CONCLUSION
CONCLUSIONS

Over 90 percent of the world’s manufacturing industry is in the North. Most patents and new technology are the property of multinational corporations of the North, which conduct a large share of world investment and world trade in raw materials and manufactures. Because of this economic power Northern countries dominate the international economic system—its rules and regulations, and its international institutions of trade and finance. In the world as in nations, economic forces left entirely to themselves tend to produce growing inequality.

The concentration and internationalisation of finance capital has reached unprecedented heights in the current phase of imperialism. Globally mobile finance capital is assaulting the sovereignty of nations, seeking unimpeded access to their economies in pursuit of super profits. The imperialist order in the service of this speculative finance capital breaks down all barriers for its free flow and imposes the terms favourable to such capital in every part of the globe. The International Monetary Fund, the World Bank and the World Trade Organization are the instruments to perpetuate this unjust post-colonial global order. The new hegemony of speculative finance capital results in sluggish growth in the advanced capitalist countries. For the Third World it spells a vicious cycle of intensified exploitation and growing debt. The terms of trade, industrial and agricultural production, technology flows, and the service sector in the lesser-developed capitalist countries are all forced to dovetail the interests of imperialist capital. The imperialist system has divided the World into two: the rich advanced capitalist countries and the vast mass of humanity who live in the developing countries. The gap between the rich and poor countries began to sharply widen in the last two decades of the twentieth century and with the onset of the imperialist driven globalisation it has grown further.

Contrary to the assertions of the protagonists of free trade, globalisation and liberalization only represent a new form of exploitation and colonization of the underdeveloped countries by the most developed. From experience it appears that the promoters and beneficiaries of the neo-liberal model of globalisation are the
transactional, big business and big finance capital. The gap between rich and poor, is increasingly growing. Obviously, the worst suffers are the common people the peasants, workers, small traders and so on. The 1990-99 ILO Report pointed out that 25-30 percent of the 3 billion world labour forces are underemployed. And those 140 million workers are fully unemployed. It was apprehended that the ranks of the jobless are likely to swell by 10 million more by the end of 1998. With the entry of MNCs into export-oriented agriculture, a serious threat of dispossession of small and marginal farmers is becoming a reality with grave social consequences. Experiences of some developing countries that had carried out rapid liberalization of agriculture prove beyond doubt the baneful effects of such policy.

**Character of the Third World Bourgeoisie**

In the early years after independence the dual character of the bourgeoisie of the Third World manifested itself through conflicts and collusion with imperialism. The Third World countries, like, India was followed the dual character, of opposition to as well as compromise and collaboration with imperialism. In a World, which was sharply divided between the imperialist and socialist blocs, the possibilities of steering clear from joining the imperialist alliance opened up. They began using the existence of the two blocs- imperialist and socialist –as a useful balance and bargaining counter to strengthen their position by attacking the people on the one hand and on the other to resolve the conflicts and contradictions with imperialism and feudalism-landlordism by pressure, bargain and compromise. In this process, it has forged strong links with foreign monopolists and is sharing power with the feudal-landlords. Although, East African bourgeoisie have not in a bargain position. Because, they are not stronger. East Africa does not yet have the greater involvement in trade. It does not have increased bargaining power because of higher imports from the industrial countries. It is not able to attract investment and associate technology. There are not increasing purchasing power capacity of the masses.

**Trade Policy Strategies In Developing Countries**
The import-substitution strategy was stated clearly in the 1960s in developing countries. In the plan, the government committed itself to protecting infant industries and supporting production that would substitute for imports. This seemed, at the time, a reasonable choice of industrialization strategy. Newly Independent Developing world faced a capital shortage that worsened when European settlers left the country. At the same time, the growing urban wage earning class had grown accustomed to imported consumer goods. Such goods, however, could easily sap scarce foreign exchange reserves. Developing countries were confronted with a choice between generating foreign exchange by exporting manufactured goods, or of saving foreign exchange by reducing its imports. The common sense appeal of import substitution combined with very real capital and technology constraints to adopt an industrialization strategy of manufacturing consumer goods, using imported capital and intermediate inputs, for a highly protected internal market.

For the first two decades of independence, "developing countries used a combination of exchange rate controls, tariffs, and import licensing to protect local manufacturers. The sale tax, although neutral in concept, in practice also supported the import-substitution regime.

Third decades of independence, it can be called the era of structural adjustment and its accompanying market liberalization. Structural adjustment began in developing world with the country's need for a quick disbursing loan in seventies. With the loan came the first requirements for structural changes in the economies. Little were actually done, however, and the government again resorted to world bank borrowing in eighties. The mid-eighties, Development Plan reflects the ambiguity of this period.

With liberalization and privatisation, the Third World big bourgeoisie and comprador bourgeoisie are the strongest advocate of opening up the economy to foreign capital and forging strong links with international finance capital; it is the prime mover behind the demand to privatise the public sector and the economy as a whole.

Some people argue that world has become a village (as a global village) with the end of the cold war and has become the end of the revolution and the end of history with
the end of this millennium that argue that the market is emerging as a major determinent of developmental process of growth in the context of globalisation. There is no role for government action or no role for cooperation among the developing countries. For example, World Bank President Mr. James Wolfensohn called on the participants of the members countries of the WTO in the third ministerial meeting at Seattle, to direct their efforts towards creating “One Family,” where every have a seat at the table who declared that to speak for the poor countries and peoples of the World, as a “family members who are not always the first be hears at this table.” The World Bank President laid down four underlying principles that must guide the discussion at Seattle. First, action must be taken now to help the World’s poor become full partners in the potential gains from World trade, a goal that is not just a moral imperative, but also intensely practical.

