CONCLUSIONS

CONCLUSIONS OF THE RESEARCH ON INDIA'S INTERNATIONAL NEGOTIATIONS FOR TRANSFER OF TECHNOLOGY IN THE STEEL INDUSTRY

This study focusses on the development of the steel industry through technology transfer negotiations over a span of four decades after India's Independence. The most successful phase of Indian diplomatic efforts was in the initial period (1955-1970).

India during this period bargained effectively to get modern technology from the leading steel producers of the world. The nation vigorously negotiated with the Germans, the Soviets, the British and the Americans.

The negotiations were focussed to serve the national policy objectives, which were :-

a) Planned economic growth of the country with the expansion of the public sector;

b) Pursuance of the import substitution strategy for development leading to a self-reliant industrial growth, and

c) Acquisition of foreign aid on easy terms, so that the precious foreign exchange reserves would not be depleted with every technological transfer we negotiated.
The first phase of India's international negotiations saw the culmination of these objectives through the four international agreements for the setting up of the integrated steel plants, namely Bhilai, Rourkela, Durgapur and Bokaro.

However, the mid-1970s saw a decline in the diplomatic efforts in this sector. Steel had lost its pre-eminence in national planning priorities. This apathy was evident in the outcomes of the negotiations for the three steel plants, Vizag, Vijaynagar and Daitri.

In contrast to the first phase, India failed to successfully bargain for the state of the art technology in this second phase. This phase saw the widening of the technological gap as the world steel technology made impressive progress. The Indian negotiators were unable to ensure effective utilization of the channels of technology incorporation.

The process of technology transfer became more liberal by the mid-1980s, when the economic compulsions of the nation led to the adoption of the Structural Adjustment Programme, as decreed by the IMF. Thus, The national objectives of planned economic development and self-reliance were shelved.

Liberalisation and globalisation of the Indian economy under the auspices of SAP, made technology transfer more open and free, more dependent on the global market trends. Withdrawal of state from the core industries made new space for the private enterprises. This enhanced technology decisions based on purely commercial objectives.

Steel sector is witnessing large scale technological developments. This trend is highlighting a new era of development for this sector.
The three distinct phases of steel diplomacy are clearly reflected in the following gist which focusses on the national endeavours directed towards our policy objectives and their dynamics during the span of four decades.

The immense size of India both in terms of area as well as well as population led to the perception of India as a potential independent centre of power. From much before Independence, the leaders of the Indian national movement were systematically building up the foundation on which this potential for power could be realized.

Maximum thought was given to economic growth and potential maturity of the nation which had just emerged from the shackles of colonialism, after its long fight against imperialist powers.

As India became independent there were a set of values that became an integral part of its nationalistic values. India chose to maintain its independent position vis-à-vis the two power blocs dominating the dynamics of international politics. Following these set of objective, India initiated its her technology transfer negotiations.

During the initial phase, 1950’s and 1960s, we did a good job of procuring relatively modern technology mainly by using our political advantage of being a strategically placed nation, with excellent leadership qualities and a largely ambitious and self reliant posture. But after the mid - 1960’s our bargaining for technology in this particular field suffered. The capacity utilization of our steel plants decreased sharply after 1976, due to lack of modernization and an ever expanding technology gap.
To keep up with the technology race, it becomes necessary to import at frequent intervals new technologies, even for the same product. Otherwise, the country would find itself cut off from the mainstream of technological advantage. In the long run, it is the bargaining capacity of the buyers and sellers which influence the mode, the form, the cost and the context of the technology transfer.

It should be admitted that the government of India, despite the armoury of policy instruments, most often did not hold a strong bargaining position with the foreign firms. At present, the government policy is mostly conceived with financial and foreign exchange criteria in permitting collaborative agreements in technology. These criteria by themselves are inadequate for the selection of appropriate technology.

Today a number of technologies are competing against one another for the same product at various levels. Because of the cautious process of Indian technology acquisition in the discriminatory policy atmosphere, the technology obsolescence is setting in. Our bargaining potential suffers as India does not attract attention as a fruitful recipient and lacks political motivation.

While our negotiating skills and strategies have not produced worthwhile results since the 1970's, nations like South Korea, Brazil and Mexico have shown splendid results. Today India faces a dismal steel situation, with a small per capita consumption of 21 kg as against the global average of 150 kg. Our dream of a self-reliant industrialized state would remain a dream, if we do not redefine our technology acquiring modalities. Initially, the government played the role of establishing the core sectors of our economy. Today the government would like to have a reduced role and let the industries attract competitive foreign investment.
This puts the position of industrial technology transfer on a totally different plane. Our government has reformed its economic stand through the 1880's towards liberalisation. Thereafter our profile has begun to change for the major donors. The Government, faced with the immense task of modernisation of steel plants would like to proceed by issuing global tenders. Our new bargaining position should ensure, first of all that we get competitive tenders. The best bargaining tactic would be to enhance our credibility towards commercial bankers and represent our nation as an open, dynamic industrial economy.

Capacity shedding by the countries of the West, mainly due to low domestic demand is a significant development. This capacity shedding has been picked up by Newly Industrialised Countries mainly in the form of Foreign Direct-investment (FDI). An important reason for the Western investors to go outside the boundaries of their own state is that within the developed West, steel industry has been identified as a major pollutant. Anti-pollution arrangements are extremely expensive. Hence the importance of sites in the developing countries where the environmental protection laws are much less stringent. Also the labour requirement in this industry, inspite of technological advancements is still very high, which is a source of large expenditure in the West. Again the cheap available labour in the countries of the South offers a good alternative.

The situation shows that Western states are keen to set up integrated plants in the Third World provided they are allowed to partially own them and have a stake. India is no exception. India can prove better than others if she can project her geographical advantages, like availability of raw materials, skilled man power,
less stringent environmental protection laws, etc., and design political motivations which could prove advantageous for both the sides.

This equation for the transfer of the much needed technology could work out for India where the domestic demand is still very high. This finished steel produced in the Third World would have a very high demand in the West. They monopolize the very specialised technology required for further sophistication of steel mainly used in their advanced socio-economic structure.

India does not have enough resources for initiating modernization and expansion of steel plants with the vast infrastructural support that this industry demands. Since the government role has decidedly gone down the possibility of mobilizing resources from various sources is less. In this scenario one thing emerges clearly in the global context for the process of steel technology transfer into India from countries like America, Japan, Germany France and Austria. Today India has completely reoriented its economic objectives under SAP regulations, using appropriate diplomatic approaches and strategies for meeting our essential requirements.

There has been a sea change for the better in the technology transfer in steel industry, following structural adjustment programme which enabled both the private and public sector to freely import more advanced technology on a commercial basis. Concurrently SAIL has made impressive gains not only in terms of the cost of production, domestic sales and exports but has also substantially increased investment to strengthen indigenous R&D.