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**Internationalization of Indian Enterprises:
Patterns, Determinants and Policy Issues**

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Internationalization of Indian Enterprises: Patterns, Determinants and Policy Issues

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Abstract

This paper examines the emerging patterns and economic implications of Indian overseas direct investment (ODI) from a historical perspective. The novelty of the analysis lies in its specific focus on the implications of the liberalization reforms initiated in the early 1990s and the resultant changes in the overall investment climate for the internationalisation of domestic companies. The findings cast doubts on the popular perception that the recent surge in ODI from India is an unmixed economic blessing, a sign of “coming of age” of the Indian companies in global business. Given the remaining distortion in the domestic investment climate, the net national gains from these investments could be much less than what the reported absolute numbers suggest.

Key words: India, overseas direct investment, foreign direct investment, multinational enterprise

JEL codes: F21, L23, O53F23,

Internationalization of Indian Enterprises: Patterns, Determinants and Policy Issues¹

I. Introduction

The rapid growth of overseas direct investment (ODI) by firms in developing countries has been an important feature of economic globalisation over the past three decades. Firms from India have become an integral part of this process. Though the sprouting of Indian overseas investment was noticed in the early 1960s, most of the foreign affiliates set up by Indian firms during the ensuing two decades were small- or medium-scale ventures and annual total outflows remained small in the range of US\$ 3 to 5 million. With the progressive relaxation of restrictions on overseas investment as part of the liberalisation reforms initiated in 1991, the ‘second wave’ of overseas investment by Indian firms began in the mid-1990s and gathered momentum during the ensuing decade. By 2005 India had become the second largest foreign direct investor among the emerging market economies after China and followed by Brazil and Mexico. Some of the Indian firms are now among the strongest of the so-called multinationals from emerging market economies (EMNEs).

The seemingly puzzling phenomenon of ODI by firms in a capital scarce low-income country like India raises an important question: are the trends and patterns of ODI outflows consistent with the stage of development of the country? There is convincing evidence that during the import-substitution era Indian firms set up production facilities abroad for domestic ‘push’ reasons, that is, in order to escape the constraining effects of restrictive industrial and trade policy regime in India (Lall 1986, Kudaisya 2003). However, some recent studies have generally inferred that the new wave of Indian outward FDI is a clear indication of “coming of age” of the Indian companies in global business: a sign of Indian firms emerging as transnational corporations “in their own right” (Kumar 2007; Nayyar 2008, Ramamurti and Singh 2009). According to this view, following the economic liberalization reforms initiated in the early 1990s, overseas investment by Indian companies have been driven by Indian firms’ capacity and ability to compete in the world market.

¹ This is the revised version of a paper presented at the Asian Economic Panel 2015 held at the Lund University, Sweden. We would like to thank the two formal discussants, Joakim Gullstrand and Remco Oostendorp, and the other conference participants for valuable comments and suggestions.

In this paper, we argue that the ‘second wave’ of overseas expansion by Indian manufacturing firms is a perverse consequence of ‘comparative advantage defying’ policies in the past. Over the years, these policies created a fundamental disconnect between India’s industrial structure and its resource endowment in that despite being a labour-abundant country India tended to specialise in capital and skill intensive industries and services. Economic reforms since 1991 has not been comprehensive enough to reduce, let alone eliminate, this disconnect. Further, we argue that, domestic push factors arising from poor domestic investment climate continue to play an important role in Indian firms’ decision to go overseas. To the extent that ODI is driven by such factors, the phenomenon may be regarded as a disguised form of capital flight (domestic investors fleeing the country because of the adverse investment climate), resulting in a costly trade-off between overseas investment and domestic investment.

The need for paying attention to the role of these domestic push factors is clearly evident from the following statement by Mr Ratan Tata, the Chairman Emeritus of the Tata Group (the single biggest overseas investor in British manufacturing) in an interview with the British Prime Minister, David Cameron:

“It [the UK] is a very open environment. Here [In India] we’ve become quite used to having multiple roadblocks in most things that we do and it [investment in UK] has been a very refreshing change” (Mallet 2013).

The remainder of the paper is structured as follows: Section II discusses the changes in government policy relating to outward FDI in the context of major shifts in trade and investment policy regimes. Section III examines the trends and patterns of outward FDI from India from a comparative perspective. Section IV deals with sources of competitive advantages of Indian MNEs. Section V discusses the main drivers of their overseas expansion. The final section offers concluding remarks.

2. Policy Setting

The overriding aim of the development policy of the successive five-year plans in India starting with the first plan launched in 1952, was across-the-board import substitution, in the context of a foreign trade regime that relied extensively on quantitative restrictions

(Bhagwati and Desai 1970), Panagariya 2008). Emphasis was placed on the development of capital-intensive industries, which were expected to bring the benefit of technology and industrial linkages to the rest of the economy. In 1969 the government enacted the Monopolies and Restricted Trade Practices (MRTP) Act which contained strong measures to curb the economic power of the top business houses. Under the MRTP Act, all firms above a certain asset base were restricted from entry into almost all sectors of the industry, and even an expansion of existing plants required permission from the government on a case-by-case basis (Encarnation 1982).

Export oriented firms in traditional industries were the first to face the constraining effects of government policy. As a response, these firms ventured into other developing countries, mostly in Southeast Asia, which were more open to trade and investment. The first government policy guidelines for approving and monitoring overseas direct investment were issued in 1969. Overseas investment by Indian firms was permitted only in minority-owned joint ventures abroad, unless the foreign government and foreign partner firm desired otherwise. As regards the mode of financing of these projects, the government severely restricted cash remittances for equity participation and only encouraged the export of capital equipment from India. Outward foreign investment criteria were somewhat liberalized in the mid-1980s, but the basic emphasis on the balance of payments implications of the investment projects remained largely unaltered during that decade. The liberalization-cum-structural adjustment reforms initiated in 1991 marked a clear departure from the state-led import substitution policy of the previous four decades (Panagariya 2008). As part of the new policy emphasis, relaxation of restrictions on overseas investment began in 1992. The first step in this regard was the introduction of an automatic route for overseas investment up to \$2 million with a cash component not exceeding US\$ 0.5 million in a block of 3 years. The requirement of minority capital participation was replaced by a requirement to conform to the rules and regulations of the host country. Indian companies were permitted the capitalization of service fees and royalties to meet equity participation, to obtain foreign currency loans abroad, and to grant loans to their foreign joint ventures with Indian parent companies. In some cases, direct cash remittances to joint ventures were also permitted.

Work relating to approvals for overseas investment was transferred from Ministry of Commerce to the Reserve Bank of India (RBI) with a view to create a single window clearance

mechanism. A fast track route was adopted where the investment limits were raised from US\$ 2 million to US\$ 4 million though cash remittance continued to be restricted to US\$ 0.5 million. Beyond US\$ 4 million, approvals were considered under Normal Route at the Special Committee level comprising representatives of the RBI and different ministries. Investment proposals in excess of US\$ 15 million were considered by the Ministry of Finance and were generally approved if the required resources were raised through the global depository receipts (GDR) route. The neutrality condition governing overseas investment approval (which stipulated that the amount of outward investment should be repatriated in full by way of dividends and royalty within a period of five years) was abolished in 1999.

Under the Foreign Exchange Management Act introduced in June 2000, the upper limit for automatic overseas investment approval was raised to US\$ 50 million in 2000 and US\$ 100 million in 2002. In March 2003, firms were allowed to invest up to 100 percent of their net worth under the automatic approval route. In 2005, this limit was further raised to 200 percent of net worth, prior approval from the RBI was dispensed with, and firms were permitted to remit funds through any authorized foreign exchange dealer. Commensurate with the build-up of foreign exchange reserves, the limit on outward investment was further raised to 300 per cent of net worth in 2007 and 400 per cent of net worth in 2008. Registered 'trusts' and 'societies' engaged in manufacturing, education and hospital sectors were allowed to set up a joint venture or wholly owned subsidiary in the same sector outside India. Indian firms can now make overseas direct investment in any activity except certain real estate activities and banking (Khan 2012). Since 2003, Indian commercial banks have been permitted to extend credit to Indian companies for outward investments. In 2006, the prudential limit on bank financing was raised from 10 per cent to 20 per cent of overseas investment. Indian firms' access to international financial markets was also progressively liberalized. To help firms raise capital abroad, unlisted Indian companies are allowed to list on overseas stock exchanges without having to be publicly traded on domestic stock exchanges. Since 2004, overseas direct investment was included as a permissible end-use of external commercial borrowing.

