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The QWERTY Path for FDI in India?

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Abstract

The paper examines the issue of FDI in relation to a path dependence that is expressed in distinctly different policies and effects of economic liberalisation in India and elsewhere. Looking at India, where it has taken over forty years of independence and the imperatives of a financial crisis, mainly the balance of payment deficit, to undertaking its own package of liberalisation, the paper argues that the FDI scene in India presents both smart adaptation to changing global financial environment and habitual indifference to inherited internal imbalances. The question of FDI in retail trade is then examined in the light of regional disparities to account for the lack of consensus among the states in India. Recognising that FDI has a wide range of impact on the country's economic policy the paper identifies the necessities of enlarging the diversity of FDI, besides its growth, and of proactive measures on the part of the government to address regional disparities in infrastructure sector's requirements to derive healthy spill over benefits of FDI in India.

Prologue

I have like others got used to my computer keyboard with QWERTY layout, in my mobile too. As everyone knows this layout was a development of the mechanical typewriter in the nineteenth century, originally invented by Christopher Sholes and standardised by the engineers from Remington who bought the patent. Its original purpose was to prevent too rapid typing of texts leading to jamming but we have no longer the same need to stick to that layout in the digital age. But we still stick to that. Why?

Some people think that it is due to our habit or inertia[1], a

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path dependence that is expressed in distinctly different policies and effects of economic liberalisation respectively in Russia, China and India where in case of the latter, it took over forty years of independence and the imperatives of a financial crisis, mainly the balance of payment deficit[2], to undertaking its own package of liberalisation. Nobody denies that cultures and institutions have a way of replicating themselves and mindsets do not change easily. But sometimes going slow and steady may be rational option on perfectly logical grounds. Yet there may be elements of path dependence that defy any logic or do reflect inertia. The FDI scene in India presents both: smart adaptation and habitual indifference.

Slow and Tardy ?

Everybody is aware of the political sensitivity of the issue of FDI[3] (Foreign Direct Investment) in retail trade in India. The time gaps in significant decisions reveal the tardy and halting nature of opening the economy up. In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. In December 2011, under pressure from the opposition, Indian government had placed the retail reforms on hold till it reached a consensus. In January 2012, India approved reforms for single-brand stores such as Nike and Apple with 100% ownership, but imposed the requirement that the single brand retailer should source 30 percent of its goods from India, a constraint which, as newspaper[4] reported, led IKEA, the largest single brand Swedish retailer in the world shelved its proposal to invest $1.9 billion in India and set up 25 retail store. On 14 September 2012, the government of India announced the opening of FDI in multi-brand retail, subject to approvals by individual states. On 20 September 2012, the Government of India formally notified the FDI reforms for single and multi brand retail, thereby making it effective under Indian law. On 7 December 2012, the Federal Government of India allowed 51% FDI in multi-brand retail in India. There was uproar

among the opposition. The compromise that was clinched was some states will allow foreign supermarkets like Walmart, Tesco and Carrefour to open while other states will not.

All the above have been developments post 1997. The hesitancy about FDI was a feature of pre 2nd generation reforms too. To start with, India permitted foreign retailers to sell directly to retail customers. In 1997, it took a step back. The Foreign Investment Promotion Board (FIPB) decided that it would "encourage" foreign investors to set up manufacturing facilities in the country, instead of permitting entry merely to traders. The Government categorized foreign companies into three broad types:

- Companies that set up domestic manufacturing facilities and sold products manufactured domestically.
- Companies that came in to trade prior to the 1997 norms.
- Companies that came in to trade after the 1997 norms were adopted.

There were no restrictions on the sale of products by the first set of companies. Thus, India has consumer durable companies like Sony, LG, Samsung and Phillips, which manufacture and sell products in India. Under the second category, only two companies were granted permission to operate in India. They were Nanz and Spencers, which held permission to sell their products directly to retail customers. In the third category - those entering the market after 1997 - foreign retailers could set up wholly owned subsidiaries in India for the purpose of trade, but they could sell only to wholesalers (who were essentially domestic retailers) and not to retail customers, and operate as franchisees and/or as cash and carry wholesalers. The most famous in this category that came was the Metro GmbH. The charge against Metro GmbH was that it was selling to retailers. The campaign was led by the Federation of Associations of Maharashtra state (FAM), a state-level organization

of small traders. Among others, FAM was supported by the Karnataka and Tamil chambers of commerce at the state levels and by the Confederation of India Industry at the national industry chamber level. FAM was also supported by parliamentarians, politicians, political parties and even the Swadeshi Jagaran Manch. The SJM was the nationalist wing of the ruling Bharatiya Janata Party (BJP), whose traditional vote-bank has been business. As People's Democracy, the mouthpiece of the Communist Party of India (Marxist), pointed out in its December 2003 issue, "It was primarily because of the support from several parliamentarians and political parties that the government of India was obliged to take a decision not to permit FDI in retail trade."

