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EMBASSY OF INDIA,

MOSCOW.

April 30, 1954.

My dear *Ratan*,

I enclose a note, prepared by Kaul, on the prospects of developing economic relations with the Soviet Union. In particular, he has urged that we might seek Soviet assistance in some such project as the establishment of a tractor factory in India.

2. In his note, which is at once thoughtful and enthusiastic, Kaul has dwelt on the changes which have occurred generally in Soviet policy after Stalin's death, and, in particular, in the sphere of Indo-Soviet relations. The improvement in our relations with the Soviet Government is largely the outcome of their appreciation of the independent policy which India has been pursuing, especially in the face of aggressive American designs in Asia. Kaul has argued that this is the time when we should make whatever capital we can out of the recent favourable turn in the Soviet Government's attitude towards India.

3. The Soviet Government is willing and, indeed, eager, to develop economic relations with India. This was made clear in a speech, made by Novikov, on the 28th December, 1953, at a dinner given by me in connection with the signing of the Indo-Soviet trade agreement - vide our letter No. SU-TECH/53 dated the 29th December, 1953. The Soviet Government will not of course help us, any more than any other Government, in a spirit of altruism. They will help us because it will pay them to do so. They feel that generous assistance to India now will fetch dividends not only in Rupees and Doubles, but in India's goodwill, which is worth much to them, especially at a time when the U.S.A. is picking off one weak or compliant Asian State after another and hitching it to its wagon.

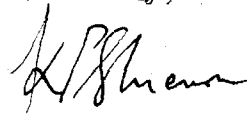
4. It would be entirely consistent with our foreign policy to develop economic and industrial relations with the Soviet Union in a more concrete manner than we have done so far. It may be asked whether this will not affect the flow of "aid" from Western countries, and particularly the U.S.A., to India. The answer is that U.S. aid, too, is not given in any spirit of altruism but out of cold-blooded self-interest. Indeed, a little Soviet competition will only induce the U.S.A. to be less grudging in its proffers of technical and industrial assistance. This will also remove the impression, prevalent not merely in the Soviet Union, but in certain quarters in India itself, that while India is resolutely independent in political matters, her economy is getting increasingly enmeshed in Anglo-American schemes.

5. A further question is whether, from the point of view of internal security, it is safe to have too friendly relations with a Communist State, of which the ultimate objective is world revolution. But world revolution is receding as a practicable goal, even from the minds of ardent Communists. Trotsky

paid for it with his life; and Stalin brought up a whole generation on the principle of "Socialism in one State". It is true that "socialism" has now over-flowed into regions, beyond the borders of the Soviet Union. But that is essentially the outcome of the Second World War. If there were to be a Third World War many more States would succumb to Communism, but then the issue will be not the survival of Communism or Capitalism but of civilisation itself. The Soviet Government is fully aware of this and will do everything in its power to avoid war. For the next fifty years or so, the main concern of the Soviet Union will be to consolidate Communism in the sphere in which it has already entrenched itself rather than to extend it. In other words, the Soviet Government is now genuinely reconciled to the possibility, and, indeed, the need, for the co-existence of rival systems of political economy for an indefinite period.

6. For these reasons I can see no serious objection to our developing economic relations with the Soviet Union on a wider scale. There is a limit to the help which the Soviet Union can give India; she has China to look after. There is also a limit to the help which we might take from the Soviet Union. In any case, we should avoid taking any kind of assistance which would place us in the debt of the Soviet Government. As far as possible we should be prepared to finance any project, set up by that Government, out of our normal trade exports. How far this is feasible is a matter for experts to consider. In this connection, the attached chart, showing the items which the U.S.S.R. has agreed to import from, and export to, various countries, with which she has lately entered into trade agreements, may be of help. Another alternative would be for us to avail ourselves of a portion of the sum of four million Roubles which the Soviet Government has placed at the disposal of the Economic and Social Council for technical assistance to under-developed countries. On the whole I think it is an excellent idea to ask for the assistance of the Soviet Union in establishing some such project as a Tractor Factory in India. If this meets with the approval of the Government of India, I could have a preliminary talk here; and this could be followed up by the visit of an Indian Technical Mission which could go into this question in all its aspects.

Yours sincerely,


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