Secondly, recognizing the interconnections of national and international policy initiatives, including trade initiatives, trade must be seen as an integral part of a broader strategic effort to build a better future for the World-Children. The third principle is to ensure that the “new development round” moves beyond the narrow negotiation of mutual concessions to “seize the day and work flexibly and creatively towards a world trading system that really makes a difference for developing countries.” Fourthly, a special effort must be made to ensure a genuinely inclusive system because in an increasingly interconnected global economic and Geo.- Political environment, the welfare or lack of it of the poorest can destabilize the prospects of the wealthier.”

United States Trade Representatives Mr. Charlene Barshefsky, who described four broad US goals for the agenda of the next round: reducing trade barriers for agriculture, services and industrial goods, integrating developing countries better into the global trading system, preventing duties on electronic commerce transmissions and creating due process in Bio-technology regulation and raising and environment issues. The WTO was founded after the Marrakech Agreement, which came into effect on January 1, 1995. It is the result of previous multilateral trade negotiations within the General Agreement on Tariffs and Trade (GATT), including the final Uruguay Round from 1986 to 1994. At the Conference in Marrakech, on April 15, 1994, over a 135 countries adopted the decision to begin transition of the
GATT into WTO, and the agreement within the world trade organization, unlike GATT which regulated only trade in merchandise goods, encompasses another 29 special instruments which regulate other economic sectors such as: trade in services, intellectual property rights, trade aspects of investment, agriculture, textiles, technical barriers to trade, rules on origin etc. But, in the four years that followed, the average rate of export growth of developing countries was lower than in the previous four-year periods. The prices of the principal exports of developing countries, which were buoyant between 1993-1995, have since fallen very sharply. This is true of primary commodities, except for food and beverages that are dominantly exported by developed countries. But it is also true of many important manufacturing exports of developing countries. Various parts of the Uruguay Round agreement, especially TRIPS (which relates to intellectual property), have reduced competition, encouraged monopoly and concentration, and worked against the basic rights of people across the world.

Perhaps the greatest disappointment for most developing countries is that there has been no increase in access to developed country markets, as they had been led to expect. For example; the wording of the Agreement on Agriculture and the Agreement on Textiles and Clothing, has effectively allowed for continued subsidization and import protection by developed countries. Meanwhile, the agreements relating intellectual property and trade-related investment measures have severely reduced the ability of developing countries, including India, to move towards autonomous industrialization. The collapse of the Seattle talks, clearly show that the cold war in terms of the economic power groups has not really ended but it has become much more intense. Because, the World is terribly multipolar and the power groups are subtle. They are playing the role of perpetuating the unequal distribution of the benefits of trade or capital movement. Even, about the flow of investment, flow of technology in aggregate, but who benefits from it? What kinds of indications it gives; how are the poor or have not benefiting from this? There is a problem of knowledge, of transfer of know-how and of techno-scientific stocks. The Northern Hemisphere, with its enormous wealth of technological acquisitions, should be able to assist in the rapid industrialization of the Southern Hemisphere, given the easily exportable nature of the results of any research. There should, therefore, be no problem whatsoever in the massive dissemination of knowledge
with the help of a few technical adaptations and a few additional inventions. In reality, Western Europe and North America have amply demonstrated their technical and psychological unwillingness to assume responsibility for the extreme poverty in the Southern Hemisphere, which is maintained for strategic reasons. Indeed, transfer of technology has remained a purely verbal expression.

There are still many anomalies that exist in the balance of global trade which favour the developed nations and create barriers for the developing nations. In many developing nations agriculture is still the mainstay of earning for the poor due to which protection has to be ensured to create food security. These countries are able to compete in Agro-based goods in the international markets because cheap labour leads to lower production costs. But the American obstinacy on inclusion of labour standards and the European Union's reluctance to liberalize agriculture are using to distort agricultural trade. In other words; it is mainly the developed countries like the EU where there is a heavy tariff on all agriculture imports. In many cases these tariffs are as high as 500% to 600%.

SOUTH-SOUTH CO-OPERATION

Many developing countries like East African countries have been faced an extremely difficult situation because in the very near past most of the economics were donor dependent. The donor fund has, however continued to dwindle and the market forces are generally not very enthusiastic of developing countries because of the following reasons:

- Most commercial banks worldwide are reluctant to lend money to developing countries.

- The Soviet Union and the Warsaw Pact Countries have collapsed and hence one source of financial assistance to developing countries is effectively dead.

- The rich western countries are experiencing economic difficulties at home and as such their ability to assist developing countries is now constrained.
• The developed countries, the middle-income countries and the low-income countries are today all competing for the same private investment.

• Investors see very limited opportunities in investing in low-income countries mainly because of poor infrastructure.

Given such a situation, the developing countries are obviously unable to patch up capital in the global capital markets because they are faced with decline of availability of commercial bank loans and foreign aid. Having been confronted with such an alarming situation there is only one outlet left for countries to source investment capital to sustain economic growth and that is private foreign investment. However unfortunately for most countries in the Southern Africa Sahara private foreign investment is still a rare commodity. It is estimated that between 50-60% of FDI in the developing countries is in Latin America while between 30-40% is in Asia and only about 10% is in Africa.

Attaining the ability to compete in the international market for industrial (and other) goods and services is a key challenge facing developing countries in an era of globalisation. In many developing countries a combination of weak financial systems, high levels of foreign indebtedness and perceptions of risk among international investors means that inflow on the capital account can scarcely be relied on to maintain equilibrium on the balance of payments. On the contrary, such institutional and economic characteristics encourage capital account outflows. A reduced capacity to import remains for many developing countries the critical bottleneck on economic progress. Growth in such economies requires increased imports of a range of raw materials, intermediate inputs and final products. The economic welfare of these countries, then, is closely linked to trade and the ability to earn and save hard currency. The burden on industry of earning or saving foreign exchange varies greatly between low-and middle-income countries.