Certainly the organised business was alarmed but so were the academicians. One early study[5] quoted the global consultancy firms AC Neilsen and KSA Technopak's estimate made in 2001 that India has the highest shop density in the world, 11 outlets for every 1,000 people to pointed out the highly fragmented nature of retail trade in India with about 11 million outlets operating in the country and only 4% of them being larger than 500 square feet in size. It was pointed out that that retailing is probably the primary form of disguised unemployment/underemployment in the country. Given the already over-crowded agriculture sector, and the stagnating manufacturing sector, and the hard nature and relatively low wages of jobs in both, many million Indians are virtually forced into the services sector. It was feared that entry of foreign players now will most definitely disrupt the current balance of the economy, will render millions of small retailers jobless by closing the small slit of opportunity available to them. With 40 mn adults in the retail sector, it would translate into around 160 million dependents using a 1:4 dependency ratio or in other words millions would be dislocated due to opening the retailing sector to FDI, pushing a lot of families under the poverty line. The Government however has justifying FDI in terms of some of its spillover benefits. A day after

winning Parliament's approval for allowing foreign direct investment in multi-brand retail, Prime Minister Manmohan Singh on Saturday said that the move will benefit farmers and consumers, and help introduce new technology and investment in marketing agricultural produce. The Prime Minister also said that the decision was "strongly supported by farmer organisations in Punjab". Singh called upon the Punjab government to take advantage of the new policy to improve productivity and reduce wastages. Investment in back-end infrastructure has the potential for minimising wastage, he said, especially of perishable fresh foods and vegetables, and increasing the income of farmers. The problem is that we have rough estimates of the sizes of different sectors of economy, some rough ideas about the fragmented nature of retail trade structure in India, some estimates of likely displacement of employees too but hardly any estimates of the benefits that may ensue to the common people. We can understand the vociferous protests or jubilant welcome from sectional interests, often organised in small group or in coalition following the old wisdom of Mancur Olson who had argued that in democracy small groups are easy to organise on the basis of similar interests rather than the large groups because either one expects the other to do the job of the one or individual interests affected are too small. Everywhere the producers lobby is more successful in bargains than those of the consumers for precisely the same reason. The benefit calculation in this way must take into account the trouble of calculating in terms of large numbers and not in terms of gains to be captured by a few.

The Chinese Experience

Both China and India have been quick to partially open up foreign direct investment (FDI) in their retail sectors, but both have faltered when it came to opening up fully. Under China's WTO commitments, during the first year of the five-year transition period ending December 2004, Beijing agreed to open up its retail sector

to foreign retailers in two phases. For the first two years, foreign retailers had to come in as joint ventures, while in the last two years they could also enter as fully owned subsidiaries. In the first phase, China agreed that to permit joint ventures to be set up in the five special economic zones and six cities. These are the zones in Shenzhen, Zhuhai, Shantou, Xiamen and Hainan and the cities of Beijing, Shanghai, Tianjin, Guangzhou, Dalian and Qingdao. The provincial capitals, including Chongqing in Chongqing province and Ningbo in Zhejiang, were to be opened to foreign investors in the second year. By January 2003, all the regional, quantity and foreign equity shared restrictions were to be lifted. This meant that from 2003 onwards, a foreign company could own 100 percent retail subsidiaries in China, subject to some exceptions. For department stores of over 20,000 square meters, and chain stores with more than 30 outlets, the foreign equity in the joint venture was to be capped at 50 percent. Further, the WTO agreement also allowed China to impose sector-specific restrictions on foreign retail activity in some sectors. Only those that had already been in business for more than a year were to be allowed to sell books, newspapers and magazines. The timetable permitted the foreign-funded retailers to deal in pharmaceuticals, pesticides and petroleum products in the fourth year and chemical fertilizer only in the fifth year. The Chinese central leadership had agreed to this timetable with the WTO. But meanwhile violations by foreign retailers were witnessed. Lack of coordination as well as competition among the provinces allowed Carrefour, the French retail giant to obtain far more clearances and set up far more joint ventures than was permitted under the license agreement and the WTO agreement. Wall mart entry was a mixed experience. The All-China Federation of Trade Unions, the only ffical trade union, has a different, land-use focus in Shanghai. The Shanghai Chain Enterprise Association (SCEA) recently pushed the panic button when Wal-Mart was given permission to enter Eastern China for the first time through a joint venture with CITIC Trust & Invest Co Ltd. After it became clear that Wal-Mart proposed to

