The Wonders of FDI

Episode 111 | Everything is Everything

Ajay Shah, Amit Varma

Transcript

August 8, 2025

Shah, Ajay, and Amit Varma. "The Wonders of FDI." Episode 111 of Everything is Everything. XKDR Forum, August 8, 2025. Podcast, video, 53:40. https://www.xkdr.org/viewpoints/the-wonders-of-fdi-episode-111-everything-is-everything

Abstract

Ajay Shah has five great loves in life, and the fifth is Foreign Direct Investment. In this episode, he and Amit Varma treat FDI not as a dry balance-of-payments statistic but as a window into the deepest failures and possibilities of the Indian state. They begin with definitions and measurement, showing how FDI is technically defined by the OECD and IMF, and how seven different data series on FDI flows are routinely cherry-picked by propagandists on all sides.

The conversation then moves to the real heart of the matter: FDI works, Ajay argues, precisely because domestic institutions in a country like India or China are bad. The dream of FDI is to carve out an enclave, a bonded warehouse, a square kilometer where the normal depredations of the local state are switched off, so that a trusted, predictable, radically deregulated interface can exist for foreign capital. China under Deng Xiaoping understood and built this. India, mired in third-worldist suspicion of foreigners and multinationals, never developed the intellectual clarity to do the same, and cases like Nokia and Vodafone show the cost of that failure. Ajay also overturns the conventional Indian view that FDI is virtuous and Foreign Portfolio Investment is dangerous hot money, arguing instead that FPI actually demands superior institutions, while FDI is the easier ask.

From here the discussion covers the political economy that blocks FDI in India, Jagdish Bhagwati's idea of tariff-jumping FDI, the role of bilateral investment treaties in disciplining a state that expropriates, and the encouraging rise of Indian firms graduating into globalization themselves. The episode closes on a note of cautious optimism about a unique moment in 2025 for India to seize.

Supplementary Resources

- **Strategy for FDI by Indian firms: A 2x2 classification for the leadership** by Ajay Shah (Resource) [1]
- **The reconfiguration of global trade and FDI** by Ajay Shah (Resource) [2]

- **How to get a 10x gain in FDI** by Ajay Shah (Resource) [3]
- **Graduating to globalisation: a study of Southern multinationals** by Dilek Demirbas, Ila Patnaik and Ajay Shah (Journal article) [4]

Contents

Introduction: The Many Loves of Ajay Shah's Life **4**

Chapter 1: What is FDI? **6**

Chapter 2: Measuring FDI **8**

Chapter 3: The Dream of FDI **9**

Chapter 4: What about Foreign Portfolio Investment? **16**

Chapter 5: The Political Economy Around FDI **21**

Chapter 6: Tariff-Jumping FDI **23**

Chapter 7: Building the Right Environment **25**

Chapter 8: Raju Ban Gaya Gentleman **28**

Chapter 9: A Remarkable Opportunity for India **31**

Introduction: The Many Loves of Ajay Shah's Life

[00:00:15] Amit Varma: Gentle readers, I gently welcome you. You may have seen the episode title and you may be thinking it's a boring episode about money, but no, this episode is not about money. This episode is about love. Ajay Shah confided in me, and it's taken many years of our friendship for him to be able to make such confessions.

[00:00:15] Amit Varma: He confided to me that in his life, he has five great loves. And today we're going to talk about the fifth of them, which is FDI.

[00:00:38] Amit Varma: But before that, Ajay, I want you to share with me and with all of us because you are equally intimate by now with the loyal viewership, our gentle readers. So I want you to tell us about what you feel about love and what your first four loves are. Go.

[00:00:51] Ajay Shah: Four is a gross undercount.

[00:00:53] Amit Varma: Gross, is a gross undercount. Okay, I just kind of made that shit up, but he did say that he loves FDI deeply and, the way he expressed it, it's like, "Oh my God, so romantic." So tell us, what are the things, tell me four other things besides FDI which you love with equal fervor.

[00:01:10] Ajay Shah: Firm productivity.

[00:01:12] Amit Varma: Firm productivity is one, then. We have many episodes on firms.

[00:01:16] Ajay Shah: Capital account openness.

[00:01:18] Amit Varma: Capital account openness. We have spoken about that in a recent episode.

[00:01:22] Ajay Shah: Inflation targeting.

[00:01:23] Amit Varma: Inflation... Oh my god, you almost came as you said that. Continue. What else?

[00:01:23] Amit Varma: One more, at least. Oh, as many as you want.

[00:01:34] Ajay Shah: R programming.

[00:01:35] Amit Varma: Hm?

[00:01:36] Ajay Shah: R programming.

[00:01:37] Amit Varma: R programming. Okay. So that's four. Okay, FDI.

[00:01:37] Amit Varma: Now I want you to tell me about the first time you guys met, you and FDI. How did you get acquainted with FDI? At first, she would have been a stranger, but then she would have gotten a little more familiar, then there would have been an attraction.

[00:01:55] Amit Varma: Then there would have been that magic moment where everything clicked Ajay Shah, and then you would have realized that yes, she is mine. Take me through that journey.

[00:02:04] Ajay Shah: FDI is common knowledge to many people. So growing up as an economist, you get to...

[00:02:10] Amit Varma: Don't speak of her like that.

[00:02:13] Ajay Shah: I remember my first brush with FDI. I was with my father and there was a guest. This was a guest, he was an American from Corning Glass. Okay?

[00:02:13] Ajay Shah: And he came to meet my father. This would be, my father died in '84, so this would be in early '80s. He'd come to meet my father. I just happened to be around.

[00:02:13] Ajay Shah: And Corning wanted to set up a factory in India to make glass.

[00:02:41] Ajay Shah: And my father said, "You won't be able to do so. The Indian state doesn't allow this. This is banned, that is banned." And it's a nice idea. There will be demand for this kind of glass and TV, television picture tubes in India and so on.

[00:02:41] Ajay Shah: But the Indian state will ban it. And this guy was very baffled. Why would the government want to prevent us from building factories in India? So, that was my first brush with FDI.

[00:03:09] Amit Varma: And it's actually a brush with freedom as well, because ultimately that's what it boils down to. What you really love is not FDI. FDI is just one name. What you love is freedom, isn't it, Ajay?

[00:03:18] Ajay Shah: The freedom to engage in domestic investment.

[00:03:21] Amit Varma: Freedom to engage in domestic investment.

