ABC of FDI

Monographs on Globalisation and India –
Myths and Realities, #3

कट्स CUTS
Twenty Years of
Social Change
1984 to 2003

0306

ABC of FDI

Monographs on Globalisation and India – *Myths and Realities*, #3

कट्स CUTS

ABC of FDI

Monographs on Globalisation and India – *Myths and Realities*, #3

Published by

कट्स CUTS

CUTS Centre for International Trade, Economics & Environment
D-217, Bhaskar Marg, Bani Park
Jaipur 302 016, India
Email: cuts@cuts.org
Website: www.cuts.org

Researched and compiled by

Pradeep S. Mehta* and Manleen Dugal**

Layout by

Mukesh Tyagi
CUTS, Jaipur

Cover Photo:
Courtesy - Liberal Times

Printed by
Jaipur Printers P. Ltd.
Jaipur 302 001

ISBN 81-87222-77-8

* *Secretary General of CUTS*
** *Researcher at CUTS*

#0306 SUGGESTED CONTRIBUTION Rs.30/$5

CONTENTS

Preface i

1. What is Foreign Direct Investment? What does it constitute? 7

2. What are the types and forms of FDI? 9

3. Why do developing countries seek FDI? 12

4. How do developing countries attract FDI?................................ 14

5. Why and under what conditions do foreign
investors invest in developing countries?.................................. 17

6. Which are the developing countries
receiving the highest FDI? 19

7. What is the direction of FDI into India?
'Potato chips' or 'silicon chips'?... 21

8. What are the potential benefits and costs of FDI? 23

9. How can FDI flows be made reliable for
sustainable development?.. 29

10. What are the major issues of concern for the
civil society with regard to FDI? 31

11. What are the key recommendations for
policymakers with regard to FDI? 34

Endnotes 37

Preface

This is the third monograph in the series titled "Globalisation and India-Myths and Realities", launched by CUTS in September 2001.

World foreign direct investment (FDI) has grown rapidly in the past fifteen years. Mid-1980s and beyond saw a surge in FDI flows largely due to greater economic liberalisation and integration of the world economy. Further, the significance of FDI as a tool for economic growth and development has increased multifold, especially in comparison to other international capital flows.

In the case of developing countries, FDI has gained increasing importance as a stable and sustainable source of finance for development. Laws and policies are being geared towards the promotion of FDI, with rigorous policy initiatives being taken to provide incentives for foreign investors and steps to improve the investment climate in developed and developing countries alike.

The rapidly globalising world economy has redefined the concept of development and subsequently the role played by various economic factors in the process of development. Unmanageable debt levels, low production capacities and incomes, low technology and skill levels, low export potential, etc are some of the key characteristics of developing countries that hinder greater development. The importance of FDI as a principal channel for transfer of high technological, managerial, marketing know how and other skills to developing countries has been felt worldwide. This understanding has contributed to a complete change in perception of the role FDI can play in development.

The economics of FDI offer the promise of improved domestic production capacity, higher income levels, higher export growth and international competitiveness. However, a realistic look into the effects of FDI and the mixed experience of several developing countries suggest that it is difficult to draw concrete conclusions.

Further, simply increasing investment is not enough to guarantee that the ultimate objective of development: poverty reduction is met. A positive impact of international investment is conditional upon a host of factors such as openness of the economy, domestic infrastructure facilities, investment climate and other host country policies that involve conditioning of the legal and economic contexts within which investment takes place. A crucial aspect that has emerged from several studies on FDI is that it has to be dealt with as part of a national development policy package.

The nature of FDI has changed over the past two decades. This monograph revisits the fundamentals of FDI and answers basic questions that would spring to every concerned citizen's mind:

How is FDI defined? What does it constitute? Does it increase jobs, exports and economic growth? Does it drive out domestic investment or enhance it?

This monograph aims to highlight, in as simple terms as possible given the complexity of the subject, the *potential* role of FDI in economic growth and development. Examples in the booklet are drawn from the Indian experience.

The reader is best advised to understand the issues discussed keeping in mind both short term and long term costs and benefits associated with FDI. The study aims to equip the reader with a way of thinking that will help him/her analyse issues centred on FDI.

Jaipur	**Pradeep S. Mehta**
February 2003	**Secretary General**

1

What is Foreign Direct Investment? What does it constitute?

Foreign Investment is generally classified into foreign direct investment and portfolio investment. In contrast to direct investment, portfolio investment includes funds such as fresh inflow of funds from foreign institutional investors and funds raised by domestic corporates through ADRs/GDRs[1] .

Simply defined, foreign direct investment (FDI) is investment in and control over the production, distribution and other activities of a firm in one country by individuals/businesses from another country.

FDI flows constitute capital provided by foreign investors, directly or indirectly, to enterprises in another economy[2] . The three main components of FDI are:

- *Equity Capital*, which involves purchase by the foreign investor of shares of an enterprise in a country other than its own.
- *Reinvested earnings*, which refer to the foreign investor's share of earnings that are not remitted to it by the affiliate as dividends, but are reinvested or ploughed back into the affiliate enterprise in the host country.
- *Working capital*, which involves short and long term borrowing and lending of funds by the parent investors and their affiliate enterprises in the host country.

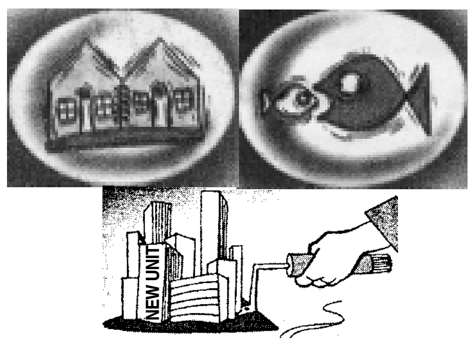
In India, reinvested earnings and, short and long term borrowings are not considered as a part of total FDI.

FDI can also involve *non-equity* forms of investment such as subcontracting, management contracts, alliances, franchising, licensing, product sharing, goodwill and grants.

FDI is different from portfolio investment mainly in two ways:

- FDI tends to be more long term in nature, as against portfolio investment, which is short term.
- Under FDI, foreign investors have considerable control over the operations of the subsidiaries/affiliates, which creates a lasting interest for the foreign investor in the subsidiary. This dimension, called 'controlling interest', is the most important factor separating FDI from portfolio investment. A 'controlling interest' means that some degree of independent decision-making by the foreign investor is present in the management policies and strategies of the company. Commonly, when a foreign firm holds a minimum of 10 per cent of the shares of the company, it can exert significant influence over the key policies of the local firm. Hence foreign direct investment today is defined as foreign investment with a controlling share of 10 per cent and above.

2



What are the types and forms of FDI?

FDI can be classified on the basis of the mode of entry of the foreign investor into a country. It can enter a country in the form of *greenfield investment* or *mergers and acquisitions* (M&As).

