

**FOREIGN INVESTMENT APPROVALS
FROM SOUTHEAST ASIA TO INDIA :
A CASE STUDY 1988 - 1995**

Dissertation Submitted to the Jawaharlal Nehru University in Partial
Fulfilment of the Requirement for the award of the Degree of
Master of Philosophy

VIKRAM SINGH DAHIYA

**CENTRE FOR THE STUDY OF REGIONAL DEVELOPMENT
SCHOOL OF SOCIAL SCIENCE
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI - 110067, INDIA**

1996

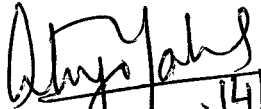


जवाहरलाल नेहरू विश्वविद्यालय
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI-110067

Centre for the Study of Regional Development
School of Social Sciences

CERTIFICATE

This is to certify that this dissertation entitled "Foreign Investment Approvals from Southeast Asia to India: A Case Study. 1988-1995", submitted by VIKRAM SINGH DAHIYA, in fulfilment of six credits out of the total requirements for the award of the degree of MASTER OF PHILOSOPHY, is a bonafide work to the best of my knowledge and may be placed before the examiners for evaluation.


(ATIYA HABIB KIDWAI)
CHAIRPERSON
14/8/96


(M. SATISH KUMAR)
SUPERVISOR
18/8/96

ACKNOWLEDGEMENT

This Dissertation was possible due to the constant encouragement of my teacher Dr. M. Satish Kumar. His incisive criticisms helped me in shaping my ideas it was his persistence and enthusiasm which enabled me to overcome all barriers in completing this study. I owe him a debt of gratitude for all he has done for me.

In the preparation of this dissertation I had received advice and help from many of my friends specially, Sandeep Munjal, Sandeep Tomar and Rajiv Ahlawat. I am much obliged to them.

Lastly, special thanks goes to the staff of Best Computers who has typed out this dissertation with efficiency and patience.


VIKRAM SINGH DAHIYA

CONTENTS

ACKNOWLEDGEMENT

CONTENTS

CHAPTER I INTRODUCTION

- 1.1 Introductory Statement
- 1.2 Technology Transfer Element in Foreign Investment.
- 1.3 Foreign Investment among Developing Countries
- 1.4 Foreign Investment for India
- 1.5 Notes

CHAPTER II FOREIGN DIRECT INVESTMENT- SOME THEORETICAL ISSUES

- 2.1 Introduction
- 2.2 Direct and Portfolio Investment
- 2.3 Foreign Direct Investment and Economic Development
- 2.4 Foreign Direct Investment and Technology Transfer
- 2.5 Relevance of Eclectic Theory
- 2.6 Intra-Less Developed Countries Investment
- 2.7 The Present Study
- 2.8 Objectives
- 2.9 Data Base
- 2.10 Methodology
- 2.11 Organisation of the Study
- 2.12 Notes

CHAPTER III FOREIGN FINANCIAL COLLABORATIONS WITH
SOUTHEAST ASIA- AN OVERVIEW.

- 3.1 Introduction
- 3.2 Objectives
- 3.3 Methodology and Analysis
 - 3.3a. Growth of Financial Collaborations with Southeast Asia
 - 3.3b. Range-wise Analysis of Financial Collaboration with Southeast Asia
 - 3.3 c. Sector wise Growth of Financial Collaboration With Southeast Asia
- 3.4 Conclusion
- 3.5 Notes

**CHAPTER IV FOREIGN COLLABORATION, TECHONOLOGY
TRANSFER AND CAPITAL FORMATION**

- 4.1 Introduction
- 4.2 Objectives
- 4.3 Hypotheses
- 4.4 Analysis
 - 4.4 a. The Concept
 - 4.4 b. Growth of Foreign Technical Collaboration
with Southeast Asia
 - 4.4 c. Sector-wise Breakup of Technical
Collaboration with Southeast Aisa
 - 4.4 d. Capital Formation from Foreign Investment.
Approvals
 - 4.4 e. Capital Formation in Different Sectors From
Foreign Collaboration Approvals with Southeast
- 4.5 Conclusion
- 4.6 Notes

CHAPTER V CONCLUSIONS

BIBLIOGRAPHY

LIST OF TABLES

- 3.1 Countrywise Breakup of Financial Collaboration With Southeast Asia (1988)
- 3.2 Countrywise Breakup of Financial Collaboration With Southeast Asia (1989)
- 3.3 Countrywise Breakup of Financial Collaboration With Southeast Asia (1990)
- 3.4 Countrywise Breakup of Financial Collaboration With Southeast Asia (1992)
- 3.5 Countrywise Breakup of Financial Collaboration With Southeast Asia (1993)
- 3.6 Countrywise Breakup of Financial Collaboration With Southeast Asia (1994)
- 3.7 Countrywise Breakup of Financial Collaboration With Southeast Asia (1995)
- 3.8 Rangewise Distribution of Financial Collaboration Approvals from Southeast Asia (1992)
- 3.9 Rangewise Distribution of Financial Collaboration Approvals from Southeast Asia (1993)
- 3.10 Rangewise Distribution of Financial Collaboration Approvals from Southeast Asia (1994)
- 3.11 Rangewise Distribution of Financial Collaboration Approvals from Southeast Asia (1995)
- 3.12 Sectorwise Distribution of Financial Collaboration Approvals from Southeast Asia (1992)
- 3.13 Sectorwise Distribution of Financial Collaboration Approvals from Southeast Asia (1993)

- 3.14 Sectorwise Distribution of Financial Collaboration Approvals from Southeast Asia (1994)
- 3.15 Sectorwise Distribution of Financial Collaboration Approvals from Southeast Asia (1995)
- 4.1 Countrywise Breakup of Foreign Technical Collaboration With Southeast Asia (1988-1995)
- 4.2 Sectorwise Breakup of Foreign Technical Collaboration With Southeast Asia (1988-1995)
- 4.3 Countrywise Capital Formation from Foreign Investment Approvals with Southeast Asia (1992)
- 4.4 Countrywise Capital Formation from Foreign Investment Approvals with Southeast Asia (1993)
- 4.5 Countrywise Capital Formation from Foreign Investment Approvals with Southeast Asia (1994)
- 4.6 Countrywise Capital Formation from Foreign Investment Approvals with Southeast Asia (1995)
- 4.7 Sectorwise Capital Formation from Foreign Investment Approvals with Southeast Asia (1992)
- 4.8 Sectorwise Capital Formation from Foreign Investment Approvals with Southeast Asia (1993)
- 4.9 Sectorwise Capital Formation from Foreign Investment Approvals with Southeast Asia (1994)
- 4.10 Sectorwise Capital Formation from Foreign Investment Approvals with Southeast Asia (1995)

CHAPTER I

=====

INTRODUCTION

1.1 INTRODUCTORY STATEMENT

A new spirit of economic freedom is evident in India bringing about sweeping changes in its wake. A series of ambitious economic reforms aimed at deregulating the economy and stimulating foreign investment has moved India firmly into the front ranks of rapidly growing Asia-Pacific region and unleashed the latent strength of a complex and fast changing nation. Indian official policy towards private investment was first announced by the then Prime Minister Jawaharlal Nehru in April 1949. While there were changes in emphasis, the basic policy frame remained the same till July 1991. Foreign investment was supposed to serve an important role in the overall development of the nation. Foreign investment policy had two major objectives, namely as

- i) a vehicle for advanced technology, and as
- ii) a supplementary instrument of resource mobilisation especially in terms of foreign exchange.

The process of planned development demanded regulation of private capital, foreign and Indian for differing purposes. As a consequence, a variety of rules and administrative norms were evolved giving rise to a wide and complex system of controls and procedures resulting

in long delays and uncertainties. The regulatory mechanism contributed significantly, especially during early stages, to channel new investments into private and public sectors. With the passage of time, however, regulatory system acted on itself overstretched and it got ridden with discretionary and adhoc processes of decision making. The need for regulating this mechanism was voiced frequently through national and international fora. The industrial policy frame in India has been common to foreign and Indian national private capital. In this regard significant legislation which was enacted has been the Industrial (Development and Regulation) Act of 1951. In pursuance of the Directive Principles of the State Policy as enshrined in the Constitution of India, the government was obliged to adopt Monopolies and Restrictive Trade Practices Act 1969. Similarly, to promote self-reliance, to conserve the limited foreign exchange resources and to encourage rational utilization of the same and to contain external liabilities for the future generations. The foreign Exchange Regulation Act (FERA) was adopted by the Indian Parliament in 1973. The economic policy has undergone many a changes since July 1991 with regard to the role and place of private capital. The new policies represent a package that seeks to change foreign investor's perception of India. It is believed that if restrictive and control regime is replaced by an open door policy and all the barriers to entry are removed the, country would attract large foreign investments.

The Industrial Policy Resolution of 1956 (and the Industrial Policy Statement of 1948) visualised reservation of basic and strategic industries for the public sector. The approach towards public sector was influenced by widely prevalent sentiment of the national struggle for political independence of India (Goyal, 1979). Under the new economic policies a radically different view has been adopted. The basic industries and infrastructure are no longer reserved exclusively for development by the public sector. Power, Oil, Communication and number of other areas have been opened for development by national and international private capital.

The scope for private sector expansion and participation by foreign capital has widened significantly due to pruning of areas reserved for the public sector. The provisions of the Industrial Policy Resolution of 1956 stand revised. The restrictions imposed under the FERA philosophy have mostly been abandoned. Instead of the general rule of 40 per cent ceiling on foreign equity, major participation by foreign corporation is allowed to use foreign brand names in the domestic market. The provisions of the Monopolies and Restrictive Trade Policies Act 1969 relating to concentration of economic power in the hand are no more operative. Foreign investment under the present regime is welcome, even when it is not accompanied by new or sophisticated technology. In brief, the new policies have vastly increased the scope for foreign capital by -

- i) throwing open larger area to the participation of private sector;
- ii) abolishing industrial licensing over a vast area;
- iii) taking a liberal attitude towards foreign share in Indian Companies;
- iv) doing away with provisions relating to concentration of economic power under the MRTP Act and,
- v) allowing foreign brand names in the domestic market;

The shift in emphasis could be seen in the new industrial policy which states "Foreign investment and technology collaboration will be welcomed to obtain higher technology, to increase exports and to expand the production base (Industrial Policy 1991).

The new policy does not insist on technology accompanying investment. In the past too, there were pleas made from time to time that foreign capital by way of direct investments was a substitute for commercial borrowings as the servicing of loans would not be related to the paying capacity of the project. Moreover outward remittances on account of the investment would commence only if the project becomes a commercial success. Besides, substantial stake in the risk capital it was argued, ensured that foreign investor held a continuing interest in the project.

1.2 Technology Transfer Element in Foreign Investment.

The complementarity between the export of capital and of knowledge is of recent origin and is almost a reflection of the growth of the multinational companies. The earlier form of international capital movement was more in the shape of portfolio investment. Then came the concept of joint stock company, accompanied by growing complexity of production and managerial technology. This brought together a package deal, the export of capital and knowledge with international market forces tended to stimulate the flow of these inputs relative to the output goods they create. The involvement of technology transfer in Foreign Direct Investment will depend upon (Dunning 1970):

- a) The knowledge content of the investment vis-a-vis that which is already available to the host country.
- b) The age and the form of foreign direct investment.
- c) The policy of investing company towards its overseas operations and
- d) The competitive environment in which the investment firm is operating.

In the past, most kinds of the foreign manufacturing operations have begun by the establishment of sales and distribution ventures. These have been followed by investment in the simpler types of manufacturing processes, involving transmission of formulae.

specifications, plant layout diagrams etc. As the subsidiary of the parent company undertakes more complex manufacturing operations, adaptations have to be made to process the products to meet local requirements. The need of subsidiary to understand as well as to use the technology of its parent company increases. The extent to which international companies disseminate technological expertise will also depend upon their organizational structure and the relations between the parent company and its subsidiaries. Perlmutter has distinguished three stages of management evolution of the multinational company (Perlmutter 1969). The 'ethnocentric organisation is one where minimum of autonomy is allowed to subsidiaries. A polycentric organisation recognises that local situations are different from those faced by the parent company and in other subsidiaries. Rather more autonomy of decision taking is allowed - advice is offered rather than commands given.

In Perlmutter's view, the most desirable pattern of activities is that which he classified as 'geocentric'. A geocentric company is characterized by two features. First, the top management in all its operations is truly international. Second, all activities are closely coordinated, and there is fullest possible interchange of knowledge throughout the world.

Finally, the international transmission will be influenced by the structure of competition facing the investing and the host countries. Several writers (Hyme

1960, Kindleberger 1969) have emphasised that the modern multinational company is primarily a vehicle for transfer of entrepreneurial talent rather than financial resources. That the impetus to foreign direct investment arises largely from the desire to exploit an economic advantage which a firm has over its competitors - or in the case of a following rather than a leading firm, from the need to protect its market position.