open three mega outlets, including a 100,000 square-meter super-center at Wujiaochang, a busy commercial area in west Shanghai, the Shanghai association argued that little space was available for such stores. Erecting this super shopping mall would mean razing existing structures, which in turn has set off fears of unplanned and indiscriminate land use with adverse consequences for local residents, retailers and others. China had a great stake in Wall Mart. Wal-Mart, which has opened 26 units since it entered China in 1996 and procured an estimated $15 billion worth of Chinese products in 2003. Through the joint venture with CITIC Trust & Invest Co Ltd, for instance, the huge retailer proposed to bring in total investments amounting to $18 million, on an equity base of $7.2 million. While Wall Mart was assured of cooperation China went ahead with putting in place a regulatory framework that proposed that the law-abiding foreign retailers would be permitted to expand, while a one-year curb on expansion would be imposed on those who had violated the norms. Chronic violators would be banned indefinitely from expanding their operations. Technically, these provisions should have addressed and halted the Carrefour-type of expansion violations. In addition it was proposed that foreign retailers seeking to set up outlets in areas of less than 3,000 square meters would have to bring in 30 percent of the investments necessary up front. In the case of larger units, the proposed minimum capital requirement has been set at 5 million yuan (US $ 6.04 million) for 3,000-8,000 square-meter outlets and at 30 million yuan for outlets over 8,000 square meters.

Under the proposed guidelines, the large units also would have to submit applications for building approval at the time of FDI clearances. These measures belonged to the class of WTO-compatible qualitative restrictions in order to protect the domestic retail sector on the eve of global integration. Undoubtedly, like India, China's concern also is dictated by the human dimension, the human price, of opening up to massive foreign retailing that could

overwhelm domestic retailers[6].

FDI Flows and India

In South Asia, FDI inflows have turned around after a slide in 2009–2010, reaching $ 39 billion, mainly as a result of rising inflows in India, which accounted for more than four fifths of the region's FDI. FDI outflows from India rose by 12 per cent to $15 billion. But on comparative terms this is only a better scenario than that of Africa where FDI inflows as a whole declined for the third successive year, to $ 42.7 billion in 2012. China still tops the table. FDI flows to China also reached a record level of $ 124 billion, and flows to the services sector surpassed those to manufacturing for the first time. China continued to be in the top spot as investors' preferred destination for FDI, according to UNCTAD's *WIPS*, but the rankings of South-East Asian economies such as Indonesia and Thailand have risen markedly. Overall, as China continues to experience rising wages and production costs, the relative competitiveness of ASEAN countries in manufacturing is increasing[7]. During the period January-September 2012, China attracted the lion's share of global FDI flows with USD 170 billion followed by the United States (USD 104 billion), Brazil (USD 48 billion), the United Kingdom (USD 47 billion), and France (USD 46 billion). These five host economies received 45% of global inflows during first nine months of 2012 (as opposed to 37% in the first three quarters of 2011)[8]. The important thing however is that India has been consistent. FDI inflows during 1991-92 to March 2010 in India increased manifold as compared to during mid 1948 to march 1990. There were just few (U.K, USA, Japan, Germany, etc.) major countries investing in India during the period mid 1948 to march 1990 and this number has increased to fifteen in 1991. India emerged as a strong economic player on the global front after its first generation of economic reforms. As a result of this, the list of investing countries to India reached to maximum number of