- A greenfield investment involves the setting up of new units or facilities by foreign firms. For example, Silicon Chip Company of Taiwan coming to India and setting up an Indian subsidiary with *new* plants in order to manufacture silicon chips[3].
- Cross border M&As, on the other hand, involve taking over or merging with an existing local firm. For example, Coca-Cola company taking over Thums-Up in India.

Foreign investors are generally governed by three types of motive when investing in a country. These are:

- <u>Resource seeking:</u> Foreign investors investing in another country in order to take advantage of available production resources such as a variety of raw materials and natural resources.

- Efficiency seeking: Foreign investors investing in another country in order to take advantage of low labour costs, skilled labour and other factors which improve productivity and efficiency.

- Market seeking: Foreign investors investing in another country to gain access to its markets and to take advantage of their market size and market growth.

From the perspective of a recipient country, FDI can be classified as:

- Import-substituting FDI: This type of FDI is used for production of goods that were previously imported by the host country. For example, a 20th Century Motor Company of Japan sets up a new plant or acquires an old factory to manufacture a new model of cars for the domestic market[4].

- Export-enhancing FDI: This type of FDI brings in new sources of inputs and new technology to expand industries in the export sector and increase their export competitiveness. For example, a silicon chip company enters India to set up plants to export to other countries.

Further, from the point of view of the investor, FDI can be undertaken in three different ways:

- Horizontal FDI, which means that FDI is used to produce the same product or a similar product in another country. The underlying purpose is to exploit monopolistic advantages in the market of another country. For example, Silicon Chip Company comes to Bangalore and buys out the majority or all of the shares of Murthy Computer Hardware Ltd. and starts running the factory as its own[5].

- Vertical FDI, which involves exploiting the raw material base of another country, or aiming to access the market of another country. For example, a foreign garments company, say Primark and Pencer Company of the UK, vertically merges with a company in the host country supplying fabrics to it or with some retail outlets in the host country.

- Conglomerate FDI, which involves a combination of horizontal and vertical FDI. For example, any foreign company could establish several subsidiary companies in the host country to produce the same product as the parent company, and to sell raw materials and end products.

Foreign companies have been increasingly involved in the setting up of international production networks where any part of the production chain of an enterprise is located in different countries. This is with the aim to exploit specialisation and comparative advantage in a wide range of countries. For instance, the labour intensive segments of transnational corporations (TNCs) are being shifted to developing countries, due to low labour costs in these countries.

3

Liberal Times

Why do developing countries seek FDI?

Developing countries face scarcity of financial capital resources, technological know-how and efficient managerial techniques. These resources are crucial for economic growth and development.

FDI is seen as an important source of capital. If channelled properly it can contribute to capital formation in the host economy. Developing countries might also need FDI to cover their balance-of- payments deficits.

FDI is also considered an effective mechanism for the distribution of productive know-how in the global economy. Thus, besides increasing total capital formation, FDI can:

- Provide access to inputs that are not available locally,
- Provide access to state-of-the-art technology,
- Improve management systems, and
- Expand and diversify production and export capacities.

Good quality FDI can also enable the transfer of best practices in corporate governance, accounting rules and legal traditions across borders.

Hence many developing countries, at different stages of industrialisation, have felt the need for FDI to compensate for deficiencies in domestic capital, technological and management skills.

Developing countries also require FDI if they want to integrate further into the global economy. Countries that have made a transition from highly protected economies to open and liberalised economies have considered foreign investment to be important to improve their competitiveness in the international market. This in turn helps them gain access to foreign markets and attain higher export growth.

FDI flows are a more stable source of finance as compared to other forms of international private capital flows. Today, FDI is the largest source of private foreign capital reaching developing countries. Since it has the potential to facilitate transfer of technology and generate spillovers from one sector to another, it is also found to have a more direct link with economic growth.

In the light of the above potential benefits, FDI is an important engine of overall economic growth and development.

In order to improve per capita income significantly the Government of India has targeted a GDP growth rate of 8.7 percent for the Tenth and Eleventh Plan Periods. As per the estimates this requires a savings-investment rate of 32 percent of GDP. The rate of domestic savings has been in the range of 22-24 percent in the past four years (1998-2002). Despite a projected improvement in the domestic savings rate by 4-5 percent in the next few years, a substantial gap still remains, which creates the need to mobilise foreign investment.

Apart from this, India needs FDI to develop its technological capability base. FDI, through transfer of technology, can be a useful instrument to upgrade India's export structure to a more high technology one. If higher export growth is to be realised, India's export structure needs to be made dynamic, with the help of FDI[6].

It has to be kept in mind here that FDI has potential benefits and costs, both of which will be discussed later.

4

How do developing countries attract FDI?

There is intense competition amongst countries, especially amongst the developing countries of the same region, to attract FDI. Host countries offer a wide range of incentives and concessions for this.

The incentives offered are aimed at increasing the rate of return of an FDI undertaking and to reduce its costs or risks. They can broadly be classified as:

- <u>Fiscal incentives</u>, which are used to reduce the tax burden of foreign investors by offering them various types of tax incentives.

- <u>Financial incentives</u> such as government grants, subsidised credit, duty free import of materials, government equity participation and insurance at preferential rates given by host countries to foreign investors.

- Other <u>non-financial incentives</u> given to increase the profitability of foreign investors. These include infrastructure facilities and other services at subsidized rates; market preferences and preferential treatment on foreign exchange.

- Setting up <u>free trade zones or export processing zones</u> where all sorts of incentives are provided to attract export-oriented FDI.

One of the costs of incentives such as tax concessions, tax holidays and lower tariffs is the loss of tax revenue for host governments. In addition, these incentives can introduce distortions in the production structure of the host economy, just like trade barriers. Developing countries also incur high costs in administering these incentives.

However, incentives, at the same time, can be used effectively by developing country governments to channel investment into desirable industries or regions. If designed carefully they can also be used to influence the character of the investment, such as ensuring inflow of technology intensive investment.

Developing country governments can design their FDI incentive package from a large choice of different types of incentives. Whether there is a net benefit to the economy from offering FDI incentives depends largely on the administration and implementation of such incentives.

Evidence shows that incentives have not made a large difference to FDI inflows. The domestic economy conditions and institutional support provided in the host country are more important factors in attracting FDI. Box I gives an interesting example of the role of a stable and attractive domestic environment for attracting FDI.

There is much competition amongst developing countries to attract FDI through financial incentives. 'Incentive wars' take place between countries and within regions and sectors in a country. For example, India and Bangladesh might start to compete in offering incentives such as increasing the number of tax exemptions given to foreign investors, with the view to divert foreign investment into their country.

Similarly, the states of Gujarat and Maharashtra in India could get into an incentive war by offering a more attractive investment climate than the other state. Incentive wars often impose a drain on the public finances of developing country governments in particular. Too many incentives also bring about distortions in the allocation of investment in the economy. More often than not, incentives discriminate against local and small investors. Policymakers ought to be on guard so as not to get caught up in the incentives race.