1.3 Foreign Investment Among Developing Countries

The multinational corporations (MNC) are an industrial system nurtured by the international conditions especially in the US and western countries after the second world war. The growth of MNCs have been so spectacular that world trade mechanism was expected to be replaced by MNC expansion.

The international trade theory more frequently dealt with the movement of commodities and production factors through the MNC framework. Although the MNCs originated in the strong advanced market economies, firms from a number of developing countries have been increasing their overseas direct investment, signalling the initial stage of multinational operations in the wake of expanded exports and enhanced industrialization. Third world multinationalism, a contradiction in terms until recently, is now a serious force in the development process. Especially firms from Asian NICs (newly industrialised countries) are increasingly making foreign direct investment - a phenomenon Vern Torspetra calls 'the Asian Challenge'. Present theories on Foreign Direct Investment are based on analyses of advanced countries' Foreign Direct Investment behaviour, especially the firms of US. The developing countries' Foreign Direct Investment, however, differ from advanced countries' Foreign Direct Investment because the special conditions of the home market do not seem to play an important role in generating advantages that the advanced country MNC

exploit. It is therefore doubtful that these theories can explain Foreign Direct Investment behaviour of Less Developed Countries firms, whose political, social and economic environments are not similar to MNCs' based on advanced countries.

Existing theories of Foreign Direct Investment start with an assumption that a multinational firm operating in a foreign country is faced with certain additional costs that local competitor is not. These costs arise from cultural, legal, institutional and linguistic differences, lack of knowledge of local market conditions, increased expense for communication and the possibility of misunderstanding because of operating from a distance. The MNCs must also bear additional costs caused by discriminatory attitude towards them borne out of the host country's nationalist fervour. So, for investment to be profitable, the firm entering from abroad must have some advantage that its local competitors do not have.

So the first principle of the Foreign Direct Investment theory is that to be exploitable these advantages must be at least in part specific to the firm and readily transferable within the firm and across distance (Dunning 1970). This is a necessary but not sufficient condition. The firm could exploit its advantage by producing at home and exporting or by licensing a foreign producer. To explain the choice of foreign direct investment over alternatives of exporting and licensing, it is necessary

to take into account internalization and location specific factors such as relative costs of production, trade barriers, market characteristics and the like.

This theory is not sufficient to explain the developing country type investment. The 'pecking order approach' has been suggested to complement the insufficiency of existing theory (Dunning 1970). This approach views the internationalization of developing country firms simply as a technology gap model or as a stage in the product life cycle. Countries can be ranked according to when they first produced a particular product. The countries currently manufacturing the product export the 'pecking order' to those countries that do not yet have plants to produce that product. Not only might the source of exports in world trade move down that order as a product matures, but the source of foreign investment might follow a similar pattern. This approach is based on the availability of technology plus the difference in production costs.

Along with the pecking order approach, there is a contention that Foreign Direct Investment from developing countries tends to flow from newly industrialized countries to poorer LDCs. In particular Wells contends that firms in NICS have acquired technology from industrial countries and adapted it to the special needs of their home markets (Wells 1981). When products are later demanded in sufficient quantities in poorer countries, the production site is shifted to those

countries from NICs. Wells points out several characteristics in the internationalization of less developed countries corporations. First, potential buyers do not have the information about the manufacturing technologies of less developed countries corporations because they tend to be less well known than advanced country firms. Secondly, firm technologies are often not patented. Thirdly, the less developed countries firms managers and technicians are not as qualified.

The analysis of MNC in Latin America and Asia justifies Wells' contention. White (White 1981) in his study of Latin American firms found such a pattern of foreign direct investment flow which suggests increasing investment among those countries. Agrawal (Agrawal 1971) also found that most Indian FDIs is in Asia and Africa. Dunning (Dunning 1970) has explained the emergence of Less Developed Countries multinationals by reference to his eclectic theory of international production. He postulates that the propensity of a country's firm for engaging in Foreign Direct Investment is determined by ownership, internalization and locational advantages that are available to them, as compared to firms of other countries.

1.4 Foreign Investment for India

The above analysis takes into account two major aspects of Foreign Direct Investment. Both aspects are of great significance in the Indian context. India is going

through a transition phase. It is going global. It needs technology along with foreign investment. This way the aspect of technology transfer becomes important. Simultaneously India needs a technology which is suitable to its local conditions. These local conditions are clearer to those of newly industrialised countries. So Foreign investment from these countries have greater implication for India. This way the second aspect assumes significance.

1.5 Notes:

Goyal, S.K. (1979) Monopoly and Public Sector Policy Allied Publishers, Delhi.

Statement on Industrial Policy, Government of India, 1991. Para 13.

Dunning, J.H. (1970) Studies in International Investment, George Allen and Unwin Limited, London.

Wells, L.T. (1981), Foreign Investors from Third World; Multinationals from Developing Countries, Oxford University Press, Washington.

White, E (1981) 'The International Projection of Firms From Latin American Countries' in Multinationals from Developing Countries, Oxford University Press, Washington.

Agarwal R.G. (1971) 'Third World Joint Ventures- Indian Experience, Allied Publishers, New Delhi.

Dunning J.H. (1970) 'Explaining How to Outward Direct Investment of Developing Countries' In Support of Eclectic Theory of Investment John Wiley and Sons, Great Britain.

CHAPTER II

=====

Foreign Direct Investment :

Some Theoretical Issues

INTRODUCTION

The increasing onus on foreign direct investment as a world economic phenomenon, is of a very recent origin. The changing world order and a wave of sweeping economic reforms have quickened the pace of structural adjustment in production via direct foreign investment. Too much reliance was placed upon debt finance in the 1970s, particularly short term debt. The argument runs, that a form of foreign exchange has proven highly unpredictable both in its servicing obligations and its gross inflow to the developing countries. Therefore, its future is very much in doubt, with the exception of those creditworthy countries who underborrowed in the past (e.g. India, Malaysia) as commercial banks attempt to restructure their portfolio management in response to the adverse experience of post 1981 period (Heileiner 1991).

Foreign Direct Investment has got a very crucial role to play in the development process of underdeveloped and developing countries which are constantly in need of money capital, management skill and technical know-how. Sometimes even if the investment is of a small amount it

may help in breaking a bottleneck and create a whole new beginning. In fact direct private foreign investment has been fairly concentrated in the developing countries. Less than thirty middle-income countries account for over ninety percent of total direct foreign investment. Within this group, Brazil and Mexico, joined recently by Singapore and Malaysia, dominate the figures. Over 60 percent went to these countries (Streeten 1991).

It is well known that foreign enterprise can greatly benefit the host country. It can combine the provision of capital, of a team of skilled men and access to foreign markets. It can transmit the latest products and technology to the host country and can encourage the growth of a number of ancillary domestic enterprises. It can create jobs and earn foreign exchange as also contribute to tax revenue. It can therefore reduce country's dependence on imports and increase its capacity to export.

The high degree of concentration of Foreign Direct Investment flows to only a small number of countries. This may change in the coming decade as other developing countries continue to enhance their overall business climate (Pfeffermann 1991). Now more and more developing countries are understanding the need and usefulness of foreign investment. But here one must remember that to attract foreign investment, the business climate in the country should be fairly bouyant and promising. This is

because foreign investment almost always follows a country's success, it rarely leads it. In case of a depressed business climate in a country, foreign investment cannot be expected. It implies that developing countries should look to foreign equity as a source of growth until local business sector has shown strong evidence of profitability (Pfeffermann 1991).

Another important factor affecting foreign investment is the presence of a sound infrastructure and in this respect the spending priorities of the host country play a very crucial role. Foreign investors prefer countries where not only facilities for business enterprise are good but also out of factory facilities like banking, transport are excellent.

In view of aforesaid reasons for advocating foreign investment, governments in developing countries are under considerable pressure to undertake major policy reforms to attract foreign investment. By now there has been enough experience with this form of international economic interaction. It is now possible to anticipate some of the problems that will arise if there is to be a significant policy shift back to it. Particularly relevant when every developing country is at the same time being urged to expand its exports based on the experience of export oriented direct foreign investment (Heileiner 1991).

It is therefore pertinent to discuss some of the theoretical issues regarding Foreign Direct Investment.

2.2 DIRECT AND PORTFOLIO INVESTMENT:

We now illustrate the main distinguishing feature of Direct and Portfolio investment. Direct investment implies the investing unit purchases the power to exert some kind of control over the decision making process of invested - in unit, which is not the case with portfolio investment. This suggests that other than money capital, some other kind of investment takes place as well. It may be informal managerial guidance or technical know-how. On the other hand it would incorporate the dissemination of valuable knowledge and entrepreneurship in the form of research and development, production technology, marketing skills and managerial expertise none of which usually accompanies direct investment. One interesting implication of this difference is that while portfolio capital will normally move to those sectors within the recipient country (which as revealed by the profitability, have a comparative advantage over the counterparts in the investing country), in the case of direct investment capital, it will flow to those industries in which the investing country (at least initially) has the comparative advantage, but which it is possible for the recipient country to gain (Dunning

1970). Portfolio capital is mainly supplied by individuals and institutions to different foreign individuals and institutions via the mechanism of the capital market. Direct investment (except where the purchase or part purchase of an existing enterprise is involved) may be accomplished without any change in ownership at all. Essentially, it represents vertical or horizontal geographical extension of a firm's activities. They must be viewed in the light of its overall objectives of which the expected profit rate of new offshoots may be only one (Dunningh 1970).

It used to be thought that major difference between portfolio and direct investment was that direct investment involved control, whereas portfolio investment did not. Control was taken as 100, 95, 51 or 49 percent ownership of the equity of a foreign corporation. Or control was thought of in decision making terms. This meant that head office made decisions respecting foreign operations, within a clearly laidout scheme, on such questions as choice of a top personell, new products, capital budgeting, research and development and dividend policy. But direct investment was a capital movement combined with control and perhaps other elements such as technology.

It was thought that direct investment often did not involve capital movement. A firm would undertake

investment abroad, once the investment became profitable. Moreover, it grew from local borrowing and reinvested profits. Direct investment represented not so much an international capital movement as capital formation undertaken abroad.

According to another theory direct investment was like gambling. A firm invests abroad and tries to make a fortune out of it. From the earnings half is reinvested just as a gambler leaves his winnings on the table. So direct investment comes close to the last stage in technological cycle. " First comes production(domestic), then exports and when imitation abroad is about to overtake the company takes up production abroad (Kindleberger 1976).

Defensive Investment: The concept of Defensive Investment by Alexander Lamfalussy suggests that some investment with reference to domestic capital formation is motivated not by the desire to make profits but in order to avoid loss. The marginal rate of return on this investment is equal to any other measure from the expected loss to low profit. By the underlying logic it is better to enter a market with a low expected profit than to get pushed out of it altogether. So it is the growing markets and not profits that govern the flow of direct investment.

Therefore it may be observed that direct investment is more likely to promote economic growth than portfolio investment. This is because it tends to be concentrated

in the dynamic and technologically advanced sectors where the knowledge content of the investing firm are superior to that of local competitors (Dunning 1970). Since direct investment transfers capital, technology and management from the countries where they are abundant to the countries where they are scarce, it is evident that efficiency has been increased and Pareto optimality achieved (Kindleberger 1976). Apart from this there are also possibilities of dynamic gains namely of training workers, or stimulating savings and capital formation through private and governmental increases in income.

Along with all these positive aspects of direct investment there are also chances of blocking growth. The foreign firms may be content to lose a little in order to ensure that no other company in the same field emerge. All companies are of inefficient size. None can break out of the mould and start a process of growth. The Seven refrigerator companies in the United States of America reproduce themselves in Canada, which has one-tenth of the population of the home country. In Latin America, there are too many, too small, high cost companies in the automobile field in Argentina, Brazil and Chile (Kindleberger 1976)." So in the above discussion it can be concluded that direct investment with its dynamic character is more likely to promote world economic growth rather than portfolio investment.



2.3 Foreign Direct Investment and Economic Development:

The precarious condition of the global financial system has generated a wide range of suggestions for reforms, and continuing advocacy of 'adjustment' for the developing countries (Heilekner 1991). Among the most consistent instruments suggested for achieving the twin objectives of more stable development are finance and structural reforms in production. This relates to traditional approach of foreign direct investment. Foreign direct investment can help a great deal in the development process of developing countries. Quite recently, at the Western Economic Summit Conference in London this new conventional wisdom was expressed again as the leaders expressed interest in

"...encouraging the flow of long-term direct investment: there is need for industrial countries to make their markets more open for the exports of developing countries. So these countries can help themselves by encouraging investments from the industrialised countries (Heilekner 1991)."