At present, it is not only highly necessary but also actually possible to strengthen South-South economic co-operation substantially. First, the developing countries had the same lot in the past and have common aspirations today. There is no conflict of fundamental interests among them. Second, in the course of industrialization, some developing countries have made certain progress and attained a considerable
level of skill, technology and technical know-how. Although in many aspects these techniques have not yet reached the world's most advanced level, they are in most cases best suited to the present conditions of productions, infrastructure and technical personnel in the developing countries and are most economical. There is abundance evidence that technical cooperation among developing countries may yield good economic results.

Besides, the developing countries have wide market, abundant natural resources, and favourable conditions for economic co-operation. Admittedly, there are many difficulties and obstacles in the way of South-South cooperation. Internally, some Third World countries still maintain a single-product economic structure and remain dependent on the developed countries in respect of financing, trade and technology. Some other countries are opposed to or even wage war against each other because of political differences or historical disputes. All this is detrimental to the furtherance of South-South cooperation. Externally, the developed countries have not given up their attempt to continue their control over the economic lifelines of Third World countries. Taking advantage of the contradictions among Third World countries, these developed countries either try to obstruct the cooperation among the Third World countries or to guide such cooperation on to a track beneficial to themselves, thus raising serious obstacles in the way of South-South cooperation.

At present, there are more than 25 organizations with participation of 135 developing countries. These countries take measures to coordinate their positions in respect of the production, export and prices of raw materials and, through united struggles, have to a certain extent, weakened the economic monopoly and control of imperialism and the super powers. On the contrary, practical experience over the years has proved that the developing countries must be backed by adequate economic strength in dealing with the developed countries. Only by increasing their economic strength, coordinating their positions, and closing their ranks, can they obtain concessions from the developed countries and enable the North-South negotiations to move ahead.

Technology cooperation also constitutes an important aspect of cooperation in developing countries. Over the years, the developing countries have carried out transfer of technology, sale of patent, provision of technical advice and training,
exchange of scientific and technological information and other activities and have achieved some results. Cooperation in the transfer of some peculiar technical know-how is even more fruitful, such as popularisation of improved strains, rice-growing, the utilization of biogas and solar energy, the cultivation of freshwater fish, the elimination of tsetse flies, and so on and so forth. Such cooperation has been carried out bilaterally as well as regionally and sub-regionally and is expanding to cover more areas.

The developing countries have also carried out technical cooperation on the basis of mutual benefit by setting up joint ventures and providing technical and labor services. India had established 160 joint ventures in other developing countries. The Gulf oil-producing countries and ASEAN countries are also making efforts to develop their industries by way of joint ventures and joint management. Some developing countries have dispatched engineers and technicians to other developing countries for technical cooperation and to impart their techniques to the local people. Some countries have sent teachers, doctors, and expert consultants to other countries to provide technical services, or have received students and trainees from other countries. Other developing countries, such as oil-producing countries in the Middle-East which have funds but no technology and are short of technicians and skilled workers from North Africa and South-East Asia in recent years. In these areas, engineering corporations from other developing countries are also doing business.

Some institutions concerned have put forward proposals for further developing and strengthening technical cooperation among developing countries, which are now under consideration. These proposals include capabilities of developing countries and the engagement of experts from these countries; intensifying cooperation, and exchange of experience between technological research institutions of various developing countries; doing a better job of collecting analyzing and disseminating technical information; establishing and strengthening state institutions in charge of scientific and technical cooperation among developing countries, and so on. Once adopted and put into practice, these proposals will certainly promote technical cooperation and economic development among the developing countries.
The Proposed General Preferential System of global trade among developing countries, and the cooperation of state trading organizations and multi-national marketing enterprises have an extremely important bearing on strengthening trade among the developing countries and the restructuring of the existing global trade pattern. The G-77 has had an in-depth deliberation on the objective, framework and methods of the Generalized Preferential System.

These countries take measures to coordinate their positions in respect of the production, export and prices of raw materials and, through united struggles, have to a certain extent, weakened the economic monopoly and control of imperialism and the super powers. But over the years, the developing countries have carried out bilateral and multilateral cooperation in the field of financing. Such cooperation has promoted the economic growth and trade of the countries concerned and to some extent helped some countries solve their problems in the balance of payments. The multilateral cooperation of financing among the developing countries is carried out mainly within the regions and sub-regions.

The annual rate of growth in south-south trade 15% since the mid-1970s is far and away the clearest indicator of all the rates of growth in international trade. In 1984 around 28.4% of all developing countries manufactured exports went to other developing countries. This figure had risen to 42.6% by 1994. The increase in the relative importance of south-south trade in manufactures is driven largely by exports originating in Asia. Asia’s exports of manufactures to developing countries rose from 29% to 45.5% of all its manufactured exports between 1984 and 1994. Africa’s intra-regional exports of manufactures fell from 13.7% of all its manufactured exports in 1984 to 9.7% in 1994. The relative importance of intra-regional trade in manufactures increased slightly in Latin America from 19.7% in 1984 to 22.1 % in 1994. Asia’s intra-regional exports of manufactures reached 42.2% of all its manufactures exports in 1994.¹

¹ United Nations Statistics Office, UN Monthly Bulletin of Statistics, Various Issues. This not insubstantial change in the structure of world trade, reflecting the evolution of the new international division of labor, is, however, a factor for only a restricted number of countries, as 80% is accounted for by five countries of East and South East Asia a gang of four- Korea, Taiwan, Hong-Kong and Singapore and then to a lesser degree, Malaysia and four large Third world countries India and Brazil and to a lesser extent Mexico and Argentina.
There are further south-south exchanges that are expanding and entirely due to the multinationals strategies of relocation. In addition to an import substitution role, the small industries controlled by foreign capital in such countries as Cote d'Ivoire, Nigeria, Kenya, and so on, in Africa, Colombia and Costa Rica in Latin America, the Philippines and Pakistan in Asia, now export their surplus output to neighbouring territories. The explosion of the processing industry based on cheap manpower in the free zones (of which Tunisia is a good example in the Arab region) is also part of this controlled relocation. The boundary between this second kind of south-south exchange and that originating in the nine powers mentioned above is difficult to trace. A high proportion of the export of manufactured goods from the nine countries is, in fact, by subsidiaries of multinationals of the North. This is mainly the case for motorcars, electronics, and pharmaceuticals, 60% to 90% controlled by foreign multinationals in Latin America (including Brazil) and to a lesser extent in Asia (especially in regard to Korea and India).

