Chapter-III

Over View of Economic Impact of Joint Venture and Technology Transfer for Rapid Industrial Development:
Chapter III

3.1 Joint Venture and Technology Transfer: an overview:

Chapter III discusses an overview of economic impact of Joint Venture and Technology Transfer for rapid industrial development. It discusses joint Venture policies, procedures, choice of technology, Factors affecting the Joint Venture strategies. Joint Ventures have emerged as one of the most important and acceptable instruments of foreign investment and technology transfer from transactional corporations, as also from medium sized and small enterprises, in industrialized countries to private and public sector enterprises in many developing countries. A Joint Venture generally refers to a business association of comparatively long duration between a foreign and a local enterprise (or a number of foreign and local enterprises.) in order to carry out a venture. The Joint Venture involves, in varying degrees, the sharing of equity capital, investment risk, control and decision making authority and the profits and other benefits of the operation.

3.2 Joint Venture and Technology Transfer: Indian Context:

India's policy for Joint Venture and Technology Transfer continues to be based on the cardinal principles enunciated in the statement made in April 1949 by India’s first Prime Minister, Jawaharalal Nehru, in parliament. This statement emphasized non-discrimination between an Indian and a foreign enterprise and the larger interests of the country. During the 1950's and 1960's the general policy was to allow the foreign partner minority participation only. However, participation up to 100 percent was allowed in the interest of accelerated industrial development and to meet foreign exchange requirements. During 1970's, the Foreign Direct Investment policy came more selective and foreign capital was sought for its capacity to bridge important technological and production gaps in the country. The Government permitted foreign investment as a vehicle for the transfer of technology that could not be secured by outright purchase or royalty payments of limited duration. Minority equity participation was preferred unless the technology involved was so scarce or crucial that a foreign subsidiary was necessary. Underlying this policy was the basis objective of promoting technological development within the country and maximizing the utilization of indigenously available resources. After the passing of the Foreign Exchange Regulation Act of 1973 (FERA), companies in “Core Sector” activities, that is, manufacturing, covered by those in appendix I of the Industrial Policy Resolution of 1973, activities
requiring sophisticated technology not readily available in the country, or predominantly export-oriented and tea plantation activities were permitted to retain up to 74 percent of equity. Trading companies and companies engaged in other manufacturing activities were required to reduce their equity to 40 percent or less. The indigenization of FERA companies met with remarkable success. By June 1985, as many as 538 companies had diluted equity to the permissible levels in accordance with the directives of FERA or on a voluntary basis. The process of diluting equity under section 29 of FERA is now almost complete.

3.3 Present Joint Venture and Technology Transfer Policy:

The Foreign Direct Investment Policy in the 1980's is aimed at serving the objective laid down in the Industrial Policy statement of 1980 and technology policy of 1983. Over the years, a diversified and sophisticated industrial base has been built up in the country along with technological skills and capabilities. The government's basic policy towards imports of technology is to reduce unnecessary dependence on external resources and to achieve self-reliance through the optimal utilization of indigenous resources. However, it is recognized that the frontiers of knowledge are being extended with incredible speed, and it is necessary to update production technology continuously to keep pace with the technological advances in the world. The importing of technology is therefore selective, and is ordinarily permitted in high technology areas in export-oriented or import-substituting manufacturing activities to enable indigenous industry to upgrade its existing technology in order to become more competitive, efficient and quality conscious. Wherever the import of technology is permitted, it has been emphasized that it should be accompanied by efficient absorption and adaptation of the imported technology through adequate investment in research, engineering and personnel development. Foreign investment is allowed where it is related to transfer of technology, as stated above, and in export-oriented ventures, as it is considered a vehicle for the transfer of the technology that is needed by the country. Foreign direct investment and technology transfer are subject to the Foreign Exchange Regulation Act of 1973 and from time to time Reserve Bank of India guidelines. The provisions of the Monopolies and Restrictive Trade Practices Act (MRTP) and the companies are also relevant. Joint Ventures are allowed if they are export oriented or directly related to the transfer of technology. The normal ceiling for investment is 40 percent of the total equity. Higher equity participation up to 74 percent can be
considered, provided the venture has turn over of not less than 60 percent in exports or turn-over of not less than 75 percent in industries in areas of national priority, involving sophisticated or closely guarded technology. Majority share holding at levels of over 74 percent can be approved on merit provided 100 percent of the turnover is in exports. Government regulations also stipulate that foreign share capital should be in cash without being linked to tied import of machinery and equipments or to payment of know-how, trademarks and brand names, etc., The Government of India Policy Framework does not normally permit Joint Ventures in field like banking, finance, commerce and trading. If the foreign equity is 40 percent or less, the joint venture is treated on a par with domestic firms: borrowing from local banks and public financial institutions is freely allowed. All other facilities and benefits available to national companies are also available to joint ventures. There are two exceptions to the general rule of permitting foreign investment only if it is accompanied by the transfer of technology. Investment up to 40 percent in the equity of new venture can be made by investors from oil exporting developing countries. In specified industries without the precondition of transfer of technology. The second exception is investment by non-residents of Indian origin for whom certain special schemes have been formulated.