Box I: The importance of a stable and attractive domestic environment to attract FDI: The Case of Intel in Costa Rica.

In November 1996, Intel Corporation announced its decision to locate a semiconductor assembly and testing plant in Costa Rica.

Four Latin American countries were short-listed by Intel for the investment: Brazil, Chile, Costa Rica and Mexico. A few months later Brazil was dropped ("the business environment, at that time, would not be suited to the type of operations Intel was considering") and Chile ("lack of emphasis on the electronics sector and air transportation logistics") was dropped too.

Finally, Costa Rica was chosen over Mexico because:

1. Costa Rica has a long history of political and social stability.

2. Costa Rica's authorities ensured that Intel receives all the necessary permits and authorisations within a given time. This was the condition on which the company had decided to invest.

3. Specific concessions: It was argued that these were not specific concessions but inspired reforms. The reforms were in the areas of education (several technical and university programmes to develop certain competencies), infrastructure (establishment of a new lower rate for energy-intensive industrial facilities) and taxes (interpretation of an ambiguous law as to whether it applied to companies in the export promotion zones, which went in favour of Intel)

Source: OECD, 2001, "Key drivers for investing in Costa Rica: The Intel Experience", Global Forum on International Investment, pg. 163.

5

Why and under what conditions do foreign investors invest in developing countries?

Foreign investors invest in developing countries primarily to take advantage of the low cost of land and labour in developing countries and to gain access to their domestic markets. Firms are governed by the motive of profit maximisation. Hence it is efficient for foreign firms to take advantage of developing countries' comparative advantage and shift production processes there.

International flows of capital also reduce the risk faced by owners of capital by allowing them to diversify their production and investments.

Foreign corporations, in their investment decision process, look for certain characteristic features of the host economy that would enable them to maximise returns on their investment. Some of the key characteristic features of host countries that are crucial in determining the flows of FDI are highlighted below:

- The level and type of natural and human resources in host countries is a very important factor that determines the investment decision of profit maximising foreign firms. In particular they are attracted by cheap and efficient labour in developing countries. For example, the hourly wage bill of one German worker is equivalent to the hourly wages of 128 Indian workers[7]. German investors have thus been attracted by the low wage costs in India and have shifted considerable production activity to India.

- Infrastructure facilities such as good transportation and communication networks are extremely important to make the domestic environment more attractive for foreign investment. Most developing countries including India are quite poor in this area. That is one reason why there is a thrust on FDI in infrastructure, such as roads, telecom etc.

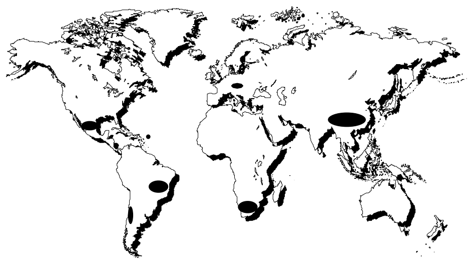
- Macroeconomic and political stability in the host country is important. In addition, governments have to ensure that their FDI policies are transparent and stable.

- Incentive schemes as discussed in the previous chapter might help to attract foreign investment.

- Countries that have a large domestic market for goods and services and sustained rates of growth in these markets attract larger volumes of FDI. Other than domestic markets, the access to regional markets is also important to attract FDI. For example, Nepal attracts FDI largely due to its easy access to India.

- Streamlined procedures, efficient policy and regulatory environment and a positive attitude of government and investment promotion agencies to foreign investment, are all important factors. In a large country like India, procedures are smooth at the Centre, while most problems occur at the sub-national level: the states. The Government of India is addressing this, as it's a huge bottleneck.

6



Which are the developing countries receiving the highest FDI?

The share of developing countries in world FDI inflows increased from approximately 14 percent in 1980 to 37 percent in 1997. However a large part of this increase was concentrated to a few developing countries.

FDI inflows into developing countries stood at $238bn in 2000 as against $1tr into developed countries in the same year. However, due to the slowdown in the world economy, the developed country share reduced to almost a half, and the developing country share reduced by a lesser extent, to $205bn, by 2002.

Table 1 lists the ten largest recipients of FDI among developing countries, as per the total FDI inflows into these countries in 2001.

Some other interesting facts:

China, Hong Kong (China), Mexico and Brazil account for more than half of the FDI inflows into developing countries.

The ten largest FDI recipients in the *world* are all developed countries, with the only exceptions being China and Hong Kong, China.

India's share of total FDI inflows to developing countries is 1.7 percent (2001). FDI as a proportion to total Gross Domestic Product was only 0.9 percent in India in 2001.

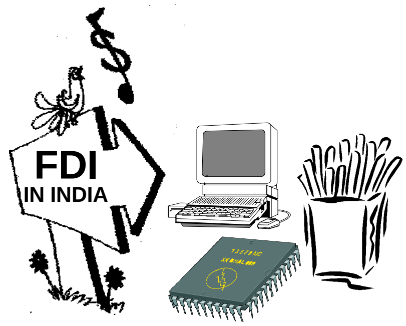
India is placed in the 119th position in the FDI performance index of UNCTAD's World Investment Report, 2002. The FDI performance index is an index that ranks countries on the basis of the total FDI inflows into each country. To make an interesting comparision, Pakistan was ranked higher at the 114th position.

China is the second largest recipient of FDI in the world, second only to the US.

Table 1

HOST DEVELOPING COUNTRY	FDI INFLOWS ($mn)
China	46846
Mexico	24731
Hong Kong, China	22834
Brazil	22457
Bermuda	9859
Poland	8830
Singapore	8609
South Africa	6653
Chile	5508
Czech Republic	4916
Source: UNCTAD, 2002, World Investment Report, Annex Table B.1.	

7



What is the direction of FDI into India? *'Potato chips' or 'silicon chips'?*

The term 'potato chips' sector is used to describe sectors that are relatively more labour intensive and low technology than the 'silicon chips' sector, which is more capital intensive and high technology. The 'potato chips' sector generally tends to be consumer goods and services and the 'silicon chips' sector tends to be industrial goods and services.

Contrary to common belief, FDI policy in India has encouraged FDI in the 'silicon chips' sector and discouraged FDI in the 'potato chips' sector. This has been done with the aim of protecting domestic manufacturing industry and to preserve its capabilities in the consumer goods sector and to bring in high technology in the electronic and software industry.

Today, the top five sectors attracting FDI in India are telecommunications, fuels (power and oil), electronics and electrical equipment (including computer software), services sector and metallurgical industries.

There has been a significant change in the direction of FDI into India in the past decade. Engineering, services, electronics and electrical equipment and computers were the main sectors receiving FDI in 2000-01. Sectors such as domestic appliances, finance and food and dairy products, which attracted FDI considerably in the early 1990s, experienced a downtrend in the latter half of the 1990s.