If this factor of the emergence of the nine in world trade deserves special attention, it is perhaps precisely because it reveals new trends in the international division of labour. More than 40% of the manufactured goods of the nine are producer goods, vectors of technology transfer. Most of these exports come from three countries-India, Korea and Brazil which are also in the forefront of Third World exporters of engineering, sometimes more appropriate to Third World markets than the goods of their competitors in the North, just as these three countries are in the forefront of the emergence of Third World trans-nationals. This phenomenon cannot be reduced to the simple effect of relocation controlled by the North's monopoly capital. There is some conflict albeit at the mercantile stage between capitals from North and South. It is a conflict that fuels the thesis of qualitative diversification within the Third World.

By contrast, south-south capital flows have not so far opened up any really new prospects. Direct investment by the oil-producer countries in other countries of the Arab-African region. The investments represent a substantial portfolio. But they are almost entirely the sole concern of the OPEC countries and are entirely placed on the financial markets of the North. The only south-south financial flow of any consequences is represented by aid from the oil-producer countries principally. FDI
from developing countries is growing, but is still small on a global scale. By the end of 1993 the total outward stock of FDI from developing countries reached US$ 21.8 billion. US$ 18.5 billion of these outflows were from East, South and South-East Asia, with US$ 2.1 billion from Latin America and the Caribbean.²

On average, particular advantages of south-south FDI have been found to include: the use of more appropriate technology; a greater inclination towards the establishment of joint-ventures and a greater reliance on domestic suppliers. South based FDI may thus be particularly beneficial to the host economy. The promotion of south-based FDI thus represents a significant opportunity for south-south cooperation. Small markets, low per capita incomes, similar factor endowments and broadly similar production structures can inhibit trade expansion based on intra-industry specialization and product diversification.

A sound industrial strategy, and related policies, can establish the foundation for industry to prosper and for the process of industrialization to be sustainable- in both economic and social terms. As described below, industrial policies are essential in creating an enabling environment for industrial policies are essential in creating an enabling environment for industrial enterprises by providing a long-term vision of development priorities, establishing a conducive institutional framework and allowing markets to guide the efficient allocation of resources.

**Character of the East African States**

After independence, Tanzania had adopted a non-capitalist economic development path as a “community-based” production, consumption, and distribution system, i.e. (Ujammaization, Villagesiation Programme laid by Dr. Nyerere, President of the Republic of Tanzania) and they have used traditional and intermediate appropriate technologies in production, management and distribution as a “labour-intensive” small and medium-scale industries till 1988. Tanzania’s economic and trade relationships was continued to develop with post Soviet Union, Eastern Europe, China, India and other socialist bloc.

Kenya has been adopted as a capitalist development path. Kenya's economic and trade relationships has continued to develop with western Europe.

In Uganda, there was a dictatorial regime in early seventies (Idi Amin period). There was a hostile situation for Indians and mostly Asians in this period. But after 1980s, situation has changed and Uganda's relations has become to develop with India. However, Uganda's relations has continued to develop with Arab countries and Former Soviet Unions.

East Africa depends on the European markets for most of its exports, perhaps because of the trade preferences under the Lome Convention. East Africa's exports is mainly food and raw materials. East Africa's fundamental problem is poverty. Much of East Africa is too dry for farming and too full of 'tsetse-fly for cattle. The region is thinly peopled, and is not well supplied with minerals, Yet, East Africa's contact with the modern world has taught her people to desire the comforts that are brought about by modern industrialization. Roads, railways, schools and universities, hospitals and factories are expensive. They can be provided only out of the profits made by trade and industry. For many centuries, Britain was a poor country, living first by exporting wool and later by exporting woollen cloth. It was not till the nineteenth century that she developed a large industry in iron, steel, textiles and machinery: She was able to do this because she discovered large deposits of coal (which provided power) and of iron close together.

**East African Scientific Attention**

In East Africa, scientific attention was given to increasing yields of agricultural commodities for export to metropolitan markets. Many important scientific advancements were made in the cultivation of coffee, tea and cotton, for instance. In countries like Kenya with large European settlements, African were encouraged to produce crops which did not enter the European dominated sectors of the economy. Throughout East Africa a dual agricultural economy emerged; a plantation economy, economy organized for the benefit of Europeans serviced by a network of scientific institutions and services which alongside a subsistence economy for Africans, who scientific needs were largely ignored. In medicine, for example, scientific attention was more likely to be given to the remedication of diseases which made life in
Africa unpleasant to Europeans. Since independence, emphasis has shifted to science serving basic human needs; i.e. nutrition, shelter and health care. The objects of scientific development are being defined differently. Still, the process of scientific development remains the same. The applied sciences continue to be the preoccupation of most African countries. In the colonial division of labour in sciences, the training of scientists and the conduct of fundamental research were the responsibility the university level was virtually neglected.

While science plans and agencies for national science planning are unfamiliar, the adoption of strategies for scientific development is not. In Europe and North America, the tradition of amateur science characteristic of the early period of industrialization had disappeared by the late nineteenth century when an infrastructure for scientific training and research appeared with the university and university based scientific activities at its core. African scientific systems developed differently. Until shortly before their independence, most African countries did not possess facilities to train their own scientists. Some African countries still do not possess facilities. And almost all are reliant in varying degrees on expatriate scientific expertise. Despite the late establishment of institutions for scientific training, these have become a primary axis of African scientific developments.