No separate law has so far been enacted for the regulation of procedures as regards the approval mechanism for joint ventures and technology collaboration. The system is controlled and regulated by the provisions of several acts, viz., FERA, MRTP, the Companies Act, etc., Approval bodies, principally the Foreign Investment Board and Projects Approval Board (PAB) screen foreign direct investment as well as technology transfer arrangements in recognition of the close links between the two. PAB is also responsible for capital goods clearance as also industrial approval required under the Industries (Development and Regulation) Act. Applications are received and processed in the secretariat for Industrial Approvals (SIA), which is also communicates the decision of the approval bodies. The SIA is responsible for the timely clearance of joint venture and technology transfer proposals. Company law also governs joint ventures proposals. When a foreign investors has more than 26 percent equity in a joint venture, he is entitled to appoint a full time Director/Managing Director. When the equity participation is between 15-26 percent, a full time Director can be appointed by the foreign collaborator for the first 10 years. In addition to equity participation, and sometimes along with it, payment for technology and know-how can be made in the form of annual royalty or a
lump sum payment or a combination of both. The rate of royalty depends on
the nature of the technology and is normally limited to 5 percent for a period
of five years. When both lump sum and royalty payments are involved,
maximum payment is restricted to 8 percent of the net ex-factory value of
production calculated for a period of 10 years. These norms can be relaxed
in the case of sophisticated and closely guarded technologies.

3.4 **Factors affecting Technology Transfer through Joint Ventures:**

A number of issues arise when technology is to be
transferred through the mechanism of joint ventures. Some of these, viz.,
choice, valuation, confidentiality and intellectual property protection, are
discussed below, whenever possible with the Indian experience in view.