Within the services sector, the software sector ('silicon chips' sector) has been the focus of FDI policy in India in the 1990s. The inflow of FDI into computers in India increased from 6 percent in 1999-00 to 16 percent in 2000-01. Fuels and telecommunications have been the other two of the largest recipients of FDI, and are also classified as 'silicon chips' sectors.

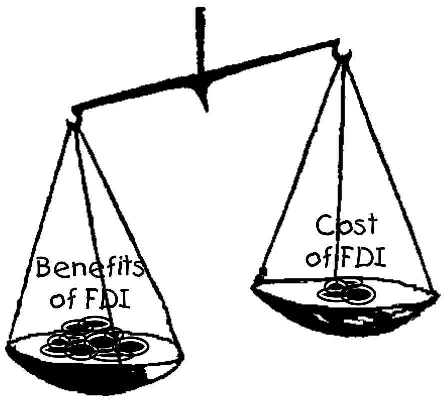
The software sector generates high export earnings for India and promotion of FDI inflows in this sector is well called for.

However various policy-induced constraints come in the way of attracting FDI into other prominent export sectors such as textiles & clothing and gems & jewellery. Besides being a significant part of Indian exports, these sectors are highly labour intensive. Thus these sectors generate not only higher export growth but greater employment as well.

Unemployment is one of the principal problems facing the Indian economy today. Hence, it is argued by some that FDI inflows into the potato chips sector need not only be harmful, but can also be beneficial from the point of view of employment. It is argued that political slogans such as "FDI in silicon chips" might have discouraged FDI in many export-promoting and employment-generating sectors in India.

However, in considering the 'potato chips' vs. 'silicon chips' argument, it is of crucial importance to note that the extent of positive spillover effects of FDI is a more important issue than whether FDI flows into the 'potato chips' or 'silicon chips' sector. FDI should be encouraged in those sectors where it stimulates further domestic investment and employment. For example, Coca-Cola company in India is able to generate a huge number of jobs in the downstream areas of bottling and distribution. It is true that Coca-Cola is not an essential need of the people but it is here to stay and people exercise their choice quite wisely when they can quench their thirst with other more traditional drinks such as plain water, buttermilk or limewater. There is no evidence to show that consumption of traditional thirst quenchers has gone down due to the availability of Coca-Cola in the market.

8



What are the potential benefits and costs of FDI?

A major concern for all developing countries is whether foreign direct investment leads to higher overall growth and development. The contribution of FDI to growth and development is conditional upon its effective utilisation and the conditions prevalent in the host country such as:

- The level of economic development,
- The level of domestic investment and savings,
- The mode of entry of FDI, i.e., Greenfield investment or M&As,
- The sectors of the host country receiving FDI,
- The type of business environment provided, and
- The country's ability to regulate foreign investment

The following table highlights the potential positive and negative impacts of FDI, and the conditions that would determine whether the impact of FDI is positive or negative.

Key Benefits of FDI	**Counterfactuals/Costs of FDI**
Capital formation • FDI brings in financial capital, which is scarce in developing countries. It has the potential to add to the productive capacity or capital formation of the host country.	*Limited addition to capital* • FDI might not contribute to total capital accumulation, when it does not involve the creation of new units/investment. Concerns are often raised when FDI enters more in the form of Mergers and Acquisitions than as Greenfield investments. • M & As involve taking extensive control over the decision-making and management over the merger. Lack of local representation might lead to decisions being made without taking into account needs and conditions of domestic economy and society. • Repatriation of profits can lead to withdrawal of capital from the host country.
Improve balance of payments • Greater FDI into the export sector can improve the current account balance and hence the overall balance of payments.	*Worsen balance of payments* • FDI could have a negative impact on the balance of payments situation of the host country through an increase in imports of inputs and through remittances of royalties and dividends abroad by the subsidiaries. For example, 75 per cent of profits made by US firms abroad returns to the US[8].

Contd...

Key Benefits of FDI	Counterfactuals/Costs of FDI
Growth in net domestic savings & investment • FDI can encourage domestic saving and investment by encouraging the setting up of new enterprises in the host country. • Foreign businesses can increase the demand for domestically produced inputs, which could lead to expansion of existing domestic units or setting up of new ones. Domestic units can also be set up to for processing of semi-finished products produced by foreign corporations or to engage in retailing, marketing etc.	*FDI can bring about a fall in net domestic investment* • Foreign corporations often form monopolies in the domestic market. Due to their sheer size, good quality and low cost products and extensive advertising of their products they might drive out small-scale firms. • FDI, which is expected to contribute to growth in domestic investment, often fails to, due to the withdrawal of investments. There have been several instances in India where approved FDI proposals have failed to translate into actual investments, on account of foreign investors getting put off by long-drawn procedures involved, lack of infrastructure facilities etc.
	Transfer pricing • Transfer pricing relates to the way in which prices are determined for transactions between subsidiaries and parent companies. It involves subsidiaries paying a higher price for imports from the parent company and then exporting products to parent companies at a lower price than the competitive market price. Such distortion in prices affects the free flow of resources between countries and also has a negative impact on the balance of payments situation of the host country.

Contd...

Key Benefits of FDI	**Counterfactuals/Costs of FDI**
Transfer of inputs, technology and skills FDI transfers technology and skills to developing countries. • FDI brings in new varieties of capital units and better quality of factors of production including management, which improves productive efficiency in the host country.	*The downside* • Developing countries might not have the ability to absorb high technology imparted by foreign firms. For example, domestic conditions such as poor infrastructure, low levels of education, rigidities in labour legislation and other regulations are obstacles facing the Indian economy. • Some foreign corporations can bring in technology that is not appropriate to suit the conditions of the host developing country.
Net job creation FDI can involve investment in new sectors, or setting up and expanding business in thriving sectors. This can lead to increased employment opportunities in the host economy.	*Net job loss* • Job creation might only take place in already well-developed urban sectors where the levels of education, training and infrastructure are high. • Small scale and rural businesses have a low capacity to attract FDI and as a result are left out. They can often be forced out of business due to lack of financial resources or be forced into using informal sources of financing.

Contd...

Key Benefits of FDI	Counterfactuals/Costs of FDI
Environmental benefits Transnational corporations often develop environmental-friendly technologies at lower costs and can actually induce local firms to adopt good environmental practices.	*Environmental costs* Foreign investors can take advantage of weak environmental regulation in developing countries, by using technologies that are cheap but harmful to the environment.
FDI assures considerable stability in foreign inflows of funds • FDI as compared to other international flows is stable. Hence it has the potential of ensuring a stable flow of foreign funds into the developing economy.	*FDI may contribute to financial instability* • Given the capacities and constraints of developing countries, free capital movements make them more vulnerable to both external and internal shocks[9]. • Developing countries' dependence on foreign finance to cover their current account deficits also makes them more financially fragile.
FDI can lead to higher export growth • If the motive of the foreign investor is to tap the export market of the host country then it can lead to higher export growth. • For e.g., if FDI flows into the garments export industry in India, it will bring in financial resources and high technology production processes. By taking advantage of skilled labour in India in this sector, it can make garments export of India more competitive.	*FDI might not encourage export growth* • If the FDI is aimed at capturing the domestic market, then it will not have much impact on growth of exports. • Licensing conditions in the host country may restrict exports to some or all foreign markets.

