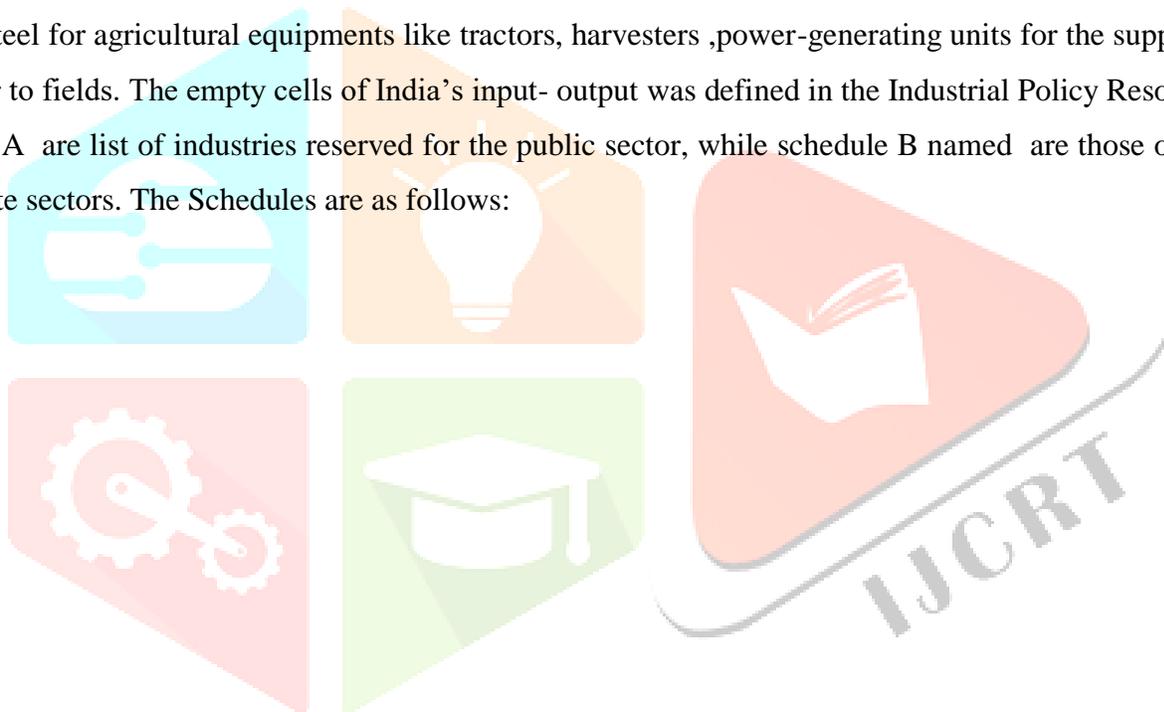
*“In the long run, the rate of industrialisation and the growth of national economy would depend on the increasing production of coal, electricity, iron and steel, heavy machinery, heavy chemicals and heavy industries generally which would increase the capacity for capital formation. One important aim is to make India independent, as quickly as possible, of foreign imports of producer goods so that the accumulation of capital would not be hampered by difficulties in securing supplies of essential producer goods from other countries. The heavy industries must therefore, be expanded with all possible speed.*

The Industrial Policy Resolution of 1956 clearly read that the state would assume a progressive and a direct responsibility for setting and developing new industrial and transport facilities. It would also take up the state trading to an increasing height. A need for a planned socialist pattern of society with rapid development as a national objective only requires that industries of basic importance and public utility services requires to be in the public sector. The then Deputy Minister of Finance Mr Balaram Bhagat stated: “ This is a turning point in our economy and through institutional and other changes, we must bring about socialist transformation as early as possible”. An important quote to be noted was by Mr Andrew Shonfield, economic correspondent of The Observer, began his critical remarks on the Second Five year plan where he states the plan was a Soviet –type plan and that particular label is not prerogative in any sense but it simply indicates a heavy-industry plan heading more towards Khrushchev rather than Malenkov where the consumer gets a very small look –in. Of the total industrial investment during the five year period, half of the investment goes to steel alone and other huge part goes to the capital goods industries. The shift from agricultural investment to the industrial investment can be seen clearly when differed in terms of First Five Year Plan and The Second Five Year Plan where huge emphasis is on heavy industry and above all, on steel. And the consumer concern to fulfil his needs is not taken into account

Sebastian Stanislaus points that there was no price discrimination in the trade between both India and Soviet Union whereas unit values of India's purchases from the Soviet Union were often lower than the unit values of Indian purchases from the West and the unit Values of Indian sales to the Soviet Union were often higher than the unit values of Indian sales to the Western values”.(Stanislaus,1975). The Soviet Union overwhelmingly assisted towards industrial development of the developing states including ,India with two-thirds on industrial projects and infrastructure, a tenth on the transport and communications, geological prospecting, consumer goods and food industries and cultural , scientific and health facilities have accounted for the rest.

