

**The Economic and Social
Impacts to India and Its Citizens
from Inward Foreign Direct
Investment**

Katherine Running

A thesis submitted for the degree of

Doctor of Philosophy (PhD)

Department of Sociological Studies

University of Sheffield

September, 2015

Dedicated in loving memory to my mother and best friend, Patricia Ann Running

January 28, 1947 – January 15, 2013

Acknowledgements

First and foremost, I would like to thank my dear friend Martin Ford. My gratitude for all that you have done for me over the years is limitless.

Without your unfaltering support, this thesis would not have been possible.

I owe many thanks to my loving and supportive family. I would like to thank my brother, sister, and father for your love and encouragement throughout these last four years, which have proven to me that the bond of family is the strongest of all.

Thank you to Kevin Farnsworth and Zoe Irving for all your help and inspiration, not to mention hard work in reading the many drafts of this thesis.

You both have been wonderful supervisors and challenged me to produce the best work that I can. I admire you both greatly.

I owe a very special thank-you to Charles Ebel for your support and encouragement in the final stages of this thesis. Your kindness is truly remarkable.

Finally, I could have not gotten through the highs and lows of the last four years without my friends and fellow PhD students at the University of Sheffield. I am indebted to Natalija Jarosenko, Melanie Lovatt, Alex Sherlock and Ronnie Cano for all the laughter and good times. The year 2013 was the most difficult of my life, and you, my friends, helped see me through and were pillars of support.

Abstract

Developing countries greatly need to boost economic investment in order to spur growth, boost jobs, transfer advanced technologies, reduce poverty and increase their capacity to expand social welfare programmes. Towards this end, most have constructed and coordinated vigorous policies to attract new foreign direct investment (FDI) and India is no exception to this (OECD, 2002; Stiglitz, 2006; Rao and Dhar, 2011b). Transnational corporations (TNCs), the source of most FDI, are powerful actors in the global economy and they, in turn, try to get the best possible deals from governments who are desperate to host them. In such a charged economic and political environment, there is no guarantee that FDI will implant these desired assets (Nunnenkamp, 2002; OECD, 2002; 2008; Lipsey, 2003). Indeed, there is evidence to suggest that TNCs bring a great many risks, as well as benefits, including labour exploitation, corrupt practices, including bribery, and the ability to unduly influence policy outcomes and monopolise domestic markets (Madeley, 1999; Richter, 2001; Farnsworth, 2004). Thus, TNCs carry great risks, for the citizens, economies and local communities of host countries enticing FDI in the hopes of securing seriously needed development assistance.

This thesis analyses the potential benefits and disadvantages of FDI to India and its citizens as reported by elite policy stakeholders. The research is based on qualitative interviews in New Delhi, India with 40 participants from NGOs, IGOs, and policy and research organisations that target economic

and social development issues. In addition, it utilises documentary and policy analysis methods in order to investigate India's investment and development strategy through the Indian investment bureaux.

Through this analysis, the thesis reveals that FDI to India brings both benefits and disadvantages to its citizens and economy. India's current growth model is catering to the middle class consumer and employment needs and in this regard, FDI has increased opportunities and brought advantages. However, FDI is not bringing much benefit for those in the lower social classes. What's worse, it is attributed to socioeconomic ills such as widening inequalities, increased social tensions, land displacement and the transport of low levels of global value chains which are rife with poor working conditions and exploitation.

Table of Contents

Chapter One: Introduction	1
1.2: Justification for the thesis	4
1.3: Structure of the thesis	8
Chapter Two: Globalisation, foreign direct investment and developing economies	13
2.1: Introduction	13
2.2: Defining Globalisation	18
2.2.1: Economic globalisation	18
2.2.2: Political globalisation	28
2.2.3: The criticisms of globalisation and the impact on nation states, developing economies and the world's poor	33
2.3: FDI within the global economy	38
2.3.1: Defining FDI	38
2.3.2: Types, benefits and risks of FDI	47
2.4: Risks and benefits of FDI: Hypothetical postulations and empirical evidence	51
2.4.1: FDI and economic growth and poverty reduction	51
2.4.2: FDI and the domestic industry:	53
2.4.3: FDI and technology transfer	55
2.4.4: FDI and employment	57

2.5: Why is FDI so high on the development agenda?	61
2.6: Chapter summary	66
Chapter Three: The business-social policy nexus in the context of development	70
3.1: Introduction.....	70
3.2: Business power and influence on social policy construction.....	74
3.2.1: Theorizing business power.....	74
3.2.2: The variability of business power.....	78
3.3: Deleterious corporate behaviour: Harm, cost, crime and risk	84
3.3.1: Corporate harm	85
3.3.2: The costs of corporate harm.....	88
3.3.3: Corporate crime.....	89
3.3.4: The risks of harmful corporate action	90
3.3.5: Theories of corporate crime: Organisational culture, strain and opportunity, rational choice and state-corporate crime.....	91
3.4: Corporate social responsibility	99
3.5: Types of TNCs and the implications for social policy within developing countries	102
3.6: Corporate and social welfare agendas in a development context: The struggle to provide the right mix.....	106
3.6.1: The state-market nexus: The role for social policies within economic development	109

3.6.2: The rise of neoliberalism and the severance of social welfare from theories of economic growth	114
3.7: Investment strategies and the state's capacity to mitigate for harm and extract benefit	119
3.8: Chapter summary	124
Chapter Four: Social and economic development in India	127
4.1: Introduction	127
4.2: Development in India: A brief history	130
4.2.1: Economic development within colonial rule and the ISI years ..	131
4.2.2: Indian social policy within the development process.....	134
4.2.3: Economic liberalisation in India.....	140
4.3: The Indian development experience post economic liberalisation: Economic and social welfare performance.....	142
4.3.1: Indian growth model following economic liberalisation	144
4.3.2: FDI to India	148
4.3.3: Inequality and poverty in India	154
4.4: The global financial crisis and the impact on development and India	160
4.4.1: The 2008 financial crisis and the impact on developing countries and development thinking	160
4.4.2: The global financial crisis and the impact on India.....	167
4.5: Chapter summary	172

Chapter Five: Methodology	175
5.1: Introduction	175
5.2: The research questions	176
5.3: Methodological approach.....	181
5.4: The research process: Sampling, interviewing and document analysis.....	185
5.4.1: Getting started: Gathering the sample of participants and making contact.....	186
5.4.2: Interviewing, transcription and coding	195
5.4.3: Multimethod approach: Utilising documents and secondary interviews	199
5.5: Positionality	203
5.6: Ethics.....	208
5.7: Barriers in the field.....	209
5.8: Chapter summary	213
Chapter Six: Investment strategies and the social welfare implications of FDI to India	215
6.1 Introduction.....	215
6.2: Investment strategies and investment bureaux: The need to attract investment.....	216
6.3: Two policy case studies: FDI in Multi-Brand Retail Trading and the National Manufacturing Policy	223

6.3.1: FDI in Multi-Brand Retail Trading (Press Note 5, 2012 Series)	224
6.3.2: National Manufacturing Policy (Press Note 2, 2011 Series)	234
6.4: Chapter summary	246
Chapter Seven: Attracting the ‘right kind of investment’ and the social and developmental consequences of the FDI to India	
	253
7.1: Introduction	253
7.2: Types of FDI investing in India and the resulting social consequences	254
7.3: Major constraints to manufacturing FDI	266
7.3.1: Demand for manufacturing products.....	266
7.3.2: Infrastructure and power supply.....	267
7.3.3: Labour regulations	269
7.3.4: Labour skills.....	274
7.4: Unwelcome types of FDI.....	275
7.5 Chapter summary	284
Chapter Eight: Perceptions of the Indian government’s ability to balance the needs of its citizens and TNCs	
	289
8.1: Introduction	289
8.2: The Indian government and business relationship.....	291
8.3: Perceptions of the government’s development strategy and the role of social welfare within the strategy	296
8.4: Perceptions of FDI policies	305

8.5: Chapter summary	315
Chapter Nine: FDI and its implications for citizens, workers and local economies	318
9.1: Introduction.....	318
9.2: The impact of FDI on the economy.....	319
9.3: Impact of FDI on domestic industry	325
9.4: Impact of FDI on labour conditions and employment.....	334
9.5: Impact of FDI on labour exploitation	339
9.6: Impact of FDI on land displacement	352
9.7: Chapter summary	357
Chapter Ten: Conclusions	360
10.1: Introduction	360
10.2: Research findings and the implications	361
10.3: Original contributions to knowledge.....	376
10.4: Limitations of the research.....	385
10.5: Policy recommendations.....	387
References.....	399
Appendix One: List of documents used in empirical research	464
Appendix Two: List of Interview Participants.....	465
Appendix Three: Ethics Approval.....	477
Appendix Four: Information Sheet	478
Appendix Five: Interview Consent Form	479

Appendix Six: Interview Questions and Schedule480

Chapter One: Introduction

Transnational corporations (TNCs) travel the far corners of the planet in the pursuit of new investment opportunities, gain access to raw materials and new markets (Korten, 1995; Klein, 2001; Bakan, 2004). In today's globalised economy, the rate, speed and volume that investment can transverse international borders is unprecedented (Lipsey, 1997; Held et al, 1999).

Foreign direct investment (FDI) is a type of international capital flow used by TNCs to invest in countries outside their home environment (Dunning, 1997b; OECD, 2002). In the past FDI mainly travelled from developed economies to other developed economies (Hirst and Thompson, 1996; Held et al, 1999; UNCTAD, 2013; O'Brien and Williams, 2007). However, increasingly, TNCs are establishing investments via FDI in developing countries (Nunnenkamp and Spatz, 2004; Dunning, 2002; Dunning and Lundan, 2008). Since 2012 developing countries received more FDI than developed countries (UNCTAD, 2013; 2014, 2015). FDI brings wide ranging social and economic implications and the benefits from such investment is neither uniform or shared equally within host countries.

For their part, developing countries view FDI as a conduit to fulfilling many of their development needs, such as accessing new capital streams, employment, technology and management expertise (Moran et al., 2005; OECD, 2002; 2008). Developing countries accordingly seek investment from TNCs with vigour (Stopford and Strange, 1991; Chang, 2003; OECD, 2002,

2008; Farnsworth, 2010). Governments hope that the valuable resources that TNCs hold will spillover, become absorbed in host countries and create domestic capabilities and capacities that can achieve development goals and priorities (Moran et al., 2005; OECD, 2002, 2008). Over the past three decades, several developing countries such as Brazil, India, China and Russia liberalised their economies and experienced high levels of economic growth and their engagement with FDI is often attributed to their development successes (UNDP, 2013; UNCTAD, 2013; Rodrik, 2011; Spence, 2012; Subramanian, 2011).

However, the fulfilment of development objectives from FDI is a 'best case' scenario and some go as far as to argue, are a 'long-shot' (Lipsey, 2000; Nunnenkamp, 2002). TNCs also bring risks. They can monopolise markets, drive down labour standards and wages, engage in dangerous and environmentally damaging practices and interfere in political and policy decision making (Korten, 1995; Bakan, 2004). The high presence of TNCs in developing countries has raised concerns that such firms profit from low wages and weak labour and environmental standards that are more easily exploited in developing countries (OECD-ILO, 2008; Korten, 1995; Farnsworth, 2004; Richter, 2001; Bakan, 2004). Making the situation more precarious is the fact that the benefits to developing countries from FDI are far from guaranteed and automatic (Chudnovsky and Lopez, 1999; OECD, 2002, 2008; OECD-ILO, 2008; Moran et al, 2005; Nunnenkamp and Spatz, 2004; Dunning, 2002). Moran et al (2005, p.375) conclude:

... a search for a “universal result” of FDI on a developing country economy is misguided. FDI can have dramatically differing impacts—both positive and negative.

Madeley (1999, p. 16) remarks:

If there is little or no net gain for developing countries from the presence of TNCs, the question is why they continue to attract them...TNCs offer help to countries that have economic wounds such as severe unemployment, chronic shortage of foreign exchange and sizable foreign debts. The corporations appear to be the engineers of wealth, to have money and skills to earn additional foreign exchange and create jobs. The deeper problems they can bring may not be considered alongside more pressing economic needs.

These issues go the heart of this thesis. It focuses on the social and economic disadvantages and benefits to developing countries from inward foreign direct investment. As there are many context specific variables that make generalising the impact of FDI to host countries difficult, as Moran et al (2005) and others such as Nunnenkamp and Spatz (2004) and Lipsey and Sjöholm (2005) conclude, this research uses New Delhi India as a qualitative case study. This chapter is divided into two sections. Section 1.2 presents the justifications for the research. Section 1.3 outlines the structure of this thesis and the content of its chapters.

1.2: Justification for the thesis

Few qualitative studies have been conducted that explore the impact, in particular the social impact, of FDI on host countries, and fewer still from a social policy perspective. Investigations into FDI are principally from the field of economics, business studies or development studies and are, in general, quantitative in nature. This thesis seeks to fill such gaps.

While social policy explorations of FDI to developing countries are widely absent, investigations of the impact of FDI to host countries are wide ranging in many other ways. FDI is particularly relevant to the field of business studies and investigations of FDI have been carried out often in this field as it helps to explore investor motivations and the impact of operating in host countries which have particular relevance for the firm (Gunnigle and McGuire, 2001). For example, Gunnigle and McGuire (2001) employed a qualitative research method to analyse key factors influencing the location decisions of inward investment to Ireland with specific focus on labour issues. Gunnigle and McGuire's research (2001) is one of the few qualitative studies concerning FDI; however, its principal focus is on corporate decision making not the impact to workers which is more in line with a social policy perspective.

Research and literature from an economic and/or development disciplines often combine the interest and needs of transnational firms with the needs and assets of developing countries in various ways to explore the impact of FDI on host economies. John Dunning (1997a, 1997b, 2002, 2008) extensively researched the location choice determinants for firms as well as

the role national governments play in affecting the competitiveness of economic activity within national borders by exploiting the firm's ownership-specific assets.

There is a plethora of research from the field of development economics, for example, concerning the occurrence of the transference of resources from TNCs to domestic environments, known as spillovers (OECD, 2002; Javorcik and Spatareanu, 2005). Research investigating spillovers of resources from TNCs to host country environments provide insight into how developing countries can better capture resources such as technology advancements (Lipsey and Sjöholm, 2005) and research and development (Erdilek, 2005). For example, Theodore Moran, Edward Graham and Magnus Blomstrom are experienced researchers in the area of FDI, spillovers and developing countries. Their research in edited books such as 'Does FDI Promote Development' is important in three respects all of which are representative of the existing body of research and literature concerning the impact of FDI on developing countries. First, it explores the externalities and spillovers to host countries as mentioned above. Second, it contributes to the wide body of literature (Nunnenkamp, 2002; Lipsey, 2003; Carkovic and Levine, 2002; Borensztein et al, 1998) that investigates the relationship between FDI and host country growth, specifically economic growth. Thirdly, Moran et al (2005) help to contribute to the existing research (Dunning, 1997a; Chang, 2003, 2014; Long, 2005; Moss et al. 2005) exploring national policies and their ability to effectively capture positive spillovers from TNCs.

What is missing from this body of research is qualitative descriptions of how the citizens are being affected by FDI, by the spillovers that are or are not taking root and by the policies that are or are not mitigating harm and extracting benefit which is the focus for this thesis. For example, the research above provides important investigations into how FDI has impacted various economies but they are removed from the qualitative experience of stakeholders within host countries. It is argued here that qualitative data from stakeholders concerning issues of spillovers or policy implementation provides an insight into the human experience of FDI which is broadly missing from the existing literature. Such explorations typically do not fall within the remit of economics (Madeley, 1999) and this is where sociology and social policy can add further levels of analysis to FDI studies.

What also appears missing from much of the FDI literature from economic and business studies discourses is discussions concerning power. One of the principal contributions that a sociological perspective can bring to the study of the impact of FDI to host countries is the engagement with discussions of institutional power. Separating notions of power from FDI research essentially isolates the economic from the political as well as to disengage with the social environment. Strange (1997, p.136) comments on this occurrence:

The central idea that many economist have been brought up to believe is that 'economics is the study of wealth-creation and distribution'. As such, they were led to believe, it could be divorced from the study of the social and political causes and consequences of

any economic change, or of any system of production or of finance.

To my mind (and to that of many sociologists, historians, and lawyers), such an unnatural divorce is a quite preposterous idea.

When discussions of power are missing from FDI investigations, in particular, in relevance to studies concerning the formulation of national policies to capture the benefits and mitigate harm from FDI, they will most likely fail to include the power of business to influence national policy decision making.

Finally research investigating the impact of FDI on host countries often neglects the role social welfare plays in promoting the benefits and mitigating risks of corporate investment to citizens.

This thesis aims to fill these research gaps by exploring how workers and citizens are directly and indirectly impacted by FDI through qualitative descriptions from elite policy stakeholders. It will utilise these responses to explore the wider implications to social welfare and social policy. Social policies are essential to the macroeconomic environment (Gough, 2000; Mkandawire, 2004; Block and Evans, 2005) and may be important in attracting or repelling investment (Farnsworth, 2010, 2012), protecting citizens from corporate harm and exploitation, and extracting the advantages from investment (OECD, 2002; OECD-ILO, 2008). Both citizens and businesses are dependent upon the state for needed welfare provisions to function and thrive (Gough, 1979; Glasberg and Skidmore, 1997; Farnsworth, 2012). While the needs of both business and citizens require a fair delivery of both corporate and social welfare, there are political and ideological factors that can cause disproportionate provisions of the two

(Glasberg and Skidmore, 1997; Farnsworth, 2012). This thesis explores India's social welfare provisions and how these may help or hinder the impact of FDI on its citizens. It also investigates the influence of corporate investment on social protections that are afforded or not afforded within investment policies. By linking social welfare to the impact of FDI to India, this thesis hopes to help bridge the gap between 'economic' and 'social' investigations and posit that the two belong on the same continuum.

1.3: Structure of the thesis

Chapter Two examines the wider context of globalisation, FDI and developing countries. Aspects of economic globalisation that enable the speed, volume and ease of FDI to flow across national borders are discussed as well as the political decisions and institutions that promote, influence and, at times, enforce the liberalisation of national economies in the promotion and facilitation of open global markets (Coyle, 1999; Gilpin, 2001; Peet, 2003; O'Brien and Williams, 2007; Holden, 2014). Also included are explanations as to why developing countries clamour after FDI and go to great lengths to attract it (Lipsey, 2003; Farnsworth, 2004, 2010). This leads to explorations and a review of hypothetical arguments and empirical evidence concerning the costs and potential benefits of FDI to host countries. Overall, this chapter investigates the reciprocal relationship between TNCs and developing countries as both want to extract and exploit the resources and opportunities that the other can provide (Nunnenkamp, 2002; OECD, 2002, 2008; Chang, 2003; Moran et al, 2005) and it will examine the implications that flow from this reciprocity.

Chapter Three shifts the debate towards the relationship between the economy and social policy. It considers the needs and interests of business and this has implications for the social welfare of the host country (O'Connor, 1973; Offe and Ronge, 1984; Gough, 1979; Farnsworth, 2004, 2010, 2012). Business investment decisions can influence the policy decision making in host economies in important ways (Hirschman, 1970; Fisher, 1994; Fuchs, 2005; Farnsworth, 2004, 2010). The factors that serve to both propel and constrain the ability of business to influence social policy outcomes (Gough and Farnsworth, 2000; Farnsworth, 2004, 2010) are highlighted. It is argued that businesses depend upon the state in various ways just as citizens depend upon the state for social welfare (Gough, 1979; Glasberg and Skidmore, 1997; Farnsworth, 2012). However, while social welfare is helpful to business, economic growth and the competitiveness of state's economies (Gough, 2000), mainstream development agendas continue to prioritise the needs of business and economic growth over social welfare (Marques and Utting, 2010; Farnsworth, 2010) which is conceptualised as an 'add on' to future economic development (Mkandawire, 2004). The issues of corporate harm, cost, crime and risk will be explored as will issues pertaining to corporate social responsibility. Following this, examinations of the role of the state to effectively implement social policies that mitigate for corporate risk and extract potential benefits are discussed. Overall this chapter explores the reciprocal relationship between social welfare and business and the implications that flow from this reciprocity.

Chapter Four observes India's transition from a closed economy with an import substitution industrialisation model of development to an open

economy aligned with global markets in 1991. When India liberalised its markets, it did so against a backdrop of widespread inequality and lack of social policies to address and restructure the social divisions (Dreze and Sen, 1995; Chandrashaker and Ghosh, 2006). The resulting economic and social welfare trajectory that followed liberalisation will be explored coalesced with the role that FDI is playing in India's current growth pattern. Inequality and poverty in India are explored as well as the impact of the global financial crisis to India and developing countries. The final section of this chapter will discuss and provide justification for the research questions used in this thesis.

Chapter Five describes the methodological approach. The first section will discuss and provide justification for the research questions used in this thesis. Next the chapter will explore the methodology of the single case study utilised here. The selection of the sample, data collection and data analysis is described as well as how my personal characteristics impacted my time in the field. Following this, an exploration of the ethical issues, including anonymity and confidentiality is conversed here. This chapter concludes with a discussion regarding obstacles encountered in the field.

Chapter Six is the first of four empirical chapters. It will analyse India's investment strategies by utilising data from investment bureaux to gauge how India is selling itself to investors and consider the implications for social welfare. The chapter will analyse two investment policies: Foreign Direct Investment in Multi-Brand Retail Trading Sector and the National Manufacturing Policy, 2011. Respondent's views on the policy's potential

harms and benefits to India will be explored as well as the policies' directives. The two policies are in contrast to one another in their level of afforded protections to mitigate costs and maximise benefit. The contrasting degree of protections afforded will be explored by extrapolating from considerations from Chapter Three regarding the variability of business power to influence policy outcomes.

Chapter Seven will explore the types of FDI attracted to India and elite policy stakeholder's perceptions of social and development consequences that have resulted from FDI. This will lead to a discussion of what is perceived to be holding back manufacturing FDI.

Chapter Eight is the third empirical chapter and will explore elite policy stakeholders' perceptions of the Indian government's ability to balance the needs of business and its citizens in the overall development strategy. As informed from discussions in Chapter Three regarding the corporate and social welfare continuum and the tendency for development agendas to promote the needs of business over and prior to social welfare, this chapter will explore perceptions of the Indian government's development agenda and its valuation of economic and social development, respectively, within its development priorities.

Incorporating discussions from Chapter Two concerning possible spillovers from FDI, Chapter Nine will explore respondents' views of what spillovers, both helpful and harmful, are occurring as a result of TNC investment in India. Following on from discussions of deleterious corporate behaviour in

Chapter Three, this chapter examines issues concerning exploitation, child labour and land displacement.

Chapter Ten draws together the findings and discussions from the research and brings the thesis to a conclusion. It will summarise how the research questions have been answered and the wider implications of these findings, the original contributions to knowledge, the limitations of the research project and, finally, policy recommendations for both India and developing countries in general.

Chapter Two: Globalisation, foreign direct investment and developing economies

2.1: Introduction

One of the most significant aspects of our world today is the sprawling reach of transnational corporations (TNCs) and the rate, speed, and volume of foreign direct investment (FDI) that TNCs utilise to penetrate all corners of the globe (Moran et al. 2005; Moran and Oldenski, 2013, 2015; Richter, 2001; Dunning, 1997b; Lipsey, 2000; Lipsey and Sjöholm, 2011).

Increasingly, TNCs are investing in developing countries to increase profit margins, seek new markets or access needed resources (Nunnenkamp and Spatz, 2004; Dunning, 1997b, 2002; Thomas, 2011; Herzer, 2012). While TNCs seek to invest in developing countries, developing countries seek investment from TNCs with equal vigour (Farnsworth, 2010; OECD, 2002, 2008; Thomas, 2011; Herzer, 2012). Developing countries often view foreign direct investment (FDI) as a conduit for achieving many development needs such as economic growth, employment, increase in human capital and technology transfer (OECD, 2002, 2008; OECD-ILO, 2008; Moran et al., 2005; Chang 2014; Thomas, 2011; Herzer, 2012;). Thus, there is a reciprocal relationship between TNCs and developing countries as both want to extract and exploit the resources and opportunities that the other can provide (Nunnenkamp, 2002; OECD, 2002, 2008; Chang, 2003, 2014; Moran et al, 2005; Lipsey and Sjöholm, 2012). In fact in 2014, 54% of the world's FDI was invested in developing countries and one third of the total global FDI was from developing countries (UNCTAD, 2015). Of the top ten FDI

recipients in the world, five are developing economies (UNCTAD, 2015).

This level of FDI to and from developing countries is unprecedented historically as in the past FDI was mainly invested by developed economies to other developed economies (Hirst and Thompson, 1996; Held et al, 1999; UNCTAD, 2013; O'Brien and Williams, 2007, 2013).

It is important to situate FDI to developing countries within the context of globalisation in order to provide insight into the complexities of the relationship and the dynamics of power between TNCs and developing countries. Aspects of globalisation, both economic and political are increasing the technological and physical capabilities of TNCs to conduct transnational production seamlessly around the world (Kobrin, 1997; Strange, 1991; Gilpin, 2001; Held et al, 1999). Other aspects of globalisation involve increasing political pressure upon developing countries to liberalise their national economies to allow for the free flow of foreign investment (Diehl, 1997; Newell, 2002; Farnsworth, 2010; Pierson, 1996; Chang and Grabel, 2004; Held et al, 1999). Interestingly, developing countries have not always looked to FDI as source of development and this too is interwoven into the complexities of globalisation (Gore, 2000; Khor, 2000; O'Brien and Williams, 2007, 2013; Chang, 2003, 2014; Chudnovsky and Lopez, 1999).

Developing countries are increasing their dependence on FDI (Stopford and Strange, 1991; Moran et al, 2005) and compete with one another for investment (Farnsworth, 2010; Gilpin, 2001; Newell, 2002; Thomas, 2011; Davies and Vadlamannati, 2013). The OECD and ILO (2008, p.14) argue:

The increasing number of potential destinations for FDI and the growing dependence of developing countries on FDI have intensified competition among countries to attract FDI.

The intense competition has resulted in developing countries going to great lengths to welcome FDI with the formation of liberal economic policies and the creation of economic inducements, including financial incentives such as tax concessions, subsidies and preferential loans that are provided to attract foreign investment (Thomas, 2011; Erdogan and Atakli, 2012; Blomstrom, 2002; Lipsey, 2003; Charlton 2003; Moran et al, 2005; OECD-ILO, 2008). However, developing countries are also making social policy concessions as inducements to attract investment (Farnsworth, 2004, 2010, 2012; Hecock and Jepsen, 2013; Davies and Vadlamannati, 2013). As will be explored in detail in the next chapter (section 3.6) social policies are helpful to business, economic growth and the competitiveness of a state's economies (Gough, 2000); however, mainstream development agendas prioritise the needs of business and economic growth over social welfare (Marques and Utting, 2010; Utting et al, 2013; Farnsworth, 2010). Although the needs of business and citizens are not exclusive, their interests can compete and conflict with each other (Glasberg and Skidmore, 1997; Farnsworth, 2012). The pressure to prioritise economic growth and the needs of business, both real and perceived, can place downward pressure on nation states to construct social, labour and environmental policies with minimal regulation and protection (Davies and Vadlamannati, 2013; Thomas, 2011; Hecock and Jepsen, 2013; Farnsworth, 2004; Mishra, 1998; Yeates, 1999; Stryker, 1998; Strange, 1996; Deacon, 1997). The high presence of TNCs in developing countries

has aroused controversy and raised social concern that these firms are exploiting low wages and weak labour and environmental standards that are often present in developing countries (Thomas, 2011; O'Brien and Williams, 2013; OECD-ILO, 2008; Korten, 1995; Richter, 2001; Bakan, 2004).

Making the situation more precarious is the fact that the benefits to developing countries from FDI are far from guaranteed and automatic (OECD, 2002, 2008; OECD-ILO, 2008; Moran et al, 2005; Moran and Oldenski, 2013; Nunnenkamp and Spatz, 2004; Dunning, 2002; Herzer, 2012). Chudnovsky and Lopez (1999) conclude that it is not clear whether FDI generates more benefits than costs for the host country and Nunnenkamp and Spatz (2004) argue that conclusive evidence supporting the widely held view that developing countries should draw on foreign direct investment to spur economic development is sparse. Nevertheless, as Lipsey and Sjöholm (2005, p. 23) highlight, policy makers appear to have made up their minds on the issue:

A substantial body of literature has grown around the question of how inward foreign direct investment (FDI) affects host countries. On almost every aspect of this question there is a wide range of empirical results in academic literature with little sign of convergence. At the same time, policy makers seem to have made their own judgements that inward FDI is valuable to their countries.

In sum, developing countries are going to great lengths to induce FDI, constructing policies that have direct impact to the wellbeing of their citizens in order to attract them and are doing so with only ambiguous evidence that

FDI will bring the needed benefits and clear evidence that TNCs may bring corporate harm to the economy and citizens in their wake (Chang, 2003, 2014; Stiglitz, 2002, 2006; Farnsworth, 2010; Moran and Oldenski, 2013). Thus, exploring the question: what is the impact of FDI on developing countries becomes critical as the answer is necessary:

...for the lives of millions-if not billions- of workers, families, and communities in the developing world. The answer is crucial for the policymakers in developing and developed countries and in multilateral agencies. The answer is central to the debate about the costs and benefits of the globalization of industry across borders.
(Moran et al., 2005, p. 1)

This chapter engages in these critical debates and will explore the impact of FDI on developing countries by examining the wider context of globalisation, FDI and developing countries. Section 2.2 will explore the dynamics of economic and political globalisation. Section 2.3 will deconstruct the definition of FDI and explore different types of investment that can have varying impacts on developing countries, communities, workers, and economies. Section 2.4 will investigate the risks and benefits of FDI to developing countries by discussing theoretical postulations and summarizing empirical evidence. Finally, section 2.5 will analyse why FDI, despite the given uncertainties, is high on the development agenda for countries.

2.2: Defining Globalisation

Held et al (1999, p.2) describe globalisation as

...the widening, deepening, and speeding up of worldwide interconnectedness in all aspects of contemporary social life.

Despite the prevalence of discussions concerning globalisation, there is widespread disagreement as to its definition, prevalence, and impact (Caselli, 2012; Farnsworth, 2004; Yeates, 1999). Definitions of globalisation often refer to a shrinking of time and space where social phenomena in one part of the world are closely connected with social phenomena in other parts of the world (Deacon, 2007).

Globalisation involves a number of dimensions including the economic, political, social, cultural and environmental (Deacon, 2007; Weiss, 2013). However, as political and economic aspects are most relevant to discussions concerning FDI, the following subsections will focus on these two aspects.

2.2.1: Economic globalisation

Economic globalisation refers to the increasing interdependence of national economies through the transnational movements of goods, services, technology and capital (Joshi, 2009). It also concerns the revolutionary developments in information, communication, and technology (ICT) (Lipsey, 1997) as well as advancements in finance that have enabled the formation of a global economy (Strange, 1991; O'Brien and Williams, 2007, 2013). Khor (2000, p. 3) argues that the most important aspects of economic

globalisation are the removal of national economic barriers; the increasing volume and speed of international trade, financial and production activities and the growing power of transnational corporations and international financial institutions in these processes. Although economic globalisation is an expansive topic, this analysis will focus more on the mechanics of FDI; it will help to explain how FDI circulates the globe and how investors in one country can create investment in other host countries with the expansive reach and volume of investment that occurs today. The following subsections will examine aspects that are central to FDI: multinational corporations and their growing power, transnational production, including the factors that have enabled and facilitated it, and the emergence of global value chains.

2.2.1.1: Multinational corporations within the global economy

We cannot understand economic globalisation without a discussion of transnational corporations (TNCs) (Forsgren, 2013; Gilpin, 2001; Stiglitz, 2006;; Stopford and Strange, 1991; Bakan, 2004). An iconic image of globalisation (Korten, 1995), TNCs are instrumental to the global economy, the driving force behind transnational production (Forsgren, 2013; Sklair, 2012; Hymer, 1976, 1979), and account for the majority of the world's trade with much of it resulting from internal trade or movement of goods and services between units of the same corporation (UNCTAD, 2006; Forsgren, 2013; O'Brien and Williams, 2013).

TNCs are the largest source of FDI (OECD, 2008; Forsgren, 2013). The definition of FDI will be explored further in detail below; for now, it is sufficient to understand that TNCs often utilise FDI, a type of international capital flow,

to conduct investment activities and/or manage subsidiaries in host countries outside their home base (Forsgren, 2013; Dunning, 1997b, 2002, 2008; O'Brien and Williams, 2007, 2013; Held et al, 1999). TNCs are both vilified and respected (Stiglitz, 2006) and, it can be argued, can undermine state autonomy due to their economic and political power (Sklair, 2012; Coen, 1998; Korten, 1995; Madely, 1999).

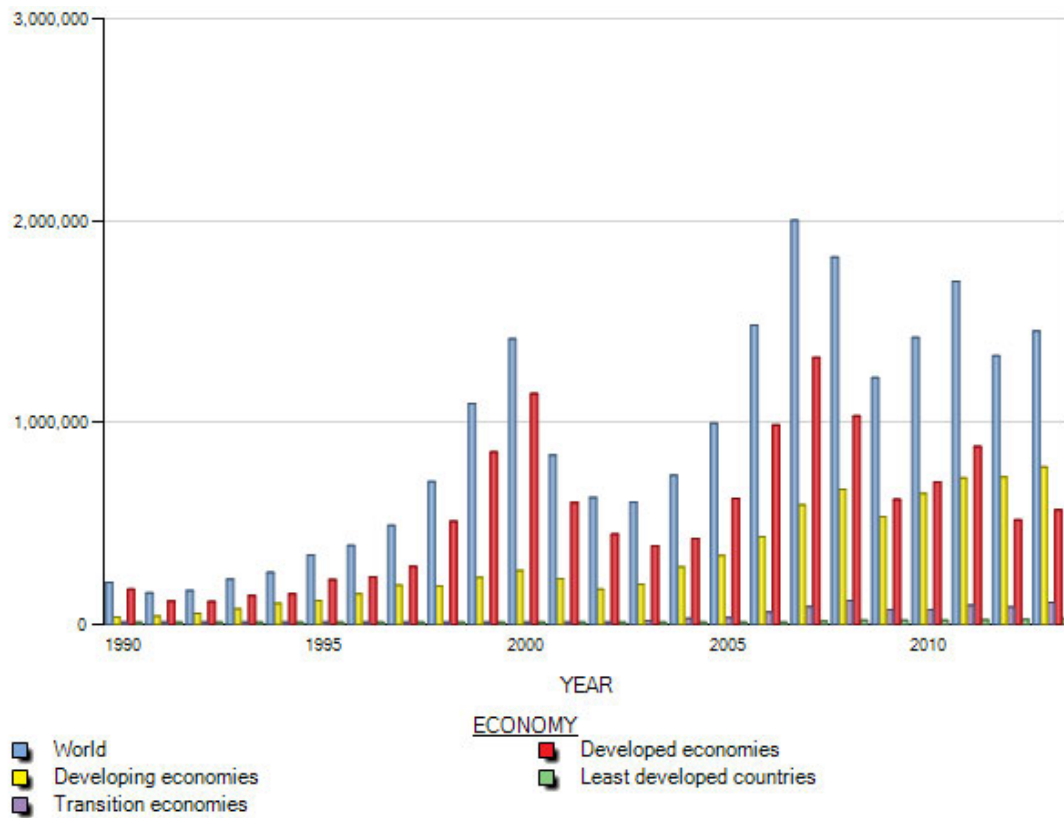
Multinational Corporations (MNCs) or TNCs are terms that are often used interchangeably in globalisation discourse and refer to a company which produces goods or markets its services in more than one country (Forsgren, 2013; O'Brien and Williams, 2013; Held et al, 1999). There is some discussion about the relative usefulness of the term MNC versus TNC,¹ but

1 ...“Most writers make no distinction between these terms and have settled for one terminology rather than another without any seeming reflection on the implications of these terms” (O'Brien and Williams, 2007, p. 177). O'Brien and Williams (2007) go further to explain that the use of the term multinational tends to refer to a merger of capital from more than one nation state for the investment in the host country. Whereas the term transnational reflects UN usage and denotes the idea that most of these international companies are usually owned and controlled by nationals of one country and conduct business operations in other countries; the business activity transcends borders but ownership does not (ibid). Thus, writers may opt for one nomenclature over another to either emphasise or negate a sense of nationality.

these debates are of limited relevance here. In this thesis I will use the term TNC.

The realm of TNCs is large, diverse, and expanding (UNCTAD, 2007; Monbiot, 2000; Gilpin, 2001; Forsgren, 2013; Sklair, 2012). Since the 1980s FDI has been growing faster than international trade precisely because TNCs are choosing to invest in other countries rather than producing goods and services in their home countries and exporting to foreign ones (Holden, 2014). The universe of TNCs is comprised of firms from both developed and, increasingly, developing countries (UNCTAD, 2007; 2013). As mentioned previously, developing countries attracted 54 per cent of the global FDI in 2013 and one third of the global FDI for 2012 was from developing countries (UNCTAD, 2013; 2014). Much of the increase of FDI to developing countries and least developed countries (LDCs) was a result of investment by TNCs from developing countries or South to South investment (UNCTAD, 2013). Figure 1 illustrates the increasing global levels of inward FDI flows to developing countries. Figure 2 depicts the growing outward FDI from developing countries.

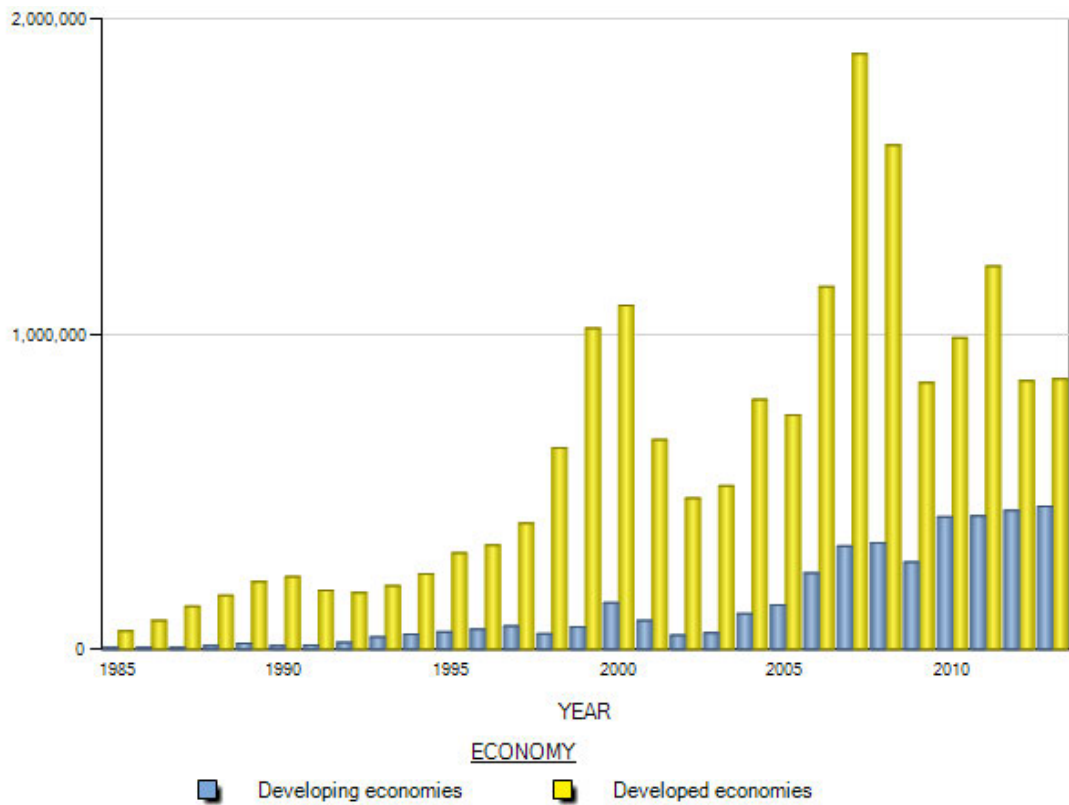
Figure 1: Inward FDI flows, annual, 1990-2013



Source: UNCTAD Stat:

http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS_ChosenLang=en [Accessed May 16, 2015]

Figure 2: Outward FDI, annual, 1985-2013



Source: UNCTAD Stat:
http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS_ChosenLang=en [Accessed May 16, 2015]

TNCs are held accountable for being the major driver of globalisation and responsible for its failures and ills as well as its successes (Forsgren, 2013; Stiglitz, 2006). The risks and benefits of FDI and TNCs are explored further in section 2.4. On the one hand, TNCs are accredited for bringing the benefits of globalisation to developing countries (OECD, 2002; 2008; O'Brien and Williams, 2013). TNCs are successful because they possess certain characteristics that give them a competitive advantage that they can then exploit in the global markets (Dunning, 2002; Porter, 1990; Forsgren, 2013). These assets may take the form of advanced technologies, research and

development capabilities, managerial and organisational expertise and innovative products and services (Dunning, 2002; Porter, 1990; O'Brien and Williams, 2007, 2013). TNCs can bring these needed assets to developing countries as well as provide jobs to their citizens and revenue in the form of taxes to their economies (Farnsworth, 2000, 2004, 2010; Herzer, 2012).

Developing countries need investment to provide the aforementioned assets and TNCs house them in plenty and, simultaneously, TNCs want to cut cost and the establishment of subsidiaries in developing countries can help achieve this goal (Farnsworth, 2008; Thomas, 2011; Herzer, 2012; Forsgren, 2013). In addition, TNCs continually seek new markets and consumers may benefit from wider consumer choice and superior products and services (Pradhan and Abraham, 2005; Lawrence, 2011).

On the other hand, TNCs are criticised as being profit driven exploiters of developing countries and of causing great harm (Sklair, 2012; Jenkins, 1987; Bakan, 2004; Richter, 2001; Madeley, 1999; Korten, 1995). Businesses pursue profits and TNCs are accused of going to great lengths to cut costs and increase profit margins by exploiting labour and driving down wages, providing adverse working conditions, and polluting the environment (Haynes et al, 2013; Farnsworth, 2004; Stiglitz, 2006; Madeley, 1999; Korten, 1995; Bakan, 2004). Corporate harm as well as corporate social responsibility (CSR) will be discussed further in the next chapter.

TNCs are hubs of power and economic wealth (Forsgren, 2013; Madeley, 1999; Stiglitz, 2006; Bakan, 2004; Korten, 1995; Fuchs, 2005). Their economic wealth often surpasses developing countries' gross domestic

product (GDP: the sum total of goods and services produced by a country), as Stiglitz (2006, p.187) emphasises:

These companies are richer than most countries in the developing world. In 2004, the revenues of U.S. car company General Motors were \$191.4 billion, greater than the GDP of more than 148 countries. In its fiscal year ending 2005, US retailer Walmart's revenues were \$285.2 billion, larger than the combined GDP of sub-Saharan Africa.

TNCs are not only wealthy but politically powerful and have the ability to shape national and international policy debates (Hill et al, 2013; Sklair, 2001, 2012; Vogel, 1996; Farnsworth, 2004, 2010; Fuchs, 2005). The power of TNCs to influence policy decision making as well as the dynamics of power between the state and the firm will be explored in greater detail in the next chapter. For now, it will be helpful to understand that as TNCs invest in developing countries; this creates a growing interdependence between the two resulting in a new trend in diplomacy (Strange, 1991; Stopford and Strange, 1991; Sklair, 2002, 2012). Strange (1994) argues that states must now negotiate with firms and firms now have to become much more state-like in their dealings with national governments. Strange (1994) argues that firms have become more involved with governments and policy making as both have come to recognise the increased dependence of the state on the scarce resources controlled by firms.

Investment via TNCs is only part of the economic globalisation story, of course. Also important are changes in production. The following subsection will describe in more detail the changes in production.

2.2.1.2: Transnational production and the global value chain

TNCs are able to produce a wide range of goods and services in host countries around the world through the process of transnational production (Forsgren, 2013; Jenkins, 1987; Kobrin, 1997; O'Brien and Williams, 2007). 2013). The transnational production system is a complex one where workers and workplaces worldwide are integrated into a heterogeneous mixture of local, national, regional and global systems of labour, production and reproduction (Gereffi and Korzeniewicz, 1994; Barndt, 2002; Rivoli, 2005; Yeates, 2012; Truong 1996). O'Brien and Williams (2004, 2013) observe that there are essentially two routes to try and investigate the global production structure. One way is to focus on the TNC and the second is to direct attention to the range of activities that comprise the final product or service: global value chains (GVCs). The GVC is the full range of activities that firms and workers do to bring a final product from its conception to the end result (UNCTAD, 2013; Gereffi et al, 2005; Nathan and Kalpana, 2007). Although global value chains are often associated with manufactured products, the transnational production process incorporates a vast range of products and services from business and information processing (Nathan and Kalpana, 2007) to reproductive services such as paid and unpaid care (Yeates, 2012) and domestic and sexual services (Truong, 1996). In UNCTAD's World Investment Report (2013), a section was dedicated to the widespread occurrence of transnational production involving GVCs. UNCTAD (2013) estimates that 60% of global trade, which is more than US \$20 trillion in value, is the result of trade in intermediate goods and services at various stages of production within TNC coordinated GVC networks.

As explained above TNCs locate different parts of their production operation in various host countries (Kalemi-Ozcan and Sanchez, 2013; Nunnenkamp and Spatz, 2004; Moran et al, 2005; Forsgren, 2013; Dunning, 1997b, 2002, 2008). They can then proceed to conduct intra-firm trade to link the production facilities and components for final delivery of service or assembly of production (Nathan and Kaplana, 2007). This type of transnational production occurs, for example, when automobile parts are shipped by a subsidiary in one country for assembly by the same firm or parent company in another host country. However, as Gereffi et al (2005) and Nathan and Kalpana (2007) argue, increasingly production operations are not only divided between locations but also between firms. TNCs fracture the production process into smaller pieces through various types of contractual arrangements with suppliers outside the firm (Gereffi et al, 2005; Nathan and Kalpana, 2007). Using the same example above, in this scenario, a TNC may source automobile parts from several different firms outside their subsidiary operations and link the components via inter-firm and inter-industry transactions. These suppliers and/or production units within GVCs can be arranged in sequential chains or aligned in more complex arrangements and can be global, regional, or span across only two countries (UNCTAD, 2013). This type of production results in numerous layers of subcontracting units as the product is further and further outsourced or subcontracted (Gereffi et al, 2005; Nathan and Kalpana, 2007; Hopkins, 1994; Gibbon and Ponte, 2005). Nathan and Kalpana (2007, p.2) explain that the trend of GVCs is driven by cost cutting and the increasing

competitiveness between TNCs to make higher returns which can be achieved through outsourcing.

UNCTAD (2013) warns that participation in GVC transnational production can bring a mixed bag of costs and benefits that are heavily dependent upon where in the value chain the country is participating most (UNCTAD, 2013). Developing countries can get locked into lower levels of GVCs and because the nature of these production systems are very fragmented, it can be difficult for units and sectors to progress and transition up the value chain (UNCTAD, 2013). Lower levels of GVCs are linked to insecure and poor working conditions (UNCTAD, 2013). This discussion of GVCs is especially important when we consider countries such as India where industries such as garments are incorporated into lower levels of the supply chain and often involve production in home based units where working conditions are often exploitative. GVCs will be further explored in section 2.4.3 which involves employment conditions as well as in Chapter Three (3.5).

2.2.2: Political globalisation

Political globalisation involves the extension of political power and activity across the boundaries of the modern nation-state (Held et al, 1999, p.49). International governmental organisations (IGOs) such as the International Monetary Fund (IMF), World Bank, World Trade Organization (WTO), and the United Nations (UN) are the pillars of political globalisation, the source of global power and global governance, and have influence on the decision making of nation-states (Weiss, 2013; Holden, 2014; Stiglitz, 2002; Coyle, 1999; Diehl, 1997). Their economic prescriptions, economic neoliberalism, is

a key aspect of globalisation (Chang, 2014; Cox, 1994; Stiglitz, 2002; 2006; Gill, 1995; Peet, 2003). These attributes of globalisation—IGOs and economic neoliberalism— have promoted the circulation of FDI to developing countries (Marshall, 1996; Gill and Law, 1989; Chang and Grabel, 2004; O'Brien and Williams, 2013). As explored in the previous section, advances in transnational production denote what is possible but political decisions are the driving force behind the liberalisation of economies and enticement of foreign investment (Chang and Grabel, 2004; Chang, 2014; Khor, 2000).

Researchers such as Gill (1995), Helleiner (1994), Peet (2003), Cox (1994), and Wade (2002) discuss the ways in which the governance of the global political economy via IGOs is framed and endorsed by an unbridled version of economic liberalism known as neoliberalism. Neoliberalism is rooted in the economic liberal perspective which promotes the power of the market and its ability to self-regulate (Holden, 2014; Stiglitz, 2002, Coyle, 1999; Peet, 2003). The economic crux of the liberal perspective lies within the trade theory of comparative advantage or comparative costs which was developed in the 19th century by Adam Smith (Holden, 2014; Chang, 2014; Gilpin, 2001; Stiglitz, 2002; Coyle, 1999). O'Brien and Williams (2007, p.142) summarize the concept of comparative advantage:

Stated simply the theory of comparative advantage shows that if a country specializes in the production of those goods and services in which it is relatively efficient (or alternatively, relatively less efficient) compared to its competitors it will be better off. Countries would improve their economic growth, become more stable, powerful and

efficient since they would be specializing in the production of goods and services in which they were the most efficient producers and enabling their consumers to buy foreign goods at the lowest prices.

According to the liberal economic perspective, government non-interference and free trade of goods and services which represent the country's comparative advantage are promoted as the best and most efficient formula for development (Coyle, 1999; Gilpin, 2001; Peet, 2003; O'Brien and Williams, 2007, 2013; Holden, 2014).

There is, however, a wide spectrum for economic liberal ideology with rigid free market ideology, neoliberalism, on one end of the spectrum and more temperate versions where a degree of intervention is accepted to correct for market failures on the other end, however, both ends are economic liberalism as they support the power of open markets (Chang, 2007, 2014; Stiglitz, 2006; Coyle, 1999; Gilpin, 2001; Gill, 1995). The dynamics between social welfare and neoliberalism will be explored further in the proceeding chapter (section 3.6).

Since their inception, the IMF and the World Bank targeted developing countries to assist with their economic development (Korten, 1995; Hale et al, 2013). Excessive lending to developing countries from the Bank continued in a standard and orderly way until the 1980s when the level of debt plus rising interest rates coupled with unstable economies in many of these countries, made default on the loans look unavoidable (Stiglitz, 2002; Peet, 2003; Korten, 1995; Chang and Grabel, 2004). In response to the crisis, the World Bank and the IMF stepped in and created financial

settlements for bankrupt countries called structural adjustment programs (SAPs) (O'Brien and Williams, 2013; Stiglitz, 2002; 2006; Chang, 2003, 2014; Gore, 2000). SAPs were tailored policy prescriptions for individual countries and called for massive changes to pre-existing economic policies. Policy changes involved cutting public spending, liberalising national economies and reducing restrictions and tariffs on both imports and exports thereby providing incentives to attract foreign investors (Chang, 2003, 2014; Stiglitz, 2002; Wade, 2002; Rodrik, 1990; Gore, 2000). These policy demands became part of a broader policy framework known as the Washington Consensus which emphasised the downscaling of the government, deregulation, privatisation (transfer of public sector enterprises to the private sector) and rapid liberalisation (Rodrik, 1990; Gore, 2000; Stiglitz, 2004, 2006).

The Washington Consensus and neoliberal ideology both strongly advocate that developing countries create an attractive environment for foreign investment as this is purported to be crucial for economic growth (Cook and Kilpatrick, 1988; Khor, 2000; Gilpin, 2001; Stiglitz, 2002). This promotion of FDI occurs within and from multilateral organisations such as The Organisation for Economic Co-Operation and Development (OECD), and the WTO (Hale et al, 2013). The WTO, for example, can enforce the removal of controls on TNC activities for member countries (Held et al, 1999; Holden, 2014; Moran, 1990; Graham, 1997). The WTO's Agreement on Trade Related Investment Measures (TRIMS) restricts the ability of national governments to place performance requirements on TNCs or require foreign enterprises to purchase certain quantities of input supplies from local

sources (Hale et al, 2013; Moran, 1990; Stiglitz, 2006; Holden 2014). The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) is another example of investment protection for TNCs whereby minimum standards are enforced for forms of intellectual property such as copyright laws for medicines, for example (Holden, 2014; Gilpin, 2001). Both of these measures have large implications for developing countries within the WTO as they greatly hinder their ability to steer investment activity and exploit TNCs for their best interests. As will be explored in an upcoming empirical chapter (section 6.5.); TRIPS, for example, halted India's ability to reverse engineer non-patented medication which has large ramifications for the country's access to affordable medicine (Gopakumar, 2013).

Thus, a key aspect of political globalisation is the impetus for global cooperation, direction and synchronisation of national legislation concerning FDI and TNC activity (Sklair, 2012; Gill and Law, 1989; Held et al, 1999; Gilpin, 2001). Legislation concerning investment policies prior to the advocacy of neoliberalism and the Washington Consensus via the global political institutions was predominantly within the remit of the national domain of decision making as will be explored below (section 2.5) (Weiss, 2013; Gore, 2000; Helleiner, 1994; Chang and Grabel, 2004). With political globalisation, domestic investment measures became more open to global influence and scrutiny from IGOs (Hale et al, 2013; Weiss, 2013; Held et al., 1999; Holden, 2014; Gilpin, 2001; Chang and Grabel, 2004; Stiglitz, 2002, 2006). This outside influence and encroachment on national economic policy-making became an outlet of discontent for globalisation. Critics became concerned for the sovereignty of the nation state and the debates

that ensued added to the larger discourses concerning the costs of globalisation, the likes of which will be explored next (O'Brien and Williams, 2013; Newell, 2002; Gilpin, 2001; Cox, 1994; Weiss, 1998).

2.2.3: The criticisms of globalisation and the impact on nation states, developing economies and the world's poor

There is an assumption that globalisation and the spread of investment will lead to benefits to all but there are real harms involved in this process. An obvious drawback of globalisation is the corporate harm caused by TNCs. I will discuss the specifics of corporate harm in Chapter Three (section 3.3). Here the focus is on the broad literature that exposes the problems of globalisation, especially in relation to the world's poor. In Joseph Stiglitz's (2006) 'Making Globalization Work', he explores the widespread discontent and highlights several major problems that have resulted from globalisation. This section will briefly examine three key criticisms that have been made.

The first is the concern that globalisation is creating unbalanced outcomes in both developed and developing countries and the wealth created is not experienced by many, in particular by those most in need (Gilpin, 2001; Mittelman, 2000; Stiglitz, 2002, 2006; Sklair, 2002; Newell, 2002). Income inequalities are growing in both developing and developed countries since the 1980s (Rodrik, 2011; Singer, 1999; Khor, 2000; Wade, 2002; Sklair, 2002). Newell (2002) emphasises the importance of investigating the impact of globalisation and poverty within developing contexts. The world's poorest populations are often more vulnerable to the external shocks that globalisation brings and this consequence is regularly ignored within the

wider globalisation debates (Newell, 2000; Hirway and Prabhu, 2012; Nathan and Kelkar, 2012; Mittelman, 2000; Madeley, 1997; Dauvergne, 1999; Hoogvelt, 1997; Newell, 2002; Klein, 2001). Livelihoods within developing countries are often integrated into micro and macroeconomic institutions that are susceptible to market liberalisations and vulnerable to the wider changes in the trade, production and financial structures of globalisation (Hirway and Prabhu, 2012; Dauvergne, 1999; Hoogvelt, 1997; Mittelman, 2000; Newell, 2000). This vulnerability to external global shocks has arguably increased and exacerbated inequalities and insecurities within poor populations in developing countries (Rodrik, 2011; Madeley, 1999; Sklair, 2002; Newell, 2002; Klein, 2001). A further criticism is that key global decisions regarding trade policies that directly impact the citizens of developing countries often take place within international forums where developing countries are poorly represented where decisions directly impacting the poor are often determined by global financial actors (Newell, 2002; Holden, 2014).

This leads to the second critique of globalisation; it has eroded countries' autonomy in policy-making (Hale et al, 2013; Weiss, 2013; Wall, 2012; Strange, 1996; Gill, 1995; Cox, 1994). Globalisation literature is replete with debates concerning the political autonomy of the nation state in the face of powerful global bodies such as IGOs and transnational capital (Hale et al, 2013; Newell, 2002; Gilpin, 2001; Mittelman, 2000; Strange, 1996; Held et al, 1999). One argument contends globalisation has resulted in the transformation of the state whereby its autonomy is reduced, confined and disciplined by transnational capital flows (O'Brien and Williams, 2013; Cerny, 1990; Cox, 1994; Mittleman, 2000). Cox (1994) argues that states have

transformed from being guardians against outside global interference to mediators within the global political economy whereby power structures within the national government are reconfigured to suit the needs and requirements of the world economy. Newell (2002) goes further to observe that the power dynamic between the state and transnational capital flow is not as simple as capital's structural dominance over the state, but rather, the two act in alliance. In this context, it is important to note the role that states themselves play in relinquishing capital controls or affording certain privileges and freedoms to transnational capital (Helleiner, 1994; Helleiner and Pagliari, 2011). That said, although some states may play a prominent role in constructing their position in the global economy, "the menu of policy choices available to governments is clearly more a la carte for some than others" and the varying flexibility is indicative of a North-South divide (Newell, 2002, p.2).

The third and last critique of globalisation to be examined here argues that the economic prescriptions of globalisation are inappropriate and unfair to many of the developing countries they have been forced upon (Rodrik, 2011; Stiglitz, 2002, 2006; Chang and Grabel, 2004; Chang, 2002, 2014).

Globalisation is presented by some as an uncontrollable force whereby states have no option but to accommodate and adapt (Ohmae, 1999; Wriston, 1992). However, when globalisation is presented in this way, power and agency are removed and globalisation becomes apolitical, thus, states have to adapt to the rules of the game rather than direct them (Newell, 2002). Chang (2003, 2014), Stiglitz (2006) and Newell (2002) refer to the discourse of 'there is no alternative' or TINA which absolves state

governments and IGOs of any blame for the consequences of 'casino capitalism' (Strange, 1996; McKenzie, 2011) whereby reckless investment and predatory currency speculation, for example, is something that is portrayed as uncontrollable.

Many are critical of the fact that the advanced industrial countries of today did not follow neoliberal policies when they were in earlier stages of development (List, 1841; Stiglitz; 2002, 2006; Chang, 2002, 2007, 2014; Rodrik, 2011; O'Brien and Williams, 2007, 2013). It is widely recognised that the wealthy nations achieved their economic success by keeping domestic economies more regulated or closed to global markets until such time that they could become competitive internationally (Stiglitz, 2002; 2006; Chang, 2002, 2007, 2014; O'Brien and Williams, 2007, 2013). Historically, protectionist policies, by providing the opportunity to develop economies of scale and domestic market stability, have been important and perhaps necessary components of government-led strategies of economic growth in countries such as Germany and the United States (O'Brien & Williams 2007, 2013). The implications for developing countries such as India are that by joining global institutions such as WTO they are effectively placed in a policy straightjacket and unable to pursue the economic policies that the now developed countries implemented to their advantage when in similar stages of development. Chang (2002, p.5) highlights the argument put forth by the nineteenth century German economist Friedrich List (1841, p.40) who wrote:

It is a very common clever device that when anyone has attained the summit of greatness, he kicks away the ladder by which he has

climbed up, in order to deprive others of the means of climbing up after him.

In other words, this argument holds, developed countries and IGOs are purposely making it difficult for developing countries to amass the wealth that they themselves now control (Chang, 2002, 2007, 2014).

