CHAPTER VIII

CONCLUSION
We have broadly examined the efficacy and profitability of Indian overseas joint ventures. The picture that emerges is by no standards an impressive one. Whether it has been worthwhile for India to have gone in for the joint venture strategy itself appears doubtful. Instances of spectacular success are very few. Those that have been reasonably profitable do not compensate for the deficit that is being created by the unsuccessful ones. The time has come for the Indian policy makers to take stock of the situation and revise their policy orientation.

Export of Capital Not Justified:

Starting of joint ventures abroad means exporting capital in the form of machinery and, to some extent, cash. Indian private investment abroad, even in the form of export of equipment and know-how constitute export of capital. The country does not have such a surplus of capital as to justify exports without obtaining any return for a long gestation period. At this stage of India's development it cannot afford such an exercise with doubtful prospects. We have seen that capital exported as equity in overseas joint venture brings in unattractive, if not, nil returns. The primary motive is to boost exports but it has been proved beyond a shadow of doubt that the exports generated are not worth the capital invested or the efforts undertaken.

Intermediate Technology Not Popular:

The spread of intermediate technology is supposed to play a vital role in this effort. However, in practice more and more reliance is being placed on higher technology and
on following the Western models. Although the concept of intermediate technology is theoretically sound and weighty, it carries with it the disadvantages of low volume and high cost in production. In most of the developing countries, particularly in Southeast Asia and Sri Lanka, tariff protection is minimum and so in an atmosphere of competition from Western and Far Eastern brands, the products made out of intermediate technology from India suffers. Further the slant now is more on high technology and on catching up with the rest of the world. The relevance of intermediate technology in such a context appears doubtful. The recent rush of Indian entrepreneurs to Japan and to the West to secure new collaborations to update India's technological progress shows clearly that India is still a technology borrowing country. Even in India the rate of progress of automation and computerisation shows that modernisation and resort to high technology is being considered as more important than honouring the commitment to the propagation of intermediate technology.

**New Strategy Required:**

Under these changed circumstances India should reorient its strategy with regard to promotion of joint ventures. More selective permission should be given for putting up fresh joint ventures. The loss of image created by a losing venture causes bigger damage than the actual monetary loss. It is not merely the failure of the unit, but the serious political and social implications of such failure that
matter. Therefore, the government should permit only such units which have the technological strength and adaptability to survive in an atmosphere of international competition. Also, projects with larger capital base to avail of the advantage of large scale economies have to be encouraged. Industrialists with proven ability and success should be preferred. Indian promoters should also be advised to seek financial participation of corporate bodies possibly from the cash rich Gulf countries so that the venture would not suffer from cash starvation.

Sri Lanka's Development Efforts:

Our study, which explores the industrial potential of Sri Lanka for the purpose of promoting Indian joint ventures, shows that the country is yet to acquire a proper industrial climate. The liberalisation and redoubled efforts to industrialise the country inspite of the initial success have not produced sustained results. Although enormous amount of money has been invested, the economy has not yet acquired the capacity to absorb the investment successfully. The public sector is inefficient and the private sector lacks capital and entrepreneurship. On the whole the country is still to acquire an industrial culture. Converting a country with a large undeveloped hinterland into a kind of free trade oriented entrepot area is difficult, if not impossible. Further, the conditions that prevailed in the 1960s and early 1970s that favoured the swift growth of Korea, Taiwan, Hong Kong and Singapore were totally absent in the late 1970s and early 1980s. The world economy feebly
under the impact of steep oil price hike was struggling for survival during this period. The attempt to build an export oriented economy in Sri Lanka was, therefore, not propitiously timed.

No New Ventures Possible:

As for Indian joint ventures, the one conclusion that could be firmly drawn is that no new enterprise will be put up by Indians until the situation is back to complete normal and a permanent political solution is evolved for the ethnic conflict. The promising atmosphere that had dawned after the 1978 liberalisation policies had changed with the spate of convulsive events. The fast deterioration in the economy and the slow growth in the completion of the infrastructural facilities have further upset the prospects of investment.

Let alone the Indian entrepreneurs, even investors from other countries feel insecure about starting any joint venture in Sri Lanka.