**India’s Trade With East Africa**

India’s trade status is top five largest exporters for Kenya, top ten for Tanzania, and top four for Uganda. India’s trade with EAC has continued fluctuations till 1990. But in 1991, India’s exports did greatly improved, it was first time exports crossed US$ 100 million. Since then it has been growing reached US$ 339 million in 1995 and US$ 396 million in 1996. However, in the following years, it came down to US$ 195 million and US$ 216 million in the years 1997 and 1998 respectively.

There exists immense potential for exports of engineering goods from India to the countries in the East African region like Agricultural implements and machinery for construction of roads and bridges, irrigation equipment and water pumps, diesel sets, mining machinery, etc. Other potential items of exports from India to East Africa include textiles and garments, drugs and pharmaceuticals, electronic goods, household appliance, bicycles and parts, automobiles and auto components, gems
and jewellery, foodstuffs, leather and leather goods, rice, tobacco, machine tools, 
processed fruits and vegetables and their products, computer hardware and software, 
scientific instruments, etc.

India could carve out a niche for itself by exporting the wide variety of intermediate 
technology specifically for which the country has earned considerable experience 
and reputation in promotion of small industries to sustain the economic development 
process. Similarly, India can offer consultancy services on a much wider scale to 
East African countries in many areas. On the other hand, potential items of imports 
from the region to India include wood pulp and wood products, crude minerals and 
mineral products, plastic materials and artificial resins, chemicals, asbestos, 
newsprint, rough diamonds and other precious stones, various types of agro-products 
etc.

In countries like India, the dependence on extra-regional markets is particularly 
pronounced for manufactured goods, while trade with the region is heavily skewed 
towards primary commodities. It is observed that unlike several other regional and 
sub-regional blocs, there is a lack of symmetry between trade specialization and 
production specialization in the region. In view of the wide diversity in the resource 
base, degree of openness, trade intensity, size and maturity of markets, institutional 
arrangements and level of development in the region, several significant 
complementarities and synergies in the production structures of the region.

**India’s Technology Collaboration With East Africa**

Indian technology is more appropriate because it is developed in a surplus labour 
environment. The skills imparted to East African people have been useful in 
increasing productivity. There are need for continued cooperation in the area of 
technology and skills transfer and training programmes. Furthermore, need to 
diversity areas of cooperation to include financial and economic management.

Many cases where Indian technologies for SMI have passed the appropriateness test 
in East Africa have been reported. One such example is a fountain Pen Ink 
production technology. In the ink project, India faced competition from the world 
famous Parker, that already, had a market presence in Kenya. The tender for the
project was however, awarded to India because the Indian technology was preferred on account of its low cost, low scale and lower levels of sophistication.

Another factors that makes Indian technology transfer to be relevant to SMIs in East Africa is the transfer package offered. India’s technologies transfer include a whole set of services that usually are not offered as a package to LDCs by other technology suppliers. The services in the package include pre-investment choice, project execution and operation activities. In pre-investment choice India offers preparations of project reports and techno-economic surveys, technological choice etc. Project execution includes the supply of machinery, installation and up to commissioning and test-run for those who need the services.

Normally, a comprehensive training program backs all these for the local personnel. The training is offered either on the site or in India. The way the Indian technologies are packed before transfer has therefore made them appropriate and very relevant to the East Africa.

**Cost of Technology**

Technologies from Developed countries are known to be relatively more expensive than those from LDCs. Though sometimes their cover price might not be comparatively high as such, the actual cost usually is so, because they involve a lot of hidden costs. For example, while most of the technologies transferred from LDCs, and particularly from India include all elements of the transfer process like training, those from Western TNC do not. Usually there are even a lot of tied conditions to DCs technologies transfer that add to the cost.

East Africa’s technology acquired through joint venture from India unlike that from Western multinationals is more comprehensive and with less tied conditions. For example Indian investors have accepted minority participation share in their joint ventures in East Africa. While Western multinationals have been accused of giving rise to neo-colonialism and exploitation through such technology transfer and joint ventures in East Africa, on the contrary Indian investors have tended to enhance East Africa’s technology capability development. Indian collaborators usually provided facility to the locals so as to enable them to take over the responsibility of management and operation of the enterprise.
Machinery import from India has played a major role in the development of SMIs in East Africa. Due to the scale of the production capacities and the possibilities of using locally available raw material in the country, these technologies have been put into wide use without requirement my type of modifications.

The appropriateness and applicability of the Indian embodied technology transferred to East Africa emanates from two reasons:

First, because these technologies have been developed and/or adopted specifically for SMIs by research and development (R&D) and engineering firms in India.

Second, because of the prevailing socio-economic situation in India for which the technologies were developed is almost similar to those prevailing in East Africa.

Both region being LDCs they have more semi-skilled and unskilled labour resources than skilled or capital resources. Hence one finds that the technology is relevant to the existing environment because it is less capital intensive and simple to operate and manage. Technologies transferred through either joint ventures or imported of machinery to East Africa have been found to be of this required scale of operation, having lower overhead costs, appropriate for the market segment intended for.

For the technology transfer partnership to prosper further, there is a need for the both region to look into the following:

- establishment of an Indo-East Africa Technology Exchange Information Network.
- regularly review the existing economic, trade and technical agreements with a view to making them more responsive to the changing world economic order.
- institute more regular exchange programme between the two countries SMI entrepreneurs.
- reservation of more seats in Indian Universities for East Africans wishing to study engineering, business management and other related technical subjects that have immediate application in SMIs.
Strategies to Promote Technology Flows between India & East Africa

Indian technology, as experience shows, is considered suitable to East African conditions. Following are few suggestions to promote technology flows:

- to disseminate information on technological needs in East Africa and their availability in India a joint chamber of commerce and Industries should be set-up. India has such an arrangement (joint business council) with Kenya, Tanzania & Uganda. There is a need to set up such an organisation with wider representation. Such a chamber would have all East African industry organisations and firms and their counterparts in India and other developing countries as members.