It is important to note that the aforementioned criticisms of globalisation presented above tend to concentrate on the undermining of the national, political, and social institutions of developing countries by powerful global economic institutions. However, as Yeates (2001) highlights, another perspective on globalisation recognises the reciprocal influence of, for example, individual states, communities, and labour organisations on globalisation. Thus, as globalisation impacts developing countries, developing countries impact globalisation. Nation states, including developing ones, can be argued to be more than merely passive victims of global economic and political institutions (Khor, 2000). The complicated dynamics of power between nation states and global institutions, in particular TNCs, will be explored further in the next chapter.

Clearly, globalisation brings a range of disadvantages and benefits to nation states, communities and economies. As will be explored in the remainder of this chapter, in regards to FDI and its impact on developing countries, the drawbacks and benefits are context specific as well. The next section will deconstruct the definition of FDI and explore different types of investment that can have varying impacts on developing countries, communities, workers, and economies.

2.3: FDI within the global economy

The advantages and disadvantages that foreign corporations bring to host countries are context specific depending upon several factors including the specific company, the industry, the regulatory environment of the host country (Farnsworth, 2004; Moran and Oldenski, 2013), as well as the motivations behind the investment (OECD, 2008; Rao and Dhar, 2011b; Forsgren, 2013). This last factor highlights the importance of understanding the specifics of FDI. Most discussions of FDI fail to fully define it. However, in order to understand the full implications of FDI to developing countries in particular, it is important to elaborate more fully on what exactly constitutes FDI as well as examine the different types of FDI. Companies and investors have several options available to them in regards to how they want to enter foreign markets. How a company enters or accesses a foreign market is often determined by the type of FDI. Different types of FDI are associated with varying degrees of advantages and disadvantages to host countries though all types of FDI can bring drawbacks. This section will first provide a comprehensive definition of FDI and explore the complexities and inconsistencies of the definition. It will proceed to further deconstruct four main types of FDI relevant to this thesis.

2.3.1: Defining FDI

The OECD is an international organisation consisting of 34 member countries, many of which are developed European countries, who aim 'to promote policies that will improve the economic and social well-being of

people around the world'(OECD, 2015). The organisation establishes definitions, guidelines and standards for global economic and financial instruments. In the 1980's the OECD recognised the need to correct the traditional reporting models that could no longer keep up with the increasing complexity of cross border investments as well as TNCs' complex financial manoeuvres of capital into and through offshore tax jurisdictions (OECD, 2008). Therefore, in 1983 the OECD constructed the 'Benchmark Definition of Foreign Direct Investment' (Benchmark Definition) which provided a "comprehensive set of rules to improve the statistical measures of foreign direct investment" (2008, p.14). The stated purpose of the Benchmark definition is to provide clear guidance for individual member countries compiling investment statistics² (OECD, 2008). However, as will be explored here, the complexity of international investments continue to defy clear cut categorisation (Rao and Dhar, 2011a, 2011b; Chang, 2007, 2014; Kalemli-Ozcan and Villegas-Sanchez, 2013).

The OECD (2008, p.1) defines FDI as the following:

Direct investment is a category of cross-border investment made by a resident in one economy (the *direct investor*) with the objective of establishing a lasting interest³ in an enterprise (the *direct investment*

² There are two other standardised definitions for FDI: The IMF's *Balance of Payments and International Investment Position Manual 6th edition (BPM6)* and *System of National Accounts, 2008(SNA, 2008)*. The Benchmark definition is fully compatible with both (OECD, 2008, p.1).

³ "There may be instances where non-resident investor, or investors acting in concert, acquire a resident enterprise (in whole or in part), with a view to asset stripping, or restructuring and then reselling the entity. The relationship between the investor(s) and the enterprise may not be "long lasting" but the direct investor's(s') influence will have a lasting effect. Indeed, in some

enterprise) that is resident in an economy other than that of the direct investor. The motivation of the direct investor is a strategic long-term relationship with the direct investment enterprise to ensure a significant degree of influence by the direct investor in the management of the direct investment enterprise. The “lasting interest” is evidenced when the direct investor owns at least 10% of the voting power of the direct investment enterprise.

From the outset, the primary characteristics outlined in the Benchmark’s definition underscore the motivation of the investor as ‘lasting’ and having a significant managerial role in the direction of the enterprise. It is argued that this motivation will spur the investor to bring or create a collection of resources to the investment enterprise such as technology, knowledge, managerial know how, and increased production capabilities (OECD, 2008; Dunning, 2002, 2008; Rao and Dhar, 2011b; Moran and Oldenski, 2013). However, the qualitative characteristics of direct investment such as ‘lasting interest’ and ‘managerial role’ are quantified by a strict numerical guideline of 10 per cent ownership of the investment enterprise.⁴ Researchers often argue that 10 per cent ownership is arbitrary and does not denote significant

instances, such purchasers could have no intention of retaining their equity holding for a year but they could have a profound impact on the entity” (OECD, 2008, p.22).

⁴ “However, for the sake of consistency and cross-country comparability of the FDI statistics, a *strict application* of a numerical guideline is recommended to define direct investment. Accordingly, direct investment is considered evident when the direct investor owns directly or indirectly at least 10% of the voting power of the direct investment enterprise. In other words, the 10% threshold is the criterion to determine whether (or not) an investor has influence over the management of an enterprise, and, therefore, whether the basis for a direct investment relationship exists or not” (OECD, 2008, p.23).

influence of managerial direction or 'lasting interest'⁵ (Chudnovsky and Lopez, 1999; Rao and Dhar, 2011a, 2011b; Chang, 2007, 2014). Lasting or long-term interest is not defined in terms of the amount of time an investor must keep the investment. How quickly FDI can be 'liquidised' and repatriated or taken out of the host country depends on the country's capital markets and the rules that are in place to regulate and monitor capital flight (Chang, 2007, 2014).

The aforementioned characteristics are used to differentiate FDI from the other main form of international investment, portfolio investment (PI). PI refers to the purchase of stocks, corporate bonds, and other financial instruments in an investment outside the investor's home country. PI investments are 'indirect' or 'hands off' and do not involve a managerial interest to direct the day-to-day operations of the enterprise (OECD, 2008; Kirabaeva and Razin, 2013). PI investments are short term in nature and often speculative (Kirabaeva and Razin, 2013; Chang, 2007, 2014; Rao and Dhar, 2011b). FDI, on the other hand, is associated with being a more stable form of investment in comparison to PI as well as capable of bringing more resources to the investing enterprise (OECD, 2008). Thus, the motivation behind the investment is different between the two as the OECD (2008, p.2) explicate:

⁵ "Some compilers may argue that in some cases an ownership of as little as 10% of the voting power may not lead to the exercise of any significant influence while on the other hand, an investor may own less than 10% but have an effective voice in the management. Nevertheless, the recommended methodology does *not* allow any qualification of the 10% threshold and recommends its strict application to ensure statistical consistency across countries" (OECD, 2008, p.49).

The motivation to significantly influence or control an enterprise is the underlying factor that differentiates direct investment from cross-border portfolio investments. For the latter, the investor's focus is mostly on earnings resulting from the acquisition and sales of shares and other securities without expecting to control or influence the management of the assets underlying these investments. Direct investment relationships, by their very nature, may lead to long-term and steady financing and technological transfers with the objective of maximising production and the earnings of the MNE [multinational enterprise] over time. Portfolio investors do not have as an objective any long-term relationship.

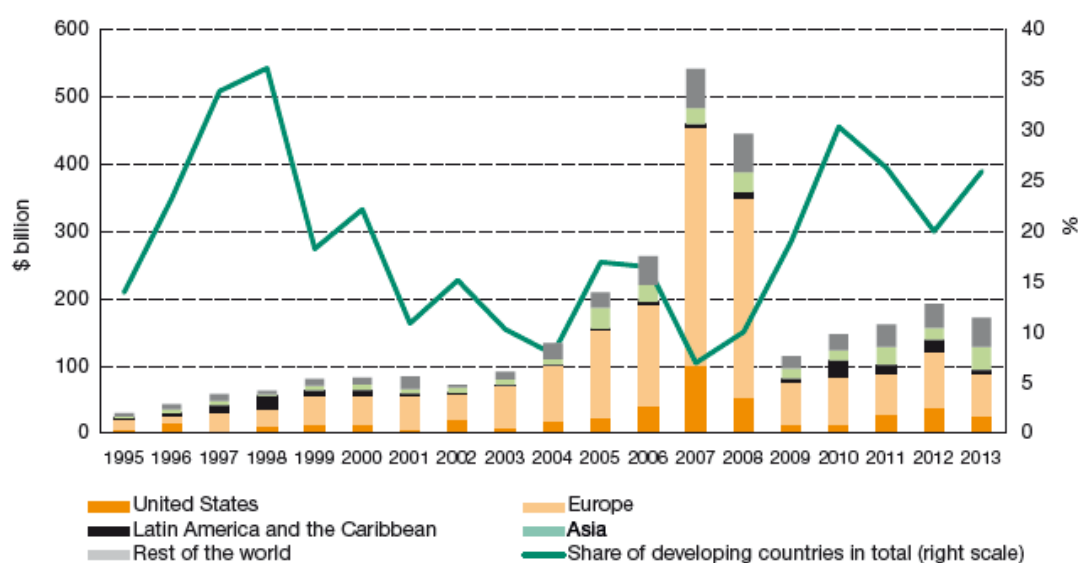
Given that FDI is associated with stability and spillovers, it is often preferred over PI as a source of development funding (OECD, 2008; Chang, 2007, 2014; Rao and Dhar, 2011b). However, the distinction between PI and FDI has become more blurred with new types of global investments that have risen in popularity, in particular, in the mid-2000s (UNCTAD, 2006). These new types of investments include private equities, venture capital, and hedge funds, and are made by collective investment institutions which are often banks and insurance companies (UNCTAD, 2006; Kirabaeva and Razin, 2013). Statistically, these types of investments purchase 10 per cent ownership of the enterprise but may not have lasting or managerial interest (Rao and Dhar, 2011a, 2011b, Chang, 2007, 2014; UNCTAD, 2006; OECD, 2008). However, the OECD states that because the investment exceeds the 10 per cent investment threshold, it should be counted as FDI, "even if a majority of such investments are short term and are closer in nature to

portfolio investments (UNCTAD, 2006, p.16). Chudnovsky and Lopez (1999, p. 5) have argued that this blurring between FDI and PI has cast further doubt on the argument that FDI is a stable form of investment⁶.

The blurring of the distinction between FDI and PI has direct relevance for developing countries trying to incorporate FDI policies into strategic development initiatives. UNCTAD (2014, p.17) in its latest World Investment Report (WIR) explained that private equities are relatively active in emerging markets, in particular, in Asia. Figure 3 is taken from the WIR and depicts the presence of private equities in developing countries, in particular, within cross border mergers and acquisitions (UNCTAD, 2014, p.19). The graph illustrates the speculative nature of the investment and its increasing presence in developing countries as of late.

⁶ “One of the differences between FDI by private equity funds and that by traditional TNCs relates to the fact that the investment horizon of the former lasts, on average, only 5-6 years, while, in theory, traditional TNCs have typically engaged in expanding the production of their goods and services to locations abroad and have longer investment horizons. But more recently, TNCs have also increasingly been driven by short-term performance targets to meet shareholders’ expectations for high and rapid returns” (UNCTAD, 2006, p.19).

Figure 3: FDI by private equity funds, by major host region, 1995-2013



Source: UNCTAD FDI-TNC-GVC Information System, cross-border M&A database (www.unctad.org/fdistatistics).
 Note: Data refer to gross values of M&As by private equity firms; they are not adjusted to exclude FDI by SWFs.

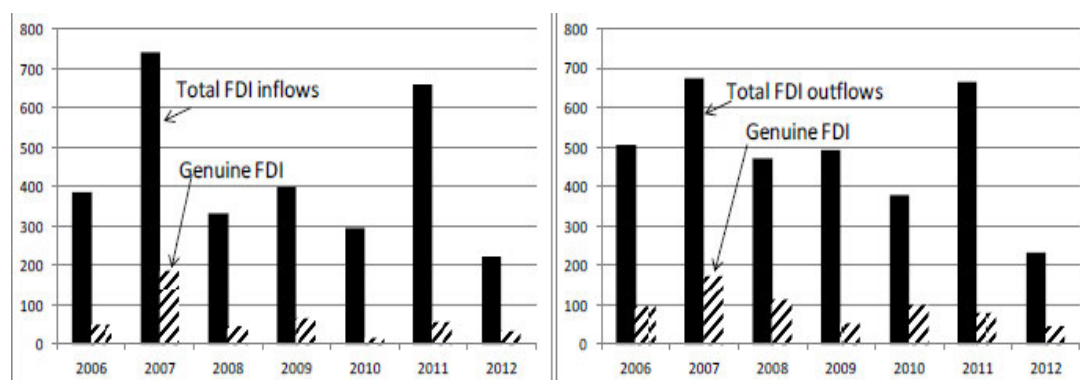
Rao and Dhar (2011b) as well as Chandrasekhar and Ghosh (2007) contend that it is crucial for policy makers to better understand the qualitative nature of the FDI coming into the host country in order to construct policies that are effective in capturing advantages and mitigating risks for the economy and its citizens. As will be explored in the upcoming empirical chapter (section 6.5.), India is attracting significant levels of FDI in the form of private equities, hedge funds and venture capital and sectors such as construction that have attracted such investment in bulk have experienced erratic growth patterns (Chandrasekhar and Ghosh, 2007; Rao and Dhar, 2011b). These types of FDI, it is argued, are less likely to bring resources that India needs such as increased decent employment opportunities, technology spillovers or managerial know-how (Chandrasekhar and Ghosh, 2007; Rao and Dhar, 2011b).

The OECD has, in part, addressed some of these complexities by implementing a new methodology for calculating FDI statistics which was implemented in late 2014 (OECD, 2014). The OECD (2014, p.5) describes the need for changes:

This new methodology will provide better measures of where international investment comes from, where it is going, and most importantly, where it is creating jobs and value-added. It does this by distinguishing between 'real FDI' as opposed to various financial flows that are currently counted as FDI but which don't add to the 'real economy.'

The important point here is that not all FDI is equally valuable and the OECD recognises this with the new methodology. Figure 4 illustrates the extent to which certain types of FDI that do not add to the real economy can bolster investment flows. Using the new FDI methodology, the graph depicts the flows with and without investments made through Special Purpose Entities (SPEs) for four countries: Austria, Hungary, Luxembourg and the Netherlands. SPEs are investments that are made through holding companies without generating economic activity or employment (OECD, 2014).

Figure 4: FDI inflows with and without SPEs for Austria, Hungary, Luxembourg and the Netherlands



Source: OECD, FDI in Figures, April 2014, p.5.

This new methodology, the OECD (2014) argues, will provide governments and other stakeholders a better measurement for understanding the economic and social effects of FDI and TNCs⁷.

Although the new measurement techniques by the OECD are an improvement over previous methodologies, the adequacy of FDI statistics remains deficient (Stephan and Pfaffmann, 2001). Stephan and Pfaffmann (2001) examine the most important sources for national and international FDI data and conclude that official statistics suffer from several inadequacies. The authors contend that international comparisons are particularly hindered by the degree of nonconformity of FDI definitions amongst individual countries. Although the OECD and IMF provide benchmark definitions, countries do not apply these consistently. Furthermore, there are deviations in the design of national reporting systems as well as accounting practices (Stephan and Pfaffmann, 2001). It is also important to note the connection between power and knowledge (Foucault, 1980) and the possibility that bias

⁷ It is important to note the figures for India's FDI using this new methodology are not available for India at this time.

may be introduced into statistical calculations to affect the outcomes being studied (Stuckler et al, 2009). Stuckler et al (2009) examine the statistics produced by international financial institutions (IFIs), in particular the European Bank for Reconstruction and Development (EBRD), in their assessment of various countries' transition from socialism to capitalism. The authors reveal that the ERBD calculations were biased in the direction of positive growth for countries that followed neoliberal policies. Other researchers such as Banerjee et al (2006) and Kurtz and Schrank (2007) similarly investigate bias in IFIs' statistical methods and come to similar conclusions. Given the inconsistencies in the definition of FDI, the variation in how it is calculated in and between countries and the statistical bias that can be produced in calculations and presentations; it should be noted that while FDI data is helpful in understanding investment flows it is a social construction of national and global financial institutions with inherent bias and pitfalls in adequacy and reliability.

Having discussed the characteristics of FDI, the proceeding section will further deconstruct FDI into four main types and discuss the characteristics, risks and benefits.

2.3.2: Types, benefits and risks of FDI

As discussed above, there are different types of FDI with various risks and/or advantages associated with each type. There are four main types of FDI that are most relevant to this thesis: greenfield, joint ventures, mergers and acquisitions and round tripping investments. The first type of FDI is greenfield investment. Greenfield investment involves setting up a new

production facility or subsidiary from the ground up (OECD, 2008; Harms and Meon, 2013). Greenfield investments are argued to have the greatest potential to produce positive externalities or spillovers into a host country as employees will be hired and construction activities for the enterprise will take place (UNCTAD, 2006; OECD, 2008; Harms and Meon, 2013).

Joint ventures are a second type of investment and involve a partnering alliance between two firms on a temporary basis for the duration of a specific task (Nunnenkamp and Andres, 2014). For a joint venture, a separate corporate entity is formed for the project that will cease to exist once the venture is complete (Nunnenkamp and Andres, 2014). Joint ventures are often thought of as working collaborations.

Mergers and acquisitions (M&A) are a third type of FDI and occur when foreign investors fully acquire, partially acquire or merge together with an existing enterprise in the host country (UNCTAD, 2006). Thus, the foreign company is buying into an existing company located in the host country. M&A are commonly referred to as brownfield investment (as opposed to 'greenfield' investment) (Chang, 2007, 2014; Rao and Dhar, 2011b). M&A do not add any new production facilities and most likely do not immediately augment (or reduce) the amount of capital invested at the time of acquisition (UNCTAD, 2006; Harms and Meon, 2013). In time, whether the foreign investor wishes to increase the purchased company's production capabilities or add anything to the enterprise is entirely up to the motivation behind the investment. UNCTAD (2006, p. 17) illustrates the uncertainty of spillovers from M&A in the upcoming passage:

FDI is a package of assets, including not only capital for investment but potentially also technology, organizational and managerial practices and market access. Greenfield FDI can provide this, while the potential impact of cross-border M&A on these aspects of host-country development is less known.

However, in some cases, M&A are made with an unambiguous motivation to either not improve productive capabilities and simply carry on as normal or actively break the company down and sell off its assets; a tactic referred to as 'asset stripping' (Chang, 2007, 2014). Furthermore, M&A have been criticized as a strategic tactic employed by TNCs to monopolize markets by essentially buying out the competition. Singh (2002, p.17) observes the following regarding the problematic and monopolistic nature of M&A:

Instead of launching 'greenfield' projects which create new opportunities for employment and competition, TNCs prefer the easy route of M&A to consolidate economic clout. In reality, M&A add little to productive capacity but are simply the transfer of ownership and control with no change in the actual asset base. The major problem with M&A is the promotion of monopolistic tendencies which, in turn, curb competition and widen the scope for price manipulations.

Round tripping is a fourth type of investment and occurs when domestic investors channel money abroad and subsequently redirect the investment back into the domestic economy as a direct investment (OECD, 2008; Fung et al, 2011). Round tripping is domestic investment that is disguised as FDI through a 'routing economy' that is often a country with very low or no tax

rates (Rao and Dhar, 2011b). Domestic investors use round tripping to acquire the better tax rates and other incentives that are often provided to foreign investors (Hanlon et al, 2013). Round tripping has wide-ranging implications for governments and citizens (Fung et al, 2011). Not only does it dramatically inflate reported FDI flows but it is a major form of tax evasion (Hanlon et al, 2013; Fung et al, 2011). Research conducted by Hanlon et al (2013) concluded that round tripping in the US led to a loss of \$8 billion to \$27 billion in tax revenue in 2008 alone. As will be explored in the next chapter, business tax revenue supports and funds the states' social welfare programs. Thus, there are real impacts to citizens of host countries that experience high levels of round tripping investments.

In sum, there are different ways FDI can be utilised to access foreign markets. These different types of FDI bring various disadvantages and benefits to host economies and can impact the citizens of host countries in different and various ways. Of course there are different types of companies as well, for example resource seeking firms or market seeking firms and these too bring different types possible disadvantages. Different types of firms will be explored in the next chapter. As discussed above both FDI and TNCs are argued to have the capability to promote spillovers and encourage the development of assets and resources that developing countries need. The proceeding section outlines the possible impact, both positive and negative, associated with possible spillovers from FDI.

2.4: Risks and benefits of FDI: Hypothetical postulations and empirical evidence

As explored throughout this chapter, it is argued that FDI is an important outlet for valuable resources that developing countries need for their citizens and the economy. However, as mentioned in the Introduction, the disadvantages and benefits to the host country as a result of FDI is controversial both in theory and in relation to empirical evidence. This section will explore the hypothetical benefits and drawbacks that FDI is often purported to bring to the host country, and review empirical evidence that support or refute such claims. As there is a substantial body of literature regarding almost every aspect of how FDI affects host countries (Lipsev and Sjöholm, 2005), this section will review five of the main areas associated with advantages and disadvantages of FDI: economic growth and poverty reduction, domestic industries, technology transfer, employment.

2.4.1: FDI and economic growth and poverty reduction

FDI is often purported to spur economic growth and decrease poverty, however, research does not bear this out (Nunnenkamp, 2002; Alfaro and Johnson, 2013). Lipsey (2003, p. 297) argues that:

It is safe to conclude that there is no universal relationship between the ratio of inward FDI flows to GDP and the rate of growth of a country.

Similarly, Carkovic and Levine (2002) investigated 72 developing and developed host economies from 1960-1995 and did not find that FDI exerts a robust and positive influence on economic growth.

Other research contends there are certain preconditions that developing countries need to attain before economic growth can occur in correlation to FDI: openness to trade (Balasubramanyam et al, 1996); technological threshold (De Mello, 1997); financial market development (Alfaro et al, 2004); sufficiently qualified labour force (Borensztein et al, 1998). Thus, developing countries need to have reached a minimum level of economic development before they can realise any growth-enhancing effects of FDI (Nunnenkamp, 2002; Alfaro and Johnson, 2013).

Nunnenkamp (2002) maintains that it is often simply assumed that FDI will contribute to the alleviation of poverty through fostering economic growth. However, research findings also cast doubt on this claim (Nunnenkamp, 2002; ODI, 2002). While there are few studies that have explicitly investigated the links between FDI and poverty alleviation (Nunnenkamp, 2002, p. 35), the Overseas Development Institute (2002) conclude that there is not a direct link between FDI and poverty reduction. However, Gohou and Soumère (2012) did find empirical evidence linking FDI to poverty reduction in Central and East Africa. Other research has drawn indirect links between FDI and poverty alleviation (ODI, 2002) however, these indirect links are unlikely to occur where the incidence of absolute poverty is high (Borensztein et al, 1998). Thus, developing countries need to have attained a certain level of development and economic growth before FDI can prompt further growth

or indirectly assist with poverty reduction. Nunnenkamp (2002, p. 34) aptly captures this argument:

To put it more bluntly, poverty tends to severely constrain the role FDI can play in eradicating poverty.

2.4.2: FDI and the domestic industry:

The presence of foreign TNCs is often professed to make domestic industries and firms more competitive (OECD, 2002; Alfaro and Johnson, 2013). It is argued that because foreign TNCs are more efficient and productive than domestic firms (Lipsey, 2000; Borensztein et al, 1998; Alfaro and Johnson, 2013), their presence within the local industry can spur competition between itself and domestic firms and propel the domestic firms to strive for higher productivity, lower prices, and more efficient resource allocation (OECD, 2002). The counter-argument is that TNCs actually lower competition in domestic markets because they tend to raise the level of market concentration in host economies (OECD, 2002; Herzer, 2012). Market concentration is the extent or degree to which a relatively small number of firms account for a large percentage of the market share (Singh, 2002). Levels of market concentration have increased worldwide due to the increase in corporate M&A that have increasingly taken place since the 1990s (OECD, 2002; Singh, 2002; Chang, 2014). As mentioned above, M&A are criticised as an easy way for TNCs to monopolise markets and curb competition (Singh, 2002; Chang 2007, 2014; Harms and Meon, 2013).

The OECD (2002) states that while it may be preferable for a stronger foreign competitor to replace a less productive, domestic one; national, anti-monopoly policies are needed to safeguard competition within the host country. The OECD (2002, p. 16) suggests this may be even more important in the case of developing countries:

Empirical studies suggest that the effect of FDI on host-country concentration is, if anything, stronger in developing countries than in more mature economies. This could raise the concern that MNE entry into less-developed countries could be anti-competitive.

It is argued that domestic companies must reach a level of maturity to be able to compete with powerful and efficient TNCs or 'crowding out' will become more likely (Chang, 2007, 2014; Stiglitz, 2006; Herzer, 2012). 'Crowding out' occurs when foreign TNCs dominate the market and push domestic firms out of business (OECD, 2002; Nunnenkamp, 2002; Herzer, 2012). The timing of opening markets to TNCs is argued to be critical and premature liberalisation can have adverse effects on domestic firms (Chang, 2007, 2014; Stiglitz, 2006). Chang (2007) argues that when domestic firms are crowded out, the productive capabilities of the domestic industry can be enhanced in the interim as the TNC replacing the domestic one is more efficient and productive. However, in time, the domestic industry may suffer as TNCs are argued to keep their most valuable assets in their home countries to avoid losing them to competitors (Chang, 2007). Thus the domestic industry will encounter a ceiling in the level of sophistication it can

attain if TNCs have too much market concentration in the domestic industry environment (Chang, 2007).

The counter-argument to the 'crowding out' thesis contends that TNCs and foreign investment cluster together and can actually 'crowd in' investment opportunity and create complementary activities for domestic enterprises (OECD, 2002; JBIC, 2002). Nevertheless, in keeping with the inconclusive nature of FDI spillover literature, evidence for a 'crowding in' effect is not compelling (Borensztein et al, 1998; Agosin and Mayer, 2000). Agosin and Mayer (2000) conclude the overall impact of FDI on domestic industries may depend on the government's ability to target FDI projects that do not displace local firms, and on the readiness of competitive local businesses to take part in the complementary activities created by the foreign enterprise.

2.4.3: FDI and technology transfer

Technological transfer is one of the most discussed spillover effects in FDI literature (Lipsey and Sjöholm, 2005; OECD, 2002). Borensztein et al (1998) argue that technology diffusion plays a critical role in the process of economic development and growth rates in developing countries are, in part, explained by a 'catch-up' process in the level of technology. The economic literature identifies technology transfer to domestic industries as the most important outlet through which foreign corporate presence may produce a positive externality in the host country (OECD, 2002; Alfaro and Johnson, 2013). Lipsey (2000, p.2) argues that one aspect of FDI that is "almost beyond dispute" is that much of the world's stock of technological knowhow is possessed by TNCs. However, it remains heavily debated in the literature

to what extent and under what circumstances technology is transferred from foreign enterprises to the host country (Nunnenkamp et al, 2001; OECD, 2002; Alfaro and Johnson, 2013).

The OECD (2002) argues that technology transfer to the host country can occur through four ways: vertical linkages with local suppliers, and/or horizontal linkages with competing or corresponding business within the same industry, migration of skilled labour, and the internationalisation of research and development. Of the four channels, the evidence for technology transfer is strongest and most consistent with vertical linkages with local suppliers in the host country (OECD, 2002; Alfaro and Johnson, 2013). Once invested in a host country, the TNC may purchase some of the needed input materials from domestic suppliers and it is argued that the quality demanded by the foreign company often surpasses the domestic company's capabilities (OECD, 2002). TNCs may provide technical assistance and training to local input suppliers to raise the quality of the supplier's products and diffuse technology and technological knowledge in the process (OECD, 2002; Alfaro and Johnson, 2013).

Of course, on the other hand, TNCs may import the needed supplies from other locations in the production chain and not work with domestic businesses or share technological knowledge with them (O'Brien and Williams, 2007, 2013; Chang, 2007, 2014). The evidence for horizontal technology spillovers is very mixed (OECD, 2002; Alfaro and Johnson, 2013). As mentioned above, TNCs tend to avoid giving away their technological expertise and advancement to potential competitors and, thus,

try to keep it from spilling over into host country domestic markets (OECD, 2002; Chang, 2007, 2014; Alfaro and Johnson, 2013). TNCs are criticised for bringing 'out of date' technology to host countries to avoid losing their technological advantages in the market (Chudnovsky and Lopez, 1999; Chang, 2007; Stiglitz, 2006; O'Brien and Williams, 2007, 2013).

There are host country prerequisites for technology spillovers to have an impact in the host country (De Mello, 1997; Nunnenkamp, 2002; Elmawazini and Nwankwo, 2012). First, the technology must be relevant to the domestic business sector (OECD, 2002) and second, domestic firms must have a level of capability to absorb it (Nunnenkamp, 2002; OECD, 2002; De Mello, 1997; Blomstrom et al, 1994; Borensztein et al, 1998). These studies refer to a 'technology gap' between the host country and foreign TNC and where the gap is larger, the less likely technology will spillover and are absorbed into the domestic economy (Nunnenkamp, 2002; OECD, 2002; De Mello, 1997; Blomstrom et al, 1994; Borensztein et al, 1998; Elmawazini and Nwankwo, 2012).

2.4.4: FDI and employment

The role of FDI in host economies can raise expectations about the potential for TNCs to create high-quality jobs with higher pay and better working conditions (OECD, 2008; Lipsey, 2013). However, the presence of TNCs can also lower expectations for decent employment as TNCs are accused of taking advantage of lower wage structures and labour standards in developing host countries as well as violating human and labour rights (OECD-ILO, 2008; Hecock and Jepsen, 2013; Davies and Vadlamannati,

2013). The impact of FDI on employment in host countries is a complex one which raises many questions in the literature. One set of questions regards how much employment TNCs create in the host country. Other questions regard wages and whether foreign owned firms pay higher wages for domestic labour, whether this higher wage raises the overall wage levels in the host country and whether these higher levels of wage then spill over into domestically owned firms (Lipsev and Sjöholm, 2005). A final question relates to working conditions and if foreign corporations provide better working conditions.

The number of jobs created by FDI depends, amongst other things, on the type of FDI, specifically, if it is M&A or greenfield (OECD-ILO, 2008; Chudnovsky and Lopez, 1999, Yeates, 2001). Greenfield investment is argued to create more jobs than corporate M&A (OECD-ILO, 2008, ODI, 2002). The Overseas Development Institute (2002) concludes that foreign investment may not increase employment opportunities in host countries due to the capital-intensive technologies that are often utilised with foreign enterprises. However, Lipsey et al (2013) investigate employment growth in Indonesia and find that plants that were taken over by foreign owners demonstrated a strong effect of employment increase. The OECD-ILO(2008) report states that although the share of the labour force employed by foreign-owned enterprises appear to be relatively small, the impact of FDI in domestic markets may increase productivity and, thus, employment needs in domestic firms who are in competition with the high productivity of foreign firms.

There is no a priori reason to expect TNCs to offer better jobs with higher salaries compared to local competitors though there are postulations that TNCs rely more on pay incentives to ensure quality and productivity as well as to prevent worker migration which would minimize the risk of losing these advantages to domestic competitors (OECD, 2008; OECD-ILO, 2008).

Lipsey and Sjöholm (2005) found that foreign firms pay higher employee wages in both developed and developing countries after controlling for firm specific characteristics. They concluded that in Indonesia, foreign owned plants paid wages that were 12% higher for lower skilled jobs and 20% more for higher skills in comparison to domestic companies. The Overseas Development Institute (ODI, 2002) found that FDI and foreign ownership are associated with higher wages for all types of workers but more so for skilled workers. They go further to argue that as increased wages occur for more skilled workers this contributes to wage inequality in host economies.

Similarly, Nunnenkamp (2002) concludes that FDI can be expected to benefit skilled workers more than unskilled in developing countries, thereby worsening the relative income position for the poor.

An OECD-ILO (2008) report concludes that the direct impact of FDI on other working conditions is difficult to determine as the definition of employment conditions differs between studies. However, they conclude that TNCs have tend not to export the labour protections that are afforded in the home country, tending instead to adopt the labour conventions of the host country. They suggest this tendency may result because labour practices are often embedded in national policies and social norms of the host country (OECD-ILO, 2008). It may also result from a strategic decision whereby local

affiliates are given greater degree of discretion as to how human resources are managed in the host country (OECD-ILO, 2008). Labour standards in developing countries are often much lower and enforcement of national protections are weaker (OECD-ILO, 2008). The lack of exportation of home country labour protections often results in the argument that TNCs are profiting from lower labour standards and protections in developing countries (OECD, 2008).

As mentioned earlier, UNCTAD (2013) in its World Investment Report contains a special focus on GVCs (see section 2.2.1.2). The report concludes that employment within these chains can be insecure and involve poor working conditions as a result of pressures on cost reduction from global buyers (UNCTAD, 2013). Employment conditions in GVCs are context specific on the industry, product line and position of activity in the GVC (UNCTAD, 2013). GVCs and the correlations with declining working conditions as well as the influence on lowered social policy and worker protections are explored further in the next chapter.

Thus, given the empirical evidence and theoretical arguments listed above, there are no apparent universal guarantees of positive spillovers from FDI to host countries (Alfaro and Johnson, 2013; Nunnenkamp, 2002; Lipsey and Sjöholm, 2005; Moran et al, 2005). However despite the odds, developing countries actively seek and compete for FDI and often providing sizable incentives and economic concessions in doing so (Alfaro and Johnson, 2013; Thomas, 2011; Erdogan, 2012; Farnsworth, 2010). The following section will explore why FDI remains high of the development agenda.

2.5: Why is FDI so high on the development agenda?

As stated in the Introduction, developing countries actively compete with one another to attract foreign investment (Thomas, 2011; Alfaro and Johnson, 2013; Lipsey, 2003). Also as explored above in the political globalisation section (see section 2.2.2 and 2.2.3), there is outside influence from global institutions to liberalise economies and induce foreign investment. This pressure from global institutions relates to the structural power of business (Farnsworth, 2004; 2010; Fuchs, 2005) which will be explored in further detail in the next chapter. However, this influence or outside pressure from global institutions does not fully explain why developing countries clamour for FDI to the extent that they do. In trying to induce investment, countries often provide a wide array of incentives in the form of tax reductions or other types of inducements in the hopes of spurring foreign investment (Thomas, 2011; Alfaro and Johnson, 2013; Lipsey, 2003). This is evidence that most developing countries independently want FDI but the question remains as to why they do. This section will explore the change in attitude of developing country policy makers regarding the net benefits of FDI. The literature provides many different explanations and this section will explore some of those reasons including shifts in thinking in development discourse.

Developing countries have not always viewed FDI as an important development tool nor have they actively sought to attract it as they do today. Prior to the 1980s many developing countries were highly sceptical of FDI

and critical of TNCs (Dunning, 2002, 2008; Chang, 2007, 2014; O'Brien and Williams, 2013). At this time, developing countries, including India, often embraced economic and political policies that nurtured and promoted domestic industries by restricting activities of foreign firms (Shah and Patnaik, 2013; O'Brien and Williams, 2007, 2013; Held et al, 1999; Hale et al, 2013). The bolstering of domestic capacity by restricting the activity of foreign firms is described by terms such as infant industry protection, import substitution industrialisation (ISI), and state led dirigisme (Chang, 2007, 2014; O'Brien and Williams, 2007, 2013). Prior to the 1980's, many developing countries did not look to open markets and foreign investors to achieve their development endeavours; rather their national objectives were sought to be fulfilled by national political and economic factors (Gore, 2000; Hale et al, 2013). Starting in the 1980s, and onwards into the 1990s, policy makers in developing countries appeared to internalise the norms of what Gore (2000) terms the liberal international economic order (free markets and circumscribed role for governments) and looked outward to global markets to provide solutions for national development issues. The research literature provides several reasons as to why developing countries appeared to have a 'change of heart' regarding FDI. The propagation and internalisation of neoliberal ideology (Gore, 2000); the successful transition to 'market friendly' policies adopted by countries such as East Asia, China, and Ireland (Gore, 2000; Lipsey, 2003); a shift in orientation from import substitution to export oriented industrialisation (O'Brien and Williams, 2007, 2013; Chang, 2014), as well as the perception that FDI is a non-debt creating option for finance

(Chang, 2007, 2014; Rao and Dhar, 2011a, 2011b) are a few such examples.

The widespread propagation and triumph of neoliberal ideology in the 1980s and 1990s is argued to have been as a causal factor for the change in attitude concerning the net benefit of FDI (O'Brien and Williams, 2007, 2013; Gore, 2000). During this time, several countries deregulated and liberalised their economies and privatised state owned industries (O'Brien and Williams, 2007, 2013). For some analysts such as John Williamson (1993) who coined the term Washington Consensus, this was a result of the proven superiority of neoliberal ideology while for others such as Gore (2000) it was the result of dissemination of the structural adjustment programmes as well as ideological propagation of the World Bank and IMF. Gore (2000) states the triumph of economic neoliberalism was more than a substantive swing from state led to market led development, it also served to usher in a deeper shift in how development problems were henceforth evaluated and framed by policymakers. The normative judgements of what development 'should' entail became framed in the rhetoric of globalisation. He explains (p.793):

Thus it is argued that in an increasingly globalized world economy, in which there is the globalization of production systems, increasing reliance on trade and increased availability of external financial flows, countries which do not follow Washington Consensus policies will be especially penalized, as they will be cut off and thus excluded from the intensifying (and implicitly beneficial) global field of flows.

Concomitantly, those countries which do follow the right policies will

be rewarded, as they can capture foreign direct investment which brings technology and market access, and they can also supplement national savings with international capital flows, thus reaping the benefits of the new external environment.

However, Gore (2000) points out that while the judgements about what development should entail became framed in the global reference, the evaluation of such efforts remained in a national frame of reference. Stiglitz (2006, p.16) makes a similar argument:

In the 1990s when the policies of liberalization failed to produce the promised result, the focus was on what the developing countries had failed to do.

Thus, the 1980s and 1990s are argued to be the decades when development internalised economic neoliberalism as Gore (2000, p. 795) succinctly captures:

Everything has been made subject to the rules and discipline of the market. The vision of the liberation of people and peoples, which animated development practice in the 1950s and 1960s, has thus been replaced by the vision of the liberalization of economies.

A second reason for the change in attitude towards FDI is due to the “the widespread tendency of governments to copy successful practice elsewhere” (Gore, 2000, p. 789). It was in the late 1970s and early 1980s that the growth of most developing countries, with the exception of East Asia, began to falter and the economic crisis that affected these countries supported

arguments that mainstream development practice had failed (Kohli, 2012; Gore, 2000; O'Brien and Williams, 2007, 2013; Stiglitz, 2002, 2006). East Asia was the exception and its economic success was alleged by the World Bank and the IMF to be the result of a free market orientation and adoption of friendly foreign investment policies (Chang, 2004, 2014; Stiglitz, 2006; Fennel et al, 2013). However, this was not an accurate account of East Asia's success as first noted by Alice Amsden (1989) who emphasised that countries such as South Korea actively intervened in the economy to steer development initiatives and were selective in how and when FDI entered their markets. Although the real secret to East Asia's success is more commonly known, in the early 1980s this was not common knowledge and East Asia was advertised by the World Bank and IMF as an example of free market ideology (Chang, 2004; 2007, 2014; Stiglitz, 2002; 2006; O'Brien and Williams, 2013). In a similar line of reasoning, Lipsey and Sjöholm (2005) argues that the success of Ireland and China in achieving rapid economic growth after moving from a prohibitive stance to encouragement of FDI played a part in influencing other policy makers to change their approach to FDI.

A third argument maintains that economic globalisation and transnational production helped some developing countries to re-evaluate the costs and benefits of FDI (O'Brien and Williams, 2007, 2013). O'Brien and Williams (2013) explain that several countries replaced their development trajectories based on import substitution with export oriented policies based on TNCs systems of transnational production and distribution. Some countries realised they could utilise TNCs, their production capabilities and

connections with global markets to help them become a manufacturing hub for global markets.

Finally, Chang (2007) argues that FDI became a preferred source of development financing for developing countries following the decrease in official development assistance and foreign bank loans in the 1990s. As many developing countries had amassed large debts from prior development assistance loans, FDI became increasingly viewed as a non-debt creating option to help finance development endeavours (Chang, 2007, 2014; Rao and Dhar, 2011a, 2011b). Chang (2007) and Rao and Dhar (2011b) explain that developing countries often opt for inviting FDI as it is associated with more autonomy in national decision making as opposed to accepting development assistance along with economic stipulations demanded by the provider.

2.6: Chapter summary

Developing countries want FDI and compete with one another to entice it (Thomas, 2011). How developing countries compete with one another is explored in the preceding chapter. The first part of this chapter explored FDI as situated within the context of economic and political globalisation. It was argued that economic globalisation has greatly increased the speed, volume, and ease with which FDI flows across national borders and around the world and into developing countries (Sklair, 2012; Held et al., 1999). The main conduit of FDI, the TNC, is one of the defining features of contemporary economic life in the global economy (Sklair, 2012; Held et al., 1999; O'Brien

and Williams, 2007, 2013). TNCs are powerful and wealthy corporations that are accredited with globalisation's ills—labour exploitation and monopolisation of markets — as well as its successes—state of the art technology, increased standards of living and improved goods and services (Stiglitz, 2006; Kalemi-Ozcan and Villegas-Sanchez, 2013). Increasingly, TNCs are conducting transnational production through global value chains (UNCTAD, 2013). The use GVCs results in numerous layers of subcontracting units (Nathan and Kalpana, 2007) whereby, often, the lower the position of the unit on the subcontracting chain, the increase in the chance of low wages and exploitative working conditions (UNCTAD, 2013).

Political globalisation is also directing FDI and the political decisions to liberalise national economies so that investment and trade can flow freely between countries (O'Brien and Williams, 2007, 2013; Alfaro and Johnson, 2013). Neoliberal economics is strongly promoted by IGOs such as the IMF, World Bank and WTO (Stiglitz, 2006; Chang, 2014). A key aspect of globalisation is the outside global influence of IGOs on national investment and economic policies of nation states (Weiss, 2013).

However, globalisation and outside pressure from global bodies does not entirely explain why developing countries actively seek to attract FDI and often provide incentives to ensure this happens (Thomas, 2011; Erdogan, 2012; Lipsey, 2003, Farnsworth, 2004). As countries go to great lengths to attract investment and this has implications for the host country's citizens, it is critical to understand why developing countries such as India want FDI. It was argued that developing countries have not always looked to global

markets and foreign investors to achieve development aims; in fact, many countries were highly sceptical of FDI and TNCs and protected domestic industries by restricting entry of TNCs to their markets (O'Brien and Williams, 2007, 2013). However, from the 1980s and, in particular, during the 1990s developing countries internalised the norms of the international economic order (Gore, 2000) and some changed their development model from import substitution to an export oriented one and many followed the successful practice of other developing countries who liberalised their economies (O'Brien and Williams, 2007, 2013; Lipsey, 2003; Gore, 2000).

One of the fundamental reasons why developing countries want FDI is because it is argued to drive economic growth and provide many development accomplishments (Alfaro and Johnson, 2013). However, such accomplishments are far from guaranteed (Lipsey, 2003). This chapter contained a review of the hypothetical arguments regarding the advantages and disadvantages to host countries as a result of inward FDI. Evidence from empirical studies regarding the impact on domestic industries, technology transfer, employment and economic growth and poverty were explored. The empirical and theoretical research is widely variable with no universal relationships apparent (Lipsey and Sjöholm, 2005).

This chapter largely focused on economics and the importance for developing countries to liberalise their economies and adopt investment policies to attract FDI. However, enticing investment is not just about economic policies. Social policies are also key to attracting investment and the social welfare of the host country is critical to attracting or repelling

investment (Davies and Vadlamannati, 2013; Hecock and Jepsen, 2013; Farnsworth, 2010; Mkandawire, 2004). Just as global institutions such as IGOs and TNCs influence economic decisions, they equally influence social policy decision making (Davies and Vadlamannati, 2013; Farnsworth, 2004, 2010, 2012; Strange, 1996). The dynamics and interactions between FDI, the nation state and social policy is the subject of the next chapter.

Chapter Three: The business-social policy nexus in the context of development

3.1: Introduction

As explored in Chapter Two, developing countries seek to attract FDI in the hope that such investments will supply needed inputs for development goals (Alfaro and Johnson, 2013; OECD, 2002, 2008; Moran et al, 2005). In enticing investment, countries employ different strategies to try and make domestic environments conducive to the needs of business (Thomas, 2011; Farnsworth, 2010). Chapter Two focused more on the preferred economic environments and policies for TNCs such as open markets and free trade. However, the social environments, social policies and the overall social welfare of host country locations are very important to TNCs as well (Hecock and Jepsen, 2013; Davies and Vadlamannati, 2013; Gough, 2000; Farnsworth, 2010). Mkandawire (2004, p. 1) defines social policy in the context of development as:

...collective interventions in the economy to influence the access to and the incidence of adequate and secure livelihoods and income.

Social welfare is an ambiguous concept, but here refers to the final outcome for individuals or groups of individuals, typically within a state (Gough, 2000). Amartya Sen (1999, p.10) conceptualised social welfare as the expansion of personal freedoms: political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security.

There is also a deep interrelationship between economic and social realms within market based economies (Thelen, 2014; Evans, 1995; Fligstein, 2001; Yeates, 2001; Chang, 2003, 2014) whereby social policies assist with the needs of citizens, business and the economy (Hecock and Jepsen, 2013; Titmuss, 1976; Gough, 1979; Glasberg and Skidmore, 1997; Farnsworth, 2012). As the state has to provide environments conducive to the needs of both its citizens and business this has implications for welfare provisions and welfare outcomes within host economies (Thelen, 2014; O'Connor, 1973; Offe and Ronge, 1984; Gough, 1979; Farnsworth, 2004, 2010, 2012) and this is the focus of the chapter.

As explored in Chapter Two, TNCs have considerable economic and political clout. This power can be used to influence the policy decision making in host economies to best suit their needs and preferences (Thomas, 2011; Davies and Vadlamannati, 2013; Hirschman, 1970; Fisher, 1994; Fuchs, 2005; Farnsworth, 2004, 2010). That said, it can be argued that business has a privileged interest within capitalist nation states and access to the policy making arena that is not open to other social groups, however, its ability to dictate the policy outcomes is variable across time and space (Bell and Hindmoor, 2013; Pierson, 1995; Vogel, 1996; Hacker and Pierson, 2002). There are factors that serve to both propel and constrain the ability of business to influence social policy outcomes (Gough and Farnsworth, 2000; Farnsworth, 2004, 2010). The distinct institutional arrangements within the host country help underscore the variance of social welfare outcomes between states and the variation of business influence on policy making that exist between host countries (Thelen, 2014; Baccaro and Howell, 2011;

Stephens, 1979; Korpi, 1983; Esping-Anderson, 1990; Farnsworth and Gough, 2000).

Of course it is not just business influence on social policy construction that determines the overall impact of TNCs on host countries, there are direct risks which include instances of corporate harm, costs and crime that need to be taken into account. There are two factors at play here. First there are general risks that can be brought from corporate investment and second there are risks that are specific to the type of firm investing in the host country (Forsgren, 2013; Madeley, 1999; Farnsworth, 2004, 2010). For example, a corporate investment involved in oil drilling will bring a different set of risks to a country in comparison to a textile manufacturing firm although both are capable of harm.

Although TNCs are both directly and indirectly involved in determining their impact on host countries, the state has a large role to play as well. As mentioned above, both citizens and businesses are dependent upon the state for needed provisions to function and thrive (Thelen, 2014; Gough, 1979; Glasberg and Skidmore, 1997; Farnsworth, 2012). While the needs of both business and citizens require a fair delivery of social and corporate support, there are political and ideological factors that can cause disproportionate provisions from the state (Acemoglu et al, 2012; Glasberg and Skidmore, 1997; Farnsworth, 2012). Although social welfare policies are helpful to business, economic growth and the competitiveness of state's economies(Gough, 2000); mainstream development agendas prioritise the needs of business and economic growth over social welfare (Marques and

Utting, 2010; Farnsworth, 2010; Ferretijans and Surrender, 2012) which is conceptualised as an 'add on' to future economic development (Mkandawire, 2004). Thus developing countries can be at risk of promoting corporate welfare to the detriment of social welfare and in doing so, may position itself in a policy framework that is harmful to both its citizens and the needs of business (Farnsworth, 2010; 2012; Thomas, 2011; Davies and Vadlamannati, 2013). Be that as it may, developing countries can still effectively implement social policies that extract potential benefits and mitigate possible disadvantages despite influence from corporate power, IGO development prescriptions, and competition between states to attract investment (Chang, 2007, 2014; Kwon, 2014).

In light of these debates, this chapter is divided into four sections. The first section will explore business power and its influence on social policy construction. The second section will explore variations of deleterious corporate behaviour: harm, cost, crime and risk. Following this, corporate social responsibility will be discussed. From here, the chapter will proceed to explore types of TNCs and the implications for social policy in the host country. The proceeding section will explore the welfare continuum, as utilised by Farnsworth (2012) which has both corporate and social welfare aspects to demonstrate the interrelationship between the needs of the state, business and citizens. It will briefly explore the history, policy legacies and ideologies of the role of welfare in development thinking. The final section will examine the role of the state and state power to construct policies that serve to increase or reduce the positive and negative social effects of FDI to its citizens.

3.2: Business power and influence on social policy construction

As discussed in Chapter Two, TNCs are agents of power and one of the main actors in the global arena with influence upon political decision making at both the international and national level (Rodrik, 2011; Held et al, 1999; O'Brien and Williams, 2007, 2013). The economic dimension of TNC influence on host countries is important but equally important are the political faces of corporate power, the sources of such power and the ability to influence policy making (Sklair, 2012; Clapp and Fuchs, 2009; Farnsworth, 2004, 2010). Discussions of business power are very important to this thesis. In order to fully understand and investigate the impact of foreign investment on a host country, it is critical to evaluate the role of business in policy formation and implementation. Upcoming empirical chapters will draw on elite policy stakeholders' perception of the role of business and business power in Indian policymaking and explore this impact on social welfare provisions in two specific investment policies. This section is divided into two parts. The first part will discuss the theoretical conceptions of business power and the second will explore the factors that serve to promote or constrict the ability of business power to influence social policy construction.

3.2.1: Theorizing business power

Governments depend on business investment but have no control over private investment decisions (Thomas, 2011; Farnsworth, 2004, 2010; Hill et al, 2013). Governments can induce and incentivise investment but they cannot force them to invest. How far business shapes policymaking often

depends on how far countries are prepared to offer inducements and actively court investment (Farnsworth, 2010). In the context of development, this can be even more important (Utting and Marques, 2010; Thomas, 2011). The power of business to exert influence on policy outcomes assumes various forms (Utting and Marques, 2010). A helpful analysis of business power is the categorisation of structural and agency mechanisms of power (Farnsworth, 2004; 2010). I will briefly explore both types of power.

Structural power pertains to the ability of business to indirectly influence policy outcomes without specific dictation on the part of business (Farnsworth, 2004; 2010; Bell and Hindmoor, 2013). Structural power is important to understand as it captures the way business is able to exert control over the range of choices available to policy makers (Bell and Hindmoor, 2013; Fuchs, 2005; Farnsworth, 2004, 2010). Various factors restrict the policy options of the capitalist state to those compatible with the needs of business (Bell and Hindmoor, 2013; Thomas, 2011; Poulantzas, 1973; Gough, 1979; Farnsworth and Gough, 2000). Farnsworth (2004, pp 13-16) underscores four resources of structural power: control over investment, state dependence upon business revenue, power over labour, and ideological control.

The first factor and a main source of structural power for business is the independent control over present and future investment decisions (Hirschman, 1970; Bell and Hindmoor, 2013). As mentioned above, although host governments can entice FDI, they cannot force business to either invest in the region or stay should it want to withdraw (Bell and Hindmoor, 2013;

Hirschman, 1970; Lindblom, 1977; Przeworski and Wallerstein, 1988; Farnsworth, 2004). This autonomy over investment decisions and the increased mobility of business (Gough and Farnsworth, 2000; Przeworski and Wallerstein, 1988) can result in either perceived or real threats of 'capital flight' or 'capital strike' and propel governments to prioritise the needs and preferences of business in policy outcomes (Utting and Marques, 2010, p.2). In light of this, Hirschman (1970) emphasises the power of business to 'exit' can serve to influence policy as much as the active 'voice' of business.

The second source of structural power is the dependence of the state to raise revenue from business in order to fund its social and political programmes (Thomas, 2011; Offe and Ronge, 1982; Tilly, 1990; Farnsworth, 2004). This structural dependence on the business sector for revenue places business in a position whereby the state does not actively pursue policies that undermine the profitability of business because to do so would endanger the state's own self-interest (Thomas, 2011; Poulantzas, 1973; Offe and Ronge, 1982; Wetherly, 2005).

The third form of structural business power is its asymmetrical power over labour and trade unions (Baccaro and Howell, 2011; Offe and Wiesenthal, 1980). Farnsworth (2004, p. 15) explains:

The fact that business occupies a monopoly position over private investments, and that workers have no other means of subsistence apart from paid employment, places labour in a position of relative dependence and business in a position of power and control.

Finally, the fourth resource for structural power is executed through ideological hegemony (see section 2.2.3) or the 'discursive power' of business to influence ideas of how development should occur, to borrow Fuchs' (2005) terminology. Hegemony, a concept of power that originated with Antonio Gramsci (1971), occurs when the dominant group is successful in manipulating the belief system of the subordinate group so that they come to believe that the set of rules created by the dominant group is in their own best interest. According to Lindblom (1977, p.202) the dependence of the state and its citizens on capital accumulation reinforces the idea that business is the driving force behind most social and economic activities within a society and this has an impact on the ideological 'volitions' of the population. The state, with its dependence on business as explained above, also plays a key role in promoting pro-business ideology while, at the same time, limiting oppositional voices to it (Robinson, 2012; Miliband, 1969, p. 165; Poulantzas, 1973, pp. 303-305).

Agency power results from direct action by business to influence the policy decision making process (Farnsworth, 2004). Business' access to large reserves of financial resources helps to secure its direct role within political influence and policy decision making (Farnsworth, 2004; Hill et al, 2013).

One of the most visible forms of agency power occurs via corporate lobbying or political campaign financing (Fisher, 1994; Fuchs, 2005; Hill et al, 2013; Culpepper, 2011). Businesses can directly engage in the lobbying system or they can employ a professional lobbying organisation to do so on their behalf (Jordon, 1991; Hill et al, 2013; Culpepper, 2011). Businesses also can utilise their reserves of financial resources to finance business- centered interest

groups which can pool together significant financial and political clout and gain access to politicians to help sway policy decisions (Farnsworth, 2010; Kohli, 2012).

Given these arguments, it can be presumed that business has a privileged interest within capitalist nation states and access to the policy making arena that is not open to other social groups, however, it is important to note that its ability to dictate the outcomes is variable across time and space (Thelen, 2014; Bell and Hindmoor, 2013; Pierson, 1995; Vogel, 1996; Hacker and Pierson, 2002; Farnsworth, 2004, 2010). The next subsection will explore the factors that serve to propel or constrain business influence on policy decision making.

3.2.2: The variability of business power

As explored, business has the potential power to influence the public policies of host countries. However, the extent to which this potential is actualized is variable as several factors serve to either increase or limit theoretical business power (Bell and Hindmoor, 2013; Pierson, 1995; Vogel, 1996; Hacker and Pierson, 2002; Farnsworth, 2004, 2010). Farnsworth (2010, pp 65-68) examines five principle factors that work to further promote and/or limit business power in policy construction:

- 1) Business -IGO relationship. Business priorities are institutionally embedded in IGOs who, in turn, have a large influence on national policy construction.

- 2) The business- state relationship and the extent to which business is embedded within the policy making of the nation state.
- 3) The extent to which business can relocate or exit the host country.
- 4) The divisions between business groups and industries at the national and international level.
- 5) The relative power of other actors who have a vested interest in policy outcomes such as labour groups and civil society.

As explored in Chapter Two (see section 2.2.2), IGOs function to monitor and promote stability, growth, development and cooperation between and amongst the member nation states (Weiss, 2013; Hale et al, 2013).

However, they place pressure on developing economies to liberalise their economies and the prescriptions given and the rules created by these institutions are embedded with business priorities and preferences (Tesner and Kell, 2000; Farnsworth, 2010; Rodrik, 2011). A key ingredient of IGO's policy prescription is that developing countries need to create an attractive environment for foreign investment (Gore, 2000; Stiglitz, 2002; Davies and Vadhannati, 2013). Given these arguments, Farnsworth (2010) contends that the global policy making environment has increased business power at the international and national levels.

The priority of business interest at the international level also stems from pressure from nation states (Farnsworth, 2010). Individual nation-states often lobby IGOs on behalf of their own TNCs as a way to defend and promote their national and economic interest (Farnsworth, 2010; Holden,

2014). The nation states with more political and economic clout within IGOs are more likely to be successful in these lobbying attempts (Wade, 2002; Stiglitz, 2006; Farnsworth, 2010; Holden, 2014). Furthermore, the international business community has been very successful in creating linkages with IGOs and has done so on a relatively united front (Sklair, 2001; Farnsworth, 2010). A final example of the embedded business priorities within IGOs is in line with elite integration theories (Domhoff, 1967, 1978, 1987; Scott and Griff, 1984; Scott, 1991; Robinson, 2012) and argues that the senior positions within IGOs such as the World Bank and IMF are filled by economists and politicians that often have strong links with the business community (Tesner and Kell, 2000; Stiglitz, 2002; Farnsworth, 2010; Robinson, 2012).

A second factor that can determine the ability of business to influence policy making is the dynamics of the business-state relationship (Farnsworth, 2010). How open the state's policy making institutions are to business influence will directly impact policy construction (Anthonsen et al, 2010; Thelen, 2014; Skocpol, 1979; Thelen and Steinmo, 1992). The organisation of the state including the rules and regulations that govern it set the parameters by which business can access and influence the policy making process (Farnsworth, 2004; 2010; Anthonsen et al, 2010).

The nature of the business-state relationship can deviate and change as states develop and evolve as Murali (2010) illustrates in her analysis of the Indian business- state relationship. Murali (2010) underscores the increasing alignment between business and the Indian government following economic

liberalisation in 1991, whereby there has been a proliferation of activities, consultations, and information sharing events between business and the government in the form of policy briefs, surveys, advisory committees, trade fairs, and brand building exercises. Murali (2010) also observes that the Indian government is more responsive in ascertaining business feedback in regards to certain policy areas.

A third factor that serves to promote or limit business influence in policy construction is how easily TNCs can relocate their investments to other countries that are more conducive to their policy desires (Bell and Hindmoor, 2013). As explored in the previous section, the 'exit threat' is a type of structural power for business and can influence policy decisions as TNCs can relocate investments in protest to specific policies (Bell and Hindmoor, 2013). However, TNCs are often more fixed than their transnational nature suggests (Yeates, 2001; Chang, 2003, 2014; Farnsworth, 2010). This is not to contend that TNCs are immobile as their ability to exit a country has increased in the globalized world but they are not as versatile and nomadic as often perceived (Chang, 2003; Bell and Hindmoor, 2013). Chang (2003) discusses the concept of sunk cost as being a factor impacting the relative ease with which TNCs can relocate investments. Sunk costs are past costs to a firm that have already been incurred and cannot be recovered. Chang (2003, p.263) remarks that industries with low sunk cost such as the garment or shoe industries have potential to be more nomadic, whereas industries with high sunk cost such as pharmaceutical companies are not as footloose. The large amounts of money spent in establishing the business venture, as is the case with businesses with high sunk cost, essentially ties them to the

area to recover the costs. However, this does not mean that location bound TNCs will submit to all conditions provided by the state but, arguably, are willing to put up with more restrictive policy measures so long as they are stable and predictable (Ostry, 1990).