Foreign investment in developing country can play a very crucial role even if in a small amount in some cases. It contributes to a missing component or has a spread effect on the rest of the economy in technology generation, employment creation or foreign exchange earnings. The role of transnational corporations in the development process has been given its due importance in recent

TH-6343

times. Hostility to it by host government has been greatly reduced and replaced by an eagerness and an understanding on both sides. The number of transnationals and with it competition among them has increased, and a desperate need for foreign exchange resulting from the debt crisis. The fact that payments are linked to ability to pay, together with growing reluctance by the banks to expose themselves further have made the developing countries more welcome to foreign direct investment.

It was sometime ago that economists persuaded developing countries that they should not be concerned about the fact that transnational corporations (Transnational Corporations) took out more capital than they put in. The onset of the debt crisis, with a sharp constriction of non-equity flows greatly enhanced the attractiveness of foreign direct investment as sources of finance per se, a role which was fairly minor before 1985 (UNCTC 1988). Another factor worth mentioning is that though Transnational Corporations are the major direct and indirect employers in the world market economies, their share of total employment is small, and many of the questions that arise here fall under other issues like choice of technology, impact on local entrepreneurship and linkages. Thus the analysis of TNC employment issues per se has been relatively neglected. The transfer of skills through training is a potentially valuable contribution of Transnational Corporations to the

developing countries (UNCTC 1988). However evidence on the net contribution of Transnational Corporations in that area is extremely limited.

The promotion of exports is a contribution that most developing countries expect from foreign direct investment, and these firms have played a major role in expanding manufactured export from a number of bases. The growth of offshore assembly of electronic components and other items requiring cheap semi-skilled labour did contribute significantly to export earnings and employment. This was limited to a small number of countries. At this time, Transnational Corporations greatly increased their exports of more complex products from established operations in larger developing countries reflecting the latter's growth in skills and capabilities as well as low wages. In overall terms, exports by foreign affiliates rise over time as a percentage of world trade and often as a share of the host country's total exports. Earlier there were fears that automation would lead to a retrenchment of workers in the developing countries. Comparative advantage were not borne out by the vigorous export performance of the foreign affiliates.

There is little doubt that Transnational Corporations can make an important net contribution to export promotion (given a conducive policy environment). Host country with specific resources (like cheap labour) can be

complemented by elements provided by Transnational Corporations. For example, the marketing of exports requires an established network of vertically integrated facilities across countries, or powerful brand names or when production involves easily transferred proprietary inputs or knowledge.

Since foreign direct investment flows tend to be dominated by large oligopolistic firms, especially into the small markets of developing countries, concern is raised regarding their effects on local market structure and competition. These firms can have many types of linkages with local firms. The most important direct linkages are those established with local suppliers of parts, components and services. Apart from direct linkages, there can be various indirect linkages with local competitors. Beneficial linkages may include the spill over of skills and efficiency to local firms partly from externalities created in the form of training and technical efforts which leak out and partly from increasing competitive pressures on local firms in the product and factor markets.

From the above discussion we can see that, with a right kind of policy framework and efficient infrastructure, foreign direct investment can play a pivotal role in the development process of developing and underdeveloped countries.

2.4 FOREIGN DIRECT INVESTMENT AND TECHNOLOGY TRANSFER :

Technology development can be defined to encompass an enormous variety of activities. Industrial technology development can be classified into following four categories.

In the sense that technology is simply the knowledge of how to carry out manufacturing activity. The setting up of a new assembly activity in a developing country can be said to transfer some new knowledge and thereby contribute to the technology of the host country. From this elementary stage, technology development can progress to the knowledge of imported technologies in increasingly sophisticated industries. The gaining of such operating knowledge can be termed as 'know-how'. This will include not only the assimilation of imported techniques but also quality control, imported plant layout and production practices, slight modification to equipment and tooling and so on. It is well accepted now that the aquisition of 'know-how' even in the context of imported technology is real and significant source of technological progress in LDCs (Katz 1978).

The next stage of technology development involves understanding of the nature of underlying process and product technologies. This leads to their substantial adaptation, improvement and even replacement by new processess or products. This process can be termed as 'know-why' capabilities. Such technology development

arises partly as a natural extension and deepening of know-how capabilities. Such technology development arises partly as a result of conscious efforts to develop, design, testing pilot plant and similar activities.

Know-why development is followed by applied research, the application of given scientific knowledge to the process of commercial innovation. The final stage of technology development within industry comprises the ability to undertake basic scientific research pushing back the frontiers of knowledge without regard to specific commercial application.

The contribution of MNCs to technology development in host LDCs can take place at any or all of these levels (Lall 1985). A positive effect at any level may co-exist with a negative effect at another.

The demand of developing countries for techniques developed in advanced countries remains strong. Developed countries' pattern of development is tied to their technologies and in as much as developing countries try to adopt similar patterns of production and consumption, technology transfer becomes indispensable to their efforts (Mingrann 1981). Developing countries see technology transfer as an ideal way of creating independent development capacity and want not only the transfer of technologies but also of technological

capabilities (OECD Report 1981).

In the past, foreign direct investment has been a means for the transfer of technology. But the technology so transferred is frequently unsuited to the requirements because they are developed for industrialised countries. There is also some evidence to show that the average capital-labour ratio of foreign subsidiaries in manufacturing is higher than that of local firms.

Insofar as various forms of investment in the issue of the medium of technology transfer, there has been a diversity of experiences in different countries. Some have successfully transferred technology, yet in others there have been problems and failures. The success of transfer of technology through new forms of investment was dependent on the host country's policies. This is particularly true on the level of technological development in the receiving country and the developed country firm's willingness to share rents and know-how with the local firms. It also depended on the host country's market, the extent of oligopolistic inter-firm competition and the growth potential of the host country.

Almost all newly independent developing countries have encouraged joint ventures and other new forms of investment in order to encourage foreign technology and know-how. At the same time they try to retain control over the investment decisions for example, the rapid

technological advance through new forms of investment can be seen in the case of South Korea (Bohn-Young, Koo 1984).

Another factor that influence the flow of the foreign technology the level of technological development in the host country. For example technologically advanced countries like Korea successfully transferred technology through joint ventures, licencing and turnkey contracts, while others like Algeria, Malaysia and Peru which were technologically less advanced, encountered numerous difficulties. Local firms used licensing on their own initiative to acquire the foreign technology and through it were able to incorporate most recent technological advances.

2.5 RELEVENCE OF ECLECTIC THEORY :

Theoretical discussion on the foreign direct investment at present is dominated by the eclectic theory of international production. According to this theory Foreign Direct Investment is a function of ownership, internalization and locational advantages (Aggarwal 1991). Ownership advantages refer to invisibles like proprietry technology, patented trade marks, controls on market entry etc. Further, these advantages should yield greater benefits to the investors through internalization than through outright sale. Finally, the host country must offer locational advantages like lower

wage costs, cheaper energy or raw materials over the home country of the investors to attract foreign direct investment. In the absence of any of these three factors a firm will try to serve a foreign market through exports or simply shun the market.

This theory is deduced from the experience of foreign investment behaviour of those developed country's investors who have already acted as multinational producers and sellers of goods and services for a sufficiently long time to appear in the front lines of international business (Aggarwal 1991). According to the eclectic theory a firm must have at least one ownership specific advantage over its competitor in a foreign country in order to invest there successfully. These sorts of ownership specific advantages accrue in to the developed country's multinationals because of their larger size and more investment in R&D activities leading to more patents and trademarks. Size also helps a firm to have greater control over the market. Less Developed Countries firms due to their smaller sizes cannot take up R&D activities on a big scale and hence lack patents or even unpatented know-how and also lack renowned trademarks which could give them an edge over their foreign competitors. As a result, big firms certainly have an edge over their counterparts from the developing world. There are only a few companies like the Filipino Brewer Son Mighol; F & N of Singapore; Inca Kola of Peru

or Parle Confectioners of India which have been able to build an international brand name and take advantage of it in promoting their foreign direct investments (Dunning 1981). But investors from developing countries have an extra edge over the investors from developed countries in many respects. Less Developed Countries firms are active in goods produced with mature and standardized techniques which they have not only learned but also adopted to the local climate and social conditions. This gives them an edge over their competitors from Less Developed Countries multinationals (Aggarwal 1991). The optimum size of firms established by Less Developed Countries investors is smaller and more suited to the smaller markets of developing countries. Another advantage of Less Developed Countries firm lies in the fact that managers from the developing countries are used to operating in their own smaller home markets and are also prepared to work at lower salaries than managers from developed countries.

The second condition of the eclectic theory say that the exploitation of ownership-specific advantages through foreign direct investment should be more profitable for the owner of these advantages than their direct or indirect sale. But local entrepreneurs are not always prepared to take on the risk of a new enterprise due to lack of managerial knowhow. This aspect of the market is probably the most important factor behind the internalization of managerial know-how in firms in the

newly industrialised countries. Though it is not of their own creation it helps them to promote their own foreign direct investment instead of exports of their goods and services to lesser developed countries (Aggarwal 1991).

The third postulate of the eclectic theory states that the host country must possess one or more locational advantages over the home country of foreign investor. Locational advantages may be direct i.e. a country may be having some elements of its economy which might attract foreign investors to take up production there or it may be an indirect result of the disadvantages in the home country of an investor. Direct advantages might arise from fiscal incentives, import protection, large or growing domestic markets, natural resources or low cost labour where indirect advantages may be caused by restrictions on monopolistic practices, environmental regulations or market saturation in the home country of the investors.

However it must be remembered that the eclectic theory was conceived for Foreign Direct Investment by private firms, whereas some third world multinationals, as in case of India, are owned by the government. Such cases fall out of the purview of the eclectic theory of international production.

2.6 INTRA-LESS DEVELOPED COUNTRIES INVESTMENT :

In the last one decade or so the multinational enterprises of developing countries have gained in importance due to the fast expansion of their activities, particularly the expansion of investment within south. In fact south-south investments exceeded expectations. In the beginning many fears were raised about their capabilities. Later, however, parallel to the changing attitudes of developing countries towards foreign investments and general activities of multinational enterprises, they attracted more and more attention. Now naturally developing countries are seeking ways and means to promote this kind of co-operation.

Multinational enterprises have become the most important economic entities in the twentieth century. Why? As Rugman has put it " In a perfect market situation, free trade would be the most efficient means of servicing markets abroad. However given the many barriers to trade presently affecting the market, multinational enterprises are a necessary alternative. The ability of multinational enterprises to create internal market enables them to bypass the barriers to trade (Rugman 1985)."

We know firm specific advantages, internalization advantages and country specific advantages become the most important factors leading to the expansion of multinational firms. It was therefore formed in order to

exploit in the most advantageous way firm specific advantages. They materialise country specific advantages, either that of a country of origin or of those countries in which they operate. Internalizing advantages mean not giving them away free through market mechanisms (minimizing transaction costs). On the other hand, multinational enterprises of developing countries are also a part of the defensive reaction of their governments vis-a-vis the activities of transnational enterprises on their markets (Svetlicic 1991). Later such defensive strategy was enriched by active strategy, meaning positive implementation of the benefits of internationalization of production of their own companies and multinational companies of developing countries.

It is believed that multinationals from developing countries apply more adapted labour-intensive technology. That they rely more on local inputs and thus have a positive balance of payment contribution. Their export ratio is similar or higher to that of transnational companies from industrialised countries and that they prefer joint ventures that imply more sharing of managerial and other firm specific advantages (Svetlicic 1991). This has proved to be very important in many developing countries. The package of services offered by multinational enterprises of developing countries seem to be well suited to the factor endowments of many developing countries. They have made important

development contributions.

A considerable attention is being paid to the foreign direct investment flows from developing market economies such as Argentina, Brazil, India and among them more developed countries like Hong Kong, Singapore, Republic of Korea and Taiwan in other developing countries. Of late some oil producing countries like Kuwait, Saudi Arabia or UAE have invested significant capital abroad but these investments are mostly through the acquisition of equity or portfolio interests without any active participation in the management of the enterprises concerned.

Data on foreign direct investments from developing countries are very scarce because only a few of them (e.g. India) publish figures on outflow of foreign direct investments and a few others (e.g. Indonesia) on inflows of foreign direct investments (Aggarwal 1991). The largest investors in Asia were Hong Kong, Korea, Phillipines and Singapore; and in Latin America Argentina, Brazil, Mexico and Venezuela. The largest host countries are Indonesia, Hong Kong and Thailand in Asia and Brazil, Columbia and Ecuador in Latin America.