The era of the economic cooperation between India and the Soviet Union began aftermath of the first visit of India's first Prime Minister Jawaharlal Nehru to the Soviet Union in 1955 led to the sympathetic support to India's economic aspirations. India was overwhelmed with the kind of welcome received by Jawaharlal Nehru. He told the thousand Soviet people who had assembled their : We did not come here as strangers, for many of us have followed with deep interest the great changes and developments that have taken place in this country." The helping hand of the Soviet Union to the development of India's basic and heavy industries which includes steel, oil, power and power equipment, coal, mining machinery, heavy machines ,precision instruments, pharmaceuticals etc. The Soviet Union assistance in India's economic development and self –reliance also includes transfer of technology without any reservations along with the help of setting up research and development organisations for the advancement of technologies.

The modest attempt of the Second Five Year Plan was to lay greater emphasis on industries as the country's independence was not on safeguard. The agricultural progress too was dependent on heavy industries as these could provide steel for agricultural equipments like tractors, harvesters ,power-generating units for the supply of electricity and water to fields. The empty cells of India's input- output was defined in the Industrial Policy Resolution , 1956.In Schedule A are list of industries reserved for the public sector, while schedule B named are those of both in public and private sectors. The Schedules are as follows:



**SCHEDULE A (TABLE 1)**

NAME OF THE INDUSTRY	RECIPIENT OF SOVIET ASSISTANCE
Arms and Ammunition	
Atomic Energy	
Iron and Steel	✓
Heavy Castings and Forgings of Iron and Steel	✓
Heavy Machinery and Plant required for iron and steel production, for mining, for machine-tool manufacture and for such other basic industries which may be specific by the Government	✓
Heavy Electrical Plant	✓
Coal and Lignite	✓
Mineral Oils	✓
Mining of Iron Ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamonds	✓ <b>(iron ore only)</b>
Mining and processing of copper, lead, zinc, tin, etc.	✓
Minerals specified in the schedule to the atomic energy	
Aircraft	<b>Defence only</b>
Air transport	
Railway Transport	
Ship Building	
Telephone and Telephone cables, telegraph and wireless apparatus	✓
Generation and Distribution of electricity	✓

**SCHEDULE B (TABLE 2)**

<b>NAME OF THE INDUSTRY</b>	<b>RECIPIENT OF SOVIET ASSISTANCE</b>
All other minerals except minor minerals as defined in Sec.3 of the Mineral Concession Rules, 1949	✓
Aluminium and other non-ferrous metals	
Machine tools	
Ferro-alloys and tool steels	
Basic and immediate products required for chemical industries such as the manufacture of drugs, dye-stuffs and plastics	✓ <b>(drugs only)</b>
Antibiotics and other essentials drugs	✓
Fertilizers, synthetic rubber, carbonisation of coal, chemical pulp, road and sea transport	

Source:Mehta, Vinod K, *Soviet Union And India's Industrial Development*, pp 3, 4 and 5

In the above table we can have a look of the names of Industries with whom India was the recipient of Soviet assistance. They are namely Iron and Steel, Heavy Castings and Forgings of Iron and Steel, Heavy Machinery and Plant required for iron and steel production, for mining, for machine-tool manufacture, Heavy Electrical Plant, Mining of Iron Ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamonds, Heavy Electrical Plant, Coal and Lignite, Mineral Oils, Mining and processing of copper, lead, zinc, tin, etc. The Schedule A table contains list of industries which are basically the requirement in machine building for the public sector and Schedule B contains industries like minor minerals, the products required for chemical industries along with antibiotics and other drugs which are useful for both the private and public sector.

Indo-Soviet Economic Cooperation began with the signing of the agreement on 2<sup>nd</sup> February, 1955 to build the Bhilai Steel Plant which expanded with time. The Soviet economic and technical help contributed to 40% of steel production, 35% of oil production and more than 10% of electricity production and with completion they contributed to 53% of oil refining and 41% of coal mining capacity.