[00:03:25] Ajay Shah: Everybody knows about FDI, everybody talks about FDI and I will do a brief touching upon some of those things here, but it's actually a rich field. And I want to push many, many interesting ideas and insights where we go under the hood and we see this thing in a more complete way.

[00:03:46] Ajay Shah: It's a great field, it's an important subject. I am not blase about it. I am not glazed out about it. It's not a been there, done that.

[00:03:46] Ajay Shah: It's actually a rich, interesting field. And for the next twenty-five years of the Indian story, this is a critical battlefront that we have to figure out.

[00:04:06] Amit Varma: Can't wait to dig in.

Chapter 1: What is FDI?

[00:04:16] Amit Varma: So Ajay, let's start with definitions. What is FDI? Break it down for me.

[00:04:19] Ajay Shah: So vaguely, intuitively, we think FDI is a foreigner builds a factory in India. Okay? Now let's go closer into that story.

[00:04:26] Amit Varma: First give me the full form. Let us assume some of our gentle readers are readers of literature and poetry and may not...

[00:04:32] Ajay Shah: Yeah. FDI is Foreign Direct Investment. And the general intuition is a foreigner builds a factory to operate in India. George Fernandes drove IBM and Coca-Cola out of India.

[00:04:32] Ajay Shah: That was shutting down on FDI into India. IBM operated in India, supported IBM mainframes being used in India, but George Fernandes created conditions where IBM chose to pack their bags and leave.

[00:05:00] Ajay Shah: And the same with Coca-Cola. So that's our simple vision of FDI. But let's go closer and let's think of definitions and how would you count FDI? So, FDI is a foreigner having a substantial and long-term stake in an Indian production arrangement.

[00:05:00] Ajay Shah: So, consider a bakery. If a foreigner buys shares in an Indian bakery company, like Britannia, and they buy the shares today and they sell the shares next week, that's foreign portfolio investment.

[00:05:31] Ajay Shah: But if a foreigner comes on board with a significant long-term engagement and an involvement in the affairs of the company, then that's FDI. There is a definition which has been agreed to by the OECD and the IMF that the minimum equity shareholding should be ten percent. Then it's counted as FDI. Okay.

[00:05:31] Ajay Shah: So, if you have an equity shareholding of nine percent, it will not be counted as FDI. This is the way it is done.

[00:05:57] Ajay Shah: Now, if a foreign parent company gives a loan to its Indian subsidiary, that's also FDI. So whether it is equity financing or debt financing, you are there, you have a significant presence, and that private debt relationship between a foreign headquarters and its Indian subsidiary is also counted as FDI.

[00:06:22] Ajay Shah: In this field, there are the words "FDI in India" and "FDI by India". So, foreign activities in India are FDI in India. Activities by Indian firms who may go to Vienna, Cafe Coffee Day is found in Vienna. I have a photograph to show you.

[00:06:22] Ajay Shah: And that would be FDI by India. Okay?

[00:06:44] Ajay Shah: So these are the basic definitions around FDI. There are two more subtleties inside this. What you see as private equity investment is actually often counted as FDI, even though it's actually like an arms-length financial investor. But the rule is if it's more than ten percent, then it's FDI.

[00:06:44] Ajay Shah: So this bothers some people.

[00:07:09] Ajay Shah: So people will feel that if Minnesota Mining and Manufacturing, 3M, will build a factory in India, it's surely FDI. If a foreign private equity fund will buy eleven percent in a completely Indian company, is that quite FDI? Is it actually tantamount to portfolio investment? There are indeed shades of gray, but a stake of more than ten percent and a stake that tends to persist for long periods of time is counted as FDI.

[00:07:40] Ajay Shah: Finally, if a foreign company owns operations in India, if the Indian operations make a profit, that profit can be either reinvested in India or it can be repatriated, it can be paid abroad. When that profit is reinvested in India, that is counted as a brand new FDI flow of that year. But it can be repatriated also. Okay?

[00:07:40] Ajay Shah: So this is the full environment of what constitutes FDI. It is a substantial involvement for the long term, involving ownership and control by foreigners of Indian companies of operations going on in India. That is the definition of FDI.

Chapter 2: Measuring FDI

[00:08:27] Amit Varma: So Ajay, true love cannot be quantified, but are there ways to measure FDI?

[00:08:32] Ajay Shah: In the balance of payments, we get beautiful, trusted, high-quality FDI data. And so, I already said, FDI in India and FDI by India. Those are two separate heads that are seen. Under FDI in India, you see two streams.

[00:08:32] Ajay Shah: There is a gross inflow of FDI coming into India, then there is a repatriation. So there are Indian operations of foreign companies who are sending money back abroad. So that's a gross outflow, and then you can net the two together and you get the net FDI in India. That's a number.

[00:09:05] Ajay Shah: FDI by India, you will see the outflow by Indian companies putting FDI abroad, and then the foreign companies, the foreign operations of Indian companies pay money back into India. And so that's a two-way street there and you can net that, that's the net FDI by India. And finally, you can net the whole thing. So you can take the net money coming into India.

[00:09:05] **Ajay Shah:** Some money is being pushed out by Indian persons, some money is coming in from foreign persons. You subtract out and you get a number that colloquially can be called net-net FDI.

[00:09:37] **Ajay Shah:** The reason I want to bring this up is, as you see, there is a gross inflow, a gross outflow, a gross inflow, a gross outflow, a net FDI in India, a net FDI by India, and a net-net. So, there are seven different numbers in the game of FDI. This is used to cherry-pick a message that propagandists want.

[00:10:00] **Ajay Shah:** So, when a propagandist wants to make India look good, they will look at this entire landscape and pick a number that makes India look good, and vice versa. And it bothers me a lot because this is just a landscape of propaganda. And for me, the surest sign that this is propaganda is when people will use a title of the graph: FDI. If you say FDI, you are a propagandist.

[00:10:00] **Ajay Shah:** You have to be precise.

[00:10:26] **Ajay Shah:** Do you mean gross FDI inflows for FDI in India? Do you mean net inflows for FDI in India? Do you mean net-net? Whatever.

[00:10:26] **Ajay Shah:** Be precise on what you say. Have the correct legending on a table or a graph. And 50% of the time, 70% of the time, that is not done, and it bothers me. And I feel we should be very precise in these terms.

[00:10:26] **Ajay Shah:** These seven different series are all interesting. They are rich with messages, and they have interpretation, and we should not cherry pick one that supports my propaganda objectives.