The fourth factor that can affect the ability of business to influence policy making is how united businesses and business groups are in their policy preferences (Farnsworth, 2004; 2010). Dahl (1961) contends that the differences between specific industries' needs in terms of policies are varied and work to keep business as a collective entity from presenting a unified view or coherent set of policy prescriptions. Differences between size, sector, and the home governments of business can all work to create different needs and policy preferences (Mann, 1993; Forsgren, 2013; Thomas, 2011).

Farnsworth (2010) remarks that divisions between different types of business may constrict influence in certain instances but it will not completely negate business power and its ability to influence national policy making.

Furthermore, business associations at the international level are more united in policy preferences and where divisions do exist between international investor groups, the issues are smaller and less controversial (Farnsworth, 2010).

The fifth and final factor that helps to determine the level of business power is the relative power of other actors who have a vested interest in policy outcomes (Farnsworth, 2010; Thelen, 2013; Anthonsen et al, 2010). Labour movements, non-governmental organisations (NGOs), and other fractions of

civil society often have a competing and opposing interest to business policy preferences and are able to challenge the power of business in policy outcomes (Thelen, 2013; Baccaro and Howell, 2011; Anthonsen et al, 2010; Piven and Cloward, 1971; Korpi, 1983). This is particularly the case in domains such as social policy and labour regulations (Thelen, 2013; Anthonsen et al, 2010; Korpi, 1989; Esping-Anderson, 1990). Non business actors have the capability to successfully challenge powerful business interests and can do so by democratic means or by other outlets such as civil disobedience and protest uprisings (Smith, 2011; Piven and Cloward, 1971; Yeates, 2001). Yeates (2001) highlights the importance of international labour and human rights regimes such as the ILO in the promotion of labour standards which are promoted to prevent countries from basing their attractiveness to foreign investment based on low labour standards.

It is important to note that although firms have power to influence policies it is not guaranteed they will engage in the policy making process of host economies (Farnsworth, 2010). Farnsworth (2010) lists three reasons why business actors may not participate in social policy making: one, social policy is complex and diverse arena; two, social policy has long- term and uncertain consequences; and three; social policies do not always have an obvious implication for business needs (Farnsworth, 2010).

While exploring the ability of business to influence policy outcomes is important to the investigation of the impact of FDI on developing countries, it is also important to look more directly at the possible adverse social and

economic impact that TNCs can impose on host countries. The proceeding section will examine corporate harm, crime, cost and risk.

3.3: Deleterious corporate behaviour: Harm, cost, crime and risk

As discussed in Chapter Two (see section 2.2.1.1), TNCs are both reviled and respected, and held accountable for globalisation's ills as well as its successes (Stiglitz, 2006). The scorn for TNCs stems from the reality that business operations can impose large negative impacts in the host countries in which they operate (Haynes et al, 2013; Korten, 1995; Madeley, 1999; Richter, 2001; Bakan, 2004). There are four concepts that will be discussed here that relate to the negative impact of TNCs to host countries: harm, cost, crime and risk. For this thesis, harm denotes social and/or environmental injurious actions made by TNCs (Farnsworth, 2014) whereas costs refer to the overall effect or impact that such actions impose. TNCs can impose economic and financial costs, physical costs (injury/violence) as well as social costs (Lilly et al, 2015). Corporate crime, on the other hand, refers to the:

...conduct of a corporation or of employees acting on behalf of a corporation which is proscribed and punishable by law (Braithwaite, 2013, 1984, p.6).

Finally, risk refers to the possibility or likelihood that TNCs will conduct and impose harm, cost, and/or criminal actions. As all of the concepts are types

of harm, harm will be used to denote any or all of these actions unless stated specifically. I will briefly describe each of these concepts.

3.3.1: Corporate harm

Farnsworth (2014, p. 82) breaks the concept of corporate harm into three categories relating to corporate activity:

- physical harm, such as is caused by exposure to environmental pollutants, hazardous products or by unsafe working conditions;
- financial/economic harm, such as poverty wages and financial losses that are the result of, for example, fraud, price fixing or corporate tax avoidance;
- emotional and psychological harm, such as anomie and depression resulting from poor working environments.

All types of firms can cause harm and possible fatality via employment practices, sales and marketing, and research and development (in particular in the case of clinical trials for pharmaceuticals) (Haynes et al, 2013; Madeley 1999; Richter, 2001; Farnsworth 2014). Table 3.1 outlines the range of corporate harms and specific examples.

Table 3.1 Examples of corporate harm

Type of corporate harm	Examples of corporate harm
<p>Physical harm. TNCs are accused of exploiting weak labour regulations in developing countries and providing unsafe working conditions.</p>	<p>A fire at a garment factory outside of Dhaka, Bangladesh where more than 100 workers died in November 2012 highlights the occupational dangers facing garment workers due to unsafe working conditions. Most of the workers who died were killed because there were not enough exits in the building. The factory employs approximately 1,500 workers and produces \$35 million in sales per year (Bajaj, 2012). Clean Clothes Campaign, an anti-sweatshop advocacy group argue that global brands such as Tommy Hilfiger, the Gap and Walmart should take responsibility for the working in the Bangladesh factories that produce their garments and failure to do so amounts to criminal negligence (Clean Clothes Campaign, 2013). Clean Clothes Campaign links 14 global brands to the factory and contends that one year on only two companies have made any substantial</p>

	contributions for compensation for victims (Clean Clothes Campaign, 2013).
Financial harm. TNCs are accused of enhancing their profits by avoiding corporate tax which results in financial loss in revenues for host countries.	Global firms such as Starbucks, Google and Amazon have all been criticised for avoiding payment of tax on their sales in the UK (Barford and Holt, 2012). In 2013 retail and internet giant, Amazon, paid just £4.2 million in taxes despite selling goods worth £4.3 billion in the UK (Garside, 2014). In 2012 Starbucks had sales of \$400 million and paid no corporate tax. Google's UK subsidiary paid a mere £6 million in taxes in 2011 after a profit of £395 million (Barford and Holt, 2013).
Emotional and psychological harm. TNCs are accused of conducting clinical trials in developing countries to exploit lax ethics and regulatory mechanisms as well as desperate and poor patient populations.	Global pharmaceutical firms Johnson & Johnson and AstraZeneca have conducted clinical trials in India that violated both national and international ethical guidelines (Srinivasan, 2009). First, both companies conducted trials for psychotropic medication for mental illness and recruited mentally ill patients with such severe symptoms that their ability to provide informed consent was in question.

	<p>Second, both trials went against national and international ethical guidelines and conducted placebo trials when the experimental drug should have been tested against the established medication for the condition. Control groups were taken off their medication and were administered sugar pills. Patients in control groups relapsed into severe states of mental illness. There were deaths in both trials. No information is available to suggest any compensation was awarded. One patient committed suicide after taking a placebo for 173 days (Srinivasan, 2009).</p>
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

3.3.2: The costs of corporate harm

Harmful and injurious corporate behaviour results in various costs to host country environments. One of the driving motivations behind the rise of criminological explorations and discussions of corporate crime as well as white-collar crime was to emphasise that crimes committed by the powerful, for example corporations, invoke far greater economic, physical and social costs in comparison to ‘conventional’ crime, namely street crime, which has been the focus of criminal justice systems (Tombs and Whyte, 2003; Lilly et al, 2015; Rothe and Friedrichs, 2006; Kramer et al, 2002; Sutherland 1940,

1949, 1983). Incidents such as widespread insider trading on Wall Street (Tombs and Whyte, 2003), the manipulation of Libor interest rates by international banks (the Economist, 2012) and the savings and loan crisis of the 1980s and 90s (Lilly et al, 2015) alerted the public to the massive economic costs derived from corporate harm and crime. Furthermore, the extent of violence perpetrated by corporations has resulted in widespread physical costs which have been underscored by criminologists and sociologists to far surpass that of street crime (Lilly et al, 2015; Tombs and Whyte, 2003). Finally, although the financial/economic and physical costs accrued by corporations are great, corporate harm and corporate crime also result in social costs to societies as well (Lilly et al, 2015; Bruce and Becker, 2007; Sutherland, 1940, 1949, 1983). The 'inventor' of the criminological genre of white-collar crime, Edwin Sutherland, emphasised that crimes committed by corporations and other powerful actors cause damage to social relations by violating trust, lowering social morale and producing social disorganisation (Sutherland, 1940, 1949, 1983; Lilly et al., 2015; Bruce and Becker, 2007). This negative impact on social organisation is the social costs of corporate deleterious behaviour (Lilly et al, 2015; Bruce and Becker, 2007).

3.3.3: Corporate crime

Corporate crime is a type of white-collar crime (Benson and Simpson, 2015; Simpson, 2009). Sutherland (1940, 1949, 1983, p.7) introduced the concept of white-collar crime in 1939 as criminal activity "committed by a person of respectability and high social status in the course of his occupation." By placing the spotlight on white-collar crime, Sutherland demanded criminology

include examinations of crimes committed by the powerful as these crimes had been largely ignored by academic disciplines (Lilly et al, 2015; Simpson, 2002; Rothe and Friedrichs, 2006). There are debates, however, among researchers concerning the conceptualisation of corporate crime (Lilly et al, 2015; Kramer and Michalowski, 2005; Dorling et al, 2005). Some researchers contend the concept of corporate crime should only refer to criminal convictions and violations of the law (Shapiro, 1983). However, as the laws of home and host country differ coupled with the ability of corporations to influence the legal system in their favour (Kramer and Michalowski, 2005), other scholars assert the definition of crime needs to include violations of civil, regulatory as well as criminal statutes (Clinard and Yeager, 2006, 1980; Sutherland, 1940, 1949, 1983; Paternoster and Simpson, 1993). Still others declare that state statutes are too narrow in definition and advocate for the definition of crime to be informed by the concept of social harm (Dorling et al, 2005) or human rights (Ruggie, 2008; Kramer and Michalowski, 2005).

3.3.4: The risks of harmful corporate action

Lastly, there is an element of risk to host countries that TNCs will bring harm, cost and/or crime. Much of the risk depends on the legal and regulatory framework of the host country which can serve to mitigate harm and crime (OECD, 2002). Risk is also context specific to the industrial sector and the type of firm which will be explored in an upcoming section. Having explored corporate harm, cost, crime and risk it will be helpful to explore theories of

corporate crime as doing so will shed light on how and why corporations act in deleterious ways.

3.3.5: Theories of corporate crime: Organisational culture, strain and opportunity, rational choice and state-corporate crime

There are various criminological theories that help to explain corporate crime. This section will discuss four variations of corporate crime theory relating to organisational culture, organisational strain and opportunity, rational choice and state-corporate crime.

3.3.5.1: Corporate crime as a result of the culture of corporations

One of Sutherland's contributions to the genre of corporate crime stressed the culture of corporations can be criminogenic and serve to influence employees to break the law to further organisational goals (Lilly et al, 2015). Similarly, Clinard and Yeager (2006; 1980, p.58) in their classic study *Corporate Crime* furthered the idea that the "culture of the corporation" facilitates criminal behaviour. They demonstrated that corporations are rife with "rationalizations" or beliefs that the laws which regulate corporations can be adhered to selectively (Clinard and Yeager, 1980, p.68). Examples of rationalisations include the belief that free market capitalism renders government regulation invalid or that law violations are unavoidable if regulations are complex (Lilly et al, 2015). Corporations are able to neutralise conceptions of illegality and injurious actions by the beliefs they endorse such as government regulations unfairly impede the right of business to make profit (Benson and Simpson, 2015, 2009; Lilly et al, 2015).

3.3.5.2: Corporate crime as a result of strain and opportunity

Another tenet of corporate crime theory examines the normalisation of deviance (Vaughan, 1996). The crash of the US Space Shuttle *Challenger* in 1986 launched criminological investigations into corporate crime as significant safety risks were known to the manufacturer of the shuttle as well as NASA but the decision to launch was made despite the grave risks (Vaughan, 1996; Kramer, 1992). One explanation as to why corporations take unacceptable and dangerous risks, according to Diane Vaughan (1996, p.196), relates to the “culture of production” where intense production and performance pressures, deadlines, and cost savings spur businesses to take risks. Vaughan (1996) argued that risk taking as a result of production pressures becomes normalised and, ultimately, the ‘normalisation of deviance’ occurs whereby the perception of danger is neutralised. Lilly et al (2015) explicate that Vaughan’s theory provides valuable insight into corporate criminal negligence.

In line with Vaughan’s (1996) culture of production theory, several researchers examined corporate harm by looking at organisational strain and opportunity. Conventional conceptions of strain theory were used in criminology to explain street crime and delinquency which, the theory holds, occurs when an individual’s goal for upward mobility are blocked and the strain from this blockage results in criminal behaviour (Lilly et al, 2015). However, some criminologists began to apply strain theory to corporate crime (Yeager and Simpson, 2009; Croall, 2001, 1992; Vaughan, 1998). As businesses are under constant pressure to make profit and meet

organisational goals, they experience strain when goal attainment is blocked and may undertake harmful and criminal actions to achieve their goals (Yeager and Simpson, 2009). The intense emphasis on profit accumulation can go further than strain, researchers argue, to create anomie whereby the norms promoting legitimate behaviour breaks down (Messner and Rosenfeld, 2012; Passas, 2010; Vaughan, 1998; Lilly et al, 2015). When anomie is prevalent in business, goal attainment is the priority and attainment is achieved by any means necessary, whether legal or illegal (Messner and Rosenfeld, 2012; Lilly et al, 2015).

Corporate strain describes motivation but as Yeager and Simpson (2009) emphasise, corporate crime will not proceed without opportunity and choice. Benson and Simpson (2015, 2009) devised an opportunity approach that helps to explain white-collar crime which can help to shed light on motivations of corporate crime. Benson and Simpson (2015, 2009) contend that white-collar crime has three distinctive characteristics. First the offender has legitimate access to the location of the crime. Second, the offender is spatially separated from the victims of the crime. Third, their actions have an apparent appearance of legitimacy. Foreign investment via TNCs could certainly display these characteristics in that TNCs have legitimate access to host country locations, corporate decision makers are often located far from the people their decisions will impact and the power and financial clout of TNCs gives the impression that their actions are legitimate and cannot be challenged.

3.3.5.3: Corporate crime as a result of rational choice

Organisational culture, strain and opportunity help to explicate motivation and opportunity for deleterious corporate behaviour but what about the decision-making process to behave in harmful and criminal ways? How and why do corporations make decisions that victimise people and the environment? Paternoster and Simpson's (1993) rational choice theory of corporate crime is particularly helpful in understanding why corporate decision makers conduct actions that result in social harm. Traditional deterrence models stipulate that the greater the certainty and severity of punishment the less likely decision makers will act in criminal ways (Paternoster and Simpson, 1993). However, Paternoster and Simpson (1993) extend this model in two main ways. They argue decision makers take into account both formal and *informal* consequences *and* weigh these risks against the perceived *benefits* of malfeasance. In regards to the former, Paternoster and Simpson (1993) argued that informal sanctions such as negative publicity or damage to corporate reputation are equally, if not more, concerning to corporations than formal penalties and sanctions. Other forms of informal sanctions include moral costs and self-imposed sanctions such as loss of self-esteem (Paternoster and Simpson, 1993). In regards to the latter, an important aspect of Paternoster and Simpson's (1993) rational choice theory is that corporations will also compare the costs and expense of complying with law to the benefits of not complying. They argue that corporations often break the law not in direct expectation of advancement but, rather, to avoid what is considered an expensive and avoidable cost of compliance. In other words, some regulations are perceived as too costly to

follow. Examples of perceived corporate benefit include greater market share, increased worker productivity, lower production cost, increased profit and reduced health and safety expenses (Paternoster and Simpson, 1993; Lilly et al, 2015). It is important to note that this theory is a subjective utility theory of corporate crime. That is, it is concerned with the perceived costs and benefits not the objective costs and benefits (Paternoster and Simpson, 1993). In addition, Paternoster and Simpson (1993, p.45) hold, when considering the potential consequences and benefits, corporate decision makers use moral evaluations that define the acceptability of particular actions in particular instances or “moral rules-in-use”:

Moral beliefs or moral rules-in-use are related to but conceptually distinct from the notion of a *perceived sense of legitimacy of the rules and rule enforcers*. We argue that corporate decision makers will be less inclined to comply with rules and regulations they perceive as unreasonable or capricious (emphasis in original).

Given the above, Paternoster and Simpson (1993) outlined six conditions that help predict the likelihood that corporate crime will occur. Corporate crime is more likely when decision makers: (1) perceive that formal and informal sanctions will be weak, (2) do not experience a loss of self-respect, (3) have internalised situational rules-in-use that justify the act, (4) perceive the regulations as unreasonable or capricious, (5) weigh the costs of compliance as well as the benefits of noncompliance as great, (6) have offended in the past.

These then are examples of corporate crime theories that help explicate how and why corporations make decisions that are socially harmful and criminal. However, Ronald Kramer and Michael Michalowski (1990) argued that it was unlikely that corporations would commit criminal acts without assistance (either commission or omission) from the state. The last theory to be explored here is state-corporate crime.

3.3.5.4: Crime as state-corporate crime

Until Kramer and Michalowski's (1990) conception of state-corporate crime, criminology separated these crimes into two distinct categories (Bruce and Becker, 2007; Rothe and Friedrichs, 2006). State crime is defined as:

...any action that violates public international law, international criminal law, or domestic law when these actions are committed by individuals acting in official or covert capacity as agents of the state pursuant to expressed or implied orders of the state, or resulting from state failure to exercise due diligence over the actions of its agents (Rothe and Friedrichs, 2006, p.151).

However, Kramer et al (2002, p.263) conceptualised the state and the corporation working together to partake in criminal activities and devised the concept of state-corporate crime as:

...criminal acts that occur when one or more institutions of political governance pursue a goal in direct cooperation with one or more institutions of production and distribution.

Kramer et al (2002) distinguished between two types of state-corporate crime: state-initiated corporate crime and state-facilitated corporate crime. State-initiated corporate crime occurs when corporations who are employed by the state partake in 'organisational deviance' either at the direction or tacit approval of the state (Kramer et al, 2002, p.271). By specifying 'organisational deviance', this definition appears to advocate a definition of corporate crime that uses conceptions of social harm rather than simply violations of the law thus making it a much more inclusive definition of crime. State-facilitated corporate crime underscores the passive role that the state can take in committing crimes by omission. Kramer et al (2002) explain that state-facilitated corporate crime:

...occurs when government regulatory institutions fail to restrain deviant business activities, either because of direct collusion between business and government or because they adhere to shared goals whose attainment would be hampered by aggressive regulation.

Thus, for example, when host governments turn a blind eye to the failure of corporations to follow regulations because they want to create a business friendly environment and attract FDI, the social harm that results from this negligence—according to this theory—is a result of the complicity of the state in a state-facilitated corporate crime.

Kauzlarich et al (2003, p.248) add to the theory of state-corporate crime by devising a complicity continuum for both state commissions and omissions. The model explores differences in state action or inaction according to the

extent in which harm results from direct intention. The continuum consists of four discrete divisions of crime:

1. Explicit acts of commission occur when the state acts deliberately toward clearly specified goals.
2. Implicit acts of commission occur when state agencies provide tacit support of actions which result in social harm though participation is more indirect.
3. Explicit acts of omission occur when the state disregards unsafe and dangerous conditions when it has a clear mandate and responsibility to make a situation or context safe.
4. Implicit acts of omission occur when the state neglects to ameliorate general harmful social conditions.

Bruce and Becker (2007) examine the harms caused to plant workers and the environment at the Paducah Gaseous Diffusion Plant in Paducah, Kentucky and conclude the harms committed are an example of state-corporate crime. Their findings extend Kramer et al's (2002) theory to demonstrate that, in their case, the role of the state in the Paducah crimes evolved from that of an instigator to facilitator.

Given the above, it is important to note that corporate crime is under-researched in criminology and sociology (Tombs and Whyte, 2003; Bruce and Becker, 2007; Rothe and Friedrichs, 2006). It is largely recognised now that crimes that are committed by corporations have far greater economic, physical and social costs in comparison to street crime:

...yet this pressing aspect of social reality is generally ignored, or at best the subject of empty, gestural acknowledgment in current research, writing, and commentary on crime and criminal justice (Tombs and Whyte, 2003, p. 3).

Tombs and Whyte (2003) explicate that this is, in part, due to the ability of the powerful to evade critical examination. The difficulties in examining corporation harm will be explored further in the upcoming Methodology chapter.

Having examined issues of corporate harm, costs, risks and crime, the following section will explore how corporations have attempted to combat the widespread condemnation of corporate harm with corporate social responsibility.

3.4: Corporate social responsibility

Widespread and high profile occurrences of corporate harm and crime helped to promote massive protests at large IGO meetings as well as prompted successful worldwide boycotts of particular global brands (Klein, 2001; Richter, 2001; Stiglitz, 2004, 2006). The extensive public condemnation of corporate harm helped to promote global political actors such as IGOs, NGOs, civil society organisations (CSOs) as well as TNCs to look to new alternative methods of controlling corporate behaviour (Utting, 2005; Farnsworth, 2014). The result was a movement focused on CSR (Haynes et al, 2013). Farnsworth (2014, p. 93) defines CSR as:

...a range of business initiatives and policies that contributes positively to the welfare of a company's stakeholders, whether employees, consumers or their communities, while maintaining the interests of another set of corporate stakeholders – its shareholders.

Marques and Utting (2010, p.4) explain that both IGOs and development communities called upon TNCs to employ their competencies and ingenuity in ways more directly linked to inclusive growth in developing countries:

The CSR agenda promoted an ever-widening range of reforms and voluntary initiatives. These included the setting of social and environmental standards; development of various monitoring, reporting and verification mechanisms; consultation and engagement with different stakeholders; and assistance to local communities.

CSR is argued to decrease the level of corporate harm and such practices gain varying degrees of support from a range of business and business organisations, IGOs, state governments, and sections of civil society (O'Brien and Williams, 2007, 2013; Haynes et al, 2013). However, CSR also draws strong scepticism from critics (Jenkins, 2005; Haufler, 2000; Haynes et al, 2013). Part of the scepticism and criticism of CSR argues that corporations only became involved in CSR when threatened with stricter regulation thus making it a disingenuous movement on the part of business (Jenkins, 2005; Farnsworth, 2014). It is argued that corporations acted preemptively to international demands for imposed regulation and emphasised their willingness to voluntarily promote social responsibility which served to starve off enforceable regulation at the international level (Jenkins, 2005;

Haufler, 2000; Haynes et al, 2013). However, it is important to note that the voluntary nature of CSR has often been supported by developing countries themselves (Farnsworth, 2014; Holden, 2014). Issues of state sovereignty have prevented IGOs from intervening and demanding that a country strictly follow international treaties such as the Global Compact which attempts to foster fundamental principles in the areas of human rights, labour rights and environmental law (Farnsworth, 2014). In the past when trade unions and high income countries have attempted to tie labour conditions to trade agreements within the WTO, developing countries have often refused and accused high income countries of attempting 'back door protectionism' as lower wages and relaxed regulations are argued to be a component of their competitive advantage over high income countries (Holden, 2014).

There are a number of voluntary or self-regulated initiatives for good corporate behaviour that were constructed and promoted by IGOs such as the UN, OECD, EU, and ILO. The UN's Global Compact is an example of a CSR initiative (Farnsworth, 2014). However, as Farnsworth (2014) argues, as these initiatives are voluntary, the potential to influence corporate behaviour will remain context specific to several factors including the ownership of the firm; the regulatory environment in which it operates; the relative strength of labour groups, NGOs, and CSOs; and the extent of public scrutiny.

Having discussed general issues of corporate harm and CSR that are applicable to all firms, it will be helpful to explore the issues of harm that are specific to particular types of firms. As stated above, different types of firms

carry various potential risks and benefits for host countries that are often context specific to the type of firm (Dunning, 2002, 2008; Chang, 2003; Farnsworth, 2004, 2010). The next subsection will highlight types of TNCs before moving on to look at the impact specific types of TNCs can have on the social welfare of citizens within developing countries.

3.5: Types of TNCs and the implications for social policy within developing countries

The basic rationale for utilisation of FDI by firms is to either increase or protect their profitability and/or capital value (Dunning, 1997a, 2002, 2008; UNCTAD, 2006; Forsgren, 2013). TNCs accomplish this goal by using FDI to either better exploit their existing competitive advantages or protect or increase their advantage (Dunning, 2002, 2008; UNCTAD, 2006; Forsgren, 2013). By utilising one or many of their advantages, the TNC is employing a strategy known as 'asset exploiting' and will choose a host location for its investment based on one or more of three motivations: to seek new markets, to raise the level of the firm's efficiency, and/or to source better quality input resources such as natural resources, skilled labour, good quality infrastructure, etc. (Dunning, 2002, 2008; UNCTAD, 2006; Forsgren, 2013). When a company seeks new markets, this type of firm or investment strategy is referred to as market seeking (Dunning, 2002, 2008; UNCTAD, 2006; Forsgren, 2013). Market seeking firms may choose new markets based on the number of consumers or they may choose markets which are close in proximity to domestic markets and/or are similar and familiar to domestic markets in terms of culture and language, etc. (UNCTAD, 2006). Efficiency

seeking FDI is investment that takes advantage of differences in the availability and costs of resources within a country (Dunning, 2002, 2008; Forsgren, 2013). Often, the term 'efficiency seeking' is associated with firms looking for lower cost labour and common examples of efficiency seeking firms are garments and electrical products (UNCTAD, 2006). Resource seeking is the third type of asset seeking motivation and occurs when firms internationalise to source better quality or cheaper inputs of production such as land, labour, capital and natural resources (Dunning, 2002, 2008; UNCTAD, 2006; Forsgren, 2013). Resource seeking firms are often associated with natural resources whereby firms are based in the primary sector or in sectors directly connected to natural resources such as metal manufacturing. In contrast with asset exploiting TNCs, other firms may not possess the assets or comparative advantages to utilise the motivations listed above yet they do possess some advantages which enable them to invest abroad (Dunning, 2002, 2008; UNCTAD, 2006). These firms may internationalise operations in order to augment assets or acquire 'strategic' created assets such as technology, distribution networks, R&D capabilities, managerial competences, etc. (UNCTAD, 2006).

Both developed and developing countries create investment strategies that will encourage one or more of these types of firms to their domestic markets. State investment strategies will be explored further below (3.7). However for now it is important to understand that countries compete with one another for investment opportunity and the aforementioned types of firms that invest in the host economy will bring a different set of risks and benefits and create different implications for social welfare.

One major difference between types of firms is the type of labour needed for the business operation. Thomas (2011) explains that inward investment that requires cheap, unskilled, labour such as efficiency seeking firms can place downward pressure on social policy. The World Investment Report for 2006 explains that efficiency seeking firms in developing countries are often embedded in global value chains (GVCs) (see section 2.2.1.2) are highly competitive and often embedded in labour intensive industries (UNCTAD, 2006). These types of firms are motivated:

...incessantly by competitive pressures, other cost reducing factors, including national and international policies can affect the location choice quite markedly (UNCTAD, 2006, p. 160).

Policies that increase minimum wages, for example, will adversely affect efficiency seeking firms' motivation for lower costs. As efficiency seeking firms have lower sunk costs, they are more mobile and can shop around for the cheapest labour as well as use exit threats to influence policy construction that incorporate their preferences (Chang, 2003, 2014; Chang and Gabel, 2004).

As explained in Chapter Two (see section 2.2.1.2), often efficiency seeking firms are integrated into GVCs; they control the branding and marketing and contract the production of the product to low cost locations (Nathan and Kalpana, 2007; UNCTAD, 2006). Efficiency seeking firms and GVCs are connected with the establishment of export processing zones (EPZs) by host countries to try and attract this investment mainly for the export of manufactured goods (UNCTAD, 2013). EPZs are designated enclaves for

business, in particular, foreign business and the production activities are not subject to the same tax rates in comparison with those in the rest of the economy (Yeates, 2001). EPZs are known for providing tax and financial incentives to business and, equally, for insecure and casual employment creation with low wages and, often, depressed workers' rights (Yeates, 2001; Thomas, 2011). UNCTAD (2013) conclude that national policies will be of crucial importance to mitigating for potential costs and extracting benefits:

To mitigate the risks involved in GVC participation, these efforts should take place within a strong environmental, social and governance framework, with strengthened regulation and enforcement and capacity-building support to local firms for compliance (UNCTAD, 2013, p. xi).

On the other hand, resource seeking firms in need of higher skilled labour can place upper pressure on host economies to implement supportive educational programmes (Estevez-Abe et al, 2001; Farnsworth, 2010). Whereas resource seeking firms in need of mineral extracts will place different pressure on states and will bring a different set risks and advantages than those in need of highly skilled labour (Farnsworth, 2010).

Business needs continually evolve and may evolve into different policy preferences over time (Thomas, 2011; Farnsworth, 2010). Market seeking companies may be initially attracted to a host country and later in time become involved in the privatisation of public services and, thus, try and influence policy accordingly (Farnsworth, 2010). Market seeking firms may need to expand their consumer reach and benefit from the redistribution of

income so that more consumers can buy their products and services and support policies of this nature (Farnsworth, 2010). Market seeking firms may also try to change consumer spending habits or change consumer preferences and, worse still, introduce and push inappropriate goods and services into the market (Richter, 2001). Thus, even within categories of types of firms, there are various outcomes as to the possible costs and benefits and implications to social welfare that business can bring to host economies and these may evolve into various policy needs as well.

Thus far much of the discussion has concentrated on the impact of business, business policy needs and preferences and the implications that TNCs have for social welfare in developing countries. However, the state has a large role to play in mediating the impact of FDI on its citizens and economies. As will be argued below, the state must provide environments that are conducive to both human and corporate welfare. How the state is able to balance making provisions for both equitably will influence the overall impact of corporations, on the social welfare of the host country. This is the topic of the next section.

3.6: Corporate and social welfare agendas in a development context: The struggle to provide the right mix

Both people and businesses are dependent upon the state for needed provisions to function and thrive (Gough, 1979; Glasberg and Skidmore, 1997; Farnsworth, 2012). Citizens need social welfare to help them 'socialise' the expenses of both innate and exceptional types of risks that can occur throughout the lifespan such as unemployment, sickness, workplace

injuries, and old age (Titmuss, 1976). However, equally, corporations benefit greatly from the provision of services from the state known as 'corporate welfare' that help firms socialise the risk associated with business operations (Farnsworth, 2012, p.6). Glasberg and Skidmore (1997, p.2) define corporate welfare as:

...those efforts made by the state to directly or indirectly subsidise, support, or rescue corporations or otherwise socialise the cost and risk of investment and production of private profits and capital accumulation of corporations.

Examples of direct corporate welfare include decreased tax rates or tax loopholes, subsidies for specific industries and financial bailouts (Glasberg and Skidmore, 1997; Nader, 2000) while other indirect provisions include public education and health systems, housing and public transportation provisions which assist with productivity and can help subsidize lower wages (Kwon, 2014; Ghosh, 2004; Farnsworth, 2012). Farnsworth (2012, p.3) remarks that it is helpful to contemplate welfare provision as a "continuum of need satisfaction" whereby social and corporate welfare are located at the extreme ends. How host governments balance the needs of business and its citizens will provide insight into the impact of FDI to the citizens of a host economy.

Issues of social and corporate welfare are applicable to both developed and developing countries but developing countries are situated in a different context as international governance can be more prescriptive for developing countries in how they 'should' engage in the global economy (Kwon, 2014;

Farnsworth, 2010; Thomas, 2011). Furthermore, developing states can have increased economic and managerial constraints to implementing welfare programs (Mkandawire, 2004; Dreze and Sen, 2013). Although social welfare policies are helpful to business, economic growth and the competitiveness of state's economies (Gough, 2000; Kwon, 2014; Dreze and Sen, 2013); mainstream development agendas continue to prioritise the needs of business and economic growth over social welfare (Marques and Utting, 2010; Farnsworth, 2010; Utting et al, 2012) which is conceptualised as an 'add on' to future economic development (Mkandawire, 2004).

This section is divided into two parts. The first part will examine the interdependence between the state and the market. It will explore the welfare continuum, as utilised by Farnsworth (2012) which has both corporate and social welfare aspects to demonstrate the interrelationship between the needs of the state, business and citizens. The second part will briefly explore the history, policy legacies and ideologies of the role of welfare in development thinking. It will concentrate on the rise of neoliberalism and its downward pressure on social welfare provisions. It will also examine the current alterations in the neoliberal development prescription, often termed the post Washington Consensus (Marques and Utting, 2010), sustainable human development (UNDP, 1995; Gore, 2000), or new growth theories (Mkandawire, 2004) that, it will be argued, while giving voice to a need for social policy in development endeavors, continue to prioritise the needs of business and undermine the proactive role of social welfare and development (Mkandawire, 2004; Utting et al, 2012).

3.6.1: The state-market nexus: The role for social policies within economic development

Researchers in various fields have often rejected notions that the state and the market are distinct and opposing forms of economic activity and that the two are interconnected and mutually dependent (Chang, 2014; Evans, 1995; Fligstein, 2001; Yeates, 2001; Block and Evans, 2005). On one side is the dependence of the market or business, on the state and on the other is the dependence of the state on the market and private business (Thomas, 2011; Block and Evans, 2005). This mutual dependence ensures that welfare provisions of the state have components of both corporate and social welfare and that both need to coexist with a degree of cooperation to fulfil the needs of business and its citizens (Farnsworth, 2012).

The dependence of the market and business on the state is contested by free market and neoliberal theorists (Hayek [1944] 1976; Friedman, 1989) who argue capitalist economies function more efficiently without government intervention or interference (see section 2.2.2). However, opposing viewpoints highlight the dependency that business and markets have on the legal and political structures provided by states without which markets could not function (Weber [1922] 1978; Polanyi, [1944] 2001; Yeates, 2001; Chang, 2003, 2014; Block and Somers, 2014). Weber ([1922] 1978) remarked that the type of capitalism dominant in Western Europe depended from and relied upon on the effectiveness of its property and contract laws. In a similar vein, Polanyi ([1944] 2001) argued market economies were reliant upon land, labour and capital which cannot be derived by the market forces alone. Chang (2004) observes that markets are based on institutions

that regulate who can participate, the legitimate objects that can be exchanged, the rights and obligations of participants involved, and the rules that regulate the process of exchange. All of these elements are constructed and determined by the state and necessary for business to function (Chang, 2004). Yeates (2001, p. 75) succinctly captures this line of argument:

Indeed, despite neo-liberal fantasies, markets do not spontaneously arise fully grown from nowhere by some form of economic immaculate conception.

Furthermore, it is argued, that the state is mutually dependent upon markets and business (Thomas, 2011; Bell and Hindmoor, 2013; Gough, 1979, 2000; Tilly, 1990). As explained above (section 3.2), the state is dependent on the economy and the revenue from business to fund its operations and this ties its policy-making to the needs of private capital (Thomas, 2011; Bell and Hindmoor, 2013; Culpepper, 2011; Offe and Ronge 1984). Termed economic structuralism, these theories explicate how the systemic needs of capitalism drive and shape social welfare policies (Farnsworth, 2012; Tittenbrun, 2013). This direct connection between the state, economy and social welfare outcomes was explored clearly in Karl Marx and Friedrich Engels' Communist Manifesto originally published in 1848 (Wetherly, 2005; Farnsworth, 2012). Considered in this light, the state is neither neutral or invisible in serving the needs of private capital and, in doing so, preserves and maintains an economic system that is otherwise unstable (Poulantzas, 1973; Wetherly, 2005; Tittenbrun, 2013). Other theoretical disciplines such as elite pluralists (Dahl and Lindblom, 1976) and neo-Marxists (Block, 1977;

Offe and Ronge, 1984) similarly emphasise the need for future investment by private business to ensure continual state revenue as well as legitimacy of authority (Farnsworth, 2012).

Thus, capitalist states need and depend upon business and vice versa and explored in this way welfare policies can be seen as a mechanism to ensure profitable conditions for business are created within an economy (O'Connor, 1973; Gough, 1979, 2000; Tittenbrun, 2013). One line of reasoning termed 'the logic of industrialism' (Huber and Stephens, 2005, p.552) argues that the original determinants of welfare state expenditures resulted from the process of industrialisation and urbanisation that undermined traditional modes of social protection such as families and communities and propelled the state to assume more responsibility for the industrial worker (Wilensky, 1975; Pampel and Williamson, 1989; Huber and Stephens, 2005). A related point of view holds that the liberalisation of markets causes workers to become vulnerable to external economic shocks for which the government must provide protective provisions (Rodrik, 2000; Huber and Stephens, 2005). Social welfare states, in turn, have become a contributing factor in the creation of the global economy and have facilitated the shift from a closed economy to an open one as Yeates (2001, p.26) explains:

By mitigating the economic and social impact of restructuring on the welfare of individuals, social policies provide the necessary 'political space' to relax closure vis-à-vis foreign markets and make a major contribution to social and political stability.

Thus, social welfare provisions have been influenced by the outcomes and resulting needs that arise from the markets, businesses and liberalised economies upon which the capitalist state is dependent (Farnsworth, 2012; Morel et al, 2012). Furthermore, welfare provisions provided by the state support not only its citizens but also markets, businesses and economies. However, for neo-Marxists such as O'Connor (1973), these imperative expenditures which service business, the state and citizens are often competing and incompatible. According to O'Connor (1973) in order to maintain a profitable system of capitalism, the state has to pursue two forms of expenditure that are often contradictory: social capital expenditures and social expenses. Gough (2000, p.65) explains the notion of social capital:

Expenditures on social capital are required for profitable private accumulation. They in turn consist of two categories: social investment expenditures which increase the productivity of a given amount of labour, and social consumption expenditures, which lower the reproductive costs of labour power. Either way these state activities are indirectly productive of surplus value and hence profits.

Social expenses, on the other hand, include social and military expenses that are utilised to maintain social harmony and provide legitimation to the state and are not productive of surplus value and profit (O'Connor, 1973; Gough, 2000).

Farnsworth (2012) aligns the concepts of social capital and social expenses with corporate and social welfare respectively; however, he envisions the

relationship as more of a continuum as opposed to dual opposites described by O'Connor (1973). For Farnsworth (2012, p. 9):

...social and corporate welfare can play complementary roles in economic management, affecting the strength of the economy and the overall quality of life within nations.

Corporate welfare can stimulate investment and production, rescue industrial sectors and reduce the price of goods and services for consumers (Farnsworth, 2012). These measures can help curb firm closures, wage cuts and curtailment of occupational provisions such as pensions all of which serve to assist citizens (Farnsworth, 2012). Equally, and as described above, social welfare policies can assist both, as unemployment benefits soothe economic downturns and public provisions for education, training and transportation costs assist with productivity and reduce employment costs as a portion of the wage basket is subsidised by the state (Morel et al, 2012; Ghosh, 2004; Farnsworth, 2012).

In sum, there is clear link between economic and social realms within market based economies whereby welfare provisions assist with the needs of business, the economy, the state, and its citizens (Morel et al, 2012). However, the balance and equitable provision of corporate and social welfare within and between states varies considerably (Farnsworth, 2012). While the needs of both business and citizens necessitate a fair provision for both, there are political and ideological factors that can complicate and skew the proportional distribution of the two (Block and Somers, 2014; Glasberg and Skidmore, 1997; Farnsworth, 2012). Furthermore, there are common

perceptions that social welfare provisions, in a development context are a luxury that developing countries cannot afford despite arguments of direct positive linkages between social welfare and economic growth in developing countries (Kwon, 2014; Mkandawire, 2004; Dreze and Sen, 2013; Keynes, 1936, 1980; Myrdal, 1984; Esping-Anderson, 1990). These are the issues explored next.

3.6.2: The rise of neoliberalism and the severance of social welfare from theories of economic growth

Farnsworth (2012) observes that both history and ideology impact the variation of provision of corporate and social welfare within and between nation states. As explored in Chapter Two, developing economies are heavily impacted by neoliberal ideology. This section will explore the role for social welfare in development theories, the rise of neoliberal ideology and the resulting detachment of social welfare from economic growth theories. It will also explore the more contemporary development strategies that do, in theory, recognise a role for social policy within development.

Mkandawire (2004) underscores that most of the forerunners of economic development were interested in examining the social dimensions of development, principally because it addressed issues of poverty. Elimination of poverty was seen as a critical step in the attainment of economic growth for many early development theorists (Morel et al, 2012; Meier and Seers, 1984). Karl Gunnar Myrdal (1984) who worked closely with free market advocate and neoliberalism pioneer, Friedrich Hayek, argued in the 1930's that social expenditure was not solely for the benefit of public consumption

but a necessary instrument for development. The treatise that social progress is necessary for the development process is widely associated with John Maynard Keynes or Keynesian macroeconomics (Townsend, 2004; Morel et al, 2012). Keynes (1936) emphasised the need for government intervention in the operation of the markets and underscored the direct positive correlation between social welfare and macroeconomic prosperity. Keynesian economics directly facilitated the development of comprehensive social welfare programs (Townsend, 2004) and, as Farnsworth (2012, p.11) argues, helped to lay the foundations for the “modern corporate-social welfare state” as well.

However, the decade of the 1970's began to see the decline in Keynesian economic principles (Townsend, 2004; Block and Somers, 2014). The occurrences of twin international economic crisis caused by sharp rises in oil prices and high levels of inflation coupled with low demand gave birth to the ascendance of neoliberal ideology (Chang, 2002, 2014; Chang and Grabel, 2004) until the post 2008 world economic crisis (Farnsworth, 2012).

Townsend (2004, p.37) observes the rise of neoliberalism and its widespread reach and permanence:

Yet by the 1970s Keynes' steadying influence on world social development and the global market had faded, and monetarism and conservative political forces were in the ascendant. For more than three decades disciples of free market have dismissed his ideas and successfully changed, but also shaped, the institutions of trade, communication and government as well as those of the market itself.

Neoliberalism eviscerated social policy from economic strategy and created a thesis that there is a trade-off between social policy and economic development or between social equity and market efficiency (Mkandawire, 2004; Marques and Utting, 2010; Block and Somers, 2014). This trade-off theory is a hallmark legacy of the Washington Consensus which assumes that diverting resources to social policy while softening the blow of the structural adjustments for “weaker sections of society” was “buying short-run palliatives” at the cost of long term development as it would only slow down the “necessary ‘adjustments” (Chang, 2004, p. 246).

The argument that economic growth is a trade-off for social welfare is ensconced in a general critique of the welfare state as being inefficient in several respects: it crowds out a more efficient private sector solution; it distorts labour markets and introduces various rigidities, and negated incentives for people to seek work or create productive livelihoods (Hayek, 1944; Peck, 2010). Thus, neoliberal development prescriptions called for cutbacks or curtailment on social spending, privatisation of basic public services, deregulation of labour markets and the abandonment of social planning (see section 2.2.2) (Peck, 2010; Rodrik, 2011; Gore, 2000; Stiglitz, 2002; 2006; Chang, 2007, 2014). Furthermore, addressing social needs whilst in earlier stages of development, neoliberalism argues, fails to address the pre-existing issue of the resource constraints and, thus, social expenditure is seen as self-defeating and inefficient as it deploys needed resources and reduces the level of national savings and investment (Mkandawire, 2004). In this light, social policy is seen as an end result to

development, something to occur after economic growth and, thus, not relevant for developing countries (Mkandawire, 2004).

However the staunch opposition to the incorporation of social welfare for development and economic growth has been relaxed since the days of the Washington Consensus. Several researchers (Morel et al, 2012; Gore, 2000; Chang, 2002; Mkandawire, 2004; Stiglitz, 2006; Farnsworth, 2010; Marques and Utting, 2010) explore the paradigm shift in development prescriptions on behalf of the Bretton Woods institutions that occurred, in particular, since the mid-1990s, which began to express the recognition of poverty alleviation and support for social sectors on development grounds (UNDP, 1995a, 1995b; IMF, 2000; World Bank, 2004). The shift occurred partly in response to the widespread criticism that the structural adjustment programmes brought persistent poverty, skewed and perverse distributional and social effects as well as failed to generate the level of investment and economic growth promised (Marques and Utting, 2010). The shift began with UNICEF, the children's rights organisation's critique of the dominant reform approach and called for 'Adjustment with a Human Face' in its annual report in 1987 (UNICEF, 1987). It continued forward as the introduction of metrics of development other than gross domestic product such as Human Development Reports issued by the United Nations Development Programme commencing in 1990 (UNDP, 1990).

Mkandawire (2004, p.8) explains that the "new growth theories" that arose following the Washington Consensus placed human development high on the strategic agenda through social policies affecting education, health and

equity tend to enjoy higher rates of growth (Mkandawire, 2004). However, Mkandawire (2004) goes further to argue that recognition of the importance of social development does not necessarily lead to its implementation into public policy. There are impediments such as ideological and political barriers as social policy is a highly political process that concerns arrangements of power, political bargains, and conflicts. Mkandawire (2004) concludes that social policy continues to be perceived as a residual category of safety nets and not something fully integrated with economic growth strategies.

In a similar vein, Marques and Utting (2010) explain that the response to the massive failures of the neoliberal development approach resulted in paradigm challenges, one of which is termed the post-Washington Consensus. However, the post-Washington Consensus merely added good governance and poverty reduction to the original neoliberal agenda which prioritises the needs of business which, it is argued, will reduce poverty (Marques and Utting, 2010).

In sum, even though development prescriptions have recognised a place for social policy in the years following the Washington Consensus, the needs of business to create economic growth continue to be prioritised (Marques and Utting, 2010) and the role of social welfare continues to be viewed more as a category of residual safety nets rather than a critical ingredient for growth (Mkandawire, 2004).

So while corporate welfare and social welfare are needed to produce stable and growing economies and societies, striking the right balance between the

two may prove difficult for developing countries. However, as explored above, social welfare is often profitable to business and endorsing the type of welfare that selectively promotes 'taken for granted' business needs with minimal government intervention and regulation may hurt both economic and social development (Farnsworth, 2010, p.84).

Given the arguments made in this chapter thus far, an important question arises. How can the state implement social policies that best mitigate for corporate damages and extract potential benefit given the uphill battle with corporate power, IGO prescriptions, and competition between developing states to attract investment? The next section will explore state investment strategies and the power of the state to get the most from TNC investment while mitigating for risk and harm.

3.7: Investment strategies and the state's capacity to mitigate for harm and extract benefit

As was emphasized in Chapter Two (see section 2.4), the benefits of FDI do not automatically accrue and states need to construct effective investment strategies and policies for the welfare of their citizens as well as the economy (OECD, 2002; 2008; ILO-OECD, 2008).

As states compete for FDI they construct investment strategies to capture inward investment (Thomas, 2011; Farnsworth, 2010). Countries will have certain resources that they can promote to potential investors as comparative advantages and will often develop investment bureaux to advertise these advantages to foreign investors (Farnsworth, 2010). The resources a

country has to offer will vary. Some may have natural resources such as oil or mineral reserves which they can promote, while others may promote large growing domestic markets and others a highly educated and disciplined labour force. The investment strategies employed by state governments to attract investment will attract specific types of investors in need of what the state is offering. The costs and benefits extracted from investment is highly contingent upon what type of investment the country is attracting (Farnsworth, 2010; Moran and Oldenski, 2013).

Chang (2003) categorises investment strategies into two main categories: functional and selective. Functional policies are generic investment strategies and do not favour any particular activities, firms, or industries over any other; they are generic and market friendly. Farnsworth (2010) states these strategies appeal to 'universal' business needs informed by neoliberalism and are applied irrespective of the nature of the host economy or the particular state of development. Selective policies, on the other hand, are more tailored to a country's needs and comparative advantages and the government actively intervenes in such strategies to influence the type of investment attracted as well as the terms under which companies can invest (Chang, 2003). Selective policies are ones in which the government encourages certain firms or industries and discourages others. Chang (2003) stresses that neoliberal ideology supports the open door ethos of functional policies and discredits selective policies as being interventionist, and thus, ineffective and protectionist. However, this is not necessarily true as Lall (1997, p.408) points out in the following passage:

There is nothing in economic theory that says that functional interventions are better than selective ones. The recent trend to favour functional interventions has no theoretical basis if the relevant forms of market failure exist. ...On the empirical side, considerable evidence has been accumulated to show that selective interventions can be of vital significance for accelerating and deepening the process of industrial development, and that, under certain conditions, governments can and do intervene effectively.

The policy advice which recommends open door functional policies across the board are based, in part, on an argument that investment decisions are based on the amount of freedom granted to TNCs (Chang, 2003). However, FDI decisions are more likely to be based on other factors such as the overall performance of the economy rather than specific incentives and regulatory policies (OECD, 2002, 2008; Chang, 2003, 2014; Moran and Oldenski, 2013). The World Bank (1985, p.130) too has argued this point:

The specific incentives and regulations governing direct investment have less effect on how much a country receives than has its general economic and political climate and its financial and exchange rate policies (World Bank, 1985, p.130)

The promotion of open door policies with minimalist protections and regulations are also based on the misconception that TNCs can locate and invest in any country. As explored above, location choice is based on a complex set of factors such as firm motivation to exploit or augment particular assets and for some firms location choices will be limited

(Forsgren, 2013; Dunning, 1997a; Yeates, 2001; Chang, 2003). The limitation of location choices for certain sectors causes firms to compete with one another for opportunities in attractive host countries (Fosgren, 2013; Chang, 2003; Farnsworth, 2010). Host countries can use this bargaining power to implement policies that regulate the activities of TNCs to help ensure spillovers and mitigate for social risks (Chang, 2003). TNCs are more likely to abide by stricter policy conditions in return for investment opportunity where the opportunity to do so is more rare (Ostry, 1990).

However, some developing countries may not have locational advantages for which TNCs will compete and, thus, may have much lower bargaining power. However, Chang (2003) concludes that these countries do not have to 'race to the bottom' in constructing policies in order to attract TNCs; they will most likely have a few bargaining chips with which to use in trying to get the most from investments while mitigating for costs or they can become more selective with investment policies in time as the industry or industries becomes more established. Chang (2003, p.265) explains:

It should be emphasized that, except for the poorest countries with meagre natural resource endowments, small domestic markets, and no locational advantage, potential host countries are not merely passive victims: they have, and often exercise with substantial success, considerable bargaining power in their dealings with TNCs.

The investment strategies and policies of East Asia and China go against the generalizations that suggest TNCs are not willing to participate in a more regulatory policy environment (Lall, 1997; Yeates, 2001; Yeung, 2013). In

most of the East Asian countries except for Hong Kong, government interventions were selective in nature and state governments strategically directed investment into and out of certain sectors and dictated certain terms and conditions of TNC behavior to better ensure the capture of social and economic benefits from foreign investment (Chang, 2003, 2014; Yeung, 2013). For entry of FDI, certain types of investments were promoted over others (Lall, 1997; Chang, 2003; Yeung, 2013). For example, investments that would supply critical intermediate inputs while using more sophisticated technology or labour intensive export investments that would generate more jobs and foreign exchange were approved over investments targeting market oriented consumer goods (Chang, 2003). These countries also used screening measures to ensure the 'right kind' of technologies was brought in via TNCs and on the right terms (Rasiah, 2006).

Several researchers (Lall, 1997; Yeates, 2001; Pierson, 2004; Kwon, 2004, 2014; Miura, 2012) highlight that the Asian development strategy incorporated social welfare activities into the corporate structure following what is referred to as the Japanese model of social welfare. Whilst many of the welfare activities did not provide direct finance, the overall strategy appeared to pay greater attention to the production-enhancing role that social welfare can play (Mkandawire, 2004; Kwon, 2014). Labour protection strategies through lifetime employment were offered in Japan (Yeates, 2001; Miura, 2012) and affirmative action policies were implemented in Malaysia (Mkandawire, 2004). Education, training, low rent public housing, and land reform were other examples of social welfare policies implemented in the

Asian experience that helped the development process (Ghosh, 2004; Kwon, 2014).

In sum, although business has structural and agency power to influence the terms of investment and undermine, social policy, the state has power to implement effective investment strategies to intervene in the activities of business to try and extract benefit and mitigate for potential risks.

3.8: Chapter summary

As discussed in Chapter Two, a large part of the development agenda within the globalized context for developing countries is concerned with making the host economy attractive to FDI. Governments try to attract and induce investment and they do this by adopting policies that are attractive to investors. Chapter Two concentrated on the economic policies that countries implement to attract investment. However, as argued here, the social welfare of the host economy is important to attracting FDI and social policies are often equally important to the needs of foreign investors. Thus, FDI has implications for the social policies of host economies.

This chapter examined the social impact of FDI on developing host countries by exploring the connection between business, social policy and the state's development strategies. Social welfare is critical not only for its citizens but also for the needs of business (Farnsworth, 2010, 2012; Hecock and Jepsen, 2013). While business has power to shape and influence host country policies, there are internal and external factors that serve to boost or limit business influence on social policy construction (Fuchs, 2005; Farnsworth,

2010; Bell and Hindmoor, 2013). TNCs can also directly impact host social environments with the risk of deleterious corporate behaviour. This chapter explored the concepts of risk, costs, harm and corporate crime.

It was observed in this chapter that state welfare provisions include both social and corporate welfare components and while the needs of both citizens and businesses necessitate an equitable provision of both, there are political and ideological factors that can skew distributional outputs (Glasberg and Skidmore, 1997; Farnsworth, 2012). Neoliberal ideology vastly undermines the need for social welfare for developing countries (Mkandawire, 2004; Marques and Utting, 2010; Utting et al, 2012). Even though development prescriptions have recognised a place for social policy in the years following the Washington Consensus, it was argued that the needs of business to create economic growth continue to be prioritised (Farnsworth, 2010; Marques and Utting, 2010; Utting et al, 2012; Kohli, 2012) and the role of social welfare continues to be viewed more as a category of residual safety nets rather than a critical ingredient for growth (Mkandawire, 2004). Naturally, this will most likely influence the impact that TNCs have on developing countries.

That said, the developing state can use its power to create investment strategies that regulate and steer the activities of business in order to better ensure positive spillovers and mitigate for potential costs (Chang, 2003; 2014). East Asia often effectively combined selective and interventionist policies to direct and control TNC involvement to ensure better growth opportunities (Lall, 1997; Chang, 2003; Kwon, 2012). While not all countries

will have the capabilities or comparative advantages to be as demanding of business as East Asia, adopting taken-for-granted business preferences and constructing lightly regulated markets with minimal social welfare policies may produce environments that are bad for business and for its citizens (Chang, 2003; Farnsworth, 2010).

Now that I have explored FDI and the potential impact to social welfare in developing countries in a general context, I will now proceed to explore the impact of FDI in development in India.

Chapter Four: Social and economic development in India

4.1: Introduction

India is viewed as a globalisation success story, and for some, it has taken its place amongst the showcase of developing countries that demonstrate the benefits of economic liberalisation and the progress that can come from alignment with global markets (Ghosh, 2011; Mazumdar, 2011; Kohli, 2012). With its sustained economic growth, increase in per capita income (Ghosh, 2011) as well as influx of foreign capital (Rao and Dhar, 2011b); India does have much to boast about. However, India continues to have high and persistent poverty rates, low human development indicators, alarming levels of food poverty (Banerjee, 2008; Dreze and Sen, 2013) which demonstrate a much more bleak picture of globalisation; one that indicates that economic liberalisation may not be the 'cure all' it is often purported to be (Chandrasekhar and Ghosh, 2006).

When India committed to structural reforms and officially liberalised its markets in 1991, it did so against a backdrop of widespread inequality and lack of social policies to address and restructure the social divisions (Dreze and Sen, 1995, 2013; Kohli, 2012). With that said, however, there was a greater decrease in inequality and poverty in the pre-reform period in comparison to post reform (Motiram and Vakulabharanam, 2011). There are several characteristics of the poverty and inequality in India that remain stubborn to change. First, there are considerable differences in the

incidences of poverty and inequality across and between different castes, classes, religions, and between men and women (Nachane, 2011). Second, there is a large divergence in poverty rates between rural areas and urban areas (Naschold, 2012, Krishan, 2014). Rural areas—where the majority of the population or 68 per cent reside (World Bank, 2014) are much more destitute (Nachane, 2011; Naschold, 2012). Third, there is substantial ‘inter-regional inequality’ or inequality between individual states (Nachane, 2011; Van Klaveren, 2010; Ghosh, 2011). A fourth characteristic to India’s poverty and inequality has been its lack of structural transformation of its workforce (Krueger, 2007; Mazumdar and Sarkar, 2008; Rodrik, 2011; Binswanger-Mkhize, 2013; Ghosh, 2011). The majority of the population are dependent upon and engaged in agricultural sector activities while employment generation and the share in GDP has fallen dramatically (Krueger, 2007; Binswanger-Mkhize, 2013). The service sector’s share of India’s GDP has increased remarkably and contributes to over half of the national income (World Bank, 2015; Krishan, 2014). However, the impressive output of the service sector has not generated the formal employment opportunities needed for India’s large workforce (Ghosh, 2011; Mazumdar, 2011). Meanwhile the stagnant output and employment generation of the industrial sector has further constrained the structural transformation leaving many bottled up in an unproductive agriculture sector or informal sections of the service sector (Papola, 2005; Bhattacharjea, 2006; Nachane, 2011; Rodrik, 2011; Binswanger-Mkhize, 2013; Ghosh, 2011).

India liberalised its markets slowly at first but by the mid-2000s most sectors were completely open to FDI and the government was actively incorporating

FDI into its development initiatives to bring needed and missing resources such as capital, technology, managerial skills and widespread employment for India's abundant labour force (Rao and Dhar, 2011; Shah and Patnaik, 2013; Mitra, 2008; Pradhan and Abraham, 2005). While FDI to India was slow to accumulate shortly after liberalisation, it greatly increased after 2005 (Rao and Dhar, 2011b; Pradhan and Abraham, 2005; UNCTAD, 2009). FDI inflow statistics reveal an increase in the stock of FDI from \$17.5 billion in 2000 to \$164 billion in 2009 (UNCTAD, 2009; Rao and Dhar, 2011b). Not surprisingly with the exceeding riches flowing to India, FDI became a coveted tool in the Indian government's development planning armour (Shah and Patnaik, 2013).

This chapter is divided into two parts. The first section will explore development in India prior to economic liberalisation in 1991 which covers the colonial period and the years of import substitution industrialisation (ISI). This section will analyse both economic and social welfare implementation and performance during this time. The second section investigates the Indian development experience after economic liberalisation. This section will look at both economic and social welfare performance by analysing the Indian growth model, FDI to India and inequality and poverty in India. Following this, the global financial crisis, the impact to development, developing countries and the specific impact to India will be explored.

4.2: Development in India: A brief history

India, a federation of 29 states located in southern Asia, is the world's largest democracy and second most populous country and has a long and rich history of bewildering diversity (Bhaduri, 2005). India's diversity applies not only to its geography and climate but also its religion, language and ethnicity (Bhaduri, 2005). Hindus are numerically the largest religious group (80.5 per cent) but many other religions form significant minorities such as Muslims, Christians, Sikhs, Buddhists and Jains (Bhaduri, 2005). India is very linguistically diverse as well with over sixteen major languages and over 500 dialects (Bhaduri, 2005). Hindi is the language of the Indian state although English is used for administrative communication and also for higher education. This makes India an attractive destination for FDI (Rao and Dhar, 2011b). However, this has created a linguistic divide as well as a divide of opportunity between those who can speak English and those who cannot (Bhaduri, 2005). Bhaduri (2005) argues, however, that India has experienced impressive progression of unity despite its multi-religious, multilingual, multi-ethnic and multinational characteristics.

This section will explore India's development up to economic liberalisation. Analysis of India's economic and social development and performance can be deconstructed and divided in different ways. I have chosen to deconstruct it with colonialism, independence and the years of import substitution industrialisation or state dirigisme as one period which is discussed in the proceeding subsection. India's planned economic liberalisation from 1991 will be analysed in a separate subsection. The big

conceptual divide for this chapter is pre-economic liberalisation and post economic liberalisation as liberalisation denotes a shift in India's perception of FDI and subsequently begins to become incorporated into its development strategies (Rao and Dhar, 2011b). Equally important to note is the process of economic liberalisation as how a country implements liberalisation, arguably, helps to determine the impact of FDI on its economy and citizens (Chang, 2003, 2014). Thus India's economic liberalisation and the way in which it opened its markets are examined separately in the third subsection. The years following economic liberalisation to the present day are categorised as India's current development trajectory and are discussed in the section, 4.3.