Contd...

Key Benefits of FDI	**Counterfactuals/Costs of FDI**
Access to international markets • FDI can improve the competitive efficiency of domestic exports and hence improve market access of goods. • International production networks offer market access to end products produced in any economy.	*No contribution to market access* If FDI comes into a country only to exploit domestic markets, it does not contribute to greater market access for domestic country exports.

Hence, we see that FDI can have both positive and negative impacts. Effective utilisation of FDI should comprise of both maximisation of its benefits and minimisation of its costs. 'Good' government regulation has an extremely important role in ensuring effective utilisation of FDI.

9

How can FDI flows be made reliable for sustainable development?

Sustainable development is defined broadly as development that meets the needs of the present generation without sacrificing the ability of future generations to meet their needs. For example, investment (domestic or foreign) in the construction of a highway in a wilderness area that leads to depletion of irreversible environmental resources is a loss for the future generation. To contribute to sustainable development, investments in general have to take into account the long-term costs and benefits.

Foreign direct investment in itself cannot achieve sustainable development. For foreign investment to contribute to sustainable development, the following have to be taken into account:

- *Improving the stability of FDI inflows*
  The domestic environment has to be stable, attractive and complementary. When domestic environment conditions are stable and attractive, FDI inflows are less volatile. Only stable long-term investments can lead to development that is sustainable, and the domestic investment climate is of prime concern in this regard.

- *Encouraging investments that are socially responsible*
  Steps should be taken to align foreign investment with sustainability goals. Ethically and socially responsible FDI can be encouraged through the development of national and international investment guidelines and regulations such as those related to consumer rights, transparency, labour standards, environmental standards and corporate governance.

  It is of crucial importance to ensure that foreign companies do not practise double standards by using one kind of technology in a developing country and another in a developed one.

  It is noteworthy that foreign investors tend to take advantage of weak environmental regulations in developing countries by using outdated and cheap technology that is harmful to the natural environment.

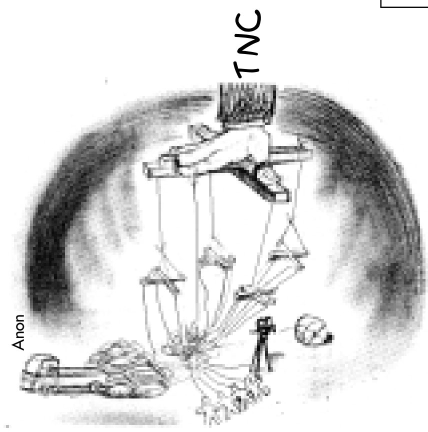
  There is evidence that foreign companies have used intermediate products, machinery and technologies in developing countries that are banned in the country of origin due to health and environmental reasons[10]. For example, nine potentially hazardous investments from Germany took place in India from 1991 to 1994[11]. Unless this is checked, FDI could have a substantial negative impact on the general state of the environment and could lead to a deterioration of the national resource base.

  It should be ensured that technology brought in by foreign companies is environment friendly. For environmental protection, authorities and businesses can apply Environmental Management Systems (EMS) to assess the potential impacts of FDI ventures, such as ISO 14001, which details techniques such as Life-Cycle Analysis, Environmental Impact Assessment (EIA) and Environmental Audit.

  Taking environmental considerations into the calculations of the cost benefit analysis of every investment is very important.

- *Improving capacity of small and medium term enterprises to attract FDI*
  Access to FDI for small and medium term enterprises should be promoted by improving credit facilities and capacity building programmes so as to improve the bargaining power of these sectors.

10



What are the major issues of concern for the civil society with regard to FDI?

The following are issues of concern for the civil society with regard to FDI in the current world scenario:

- An UNCTAD (1999) study found that the share of M&As in the total FDI to developing countries rose from 22 percent in the period 1988-1991 to 72 percent in 1992-1997[12]. If FDI enters a developing country mainly in the form of cross border takeovers of domestic firms by foreign corporations, it remains questionable whether FDI promotes economic development.

  This is because, firstly, M&As might not add to the productive capacity and the total domestic investment in the country. They mostly bring about a change in management and control.

  Secondly, M&As might lead to unequal competition between large foreign multinationals and large domestic corporations in developing countries. Even the largest domestic corporations might be smaller than any TNC in the economy.

  Due to their market power, which is the ability to set the market price of a product, TNCs often distort competition in the domestic market. They form monopolies and may drive out small-scale domestic firms and enterprises. From the consumers' point of view, the monopoly power of sellers go up, which can adversely affect the prices of goods.

However, a TNC monopoly driving out domestic firms is not always the case, as proved in the Nirma-Surf example in India. Hindustan Lever Limited (HLL), an Indian subsidiary of Unilever and a monopoly in the detergent market in India, found a large part of its profits washed away by Nirma, a local brand from the city of Ahmedabad. With the use of a low-cost strategy and a strong distribution channel Nirma did not get driven out by a monopoly and in fact was successful in stealing a significant part of Surf's (an HLL product) market share.

In addition, it has to be said that although some of the above concerns are real, greater TNC involvement in the domestic economy should *not* be interpreted as the East India Company syndrome. Given India's current state of economic development and economic sovereignty, this is a fear that is uncalled for. FDI can have a significantly positive impact on growth and development in India only if the mindset towards it is completely changed.

Local firms and host governments, with the design of appropriate FDI policies, can move towards a situation where their bargaining power is strengthened and where it can be ensured that their interests are taken into account.

- In several instances foreign investors use outdated and inappropriate technology. As regards inappropriate technology, a technology will be profitable to a local firm only if it is truly relevant to the firm's core competencies and its area of business. Very often, foreign entrepreneurship, management styles and working practices fail to accommodate, or where appropriate, change the business cultures in the host country. The use of foreign industrial relations procedures, for example, may lead to industrial unrest in the host business.

  Many a time, when the technology transferred is far superior to local capabilities and standards, the local firms are not able to *cope* with it. Firms have to build the capacity to be able to use new technologies, which in turn requires new skills, effort and institutional change. This is a gradual learning process. Hence, a technology that is rational for a TNC might not be desirable for the host country. There could also be conflicts between the objectives of TNCs and the development objectives of host economy. FDI into an industry could create huge unemployment, which could be in conflict with the social objective of job creation.

  When the high technology brought in by foreign firms is not environment friendly it has a significant impact on the well being of the citizens of the host economy. For example, the use of certain technologies can often lead to excessive air, water and noise pollution.