**Firstly:** The Choice: As a general proposition joint ventures offer greater
opportunities for the effective transfer of technology to the host country,
since domestic partners share in the ownership and management of the
enterprise. Both partners have a chance to weigh each enterprise’s
marketable advantages and the costs and benefits of the options that are
available for capitalizing these advantages. Foreign ventures may not wish to
enter into joint ventures when any loss of control over the technology would
be very costly. Example in case where the technology is more mature, less
firm specific and is not changing very rapidly. In such cases, the foreign
ventures may wish to build certain safeguards into specific terms and
conditions of the joint ventures agreement in order to retain control over
technology based advantages that limit the local partners access to the
technology. They may also wish to retain more effective management
control. Market orientation of the product also plays an important role in
this. If the final output is to be sold in the world market, the enterprise has to
be fully competitive with similar enterprises elsewhere and therefore needs
to have access to all the technical know-how, including production
techniques, managerial expertise and world markets. On the other hand, the
host governments and local partners are interested in and adopt strategies to
increase local participation in the transfer process so as to enhance the
effective transfer of technology. This is to be done by means of the broad
policy laid down by the governments for foreign equity participation linked
to the effective transfer of technologies, the areas in which technology
transfer is possible, and access to the domestic market. A more liberal policy
is adopted when the venture is predominantly export oriented. Certain key
areas can also be reserved for public sector participation by host
governments. Ultimately therefore, the choice of joint ventures as an
instrument of technology transfer depends upon a number of complex factors such as general policy and legal framework prescribed by the Government, the relative assessment and benefits of capitalization, the bargaining strength of the partners and the options available to them, the degree of access to, and the size of, the market and the specific terms and conditions of the joint ventures. In India, the choice and selection of technologies and foreign partners is primarily left to the Indian entrepreneurs within the framework of the policy and guidelines prescribed by the government. Secondly: Techno-Economic Analysis: The Indian parties are encouraged to explore and evaluate alternate sources of technologies and to make a choice after a careful techno-economic analysis of various alternatives. In all major cases of technology imports, entrepreneurs have been allowed payment of disclosure fees up to a ceiling of $40,000 more or less automatically, and over and above that, with government approval. This disclosure fee is allowed as an enabling facility in cases of foreign collaboration involving total technology payments exceeding rupees one crore. This has been done to help entrepreneurs to generate alternative offers for importing technology and make meaningful choices among them. Thirdly: Is the technology is the state of art: Other elements in the choice of technology are whether the technology is state of the art, whether a full package of technological know-how is offered or not, whether there is a possibility of depackage or unbundling the offer and whether the offer provides scope for continuous updating, R and D support and localization of the know-how. A joint venture offers better possibilities in these respects as the foreign investor has an inherent stake in the efficient and profitable running of the joint ventures. Fourthly: Avoiding Transfer of outdated Technology: It has been contended that because of the limits on equity participation and on royalty payments in India, foreign investors may offer outdated technologies or restrict the size of the technological package. In practice, it has been our experience that policy parameters have not obstructed the selection and procurement of the best available technology, though we cannot claim the same regarding the size and scope of technological packages. Fifthly: Information is the Key to any Technology Choice: The crucial constraint in the choice of technology and the transfer mechanism is the imperfect nature of the technology market on both the sellers’ and the buyers’ side. Information is the key to any technology choice. It is the lack or imperfect nature of information that prevents the parties from entering into meaningful joint ventures. In India, the India investment Centre and its branches, the commercial wings of the Indian Missions abroad, trade and industry associations, financial institutions and
several other autonomous bodies are playing a significant role in providing the necessary information. A technology information center, which will be repository of various technologies and sources, also being set up by the Indian Government in co-operation with the EEC. A number of international organizations, development finance institutions and specialized bodies in the Western countries are also significantly involved in bridging the information gap. However, this is an area to which considerable attention has to be paid if a quick and reliable database for technology transfer is to be developed.

3.5. Valuation, ownership, control and management and financial structures:

In the case of joint ventures, which are established as corporate entities for operations over a long period of time, the task of technology valuation becomes truly challenging. It involves a careful scrutiny, often over a period of time, of the entire legal, financial and operational framework of the joint venture and of the rights and liabilities of both the partners. A correct valuation of the technology transfer arrangement will be possible only if a social cost-benefit analysis is made of the various costs and benefits involved in the setting up and operation of the joint venture over a period of time. The other elements, inter alia, should be looked in to when valuing technology transfers through joint ventures.

Firstly: Ownership, Control and Management: In this area, the main aspect to be looked at is the possible cleavage between domestic ownership between and domestic control, as foreign companies are known to exercise effective control on management not merely through the voting or decision-making power arising from their equity investment but also through their supply of technology and know-how, technical services, managerial and marketing expertise, patents and trademarks, etc., Secondly: Financial Structure: The main elements in this are: (i). Contributions; That is the items to be capitalized and their valuation on both sides. As noted earlier, Indian law insists on equity contributions in cash only. (ii) Debt-Equity Ratio: A judicious mix is normally insisted upon by the financial institutions. (iii) Source of loan and funds: Raising of loans from overseas sources normally requires the approval of the competent government authority as it has foreign exchange implications.(iv) Retentions verses distribution of profits. (v) Royalties. (vi) Lump sum payments and other fees. For (v) and (vi), general guidelines have been provided in India. As mentioned earlier, the Indian law and guidelines effectively put a ceiling on the upper limits of equity participation, royalty and lump sum payments,
technical fees etc., However a real assessment with regard to valuation can be made only by taking these and other direct payments involving foreign exchange outgo, remittance of profits, dividends, interest payments etc., and also by carrying out a cost-benefit analysis of the entire operations of the joint venture to arrive at the venture's net contribution to the economy not only as regards the net earnings (or savings) in foreign exchange but also its wider contribution to technological and industrial progress in the country.