- to overcome the financial constraints (which is a major problem in developing countries) India may play a role of a clearing union so that convertible foreign exchange is not required for their mutual trade and technology transactions.

- to adopt a consortia approach which may help India in undertaking jobs, which individually it might not be capable of taking up. The proposed joint chamber would facilitate the contacts between firms and disseminating information on their capabilities.

Since in most of the East African, the industrial infrastructure and research and development base is quite weak, perhaps it is quite early to expect the absorption and adaptation level of time. Therefore, it is advisable for government of India to adopt a strategy for setting up long-term projects in East Africa (with special consideration) to promote development programmes on a continuous basis.

Performance of Indian Joint-ventures in East Africa

The intermediate technology developed in India has found wide acceptability in East Africa in the forms of joint-ventures. The vast and unexploited natural resources of East Africa and the vast Indian market could be linked together for mutual benefit. Processing of copper and other non-ferrous metals could be done in joint ventures between India and East Africa. Copper and brass sheets could be established in East Africa. Alumina could be converted into aluminum ingots with the help of inexpensive electric power available in East Africa. Large resources of
natural forests yield lot of timber, which could be converted into higher value products like black boards, furniture elements, ply and composites. Joint ventures could also be established for paper, newsprint and paper products. Trona salts of East African countries could be easily processed and refined into soda ash with the help of cheap power and India would provide a good market for the product. Other areas for Joint-ventures could be Ferro alloys, agricultural machinery including tractors and implements, bicycles, motor cycles and scooters, cement including mini-cement plants, sugar plants, phosphatic fertilizers, light engineering consumer durables, selected electronic products amenable for low value assembly and engineering workshops.

India is one of the major investors in East Africa. Indian entrepreneurs began to look for opportunities abroad not only to export capital equipment but also for financial and technological participation. Indian companies have established impressive investments in East Africa and contribution to more than 40% of the region GDP. Indian investors to invest in the privatized parastatals including utilities. Major Indian business houses, like Birla, Raymond, Kirloskar, Mohan Meakin, Bolton India, Road Master, Mehta Group have entered into joint ventures with East Africa.

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At present 80 percent entrepreneurs in joint -ventures are from private sectors, which are basically motivated only by profit consideration. Government should introduce some incentives for entrepreneurs to ventures into those areas, which are of mutual interest and benefit.

Similarly, in the conditions and problems of development in Indian and East African countries the presence of vast technical and managerial resources in India, untapped
potential of East Africa’s vast basic raw materials and intermediate products, the presence of a large number of Indian settlers in some of these countries who might be regarded as potential local partners in the Indian joint ventures are some of the factors favourable to joint-ventures. But there are several constraints in the way, namely,

- Low level of infrastructure development in East Africa.
- Economic nationalism.
- Lack of funds in the countries like Kenya, Tanzania, and Uganda.
- Language problems
- General lack of awareness in these countries about Indian capabilities.

In the beginning period, an important project that was started in Kenya with Indian assistance was by M/s. H.L. Malhotra and it was the light engineering complex for the manufacture of safety razor blades, safety razors, wood and metal cutting saws and agricultural implements. This was for the first time that an engineering firm set-up a factory as a joint ventures.

**Indian insurance companies** have been operating in Kenya for nearly fifty years. They have set a good example of the service sector of one developing country in another. In 1979, these Indian insurance companies merged together to form a joint venture with Kenyan partners. Thus, the Ken India Assurance Co. Ltd. was born, with 55% Indian holdings and 45% holding of Kenyan partners. This company has made a significant contribution to the development of the insurance sector in Kenya. (Source: R.S. Bedi, Executive Director, Ken India Assurance Company Limited, P.O. Box 44372, Nairobi, Kenya).

The Ken India Assurance Company is the largest insurance company in East Africa. It has 45% equity from the GIC and 10% from LIC with the remainder with local Kenyan businessmen. The **Pan African Paper Mills** is the largest paper mill in East Africa and is located at Webuye in Western Kenya. The **G.P. Birla Group** has a 29% stake and conducts the management of the company. The IFC holds 25% of the stake and the Government of Kenya has 34% . The Vijay pat Singhania
Group holds 70% in the Raymond Woolen Mills (Kenya) Limited, with holdings by Kenyan Government and Kenyan entrepreneurs. This is located at Eldoret in the Rift Valley Province. The Bank of Baroda (Kenya) Limited has 86.7% holding of Bob with the remainder with local partners. The Bank of India and the Bank of India finance company are being Kenyanised on a 100% BOI equity base. UB Pharma is also a 100% Indian investment by the Vijay Mallya Group. The UB Group also runs the Crown Berger Paints in Kenya through the holding company. Smaller Indian investments in a variety of sectors also exist.

In 1968, Birla Brothers wrote a new chapter in Indo-Kenyan collaborations by submitting a feasibility study for setting up Rs.20 crores paper mill. This study, which led to setting up an integrated pulp and paper mill, was approved by IFC and the Kenya Government and was one of the single biggest projects in Kenya then. Pan African paper mill Ltd., (East Africa) with G.P.Birla as the chairman was to implement the project. The Government of Kenya, IFC, East African Development Bank and Development Finance Company of Kenya, all joined hands with Birla Brothers to make the project a grand success. It is worth noting that the employment potential of this project was worked out at 1700 persons.

Another Indian collaboration in Kenya was a giant sh.122 million synthetic yarn plant at Thika called Africa Synthetics. It will employ about one thousand people and the estimated saving in foreign exchange is expected to be around sterling 1.5 mn. Per annum. The project is initiated by J.K. Synthetics Ltd., of India and is said to be the first of its kind in Africa South of the Sahara. On completion, the plant will have facilities for manufacturing 2000 tonnes of nylon yarn from the basic raw materials every year.