Notwithstanding these significant reforms, there are still many unresolved issues relating to the overall investment climate (Panagariya 2008, Athukorala 2014). While the "license

raj” has been largely eliminated at the centre, it still exists at the state level, along with a pervasive “inspector raj.” Private investors require a large number of permissions (e.g. for electricity and water supply connections and water supply clearance) from the state governments to start a business; they must also deal with the state bureaucracy in the course of day-to-day operations. Stringent labour laws and high corporate tax rates, and a weak bankruptcy framework are also prominent issues. Other constraints that stand in the way of industrial growth include an inadequate supply of physical infrastructure (especially power) and a highly inefficient and cumbersome land acquisition procedure. These issues are reflected in India’s poor ranking among the countries in the region — in particular among the dynamic export-oriented economies in East Asia— in terms of various indicators of ‘ease of doing businesses. The World Bank’s annual ‘Doingbusiness 2016’ ranked India 130 out of 189 countries in the ease of doing business index. However, so far no systematic attempt has been made to examine the implication of these remaining distortions in the domestic investment environment for outward investment by Indian firms.

3. Trends and Patterns of ODI

The first overseas Indian venture was a textile mill set up in Ethiopia in 1959 by the Birla Group of companies, India's second largest business conglomerate at the time (Kudaisya 2003). The following year, the Birla Group set up an engineering unit in Kenya. In 1962, the Shriram group set up a sewing machine assembly plant in Ratmalana, Sri Lanka. The number of overseas ventures increased rapidly from the late 1970s as the industrial licensing system became much more stringent as part of the government's move to control big businesses. By 1983, there were 140 foreign investment projects in operation and another 88 in various stages of implementation (Lall 1986). Most of the foreign affiliates set up during the 1980s were small- or medium-scale ventures; total stock of ODI in 1990 amounted to only US\$124 million, accounting for less than 0.1% of total stock of ODI from developing economies. The second wave of internationalization of Indian firms began from about 1995 and gathered momentum as foreign exchange restrictions on capital transfers for overseas acquisitions liberalized in successive stages from 2000 (Nagaraj 2006).

This section first provides an overview of the overall trends and patterns of ODI from India during 2000-2014. This is followed by an analysis of the entry modes, major investors, sectoral composition, and geographical distribution of ODI. The analysis is based on data put together from various scattered sources. These sources and the nature/limitations of the data are detailed in the Appendix.

3.1 Trends

The swift response by overseas-investing firms to the progressive relaxation of investment limit and restriction of foreign borrowing for financing overseas investment project is vividly reflected in the data plotted in Figure 1. The average annual ODI from India increased from US\$ 1.8 billion during 2000-05 to US\$ 16.9 billion during 2006-10. This surge of ODI began to peter out from about the late 2010, but the annual figures continue to remain well above those in the first half of the previous decade. India's share in outward FDI flows from developing countries had increased from 1.9% in 2004 to 7.7% in 2008 and then declined to 2.1% in 2014 (UNCTAD 2015).

Figure 1 about here

Until the late 1990s, India's share in FDI outflows from developing economies was much smaller compared to that of Brazil, China, Mexico, and South Africa, the four largest emerging market economies (Athukorala 2009). India's relative possession increased notably during the next decade: by the second half of the 2000s, India has surpassed Brazil and Mexico, becoming the second largest foreign direct investor after China among the emerging market economies (Table 1). However, from about 2010, FDI from Mexico have increased faster, pushing India to the third position in the ranking. Since the early 2000, China has always accounted for a larger share of total ODI from developing countries (Sung 2007). The gap between Chinese and Indian ODI has widened significantly from about 2007 (Figure 2).

[Table 1 about here](#)

[Figure 2 about here](#)

Until about the early 2000s, ODI from India was almost entirely took the form of greenfield investment. There were no recorded cases of overseas acquisitions by Indian companies until about the mid-1990s. Given the nature of terms and conditions applicable to overseas investment, all foreign affiliates formed during the period were joint ventures, usually with minority ownership. Further, a disproportionately large share of equity took the form of capital goods exported by the parent companies.

Since about 2004, mergers and acquisitions (M&A) has become an important mode of Indian companies' overseas expansion. The total number of acquisitions by Indian companies increased from 71 in 2003 to the peak of 220 in 2007 and then slowed down to 130 in 2014 (Figure 3). During 2000–2006 acquisition of full ownership accounted for 68% of total acquisitions (FICCI 2006). This pattern became even more prominent during 2010-14 when full ownership has been the mode of entry in more than 80 percent of the acquisitions in developed economies, and in all acquisitions in developing economies. During the period 2003–2014, the value of total acquisitions amounted to \$91 billion, accounting for 74 per cent of India's total reported FDI outflows. The share of acquisition in Indian overseas FDI is much larger compared to that of China (44 per cent) and the average for developing economies (37 per cent) during this period (UNCTAD 2015).

Figure 3 about here

The total number of greenfield projects by Indian companies increased from 172 in 2003 to the maximum of 441 in 2011 and then declined to 243 in 2014. During 2003-2014, the cumulative value of announced Greenfield projects (\$229 billion) was about 85% higher than the total recorded (balance of payments based) outward FDI (\$124 billion). This implies that a significant proportion of Greenfield ODI is financed from various forms of non-equity capital, which are not reflected in official FDI statistics. The ratio of cumulative greenfield ODI to cumulative recorded ODI is much higher in India (185%) compared to that of China (50%) and the average for developing economies (79%).

3.2. Sectoral Composition

During the three decades from the late 1960s, more than 80 percent of India's outward FDI was in manufacturing (Lall 1982). Within manufacturing, Indian overseas ventures were spread over a much broader spectrum of activities than those of other developing countries (Wells 1983). Textiles and yarn accounted for a quarter of capital held overseas, followed by paper and pulp, engineering of various types, food processing and chemicals. Unlike firms from East Asian countries, which used their new locations as export platforms, Indian firms were predominantly engaged in import-substitution production. These features reflected the nature of the highly interventionist and inward-looking nature of the Indian domestic policy regime, which had spawned a highly diversified and inward-oriented domestic manufacturing base.

From about 2005, there has been a notable shift in the sectoral/industry composition of Indian ODI with a notable decline in the share of manufacturing and a corresponding increase in services-related FDI (Table 2). Between 2008 and 2014, the share of manufacturing declined from 44.6% to 18.9%, and the share of services increased from 15% to nearly 50% of total ODI. Financial, insurance, real estate and business services accounts for over 40% of total services ODI. Other service sectors in which there is significant Indian ODI presence include wholesale, retail trade, restaurants and hotels; transport, storage and communication services, construction.

Table 2 about here

Data on the sectoral composition of the major foreign acquisitions and greenfield investment by Indian firms during 2010-14 compiled respectively from Grant Thornton and *fDI Markets* data bases are summarised in Table 3 and 4. The industry composition of acquisition are broadly similar to those revealed by the RBI data discussed above. Within services, the largest acquisition are in in Telecom, which is almost entirely accounted for by Bharti Airtel's purchase of the African assets of Zain for US\$ 10.7 billion. Other service sectors with major share of acquisitions include IT & ITeS (9.1%) mainly driven by the recent acquisition of TriZetto Corp by Cognizant Technology Solutions for US\$ 2.7 billion, 'Shipping, ports and infrastructure' (5 percent), driven by Adani Group's purchase of Abbot Point Port in Australia for US\$1.96 billion, and 'Banking and financial services' (4.8 percent), mainly attributed to Hinduja Group's acquisition of 'KBL European Private Bankers' for US\$ 1.9 billion. The high share of acquisitions in 'Resource based sectors' is driven by ONGC Videsh, a state owned oil and gas firm, which has acquired minority stakes in oil fields in several countries, mainly in Kazakhstan, Mozambique, and Azerbaijan. Within manufacturing, the industry groups with high shares of overseas acquisitions include 'pharma, healthcare & biotech' (6.1 percent), 'plastic & chemicals' (6.0 percent), and 'metals & ores' (4.5 percent) and 'automotive' (2%). It is clear that acquisitions, both in services and manufacturing, are heavily concentrated in capital and skill intensive activities.

