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The last decade of the 20th century has been marked by the implosion of socialism, the crisis of the welfare state and the Euro-model of social development, with a simultaneous expansion of neo-liberalism as the Anglo-Saxon model of progress and an increasingly aggressive onset of the forces of the new world order on the globe’s economic & political scene. In the contemporary world society, as the expression of scientific and technological development and international division of labour internationalisation of numerous activities and sectors of the society-technology, economy, communication, culture, ecology has been carried out.

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. For example; the North has a quarter of the world’s population and four-fifths of the income; the South has three-quarters of the population but living only on with underdevelopment, technical backwardness and poverty. An analysis of long-term trends in world income distribution (between countries) shows that the distance between the richest and the poorest country was about 3 to 1 in 1820, 11 to 1 in 1913, 35 to 1 in 1950, 44 to 1 in 1973 and 72 to 1 in 1992. In 1997, it was 74 to 1. In OECD countries inequality has increased by 10% to 29% on average in 1980’s and 90’s. Inequality has increased in Eastern Europe and CIS, on average 10%. Inequality in Latin America and Asia on average either stagnated or slightly worsened in last two decades. The assets of the 3 richest people are more than the combined GNP of all 48 least-developed countries. The assets of the 200 richest people are more than the combined income of 41% of the world people.¹ This part of the world, also called the “Third world”, as ‘South’ is the victim and is powerless in the international economy.

This research aims to examine literature on south-south trade & technological co-operation, particularly on India and East Africa in the context of development.

The classical view suggests that international trade will be beneficial to every society. However, sceptics argue that the gains from trade are unlikely to be significant because developing countries have a heavy dependence on a limited range of very specialised primary products. These products are highly vulnerable to changes in international demand and hence subject to violent price fluctuations. On the other hand, the thought of Marxist school is that international trade itself is the cause of the underdevelopment among developing countries. This is because the prices received for primary products relative to the prices paid for imports have declined steadily. The terms of trade seem always to be working against developing countries.

The theory of comparative advantage suggests that trading partners will benefit from the exchange of goods and from specialisation. Furthermore, productivity theory adds that gains from trade will accrue because of wider markets and increasing specialisation and because trade has the effect of encouraging technical innovation and raising the levels of skill among workers. Trade also creates new industries and higher productivity. The theory argued that in a laissez-faire environment all participants would benefit from specialisation and exchange. This hypothesis is also grounded on the fact that the costs of transport do not wipe out the production benefits of specialisation. However, another issue that needs to be addressed is that while there may be increased production, how will the increased wealth be distributed, and this is a political issue. Also, while free trade is efficient from a production point of view, the theory neglects to consider whether such trading is fair and equitable.

In the mercantilist environment of the eighteenth and nineteenth centuries the prevailing free trade notion was that what was good for Britain was good for the world. Free trade established an inequality between nations and competition was agreeable only after Britain had established its pre-eminence as the most advanced
industrial nation. The artificial division of labour was broken when other countries adopted protectionist policies to counter the effects of Britain's pre-eminence.

The second half of the nineteenth century produced conditions in which free trade was the norm. This suited the economies of north-western Europe and was a period during which major areas of export specialisation were developed. The rich nations were able to specialise in heavy industry and capital-intensive goods while the poor and developing countries concentrated on primary products. However, by the first half of the twentieth century protectionism was the norm in the developed world. This prevented specialised exporters from using their export income to diversify into the various types of processing and manufacturing industries since these were protected by the developed world. However, after the Second World War, developed countries began once again to discuss the need for trade liberalisation, and as the beginning of the twenty-first century draws nearer the rhetoric is towards free trade within trade blocs and regional groupings.