An important characteristic of these multinationals is that they generally invest in neighbouring countries with sizeable population of similar ethnic and cultural background (Aggarwal 1991). This is because ethnic and

cultural similarity assures the investors of an elastic local supply of personell which suit their tastes and can be trained for managerial and technical jobs. Investing in far away countries with different economic, cultural and political conditions demands very high level of informations and managerial costs and hence is normally avoided by developing countries although there are exceptions to this.

Questions must nevertheless be asked about the efficacy of the suggested new reliance upon direct foreign investment. By now there has been enough experience with this form of international economic interaction that it may be possible to anticipate some of the problems that will arise if there is a significant policy shift back. Particularly relevent when every developing country is at the same time being urged to expand its exports. This the experience with export oriented direct foreign investment.

2.7 The Present Study :

The issues that have been raised above are significant for a developing country. Among these issues a few that are more important for present study were as follows 1) Intra-Less Developed Countries investment; 2) Foreign Direct Investment and technology transfer, 3) Foreign Direct Investment and capital formation. The emerging trends in the investment from Southeast Asia in India

highlight growing trends in intra-Less Developed Countries trade. Technological collaboration is one way of importing technology. A study of the growth of technical collaboration approvals from Southeast Asia will throw some light on technology transfer and foreign direct investment. The issue of capital formation can be dealt with if the level of participation is known, which in case of this study is attempted.

It is not possible to address to all the important issues related to the problem of foreign direct investment both due to the limited scope of the study and other constraints. First of all, the study focuses on the foreign direct investment from the South East Asia only and not on all the Foreign Direct Investment that is coming to India. Given the trends in the world economy and Indian economy's globalisation efforts, the choice of this region becomes natural. This is the area which has given a new meaning to development problem and has proved the feasibility of the model that we are now adopting in our economic policy. 'The Foreign Direct Investment from South East Asia to India' will be a classic example of 'Intra LDCS, Foreign Direct Investment' which is now a growing phenomenon. In this context also, the choice of South East Asia assumes special significance.

The study focuses on understanding the trends and patterns in financial and technical collaborations. It identifies the approvals from the point of view of the

industry. The extent of foreign ownership, country of collaboration, nature of industry, the amount of capital formation is studied. It also makes an attempt to analyse the inflows so as to identify the areas lagging behind and relationship between the inflows and policy.

2.8 OBJECTIVES :

The main objectives of the study can be enumerated as follows :

- 1) To analyse the country-wise distribution and growth of Foreign Investment Approvals.
- 2) To analyse sector-wise distribution and growth of Foreign Investment Approvals.
- 3) To analyse the contribution of Foreign Investment Approvals in the capital formulation both a) countrywise and b) sectorwise.
- 4) To analyse various aspects of Foreign Investment Approvals and technology transfer.

2.9 Data Base:

Diverse sources of data are available on various aspects of foreign direct investment. But country-specific break-up of Foreign Direct Investment is rarely done. Indian Investment Centre publishes country-wise list of foreign collaboration approvals in India in its monthly publication 'Newsletter'. All approvals are listed from

1988 to 1995. United Nations' Centre on Transnational Corporation has a publication on Foreign Direct Investment and technology transfer in India.

2.10 METHODOLOGY :

Time period of the study is from 1988 to 1995. This is because prior to the liberalisation programme, very nominal investment was there from that area. There is virtually no collaboration approvals in the year 1990. So that year is excluded from the study. Data is in the form of a list of approvals containing information about the country, sector, level of equity, nature of collaboration, amount of investment. To obtain the yearwise data for the analysis, simple addition of the individual approvals has been done. This way, sectorwise and countrywise information can be had for different years. The share of various countries in total investment gives the relative importance of the individual country in that region. Similarly, share of various sectors in total investment can be analysed. Another parameter of measuring the quality of investment from approvals is whether the range of investment is high or low. Overall 6 ranges have been made and percentage of different range's approvals to total number of approvals provides information about the strength of particular range. Analysis of technical collaboration is attempted. The analysis of the amount of capital formation is done by

calculating the amount of capital formation using following index

$$C.F. = \frac{I * 100}{X}$$

where C.F. = Amount of capital formation

I = Amount Invested

X = Percentage Equity Share.

After calculating the amount of capital formation, the percentage figure of capital formation to amount invested is calculated. This gives us the Ratio of Capital Formation to Amount Invested.

2.11 ORGANISATION OF THE STUDY

The first chapter includes introductory staement, issues of technology tranfer, intra-less developed countries' investment and foreign investment for India.

The secod chapter hints at theoretical issues of foreign direct investment; direct and portfolio investment, foreign direct investment and technology transfer, relevance of eclectic theory and intra-less developed countries' investment. It also includes objectives, data base and methodology.

The third chapter is about analysis of financial collaborations with Souheat Asia. The analysis shows the growth of financial collaborations with Southeast Asia, their range-wise breakeup and their sector-wise analysis.

The fourth chapter is about foreign collaborations, technology transfer and capital formation. This chapter studies the growth of technical collaborations both country-wise and sector-wise. It also studies the capital formation from foreign investment approvals both country-wise and sector-wise.

The fifth chapter is about the conclusions of the study and some suggestions for the policy framework of the government.

2.12 NOTES

HELLEINER, GERALD K., " Direct Foreign Investment and Manufacturing for Export; A Review of the Issues." in Singer H.W., Hatti N., Tandon R, (1991) edited, Foreign Direct Investments. Indus Publishing Company, New Delhi.

STREETEN, PAUL, "The Role of Direct Private Foreign Investment in Poor Countries" in Singer H.W., Hatti N., Tandon R, (1991) edited, Foreign Direct Investments. Indus Publishing Company, New Delhi.

PFEFFERMANN, G.P., " Foreign Direct Investment in Developing Countries" in Singer H.W., Hatti N., Tandon R, (1991) edited, Foreign Direct Investments. Indus Publishing Company, New Delhi.

DUNNING J.H. (1970) Studies in International Investment, George Allen and Unwin Limited, London.

KINDLEBERGER, CHARLES P. (1976), International Economics, D.B. Tarapoevala Sons and Company Private Limited, Bombay.

UNCTC (1988), Foreign Direct Investment And Technology Transfer In India, United Nations, New York. p-138

UNIDO (1990), A Report On Foreign Direct Investment, United Nations Publications.

Katz (1970), For a survey of results of pioneering research in Latin-America into plant level development of know-how.

LALL, S. (1985), Multinationals and Technology Development in Host Countries, London, McMillan.

MINGRARN, SANTIKARAN (1981), Technology Transfer; A Case Study, Singapore, University Press.

OECD (1981) North-South Technology Transfer, The Adjustments Ahead, OECD, Paris .

BOHN YOUNG, KOO "New forms of foreign investment in Korea " in Charles Oman Paris, (1984), New Forms of Investment in Developing countries : The National Perspective.

J.P.AGGARWAL, J.P. Intra LDCs foreign direct investment; A Comparative Analysis of Third World Multinationals in Singer H.W., Hatti N., Tandon R, (1991) edited, Foreign Direct Investments. Indus Publishing Company, New Delhi.

DUNNING J.H. "Explaining Outward Direct Investment of Developing Countries : In Support of Eclectic Theory" in Kumar K (1981) edit., Multinationals from

Developing Countries & M.G.Mcleod, Lexington Mass D
C Health & Co.

RUGMAN, A.M., LECRAW, D.J., BOOTH, L.D. (1985),
International Business, Firm and Environment, McGraw
Hill Book Company, New York.

SVETLICIC, M., "South-South Investment and
Multinationals of Developing Countries in Singer
H.W., Hatti N., Tandon R, (1991) edited, Foreign
Direct Investments. Indus Publishing Company, New
Delhi.

CHAPTER III

FOREIGN FINANCIAL COLLABORATIONS WITH SOUTHEAST ASIA - A STUDY

3.1 INTRODUCTION :

Joint ventures have now become the common form of private foreign investment in contemporary developing countries. In achieving industrial growth at a faster rate, most of these countries have "....come to see that co-operation with industrially developed countries for use of their capital, their resources and their skill and experience is more economic and ultimately quicker way of achieving industrialisation than to go it alone." (Friedman 1967) This chapter mainly deals with the causes and consequences of financial collaboration in general and specifically in case of India.

The basic idea underlying collaboration is partnership. In its wider sense foreign collaboration encompasses any form of a continuing relationship between two or more national entities for a common economic end. In its narrower sense, it refers to the non-residents' participation in the ownership of an industrial venture. Broadly, therefore by foreign collaboration we refer to the organic form of an enterprise in which there is a continuous profit-seeking relationship involving partnership or cooperative endeavour in ownership and/or production operation between entities of more than one

nationality for more than a very transitory period. The main feature of financial collaboration in contrast to solo-venture is pairing of resident and non-residents and consequent collaboration in risk taking and entrepreneurship. Now the question arises; why collaborations? The motive of collaborations should be examined from the viewpoint of both foreign as well as resident investors in the Indian context.

Foreign investment today emanates mainly from manufacturing corporation. The desire of a foreign corporation to undertake overseas investment in a developing country like India has far deeper economic rationale than mere profit maximisation from specific investment. This is because, dividends and royalty aside collaboration arrangements ensure exporting India of capital goods, raw materials and intermediate goods and such scarce commodities which the potential investor are interested in selling. Given the desire to invest in India, what motivates foreign firms to seek financial collaboration? Obviously, there may be the compulsion arising from the governments hostility towards solo ventures. But this would have been less effective had not many foreign firms realised the relative advantages of joint venture vis-a vis solo venture. Association of domestic investors with the enterprise helps foreign investor to mobilise the requisite domestic resources. For instance, in handling labour relations, a local partner

is a helping factor. Local marketing and publicity require local knowledge. Briefly stated, the motive of foreign investor to set up joint venture has been mainly to have a local intermediary through whom the incidence of investment risk arising out of peculiar economic conditions can be minimised. Ultimately a foreign businessman must be prepared to change his business attitude in conforming with the modernisation taking place in the host country. If he cannot, " he compounds his risk to the point of jeopardising his entire business relationship and in the long run he is helping to dig the grave of free enterprise concept whatever his immediate profits may be." (Robinson 1964). Now we turn our attention towards the motives of Indian collaborant [One who undergoes collaboration]. Main reasons which may be specified were

- 1) To meet the foreign exchange core of the project;
- 2) To acquire technical know how of complex nature and to ensure continuous and closer technical cooperation; and
- 3) To acquire modern management knowhow that would raise efficiency.

In the wake of limited foreign exchange resources of the country, financial collaboration is considered as the expediant method of financing the import of capital

goods. But apart from the reasons listed above, there may be other reasons. For instance, association of foreign firms in the ownership facilitates the use of well known brandnames and trademarks. It also helps the Indian collaborant to raise the required capital, both equity and loan because association of international firms of repute in the ownership is regarded by investing public as a barometer of the security and soundness of investment, Financial collaborations are hence profitable for both foreign firms as well as the hosts, be it a new financial collaboration or a converted one, that is its ownership structure by offering equity shares for non residents. With the liberalisation programme in 1991 India is moving fast in this direction, the effects and consquences of which we are going to discuss in this chapter.

3.2 OBJECTIVES :

Main objective of this study is to study the financial collaborations taking place in India from Southeast Asian countries in terms of number of financial collaborations, amount involved and foreign equity. We intend to do this by;

- 1) Studying the country-wise break up of financial collaborations; and their growth pattern over time;

- 2) Studying the sector-wise break up of financial collaborations and their growth pattern over time; and by
- 3) Studying the amount-wise range of financial collaborations for different years.

3.3 Methodology and Analysis :

India Investment Centre publishes monthly magazine named Newsletter giving full details regarding foreign collaborations. Although in some cases data was inadequate but sufficient information could be extracted from it. From the available data we can explain the country-wise break up of financial collaborations with Southeast Asian countries from 1988 to 1995 with the exception of 1990 because there was virtually no investment in this turbulent year.

3.3a. Growth Of Financial Collaboration from South East Asia

From Tables 1-7 we can see the pattern of financial collaborations, country-wise from Southeast Asia. The tables show the number of financial collaboration approvals. This can be calculated by adding up all the approvals from various issues of the Newsletter. Similarly value of investment can also be calculated. The share of each country in terms of value of investment shows the relative importance of that country. Looking at

these tables we can divide the time period into two phases- the first from 1988 to 1991 and the second phase that is the post-liberalisation period from 1992 to 1995. There has been a quantum jump in the number of financial collaborations approved from 1988 to 1995. From just 4 approvals in 1988 and 5 each in 1989 and 1991, the number of approvals jumped to 75 in 1995. Total foreign investment from Southeast Asia which was a mere 94 lakh rupees went up to Rs. 14072.95 lakh in 1992, Rs. 45020 lakh in 1993, Rs. 36462.9 lakhs in 1994 and soared to Rs. 436093 lakh in 1995. This clearly shows the effects of liberalisation programme on financial collaborations. With the liberalisation programme in July 1991 number of collaborations have increased manifold and that goes to show the willingness of foreign entrepreneurs to invest in a newly liberalised India.

