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WTO: Expectations and Realities

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The three major planks of the economic reforms have been Liberalization; Globalization and Privatization. The policy reforms included freer import of technology, freer equity participation, liberal import/export policy, customs duty reduction, liberal availability of foreign exchange for travel, freedom to raise money from foreign markets, encouragement to FDI and FII, de-reservation and de-regulation of industries and so on. It was expected, inter-alia, that the reforms in the WTO era will increase the global competitiveness of Indian industry, avert possibility of any foreign exchange crisis in the future and improve the economic prosperity of masses as enshrined in the objectives of the WTO. An attempt is made here to discuss the research findings pertaining to: Performance of Indian Corporate Sector; Balance of Trade/ Foreign Exchange Reserves; Globalisation of Indian Business and Foreign Collaborations in India.

WTO: Expectations and Realities

PROF. KRISHNA KUMAR*

(This paper was presented by Prof Krishna Kumar in the Strategic Management Forum Foundation Day National Seminar on "WTO: What people must know.")

The Government of India initiated economic reforms as an aftermath of a serious foreign exchange crisis in 1991, which were further accelerated when the World Trade Organization came in existence in 1995 with India as a founder member.

The major planks of the economic reforms have been Liberalization (Internal and External); Globalization and Privatization. The policy reforms included freer import of technology, freer equity participation, liberal import/export policy, customs duty reduction, liberal availability of foreign exchange for travel, freedom to raise money from foreign markets, encouragement to foreign direct investment (FDI) and foreign institutional investment (FII), de-reservation and de-regulation of industries and so on. The reforms in the WTO era were expected to increase the global competitiveness of Indian industry, avert possibility of any foreign exchange crisis

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in the future and improve the economic prosperity of masses as enshrined in th objectives of the WTO.

Some of the recent studies, however, indicate that these expectations are no materializing. It is observed that

(a) There is slow down of Indian economy, caused by a steep fall in th performance of Indian corporate sector

(b) Global competitiveness of Indian industry is reducing

(c) The threats of India fast becoming a Global Market rather than emerging as a global player is increasing

(d) There is sustained adverse Balance of Trade and increasing dependence or external sources of funds and technology.

These are now resulting in large scale sickness/ closure of industries, resulting in downsizing, mass unemployment, mounting non-performing assets, uncertainties of safety of middle class savings and dubious management and accounting practices bringing disrepute to even reputed organizations.

The World Trade Organisation (WTO) was established through Marrakesh Declaration in 15th April 1994. It came into force with effect from January 1, 1995. It aims at facilitating lateral trade. It is mandated to provide institutional framework for the conduct of trade relations in matters related to agreements and associated legal instrument. The agreements are binding only on members that have accepted them.Those who have not accepted them are not entitled to any of the rights emanating from these agreements.

The Agreements have a legal status.

BASIC THRUST

The basic thrust of the WTO principles is on free trade principles. These include optimal utilisation of world resources, dismantling the trade barriers, removal of Quantitative Restrictions and Tariff Bindings. The imperatives for benefiting from WTO agreements are inculcating the spirit of being a global player, increasing skills for competitiveness.

The Most Favoured Nation (MFN) Treatment means that each member shall immediately and unconditionally accord to services and supplier of another member, treatment that is no less favourable than it accords to service and supplier of any country.

National Treatment means that a member shall accord to service and service supplier

of other members the same treatment it gives to its domestic service supplier.

Every member country has to ensure that measures adopted have to be observed by the:

Central/ Regional & local government, and also by any other body delegated powers by them to supply/ regulate a service.

Some salient features of the WTO agreement are as follows:

TRANSPARENCY

The transparency clauses assert that all relevant measures pertaining to operation of specified services be published promptly, and that any change or addition in measures be informed (at least once a year) to CTS. It also establishes that members most respond promptly to request by to specifies information regarding application of measures.

RESTRICTIVE TRADE PRACTICES

A member maintaining practices that restrain competition and thereby restrict trade in service is directed to enter into consultation with a view to eliminate them when requested by another member.

DOMESTIC REGULATION

Members must ensure that all measure are administrated in reasonable, objective and impartial manner and that they do not introduce any regulation that affects operation of an agreement.

SPECIFIC COMMITMENT SCHEDULE

A member can not apply any prohibited measure (unless specified in the schedule) to market access:

- On number of service supplier
- On total value of transaction/ assets
- On number of service operations/ quantity
- On number of persons engaged in providing services
- On type of legal entity for providing services, and
- On equity participation

Any modification to the schedule of specific commitment is possible after the expiry of three years and negotiation with affected member is necessary.

The members are to ensure that measures related to qualification, standards and licensing barriers for providing service do not obstruct trade flow. The CTS will seek formulations of necessary disciplines on this issue.