Table 3 about here

Table 4 about here

The manufacturing sector appears more prominently in India's greenfield ODI than in acquisitions. During 2010-14 manufacturing accounted for 41% of the total value of greenfield ODI followed by services (30%) and resource based sectors (29%). Within manufacturing, the major areas of concentration for greenfield investments are in capital and skill-intensive industry groups such as metals (13.8%), chemicals (8.8%), automotive (5.5%) and alternative energy (2.7%). By contrast, labour-intensive industries such as apparel, footwear, leather products, food products accounts for a small share. Skill-intensive services such as financial services (5.8%), software and IT services (3.8%), R&D and design etc (3.4%) accounts for a significant share.

The significant share of greenfield investment in the metal industry is accounted for by major investment projects by Essar Group (\$11.5 billion), Tata Group (\$4.8 billion), NALCO (\$2.7

billion), OP Jindal (\$2.2 billion), Ispat industries (\$1.6 billion) and Aditya Birla Group (\$1.4 billion). The major investments in chemicals have been undertaken by GAIL (\$4.2 billion), Rashtriya Chemicals and Fertilizers (\$3.5 billion), IFFCO (\$1.9 billion), Sanmar Group (\$1.3 billion), KK Birla Group (\$1.1 billion), Tata Group (\$1.1 billion) and Nagarjuna Group (\$1.1 billion). In the automotive sector, Tata (\$6.9 billion) and Mahindra (\$5.1 billion) groups have undertaken the major investment projects.

Overall, the sectoral composition of India's ODI over the past decade seems unique compared to that of Japan, Taiwan and South Korea at their early stage of economic expansion and also that of China over the past two decades. In these countries shifting of production bases overseas through FDI in manufacturing was complementary to the on-going process of industrial transformation through global economic integration. These countries began industrialisation by specialising in the traditional labour intensive products such as clothing, footwear, toys and sport goods. As the production of these goods became increasingly uncompetitive in the world markets because of rising wages and rental cost, firms engaged in these industries began to shift production base to low-cost countries in the region and beyond (Wells 1983, Athukorala and Manning 1999, Cheng and Ma 2010). More recently firms in vertically integrated high-tech industries (such as electronics, electrical goods, optical equipment and machine tool) in these countries have begun to shift the labour intensive segments (slices) of the production process to low-wage cost countries in the region and beyond (Athukorala 2014). In contrast, India's manufacturing ODI remains heavily concentrated in a few capital and skill intensive products and in mostly skill-intensive services. Both in terms of the capital/technology intensity of production and the growing importance of natural-resource based industries in the sectoral composition, India's outward FDI is somewhat similar to that of Brazil and Russia (Goldstein 2009). Recent ODI from India is also unique compared to that from the other major developing countries for its heavy concentration in services sectors, in particular business services.

3.3. Geographical Distribution

Prior to the 1990s, policies in the developing countries, including in India, were in favour of promoting investment flows and technology transfer amongst themselves under the overall objective of enhancing South-South cooperation (Wells 1983). Host developing countries

generally favoured EMNEs over developed country MNEs. Therefore, a general characteristic of EMNEs in the 1970s and 1980s was the heavy concentration of their operations in developing countries. During 1961-1989, host countries from the developing world accounted for 82% of Indian outward FDI (Pradhan and Sauvart, 2010). Geographically, Indian firms spanned West and East Africa, Middle East, and South and East Asia relying on the Indian diaspora in these economies forging joint-venture operations.

By the 1990s many developing host countries had embraced global economic integration, albeit at varying degree, as the basic tenet of their development strategy. With this new policy orientation, and also in a context of waning North-South political tensions, these countries now make decisions on foreign investment based largely on economic considerations rather than specifically favouring investors from developing countries. Consequently, there has been a major transformation in the geographical distribution of ODI by EMNEs over the last two decades. This change is particularly visible in the case of Indian firms as they are increasingly venturing out beyond their traditional domain – other developing countries – to developed countries.

The data maintained by the Reserve Bank of India (RBI) on ODO covers flow of funds to the ‘first destination’, rather the final destination of investment (the country in which the investment actually takes place). The parent companies, however, channel a significant amount of ODI to third countries through countries with which India has signed bilateral investment treaties (in particular Mauritius), offshore financial centres (such as Singapore and Hong Kong), and tax havens². Therefore, we use data on M&As and greenfield investment respectively from Grant Thornton and *fDi Markets* database to analyse the geographic profile of Indian ODI.

The bulk of overseas acquisitions by Indian firms during 2010-14 was in developed countries, with USA accounting for the largest share (16.6 percent) followed by Europe (8.7 percent), Australia (8.2 percent) and UK (8 percent) (Table 5). Together, these four destinations account for 41.5 percent of the total value of acquisitions. When the acquisitions in oil and gas, which are predominantly in developing countries, are excluded, the combined share of these four

² According to the RBI data, Mauritius, Singapore and Netherlands are the three largest destinations of Indian ODI in that order, with Mauritius accounting for over 35% of the total flows!

countries turns out to be as high as 53.4%. Almost 60% non-oil and gas acquisitions are in developed countries. Project-level data from the same data source (not reported here for brevity) show that acquisitions in developing countries are mainly concentrated in resource intensive product categories (such as oil & gas, metals and ores, and mining) while that in developed countries is more concentrated capital and skill-intensive product categories.

Table 5 about here

Table 6 about here

The data on greenfield investment projects, however, provide a different picture (Table 6). The developing countries account for a much higher share of this form of ODI. North America and Western Europe together accounts for only about 15% of the total while developing countries in Asia, Africa and Middle East account for the rest. This pattern does not change significantly even if we exclude resource based sectors such as coal, oil, natural gas and extraction. UAE accounts for the largest share (10.1) of non-resource greenfield investment followed by China (6.8%) and Indonesia (6.5%). Among the developed countries, UK accounts for the largest share (6.2%) followed by USA (5.6%) and Canada (2.5).

The sectoral/industry composition of greenfield investments is much more diversified both in developed and developing countries compared to acquisitions. Further, the relative importance of developed and developing countries as destinations of investment varies significantly among product categories. The high share of UAE is driven by Construction accounting for 34% of India's total greenfield investment to this destination followed by Oil and natural gas with a share of 31%. Within manufacturing, Chemicals account for the highest share of India's investment to the UAE. In the case of China, automotive sector accounts for the largest share (24%) of Indian greenfield investment followed by financial services (21%). Metals accounts for the largest share (58%) of greenfield investment in Indonesia followed by extraction (12.9%) and electricity (10.5%). In UK, the leading sectors for greenfield investment are automotive (38%) and financial services (18%). Finally, for USA, metals account for the largest share (23%) followed by R&D, Design, Testing (13%) and software & IT services (6%). Overall, it can be seen that greenfield investments are undertaken by Indian firms with the

objective of harnessing the competitive advantage emanating from host country's resource endowments.

In the aftermath of global financial crisis, greenfield investments declined less sharply compared to acquisition (see Figure 3). This pattern is consistent with the difference in the host-country composition of the two types of ODI. The developing countries figure dominantly as destination for greenfield investment while developed countries (which were severely affected by the GFC) are the major destinations for outward FDI and M&A.

3.4. Players

Unlike in the case of outward FDI from China, where the bulk of outward FDI is undertaken by state-owned or state-controlled firms, Indian outward FDI is predominantly a private sector activity. Many Indian overseas investors are part of large business conglomerates. Until the mid-1980s, the Birla Group of companies dominated the scene, accounting for 40 percent of overseas FDI. The Tata Group of companies, though larger than the Birla Group domestically, accounted for about 11 percent and Thapar Group (textile and palm oil) accounted for 7 percent of the total value of ODI (Lall 1986)³.