Another important aspect that catches our attention is the number of financial collaboration with Singapore. Between 1988 to 1995, the maximum number of collaborations are with Singapore. From a mere 4 approvals in 1988, the number has risen to 42 in 1995. In recent years two more countries viz. Thailand and Malaysia have turned into very important collaborators. Investment from Thailand in fact touched 81.83 per cent of total investment from Southeast Asia. From the trend of financial collaborations available from 1995 (Table 7) we can see that now a more balanced picture is emerging.

From earlier years when collaborations were confined to just one or two countries, now a days co-operation is increasing with all the Southeast Asian countries, which is a very good sign for the future of financial collaborations. In terms of value of investment as percentage of total investment Singapore is not the only important country. In 1992 Malaysia has topped the list with a share of 52.88 percent while in 1993 Thailand's share was 81.83 percent. In 1995 both Malaysia and Thailand have larger shares than Singapore. This is because Singapore is coming with financial collaboration of smaller amount.

3.3 b. Range-Wise Analysis Of Financial Collaboration from Southeast Asia

The second part of our analysis deals with the range wise distribution of financial collaborations with Southeast Asian countries. Tables 8 to 11 shows this pattern for year 1992 to 1995 for which data were available. The collaborations have been divided on the basis of amount of investment in six different ranges. By adding up all approvals in each range we get number of approvals in that range. Similarly amount of investment in financial approvals in each range can be calculated. The percentage figure in each category shows the relative importance of each range. We can see a sharp and regular increase in the number of approvals with an investment of above 500

lakhs rupees . From a mere 2 approvals constituting 7.14 percent of total number of approvals, the share of this type of collaborations increased to 4 approvals (11.72 percent) in 1993, 13 approvals (20.31 percent) in 1994 and 34 approvals constituting 45.3 percent of total approvals in the year 1995. Financial collaborations of smaller ranges have more or less remained of a steady growth rate. There is neither any big spurt nor decline in their numbers. As our data is of post-liberalisation phase we can say that foreign investors feel that investment in India is pretty safe and are not afraid to take up big ventures here provided this trend continues with a modicum of political stability and a favourable monsoon.

3.3 c. Sector-Wise Growth Of Financial Collaborations From Southeast Asia

Finally, we take a look at the sector-wise distribution of financial collaboration approvals from Southeast Asian countries. Tables 12 to 15 provide sector-wise breakup of financial collaborations. Total approvals have been divided into ten sectors. Total number of approvals under each sector-head have been added up along with the amount of investment. Again percentage value of investment of each sector shows the relative importance of that sector. In the year 1992 major part of foreign investment occurred in the Engineering industry (54.13 percent) and

Chemicals, Drugs and Pharma industry (33.97percent). But in the very next year i.e. 1993 there were very few approvals in these industries. In fact in 1993 there was just one industry that truly flourished and that was Food Processing and Food Products industry with 83.73 percent of the total investment going to it. Year 1994 saw a marked increase in the share of Households and Commercial sector with a share of 40.07 percent of the total investment. Within this sector the major share was of Banking and Insurance sector, because with the opening up of these sectors investment from Singapore and Thailand picked up. Engineering industry received a 17.67 percent share. Another sector that improved quite handsomely was Scientific Instruments with an 18.90 percent share major chunk of investment in this industry came in the fields of Radio Paging and Computer Software. Another industry that started to make a beginning was Hotels and Tourisms although with a very small share of 2.82 percent of total investment with just 3 approvals but in the following year this sector improved its share to 17.59 percent of the total investment. Engineering industry again took the pride of place with a 63.06 percent share. From this analysis we see a fluctuating trend in the sector wise distribution of financial distributions. Except for Engineering industry no other sector has provided a consistent picture. While one year Food Processing topped at another year it was Households and Commercials. However sectors which can be expected to grow are

Engineering industry , Communication (telecom) sector and Commercial sector with Banking operations. Hotel and Tourism industry is also progressing very encouragingly.

3.4 CONCLUSION :

The economic rationale of seeking private foreign capital in the development process is not simply to meet the capital supply deficiency at a given point of time but that the capital is so allocated that it should generate and support an all round development, this will induce more investment and output by a self-generating process of capital formation through 'linkage effect' (Subramaniam 1972). Financial collaborations have two major virtues viz.

- 1) Financial collaborations facilitates import of capital goods through equity participation in industrial ventures and alleviates the foreign exchange problem; and
- 2) Financial collaborations by virtue of dilutions in ownership produces a perceptible diminution in foreign ownership control.

India is now giving due importance to foreign collaborations with the winds of change in the post liberalisation period. Our study is mainly concentrated in this period (1992-1995) and presents before us a very hopeful situation where financial collaborations can be

expected to grow more. Transnational Companies are increasingly investing in India more and more. Although the presence of Transnational Companies in India may be negligible part of their global investments but by investing in ventures here they are going to get a first hand knowledge of the potentials of Indian market and this might induce them to expand their base.

TABLE-3.1

Country wise break up of financial collaboration with Southeast Asia (1988)

Sr. no	Country	No. of financial collaboration approv.	Value of investment Rs. lakhs	Value invest as % total investment.
1.	Singapur	† 4	-	-
2.	Malaysia	0	0	-
3.	Phillipines	0	0	-
4.	Thailand	0	0	-
5.	Indonesia	0	0	-
	Total	4		

† data about value of investment not available

Source:- India investment centre, Monthly Newsletter. (Various issues)

TABLE-3.2

Country wise break up of financial collaboration with Southeast Asia (1989)

Sr. no	Country	No. of financial collaboration approv.	Value of investment Rs. lakhs	Value invest as % total investment.
1.	Singapur	† 5	-	-
2.	Malaysia	0	0	0
3.	Phillipines	0	0	0
4.	Thailand	0	0	0
5.	Indonesia	0	0	0
	Total	5	-	-

† Means data not available

Source:- India investment centre, Monthly news letter. (Varions issues)

TABLE-3.3

Country wise break up of financial collobration with Southeast Asia (1991)

Sr. no	Country	No. of financial collobration approv.	Value of investment Rs. lakhs	Value invest as % total investment.
1.	Singapur	4	76	80.9
2.	Malaysia	1	18	19.1
3.	Phillipines	0	0	0
4.	Thailand	0	0	0
5.	Indonesia	0	0	0
	Total	5	94	100

TABLE-3.4

Country wise break up of financial collobration with Southeast Asia (1992)

Sr. no	Country	No. of financial collobration approv.	Value of investment Rs. lakhs	Value invest as % total investment.
1.	Singapur	22	5728.95	40.71
2.	Malaysia	1	7442	52.88
3.	Phillipines	1	500	3.55
4.	Thailand	2	258	1.79
5.	Indonesia	2	150	1.06
	Total	28	14072.95	100

TABLE-3.5

Country wise break up of financial collobration with Southeast Asia (1993)

Sr. no	Country	No. of financial collobration approv.	Value of investment Rs. lakhs	Value invest as % total investment.
1.	Singapur	21	6125.1	13.61
2.	Malaysia	5	848.4	1.87
3.	Phillipines	4	1175	2.61
4.	Thailand	4	36841.5	81.83
5.	Indonesia	1	38	0.08
	Total	35	45020	100

TABLE-3.6

Country wise break up of financial collobration with Southeast Asia (1994)

Sr. no	Country	No. of financial collobration approv.	Value of investment Rs. lakhs	Value invest as % total investment.
1.	Singapur	43	27214	89.33
2.	Malaysia	9	1956.5	6.42
3.	Phillipines	2	310	1.02
4.	Thailand	10	982.4	3.22
5.	Indonesia	0	0	0
	Total	64	30462.9	100

TABLE-3.7

Country wise break up of financial collobration with Southeast Asia (1995)

Sr. no	Country	No. of financial collobration approv.	Value of investment Rs. lakhs	Value invest as % total investment.
1.	Singapur	42	64484	14.79
2.	Malaysia	15	116646	26.75
3.	Phillipines	5	7251.2	1.66
4.	Thailand	11	196095.8	44.97
5.	Indonesia	2	51616	11.84
	Total	75	436093	100

TABLE-3.8

Range-wise distribution of financial collobration approvals (1992)

B.No.	Range Rs. Lakhs	No. of Apporvals	% of total Approvals	Amount Rs. Lakhs	% of total Amount
1.	0-10	6	21.14	26.45	0.18
2.	10-20	4	14.28	48.2	0.34
3.	20-50	4	14.28	126.5	0.89
4.	50-100	5	17.86	385.77	2.74
5.	100-500	7	25	1544	10.97
6.	Above 500	2	7.14	11942	84.86

TABLE-3.9

Range-wise distribution of financial collobration approvals (1993)

S.No.	Range Rs. Lakhs	No. of Apporvals	% of total Approvals	Amount Rs. Lakhs	% of total Amount
1.	0-10	4	11.42	14.6	0.003
2.	10-20	4	11.42	58.1	0.13
3.	20-50	6	17.14	236.9	0.53
4.	50-100	5	14.28	403	0.9
5.	100-500	12	34.28	3149.9	6.99
6.	Above 500	4	11.42	41157	91.42

TABLE-3.10

Range-wise distribution of financial collobration approvals (1994)

S.No.	Range Rs. Lakhs	No. of Apporvals	% of total Approvals	Amount Rs. Lakhs	% of total Amount
1.	0-10	12	18.71	45.1	0.15
2.	10-20	3	4.68	48.1	0.16
3.	20-50	4	6.25	133	0.44
4.	50-100	13	20.31	879.1	2.89
5.	100-500	19	29.61	4212	13.82
6.	Above 500	13	20.31	25145.2	82.54

TABLE-3.11

Range-wise distribution of financial collobration approvals (1995)

S.No.	Range Rs. Lakhs	No. of Apporvals	% of total Approvals	Amount Rs. Lakhs	% of total Amount
1.	0-10	5	7	33	0.007
2.	10-20	6	8	115.1	0.02
3.	20-50	8	10.7	258	0.06
4.	50-100	8	10.7	582	0.13
5.	100-500	14	18.7	3138.6	0.72
6.	Above 500	34	45.3	43196	99.05

TABLE-3.12

Sector-wise Distribution of Foreign Financial approvals from Southeast Asia (1992)

Sr. No	Name of the Sector	No. of Financial Approvals	Amount Invested Rs. Lakh	% of Total Investment
1	Metallurgy	0	0	0
2	Electrical Equip.	3	444	3.18
3	Transportation	1	3.35	0.02
4	Engineering Industry	7	† 7537.3	54.13
5	Household & Commercials	5	584.9	4.2
6	Scientific Instruments	0	0	0
7	Chemicals, Drugs & Pharma.	3	4729.87	33.97
8	Testiles	0	0	0
9	Food Industry	7	409.5	2.94
10	Hotal & Tourism	2	216	1.55
11	Total	28	13923.72	100

† Data is less then Actual as sepearte data for first 3 months are not available Hence Excluded

TABLE-3.13
Sector-wise Distribution of Foreign Financial approvals from Southeast Asia (1993)

Sr. No	Name of the Sector	No. of Financial Approvals	Amount Invested Rs. Lakh	% of Total Investment
1	Metallurgy	0	0	0
2	Electrical Equip.	5	780.1	1.73
3	Transportation	1	200	0.44
4	Engineering Industry	5	239.6	0.53
5	Household & Commercials	5	3279	7.28
7	Chemicals, Drugs & Pharma.	1	400	0.88
8	Textiles	5	1650.3	3.66
9	Food Industry	10	37694.6	83.73
10	Hotel & Tourism	0	0	0
11	Total	35	45019.3	100

TABLE-3.14
Sector-wise Distribution of Foreign Financial approvals from Southeast Asia (1994)

Sr. No.	Name of the Sector	No. of Financial Approvals	Amount Invested Rs. Lakh	% of Total Investment
1	Metallurgy	4	562.5	1.8
2	Electrical Equip.	9	1391.1	4.57
3	Transportation	2	1400.9	4.59
4	Engineering Industry	8	5384.41	17.67
5	Household & Commercials	14	12209.4	40.07
6	Scientific Instruments	6	5759.5	18.9
7	Chemicals, Drugs & Pharma.	3	337	1.11
8	Textiles	5	592.4	1.94
9	Food Industry	10	1973	6.48
10	Hotel & Tourism	3	860	2.82
11	Total	64	30462.8	100

TABLE-3.15
Sector-wise Distribution of Foreign Financial approvals from Southeast Asia (1995)

Sr. No	Name of the Sector	No. of Financial Approvals	Amount Invested Rs. Lakh	% of Total Investment
1	Metallurgy	5	5365	1.23
2	Electrical Equip.	11	7336.6	1.68
3	Transportation	0	0	0
4	Engineering Industry	15	275001.1	63.06
5	Household & Commercials	15	42009.5	9.63
6	Scientific Instruments	10	14180.4	3.25
7	Chemicals, Drugs & Pharma.	9	12233.8	2.81
8	Testiles	1	10	0.002
9	Food Industry	6	3256.6	0.75
10	Hotel & Tourism	3	76708	17.59
11	Total	70	436100.4	100

3.5 NOTES

Friedman, W.G. and Kalmanoff, G, (1967). Joint International Business Ventures, Transaction Books, New Brunswick. pp.4.