120 in 2008. Although, India is receiving FDI inflows from a number of sources but large percentage of FDI inflows is vested with few major countries. Mauritius, USA, UK, Japan, Singapore, Netherlands constitute 66 percent of the entire FDI inflows to India. FDI inflows are welcomed in 63 sectors in 2008 as compared to 16 sectors in 1991[9]. This trend has been an outcome of concrete policy decisions. In order to have a generous flow of FDI, India has maintained Double Tax Avoidance Agreements (DTAA) with nearly 70 countries of the world. Incidentally, Mauritius, with which India has a DTTA, is the major investing country in India during 1991-2008. Nearly 40% of FDI inflows came from Mauritius alone. Mauritius and United states are the two major countries holding first and the second position in the investor's list of FDI in India. While comparing the investment made by both countries, one interesting fact comes up which shows that there is huge difference in the volume of FDI received from Mauritius and the U.S. It is found that FDI inflows from Mauritius are more than double from that of U.S. India is the signatory member of south Asian Free Trade Agreement (SAFTA). Apart from SAFTA, India is also the member of many (of nearly 17) Free Trade Agreements (FTAs). According to UNCTAD, conducive policies and favourable developments in the developing economies may help translate MNCs record level of cash holdings (estimated to be in the range of US $ 4-5 trillion among developed countries firms alone) into new investments. The share of developing countries, which now constitutes over 50 per cent in total FDI inflows, may increase further on the back of strong growth prospects. India may benefit further from this boost. However in an effort to analyse the reason behind performance below potential a study[10] referred to various reports such as the following:

> *"Infrastructure projects in India carry significant risks associated with meeting government regulation, environment norms and legal requirements; inadequate user charges; and execution and construction risks"* (CRISIL Report, January 2011).

"Procedural delays are bothering nearly all of the respondents with almost 93 percent of the respondents indicating this issue to be „quite to very serious. The time consuming systems and procedures to be complied with, the bureaucratic layers to be dealt with and the multiple bodies from which clearances are to be obtained- all add up substantially to the transaction cost involved and take up a lot of management time thus making it an issue of serious concern for the investors" (FDI Survey by FICCI, December 2010).

"Apart from hundreds of industry projects, he (environment Minister) has held up construction of a second airport in the commercial hub of Mumbai and dozens of road and dam projects await clearance" (China Daily, November 6, 2010).

These imply that probably relatively more restrictive policy environment in India *vis-à-vis* other countries might have caused sluggishness in FDI flows and unless made good may in future too.

The Diverse Effects of FDI

Developed economies consider FDI as an engine of market access in developing and less developed countries vis-à-vis for their own technological progress and in maintaining their own economic growth and development. Developing nations looks at FDI as a source of filling the savings, foreign exchange reserves, revenue, trade deficit, management and technological gaps. FDI is considered as an instrument of international economic integration as it brings a package of assets including capital, technology, managerial skills and capacity and access to foreign markets. The impact of FDI depends on the country's domestic policy and foreign policy. As a result FDI has a wide range of impact on the country's economic policy.

Whether FDI is growth led or Growth is FDI led seems to be a chicken-egg problem. John Andreas (2004)[11] in his work

discusses the potential of FDI inflows to affect host country economic growth. The paper argues that FDI should have a positive effect on economic growth as a result of technology spillovers and physical capital inflows. Performing both cross – section and panel data analysis on a dataset covering 90 countries during the period 1980 to 2002, the empirical part of the paper finds indications that FDI inflows enhance economic Growth in developing economies but not in developed economies. This paper has assumed that the direction of causality goes from inflow of FDI to host country economic growth. However, economic growth could itself cause an increase in FDI inflows. Economic growth increases the size of the host country market and strengthens the incentives for market seeking FDI. This could result in a situation where FDI and economic growth are mutually supporting. However, for the relief of most of the developing economies growth is unlikely to result in market – seeking FDI due to the low income levels. Therefore, causality is primarily expected to run from FDI inflows to economic growth for these economies.

The quantity of FDI inflows however is less important than its qualitative aspect and the nature of policy a country chooses for its development[12]. Countries close to each other, with similar social histories and natural endowments have performed very differently. Botswana today is ten times richer than Sierra Leon. Both were former British colonies. Yet one used its diamond wealth to create the fastest growing economy, the other squandered it to become the poorest nation. The classic case is that of Argentina compared with the USA. The USA declared independenc e from Britain in 1776 and became a new nation in 1789. Argentina, former part of the Spanish empire, became an independent republic in 1816. Both pushed their frontiers westward with America favouring squatters and Argentina supporting landlords. In course of time both became efficient, profitable, export oriented farming countries. Both borrowed from outside but America chose to industrialise by

borrowing ideas too and pulling its domestic savings while Argentina stayed on with farming and far related industry. By the end of the First World War America acquired assets sold off by European countries, Argentina did not. During the great Depression America came up with interventionist strategy to save the market but Argentina witnessed Peronism that cut Argentina off from the world economy. In 2001 Argentina was forced into the largest government bankruptcy in history. Not that USA did everything right. Us overconfidence on banking system led its attention away from property bubble created out of turning mortgages into assets in the new millennium. But US is certainly more equipped than Argentina to come out of that.