**Origin and Evolution of South-South Co-operation**

The south first stepped onto the international stage, as a player, at the 1955 Bandung conference, a landmark gathering of Asian and African nations. Bandung prepared the ground for creation of the non-aligned movement (1961), the organisation of African unity (1963) and the Group of 77 (1964). While these Groupings were primarily political, their birth began an era of collective action within the south to promote broad common interest. The Bandung conference of Afro-Asian countries had emphasised ECDC & TCDC among Afro-Asian countries on the basis of mutual interest and respect for national sovereignty. In early sixties, the developing countries seriously discussed questions relating to liberalisation of their mutual trade and harmonisation of their development plans in the field of trade and industry. These discussions finally led to the formation of Group of 77 in 1964 at UNCTAD 1 and a new era of International economic co-operation started. Soon thereafter co-operation among developing countries in general and technical co-operation in particular obtained recognition in a series of declarations, resolutions, and discussions of the UN General Assembly and other World Bodies, the more notable being the UN Conference on TCDC held at Buenos Aires in 1978 and the high level conference on ECDC at Caracas in 1981. ECDC and TCDC, which are
interdependent, mutually support/contribute to the wider objectives of development in the developing countries. They reinforce closely related form of co-operation, including economic co-operation among developing countries, for which TCDC is a key instrument. Therefore, Economic Co-operation & Technical Co-operation should not be regarded just a mode of trade expansion and engineering technology transfer among the developing countries: rather it covers the wide spectrum of developments modes such as: exchange of experience, pooling, sharing and utilisation of technical resources and development of complementary capacities: promote and strengthen collective self-reliance; exchange of information relating to the existing opportunities i.e. trading in commodities, as well as in technology, and strengthening the capacities of regional and sub-regional organisation to implement ECDC activities and project.²

Co-operation among the developing countries has been a dream, goal, strategy and elusive target for more than forty years. It offers a path to progress for three-quarters of world’s people, but its potential remains only partly realised. Its landmark report “The Challenge to the South” reiterates the goal of collective self-reliance, in terms of trade agreements and regional co-operation and offers this principle (and challenge) as a way of fostering equitable development at home and globally. As Dr. Julius Nyerere said, “the south does not know the south-what goes on its countries, what are the ideas of its people, what its potential is, and the manner in which south-south co-operation can widen development options for all countries. Instead each country is forced to make its own mistakes, without being able to learn from the experience of others in a similar situation, and to benefit from the experience of their successes.”³

In Asia, Africa and Latin America, there were 25 organisations of regional and sub-regional, co-operation set-up by the developing countries, which have played a positive role in promoting regional economic co-operation, the joint exploitation of resources, economic growth and the restructuring of the old international economic order.

While the west is practising protectionism and has drastically reduced its imports, some Third world organisations of regional co-operation have adopted measures such as mutual reduction or exemption of tariffs within or among their regions in order to promote trade and co-operation among the developing countries, the Group of 77 has done much work in three areas of priority:

--To establish a Global System of Trade Preferences among developing countries.

--To set-up state-run trade organisations.

--Multinational sales enterprises among the developing countries.

These institutional structures and mechanisms to promote trade among developing countries were first established in the late 1950s and early 1960s and since then have continued to multiply and evolve. The original rational for south-south trade co-operation emanated from the conviction that developing countries needed to pursue a policy of rapid industrialisation in order to overcome their economic backwardness. Since the small size of individual domestic markets limited the scope for industrialisation through import substitution, efforts were made to create trade preference areas and to promote sub-regional and regional co-operation and integration among developing countries.

By the end of the 1970s, virtually all developing countries belonged to one or more sub-regional or regional groupings. The south had been considering the need for setting up a South Centre for science & technology for the members since 1973 when at Algiers Summit it adopted an action Programme for economic co-operation and, as part of it, decided to establish science and technology research institutions at regional and inter-regional levels to study projects of national, regional and inter-regional interest. The Lima Programme of Mutual Assistance and Solidarity, adopted at G-77 Foreign Ministers meeting in August 1975, envisaged the constitution of a Committee to study possibility to set-up a Centre to promote cooperation among developing countries in scientific and technological fields, which led to the drafting of the statute for Centre for Technological Development of the Third World. Subsequently, at the Algiers meeting of the co-ordinating bureau, it was decided that the Centre for science & technology should be set-up in Lima.
Peru, however, expressed its inability and India offered to host the Centre at the Havana meeting of the G-77 co-ordinating bureau held in May 1978.