Robinson, B.D. (1964) " International Business Policy, Holt Reinhart and Winston", New York, pp.-100-1.

Subramaniam, K.K. (1972), " Import of Capital and Technology:A Study of Foreign Collaborations in Indian industry". Peoples Publishing House. pp 66.

CHAPTER IV *****

Foreign Collaboration, Technology Transfer and Capital Formation

4.1 INTRODUCTION :

This chapter sets out to examine mainly two aspects of foreign investment. Firstly, it looks into the aspects related to technical collaborations with countries of Southeast Asia. This type of collaborations has direct relationship with the issue of technology transfer. Secondly, we know that capital formation is the key to industrialisation for a developing country like India. Foreign collaboration provides not only a particular amount of foreign investment but also helps in the capital formation to a larger extent than the amount of investment. This chapter looks into various aspects of this issue.

Technological changes are regarded as the most important factor in the process of economic growth. They are related to changes in the methods of production which are the result of some new technique of research or innovation. Changes in technology lead to increase in the productivity of labour, capital and other factors of production.

Kuznets' traces five distinct patterns in the growth of technology in modern economic growth (Kuznets, 1995).

These are related to: an addition to technical knowledge ; an invention; an innovation; an improvement and the spread of invention. In modern economic growth the five factors, mentioned by Kuznets have helped in the development of technology. Kuznets points out that Less Developed Countries must import modern technology to accelerate their productive capacity. But as they adopt imported technology, they must develop their indigenous skills. With regards to local adoption, following Solo (Solo, 1966) three levels may be distinguished:

- 1) The imported equipment and process designed and applied in the context of developed country's environment require on the spot adjustments to suit local conditions.
- 2) An equipment or technique embodies a corpus of knowledge. The mastery of that knowledge and its use in designing new mechanism and technique most appropriate to solving the local problem.

- 3) Basic research to produce further knowledge and mastery of problem solving and information producing apparatus. This way developing countries can have the added 'advantage of the latecomers' (Gerschenkron, 1962). Since development has actually proceeded in the rest of the world they can borrow externally from those achievements and need not repeat the whole life-history of developed countries (Buchanan and Ellis 1965).

The other important economic factor in growth is capital accumulation. Capital means the stock of physically reproducible factors of production. When the capital stock increases with the passage of time this is called capital formation. There are various possibilities of increasing the rate of capital formation. Since the propensity to save is low in an Less Developed Countries, voluntary savings will not come forth in sufficient quantities. Therefore, the obvious way is to resort to forced savings. Nurkse also suggested mobilisation of disguised unemployed in rural areas for construction works as an important means for capital formation in Less Developed Countries. Besides there are external resources in the form of loans, grants and larger exports that can help in capital formation.

Capital formation is the main key to economic growth. On the one hand, it creates productive efficiency for future production and on the other hand it reflects effective

demand. Capital formation possesses special importance for Less Developed Countries as it reflects the productive capacity of that country. It is essential to meet the requirements of an increasing population. Investment in capital goods not only raises production but also employment opportunities. It is capital formation that leads to technological progress. Technological progress in turn leads to specialisation and the economies of large scale production. It is also capital formation that leads to the exploitation of natural resources, industrialisation and expansion of markets which are essential for economic progress. According to Lewis(1954), the rate of capital formation in LDCs is 5 percent or less which should be raised to the level of 12 to 15 percent. The estimates of Kuznets(1955) reveal that during modern economic growth gross capital formation in developed countries was from 11-13 percent to 20 percent and above.

4.2 OBJECTIVES :

Given the importance of import of technology and capital formation with part of the investment coming from foreign collaborations, the main objectives of this study are :

- i) To analyse the country-wise distribution and growth of technical collaborations.
- ii) To analyse the sector-wise distribution and growth of technical collaborations.
- iii) To analyse the country-wise contribution of foreign investment in capital formation.
- iv) To analyse the sector-wise contribution of foreign investment in capital formation.

4.3 HYPOTHESES :

To study above stated objectives following hypotheses have been identified.

- i) There has been a quantum jump in technical collaborations because of the liberalisation programme undertaken by India in 1991.
- ii) Foreign investment helps greatly in capital formation in developing country like India. There is more than 2 : 1 ratio in capital formation and foreign investment because under a foreign collaboration foreign capital works with some capital of the host country.

4.4 ANALYSIS i

4.4 a. The concept i

Given the desirability of imported technical know-how by an industrial enterprise in a developing country, there are two routes (Florde 1957) which may be taken, namely:

- 1) Individual route, and
- 2) Institutional route.

The first implies acquisition and assimilation of foreign know-how on an individual basis person by person by recruiting suitable technical person abroad or by entering into consultancy arrangements with foreign technicians (Subramanian 1972). But more usual way is the institutional route. Private foreign investment of sole venture type is one sub-type of institutional route. When a foreign firm sets up a manufacturing unit in a developing country the flow of know-how is transferred and assimilated by local personnel directly and transmitted indirectly to other local enterprises.

The other channel is foreign collaboration. This channel is distinguished by a contractual relationship between two self-governing entities for joint association on mutually agreed lines to carry on the manufacturing operations. The association of foreign firms jointly with local enterprise in the production process by transfer of technical know-how at a predetermined rate of return is the core of foreign technical collaboration. In its

structural form an enterprise with foreign technical collaboration may be -

- 1) Pure Technical collaboration, or
- 2) Financial-cum-technical collaboration.

In either form, the unique feature is that the functions of the partners are defined and executed through an instrument of contract known as collaboration agreeent.

The choice of collaboration :

The questions that arise in case of technical know-how import being: which is the most efficacious route and in the selected route which channel. The nature of local organisation, technological character of the know-how, the nature of know-how supplier, size of production unit. Given the nature of local control, the choice of particular route is strengthened or weakened by the nature of know-how required. Where technology is not of very intricate nature and is not covered by patent protection the local promoter may not seek foreign collaboration.

Other parameters held aside the factors which will decide the preference for different channels of technology import may be set down in the following propositions (Subramanian 1972).

The longer the entrepreneurial experience of the local promoter the greater the desire for local control and

consequently, the less would be the preference for financial-cum-technical collaboration and vice-versa.

The more standardised the product , the less complex the know-how, and consequently the less would be preference for institutional route and vice-versa.

The higher the degree of process differentiation, higher the product specialisation and consequently greater would be the preference for financial-cum-technical collaboration and vice-versa.

The longer the duration of know-how requirements, the longer the association of foreign firm and consequently greater would be the preference for financial-cum-technical collaboration.

The larger the size of operation the more complicated the industrial control system and consequently the greater would be the preference for financial-cum-technical collaboration.

4.4 b. Growth of Foreign Technical Collaboration from Southeast Asia: :

Currently comprehensive data on the import of technology through foreign collaboration is rather easily available. From Table 1, relating to the foreign technical collaborations from Southeast Asia we can see two distinct phases of technical collaboration agreements.

This extends from 1988 to 1991 and then from 1992 to 1995. There has been a clear spurt in the number of technical collaboration agreements. The most obvious reason seems to be Industrial policy 1991 which is very favourable to foreign investment (Industrial Policy 1991). Whereas in the first period the number of technical collaboration agreements was around 10 (average being 7.3), it has been around 20 in the second phase i.e. 1992 to 1995 (average of this period is 22.75). Along with the policy change, the special attention was given to the region of Southeast Asia and the result was increase in co-operation. In one single year i.e. 1992 the number of technical collaboration agreements reached to 16 from a low 6 in 1991.

Another distinction between two phases is that in the first phase only Singapore and Malaysia used to enter the technical collaboration, whereas in the second phase other countries from the region also showed interest. Thailand is one country which has shown an increasing trend in the number of technical approvals (Table 1). Phillipines is the other major country which has come up. Indonesia has also come forward for collaboration in the second phase. Singapore has topped the list of number of technical collaboration in all the years except in 1995. In this particular year there was a decline in number of approvals because of the slowing of the economic reforms in India. This was reflective of political compulsions of

the election year. In this year Phillipines has taken the lead.

In the year wise analysis there has been a continuous growth in the number of technical collaboration. The two years that are exception to this trend are 1989 and 1995. In 1989, the reason for the decline were more political than economic as we all know that this was the period of political upheaval for India. In recent years there has been a structural change in the pattern of approvals in India (ISID March 1995). There has been a shift in favour of financial collaboration which explains the fall in the number of foreign technical collaboration in 1995 while the total number of foreign collaboration is increasing. In recent years the relative significance of financial collaborations in the total industrial approvals has increased rapidly. From around 10 to 15 percent during the latter half of 1970s, the financial collaboration accounted for more than half of total approvals during 1993 onwards. In case of the Southeast Asia, the number of total industrial approvals has risen continuously which explains the lowering of significance of pure technical collaborations. These observations tend to indicate the decreasing importance of arms-length transfer of technology which is giving way to technology transfer among affiliates as pure technical collaboration is converted into financial collaboration (ISID March 1995).

4.4 c. Sector-wise Break-up of Technical Collaboration

Approvals from Southeast Asia:

It has been a constant effort of Foreign Exchange Regulation Act, 1973 and Government of India to channelise foreign direct investment into manufacturing industry. A sector-wise break-up of the technical collaboration agreements becomes important in this light. The Manufacturing Industry is divided into the following sub-parts: Food Products; Textiles; Chemicals and allied products ; Metals and Metal Products; Machinery except Electrical; Electric and Electronic Equipment and Transportation Equipment. From Table 2 which shows the sector-wise breakup of Technical Collaboration Approvals from Southeast Asia in every year total number of technical collaborations are added for each sector. Going by this classification, 50 percent of the foreign technical collaboration were in manufacturing industry from Southeast Asia in 1988. In 1992 this figure was 68.75 percent. In 1993 the percentage of technical collaboration in manufacturing industry was 66.67. In 1994, the figure declined to 65.7 percent. This decline may be explained by sixfold rise in Households and Commercials and by a year to year fluctuation which can be taken as normal in the initial years of any process. In 1995, out of 22 agreements, 18 agreements were in manufacturing industry i.e. 81.81 percent. So, we have seen a rise in the number of a technical collaboration

approvals in manufacturing industry, which shows the increasing depth of the economic relations of India with this region. This is because manufacturing industry is the most important sector for developing country like India .

4.4 d. Capital Formation from Foreign Investment

Approvals:

In the data, every approval shows the share of foreign equity from 1992 onwards. Since liberalisation policy has allowed more foreign equity ,we now find foreign collaboration with different ranges of equity share (Industrial Policy 1991). This equity share along with the foreign investment gives an account of capital formation in that project.

$$C.F. = I * 100 / X$$

Where C.F. = amount of capital formulation

I = amount invested

X = percent equity share

Tables 3,4,5,6 give account of country wise analysis of capital formation from Foreign Investment Approvals for years 1992,1993,1994 and 1995 respectively.

The amount of capital formation here is directly proportional to amount of investment as investment is in the numerator of the index and inversely proportional to equity share percentage as this is in the denominator.

To reach at some relationship between amount invested and amount of capital formation the indicator used is capital formation as percent of investment. From the tables 3 to 6 it has been observed that 1992, capital formation was 203.49 percent of the amount invested. The countrywise figure do not reveal a true picture as the data for January to April are given without the level of equity shares. The figure for 1993 is 212.27 per cent. This figure shows an improvement over the last year. Among the country-list, Philippines topped the list with an extraordinary figure of 700.9 percent. This is primarily because of low level of equity participation as there is inverse relationship between level of participation and capital formation. Capital formation as per cent of investment is 236.35 percent for 1994 which is again an improvement over the last year figure. Philippines again tops the list of individual country with a figure of 928.38 percent. Thailand also has an impressive figure of 337.24 percent. The figure for 1995 is 159.18 which is a sharp fall over the last year figure. This fall is because of increasing equity share in the foreign collaboration agreements. The other feature of this year is that it is Malaysia that has highest percentage of capital formation as percent of investment viz. 761.5 percent and Philippines has shown a decline to 199.77 percent. The average of total capital formation as percent of amount invested for these four year (1992 to 1995) is 202.82 percent. This result proves our

hypothesis that there is more than 2 : 1 ratio in capital formation and amount invested in foreign collaboration approvals.