3.6 Confidentiality:

In India, before any proposal is approved, the party generally concludes a preliminary agreement in which the potential grantee undertakes not to communicate, divulge or use, unless and until a contract is concluded, information of a confidential nature that he may obtain during the preliminary negotiations. A provision is generally included in the draft agreement to the effect that neither of the parties shall assign the agreement or any benefit or obligation there under without the previous consent in writing of the other. After foreign collaboration is granted, the secrecy clause forms one of the most important provisions of the agreement. The Indian party is not supposed to divulge the know-how to any other Indian party without the consent of the foreign collaborator. As for as the sublicensing is concerned, the Indian company is free to sub-license the technical know-how/product design. Engineering design under the agreement to another Indian party should it become necessary, However, the terms of such licensing will be as mutually agreed upon by all the parties concerned including the foreign collaborator, and will be subject to the approval of the Government. In other words, without the consent of the collaborator, the Indian party is not in a position to pass on the know-how to a third party. However, if the item of manufacture is one which is patented in India, the payment of royalty or a lump sum by the Indian company to the foreign collaborator during the period of the agreement will constitute full compensation for use of the patent rights till the expiry of the life of the patent when the Indian company will be free to manufacture the item concerned.

3.7 Intellectual Property Protection:

The role of patents in technological and industrial development is very important. By providing the inventors with the necessary protection and incentives, the patent system helps to encourage
and stimulate research and development in the country and also helps in obtaining the technical information and know-how in various fields of science technology through patents filed from abroad and their commercial exploitation in the host country. In the context of technology transfers, the main problem is the divergence between the basic approach of the suppliers of technology in the industrialized countries and that of the recipients in the developing countries. The former is concerned with protecting the monopoly interest of the inventor by taking out a patent in the host country. Broadly, the approach of the developing countries is that, while a patent is essential for encouraging new inventions and for rewarding the inventors, it is equally important that the patent should be commercially worked in the host country either by the patent holder himself, or through a licensee. The stake of the developing countries is high, not only because of the size of the domestic market but also because commercialization of patents is necessary for their self-reliance and technological development. The Indian Patents Act of 1970 strikes a balance between the interest of the inventor in enjoying the fruits of his invention on the one hand and, on the other hand, the right of the public to benefit from the commercial utilization of patented inventions without monopoly abuses. The Act recognizes the importance of the fundamental objectives of the patent system. Viz. to stimulate inventions and encourage their exploitation for the industrial and technological progress of the country. Under the Act, patent ability of inventions relating to substances intended for use as food, drugs or medicines, or substances produced by chemical processes of manufacture only. In other words, product patents are not allowed in these areas. The duration of patents under the Act is 14 years except in the case of the food, drugs and medicines and chemical sectors, in which case it is 7 years from the date of filing of complete specifications or 5 years from the date of the sealing of the patents, whichever is shorter. The Indian system has adequately protected the interests of the patent holders. There has been no evidence of any large scale infringement of patents and piracy of technology in India.

3.8. Choice of Technology:

"The problem of choice of technology is complex because several alternative exist. A choice is to be made between the capital intensive and the labor-intensive techniques. Fresh thinking is involved in giving shape to appropriate or intermediate techniques. Moreover, in each branch of production alternative techniques exist at several levels."1 For example in electricity generation there is choice between thermal plants,
hydel stations and atomic energy units. At the level of different processes also, a choice has to be made between different types of plant and equipment for example, in steel manufacture a choice has to be made between the Bessemer process and the open hearth process. Further at the working level there exists choices relating to the speed at which the machinery is worked, the number of shifts, the timing of the replacement of different parts of the plant, etc., These problems are there in almost every branch of production though in each field, the choices takes its own form. For example, in daily farming a choice has to be made between a cheap cow with a relatively low yield and a more productive cow with higher costs. In transport the choice is firstly as between the relative importance of road, rail, sea and the air transport and secondly as between the different kinds of transport vehicles. All these illustrate the manifold ramifications of technological choice. The range of choice increases with the progress of technological knowledge. The chief problem is to work out the best combination of technologies for the various branches of production, which on the whole, may be said to constitute the "optimal technology" for the economy. In this exercise the manifold effects associated with each technique will have to be taken account. Each technique of production has its own consequences on such things like the quantity and quality of output, volume and nature of employment, distribution of income, volume of savings, economies of scale, organizational pattern, balance of payments, conditions of work for labor etc., This totality of all the factors will have to be considered in choosing between alternate techniques.