While many of these regional arrangements experienced setbacks in the early 1980s, new efforts have been made in the last ten years to revive them. Important recent developments, in this regard, have included the strengthening of preferential trade areas by several groups of developing countries. These measures were complemented by efforts to broaden the prospects of south-south trade through the establishment of the Global System of Trade Preferences among Developing Countries (GSTP), and by the promotion of co-operation among state trading organisations of developing countries, and the proposed of the statute for Centre of Science & Technology was further discussed and statute processed at various forums of developing countries, including the NAM summit at Havana in 1979, the NAM Foreign Ministers meeting in New Delhi in 1981 and the NAM Summit at New Delhi in 1983. It was adopted by consensus in February 1985 by a Plenipotentiary Conference of developing countries. The Government of India, thereafter, set-up the Centre in New Delhi in August 1989. At an extraordinary meeting of the Governing Council of the Centre held in August 1989, the rates of subscription to the Centre by the member countries were laid down. Initially, India provided a rented accommodation and later a permanent accommodation to the Centre in 1955, along with some infra structural equipment.

The progress on ratification of statute and payment of subscription by members has, however, been poor with most of the members from Latin America and Africa being in arrears, the notable exception being Egypt. The Perez-Guerrero Trust Fund (PGTF) for TCDC & ECDC, which was established by the United Nations General Assembly in December 1983, continues to provide support to institutions of developing countries, members of the Group of 77 in funding TCDC & ECDC activities and projects that fall within the framework of the Caracas Programme of Action on ECDC. In June of 1995, the High-Level Committee for TCDC and the UN General Assembly mandated that a Trust Fund be established to support technical co-operation among developing countries. This fund was envisioned to be similar in structure and scope to the Perez-Guerrero Trust Fund established in 1983.
to promote economic co-operation among developing countries (ECDC); the main
difference being its focus on TCDC.\textsuperscript{4}

The economic growth in the industrialised economies of the North has traditionally
acted as an engine of growth for the economies of the south, and the industrialised
countries continues to dominate the global economy, accounting for over half of
global output, and about three quarters of world trade. Nonetheless, the countries of
the south, in the design and formulation of their economic development and external
trade strategies need to take into account the implications of certain key changes in
North-South economic relations.

In the 1990s, the global environment that now faces developing countries is much
changed compared with that prevailing when initiatives to promote south-south trade
were first taken in the 1950s and 1960s. On the political level, the countries of the
North currently wield unparalleled power in global political and economic affairs. In
matters pertaining to world trade, this power has been used to expand the
multilateral rules that govern world trade, largely; it would appear, to serve the
interests and need of the industrialised countries. On the economic front, global
economic relations and the interdependence of national economic have dramatically
grown, in part spurred by rapid technological change and, in part, due to
liberalisation measures affecting trade, finance and investment.

In the last two decades of the 20\textsuperscript{th} Century, economic depression in the capitalist
world, which had many manifestations. Unprecedented famine, death of starvation,
destitution, malnutrition, and backwardness has gripped the people of developing
world. Debt burden, continued dependence on external resources, growing inequities
in the distribution of income and wealth, structural distortions due to backwardness
of agriculture and lopsided industrialisation coupled with highly inadequate human
resources development, have added to the main problems of the Third world. The
external situation faced by developing world has been most unfavourable for the
process of development. It has continued to dependence on external resources have
been the manifestations of the structural distortions in the development paradigm of
the developing economies. The developing countries dependence on imported

\textsuperscript{4} www.south-south co-operation.com
technology from North has been a major factor in perpetuating trade concentration with them. Developing countries due to their low level of development are characterised by a paucity of skilled manpower and abundance of unskilled labour, a dearth of investment funds, limited market size and low purchasing power. Due to this technologies imported from developed countries, which are highly sophisticated, automated, capital-intensive and mostly large scale, cannot suit the prevailing conditions. Hence, despite massive importation of such technologies, unemployment, low levels of industrialisation and poverty continues to linger on. The firms that were set-up using these technologies have either close down or are operating at very low levels of capacity utilisation due to technology related problems such as lack of spare part among other factors. It is in the backdrop that the parameter of technological co-operation aspect and south-south trade needs to be defined.