The Indian conglomerates have further expanded and consolidated their overseas operations following the liberalization reforms. Several new players have also entered the scene in recent years including Reliance Industries, Bharti Airtel, pharmaceutical giants Dr. Reddy's and Ranbaxy, automaker Mahindra and Mahindra and IT companies such as Infosys and Wipro. Yet, there has been a heavy concentration of acquisitions in few large firms. During the period 2000–2006, 15 firms were responsible for 98 out of 306 acquisitions and they accounted for over 80 percent of the total value of acquisitions (Goldstein 2009, FICCI 2006). Though the degree of concentration has declined somewhat, the top 15 firms still account for about 74 percent of the total value of acquisitions during 2010-2014 (Table 7).

³ There were some prominent state-owned enterprises among the overseas investors until about the mid-1980s, namely, Computer Maintenance Corporation (subsequently sold to Tata Consultancy Services), Indian Drugs and Pharmaceuticals (went bankrupt), Bharat Heavy Electricals Ltd, Heavy Engineering Corporation, Bharat Heavy Plates and Vessels, Bharat Earth Movers Ltd, and Steel Authority of India. Their importance has diminished in the second wave, with the sole exception of the two state-owned corporations in the oil and gas sector (Oil and Natural Gas Corporation and Indian Oil Company)

The largest overseas acquisitions by Indian companies include Bharti Airtel's purchase in 2010 of the African assets of Zain, a mobile-telecoms firm (US\$ 10.7 billion), the Tata Group's purchases of Corus Steel (US\$ 12.1 billion) and Jaguar Land Rover (US\$ 2.5 billion) and the Aditya Birla Group's acquisition of the North American aluminium company Novelis (US\$ 6 billion) (Table 7). These four deals account for a quarter of India's overseas acquisitions over the past half-decade (Economist, 2012). The ownership structure of greenfield ODI is relatively more diversified compared to that of acquisitions. The top 25 companies accounts for 61% of total investments undertaken during 2003-2014 (Table 8). All these projects in manufacturing are in capital and skill-intensive industries.

Table 7 about here

Table 8 about here

4. Sources of Competitive Advantages

For successful overseas operation, a firm must possess a set of assets or skills ('proprietary assets') that give it a competitive edge over local firms. Proprietary assets are of two types: firm-specific advantages and country-specific advantages (Rugman and Doh 2008, Dunning 2000). The proprietary advantages of developed country MNEs rest on assets built up by research efforts and considerable investment in the context of a large mature domestic market. Therefore, the standard proprietary asset models that were developed to explain the global reach of these firms offer little help in understanding the competitive advantages of EMNEs, which have not gone through an evolutionary process in their home countries. The pioneers of the literature on EMNEs therefore resorted to an eclectic approach to examining the expanding operation of these firms. This approach essentially relied on an analysis of firm behaviour in the specific business environments in developing countries (Lecraw 1977, Wells 1983, Lall 1983). The consensus view was that the competitive edge of EMNEs rests on country-specific advantages, competencies gained within their home countries.

In his pioneering studies of overseas investment by Indian manufacturing enterprises, Sanjaya Lall (1982) argued that technological expertise developed by producing for the domestic market under heavy tariff protections are the prime source of competitive advantage of these enterprises in their overseas locations. However, based on a firm-level survey Rajiv Lall

(1986) found that it was not the technology embodied in indigenous machinery but the availability of a pool of less expensive but competent Indian managers and technicians, which placed them at a healthy competitive position in developing country conditions. Based on a detailed comparative study, Ramamurti and Singh (2009) identified four different generic strategies, each based on different set of competitive advantages, adopted by Indian non-oil firms for overseas expansion since the 1990s⁴.

First, some firms, such as the automaker Mahindra and Mahindra, followed the ‘local optimiser’ strategy – that is, to develop products and processes optimized for the Indian market and then leverage them in other emerging markets⁵. A second group of firms, such as software services companies like Infosys and Wipro, follow the ‘low-cost partner’ strategy by leveraging India’s low-cost advantage, particularly in managerial and technical personnel, to serve the needs of firms and consumers in rich countries. Third, companies in steel and other metal industries, such as Tata Steel and the aluminium company Hindalco, used the ‘global consolidator’ strategy through horizontal acquisitions across emerging as well as rich country markets. Finally, a minority of firms like Suzlon Energy, a wind-power company, adopted what is called ‘global first mover strategy’ by combining state-of-the-art technologies developed in advanced countries with the Indian low-cost manufacturing and engineering capabilities. Overall, the main source of competitive advantage for firms following any of the above strategies is country-specific rather than firm-specific. Based on this typology, Ramamurti and Singh (2009) concluded that available evidence does not lead to a very clear or strong inference of monopolistic advantages possessed by Indian MNEs.

In sum, it is not an oversimplification to say that the internationalization of Indian firms is underpinned by a common set of country specific competitive advantages. Most, if not all, of them have yet to develop firm-specific advantages. Their country-specific competitive advantages is a mixture of technological adoptive capacity built through several decades and inexpensive brainpower, a seasoned managerial class, and a historically rooted entrepreneurial tradition. Following the liberalization reforms in the early 1990s, significant relaxation of

⁴ The internationalization of state-owned firms like ONGC Videsh in oil and gas followed the path of vertical integration seen in Western firms in this industry.

⁵This is the main strategy followed by Indian firms during the first wave of internationalization. However, some companies continue to follow this strategy during the second wave.

restrictions on overseas investment and unprecedented access to capital set the stage for the rapid global spread of Indian firms based on these country-specific advantages.

5. Motives for Overseas Expansion

Competitive advantage is a necessary precondition (enabling factor) but not sufficient for a firm for successful overseas operation. Not every firm that develops its own specific advantages or access to country-specific advantages undertakes overseas investment, because they have the option of exporting from home base or simply focusing on expanding in the home country. What then are the factors that propel firms in investing abroad?

There is evidence that the constraining effects of government policy on business operations played a pivotal role in the emergence of Indian MNEs during the import-substitution era. During this period, many big industrial houses in India felt constrained not by the lack of profitable market opportunities at home, but by government legislation that created market imperfections and distortions affecting their ability to expand, diversify, and export. Based on interviews conducted in 1982 with 17 parent companies, Lall (1986) found that the desire to escape the constraining effects of government policy was the most important motivation behind overseas investment by these firms. In particular, the firms he interviewed specifically mentioned the MRTP Act as the main impetus behind their decision to invest abroad. Only one third of the firms indicated that they went abroad to open new markets and/or protect an existing one. Given the negative impact of trade and industry policies on the competitiveness of exporting from India at the time, diversification by export was not an option for Indian firms. To the extent that government policies raised costs and adversely affected export performance, they also indirectly provided an incentive for Indian firms to invest abroad. Thus, direct investment appeared as a logical means of escaping the domestic business environment.

In the more open economic environment since the 1990s, drivers of overseas expansion of Indian firms would certainly have become more complex, and hence generalisation from the studies undertaken during the closed-economy era is hazardous. Systematic analysis of the drivers of the new wave of ODI based on a representative sample of firms is yet to be undertaken. However, the available limited evidence seems to suggest that escaping the

domestic business environment still remains a dominant driver of ODI by Indian firms. For instance, according to a survey of 412 Indian ODI project (identified from *fDi Markets* database) by the Export and Import Bank of India (EXIBI), an overwhelming number of overseas projects were motivated by growth potential in host market (36 percent) and proximity to markets or customers (32 percent) (Figure 4). The findings of a survey Federation of Indian Chamber of Commerce and Industry (FICCI) of the investment motives of business acquisitions by Indian firms are consistent with this inference (FICCI (2006). Overall, considerations such as acquiring of new technology and managerial skills, forging relationships with new clients which are directly relevant for strengthening the nexus of domestic and overseas operations on business do not seem to figure prominent in determining ODI.