[00:10:58] **Amit Varma:** You have terrified me. I'm never going to say FDI in front of you again. Straight away you'll be like net inflow, gross inflow.

Chapter 3: The Dream of FDI

[00:11:13] Amit Varma: So Ajay, I love FDI, you love FDI. Our gentle readers love FDI, even if you don't know what FDI is, but we love it and you're watching this, so you love FDI as well. But why? Why do we love FDI?

[00:11:25] Ajay Shah: So we have to understand the concept of what is going on here and I want to show you a dream. The dream is that there is a country with bad institutions. So basically, the local private sector is unable to do things because they are messed up with bad institutions. But the country somehow able to get its shit together and it says, "Look, for this one square kilometer, you build your factory and you will be protected from the depredations of the local institutions."

[00:11:53] Ajay Shah: That is the dream of FDI, that we recognize that we are malfunctioning as a country. One day we'll fix our country. In the short term, I'll just create this as a hack. That there is this one square kilometer of a factory and there will be no local labor law, there will be no local messing with taxation, there will be no difficulties with getting visas for people to travel.

[00:12:20] Ajay Shah: There will be no customs duties or any other tariff barriers for goods that come in, for goods that go out. We will just not mess you up like we mess up our normal country. It takes enormous honesty to say this openly and it's important for us to say this openly. That is the greatness of the Southeast Asian and the Chinese model of FDI.

[00:12:20] Ajay Shah: That the idea was, we'll fix China one day. Deng Xiaoping's dream was there will be no Xi Jinping. We will fix China one day. For now, let's get going.

[00:12:51] Ajay Shah: So, there are bad institutions locally, but what China succeeded in and the Southeast Asian countries succeeded in was institution building for the protection of the foreigner. So, it's not true that Chinese FDI operates in bad institutions. FDI into China operates under good institutions because the Chinese state is able to back off that we will not mess with these FDI people, and I'll come back to that in a moment.

[00:13:21] Ajay Shah: Okay? So that's a very important insight and clarity, that it is because institutions in China are bad, that the great dreamers of China, Deng Xiaoping's world, understood, it's going to take us a hundred years to fix Companies Act, to fix GST in China. We're not going to hold our breath waiting for that. Let's build this enclave where we'll do something different.

[00:13:21] Ajay Shah: And what is that something different?

[00:13:44] Ajay Shah: We will take special effort to create a trusted and predictable institutional interface where that damn foreigner is protected. Okay, now you could start saying, "This is not a level playing field. Why is this fair? You should be doing this for Indian companies also." Please do it for Indian companies also, but it is worth doing for the foreign companies operating in your country.

[00:13:44] Ajay Shah: Why?

[00:14:09] Ajay Shah: So one is that what's in it for the country? The state has to back off from its depredation, from its expropriation, from its taxation, saying, "I'm just going to do one thing, that thousands of people will get jobs. When they earn an income, we will charge them an income tax on the labor income of workers working in a foreign factory. And when they spend money domestically, we'll charge them GST.

[00:14:09] Ajay Shah: For the rest, we just back off. We're not going to get money out of the foreigner operating in our country."

[00:14:42] Ajay Shah: The state has to see the sanity and the sense in that, rather than viewing it through the lens of ideology. So if you get into social justice and inequality and all that, then you'll be in a mess. Whereas, this is a simple point, some thousands of workers will get jobs. It's great for them.

[00:14:42] Ajay Shah: And you know what? The state also will get paid because the state will get an income tax on the wage income of the worker and the state will get a GST on the expenditures by the worker.

[00:15:08] Ajay Shah: For the rest, everything that happens in the world of FDI is out of reach for the local government saying, "I'm not going to do customs, I'm not going to mess with you. I won't come to you with income tax raids." All that rubbish will not happen. The normal misbehavior of the Indian state vis-a-vis an Indian company. This is a pragmatic choice that the state can make and in my opinion, should make.

[00:15:08] Ajay Shah: Part two.

[00:15:32] Ajay Shah: The people who work in global companies learn new knowledge. And this is the ultimate prize. This is a great contribution that the foreigner makes to the development of your country, because the people in the local economy learn things out of the working of the foreign firms. They learn the global frontier of productivity.

[00:15:32] Ajay Shah: They learn how to participate in globalized production, and they leave and they go work for other companies, they start other companies. There's an entire process of diffusion of knowledge.

[00:16:04] Ajay Shah: So, if you believe, as I know you do, that the ultimate motive force in a society is knowledge, that a society only becomes better through the knowledge of its people, then we should view FDI as the crucible where the knowledge is made. That the individuals who work in these foreign operations, they gain knowledge. And then the knowledge sits with them. The knowledge is not captured by the foreign company.

[00:16:04] Ajay Shah: They move to other jobs, they start businesses.

[00:16:32] Ajay Shah: Again and again through world history, we have seen that knowledge diffusion happening. In Bangladesh, there were first Taiwanese and South Korean companies who started garment activities. And then the people who learned those garment businesses stepped out and started their own businesses and so on, the whole thing went. Okay.

[00:16:32] Ajay Shah: In this, there is one particularly clear concept which we, which is worth understanding, which is called a bonded warehouse, which is a physical facility where imports come in, they're fully exempt from any depredations of the state.

[00:17:03] Ajay Shah: And the raw materials are used by the foreigner, and the goods come back to the bonded warehouse and they go out into the world. So it's a very clean way of getting away from bad institutions. I feel we in India never said these paragraphs to ourselves clearly enough. And that has been a source of why FDI in India has never quite worked out well.

[00:17:03] Ajay Shah: We want FDI to succeed because the Indian state works badly.

[00:17:31] Ajay Shah: If the Indian state was fine, then domestic firms would have done great. We would have been an advanced economy. So you've got to be clear on these foundations, that this is an escape valve. It's an exit for some piece of land, saying, in that land, the behavior of the Indian state shall be different.

[00:17:31] Ajay Shah: And that takes effort. It takes the Chinese Communist Party. It takes the greatness of a Deng Xiaoping to say, "I will do institution building. I will do great institution building so that the foreigner gets a sustained, consistent, predictable interface to the Chinese state." Then you can't mess with the people coming into FDI.

[00:18:09] Ajay Shah: Now it's very interesting that in the Xi Jinping world, they started breaking down on these very things. They started making rules about technology transfer, George Fernandes, that if IBM operates in India, then we will force you to do technology transfer into India. We will force you to do an IPO in India. We will force you to have a joint venture in India.

