# Foreign Direct Investments from India: 1964-83

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## Thesis Summary

A Systematic study of FDI from India from 1964 to 1983 has been conducted not only because a large portion of its large business houses are trans-nationalized, but also Indian FDI is quite different from Japanese, European or US FDI. Noting that much of India's FDI arises due to the inability of Indian exports to have significant share in the world market, the narrowly defined export policies are questioned. The extent of the phenomenon of FDI flows is empirically mapped out and its magnitude in relation to other relevant phenomena like inward FDI, FDI from small advanced capitalist and other LDCs, and domestic investment by the private corporate sector is discussed.

The features of Indian FDI, and the nature and mode of control exercised by Indians and other parents over the firms abroad, the causal factors that underlie Indian FDI and their specific strengths and weaknesses are studied, using data from government files. To this effect, 14 case studies of firms in the textile, paper, light machinery, consumer durables and oil industry in Kenya and S. E. Asia are presented.

Conclusions from this study include the observation that FDI from India has become a systematic phenomenon, and the indigenous private corporate sector is the major source of investments. Indian capital in going abroad has extensively collaborated with persons of Indian origin resident abroad, whether Indian citizens or otherwise. In joint ventures abroad, even if the share capital held by the Indian parent is only 30%, Indian control of the JVAs are strengthened through holdings by other firms in turn controlled by Indian firms. Indian contribution to the technology used abroad present a mixed pattern, with not much contribution in large scale processing industries such as paper, pulp, synthetic fiber, palm oil refining and fractionation, and significant contributions in other industries. The small size of the domestic market as well as the recession that began in India in the mid '60s constitutes the motive force behind market seeking FDI from India. The current regime of tariffs and narrow export policy are other reasons that have motivated market seeking FDI. Resource seeking FDI has started to constitute a substantial portion of FDI from India. Neither the "advantage concept" of Kindleberger, nor the concept of large oligopolies trying to retain their technological and monopoly power internationally of

Hymer and Vaitsos are relevant in understanding Indian FDI, and hence are not truly general forces that underlie FDI. The only truly general force is the inexorable push of capital to seek markets, whether through exports or FDI, when conditions at home put a brake on accumulation and conditions abroad permit its continuation.

## **Related Publications**


Morris, Sebastian, *The Rum that went West,* Business India, May 24-June6, pp. 83-4, 1982.

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