Table 1

Year-wise Growth in Number of Companies

Year	Total No. of Cos.	Increase/ (decrease)	Year	Total No. of Cos.	Increase/ (decrease)
1991	2151		1996	5414	567
1992	2447	314	1997	5651	237
1993	3000	553	1998	5789	138
1994	3901	901	1999	5773	-16
1995	4847	946	2000	4948	-825

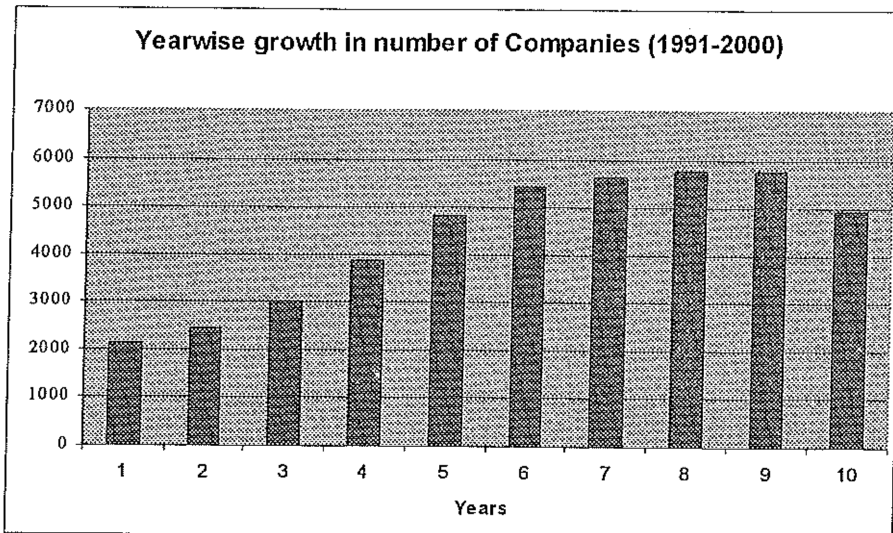
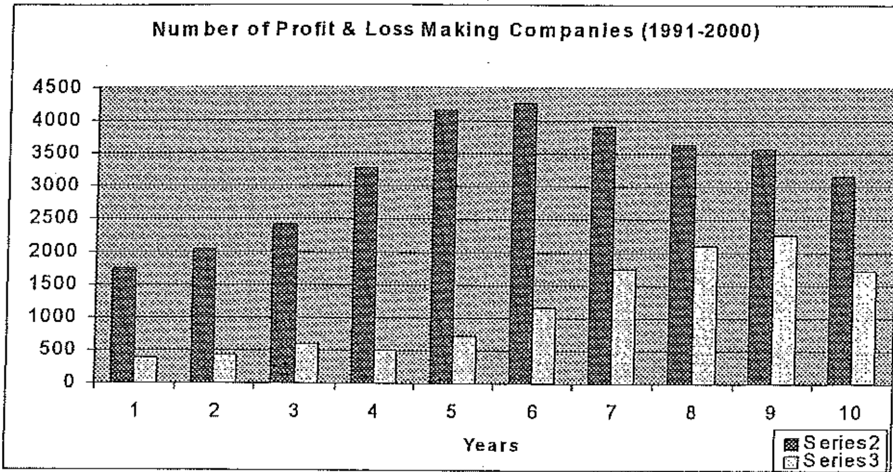


Table 2

No. of Companies making Profit or Loss in various years

Year	Cos. Making Profit	Cos. making loss	Cos. Neither Profit nor Loss	Year	Cos. Making Profit	Cos. Making loss	Cos. Neither Profit nor Loss
1991	1696	388	67	1996	4281	1151	270
1992	2025	420	105	1997	3906	1751	256
1993	2418	577	173	1998	3632	2105	249
1994	3288	499	247	1999	3571	2266	207
1995	4169	727	324	2000	3176	1725	194

1991	80%	17%	3%	1996	75%	20%	5%
1992	79%	16%	4%	1997	66%	30%	4%
1993	76%	18%	5%	1998	61%	35%	4%
1994	82%	12%	6%	1999	59%	37%	3%
1995	80%	14%	6%	2000	62%	34%	4%



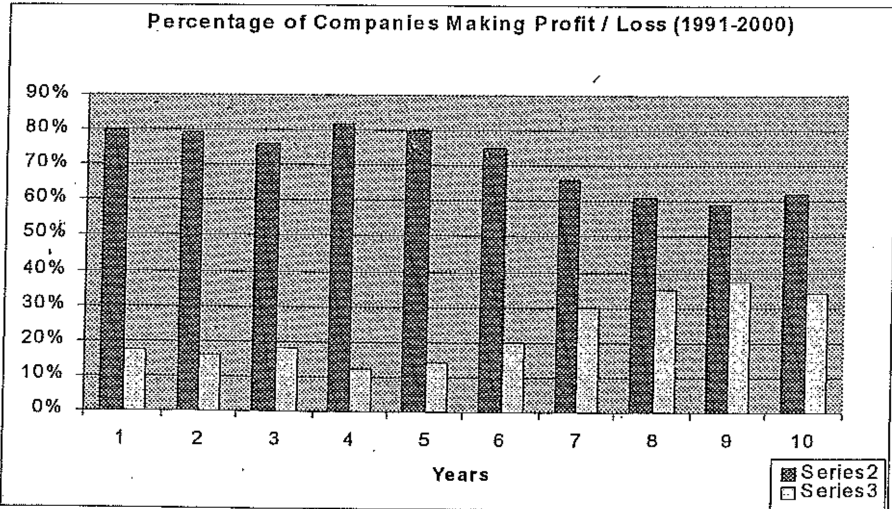


Table 3
Overall Industry Sales and Profits

Year	Sales	Net Profit
1991	211652	9020
1992	328874	10744
1993	394475	9792
1994	459003	17702
1995	593274	36433
1996	734060	39722
1997	825717	35378
1998	903816	33496
1999	966083	34379
2000	1057681	40563