Though the post-1991 policy changes have gone a long way toward product market liberalization by easing the entry barriers, the factor markets (labour and land) are still plagued by severe distortions and policy induced rigidities. In particular, India's archaic labour laws discourage large firms in manufacturing from choosing labour-intensive activities and technologies. A number of studies have noted a general bias in India's specialisation pattern in favour of capital and skill intensive manufacturing and against unskilled labour-intensive industries⁶. This is an anomaly given the fact the country's true comparative advantage lies in unskilled labour-intensive industries. Further, due to this pattern of idiosyncratic specialisation, Indian manufacturing has been virtually locked out of the vertically integrated supply chains in dynamic global industries such electronics, electrical goods and medical devices (Athukorala, 2014). In this context, as restrictions on overseas investments were relaxed, the leading firms operating in India's capital and skill intensive industries have begun to venture into developed countries which provided the optimal endowment structure for their expansion. Naturally, developed countries have comparative advantage in technology and skill intensive

⁶There are several reasons to argue that the general incentive structure in India is biased against labor-intensive manufacturing. Many argue that India's rigid labour laws which create severe exit barriers and discourage large firms from choosing labour-intensive activities and technologies are primarily responsible for the lack of dynamism in labour-intensive manufacturing (see Kochhar et al., 2006; Panagariya, 2007; Krueger, 2010). Another group of scholars, however, question this argument (see Bhattacharjea, 2006). Though there is no unanimity of opinion in this regard, a growing number of empirical studies suggest that the role of labour laws cannot be ignored (see Hasan et al., 2007 and Aghion et al., 2008). Other constraints that stand in the way of labour-intensive manufacturing include inadequate supply of physical infrastructure (especially power, road and ports) and a highly inefficient and cumbersome land acquisition procedure. Faced with power shortages, capital and skill-intensive industries, such as automobiles and pharmaceuticals, might be in a position to rely on high-cost internal sources of power. But this option is unaffordable to firms in labour-intensive segments which typically operate with low margin. Similarly, land acquisition procedures also create a bias against large scale labour-intensive manufacturing.

industries as these countries are abundantly endowed with knowledge stock, R&D, highly skilled human capital, supportive infrastructure and institutions. These countries provide not only the ideal conditions for producing technologically sophisticated, differentiated and dynamic product lines but also expanding markets for such products. This inference is consistent with the stylised facts emerging from our analysis of the sectoral composition and geographical distribution of Indian ODI. We have seen that that skill and technology intensive industries and services accounted for an overwhelming share of foreign acquisition by Indian companies and that the bulk of these investments were in developed countries.

6. Concluding remarks

India has a history of outward FDI dating back to the late 1950s, but total outflows remained small during the ensuing four decades. Following the liberalization reforms, outflows started to increase rapidly from about the mid-1990s. In particular, there has been a real surge in outflows since about 2005 following significant dismantling of foreign exchange restrictions on capital transfers for acquisition of foreign ventures. Notwithstanding the rapid global spread in recent years, Indian firms are, however, still at the formative stage of their global operations. Their competitive edge is still largely based on country specific, rather than firm specific, advantages, although there are some isolated cases of companies developing their own firm specific advantages. Overall, they seem to be complementary to, rather than directly competing with, developed-country MNEs in their global operations.

The evidence harnessed in this paper from various scattered sources suggests that the 'second wave' of overseas expansion by Indian firms is one of the perverse consequences of following a 'comparative advantage defying' policies in the past. There is a fundamental disconnect between India's industrial structure and its endowment structure in that despite being a labour-abundant country India tended to specialise in capital and skill intensive industries and services. India's overseas FDI seems to help perpetuate the distorted industrial structure inherited from the dirigisme era. This is in sharp contrast to the patterns of overseas FDI in Japan, Taiwan and South Korea at a comparable early stage of their economic transformation and that of China over the past two decade. In these countries overseas FDI played a vital complementary role in the process of industrial transformation in the domestic economy in line with changes in

factor market conditions. Economic reforms since 1991 have not been comprehensive enough to reduce, let alone eliminate, this fundamental structural anomaly in the Indian economy.

There is also evidence that domestic push factors arising from poor investment climate continue to play an important role in Indian firms' decision to go overseas. To the extent, outward FDI takes place for such a "negative reasons", the phenomenon may be regarded as a disguised form of capital flight. To the extent that the 'push' factors drive overseas FDI, naturally there is a costly trade-off between overseas investment and domestic investment. Economic viability of new overseas acquisitions and the compatibility of emerging trends of MNE-related trade flows with the comparative advantage of the national economy are other issues with potentially significant returns to research.

Appendix: Data Sources

The World Investment Report (WIR) from UNCTAD regularly publishes annual time series data on aggregate FDI flows and stocks for all countries, and cross-border mergers and acquisitions (M&As) and greenfield projects. The FDI data comes from balance of payments records of individual countries. An equity stake of 10% is normally considered as the threshold for the control of asset. FDI has three components: equity capital, reinvested earnings and intra-company loans. The data on M&As are based on information provided by Thomson Reuters. These data include equity payments as well as purchases via domestic and international capital markets. Foreign direct investment (FDI) is "an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy in an enterprise resident in an economy other than that of the foreign direct investor" (UNCTAD, 2015; pp. 3). The M&A data conform to the definition of FDI as far as the equity share is concerned while purchases from international capital markets should not be considered as FDI flows. Since it is not possible to trace the origin (source) country of the funds, the M&A data include the funds not categorized as FDI.

For the aggregate level analysis, we use data on outward FDI, M&A and greenfield investments from the WIR. The aggregate analysis is complemented with firm and industry level analysis using data from the investment approval records of The Reserve Bank of India (RBI), the "Dealtracker" database published by Grant Thornton, a tax and advisory firm, and *fDi Markets*

database of the Financial Times. A major limitation of RBI records is that they capture the actual flow of funds from India rather than the ultimate destination of these funds. Thus, this data can provide a misleading picture of the geographical patterns of FDI since a significant amount of Indian outward FDI to third countries is channelled through overseas financial centres (OFCs) and tax havens. Therefore, in order to assess the geographical patterns of outward FDI from India, company level data on major acquisitions (each greater than \$100 million) during the period 2010-2014 has been obtained from “*Dealtracker*”. This source provides information on name of the Indian company, target firm, sector, value of acquisition and ownership stake for the period 2010-14. Detailed company wise-data on greenfield investments are available in the *fDi Markets* database for the period 2008-14. This database tracks new investment projects and expansion of existing investments based on media reports and information directly obtained from relevant government bodies of individual countries.

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Table1. Foreign Direct Investment Outflows: India in a Global Context^a

(1)	(2)			(3)			(4)			(5)		
Economy/Economy Group	Value (\$ billion)			Share in total world outflows (%)			Share in gross domestic capital formation (%)			Share in developing economy outflows (%)		
	2000-2005	2006-2010	2011-2014	2000-2005	2006-2010	2011-2014	2000-2005	2006-2010	2011-2014	2000-2005	2006-2010	2011-2014
Brazil	2.5	11.4	-2.7	0.3	0.7	-0.2	2.1	4.6	-0.6	3.4	4.3	-0.7
China ^b	5.2	45.8	94.9	0.7	3.0	6.9	0.8	2.4	2.3	6.9	17.3	24.3
India	1.8	16.9	8.1	0.2	1.1	0.6	1.1	4.3	1.4	2.4	6.4	2.1
Mexico	3.0	8.0	13.4	0.4	0.5	1.0	1.8	3.7	5.1	4.0	3.0	3.4
South Africa	-0.1	1.4	4.1	0.0	0.1	0.3	-1.7	2.7	5.6	-0.1	0.5	1.0
World	742.8	1527.1	1382.8				8.5	11.0	7.7			
Developing economies	74.2	264.6	390.9	10.0	17.3	28.3	3.5	5.4	4.6			
Developed economies	659.7	1212.8	921.4	88.8	79.4	66.6	10.1	13.9	10.3			

^a Period averages.

^b Excluding Hong Kong, China; Macau SAR of the People's Republic of China; and Taipei, China.
Source: Compiled from UNCTAD, *World Investment Report* database, downloaded 7 August 2014.