[00:18:09] Ajay Shah: All these kinds of things started creeping back in the world of Xi Jinping. So this is the loss of clarity.

[00:18:34] Ajay Shah: I feel that there was too much kindness in the way people spoke about FDI. There was not adequate intellectual clarity that the very reason why the FDI-led model is such a good one is because it is overcoming the failure of domestic institutions. But it requires institution building. So it requires the state to back off and say, "I'm not going to mess with you." And the Xi Jinping period, they got back to interfering with the working of foreigners in China with a variety of rules like joint venture and technology transfer and so on.

[00:18:34] Ajay Shah: And sure enough, they've got a great collapse of FDI into China.

[00:19:13] Amit Varma: So a couple of episodes which are actually quite relevant to this, which I'll recommend gentle readers watch is one, our episode on I18N or internationalization where you talk about the importance of firms playing in a global marketplace for many of these same reasons. And the other episode on populism, which may not seem directly related, but I feel it is directly related because one of the core rhetorical tools of populism is a certain kind of toxic insular nationalism.

[00:19:43] Amit Varma: Where notions like "Make in India" or "import substitution" all kind of come from there. We will be self-reliant, we don't need the world, which is an absolutely daft way of thinking about the world. All trade, all human connection is positive sum and the larger our networks, the more we grow, the more we prosper. You want money to come in, you want money to go out, you want this interplay to happen and yet it doesn't happen.

[00:20:06] Amit Varma: So tell me a little bit about the troubled ideological history in India in the decades since our independence which makes us look with such distrust at foreign capital, which persists to the current day because there will be so many parties which will oppose FDI in this or that and obviously to protect their an interest group of their choice, but that is something that I'm trying to wrap my head around.

[00:20:33] Ajay Shah: Yeah, there is a deep anti-foreigner streak in India. There is a deep anti-Western streak in India. And in deep ways, this has fed into Indian failure, that the path to success lies in embracing the global frontier, in finding the ways to work with the high productivity firms of the world to grow the productivity of the firms in India. That's economic growth.

[00:20:33] Ajay Shah: So we need those basics.

[00:20:58] Ajay Shah: The EIE development episode is an example. How the China model failed is an example, that as long as the policymakers will honestly pursue the growth of the country, things will go well. But when you start bringing concepts like pride and all kinds of emotional overtones to this, then things are not going to work so well. And there is also a cult of third-worldism where somehow people in the third world are hostile and resentful to advanced countries, where multinationals became a bad word.

[00:21:33] Ajay Shah: And you want to be very arrogant vis-a-vis the capabilities of the global companies. Very often in India in the modern period, we also see a certain arrogance that, "Oh, India is such an important country that the foreign companies have no choice but to operate here. And so why do we need to stoop? Why do we need to bend in any way to make life convenient for foreign companies?"

[00:21:58] Ajay Shah: In this entire chapter, the way I showed the idea of FDI, the very concept of FDI is built around creating a consistent, predictable institutional interface featuring radical deregulation for foreign companies operating in India because Indian institutions work badly. As long as we will honestly say this to each other, we'll make progress. But the whole FDI story in India has been muffled in euphemisms where we take all this unhappy stuff and remove it.

[00:22:31] Ajay Shah: And then in some deracinated world, we are all, "Oh, India is so great, we are fine. Indian companies are building garment, exporting. We want foreigners to also come build garment, exporting. It should be a level playing field." All these things where we become complacent about Indian institutions.

[00:22:31] Ajay Shah: We have to zero-base and we have to understand A, that Indian institutions work badly, and B, it is effort, it is Deng Xiaoping, to build a consistent, predictable, trustworthy institutional interface for foreign companies, where the Indian state leaves them alone.

[00:23:06] Ajay Shah: Okay. So I want to give you an example that Nokia built a facility in Tamil Nadu, and the Indian state went after them with income tax and freezing of assets and so on. And in the end, Nokia packed up and left. So that intellectual clarity was not there.

[00:23:06] Ajay Shah: We did not have the discipline of thinking and understanding that you have to wall off the normal depredations of the Indian state that are inflicted upon normal Indian companies.

[00:23:36] **Ajay Shah:** Those have to be kept out when you're doing FDI. Otherwise, it's the same. Indian entrepreneurs are equally good, will go buy foreign technology, and you have a 200 year journey slowly you'll figure out how to become an advanced economy. The magic of FDI is not in having foreign companies stand in line and be treated by Indian regulators and Indian capital controls and Indian passport visa problems, just like anybody else.

[00:23:36] **Ajay Shah:** Then what's the point? Then there's no magic in FDI. It's just part of the slow journey.

[00:24:09] **Ajay Shah:** If there is a magic in FDI, it is Deng Xiaoping. It is, I recognize that we are weak and we're going to do something different.

[00:24:16] **Amit Varma:** And I just want to clarify here that what Ajay and I are saying is not "don't fix the Indian institutions". A typical instinctive response to this would be, "Arey bhai, then fix the Indian institutions, have good rule of law here, fix the scene." The thing is that that is so messed up and it's been so complicated for decades that it's going to take a long time to fix. Ajay has literally spent his whole life fighting that battle. So that battle will continue.

[00:24:40] **Amit Varma:** But in the meantime, if you can at least set up these little islands of freedom, as it were, then that's good for the people. Foreign money coming in is good for Indian people, is good for Indian firms. Foreign firms competing in India is good for Indian people, is good for Indian firms. So at least let's do what little we can and let's not let the perfect be the enemy of the good.

[00:24:40] **Amit Varma:** And the task of fixing India, of course, is going to continue and that's what we do every day.

Chapter 4: What about Foreign Portfolio Investment?

[00:25:15] **Amit Varma:** So Ajay, just to clarify, tell me the difference between FDI and Foreign Portfolio Investment, because one of them garners a lot of hate from people and the other one just the opposite. So what's going on here?

[00:25:26] Ajay Shah: So in the Indian policy thinking community, FDI is a good guy, meaning we are not doing the things that are needed to be done to give them that simple, consistent, predictable institutional interface featuring a vast degree of deregulation. For the rest, FDI are good guys. They're building a factory, making jobs for my people. Portfolio investors are bad people, because it is hot money.

[00:25:26] Ajay Shah: They can buy today, they can sell tomorrow.