Profitability and Mismatch Between Sales and Assets Growth

Year	Sales Growth	NetProfi/ Sales	Asset Growth	Mismatch
1991		3%		
1992	121%	3%	122%	-1%
1993	120%	2%	121%	-1%
1994	116%	4%	121%	-5%
1995	129%	6%	126%	3% -14%
1996	124%	5%	119%	5%
1997	112%	4%	116%	-4%
1998	109%	4%	117%	-8%
1999	107%	4%	111%	-3%
2000	109%	4%	102%	11%

Profit Performance of Pre-reform Corporate Leaders (including the 517 companies)

	1991	2000
# Cos. Making Profit	1696	1000
# Cos. Making Loss	388	1144
# Cos. Neither making profit nor loss	67	7
	2151	2151

Table 4

Performance of Cos. Created Before 1992 and During 1992-2000

	Cos. Making Profit			Cos. Making Loss			Cos. Not Reporting		
Year	No. Of Cos. (Rs. in Crores)	GFA (Rs. in Crores)	GFA Cumulative (Rs. in Crores)	No. of Cos.	GFA (Rs. in Crores)	GFA Cumulative (Rs. in Crores)	No. of Cos.	GFA (Rs. in Crores)	GFA Cumulative (Rs. in Crores)
1991	1000	533505		688	172923		465	73290	
1992	168	21344		120	12391		115	16814	
1993	250	50289	71633	181	10282	22673	227	8851	25665
1994	350	15943	87576	270	18692	41366	342	8850	34516
1995	382	14594	102170	275	11434	52800	471	8929	43445
1996	229	8762	110933	124	2934	55734	231	8664	52109
1997	155	6405	117338	92	2970	58704	184	4194	56303
1998	112	3597	120936	62	8455	67160	154	2468	58771
1999	247	10964	131900	95	6053	73213	146	2812	61583
2000	219	4163	136063	86	2418	75631	11	816	62399
Total	2112	141857		1305	76051		1881	62399	
G. Total	3112	675362		1993	248973		2346	135689	

A summary of the figures indicates that in the Pre Liberalisation period, the number of companies in good condition was 79% while the number of companies not in good condition was 18%.

However, in the Post Liberalisation period, this number changed dramatically. The number of companies in good condition was 38%, and the number of companies not in good condition was 60%. However, 35% companies were in 'not reporting' category.

The implications of the research findings on the subject are very significant in the context of the economic policy changes introduced in India.

Performance of Indian Corporate Sector

There has been a steady rise in number of companies; since 1991 (as would be expected) up to 1994-95. However, there-after there was a steady decline in total number of companies.

The number of companies making profits at the time of initiating economic reforms in 1991 was 1696 (out of a total of 2155) i.e., about 80 % while the number of loss

making companies stood at 376 (17%). The absolute number of companies makin profit increased steadily up to 1995-96. However, it declined steadily thereafter

The number of loss making companies too was increasing from 1991-92. Howeve the rate increased rapidly after 1995, so much so that the proportion of profit an loss making changed from 80:17 in 1991 to 62:32 in the year 2000

The overall industry sales almost steadily grew at a rate of 20% or more per annu up to 1996. However, it steadily declined thereafter to less than 10% from 1996-9 onwards. . The actual rate of growth was even less if inflation rate was taken int account

The overall profitability of industry sector increased a bit from 1991 up to 1995 t 6%, but then declined back to 4%; but at a reduced based. Indeed, in absolut terms it increased from Rs. 9020 crores to touch a peak of Rs. 39722 in 1996 an then plunged to Rs. 33496 in 1998, when major restructuring efforts got initiatec These included reduction of cost through large salary, Voluntary Retiremer Schemes and increased efforts of divestiture etc.

One of the key factors responsible for the above state of affairs was industry' overplaying on euphoria of growth led to an overenthusiastic creation of asset through expansion and diversification, out-stepping the growth rate of demand The net over-stepping of asset growth over sales growth between 1991 and 199 has been to the tune of 14%, creating a situation of glut, foreclosing opportunitie for further investment

The out-stepping is more dramatic when one analyses the same by industry sub sector. In as many as 72 out of total 163 sub-sectors, the cumulative out-steppin has been 50% or more and in another 42 sub-sectors it is between 10% and 50% On the other hand only in 17 sub-sectors the sales growth has out-stepped asse growth by 50% or more and in another 19 sub sectors the under-stepping has beer between 10% and 50%

The above hit the financial institutions hard in two ways. One, the increasec sickness in industry led to creation and accumulation of killing levels of Non Performance Assets. Second, it drastically reduced further investmen opportunities.