4.2.1: Economic development within colonial rule and the ISI years

India's relationship with FDI and the global economy is a unique and complex one. India's primary experience with foreign investment occurred in 1600 when several European chartered companies came to India as trading merchants (Van Klaveren et al, 2010; Kohli, 2004, 2012). One such chartered company was Britain's East India Company which would play a significant role in the colonization of the country (Kohli, 2004). Although it was British Crown rule that officially colonized India, the East India Company is known to have been the main facilitator; the Trojan horse, to this colonial oppression (Ratnam, 1998; Kohli, 2004,2012). The East India Company remains to this day, a unique transnational corporation in that the company effectively transitioned from an international trading enterprise into an operational colonial occupier of a subcontinent (Kohli, 2004, 2012). The

Company was India's primary experience with inward foreign investment and would cause lasting scepticism of its relationship with FDI (Ratnam, 1998). Contemporary movements in India against further liberalisation and TNC presence have often incorporated symbolic themes of colonial oppression and the East India Company in protest movements (Greer and Singh, 1996). As Ratnam (1998, p.577) emphasises, "The ghost of the East Indian Company still haunts the Indian psyche."

The nationalist movement that developed during this time not only united the masses into a movement against the British but also united support for the protection and autonomy of domestic industry as colonialism forced free trade upon India to the detriment of its indigenous industries (Kohli, 1991; 2004, 2012). Sovereignty, independence, and protected markets were all embraced within the concept of nationalism (Kohli, 1991; 2004, 2012; Reed and Reed, 2004).

From independence in 1947 to the economic reforms in 1991, India's development approach was state planned, directed and controlled, and is commonly referred to as the dirigisme, an economic system whereby the state exerts strong direction over investment and development (Shah and Patnaik, 2013). The original intention of the dirigisme was for the state to gain control over the 'commanding heights' of the economy through conforming the private sector to state planning priorities as well as through the expansion of public ownership of the means of production (Srinivasan and Tendulkar, 2003, p.13). The former goal was achieved through quantitative restrictions and regulations by an elaborate system of licenses

(Srinivasan and Tendulkar, 2003; Pedersen, 2008), pejoratively termed the 'Licence Raj' (Rodrik and Subramanian, 2005; Mazumdar, 2011). This system of licensing has often been criticised as being inefficient for private enterprise and developmental priorities as well as evolving into a source of corruption (Mazumdar 2008, 2011).

The years of the dirigisme produced very mixed economic results (Nachane, 2011; Alfaro and Johnson, 2013). But the analyses of these years are even more mixed in their interpretations. That said, most would generally agree that the years from independence to the mid-1980s, often termed the 'Hindu growth' period, demonstrated a rather lacklustre economic performance within the confines of a heavily protected and regulated regime (Dreze and Sen, 1995, 2013; Srinivasan and Tendulkar, 2003; Nachane, 2011).

The years of India's state dirigisme or ISI development period officially came to a close when in 1991 the government initiated structural reforms and liberalised the economy (Shah and Patnaik, 2013). Before analysing India's economic liberalisation, it will be helpful to explore India's social welfare development during the dirigisme years. Mazumdar (2011) argues that in order to understand India's present day capitalism, one must take into account the important continuities between the pre- and post- liberalisation stages. By doing so, Mazumdar (2011) contends, the tendency for Indian capitalism to generate uneven development becomes apparent and the increasing uneven development post liberalisation becomes more understandable. Thus, briefly analysing social welfare prior to economic liberalisation will aid in the examination of contemporary problems with

persistent poverty and inequality inherent in the contemporary Indian development scenario.

4.2.2: Indian social policy within the development process

One of the biggest disappointments of the 'socialist' years (and continues to remain a serious contemporary problem) was the lack of contribution towards a significant reduction in poverty alleviation or a decrease in inequality (Kohli, 2012; Dreze and Sen, 1995). Kohli (2004, 2012) argues that, despite the socialist rhetoric of the dirigisme years, the dismantling of structural inequalities was never whole heartedly embraced or attempted. Kohli (2004, p.265) states that unlike the government's commitment to nationalism and state led development, the commitment to the poor was superficial in comparison:

...how else would one explain the limited political energy devoted to land reform or, for that matter, to promoting widespread access to primary education?

Bhagwati (1993) concurs and argues that Indian planners vastly underestimated the productive role of health, nutrition, education and, thus, grossly underspent on them. He goes further to argue part of the problem was linked to notions of caste:

...a caste defined view of life that undervalues economic and social mobility, and the sense of futility of educating the children of the poor.
(p. 49)

Despite being outlawed by the Indian Constitution, the eradication of division of society along delineations of caste did not occur during the dirigisme and continues to be very exclusionary and marginalising for those in lower castes (Shah, 2004). The caste system, a religious based system of social hierarchy, will be explored further in an upcoming section (section 4.3.3).

Several researchers argue that widespread poverty alleviation following independence would have required major land reform and the breaking of land monopolies, economic redistribution and the reorganisation of the rural areas and none of these objectives were pursued to any extensive degree (Dreze and Sen, 2013; Prasad, 1989; Kohli, 2004, 2012; Chandrasekhar and Ghosh, 2006; Ghosh, 2011; Mazumdar, 2008, 2011). Ghosh (2011) states that the inability to implement these types of reforms kept the structures and patterns of inequalities in place:

The inability to undertake land reforms or other strategies that would have involved substantial redistribution of assets not only meant that wealth and income inequalities continued to be very high, but also affected the ability of the Indian state to undertake economic policies that would be perceived as going against the interests of the landed and other elites. (p.2)

As explored in Chapter Three (see section 3.6.2) there are ideological and political barriers to social policy construction due to its highly political nature (Mkandawire, 2004). Embedded features of the Indian political economy were class based and this limited the construction of social welfare policies (Ghosh, 2004; Chandrashaker and Ghosh, 2006; Kohli, 2004, 2012).

Kohli (2004, 2012) argues that because India is a democracy, unlike China and the Soviet Union at the time, its leaders had to worry more about political support and pursue multiple goals simultaneously, as they sought to satisfy multiple constituencies and this ultimately resulted in an inclination towards populism, promising benefits to the majority of the Indian population which resided in the lower classes while concurrently protecting the interests of the socio-economic elite classes. As the business class in India is representative of the middle and, in particular, upper classes (Kohli, 2012), the government's pattern of paying lip service to the masses while catering to the interests of the elite is particularly important to this thesis. Perceptions of how the Indian government balances the needs of business and its citizens will be explored in upcoming empirical chapters.

There were several economic and social features of India's post-independence growth strategy that structurally restricted the potential of the Indian economy to grow in a sustainable manner (Ghosh, 2004); however, often it is the economic policies that are held to blame (Dreze and Sen, 1995, 2013). Dreze and Sen (1995, p.8) stress that often there are tendencies to examine and highlight the market failures of the dirigisme years and to ignore the failures of advancing equality which occurred in equal measure during this time:

There are many failures, particularly in the development of public educational facilities, health care provisions, social security arrangements, local democracy, environmental protection, and so on,

and the stifling of market incentives is only one part of that larger picture.

One set of policies that were implemented during the dirigisme years which is important to this thesis are labour laws. Discussion of labour laws is particularly relevant to contemporary demands from business groups for labour reform, a topic that will be explored extensively in upcoming empirical chapters. Thus, a brief exploration of India's labour laws is warranted here.

Labour legislation in the context of trade unions and labour rights were shaped during the period of late colonialism and independence (Bhattacharya, 2007). Bhattacharya (2007) argues that following independence the Indian government passed a series of labour laws to increase the hold and control of the state in the industrial dispute process. The most notable was the Industrial Disputes Act (IDA) 1947 which continues to provide the basic framework governing industrial relations and labour protection in India (Hazra, 2005; Bhattacharjea, 2006; Bhattacharya, 2007; Eichengreen et al, 2010). Certain sections of the IDA, in particular V-B, continue to be a contentious for employers, employees and trade unions alike. Section V-B of the IDA requires firms employing one hundred workers or more to obtain government permission for layoffs, closures, and retrenchments (Bhattacharjea, 2006). Further legislation was passed during the dirigisme years such as the Industrial Employment (Standing Orders) Act, the Factories Act and the Contract Labour (Regulation and Prohibition) Act as well as legislation relating to social security in the organised sector (Murali, 2010). The Standing Order Act requires employees to obtain

consent from workers and unions before changing the conditions and terms of employment including changes in technology (Bhattacharjea, 2006; Eichengreen et al, 2010). Provisions within the Factories Act try to ensure health and safety and other workplace and labour provisions are provided via inspections (Bhattacharjea, 2006). The Contract and Labour Act regulates and in some cases prohibits the use of contract labour (Murali, 2010). Both the centre and state governments have certain jurisdictional precedence in labour regulations and the involvement of both have resulted in a sprawling arrangement of laws whereby many are overlapping and contradictory (Ghosh, 2004; Nagaraj, 2004; Bhattacharjea, 2006).

One aspect of India's labour market that is important to understand is that India has both formal and informal labour markets. The main distinction between the two is that the formal work sector is covered by national and state labour regulations and the informal sector is not (Dutta Roy, 2004; Hazra 2005; Anant et al, 2006; Eichengreen et al, 2010). It is equally important to note that the formal work sector in India is very small in comparison to the informal and employs less than 8 per cent of the labour force (Nachane, 2011). Thus, the overwhelming majority of India's workforce is not covered by the aforementioned labour legislations (Murali, 2010). Yet despite this fact, as will be explored in empirical chapters, business groups continue to advocate strongly for labour reform (Murali, 2010).

As discussed in Chapter Three (see section 3.2.2) the relative power of other actors who have a vested interest in policy outcomes such as labour groups and civil society can restrain business influence in policy outcomes. Murali

(2010) explores the issue of labour reform in India which serves to highlight the various power dynamics between political parties, business, and labour movements. Domestic business associations have continually called for greater flexibility in hire and fire policies as well as the implementation of an exit policy for plant closures (Bhattacharya, 2006; Eichengreen et al, 2010; Murali, 2010). Yet, formal labour reform has not occurred (Murali, 2010). Murali (2010) lists reasons as to why business power has been thwarted in labour reform, all of which involve the nature of India's electoral politics. She explains that high levels of electoral competition have meant that no political party can ostracise key constituents or go against political issues that are of high concern to the majority of constituents and labour reform is a 'mass politics' (Varshney, 1998) issue in India even though organized labour is small section of the labour force. Varshney (1998) distinguishes between "mass politics" and "elite politics". The former applies to issues that are of concern to the majority while the latter are issues that are confined to elite levels of discourse. Labour reform appears to be a very sensitive issue in India. Politicians avoid explicitly looking as if they are prioritising business interests above those of citizens (Murali, 2010), but this raises an important question as far as this thesis is concerned about how successful the Indian government has been in putting in place policies that simultaneously attract new investment but in a way that does not undermine labour conditions, burgeoning social policies or political support from the masses.

Having explored the social and economic development during the dirigisme years, I will now explore India's official economic liberalisation in 1991.

4.2.3: Economic liberalisation in India

Perhaps the most significant development as far as India's current approach to FDI can be traced back to 1991. In 1991, India implemented very significant economic and structural reforms. The economic reforms which took place in 1991 resulted from a balance of payments crisis; India was close to defaulting on its sovereign debt for the first time in its history (Srinivasan and Tendulkar, 2003). India was forced to take a loan from the IMF and the money was provided along with stipulations for the implementation of structural adjustments (see section 2.2.2). How much the reform policies were dictated from the IMF and how much the Indian government saw reform as inevitable is hotly debated. Many such as Greer and Singh (1996) and Patnaik and Chandrasekhar (1998) stress the influence that the IMF and the World Bank had on the reforms as being very significant. On the other hand researchers such as Chaudhry et al (2004, p.75) argue that India has experienced both successes and failures in working with the IMF but, overall, has done well to retain ownership of any conditionality imposed by the IMF.

India did liberalise its economy in 1991 but 'gradualism' has often been described as the hallmark of the Indian approach to the reforms as opposed to shock therapy style measures adopted in parts of Latin America in the 1980s (Singh, 2005; Mazumdar, 2011). The reforms liberalised both regulations for the domestic economy and the policies relating to foreign investment. For domestic businesses, the 'permit license raj'- as it had become known- was dismantled and there was detraction from the primacy

that was previously given to the public sector (Bhagwati, 1993). There were significant changes to the policies towards FDI as well. Even more significant was the shift in governmental opinion towards FDI and the possible benefits that could result in opening the economy to global markets. The government displayed a confidence in their country's ability to compete globally (Rao and Dhar, 2011b).

Although the government appeared confident in its welcoming of FDI, concern and opposition was often expressed by domestic business and business associations such as the Confederation of Indian Industry (CII) (Singh, 2005, Kohli, 2012). Singh (2005) argues that because the anti-FDI rhetoric that was amassing in the country, this essentially meant that the government had to appear to proceed with caution. Mazumdar (2011) concurs and argues that one prominent feature of Indian liberalisation is that although there has not been any ambiguity in its direction, the pace of opening the economy has been a comparatively slow and gradual process and this was done intentionally to protect Indian business and business interests.

Against this background of protectionism, the government initiated a phased opening to FDI throughout the 1990s, lifting caps of foreign ownership from 40 to 51 per cent; then to 74 per cent; and finally to 100 per cent in most sectors by the mid-2000s (Singh, 2005; Shah and Patnaik, 2013). Automatic approval routes, meaning no prior approval from the Government of India or the Reserve Bank of India (RBI) is needed prior to the investment, were implanted for many sectors (Singh, 2005; Rao and Dhar, 2011b; Shah and

Patnaik, 2013). By the mid- 2000s, FDI's importance to development strategy came into full bloom and several agencies were created to promote India to foreign investors around the world: The Foreign Investment Promotion Council was established and the Foreign Investment Promotion Board was streamlined and made more transparent to ease the entry of FDI (Rao and Dhar, 2011a). Other promotional bodies that were created to endorse the investment climate in India include such organisations as the India Brand Equity Foundation and Invest in India (Rao and Dhar, 2011a).

The next two decades following liberalisation are the ones associated with India's economic boom and it is during these decades that India emerges as a main contender for FDI and a globalisation triumph (Shah and Patnaik, 2013; Kohli, 2012). Post liberalisation for India is a time when India carves a niche for itself in the international division of labour as a magnet for IT, computer software, pharmaceutical and business process outsourcing investment (Ghosh, 2011). However, it is also a time when structural inequalities increase, increase in casual employment and adverse shifts in human development indicators (Dreze and Sen, 1995, 2013; Ghosh, 2011). The next section will explore the decades following economic liberalisation and examine the advances as well as failures.

4.3: The Indian development experience post economic liberalisation: Economic and social welfare performance

By examining several externally visible indicators, the economic reforms and successive growth model appear to have been a remarkable success for India (Nachane, 2011). The success has been defined by high rates of

growth of aggregate and per capita national income (Ghosh, 2011; Basu and Maertens, 2007). The only other Asian country to surpass India's growth in the last two decades has been China (Nachane, 2011; Nassif, 2010). Other economic indicators such as investment levels are equally impressive.

Investment levels, for example, as a proportion of GDP increased from 10 per cent in the 1950s to 23 per cent in the early 1980s to 35 per cent in 2011 (Nachane, 2011). Due to changes in the way FDI is counted coupled with the opening of the construction sector to foreign investment in the mid-2000s enabled the government to report significant increases in FDI inflow in the mid-2000 (Rao and Dhar, 2011b). FDI inflow was reported as amounting to \$1 billion in 1990, between \$5-7 billion in the early 2000s and \$35 billion in 2009 (Rao and Dhar, 2011b).

India's economy has grown around 5-6 per cent for over two decades following economic liberalisation (Ghosh, 2011; Sen Gupta, 2010; Nassif, 2010). And for three consecutive years from 2005-2008, India achieved growth rates that surpassed 9 per cent (Ghosh, 2011; Nachane, 2011). The global financial crisis of 2008 adversely impacted India's economic growth in the latter half of 2008, however, the economy began to show signs of recovery and grew by 7 per cent in the first half of 2009 (Sen Gupta, 2010; Nassif, 2010; Mehrotra, 2010).

India's growth rate has struggled in recent years and was 5.5 per cent in 2012 (Fennell et al, 2013) and 4.7 per cent for 2013-14 (Reserve Bank of India, 2014). Although the Indian growth rate is still respectable by relevant international standards, the rating agencies based in the US, the Standard

and Poor as well as Moody's have been critical of the lack of deeper reforms in the Indian economy to address the slowdown in growth (Fennell et al, 2013). Furthermore, macroeconomic uncertainties and concerns over multi-brand retail investment policy in India have become a concern for foreign investors in 2013 and 2014 (UNCTAD, 2014).

Although India has achieved high economic growth rates, many are not benefitting and remain severely impoverished (Nachane, 2011; Kohli, 2012; Dreze and Sen, 2013). The next subsection will critically analyse India's economic growth model following economic liberalisation before proceeding to explore FDI flows to India. The last subsection will investigate issues concerning inequality and poverty in India today.

4.3.1: Indian growth model following economic liberalisation

The Indian government's original strategy when it liberalised the economy in 1991 was to shift the focus away from domestic markets and become an export oriented manufacturing producer for global markets (Rao and Dhar, 2011b). However, this has not come to fruition and India's overall economic growth has depended upon domestic demand, market seeking and service sector investment (Rajan et al, 2008; Pradhan and Abraham, 2005; Ghosh, 2011; Rao and Dhar, 2011b; World Bank, 2015). Both domestic investment and FDI have targeted the service sector whereas investment to the manufacturing sector has fallen short of India's development needs. While India's economic growth is driven by its service sector in terms of output, the majority of the population remain dependent upon agriculture for a living (Nachane, 2011; Chowdhury, 2011). The structural transformation of India's

employment has not transpired (Krueger, 2007; Rodrik, 2011; Ghosh, 2010; Mazumdar and Sarkar, 2008) and neither has migration from rural to urban areas (World Bank, 2014). The majority of the Indian population, 68 per cent, continue to reside in the rural areas (World Bank, 2014). The latest data from the National Sample Survey organisation for 2009-10 revealed that 67 per cent of the rural population and 7.5 of the urban population are dependent upon agriculture for a livelihood, while the sector only accounts for 14 per cent of the GDP (NSSO, 2010; Chowdhury, 2011). Thus, the majority of the population are dependent upon a livelihood that is neither productive nor profitable.

Historically, economic development and structural change entailed a linear transition from agriculture to manufacturing to a service sector-dominant economy (Lewis, 1955; Kuznets, 1966; Cameron, 1993). However, India's increased investment has not been in manufacturing but in services, which now account for 64 percent of GDP (Mazumdar, 2011). India has essentially bypassed, or "leapfrogged," the industrial-dominant phase of structural change and transitioned from agriculture to a service sector-led economy (Papola, 2006; Krueger, 2007; Mazumdar and Sarkar, 2008). This unique transition and employment pattern has greatly affected the incidence of poverty in India (Papola, 2005; Krueger, 2007; Mazumdar and Sarkar, 2008; Ghosh, 2011). Furthermore, this growth pattern has a direct impact on the FDI flowing to India. Perceptions of the main social and developmental consequences that have resulted from this growth pattern will be explored in the upcoming empirical chapters (see section 6.3).

The Indian government has recognised that service sector led growth without a vibrant manufacturing sector may not be a sustainable development model and has prioritised the enhancement of manufacturing investment. The government implemented the National Manufacturing Policy (NMP) in 2011, to attract and incentivise both foreign and domestic manufacturing investment (DIPP, 2011). To entice investment to the sector, the government curtailed labour protections within the NMP. The need for manufacturing, the NMP and the implications of curtailing labour laws are explored in the empirical chapters (see section 6.6.2).

It is often argued that it is not merely economic growth that matters but rather the type of growth that is important (Dreze and Sen, 1995, 2013; Bhagwati, 1993; Ghosh, 2011; Rodrik, 2011). India's economic growth has been based not only on its service sector but its domestic markets as well (Ghosh, 2011; Mazumdar, 2011; Nachane, 2011). Ghosh (2011) and Mazumdar (2011) as well as Dreze and Sen (1995, 2013) argue that India was unable to become an exporting achievement because the government did not discipline Indian business to adopt a mercantilist strategy for export nor did it implement effective social welfare policies such as assistance with food, housing, public transportation, health services, and education which provides a large share of the wage output and subsidises labour costs for exporting firms. East Asia and China implemented such reforms and this enabled employers to lower wages as some of the basic needs are taken care of by the state (Dreze and Sen, 1995, 2013; Ghosh, 2004). In India cheap labour has come at the cost of simple low absolute wages rather than social welfare provision and underwriting of labour costs and this has greatly undermined the ability for

India to become an exporter in the global markets (Dreze and Sen, 1995, 2013; Ghosh, 2004; Chandrasekhar and Ghosh, 2006). This is coupled with the fact that India has not efficiently invested in infrastructure (Ghosh, 2004). These two factors—low wages and infrastructure—are vital for comparative advantage in global export markets (Ghosh, 2004).

The liberalisation and the structural reforms taken in 1991, outlined above, greatly decreased state support of the public sector which played a large role in providing formal sector employment and private sector growth has not generated the employment needs to compensate for the jobs lost from the declining public sector (Mazumdar, 2011). Formal sector employment has decreased significantly and the employment created in the formal sectors has tended to be of an 'informal' nature or irregular and without working benefits or protections (Mitra, 2008; Ghosh, 2011; Mazumdar, 2011). Ghosh (2004) argues that the inability to generate adequate employment opportunities for India's citizens is one of the biggest disappointments of the growth strategy following economic liberalisation.

Thus far this chapter has concentrated on the domestic social and economic policies that have played an important role in creating the contemporary development scenario within India today. It has also highlighted some of the specific issues confronting India's growth strategy and development trajectory as well as the persistent problems within Indian labour markets. Chapter Two relayed the arguments that stress the importance of FDI and economic growth, provision of employment, and poverty reduction (see section 2.4). Of course, with economic liberalisation FDI became an

important factor of growth for India and the government implemented FDI into its overall development endeavours (Rao and Dhar, 2011b). The next subsection will examine FDI to India.

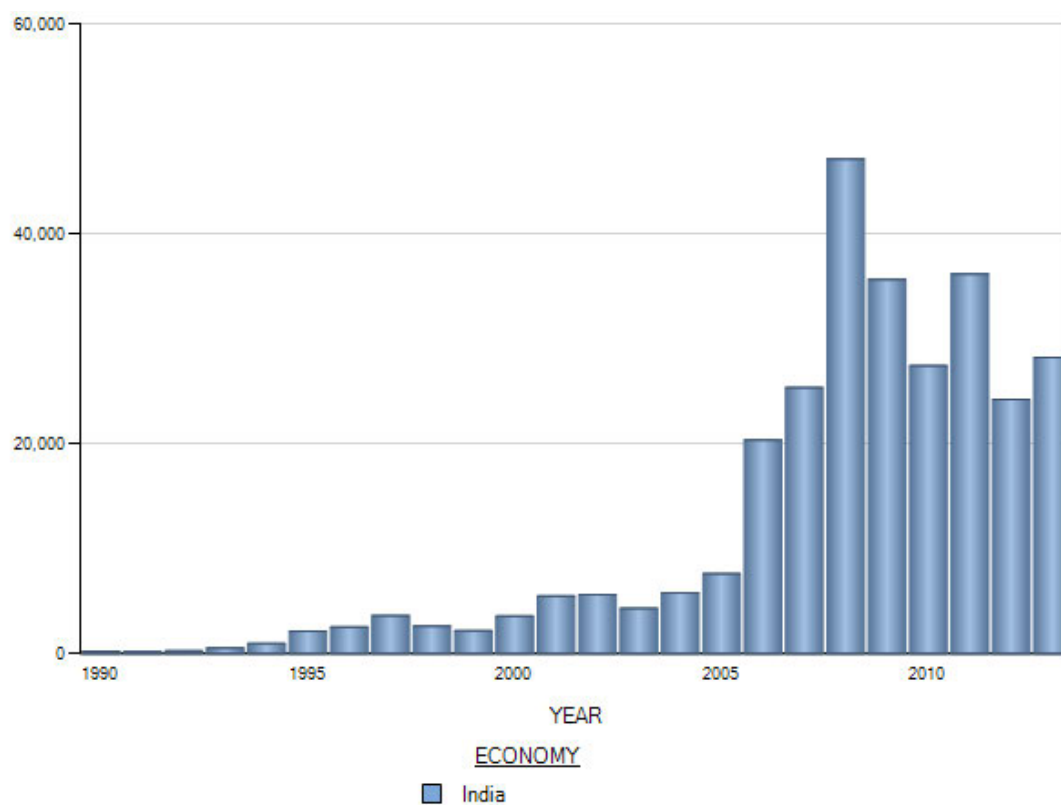
4.3.2: FDI to India

The majority of India's FDI is market seeking meaning it is attracted to India's large and lucrative domestic markets (Shah and Patnaik, 2013). A reported benefit to India delivered by market seeking FDI has been better quality goods (Emde, 1999; Bhaumik et al., 2003). With market seeking FDI to India, domestic consumption has expanded compared to the closed economy years when domestic producers were largely the main ones supplying consumer goods (Emde, 1999). While market seeking FDI can be good for consumers with the purchasing power to afford such products, it is arguably not the best FDI for the economy (Pradhan and Abraham, 2005). While both export oriented FDI and market seeking FDI can bring a bundle of assets that can spillover into the host country, export oriented is considered to be a 'better quality' of FDI and is argued to generate stronger links with the host economy because it is motivated by the production advantages of the host country (Pradhan and Abraham, 2005, p.1). The capacity for knowledge spillovers, especially in knowledge-based industries, is argued to be much higher for export oriented FDI (Pradhan and Abraham, 2005). Export oriented FDI often works more closely with domestic firms as opposed to market seeking FDI which is often in competition with local firms for a share of the domestic market (Pradhan and Abraham, 2005). As discussed in Chapter Two (see section 2.4.2) a potential risk involving FDI is

crowding out of domestic industries and market seeking FDI is often associated with crowding domestic industries of the market. As market seeking FDI is in direct competition with domestic firms for market share they can simply acquire or take over domestic firms and quickly capture a large share of the domestic market (Singh, 2002).

As discussed above, the service sector is driving economic growth in India. Furthermore, the majority of the FDI to India is targeting the service sector. A table illustrating the dominance of FDI to the service sector is presented below. Service sector FDI is listed as comprising financial, banking, insurance, non-financial/business, outsourcing, R&D, technology, and testing and analysis services (DIPP, 2015). Top sectors for FDI to India from April 2000 to January 2015 include finance, telecommunications, computer software and hardware, housing and real estate and construction activities (DIPP, 2015). The service sector is comprised of both 'high end' formal segments and 'low end' informal segments of the labour market (Ghosh, 2011; Rao and Dhar, 2011b). In the high end, India is an attractive destination for computer software, IT/ITeS and back-office processes, customer and interaction and technical support (UNCTAD, 2007; Rajan et al, 2008, p. 7). However the lower end of the service sector spectrum, such as the construction sector, also attracts much FDI (DIPP, 2012; Rao and Dhar, 2011). Figure 5 depicts FDI inflows from 1990 to 2013 and Figure 6 illustrates the sectoral composition of FDI.

Figure 5: Inward FDI to India, annual, 1990-2013



Source: UNCTAD Stat:

http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS_ChosenLang=en [accessed May 6, 2015]

Figure 6: Sectors Attracting Highest FDI Equity Inflow (US \$ in Million)

Rank	Sector	2012-13 (April - March)	2013-14 (April- March)	2014-15 (April 14- February, 2015)	Cumulative Inflows (April 2000 - February 2015)	Percentage of total Inflows
1.	SERVICES SECTOR	4,833	2,225	2,881	42,340	17%
2.	CONSTRUCTION DEVELOPMENT: TOWNSHIPS, HOUSING, BUILT- UP INFRASTRUCTURE	1,332	1,226	754	24,060	10%
3.	TELECOMMUNICATIONS	304	1,307	2,853	17,016	7%
4.	COMPUTER SOFTWARE & HARDWARE	486	1,126	2,041	14,862	6%
5.	DRUGS & PHARMACEUTICALS	1,123	1,279	1,304	12,901	5%
6.	AUTOMOBILE INDUSTRY	1,537	1,517	2,420	12,232	5%
7.	CHEMICALS (OTHER THAN FERTILIZERS)	292	878	595	10,263	4%
8.	POWER	536	1,066	649	9,549	4%
9.	METALLURGICAL INDUSTRIES	1,466	568	453	8,527	4%
10.	TRADING	718	1,343	2,646	7,945	3%

Source: DIPP (2015) Factsheet on Foreign Direct Investment April 2000-February 2015.

The housing, real estate and construction segments are a large percentage of FDI for India where, incidentally, investment is more speculative and erratic (Rao and Dhar, 2010b). Furthermore, employment in the construction sector is informal and exploitative (Ghosh, 2011). Rao and Dhar (2011b)

emphasise that the housing, real estate and construction sector is dominated by private equities, venture capital, hedge funds and round tripping types of investment. As discussed in Chapter Two (see section 2.3.1) these types of FDI are argued to be a lower quality and less likely to bring development oriented assets that India needs such as decent employment opportunity (Rao and Dhar, 2011b).

Among investor countries, Mauritius has been the biggest investor in India from 2000-2015, contributing 36 per cent of the total FDI (DIPP, 2015). Interestingly, Mauritius is a tax haven and has an agreement with India on double tax avoidance. As the findings of this thesis will highlight, investment from Mauritius is heavily criticised by participants as round tripping FDI. As explained in Chapter Two (see section 2.3) round tripping occurs when domestic corporates channel their investment through a routing economy and bring it back as FDI. This helps the corporations avoid capital gains tax. Singapore is the second largest contributor of FDI to India and accounts for 13 of the total inflow from 2000-2015 (DIPP, 2015). Singapore is another tax haven for Indian capitalists. Thus the top two investing countries of FDI to India are tax heavens for India. Upcoming empirical chapters will explore participants' perceptions of the wider implications of round-tripping FDI to India (see section 6.5). The U.K. is the third largest investor for these years, followed by the Japan, the Netherlands, and U.S.A. (DIPP, 2015).

The flow of FDI is almost exclusively to large urban cities in India. The distribution of FDI within India from the years 2000-2015 sees the city of Mumbai as attracting the most foreign investment. It accounted for 30 per

cent of the total inflow (DIPP, 2015). New Delhi follows Mumbai and accounts for 20 per cent of the country's total FDI from 2000-2015 (DIPP, 2015). Chennai, Bangalore, Ahmedabad, and Hyderabad follow New Delhi in FDI flows for these years (DIPP, 2015). For statistical purposes, the Department of Industrial Policy and Promotion divide the country into 16 regional offices. The top six regional offices listed above account for 71 per cent of the total FDI of India (DIPP, 2015).

Chalapati Rao and Biswajit Dhar (2011b) closely analysed the FDI flows from 2005-2008. These years are significant because statistical reports show a very large increase in FDI flows compared to the figures of 2004. Rao and Dhar (2011b) provide several explanations for the increase. First, the government enacted a number of policy initiatives in an attempt to attract FDI. In March 2005, the government revised the FDI policy to allow FDI up to 100 per cent equity under the automatic route in townships, housing, built-up infrastructure and construction-development projects. In 2005, the government also enacted the Special Economic Zones Act which stimulated foreign investment. Also there was a change in the reporting practice of FDI in 2002 which introduced new matters such as reinvested earnings of previous established businesses to count as FDI. This significantly increased inflow calculations (Rao and Dhar, 2011b).

FDI flows to India during 2010-2011 decreased by 28.4 per cent from the previous year, 2009-2010 (UNCTAD, 2011). This major decrease caused much concern for policy makers and became "a subject matter of public comments" (Rao and Dhar, 2011b, p.58). The sectors responsible for the

slowdown have been identified as construction, real estate, business and financial services. As noted, these are the sectors that have the most fickle types of financial flows such as hedge funds, private equity, and venture funds (Rao and Dhar, 2011b). However, FDI rebounded in 2013 and increased 17 per cent to reach inflows of \$28 billion (UNCTAD, 2014). One puzzling aspect to the FDI increase is that FDI in the retail sector did not increase despite the heavily anticipated opening of the multi-brand retail sector in 2012 (UNCTAD, 2014). The multi-brand retail sector and its liberalisation will be discussed in further detail in the empirical chapters.

The following subsection will briefly examine the persistent inequality and poverty in India today.

4.3.3: Inequality and poverty in India

India has a history of deeply engrained structural inequalities and desperate levels of poverty (Kohli, 2004, 2012). It is argued by researchers and policy makers alike that India's economic growth and development must become more inclusive if it is to be sustainable (Dreze and Sen, 2013; Kohli, 2012). Nachane (2011) observes that while the term 'inclusive growth' has become a buzz word for policy makers in India, it has been largely rhetorical and for inclusive growth to occur there needs to be evidence of both poverty reduction as well as substantial decrease in inequality in India. First, there are considerable differences in the incidences of poverty and inequality across and between different castes, classes, religions, and genders. Second, there is also inter-regional inequality or inequality between the

different states as well as between rural and urban areas. I will briefly explore these aspects of poverty and inequality.

4.3.3.1: The extent of poverty in India

Official estimates concerning the extent of poverty (head count ratio below official poverty line) have been the subject of intense debate (Ghosh, 2011). In 2012 the Planning Commission of India stated 29.9% of the population or 301 million citizens live below the poverty line which is a sharp decrease from the 37% figure they calculated in 2004-2005 (Biswas, 2012). This figure was very controversial as the Planning Commission set the poverty line at 28.65 rupees or \$.56 or 35p per person per day (Biswas, 2012). The Asian Development Bank (2008) estimated of the number of poor in India in 2005 was well over double the official Indian estimate, at between 622 to 740 million. The higher estimate is due to the fact that the Asian Development Bank used a higher Asian poverty line of \$1.35 PPP per day per person (Ghosh, 2011, p.17). The Asian Development Bank recently reported (2014) that while other Asian countries have managed to half the number of extreme poor (defined as having average income or consumption less than \$1.25 per day in 2005 purchase power parity terms), India continues to struggle whereby the extreme poverty rate is over 20 per cent (Asian Development Bank, 2014).

4.3.3.2: Caste linked inequalities and poverty in India

One of the most widely recognised contributing factors to both inequality and poverty is the caste system in India (Dreze and Sen, 1995, 2013). The

Indian caste system is a very complex and rigid system of stratification and hierarchical social ordering that is particularly associated with the Hindu religion although other religions are incorporated into the caste hierarchy and the system is recognised and practiced in other religions in India (Ghosh, 2011). Scheduled Castes and Scheduled Tribes (SCs/STs), also known as Dalits or 'untouchables' are the most marginalized caste and face immense discrimination from other castes Indian society.

The government recognised the need to try and combat caste inequality and enacted a reservation or quota system that reserves a percentage of places for government employment, higher education and seats within Parliament and Assemblies (Shah, 2004). The reservation system has allowed for some social mobility for some castes (Shah, 2004) but not for SCs/STs (Ghosh, 2011; Shah, 2004). Lack of social welfare or decent public education has hindered the ability of the lowest castes to develop the social capital to be able to reserve such positions in the first place (Ghosh, 2011).

There are proposals to extend the reservation system to the private sector but this has not materialised and has received much opposition from Indian business groups (Murali, 2010). However, the debate concerning caste reservation in private business raises interesting questions relevant to this thesis. If a reservation system were enacted, would inward FDI help to decrease inequality? On the other hand, if such a system is not enacted, will inward investment serve to reinforce inequality in India? Perceptions of the impact of FDI on inequality are examined further in empirical chapters.

4.3.3.3: Women's inequality in India

The Constitution of India includes provisions for non-discrimination on several grounds, including gender (Van Klaveren et al, 2010). Although India has a democratic government and a progressive Constitution with many laws to protect women's rights, compliance and enforcement of the laws are a serious problem in India (Van Klaveren et al, 2010).

The World Economic Forum (WEF) developed the Global Gender Gap Index in 2006 as a framework for investigating gender-based inequalities within countries in the areas of the economy, politics, education, and health. The report currently assesses 142 countries and measures gender-based gaps in access to resources and opportunities in each country (WEF, 2014). The report uses four areas or categories as benchmarks in determining the overall gender gap: economic participation and opportunity, educational attainment, health and survival, and political empowerment (WEF, 2014). The Gender Gap Index for 2014 ranked India 114th (WEF, 2014), down from 105th in 2012 (WEF, 2012). Economic participation is very low for women in India as India is ranked 134th (WEF, 2014) which is down from 123rd in 2012. In the category of educational attainment, the WEF (2014) ranked India 126th and reported an adult female literacy rate of 51 per cent (adult male literacy rate of 75 per cent). For health and survival, India ranked second to last at an abysmal 141st, however, for political empowerment ranked 9th (WEF, 2014).

The ILO and the Asian Development Bank (2011) produced a joint study addressing gender equality within labour markets in Asia. The study

concluded that women in Asia, while faring better than some women in other regions of the world, continue to remain concentrated in low productivity agricultural employment and in vulnerable, low-paid informal sections of the labour force (ILO-ADB, 2011). Women have tended to:

... to make up the “buffer workforce” – both within labour markets and as flexible and expanded workers, concentrated in informal jobs and within the household as “secondary earners” (ILO-ADB, 2011, p. vii).

Given this, Asian women have disproportionately borne the brunt of the impacts from the most recent global financial crisis because they were already structurally disempowered, marginalised and the ‘buffer workforce’ prior to the crisis (ILO-ADB, 2011). The impact of the most recent global financial crisis on women and informal sectors in India is explored in more detail in a proceeding section (section 4.4).

4.3.3.4: Interregional inequality in India

Although India has some very large urban cities—megacities—the majority of the population of India does not live in urban areas (Nachane, 2011). As mentioned above, the rate of urbanisation in India has been very slow which is consistent with the stubborn structural transformation of the employment structure (Mazumdar and Sarkar, 2008). The rates of poverty reduction in rural areas have been particularly low and the differentials of poverty between rural and urban areas have been large since economic liberalisation (Ghosh, 2011). As noted above, (see section 4.3.2) FDI is going to the large urban cities and 71 per cent of India’s FDI is concentrated in six major cities.

Regional inequality or inequality between different states in India is very prominent and has increased significantly since the economic liberalisation (Nachane, 2011). The inequality is mirrored not only in economic indicators but also in many social indicators, including the Human Development Index (HDI), child (under five) mortality rates, absolute poverty figures, and adult literacy rates. Van Klaveren et al (2010) examined inequality between different states and concluded that skewed distribution for both domestic and foreign investment across the states has increased regional inequality across India. Five states receive approximately 70 per cent of India's FDI (DIPP, 2012). Thus, it appears there is a correlation between increased investment levels and a decrease in poverty, however, the question of whether focusing on FDI is an effective anti-poverty strategy is less apparent.

A final word concerning inequality and poverty in India involves the level of poverty following economic liberalisation. Poverty and other socioeconomic data such as workforce participation rates in India are calculated by consumer expenditure surveys conducted by the National Sample Survey Organisation (NSSO) and are conducted every five years. Motiram and Vakulabharanam (2011) use data from the NSSO for the past two and a half decades to conduct an in-depth study of poverty and conclude that poverty reduction has occurred since the economic reforms of 1991 but that the rate of reduction was much higher in the 1980s, before the economic reforms. They also conclude that the qualitative characteristics of poverty have not changed significantly, meaning the relative positions of social sections such as caste, class, urban-rural have remained the same. As increased FDI is directly correlated with economic liberalisation, this draws scepticism on how

effective FDI has been in decreasing poverty for the majority of the population. The empirical chapters will return to these debates.

The proceeding section will explore the global financial crisis and its impact on development and developing countries and, more specifically, India.

4.4: The global financial crisis and the impact on development and India

This section is divided into two parts. The first discusses the 2008 global financial crisis and its impact on FDI flows, developing countries and development thinking. The second subsection will specifically explore the impact the crisis had on India.

4.4.1: The 2008 financial crisis and the impact on developing countries and development thinking

A major worldwide financial crisis known as the 'global financial crisis' or the '2008 global financial crisis' erupted from the financial and housing markets in the United States in 2007 and in September 2008 the fourth largest investment bank in the United States, Lehman Brothers, declared bankruptcy sending financial shockwaves around the world (Priewe, 2010). The global financial crisis is considered by many to be the worst financial crisis the world has experienced since the Great Depression of the 1930s (Townsend, 2009; Wolf, 2013; Priewe, 2010; Dullien et al., 2010; ILO, 2011; ODI, 2010). The crisis jeopardized the collapse of the most powerful financial institutions and banks in the United States and Europe, impelling the recapitalisation and nationalisation of financial institutions as well as the provision of guarantees

on bank deposits and other assets, totalling public expenditure of an estimated \$18 trillion (UN, 2009; Utting et al, 2012). The global economy has not yet fully recovered (UNCTAD, 2014; ILO, 2014). While there were signs of growth in 2009 and 2010 in regards to real GDP growth, real private consumption, investment and trade levels, employment creation remains stalled with the ILO declaring the recovery a 'jobless recovery' (ILO, 2011, p.6; 2014). In their most recent report on global employment trends, the ILO (2014) state the uneven economic recovery and successive descending drops in economic growth since the crisis continue to depress global employment trends.

What the crisis did do was change the pattern of FDI flows. In 2007 FDI inflows had reached a historical high of \$1.8 trillion (UNCTAD, 2008), however, the onset of the crisis and the consequent downfall in world trade, stock markets, real estate values, consumer and investor confidence and access to credit caused a worldwide contraction in FDI in 2009 (Poulsen and Hufbauer, 2011). One particular dynamic of the crisis, of relevance here, is the alteration of the "FDI landscape" whereby investors restructured operations and relocated investments to countries that appeared to have weathered the crisis (Poulsen and Hufbauer, 2011). In 2008 developing and transition economies' share of global FDI surged to 43 per cent and since 2012, investment to developing countries has been stronger than that to developed countries reaching 55 per cent of the global FDI in 2014 (UNCTAD, 2009; UNCTAD, 2015). In the most recent World Investment Report, UNCTAD (2015) estimates that FDI flows could rise to \$1.7 trillion in 2017 driven by increased investments to developed countries. The report

goes further to state that the higher expected FDI growth to developed countries may shift the FDI distribution back to the 'traditional pattern' of a higher share to developed countries, however, flows to developing countries will remain at a high level (UNCTAD, 2014, p.13). FDI flows declined for both developed (by 44 per cent) and developing (by 27 per cent) in 2009, however, the decline was not as significant as an economic downturn between 2000 and 2003 even though the crisis was more severe (UNCTAD, 2010). Although the crisis impacted FDI levels, it did not arrest the growing trend for internationalisation of production (UNCTAD, 2010) and Nathan and Kelkar (2012) surmise the high level of GVC essentially ruled out protectionism as a policy response for most countries.

Developing and emerging countries experienced the brunt of the global financial crisis in the latter half of 2008 largely through the decline of global trade, withdrawal of investment, decrease in investor confidence and a decline in the value of remittances (Townsend, 2009; Dullien et al, 2010; Utting et al, 2012; Nathan and Kelkar, 2012). Although developing countries were not direct instigators or contributors to the crisis, many developing countries suffered extensively from the indirect effects of the crisis (Priewe, 2010; ODI, 2010). The global financial crisis affected developing countries in different ways depending on the nature and extent of economic integration to global financial markets, the size of the economy, the structural conditions within developing countries (ODI, 2010; Sumner and McCulloch, 2009) as well as the policy response from individual governments (Hirway and Prabhu, 2012). In general, the countries with large current account deficits or surpluses prior to the crisis appeared to experience a greater

macroeconomic impact from the crisis (Dullien et al, 2010). The countries of the Commonwealth of Independent States and those of Eastern and Central Europe were most affected in regards to a drop in GDP which declined by an average of 15.2 percentage points between 2007 and 2009 (Dullien et al, 2010). In 2009 the global GDP declined 5.8 per cent from the previous year and the GDP downturn in emerging and developing countries was nearly the same as the decline in developed countries (IMF, 2010). However, a decline of that magnitude in low-income countries can cause severe social consequences as low income countries often have minimal social security systems and provisions in place to assist its citizens with the economic shock (ODI, 2010). Despite the austere impact to developing countries, discussions by leading international institutions either largely focused on the OECD countries and the social consequences experienced in developing countries as a result of the crisis were largely ignored (Utting et al, 2012; Dullien, 2010; Hirway and Prabhu, 2012).

As stated, developing countries often have insufficient or ineffective social security and welfare systems in place and the citizens hardest hit by the crisis most often had limited, if any, access to official social assistance or insurance and were left to rely on informal coping strategies at the household level and community level (Utting et al, 2012; Hirway and Prabhu, 2012).

The United Nations estimated that between 47 million and 84 million more people remained poor or became impoverished in developing and transition economies in 2009 due to the impact of the crisis (United Nations General Assembly, 2010). For many developing countries, including India, jobless growth, informalisation and lack of decent work was a major obstacle for

inclusive growth and the global financial crisis exacerbated these problems (ILO, 2011; Utting et al, 2012). Furthermore, as was the case with previous financial/economic crisis, the nature of women's work changed within many developing countries (Elson, 2012; Pearson and Sweetman, 2010). First, women's labour force participation often increases as other members of the household become unemployed or wages decrease and this often entails women taking on more work and often within the informal and unproductive segments of the labour market as a last resort to meet the family's survival needs (Hirway and Prabhu, 2012). Second, the unpaid work and care activities that are needed to sustain families and communities increases during economic hardships and the majority of this burden becomes the responsibility of women and girls (Pearson and Sweetman, 2010; Elson, 2012). Hirway and Prabhu (2012, p.213) explain that as female household members take up these responsibilities, they become the 'shock absorbers' of the crisis.

The economic instability and adverse social consequences that occurred in developing countries as a result of the crisis also brought with it anticipation of change in economic and development planning:

Just as development states and welfare states emerged as part of the solution for the crisis of the 1930's, the question arose as to whether a different approach to development might gather momentum in these turbulent times (Utting et al, 2012, p.12).

Utting et al (2012, p.2) examine development thinking in the wake of the financial crisis and postulate three possible outcomes that are worth

reviewing here: 'skewed recovery and development', 'embedded liberalism' and 'transformative restructuring and social change'. The skewed recovery and development trajectory, while advocating some measure of re-regulation of financial markets, continues to prioritise market-led development (Utting et al, 2012). This scenario promotes a return to 'business as usual' and entails a distorted recovery as financial institutions and systems receive enormous liquidity injections from the public purse (Utting et al, 2012).

Embedded liberalism was the solution to the economic and social upheaval that occurred in the wake of the Great Depression and World Wars whereby the economic logic of Keynes, the welfare state and state-led regulation were advocated and implemented (Ruggie, 1982). However, as Utting et al (2012) explain, in today's context embedded liberalism must contend with the realities of economic and political globalisation where universal social policy, state autonomy and regulation are more restricted. Utting et al (2012, p.16) describe this scenario as 'post-Washington Consensus Plus'. Just as the post-Washington Consensus added good governance and poverty reduction to the basic economic framework of neoliberalism coupled with export-led growth, the post-Washington Consensus Plus adds an emphasis of social policy and increased real wages to the same macroeconomic neoliberal formula (Utting et al, 2012). Here, social policy and increased real wages are advocated not only for social equity but also to stimulate domestic demand in developing countries (Kumhof and Ranciere, 2010). One problem with the embedded liberalism scenario is there is no call to change the problematic features of contemporary capitalism such as financialisation, the imbalances in trade and investment or speculative finance (Utting et al,

2012). Similar to the skewed recovery and development synopsis, attaining rapid economic growth remains the development priority (Utting et al 2012).

In regards to the last trajectory, transformative restructuring and social change, the impact of the global financial crisis, for many, stressed the need for structural change whereby equality, redistribution and empowerment occupy the forefront of economic and development planning (Jessop, 2012; Utting et al, 2012). Proposals for reform under the transformative restructuring and social change scenario focus on the regulation of the financial sector, demand-led growth, redistributive policies and an increased role for the welfare state (Utting et al, 2012). Reform also includes a restructuring of IGOs and the creation of new ones where developing countries play a more dominant and participatory role (Green et al, 2010; Martens, 2010).

Utting et al (2012) conclude, however, that out of the three possible outcomes for post-financial crisis development planning, the political and ideological impetus, at present, appears to lie with the 'skewed development' and the 'embedded liberalism' synopsis. Fine (2012), however, contends that the direction of policy outcome is not easy to predict and that each policy area is more likely to be shaped by different social, political and economic dynamics, thus, divergent and even contradictory policy approaches and development planning are entirely likely to coexist.

Having broadly examined the global financial crisis and its impact on developing countries and development planning, the following subsection will explore the crisis and its impact on India.

4.4.2: The global financial crisis and the impact on India

Similar to other developing countries, the global financial crisis impacted India in the second half of 2008 (Reddy, 2009; Sen Gupta, 2010; Nassif, 2010). India's banking system was largely insulated due to India's policy of slow liberalisation of the financial sector, regulations that do not allow for the originators of securities to sell risk and a high capital-risk reserve ratio (Reddy, 2009; Nathan and Kelkar, 2012). India's growth prospects, however, were significantly impeded when the crisis arrived in late 2008 (Sen Gupta, 2010; Nassif, 2010). India was already experiencing an economic downturn prior to the crisis (Sen Gupta, 2010; Nassif, 2010; Reddy, 2009; Nathan and Kelkar, 2012). India had previously experienced a sustained period of high growth for four years and between 2003/2004 and 2006/2007 the economy grew at an annual rate of 8.8 per cent (Sen Gupta, 2010; Nassif, 2010; Mehrotra, 2010; Reddy, 2009). However, by 2007, the economy was showing signs of over-heating and the RBI intervened to increase the cost of credit to the private sector to slow down the economy (Reddy, 2009; Sen Gupta, 2010). Thus, India began to experience a decline in its economy prior to the global financial crisis and this increased its vulnerability when the impacts of the crisis reached India (Sen Gupta, 2010; Nassif, 2010).

At a macroeconomic level, India was affected in four main ways. One impact was a sharp decline in exports due to lack of demand from developed countries which are India's prime recipients for the majority of its export industries (Mehrotra, 2010; Nathan and Kelkar, 2012; Hirway and Prabhu,

2012; Reddy, 2009). Although India's economy is largely based on the capacity of its domestic markets (Ghosh, 2011), the export sector had been on the increase since 2003 and had increased to 13.58 percent of the GDP in 2007 (Nathan and Kelkar, 2012). Many of the export industries hurt by the crisis were informal sectors, often at the lowest levels of the GVC, with vulnerable workers without access to formal social assistance, insurance or protection which will be discussed further below (Hirway and Prabhu, 2012).

A second major impact on India was a crisis in its financial sector (Sen Gupta, 2010; Poulsen and Hufbauer, 2011; Mehrotra, 2010). The financial crisis was transmitted to India's financial sector through large withdrawals of investments, specifically portfolio investments (Nassif, 2010; Sen Gupta, 2010). Investment to India fell from \$108 billion in 2007-08 to \$9.1 billion in 2008-2009 as a result of investor uncertainty (Sen Gupta, 2010, p159). However, inward FDI remained stable in the face of the crisis, and actually increased from \$15.4 billion to \$17.5 billion in 2008-09 while other components of the capital account witnessed a sharp decline (Sen Gupta, 2010, p159). The capital outflow, decrease in exports and declining reserves of foreign exchange put pressure on India's currency and subsequently, the rupee depreciated (Hirway and Prabhu, 2012; Sen Gupta, 2010; Reddy, 2009; Mehrotra, 2010). This is a third major impact on India, the depreciation of the rupee. Although currency depreciation does have some advantages in that it can make FDI more affordable for foreign investors (Sen Gupta, 2010). Finally, a fourth impact on India was the decrease in the demand for services in the global market (Hirway and Prabhu, 2012; Mehrotra, 2010). The decline in the global demand for tradable services

such as IT/ITES, communications, transport and tourism propelled a further decline in employment and economic growth (Sen Gupta, 2010; Hirway and Prabhu, 2012).

That said, India is accredited for being the second least adversely affected country by the global crisis following China (Nassif, 2010; Mehrotra, 2010). The policy response from the Indian government is accredited for preventing some of the debilitating consequences experienced by other countries (Dullien et al, 2010; Nassif, 2010). Between August 2008 and January 2009 the RBI lowered the cash reserve ratio for banks, injected liquidity into the economy and undertook other policy measures to encourage credit expansion (Sen Gupta, 2010; Reddy, 2009). One fortunate aspect of the timing of the crisis is that a number of policy measures had been taken immediately before the crisis (Sen Gupta, 2010; Nassif, 2010; Nathan and Kelkar, 2012). Measures included a complete loan waiver for existing loans for small and marginal farmers, food and fertilizer subsidies, an increase in salary for civil servant employees and a nation-wide extension for the National Rural Employment Guarantee (Sen Gupta, 2010; Nassif, 2010; Nathan and Kelkar, 2012). After the transmission of the crisis to India in 2008, the government initiated fiscal measures to increase demand such as indirect tax relief and an increase in expenditure for public projects to increase employment (Sen Gupta, 2010; Nathan and Kelkar, 2012). Additional support was provided to exporting firms as well as credit support for micro- and small-enterprises (Sen Gupta, 2010; Nathan and Kelkar, 2012). As a result of the speed and intensity of the policy measures, India

began to demonstrate signs of recovery and the economy grew by 7 per cent in the first half of 2009 (Sen Gupta, 2010; Nassif, 2010; Mehrotra, 2010).

Although India was clearly adversely affected, the picture revealed by macroeconomic data depicts a narrative that India weathered the global financial crisis rather well and the following excerpt is a typical recount of India's experience:

In 2009 most countries that were integrated into the global economy fell into a recessionary cycle. However, some of the few exceptions were China and India which achieved remarkable real GDP growth. India recorded a real GDP growth rate of over 6 per cent in the 2009 calendar year (and an estimated 6.9 per cent in its fiscal year from April 2009 to March 2010) (Nassif, 2010, p.192).

However, Hirway and Prabhu (2012) argue that such data does not tell the whole story and disregards the impact felt by informal workers and small producers. As discussed above, the majority of the Indian labour force is situated in the informal sector and only 14 per cent of all workers are covered by any type of social security benefit (Papola, 2008). Hirway and Prabhu (2012) explain that the informality of India's labour markets camouflage the adverse impact to workers allowing macroeconomic analysis or by surveys of the Labour Bureau to report a more rosy picture.

In conjunction with the UNDP, Hirway and Prabhu (2012) conducted a survey within six export sectors affected by the crisis to better understand the impact of the crisis on informal workers and small producers (Hirway and Prabhu, 2012). The sectors that were studied were gems and jewellery,

engineering, auto parts, textiles (hand embroidery), home based garments, and agriculture. The workers in the study were all non-permanent and contract workers and did not receive any social security benefits (Hirway and Prabhu, 2012). The authors conclude that the workers were affected in three main ways: workers lost their jobs, workers' hours were cut significantly and workers had to transfer to other types of work which were often less productive and less remunerative (Hirway and Prabhu, 2012). Even though the line of work was informal, workers experienced a deterioration in employment status from 'regular' to 'casual' to 'temporary' and 'unemployed' (Hirway and Prabhu, 2012). The researchers found that the majority of workers, over 60 per cent, did not receive any social assistance and those who did receive some assistance with consumption received an extremely inadequate amount (Hirway and Prabhu 2012).

Thus left to manage on their own, the study concluded that the workers used various coping strategies as means of survival. First, a large number of workers could no longer afford to send remittances to families in villages. Remittances are a big source of support for families residing in poor villages and the loss of this income would, no doubt, have hurt the family as well as the local village economy (Hirway and Prabhu, 2012). Second, the study found that workers were forced to use their savings and pawn or sell some of their assets to make ends meet (Hirway and Prabhu, 2012). Over 50 per cent of the workers in gems and jewellery and 55 per cent in auto parts used up their entire savings as a means of survival (Hirway and Prabhu, 2012). A third coping strategy employed was to borrow money whereby the highest percentage of debt increased from 21 to 61 per cent in gems and jewellery,

23 to 86 per cent in auto parts and 1.5 to 47 per cent in engineering (Hirway and Prabhu, 2012). The most important reason for borrowing was for consumption for survival followed by health and sickness (Hirway and Prabhu, 2012). A fourth coping mechanism for most households was to reduce consumption mostly for food but also for education and health (Hirway and Prabhu, 2012). A fifth means of survival employed was the return migration of workers to villages. Hirway and Prabhu (2012) explain that the return migration of large numbers of people, as was the case in their study, will adversely impact the local economy of the village as remittances will have ceased and the surplus labour will drive down wage rates (Hirway and Prabhu, 2012). Thus the findings of this study reveal an entirely different picture to the one often portrayed in macroeconomic studies and disclose the details of severe destitution incurred by informal workers as a result of the global financial crisis.

4.5: Chapter summary

Similar to other developing countries, India transitioned from a closed economy with an ISI model of development to an open economy aligned with global markets. Although a pro-business direction occurred in the 1980s (Rodrik and Subramanian, 2005; Kohli, 2004, 2012), official economic liberalisation occurred in 1991. India's liberalisation has been described as 'gradualism' whereby sectors were gradually opened to FDI and ceiling caps to investment slowly raised (Singh, 2005; Mazumdar, 2011; Shah and Patnaik, 2013). However, by the mid-2000s, most sectors were open to FDI and the government actively sought foreign investment and incorporated it

into its development endeavours (Rao and Dhar, 2011b). In many ways, India is seen a 'sensation' of globalisation due to its economic growth and increase in per capita national income (Ghosh, 2011; Mazumdar, 2011; Kohli, 2012). Economic liberalisation and the increase of FDI have transformed certain sectors of the Indian economy into very high growth sectors (Binswanger-Mkhize, 2013). Today India is known as a top destination for IT, computer software and telecommunications foreign investment.

India's current growth trajectory is based on its service sector and capacity of its domestic markets (Mazumdar, 2011; Rao and Dhar, 2011b). India has essentially transitioned from an agricultural based economy to a service sector dominated one while the structural transition of employment has been very slow to change with the majority of the population dependent upon an unproductive agricultural sector (Krueger, 2007; Mazumdar and Sarkar, 2008; Rodrik, 2011; Ghosh, 2011). India, unfortunately, has achieved high income growth without the corresponding employment opportunities in productive and formal working sectors for its large workforce (Ghosh, 2011). Thus, there are serious concerns for India's economic sustainability (Krueger, 2007; Nachane, 2011; Rodrik, 2011).

There are also concerns for the social sustainability of its current development trajectory (Nachane, 2011; Kohli, 2012; Dreze and Sen, 2013). Despite the high economic growth that India has achieved, there is still immense and persistent poverty and inequality between different castes, genders, regions and between urban and rural areas (Dreze and Sen, 1995,

2013; Nachane, 2011; Van Klaveren, 2010). India's social policies have been woefully inadequate in decreasing inequalities (Mazumdar and Sarkar, 2008; Dreze and Sen, 1995, 2013; Nachane, 2011). What's worse, India's minimal social protection coverage may serve to increase the risk of harms that come with open global markets (OECD, 2002, 2004; Ghosh, 2004; Mkandawire, 2004).

The chapter to follow will explore the research questions and the methods used to conduct the empirical research.

Chapter Five: Methodology

5.1: Introduction

This chapter focuses on the methodology adopted for this exploration of the social and economic impacts to India and its citizens from inward FDI. The method employed is a qualitative case study which utilises both in-depth face to face interviews and documentary analysis. This research stems from an interpretive epistemology as it is principally concerned with stakeholders' perceptions of the impact of FDI on Indian citizens and, in particular, the perceived harms and advantages brought by TNCs investing in India.