Want of Raw Materials:

Mere nearness and similarity in social and economic conditions alone are no distinct advantages for setting up joint ventures. Indian joint ventures in distant lands are sometimes successful. The raw material resource potential in Sri Lanka is very limited and this stands in the way of Indian technology taking any advantage in such a close neighbouring country. We have seen that most of the Indian joint ventures in Sri Lanka depend upon imported inputs. In such an atmosphere a joint venture can at the most survive
and cater to the local market which is again very small and has quite a limited purchasing power.

**Buy-back May Not Work:**

Reacting to the suggestion of quite a few analysts that joint ventures with 'buy-back' arrangement would be successful, it could be argued that even in such cases unless the raw materials are available in Sri Lanka, there could be no distinct advantage. Lower labour cost is of no relevance to India as Indian wages are equally cheaper; it could even be said that Sri Lankan wages are marginally more expensive. Also, the regular drain of skilled workers to the Gulf countries and Sri Lanka's unwillingness to import skilled workers make matters worse. Entrepreneurs with business skills are not easily available. Also, the volume of capital that is required for starting modern industries is not so easily mobilisable by the intending businessmen. From whatever angle one looks at it, there appears to be no distinct advantage in going to Sri Lanka for starting a joint venture.

**Impact of Indian Joint Ventures:**

The impact of Indian joint ventures in Sri Lanka is not so perceptible. Excepting the Taj Samudra Hotel which stands as a monument at a vantage point in Colombo and tries to assert for a leadership position in its field, the other projects are not of significant dimension. They do not hold any commanding place in the economy or in the fields of their specialisation. As things were shaping between 1979 and 1982 it appeared that Indian participation in Sri
Lanka's economic transformation would be progressively increased. It was expected that more projects with greater significance would be started. But the turn of events have put a brutal stop to this dream.

The Theory of Complementarity:

The age-old theory that two countries which do not possess an element of complementarity among them cannot easily expand their trading or economic interaction, still appears to be valid. At one stage, after the 1978 liberalisation, it looked as though India would dominate in its supplies to Sri Lanka of various commodities and manufactured products, giving a lie to the old theory. It is true that India could increase its exports to Sri Lanka to a large extent but this could not go on for ever, the limitation being Sri Lanka's inability to export to India. However, it proved that there is greater potential for increasing trade between the two countries. With a little more adjustments India could have increased its imports from Sri Lanka and thus encouraged that country to further increase its imports from India.

Protectionism and the inward looking policies in the past had curbed the growth of trade between the two countries. The fear of Indian goods swamping the markets of Sri Lanka, which is still prevalent, was the motivating impulse for the steep protectionist walls raised until 1977. In the first flush of liberalisation Sri Lanka imported liberally from various sources, including India, ignoring
the past pattern. In theory Sri Lanka could import any amount from India and pay out of the hard currency that it earns from its exports to other countries. However, in practice its bilateral relations with various countries and the commitment to import from those countries against exports of its products, act as binding factors. These bilateral agreements have at the bottom an element of barter and no amount of sophistication in international trade would basically alter this.

Dominance - Dependency Theory:

A certain measure of sympathy and imagination on the part of Indian authorities could certainly help to improve the trade between the two countries. As seen earlier there are areas where Sri Lanka is strong in its exports but these are again the strong points of India also. If India respects the sensitivities of Sri Lanka and adopts a policy of better accommodation and co-operation there could be room for increased trading interaction. The proponents of the dominance-dependency theory harp on this point and accuse India of being indifferent to the interests of small neighbours. There is an element of truth in this and the situation has to be properly remedied.

Regional Economic Co-operation Elusive:

Regional economic co-operation among the South Asian countries has been elusive in spite of years of efforts. The principal reason for this is that the South Asian countries as a whole have been characterised by dissensions and conflicts among themselves. The political will to bring
about economic co-operation appears to be dormant. It is believed that among nations the spheres of politics and economic interact with each other and the influence between them are not unidirectional but reciprocal; but in the case of South Asian region this belief is more often belied. The political pre-condition for regional economic co-operation is of utmost significance in this region. In the context of successful regional groupings in various parts of the world, the inequities of North-South economic relations and the aggravation of the economic problems of these countries in consequence of Western economic recession, the need to minimise political tensions and maximise the potential for regional economic co-operation among the countries of this region cannot be over emphasised.