The financial institution responded to the situation by cutting interest rates anc going back on their promises of good/reasonable returns on long term investments creating great uncertainties about future; especially among the middle class investors as well as reducing the purchasing power of masses, which can not help industrial recovery.

The above pattern is despite the fact that IT sector especially the labour intensive software sector, had been growing steadily, at a phenomenal rate in 1990s, ranging from 25% to 50% with good profitability (20% against industry average of 4%) and good exports (almost 50% of total sales). IT sector constituted only a small % of total of total industry sales (2% in the year 2000), but created enormous euphoria in the second half of 1990s at the leading management and technical institutions (who were measuring their performance in terms of job placements of graduating students, so what if it was in software sector only), to make them ignore the developments in other sectors of Indian economy and the challenges emerging. Now that the euphoria, partly caused by gush on account of sudden opening of opportunities due to WTO agreements on GATS in IT sector and accelerated by Y2K problem, is over this pinch is being felt bitterly. This is so because the IT sector alone can not sustain the fall in the performance of the other sectors.

The slow down of the Indian industry and to that extent economy is real and self inflicted one, not so much on account of so called global recession, which is a phenomenon of the year 2001 and thereafter. It was happening when the technical and management experts were applauding the economic prosperity coming on account of external liberalization of Indian economy.

The economic slow down is likely to sustain and unlikely to go off quickly. No amount of further external liberalization is going to help the matter of resurrecting Indian economy without substantial, radical change in managing economy through domestic efforts. Major, indeed, radical reforms in internal liberalization and capability building through own efforts are necessary to bring the desired effect.

New models of arresting the collapse of firms have to be developed that suit the Indian realities, rather than getting carried by "exit" policies in vogue in the developed countries. It calls for developing approaches for bringing "corporate renaissance" rather than resorting to "exit' to handle the situation.

There are major industrial restructurings in the form of acquisition, mergers and divestitures going on in the industry, which may not be congenial for sound economic growth as the acquisitions and mergers performance record of firms even in the developed countries is not very encouraging. There is a sense of bewilderment and short cuts to prosperity are being resorted to. New challenges of building competencies to manage the same successfully need to be developed on a large scale, instead of banking on foreign consultants alone, which is not recommended.

India' Foreign Trade, Foreign Exchange Reserves and Balance of Payment

The Balance of Trade of India has become worse during the decade of liberalization. There was a slight improvement from 1991 to 1994, but then onwards it has worsened, with trade deficits going from a peak of U.S. $ 9.4 bn. in 1991 to double

of it, at U.S. $ 17. 8 bn. in the year 2000. Even the export- import ratio is down 68%, close to 1991 level.

It may be noted here that the Export / Import ratio of all the developed countr (except U.S.A.) has been more than 100% and that for developing countries (exce China) is far below 100% . The divide between the developed and developi countries is complete in terms of export/ import ratio. U.S.A. and China a aberrations and with different explanations not discussed here.

The Foreign Exchange Reserves have increased from U.S. $ 1.5 bn. in 1990-91(8) U.S. $ 38 bn. in 1999-2000. However, the proportion of vulnerable liabiliti (comprising Foreign Institutional Investors, NRI Deposits, Short Term Debt a Trade credit) has also gone up. These are highly volatile items and had led to t Foreign Exchange Crisis in 1991, triggered by oil crisis .

Import of petroleum oil and products, whose price hike had created forei exchange crisis, has steadily increased, despite no abnormal rise in crude pric Indeed, it is gradually becoming a strategic weakness as it is becoming an integ part of our every day life at an accelerated rate through increasing use of synthe products.

The trade deficits are being financed though capital account, i.e., long term liabiliti In other words, the external financial obligation are increasing and but the incidence is only being deferred rather than developing ways of reducing them

Industry leaders, 277 of them to be precise, out of top 500 (with sales of Rs. 3 crores and above) are responsible for the adverse trade balance . Ironically it such companies, whom a country looks up to for mitigating the foreign exchan crisis. Among the top 100 industry leaders (having sales of Rs. 1677 crores in t year 2000) as many as 55 were net importers (representing almost the total tra deficits). Only 20 among top 100 were net exporters. For the 25 others in the top 1 industry leaders, exports were not even a concern.

There is a need for bringing mass awareness about the worsening situation in tra balance, balance of payment and vulnerability of Foreign Exchange reserves, make them realize the gravity of the situation, if the country wants to reverse t trends, rather than harping only on swelling foreign exchange reserves that a accompanied by increase in vulnerable liabilities.

There is also a need for enhanced and sustained research, training and teachi efforts for managing new product development in particular and organisati innovations in general. The importance of this is assuming critical proportion no

Reference to new product development here does not mean increment improvements, but even (and perhaps more so) radical departures. It is n

reinventing the wheel, but creating the new things (products and services) and scaling up to large scale manufacturing and distribution of the same. It means learning to manage the whole of embryonic stage rather than the tail end of it (distribution of imported products).