This chapter will firstly present the research questions and explore how they address gaps in the existing literature. This chapter will proceed to explore the methodological approach including the theoretical foundations and a description of the case study research approach. Following this, the chapter will recount the process of conducting the data collection and will examine issues concerning the research design and research process including participant selection, interview methods, and data analysis. The positionality of the researcher including how gender, ethnicity, nationality and other identifying characteristics impacted the research process will be highlighted next. Subsequent to this, issues pertaining to ethical issues will be explored and the final section will explore obstacles encountered in the field. Here I will explore the implications of these barriers to the research design and findings.

5.2: The research questions

It is against the backdrop of the above literature review chapters and the existing gaps within them that my research questions emerge. There are five main research questions examined in this thesis:

- 1) How is India selling itself to investors and what are possible implications for social welfare that are likely to flow from the Indian government's investment strategy?
- 2) Why do elite policy stakeholders feel India has attracted the type of FDI it has and what do they believe are the main social and development consequences that have resulted from the FDI India is attracting?
- 3) Do elite policy stakeholders believe the Indian government is balancing the needs of business and citizens in its development strategy or is one perceived to be prioritised over the other?
- 4) Do elite policy stakeholders perceive the government's FDI policies to be effective in minimising the negative effects of TNCs while maximising benefit to its citizens and economy?
- 5) What spillovers, both helpful and harmful, do elite policy stakeholders feel TNCs are bringing to the citizens, workers and local economies?

The first main research question is based on explorations in the literature review (section 3.7) which argue that states, both developed and developing, compete with one another for FDI and will construct investment strategies to capture FDI (Stopford and Strange, 1991; Thomas, 2011; Farnsworth, 2010). Countries will have resources that the government can promote to investors as comparative advantages (Thomas, 2011). In some cases these can consist of natural resources or an abundant and cheap workforce, while in other cases constructed policies such as special economic zones or tax benefits for foreign investment are offered to entice investment. It was argued in Chapter Three (section 3.7) that some strategies are more tailored to a country's development needs and highly successful strategies will be dynamic and able to evolve, and target different types of investment as development needs change (Chang, 2003). The literature review discussed how consequences associated with TNC investment are often contingent upon the type of investment (section 3.5) (although all types of investment have the potential to cause deleterious effects) and the policies implemented which can work to minimise negative consequences and maximise potential benefit. Thus, investment strategies and the policies implemented are of critical importance in promoting development and protecting citizens from harm.

The first research question will explore India's investment strategies by looking at investment bureaux. By doing so we can gauge the types of investment the government is inviting and on what grounds. Chapter Four made clear that India is attracting service sector and market seeking investment. By looking at what the government is offering investors, we can

gauge the possible implications for social welfare that may result from the investment. This research question will also be explored by conducting documentary analysis on two specific investment policies: FDI in Multi-Brand Retail Trading (Press Note No. 5, 2012 Series) and the National Manufacturing Policy, 2011 (Press Note No. 2, 2011 Series). Here we can investigate the social protections that are in place or may be needed to protect citizens from potential corporate harms. By investigating both investment bureaux and specific policies, we can appraise the possible social implications that may arise from the government's investment strategies.

The second research question builds on the first and will further explore the social consequences of attracted investment by using data from interviews with elite policy stakeholders. Whereas the first question uses documentary analysis to reveal government strategy to entice investment, this question seeks to clarify why respondents believe India is attracting the types of investment it is as well as the main implications that respondents believe are occurring as a result. This will be a helpful extension of the first research question in that government strategy might not always be successful in its aims and there may be unintended consequences of attracting certain types of investment that documentary analysis might not uncover. Chapter Four reviewed evidence which suggested that India intended to become a manufacturing exporting country for global markets upon economic liberalisation in 1991 (Rao and Dhar, 2011b) yet it has been largely unsuccessful in these aims. We also know that India has attracted mostly service sector and market seeking investment but the explanation for this

and exploration of the main social and developmental consequences as a result is necessary not only to determine the social impact of FDI but also to uncover wider policy implications. As explained in the Introduction (see section 1.2) FDI literature often discusses spillovers that have or have not taken place but does not explore the social consequences of FDI. This is because several independent and external variables are working in combination with investment patterns to produce social consequences. Thus, exploring these issues with elite policy stakeholders can help to elucidate and unpack complicated issues.

The third research question arises from discussions in Chapter Three (3.6) which argue that governments need to balance provisions to suit the needs of both its citizens and business. As discussed, although social welfare policies are helpful to business, economic growth and the competitiveness of a state's economy (Gough, 2000; Farnsworth, 2012; Hecock and Jepsen, 2013) mainstream development agendas continue to prioritise the needs of business and economic growth over social welfare (Marques and Utting, 2010; Farnsworth, 2010, 2012). Furthermore, social welfare is often conceptualised as an accessory or 'add on' to economic growth (Mkandawire, 2004). This research question will gauge respondents' perceptions of the development priorities of the Indian government.

Development plans are expressed in India's Five Year Plans; however, not all of the initiatives may be implemented to the same extent. Interview data with policy experts can help to distinguish between what is stated by the government as a development priority and what, in their opinion, is actually executed. The review of literature has indicated that India's social welfare

programs and policies have been inadequate in alleviating poverty and inequalities. It is therefore important to establish whether this is tied to the government's development priorities or whether there are other problematic factors at fault.

The fourth research question will investigate respondents' perceptions of the government's ability to construct and implement FDI policies. As argued in Chapter Three (3.7) how governments frame FDI policies can greatly affect the impact of FDI to the economy and its citizens. As discussed, countries such as East Asia implemented selective FDI policies tailored to their development needs. These policies directed the terms and conditions of investment and TNC behaviour to better ensure the capture of social and economic benefit (Chang, 2003; Yeung, 2013). We also know from the literature review that policies are critical for the mitigation of the negative impact that can result from FDI (sections 2.4, 3.3 and 3.7) (OECD, 2002, 2008). This question will build on the documentary analysis conducted in the first research question. Interviews with elite policy stakeholders can provide a more generalised overview of the government's ability to construct and implement effective policies. The documentary analysis will look at specific policies and the protections that are or are not afforded but talking with policy experts will provide insight not only into the construction of FDI policies but also the implementation of policies. A policy can be very extensive in affording protection on paper but if it is not implemented properly at local levels, then we can expect negative consequences. What is missing from the existing literature is an overview of the policy process in India. There are examinations of individual policies and their impact, a bottom up approach of

analysis but not a top down approach. This question will help to gauge the general trends, both effective and ineffective, in the FDI policy making process.

The fifth and final research question will examine the specific spillovers that elite policy stakeholders feel FDI has brought to India. Here both helpful and harmful spillovers are examined. A harmful spillover in this thesis can include harms, costs and crimes that have resulted from TNC investment. Here, interviews with elite policy stakeholders can help to obtain an overview picture of the impact, both positive and negative, brought through FDI. Spillover research tends to be carried out from a narrow research scope (Moran, 2015; Lipsey and Sjöholm, 2013; Nunnenkamp and Andres, 2014; Alfaro et al, 2013). Here, the research net is cast wide to get an overall picture of what respondents feel India has gained and lost from FDI inflow. By gaining a broad perspective initially, future research can then hone in on specific findings from this study. The research questions are situated so that they can help to give a comprehensive picture of the damage and advantages that have occurred with insight into why and how such consequences have occurred. The social welfare implications of the above will be assessed and explored throughout the empirical chapters.

5.3: Methodological approach

The overall methodological perspective is informed by interpretivism. This thesis shares with interpretivist sociology the need to understand the complexity of human experience from the point of view of those living it

(Schwandt, 1998). Thus, the fieldwork predominately took place in India using qualitative face to face interviews. It is also worth noting that this thesis also contains strains of a 'privileged interest' theory in situating business apart as a special case within the political economy. The privileged interest thesis posits that business has capabilities to steer, constrain and influence policy makers at national and international levels that are not open to other groups of actors (Farnsworth, 2004). However, the position of this thesis aligns itself alongside the work of Farnsworth (2004), Vogel (1989) and Hacker and Pierson (2002) who argue that while business has interests that are privileged, their power is variable and surmountable.

The empirical component to this research utilises a qualitative case study of India. Case studies systematically investigate an event, setting, or subject or a set of related subjects with the aim of understanding the case or multiple cases (Silverman, 2005; Berg, 2007). Berg (2007, p.284) describes the case study in the following way:

By concentrating on a single phenomenon, individual, community, or institution, the researcher aims to uncover the manifest interaction of significant factors characteristic of this phenomenon, individual, community, or institution. But, in addition, the researcher is able to capture various nuances, patterns, and more latent elements that other research approaches might overlook.

Case study methodologies are often best suited for complex studies when an incorporation of various methods, including qualitative and quantitative methods are needed (Mangen, 2004; Baxter and Jack, 2008).

Stake (1995) identifies three types of case studies: intrinsic, instrumental and collective. The collective case study method involves an extensive study of multiple cases which are intended to bring forth a better understanding or an enhanced ability to hypothesise about the wider research aim (Stake, 1995; Berg, 2007). The other two types of case studies—intrinsic and instrumental—are relevant to this research project. Intrinsic case studies describe the particular case and that case specifically (Stake, 1995; Silverman, 2007, Berg, 2007). It makes no attempt to generalize beyond that particular case, test or develop new theories (Stake, 1995; Silverman, 2007; Berg, 2007). Berg (2007) and Creswell (2007) explicate that intrinsic case studies are pursued when the researcher wants to understand an individual case and it is the uniqueness or ordinary nature of the case that is of particular interest. Instrumental case studies, on the other hand, are conducted to provide insight into an issue or revise a theoretical explanation (Stake, 1995; Silverman, 2007; Berg, 2007). The case(s) plays a supporting role to the theoretical issue or concern. Stake (1995; 1998) emphasises that because researchers often have multiple interests, there is no solid line drawn between intrinsic and instrumental studies.

The blurring of boundaries between instrumental and intrinsic case studies holds true for this thesis. The intent of this research project has elements of both intrinsic and instrumental characteristics. While it does not attempt to create grounded theory or test a particular theory, it does attempt to examine the larger issue concerning the impact of FDI within developing countries. India was chosen because of its particular unique characteristics such as its service sector dominance and, simultaneously, the similarities that it has with

other developing countries actively seeking FDI. India is one of the newly advanced developing economies which are a popular destination for FDI. Thus, India was chosen because of both its unique and ordinary characteristics in investigating a larger theoretical concern which is to better understand the impact of FDI and on a developing economy. However, as explored, the impact of investment in host economies are dependent upon numerous factors that are context specific to the industry, the company, the regulatory environment of the host country as well as the time frame of the research to name but a few (OECD, 2002; 2008). Thus, due to the number of context specific variables involved with this topic, the generalizability of this study becomes limited as India's experience with FDI and the costs and advantages afforded will be unique. Verschuron (2003) observes that single case studies invite criticisms pertaining to the limitations of the method in both analytical capability and generalizability. However, Feagin et al (1991) surmise that single case studies can be the best suited methodology when a holistic and in-depth investigation is in need. A single case study as opposed to a collective case study was chosen primarily because of time and monetary constraints. As many variables are intricately involved in determining the impact FDI plays in a country's development, comparing countries may have resulted in a loss of breadth and depth in terms of analysis during the time period I had to complete this project.

India was chosen specifically for several reasons. First, India is a democratic country and I felt this would provide a level of transparency in both the interviews and documentary analysis. I surmised that discussions concerning corruption and the government's ability to frame investment

policies could be more critically evaluated by participants in a democratic country. India liberalised its economy and opened its markets in 1991. It was felt that the amount of time from liberalisation to today - 24 years - is enough for the impact of FDI to be observed quite clearly. It is enough time for the spillovers to have been somewhat absorbed and/or negative impacts such as the formation of monopolies to have occurred or certainly be visible on the horizon. Yet, it is still newly liberalised enough for some interviewees to remember the years of the closed economy and thus provide a rich description and comparison of the two periods. India was also chosen because of the widespread use of English. As discussed in Chapter Four (see section 4.2) Hindi is the language of the Indian state although English is used for administrative communication and also for higher education. All of my interviewees spoke fluent English and thus interpreters were not needed during the interview process. This provided ease of logistics and enabled deeper involvement in the interview process as opposed to using interpreters.

The next section will further describe the overall research design and my time in the field.

5.4: The research process: Sampling, interviewing and document analysis

This section will explore the methods used to gather data during this research project. First, the sampling process including descriptions of the organisations and participants that were selected for the research and the process of making contact with participants will be explored. Following this,

interviewing methodology, transcription and coding will be described. The final subsection will describe the other types of data sources that were utilised and how each contributed to the overall analysis.

5.4.1: Getting started: Gathering the sample of participants and making contact

As stated above, this research is derived from an interpretive epistemology and is chiefly concerned with participants' perceptions of the positive and negative impact, in particular social impact, derived from FDI to India. From the outset, it was anticipated that the research was likely to provide a complex picture of the advantages and disadvantages that FDI has brought to India. Interviewing participants in India was deemed the most appropriate method to use as opposed to relying solely on documents or statistical analysis concerning FDI flows to India. Such statistical reports can be difficult to obtain and difficult to interpret (Atkinson and Coffey, 2004). As this study is largely concerned with the social impact of FDI, it was helpful and even necessary to access this information from participants as statistical reports for FDI do not facilitate the analysis of the social consequences derived from FDI inflows.

New Delhi, India was chosen as the location to conduct interviews. New Delhi is the capital of India and is the second largest city for attracting FDI within the country. New Delhi houses India's major universities, both international and national NGOs, IGOs, policy making organisations, research organisations, as well as the headquarters for India's major trade unions and business associations. New Delhi appeared to be able to provide

easy access to the array of these institutions. The fieldwork took place from October 2011 to March 2012.

It was decided that this research would tap the expertise, knowledge and opinions of experts and activists in the field of social and economic development as these participants could provide the level of analysis and insight concerning the impact of FDI that was needed for this project. The research design targeted information from participants to establish an explanatory focus with descriptions and analysis from a sociological and macroeconomic standpoint. A wider sociological perspective was the focus as opposed to individual experience, for example, individuals' experiences of working for TNCs. Furthermore, experts and activists from economic and social development organisations posed the safest option for ethical considerations concerning participation in face to face interviews. For example, it was decided that contact with employees of call centres, manufacturing plants or subcontract units in global value chains such as garment sectors could place unnecessary scrutiny and harassment from managers, thus, placing job security and/or personal safety in jeopardy. Also, obtaining access to this type of participant sample could prove more difficult than experts within high profile development organisations.

Internet searches were conducted to identify and locate organisations that specialise in economic development, social development and human rights issues. Keywords used in the internet searches for potential agencies included: 'social and economic development', 'globalisation', 'development and empowerment', 'economic and social policy recommendation', 'public

policy and development', and 'labour market protection' to name a few.

These keywords were combined with 'organisation' and 'New Delhi' to locate possible organisations. A search containing the words 'labour market protection' and 'organisation' and 'New Delhi', for example, produced a listing for the ILO and the Institute for Human Development, two promising and potential organisations very relevant to my research aims.

A list of possible participants was compiled. For some participants, I was aware and familiar with his/her research or activism through my literature review. For example, one Professor is an internationally renowned activist for children's rights. Another participant is a lawyer and leading activist that has been involved in several high profile campaigns and litigation battles against pharmaceutical TNCs for access to Indian generic medications. While I was aware of some participants through the literature review, other participants were located by finding the organisation, as described above, first and then looking at the employees and their research expertise.

The list of participants and the organisations from which they are employed is provided in the Appendix (see Appendix Two). Appendix Two is presented as a table. The first column provides fictitious initials for the participant. The second column describes his/her area of employment and/or research expertise. The third column provides a number for the organisation and the fourth column describes the type of organisation. The fifth column categorises the theoretical orientation and the sixth column provides a description of the organisation. To provide anonymity for the participants the names of the organisations are not provided and the descriptions included in

the table do not contain verbatim descriptions of the organisations from their websites. This was done because general descriptions of the interviewees' area of expertise are included in the empirical chapters and providing both the area of expertise as well as the identity of the organisation could possibly compromise the identity of participants.

Types of organisations contacted include universities, NGOs/INGOs, business associations, research institutions, policy research organisations, IGOs and international medical aid organisations. As I wanted to gather data concerning both the social and economic impact of FDI, different types of organisations were contacted. Some organisations had a clear theoretical orientation towards a liberal market perspective, others were aligned with human rights issues and perspectives and some organisations contained elements of both types of orientations. Accordingly, organisations are categorised in the Appendix as 'human rights', 'liberal market' or 'both'. For example, an organisation such as the Asian Development Bank (not contacted) would be categorised as 'liberal market' whereas Save the Children (not contacted) would be categorised as 'human rights'.

Organisations that house both orientations are categorised as 'both'; universities would fall into this category. I wanted to interview participants from both human rights and liberal market perspectives to try and gain a balanced perspective. In my sample of twenty-four organisations, fifteen are categorised as 'human rights', four are 'liberal market' and five are 'both'. Regarding the forty participants used in this sample: eight are from liberal market orientations, twenty are from human rights oriented organisations and twelve are from organisations that have both perspectives.

The participants contacted and subsequently interviewed could be considered elite interviews. Seldon (1988) describes elite interviews as those conducted with particular individuals because of whom they are, the information they have access to and the position they occupy which differs to interviews conducted with individuals more typical of the case study population at large. For Bozoki (2002), elite members are often those with close proximity to power; those who decide on, or influence the policy making process. Bozoki (2002) observes that elites have positional or reputational status and have participated or are still participating in certain and significant situations of interest. Although no interviews were obtained with current Indian government officials or civil servants, individuals and organisations that work closely within the policy-making process were targeted. For example, individuals who have worked for or are working within IGOs that engage closely with policymakers were selected. Several participants held elite positions within these organisations including one participant who was a former member of the Indian Administrative Service and held a high ranking position in the Government of Rajasthan. He previously held elevated positions within the World Bank, Asian Development Bank, United Nations Development Program, United Nations Department for Technical Cooperation and Development and United Nations Educational, Scientific and Cultural organisation to name but a few. Another participant is a Director of one of India's national business associations and serves as a consultant with the United Nations Conference on Trade and Development. Another participant helped the government to construct the investment policies for FDI in the retail sector as well as the policies for

special economic zones in India. Her research is recognised as instrumental to India's negotiating strategies in the WTO and bilateral agreements. Due to the respondents' high level of expertise and proximity to policy-making in India that has been achieved through their research and/or activism, the sample of participants are referred to in the research questions as 'elite policy stakeholders'. Interviews with elite policy stakeholders in the area of social and economic development were invaluable in understanding the impact FDI is having on India's development process as well as accessing information and opinions concerning policy construction, policy problems, and how investment strategies as well as policy implementation could better minimise risk and maximise potential benefit for India and its citizens.

The study utilised purposive sampling. Oliver (2008) remarks a purposive sample is targeted when the researcher identifies certain respondents as being potentially able to deliver significant data and insight on the research topic. Oliver (2008, p.110) elaborates that purposive samples can be particularly useful when:

...the researcher is seeking respondents who are both articulate and who wish to help with the research. On the other hand the purposive sampling process may seek to identify people, who, because of their experience or contacts, have special insights into the research question.

A criticism of the purposive sample is the element of subjectivity that is introduced into the design as the researcher is "forming a view as to the preferred characteristics of respondents" (Oliver, 2008, p. 110). It can be

argued that using purposive samples limits the generalizability of research findings in comparison to other probability samples as participants that are sought may have similar backgrounds, interests and outlooks (Oliver 2008). However, a probability sample most likely would not have yielded the level of in depth, rich data concerning FDI that was needed for this project.

The majority of participants and contacts were obtained from personal investigation of experts in the field. However, a snowball sampling technique was also utilised as a complementary strategy for attaining interviews.

Snowball sampling, referred to by some researchers as chain referral sampling, is a method of sampling sometimes used in qualitative sociological research (Berg, 2004). This method is a type of non-probability sampling technique which can help researchers locate hard-to-reach populations (Atkinson and Flint, 2001). Of the 40 interviews conducted, the use of the snowball technique helped to arrange approximately twelve of the interviews. At the conclusion of interviews, I sometimes asked participants if he/she could suggest someone in the field of social and economic development that may be interested in speaking with me. However, I often did not ask interviewees for referrals as I felt it would 'be asking too much' and I simply thanked them for their time. Often interviewees would suggest organisations— rather than particular people— that specialize in development issues. However, at times specific names were provided by participants along with the organisation to which he/she is employed. In these instances, I proceeded to conduct an internet search of the suggested researcher and/or organisation to determine if I agreed with the appropriateness of the suggestion and make contact accordingly.

There are advantages and disadvantages to employing a snowball sampling technique. It is a time and cost efficient means to gain more contacts by enabling the researcher to take advantage of the social networks of identified participants. Atkinson and Flint (2001) explicate that snowball sampling can be particularly helpful in gaining access to elite populations. In trying to arrange interviews with elite researchers and policy stakeholders with very busy schedules, I did feel more confident in my written correspondence to potential participants when I was able to mention the name of a colleague who had recommended that I contact him/her. On several occasions, I e-mailed potential contacts multiple times without receiving a response of acceptance or decline. However, for all of participants that I contacted via snowball sampling, I did receive a response either indicating that she/he could or could not take part (not everyone could take part due to time constraints or travelling commitments). In comparison to the list of participants I contacted without a referral, the snowball sampling method did ensure that I heard back from the contact.

However, there are drawbacks to using the snowball sampling method. The researcher has much less control over the sampling method as he/she is dependent upon the referrals made by previous participants (Berg, 2004). With snowball sampling there is no guarantee that the sample obtained is representative of the larger population of study (Berg, 2004; Atkinson and Flint, 2001). In fact, Atkinson and Flint (2001) argue that snowball sampling violates the principles of research sampling. As participants tend to refer individuals that they know well, it becomes highly feasible that the participants nominated will have similar traits, characteristics, beliefs and

perceptions. When this occurs, selection bias can result and limit the validity and generalizability of the findings (Griffiths et al, 1993).

In the sample used for this thesis, as stated above, the majority of participants were contacted through my research and initiation. However, for the twelve respondents who were obtained via snowball, it must be assumed that there is a level of sampling bias which can influence the validity of these findings. The sample of participants did share similar ethnicities, socioeconomic status and other identifying characteristics that can impact the research process. Their positionality as well as my own will be explored in an upcoming section (section 5.5).

One advantage of having high profile researchers as participants was that they were easy to identify and contact as their research interests and contact details were in the public domain of their organisation or university websites. After compiling a list of possible participants, initial contact was made via e-mail. Correspondence explained the research project, aims and why it was felt his/her input could make a valuable contribution to the research. Bozoki (2002) argues that conducting interviews with elites requires more preparation as the level of information exchange will most likely be in depth. Given this, the content of the invitation e-mails was personalised to each participant and tied his/her publication(s)/research or area of expertise to the overall research aims. A letter of support composed by my supervisor briefly stating the research aim, requesting and thanking participants for individual contribution as well as confirmation that ethical clearance was obtained was attached to each e-mail correspondence. The e-mail thanked the participant

for the opportunity to interview him/her and requested details concerning time and place most convenient for him/her.

Having described how the sample of participants was constructed and contacted, the proceeding subsection will explore the interview, transcription and coding processes.

5.4.2: Interviewing, transcription and coding

As stated above, the process of interviewing was deemed the most appropriate methodology to explore and answer my research questions. Other types of methods such as questionnaires, for example, would not have worked as well as this research was looking for in depth responses and face to face interviews are an effective method for this type of data collection (Silverman, 2005; Fielding and Thomas, 2008). Furthermore, questionnaires would not have allowed for follow up questions whereas qualitative interviews afforded this opportunity.

There are two main types of interviewing methodology: standardised and non-standardised (Silverman, 2005). Standardised or structured interviews are conducted to ensure each interview is conducted exactly the same with the same questions presented in the same order (Silverman, 2005).

However, with non-standardised interviewing, it is not necessary to ask the same questions and the format can take the form of a discussion whereby the interviewer directs the interview by identifying topical questions and allows the interviewee to discuss them more extensively (Silverman, 2005). Fielding and Thomas (2008) argue that non-standardised approach is best

suiting when the subject matter is dense and complex as the technique enables researchers to 'fine tune' the interview format to attune it to the varying levels of comprehension and array of insight provided by participants. Standardised interviewing would not have been an appropriate method for my sample population as participants had different fields of expertise and a more flexible interviewing technique allowed further access in eliciting the rich and detailed information.

Semi-structured and focused interview methods are types of non-standardised interviewing (Fielding and Thomas, 2008). During the initial stages of my fieldwork, interviews were semi-structured and became closer to focused interviews in the latter stages of the interviewing process.

Fielding and Thomas (2008, p. 247) describe focused interviews in the following manner:

Here interviewers simply have a list of topics which they want the respondent to talk about, but are free to phrase the questions as they wish, ask them in any order that seems sensible at the time, and even join in by discussing what they think of the topic themselves.

I attempted to maintain a balance between semi-structured and focused interviews by exploring certain topics with all interviewees and allow the interview to become more focused or unstructured at times to tap varying levels of individual expertise.

One criticism of non-standardised interviews is that validity and reliability of data may be comprised due to interviewer bias (Fielding and Thomas, 2008).

As will be discussed in the upcoming section regarding positionality (see

section 5.6), I felt more comfortable in some interviews in comparison to others. Here the use of non-standardised interviews may impact the data gathering process. In the interviews where I felt more comfortable, I may have engaged more in the interview and asked more clarifying questions. Utilising a non-standardised interview format may have caused me to gather more detailed responses in certain interviews in comparison with others.

Burnham et al. (2004) stress that one difficulty with interviewing is conducting too many interviews and suggest that 20-30 is a sufficient and reasonable amount where interviewing is the primary method employed. In total, 40 interviews from twenty-four organisations were conducted within the time of the fieldwork. Upon reflection, 30 interviews would have most likely been sufficient as the transcription and data analysis was daunting with 40 interviews. Furthermore much rich and valuable information from respondents simply could not be utilised in the empirical chapters due to length and word constraints. The interview process came to a conclusion towards the end of the fieldwork in New Delhi when 'data saturation' had been met and it was concluded that sufficient data had been collected for the research aims (Lincoln and Guba, 1985, p350).

All interviews except two were audio recorded using a small digital voice recording device. Although ethical concerns will be explored below, it is worth noting here that all interviewees' permission was sought prior to using the recording device in the interview. Recording the interviews enabled more effective active listening to take place as the concern with writing notes and documenting phrases verbatim was, for the majority of interviews, not

needed. Also, as Fielding and Thomas (2008) argue, note taking opens concerns and doubts regarding validity. Respondents were informed that transcriptions would be shared upon request to confirm accuracy although none of the participants requested copies of transcriptions. Audio recording also enabled verbatim transcriptions of the interviews. Fielding and Thomas (2008, p. 257) distinguish between selective transcription and verbatim transcription and note that verbatim transcriptions allow for all possible analytical investigation however, this technique is often time consuming. Verbatim transcriptions were conducted using Windows Media Player and headphones on a laptop computer.

Upon completion of the transcription process, a progression of what Lofland et al. (2006) terms initial coding occurred whereby categories and themes began to emerge from transcriptions. Initially, a summary of each respondent's transcription with themes and key words and phrases were recorded in a notebook. As each transcription was completed, a reflection back on other themes and key words from other transcriptions was conducted. This initial coding allowed for a viewing of all chronological transcriptions and a comparing and contrasting of initial themes and key words that were highlighted. From the process of initial coding, the stage of focused coding began (Lofland et al, 2006). At this stage, computer software NVivo 9 was used to assist with the process of coding and analysis. NVivo 9 was chosen as the university offered a software download for free. The software enabled all of the data to be stored and managed relatively easily on the computer.

However, there are questions as to the degree to which such programs shape the analysis process. Mason (2002) observes that computer aided analysis software promotes cross sectional indexing or coding as opposed to a more holistic analysis. NVivo 9 did facilitate the construction of 'nodes' or codes under which quotes are stored. This can fragment the data as coded segments of data can become detached or isolated from the larger context. The software does allow for an expansion of a quote so that a viewing of the wider context can be seen. It also allows for the entire transcription to be opened. Viewing the specific quote and the wider context was done throughout the analysis to ensure the context of the quotes was not lost.

The proceeding subsection will explain the additional methods of data gathering that were used in this research.

5.4.3: Multimethod approach: Utilising documents and secondary interviews

In addition to interviews, this study utilised document and content analysis. Mixed method research involves the use of two or more research methods in a single research project (Alexander et al, 2008). This can mean that the research has both qualitative and quantitative components, two or more styles of data collection and/or two or means of analysis have been employed (Alexander et al., 2008). For this project, multiple data sources were used, specifically, investment policies, Indian investment bureaux and interview transcripts from broadcast media. All of these additional sources were analysed to contextualise and reveal different dimensions of the research questions as well as to complement and expand the interview

analysis. For this study, the additional data sources were largely analysed after the interview fieldwork in India although a cursory analysis of some documents occurred alongside the interview fieldwork. I will briefly describe all three.

The documents that were analysed were IGO reports and Indian government documents, investment reports and policies. A complete list of the documents used is listed in Appendix 1. Examples of IGO reports include: multiple years of United Nations Conference on Trade and Development World Investment Report, the World Economic Forum's Global Competitiveness Report (2012-2013; 2014-2015), World Bank's Doing Business: India 2015. IGO reports provided insight into levels of foreign investment, specific concerns to both developing and developed countries and policy issues concerning global flows of FDI. IGO documents were easy to access and easy to decipher and were fairly self-explanatory.

Examples of Indian state government documents that were analysed include Twelfth Five Year Plan; Consolidated FDI Policy, 2013; National Manufacturing Policy, 2011 (Press Note 2, 2011 Series) and Foreign Direct Investment in Multi-Brand Retail Trading Sector (Press Note 5, 2012 Series). Atkinson and Coffee (2004, p.72) stress that while government documents may be written in an accessible language, they are composed for a selective audience or 'restricted readership' for those with government policy competencies and, thus, may not be easy to decode for those outside this particular readership. The Indian government FDI reports and policies were predominantly written in English and somewhat self-explanatory but not as

easy to understand or as descriptive as the IGO reports that were utilised. Government reports such as the Fact Sheet on Foreign Direct Investment (FDI) illustrate the top countries investing in India as well as the top sectors attracting the highest levels of FDI. Such information was helpful in addressing the first part of the second research question regarding the types of FDI India is attracting.

Investment policies such as the National Manufacturing Policy, 2011 and Foreign Direct Investment in Multi-Brand Retail Trading Sector were also analysed to investigate the first research question (see section 5.2) regarding investment strategies and the implications to social welfare that are likely to flow from these strategies. These two policies are good examples of the government's investment strategies and reveal the differences in how service sector investment and manufacturing investment is being sought.

Specifically the social protections that are implemented in the policies will be explored along with interview data to reveal what social policies may be needed to protect citizens and workers. India's main development plan, the Twelfth Five Year Plan was used to explore to what extent and how FDI configures into its development plans. This was particularly helpful as I was unable to interview current government officials whilst in India (see section 5.8).

Content from India's investment bureaux were explored for this research. As discussed in Chapter Three (see section 3.7) countries compete for FDI and promote investment opportunities to foreign investors through investment bureaux. Similar to other countries India has several investment bureaux

that it uses to sell itself to foreign investors. These bureaux were analysed to afford understanding into India's investment strategies and provide insight into the first research question: How is India selling itself to investors and what are the possible implications for social welfare that are likely to flow from the Indian government's investment strategy? Investment bureaux such as 'Invest in India' are easy to access, the website are up-to-date and user friendly. Such websites give a good indication of prevailing investment conditions and serve to illustrate the type of investment India is seeking as well as what the Indian government is offering investors in return for their investment. What the government promises to investors can be analysed to investigate the possible implications for social welfare that are likely to arise from investment strategies.

Finally, interviews from one of India's major media broadcast television networks, New Delhi TV (NDTV), were accessed from their website, viewed and selectively transcribed as well. Approximately 18 videos of interviews from NDTV were watched and selectively transcribed. NDTV often conduct interviews with prominent business leaders as well as government officials from the Planning Committee which construct India's development initiatives. For example, interviews concerning policy issues were often conducted with a panel of policymakers, business leaders and various stakeholders and watching these helped to provide deeper comprehension into policy analysis and highlighted specific stakeholder concerns. Interviews with international business associations such as the US-India Business Council provided further awareness of business policy preferences as well as a business

perspective and assessment of their impact on the economy and local communities.

5.5: Positionality

England (1994) argues that research is a process not a product and Bourke (2014) expands this concept to explain that the research process continues as the researcher reflects on the data collection, the findings and the implications. Qualitative research positions the researcher as the gatekeeper for data collection and analysis and, thus, the researcher's identity in regards to cultural background, gender, race, socioeconomic status and other identifying characteristics are variables that can affect the entire research process as these characteristics shape and influence how an individual interprets and processes information (Bourke, 2014). Accordingly, a level of reflexivity on behalf of the researcher is important to understand how one's subjectivity can influence the research and dissemination of findings (Bourke, 2014). Reflexivity involves applying close inspection on the shared space and relationship between the researcher and participant (Bourke, 2014; Mullings, 1999).

Positionality refers to the perspective of the researcher or participant that is shaped by one's unique mix of identifying characteristics (Mullings, 1999). Positionality theory often contains discussions of insider/outsider participant divides. Insider position refers to a researcher who shares similar cultural, linguistic, ethnic, national and/or other characteristics to that of the research participant whereas an outsider does not (Ganga and Scott, 2006). There

are advantages and disadvantages associated with both positions (Mullings, 1999; Ganga and Scott, 2006).

I had assumed that my positionality as a white, American, female, middle class and postgraduate student would always be an outsider position in that I was interviewing participants from different cultures, ethnicities and educational backgrounds, however, my identities and positionality proved more complex during my time in India. The research literatures concerning positionalities of researcher and participant in regards to power often focus on the situation in which the researcher is in a position of power (Mullings, 1999). However, my sample of elite researchers and policy stakeholders had more power in socioeconomic status, experience, career accomplishments and I was wholly dependent upon their status, knowledge and opinions for my data.

Although I felt the power differential in all of the interviews, I did so more with male economists. India is a patriarchal country and I was constantly aware of my diminished status as a single female. However, this positionality did enable me to feel more comfortable with female participants. Several female participants talked about safety issues with me and warned me that it was very unsafe at night for women in India, in particular, if not in a large group. One participant gave me her personal mobile telephone number and encouraged me to phone her at any time if I experienced any safety problems. These candid conversations—while very concerning—did enable me to feel partially accepted as an insider in that we were both women in a male dominated environment. I remember one female participant who I

admired greatly stated twice in our time together that she thought I was very brave for traveling to India alone to conduct my research. Thus, with female participants I felt more comfortable and more of an insider and this may have impacted the data gathering process in that I may have, unknowingly, participated more in the interview and asked more follow up questions in comparison to male participants with whom I felt more uncomfortable.

At times, I did worry that my position as a researcher from a developed country studying “development issues” might have caused participants to perceive me in a negative light. I remember two participants, in particular, were quite curt at times and I wondered if my ethnicity played any part in their apparent annoyance. After trying to elicit a conversation regarding social policies and economic growth, one participant stated, “Oh that is such a vague notion to make...it’s not that we don’t understand that social policy can help economic growth...” and he went on to explain budgetary constraints and other logistical problems of social welfare in India. His comment made me feel that I was coming across as a ‘white woman from the West trying to figure out what India is doing wrong’. Another participant stated, “You cannot ask that question, I will answer what is holding back manufacturing growth not the economy.” On both occasions I felt scorned and I may have held back in asking clarifying questions in comparison with other interviews where I felt more comfortable. Had my interviews been standardised rather than non-standardised, these issues may not have had the same impact. Although I hoped participants would not perceive me negatively because I was from the USA (and a university in the UK), the ways in which I interacted with participants was based on my own

experiences as a citizen of a developed country and the ways in which I perceive issues of development. As I analysed the data and looked for emergent themes, I did so, inevitably, with a perspective shaped, in part, by my identity as a white, American woman.

However, my nationality as an American and 'not from India' did facilitate my feelings of an insider position with other participants who were not from India. Four participants were not from India and during these interviews; participants would discuss India as an "other". During these interviews, I felt I shared a commonality with these participants in that we were both researching India from an outside perspective. One participant who had a high ranking position with a neoliberal IGO responsible for monitoring the economic performance of member countries was of Indian-Asian ethnicity and American nationality. I had assumed, however, prior to our meeting that we would not have many commonalities largely due to my sociological background and beliefs which can be sceptical of neoliberal ideology. However, his American nationality permitted me to feel we had more in common than I had anticipated. He indicated that he had only been in India for seven months and he spoke of India from an outsider position. For example he stated, "In all the places I have worked, I have never seen such swings from absolute despair to euphoria depending on what is happening in the markets...as much as I have seen in India." I believe that he felt a commonality with me as well and even openly shared that his wife was a sociologist. Here our shared nationality, I felt, enabled me to feel more of an insider with him than I had anticipated.

My identity as a doctoral candidate from a sociological perspective was an interesting dynamic. The majority of participants discussed my thesis with me at the beginning of our meeting; many even asked detailed questions regarding the research design. I felt that my status as a postgraduate student enabled me to acquire access to interviews as participants often recalled some of their experiences when they were “in the same position.” This enabled me to feel somewhat of an insider, however, my positionality as a student of sociology studying FDI was brought up and specifically mentioned by nearly every participant. At times participants expressed support for multidisciplinary research. However, others appeared to find this simply perplexing. To be honest, continually discussing why I chose to investigate FDI became a little draining and continually reminded me of my outsider position with participants from other academic and research disciplines. Furthermore, I sometimes felt that some economists perceived me to be out of my depths. However, these feelings also resulted, no doubt, due to my own feelings of inadequacies and self-doubt that arose from the culture shock of India, elite interviewing and conducting ‘doctoral’ research all of which were new and intimidating experiences. On the other hand, this outsider position could have also afforded me advantages. At times I felt the participants who were economists took more time to explain their opinions and deconstruct these for me. My position as a sociology student as well as being from a different country may have promoted the participants to give me more information because he/she could not assume that I automatically possessed insider information.

My sociological position also permitted me to feel more of an insider with participants who were activists and/or came from human rights disciplines. One activist heavily involved in the movement to stop FDI in multi-brand retail invited me to two marches and informed me of two very helpful conferences that were taking place in New Delhi.

Finally, my sample of participants all had middle and upper class socioeconomic status. Having a sample with participants with the same socioeconomic status does create problems of representativeness. Although many of the participants' research focuses on inequalities, empowerment, pro-poor growth and informal labour sectors, the researchers themselves are from the top castes and socioeconomic status in India and, as discussed above, positionality impacts the research process. Thus their ethnicity and socioeconomic status will play a role in their research however accomplished they may be in the field. Thus, the data from the interviews has filtered through two separate perceptual lenses—the participant's as well as my own— both shaped by a unique mix of positionality and identity.

5.6: Ethics

The research plan was reviewed and approved by the University Ethics-Co-Coordinator of the Sociological department prior to commencing the fieldwork. A participant information sheet regarding the study was provided to each participant along with a consent form. The information sheet included information concerning anonymity and data storage. Both the information sheet and consent form had been previously reviewed and approved by the

University and are included in the Appendix (Appendix 4 and 5). I asked each participant to sign and date the consent form prior to the interview. Permission was sought to audio record interviews and it was explained that handwritten notes could be taken should the respondent feel uncomfortable with or object to audio recordings. All but one participant agreed to being recorded. Recording devices were turned off if phone calls were taken and it was explained that the respondent could ask for the recording to be turned off at any time during the interview. All data recordings were password protected and stored in a locked filing cabinet along with other research data. Identities and quotes were anonymized. Although some respondents stated he/she was comfortable with being quoted, it was explained that all participants would be identified by fictitious initials and the organisations would not be directly named although area of expertise would be identified. I ensured each participant understood this and were comfortable with the anonymity process.

5.7: Barriers in the field

Choosing to conduct the fieldwork in a foreign country posed several enjoyable challenges as well as stressful ones. Having never travelled to India prior to this research, I did not know what to expect and the unfamiliarity proved difficult at times. The research plan initially intended to interview central government and locally elected officials to ascertain how, in their view, has FDI benefitted and/or harmed local economies and communities. During my fieldwork, I was unable to interview current government officials. I had difficulty finding e-mail addresses for government

representatives as government websites were difficult to navigate and was often out of date with contact information. I did not receive a response from the officials that I was able to contact via e-mail. The snowballing technique that was occasionally employed led to contacts with other researchers and development experts but not local government officials and I was unable to access these people independently.

I had also intended to interview TNCs to explore their assessment of the impact, both positive and negative, their company has brought to the local economy and communities. However, I was unable to secure interviews with TNCs as well. Steve Tombs and David Whyte (2003) explore the difficulty of researching harm and crime committed by powerful agents such as corporations and state governments in their book 'Unmasking the Crimes of the Powerful: Scrutinizing States and Corporations'. Tombs and Whyte (2003, p.4) contend that a key aspect of corporate and state power is to ensure that:

Their "activities" (a shorthand term used here for acts and omissions) be obscured, be as invisible, and remain as absent from the public gaze and scrutiny as possible.

Mullings (1999) and Thomas (1993) both discuss the difficulties in researching those with power. Thomas (1993, p.80) describes "important people in big companies" as visible yet inaccessible and explains the difficulties in gaining access to interviews with them or in making cold calls to companies:

Moreover, most businesses, no matter how small have gatekeepers who keep an eye on the comings and goings of strangers. Large corporations, especially ones with trade secrets to hide, have gates, guards and security devices. ..You can't just walk into an office suite and expect to strike up a conversation or hang out and observe the scene. (p.82)

I faced similar barriers described by Thomas (1993) in obtaining interviews with employees with TNCs during my time in India. When I did not receive responses from my e-mails to TNCs, I did attempt to make cold calls to a few TNCs. However, TNCs (as with all of the facilities for my interviews) have a security desk with guards and sign in procedures for visitors. When I did not have a scheduled appointment coupled with language barriers, I could not manage to obtain any interviews this way.

Tombs and Whyte (1995) argue that despite the social harm caused by corporations and the state there is a lack of research investigating crimes of corporations. This is argued to have resulted from several factors including difficulty gaining access behind the 'corporate veil', obtaining funding for such projects as well as problems disseminating findings as many corporations have funding ties with universities (Tombs and Whyte, 1995, p.4). One important consequence of the relative absence of research concerning corporate and state crime, Tombs and Whyte (1995, p.7) contend, is that the methodologies for researching powerful corporations are not developed and:

...there is very little experience for future researchers to draw upon as a methodological resource. There are no examples of texts organized around a sustained concern for methodological issues raised in the processes of “researching the powerful”, either within criminology or indeed across social science.

While it is true that my research topic was not solely focused on corporate harm or crime, my contact letter to potential participants did explain that I was investigating the negative social impacts of FDI to India and this may have put off TNC and government officials from talking with me. As Tombs and Whyte (1995) describe, there are roadblocks to gaining access to powerful corporations and I did not know how to navigate around these access problems.

By not interviewing TNCs, there is a perspective missing in this thesis. I was able to access interviews with business associations in India and this helped to provide a corporate perspective in how FDI is providing benefits and costs to local communities and economies. I also used documentary analysis and interviews from broadcast media to try and fill in the gaps from lack of interviews with TNCs and government officials. Thus, interview data regarding the social and economic impact of FDI to India is provided by elite policy stakeholders and business associations in India but not from the TNCs themselves. Although it is doubtful interviews with TNCs would have provided admission of harm or crime committed by the TNC, by not talking with them they did not have the chance to defend themselves against some of the accusations that elite policy stakeholders made against them.

Furthermore by not interviewing TNCs, I was unable to hear in their own words how they feel their investment has helped Indian communities and economies. In retrospect, I could have analyzed corporate reports from particular TNCs' websites to get further insight into how specifically TNCs were contributing to development initiatives. However, constraints to length and word count of the thesis would have made this difficult.

5.8: Chapter summary

This chapter has explored the theoretical foundations, methodology and methods that guided this this research. It began by explaining the research questions that are pivotal to the investigation. This was followed by the methodological approach, specifically a description of the case study that was utilised here as well as the reasoning behind the choice of India as a single case study method was explored. The process by which the data was collected was observed next, including the sampling process, interviewing methods and the process of analysing the data. Following this, the chapter presented the multimethod approach that was employed and how documents, policies and transcripts of multi-media interviews provided context and complementarity to the analysis. The positionality of the researcher was presented and issues of ethnicity, gender and other identifying characteristics that impacted the research process were explored. Ethical issues comprising informed consent, anonymity and confidentiality were presented next. Barriers encountered in the field during my time in India were explored as well as the wider methodological difficulties of researching the powerful. The absence of TNC and government officials'

perspectives and how this may have impacted the findings was examined here as well.

The proceeding chapter will be the first of four empirical chapters.

Chapter Six: Investment strategies and the social welfare implications of FDI to India

6.1 Introduction

As states compete with one another for FDI, they will often construct investment strategies to promote national advantages to potential investors via investment bureaux (see section 3.7) (Farnsworth, 2010). The resources a country has to offer will vary between states but the investment strategies utilised will try to entice investment best suited to development needs by advertising specific national comparative advantages attractive to investors (Thomas, 2011; Farnsworth, 2010). The social consequences derived from investment are highly contingent upon the investment strategies of the government; what the country is offering investors and the type of investment attracted (Chang, 2003; Thomas, 2011; Farnsworth, 2010). Contingencies for social welfare are also directly dependent upon the investment policies, how they are framed and the social protections afforded to protect citizens, workers and local communities (UNCTAD, 2002; Farnsworth, 2010; Thomas, 2011).

Given these arguments this chapter will explore the first research question:

How is India selling itself to investors and what are possible implications for social welfare that are likely to flow from the Indian government's investment strategy?

It will answer this question by analysing India's main investment bureaux to gain insight into the types of investment the state is targeting and the

conditions and incentives it is employing to entice investment. This chapter will proceed to further investigate this research question by analysing two specific FDI related policies: The National Manufacturing Policy and Foreign Direct Investment in Multi-Brand Retail Trading Sector. These policies will be analysed via documentary analysis and interview data. These specific policies were selected as they are both important to India's investment strategies and carry wide ranging implications for citizens. The two policies contrast each other in the level of afforded social protections and explanations as to why will be explored along with the social welfare implications that may arise from the varying levels of protections.

As explained in the Methodology chapter, in depth interviews were conducted in New Delhi, India with 40 participants who are employed within highly respected and well known universities, NGOs, IGOs, and policy and research organisations that target economic and social development issues. Appendix Two list the participants' fictitious initials in alphabetical order and describes their areas of expertise as well as the organisation where they work.

6.2: Investment strategies and investment bureaux: The need to attract investment

As examined in Chapter Three (see section 3.7), investment strategies can be divided into two main types: functional and selective strategies (Chang, 2003; Lall, 1997). Functional strategies do not favour any particular activities, industrial sectors, or firms over any other. Functional strategies appeal to 'universal' business needs and are applied irrespective of the

nature of the host economy or the particular stage of development (Chang, 2003). Selective strategies, on the other hand, are tailored to a country's needs and the government actively intervenes to influence the type of investment sought as well as the terms under which companies are allowed to invest (Chang, 2003; Lall, 1997). While selective strategies can be vital to accelerate and deepen the development process (Lall, 1997), neoliberal ideology supports the open door ethos of functional policies and discredits selective strategies as interventionist, protectionist and, thus, ineffective (Chang, 2003). This argument is based, in large part, on the belief that investment decisions are determined on the amount of freedom granted to TNCs (Chang, 2003). Using these investment strategy descriptions to explore content within India's investment bureaux will aid the exploration of motivations on behalf of the Indian government to attract investment to fulfil development needs.

Invest India is an example of an investment bureaux designed to promote the Indian economy to outside investors. Invest India is a not for profit joint venture between the Department of Industrial Policy and Promotion (DIPP) within the Ministry of Commerce and Industry and the Federation of Indian Chambers of Commerce and Industry (FICCI), one of India's most well established business associations.

Invest India provides a good depiction of India's investment strategy in how it is promoted to foreign investors. One of the first qualities listed under the 'Advantage India' tab on Invest India's Home page indicates 'the Indian government's constantly evolving investor friendly policy'. It continues to

state that further liberalisation will continue suggesting to investors that if they do not see an investment opportunity in their realm of expertise, there will likely be one in the future as the country is constantly liberalising foreign investment policies:

India's steady economic liberalization and its embrace of the global economy have been key factors in attracting FDI. The government recently opened up multi-brand retail and civil aviation markets to 51 and 49 per cent FDI respectively and with more reforms expected in insurance and pension sectors, among others, India will continue to offer compelling opportunities to the global investment community (Invest India, 2015a).

This promotion of economic liberalisation typifies a functional investment strategy in that it is generic and market friendly. The implications of employing functional strategies such as this are that they risk encouraging investment that is not suited to India's development needs.

The cost and skill quality of the labour force is a critical part of a national investment strategy (Farnsworth, 2010). After briefly explaining the 'Indian growth story' and how two decades of economic liberalisation launched India onto the global stage where it is now a favourite investment destination, the bureau promotes its large, youthful, and cheap labour force:

India not only supports one of the largest populations in the world, but also one of the youngest. Fifty per cent of its population is below the age of 25 and two-thirds below the age of 35. Also, about 65 per cent of Indians are in the working age group of 15 to 64 years, giving the

country a significant edge in terms of cost competitiveness and low labour costs (Invest India, 2015b).

This promotional segment is a functional of investment strategy. First and foremost the passage is promoting a very large, young and relatively cheap labour force, suitable to many types of business needs. Enticing investment based on abundant and cheap labour, however, endangers depressing national wage rates and locking them at low levels. As explored in Chapter Three (see section 3.5) efficiency seeking firms which engage in high competition to save costs will be attracted to host countries with cheap labour but these firms are most associated with a race to the bottom in terms of working conditions and wages. Furthermore, it may be difficult for the government to increase wages in time as these firms often have low sunk costs, are mobile and may employ an exit threat to curtail policy changes to increase national minimum wage rates.

The promotional segment proceeds to advertise India's skilled labour force:

Moreover, India's labour force has a strong knowledge base with a significant English-speaking population, making it a top destination for multinational corporations that are looking to expand their overseas operations for market and talent (Invest India, 2015b).

Here the government is promoting the country's knowledge base and segment of the workforce that is fluent in English. This appears to be targeting more 'high end' investment and, for example, would be something a firm in the service sector or IT/ITES would be looking for. India's success as a destination for business process outsourcing such as call centres and other

service sector oriented investment, has meant advertising the English speaking skills of its labour force is warranted and indeed a vital aspect of its investment strategy.

The next important heading within 'Advantage India' is titled 'Indian consumer spending will grow 2.5 times by 2025.' This is clearly promoting India's mass domestic markets in an attempt to convince market seeking investors that India has a comparative advantage in its growing middle class with growing consumer needs:

Consumer spending in India grew from US\$ 549 billion to US\$ 1.06 trillion between 2006 and 2011, putting India on the path to becoming one of the world's largest consumer markets by 2025. India's consumption is expected to rise 7.3 per cent annually over the next 20 years. Seventy per cent of this expenditure will be on discretionary items like entertainment, healthcare, communication, education, personal products, services and so on. This rise of India's "new middle class" is globally significant as it will usher fundamental changes in India and around the world... (Invest India, 2015b).

This passage is clearly advertising the merits of India to foreign investors on the basis of the consumer demands and preferences of its middle class.

Ghosh (2004) argues that following economic liberalisation, India's macroeconomic strategy became openly based on the demand stimulus of the middle and upper classes and this promotional segment is indicative of this strategy. This segment is also promoting India's middle class service sector needs.

Investment strategies encompass not only promoting the resources that a country can offer investors but may also strategically attempt to capture the type of investment the country requires and is suitable to its development needs. Thus, investment bureaux try to stimulate investment in sectors the government wants to further cultivate. The types of investment a country wants to attract will most likely change as its development needs change and the country progresses through different stages of development (Chang, 2003; Farnsworth, 2010). Successful strategies will be adaptable and capable of promoting national resources as they develop and target investment that can further develop national capabilities and resources (UNCTAD, 2006).

As emphasised above (see section 4.3.1), India is in need of manufacturing investment. In 2010, the Finance Minister in his annual budget speech emphasized the need to increase manufacturing activity, the first time manufacturing had been stressed since economic liberalisation in 1991 (Rao and Dhar, 2011b). Increased investment in manufacturing was also stressed throughout India's most current development plan which outlines the development initiatives and strategies for the upcoming five years: The Twelfth Five Year Plan (Planning Commission, 2013). In looking at Invest India's Investment Brochure, the first sector promoted is manufacturing, a sector that has been stagnant following liberalisation (Krueger, 2007; Mazumdar, 2011; Binswanger-Mkhize, 2013). The promotion of manufacturing within investment bureaux, coupled with the creation and implementation of the National Manufacturing Policy in 2012 indicates a desire to shift India's predominant investment from services to industrial

production such as infrastructure and manufacturing. Invest India encourages manufacturing in the following passage:

In 2012, the Government of India unveiled a comprehensive National Manufacturing Policy (NMP). This flagship initiative undertaken by the government is aimed at stimulating infrastructure development and unlocking the country's manufacturing potential. Further, the NMP offers some novel solutions relating to labour laws, repatriation of capital, skill availability, environmental laws, and infrastructure (Invest India, 2015c, p.8).

Here the bureau is employing a strategy with both selective and functional aspects. It is selective in that it is tailored to India's need for manufacturing investment. However, in trying to attract manufacturing, it is employing a functional strategy promoting 'taken-for-granted' business needs such as liberal labour and environmental laws as well as financial incentives. As India has not been successful in attracting manufacturing investment, incentives such these are provided to attract investors and outbid other competing host countries. However, TNCs are more likely to invest in host countries because of the country's assets and not because of specific incentives (see Chapter Three, section 3.7) (OECD, 2008; World Bank, 1985; Chang, 2003). The Manufacturing Policy 2012 and the incentives offered will be explored in further detail in the subsequent section.

From the promotional segments illustrated above, it appears India is employing a two pronged investment strategy. On the one hand, these bureaux are using selective investment strategies to target investment based

on middle class consumer and employment needs by advertising their purchasing power and high level of skills and English speaking capabilities. Much of India's investment strategy, as highlighted here, indicates a development trajectory based on the employment and consumer needs of the middle class. On the other hand, it is employing functional investment strategies to spur investment based on abundant and cheap labour. It is selectively targeting manufacturing investment with relaxed labour laws and financial incentives. This strategy may serve to increase the polarisation and fragmentation within India's labour markets (see section 4.3). Furthermore, if wages are kept low for the majority of the labour force as this strategy is promising; demand for manufacturing products may not increase serving to further stifle the sector.

The proceeding section will examine two important FDI policies for India's investment strategies: FDI in Multi-Brand Retail Trading and the National Manufacturing Policy.

6.3: Two policy case studies: FDI in Multi-Brand Retail Trading and the National Manufacturing Policy

The social welfare implications to citizens from investment are highly contingent upon the investment policies and, in particular, the protections and stipulations afforded to mitigate disadvantages and promote advantages (OECD, 2002; UNCTAD, 2006). The Foreign Direct Investment in Multi-Brand Retail Trading Sector policy is an example of the government's strategy to pursue and entice market seeking and service sector investment. The National Manufacturing Policy on the other hand, is an example of the

government's shift in strategy to target manufacturing investment. This section will explore the social welfare implications to India and its citizens and analyse the protections afforded (or needed) in the policies to mitigate negative consequences. As the two policies stand in contrast to each other in the level of afforded protections, explanations as to why the policies are so different will be explored.

It is important to note that both investment policies are relatively new and the impact of both policies have yet to take root. There has not been any FDI in the multi-brand retail sector at present (UNCTAD, 2014). Also, at present, the manufacturing zones planned for National Manufacturing Policy are under construction and not yet in operation. At the time of writing, 16 manufacturing zones have been granted government approval (Express News Service, 2014). Thus, the impact to India, as explored here, is in the context of possible future implications.

6.3.1: FDI in Multi-Brand Retail Trading (Press Note 5, 2012 Series)

In September 2012, the FDI retail bill was approved and passed in Parliament allowing 100 per cent FDI in single brand retail and 51 per cent in multi brand retail (DIPP, 2012). Prior to this legislation, FDI was permitted in single brand retail up to 51 per cent and FDI in multi-brand retail (MBRT) was prohibited. The retail bill, specifically MBRT, has arguably been the most contentious piece of FDI legislation since economic liberalisation in the early 1990s (Roy and Kumar, 2012). The newly elected political party, the BJP, which came to power in May 2014 were opposed to the bill prior to the national elections and are considering revoking the bill (NDTV, 2014). FDI

in MBRT has widespread implications for many segments of the population such as domestic retailers, farmers, and consumers (Roy and Kumar, 2012).

Much of Indian shopping takes place in either open markets, small independent 'mom and pop' stores, called kirana stores; open market selling fresh fruits and vegetables; or with street vendors called 'hawkers' (Kumar and Ranjan, 2011; Ghosh et al, 2008). This is not to suggest that urban India does not have contemporary shopping malls filled with single-brand retail stores carrying the latest Western products: it does. What India does not have, as yet, is massive retail supermarkets such as Walmart, Tesco, Carrefour, etc. selling thousands of different branded items under one roof. Several TNCs such as Walmart and Tesco have previously entered the retail market through joint ventures with Indian companies in the wholesale cash and carry sector but were not able to set up their mega superstores until the retail bill. At present, the unorganized sector accounts for the overwhelming majority of retailing, up to 95 per cent, and currently employs between 30 million and 40 million people (Kumar, 2011).

Opponents to the legislation were concerned the small stores and street vendors will be displaced as rich and powerful TNCs enter the sector. A study commissioned by the ILO concluded that many self-employed, unorganized retailers have been pushed into this sector as a desperate survival strategy (Ghosh et al., 2008). Street vending is a particular source of income for many women in India who do not have fixed locations to sell their produce or products and many of their customers are the working poor consumers as well (Mukhopadhyay, 1997; Papola and Sharma, 1999; Ghosh

et al, 2008). These small scale traders, it is argued, will not be able to compete with TNCs (Bhoumik, 2001; Sengupta, 2006; Ghosh et al., 2008). There are also large concerns that the multinational retailers will have a negative impact on farmers, particularly the small farmer. Research has shown a negative impact from corporatization of agriculture on small farmers both in terms of market access and prices (Ghosh et al, 2008; Kumar and Ranjan, 2011).

On the other hand, advocates of the MBRT declare that private investment from TNCs will remove crippling bottlenecks in India's supply chain from the farm to the market, get rid of inefficient intermediaries or middle men and source directly from farmers thereby providing them higher profit, reducing food wastage, providing the consumer with lower prices and more choice, and supply investment to spur economic growth. For others, the policy will cause massive job displacement and loss of livelihood for small retailers and farmers. For opponents, the policy is another example of the government's reckless pursuit of FDI to bolster GDP figures at the expense of the people.

The Indian government implemented several investment stipulations, often called 'runners', into the FDI bill. It could be argued this was done to mitigate for potential costs while attempting to extract the most potential benefit for India. Similarly, it could also be argued that these conditions were necessary due to the political and civil protest which effectively brought the legislation to a political deadlock (UNCTAD, 2014). Indian business associations have complained that the runners are too demanding and will thwart investment opportunity.

There are four main stipulations or runners. The first condition is that policy falls under the jurisdiction of the state, meaning, retail sales outlets may establish only in those States or Union Territories which have agreed, or agree in future, to allow FDI in MBRT (DIPP, 2012). Two, the amount to be invested must be at least USD 100 million. A third condition mandates that at least 50% of total FDI brought in the first \$100 million has to be invested in 'back-end infrastructure' within three years (DIPP, 2012). 'Back-end infrastructure' includes capital expenditure on all activities, excluding that on front-end units; for example, investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, ware-house, agriculture market produce infrastructure etc. (DIPP, 2012). A fourth condition is that at least 30 per cent of the value of procurement of manufactured or processed products must be sourced domestically from micro, small, or medium enterprises that have a net worth of \$2 million at the time of initial sourcing (DIPP, 2013). MBRT retailers are given five years to meet this local sourcing requirement, meaning they can import products initially (DIPP, 2013). In sum, the government implemented stipulations to mitigate the potential costs to its citizens and promote maximum benefit by ensuring only large investments with retailers investing considerable sums of money into back-end infrastructure while sourcing 30 per cent of their products from small and medium Indian businesses; within the States that have approved the bill.