4.4 e. Capital Formation in Different Sectors From Foreign Collaboration Approvals From Southeast Asia :

In this analysis, again, all approvals are divided into ten different sectors. From the Tables 7 to 10 dealing with capital formation in different sectors, in 1992 Household and Commercials topped the list with 562.79 percent of the total investment in that sector. Food industry has a figure of capital formation (as 385.81 percent of the investment) in that sector. Chemicals, Drugs have the value of capital formation as percentage of amount invested as 150 percent that shows a high degree of participation in collaboration in this sector. This means that in core sectors, foreign investment has a high participation. The overall figure for the year 1992 is 204.55 percent which is above the averages 200 percent in 1993, Textiles have the highest ratio of capital formation to investment, 5.4:1. Scientific instrument sector industry also has a high ratio of 3.3:1. As against the last year figures, Households and Commercials have the lowest capital formation as a percentage of investment 177.4 percent. Total

capital formation as percent of total investment in 1993 was 219.34 . This again testifies the hypothesis. (That there is more than 2:1 ratio in capital formation and amount invested in foreign collaboration agreements.) In absolute value terms, Food Industry has the highest amount of capital formation which is 77.47 percent of the total amount of capital formation. In 1994, Metallurgy had the highest ratio of capital formation to investment, 8.5 : 1. Textiles, again had a good ratio of 4.5 : 1. The total capital formation as a percent of investment is 210 percent which is according to hypothesis. Scientific Instruments and Chemicals, Drugs had low ratio of capital formation to investment 1.18:1 In 1995, going by the figures, textiles had capital formation of 500 percent of investment but the absolute amount of investment (Rs.10 lakh) makes it an irrelevant figure as it is too small a figure to compare. Next highest percentage figure is in Metallurgy, 276.47 percent. The percentage of capital formation to total investment is low at 176.6 percent. This is because of some big projects coming with high level of equity participation in total capital of the project.

Looking from different angles we see that the share of capital formation in manufacturing industry was 87 percent in 1992, 95 percent in 1993, 50 percent in 1994 and 89 percent in 1995. This means high level of capital

formation is being undertaken in the Manufacturing Sector which is a healthy sign.

4.5 CONCLUSION :

Going by the analysis we can safely conclude that there has been a quantum jump in the number of foreign technical collaboration after the liberalisation programme was undertaken by India in 1991. This means our first hypothesis of the chapter is true. Our second hypothesis was that foreign investment helps greatly in capital formation in developing country like India. There is more than 2 : 1 ratio in capital formation and foreign investment. In our analysis, this hypothesis is correct in both way i.e. countrywise and sector wise but in 1995, there are exceptions to this rule when we consider individual cases both country wise and sector wise.

TABLE 4.1
COUNTRY WISE BREAK UP OF FOREIGN TECHNICAL COLLABORATION WITH SOUTH EAST ASIA (1988-95)

NAME OF THE COUNTRY	YEAR	1988	1989	1991	1992	1993	1994	1995
		NO OF TECH. COLLABORATION						
MALAYSIA		3.00	0.00	2.00	2.00	2.00	1.00	1.00
SINGAPORE		7.00	6.00	4.00	10.00	11.00	17.00	9.00
INDONESIA		0.00	0.00	0.00	0.00	1.00	1.00	0.00
PHILIPPINES		0.00	0.00	0.00	1.00	0.00	6.00	10.00
THAILAND		0.00	0.00	0.00	3.00	4.00	10.00	2.00
TOTAL		10.00	6.00	6.00	16.00	18.00	35.00	22.00

TABLE 4.2
SECTOR WISE BREAKUP OF FOREIGN TECHNICAL COLLABORATION FROM SOUTH EAST ASIA. (1988- 95)

SECTOR	YEAR	1988	1989	1991	1992	1993	1994	1995
		NO OF TECH. COLLABORATION						
METALLURGICAL INDUSTRY		0.00	0.00	0.00	2.00	1.00	4.00	0.00
ELECTRICAL EQUIPMENTS		1.00	0.00	1.00	1.00	1.00	4.00	2.00
ENGINEERING INDUSTRY		0.00	0.00	1.00	2.00	2.00	3.00	1.00
HOUSEHOLD & COMMERCIALS		4.00	3.00	1.00	4.00	2.00	12.00	3.00
SCIENTIFIC INSTRUMENTS		1.00	1.00	0.00	2.00	2.00	0.00	2.00
CHEMICALS DRUGS & PHARMA.		2.00	0.00	1.00	2.00	0.00	0.00	2.00
TEXTILES		0.00	1.00	0.00	0.00	0.00	1.00	0.00
FOOD IND.		1.00	1.00	1.00	3.00	6.00	11.00	11.00
HOTEL & TOURISM.		1.00	0.00	1.00	0.00	4.00	0.00	1.00
TRANSPORTATION		0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL		10.00	6.00	6.00	16.00	18.00	35.00	22.00

TABLE 4.3

CAPITAL FORMATION FROM FOREIGN INVESTMENT APPROVALS FROM SOUTH EAST ASIA (1992)

COUNTRY	AMOUNT OF INVESTMENT (Rs. LAKH)	AMOUNT OF CAPITAL FORMATION (Rs. LAKH)	CAPITAL FORMATION AS % OF INVESTMENT
MALAYSIA	7442.00	15187.75	204.08
SINGAPORE	5728.95	12661.22	221.00
INDONESIA	150.00	175.02	116.67
PHILIPPINES	500.00	612.50	122.40
THAILAND	252.00	-	-
TOTAL	14072.95	28636.49	203.49

DATA FOR JANUARY TO APRIL ARE GIVEN WITHOUT THE LEVEL OF EQUITY.
SO, IT IS EXCLUDED IN THIS FIGURE.

TABLE 4.4

CAPITAL FORMATION FROM FOREIGN INVESTMENT APPROVALS FROM SOUTH EAST ASIA (1993)

COUNTRY	AMOUNT OF INVESTMENT (Rs. LAKH)	AMOUNT OF CAPITAL FORMATION (Rs. LAKH)	CAPITAL FORMATION AS % OF INVESTMENT
MALAYSIA	840.40	2097.96	249.60
SINGAPORE	6125.10	11239.95	183.40
INDONESIA	38.00	190.00	500.00
PHILIPPINES	1175.00	8236.09	700.90
THAILAND	36841.50	73803.30	200.30
TOTAL	45020.00	95567.30	212.28

TABLE 4.5

CAPITAL FORMATION FROM FOREIGN INVESTMENT APPROVALS FROM SOUTH EAST ASIA (1994)

COUNTRY	AMOUNT OF INVESTMENT (Rs. LAKH)	AMOUNT OF CAPITAL FORMATION (Rs. LAKH)	CAPITAL FORMATION AS % OF INVESTMENT
MALAYSIA	1956.50	3218.45	164.57
SINGAPORE	27214.00	62589.50	229.99
INDONESIA	0.00	0.00	0.00
PHILIPPINES	310.00	2878.26	928.38
THAILAND	982.40	3314.86	337.24
TOTAL	30462.90	72001.07	236.36

TABLE 4.6

CAPITAL FORMATION FROM FOREIGN INVESTMENT APPROVALS FROM SOUTH EAST ASIA (1995)

COUNTRY	AMOUNT OF INVESTMENT (Rs. LAKH)	AMOUNT OF CAPITAL FORMATION (Rs. LAKH)	CAPITAL FORMATION AS % OF INVESTMENT
MALAYSIA	11646.00	88684.74	761.50
SINGAPORE	64484.00	108218.61	167.82
INDONESIA	51616.00	87448.98	169.42
PHILIPPINES	7251.20	18072.72	249.23
THAILAND	196095.80	391747.45	199.77
TOTAL	331093.00	694172.50	1547.74

TABLE 4.7
SECTOR WISE BREAKUP OF CAPITAL FORMATION FROM FOREIGN COLLABORATION APPROVALS FROM SOUTH EAST ASIA. (199

SECTOR	AMOUNT OF INVESTMENT (Rs. LAKH)	AMOUNT OF CAPITAL FORMATION (Rs. LAKH)	CAPITAL FORMATION AS % OF INVESTMENT
METALLURGICAL INDUSTRY	0.00	0.00	0.00
ELECTRICAL EQUIPMENTS	444.00	839.60	189.09
TRANSPORTATION	3.35	7.10	215.15
ENGINEERING INDUSTRY	7537.30	15231.68	202.08
HOUSEHOLD & COMMERCIALS	584.90	3291.78	562.79
SCIENTIFIC INSTRUMENTS	0.00	0.00	0.00
CHEMICALS DRUGS & PHARAMA.	4729.87	7100.00	150.10
TEXTILES	0.00	0.00	0.00
FOOD IND.	409.50	1578.00	385.81
HOTAL & TOURISM.	216.00	432.00	200.00
TOTAL	13923.72	28480.16	204.55

TABLE 4.8
SECTOR WISE BREAKUP OF CAPITAL FORMATION FROM FOREIGN COLLABORATION APPROVALS FROM SOUTH EAST ASIA. (1)

SECTOR	AMOUNT OF INVESTMENT (Rs. LAKH)	AMOUNT OF CAPITAL FORMATION (Rs. LAKH)	CAPITAL FORMATION AS % OF INVESTMENT
METALLURGICAL INDUSTRY	0.00	0.00	0.00
ELECTRICAL EQUIPMENTS	780.10	1560.42	200.00
TRANSPORTATION	200.00	500.00	250.00
ENGINEERING INDUSTRY	239.60	510.32	213.50
HOUSEHOLD & COMMERCIALS	3279.00	5817.37	177.40
SCIENTIFIC INSTRUMENTS	1223.70	4104.41	335.40
CHEMICALS DRUGS & PHARMA.	400.00	810.01	202.50
TEXTILES	1650.30	8939.30	541.61
FOOD IND.	37694.60	76504.81	202.96
HOTAL & TOURISM.	0.00	0.00	0.00
TOTAL	45467.30	98746.64	219.34

TABLE 4.9
SECTOR WISE BREAKUP OF CAPITAL FORMATION FROM FOREIGN COLLABORATION APPROVALS FROM SOUTH EAST ASIA. (19

SECTOR	AMOUNT OF INVESTMENT (Rs. LAKH)	AMOUNT OF CAPITAL FORMATION (Rs. LAKH)	CAPITAL FORMATION AS % OF INVESTMENT
METALLURGICAL INDUSTRY	562.50	4837.00	859.91
ELECTRICAL EQUIPMENTS	1391.10	3007.70	216.20
TRANSPORTATION	1400.90	2410.00	172.10
ENGINEERING INDUSTRY	5384.80	7403.70	137.50
HOUSEHOLD & COMMERCIALS	12209.40	30595.10	250.60
SCIENTIFIC INSTRUMENTS	5759.50	6793.50	118.21
CHEMICALS DRUGS. & PHARMA.	337.00	400.30	118.70
TEXTILES	592.40	2681.90	453.00
FOOD IND.	1973.00	4171.50	211.40
HOTAL & TOURISM.	960.00	1727.60	200.80
TOTAL	30570.60	64028.30	210.20

TABLE 4.10
SECTOR WISE BREAKUP OF CAPITAL FORMATION FROM FOREIGN COLLABORATION APPROVALS FROM SOUTH EAST ASIA. (1

SECTOR	AMOUNT OF INVESTMENT (Rs. LAKH)	AMOUNT OF CAPITAL FORMATION (Rs. LAKH)	CAPITAL FORMATION AS % OF INVESTMENT
METALLURGICAL INDUSTRY	5365.00	14833.13	276.47
ELECTRICAL EQUIPMENTS	7336.60	15394.69	209.80
TRANSPORTATION	0.00	0.00	0.00
ENGINEERING INDUSTRY	275001.10	584431.42	212.50
HOUSEHOLD & COMMERCIALS	42009.50	73070.60	173.30
SCIENTIFIC INSTRUMENTS	14180.30	28873.84	203.60
CHEMICALS DRUGS & PHARAMA.	12233.80	33558.26	274.30
TEXTILES	10.00	50.00	500.00
FOOD IND.	3256.60	7633.69	234.40
HOTAL & TOURISM.	76708.00	11873.73	154.70
TOTAL	436100.90	769719.36	176.50

4.6 NOTES

Kuznets, S. (March 1955), "Economic Growth and Income Inequality". American Economic Review.

Solo, R. (May 1966), "The Capacity to Assimilate and Advanced Technology" American Economic Review. Papers and Proceedings.

Gerschenkron, Alexander (1962), "Economic Backwardness in the Historical Perspective". Mass, Harvard University Press, Cambridge.