There is also a need for enhancing efforts to increase earnings of foreign exchange, and reduce trade deficits through our own (indigenous) efforts to increase value creation and for value capturing, rather than focusing on import related exports, which do not provide much lee-way for the two. This involves exploring possibilities of domestically developed products based upon natural endowments of India and also understanding the customers elsewhere in the globe. It calls for a global thinking to serve the customers, the end user, with local design and development (domestic) efforts, retaining strategic control rather than becoming at best an ancillary supplier earning only foreign exchange, but depending heavily on other elsewhere.

Table 5

India's Export/ Import Over the Years

In U.S.$ million

Year	Export	Import	Net	Year	Export	Import	Net
1971	1890	2435	-545	1986	9461	17294	-7833
1972	2122	2759	-637	1987	10413	17729	-7316
1973	2579	2796	-217	1988	12644	19812	-7168
1974	2997	3646	-649	1989	14257	23618	-9361
1975	4006	5620	-1614	1990	16955	24411	-7456
1976	4830	6197	-1367	1991	18477	27915	-9438
1877	5750	6097	-347	1992	18266	21064	-2798
1978	6354	7051	-697	1993	18869	24316	-5447
1979	6817	9512	-2695	1994	22683	26739	-4056
1980	7817	12076	-4259	1995	26855	35904	-9049
1981	8445	16314	-7869	1996	32311	43670	-11359
1982	8697	15970	-7273	1997	34133	48948	-14815
1983	9490	16468	-6978	1998	35680	41535	-5855
1984	9861	16575	-6714	1999	34298.	47544	-13246
1985	10061	15715	-5654	2000	37542	55383	-17841

India' Export- Import Performance during 1971-2000

Year	Export/ Import Ratio (%)	Year	Export/ Import Ratio (%)	Year	Export/ Import Ratio (%)
1970-71	78%	1980-81	52%	1990-91	66%
1971-72	77%	1981-82	54%	1991-92	87%
1972-73	92%	1982-83	58%	1992-93	78%
1973-74	82%	1983-84	59%	1993-94	85%
1974-75	71%	1984-85	64%	1994-95	75%
1975-76	78%	1985-86	55%	1995-96	74%
1976-77	94%	1986-87	59%	1996-97	70%
1977-78	90%	1987-88	64%	1997-98	86%
1978-79	72%	1988-89	60%	1998-99	72%
1979-80	65%	1989-90	69%	1999-2000	68%

Globalisation of Indian Business

The number of Indian Business Ventures Abroad (approved) has increased manifol from a total of 319 in 1991 to 2090 in 1999 . The monetary value of the same has als increased correspondingly, from around U.S. $ 336 mn. to U.S. $ 200 mn. Howeve the number of business ventures and their monetary value is very low whe compared with foreign collaborations in India, during the same period (discusse in the next section).

The business ventures are confined to few countries only, primarily in U.S.A. an U.K., having large Indian population. The ventures in the real sense are not explorin global markets, but exploring more within the known, familiar, territories.

The nature of business ventures is changing from primarily manufacturing (in th pre-liberalisation era) to more of trading and software .

The proportion of wholly owned subsidiary (WOS) form and joint ventures (JV) previous years are in operation in any given year. The figures given above relate t business ventures approved. The number of ventures discussed above get substantially reduced if one measures globalization in terms of ventures in operatio rather than ventures approved.

The real picture of globalization of Indian industry emerges if one compares India business ventures abroad with foreign business ventures in India, during the sam period. The study shows that against a total of 1784 Indian Business Venture Abroad (approved), there have been 15836 foreign business ventures in Indi (approved) during the period 1991-1999 (almost 10 times). Globalisation of India industry is happening at a rapid pace, but inwardly, rather than outwardly. Indi is fast turning into a global market, rather than emerging as a global player. This i

definitely not what India had bargained for, while undertaking to liberalise Indian economy at an increasing rate and integrate it with global economy under the aegis of World Trade Organisation. Further negotiations in the next round need to consider these factors lot more seriously than what has been done so far.

The country has not made much headway in globalization (outwards) of Indian business, (commensurate with globalization inwards) as expected while undertaking economic reforms. Industry and policy makers need scholarly support in terms of extensive and in-depth studies to understand what else holds Indian business to go global and be a key player. What can be done to push the globalization agenda and efforts? Is there any lack of competitive skills? If so, what are they? Or, there are more fundamental issues of lack of desire or mindsets of remaining a domestic player?

The country can't bank heavily upon globalization of Indian business (inwards and outwards) for solving domestic economic issues, unemployment problem and prosperity of masses. But, it has to attain certain level of globalization necessary to support at least essential imports and to correct imbalances in Balance of Trade and Balance of Payment.

Globalisation in the form of business ventures abroad is necessary to have first hand feel of global markets, supplier base and cultures. However the strategies of globalization of Indian business may have to be different in the face of high costs of international operations and adverse foreign exchange ratios vis-à-vis developed countries. India has to proceed through strategic alliances among the domestic players to share the costs and information about the foreign markets. This difference in strategic approaches must be appreciated to make any headway. Following the approaches of MNCs from the developed countries may not work and may indeed prove to be counter productive.