As stated above, the first condition of the MBRT bill is that it is subject to individual State approval. To date, ten States and Union Territories (out of 28) have approved the bill. States with large levels of FDI such as Karnataka,

Tamil Nadu, and Gujarat as well as Punjab and Kerala have not approved the bill, demonstrating the level of concern within India. However, advocates claim many more States will opt in after a precedent is set within the States opting for FDI MBRT.

In regards to the other stipulations in the bill set forth by the government, there are mixed opinions. AMK is a senior Professor with one of India's premier economic policy think tanks. She worked with the government on the retail policy and she expressed criticisms to the conditional provisions implemented in the bill. She suggests that the proper regulatory framework needs to be in place to mitigate for risk; not conditions. She explains:

I am pro opening up of multi brand retail in a phased manner subject to having a proper retail regulation and none of the stupid clauses which the government has implemented. Like the government says you will be able to do multi brand retailing if you bring in \$100 million but invest 50% of it in the back end...Logically speaking every time I bring in \$100, I may invest in the beginning or all \$100 in the back end and the next set of \$100 to the front end...that is how business works. So if every time I bring in \$100, you are telling me that I have to invest 50% of that here and 50% or that there...that does not work. They are saying that you have to source 30% from SME...this is also very stupid clause because it depends on what type of retailer you are...if you are Walmart you will not find an Indian SME that can do this. The government has shown that they do not understand what multi brand retail is. And because I designed the policy with them, I can definitely

tell you that they do not understand! If you cannot design a good policy, you have an acceptability problem. You don't have to put in conditions; you have to put in proper regulations.

The stipulation that 30 per cent must be sourced from SMEs is one way, it is argued, to ensure that some of the merchandise and produce is purchased locally from smaller and medium enterprises. However, as AMK highlights, the TNCs may struggle to find a local source to provide the volume of goods needed for a retailer like Walmart. The government appears to have listened to this concern because prior to the recent relaxation of conditions, TNCs had to purchase 30 per cent directly from the time of the original investment. Now, with the recent changes, the retailer has three years to fulfil the condition, meaning it can import 100 per cent for the first three years until it establishes a relationship with a local supplier. The overall concern is that without the sourcing clause, TNCs will bring in all of the products from other countries and use India only for its large domestic markets with an expanding middle class. The sourcing clause is an attempt to ensure that Indian farmers and suppliers will receive some benefit from the presence of mega superstores. It is also argued that this will help connect producers to the global market. The World Bank Chief Economist and previous Chief Economic Advisor to India's Ministry of Finance, Kaushik Basu, suggested similar opportunities were possible for small and medium businesses with the arrival of large corporates in MBRT:

But there is another benefit that people often forget: Once a big international corporation comes and operates in India, it is also a

corridor for sending goods out of India to the rest of the world. A small producer in a cubby hole in Bombay, Delhi or Calcutta who would not even know where to start to send his or her goods to Malaysia, to Europe, to USA can begin to use these corridors to begin to send their goods out. We have seen this in Indonesia; we have seen this in China. The small exporters begin to send their goods out through these companies that have come into the country (NDTV, 2012).

It is proposed that the condition for investors to spend 50 per cent of FDI on back-end infrastructure is a way to help fix the bottlenecks in the retail supply chain. As will be explored in the proceeding chapter above (see section 7.3.2), the current state of infrastructure is problematic for both investment and development concerns in India. There are large infrastructure problems in the retail supply chain. Previously, there has been a lack of investment in the logistics of the retail chain which has led to great inefficiencies in the market. Though India is the second largest producer of fruits and vegetables there are limited storage facilities and cold storages to keep the produce fresh, thus, much food is wasted (Deshmukh, 2012; Roy and Kumar, 2012). The amount of wastage in food grains is a heavy loss to farmers and, it is argued, has caused food prices to rise throughout India. Investment in back-end infrastructure, it is proposed, will help improve India's infrastructure, reduce food wastage, as well as lower the cost of transportation of food items. For advocates of the bill, this is a big selling point, as Ron Somers, President of USIBC emphasizes in an interview with NDTV:

I would just like to add that in regards to infrastructure...when you think of the states that may move forward to elect [for] organised retail, you are going to see so much investment going into the infrastructure from the farm to the market: The warehousing, the cold chains, storage, the roadways...that investment is going to be there forever and therefore is going to be a benefit to the farmer and the consumer alike (NDTV, 2013).

As mentioned, one of the main concerns with FDI in MBRT is the potential job displacement for many people in the retail sector. Ghosh et al (2012) report an estimate that one Walmart store can displace up to 1,400 small stores costing 5,000 jobs. For many, this is the crux of the issue and the driving concern behind the civil and political protest. All interviewees agreed there would be a certain amount of job displacement. Also, all interviewees agreed that there will be some employment generation by corporate retailers but several respondents thought more would be many more displaced than those employed by corporate MBRT.

The lack of welfare programs in India such as unemployment insurance further confounds the problem of potential job displacement in the retail sector. AS, a Senior Fellow for an applied economics research organisation explains:

For example, we do not have a social security system...we do not have a very good welfare expenditure system, right? We don't have it in India. Now if we are talking about doing something like this in Great Britain or France where you have such a huge welfare expenditure

system, it may be different...we don't have a welfare system and then to think about certain processes, like FDI in retail, which might have an adverse impact on employment for so many is a matter of huge concern.

Supporters of FDI in MBRT in this sample sometimes disagreed that the impact of job loss will be severe. Some respondents proposed that the Indian market is large enough for all players, large and small, to co-exist. One line of reasoning within this debate is that the Indian retail landscape is a special case with cultural properties that distinguish it from other consumer markets in other parts of the world and that the impact corporate retail will be different in the 'Indian case'. CD is a senior Research Fellow at an applied economics research institute. Her research specialisations are international and development economics and FDI and inequality. CD commented on India's consumer preferences and suggested the Walmart model of retail will not always service India's unique consumer preferences and needs, thus, the impact of these corporate retailers may not be as large as some anticipate:

The worry that some people have is if you let in FDI in multi-brand retail, like Walmart...people will lose their jobs. But I feel this concept is based on the western concept of Walmart. In India, I do not think that Walmart will swallow everything up. Walmart cannot sell in the small quantities that people buy in rural India which are the biggest consumers. They buy small things, they buy small amount, and they buy fresh things. I think people are arguing against Walmart [are]

using the Western notion. Many people in India buy like small sachets of things...like shampoo...where Walmart will sell this big thing of Shampoo for \$5. So Walmart will cater to 300 million people not 700 million people. How many people are going to buy in bulk? People still do not like to refrigerate food, for God's sake.

She goes on to suggest that the market will allow for both small and large, however, the impact to small retailers will not be negligible:

And some things, you will buy from a big store and some you buy from a small store....look at the convenience of getting bread or milk or whatever...you are not always going to drive to these huge Walmarts. Or you just call they guy and he delivers to you. These are advantages that the local guy can offer. But the smaller shops will be affected...you cannot say that there will be no effect. Some will die off but the ones which remain, will remain very well.

For several respondents, the retail bill is about sacrificing the majority for the consumption needs of the rich. As explored, formal service sector FDI is argued to be beneficial for the middle and upper classes. DR is a member of a national trade union that is politically attached to the Communist Party of India (Marxist) (Org. 23). It is one of the largest trade unions in India. He alludes to the prioritising the needs of the rich at the expense of the poor:

See just now what I say about the middle class and these Walmart and others...these big, big shopping malls, they require the capital of the middle class. If FDI comes in retail it is going to play absolute havoc! Hundreds of thousands of farming people are committing

suicide out of hunger and what not...so those people cannot go to the shopping mall and go for a shopping spree. Millions of people will lose their jobs. So if the multi-brand retail, if they come, it will not be a business, it will be a sucking machine. They will suck people's employment; they will suck the people who are trading, people who are retailing. Some number of high rise shopping malls will be there and they will have their backwards infrastructure support for them and some middle class people will enjoy it. But not for the rest of the country...so there is no question of supporting. And most are opposing, most State governments are opposing.

In summary, FDI in MBRT is a controversial and politically charged topic.

The policy has the potential to impact large segments of the population such as small retailers who make up over 95 per cent of the retail market, farmers, and consumers. The nature and the extent of the impact are widely debated in India. The next policy to be analysed also has the potential to impact large segments of India's labour force. However, this policy has not received the same level of national attention and scrutiny nor does it have the same level of afforded social protections as will be explored next.

6.3.2: National Manufacturing Policy (Press Note 2, 2011 Series)

During the time of my field research (October 2011-March 2012), the government enacted the National Manufacturing Policy (NMP), a large policy initiative aimed to enhance the manufacturing sector's share of national GDP by eliminating the bottlenecks argued to hinder the sector's progress, thereby creating massive employment opportunities. As will be explored in the

upcoming chapter (see section 7.3), there are several main factors perceived to be holding investment back in the manufacturing sector included faulty infrastructure, acquiring land, stringent labour regulations and skill deficiencies. The key components of the NMP address each of these factors and propose the creation of large, self-regulating, industrial townships equipped with state of the art infrastructure for manufacturing investors.

The government lists six main objectives for the manufacturing policy (DIPP, 2011, p.3). The first objective is to increase manufacturing sector GDP from 12-14 per cent to at least 25 per cent by 2022. The second objective is to create 100 million jobs by this time as well. The third listed aim is “to create appropriate skill sets among rural migrant and urban poor to make growth more inclusive.” The fourth and fifth objective is to increase technological depth and enhance global competitiveness. The sixth objective is to:

...ensure sustainability of growth, particularly with regard to the environment including energy efficiency, optimal utilization of natural resources and restoration of damaged/ degraded eco-systems (DIPP, 2011, p.3).

In order to achieve these objectives, the government outlines nine specific instruments or components that serve as the crux of the policy (DIPP, 2011, p.5). Four of the nine are specifically relevant to this thesis and will be explored further:

1. Clustering and aggregation: National Investment and Manufacturing Zones (NIMZs);
2. Rationalization and simplification of business regulations;

3. Simple and expeditious exit mechanism for closure of sick units while protecting labour interests;
4. Industrial training and skill up-gradation measures; (DIPP, 2011, p.5).

The remainder of this section will examine the main components of the policy and explore the wide ranging social implications at stake.

6.3.2.1: National Investment and Manufacturing Zones

A crucial aspect of the manufacturing policy is based on the concept of clustering or aggregating manufacturing enterprises within a zone known as National Manufacturing Investment Zones (NIMZs). The NMP (DIPP, 2011, p.25) describes the zones in the following passage:

The National Investment and Manufacturing Zones (NIMZs) will be developed as integrated industrial townships with state-of-the art infrastructure and land use on the basis of zoning; clean and energy efficient technology; necessary social infrastructure; skill development facilities, etc., to provide a productive environment to persons transitioning from the primary sector to the secondary and tertiary sectors.

One of the primary aspects of the NIMZ is that quality infrastructure will be in place and established by the state and central government. As discussed above lack of infrastructure was reported as the biggest hindrance for investment, particularly for manufacturing. DH is the Director of Economic Policy with one of India's business associations. He also serves as a

consultant with the United Nations Conference on Trade and Development. He suggested that the zones will provide a way to get the manufacturing sector going until India has developed its infrastructure across the country:

Actually in fact, that was our idea to the government that since we are not able to develop infrastructure at the country level, I mean sufficiently... and it will take some time but until that time, let us develop some clusters of excellence in manufacturing. If we are not able to provide a state of infrastructure across the country at least let us provide that in pockets. And let that gradually spread over the country.

Having zones which are created and established by the state government also spares investors the difficulty of acquiring private land which is a reported problem for investors. Whilst this may be preferential for the investor, it may cause increased problems of land displacement. Issues of land displacement will be explored further in Chapter Nine, however, it is important to understand here that land displacement is a very big problem in India and often the best agricultural lands are forcibly acquired by the government causing much protest from farmers and civil society (Mathur, 2011).

NIMZs have a minimum land requirement of at least 5000 hectares and several states are expressing difficulty in acquiring the vast tracts of land needed to establish the NIMZs. Five states have written to the Department of Industrial Policy Promotion requesting (DIPP) requesting the minimum land requirements to be lowered so that the states will not have to acquire so

much agricultural land (Sharma and Seth, 2013). Agriculturally prominent states such as Gujarat are struggling to find the amount of land required that is not in use by farmers (Express News Service, 2013).

Acquiring large tracts of land is also concerning for poorer states, as the NMP dictates the responsibility falls to the individual State to purchase the land and provide resettlement and rehabilitation packages to land users. As discussed in Chapter Four (see section 4.3.3.4) there is a large discrepancy between the states that are attracting investment and advancing economically and those that are failing to do so. For states looking to catch up, advancing the manufacturing sector would be one way to achieve this. However, it is argued; because a large number of the NIMZ costs, such as land, fall under State responsibility and not the central government, this could place disadvantaged states in a further position of disadvantage thus further heightening interregional inequalities.

The policy states that the administrative structure of an NIMZ will comprise of a Special Purpose Vehicle (SPV) which will manage the affairs of the NIMZ. A key feature of the NIMZ is that it will be completely self-regulating. The concept of the manufacturing zones is similar to a previous investment policy, the Special Economic Zones Act of 2005 (SEZ Act). The main difference between the zones is that labour laws are curtailed in manufacturing zones whereas national labour laws apply to SEZs. The policy states that the NIMZ will be accorded municipal powers under the Indian Constitution:

To enable the NIMZ to function as a self-governing and autonomous body, it will be declared by the State Government as an Industrial Township under Art 243 Q(c) of the Constitution (DIPP, 2011, p.25).

The government previously granted such status to SEZs, however, all of the national labour and environmental regulations were applicable to SEZs and this is not the case with NIMZs as will be explored next.

6.3.2.2: Rationalization and simplification of business regulations

Although business groups have continually called for greater flexibility in labour regulations, they have been unable to cause changes to the national labour laws (Murali, 2010). The first policy instrument provided in the NMP to promote manufacturing is the rationalization and simplification of business regulations. Complex regulations are argued to be stifling investment as BG, a senior economic researcher and policy analyst for one of India's national business associations explains:

It is felt that the reason why manufacturing hasn't grown much in India is because there are much restrictions on manufacturing...the labour laws, environmental regulations, all the red tape and bureaucracy in starting a factory...all the inspections. It is a very, very regulated sector. So this policy supports doing away with some of these regulations in specific zones.

The policy stipulates that the SPV will prepare a strategy for the development of the zone and produce an action plan for self-regulation to be submitted to the Board of Approval in the DIPP within three months from the date of the

composition of the SPV. Environmental and labour protections are to be ensured through statutory inspections under the direction of the CEO of the SPV (senior Government official) and that these inspections will be periodic, although it does not specify how periodic. However, there are institutional challenges regarding public labour inspections in India, as one interviewee, BJ, explained. BJ is a specialist on international labour standards and discrimination for an international organisation that promotes fair labour standards. He suggests there are many flaws with government inspection services to the detriment of labour standards:

Private compliance with the public inspectors is not happening. It is not happening at all. And then the public labour inspector, of course, is under staffed, under qualified, no means of transport, under paid and corrupt. That is the issue: you just pay the inspector Raj...you pay him or her off and you get a tick in the box and there is no problem what so ever. So it is a very kind of devious system. And as a worker, it is very difficult to get your entitlements one way or another. So in that sense this whole exclusion of labour generally it is only increasing basically ...it is getting worse and worse.

Thus, it would appear that unless the government addresses the problems such as corruption and under resourcing within the institution of government inspections, ensuring that labour regulations within NIMZs are properly followed may prove problematic. Furthermore, this discussion of corrupt government inspections is an example of state-facilitated corporate crime as per Kramer et al's definition (2002) and an example of an explicit act of

omission according to Kauzlarich et al (2003) (see sections 3.3.5.4). These actions, as described by this elite policy stakeholder, would also fit the definition of state crime in that the state is “failing to exercise due diligence over the actions of its agents” (Rothe and Friedrichs, 2006, p.151; see section 3.3.5.4). The failure of the government to enforce labour laws are explored in further detail in the upcoming chapter (see section 7.3.3)

The NMP does not provide any detail regarding the freedom of association or if labour unions are allowed in NIMZs, thus, it could be assumed that it will be left to the discretion of NIMZ and stipulated in the initial action plan for self-regulation. However, as BJ explains, employers in India are not supportive of labour unions:

So and this is the general trend.... here you have strategies to keep unions out of the companies no matter what. And they go a long way, for instance in Gurgaon there are companies that have hired goondas which is like bandits or criminals and then they just put a criminal at the front gate of the factory so that every worker knows that the moment that I try to organize or I raise my voice or I try to be a bit difficult or I just try to fight for my rights then that guy might be sent after me and give me a black eye or break my arm...so it is like mafia kind of practices. And basically this is happening all over the sub region of South Asia. So anything that has to do with voice representation as we call it...unions...is extraordinarily difficult.

Again, this violence and intimidation is a form of corporate crime (Clinard and Yeager, 2006, 1980; Paternoster and Simpson, 1993; Dorling et al, 2005;

Kramer and Michalowski,2005) (see section 3.3.3). It is also an example of state crime using Rothe and Friedrichs' (2006) definition (see section 3.3.5.4) and one which has serious physical costs to employees.

It is important to note that the above describes the repressive working conditions that are occurring in places where all of the national labour protections are afforded and union representation should be obligated by law. Thus, there is concern that deregulation and liberalisation of labour laws will result in an increase in labour repressions and harmful working conditions. If deleterious and violent working conditions do increase as a result of the liberalisation of labour laws, it could be argued that the state is now taking part in a state-initiated state-corporate crime using Kramer et al's (2002) theory (section 3.3.5.4). Although the TNCs are not specifically employed by the state, it could be argued that by locating in an NIMZ which are established by the state and following the policy devised by the state, the deviance resulting from liberalisation of labour laws is at the direction of the state and its policy. It could also be argued that the creation of a government policy that results in an increase in harm and labour repression would classify as an implicit act of commission according to Kauzlarich et al's (2003) continuum of complicity. We can assume the government did not intentionally set out to cause violence to workers but in its shared goals of increased investment, it is implicitly initiating situations where real harms to workers can transpire. As discussed in Chapter Three (see section 3.3.5.4), Bruce and Becker (2007) concluded that the state can evolve from initiator to facilitator. Here, it would appear that the state has evolved from facilitator in turning a blind-eye to the enforcement of labour laws to an initiator whereby

the government conceived a policy that may result in the increase of labour repression and harm.

6.3.2.3: Simple and expeditious exit mechanism

The third key policy instrument provided in the NMP is the enactment of an exit policy (DIPP, 2011, p.10). As stated earlier, business has often advocated for greater flexibility in the ability to 'hire and fire' or shed labour when needed (Murali, 2010; Bhattacharya, 2007; Bhattacharjea, 2006). Section 3.1—Job Loss Policy—states that firms operating in NIMZs will provide job loss insurance equivalent to twenty days average pay as opposed to the mandatory requirement of fifteen days mandated by the Industrial Disputes Act. Labour Unions have pointed out that this insurance is contingent upon the worker 'being allowed' to work more than one year (Dhawan and Singh, 2011).

RW, Senior Employment Specialist with an international organisation that promotes decent labour standards, suggested that while he agrees that it is difficult for an employer to not to have the ability to reduce its labour force, there needs to be securities in place to protect employees:

In this day and age, how can you tell an employer that you cannot fire workers...no one agrees with that. But I would say that we have to make sure that workers are getting the severance pay that they are due; they are not. And also they get very little severance pay in this country. ..only fifteen days year per work and in other countries it is thirty or even more. International average is around thirty days so

let's bring it up to the international average, let's make sure this coverage increases and find ways that will cover more of the workforce ...and then, obviously, social security plays a role...the government plays a role in providing protection for workers and you need a broader based social security system and India is trying to do but in a very fragmented way.

He goes further to suggest that labour market protections should be shared by the employer, the government and the employee:

Ultimately there are 3 actors involved in terms of providing protection to jobs and income and they have to share the burden...not just the employer but the worker and the government and everyone has to contribute to that burden. An employer has to contribute...I don't believe for one second that the employer should be let off scot free because they will fire too much and it is not in the interest of the country...from both an economic and social point of view. But at the same time the government has to shoulder some of that responsibility. And there should be rules against unfair dismissal. Like in Bangladesh, you don't need any justification for dismissal...and I think that has gone too far.

As the manufacturing policy is taking away labour market protections without increasing severance time or implementing social security programs, as RW highlights, employment in these zones may be insecure.

The exit policy also contains guidelines for re-deploying labour from closing firms to others within the NIMZ which may have a shortage. The policy does

not state that this is contingent upon agreement with the employee, meaning that if an employee is redeployed to another unit and does not wish to work there, the policy does not indicate whether the job loss pay would be forfeited.

6.3.2.4: Industrial training and skill upgradation measures

During the Eleventh Five Year Plan, India emphasized skill development as a national priority. It implemented a large scale national skill development initiative in the form of a public private partnership (PPP) for vocational training called the National Skill Development Corporation (NSDC) (NSDC, 2014). The skill development proposal in the NMP encourages manufacturing firms to work with the NSDC to establish skill training units in each NIMZ (DIPP, 2011, p.16):

Since only 6% of the Indian workforce receives any form of vocational training currently, there is a pronounced 'skill gap' both in terms of quality and quantity.

The NMP outlines a four tier training structure for NIMZs: basic skills training for minimally educated workforce members, moderate training through Industrial Training Institutes (ITIs), specialized skill training through Polytechnics, and instructors' training facilities for each NIMZ. The fact that skills training, on paper, address training needs for individuals entering organized work for the first time appears positive and inclusive. The policy does not underestimate the level of skill needed to perform basic manufacturing duties and outlines a 'starting from scratch' type of approach

which may be helpful to individuals entering either non-agricultural or organized work for the first time. The need for skills upgradation will be explored further in the upcoming chapter (see section 7.3.4).

In sum, the NMP aims to increase India's manufacturing GDP and create more employment. As noted the NIMZs are not in operation as of this time. Thus, the story on the ground as to the impact the NMP will have on employment creation, working conditions and human rights remains to be seen. However, it is questionable as to what kinds of working environments will be created when labour protections are removed as the National Manufacturing Policy prescribes.

6.4: Chapter summary

This chapter explored how India is selling itself to investors and examined possible implications for social welfare that may arise from investment strategies by analysing investment bureaux and two investment policies.

Looking at India's investment bureaux, it does appear that India is marketing itself for service sector and market seeking investment however misaligned it is to the original goals of exporting manufacturing. The major selling points from such bureaux are India's abundant, young, and often highly skilled and English speaking workforce. Another quality stressed to investors is India's large middle class with increasing purchasing power. In this respect, India's current investment strategy appears largely based on consumer and employment demands of the middle and upper classes.

However, the government is also using functional investment strategies to attract investment based on abundant and cheap labour in an attempt to shift its growth strategy to one with increased manufacturing sector involvement. An obvious implication for social welfare is that by enticing investment with cheap labour endangers depressing national wages and locking them at low levels. Furthermore investment strategies targeting manufacturing are enticing investment with relaxed labour laws and financial incentives. This brings an implication for poor working conditions for labourers. Thus, the government's overall investment strategy appears polarised in trying to attract high end service sector FDI with "market and talent" to suit its middle class and manufacturing FDI with liberalised labour laws to suit its lower class employment needs. The dualism in this strategy may impact the social welfare of the labour force by causing further fragmentation and polarisation between the skilled and less skilled or between the middle/ upper classes and lower classes.

From here, the chapter continued to examine the first research question by analysing two specific FDI related policies: FDI in Multi-Brand Retail Trading and the National Manufacturing Policy. These policies are very important for the Indian government's investment strategies and each has the capability to bring wide-ranging and serious consequences for the social welfare of Indian citizens. The policies are very different in their level of afforded social protections.

The nature and the extent of the impact that FDI in MBRT will have is widely debated. Interestingly, within this sample, viewpoints were clearly

demarcated between those working for organisations with human rights focus as opposed to those in liberal market oriented organisations. All respondents except one who worked with liberal market organisations were in support of FDI in multi-brand retail. For the supporters, the retail bill afforded an opportunity to help fix large bottlenecks in India's supply chain and this was most needed to modernize the retail sector. Supporters of MBRT argue that the policy has the ability to connect small producers to global markets. Furthermore, it is argued that social welfare of citizens may improve due to the reduction in food wastage, lower prices for food and increased choice in the retail sector.

On the other hand, street vending is a means of survival for many working poor and small farmers are currently in a state of economic distress (see section 4.3.1). The MBRT brings a large concern for job displacement and loss of livelihood for disadvantaged small retailers and farmers. Elite policy stakeholders, in particular those from human rights organisations, tended to express more variation in opinion with most declaring that FDI in MBRT would, in all likelihood, result in both harms and benefits with the weight of each to determine the balance to India and its citizens. All respondents, regardless of workplace orientation, expected there would be some level of job displacement for small retailers and middlemen in the supply chain. It was highlighted by many that because India does not have widespread social welfare schemes, the impact of livelihood loss may prove particularly detrimental. As highlighted by one participant, the retail bill epitomised the sacrifice of the lower classes for the consumer needs of the middle and upper classes.

The Indian government implemented several conditions to the retail bill to try and ensure greater spillovers such as mandatory investment in back-end infrastructure and sourcing requirements. Using Farnsworth's (2012) welfare continuum with social welfare and corporate welfare located at the extreme ends (see section 3.6), it could be argued that this policy is positioned more in the middle of the continuum as both the needs of citizens and business are addressed. However, the view from business associations within India is that the conditions are too strict to bring investors on board. It appears there is evidence of this criticism as UNCTAD's (2014) most recent World Investment Report explains that while India's FDI inflow increased 17 per cent over the year, no new investment has been recorded in MBRT. In fact, divestiture (selling of an asset) as occurred with TNCs such as Walmart pulling out of India. The implication here is that business will express their discontent by withdrawing from domestic markets.

Given these debates, an important question arises: What influenced the Indian government's policymaking? In line with Murali's (2010) and Varshney's (1998) conclusions, business influence on policy construction may have been limited due to its mass political appeal and the discontent that the issue caused across the country. Thus, because the issue was of mass concern to the population, business had influence to the degree that the bill was passed but this influence was limited and several conditions enforced to better ensure social protection. UNCTAD (2014, p.56) appears to concur as well as pinpoint policy uncertainties for investors:

TNCs' passive and even negative reactions to the second round of retail liberalization in India were due partly to the strict operational requirements and continued policy uncertainties. As the two rounds of policy changes encountered significant political resistance, compromises have been made at both national and local levels to safeguard local interests by regulating issues related to the location of operations, the mode of entry and the share of local sourcing required.

The NMP, on the other hand, was applauded by industry and business groups and this is not surprising in that their biggest criticisms of doing business in India have been addressed in this policy. The policy is promising world class infrastructure, simplified and relaxed environmental and labour laws, an exit policy to layoff unneeded labour easily, and skills training units within self-regulated industrial townships on land acquired and purchased by the State government. Aside from business groups, other stakeholder groups are also welcoming the initiatives as many are concerned that service sector led growth, without a strong manufacturing sector, is not sustainable for India at this time in its development stage.

As with MBRT, the implications for social welfare with this policy are divided. On the one hand, the policy may enable increased employment opportunities for those with lower levels of skill (an important issue that will be explored in the next chapter); thus, it may enable more of the population to share in India's economic growth. There is also the possibility for those entering the sector to gain valuable and needed skills.

On the other hand, an obvious implication for social welfare that may arise is increased exploitative working conditions for labourers. Furthermore, with large tracts of land needed for the NIMZs, there is concern for increased land displacement. Also, as individual states are required to purchase the land and pay resettlement costs, the policy may further increase interregional inequality between richer and poorer states.

As discussed, the NMP is the first policy to curtail labour protections in India. Despite continuous appeal from business associations that the national labour laws are hindering investment opportunity and employment expansion, changes to national labour laws have not occurred (Murali, 2010). Given the above debates presented in Chapter Three concerning business influence on policy-making (see section 3.2), a key question emerges: What factors enabled business to influence labour reform with the NMP? One possible interpretation is that the increased and specific need to expedite manufacturing investment increased industry's power to have their demands incorporated into the NMP. Another interpretation using Murali (2010) 'mass' versus 'elite' politics is that because labour reform was only within one policy, the NMP, it did not become a political concern for the masses which could have challenged the policy outcome.

It was argued here that the NMP may bring implications for state-corporate crime. Elite policy stakeholders discussed the government's failure to enforce labour laws through corrupt labour inspection practices. It was argued that the state may have evolved from a position of state-facilitated corporate crime by failing to enforce labour laws to a state-initiated corporate

crime whereby it constructed a policy which may increase harm and physical costs to workers. It was argued that using Kauzlarich et al's (2003) complicity theory, harms as a result of the policy would fall under implicit acts of commission (see section 3.3.5.4). As explored in Chapter Three (section 3.3.5.4), Bruce and Becker (2007) extend Kramer et al.'s (2002) theory to demonstrate that the role of the state can evolve from instigator to facilitator. However, the findings here argue that the state can also evolve from that of facilitator to instigator.

As this chapter has explored India's investment strategies and possible consequences for social welfare, the following chapter will explore the type of FDI flowing to India and elite policy stakeholders' perceptions of the main social and economic consequences that have resulted from this investment.

Chapter Seven: Attracting the ‘right kind of investment’ and the social and developmental consequences of the FDI to India

7.1: Introduction

As explored in Chapters Two and Three (2.3.2 and 3.5) different types of investment bring different types of advantages and disadvantages. For example, FDI may be market seeking, resource seeking or efficiency seeking. While FDI that targets new markets may reduce market space for domestic firms, it may also force indigenous firms to become more efficient or productive in the wake of the competition. Similarly, efficiency seeking firms may be attracted to abundant and unskilled labour but it may also be associated with a ‘race to the bottom’ in terms of working conditions and wages. Furthermore, as explored in Chapter Two (2.3) the ways in which investors enter foreign markets brings context specific risks and advantages. Here we can expect different social and economic consequences from an influx of M&A as opposed to greenfield investments, for example.

The previous chapter revealed the types of investment the government was attempting to attract. However, it is not a foregone conclusion that such strategies will be effective given governments’ lack of control over private business decisions. Governments’ can entice investment; they cannot force the hand of business. Given these debates, this chapter will answer the second research question:

Why do elite policy stakeholders feel India has attracted the type of investment it has and what do they believe are the main social and developmental consequences that have resulted from the FDI India is attracting?

To examine these questions, the views of respondents will be analysed and presented throughout this chapter.

7.2: Types of FDI investing in India and the resulting social consequences

In terms of the interview data, every respondent in my sample confirmed that India was primarily attracting market seeking and service sector FDI (see section 4.4.1). As explored in Chapter Four (see section 4.3.2) while market seeking FDI or local market FDI (LMFDI) can be good for consumers with the purchasing power to afford such products, it is arguably not the best FDI for the economy compared to export oriented FDI (EFDI) (Pradhan and Abraham, 2005; Friedrich Ebert Stiftung, 2014). However, despite EFDI being the preferred type of investment and India's original focus following liberalisation, the government has, to an extent, encouraged market seeking FDI as was obvious from the highlighted selling points on Indian investment bureaux.

FO is a senior economist specialising in FDI and trade policies of developing countries with an applied economics and development research institute. She has previously held positions with the Asian Development Bank and worked for one of India's main business associations. She expressed that

she did not feel market seeking FDI was problematic and that the government was clear in its objective of inviting such investment:

Yes, most FDI is market seeking. Export would be better for the economy but I don't see any problem. I think the government is pretty clear in its objective which it wants FDI which is market seeking...I think unlike China where most of the FDI comes from the export sector and there is an export obligation on the part of the foreign investor, there is no such thing in India. Because the government encourages market seeking FDI. Because in China, 40% of your production you have to export. But that is not the case in India.

As FO highlights here, it appears that India is attracting market seeking investment, in part, because that is the type of investment the government is targeting. Perhaps if India had employed stipulations for foreign investors as China did to obligate them to export a percentage of their production, India may have penetrated global export markets better.

PS is a Professor of international and development economics with a multidisciplinary centre for advanced research and training in the fields of social and economic development. As part of his position he often teaches and advises government policymakers and Indian Economic Service Officers in the areas of macroeconomics and international economics. In the following passage, PS explains that India's skilled labour, IT parks and subsidies helped attract FDI to the service sector:

Now coming to the service sector, why is FDI coming to the service sector? The first thing is the endowments or the resources are

available for the service sector is quite good. When we opened in 1991, we had abundant manpower with skill or skilled manpower available at a reasonable cost if you compare with developed countries. So they wanted to tap that so they came and they did it. And the second thing in regards to why they came into the service sector, specifically, is that they do not have to deal with the hassles of getting started like environment regulations or the hassles of acquiring land. For IT/ITES there are information parks set up and there are a lot of incentives and subsidies given for the IT Park.

A unique aspect of the 'Indian growth story' is the absence of manufacturing led growth. Particularly since the 1980s, it was the growth of services more than that of manufacturing which contributed towards faster GDP growth in India (Mazumdar, 2011; Krueger, 2007; Kohli, 2012). One major criticism, reported by every respondent is that service sector FDI is not the most appropriate for India's needs, in particular employment needs. Rather, manufacturing investment was stressed as being desperately needed. It was explained that the majority of the Indian population relies on agriculture for a living, yet the sector has become very unproductive causing a surplus of labour in the sector that needs to transition into another sector for productive employment. Elite policy stakeholders observed that the manufacturing sector would enable the absorption of the unskilled and semi-skilled labour that predominates in the agriculture sector whereas the service sector requires higher levels of skill. The lack of manufacturing investment and employment, it was argued, is stunting India's structural transformation which

means that many people are constrained in an unproductive livelihood with few opportunities for enhancement.

CD is a senior Research Fellow at an applied economics research institute. Her research interests concern the impact of globalisation on development. She has conducted several research projects concerning FDI and inequality in Eastern Europe and America. She explains that FDI to India is targeting the service sector and that one impact of this investment is it is excluding many with lower levels of skill from this growth:

For me it is very simple, FDI is coming into IT/ITES...now who employs the IT/ITES? What kind of skills goes into IT/ITES...it is only people with skills, sometimes high skills...with a minimum of graduate degree. So these people already have skills and are getting jobs. Good, nothing wrong with that. But in India, if you look at the average education level, it is still school age and in India over 50% of the workforce is still agricultural and the labour productivity in agriculture is very, very low. There is large surplus of labour in agriculture. Now what is going to happen to that excess in agriculture? Services cannot absorb them. So where are you going to absorb those with minimal skills? And manufacturing is the place where, particularly, other cases around the world have shown that it can absorb that kind of skill level. This is why so many countries go from agriculture to manufacturing to services.

Step by step. And we seemed to have skipped the step and gone to services.

Most of the respondents explained that a further developmental consequence of service sector led growth was it was not resulting in a reduction of poverty principally because, as explained above, the majority of those with fewer skills are unable to participate in high end service sector led growth. AM is a Professor of economics with a research institute that concentrates on economic and social development. His expertise includes urban development, labour and welfare and the informal sector. He discussed the lack of 'pro poor growth' as a result of a lack of productive employment options for those with little skill:

The main point is that we have not been experiencing the pro poor growth. And pro poor growth is one of our major objectives...that is, economic growth that would also result in reduction of poverty. And how can it happen? It can happen only when it is able to generate productive employment opportunities for the unskilled and semi-skilled variety of workforce. And that is something which is still missing.

Although some researchers argue that service sector led growth is sustainable and not unique to present day developing economies (Dasgupta and Singh, 2005), all of the respondents from this sample expressed concern that service sector led growth without increased manufacturing investment and employment is unsustainable. The service sector is layered in terms of the skill level and it is able to absorb a portion of India's semi and unskilled labour, but respondents indicated absorption is occurring in the lower

productive levels of the service sector where employment is informal and working conditions are poor.

AMK is a Professor with one of India's premier economic policy think tanks. Her research has directly contributed to India's negotiating strategies in the WTO and her research interests include world trade, FDI, and the service sector. She explained that the service sector is being forced to absorb the agricultural surplus labour and suggests this is not helpful for the worker or the service sector led growth model:

Right now I would say that the service sector is forced to absorb...like if you look into construction service and retail...they are large employers...they are one of the largest employers after the agriculture and they employ whoever is left after agriculture because they have nowhere else to go...they go to the service sector. But that is not really a growth model. If you want your service sector to be a growth model, you are talking about creation of skilled and high quality job rather than unskilled jobs. The government is also trying to come out with a Construction Act to make the sector more organized but right now it is very informal.

AMK's quote highlights that the government is trying to make the construction sector more formal which would have positive implications for labourers. Respondents often discussed the exploitative nature of the sector and explained that women and children are often employed in construction as they are the cheapest type of labour.

Several respondents expressed concern that because FDI is only increasing opportunity for a minority of the population; ultimately, it has helped to aggravate economic and social inequalities. PJ is a Professor of economics at a major university in India. He has been a Visiting Professor in major universities in several countries including Germany and China and he has served as a Senior Research Economist at the International Labour Organization. His areas of specialization include labour economics, development economics, the agriculture sector as well as rural development. PJ suggests there has been a rise in inequality in the economy and FDI is a contributing factor:

Yes, absolutely. All indicators tell us there is a rise in inequality. And the impact of FDI also show up in that sense in that some sections have benefitted very, very substantially from it and some are losing.

RO, a representative of, and senior economist within an international organisation concerned with monitoring the global economy, remarks that prior to the 21st century, economic growth was more equally distributed amongst the population. However, during the last decade, economic growth has been skewed to the urban and middle class:

Yes, analysis done by one of my colleagues years ago seemed to suggest essentially that the growth dividend was not as equitably distributed in the 21st century as it was in 1990. During that time, in a sense, all were lifted up quite equally. In the past decade there has been more concentration of the benefits going to urban India and middle-class India. But I think the government has realized that it has

to do something in terms of rural areas. It is also very politically expedite for them to do so. Certainly something needs to be done to make rural India feel that it is benefitting from this.

At the end of this quote, RO refers to the political expediency of making economic growth more inclusive and this was a point often expressed by participants. It was explained that the exclusion of economic participation by the majority of the population with lower level of skills was not only increasing inequality but it was increasing social tensions between socioeconomic classes.

CD specialises in FDI and inequality and she discussed the increased social tension that was occurring in India:

So the chain is getting affected...going from agriculture to services...so what is going to happen? Inequality is going to increase. We all know income inequality increases inequality...and this has major ramifications. You will have people protesting because they feel only some people are getting richer and richer.

RS is the Director of an NGO devoted to the promotion of inclusive civil society, democracy building and social action in India. She discussed the government's formation of a 'business- led' development model which will be discussed further in the next chapter. However, here it is important to note her observation of increased conflicts that have resulted from the exclusion of many from this development trajectory:

So for the rest, you are being left out in the cold...in terms of resources...in terms of poverty...in terms of exclusion and inequality which is so deeply entrenched. It means all kinds of distortion. And I think it also means...because India is not a passive people or passive society; India has been referred to as the land of a million mutinies where there is this constant assertion...it means a deepening of conflicts.

However, not everyone in this sample felt FDI or skewed service sector investment is to blame for the widening inequalities present in India today. Several respondents felt the lack of social welfare was directly to blame for the large inequality rather than FDI. Respondents reported that the government has not provided appropriate social institutions to create the human capital needed for individuals, of all classes, to prosper from market opportunities. The majority of respondents from this sample expressed opinions that the government has failed to provide institutions such as quality education or health care and as a result large segments of the population are excluded from productive market opportunities.

AMK is a Professor with one of India's premier economic policy think tanks. Her research has directly contributed to India's negotiating strategies in the WTO and her research interests include world trade, FDI, and the service sector. AMK concurs that there is a polarization of wealth in India but argues this problem is not directly linked to FDI:

There is a polarization of wealth in the country but it cannot be linked itself to FDI. The polarization of wealth happened because the social

infrastructure investments of the government has been limited...people have had to invest on their own...like education, health. So I know that my daughter has to study and I am capable of investing but my chauffeur may not have the power to do that. So much of the human capital development...the wealth of India is created through human capital development.... And much of the human capital development comes from the individual capacity to invest...India is not a country like Australia where your basic needs are met and you are only doing an investment in the high end. So there is a huge difference between the public quality and the private quality of service provision of basic social needs. So that leads to the inequality. Inequality is not created by FDI...inequality is created by the structure in which we are operating. If you go to a country like Australia, the UK, or even the US...you will see the basic infrastructure is provided...you get the basic...if you want the better quality, you pay for it. Here the basic is of substandard nature.

PS is a professor of macroeconomics with a multidisciplinary centre for advanced research and training in the fields of social and economic development. His areas of speciality are development economics and international trade and finance. PS similarly proposes that it is the government's fault for not implementing social protection programmes and ensuring that more of the population can gain from market opportunities as it is not the role of FDI to create jobs for everyone:

But you don't expect FDI to create jobs for you...you have to create safety nets and you have to make sure that the people, in general, get the benefits out of the market economy...56% of the total population are in agriculture...they don't have the vocational training; they don't have the skills to take part in the industries. You have to create conditions so that there are benefits for the people...for the unprivileged group. You have to give them different types of training or education so that they take part. It is not right to tell 'stop globalisation, stop FDI and this jobless growth will go.' That is not the solution at all.

As the two quotes above highlight, the problem may not be service sector led growth per se but the failure to provide education and skills training to the majority of the population. It was explicated that the public education system in India is very poor and this plays a large role in the exclusion of the majority from service sector jobs. AS is a Senior Fellow for an applied economics research organisation; her areas of expertise are the informal economy, gender equity, and globalisation and development. She discussed the inequality in the education system:

India has gone from agrarian to services...but the entire problem of a country like India is that we have a huge population and an inability of getting them skilled or educated. So why did that not happen? So you are asking a very fundamental question, why did we not have a system that could generate equity? I think it is because we started with huge inequality. We had caste problems, we had gender

problems, we had this various sections problems...all these traditional problems; we had those problems. And then we had this quite rich and quite middle class. And I think the system that came up with reforms did not give space for them to grow and develop themselves.

AS goes further to explain that the caste reservation system is not effective without a well-functioning public education system:

And the interventions have started happening...there is a need to provide quota, reservation for these guys to move up. But these interventions were thought out in piecemeal. I think you should put a lot of emphasis in the primary and secondary education...quality education...put a lot of money there rather than try to reserve later on in higher education for example in engineering, medical, etc.

Nearly all of the respondents, at one point in the interview, commented on 'the half-hearted' nature of the government's social development policies, to quote one respondent. The proceeding chapter will explore this further and link India's social welfare provisions to its overall development plan to achieve high economic growth.

Thus far this chapter has explored why elite policy stakeholders feel India has attracted market seeking and service sector FDI as well as the resulting social consequences. It was made clear that participants feel manufacturing investment is needed to provide jobs for semi and unskilled labour, create inclusive growth and reduce poverty. However, why India has failed to attract manufacturing FDI is an important piece to India's unique economic growth puzzle. This is the topic for the proceeding section.

7.3: Major constraints to manufacturing FDI

The reasons as to why India has been unable to become a successful exporting manufacturer is the subject of debate in the research, with arguments highlighting the Indian government's inability to discipline its domestic business class to a mercantilist strategy, the lack of investment in infrastructure, stringent labour laws and lack of social policies to supplement the cost of living needed for low cost export oriented labour (see section 4.2.2 and 4.3.1) (Dreze and Sen, 1995; Ghosh, 2010; Mazumdar, 2011).

The problems most often cited by respondents in this sample included: insufficient demand, the country's inefficient infrastructure and power supply, stringent labour laws, and under-skilled labour. Each will be reviewed here.

7.3.1: Demand for manufacturing products

Some elite policy stakeholders from this sample revealed there was a lack of internal demand for manufacturing products in India's domestic markets. It was explained that embedded structural income inequalities have greatly narrowed India's domestic market and have decreased the demand for goods and, in particular, manufactured goods. BN is a senior Professor within an academic institution concerned with economic and social development. He discussed the debates concerning supply side and demand side factors holding back manufacturing:

There is an alternative school of thought which feels that most of the reforms have only eased the rules and regulations, which is supply side. But reforms have done very little to ease the demand side constraints. If industry is to grow, then it has to sell the products. Where do you sell the products? We still have a country with a very large proportion of the people dependent upon agriculture with lower levels of income and with only a limited section of the people which has money to spend. But which is a bigger problem is not clear. Some people feel the bigger problem is labour regulations, some people feel the big problem that is going to hit manufacturing is acquiring land and some people feel neither of them are important and that the big problem is demand. We don't have sufficient demand.

The constricted pattern of demand, the theory holds, also helped to propel the service sector as the increased incomes of the middle and upper classes that were able to participate in the high end growth segments of the market after liberalisation resulted in their diversification of demand in favour of services (Ghosh, 2004, 2010; Mazumdar, 2011). Thus the consumption demand for services over manufactured goods occurred due to the structural inequalities and the substantial increases in income to only a small minority of the population (Ghosh, 2004; Chandrasekhar and Ghosh, 2006; Mazumdar, 2011).

7.3.2: Infrastructure and power supply

Inadequate supply of power, in particular, was the most commonly reported factor responsible for holding back both domestic and foreign investment in

the manufacturing sector amongst the respondents in this sample. RO, representative of, and senior economist within an international governmental organisation concerned with monitoring the global economy described infrastructure problems and highlighted the political issues involved:

Power is a real big problem here. And I have seen studies that say that power is the single and most important factor for investors, particularly in manufacturing. You have to have a generator here in India because the power kicks out so often. So think of how that will add to the cost of doing business. But it is not just economic, there are political issues too. Right now the power sector is going through a little crisis because the distribution networks at the state level are not very well managed so there are huge losses and the price mechanism is not there...so all of those issues come in.

The government has recognised the need for improvement in the provision of infrastructure and has made investment, particularly public-private initiatives, in infrastructure a key goal for the Twelfth Five Year Plan (Planning Commission, 2013). The Plan specifically stresses the need for infrastructure development in rural areas as being a development initiative. RW is a Senior Employment Specialist with an international organisation that promotes decent labour standards. His research specialities are in areas of informal employment and working poor as well as labour regulations. He remarked that poor infrastructure in rural areas were holding back investment and keeping these areas from benefitting from the economic expansion of the country:

And until you have this infrastructure, manufacturing won't take off. India is moving in the right direction but it still remains a huge problem, especially in rural areas. Investment hasn't gone into rural areas...you have a lot of hubs in India where things are working reasonable well and that is where investment is flowing and FDI has been flowing as well. But as a country as a whole...for the rural poor and the backward regions, it all remains just fantasy. The government has recognised that...so infrastructure is a key issue, particularly power.

As explored in Chapter Four (see section 4.3.3) regional inequalities were correlated with foreign and domestic investment levels (Van Klaveren et al, 2010) and five of India's 29 states attract 70 per cent of its FDI. As RW emphasises power and infrastructure which are key to investment are needed in rural areas to close the large regional inequalities gap. Rural and urban inequality is addressed further in Chapter Nine.

7.3.3: Labour regulations

Labour regulations are an area that business associations within India have long criticised as problematic and restrictive for business operations (Murali, 2004). As explored in Chapter Four (see section 4.2.2), although business groups have continually called for greater flexibility in labour regulations, they have been unable to influence official reform to the national labour laws due to the politically contentious nature of the issue combined with the country's shifting coalition politics (Murali, 2010). Murali (2010) lists three main demands from business concerning labour market flexibility: an exit policy,

greater freedom for contract labour, and greater flexibility in retrenchment of labour. However, it is important to note, labour regulations often do not feature as a key problematic area in major international business assessments. A survey conducted by the World Bank and ICRIER found that labour regulations were only mentioned by 4 per cent of the respondents as being a primary obstacle for business and that other factors such as infrastructure, tax issues, governance, and finance were of much larger concern (Eichengreen et al, 2010, p.17). Labour regulations were listed by 6.5 per cent of responses in the Global Competitiveness Report for 2014-2015 which is conducted by the World Economic Forum and were placed as the 7th most common problem (out of 16) (WEF, 2014).

Yet labour regulations remain a real 'political hot potato' as described by one of my sample. Several respondents, in particular those from liberal market organisations, listed stringent and complicated labour regulations as problematic for foreign as well as domestic companies and also a factor specifically holding back the manufacturing sector. As examined in Chapter Four (see section 4.2.2) labour regulations are principally criticised for size, scope, complexity, and irregularities (Eichengreen et al, 2010). Chapter 5b of the IDA states that firms that have over one hundred workers must obtain permission from the State governments to retrench or lay off workers (Eichengreen et al, 2010). The inability to reduce labour when needed is reported to be a large disincentive for investment as well as a factor keeping businesses from expanding. When companies attempt to retrench labour, the bureaucracy involved is reported to be a cumbersome process. DH, Director of Economic Policy with one of India's well known business

associations summarized the business perspective in calling for liberalisation of labour regulations:

Another big concern for investors is labour laws. Labour laws in the sense of hiring and firing policies is not very free or flexible. If you have hired labour for a period of time, you cannot fire the labour in case you don't require them. You have to go through a number of cumbersome procedures. There are a number of issues related to labour laws where industry has been asking the government to relax the laws or make them more flexible so that industries are encouraged to hire more labour. Because what is happening is that industry, instead of hiring more labour, they are switching to more capital-intensive technology. Because of seasonal needs industries may require different quantities of labour at different periods of time. But here in India, you do not have the luxury of doing away with labour when they are not required. And if you have to dispose of them, then you have to undergo a very cumbersome process which is not very easy.

The above quote also illustrates that labour laws are often blamed for employers utilising capital-intensive methods as a way to avoid hiring labour that may prove difficult to retrench later on, if needed.

RW, a specialist in the promotion of decent labour standards was not convinced that labour regulations are the main problem for business. He highlighted common concerns expressed by other respondents: 1) that the legislation is only applicable to the organized work sector which is small

minority of the workforce; 2) the legislation is often not enforced in the first place; and 3) that businesses find ways to circumvent the legislation with other means such as hiring contract labour:

But the idea, on paper, is that these laws prevent hiring. But the problem is: One, to say this is the main problem of the economy and second, whether it really does prevent hiring. The first part, whether this is the main problem of the Indian economy, I just don't believe...there is much more of a problem with infrastructure, skills, access to credit, corruption, governance issues...these are much more likely to be a problem for a firm. And whether it really affects hiring decisions of firms and my belief is that often it doesn't. It can, in certain ways but in a country like India, you have very weak enforcement. In certain states that are pro employer like Gujarat, they are not enforcing these laws. And they have also found ways to avoid this so they are not worried about it being enforced, so they don't care and they will just fire somebody anyway. And again, it is only covering 6% of the population...can you blame this for the 94% that is stuck outside...I think it is over-played but it remains one of the biggest political issues in this country and elsewhere.

This quote underscores issues of corporate harm and crime as discussed in Chapter Three (see section 3.3.5 and 3.3.5.1). Clinard and Yeager (2006, 1980) and Benson and Simpson (2015, 2009) described corporate culture as being replete with rationalisations and neutralisations that promote beliefs that regulations can be adhered to selectively. The above quote from the

business association representative (DH) reveals perceptions that the laws are 'cumbersome' and hindering competitiveness whereas other countries have the "luxury" of being able to downsize. These beliefs may rationalise the breaking labour laws. Also, as discussed (see section 3.3.5.3), Paternoster and Simpson (1993) argue that corporations are more likely to break laws they perceive will have little or no formal and informal sanctions, have internalised situational rules-in-use that justify the act, will not experience a loss of self-esteem, judge the benefits of noncompliance and the costs of compliance as high, view the rules as unfair and have broken the laws in the past. RW appears to believe that corporations do not worry about breaking the laws (little formal or informal sanction), have found ways around them (rules-in-use), "don't care" (will not experience a loss of self-esteem; view rules as unfair) and "will fire somebody anyway" (have broken the laws in the past). Furthermore, the complicity of states in failing to enforce labour laws could be seen as an example of state-facilitated corporate crime (see section 3.3.5.4), specifically, an explicit act of omission (Kauzlarich et al, 2003) as it is failing to enforce labour laws.

Although labour regulations are a divisive issue, most are in agreement that the laws do need amending (Murali, 2010). The legislation is criticized as being complex and at times contradictory (Murali, 2010). RW continues and explains that the laws are in need of change but that often people are focusing on the wrong issues:

And actually, while I think it is not a big problem, I do think these laws need to be changed. I told a colleague this, "Look you are asking the

wrong question”...because we ask, particularly as economists: are these labour market regulations causing all these problems for firms? That is the wrong question to ask...the question to ask is: what is the purpose of these regulations? It is to provide protection to workers. Are they doing that? Yes or No? And then you would ask: do they hinder employers from adjusting? We always focus on that last part and end up in a dead end. We should ask the first question...is it providing protection, yes or no? And if it is not...and it is not in India, as most people are not getting protected. So how can we improve these laws so that they provide better worker protection while we look at the concerns of the employers...then there is a reason to revise and reform. So ultimately it is a difficult question but I think it is a red herring and attracts too much attention and ends up in a dead end debate.

RW's response brings up important issues in the labour market debate. First he highlights that the needs of business are considered first when researchers and policy makers are contemplating policy reform. Second, he observes that the debate is centred on liberalisation and not amendment of the laws to better protect workers.

7.3.4: Labour skills

Finally several respondents reported problems with lack of skills as thwarting manufacturing investment. As discussed previously the quality of primary education, aside from private education, is considered to be very poor in India. Also as explored, much of the FDI coming to India is targeting the

highly skilled, English speaking and educated segment of the Indian population. The majority of the Indian population, however, does not possess this level of skill and education (Nachane, 2011). AM is a Professor of development economics specializing in pro-poor growth, urban development and the informal sector. He explained that a process of skill upgrading needs to occur for India's poor populations to benefit from investment:

As far as the strategies for pro poor growth is concerned, I think one important issue is skill up-gradation. Now what we get to see is many companies in the services sector and even in the industrial sector require labour which have certain high degree of skill. But the labour which is largely available, they do not have the requisite amount of skill. So the issue is how to improve the employability of this sector of the labour force so that the mismatches of the supply and demand can be reduced. That is one issue.

Thus far this chapter has focused on the sectoral composition of investment. The proceeding section will explore how foreign investors are accessing Indian markets and explore elite policy stakeholders perceptions of the social impact resulting from the predominate means of market entry of FDI.

7.4: Unwelcome types of FDI

As discussed in Chapter Two (see section 2.3) companies and investors have various means available in which to enter and access foreign markets.

How a company accesses a foreign market often refers to the type of FDI.

The majority of respondents in this sample clearly indicated that certain types of FDI are preferred over others. When discussing FDI to India, respondents tended to categorise foreign investment into the following main categories: greenfield investment, joint ventures, and brownfield investments (see section 2.3 for definitions). When discussing brownfield FDI, respondents were referring to mergers and acquisitions (M&A) and/or round-tripping.

The majority of respondents discussed the prevalence of joint ventures, acquisitions of domestic Indian companies, and the high occurrence of round-tripping. Respondents often discussed the prevalence of investments in private equities (PE) which are counted as FDI but more similar in nature to portfolio investment (see section 2.3). PE was criticized by several respondents as being incapable of bringing the positive spillovers that 'traditional' FDI, arguably, can bring into the host country.

As explained in Chapter Two (section 2.3.2), joint ventures occur when foreign companies enter into partnership agreements with domestic companies in the host country. Joint ventures were perceived as potentially positive for both foreign and domestic partners. As partnerships occur, it is argued; the domestic firm can learn from, capture and build upon the ownership advantages of the TNC. However, some respondents stated the costs and benefits to the Indian partner would depend on the type of partnership formed and that 'junior partners' without much power in the relationship would not stand to gain as much as those with more equal footing in the arrangement.

Respondents often discussed the frequency with which foreign companies were acquiring domestic Indian companies or purchasing a large percentage of shares of Indian companies. While joint ventures were mostly perceived to have mutual benefit for both domestic and foreign partner, the perception of mergers and acquisitions were perceived by respondents to be more detrimental to the domestic firm and domestic market. It was argued by many in this sample that India has been the host to foreign investors looking for quick and large gains in the domestic market.

As discussed in Chapter Two (see section 2.4.2), M&A, are often criticized for monopolizing domestic markets (OECD, 2002). Acquisitions were often criticized by respondents in this sample as being a predatory type of corporate strategy that aims to monopolize the market without giving much back to the domestic industry or host country by way of positive spillovers.

KT is a distinguished researcher with a national-level policy research organisation in the public domain that concentrates on India's industrial development and the corporate sector. His area of specialization is FDI. He explains that there has been underestimation of foreign acquisition of Indian business in the FDI data:

The real extent of Indian take-overs does not get expressed in the data. Even though there has been a lot of hype saying that Indian companies are buying abroad and that India's FDI has been growing...on the contrary, leading small, medium and sometimes large domestic companies have been taken over.

There was also real concern expressed that once a domestic company is taken over, their long term and short term goals and strategies will be replaced with those of the TNC and these goals may not represent the best interest of the host country. This is particularly worrisome in the pharmaceutical sector where concerns that domestic capabilities and strategies to manufacture and market affordable medicines within India will change or diminish under foreign ownership.

India's pharmaceutical industry, until 2005, was one of strict state intervention and protection and one which encouraged the domestic firm over TNCs (Linton and Corrado, 2007; Chaudhuri, 2005). During India's ISI years, the Indian Patent Act of 1970 was enforced which disallowed product patenting and only recognised patents based on the *process* of manufacturing drugs but not the drug itself (Watal, 2000; Chaudhuri, 2005). Process patenting enabled domestic firms to develop strong capabilities for reverse engineering and catapulted India into the generic drug markets (Singh, 2007). A combination of state intervention, regulatory changes, and process patenting helped to establish the Indian domestic pharmaceutical industry as one of the world's most efficient manufacturers of generic medicine (Chaudhuri, 2005, Watal, 2000; Linton and Corrado, 2007).

When India joined the WTO it was compelled to abide by the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement (see section 2.2.2). Under TRIPS, all countries who are members of the WTO are made to adhere to and enforce product patents in all fields of technology which includes pharmaceuticals. Developing countries, however, were given a

grace period to enforce the agreement of pharmaceutical product patents by 2005 (Kale and Little, 2007). Thus since joining the WTO, the Indian Parliament has made several changes to their patent regulations and introduced many amendments in order to adhere to the WTO agreements.

One of the main concerns expressed by respondents in this sample regarding acquisitions of domestic pharmaceutical companies was that powerful pharmaceutical TNCs or 'Global Pharma' would monopolize the generic medication market. Given that less than three per cent of the FDI invested in the pharmaceutical sector is for research and development, critics argue, this is evidence that the motivations behind the spate of acquisitions are to capture the generic medicines market (GopaKumar, 2013). SSK is a Health Economist for an organisation that works to strengthen public health in India. His areas of expertise are pharmaceutical economics. He appeared confident that global pharmaceutical TNCs were aiming to capture the Indian generics market:

But what has really happened, especially in the last 6 months to a year is a huge number of acquisitions of top private Indian [pharmaceutical] companies by the foreign multinationals. I think the reasons are very clear...it is not that they wanted to come into the Indian market...I think the real issue is that they wanted to use Indian network, Indian generic network across developing countries, even in developed countries and take over. By taking over top Indian generic companies, they are trying to capture the generic market across the globe.