- It is becoming an issue of concern for developing countries that FDI inflows are increasing in the consumer goods sectors. FDI in the consumer goods sector is targeted at the domestic sector and often results in the elimination of competition. However, it is the high import tariffs in consumer goods industries in developing countries that attract FDI. FDI in this sector is aimed at 'jumping' the tariffs and gaining access to domestic markets. Removal of domestic distortions in the consumer goods markets could help reduce FDI inflows into this sector.

  Let us consider the case of the edible oil sector in India. The import duty on refined oil is much more than the import duty on crude oil. As a result of this, foreign agribusinesses are taking advantage of the low price of crude oil and are 'tariff jumping' by setting up business in this sector in India. If the policy is reversed, with import duty on crude oil higher than refined oil, farmers in India will be protected. FDI will flow in anyway to exploit the huge edible oil market, cheap skilled labour and variety of raw materials.

- FDI has the potential to generate both employment and unemployment. When more competitive foreign firms (or joint ventures etc) enter the market they drive out uncompetitive firms and businesses. The same applies to large corporations driving out small ones and creating unemployment for workers.

  If FDI enters largely in the form of M & As, a restructuring of activities will take place, which can cause labour shedding.

- FDI is relatively capital intensive in nature. It typically contributes to investment and growth in urban and well-developed areas. Greater FDI might increase the inequality of income in the economy by increasing turnover and employment in sectors and areas that already enjoy a higher standard of living. The poorer sectors and areas of the country might be rendered worse off. For example, the capital-intensive nature of FDI in India can pose a threat to income inequality in the country.

11

What are the key recommendations for policymakers with regard to FDI?

FDI brings both opportunities and challenges to developing countries. Keeping this in mind, the following key policy recommendations emerge for developing countries in general and for India in particular:

- The potential impact of every FDI project has to be assessed independently, realistically and carefully. Thereafter policy should be directed towards maximising the benefits while minimising the costs. The fact that the impact of FDI on development depends more on its application and utilisation, has considerable policy relevance.

- In order to minimise risks, a policy of selectivity in FDI is a recommended policy stance. Preference should be given to projects with large technological spillovers. In East Asian countries such as South Korea and Taiwan selective policies of trade and FDI were followed as part of a broader development strategy. Such a strategy contributed to high levels of growth and development in these countries. The existing FDI strategy of India should shift from a broad approach to one of targeting specific sectors.

  It is clear that FDI projects that promote adequate linkages of FDI firms with the local economy have to be given preference to meet end objectives of higher growth and development.

  Selectivity with regard to *timing* in FDI can also be an important strategy, if used carefully and for the right reasons.

- The accessibility to FDI has to be improved by making the domestic environment more attractive. The poor quality of infrastructure in India in particular is a serious setback. According to the Indian Planning Commission's Report on foreign investment, "As a foreign direct investor planning to set up an export base in developing/emerging economies has the option of choosing between India and other locations with better infrastructure, India is handicapped in attracting export-oriented FDI"[13]. There are other legal delays and policy obstacles at the level of the State Government, the removal of which has also been identified as essential.

  Laws, rules and administrative procedures ought to be more simplified and red tape should be reduced so as to make India as attractive a destination as China. A new power project, for example, requires some 100 clearances in India. This needs to be done away with.

  In general, improving the image of India, marketing India and conveying a positive approach towards FDI to foreign investors have been rightly identified by the Planning Commission as crucial.

- Regulatory mechanisms and legislation have to be strengthened in developing countries with effective supervision of investments.

  Large foreign corporations often take advantage of loopholes in policies in developing countries. For example, to promote R&D efforts in India the Government of India has given various incentives to foreign firms. One such incentive in the pharmaceutical sector is the freedom for foreign investors to set their price for a drug, if the drug is produced through process innovation and indigenous R & D. However in 1996, Bayer (India), a German TNC, merely modified the existent production process and claimed benefits, without any real contribution to the development of indigenous technology in India.

  A study by Singh (1997)[14] also found that German companies were taking advantage of weak public health and environmental regulations in India and were resorting to illegal and unethical practices.

- Foreign and domestic investment policies and national, environmental and other regulatory policies should be cohesive and mutually supportive, so as to contribute to sustained growth and development.

It is often wondered how China has gone way ahead of India in attracting FDI. The following box summarises the key reasons.

Box II. : Why has China been more successful than India in attracting FDI?

Both India and China have taken considerable policy initiatives to open their foreign investment regimes. However, India, despite advantages of cheap labour, an educated middle class (English proficient) and technically qualified professionals has not managed to attract as much FDI as China. FDI inflows into India stood at $2.3 billion in 2000, as against $40 billion in China.

The biggest problem is the bloated bureaucracy in India. Red-tapism with long and complicated procedures have put off foreign investors. Due to India's democratic set-up the bureaucracy has a huge impact on policy implementation, as against in China where there is least resistance from bureaucracy once a political decision on a policy change is made.

However what makes China a more attractive destination is its simplified and streamlined procedures for FDI. There is also more transparency and openness in dealing with foreigners in China than in India.

Another major obstacle is the poor infrastructure in India. The transportation and port facilities existing have been identified as major stumbling blocks. The quality of infrastructure is much better in China. China scores much higher than India in its quality of human development as well (education and health standards etc).

It is also said that the Indian mindset towards FDI is far less open than the mindset of modern (post 1980) China. In India there is a need to establish a positive approach to FDI at *all* levels of the Government.

It is true that a large part of FDI inflows into China can be attributed to investment by the Chinese entrepreneurs in Hong Kong and Taiwan, wishing to take advantage of low labour costs in China. On the basis of this it is argued that one can not compare FDI inflows into India and China.

However, there is a more central economic explanation to the differences in FDI inflows. Growth in industry is higher and much more stimulated in China than in India. At the same time, the capacity of the formal services sector to absorb FDI is much lower in India. In addition, the labour laws and exit policies in India are not as flexible as those in China.

Endnotes

1 ADR (American Depository Receipt) is a document issued by a US bank against shares deposited with it or a bank overseas. GDR (Global Depository Receipt) is a bank issued certificate in more than one country for shares held in a foreign company.

2 FDI stock, on the other hand, refers to the total value of the parent enterprises' share of capital and reserves, plus the net indebtedness of affiliates to the parent enterprise (UN, 1999).

3 Hypothetical example.

4 Hypothetical example.

5 Hypothetical example.

6 A country's export structure is based on the technological composition of its exports. A dynamic export structure is one that is characterised by increasing foreign demand for the country's exports and high and increasing productivity of the export sector of the country.

7 *Source:* Singh, K., "The Reality of Foreign Investments: German Investments in India (1991-1996)", Public Interest Research Group, Madhyam Books, 1997.

8 *Source:* US Council for International Business Website - www.uscib.org.

9 External shocks such as changing term of trade in the international market and internal shocks such as changing socio-political conditions in the host country.