[00:25:51] Ajay Shah: I think that the hostility towards portfolio investment is coming from a place of deep insecurity. The fact that a portfolio investor can sell securities and leave, frightens an insecure Indian. That if you feel you are weak, if you know in your heart that you are weak, then you are afraid that the other guy can leave. If you love something, set it free.

[00:25:51] Ajay Shah: If it comes back, it is yours. If it doesn't, it never was. That is the right approach to apply to all the great loves of your life, whether FDI or FPI.

[00:26:22] Ajay Shah: And that is a wrong way to think about foreign portfolio investment. It's analytically wrong. So, first, let me just shoot down how it is analytically wrong, and then let me show you the relationship and the comparison between FDI and portfolio investment in a new light that, again, is not part of the mainstream Indian intellectual discourse.

[00:26:45] Ajay Shah: The way to think about foreign portfolio investment is that, of course, you are weak and foreigners know that. So, there are many difficulties of operating in India and foreign portfolio investors know that. It's built in the price. So you get a low price for your securities.

[00:26:45] Ajay Shah: So you don't have to think that, "Oh, I'm so insecure, I'm so weak, why will anybody buy my shares? And if they bought my shares, oh my God, they will not love me next week and they'll fly away."

[00:27:11] Ajay Shah: And the second is that the financial markets are a vast churning where there are tens of thousands of buyers and tens of thousands of sellers. So on any given day, there is one foreign portfolio investor who is selling and there is a Bengali who is buying, or there is a Bengali who is buying and there is a foreign portfolio investor who is selling, or there is a foreign portfolio investor who is buying and a foreign portfolio investor is selling. And you don't need to think about foreign portfolio investors as a monolithic mass that they will all act together.

[00:27:40] Amit Varma: Some foreign portfolio investors are Bengali.

[00:27:42] Ajay Shah: That too. We are everywhere.

[00:27:44] Ajay Shah: We don't have to anthropomorphize foreign investors as one monolithic block that thinks together, acts together, FPI Inc, where they all coordinate their strategies. This is just completely wrong. And we see this loud and clear in the Indian data. You get very large gross buying every day by foreigners, very large gross selling every day by foreign investors, some tiny net number.

[00:27:44] Ajay Shah: And in the financial markets, all this gets absorbed. And yes, we are weak, and that shows up in the price.

[00:28:13] Ajay Shah: So, when there are difficulties of operating in the Indian environment, it goes to the price. It doesn't mean it's hot money, it will fly away tomorrow, it will cause a crisis. That whole way of reasoning is based on a lack of knowledge of finance. So you just need to get your basics of finance right, and you will just relax and ease up.

[00:28:13] Ajay Shah: There has never been a big crisis with foreign portfolio exit in India. It has been that when there are material movements, you have an announcement like a COVID lockdown, and many people sell securities. Indians also sell securities. Foreigners also sell securities.

[00:28:13] Ajay Shah: There is nothing special about foreigners.

[00:28:50] Ajay Shah: Next, now I want to go back to Deng Xiaoping's approach to FDI, what was never quite done in India. I want you to think like a foreigner, that you're going to Mozambique and you're going to be given these two choices, that can you go to Mozambique, build a factory, and do FDI successfully? Can you go to Mozambique and buy securities? Can you do that successfully?

[00:28:50] Ajay Shah: Let's think of these two choices.

[00:29:14] Ajay Shah: The battle on the FDI side is I want deregulation. Just get out of my hair. Don't tell me about your Enforcement Directorate. Don't give me your capital controls.

[00:29:14] Ajay Shah: Don't give me your passport visa problems. Don't bother me with all the nonsense that happens in your country. Give me one square kilometer. I will give jobs to your people.

[00:29:14] Ajay Shah: I will pay income to those people, and I will give them the knowledge. That's the bargain you want with an FDI investor.

[00:29:45] Ajay Shah: And then the question arises, is that institutional interface there? And do we trust that it will be there for a long, long time? It's a Deng Xiaoping problem that you want to create a very limited API, so to speak. The foreigner should be able to...

[00:30:00] Ajay Shah: Again to a very simple API, and the foreigner should have optimism and confidence that the ruling elite understands this and believes it and will do it for a long, long time. This is again where ideas matter. That the theory of change is the knowledge has to happen and the policy community has to understand this is what we are doing with FDI. And then governments come, governments go, but you will hang on to that institutional promise so that a twenty year planning horizon for building a factory will actually be upheld.

[00:30:29] Ajay Shah: Alternatively, let's discuss going to do foreign portfolio investment into Mozambique.

[00:30:34] Ajay Shah: If you do foreign portfolio investment, there is no way around the problem of local institutions. You need local institutions to have accounting data. You need to trust accounts. You need that hundred years of culture of decency in accounting, good quality accounting data.

[00:30:34] Ajay Shah: You need a whole financial sector. You need a stock market, you need a depository. So, the entire story we told in the Journey of Indian Finance, we need that kind of equity market development so that you can trust that I will send in money and I will get the shares.

[00:31:08] Ajay Shah: And it won't prove to be the case that actually I did not own those shares. Just imagine, what is the leap of faith? You are sitting in Assam or you're sitting in Tokyo, and you're sending your money and you're being given some piece of paper that you own thousand shares of Reliance. What do you believe?

[00:31:08] Ajay Shah: How do you trust these things? So, the institutional richness and complexity of finance is at a different level altogether. That to do portfolio investment, you actually need superior institutions.

[00:31:37] Ajay Shah: So, contrary to the feelings of many an Indian economist, it is FDI that demands a lower institutional quality and FPI demands a higher institutional quality. And FPI is actually a more sophisticated thing to do as compared to FDI. At least if you can be Deng Xiaoping, it's relatively easy to build that quiet, deregulated, simple interface, three pages of rules, you do whatever you want and the Indian state will not mess with the FDI.

[00:32:09] Ajay Shah: That's not a choice when it comes to portfolio investment. It's also worth thinking about FDI and foreign portfolio investment as different technologies. So, in the world of finance, there is technology, right? So, foreign direct investment is a technology, foreign portfolio investment is a technology.

[00:32:09] Ajay Shah: Derivatives trading is a technology. Bonds, currencies, the bond currency derivatives nexus is a technology.

[00:32:34] Ajay Shah: And then applying the general theorem of industrial policy, it is never appropriate for a government to try to tip the scales that this is good, that is bad, this is good, that is bad. So when some economist says FDI flows are good and portfolio flows are bad, I feel like who are you? Who are you to say that something is good? It should be private people that say.