"Besides considering the totality of all the factors as stated above. The problem cannot be treated independently of the optimum development plan taken as a whole. For, while the choice of techniques is influenced by the objectives and the targets chosen, the latter themselves are influenced by the existence of alternative techniques."

3.9 Case for Capital-Intensive Techniques:

The literature which supports the capital-intensive techniques are chiefly four. In the first place Bruton presents: "the external economies industries like power, transport, communications, etc., which create external economies play a major role in development. Without developing this social overhead sector, it is difficult to promote the directly productive enterprises. These are all generally capital-intensive enterprises. Therefore, a country launching rapid economic development must need
necessarily adopt capital-intensive techniques.3". The second place is from the point of view of capital formation. According to Galenson and Leibenstein, "4 have explained that it is the economy with more capital-intensive techniques that helps more savings and capital formation than the economy with more labor-intensive techniques"4. The idea is that is the profit component of national income rather than the wage component, which is the source of capital formation, is the basis of this argument. In the predominantly labor intensive economy, share of workers wage is more. Among the laborers it is the propensity to consume which is stronger than propensity to save. So it is argued that to strengthen the sources if capital formation, developing countries should adopt capital-intensive techniques. In the third place is that industries adopting up-to-date capital-intensive techniques are generally more helpful for economic development because these serves as "growing points". These industries generate forces, which stimulate growth in several allied sectors so that growth becomes cumulative. The experience of several developed countries supports this argument. A fourth place in favor of capital-intensive techniques for the less developed countries is that the existence of mere abundant labor of these countries may not mean that labor is really cheap, considering the level of wages, because it is much lower in efficiency it does not work out to be cheap. So, Kuznets and Gerschenkron have argued that "the developing countries should take advantage of capital-intensive techniques, without unduly tying themselves to labor-intensive techniques."6.

3.10. Labor-Intensive Techniques:

“A country which can not hope to reach within the foreseeable future a capital supply per head equal that of U.S.A., will not be using its limited capital resources best by imitating American production techniques, but ought to develop techniques appropriate to a thinner and wider spreading of the available capital.5”.

Next, it is contended that in the less developed countries the use of capital-intensive techniques have an inflationary impact. Industries using capital-intensive techniques have generally a long “gestation period”. As incomes are generated during this period without augmenting supplies, demand tends to be in excess of supply. This inflationary potential of using capital-intensive techniques said to be harmful in society, hence, it is held that developing countries should limit the capital-intensive industries having long “gestation period”. The less developed countries are said to be incapable of adopting capital-intensive techniques widely, owing to lack of the personnel for carrying on project planning and also of the needed technical and skilled labor. Supplying these requirements would necessitate investment, time and organizational effort. These factors limit the use of capital-intensive technique. Again, capital-intensive industries bring forth large-scale production and in the less developed countries domestic demand is low because of low incomes and exports cannot be easily increased in the face of competition by industries of the developed countries. This market consideration acts as a limit to the adoption of capital-intensive techniques. A further consideration relates to regional inequalities. In most of the less developed countries regional inequalities exist, due chiefly to the existence of a small modernized sector side by side with a large traditional sector. If in this context, “big capital-intensive industries are established in a few centers, this would aggravate regional inequalities. So, if the available capital is to be so distributed as to satisfy all regions, labor-intensive industries are to be preferred. However, if small-scale industries can also be made capital-intensive, then it would be possible to locate more units spread over the different regions. This possibility needs to be fully explored.6”.


3.11. Reconciliation and intermediate or appropriate technology:

In the light of the above discussion, the point which emerges is that since both capital-intensive and labor intensive techniques have their own merits, it would be best to harmonize between the objectives of maximizing output and maximizing employment. Poor countries need not avoid highly capital intensive industries, if they have the natural resources or other comparative advantages whose exploitation requires high capital intensity. 7. Experience of technical assistance programs in the post-Second World War under the auspices of the United Nations, the Colombo Plan. “technologies of the highly industrialized countries can not be simply transferred and transplanted in the developing countries as they are” 8. Up to date technology calls for complementary supplies of labor and technical and managerial skills, which are all scarce in the developing countries. Besides, the effective life of these highly capital-intensive equipment is shorter in these countries, because standards of maintenance are lower, repair facilities are inadequate and operation is inefficient. On accounts of factors like these, modifications and adoptions of up-to-date technologies to the particular economic, technical, and social conditions of the developing countries is needed. What emerges from this process of adaptation after due research is termed “appropriate or intermediate technology”. There have been also instance in the history of development of countries adopting the obsolete technologies of the advanced countries. Kindleberger “9. quotes the examples of Japanese textile industry which grew first by the use of second-hand British machines, of Kaiser-Frazer automotive equipment dismantled in Willow Run being set up in Argentina. There have been several instances of developing countries purchasing old ships from the advanced countries. “Obsolete capital equipment like these have some advantages because of their relatively lower price and because these are less capital-intensive than the most up-to-date technology.9”.