10 These banned products are referred to as Domestically Prohibited Goods and the harmful technologies are known as 'dirty' technologies.

11 *Source:* Singh, K., "The Reality of Foreign Investments: German Investments in India (1991-1996)", Public Interest Research Group, Madhyam Books, 1997.

12 This study excluded China, which is the largest recipient of FDI, and mostly Greenfield investment.

13 *Source:* Government of India (2002), Planning Commission, "Foreign Investment-India", p.28.

14 *Source:* Singh, K., "The Reality of Foreign Investments: German Investments in India (1991-1996)", Public Interest Research Group, Madhyam Books, 1997.

‘CUTS’ PUBLICATIONS
TRADE AND DEVELOPMENT

1. **Implication of Non-Co-operation** (Event Report)
   This is a report of the proceedings of the South Asia Conference on International and Regional Trade held at Kathmandu, Nepal, during December 11-12, 1995. The event, held just after the signing of South Asian Preferential Trading Agreement (SAPTA), was inaugurated by the Prime Minister of Nepal, while the Secretary General of SAARC delivered the Keynote address. The event focussed the attention of the Region on the huge costs of non-cooperation among the countries in the region, including the need to take a common stand at the WTO. *pp 25, # 9514, Rs.10/US$5*

2. **Agenda for India at the WTO – Need to be Proactive** (Event Report)
   This is a consolidated report of four seminars on international trade policy organised by CUTS in May and October 1996 and March and October 1997. The report is a step towards informing and consensus-building on India’s approach to the new world trade order. It is a reader-friendly document for policy-makers, business representatives, social activists and the media. *pp 39, #9711, Rs.20/US$5*

3. **International Trade Policy and Negotiations** (Event Report)
   This is a summary report of the South Asian Regional Training Seminar organised by CUTS-CITEE (Centre for International Trade, Economics & Environment) from July 25-27, 1997. *pp 20, #9712*

4. **Tariff Escalation –A Tax on Sustainability** (Research Report)
   This study reveals that the existence of escalating tariff structure, particularly in developed countries, results in “third-best” allocation of resources. It also harms environment, development and the balance of trade.
   pp 25, #9707, Rs.100/US$30, ISBN: 81-87222-00-X

5. **Trade, Labour, Global Competition and the Social Clause** (Research Report)
   The social clause issue has remained one of the most heated areas of international debate for a number of years. This study reveals that the quality of that debate has not addressed the real issues. It attempts to string the various debates together. *pp 40, # 9708, Rs.100/US$30, ISBN: 81-87222-01-8*

6. **TRIPs, Biotechnology and Global Competition** (Research Report)
This study shows, with some evidence, that the provisions in the TRIPs agreement concerning bio-technology are of great concern to the developing world. According to the new GATT agreement, all bio-technology products may be patented. Nearly 80 percent of all bio-technology patents are currently held by large multinationals. *pp 19, #9709, Rs.100/US$30, ISBN: 81-87222-02-6*

7. **Non-trade Concerns in the WTO Agreement on Agriculture** (Research Report)
This research report, written by Dr. Biswajit Dhar and Dr. Sachin Chaturvedi of the Research and Information System for the Non-Aligned and Other Developing Countries, New Delhi, provides a detailed analysis of non-trade concerns, covering the various dimensions indicated by the Agreement on Agriculture of the World Trade Organisation. *pp 29, #9912, Rs.100/ US$30, ISBN: 81-87222-30-1*

8. **The Functioning of Patent Monopoly Rights in Developing Economies: In Whose Interest?** (Research Report)
Advocates of strong international protection for patents argue that developing countries would gain from increased flow of trade, investment and technology transfer. The paper questions this view by examining both the functioning of patents in developing economies in the past and current structural trends in the world economy in these areas. This research revealed no positive links between a strong patent regime and Foreign Direct Investment (FDI) and technology transfer. Current trends are largely limited to exchanges amongst the industrialised countries and, to some extent, the newly industrialising countries. While increased North/South trade flows are expected, negative consequences are possible. *pp 49, #0004, Rs.100/ US$30, ISBN: 81-87222-36-0*

9. **Negotiating the TRIPs Agreement: India's Experience and some Domestic Policy Issues** (Research Report)
This paper shows particularities about the subject that distinguished the TRIPs negotiations from the other agreements that make up the Uruguay Round results and, analysed the way in which the TRIPs Agreement was actually negotiated and handled. *pp 45, #0111, Rs.100/US$30, ISBN: 81-87222-50-6*

10. **Social Clause as an Element of the WTO Process** (Monograph)
The central question is whether poor labour standards result in comparative advantage for a country or not. The document analyses the political economy of the debate on trade and labour standards. *pp 14, #9804, Rs.50/US$10, ISBN: 81-87222-10-7*

11. **Is Trade Liberalisation Sustainable over Time?** (Monograph)
Economic policy is not an easy area for either the laity or social activist to comprehend. To understand the process of reforms, Dr. Kalyan Raipuria, Adviser, Ministry of Commerce, Government of India, wrote a reader-friendly guide by using a question/answer format. *pp 29, #9805, Rs.50/US$10, ISBN: 81-87222-11-5*

12. **Ratchetting Market Access** (Discussion Paper)
In this paper, Bipul Chatterjee and Raghav Narsalay analyse the impact of the GATT Agreements on developing countries. The analysis takes stock of what has happened at the WTO until now and flags issues for comments. *pp 93, #9810, Rs.100/US$25, ISBN: 81-87222-19-0*

13. **Existing Inequities in Trade – A Challenge to GATT** (Discussion Paper)
A much-appreciated paper written by Pradeep S Mehta, presented at the GATT Symposium on Trade, Environment & Sustainable Development, Geneva, 10-11 June, 1994, which highlights the inconsistencies in the contentious debates around trade and environment. *pp 10, #9406, Rs 30/US$5*

14. **Unpacking the GATT – Bilingual** (Guide)
This publication provides an easy guide to the main aspects of the Uruguay Round agreements in a way that is understandable by non-trade experts. It also contains enough detail to make it a working document for academics and activists. *pp 107, Rs.60/US$5*

15. **Consumer Agenda and the WTO – An Indian Viewpoint** (Guide)
This analyses strategic and WTO-related issues under two broad heads, international agenda and domestic agenda. *pp 21, #9907*

16. **JAGDISH BHAGWATI Presents WTO and India: An Agenda for Action in Post Doha Scenario** (Book)

CUTS has been involved in the WTO process and has participated in every ministerial meeting since Marrakesh in April, 1994. At other meetings, in Singapore, Geneva, Seattle and Doha, CUTS has also organised fringe meetings on crucial issues.