It is also necessary to accept and realize that opening of economy without developing necessary competencies to have two-way, balanced trade at equal pedestal is not sustainable in the long term without compromising on national sovereignty. This mutuality aspect is not being fully realized at the micro and macro levels. Neither it is being appreciated by the developed countries, although the WTO has this underlying principle of negotiations.

The total number collaborations in the 9 years of post- liberalization (1992-2000) period is observed to be 17810, while in the 41 years of pre- liberalization (1951-91), there were only 15105 foreign collaborations.

India is thus banking on expert technological support for goods and services at an accelerated pace than in the pre-liberation era. The rise in number is substantial in the post liberalization era, 10- fold compared to the decade of 1950s, 5- fold compared

to the decades of 1960s and 1970s and 2-fold compared to the decade of 1980s.

In the 41 years of pre-liberalization era, the foreign collaborations were limited 25 countries only.

In the post liberalization era, the number of countries, with whom India has enter into foreign collaboration, swelled to 112, a dramatic over 4-fold rise indeed.

It has also been observed that foreign collaborations have been entered into ev with very small countries, who are generally not considered to possess sou technological prowess to help bridge the technology gaps of India.

The data thus, indicates that in the post-liberalisation era, the country is enteri into foreign collaborations for a variety of reasons rather than for importi technology to build industrial base or to bridge the technology gaps, most importa among them being to increase variety for meeting the customers' choice of produ and services, which is a major shift in pattern of collaborations in the po liberalization period

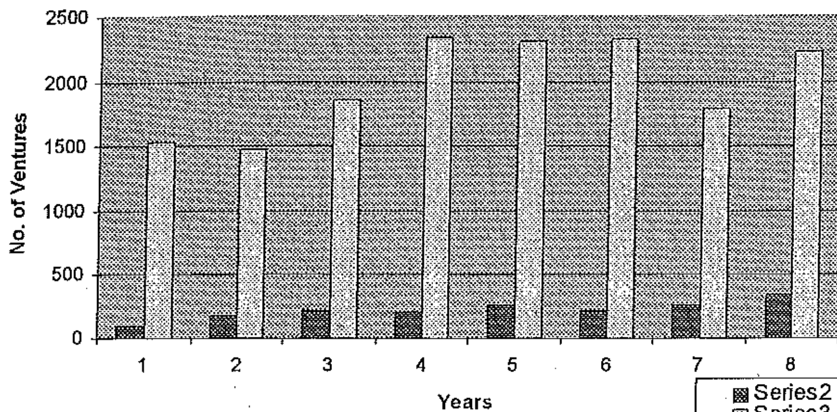
Table 6

	Up to 1991	'92	'93	'94	'95	'96	'97	'98	'99	Total u to 199
Indian JVs Abroad	244	72	104	92	82	116	101	101	103	1015
Indian Wholly Owned Subsidiaries Abroad	75	28	79	122	119	143	122	154	233	1075
Total Indian Business Ventures Abroad	319	100	183	214	201	259	223	255	336	2090

	Upto 1991	'92	'93	'94	'95	'96	'97	'98	'99	Total up to 19
Indian JVs Abroad	244	72	104	92	82	116	101	101	103	1015
Indian Wholly Owned Subsidiaries Abroad	75	28	79	122	119	143	122	154	233	1075
Total Indian Business Ventures Abroad	319	100	183	214	201	259	223	255	336	2090
Foreign Collaboration in India	16836	1531	1476	1854	2337	2303	2325	1786	2224	3267

Table 7

Indian Busieness Ventures Abroad and Foreign Collaborations in India(1992-1999)