Following the ‘Made In India’ show in 1996 in Nairobi, some Indian companies have sent senior representatives to study the market in Kenya and its hinterland, with a view to investing in Kenya. According to the Investment Promotion Center of Kenya, which is handling some of the investments into Kenya, between 1988 and 1998, India had 32 investments in a variety of fields and these have seen an investment of 1.5 billion shillings (about Rs.1 billion) and have created over 4500 jobs. 7 of these are 100% Indian owned while 25 are joint ventures. The Center has also said that in India-Kenya joint ventures handled by them, the ratio of Indian

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ventures to the total is 20% and in these Kenyan entrepreneurs have 56% holdings. The main areas of investment have been 11 in the manufacturing sector and 12 in the textiles sector. Indian investment in these industrial ventures is small and allows it to cover the supply of machinery, equipment and technical know-how. The joint-ventures in Kenya have Indian investment in terms of Indian equity of the value of Rs. 540.89 lakhs. Yet in terms of India's total equity investment abroad in joint ventures of Rs. 3367.29 lakhs, Kenya ranks third after Malaysia and Indonesia.

Establishment of joint venture projects between India and East Africa should be viewed as a recognized and accepted common method for the promotion of economic cooperation among the developing countries at different stages of development. In this respect they have certain distinguishing features. Firstly, these are looked upon as instrument for utilizing know-how, skills, natural resources, and technology, funds that are available within the developing countries.

Indian entrepreneurs have all along accepted minority participation while the local collaborators continue to have the majority participation. This is particularly noteworthy in the context of the operations of a variety of multinationals in East Africa, which are alleged to give rise to neo-colonialism and exploitation. As opposed to that Indian entrepreneurs have played the role of a partner in the industrial development of East Africa. In fact, a number of times, Indian collaborators have undertaken to provide training facilities for the East African personnel, so as to enable them to assume the ultimate responsibility regarding the management and running of the enterprise in due course of time.

In the case of East Africa, the transfer of technology flow is only in one way and they are inherently placed as the unequal partners in the transfer process due to a variety of factors such as a small market size, low technical capabilities, weaker economic position etc. This is sought to be corrected in the joint ventures entered into by India.

These industrial ventures, which have already gone in production, have reaped certain positive benefits. The most important gain is the creation of the image of industrial India in Kenya and many other developing countries of the world. A successful venture such as the Orient Paper Mill in Kenya stands as a monument of
Indian technological advance and the cooperation and goodwill towards other countries. The additional lasting benefit is the creation of environment conducive to greater export effort. It has been observed that these industrial ventures have been instrumental in effecting increasing exports of capital goods. In the initial stages, machinery exports take place as a part of Indian equity participation abroad.

As the industrial venture goes into production, additional exports are generated due to the need for components, spare parts and raw materials. In fact, in the case of most of the successful Indian projects, the value of exported components and materials on a continuous basis has increased multifold as compared to the initial equity holdings.

The project for the manufacture of textiles in Kenya for instance, not only resulted in a net inflow of foreign exchange worth Rs.0.73 million as dividends, technical fees and royalty but it also generated additional exports of over Rs.8.77 mn. The woolen textile mill in Kenya is also notable for its success since the unit earned 75% of its equity investment of Rs. 1.89 mn. as dividends and royalty etc. within the first five years of its approval by the Government of India. In general the successful joint ventures have earned a reasonable rate of return of approximately 9% of the capital invested.

Along with these joint industrial ventures, Indian industrialists have also undertaken a couple of turnkey projects in Kenya. K.T. Dongre’s Gripe water project, which was the first turnkey project by India in Kenya, was handed over to Kenyan industrialists. In 1975, Vijay Tanks and Vessels Private Ltd., of India has won the tender and will execute it by supplying and erecting 21 steel storage tanks at the planned Nairobi terminal and four at the Embakasi Airport.

The Role of The Indian Community in Kenya

The contribution of Indian origin in Kenya have made in the development of commercial trade as well as manufacturing sector is tremendous. The manufacturing sector currently accounts for about 14% of Kenya’s GDP. However, this share has great potential to increase.
The presence of a sizeable number of people of Indian origin in Kenya, numbering about 100,000, adds an important dimension to India-Kenya relationship. A majority of them are Kenyan nationals, whereas about 30,000 are British nationals. A sizeable number of professionals who are expatriates from India, render highly useful services in various sectors of the economy.

Indian community’s business instincts coupled with its recognition of market possibilities of serving African Community with daily household necessities of food, clothing, farming implements, etc. led them to handle retailing business. It took them to the interior of the country.

Further Growth of the economy enabled them to diversity and enter the import-export trade as well as the manufacturing sector. They used their entrepreneurial skills, training and financial resources to build a strong economic base for the country. Artisans among them started their own businesses of making furniture, repairing automobiles, electrical wiring, printing, leather crafts etc. and imported training and skills to their Kenyan friends and engaged them in income generating occupations. This contributed to the growth of a prominent class of skilled African artisans and technicians.

Potential for Indo-Tanzanian joint-collaboration is in the area of food processing and agro-based industry, floriculture, textiles, garments, leather products, wood, paper, chemicals, engineering, pharmaceuticals, on-metallic mineral products, machinery and equipment, mining, tourism, infrastructure, petroleum, construction. The majority of these joint ventures have been of import substituting nature, a few have certainly been of trade-generating nature, especially those set-up in export processing zone. Even ventures of import substituting nature have to some extent generated exports and other form of foreign exchange for the investing country. The existing trends in the pattern of trade and joint-ventures, clearly indicates that considerable scope still exists for expanding the existing and setting up new trade generating joint-ventures between India and East Africa.