Table 2: Sectoral Composition of Outward FDI by Indian Firms (2008-2014)

Sector/Activity	2008	2009	2010	2011	2012	2013	2014	2008-14
Agriculture, mining, hunting, forestry and fishing	5.6	4.9	9.3	15.3	3	12.7	53.1	14.8
Construction	6.2	3.5	2.2	2.6	5.9	3	2.4	3.6
Electricity, gas and water	1.1	6.5	0.5	0.6	0.6	0.3	0.1	1.4
Manufacturing	44.6	55.4	33.2	25.2	27.9	36.7	18.9	34.4
Services	41.7	28.6	52.8	55.7	62.0	47.0	24.7	44.7
Financial, insurance, real estate and business services	23.9	15	34.6	31.3	29.6	15.6	11.2	23.7
Transport, storage and communication services	5	3.3	4.6	8.2	20.4	14.6	4.1	8
Wholesale, retail trade, restaurants and hotels	9	8.3	8.2	15	8.1	7.7	5.4	9.2
Community, social and personal services	3.8	2	5.4	1.2	3.9	9.1	4	3.8
Miscellaneous	0.8	1.2	1.9	0.8	0.6	0.3	0.8	0.9
Total	100	100	100	100	100	100	100	100
Total, \$ million	14076	12767	12843	17640	10539	9203	11978	89047

Note: The data cover financial commitment of the parent company in the form of equity and loans to overseas joint ventures and wholly-owned subsidiaries.

Source: Compiled from RBI data on overseas direct investment by Indian companies as reported by authorized dealers.

Table 3: Sectoral Composition of Major Foreign Acquisitions by Indian Firms: 2010-14

Sector	Value ¹ ((\$ million)	Share (%)
Resource based sectors	16190	31.5
Mining	3951	7.7
Oil & Gas	11994	23.4
Agriculture & agro products	245	0.5
Manufacturing	11695	22.8
Automotive	1004	2.0
Plastic & Chemicals	3070	6.0
Pharmaceutical & healthcare	3125	6.1
FMCG, Food and Beverages	749	1.5
Metals & Ores	2304	4.5
Electronic Engineering	723	1.4
Other manufactured products	720	1.4
Services	23463	45.7
Banking and financial services	2464	4.8
Hospitality and Real Estate	2130	4.1
Shipping, ports and infrastructure	2555	5.0
IT & ITeS	4684	9.1
Telecom	11120	21.7
Travel & Tourism	510	1.0
Total	51348	100

Note: 1. For the years 2010 and 2012 and 2013, the data cover all outbound deals greater than \$100 million in value by Indian companies. Data on only the top 10 deals are available for the year 2011 and 2014.

Source: Compiled from *Grant Thornton* database.

Table 4: Sectoral Composition of Greenfield Investment Projects, 2003-14

Sector	Value (\$ million)	Share (%)
Manufacturing	96975	41.1
Metals	32420	13.8
Chemicals	20646	8.8
Automotive	12850	5.5
Alternative/Renewable energy	6355	2.7
Food & Tobacco	3340	1.4
Plastics	3296	1.4
Rubber	2522	1.1
Industrial Machinery, Equipment & Tools	1956	0.8
Pharmaceuticals	1887	0.8
Consumer Electronics	1887	0.8
Automotive Components	1755	0.7
Textiles	1616	0.7
Other manufacturing	6444	2.7
Services	71624	30.4
Construction	18128	7.7
Financial Services	13754	5.8
Software, IT, ICT and internet infrastructure	9063	3.8
R&D, Design, Testing	8107	3.4
Sales, Marketing & Support	7761	3.3
Retail	4264	1.8
Logistics, Distribution & Transportation	2673	1.1
Other services	7874	3.3
Resource Based Sectors	67122	28.5
Coal, Oil and Natural Gas	42208	17.9
Extraction	24914	10.6
Total	235721	100

Source: Authors' estimation using *fDi Markets* Database, Financial Times

Table 5: Geographical Distribution of Major Foreign Acquisitions by Indian Firms: 2010-14

Country/Region	Total acquisitions		Excluding acquisition in oil and gas	
	Value \$ Million	Share (%)	Value \$ Million	Share (%)
Australia	4207	8.2	4207	10.7
Europe (excluding UK)	4478	8.7	4478	11.4
UK	4110	8.0	3760	9.6
USA	8545	16.6	8545	21.7
Singapore	2092	4.1	2092	5.3
Canada	970	1.9	970	2.5
South Africa	11432	22.3	11432	29.0
Indonesia	942	1.8	942	2.4
Brazil	774	1.5	245	0.6
Oil Rich Developing	11115	21.6	0	0
Others				
Developing countries	1914	3.7	1914	4.9
Developed countries	769	1.5	769	2.0
Total	2683	5.2	2683	6.9
All host countries				
Developing countries	28269	55.1	16625	42.2
Developed countries	23079	44.9	22729	57.8
Total	51348	100	39354	100

Source: Authors estimation using data compiled by *Grant Thornton*

Note: For the years 2010 and 2012 and 2013, the data contains all outbound deals by Indian companies with value greater than \$100 million. Data for only top 10 deals are available for the year 2011 and 2014.

Table 6: Geographical Distribution of Greenfield Investment Projects by Indian Companies, 2003-14

	All sectors		Excluding resource based sectors	
	\$ million	%	\$ million	%
(a) Top 25 host countries¹				
UAE	25052	10.6	17136	10.1
Indonesia	14355	6.1	10948	6.5
Nigeria	12430	5.3	3041	1.8
China	11959	5.1	11501	6.8
UK	11366	4.8	10550	6.2
United States	9826	4.2	9571	5.6
Australia	9168	3.9	3806	2.2
Mozambique	8587	3.6	2061	1.2
Turkey	7428	3.2	7428	4.4
Zimbabwe	7096	3.0	5596	3.3
Oman	6313	2.7	6313	3.7
Saudi Arabia	6269	2.7	6269	3.7
Vietnam	5496	2.3	5069	3.0
South Africa	5068	2.2	2744	1.6
Iran	4804	2.0	0	0
Bangladesh	4639	2.0	2139	1.3
Singapore	4507	1.9	3228	1.9
Canada	4502	1.9	4221	2.5
Sri Lanka	4371	1.9	3533	2.1
Egypt	4253	1.8	2956	1.7
Brazil	4236	1.8	4236	2.5
Iraq	2888	1.2	0	0
Netherlands	2681	1.1	2681	1.6
Kenya	2621	1.1	2063	1.2
Germany	2434	1.0	1998	1.2
(b) Other host countries				
Developed countries	18855	4.9	3955	2.4
Developing countries	34517	17.7	36631	21.5
Total	53372	22.6	40586	23.9
(c) All host countries				
Developed countries	58835	25.0	44210	26.1
Developing countries	176886	75.0	125464	73.9
Total	235721	100	169674	100

Note: 1. Ranking is based on the \$ value of investment projects in all sectors.

2. Includes Russia.

Source: Compiled from *fDi Markets Database, Financial Times*

Table 7: Top 25 Acquisitions by Indian Companies, 2010-2014

Company	Host country	Industry	Ownership (%)	Investment	
				US \$Mn	%
Bharti Airtel	South Africa	Telecom	100	10,700	21.3
Oil and Natural Gas Corporation (ONGC)	Kazakhstan	Oil & Gas	8.4	5,000	9.9
Cognizant Technology Solutions	USA	IT & IT services	100	2,700	5.4
ONGC Videsh	Mozambique	Oil & Gas	10	2,640	5.2
Oil India Ltd & ONGC Videsh	Mozambique	Oil & Gas	10	2,475	4.9
Adani Group	Australia	Port infrastructure	100	1,957	3.9
Hinduja Group	Belgium	Banking & finance	100	1,863	3.7
Hindustan Zinc	UK	Metals & Ores	100	1,340	2.7
GVK Power & Infrastructure	Australia	Mining	79	1,260	2.5
Hinduja Group	USA	Plastic & Chemicals	100	1,045	2.1
ONGC Videsh	Azerbaijan	Oil & Gas	na	1,000	2.0
Rain Commodities	Belgium	Plastic & Chemicals	100	915	1.8
Aditya Birla Group	USA	Plastic & Chemicals	100	875	1.7
Lanco Infratech	Australia	Mining	100	845	1.7
Fortis Healthcare	Singapore	Pharmaceutical	24	685	1.4
Piramal Healthcare	USA	Pharmaceuticals	100	680	1.4
Fortis Healthcare	Singapore	Pharmaceuticals	100	665	1.3
Sahara India Pariwar	UK	Pharmaceuticals	100	649	1.3
Essar Minerals Resources	USA	Mining	100	600	1.2
GMR Group	Singapore	Port infrastructure	29	598	1.2
Sahara Group	USA	Hospitality/real estate	75	570	1.1
GMR Infrastructure	Indonesia	Mining	30	550	1.1
Adani Power	Mauritius	Electricity	na	531	1.1
ONGC Videsh	Brazil	Oil & Gas	12	529	1.1
Cipla	South Africa	Pharmaceuticals	100	512	1.0

Note: For the years 2010 and 2012 and 2013, the list contains all outbound deals by Indian companies with value greater than \$100 million. Data for only top 10 deals are available for the year 2011 and 2014.