Export-Import Ratio Over the Years

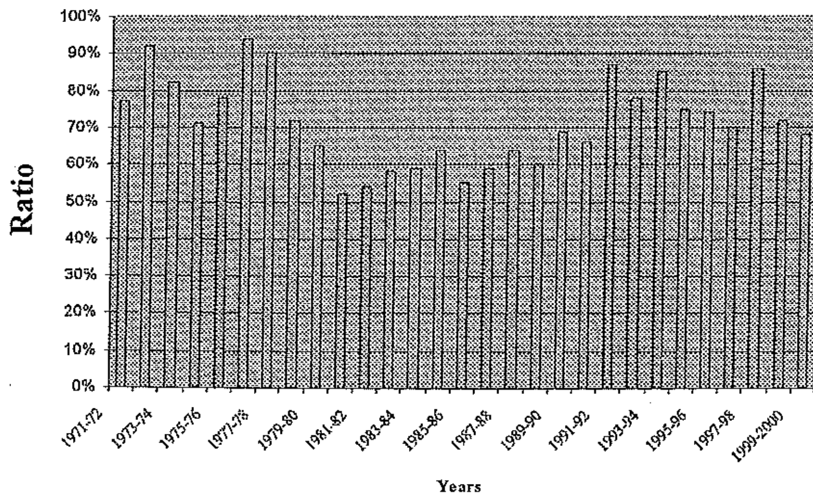
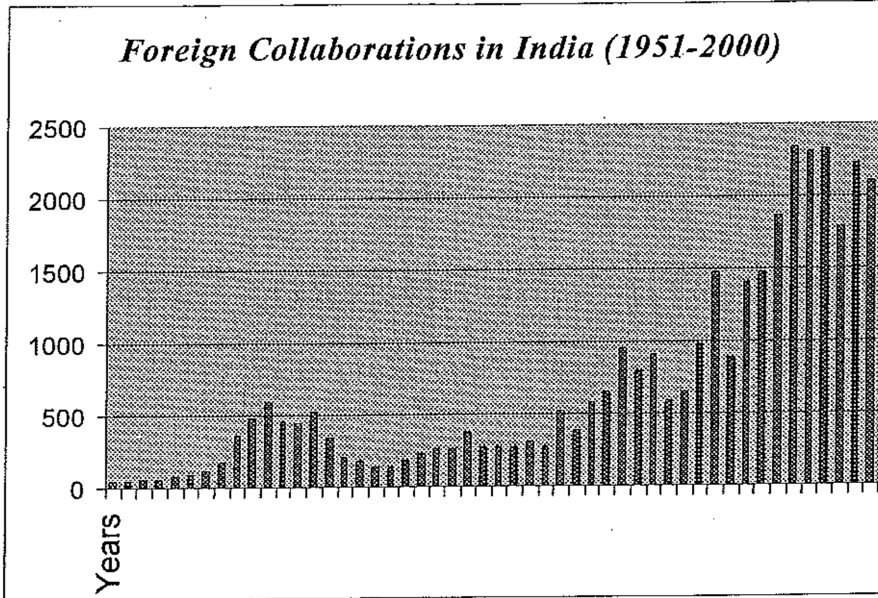
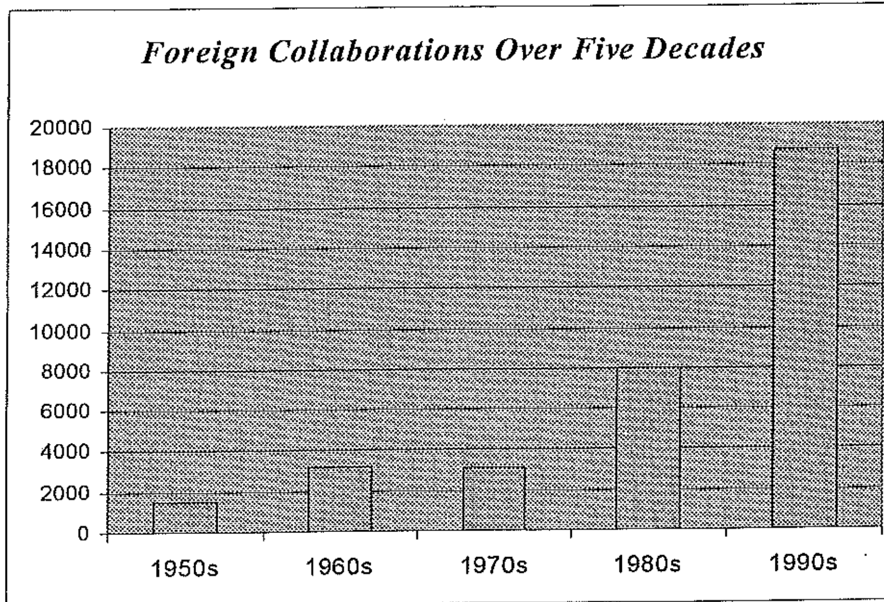


Table 8





Foreign Collaborations in the Post-liberalisation Era by Type

YEAR	TYPE		TOTAL	FIN
	FIN	TECH		%
1992	639	768	1407	45%
1993	785	691	1476	53%
1994	1062	792	1854	57%
1995	1353	984	2337	58%
1996	1557	746	2303	68%
1997	1664	661	2325	72%
1998	1185	601	1786	66%
1999	1726	498	2224	78%
2000	1684	414	2098	80%
TOTAL	11642	6155	17810	65%

Foreign Collaborations in India

There has been a steep rise in number of Foreign Collaborations in India (1992-2000). (approved). The total number of foreign collaborations in 9 years of post liberalization period (17810) has out numbered the total number of foreign collaborations (16614) in 41 years of pre-liberalization period (table 28). The number of collaborations in a single year in the post liberalization is almost equal to those in the whole of a decade in 1950s and two thirds of those in the decades of 1960s and 70s.

The number of countries with whom Indian has foreign collaborations increased from 25 in pre-liberalization period to 113 in the post-liberalization period.

Dominance of U.S.A. is total now. In the race of collaborations with India, U.K and Germany, each of whom had higher number of collaborations than U.S.A up to 1970, have lost out to USA not only individually, but even collectively,
Indeed, in the post liberalization period, EU countries have lost only, not only to USA, but even to some of the ASEAN countries in relative terms.

The mix of foreign collaboration in terms of technological/ financial has undergone drastic change. The proportion of financial collaboration (indicating interest of foreign partner in playing active role in the Indian ventures has gone from less than 45% in the pre-liberalisation era (before 1991) to over 80% in the post liberalization era (after 1991).

Industry leaders in general do not demonstrate any change in their strategy (gro through import of technology) of pre-liberalization period. One could thu expect global competitiveness of domestic sector to increase.