[00:32:34] Ajay Shah: And the job of the government is to build institutions.

[00:32:57] **Ajay Shah:** So, understand the complexity of building that institutional black box that FDI investors can be shown. Understand the richness and complexity of building a financial system, do that, and then show that to foreign investors and if you've done a good job, foreign investors, they will come. And that's part of the China problem, that China never really got through to building the kind of institutions that are required to support foreign portfolio investment. Till this day, basics of accounting in China don't work well.

[00:33:26] **Ajay Shah:** Whereas in India, we have hundred and fifty years of traditions in accounting that have created a greater minimum level of hygiene in accounts, audit, Indian accounting data, the firm data, all these things are more trustworthy in India than in China. And this is the institutional richness around which you can create the environment for foreign portfolio investment.

[00:33:49] **Amit Varma:** It's interesting and illuminating how FDI actually requires a state to get out of the way and FPI actually requires a state to support the players who are coming in by building all of this infrastructure, some of it invisible infrastructure as it were. So yeah, that's...

[00:34:03] **Ajay Shah:** So contrary to the economists who like to diss portfolio investment as hot money, FDI is good. That's just reflecting their insecurity that will you love me next week?

[00:34:14] **Amit Varma:** Who are these people?

[00:34:15] **Ajay Shah:** Oh, this is the mainstream view in India.

[00:34:16] **Amit Varma:** Name and shame.

[00:34:18] **Ajay Shah:** Everybody.

Chapter 5: The Political Economy Around FDI

[00:34:28] Amit Varma: So Ajay, explain to me the political economy because when you put it in simple terms like this and all of this in a sense comes from basic economics, you immediately imagine that who could object to this? This is good sense. We should immediately go out and do this. But actually, no, the consensus view is something else entirely.

[00:34:28] Amit Varma: So give me a sense of what's going on in the political economy.

[00:34:48] Ajay Shah: So you could think of FDI as an enclave, that there is one square kilometer, goods come in, value addition happens in India, goods go back. But now you have to deal with the interesting opportunity that look, I am in India, I have a factory in India, why don't I sell goods in India also? And India is a big market. So, in fact, the case to invest in India for a foreigner is not just to do globalized production, it is also to access the Indian market.

[00:34:48] Ajay Shah: So it in fact enhances the attraction of operating in India because you're also selling in India.

[00:35:24] Ajay Shah: Versus the FPI story where a foreigner is buying securities, buying shares and bonds of Indian companies. Here, the interests of the Indian bourgeoisie are completely different. If a foreigner will come into India and make cars to compete with Premier Padmini, then that is bad for Premier Padmini.

[00:35:44] Ajay Shah: Okay, so for the Indian rich, FDI is not interesting, FDI is not attractive because it is competition for their own businesses. FPI on the other hand is very good because I've got a foreigner who will buy my securities. So it increases my ability to sell shares, to sell bonds because I've got a foreigner who will buy these things. It drives down my cost of capital.

[00:35:44] Ajay Shah: So when it comes to the local political economy, I think that we never got through to the enclave approach, which is like a special economic zone, because of intellectual failure in India. We just didn't understand what the SEZ was.

[00:36:18] Ajay Shah: We never got to Deng Xiaoping level of intellectual clarity and the consensus amongst the Indian thinking elite. So once again, in the jargon of the EIE episode on the theory of change, we never got through the early stages of the policy pipeline to the point where there was this kind of clarity and understanding. So there is an SEZ act, 2005, but never quite got through with this immunization of foreign firms operating in India from Indian institutions. That is what it's all about.

[00:36:18] Ajay Shah: We never quite built that.

[00:36:49] Ajay Shah: That would be harmless in the Indian political economy. I feel it only requires better intellectual clarity. Part two, that the FDI operation in India will also sell goods into India, that bothers Indian makers. So you get, for example, the anger of Indian retail against Amazon and Walmart operating in India.

[00:36:49] Ajay Shah: So that's something which has really been stuck in India. I think bit by bit, we're making progress, but it has been a choke point in India.

[00:37:18] Ajay Shah: And the third one, foreign portfolio investment, the Indian business community is quite happy that more foreigners come buy my shares, it reduces my cost of capital. I want to acknowledge Ila Patnaik is the person that figured this out.

[00:37:33] Amit Varma: On one side of the debate you have securities, on the other side you have insecurities. Yeah.

[00:37:38] Ajay Shah: Nice.

Chapter 6: Tariff-Jumping FDI

[00:37:47] Ajay Shah: So in this, I want to introduce a lovely phrase by Jagdish Bhagwati, which is called tariff jumping FDI. So he came up with this idea that suppose you set up a tariff barrier or you set up non-tariff barriers, you set up barriers at the border, then there will be foreigners who will say that okay, I'll build a factory in India, I'll do some minimum value addition in India. I'll bring a semi-knock-down car into India. I'll just do some minimum car assembly in India and I'll sell it into India.

[00:38:14] Ajay Shah: And this is unsatisfying that they are not actually doing FDI deeply into India. They haven't understood India as an FDI proposition. So neither as an enclave nor as a production site for the domestic and the global market. Actually, they are just arbitraging around the tariff and non-tariff barriers in India.

[00:38:14] Ajay Shah: In some ways, the large chunk of the Indian automobile industry is that, that because the Indian government made it difficult to import cars into India, made it difficult to import used cars into India, then you've got foreigners who would come, put up a minimum facility in India where some kinds of assembly would be done.

[00:38:49] Ajay Shah: It's nice, but actually the whole thing is a distortion. It's a policy-induced distortion and this is unsatisfactory. So Jagdish Bhagwati called this out back in the early nineties when the first FDI surge came into India and he said, guys, yeah, it looks nice, there is some FDI happening into India, but really what is going on is the trade barriers, that you've got to get rid of the trade barriers. And this is also deeply related to the problem of not quite doing an enclave.

[00:39:17] Ajay Shah: If you don't do an enclave where you're protecting people from the depredations of the Indian state, then you start facing those trade barriers hindering the cost of raw materials in India because the trade barriers make raw materials in India costly, then you can't quite produce in India and become an exporter, selling into the global market. In our EIE episode, What Ails Indian Manufacturing, we told the story that there's a structural drag where raw materials in India are expensive.

[00:39:44] Ajay Shah: The most important mechanism for doing garments all over the world is artificial fabric. But that requires imported raw materials that have to come into India. And these have ten percent duties and that damages the pricing of yarn and cloth in India. And then Indian shirts become less competitive in the global market.