Buchanan, N.S. and Ellis, H.S. (1965) "Approaches to Economics Development" in The Economics of Development and Planning by Jhingan, M.L., Konark Publishers Pvt. Ltd. Delhi. PP.25.

Lewis, W.A. (May 1954), "Economic Development and Unlimited Supplies of Labour". The Manchester School.

Kuznets, S. (March 1955), "Economic Growth and Income Inequality". American Economic Review.

Florde, J.S. ("International Trade in Managerial Skills" Basil Blackwell, Oxford 1957) distinguishes four routes viz. individual route, joint venture, product specialised investment and managing agency. Two way classification has been adopted in this chapter as the last named two routes are not very relevant in Indian case in recent years.

Subrahmanian, K.K. (1972), "Import of Capital and Technology: A Study of Foreign Collaborations in Indian Industry". People's Publishing House, New Delhi pp.102.

Subrahmanian, K.K. (1972), op. cit. pp106

Industrial Policy Statement, Government of India 1991.

Project Report, Foreign Investment Approvals and Implementation Status: A Review (Aug. 1991-Dec. 1994) ISID New Delhi March 1995. pp.33.

Project Report, op. cit. pp 33

Industrial Policy, op. cit. 1991.

CHAPTER V

CONCLUSION

Private Foreign Investment in the form of foreign collaboration (Joint-venture) as a channel for the import of capital and technology from abroad is generally considered important to help bridge the balance-of-payments gap and technological gap. However, the presence of 'externalities', market imperfection and information limitation however the net national advantage from the import of foreign capital and technology through the channel of foreign investments and collaborations can not be taken for granted. This is because so that the operation of terms and conditions determined by collaborating parties on market considerations. It is therefore necessary and desirable that the host country design appropriate policy measures to regulate and control the entry, allocation and operation of private foreign investments in conformity with its long-term national interests. The effectiveness of foreign collaboration as the channel for the import of capital and technology as propellants to industrialisation in developing country like India would depend inter alia on the adaptability of its official policy. The present study divides the time period into pre and post liberalisation phases. The growth of investment approvals in the second phase proves the above point.

The economic rationale of seeking private foreign capital in the development process is not simply to meet the capital supply deficiency at a given point of time. The allocation of capital should generate and support an all round development. This will induce more investment and output by a self-generating process of capital formation through 'linkage effect'. Financial collaborations have two major virtues namely:

- 1) Financial collaborations facilitates import of capital goods through equity participation in industrial ventures and alleviates the foreign exchange problem; and
- 2) Financial collaborations by virtue of dilutions in ownership produces a perceptible diminution in foreign ownership control.

India is now giving due importance to foreign collaborations with the winds of change in the post liberalisation period. Our study is mainly concentrated in this period (1992-1995) and presents before us a very hopeful situation where financial collaborations can be expected to grow more. Transnational Companies are increasingly investing in India more and more. Although the presence of Transnational Companies in India may be negligible part of their global investments but by investing in ventures here they are going to get a first hand knowledge of the potentials of Indian

market and this might induce them to expand their base.

Going by the analysis of chapter IV we can safely conclude that there has been a quantum jump in the number of foreign technical collaboration after the liberalisation programme was undertaken by India in 1991. The first hypothesis was that there has been a quantum jump in technical collaborations because of the liberalisation programme undertaken by India in 1991. This means our first hypothesis of the chapter is true. Our second hypothesis was that foreign investment helps greatly in capital formation in developing country like India. There is more than 2 : 1 ratio in capital formation and foreign investment. In our analysis, this hypothesis is correct in both way i.e. countrywise and sector wise. But in 1995, there are exceptions to this rule when we consider individual cases both country wise and sector wise.

we can say that policy framework is a key factor in foreign investment. Therefore, the liberalisation programme initiated in 1991 should be taken to a stage of its natural conclusion. Study shows that political instability causes decline in foreign investment approvals as in 1995. Government must, therefore, declare a minimum programme of economic policies so that the economic effects of political instability are minimised. Research and Development must be stepped up to assimilate and improve upon the transferred technology. As foreign investments are sensitive to profit,

core sector investments should be made viable by proper incentives. Basic thrusts of foreign investments should be directed towards infrastructure and core sectors. Capital formation from foreign investment are dependent on the percentage equity shares of the collaborant over and above the size of investment. Government must approve large number of foreign investment proposals than a few large proposals.

BIBLIOGRAPHY:

Books

- Agarwala P N, Role and Impact of Multinationals, Allied Publishers, New delhi, 1991.
- Agarwal R.G. (1971) 'Third World Joint Ventures- Indian Experience, Allied Publishers, New Delhi.
- Aggarwal, J.P. Intra LDCs foreign direct investment; A Comparative Analysis of Third World Multinationals in Singer H.W., Hatti N., Tandon R, (1991) edited, Foreign Direct Investments. Indus Publishing Company, New Delhi.
- Buchanan, N.S. and Ellis, H.S. (1965). "Approaches to Economics Development" in The Economics of Development and Planning by Jhingan, M.L., Konark Publishers Pvt. Ltd. Delhi. PP.25.
- Bhagwati J and Shrinivasan T N, India's Economic Reforms, Report to the Minister of Finance, July 1993.
- Bhalla V K, Foreign Investment and new Economic Policy, Anmol Publication Pvt. Ltd. New Delhi, 1994.
- Bohn YOUNG, KOO "New forms of foreign investment in Korea " in Charles Oman Paris, (1984), New Forms of Investment in Developing countries : The National Perspective.
- Cmie, The Shape of Things to Come: Survey of Investment Projects, December 1994.
- Dun & Bradstreet International, Who Owns Whom: United Kingdom & Republic of Ireland, vol 1 &2, Dun & Bradstreet Ltd., England, 1987.
- Dun & Bradstreet International, Who Owns Whom: Australasia & Far East, Dun & Bradstreet Ltd., England, 1987.
- Dunning J.H. (1970) Studies in International Investment, George Allen and Unwin Limited, London.
- Dunning J.H. "Explaining Outward Direct Investment of Developing Countries : In Support of Eclectic Theory" in Kumar K (1981) edit., Multinationals from Developing Countries & M.G.Mcleod, Lexington Mass D C Health & Co.

- Florde, J.S. ("International Trade in Managerial Skills" Basil Blackwell, Oxford 1957) distinguishes four routes viz. individual route, joint venture, product specialised investment and managing agency. Two way classification has been adopted in this chapter as the last named two routes are not very relevant in Indian case in recent years.
- Friedman, W.G. and Kalmanoff, G. (1967) Joint International Business Ventures, Transaction Books, New Brunswick. pp.4.
- Gerschenkron, Alexander (1962), "Economic Backwardness in the Historical Perspective". Mass, Harvard University Press, Cambridge.
- Goyal S K & Rao K S Chalapati, Ownership and Control Structure Of the Indian Press, Report submitted to the Second Press Commission, Government of India, 1981.
- Goyal S K, et. al., Foreign Investment Approvals: An Analysis (August 1991 - July 1993), a study conducted by presented to the Ministry of Finance, Government Of India, New Delhi, 1994.
- Goyal, S.K. (1979) Monopoly and Public Sector Policy Allied Publishers, Delhi.
- IIC, Foreign Investment policy Of India, Delhi Public Printing, 1979.
- Helleiner, GERALD K., " Direct Foreign Investment and Manufacturing for Export; A Review of the Issues." in Singer H.W., Hatti N., Tandon R, (1991) edited, Foreign Direct Investments. Indus Publishing Company, New Delhi.
- India, Foreign Collaborations: A Compilation. Department of Scientific & Industrial Research, Ministry of Science and Technology, (various issues).
- Industrial Policy Statement, Government of India 1991.
- Jalan B, India's Economic Crises - The Way Ahead , New Delhi, OUP, 1991.
- Katz (1970), For a survey of results of pioneering research in Latin-America into plant level development of know-how.

- Kidron Michael, Foreign Investment In India, Oxford University Press, London, 1965.
- Kindleberger, Charles P.(1976), International Economics, D.B.Tarapoevala Sons and Company Private Limited, Bombay.
- Kumar Nagesh, Determinants of Traditional & New Forms of Foreign Investments - The Case of Indian Manufacturing, RIS, New Delhi, 1982.
- Kumar Nagesh , Multinational Enterprises in India, Routledge, London, 1990.
- Kuznets, S. (March 1955), "Economic Growth and Income Inequality". American Economic Review.
- Lall, S.(1985), Multinationals and Technology Development in Host Countries, London, McMillan.
- Lall Sanjya & Streeten Paul, Foreign Investment Transnationals and Developing Countries, Macmillan press Ltd, london 1980.
- Lewis, W.A. (May 1954), "Economic Development and Unlimited Supplies of Labour". The Manchester School.
- Martinussen John, Transnational Corporation in Developing Countries: An Indian Experience, Sage Publication, New Delhi, 1988.
- Mingrarn, Santikaran (1981), Technology Transfer; A Case Study, Singapore, University Press.
- OECD (1981) North-South Technology Transfer, The Adjustments Ahead, OECD, Paris .
- Pfeffermann, G.P., " Foreign Direct Investment in Developing Countries" in Singer H.W., Hatti N., Tandon R, (1991) edited, Foreign Direct Investments. Indus Publishing Company, New Delhi.
- Project Report, Foreign Investment Approvals and Implementation Status: A Review (Aug. 1991-Dec. 1994) ISID New Delhi March 1995. pp.33.

Puranik Alok, Small and Medium Sized Transnational Corporations In India, a report submitted to the TMCD Division of United Nations Department of Economic and Social Development, 1992.

Robinson, B.D. (1964) "International Business Policy, Holt Reinhart and Winston", New York. pp. -100-1.

Rugman, A.M., LECRAW, D.J., BOOTH, L.D. (1985), International Business, Firm and Environment, McGraw Hill Book Company, New York.

Saini M K, Politics of Multinationals, Gitanjali Publications, New Delhi, 1981.

Shekhar Chandra, Political Economy of India ICID, Vikas Publishing House, Delhi, 1992.

Singer Hans, Hatti Neelamber and Tandon Rameshwar, Technology Transfer by Multinationals, Part-1, Ashish Publishing House, New Delhi, 1988.

Singer Hans, Hatti Neelamber and Tandon Rameshwar, Technology Transfer by Multinationals, Part-2, Ashish Publishing House, New Delhi, 1988.

Solo, R. (May 1966), "The Capacity to Assimilate and Advanced Technology" American Economic Review. Papers and Proceedings.

Statement on Industrial Policy, Government of India, 1991: Para 13.

Streeten, Paul, "The Role of Direct Private Foreign Investment in Poor Countries" in Singer H.W., Hatti N., Tandon R. (1991) edited, Foreign Direct Investments. Indus Publishing Company, New Delhi.

Subrahmanian K K & Pilai P Mohanan, Multinationals and Indian Export: A study of Foreign Collaboration & Export, Sardar Patel Institute of Economic & Social Research, Ahmedabad, 1978.

Subrahmanian, K.K. (1972), "Import of Capital and Technology: A Study of Foreign Collaborations in Indian Industry". People's Publishing House, New Delhi pp. 102.

Subramaniam, K.K. (1972), "Import of Capital and Technology: A Study of Foreign Collaborations in Indian industry". Peoples Publishing House. pp 66.

Subrahmanian, K.K. (1972), op. cit. pp106

Svetlicic, M., "South-South Investment and Multinationals of Developing Countries in Singer H.W., Hatti N., Tandon R, (1991) edited, Foreign Direct Investments. Indus Publishing Company, New Delhi.

UNCTAD, Division on Transnational Corporation and Investment, World Investment Report, 1994: Transnational Corporations, Employment and Workplace (United Nations Publications, Sales No. e.94.II.A.14).

UNCTC, Cost & Conditions of Technology Transfer Through Transnational Corporations, UNCTC, 1984.

UNCTC, Transnational Corporation and Technology Transfer, United Nations, New York, 1994.

UNCTC, Transnational Corporations & The Transfer of New & Emerging Technology to Developing Countries, UN, New York, 1990.

UNCTC (1988), Foreign Direct Investment And Technology Transfer In India, United Nations, New York. p-138

UNIDO (1990), A Report On Foreign Direct Investment, United Nations Publications.

Verma S P & Others, Political Dimensions of Multinational Corporations In India- A Report, IIPA, New Delhi, 1983.

Wells, L.T. (1981), Foreign Investors from Third World; Multinationals from Developing Countries, Oxford University Press, Washington.

White, E (1981) 'The International Projection of Firms From Latin American Countries' in Multinationals from Developing Countries, Oxford University Press, Washington.

World Bank, India Stabilising and Reforming the Economy, World Bank, Washington, D. C. 1992.

World Bank, India: An Industrilising Economy in Transition World Bank, Washington, D. C. 1999.