The concerns regarding acquisitions go farther than Indian domestic companies losing the profit from the generic medications market to global pharmaceutical TNCs. The issue of the capture of the generic medicines also has large public health implications and concerns. Respondents expressed concerns that foreign TNCs could take generic medications off the market entirely causing a diminished access to affordable medicine. GK is a legal advisor to an international NGO involved in North-South development issues. His area of expertise is pharmaceuticals, access to medicines, and trade related intellectual properties. He relayed his concerns for the threat to affordable medicines:

This overall kind of business...this kind of taking over can accelerate the period of introduction of patented drugs. [With] the capturing of Indian market, the share of patented drugs can increase in the market and gradual side-lining of generic products by these companies because these companies will have this network so they can withdraw some of the brands and they can substitute it with non-generic products...substitute it with the patent medicines. So this may create a real problem.

Under TRIPS legislation, each country does have some leeway in how they interpret the legislation and how it is implemented in the law. Accordingly, India has applied some flexibility into their enactment of TRIPS, which provides a small amount of 'wriggle room'. Several respondents expressed concern that flexibilities incorporated into national law would not be expressed as it would go against Global Pharma's interest. GK explains:

So then secondly, India's overall TRIPS implementation strategy is to use the flexibilities...and it is a fact that we have incorporated all kinds of flexibilities into the law. But if the companies are being taken over, then who is going to use the flexibilities? Because in India we do not currently have a credible public sector [for medicine] manufacturing capability. In that absence, the private sector has to carry out manufacturing...we have to depend on the private sector and if the private sector is controlled by TNCs then who is going to use these flexibilities? And this is the biggest threat.

Respondents in this sample placed blame on the government's inefficiency in framing FDI policies to mitigate for potential harm from foreign investment. Interviewees' perception of the government's ability to effectively construct and implement FDI policies to mitigate for potential harm as well as capture advantages will be explored further in the proceeding empirical chapter.

The last major issue regarding the types of investment to India concerns the prevalence of round-tripping and investments in private equities (PE) (see section 2.3). The majority of respondents in this sample stated that these types of investments were a significant contributor to India's reported FDI inflows. Round-tripping investments were criticized by several respondents in this sample as being of lesser quality and less likely to bring the assets India's needs. Investments in PEs were associated with being short term, speculative and concerned only with return of assets. Furthermore, these investments were criticized as adding uncertainty to India's macroeconomic stability.

KT, a distinguished researcher with specialization of FDI in India, highlighted the problematic nature of FDI data and how it is being analysed and calculated:

You know FDI data is so costly...very few people can access it. So whatever these reports say, they go as uncontested truth. The statistics are grossly misleading. In India's case, we estimated that at least half of what is reported as FDI will not be FDI in the true sense of the term. All this tax havens...and round tripping...and financial investments...they will do a lot of double counting. First the private equity sales will come...that is [counted as] FDI. Then later they will sell to a foreign company...that is FDI...this is simple double counting. What is this data in which everyone is basing the conclusions on? Frankly, I have reviewed some research for international journals and recommended them for rejection basically because researchers even at the top level, they are not looking at the data within the data.

The nature of the investor and the motivation behind the investment was directly linked with the potential costs and advantages that FDI can bring to host countries by several respondents. KT remarks that due to the muddled nature of FDI, it is difficult to determine how much of India's FDI has the potential to bring spillovers and help contribute to development needs. He suggests domestic policies need to address these issues but are failing to so:

But today, the way it [FDI] is defined we are beginning to think it is more of a financial play than a real investment. Particularly if you

open it up to, say, real estate and land development and things like that, they are more speculative areas. And who are those players? They are not the traditional, what you call 'true blue' multinationals. They are what some people call 'global citizens'...they just keep on changing from one company to another...they gain experience, they start floating private equity or hedge fund or whatever. If these are the investors, where are the multinationals? Today, the concept has become so diluted; in fact, it is difficult to say how much has the potential to contribute to development because there is so much divergence in FDI. And that is where the domestic policy becomes important and that is where we feel that there are no strategies today.

Many respondents in this sample heavily criticised the amount of round tripping investment is occurring in India. Respondents in this sample associated investment from tax haven countries as round tripping and argued that it was not true FDI because it was essentially domestic investors channelling money out and back into India to avoid taxes. As explored in Chapter Two (2.3.2) round tripping can result in major losses in tax revenues for governments and this has large implications for social welfare funding (see section 3.6).

Respondents often reported that round tripping as well as PE type investments are causing inflated FDI statistics. As will be explored in Chapter Eight, several respondents reported the Indian government's selective focus on reporting high numbers for FDI and a priority for quantity of FDI rather than quality of FDI.

In sum, responses revealed that certain types of FDI were preferred over others and had the potential to bring different types of risks and advantages. Not only is the sectoral composition of investment important but, as explored here, the motivations behind the investment are important as well and carry wider implications for India and its citizens.

7.5 Chapter summary

This chapter investigated why elite policy stakeholders feel India has attracted market seeking and service sector FDI. Chapter Four (section 4.3.1) explicated that the Indian government's original strategy when it liberalised the economy in 1991 was to shift the focus away from domestic markets and become an export oriented manufacturing producer for global markets (Rao and Dhar, 2011b). However, this has not come to fruition and India's overall economic growth has depended upon domestic demand, market seeking and service sector investment (Rajan et al, 2008; Pradhan and Abraham, 2005; Ghosh, 2011; Rao and Dhar, 2011b). It was revealed from elite policy stakeholders that some feel the government is actively seeking this type of FDI and has not aggressively pushed investors to export as China has done. Also, the government has provided incentives and subsidies as well as established IT parks which save service sector investors the hassles that normally accompany greenfield investment such as environmental regulations and acquiring land. Respondents explained that service sector investment requires skilled labour and India had a highly skilled segment of its labour force which upon economic liberalisation attracted service sector FDI. The perceptions of respondents concur with

data from Chapter Six, the FDI to India is catering to middle class employment and consumer needs.

Nearly all respondents discussed India's unique development trajectory in transitioning from a predominately agricultural economy to a service sector oriented one and essentially skipping the second step, the industrial led economy. The majority of respondents discussed the need for investment in the manufacturing sector and stressed that increased manufacturing employment would help absorb the semi and unskilled labour in need of transition from an unproductive agriculture sector. Without a vibrant manufacturing sector, this labour is being forced into an unorganised service sector with poor and exploitative working conditions.

Participants emphasised four main social and developmental consequences that have resulted from the current investment trajectory. First, participants discussed the exclusion of the majority of the population with lower levels of skills from productive service sector employment. Second, this type of economic growth is not alleviating poverty or contributing to pro-poor growth. Third, elite policy stakeholders relayed concerns that service sector led growth without a strong manufacturing sector is increasing inequality and, fourth, exaggerating social tensions between socioeconomic classes. Dreze and Sen (1995) maintain that the structural inequalities in India were very extensive prior to economic liberalisation and, thus, when the markets opened, only a segment of the population could take advantage of the expanded market opportunities when they arrived post 1991. Elite policy stakeholders confirmed this theory in their responses describing the main

social and developmental consequences that have resulted from India's investment trajectory.

Several of the major factors listed by elite policy stakeholders as holding back manufacturing FDI are directly tied to lack of social welfare provisions. Skill deficiencies were reported by participants as a major factor that is both thwarting manufacturing investment and excluding the majority from productive employment opportunities in the service sector. Skill development in India, according to participants, results from the individual capacity to invest in human capital development. State provided institutions, in particular, education, is substandard and is failing its citizens in skill development. A second factor reported as thwarting manufacturing was lack of internal demand and, this too, is linked to institutional inequality and lack of redistribution of wealth. A third factor holding back manufacturing, according to some participants is stringent labour laws. As explained, the issue of labour regulations, described by one respondent as a 'red herring', is widely debated within India. Labour regulations were reported, in particular by respondents from business associations, as being cumbersome, complicated and inflexible. However, the laws are blatantly ignored and unenforced by employers, in particular, in certain states.

Researchers such as Nagaraj (2004), Bhattacharjea (2006), Sharma (2006) and Murali (2010) conclude that although there has not been a formal reform to the labour laws, there has been de facto reform or 'reform by stealth' where the government has essentially turned a blind eye to the enforcement of labour protection and allowed business wide flexibilities. Responses from

this sample confirm these findings. Ignoring labour laws may be explained by Clinard and Yeager's (2006, 1980) as well as Benson and Simpson's (2015, 2009) theory of rationalisation and neutralisation whereby the culture of organisations are awash with beliefs that support abiding regulations selectively (see section 3.3.5). Furthermore, Paternoster and Simpson (1993) list six conditions that predict the breaking of regulations will be more likely and one respondent's comments on business views of labour laws and the lack of enforcement appear to concur with Paternoster and Simpson's predictions (see section 3.3.5.3). It is also important to note that the labour reform debate is focused on liberalising laws rather than increasing and enforcing more effective protection for workers. Thus the needs of business are being prioritised over the needs of labour, a topic which will be explored further in the following chapter.

Finally, the chapter explored perceptions regarding the types of FDI into India and it was revealed that certain types such as greenfield investment were preferred over brownfield FDI. Mergers and acquisitions of domestic Indian firms were criticised as a predatory type of investment that is frequently occurring in India and under-reported in FDI statistics.

Acquisitions of domestic pharmaceutical firms were particularly concerning for respondents. Diminished access to affordable medicines as a direct result of the spate of acquisitions is a specific public health concern.

Brownfield FDI in the form of round tripping was criticized as being a significant source of India's reported FDI though it was difficult to determine exactly how much is round-tripping. Round tripping was criticized as bolstering India's FDI numbers without bringing any benefit to India and its

citizens. Private equities from institutional investors are an important source of FDI to India as well. It is criticised, by some, as being much closer to portfolio investment and incapable of bringing the positive spillovers that other types of FDI, arguably, can bring.

As this chapter has explored the types of companies investing (and not investing) in India and the main social and developmental consequences of this FDI according to elite policy stakeholders, the following chapter will proceed to explore stakeholders' perceptions of the government's ability to effectively balance the needs of its citizens and business as well as the capacity to construct effective FDI policies that minimise the negative impact of TNCs while maximising the benefits to its citizens and economies.

Chapter Eight: Perceptions of the Indian government's ability to balance the needs of its citizens and TNCs

8.1: Introduction

As explored in Chapter Three (3.6.1) the interdependence between the state, its citizens and business yields a reciprocity between social policy, the needs of citizens as well as the needs of business (Gough, 2000; Farnsworth, 2004, 2010, 2012; Huber and Stevens, 2005). As both business and citizens depend on the state, welfare provisions can be seen as a 'continuum of need satisfaction' with social and corporate welfare located on the extreme ends (Farnsworth, 2012, p.3). How host governments balance the needs of business and its citizens and where its policy construction is situated along the welfare continuum will have direct implications for the social welfare of its citizens (Gough, 2000; Glasberg and Skidmore 1997; Farnsworth, 2012). Although social welfare policies are helpful to business, economic growth and the competitiveness of the state's economies (Gough, 2000), mainstream development agendas continue to prioritise the needs of business, economic growth over social welfare (Marques and Utting, 2010; Farnsworth, 2010) which is conceptualised as an 'add on' to economic development (Mkandawire, 2004) (see section 3.6).

This empirical chapter will explore the third research question:

Do elite policy stakeholders believe that the Indian government is balancing the needs of business and citizens in its development strategy or is one prioritised over the other?

FDI is capable of bringing a range of negative consequences as well as opportunity and benefit. As explored in Chapter Three (see section 3.5) the OECD (2002) stresses the importance of effective national policies in mitigating disadvantages and maximising benefits. This chapter will also examine the fourth research question:

Do elite policy stakeholders perceive the government's FDI policies to be effective in minimising the negative effect of TNCs while maximising benefit to its citizens and economy?

In doing so, stakeholder's perceptions of India's development policy-making institutions will be explored. The chapter will first examine respondents' perception of the Indian government-business relationship and the extent to which business influences the policy decision-making process. As part of this analysis, it will gauge where on the welfare continuum India is constructing and implementing its policies. From here Section 8.3 will explore respondents' perceptions of the government's development strategy and how or to what extent social protection is incorporated into its strategies for development. This section will analyse how the government is balancing the needs of business and the needs of its citizens or whether it compartmentalises economic growth and social welfare development. Section 8.4 will investigate respondents' views regarding FDI policies and the

government's ability to construct effective policies to minimise disadvantages and maximise benefits of TNC investment.

8.2: The Indian government and business relationship

As examined in Chapter Three (see section 3.2.1) business has structural and agency power at its disposal as means to influence policies and policy decision making (Thomas, 2011; Bell and Hindmoor, 2013; Fuchs, 2005; 2007; Farnsworth, 2004; 2010). How successful business will be in influencing policy-outcome is contingent upon several factors, one of which is the nature of the government and business relationship (Farnsworth, 2004; 2010). Murali (2010) and Kohli (2012) conclude that the Indian business voice has become more unified and vocal since economic liberalisation and business associations such as the Confederation of Indian Industry and Federation of Indian Chambers of Commerce and Industry have become more powerful in their ability to influence policy in India. Murali (2010) argues that since economic liberalisation, there has been a proliferation of activities, consultations, and information sharing events between business and the government in the form of policy briefs, advisory committees, seminars, trade fairs, and brand building exercises. Business associations have also become involved in the government's international affairs and business leaders are now regular members of the government's delegation to many world summits. Mazumdar (2008) also concludes that economic liberalisation has not meant the 'retreat of the state' in terms of the business and state relationship and has served to set the stage for an even closer relationship between the state and private capital.

RS is the Director of an NGO devoted to the promotion of inclusive civil society, democracy building and social action in India. She appears to concur with Murali (2010), Kohli (2012) and Mazumdar (2008) that the government and state now have a symbiotic relationship with business leaders forming close and informal networks with the state:

And I think the entire last decade which has really been the 3rd phase of reforms in India and has seen the coming together of state and business in India. It is really a new emerging pattern of state business relations. And I think what has happened is that the top 10 to 20 business houses have come to dominate and not only have they come to dominate but it is a network that has now been built with the state and government. So you have informal networks that have formed with the state where you have...if you look at when the Prime Minister goes to Davos or when he goes to US...who are the people going with him? And you will see a Tata and you will see a Godrej, there are a set group of people. So these are also opportunities of networking, influencing policy.

RS goes further to observe that formal networks, as well as the informal ones she described above, between the Indian government and the business community have been created in the forms of committees and boards within government ministries. She argues that these ministerial boards, composed of the top business leaders, have produced a model of business focused development to the exclusion of others' needs. She explains:

And there are formal networks that have also emerged. There has been work to map these networks. So this is like a coterie of people who sit there and advise the Prime Minister. And within Ministries they are institutionalized now where you have these boards...and there is constant delegation of decision making from Parliament to these boards where decisions are being made. So it is really a conflict of interest but they are there and that is where policies are being made. So what we really have now emerging in India is a very close coming together of State and business. And it is a business led development to the exclusion of everybody else. And if you look at policies, they totally reflect that.

There are three major business associations in India: Federation of Indian Chambers of Commerce and Industry (FICCI), Confederation of Indian Industry (CII), and Associated Chambers of Commerce and Industry of India (ASSOCHAM). These groups collectively represent the views of business operating within India. Organisations such as FICCI and CII have a direct consultative relationship with the government of India and collectively voice their policy preferences. Often the government ministries will consult with business associations prior to the construction of the policy to obtain their perspectives and preferences, as well as provide them with a draft of the bill for comment, and conduct further consultations before final approval. In doing this, these business associations are able to directly influence public policy. BG, a senior representative from one of India's major business associations explains:

On the one hand, we are advocating to the government saying these are the policies which you should be bringing in or if they are bringing in any new policies, we give our comments on that. We get the private sector to put together their views and give our view to the government.

However, business preferences are variable and sometimes in opposition to one another. Farnsworth (2004; 2010) emphasises that firms require varying policies to support continual profit and growth but that the power balance between competing firms can result in the state prioritising certain business preferences over others. According to RS, it appears the largest and most profitable of Indian businesses have the inroads into policy decisions:

So it is about efficient players. It is about who are the important players and it is not about the small players anymore.

As explained previously (3.2.1), business is effective in influencing policy-making due to its structural and agency power. One form of structural power is executed in the form of ideological hegemony (Farnsworth, 2004; 2010; Fuchs, 2005). This occurs when the vested interests of business is seen as the 'common interest' of the state and its citizens (Farnsworth, 2004; 2010). Business associations often present their preferences as the best interest of the host country. They effectively advertise their own investment opportunities to host countries as being in the country's common interest. In an interview with New Delhi TV (NDTV), Ron Somers, President of the US India Business Council (USIBC) was explaining that he would be meeting

with various politicians in India to discuss ways in which US business opportunities can be further accomplished. There are two important points illustrated in the upcoming quote: one, international business associations have direct contact with policy makers and they make their preferences explicitly known and two, preferences are often framed as what is best for the country. Somers describes how further opening the FDI ceilings in the insurance sector is in India's best interest:

We really believe strongly that opening the insurance sector is very important, at least from 26% to 49%. So when we meet with oppositional leaders today, we are really going to make that point. We think this is important for the country, it goes back to your first question; this is not about US pressure, this is about what is *best for India*....I think hearing that from the outside business leadership is useful and it is not just our delegation, it's other delegations from around the world that comment on a regular basis saying, "Here is what we think needs to be done in order to attract more investment from our respective countries." In the end we need to grow this GDP beyond 4.6%. We are not going to be able to create the jobs needed in India to keep these young people at work unless we really boom the economy... and that is going to take foreign direct investment (NDTV, 2013).

Here Somers explains that international business associations regularly put forth their preferences to national governments. Clearly, the use of the plural

pronoun 'we' further cements the idea that US business needs is one in the same as India's development needs.

This section has discussed the nature of the Indian government and business relationship and explored business influence on policy construction. Undoubtedly both domestic and international business associations have clear access to India's policy-making. With this in mind, the following section will explore perceptions of the Indian government's development strategy and the extent to which social welfare is incorporated into its growth and development initiatives. This will serve to provide insight into how the government prioritises business and social welfare needs.

8.3: Perceptions of the government's development strategy and the role of social welfare within the strategy

The majority of respondents reported that economic growth is preeminent in the government's development strategy and the attainment of economic growth is prioritised over social welfare development. As explored in Chapter Three (see section 3.6.3) neoliberal influenced models with primary focus on markets have been called into question due to rising inequality, enduring poverty, and continual global financial recessions (Marques and Utting, 2010; Utting et al, 2012). The call for social policy to be integrated with economic policy has been termed 'new growth theories' or 'endogenous growth models' (see section 3.6.2) and these models recognise that social policy contains crucial mechanisms for economic development (Mkandawire, 2004; Marques and Utting, 2010). However, IGOs such as the World Bank continue to prioritise economic growth and promote social welfare policies

only if they are ensured to create a positive business climate (Farnsworth, 2010; Marques and Utting, 2010). Social policy and social protection is conceptualised as largely separate from economic development, hypothesised as a social expenditure which detracts from economic growth, and viewed as an end result to development (Mkandawire, 2004). This development ethos was reported by several respondents to be unswerving in Indian policy making.

PJ is a Professor of economics at a major university in India. His areas of specialization include labour economics, development economics, the agriculture sector as well as rural development. He emphasized the Indian government's philosophy that high economic growth should be prioritised above all else and suggested that social protection within Indian policy is developed as an appendage to the overall economic strategy:

None-the less it is still not deviating in any sharp manner with that fundamental philosophy that growth must be privileged and poverty will be taken care of...to the extent that if there are certain distresses that need to be addressed, let's provide some add-ons. You see, addressing social issues is largely in response to democratic aspirations and the churning of political pressures. And it is, as I said more of an ADD ON approach. But the basic thing is, 'ok let's believe in the ability of the market to give us higher growth' and the problem of poverty can be taken care of. So that is the main economic policy and adding pieces on to help with alleviating poverty.

PJ goes further in stating that the government's economic strategy is one of 'trickle-down economics'. Trickle-down economics, as it is commonly known, is an institutional pillar of neoliberal economic thought and stresses that the wealth created from economic growth will trickle down to the lower and marginalized classes (Aghion and Bolton, 1993). Several respondents explained that the Indian government has relied on the theory of 'trickle down economics' in its development planning. PJ explains:

There are many problems there because, fundamentally, the current economic strategy fundamentally relies on a view which has been—a discredited view—that is a trickle down approach. If you can manage to grow rapidly at 7, 8, 9% then poverty can be taken care of. We have had debates in economics now for at least half a century on this. And this is not sufficient to lowering poverty or alleviating poverty. There is a view which says that growth can actually be poverty aggravating. So to think of it as a necessary condition itself is wrong.

RS, Director of an NGO devoted to the promotion of inclusive civil society, democracy building and social action in India, concurs that the government's priority is high GDP. She suggests this type of strategy has relinquished the government's obligation to redistribute resources or provide widespread welfare programs and in a country with widespread inequalities such as India, the implications for its citizens are vast:

The issues for the people are huge. Especially when you have, in a country like India where the vast majority are very poor...it is a country which, historically has had inequality as so deeply entrenched...in

terms of caste, in terms of gender...in terms of so many things, I think it still holds. When you have the government giving up on its distributive role...that it had at least taken on. I think it is a transformation, abdication of the role of the state towards any kind of distributive policy...towards any kind of accountability. And I think this whole coming together of state and business is also geared by this idea of high growth. Because the state is obsessed with high growth...about India emerging as this huge power competing with China...and the ambitions of Indian business is to be a global player. And the state, you know, it is not really about holistic development but it is really the GDP notion of development.

As explained previously, India outlines its development initiatives and strategies for five year periods in development plans called Five Year Plans (see section 5.2). India has published the Twelfth Five Year Plan which covers 2012-2017 (Twelfth Plan). In the Twelfth Plan, the government appears to acknowledge the criticism of its prioritising of high economic growth and recognises the need for improved quality of life for its citizens in both economic and social dimensions. However, as illustrated in the following passage, it clearly states that a high GDP is a prerequisite for this to occur:

Planners are sometimes criticised for focusing too much on GDP growth, when the real objective should be to achieve an improved quality of life of the people across both economic and non-economic dimensions. The Twelfth Plan fully recognises that the objective of

development is broad-based improvement in the economic and social conditions of our people. However, rapid growth of GDP is an essential requirement for achieving this objective (Planning Commission, 2013, p.3).

This passage in the Twelfth Plan goes further to explain why rapid growth of GDP is essential to inclusive development which can be summarized as the following: It creates the necessary expansion of total income and production which will, in turn, raise the living standards, it will provide employment, and, ultimately, social welfare programs are funded by economic growth (Planning Commission, 2013, p.3). However, as Mitra (2008) and Dev (2008) argue, inclusive growth in the Indian context is contingent upon pro-poor growth. As explored in Chapter Seven (section 7.2) India's current economic growth was argued to be non-inclusive to those outside the middle and upper classes. The semi and unskilled labourers, agricultural labourers and rural populations were reported by elite policy stakeholders to have been largely excluded from this economic growth.

Using the welfare continuum that has social and corporate welfare located at the extreme ends (section 3.6.1); it appears India's welfare strategy is positioned closer to the corporate welfare pole. However, its lack of social welfare may actually hurt business needs. As discussed in Chapter Seven (section 7.3) business complains that lack of skills and labour laws are holding back investment. Both of these problems would be helped by greater social welfare expenditure. FO is a Senior Economist with an applied economics and development research institute. Her expertise concerns FDI,

regional trade agreements, and trade policies of developing countries. She commented on the need to adopt a more efficient system of social security so that labour reform can take place:

It is problematic and it is high time we went in for labour reform. We do not have this policy of hire and fire in India.... China can do it because they have a social security, but we don't have that. So I think for investment in India to prosper and to move forward, I think the government has to bring in some kind of social security net for labour so that the trade unions can relax.

Although all respondents stressed the need for greater social welfare, some highlighted the problems of financing such initiatives for a developing country as large as India as GD observes. GB specialises in employers' needs and his and department works to organize and advance the collective interests of employers in India:

So it is really a debate, you know? But to what extent can governments in the developing countries with their deficit constrictions...to what extent can they fund these active labour market policies? That is a big issue. To what extent can employers be asked to fund these...at the expense of competitiveness? Because of the fact is that besides whatever anyone may say, FDI flows into the developing world...and the major reason is cost. And what constrictions do the government face to fund these schemes? So these are issues faced by most European countries....it is not that

there is a lack of the understanding of the importance of the issues....it just how can you do it?

RW is a Senior Employment Specialist with an international organisation that promotes decent labour standards. His research specialities are in areas of informal employment and working poor as well as labour regulations. RW discusses the need for both economic growth and social protection when connected to global markets. He observes that social protection is an important method for reducing inequality and poverty and that many developing countries are beginning to implement social protection programmes. He remarks that India is starting to do this but the programmes are fragmented and often not reaching the people in need:

One thing that is very important when connected to the global economy is social protection. And also it is a very direct way of attacking social inequality and poverty. Brazil is doing this....China is setting up an unemployment system and some transfer for the poor. India is developing a lot of schemes but they are not reaching all of the population. You need growth and jobs and social protection programs. And the countries don't need aid agencies for this...and this is great. And low income countries are learning this. All countries need social protection but there are different levels depending on technical and fiscal capacity but it is necessary for development. India has set up different schemes but they are very fragmented and there is need for consolidation.

Although many respondents were very critical of government's failure to provide appropriate social institutions for the majority of the population due to its preoccupation with economic growth, some did argue that the government was attempting to incorporate a level of welfare development in its national strategies. AB is the Director of an NGO that works to promote social equity and justice. He is very active in advocacy, networking and coalition building with a focus on issues of governance and civil society from the perspective of rights and justice. He described India's development strategy as having both components of market led development and human and socioeconomic rights:

And at this moment, the two very, very significant strategies that one can look at: One is clearly of market led development...that is now seen as the solution to loads and loads of our problems. But on the other hand, I would also say that human development and rights...particularly economic and social rights also constitute another development trajectory. Though at the policy level I would say there is a constant tension between the two. But at the policy level they are talking with each other so you do have things like the National Rural Employment Guarantee Act which was opposed by a lot of market proponents who thought that the state should not get into something as massive as this. We have seen the Right to Education happening where again there is a huge budgetary implication for the state but the government and the political party said we have to do it. And the market proponents were opposing it.

AB's reference to tension could serve to augment Murali's (2010) conclusion that business' preferences in policy making is limited by, among other factors, issues that are sensitive to and applicable to the mass population (see section 4.2.2). However, AB further highlights that although there is a dialogue of both strands of economic and social development strategy at the level of the central government, there appears to be a lack of implementation of the socioeconomic strategies at the local level:

But, unfortunately, at the local level the story is more tilted towards market led development. So therefore when the activists are very angst and angry, it is fair because at the local level what you see is the market led development model and you don't see the trickle down of the rights development...human development or the economic social rights really trickling down to the local level.

This suggests problems with implementation of social protections at local levels. As will be explored in the following section, other respondents reported problems with the implementation of social protections as being particularly problematic.

These then are the perceptions of the government's overall development strategy. Although there is recognition of the importance of social welfare in its development strategy, respondents suggested that most of the development policies are focused on economic growth and high GDP. The proceeding section will look specifically at stakeholders' perceptions of the government's ability to construct and implement FDI policies to mitigate disadvantages and promote advantages.

8.4: Perceptions of FDI policies

This section will explore respondents' views regarding FDI policies and the government's ability to construct effective policies to minimise disadvantages and maximise benefits of TNC investment. The overwhelming majority of respondents, whether liberal market oriented or human rights oriented were critical of FDI policies and the government's ability to construct them. A view that was commonly reported was the government did not have a coherent strategy for attracting FDI and extracting the benefits but rather, pursues a strategy to get FDI regardless of development needs, the needs of the people, or environment.

AB, Director of an NGO that works to promote social equity and justice, suggests the preoccupation with FDI is resulting in policies that are not taking into consideration the needs of the people or the environment and this has hindered the ability to hold corporations accountable for their actions. He illustrates this point with a reference to the Bhopal tragedy, a major and deadly industrial disaster, and the concern from a high ranking government official that compensation claims could hurt the investment climate. He explains:

But what has happened, and I think this is where the real problem is at the national level, the mood of politics and at least of our economics is that we have to get FDI come what may. This has meant that we have created policies irrespective of our actual needs or the rights of the local people. So you trample upon whether it is the environmental concerns or the rights of the local people or the livelihoods of the

people in the local communities...you don't look at that... and the paradigm is such that 'let's just get FDI anyhow.' And therefore you are tinkering with the larger policy framework in such a drastic fashion that it might lead to huge difficulties. And my sense is that it has already led to difficulties in terms of lack of corporate accountability and so on. So just to give you one example during the hearing of the Bhopal gas tragedy, the government had the 'cheek' to actually say that if the compensation is too high that the climate of investment would be adversely affected. I cannot quote from where but I am very confident that someone very responsible said this. So you have 10,000 people who have died and you are willing to compromise on something as drastic as that so that the business climate remains positive.

KT is a distinguished researcher with a national-level policy research organisation in the public domain that concentrates on India's industrial development and the corporate sector. His area of specialization is FDI. He was critical of the Indian government's understanding of FDI and suggested it was seen as the answer to all development problems. In line with the government's priority of high GDP growth which, arguably, is seen as the answer to poverty, there appears to be a prerogative of high FDI as an overall strategy in and of itself:

There are two things with government thinking...one is that FDI is good and so you do whatever is necessary to get it and, two, FDI will come and deliver what we need. There is this belief that FDI does so

much...that is the main thing which the policymakers have been unable to break away from. That is the problem that they are stuck with: that FDI will cure all.

One way in which the government can better mitigate disadvantages and extract benefits from foreign investment is to devise and implement a proper regulatory framework before liberalising sectors of the economy (OECD, 2002; OECD-ILO, 2008). AMK is a senior Professor with one of India's premier economic policy think tanks. Her research has directly contributed to India's negotiating strategies in the WTO and her research interests include world trade, FDI, and the service sector. She was critical of the government's ability to construct and implement effective regulatory environment around FDI policies:

Sometimes even when FDI is opened up, we open up FDI without regulations or we open up FDI with so many stringencies like what happened in retail... You open things up and then you find the regulations are not in place. Regulation in India is not like a country like Australia which should come hand in hand...when you think about privatization you should also think of the regulatory framework to support privatization. But here, your regulation is always with a 2 or 3 years gap after the liberalisation; it should have been the other way around.

As discovered in Chapter Seven (see section 7.4) the frequency with which brownfield investments are occurring in the pharmaceutical sector was criticised and concerning due to public health implications. Respondents

were critical of the government's ability to devise effective FDI policies for this sector. DA is a Professor of Science and Technology for an organisation devoted to the study of science, technology and developing countries. One of his areas of expertise is intellectual property rights, TRIPS and the pharmaceutical industry. DA was critical of the government's framing of FDI policies when TRIPS legislation came into effect in 2005. He explains that the government could have been more selective and provided incentives for investments that would have been beneficial to India. Had the government done this, he observes, there could have been more gain for both from foreign companies as well as the citizens of India:

Brownfield investment should have been discouraged...they should have said that you will only make greenfield investments. They should have said that they will incentivise greenfield investment in certain areas if, for instance, you tackle certain disease areas which are critical in our own case...for which we do not have, at the moment, our own capabilities... if you come and tackle those then we will incentivise you... we will give you certain tax exemptions, etc. ...while we allow you to exploit our existing markets which are dependent upon out of pocket expenditure of richer consumers and so on where high margins are available. When you target or fine tune your policies to get the best from every actor whether they are FDI, whether it is domestic, whether it is large firm, medium scale, or small scale firms; you will benefit.

DA's comments highlight the importance of constructing selective investment policies that are tailored to the development needs of the country. Several respondents stressed that stipulations should be implemented in investment policies. Respondents often stressed that what is important is the quality of investment that is important not the quantity of FDI.

GK is a legal advisor to an international NGO involved in North-South development issues. His area of expertise is pharmaceuticals, access to medicines, and trade related intellectual properties. He discussed the need to target specific types of investment in the pharmaceutical field. He alluded to India's failure to selectively promote quality FDI. He questions why FDI is allowed in the manufacturing of medicines when this is not what India needs at present:

If you look at the fundamentals of FDI ...what are the objectives of FDI? Allowing FDI is for either employment opportunities, acquiring technology capabilities, or enhancement of management. So in India if FDI is in direct manufacturing of medications, we don't need any of this investment. For India the next step is to move to the product development—the new product development. And product development not in the sense of existing chemical entities; but new chemical entities from molecule stage to product stage. And that is where the [FDI] cap exists! So we need FDI in that field and not really in the manufacturing of generic medicines. So what is the rationale of allowing FDI in India's medicine manufacturing sector?

GK drew connections with the government's difficulty in creating effective FDI policies with a diminished capacity to monitor what is happening in the markets. He suggests that as part of economic liberalisation, the government dismantled the framework that had previously supervised the private sector during the protectionist days and, subsequently, has not constructed any monitoring mechanisms in its place. He was referring to the increasing number of acquisitions of Indian pharmaceutical companies by global pharmaceutical TNCs and the dangers these take-overs posed to availability of generic medicines. He remarks:

So what happened in India, it is a kind of personal observation, what has happened is that government ...part of liberalisation is that government has removed many license requirements and that is fine if it is blocking the ability of people to do business, etc. But also in this process the government also withdrew some of the monitoring mechanisms... withdrawal of these monitoring mechanisms resulted in a situation in which the government has no capacity to monitor what is happening. And as a result the government lost its ability to come out with effective policies. So they are making policies that are based on newspaper reports, hear-say, and also on private actors which have vested interest.

Several stakeholders argued that the government is not constructing effective policies for FDI because it is failing to implement the findings and suggestions from research and policy think tanks. AMK, senior Professor with one of India's premier economic policy think tanks, referenced two

issues that were commonly reported by respondents: one, the government is not implementing the input from the consultations with think tanks and two; the discord within Parliament itself is hindering the construction and implementation of effective policies. She explains:

The problem is between getting the inputs from think tanks and implementing the inputs. The government is consulting with think tanks and others on policy issues but not implementing the recommendations. When they go to the final stage of implementation, they generally go with what they think is good and, you know the populist voting kind of a principle rather than a proper regulating kind of principle. And lobby is working very hard because the government is a coalition government...and the lobbying infrastructure is very strong in India. Yes, so finally it is not about what is the best policy...everybody knows the best policy...but are they implementing the best...that is the problem, the core issue in India.

KT, distinguished FDI research analyst, discusses similar concerns regarding neglect of input from think tanks in the final policy:

They consult with committees or think tanks but don't include the findings in the policies. In fact I will give you a copy of a report which is damning of India's FDI policy. It is a paper which was submitted by the National Manufacturing Competitiveness Council and it is called Report of the Prime Minister's Group: Measures for Ensuring Sustained Growth of the Manufacturing Sector...but we do not see its findings being reflected anywhere in the new manufacturing policy.

RO is a representative and economist with an international organisation concerned with monitoring the global economy. He described that the politics of policy making often result in “policy paralysis”. He describes implementation problems resulting from the ‘cacophony of democracy’ within India:

So there is a lot of consensus at the senior level, at the technical level, and in the business community on what will be good for the country. The problem is implementation of some of these policies in a lot of these areas. It is a very argumentative culture if that makes sense. There are many different positions and views...it is a cacophony of democracy in many ways, combined with continued vested interest which are blocking a lot of these things that prevent the implementation stage. So things actually take a lot longer to get done.

This mirrors responses from several respondents who underscored the fractious nature of politics that kept the government from constructing and passing needed policies through Parliament. This finding is similar to Murali's (2010) conclusions which argued business influence within policy making is often hindered by coalition politics as well as what she termed the ‘politics of opposition’ which described the discontinuity between party stance when in opposition and when in power.

Other participants indicated that there were good investment policies with afforded protections to help mitigate costs but that implementation of the policy or the protective elements within the policy was problematic. LN is a Senior Research Fellow with an organisation concerned with energy use and

sustainable development. She also works with the World Economic Forum on issues concerning regulatory and governance issues involving energy, minerals and the environment. She highlights that India has a good policy framework in place but the enforcement of the policies are not happening which is problematic for people and the environment:

Well we have all the right frameworks in place. We now have a Minerals Act which actually has a sustainable development framework built into it...which is rare in any country so we actually have that. And we have had an environmental framework for many years which was a very good framework but the problem is that we do not enforce that. And because we do not enforce this, we have a large number of issues...whether it is due to human lives or whether it is to do with the environment. There has been a lot of impact because of lack of enforcement. We have great laws, ahead of the curve...people have invested in them but they are just not being implemented. So the problem in India is not absence of framework or absence of rules...there is no implementation.

LN emphasizes that the policy framework, at least in her field, has better policies and regulations regarding the environment compared to human welfare:

The larger question that you have with FDI beyond mining so it cuts across all sectors is that we do have very good governance frameworks in this country...we are better off with the environment than the social side. So if you are doing a study, if you are doing an

analysis, please look at the social frameworks because the social frameworks are not as strong as the environmental frameworks in terms of protection when investment comes in. Because for the environment we did a big study with compensation issues where we look at all the different impacts that these resources can have...and we did this for oil, minerals, gas, everything...and irrespective of whether it is an Indian investment or a foreign investment, what came out from that analysis is that most of our environmental issues— whether they are enforced or not is a different question— but we have regulated for it but in the social side, we have not. We have not taken into account cultural aspects, social aspects, health aspects...none of these have been taken into account. So our social frameworks for investment are far less developed than our environmental frameworks.

LN goes further to suggest the implementation problems are down to a combination of factors including capacity, lack of resources, corruption, and absence of benchmarking:

It is a number of things. But one is to do with the capacity to implement, capacity to take this forward, one is lack of resources, one is the country is huge, one is money and corruption. Corruption...so somebody gets paid to overlook whatever is happening. So there are a variety of reasons, you cannot just pinpoint one and say it is because of this. It is a combination of these things. It is also sometimes an absence of benchmarking so you may have the rules

and the framework but the person who is implementing it is unable to see how much better it could be...maybe because of lack of exposure, maybe because we have not introduced the best practices.

These are the arguments and perceptions concerning FDI policies and of the government's ability to construct policies that mitigate negative consequences and promote advantages.

8.5: Chapter summary

This chapter explored elite policy stakeholders' perception of the government's ability to balance the needs of business and its citizens in its development strategy. It also investigated perceptions of the government's ability to construct FDI policies that effectively minimise negative consequences and maximise the benefits of TNC investment. The chapter first explored the nature of the Indian government- business relationship in order to gauge the compatibility and likelihood of business influence on policy construction. It was reported that prominent business leaders are members of boards and committees within the government ministries. Business leaders also accompany high ranking government officials to international summits which create both formal and informal networks and outlets to influence policy directives. Business associations directly consult with the government prior to the construction of policies as well as provide feedback on draft proposals to ensure that the preferences of industry are incorporated. International business associations have direct contact and meetings within government ministries in which they make their preferences

explicitly known and often present their preferences as ideological hegemony. It was reported that the state and business have come together to form a 'business lead' development strategy to the detriment of other societal group's needs.

The chapter proceeded to explore the government's development strategies to better understand how social welfare development is implemented into its strategy. Respondents stated that the government prioritised high economic growth and high GDP over social protection and social welfare. It was also reported that both streams of thought—market led development and social welfare—were present at the policy level in the central government but that there was 'a constant tension between the two' with market led initiatives being implemented more often at local levels. In line with mainstream development thinking, the Indian government was reported to conceptualise social welfare development as an 'add on' to economic development and this was resulting in fragmented welfare provisions. The government appears to largely support notions of 'trickle-down' economic development.

Respondents were critical of the government's ability to construct effective FDI policies. A common view was that the government was interested in quantity rather than quality FDI, and pursued an economic strategy that targeted FDI 'come what may' in the belief that high levels of FDI will 'deliver what we need'. Some respondents reported problems with incorporating recommendations from think tanks into policy, and others stated that there were protections within the policies but they were not being implemented on the ground. Several respondents commented on the discord within

Parliament that hindered the approval of policies resulting in a policy paralysis within India.

Thus far the empirical chapters have analysed India's investment and development strategies and the government's ability to mitigate harm and promote positive spillovers. With these debates in mind, the following chapter will investigate the perceived spillovers, both helpful and harmful, that FDI is bringing to India's citizens, workers, local economies and communities.

Chapter Nine: FDI and its implications for citizens, workers and local economies

9.1: Introduction

This final empirical chapter will explore the fifth main research question:

- 1) What spillovers, both helpful and harmful, do elite policy stakeholders feel TNCs are bringing to the citizens, workers and local economies?

As explored in Chapter Two (see section 2.4), inward FDI is often viewed as a positive resource for the host economy as it can contribute to overall economic growth, increase domestic productivity, increase employment and provide additional resources and capabilities such as technology, higher wages, management techniques, as well as access to global markets (Held et al; 1999; O'Brien and Williams; 2004). However, these same points are frequently disputed and used to highlight the negative effects that FDI can bring to a host country: few resources or harmful spillovers can occur from TNCs to the domestic environment, TNCs fail to provide any real benefit to the host economy, TNCs crowd out domestic enterprises and establish a monopoly over the host business environment (O'Brien and Williams; 2004). TNCs are accredited with taking initiatives to help the host country with development goals via company CSR activities (Utting, 2005). They are equally accredited with exploiting labour, driving down labour standards, and damaging the environment (Farnsworth, 2010).

The research into the spillovers from FDI into developing countries is very conflicting and contradictory and these interviews indicate wide-ranging differences of opinions in regards to the impact of FDI in India. Overall, respondents reported that FDI brought a mixed bag of both positive and negative aspects to the country, its citizens, and the economy. This chapter will proceed in the following way: section 9.2 will explore the impact on the economy and section 9.3 will examine the impact on domestic industries, section 9.4 will highlight the impact of FDI on labour conditions and employment and section 9.5 examines issues concerning labour exploitation including home based work and child labour. The last section, section 9.6, will discuss the impact of FDI on land issues.

9.2: The impact of FDI on the economy

For this sample, no respondent criticised FDI across the board or thought India should close its economy to foreign investment; every respondent acknowledged the potential benefit that FDI could bring to a host economy. KD is actively involved in the campaign against the corporate monopolisation of the retail sector in India. This campaign vigorously conducts mass rallies and protests against FDI in the retail sector. Yet, KD explained that the organisation was not 'against FDI in general':

FDI is welcome if it is beneficial for your economy and society and largely we believe that it could be beneficial if it brings in new jobs or expands your base of production or brings new technology to the

country. So unless one of these 3 categories are getting fulfilled, we need to be cautious on every element.

Here, KD appears to suggest that FDI is something that should not be permitted for the sake of having open markets; there should be a need for it. Several respondents expressed viewpoints that the debate concerning FDI was about the terms on which foreign investment should be allowed, and that there should be clear indications and assurances that India was going to gain more from the advantages than the costs. One respondent (SR) stated: “When you are giving access to a large market, what are we gaining in exchange of that? So that is the question.”

FDI was often portrayed as something that should be exploited for overall gain but conditions needed to be implemented to ensure benefit. CC is a Professor of economics with a major university in India. His area of expertise is development economics. He expressed a similar viewpoint:

Let me put it this way, first of all if you are a late industrializing country or a late developing country, you should use the technological benefits the world over...there is no reason to reinvent the wheel, ok? So the point is not do we need FDI or not...the point is where do we need FDI and on what terms.

One of the main reasons that countries want to attract FDI is because it can bring needed revenue and foreign exchange. FDI is often credited with increasing the overall GDP of the host country's economy. In light of India's recent economic slowdown, the finance minister, P Chidambaram stated that

foreign investment was “imperative” to reviving growth in the economy (The Hindu, 2013).

CD is a Senior Research Fellow at an applied economics research institute. Her research interests are international and development economics. She describes an economic necessity for FDI:

But if you ask me as an economist, yes, FDI is good for India...we need FDI because we don't have money. Where the government is purposely running deficits...growth rate is stalled now...our taxes, our revenues are down...so where are you going to get the money? We supposedly want to build our failing infrastructure with \$1 trillion over the next 5 years...where is the money going to come from? Even the big [domestic] multinational companies within India don't have that kind of money; they need to borrow abroad... so FDI is good.

As CD highlights here, a reported benefit of FDI to India was that domestic companies could access the capital available in the markets to expand their business ventures. PJ is a Professor of economics at a major university located in New Delhi. His areas of specialization include labour economics, development economics, the agriculture sector as well as rural development. PJ agrees with CD and highlights the importance for the domestic business sector:

In regards to the benefits, it has certainly led to the deepening of India's capital markets. It has created a space to manoeuvre for the corporate sector in India because they don't have to only rely on the domestic savings and resources. The basic situation has certainly

changed from being a very constrained economy in terms of FDI and in general the flow of foreign currency, we are now in a situation where it is a situation of plenty or surplus. So in some ways it has helped the corporate sector.

However, these deep capital markets may not be a permanent fixture in India's economy, as one respondent explained (CC). He suggested that FDI has not been beneficial for India's balance of payments. As explained in Chapter Two (see section 2.4) TNCs often use transfer pricing to manipulate corporate tax rates from their own subsidiaries to give the appearance that they are making less profit, which decreases the amount of taxes that the company has to pay and works to increase the company's overall repatriation of profit. He argued that the occurrence of transfer pricing coupled with the lack of export revenue from India's market seeking FDI means the amount of capital leaving India will always be larger than the capital the TNCs are bringing to India, thereby contributing to a negative balance of payments. He remarked that it may appear that India has a surplus of reserves but these are borrowed foreign reserves that can be withdrawn. This is different to China which has earned its foreign exchange largely through its exporting industries.

Several respondents complained that the type of FDI coming to India is not creating enough employment. Several respondents referred to this as 'jobless economic growth'. AK, a representative of an international NGO that works to fight poverty and injustice explains that it is the domestic small and medium enterprises (SMEs) that are contributing to employment and not the

big industries with various foreign players. Because there is economic growth with little job creation, he suggests the majority of the people are not a part of India's economic expansion:

They promise that FDI will increase employment and help to generate the economy but studies have shown that hardly employment has increased. SMEs have generated the most employment...small and medium enterprise...not in the large scale industries with FDI. And all the money is going to the big ticket industries where employment is least actually being generated. So people are not a part of this expansion of growth.

As explored in Chapter Four (see section 4.3.1) India's high service sector growth has been attributed to high labour productivity. When asked about the problem of jobless growth, SV, an employment specialist with an international organisation promoting decent labour standards, remarks that while employment has not grown, productivity has increased and this is a positive feature of development:

So firms in India are producing more with the same amount of workers...so there has been increasing productivity, which is a very positive thing, and it has been coming through more efficient use of resources. And this is a positive thing. And this is where I think the debate about 'jobless' growth goes down the wrong track.

Whilst labour productivity may shed light on some of the issues pertaining to jobless growth, there are still irregularities occurring in the composition of the

labour force and FDI is not appearing to alleviate such problems.

Participants revealed that labour force participation is down for women in India in the recent round of NSSO survey data (2009-2010) as SV reveals:

And the other issue to understand is that in India there are some strange things happening to the labour force. But interestingly in the last 5 years female labour force participation, particularly, has fallen quite dramatically. Some people say that is due to increase in education but that cannot explain why across all age codes, it has fallen in all areas for women. Some economists explain there are no jobs available and I am not convinced on that. But there is also a problem with how to measure women's work in these places...if you work at home there is market activities, there is non- market activities and the boundaries are very blurred...what we understand as work is 9 to 5 in an office doesn't count for 99% of the people in this country...it is something that a lot of people are working on but I have not seen any convincing answers to explain what is happening.

AS is a Senior Research Fellow for an applied economics research organisation. Her areas of expertise are the informal economy, gender equity, and globalisation and development. She highlights that the nature of women's work is often not recognised as market work:

But a lot of work done by women is market work but not recognized as market work...a lot of the activities that women do in agriculture...cleaning up in dairy farms, for example is not considered market work. And the recent figures that have come out have shown

that women in the labour force has declined. Workforce participation has declined and women's participation has declined more. That has come out in the 2009/2010 data. And why should women's participation suddenly fall? In my studies, I have found that women's non market work rose....and that would lead to less time for them to participate in market work. And this lowers their empowerment....where women can have more market access and income then they have more empowerment in decision making.

Both of these quotes indicate institutional difficulties in measuring women's work in India, in particular, if it occurs in the home. India's declining employment rates for women are an indication that while FDI may be contributing to overall economic growth; it is not increasing employment opportunities.

These then are perceptions concerning the effect FDI has had on the overall economy. The following section will examine stakeholders' perceptions of the impact FDI has had on the domestic industry and businesses.

9.3: Impact of FDI on domestic industry

As discussed in Chapter Two (see section 2.4.2), FDI is argued to spur competition within the domestic economy driving domestic firms to strive for higher productivity, lower prices, and more efficient resource allocation (OECD, 2002). TNCs are also recognised as having the potential to stimulate spillovers in the form of knowledge, technology, research and development and management techniques (Held et al., 1999). The counter-

argument is that TNCs actually lower competition in domestic markets because they tend to raise the level of market concentration in host economies (OECD, 2002) as well as prevent spillovers or, furthermore, facilitate disadvantageous ones (Singh, 2002).

Most of the respondents in this sample believe that the Indian business sector and business associations have evolved since the economic reforms in 1991 and are now well equipped to compete in open global markets.

Several respondents in this sample concurred that competition from foreign investors has caused domestic companies to perform at a higher level. PS is a Professor of macroeconomics with a multidisciplinary centre for advanced research and training in the fields of social and economic development. His areas of speciality are development economics and international trade and finance. PS suggests that TNCs have helped to improve the competitiveness of domestic companies and industries:

I think with the economic reforms, we allowed MNCs to come in with their muscle and power, their financial power, technical knowhow and all that. That has given a kind of boost to the domestic industries to improve their competitiveness...and the overall competitiveness of the Indian economy has improved. And some of the Indian industries are doing much better now compared to before the reforms. So the spillovers have been good with FDI.

Some respondents stated the effect on domestic industries from foreign TNC presence is more contexts specific. BN is a Professor of economics with an academic institution concerned with economic and social development. His

research specializes in trade and foreign investment. BN observes that in some cases the domestic companies may be better suited to compete in domestic markets against foreign TNCs, while in other cases the foreign TNC may prove too wealthy and powerful for smaller domestic companies to thrive. He suggests, if the latter is the case, the sector should be opened more slowly or with some restrictions on investment to allow the domestic players to 'catch up':

There could be small issues in every sector that FDI comes into. Now there are domestic players in India that are not very big or established...they are scattered, they are small, they are unorganised, and their R&D is not very strong. Now when you allow a big investor, say an MNC, so then what happens is that there is always a threat to the domestic players...it varies from one sector to another. It may be possible that in some sectors that the domestic players are more competitive than the foreign players. In some sectors, the foreign players are too big and too developed for the domestic players. So sometimes the government needs to make policies so that there is an adjustment period...a period where the domestic players can get to the level of development and all that.

One perception that was provided, in particular from liberal market orientated respondents, is that domestic industries do not have a choice in competing with TNCs. As explored in Chapter Two (see section 2.2.3) there is a tendency to view globalisation as a phenomenon that is occurring naturally through the internationalisation of markets rather than from the political

decisions of governments and IGOs (Newell, 2002; Chang 2002; Stiglitz 2006). 'There is no alternative' or TINA (see section 2.2.3) is an example of this particular discourse.

Carrying on from the previous quote, BN goes on to say that domestic businesses realize that they have to compete with global TNCs:

So it is a sector specific issue but after 20 years of reforms, the level of competitiveness has grown and the Indian industry has realized that they are living in a globalized world and they will have to, at some point, compete with the MNCs. So they know they have to face globalisation, if not today, then tomorrow. So now actually across the sectors, there is no such problem of allowing FDI...ok, so some areas you have to go a little slow and some you can go very fast ...but you have to go.

SR is a Professor at a policy research organisation for industrial development. His research specialities include industrial organisation, industrial clusters, and technology and employment. He has done much research concerning FDI, spillovers and the automotive industry. He remarked that there has not been much in the way of direct technology transfer. Several respondents from my sample shared this belief and felt that, by and large, FDI has failed to produce significant technology transfer. He explains that the spillovers from FDI into the automotive industry have been more indirect in nature and have resulted from competition from automotive FDI which has propelled the domestic car producers to further upgrade their technology:

One aspect, I found, in terms of direct technology transfer ...I stress in the case of direct technology transfer, in the case of automobiles, we are not getting much advantage. But there are indirect effects. Before 1991 –before liberalisation—there were 2 or 3 domestic players. Now, after 1991 there are around 32, 35 models... companies of different types of cars have entered the auto market. The indirect effect is that the domestic players who were also investing in technological upgradation because of increasing competition they are forced to invest in higher technologies. So that is kind of indirect effect... when Honda is coming or when Mercedes is coming, domestic companies like TATA is forced to invest in new technology to compete with the foreign firms. So this is a kind of indirect upgradation that is happening.

Research into positive spillovers from FDI often report that domestic companies that supply inputs to foreign TNCs often become more efficient and productive in their business operations (OECD, 2002; 2008). It is thought that the domestic input supplier will have to produce both a greater quantity and a better quality product to the TNC which often has higher quality standards in producing for global markets. This is known as a backward spillover effect. BN, Professor of economics, discussed backward spillovers and linkages with global markets as positive results from TNC presence:

I was recently in a conference and they were discussing backward spillover effect but the backward spillover effect occurs after a couple

of years and initially it does not have that much effect...but after a couple of years, the fact that the foreign investment has come to a particular industry tends to improve the productivity of the input suppliers because they then have to meet the higher standards of the foreign factory. So in terms of productivity, this is good.

As explained in Chapter Three (section 3.7) one way that countries try to ensure that domestic input suppliers gain from foreign investment is to implement sourcing requirements into domestic legislation (Moran et al, 2005). Sourcing requirements force foreign companies to purchase a certain amount of the input materials from domestic sources. These requirements, however, are often disputed in the WTO as trade violations. Prior to liberalisation and joining the WTO, India had stipulations that foreign investors had to purchase the majority of automotive parts from domestic Indian suppliers. This is no longer a requirement as it was deemed a violation by the WTO. One respondent (SR) explained that when sourcing requirements were in place, domestic component producers were able to improve their business operations and successfully supply components to TNCs. He went further to explain that the repeal of domestic sourcing requirements has changed the way foreign companies work with domestic suppliers. He remarked that often the major foreign players will bring in one of their input suppliers from another country into India and purchase the input supplies from them to produce for wider global markets. He explained that the sharing of knowledge and technology does eventually occur but that spillovers used to occur much faster when there were domestic sourcing

requirements. The repeal of sourcing requirements has lengthened the time it takes to benefit from FDI.

India became a preferred destination for global pharmaceutical TNCs' clinical trials and it was often argued that India will gain research capabilities from such trails (Srinivasan, 2009). The majority of clinical trials in developing countries are being conducted through contract research organisations (CROs) who are TNCs themselves as in the case of Quintiles (Srinivasan, 2009). AG is a medically trained physician and has conducted extensive research in the areas of public health, pharmaceuticals policy and intellectual property rights. AG concludes that knowledge and research capacity is not increasing in the domestic sector as a result from clinical trials in his opinion. He had previously explained that the Indian personnel involved in helping the CROs are only involved in simple processes such as data collection. He compares India's participation in this sector as well as IT to a type of low level indentured labour:

And there is evidence to show that the CRO conduct all the trials...so this basically means that this is not research that you are doing...which is my answer to the idea that these clinical trials are increasing research capacity; it is not actually increasing any research capacity. Because the protocols, the research question is being determined by the company... the foreign entity of the company which is outside India. The data goes back to the foreign company. So there is no enhancement of research capacity...so it is a different kind of indentured labour that you are using. In fact you see the same in

the IT sector in India.... much of the IT labour is very low level. One hundred years earlier you had indentured labour where you worked in the farms; now you wear coats and ties but it is essentially indentured labour. You are not contributing to the productivity of Indian products.

One of India's most successful industries is the IT sector (see section 4.3.2). CC is a senior Professor of economics with a major university in India. His area of expertise is development economics. CC argues that although there has been significant foreign investment and foreign collaboration in this industry, the domestic Indian companies which are now very successful have not resulted from spillovers from foreign investment, but have developed their capabilities indigenously:

Well, let me put it this way the most successful area, the area in which we are most successful globally is IT and ITES. And most of those firms are Indian firms. Firms like TCS and Infosys...these are all Indian firms and they did not have foreign collaboration. They did not get their capabilities because of spillovers. They got it because they hired people and trained them all in a period of time. Ok, this is not to deny that there can be some spillovers ...there are spillovers but it is very difficult to estimate the cost of getting this benefit but I would think that the cost we paid is too high.

Another area for possible spillovers from TNCs to domestic industries is workforce practices and managerial styles. TNCs are often perceived to have better management operations and employees who work for TNCs will learn this advanced way of management and will bring this knowledge to a

domestic firm when employed with them. Several respondents, in particular with liberal market orientations, indicated that improved management techniques have occurred as a result of FDI. DH is a Director with one of India's business associations. He explained that FDI has been very beneficial to the business culture in India:

And this has affected India in a number of ways. Because what comes along with FDI is a different kind of culture, for example Human Resource practices. And also what happens is that employees that you employ here in your unit, they will also get out and work with Indian companies at some point in time. Employers attitude has been hugely positively impacted or affected by FDI....management techniques have been improved. FDI leads to an integration of cultures. Let's say you come all the way from the US and operate in India...so we learn from you and you learn from us and there is a kind of integration. And that integration is why we encourage import and export.....that we take advantage of each other's specialization

In summary, respondents in this sample agree that the Indian business sector is now very competitive although there were differences in opinion as to how much this has resulted from spillovers and competition with TNCs. The proceeding section will explore perceptions of how labour conditions and employment has been impacted by FDI.

9.4: Impact of FDI on labour conditions and employment

As discussed in Chapter Two (see section 2.4.4) TNCs have a global reputation of paying higher wages to employees in comparison with the domestic companies in the host country as well as providing better working conditions (OECD, 2002; 2008). They have an equally conspicuous global reputation of driving down wages and causing a race to the bottom in terms of labour standards (OECD-ILO, 2008; Farnsworth, 2010). These issues are often context specific in regards to the industry, the TNC, and labour regulations within the host country (OECD, 2008). The aim of this section is to explore the perceptions of the costs and benefits to employees of foreign TNCs in India.

As stated previously, TNCs are credited with paying higher salaries compared to the domestic companies in the host country. It was largely believed by respondents in this sample that TNCs do tend to pay above average salaries in comparison to domestic companies. Several respondents highlighted that this was done in order to attract the best talent from the labour force, a tactic they referred to as 'cherry picking'. RW, employment specialist with an international organisation that promotes decent labour standards, remarks that TNCs do pay higher wages compared to domestic companies in an attempt to attract better workers. He goes on to state that often in developing countries, workers with higher levels of skill are in demand while those with fewer skills are not (see section 7.3.4 regarding skill deficiencies):

It is often hard to identify the effect of multinationals on employment but they are a source of employment, and they generally pay higher wages than the local companies so from a wage point of view, they are not necessarily causing a race to the bottom, they are often trying to get better workers and they are paying higher wages to get them. There is incredible competition for the best talent. And this is one of the great tragedies of developing countries, they have a shortage of labour at the high end and you have a surplus at the lower end. And this again is linked to the skills problem, this mismatch. The fact is if you are an engineer or IT, people are trying to snap you up...because they know that a highly skilled workforce is necessary to compete.

The fact that TNCs pay higher wages, while positive for those who are employed for them, can be seen as a negative factor for domestic firms who see TNCs as driving up the wage base. Thus, higher wages are positive for employees but not necessarily for the competing domestic employers as BN, Professor of economics specializing in trade and foreign investment, underscores:

Now the bad aspect of this is that they [TNCs] may hike the cost of labour because they are ready to pay much more for the managers, supervisors, and for the workers...and this... by trying to draw from the local markets such workers often out of other factories where they are working, they can push up the cost of the inputs and thereby have an adverse effect. But whether you see this as good or bad depends on your point of view because of the point of view of the workers, it is

good that their wages are going up. From the view of the local units, it is very bad because they now have to pay more for labour.

