

# REASONS BEHIND FORMING A TRADE BLOCK

**A Special Study in case of forming India, Russia and China Trade Block.**

Dr.Suraj Kumar

Choti Kalyani Road, Muzaffarpur.

## **INTRODUCTION**

*The thoughts behind forming a trade block, or group of nation or trade organization or a union are also deals with some features. It should be historically or geographically or ideologically. Economic Benefits of each of the nation is the key fact or any organization or a trade block. G-7, G-9, G-20, Europion Union, SAARC, ASIEAN, WTO, OPEC, UNCTAD etc. there are several examples like that. There is a fact that each of the nation wants to show her superlative attitude to become the emerging power of the world economic scenario to concern the focus of the world society over her. They always believe that to form a trade blocks, groups or union like that. There are some aspects of ideology, Political Honesty, Nationalism, Caste, Religion and Cultural features are also the determining facts of forming a trade block or union. Behind that I also want to discuss to emerging a trade Block of India, Russia and China inspite of several issues like border dispute, War, superlative attitude. There is always a hope in my mind that if it is so happen and runs successfully, The 22nd century will be of them.*

Before the emergence of Nation-state concept and mercantilist ideas there was nothing like foreign trade. It was pure international trade or Inter regional trade. Ohlin and Haberler have picked up the genesis of modern theory of international trade from the root of the international trade or trade from one part of the world to the other part.

When India was known as golden bird among the traders of the world. Its reaches and affluence attracted the traders of every corner of the world.

So far the theoretical conceptualization of international trade is concerned basically in the formal sense, it started from the days of classical economists. Later on

developed as comparative cost theory by Ricardo in his book "Principles of Political economy and taxation". Gunnar Myrdal developed "General Equilibrium of International trade." With certain modification by some economists like W.W. Leontiff, G.D.A. Macdougall, P.B. Kene Raymond Vernon, M.V. Posnal and many others. This theory is also known as modern theory of international trade.

Besides pure theory of international trade, problems of balance of payment, commercial policy, International Economic Relation and the role of International Organization Like GATT and WTO also constitute.

The different theories of international trade as hand from time to time it suits the then dominant country and prevailing was a maximization of export and minimization of import to accumulate gold to make the nation state stronger. Their Slogan was more trade more gold. It is an old proverb that- "flag follows the trade" since time in immemorial world humanity has been engaged in promotion of trade. A trade between one region and the other region.

It was entry of East Indian Company that led to the decline of India's Trade in general and export in particular. India Gradually turned into a colony of British Empire named common wealth nation, due to exporter of raw material and importer of finished goods even after independence the western powers headed by USA are folding discriminatory attitude towards developing economies in general and India in particular. The conservative attitude of USA and G-7 nations in the ministerial level conference of WTO reveal that India has to think a fresh getting its right place in global trade system.

So that's why the hypothesis to form a trade block or union or organization always dependents upon these five facts of those nations.

A. Historical Relation

B. Geographical Structure

C. Ideology

D. Economical Aspects

## E. Non Economic features

A trade block always to reformed on the base of historical relationship of those countries, who are interested to form a trade block Union Organization. It is the basic aspects to make the bond stronger for those nations.

The real history of India's trade relations with socialist block starts from the 2nd five year plan specially after the visits of Khrushcheva and Bulganin with a team of trade officials and several trade agreements were made. Bandung conference added new feature in Indo-China relationship and trade relations swiftly moved infact our trade relation with socialist block namely USSR, Poland, Romania, Bulgeria, Hungary East Germany, Chechoslovakia, and Yugoslavia developed during the 60's.

The Geographical features of those nation who are interested to form original block for the sake of its own betterment of the nation for example SAARC and European Union is a regional organization of south East Asia and Europe. All of are the neighbours of each other. The Geographical aspects also deals with the structure of nation natural resources minerals. OPEC is a example of petroleum producing nations organizations. It deals with the human resources, size of market and advantages of the nation. It also deals with the connectivity of those nations who are in interested for form a trade block or union or organization.

Ideology is one of the base pillar to form the theme of the Union or regional trade block. The concept, the features, the strategy of a Union always deals with these facts of its own Ideological balance. For example the thoughts of capitalist and socialist theme are also to measure the map of regional trade block. G-7, G-9 WTO, GATT etc. are based on the theme and thoughts of capitalist nations. It is also a fact that it always deals for their own benefits for the sake of the group of nations, who are the member of it.

The socialist theme nations are interested to make its own their trade front. If we study the history of Socialist trade block it deals upto 90's upto the fragmentation of USSR

When we speak socialist block rationally in every use it means the country which followed the leadership of USSR before 1991. By origin the term socialism has been derived from the Latin word socius. Which means concerning society. Mr. Joade has observed that - "Socialism is a cap which has crossed its sake because everyone wears it. Even today arms like utopian socialism, scientific socialist, Fabian Socialism, communism, socialist pattern of society democratic Socialism, guided socialism, western socialism, Assian Socialism, Gandhian Socialism are another brand of socialism which used to make a bond for trade front organization.

The economical aspects of a trade block is always playing the key role in it. The economical stint of a trade block is also deals with the theme that country did not exploit by the way of foreign trade among the member nation. It's motto to achieve the efficient development based on it's own dynamic comparative advantages. It is the economical theme that not only to determine the trade benefits of a nation but also determine the features of the centralization of the power through a trade block or union or organization it also shows the nature to dominant over the world through the member of it.