[00:39:44] Ajay Shah: So these things are related that trade liberalization is a primal requirement. Either you do it as an enclave where you say, look, you build this, I will charge you nothing on the way in and way out.

[00:40:14] Ajay Shah: I will not mess with you. We have the intellectual clarity to do that kind of enclave approach or you want normal mainline FDI where people are free to buy and sell goods from abroad, sell goods into the Indian market, which is entirely wise and appropriate. Then we should not be having trade barriers. So as long as we have trade barriers, we will get this distortion which is tariff jumping FDI, the nice phrase of Jagdish Bhagwati.

[00:40:41] Amit Varma: So I remember Ajay Shah, decades earlier when I first heard the concept of SEZs, my purest libertarian mind reacted by saying, why do we need SEZs? The whole country should be an SEZ. Into that heaven of freedom, my father, let my country awake.

Chapter 7: Building the Right Environment

[00:41:06] Amit Varma: So Ajay, a couple of questions. One is that the Indian state being fundamentally a parasite for its own people, how do we protect foreigners from expropriation by the Indian state? And number two, you need a certain predictability. You can't have the retrospective taxation kind of nonsense that Pranab Mukherjee did on Vodafone.

[00:41:06] Amit Varma: So you need a predictable environment and you need to come in with your mind clear that you're not going to be harassed by the state again and again. How do we ensure this when the environment is simply not like that?

[00:41:37] Ajay Shah: So part one is the basics that the Chinese state created a trusted predictable institutional mechanism where foreigners felt safe until it stopped working. So when you get to a populist regime, when you get to Xi Jinping, all bets are off and we've had this complete change in the breakdown of the China model.

[00:42:00] Ajay Shah: But everywhere else in the world, how do you think about this? So countries attempt to create a predictable, trusted interface for foreigners, but the foreigners don't trust you. Things like Vodafone, the Indian state is not worthy of that trust. How do you overcome this bargaining friction?

[00:42:00] Ajay Shah: One answer, one important answer is called a bilateral investment treaty. So what we do is that the Indian state signs treaties with all the advanced economies. So basically, you want all the OECD countries to be the source of investment in India.

[00:42:32] Ajay Shah: So you want Western countries, Japan, South Korea, Taiwan to invest in India. So the Indian state does an agreement with the South Korean government saying that if and when the Indian state engages in expropriatory activities, we promise we will refund that private investor.

[00:42:51] Ajay Shah: Okay. So first it's a pretty hair-raising thing that you're saying, look, I know I screw up. When I screw up, I will compensate the private investor. The second is that the Indian state misbehaves at all levels.

[00:42:51] Ajay Shah: It could be the union government, it could be the state government, it could be a city government. But the signatory of the BIT is a union government person and we need that intellectual clarity that this is good for India and the union government will pay out based on the terms of the BIT even if the misbehavior was by a state government or by a city government.

[00:43:27] Ajay Shah: Look, we are here, we are Team India. We are here to stabilize foreign investors into India. And this is often times not been understood.

[00:43:36] Ajay Shah: The next idea in this is that, so there will be payouts that happen on account of the bilateral investment treaties. The frontline officials in the Indian state have detested those payouts. It goes through a legal process, they lose a case. They view that case in a personal way.

[00:43:36] Ajay Shah: It's bad for my career because I have lost a case. It is bad for me because my budget is being used to pay out on the BIT.

[00:44:04] Ajay Shah: But we are not playing for that person's career. We are not playing for that department's budget. We are playing for Team India. And then we should see that drip of payouts on account of BITs to be like an insurance premium that I'm stabilizing hundred billion dollars of FDI into India.

[00:44:04] Ajay Shah: I'm paying out one billion dollars a year. It's a good deal. And this requires an intellectual power that has been lacking in the country.

[00:44:29] Ajay Shah: So, India made some progress signing bilateral investment treaties, but then there was this whole backlash that foreigners are unfair. They call this expropriation but it is my sovereign right to expropriate you. This kind of machismo and the whole principal agent problem that the individual joint secretary that has to fight a case filed under the BIT is irritated and arrogant and tends to lose cases because the Indian state actually does engage in many expropriatory activities.

[00:45:04] Ajay Shah: And they get angry when they are making payouts and so the Indian state basically moved away from that. And so we've often described how 1991 to 2011 was a golden age where India did relatively well. In 2016, there was a new model BIT where a lot of the good ideas had been abandoned. And today India is increasingly hostile to doing bilateral investment treaties.

[00:45:04] Ajay Shah: So I put that under the bin of FDI.

[00:45:33] Ajay Shah: That what we need is a high-quality institutional interface whereby foreigners are given a special treatment. It is not fair. It is unfair. They are treated better than Indian businessmen.

[00:45:33] Ajay Shah: Just accept that because it is in India's long-term interest to have more global high productivity firms operating in India. Part two, there will be some fails where despite our best efforts, we ended up with a situation where a foreigner got expropriated.

[00:46:02] Ajay Shah: Then you have to give them the protection, which is the BIT. We should be signing OECD standard BITs with all the OECD countries because that is in India's self-interest. And the numbers that should be compared is the annual flow of payout on account of BIT versus the grand total FDI that comes into the country. And I think this is a very good deal.

[00:46:02] Ajay Shah: I also will observe in passing that it's actually brilliantly incentive compatible for the Indian state to pay money when the Indian state misbehaves.

[00:46:33] Ajay Shah: What better deal is there? The Indian state should get slapped in the face when the Indian state misbehaves. Union, state, city, we'll figure, but it is very good to get slapped because that is the only way you will create these checks and balances. So I actually think it's a great commitment device whereby the Indian state says, look, I am a poor country, I'm a third world country.

[00:46:33] Ajay Shah: I'm gradually trying to make my institutions better. Every now and then we will fumble, we'll make mistakes, and at that time, I will get slapped in the face.

[00:47:01] Ajay Shah: I accept the contract that I will get slapped in the face and trust me, I am going about my business. Each time I get slapped in the face, I will diagnose what went wrong and I will fix it. If you took that kind of humble approach, then we are on a path to progress. But instead, the Indian state has taken an arrogant approach saying, it's my sovereign right to expropriate you.

[00:47:01] Ajay Shah: How dare you tell me that I have to pay money.