These institutional structures and mechanisms to promote trade between developing have been practising in the span of five decades; it needs to be fresh search of co-operation among this region, because, today, extra-ordinary challenges are being created from globalisation, trade liberalisation and free mercerisation. For the developing countries, it has become difficult even to predict the degree of certainty for people. These are being challenged to expand trade among this region as means of fostering economic development and eradication of poverty. However, that the collective sustainable utilisation of the region's human and natural resources and the effective protection of the environment are the key to economic development.

Skewed patterns of global trade flows tend to suggest that commodity exports between South-South cannot be promoted unless trade promotion efforts are linked with investment and technological flows. But capital deficit developing countries can hardly make substantive investment, similarly with low technological base; developing countries cannot contribute effectively in promoting South-South technology trade.

The central premise of the study is that technological co-operation can be increased by promoting South-South co-operation. The emphasis here is not on technology trade but on technological co-operation. The study of India & East Africa: for a period of five decades, trade ties between the two regions though significantly
increased. India and East Africa have been adopted anti-colonial policies in the world forums, but they have built in packages of complementarities in several sectors of their economic which provide them with an expanding scope of widening their economic & technological ties in line with the principles of collective self-reliance at the South-South level.

Another important reason for selecting East Africa has been the presence of a sizeable number of “people of Indian origin. Though they constitute an insignificant portion of the total population of East Africa, they are certainly an important factor in the country and have helped in cementing the existing relations. Moreover, both India and East Africa are English-speaking countries, and it was thought that there would be no problem in communication and collection of relevant material.

Thus, it was considered logical to undertake an in depth analysis both analytical and empirical of the commodity trade, technical collaborations, manpower training, joint-ventures, etc. for providing a more meaningful substance to the relationship between the two region.

This research is examines the existing pattern of India and East Africa trades in commodities and technological tie-ups on the basis of endowment complementarities. Based on production co-operation especially by Indian joint ventures, the potential areas of trade & technological co-operation between both regions. The identified specific and distinctive characteristics of India’s co-operation with East Africa and compares carefully this with multinationals of advanced countries operating in those countries. The multinationals in exploiting the both regions’ natural resources and labour powers quite often have drained the surpluses substantially. And lastly, a set of recommendations to strengthen bilateral relations especially in the area of trade & technological ties under the world trading system.

The major thrust of this study is to evaluate the technological co-operation between India & East Africa as source of developing local technological capacity and its impact on India’s trade with the regions. It will also make a to asses of future possibilities.
The study has been more undertaken by the following hypothesis:

1. That Indian role have been more useful, more beneficial, more appropriate, then the role of the other developed countries which have try to impose capital intensive technology often uprooting traditional African rural technology.

2. Technological co-operation can bring big boost in south-south trade.

3. India and East Africa can promote technological co-operation to enhance their trade relation.

The period under review has been divided into three parts:

Part-1. Forms the period from 1967-77, which period was of the formation of the EAC, and this period has been characterised by natural calamities, oil price shocks, and general inflation.

Part-2. The period from 1978-90, that was the collapsed of the EAC.

Part-3. Covers the years beyond 1991-2000, which is the revival of the EAC, and the era of globalisation, trade liberalisation and the WTO regime etc.

**The study is divided into three chapters**

**Chapter-1**, an overview of trade relations with East Africa of India. This chapter deals with trends, composition and direction of trade of both region, and identifies the areas for further trade expansion based on the existing complementarities. A special mention has been made on East Africa and India’s policy of trade. This chapter also suggests some measures to strengthen the economic linkages between India and East Africa.

**Chapter-2**, deals on India’s technological collaboration with East Africa. The chapter also details on training programmes under ITEC programmes, project contracts and consultancy services rendered in East Africa by Indian public and private sectors of acquisition/adaptation of imported technology in East Africa’s context have also been dealt with. A few suggestions to overcome these problems have been while concluding the chapter.
Chapter-3, focuses attention mainly on joint-ventures set-up by India in East Africa. These ventures are dealt with as agents for promoting industrial development in East Africa and employment generation to locals, plus further export expansion from India. A policy aspect adopted by India in this context has been highlighted. This chapter also identifies specific areas in individual countries for setting up further joint ventures, on the basis of market survey done by IIFT and FICCI.