The spill over benefits of FDI, whether in retail or not, depend a lot on political environment of trade and commerce. Its importance is only next to technology and management. Traders have a natural propensity to find avenues for cutting down time and cost between investment and return. Technology complements that. History is replete with examples of efforts to minimise distances, and reduce time in the movement of goods which has its fashionable name 'logistics and supply chains'. The PC manufacturer Dell used internet to create worldwide supply chains that would supply to consumer defined specifications. Today's shipping containers based supply chains in 8x8x20 feet metal boxes carry goods all over the world with cold efficiency. The original Asian Tigers, joined nowadays in varying degrees by Thailand, Malaysia, Indonesia, the Philippines, Vietnam and China now form the 'Factory Asia' which is essentially disaggregated manufacturing and assembly chain. The presence and absence Logistics may determine the nature of returns from FDI. Africa grows both Coco and Coffee but they export them green without value addition. They suffer from weak infrastructure more than anything else. Do these have any message for FDI scene in India?

The Lessons from Calendar

Why not all the twelve months in Christian calendar of equal size? The astronomical aspect of the leap year apart that concerns the month of February there was a non-astronomical aspect of naming the July and the August, both made longer by a day, 30 to 31 in honour of Julius Cesar and his successor, Augustus. The imperial tradition is still honoured by clinging to it but the practical requirement of efficiency and standardisation make us count days and not months in most cases. When we buy our mobile recharge packs the renewal is always in terms of days, 15, 30, 60 etc, as the case may be. In similar way countries can hardly afford to step aside from the global patterns of trade and commerce. FDI is attracted where rules are transparent, approval processes are simple time-bound and short, clusters are placed to effect economies of scale and spill over benefits are derived more when host countries are in a position to take advantage of investment. This requires a nimble and adaptive policy framework and most important thinking outside the box, setting up of its own calendar, to continue the analogy. In many respects we lack it even now. In India there is still a huge gap between the amount of FDI approved and its realization into actual disbursements. The time lag between application for FDI and its settlement is still below international standard. The **Golden Quadrilateral** is a highway network connecting India's four largest metropolises: Delhi, Mumbai, Kolkata and Chennai, thus forming a quadrilateral of sorts. Four other cities among the top ten metropolises: Bangalore,Pune, Ahmedabad, and Surat, are also served by the network, which connects many of the major industrial, agricultural and cultural centres of India. It was completed in 2012. Sections of NH 2, NH 5 and NH 8 have now been prioritized for further widening to six lanes under DBFO (Design, Build, Finance, and Operate) pattern and more sections would be six-laned in the near future. On NH 8 Six lanes work is completed from Vadodara to Surat and now the highway is 6 lanes wide. But

compared to the size of the country we needed a broader network of such roads connecting particularly the remote and undeveloped areas. India has an extensive railway network but compared to China is falls far short of high speed movement. While much of the world was trying to cope with the recession and maintain their level of building lines, other infrastructure and trains, the China announced, that it would order a total of 280 new super high speed train sets! In addition to this, there was also an order of around 400 heavy locomotives for freight. The orders are divided equally between the China Northern Railway, which is ordering another 140 pieces of CRH3 (Velaro type) trains and the China South Railway, which is ordering further 140 pieces of type E2-1000 train sets on the license from the Kawasaki Heavy Industries. The CRH3 trains are currently capable of speed of up to 350 km/h (217 mph) and the E2-1000 275 km/h (171 mph). The train sets were expected to be in traffic by the end of year 2012. The orders again solidify China as the soon to be leader in the use of super high speed trains.