“7.W.A. Lewis, Development Planning, Allen and Unwin, 1966, pp.68.7”.

“8.Meier and Baldwin, Economic Development, Theory, history and policy, Asia Publications house, 1964, p-424.8”.

A United Nation study, "10 puts the ideal in a slightly different way. It says, "The most suitable technologies likely to be those which yield the maximum social return per unit of capital, reckoning labor at its social cost rather than market cost. In many instances, this means that the answer probably lies in the direction of choosing the simplest of alternative techniques, the sturdiest of available capital equipment, the smallest type of plant consistent with technical efficiency the technology that make the best use of the most plentiful factors of production.10".

3.12. Adoption of Technology and Economic Goals:

On the other side, we saw Mao’s China where people were provided with the minimum necessities of food, clothing and shelter required for healthy and contended living. The philosophy behind this economic goal is the very opposite of the one that underlined Western economic development. While the later emphasized ostentatious consumption, the former curbed consumption so that within the available resources, minimum requirements of the entire population could be met. In between these two extremes a variety of economic goals is possible. The adoption of particular technology has to depend upon the economic goals so defined formally, The adoption of a particular technology, then depends on the economic goals of the country determined by its political philosophy and the quantum of various resources available in the country.

3.13. Impact of Technology on Employment:

Technology is a concept wedded to efficiency. Productivity is there fore, always close to a technologist’s heart. It is in this role that modern technology comes in for a great deal of criticism from those who see this role as being in complete contradiction with India’s need to put its millions of unemployed to work. This view has some validity and new technology can not neglect this national need.

However, sometimes a myopic view of new technology can inhibit a correct evaluation. In the petro-chemical industry, the highly capital-intensive mother unit, though providing relatively low employment opportunities, supports a host of downstream units—most of them in the small scale and rural sectors which is employment intensive. New technology can in this manner, spur the growth of ancillary industries and, thus, help in the objective of providing employment. Evaluation of new technology must consider its ‘total’ employment potential. Technology can be said to be good only when it makes commercial—as well as social—sense. When it ceases to do so it must be written off as obsolete or inappropriate. The textile industry offers jobs to thousands. Given the “low” cost of labor in India, labor-intensive production should be preferable. Yet the textile industry in India—historically a leader in this business—is sick and it thrives in Taiwan and South Korea. Among other factors responsible for this state of affairs, the assumptions of ‘low’ cost labor needs to be questioned. This is the consequence of indiscipline and wage demands of organized labor coupled with a diminishing concern for production. Overcoming technological obsolescence with a view to maintaining a competitive position in export markets in terms of product quality and cost would require implementing technology which is less labor-intensive but this goes against the national need for employment. There is thus no escape from having to make hard choices to balance conflicting objectives.

3.14. Exploring more Joint Ventures and Technology Transfers:

India offers a very favorable climate for investment and the setting up of joint ventures. The involvement and increased stake of the foreign collaborator in the Indian company through equity participation up to 40 percent or more consistent with the national priorities is actively encouraged. Royalty and lump sum payments pose no problem so long as they are within the prescribed limits. India has developed a strong and diversified industrial base and its managerial and technical capabilities have also increased tremendously. The private sector in India is strong and growing, and knowledgeable and dependable joint venture partners are to be found in it. India has well developed financial and legal infrastructure that is conducive to the free commercial operation of joint ventures from the point of view both earning profits, dividends and royalties. The profitability of many foreign investment companies is attractive. What is more important, India has a political environment and a continental-size market. It has been following a coordinated policy of economic liberalization and deregulation
to make its industry more competitive, modern and cost effective. It is therefore an opportune time to explore the possibilities of setting up of more joint ventures in India. Hence chapter III explains the various polices and procedure for Joint Venture and Technology Transfer.