There are several aspects, features behind the non economic factors to determining the regional trade block like on cast, religion, institutional factors, traditions, cultural relationship for example- The similarity of "Pearls Buck". Description of "the good earth" and Premchand's Godan. It is the little difference between Gautam Buddha and Confucious. Political status of a nation of a country is also a determining fact forming behind original trade block. Political Honesty, commitment to nationalism, Clarity of visions are other determining facts. Islamic group of nations is example of a organization based upon religion cultural and caste facts.

If we discuss about the journey of India's International trade. It started with the features of mixed economic phenomenon like capitalist and socialist. It was pandit Nehru who was well aware of British imperialism, the great depression of 1929 and emerging of USSR as another economic power during that depression period.

Gandhian Philosophy of Economic development has also binding him to accept the concept of mixed economy. It deals with the five year plane. Taking an over all view, it can be stated that Indias trade development by the 80's a more spatially dispersed pattern of foreign trade. Its excessive dependence on Western Europe and North America witnessed a gradual declined during the period of 1951 to 1970. There was a shift in favour of East European socialist countries and Asian Countries.

The period of 1991 to 2000 which witnessed the disintegration of the Soviet Union into Common wealth of independent state. The importance of Western Europe and North America has increased sharply. They together account for the 49 percent of our exports and 40 percent of our imports in 2001-02.

**TABLE NO.1**

**DIRECTION OF INDIA'S FOREIGN TRADE 1980-81**

(Rs. in Crore)

| Region/Country       | 1980-81       |                | 2001-02        |                 |
|----------------------|---------------|----------------|----------------|-----------------|
|                      | Exports       | Imports        | Exports        | Imports         |
| OECD                 | 3,126 (46.6%) | 5,6747 (46.8%) | 103,120(49.3%) | 98,489(40.1%)   |
| OPEC                 | 745 (11.1%)   | 3490 (27.8%)   | 25,016 (12.0%) | 14,215 (5.8%)   |
| Eastern Europe       |               |                |                |                 |
| USSR/CIS             | 1,486 (22.1%) | 1,296 (10.3%)  | 4,859 (2.3%)   | 3,320 (1.4%)    |
| Developing Countries | 1,226 (18.9%) | 1,971 (15.7%)  | 58,614 (28.0%) | 46,869 (19.1)   |
| Other's              | 65 (0.9%)     | 45 (0.4%)      | 17,410 (8.4)   | 82,356 (33.6)   |
| Total 1 to 5         | 6,711 (100%)  | 12,459 (100%)  | 20918 (100%)   | 245,199 (100 %) |

**Source:** Economic Survey of 2001-02, 2002-03.

The Preceding analysis of India's trade with Soviet block in historical prospective shows that India was a trusted friend of socialist block not only in political matter's but also in trade relationship. The entire socialist block was genuinely interest in the economic development of India was ready to help always to keep it safe from the exploitive designations of developed western capitalist countries under the leadership of

USA. It is why from negligible level of trade in early 50's it rose to almost 25% of foreign trade till USSR fragmented.

During the post period of fragmentation of USSR, USA and western advance countries monopolize IMF, IBRD and another international Organization, United nations and security council were dominated and to great extent to dictated by USA. In the appointment of staff and policy making decisions at various International body meeting, benefits of India and the socialist block crumbled down on the account of the pressure of its own contradiction on the one hand and conspirational designs of USA and its alienations on the other hand. Behind this the emerging of China as another economic power of the world the dominance of one nation on the international trade was scattered.

The formation of a regional trade block and trade agreements with Russia and China will open a new door of global trade market and it will help the Afro-Asian countries to be free from the exploitative designs of western countries. Then Asia will be the centre of the future world trade market. There are number of items in which India, Russia and China mutual pact in trade relationship will dominate the world market and USA will put in a defensive position of a different platforms of the WTO.

A comparative study of India's foreign trade with Russia and China shows that a constitution of regional block between these trio is the only viable alternative to change the present unipolar trade world into multipolar global trade market. It is the age of technology innovations and knowledge based skilled man power. India should invest more on research and development and to improve human development index to compete with Russia and China in the future global trade scenario.

So the net evaluation of our discussion is that socialist block in world trade emerged as an alternative to capitalist world trade led by USA.

The primary difference between the two powers block was that socialist block believed in to developed trade facilities while western capitalist world believed in aid facilities increasing the external debt burden of debt on developing countries like INDIA.

It is in this background that Dr.V.K.R.A.V. Rao in the first meeting of UNCTAD held in Geneva had remarked "We want trade not aid". WTO was established to help the trade facilities to least developed and developing economies of the world community. But USA is not ready to withdraw subsidy to its farmers.

Problems behind forming a Trade block with Russia and China are both economic and non-economic. Economic problems include technological imbalance production of competitive goods and infrastructural imbalance which influence the foreign direct investment for which all of these three countries need. In the non Economic factors border issue, expansionist attitude of China and lack of mutual trust on each other. Russia is also under pressure of USA hegemony. However the feeling of co-operations among these countries is gaining importance on account of rigid selfishness and conservative attitude of western countries.

Inspite of these several issue there is a hope always in my mind that if it is so happen this will change the world trade scenario and the dominant power scene of the world economy.

There is an old proverb "It is not easy but difficult think which are beautiful". Of course the steps for such a regional block should be taken consciously and step by step.

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