Industry leaders in general are not helping India emerge as a global player. In they are facilitating the process of India becoming more of a global marke example, against only one company having 20 business ventures abroad, the as many as 13 companies, which have 20 or moreforeign collaborations in Likewise against 12 companies which have 10 or more business ventures ab there are 40 who have entered into foreign collaborations.

The number of collaborations by small players (having sales less than Rs.50 c in the year 2000) is substantially high, estimated to be around 13000 compar those by leaders (sales Rs.50 crores or more), estimated to be around 5000. The is thus visibly towards low value addition trading than technology capa building.

A steep rise in the number of foreign collaborations is direct indicati manufacture and sale of foreign goods in India. It can help in meeting the and serving the domestic market, but not so much in technology developme increasing competitiveness of India.

The infrastructure created may even help in becoming a global outsourcing but that will reduce the status to that of a small, ancillary supplier, who doe have any bargaining power (and hence can not expect capturing substantial po of value created by him in the whole value chain, leave alone value control) will always remain at the mercy of main product manufacturer. It may he earning a bit of foreign exchange to reduce foreign exchange crisis, but can way increase competitiveness to become a global player.

An alarmingly large number of small Indian partners, with high financial int of foreign party, indicate that these are more of trading or marginal value add outfits, engaged in distribution of foreign goods rather than potential manufacturers with strong technological prowess. They may neither have reso nor inclination to engage in R & D work to increase competitiveness of India may only be interested in quick profits in the liberalised regime, when the goi good

This has
Hit the financial institutions hard
Reduced employment opportunities and miseries for the retired perso
Resulted in India becoming a global market and outsourcing point only r than emerging truly as a global player, enhancing capturing and contro the value creation

- # Increased dependence on Foreign funds
- # Opened up opportunities for foreign companies to acquire Indian Companies at throw away prices

The policy measures so far have not been adequate enough enough to align and mobilise the efforts and industry leaders' and common men's concerns to meet the demands of an open, borderless economy.

Opening up the economy at successive levels alone is not enough, if we are not able to back it up by preparing to meet the challenge of global players.

Shift in approach required

Major shifts in present approaches are needed to arrest collapse and for developing and sharpening the competitive edge.

For sharpening the competitive edge through new product and scaling up technology development, the country needs to seriously engage in new product development, developing new product with local endowments and designs and vendor bases, branching off from the existing applications, and developing technology for scaling up the products of Indian origin. It requires development of attitudes and orientation of frame-bending and frame-braking, while thinking of organization innovations and new product development.

Importing technology at successive levels of up-gradation in name of modernization and on the logic of "India does not need to reinvent the wheel" is not a tenable one. The new product development is not reinventing the wheel. If it is so, every developed country is doing so on an ongoing basis. The present approach of importing technology for "catching up by latching up" does not help in development of real technical expertise, but instead generates a myth, a misplaced belief and false sense of technical expertise, which fails to meet the demands of competition.

It must be realized that the principles of science are more universal and generalisable than those related to the business. The moment one moves to application of the scientific principle to develop product and services, they tend to be less applicable due to the influence of the geo-political, socio-culture context of the societies as well as the economic and technological status of the country. While the adoption of former form elsewhere in the world is not questionable, adoption of the latter tend to be more irrelevant and difficult. Import of technology and product faces this challenge. The design and development of new products and services and technology thereof, thus, becomes extremely critical.

Such imports also do not promise to increase in employment that is associated with the manufacture and sale of locally developed products/ services. Because, the part of employment that gets generated in the product/ service design and

technology development (embryonic stage) processes, is absent when "proven technology is imported for domestic sales. That is why despite as many foreig collaborations in 9 years of post-liberalisation as in the 41 years of pre-liberalisatio period, unemployment of even "skilled" manpower continues to be critical issu

The findings also raise a fundamental question on the development of technolog for scaling up the manufactured items. Manufacturing technologies could be capit intensive (machine content higher) or labour intensive (labour content higher). Th economic development models describe how the mix or combination of man an machine goes on changing as man and machine become costlier. The develope countries from where we import technologies have higher labour costs (as the have shortage of labour), hence develop production technologies that are inherentl capital intensive. The technology matches very well with the developed countrie socio-economic context. However, when it comes to the developing countries lik it has an obvious mismatch with the socio-economic conditions here. We thus ru a capital intensive technology in a labour intensive manner. It can't lead to efficienc of operations comparable to original creators of products and services and to larg scale generation of employment.

This is as much a challenge to the policy makers as to the industry leaders and th academicians.

The challenges arising from integrating Indian economy to world economy throug WTO agreements are many. Understanding international environment is as muc important as the domestic. Integration will involve Indian economy facing rippl caused by disturbances elsewhere. A one-sided relationship may turn out to b exploitative to India and benefits will be realized if only India develop to be global player. Since India is a large country with Federal Democratic structur hence implementation of agreements will be more difficult Socio-cultural practice and lack of awareness are the key hurdles. Legal and financial reforms are n enough. Educational reforms are key to India's emergence as a global player.

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