Source: Compiled from Dealtracker database of *Grant Thornton*

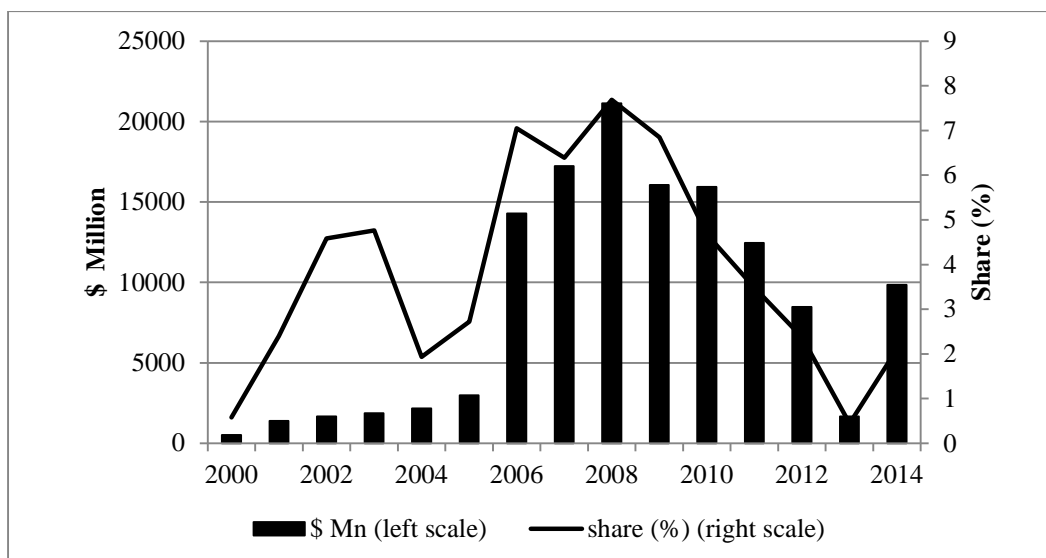
Table 8: Greenfield Investment Projects by top 25 Indian Companies, 2003-2014

Company	Host countries	Industry	Capital Investment, US\$ Million	%
Tata Group	UK; Vietnam; South Africa; China; Bangladesh; Netherlands.	IT; Metals; Automotive; Chemicals	26324	18.4
Essar Group	Zimbabwe; USA; Canada; Qatar; Indonesia	Metals	13692	9.6
Oil and Natural Gas Corporation (ONGC)	Nigeria; Iran; Iraq	Coal, oil & natural gas	12821	8.9
Indian Oil (IOC)	Turkey, Nigeria, Iran	Coal, oil & natural gas	10675	7.4
Jindal Organisation (OP Jindal)	Mozambique; Indonesia	Coal, oil & natural gas; Metals	9482	6.6
Mahindra Group	China; Canada; Sri Lanka; Brazil	Automotive	7463	5.2
GAIL (India)	Saudi Arabia; Papua New Guinea	Coal, oil & natural gas; Chemicals	5338	3.7
Sobha (Sobha Developers)	UAE	Construction	5273	3.7
Adani Enterprises Ltd (AEL)	Australia	Transportation	4528	3.2
National Aluminium Company (Nalco)	Indonesia	Electricity	4249	3.0
Bharti Group	Nigeria	Telecom	4223	2.9
GMR Group	Singapore; UK	Electricity	3924	2.7
Rashtriya Chemicals & Fertilizers	Mozambique; Ghana	Chemicals	3500	2.4
Larsen & Toubro (L&T)	UAE	Construction	3497	2.4
Aditya Birla	Brazil; Turkey	Chemicals; Metals	3117	2.2
International Coal Ventures (ICVL)	Indonesia	Metals	3000	2.1
Videocon Industries	Italy	Consumer electronics	2920	2.0
Indian Farmers Fertiliser Cooperative (IFFCO)	Canada	Chemicals; Minerals	2651	1.8
Jyoti Structures (JSL)	UAE	Construction	2651	1.8
Apar Industries	UAE	Coal, oil & natural gas	2617	1.8
NTPC Limited (National Thermal Power)	Bangladesh; Sri Lanka	Electricity	2513	1.8
State Bank of India (SBI)	China; UK	Financial Services	2458	1.7
Bharat Petroleum (BPCL)	Mozambique	Coal, oil & natural gas	2248	1.6
Suzlon Energy	Australia	Electricity	2140	1.5
Reliance Industries	Egypt	Coal, oil & natural gas	1998	1.4
Total			143302	60.1

Note: Only the major host countries and industries are mentioned in the Table.

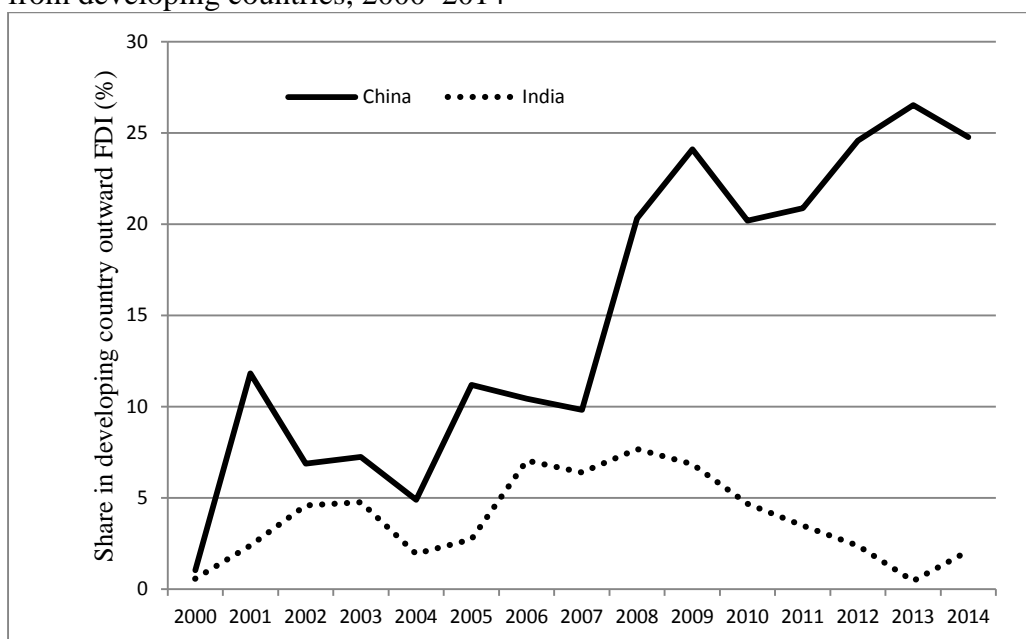
Source: Compiled from *fDi Markets* database from the Financial Times

Figure 1: Indian Outward FDI: Value and Share in Outward Flows from Developing Economies, 2000-2014



Source: Based on data compiled from UNCTAD, *World Investment Report* database, downloaded 6 August 2015.