[00:47:23] Amit Varma: I just want to say Ajay Shah, ha ha ha. You expect the Indian state to be humble, kuch bhi. And also if you are a domestic firm watching this, like not a person, but a firm watching this and you're thinking, but level playing field is important. I agree with you, I will fight for you.

[00:47:23] Amit Varma: We should have the same freedoms and the same facilities for Indian firms as well. That is a battle we should fight. But don't deny this to foreign firms.

Chapter 8: Raju Ban Gaya Gentleman

[00:47:55] Amit Varma: So Ajay, Raju ko gentleman banna hai. Have you seen that film Raju Ban Gaya Gentleman? I just like the title of it. Raju wants to be gentleman.

[00:47:55] Amit Varma: Indian firms want to be global firms. That's what our I18N episode was all about. So kindly now give me that side of the story.

[00:48:14] Ajay Shah: Yeah. So the glory of India is on one hand it's a very poor country. On the other hand there is an amazing elite. So the top end of the knowledge spectrum in India is just out of the world and that's really the hope.

[00:48:14] Ajay Shah: Why might India win? Because there are enough people here who are able to actually pick up the pieces, build high productivity firms, connect into globalization, play in global finance, and pull the main locomotive of the Indian economy out into modernity and greatness. That's the central hope.

[00:48:42] Ajay Shah: So that's exactly how it worked out here that our old conception of third worldism is that a developing country is some helpless victim and foreigners come and build factories and exploit Indian workers. So poor helpless Bengali workers would work in a Texas Instruments factory. How can we have that? That is the old third worldism around the idea that the developing country is always a recipient of FDI.

[00:49:09] Ajay Shah: In India, a lot of the good firms got to the point where Indian firms started becoming multinationals. It's a completely different concept and when I was young, you couldn't have imagined it, but here we are in the last twenty years, it has happened on a beautiful scale. My colleagues, Dilek Demirbas and Ila Patnaik, and I had the first paper on this subject. It's called Graduating to Globalization.

[00:49:09] Ajay Shah: Nice title that this is the storythat Indian firms are graduating.

[00:49:41] Ajay Shah: You're not just a firm operating under Indian conditions, you're actually going elsewhere in the world, you're building operations. It tends to start at relatively simple activities, then you become a full global MNC. In this field, there is a beautiful thing called the HMY model. Helpman-Melitz-Yeaple model.

[00:49:41] Ajay Shah: These three economists, Helpman, Melitz, Yeaple, which tells a story that the weakest firms are domestic firms. Good firms export. So higher productivity firms export.

[00:50:15] Ajay Shah: And the highest productivity firms do FDI. So it's really a journey of graduating that as a firm grows in its capability, first it rises from being a domestic firm to being an export firm, and then it rises from being an export firm to being an MNC. This is a phenomenon we saw happening in Indian soil. But we developed a modification of the HMY model which was required and necessitated because of the Indian software industry.

[00:50:44] Ajay Shah: In the Indian software industry it's upside down. It's upside down that FDI Indian software companies are worse than exporting Indian software companies. It boils down that the FDI are the body shoppers. So if you're a software company you sit in India and foreign business comes to you, you are the highest productivity.

[00:50:44] Ajay Shah: You go do body shopping and you carry your offices and your bodies into the UK and Germany. You are actually less good than a pure Indian operation.

[00:51:14] Ajay Shah: So, we're co-authors of a paper on the reversal of the HMY model for the case of Indian software. So this is a very exciting place and I think of it as central to Indian firm internationalization, as also to understanding the journey to firm complexity that what is a good firm in India? This is a simple lens to apply. Are you domestic?

[00:51:14] Ajay Shah: Have you graduated to exporting? Have you graduated to outbound FDI?

[00:51:43] Ajay Shah: Then that's the ladder of quality of what is happening with Indian firms and hundreds of Indian firms are now MNCs. They have operations all over the world.

[00:51:52] Amit Varma: This is superbly exciting and the question that must be asked is why can't there be world-class Indian firms when there are world-class Indian YouTube shows?

[00:52:01] Ajay Shah: Absolutely.

[00:52:03] Ajay Shah: So this show, which has a seventy percent Indian audience and a thirty percent overseas audience, is an exporting show because thirty percent of a global audience is coming into this show. You have graduated.

[00:52:17] Amit Varma: I am worried aapne exporting firm bol diya hai, abhi income tax raid ho jayega. My head is spinning, bro. Calm down. Nobody outside India watches us.

[00:52:35] Amit Varma: Tell me the truth, do you love FDI?

[00:52:38] Ajay Shah: I love FDI, but the good thing is that FDI is liberal with her affections. We do not have to compete, we can both get FDI. Isn't that nice?

[00:52:47] Amit Varma: Yes.

[00:52:48] Ajay Shah: I want to close here saying that there is a very unique context in the history of the country. The great disruptions of the world with the breakdown of the China model and with the United States messing up around tariffs have created a new environment in the world economy. I think it's a remarkable opportunity for India.

Chapter 9: A Remarkable Opportunity for India

[00:53:11] Ajay Shah: It is not yet in the data. We are not seeing a great surge in either FDI or goods export from India, but I deeply believe that the conditions are right for things to change in India now. So, I think 2025 is an important moment in India's history and all of us should take interest in these stories, in these phenomena because they are at the heart of a potential engine for Indian progress.

[00:53:36] Amit Varma: And if it doesn't happen, we are playing the long game.

[00:53:39] Ajay Shah: Yes.

References

[1] Shah, Ajay. "Strategy for FDI by Indian firms: A 2x2 classification for the leadership." Business Standard, November 24, 2024. https://www.business-standard.com/opinion/columns/strategy-for-fdi-by-indian-firms-a-2x2-classification-for-the-leadership-124112400670_1.html.

[2] Shah, Ajay. "The reconfiguration of global trade and FDI." Business Standard, January 22, 2024. https://www.mayin.org/ajayshah/MEDIA/2024/3rdglob_reconfiguration.html.

[3] Shah, Ajay. "How to get a 10x gain in FDI." Business Standard, September 15, 2024. https://www.business-standard.com/opinion/columns/why-is-fdi-important-for-india-s-economic-growth-and-development-process-124091500674_1.html.

[4] Demirbas, Dilek, Ila Patnaik, and Ajay Shah. "Graduating to globalisation: a study of Southern multinationals." *Indian Growth and Development Review* 6, no. 2 (2013): 242-259. https://doi.org/10.1108/IGDR-12-2012-0050.