Another great feature of Bhilai and other Soviet- aided projects was the participation of Indian technicians leading to direct employment opportunities which was more than 1.6 lakh and upto 2 lakh included trained people in those projects. The steel production in India per annum came around 21 million tonnes and Soviet aided steel plants accounted for 14 million tonnes.( Mishra, 1984)

Under circumstances of economic and political pressures, when India was looking for assistance Soviet Union came forward with its offer of cooperation . The matters of similarity that brought the two countries closer was that the Soviet Union fully supports India's emphasis on the public- sector, and the concept of a “socialistic pattern of society”( Walkters ,1970) . Soviet policies of trade towards India was their attempt to give a helping hand in overcoming our economic backwardness in strong public sector namely heavy industries were invaluable. The existing social relations were increasingly fettered on sustained and equitable economic growth. Soviet Union help in reaching Indian economy to a new stage of development and also the inflow of modern markets is the result of modern technology. A crucial and constructive role played by the Soviet Union and India was the signing of the treaty to set up an inter-governmental Joint Commission for economic, scientific and technical cooperation in order to coordinate the economic relations between the two countries, the first such Commission set up in India. the Commission played a key role in Indo-Soviet economic cooperation. The visit of Soviet leader L.I.Brezhnev in 1973 and 1980 followed by Indira Gandhi visit in 1982 strengthen the relations between the two countries along with the signing of various economic agreements gave a boost to the Indo- Soviet relations. The policy of peaceful coexistence was exercised by both India and Soviet Union. Soviet Union attitude towards India was summed up by Gromyko observation:

“The Soviet Union makes no secret of the fact that it wants to see friendly and peaceful India strong and capable of successfully defending its independence and furthering the cause of peace in Asia” The appreciable Soviet Union help when India lacked technical know –how in the demonstration of the oil –exploration process when Western experts and technicians were not ready to assist us. In December 1955, a team of Soviet experts headed by Professor N.A Kalinin arrived and studied in details the data that were available . He concluded that India had “ prospecting area for the availability of oil and natural gas to the tune of one million square kilometres. We can expect recoverable reserves of oil amounting to four billion tonnes(considering the geological reserves to be eight billion tonnes) and about two trillion cubic metres of gas.” (Mishra,1984). The development of India's resources has helped India meet its need domestically.

Without the discovery of oil and gas deposits in the country and its inability to set up its refineries would bring its developmental activities to a halt. Till 1953 only one oilfield was located in the country in Digboi, Assam. It was discovered in the late nineteenth century and was worked by Assam Oil, a subsidiary of Burma Oil. Its total output between 1906 and 1962 was only 8 million tonnes. The assistance of Soviet Union in the development of Oil industry in India was notable contribution where they helped us prepare our own band of oil specialists and trained Indian scientist and technicians in various oil exploration especially in petroleum geology, seismic surveys, electrologging, perforation operations, drilling and production techniques, reservoir engineering, setting up of laboratories for

conducting systematic studies, a Design Institute has also been set up in Dehradun. The helping hand of Soviet Union in the trying to tackle India's energy problem by developing coal mining. The development of coal mines in Banki, Surakachhar, in Korba, the Manikpur open cast mine in Madhya Pradesh, building of mining equipment plant in Durgapur, the Kathara Coal washery, the Central Electrical and the Mechanical Workshop in Korba for repairing and service mining equipments between 1962-68 were built by Soviet Assistance. An agreement was signed in December 1966 to build up five open cast mines for coking coal to meet the requirements of iron and steel plant at Bokaro and Bhilai. A team of Soviet experts together with Indian colleagues jointly studied India's coal industry and also the scope of Soviet assistance. An Agreement was signed in 1974 regarding the report of design institute at Ranchi and also the possibility of increasing the coal output at Singrauli and Raniganj deposits. Thus the feasibility reports of both The Soviet and Indian experts included the construction of a Janjra-1 and Janjra-2 mines with a capacity of 5.3 million tonnes of coal. There were also plans for building a repair workshops and also lay a 45-kilometre railway line.

The development of coking coal deposits in Ramnagar (near Bokaro) is being undertaken with Soviet assistance with the expansion of the Bokaro Steel Plant. The Coal Mining Machinery Plant commissioned with the help of Soviet assistance at Durgapur manufactures 45,000 tonnes of various items of coal mining machinery. It also manufactures item material handling equipments for ports and large plants. The agreement between India and Soviet Union assisted India in setting up three plants: one for the production of antibiotics, the second for chemical pharmaceutical preparations and the third one for the preparation of surgical instruments (Mishra, 1981). The objectives of IDPL are:

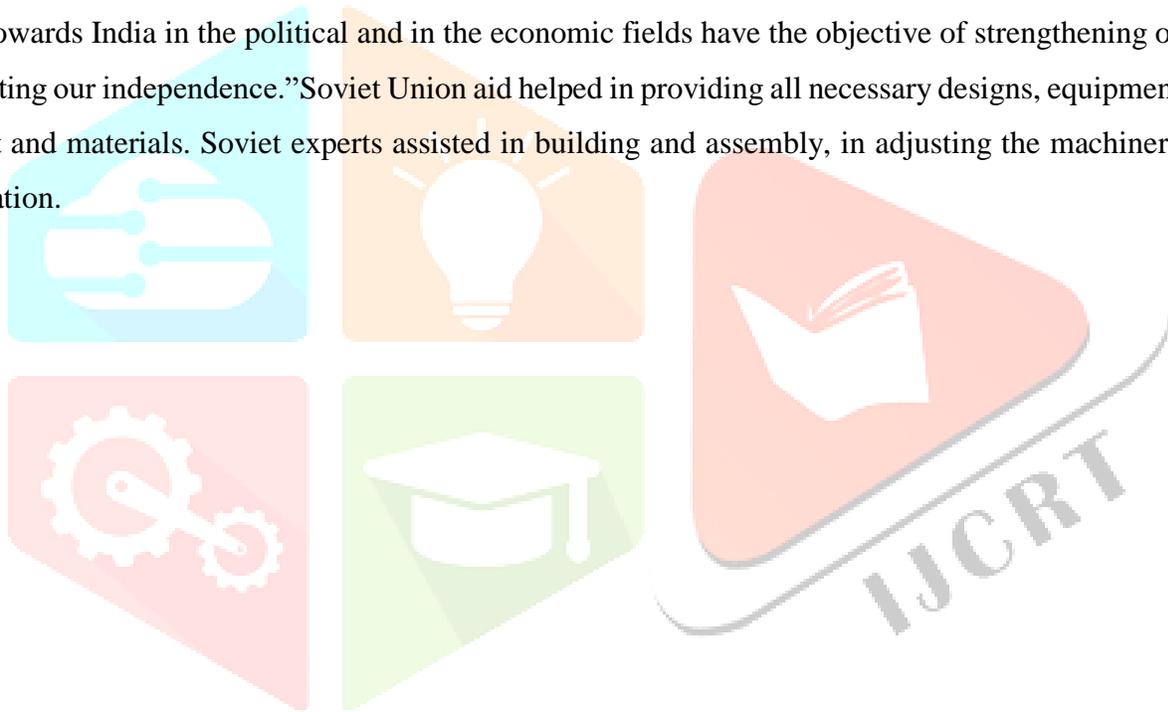
- “to make the country self-sufficient in drugs and pharmaceuticals.
- To free the country from foreign exploitations.
- To provide cheaper medicines in adequate quantity to the people.

### **The Real Motive of Foreign Aid and Hidden Agenda**

The British did not build the railways in India to speed up industrialisation, but it was their hidden agenda to increase the outflow of raw materials and inflow of the British products. And in the similar way mining was limited only to those products which had a ready export market. The development of the country related with mining was neglected and as a result many underground reserves were not located. Ores were not worked for extraction of mineral contained in them but rather for the purpose of exporting them in raw condition. As only a few of metallurgical smelting plants existed in India, the economic value of the ores was barely half the real market value. It was only after independence that the Geological Survey of India and the Bureau of Mines for systematic mining operations were set up. The best example of the fact that colonialist can never be benefactors were the British who exploited India's wealth for two centuries and did not provide any initials in the technical and economic assistance for building basic industries in India. The attitude of other Western countries like America, France, Holland, Belgium and Portugal was no different. When Independent India looked for help it was advised to concentrate on agricultural development. India was told that industrialisation is the game of big countries and that it could not afford it.

The Indian Press recognised the fact that Soviet Union exerted no pressure to give any specific orientation to the economic development of the country. The *Amrita Bazar Patrika* commented soon after L.I . Brezhnev’s visit to New Delhi: “The Russians have never allowed them selves to be prejudiced because of the existence of a strong private sector alongside an expanding public sector in India. They have from the start recognised and respected free India’s right to evolve her own economic order in harmony with her political system.” Which meant unlike the Americans, Soviet Union has never insisted on any particular pattern of growth(Brezhnev, 1973)

The growing economic assistance of Soviet Union to India involved a close cooperation at the economic level which flowed mostly to the basic industries and intended in making India self-reliant was emphasised many times by the Soviet leaders, and the Indian side too agreed with this attitude. “Self –reliance” and “the strengthening of political independence” are two sides of the same problem in whose solution the Soviet Union tries to help the recipient countries. As H.D Malaviya, M.P observed, “Indeed, for India it has always been gratifying to note that the Soviet policies towards India in the political and in the economic fields have the objective of strengthening our freedom and consolidating our independence.”Soviet Union aid helped in providing all necessary designs, equipment, technological document and materials. Soviet experts assisted in building and assembly, in adjusting the machinery and putting it into operation.



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