Regional disparity is a largely colonial heritage in India. After independence not much has been done to dispel regional disparity in infrastructure. This is reflected in the arrival locations of FDI in India. State- wise FDI inflows show that Maharashtra, New Delhi, Karnataka, Gujarat and Tamil Nadu received major investment from investors because of the infrastructural facilities and favourable business environment provided by these states. All these states together accounted for nearly 69.38 percent of inflows during 2000-2008. It is observed that among Indian cities Mumbai received maximum numbers (1371) of foreign collaborations during 1991-2008. In India, Mumbai (with 33.77 percent) and Delhi (with 16 percent) are the two most attractive locations which receives heavy investment in services sector. Mauritius invest heavily (37%) in the consultancy sector. In India Mumbai received heavy investment in the consultancy sector. Education sector attracts foreign investors in the present decade and received a whopping 308.28 million of

FDI inflows during 2004-2008. It registered a steep rise in FDI inflows from 2005. Mauritius remains top on the chart of investing countries investing in education sector. Bangalore received highest percentage of 80.14% of FDI inflows in India. New Delhi and Mumbai are the two top cities which received highest percentage of (34.7% and 29.8%) FDI inflows in Housing and Real Estate. Housing sector shows an exponentially increasing trend after 2005. New Delhi and Mumbai are the most preferred locations for construction activities in India. Under this circumstance opening up of FDI in retail trade would create a situation where displaced small retailers would find avenues for alternative employment in other sectors growing through spillover benefits of FDI where that are already concentrated leaving such states in the lurch where FDIs could not have been attracted. The objection to FDI in retail trade from such state as West Bengal seems to be logical in this sense. The fact remains though that the compromise formula of leaving the states to decide about FDI in retail may in fact deepen the regional disparity even further unless the central government does a little bit extra and different. It is suggested that the government should push for the speedy improvement of infrastructure sector's requirements which are important for diversification of business activities. Government should ensure the equitable distribution of FDI inflows among states. The central government must give more freedom to states, so that they can attract FDI inflows at their own level. The government should also provide additional incentives to foreign investors to invest in states where the level of FDI inflows is quite low. In the recent past, the FIPB has cleared several major single brand retail proposals including that of Swedish furniture-maker IKEA, British footwear retailer Pavers England, American luxury clothing retailer Brooks Brothers and Italian jewellery maker Damiani. More will be cleared in course of time. But can we see the same swiftness in replacing the QWERTY of uneven development? If not, then mere quantitative jump in FDI is sure to make the country less governable than what it is today.

Notes and References

1 Allan Beattie, (2010) False Economy, London: Penguin, 2010, p. 249-264

2 In the early 90's the overall Balance of Payment reached at Rs.(-) 4471 crores. Inflation reached at its highest level of 13%. Foreign reserves of the country stood at Rs.11416 crores.

3 *Foreign Direct Investment* (FDI) is a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (*direct investor*) in an enterprise (*direct investment enterprise*) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence (not necessarily control) on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is the statistical evidence of such a relationship.

4 The Financial Times, 22 January, 2012

5 Mohan Guruswamy, (2004) Kamal Sharma, Jeevan Prakash Mohanty and Thomas J. Korah*, FDI in India's Retail Sector More Bad than Good?,* New Delhi:CIPAS, 2004.

6 Jayanthi Iyengar, (2004) Global Economy; China, India Confront Wall Mart, *Online Asia Times*, Jan 31, 2004.

7 WORLD INVESTMENT REPORT, (2012), TOWARDS A NEW GENERATION OF INVESTMENT POLICIES, UN: Geneva, 2012.

8 FDI statistics at www.oecd.org/investment/statistics

9 Rising trend of FDI in India is shown in SIA Bulletin, Ministry of Commerce, GOI.

10 *Foreign Direct Investment Flows to India*, a research study prepared in the

Division of International Trade and Finance of the Department of Economic and Policy Research, Reserve Bank of India, 2013.

11 Johnson Andreas (2004):" The Effects of FDI Inflows on Host Country Economic Growth", http://www.infra.kth.se\cesis\research\publications\working

12 Tomsaz Mickiewicz, Slavo Rasosevic and Urmas Varblane show that the bigger diversity of types of FDI is more favorable for the host economy. There is higher likelihood that it will lead to more diverse types of spillovers and skill transfers. If policy is unable to maximize the scale of FDI inflows then policy makers should focus much more on attracting diverse types of FDI. See "The Value of Diversity: Foreign Direct Investment and Employment in Central Europe during Economic Recovery", working papers- ISSN 1468-4144. www.one_europe.ac.uk/pdf/slavows.pdf.