This book is written by Pradeep S. Mehta with a foreword by Jagdish Bhagwati. It is a compilation of articles covering the pre and post Doha analysis and the international as well as the domestic agenda for India on most important WTO issues. This will help many to understand the scenario and how we can turn the Doha Development Agenda into a truly development agenda. A useful and handy reference for readers providing them with a set of practical recommendations. More particularly for the civil servants, who are new to the Trade Policy Division in the Commerce Ministry. *pp 199, #0214, Rs.200/US$20, ISBN: 81-87222-60-3*

NEWSLETTER

Economiquity

This is a quarterly newsletter of the CUTS-CITEE (Centre for International Trade, Economics & Environment) for private circulation among interested persons/networks. This main focus is on trade-related issues, economic issues, market access, development dimensions, environment, economics and intellectual property rights, especially in the context of World Trade Organisation. *Rs.100/US$20 p.a.*

ELECTRONIC NEWSLETTER

CUTS-CITEE Linkages Update

This is a widely circulated bi-monthly e-newsletter of CUTS-CITEE, which keeps the readers updated about our Global Programme for Capacity Building on Linkages and also about the latest developments in the area of linkages between trade and non-trade issues at the WTO. The Global Programme on Linkages addresses the vexed issues of linkages between trade and environment, trade and labour standards and trade and poverty.

BRIEFING PAPERS

1995

1. GATT, Patent Laws and Implications for India
2. Social Clause in the GATT – A Boon or Bane for India
3. Trade & Environment: the Inequitable Connection
4. Anti-Dumping Measures under GATT and Indian Law
5. No Patents on Life Forms!

1996

1. The Freezing Effect – Lack of Coherence in the New World Trade Order
2. WTO: Beyond Singapore – The Need for Equity and Coherence

1997

1. The Uruguay Round, and Going Beyond Singapore
2. Non-Tariff Barriers or Disguised Protectionism
3. Anti-Dumping Under the GATT – The Need for Vigilance by Exporters
4. Subsidies & Countervailing Measures
5. Textiles & Clothing – Who Gains, Who Loses and Why?
6. Trade in Agriculture – Quest for Equality
7. Trade in Services – Cul de Sac or the Road Ahead!
8. TRIPs and Pharmaceuticals: Implications for India
9. Movement of Natural Persons under GATS: Problems and Prospects

1998

1. TRIPs, Bio-technology and Global Competition
2. Tariff Escalation – A Tax on Sustainability
3. Trade Liberalisation, Market Access and Non-tariff Barriers
4. Trade, Labour, Global Competition and the Social Clause
5. Trade Liberalisation and Food Security

1999

1. The Linkages: Will It Escalate?
2. Dispute Settlement at WTO – From Politics to Legality?
3. TRIPs and Bio-diversity
4. Overdue Reforms in European Agriculture – Implications for Southern Consumers
5. The Non-trade Concerns in the WTO Agreement on Agriculture
6. Negotiating History of the Uruguay Round
7. Professional Services under the GATS – Implication for the Accountancy Sector in India

2000

1. Implementation of the WTO Agreements: Coping with the Problems
2. Trade and Environment: Seattle and Beyond
3. Seattle and the Smaller Countries

2001

1. Human Rights and International Trade: Right Cause with Wrong Intentions
2. Framework for Fair Trade and Poverty Eradication
3. Implementation of the Uruguay Round Agreements: Need for a front-loaded Agenda
4. Proactive Agenda for Trade and Poverty Reduction
5. WTO Transparency & Accountability: Need for Reforms

2002

1. *Amicus Curiae* Brief: Should the WTO Remain Friendless?
2. Market Access: The Major Roadblocks
3. Negotiating the TRIPs Agreement: *India's Experience and Some Domestic Policy Issues*
4. Market Access Implications of SPS and TBT
   A Bangladesh Perspective

*Each Briefing paper is available at Rs.20/US$*5

For more details, visit our website at www.cuts.org.

'CUTS' PUBLICATIONS
INVESTMENT

1. **FDI, mega-mergers and strategic alliances: Is global competition accelerating development or heading towards world monopolies?** (Monograph)
   Foreign Direct Investment, mergers, amalgamations and strategic alliances are the rules of the present day global economy. However, the crucial question is whether the movement of capital leads to further development and welfare of the society or the growth of monopolies. The monograph sheds light on the main contours of the global competition and its implication for consumers. pp 24, #9909, Rs.50/US$10, ISBN: 81-87222-26-3

2. **All About International Investment Agreements** (Monograph)
   This briefing kit for the general reader provides an overview of recent trends in the proliferating number of bilateral and regional investment agreements. The kit highlights the key issues in these agreements and considers past initiatives and prospects at the multilateral level.
   pp 64, #0102, Rs.50/US$10, ISBN: 81-87222-39-5

3. **Making Investment Work for Developing Countries** (Monograph)
   This publication is another one in our series of monographs on investment and competition policy, intended to introduce related topics to a wide audience. This monograph also serves as a reference point for those interested in the complex and, sometimes, controversial relationship between foreign direct investment and development.
   pp 38, #0110, Rs.50/US$10, ISBN: 81-87222-49-2

4. **Foreign Direct Investment in Developing Countries: What Economists (Don't) Know and What Policymakers Should (Not) Do!** (Monograph)
   Among the different forms of capital flows, academics and policy makers talk about foreign direct investment (FDI) the most. In the past fifteen years, FDI has been the dominant form of capital flow in the global economy, even for developing countries.
   We, at CUTS have attempted to highlight various aspects of the debate on FDI through a series of monographs on investment and competition policy. This, being another one in the series, discusses the global FDI trends and determinants, and tries to highlight some of the arguments on the link

between FDI and growth. We are extremely grateful to Peter Nunnenkamp of Kiel Institute of World Economics, Germany for allowing us to publish this. *pp 30, #0216, Rs.50/US$10, ISBN: 81-87222-70-0*

NEWSLETTER

Investment for Development

This is a quarterly newsletter of CUTS-CITEE of the "Investment for Development" (IFD) project. In every bulletin, topics related to investment policies and practices in different countries and issues facing the investors the world over are discussed.

Rs.150 p.a./US$30 p.a.

ELECTRONIC NEWSLETTERS

IFD-E-news

This is a quarterly e-newsletter of the CUTS-CITEE of the "Investment for Development" (IFD) project. Current investment issues and progress in the IFD project will be discussed in every bulletin. Small pieces of news or articles and links to relevant news or articles are provided.

BRIEFING PAPERS

2002

1. Foreign Direct Investment in India and South Africa:
   A Comparison of Performance and Policy
2. Regulating Corporate Behaviour
3. Multilateral or Bilateral Investment Negotiations:
   Where Can Developing Countries Make Themselves Heard?

*Each Briefing paper is available at Rs.20/US$*5

For more details, visit our website at www.cuts.org.

ISBN 81-87222-77-8

कट्स CUTS

CUTS Centre for International Trade, Economics & Environment
D-217, Bhaskar Marg, Bani Park, Jaipur 302 016, India
Ph: 91-141-2207482, Fx: 91-141-2207486
Email: cuts@cuts.org Website: www.cuts.org