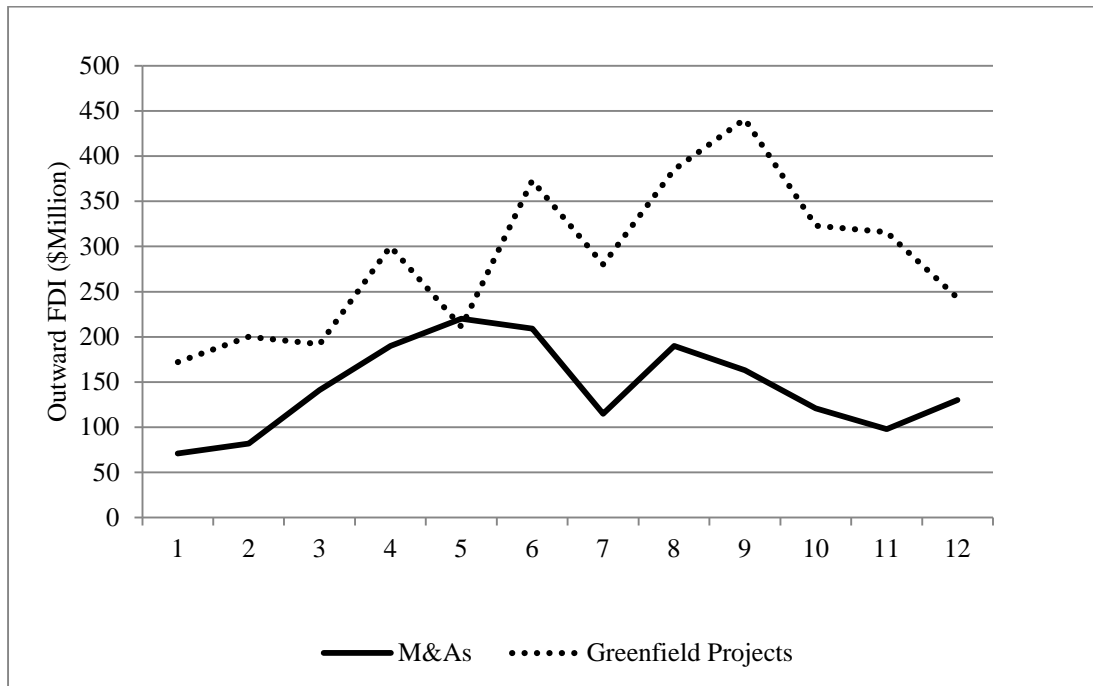
Figure 2: Outward direct investment (ODI) from India and China as a percentage of total ODI from developing countries, 2000–2014



Source: Based on data compiled from UNCTAD, *World Investment Report* database, downloaded 6 August 2015.

Figure 3: Trends in India's Outward FDI, M&As and Greenfield Investment Projects

(a) Outward FDI Values (\$ Million) and numbers of M&A and Greenfield Projects



(b) Values of Outward FDI, M&A and Greenfield Projects (US \$ Millions)

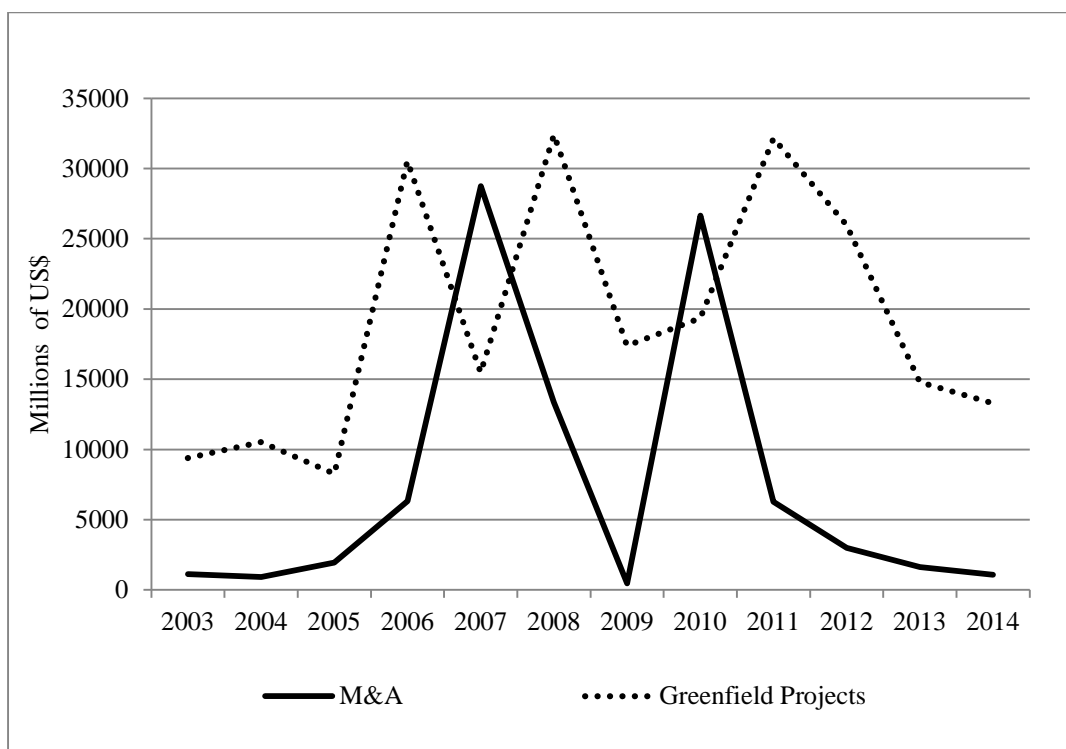
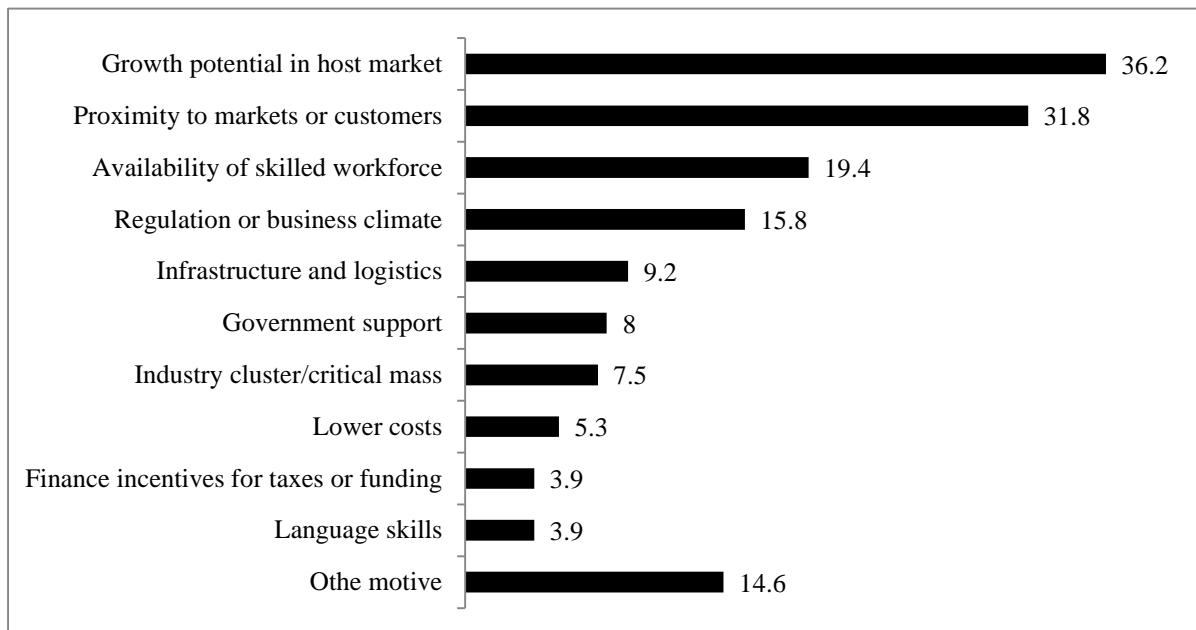


Figure 4: Major motives for investment by Indian companies for 412 overseas projects (%)



Source: EXIM Bank (2014) based on *fDi Markets* database from the Financial Times

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