A number of apex business and industrial organizations in India, like the CII, FICCI, ASSOCHAM, NSIC, the Indian Merchants Chamber of Bombay have all shown keen interest in promoting investment and joint enterprises in Uganda. A large
number of investment activity in Uganda has and continues to be promoted by Indians of British, Canadian as well as Ugandan Nationality. Project to the tune of US$72 million, promoted by these industrialists have been licensed between July 1991 and December 1995. The first trade agreement between India and Uganda was signed on 18th Nov. 1965. India then was the largest single buyer of Ugandan cotton, while Uganda imported cotton textiles, rayon skills fabrics, Jute goods and others manufactures, pharmaceuticals and chemicals and light engineering items, iron, and steel and miscellaneous consumer goods. The overall trade between the two countries at this time was approximately 80s million Rupees. The 1965 agreement continued in force until a fresh agreement was signed in 1981. Trade between the two countries was brought within the purview of the joint trade committee setup in 1991. The joint committee held its first meeting in Kampala in Sep. 1993 and second meeting in New-Delhi in Jan. 1996. As a result of the overall meetings, bilateral trade has been expanding. According to the trade figures released by the Ugandan authorities, India ranks fifth largest among the exporting countries to Uganda, after Kenya, U.K., Japan and the U.A.E. There is considerable potential for further expansion in bilateral trade both ways and the establishment of the joint business council in 1994 has been a major step in this direction.

In 1996, the Confederation of Indian Industry (CII), held a made in India Trade Fair in Nairobi, while the Federation of Indian Chambers of Commerce and Industry organized joint business meetings throughout the region. India and the East African Countries belong to the Commonwealth through a process, over which they had no influence. Therefore, the people and the governments of East Africa very much value their association with the people and government of India in this great family, which cuts across racial, religious and cultural barriers.

Inventory of Major Recommendations

Economic

- East Africa’s large trade deficit with India may be examined and ways be considered (such as joint trade committees, trade fairs and exhibitions) to address the problem.
- Indian entrepreneurs may invest in Kenya with a view to exploring the emerging East African cooperation market, and beyond to the Great Lakes region. Area of processing raw products for export deserves attention.

- East Africa should try benefiting from India’s experience of achieving high and sustainable growth rates.

- Transfer of appropriate technology from India to East Africa be enhanced.

- Areas of cooperation may be diversified to include financial and economic management.

- Joint-ventures may be promoted in areas like pharmaceuticals, electronic goods, vehicles including two-wheelers, educational and manpower training institutions, small-scale manufacturing projects, computers, food processing, chemicals, cement, plastics, leather, etc.

- Placement of East African engineers and managers in Indian enterprises for a period of six months to a year, for skills development with assistance from the Government of India, be considered.

- More organized and comprehensive technical training for East Africans from the informal sector is needed.

- An Arbitration Tribunal may be made operational to handle commercial complaints.

- Indian manufactures should only top quality goods and improve their after-sales service.

- Indian exporters should improve packaging of their goods, supply proper instruction manuals, export only inspected goods.

- East Africans may enhance export of upstream raw and semi-finished products to India. Both countries may also promote each other’s EPZs and explore possibilities of third country exports.
Technical cooperation:

- In accordance with the need for south-south cooperation, there should be larger technical linkages in all possible fields of complimentarity.

- Partnerships be promoted in the field of Information Technology.

- ITEC programme has been very fruitful, needs to be expanded for East Africa.

- East Africa needs to learn from India, especially road and construction skills and green/white revolution techniques.

- Cooperation for alternative medicine, education of personnel, teachers training.

- Software training institutes may be set-up in East Africa, on the pattern of NIIT of India.

Education

- India should allow more East African students to pursue more professional studies in areas like, medicine, engineering, etc.

- Indian universities may be invited to set-up colleges in East Africa.

- Linkages between East African and Indian universities may be established.

- Joint research projects at university levels.

- Collaboration in publishing industry.

- East African alumni of Indian institutions may be activated to strengthen relations.

- Promote linkages between East African Institute of Management and Indian Institute of Management.

Indian Community

- Indian community in East Africa has played and should continue to play an important role in strengthening India-East Africa relations.
- Indian community in East Africa should view it as their permanent home and consolidate their investments in an effort to boost exports.

- All social and religious Indian organizations in East Africa should avoid being self-exiled or self-centred and come out with activities beneficial to the people in general along with their own members.

- There should be more interaction-business wise and socially-between East Africans and East Africans of Indian origin. Latter should also play a more active role in the political field.

**Culture & Information**

- Collaboration in film industry may be encouraged.

- Indian film producers may use East Africa as the base for film shootings.

- Review and enhance ‘information flow’ between India and East Africa. Better media level cooperation.

- India-East Africa friendship Association may be strengthened.

Some of the questions that need to be addressed today in the context of India-East Africa relations are:-

- Is it not time for the two region to step up their exchanges and interaction at the political level despite their domestic and other preoccupations?

- With the economic liberalization underway in both the region for the last few years, is it not time to review the performance of trade, and economic exchanges between them, identify new avenues for their expansion and diversification with a view to raising the volume to a much higher level?

- Is it not desirable to examine the scope and transfer of new technologies between India and East Africa having relevance to their needs?

- Is it not desirable to move the cooperation in the fields of education and culture to the next stage i.e. setting up of institutions of higher learning in East Africa
with Indian know-how and investments and exchange of information and experts in the fields of technical education and culture?

- In a new world order dominated by a selected few who seek to impose their economic and political agendas on the Third World developing countries, is it not desirable to develop and acquire self-sufficiency in various fields of human activity through cooperation between the two like-minded region?

- Complexities of international relations today require much more active interaction between friendly countries to coordinate their responses to evolving world political, commercial, socio-economic issues, based on complimentarity of interests. Is not there a need for an institutionalized and structured mechanism to enable the two countries to have a more regular inter-action on issues of mutual concern to each other?