GD is a specialist with the employers' unit within an international organisation that works to promote fair labour standards. He suggests that the larger TNCs, by and large, have been a positive influence on working conditions and labour market regulations. He acknowledges that TNCs have been accused of human rights abuses but in his experiences with TNCs, they have demonstrated a positive influence on labour market regulations:

We work with employers organisations who have multinational members. But my own experience...my own experience is that the bigger MNCs, the big ones...because in 1977 there was a Declaration of Multinational Enterprises ...how they should operate...the ILO Declaration for MNCs in 1977 which set standards for how they should work in other countries. So the larger MNCs, I must say, have been a positive influence on labour market regulations....that is my own experience. There are so many MNCs going around ...I know there have been various accusations and litigations against MNCs on the government front, especially in Africa ...and many from the human rights front...but all in all, in my personal experience, is that the larger MNCs have been a positive influence when it comes to labour regulations. And also their working conditions are much better...Like Unilever...Unilever is one of the most attractive places to work for in the developing world. I would say that they have very good standards when it comes to labour. Most of these companies have subscribed to

the Global Compact. So I would say, all in all, MNCs have had a positive impact on labour relations...and they have often set a benchmark for national companies also to look towards and adopt.

However BJ is not as complementary of TNCs. BJ is a specialist on international labour standards and an expert on discrimination for an international organisation that promotes fair labour standards. His areas of specialisation are social origin, Tribal and Indigenous peoples, and disabilities. He had been speaking of poor working conditions and labour standards in South Asia, particularly for garment workers, and how they are expected to work very hard in poor conditions. He then widened the generalization of poor working conditions to include industries such as automobiles and gave an example of the conditions in the Maruti Suzuki plant in New Delhi. He compares the description of working conditions in the Maruti Suzuki plant to the movie Modern Times by Charlie Chaplin which is seen as a social commentary on the poor working conditions in the industrialization era:

And the working pressure and the speed of working is very, very intense...so no toilets breaks. Even in the automobiles or automotives...the Maruti-Suzuki plant here in Delhi... there was a huge strike which was again about...a union employees wanted...they wanted to create their own union and management said, "no, we have our own union." And if you read about working conditions, they are not allowed to speak to each other, they are not allowed to whistle, they are not allowed to laugh...they can only have limited access to

toilets. So it's like Charlie Chaplin's Modern Times. What joy is there to work if you can't even whistle?

An employment trend that is currently occurring in India is an increase in casual employment. Even in the organized work sector, employers are increasingly hiring labour through contract employment agencies for shorter periods of time and without any employment benefits, many respondents argued. This practice of replacing permanent labour with casual or contractual labour is happening with both domestic and foreign firms including global TNCs. RW, research specialist in areas of informal employment and working poor as well as labour regulations, explains that deterioration of work conditions are linked to the overall structure of the global economy. He suggests the nature of globalisation is causing firms to cut costs and increase casual labour, and, therefore, being connected to the global economy is causing countries to be more vulnerable to these global practices:

Well at the official sort of level, we recognise that globalisation, in general, has contributed to decent work deficits and increasing casualization. Globalisation, not just FDI, but also trade and being connected to the global economy makes countries more vulnerable...it makes cost considerations and competitiveness more of a driving issue. And this, of course, has economic benefits but the down side is that work conditions can deteriorate.

This section has focused on working conditions within TNCs. However, as the last passage suggests, there are also impacts for workers in being

connected to the global economy. The next section will address exploitative working conditions in particular for those indirectly employed to TNCs through subcontracting chains.

9.5: Impact of FDI on labour exploitation

As previously explored (section 2.2.1.1), TNCs are often accused of exploiting the citizens of the host countries in which they operate (Richter, 2001; Farnsworth, 2010). It is argued that one of the main motivations for operating in developing countries is to exploit low wages as well as lower labour and environmental regulations (OECD-ILO, 2008). This section explores issues of labour exploitation in India by TNCs. Several respondents discussed exploitation as being prevalent but not always openly visible, thus, there was a recurrent theme of 'the invisibility of exploitation' as one respondent termed it. Outright open exploitation was not occurring as much in the visible top levels of the value chain but was very prevalent in home based work or in areas where there was not much media attention.

As explained in Chapter Two and Three (see sections 2.2.1 and 3.5) TNCs often chose to subcontract production to other smaller firms in the host country rather than produce the product through wholly owned subsidiaries as this strategy is more economically efficient for diversifying and adjusting global production and involves few sunk costs (Nathan and Kalpana, 2007; UNCTAD, 2013). Often the subcontracting firm in the host country, after receiving the order from the TNC, breaks the production process down even further and subcontracts different parts to units further down the supply chain

(Nathan and Kalpana, 2007). Thus, there is a supply chain from the TNCs down to small and informal subcontracted units. These subcontracting chains are reported to have exploitative working conditions, in particular, in the lower realms of the chain (UNCTAD, 2013).

The lowest levels of subcontracting units are often based in the home where women and children take up parts of the production process. These lower levels of the supply chain are informal; there is no regulation for working conditions, hours, or wages; and working conditions are often poor and exploitative. Often, this is how TNCs become linked to child labour and exploitative working conditions; they will have numerous layers in their supply chain with poor working conditions in the lowest levels which, in India, often occurs in the homes of underprivileged families. BJ, a specialist on international labour standards and an expert on discrimination for an international organisation that promotes fair labour standards, explains:

The direct suppliers to the MNC are probably ok-ish but they keep adding to the supply chain and once you go down the supply chain it becomes very difficult to know where you get your stuff from and who is making what. It really requires a detailed study and time.

Elite policy stakeholders in this sample often discussed two industries that heavily utilise subcontract production methods: the garment and textiles industries and the agriculture sector. Within these sectors, child labour is often prevalent in the lower levels of the subcontract chain. It is important to note the child labour laws within this context. In India, the Child Labour Act of 1986 prohibits the employment of children under the age of 14 years in

hazardous occupations which are identified and listed by the government (Weiner, 1991). Children under the age of 14 years are permitted by law to work in non-hazardous occupations (Weiner, 1991). For example, working in factories, which is listed as hazardous, is illegal for children under 14 years, however, working on BT cotton fields, listed as non-hazardous, is legal for children of any age.

DN, specialising in subcontracting chains in the global garment industry, discusses the need to amend domestic child labour laws:

So in household units, the labour laws do not apply like they do in a larger unit. So there, working conditions would be bad. It all depends on where you are on the value chain. There is a lot of child labour in cotton seed production but it is allowed, unfortunately, by the law. So we do need a change in the law. It is coming down, there is no doubt about it. The incidents of child labour are rapidly falling but it has not vanished. So there is still something to be done. In the units that are at the top of the chain...where they are monitored more, children are not allowed to work under 18 years of age...even though the law says that they can.

The end of DN's quote highlights that in the upper tiers of the supply chain, where monitoring is prevalent, children are not allowed to work if they are under the age of 18 which is more acceptable to international labour standards. If Indian domestic law permits children to work over the age of 14, it is likely that this stipulation was made on behalf of the global TNCs who are being monitored by watch groups and NGOs.

There have been many public incidents involving TNCs having child labour and exploitative working conditions in parts of their supply chain. This caused condemnation from many within civil society and NGOs which has forced TNCs to scrutinize their supply chains much more carefully than they did in the past. SK is a child labour specialist for an international organisation promoting fair labour standards. She explains that at one time TNCs did not feel the working conditions in lower levels of their supply chain were their responsibility. She indicates that TNCs are now publicly reporting that they take responsibility for all levels of their supply chain. However, what is happening on the ground can be different to what is being stated in the corporate codes of conduct as SK observes:

And the reason it is tied to globalisation and there is so much interest in it is because there was a time in the late 90's when a lot of the multinationals said, "Ok well we are responsible for our formal factories but what happens down the chain is not our responsibility." But that was back in 1997-98. But that has changed...many industries are taking responsibility for what is happening right down the line, right down to the community and to the homes. At least that's what their message is and that is what their code says and they are working with their suppliers on that. But what is the reality on the ground still needs to change considerably. Children are getting lost in these subcontracting chains and not everybody is putting in rigorous programs. And there are companies, there are manufacturers, there are employers who have taken great action also [against child labour] but it needs to go to scale.

Child labour is prevalent in many industries in India but hybrid cottonseed production has the highest incident of child labour (Venkateswarlu, 2010). Children are predominantly used to cross pollinate a genetically modified hybrid cotton seed known as BT cotton (Venkateswarlu, 2001; 2010). TNCs are heavily involved in BT cotton seed production in India and nearly all of them have been found to have child labour on farms in their production chains at one time or another (Venkateswarlu, 2001; 2010). Child labour in cottonseed productions appears to have peaked in 2006-07 at which time the subject became heavily investigated and publicized (Venkateswarlu, 2010). This negative publicity, or informal sanction as Paternoster and Simpson (1993) define it (see section 3.3.5.3), has greatly helped to decrease the use of child labour, though it is still very prevalent. In 2006-07 one report concluded that there had been 70,400 children employed in cottonseed production in one state alone, Andhra Pradesh, the seed capital of India (Venkateswarlu, 2010). Since this time many international and national NGOs, IGOs such as the ILO, UNICEF, UNDP, as well as the Government of India have become very active in trying to eliminate this problem as well as create international awareness of the problem. Venkateswarlu (2010) conducted a large study concerning child labour in cottonseed production in 2009-2010. He concluded that because of the intense pressure on TNCs and the attention they garner, there have been significant changes in production from large commercial farms to small family based farms where child labour is less noticeable. This shift in production may be a neutralisation technique known as 'moral rules-in-use' (Paternoster and Simson, 1993, see section 3.3.5.3) where a particular conduct within a

particular context becomes more acceptable. Children employed on large commercial farms may be perceived quite differently to smaller numbers of children working on numerous small family farms. Furthermore, Venkateswarlu (2001; 2010) observed that TNCs were relocating to areas where cheap labour is more readily available, such as tribal areas, and there is less public attention concerning child labour.

SZ is an internationally renowned activist for children's rights and the founder of an NGO in India that is proactive in combatting child labour. She explains that her NGO has worked with projects concerning child labour and BT cotton seeds. Similar to Venkateswarlu's observations, SZ explains that once an area begins to be monitored for the use of child labour, the TNC will shift their main production to areas that are not being closely monitored. She suggests that conceptualising child labour as a violation against children's rights has not occurred for TNCs:

My experience with MNCs has only been on the cotton. I have worked directly with them with the BT cotton in Andhra Pradesh. I think they [MNCs] have been so resilient, the manufacturers... that they quickly go into investment into areas where there is a more congenial atmosphere [towards child labour]. So there is a shift. So say, for example, there is pressure in say Andhra Pradesh, in certain places ...for example, in the areas where we have worked... they will then shift production where there is not pressure. So it is not that they have internalized the problem of child labour...they have not fully internalized the morals that there is a violation of children's rights and

they must not do it anywhere. They go to a place where there is not so much pressure on them and they continue to employ children. They may as well go to Uzbekistan for all you know to produce cotton seeds if that is more congenial. So the principle of violation of child's rights is not something that MNCs have internalized. Profits still remain more important than human rights.

These issues relate to discussions of Paternoster and Simpson's (1993) rational choice theory of corporate crime and the six conditions that make criminal activity more likely (see section 3.3.5.3). This quote highlights four of the six conditions. An upcoming quote will highlight the remaining two. First, seed companies move their production to areas where they perceive formal and informal penalties will be weak. Second, this elite policy stakeholder remarks that seed companies have not internalised that children should not be used and, thus, they will not experience a loss of self-respect by employing children. Third, TNCs have internalised situational rules-in-use that justify the act; profit is most important. Fourth, as stated above, most of the companies have employed children in the past.

Articles published regarding some of the projects that SZ's NGO had conducted revealed that the organisation was able to work successfully with small farmers and big local farmers to discourage the employment of children but that they were not able to accomplish this with the farmers who were working with the TNCs. When I enquired as to why the NGO was unable to encourage the famers working with TNCs to desist in using child labour, she explained that those farmers working with TNCs were often caught up in a

large network of debt that necessitates cutting labour costs to the point that children are employed. Independent farmers, on the other hand, have more say in what and how they will grow the produce. She clarifies:

I think it is the incentives and credit that they get....see with the small farmers, the decision to grow cotton is their individual decision. They have greater autonomy in what they will grow, how they will grow, and where they will sell. But if you are caught in a nexus with agents, sub-agents, contractors, you are already borrowing for your investments, you are borrowing for your pesticides, you are borrowing for your insecticides. Somewhere the big agents become your credit cards and then there is a pressure to repay. ...there is an economic compulsion to cut cost in your labour. So you employ children. But if you are a smaller farmer, making autonomous decisions, you are not linked to such an exploitative nexus. So it is easier to be persuaded not to employ children.

Here it could be argued that farmers that are working with TNCs experience more organisational strain (Yeager and Simpson, 2009, Benson and Simpson, 2009; see section 3.3.5.2). Also, perhaps farmers working with TNCs are caught up in an organisational culture that promotes goal attainment and cost control over legitimate actions in comparison to farmers who are not part of such corporate organisations.

In BT cotton seed production contractors and/or seed farmers are employed to find and arrange labour for the seed cultivation (Venkateswarlu, 2001; 2010). Often seed farmers reserve the labour in advance by paying parents

in advance for his/her child's labour (Venkateswarlu 2001; 2010). Because many families are in desperate need of money, there is pressure to take the advanced payment and then promise their child's labour participation. The practice of paying parents in advance not only encourages child labour, it is also in violation of domestic legislation. Although it is legal for children to work in homes with the family or on cotton farms under the legislation of the Child Labour Act, there are other forms of legislation which should protect children from such labour as SZ explains in the upcoming passage. First there is Bonded Labour Act which states that people cannot work under the duress of debt. As TNCs are paying for the labour in advance and the parents of children are provided payment before the cultivating season starts, this is in violation of the Bonded Labour Act (Weiner, 1991; Venkateswarlu, 2001). This criminal deviance can be used to highlight Benson and Simpson's (2015; 2009) distinctive properties of criminogenic opportunities (see section 3.3.5.2). First the seed companies have legitimate access to very poor rural areas where many families are desperate. Second, the seed companies are separated from their child victims as they hire local seed farmers to contract and bond the children to the labour. Third, the companies have a superficial appearance of legitimacy in that child labour does not violate the law; however, bonding them to the company is against the law.

SZ argues that the compliance with another act, Juvenile Justice Act, should also dissuade corporations from exploiting child labour. So while the TNCs may not be breaking the Child Labour Act, they are breaking the Bonded

Labour Act and Juvenile Justice Act and, she further remarks, should be made to abide by these laws as well as the laws their 'home' country:

It is all PROFIT. In fact, I think they should abide by the laws of the country of their home country and the host country. Our country...because many of these children are working against advances taken by the parents and that is a violation of the Bonded Labour Act...it will not violate the Child Labour Act but it certainly violates the Bonded Labour Act. Because the payment is in advance and they are bonded to the labour. So I think the corporate social responsibility is a responsibility to go legal and go by law. There is a Juvenile Justice Act which is, of course, in favour of children being in schools and not be exploited. They [MNCs] have to respect it. They don't respect the Juvenile Justice Act, they don't respect the Bonded Labour Act, and so there is a problem.

SZ remarked that because children are cheap labour and the corporations are competing against each other, each uses the lowest possible price to pay the farmers and in order for the farmer to make any profit, they have to employ children. If, on the other hand, the TNCs were to all agree on a baseline price which could enable profits for the corporation as well as the farmer whilst hiring adult labour that this could greatly help to circumvent the need to use children:

And it could have worked in a more positive manner if only the MNCs were convinced that the children must not work at all and they could have sent that message and they could have all gotten together...the

ones competing with each other...Monsanto, Syngenta, Unilever could have all gotten together and fixed a price together and then continued with their business. Because now they say, 'if I withdraw a child ...then I lose all my profits. So why don't you all get together and say, 'Ok, we are all going to only employ adults and make it still as competitive as our own business. But that they have not done. They have come together to cheat but they have not gotten together to save children.

Returning to Paternoster and Simpson's (1993) theory of corporate crime as rational choice (see section 3.3.5.3); it can be argued here that seed companies have weighed the costs of employing adults with the benefits of not complying with national legislation. Here SZ appears to suggest that: one, seed companies have deemed that complying with the law as too costly and, two, that the regulations are unreasonable. These are the remaining two of Paternoster and Simpson's (1993) the six characteristics that make criminal activity more likely. When this happens, according to rational choice, the offense gains utility. Also, as SZ highlights, there are other options available to seed TNCs to curtail the use of child labour yet profit is prioritised above all else. This illustrates the theory of strain and anomie (Messner and Rosenfeld, 2012; Passas, 2004; Vaughan, 1998; Lilly et al, 2015; see section 3.3.5.2).

Many respondents linked the prevalence of child labour to circumstances within the domestic environment such as widespread poverty, lack of decent work for adults, shortage of decent schools, and faulty national legislation.

TNCs were blamed for exploiting these circumstances and profiting from the cheap labour of children. However, many felt that the majority of change has to come from the government, national legislation, and full implementation of the laws. The following quote from DN, specialist in subcontracting chains and the garment industry provides a summary of the supply and demand nature of child labour and the limitation of corporate responsibility in the supply side of the child labour problem:

There is a demand side and a supply side. The firms come in on the demand side: do they use child labour or not? But the supply side is not in their hands...are the children coming into the market for work? So the poverty conditions, the low wages, poor education or dropping out of school...they are linked very much and that might lead to the supply of child labour. Now what a firm can do, there is a limit in the sense that, ok, you can clean up your supply chain by saying, "Ok we will not allow any products or any part of our supply chain, we will not allow any child labour to be used." But then the usual question is: where will those children go? Do they go to something worse or do they get into something better? That is where the manner of responsibility comes in. You have to have ways of rehabilitating them, sending them to school, maybe providing their parents with a higher income, etc. The government policy is such that it allows it to happen. In India we have the law which is not of the international standard in a way and allows it.

This was a common response from this sample: institutions must be in place and functioning properly for children. If not, when a TNC clears children from their supply chain, it is likely they may go into more dangerous forms of labour.

When asked what the best way forward is to eliminate child labour, SZ responded that the problem had to be addressed by national legislation. She felt that if the elimination of child labour were to come from the pressure from outside forces such as IGOs or trade restrictions that measures would be taken to hide existing child labour even more than is happening presently:

Uh, I feel there has to be a lot more domestic pressure on National Laws and amending them...and that will come by...it is something that has to evolve from an organic process from the country from within itself. It cannot be an externality to be imposed through sanctions and trade and things like that. Certainly not, because that again would just hide child labour and the government will be in a denial mode. The best solution has to be internal through national laws...through an organic process where they are able to take a stand and tell corporate, both national and global, that you cannot exploit children.

In summary exploitative working conditions and child labour are often found in the lower levels of the supply chains for TNCs. In many cases, TNCs are committing corporate crime by bonding children to labour. While it was felt that child labour is rooted in larger institutional forces respondents felt that TNCs should not profit from these circumstances. The following section will explore the impact of corporate investment on land issues.

9.6: Impact of FDI on land displacement

Millions of people have been displaced in India as a result of corporate investment, leaving many in a permanent state of poverty after the loss of land which is a vital aspect of economic, environmental and social valuation in India (Mathur, 2011). Any large corporate investment, including FDI projects coming to India, often requires large tracts of land. However, as Mathur (2011) states, policy makers and investors have previously ignored the ramifications of land displacement to the detriment of the people. There is increasing anger that land is being taken away from vulnerable populations such as poor farmers and tribal peoples and they are not being adequately compensated and assisted with resettlement.

Land displacement as a result of corporate investment is a very emotive issue in India today and was stressed as a negative outcome resulting from both FDI and domestic investment in nearly every interview conducted. Several respondents highlighted that land displacement was not unique to FDI but corporate investment in general. “I don’t know of a study that says because of FDI, the rate of displacement has grown” (AB).

In regards to FDI, there are two areas well known to displace people from their land: mining and Special Economic Zones (SEZs). As mentioned in Chapter Six (section 6.6.2) the government of India enacted the Special Economic Zones (SEZs) Act in 2005 (Levin, 2012). In the same vein as export processing zones (see section 3.5), the development of SEZs in the

mid-2000s, was a tactic employed by the government of India to attract FDI and large scale investments, both domestic and foreign, to these tax-free enclaves which would work to promote export oriented economic growth and job creation (Levin, 2012; Mathur, 2011). SEZs require large tracts of land close to large cities with well-developed infrastructure and the land often acquired is prime farming land (Mathur, 2011). The SEZ Act helped to spark a large wave of protests against land acquisition (Mathur, 2011; Rawat et al., 2010). Many of the protests have resulted in violence between the police and protestors. The acquisition of land for private and public development purposes has occurred in India since the 1950's, but what has ignited the current resistance to land takeover is the nature and extent of state involvement in taking the best agricultural land for private enterprise (Mathur, 2001).

CD is a Research Fellow at an applied economics research institute and she specialises in development economics. She has conducted several projects concerning FDI and inequality. She commented that the best lands are being taken from farmers. As explained in Chapter Seven (see section 7.2.) farmers are struggling to transition into other livelihoods with limited skill development and having their lands taken is exacerbating the problem:

And secondly, you are taking away land...land is either fallow or agricultural land and agricultural land is best connected to the market. So you want the land that is most connected to markets. You take away agriculture land from the people, where are they going to go? They have no skills; you have not given them any skills. It is

completely unfair. And what kind of mechanism have they set in place?

A serious contention with land acquisition is that, often, it is not being done in a participatory manner. Often the government or corporate investors are only providing a one-off monetary compensation (if provided at all) for the price of the land. Several respondents stated that a percentage of the profits should be offered. GN is a Visiting Professor with a research institute concerned with issues regarding social development. He has previously worked for several UN agencies specializing in displacement and resettlement issues around the world. GN explains how sharing a percentage of the corporate profit can prove beneficial:

The people should also get the project benefits...they should get a share of the profits. We have seen that beneficiary projects in which the people get some of the profits has been done in many countries and has been very successful. And now similar things are happening in India. The government has done it...in states like Haryana and other states have done it. So it is a participatory approach and the people feel a part of the project. If you acquire land in the future you cannot just do it by law, by force...you have to treat people as partners in the project and share profits.

LN is a Senior Fellow with an organisation concerned with energy use and sustainable development. She also works with the World Economic Forum on issues concerning regulatory and governance issues that concern energy, minerals and the environment. She observes that in India, most of the

mining areas are inhabited with people whose livelihood comes from the land. The fact that land dispossession is not just a loss of a piece of land with economic valuation but is also a loss of livelihood and subsistence for those occupying the land is a crucial issue at the heart of land acquisition, displacement, and resettlement. Furthermore, land has a special significance in India as it is tied to caste and class delineation as LN explains:

See here it is not like someone is owning some hectares of land. In India the situation is totally different...it is not just an asset for them...they treat land as their mother...and emotionally you are asking them to part [with it]. Land in India is not just a factor of production...it is a factor of production to the investor but it is not a factor of production to the owner. It is actually a part of their social representation...what they mean in society is actually defined by the land that they own so to part with the land becomes a big issue. So it is not just an economic valuation, not just an environmental valuation, it is also social valuation.

One of the biggest criticisms of land acquisition by respondents was that the government was using legislation from colonial times which was developed by the British to acquire land under eminent domain. Until September 2013 when a new land bill was passed into law, The Land Acquisition Act (LAA) of 1894 was the legislation used to enable the government to acquire land (Mathur, 2011). The LAA was criticized by respondents as being outdated, archaic, and a draconian law developed by the British to exploit Indian land.

However, The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 was approved by Parliament in September 2013 (Government of India, 2013). The act aims to serve as collective legislation for both the acquisition of land as well as resettlement and rehabilitation (R&R) measures for all those affected in the process of such acquisition. A salient feature of the act is the inclusion of not only land owners but others whose livelihood is dependent upon the land. Many people in India do not own land but work as labourers on the land or their livelihood is dependent upon the resources located on the land and the bill's provisions for R&R include these groups of people as well as landowners (The Hindu, 2012). Minimum compensation for the land is double the market value for urban areas and two to four times higher for land in rural areas. The R&R package includes a monthly allowance for one year, mandatory employment for one member of the family or further monetary compensation, a replacement house, resettlement allowance, and once acre of land for landowners. The Bill also provides a stipulation that if the land is sold onwards within five years of purchase, the landowner will receive a share of the profits. Another notable feature of the act is a mandatory consent clause for private companies and PPPs. Land acquisition involving private companies must have informed consent from 80 per cent of the landowners and 70 per cent consent in the case of PPPs. There have been mixed reactions to the act from civil society and business associations with the latter stating it is too demanding and will delay projects and increase costs unreasonably. Business has also expressed concerns regarding the consent clause stating gaining 80 or 70 per cent consent will prove too

difficult (Kanoria, 2012). Many from civil society have stated that the act is a big step forward in adequately compensating project affected families for the land and helping with resettlement (Biswas, 2011). However, others criticize the Bill for not going far enough (Sanhati, 2015).

In sum, land displacement is a contentious issue and one that has fuelled social tensions (Mathur, 2011) as many feel excluded and, furthermore, exploited by the economic and corporate expansion occurring in India today. Hopefully, The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 can help to compensate, resettle and rehabilitate those whose lands are taken for corporate expansion.

9.7: Chapter summary

In conclusion, many respondents discussed how the domestic business sector has become very competitive following economic liberalisation and the increasing competition from foreign MNCs. In regards to direct spillovers, respondents did not report a significant amount of knowledge or technology had been acquired as a result of spillovers. Some respondents stated that backwards spillovers for input suppliers would eventually take place after a delay of several years. In the automobile sector such spillovers occurred faster when domestic sourcing requirements were in place. Increased proficiency in management techniques was reported by several respondents. Respondents reported an increase in wages in sectors of the labour market that require higher levels of skill due to the presence of foreign MNCs.

However, several respondents reported an increase in casual and contract working contracts as a result of being linked with a global economy.

Globalisation has also changed the nature of the production process for MNCs which has led to multi-layered subcontracting chains where poor and exploitative working conditions can be found at the lower levels. In India, the lowest levels of the global value chain often take place in homes where entire families, including children work for piece rate wages. The bonding of child labour to seed companies was examined to confirm criminological and sociological theories of corporate crime, specifically theories relating to organisational culture, criminogenic opportunity and rational choice. Child exploitation is the result of corporate crime as well as state crime as it is failing to eliminate violations of the Bonded Labour Act or the Juvenile Justice Act. Several participants discussed the problem of child labour as resulting from problems within the domestic environment and stressed the need for changes in domestic laws to bring them in line with international standards. Utilising definitions of crime as violations of human rights (Ruggie, 2008) or social harms (Dorling et al, 2005), when children are exploited for labour, both the Indian government and seed corporations can be deemed guilty of criminal actions.

Finally, every respondent stated that land displacement was a cost to India and its citizens as a result of both domestic and foreign investment. The government and corporations were criticized for not providing adequate compensation for the land or assisting those displaced into new areas or livelihoods. Several respondents discussed the need for land holders to be

offered a share of the investment profits as compensation for giving something very valuable for both livelihood and social identity.

Chapter Ten: Conclusions

10.1: Introduction

This thesis set out to investigate the social and economic impact of FDI on India and its citizens. This topic has acute relevance because FDI brings wide-ranging social and economic implications, both helpful and harmful, to host countries. Few qualitative studies have ventured to examine the social impact of FDI and the aim of this research was to help fill that gap. In doing so, this research provided insight into the human experience of FDI which is broadly missing from the literature. The findings here go beyond India to shed light on the impact of FDI on a developing country. As FDI flows to developing countries are currently at a historical high (UNCTAD, 2015; 2013), it is critical to investigate FDI in the context of development. As developing countries clamour for FDI by offering incentives and constructing policy environments conducive to the needs of business, TNCs equally compete for profitable opportunities in developing markets. As the courtship between the two ensues, it is often the citizens of the host country who are caught in the middle.

This chapter is divided into four parts. Section 10.2 will return to the research questions and explore the theoretical implications of the findings. Section 10.3 will discuss the original contributions to knowledge and, following this, Section 10.4 considers the limitations and critical reflections on this research project which may prove helpful for future research. Finally, section 10.5 will examine the wider implications and policy recommendations

for other developing countries derived from the findings and lessons learned from this case study.

10.2: Research findings and the implications

This thesis outlined five main research questions. The findings from these research questions and the wider implications will be explored here.

How is India selling itself to investors and what are possible implications for social welfare that are likely to flow from the Indian government's investment strategy?

Investment is crucial to economic development (Moran et al., 2005) and governments compete vigorously to induce business to enter or expand investment into their domestic markets. The need for investment propels states to make domestic environments, social and economic, conducive to the needs of business (see section 2.2.2, 3.2, 3.6) (Thomas, 2011). Through structural and agency power, developing countries experience direct and indirect pressure from business to frame policies with real and/or perceived business preferences such as low tax rates, financial subsidies and lightly regulated environmental and labour laws (section 3.2) (Thomas, 2011; Hill et al., 2013; Farnsworth, 2010). However as this thesis has made clear, the ability of business to dictate policy outcomes is variable as there are factors that serve to promote and constrain business influence (Farnsworth, 2010; Hacker and Pierson, 2002; Bell and Hindmoor, 2013). For example, the concepts of 'mass politics' and 'elite politics' whereby the government hesitates to go against the concerns of its citizens when political issues are a

high concern to the majority of its constituents (Murali, 2010; Varshney, 1998) (see section 4.2.2, 6.3, 6.4) are of particular relevance here. All of these factors come to the forefront when governments attempt to construct investment strategies and policies to 'sell' themselves to investors and entice FDI (section 3.7) (Thomas, 2011; Farnsworth, 2010; Chang, 2003). What makes this process paramount is that the benefits of FDI do not automatically accrue and states need to carefully construct strategies and policies that can extract the potential benefits while mitigating for disadvantages (OECD, 2002, 2008; ILO-OECD, 2008) (see section 2.4, 3.7). More importantly, there are serious implications for the social welfare of citizens that are contingent upon the type of investment sought, the inducements offered to investors and the protections afforded within investment policies (Farnsworth, 2010; Thomas, 2011; Moran and Oldenski, 2013).

Analysing India's investment bureaux revealed that India is adopting a two-pronged strategy to entice FDI (section 6.2). It is clear from promotional segments on these bureaux that it is targeting market seeking and service sector FDI by advertising highly skilled and English speaking labour as well as the burgeoning purchasing power of its middle and upper classes. However, the government is also employing functional strategies that promote abundant and cheap labour. Enticing investment based on abundant and cheap labour runs the risk of keeping wages at depressed levels. For example, efficiency seeking firms which engage in high competition to save costs will be attracted to host countries with abundant and cheap labour but these firms are most associated with a race to the

bottom in terms of working conditions and wages (see section 3.5) (UNCTAD, 2006). Investment bureaux analysis also revealed a recent concentration on and promotion of manufacturing investment. This indicates a change in priority and strategy from service sector predominance to manufacturing. However in this case, the government is enticing manufacturing investment with relaxed labour laws and financial incentives. Thus the government's overall investment strategy appears polarised in trying to attract high end service sector FDI with skilled labour and purchasing power to suit the middle class and FDI with liberalised labour laws and low wages to suit the lower classes.

The wider implication here is that this strategy will likely increase the dualism or "two track society" (Dreze and Sen, 2011) within India's population. By increasing the dualism and polarity within labour markets, this strategy may further increase the inequality and social tensions, two major social consequences of current investment patterns reported by elite policy stakeholders (see section 7.2). The government appears to be trying to apply a 'quick fix' to the problem of insufficient manufacturing employment and FDI (see section 7.2), however, doing so with relaxed labour laws may create more insecure employment with poor working conditions, two conditions unlikely to create the pro-poor growth that India needs (see section 7.2).

These findings were reinforced by the case studies presented in Chapter Six (section 6.3). On the one hand the MBRT policy is targeting market seeking, service sector FDI with the escalating purchasing power of the middle and

upper classes. The policy, it is argued, will modernise the retail sector, expand consumer choice and lower prices. However, critics argue it will do so at the expense of the livelihoods of millions of small retailers and farmers, two socially disadvantaged groups in India.

The NMP is an example of the government's strategy to attract manufacturing investment. This policy which is promising inclusive growth and increased employment opportunities to semi and unskilled labourers by offering investors liberalised labour laws and hire and fire policies within State provided, self-regulated autonomous manufacturing zones. As found in Chapter Six (section 6.3.2) there is a risk that the liberalisation of labour laws in the NMP will create insecure and hostile work environments.

The two policies contrast each other in the level of afforded social protections. The Indian government implemented several stipulations into the retail policy to ensure greater positive spillovers and protection from investment. Business groups have criticised the policy as being too demanding to attract investment. It was argued that because the retail policy was very politically contentious and a 'mass politics' issue in India that business influence into the policy's outcome was limited and protections were needed to ensure more confidence from the public. The National Manufacturing Policy, on the other hand, afforded business associations all of their policy preferences. The NMP is the first investment policy in India whereby national labour protections have been curtailed. The lack of protections may have resulted because the policy did not draw the same level of public attention; it did not become a 'mass politics' issue (Varshney,

1998; Murali, 2010) and business was afforded more influence in the policy's outcome. Furthermore the government may have felt the need to provide incentives in the form of relaxed labour and environmental regulations to compensate for the other factors thwarting manufacturing investment.

A major implication to these findings is that investment policies matter; they can have wide ranging and direct impact on the social welfare of workers and citizens. In one respect, the findings illustrate that public engagement can be important in forcing the government to listen to the concerns of citizens as opposed to those of the business community. However, in another respect, the findings here also illustrate that constructing policies that balance the needs of citizens, workers and business can be difficult to manage. The recent divestiture of FDI from the retail sector in India (UNCTAD, 2014) also illustrates that business will express displeasure by withdrawal from domestic markets if policies and investment climates become too demanding and uncertain.

There are wider social implications that arise specifically from the NMP. The most visible social policy concern is the future possibility and, perhaps, inevitable manifestation of labour market reform at the national level. Murali (2010) argues that a key constraint to business influence in labour reform is Indian coalition politics, the fragmented decision making and the lack of consensus that coincides with the multiple political agendas of a coalition government. However, in 2014 one political party, the BJP, won an overwhelming electoral majority at the national level. This is the first time in 35 years that India does not have a coalition government. The BJP is known

for their “industry-friendly” stance and thus there are concerns that labour regulations will be curtailed (Mander, 2014). This raises an important question: If the curtailment of labour protections within the NMP is the first step towards national reform, will a more inclusive and efficient system of social welfare be implemented prior to reform? The majority of respondents agreed that there is an urgent need for labour reforms but reforms that ensure more efficient protection of workers and not simply curtailment of existing protections (see section 7.3.3). As one participant explained, the labour reforms debate often focuses on how labour laws are hindering business rather than how they are failing to protect workers. As Harsh Mander (2014), noted Social Worker and activist argues: “India needs to amend its labour laws not destroy the weak safeguards that exist now but strengthen them.”

Why do elite policy stakeholders feel India has attracted the type of FDI it has and what do they believe are the main social and developmental consequences that have resulted from the FDI India is attracting?

TNCs basic motivations to internationalise operations is either to better exploit their existing competitive advantages or protect or increase their advantage (Dunning, 2002, 2008; UNCTAD, 2006). FDI may be market seeking, efficiency seeking or resource seeking (see section 3.5). Different types of FDI bring different capabilities to bring potential advantages and disadvantages (OECD, 2008; Rao and Dhar, 2011b; Forsgren, 2013).

Data from interviews and analysis from investment bureaux uncovered that the government is actively attracting market seeking and service sector FDI. From my interviews with elite policy stakeholders, it was revealed that India had high inequality at the time of economic liberalisation and a middle class with burgeoning purchasing power which attracted market seeking and service sector investment. The government also provided IT parks which saved investors the hassles of acquiring land and other hurdles associated with greenfield investment.

From my interviews with elite policy stakeholders, it is clear that there is a misalignment between the types of investment India is receiving and the types of investment that might bring greater benefits to the country. Service sector led growth coupled with the stagnant manufacturing sector and unproductive agricultural sector has stunted the structural transformation of employment in India. This is particularly problematic as the majority of India's population are situated in an unproductive agriculture sector with little opportunity for livelihood transition as the service sector requires a threshold level of skills and education that most in India do not possess. Interviews with elite policy stakeholders relayed explicit concern that those transitioning out of agriculture with semi and low levels of skill were being forced into the informal realms of the service sector where employment is unstable and working conditions are poor.

Elite policy stakeholders consistently revealed that India's investment pattern of attracting predominately market seeking and service sector FDI (and insufficient manufacturing FDI) was linked to four main social and

developmental consequences: the majority of the population with lower levels of skill are excluded from productive employment, economic growth is not reaching or helping the poor, it is increasing inequality and increasing social tensions.

There are two wider implications of these findings. First, economic growth should not be the end goal itself; rather, growth needs to be associated with economic inclusion for all so that the benefits of economic growth reach those who need it most. Economic growth needs to create sufficient employment opportunities for decent and productive work so that the structural transformation of the workforce can occur. Second, FDI alone will not necessarily provide a solution to a country's developmental problems. Elite policy stakeholders, both liberal market and human rights oriented revealed a clear perception that FDI will not fix a country's development problems. It will not 'fill in the gaps' or substitute the hard work needed for sustainable and inclusive growth. As the OECD (2002) concludes, FDI can act as a catalyst for a country's strengths **and** weaknesses, magnifying its advantages and its problems. India has strength and comparative advantage of a wealthy middle class and highly skilled, English speaking labour and FDI is exploiting these resources and bringing employment opportunity, economic growth and an increased range of products to India's middle class. India's weakness is its inequality with a large share of its population with lower levels of skill that are excluded from productive service sector employment. FDI appears to magnify this inequality by providing opportunity for the minority but not the majority. Furthermore, the OECD

(2002) concludes in *Foreign Direct Investment for Developing Countries: Maximising Benefits, Minimising Costs* (p.22):

FDI-induced economic change may produce some adverse distributional and employment effects in the host country. Both categories of problems should be temporary, but they can be prolonged and aggravated in the absence of appropriate policy responses.

There is a clear risk that FDI may be heightening the adverse distributional effects India is experiencing such as a widening of class polarisation and deepening of inequalities, however, policy responses are needed to mitigate such effects. Policies such as universal access to quality public education and skill training are needed and are further explored in an upcoming section (section 10.5).

Do elite policy stakeholders believe that the Indian government is balancing the needs of business and citizens in its development strategy or is one prioritised over the other?

Both citizens and businesses are dependent upon the state for needed provisions to function and thrive (Gough, 1979; Glasberg and Skidmore, 1997; Farnsworth, 2012) (see section 3.6). Farnsworth (2012, p.3) argues that it is helpful to contemplate welfare provision as a “continuum of need satisfaction” whereby social and corporate welfare are located at the extreme ends. How host governments balance the needs of business and its citizens

and where they position policies along on the welfare continuum will help determine the impact of FDI to the citizens of a host economy.

Elite policy stakeholders revealed an inclination of the government to prioritise the creation of high GDP over the creation of social welfare development. Every respondent discussed India's lack of social welfare provisions and one respondent characterised social provision as an 'add on' or appendage to the economic policy (section 7.2). The wider implication in prioritising GDP growth over social welfare is that the state has failed the majority of its citizens in the development of the social capital needed to compete in formal market opportunities. One respondent stressed that social capital, in India, is derived from the individual's capacity to invest in education and healthcare and this is something the middle classes can afford and lower classes cannot.

By investigating the third research question, the nature of the Indian government-business relationship was explored. The Indian government now pursues "a business led development" plan at the expense of everyone else's needs, according to one respondent. The favouring of economic growth over social welfare may have derived from the Indian government-business relationship and the increased access to policy-making acquired by business since economic liberalisation, as discussed in Chapter Eight (section 8.2). Kohli (2012) argues that the shift in development priorities to suit business needs has stymied the redistribution of economic growth as policy priorities towards the needs of the underprivileged are not facilitated or

promoted by business. This is a major implication of the growing influence of business over the policy decision making in India.

A further implication that arises from the increasing collusion of the state and business is the incidence and occurrence of corporate crime and state-corporate crime. As explained in Chapter Three (section 3.3.3 and 3.3.5) corporations often have rationalisations and neutralisations ingrained in the corporate culture that facilitates the partial and selective adherence to regulations (Benson and Simpson, 2015, 2009; Clinard and Yeager, 2006, 1986). When the state and business share goals that would be hampered by regulation, the state may facilitate corporate criminal behaviour, undertaking what Kramer et al (2002) argue is state-corporate crime (see section 3.3.5.4). The empirical findings (section 6.3.2, 7.3.3) reveal that labour laws are being blatantly broken by business and that the state is complicit in this crime by not enforcing labour laws. Additionally, elite policy stakeholders discussed the exploitation of child labour by TNCs in India (see section 9.5).

There are widespread consequences of corporate crime and state-corporate crime. It is argued that the political and economic power of corporations provides protection or a 'corporate veil' to conceal criminal acts (Lilly et al, 2015). This level of secrecy or non-transparency increases exponentially when the state is complicit in corporate harm and crime. The government is the institution that is supposed to regulate corporate behaviour and ensure national legislation is followed. When the state is complicit, facilitates or initiates corporate crime, there is a complete lack of accountability. In this case, civil society can demand accountability from the government and

corporations. Issues of the growing collusion between the state and business, as well as corporate crime and state-corporate crime needs to become a 'mass politics' issue where citizens make it politically unacceptable for the government to collude with corporations in harmful and criminal ways. This is currently happening to an extent in India. In 2012 there was a large anti-corruption movement in New Delhi. The movement has gathered momentum and in February 2015 the anti-corruption political party, Aam Aadmi Party (AAP), led by anti-corruption activist Arvind Kejriwal swept the Delhi state elections (Biswas, 2015). While only a start, it is a hopeful step in the right direction for curbing state-corporate crime and corporate crime.

Do elite policy stakeholders perceive the government's FDI policies to be effective in minimizing the negative effect of TNCs while maximising benefit to its citizens and economy?

FDI is capable of bringing a range of costs, harm and crime as well as opportunity and benefit (see section 2.4). The OECD (2002) stresses the importance of effective national policies in mitigating negative effects and maximising benefits (see section 3.7). Chapter Eight (8.4) investigated respondents' views regarding FDI policies and the government's ability to construct effective policies to minimise disadvantages and maximise benefits. Respondents' were equally as pessimistic towards the ability of India's FDI policies to mitigate harm and promote benefit as they were of India's social policies to do so. In congruence with the Indian government's priority for high GDP above all else, respondents indicated the government

pursued FDI “come what may” as “FDI will cure all”. These inclinations have led the government to privilege the quantity of investment over quality and the quality, respondents argued, is most important. Some respondents reported problems with incorporating recommendations from think tanks into the policy and others stated that there were social protections within the investment policies but they were not being implemented on the ground. Several respondents commented on the discord within Parliament that hindered the approval of needed policies resulting in a policy paralysis within India.

It was made clear in Chapter Seven (section 7.4) that elite policy stakeholders criticised the ways in which FDI is accessing Indian markets and participants linked these problems to India’s ineffective FDI policies. Several respondents spoke of the high levels of brownfield investment and round-tripping investment to India which is underrepresented in India’s official FDI statistics. Brownfield and round-tripping were viewed, at best, as less beneficial than greenfield investment in delivering positive spillovers and at worst, a predatory form of investment with the intent to monopolise markets. Private equities from institutional investors are an important source of FDI to India and a significant source of capital for the government in trying to finance its current account deficit. It is criticized, by some, as being much closer to portfolio investment and incapable of bringing the positive spillovers that traditional FDI, arguably, can bring. For others, it was a speculative form of capital that was adding instability to the economy. The high level of M&A was of particular concern for the pharmaceutical sector where many of India’s domestic companies are being acquired by Global Pharma. Many

participants discussed the worry that generic medications would be removed from the market causing a direct impact on access to affordable medicines. The large occurrence of acquisitions may also thwart the ability to use the flexibilities afforded in TRIPS legislation to manufacture life-saving medication prior to patent expiration as this will not be in the interest of Global Pharma.

There are two wider implications derived from these findings. First, what is clear from my interviews is that not all FDI is alike or equally beneficial to host countries (see sections 7.2, 7.4). Elite policy stakeholders demonstrated clear opinions that different types of FDI carried different possibilities and policies were crucial to minimising negative consequences and maximising benefit. Every respondent explained that FDI could be useful if it provided jobs, technology and other helpful spillovers; no one thought FDI should be restricted in all sectors across the board. However, just as economic growth should not be the end goal in itself, neither should FDI. The second implication is that the stakes can be very high regarding FDI. Risks of harm can be much more detrimental than technology or managerial skills failing to spillover, issues of public health and access to medicines can hang in the balance, as explicated by respondents.

What spillovers, both positive helpful and harmful, do elite policy stakeholders feel TNCs are bringing to the citizens, workers and local economies?

FDI is often purported to spur economic growth and decrease poverty; make domestic industries and firms more competitive and productive; facilitate technology transfer and create employment opportunities, often of high quality with higher wages (Borensztein, 1998; OECD, 2002; Nunnenkamp, 2002; Moran et al, 2005) (see section 2.4). Obtaining positive spillovers is a large reason why developing countries seek to attract FDI. However, as observed, the empirical evidence for FDI and positive spillovers conclude that there are no universal relationships (Nunnenkamp, 2002; OECD, 2002; Lipsey and Sjöholm, 2005; Moran et al, 2005). Nevertheless, despite the wide-ranging variability in spillover studies, “policy makers seem to have made their own judgements that inward FDI is valuable to their countries” (Lipsey and Sjöholm, 2005, p. 23) and pursue FDI with vigour.

Analysis of the spillovers revealed a mixed picture in terms of both benefits and costs brought to India from FDI. In line with previous empirical discussions (6.2, 7.2), India’s current growth pattern which includes the increase in FDI following economic liberalisation is catering to the middle class consumer and employment needs. In the higher productivity service sector realms, for example, FDI has increased opportunities and wages. It has also helped to deepen India’s capital markets which India’s business class can access and benefit. Several respondents listed increased proficiency in management techniques as one helpful spillover from TNCs in India. In regards to direct spillovers of knowledge or technology, on the whole, elite policy stakeholders did not feel India had gained much from FDI in these respects. In general, it was remarked by participants that FDI does not appear to bring much benefit for those in the lower social classes.

What's worse, it is bringing costs such as land displacement and lower levels of global value chains which are rife with poor working conditions and exploitation.

The theoretical implication here confirms that the benefits of FDI are not automatic or universal. Furthermore, responses from participants were sometimes conflicting demonstrating that spillover research can be ambiguous and subjective. As mentioned above, these findings indicate a need for effective policies to ensure the benefits are extracted and harms mitigated.

These then are the research questions and the implications of the findings. The following section will discuss the original contributions to knowledge that are informed by this research.

10.3: Original contributions to knowledge

The empirical findings of this research make an original contribution to knowledge by confirming and extending a range of academic theories. The contributions are outlined here.

The empirical findings of this thesis add to theories which contend the benefits to developing countries from FDI are far from automatic and there do not appear to be any universal guarantees of positive spillovers (OECD, 2002, 2008; OECD-ILO, 2008; Moran et al, 2005; Nunnenkamp and Spatz, 2004; Dunning, 2002, Lipsey and Sjöholm, 2005; Moran et al, 2005). My findings add to the inconclusiveness and contradiction that is present in FDI research (see section 2.4). The interviews from this sample demonstrated

conflicting opinions with several of the opinion that India has given more in concessions to foreign investment than it has gained in direct spillovers. On the other hand, other respondents, in particular, ones from Indian business associations indicated indigenous companies have gained much from FDI.

Lipsey and Sjöholm (2005) and Gore (2000) argue that despite concrete evidence that FDI does much for development, developing country policy makers have made up their minds that FDI is key to fulfilling many development needs and that looking to global markets for development solutions is the way development 'should' occur. A similar argument concurs 'there is no alternative' (TINA) to globalisation and open global markets (Chang, 2003, 2014; Stiglitz, 2006; Newell, 2002) (see section 2.2.3, 2.5).

The empirical findings here confirm this argument. The majority of participants from this sample felt the Indian government believes wholeheartedly in the power of FDI to solve its development needs and this investment must be sought "at all costs" and "come what may" regardless of the harm and costs it may bring. Many participants felt the government's vigour to attract FDI has resulted in reckless and maladapted policies that are neither capable of mitigating negative consequences or extracting potential benefit from FDI.

The findings of this thesis add to academic debates which contend that mainstream development thinking continues to prioritise economic growth and the needs of private capital over social welfare (Marques and Utting, 2010; Farnsworth, 2010) which is conceptualised as an 'add on' to future economic development (Mkandawire, 2004). The majority of the elite policy

stakeholders in this sample stated the Indian government firmly believed in the strategy of 'trickle down economics' whereby if the economy grows at a certain rate then poverty will abate. Participants reported that the Indian government's development strategy is to attain high GDP growth and while market led development and social welfare are often both present at the policy level, there is "a constant tension between the two" with market led initiatives being emphasised and "implemented more at local levels." In line with mainstream development thinking, participants felt the Indian government conceptualises social welfare development as an 'add on' to economic development and this was resulting in fragmented social welfare policies and provisions in India.

The empirical findings here verify debates that social welfare is a productive factor, necessary for sustainable economic development and for employment growth (Morel et al, 2012; Keynes, 1936, 1980; Gough, 2000; Kwon, 2014; Dreze and Sen, 2013) and that ignoring social welfare can hurt investment opportunities (Farnsworth, 2012). The lack of social welfare is directly tied to four main consequences which have stifled sustainable economic development and manufacturing investment: the exclusion of the majority of the population from skilled and productive employment opportunities, constriction of demand for manufacturing products, the lack of skills needed for a competitive manufacturing sector and inflexible and complicated labour laws.

First, participants agreed that the service sector investment is catering to the middle class who are skilled due to their capacity to invest in their human

capital development. The majority of the population, however, fall below the middle class and do not have the skill level to participate in the available productive market opportunities. Dreze and Sen (1995) maintain that the structural inequalities in India were very extensive prior to economic liberalisation and, thus, when the markets opened, only a segment of the population could take advantage of the expanded market opportunities when they arrived post 1991. Responses from my interviews confirmed this finding.

Second, elite policy stakeholders explained that embedded structural income inequalities greatly narrowed India's domestic markets as the suppression of real incomes for a large share of the population decreased the demand for goods and, in particular, manufactured goods. The constricted pattern of demand also helped to propel the service sector as the increased incomes of the middle and upper classes who were able to participate in the high end growth segments of the market after liberalisation, resulted in their diversification of demand in favour of services (Ghosh, 2004, 2010; Mazumdar, 2011).

Third, elite policy stakeholders listed lack of skills in the labour force as holding back the manufacturing sector. Skill deficiency is directly tied to lack of quality public education. Fourth, rigid labour laws were also argued to play a role in the stifling of manufacturing FDI. It was argued by elite policy stakeholders that labour laws could be effectively amended to better protect workers and provide flexibility to employers if social security was afforded to workers. Thus by prioritising economic growth and high GDP over social

welfare, the government has hurt the needs of investors as well as its labour force.

The findings here, on one hand, negate structural transition theories but, on the other hand, confirm the importance of structural change in economic growth. Historically, economic development and structural change entailed a linear transition from agriculture to manufacturing to a service sector-dominant economy (Lewis, 1955; Kuznets, 1966; Cameron, 1993) (see section 4.3.1). As economies develop, the theory holds, the agriculture sector's productivity decreases and the shift of workers from agriculture to manufacturing increases growth, as productivity in the manufacturing sector is typically higher than agriculture (Cameron, 1993; Krueger, 2007). This shift to manufacturing in turn promotes the productivity in the agriculture sector as surplus labour is absorbed (Cameron, 1993; Krueger, 2007; Mazumdar and Sarkar, 2008). In time, labour begins to shift to the service sector along with a demand for services after a prolonged period of an industrial-dominant phase of development (Lewis, 1955; Kuznets, 1971; Papola, 2006). However, India has not experienced a prolonged period of manufacturing led economic growth. Respondents described India's growth trajectory as having bypassed, or "leapfrogged," the industrial-dominant phase of structural change and transitioned from agriculture to a service sector-led economy. The findings here suggest a country's development does not necessarily have to follow the three step linear transition to achieve economic growth. However, the sustainability of India's economic growth from a skewed service sector development model was repeatedly questioned by participants. What was made clear by participants was that the lack of

structural transition in India's employment was a main cause of economic exclusion for the majority of the labour force. Thus the findings confirmed the importance of structural transition in employment.

The empirical findings of this thesis confirm and extend debates concerning business power and its ability to influence and shape public policies.

Participants in this sample concurred with Murali (2010) that businesses in India have direct access to policy-making in India and this access has become more palpable since economic liberalisation (see section 3.2, 8.2). In line with Fuchs (2005) and Farnsworth (2004, 2010) business power in India assumes different forms such as structural and agency forms but is variable in dictating policy outcomes. Whereas some research (Pierson, 1995; Vogel, 1996; Hacker and Pierson, 2002; Farnsworth, 2004) concludes that the ability of business to influence policy outcomes is variable across time and space, the empirical findings here found it can be variable within roughly the same time period and within the same country. Farnsworth (2004, 2010) lists five factors that serve to promote or constrain business influence and this thesis analysed two investment policies whereby four of the five factors were constant, yet the outcomes of the policies in regards to the level of social protection afforded are very different. It was the fifth factor, the relative power of other actors who have a vested interest in the outcome that appeared to make the difference in the level of business demands that were conceded within the policies. Here, the empirical findings affirm Murali's (2010) and Varshney's (1998) conclusions that business influence on policy construction is influenced by the level of mass political appeal that is drawn to the issue. Participants in this sample reported they felt the

government will not take unpopular decisions that may hurt them in upcoming elections. For one of the investment policies analysed, the MBRT, it was a mass concern to much of the population and sparked widespread protest and condemnation for opening the multi-brand retail sector to FDI. For this policy, several conditions and stipulations were implemented into the bill to ensure better social protection. The second investment policy, the NMP, did not become a mass political issue and, it is argued, the policy afforded business all of their requests and demands including the curtailment of national labour laws within manufacturing zones.

The empirical findings here confirm and in one instance extended criminological and sociological theories of corporate crime, state and state-corporate crime. Specifically, the empirical findings as well as the research literature reveal that businesses, by and large, are not abiding by labour regulations in India (Sharma, 2006; Nagaraj, 2004; Bhattacharjea, 2006) (see section 6.3.2, 7.3.3). Respondents from this sample, in particular ones from business associations, conveyed opinions that Indian labour laws are cumbersome, complex, rigid and are thwarting investment and growth. This confirms Clinard and Yeager's (2006, 1980) and Benson and Simpson's (2015, 2009) theories of rationalisations and neutralisations ingrained in corporate culture whereby it is believed regulations can be adhered to selectively.

It is also argued here that the widespread negligence of the Indian government to enforce labour regulations is also an example of state-corporate crime as postulated by Kramer et al (2002) (see section 3.3.5.4).

Furthermore, it is argued that the empirical findings reveal that the state may have evolved from a position of state-facilitated corporate crime by not enforcing labour laws to state-initiated corporate crime with the implementation of the NMP in which labour laws are curtailed (see section 6.3.2, 6.4). Working conditions in manufacturing units where labour laws should be applicable were described by participants as exploitative and even violent. Thus, this thesis questions whether exploitation will increase as a result of the liberalisation of labour laws within the Manufacturing Zones established by the National Manufacturing Policy. Should this occur, the deviance resulting from curtailed labour laws is at the direction and initiation of the state and its policy, thus, it could be argued to be an implicit act of commission according to Kauzlarich et al's (2003) continuum of complicity (see section 3.3.5.4). This empirical finding would be an extension of Kramer et al's (2002) theory of state-corporate crime. Kramer et al (2002) divided state-corporate crime into two types but did not postulate that the state could evolve or transition from one position to another. Bruce and Becker (2007), however, did find that the state emerged from initiator to facilitator in their research. However, the empirical findings here demonstrate that the state can also evolve from facilitator (not enforcing labour laws) to initiator (devising a policy that could increase harm and exploitation to workers).

Empirical findings here also concluded that seed TNCs are committing corporate crime by bonding children to labour, thus, violating two pieces of national legislation: the Bonded Labour Act as well as the Juvenile Justice Act. The bonding of child labour to seed TNCs confirmed criminological and

sociological theories of corporate crime, specifically, theories relating to organisational culture, criminogenic opportunity and rational choice (see section 3.3.5, 9.5). The empirical findings regarding seed TNCs support Benson and Simpson's (2015, 2009) opportunity perspective which outlines three characteristics that make criminogenic opportunity more viable (see section 3.3.5.2). Specifically, the findings conclude that TNCs have legitimate access (first characteristic) to very poor rural areas where many families are financially desperate. Second, seed TNCs are spatially separated from their victims (second characteristic) as they hire local seed farmers to contract and bond the children to the labour. Third, the TNCs have a superficial appearance of legitimacy (third characteristic) in that child labour does not violate Indian law; however, bonding children to the work is against the law.

These empirical findings regarding seed TNCs further validates Paternoster and Simpson's (1993) theory of corporate crime as a rational choice (see section 3.3.5.3, 9.4). One respondent who is an expert in the field and has worked with seed TNCs in regards to child labour indicated that they have weighed the costs of employing adults with the benefits of not complying with national legislation and decided complying with the law is too costly and would damage profits. The respondent also stressed that seed TNCs have not internalised that children should not be exploited and, according to Paternoster and Simpson (1993), this would suggest the seed TNCs have adopted situational rules-in-use that legitimise their deviance. Other aspects of Paternoster and Simpson's (1993) theory are also confirmed by my findings: seed companies move production where they perceive formal and

informal penalties will be weak, they will not experience a loss of self-respect and have broken the laws in the past. Furthermore, my empirical findings regarding seed TNCs also confirm criminology theories of organisational strain (Messner and Rosenfeld, 2012; Benson and Simpson, 2009; Yeager and Simpson, 2009) in that local farmers working for TNCs are the least resistant to stop using child labour whereas local independent farmers were more willing to desist in using child labour. This suggests that the farmer involved in TNCs experience greater organisational strain and possibly anomie (Messner and Rosenfeld, 2012; Passas, 2010).

This thesis' empirical findings also argue that child exploitation by seed TNCs is the result of corporate crime as well as state crime (Rothe, 2011; Rothe and Friedrichs, 2006) as the state is failing to eliminate violations of the Bonded Labour Act or Juvenile Justice Act.

Having outlined the contributions to knowledge, the proceeding section will discuss the limitations of this research.

10.4: Limitations of the research

While the strengths and the justifications for the thesis are outlined in the Introduction (see section 1.3), this section will explore the limitations of this research project. One limitation is the lack of corporate perspective or 'corporate voice' in the empirical findings. The range of economic and social costs and benefits to India and its citizens from FDI is determined here by stakeholders' perceptions as well as documentary and policy analysis, however, the perceptions and perspectives from the TNCs operating in India

are missing. As stated in the Methodology (section 5.7) the initial research strategy intended for interviews with TNCs in India to explore how their investments have helped or harmed local communities and economies. However, I was unable to obtain interviews with TNCs. I was able to access business associations but it was explained to me that TNCs had their own associations through which they work and lobby. These associations are usually located in the host country of the TNC. Thus, the US India Business Council is located in the United States. By speaking with TNCs, I was hoping to obtain data regarding CSR activities and the corporate perceptions of how they are contributing to India's development. One way to compensate for lack of interviews with TNCs would be to access and analyse TNC corporate and CSR reports and include this analysis in the empirical findings. Future research could benefit from adding this perspective to the research design.

One reason corporate and CSR reports were not included in the empirical findings here is due to lack of available space. This leads to another limitation of this research project: the scope and variables analysed here are rather wide and expansive. Future research projects investigating these issues may benefit from narrowing the scope and tightening the number of variables examined. For example, a project could concentrate solely on working conditions or wages within one or two specific sectors. In having a more narrow scope, the project would have more specific conclusions which could lead to more specific policy recommendations. This thesis, on the other hand, investigated social and economic costs and advantages in general and this was done intentionally as I wanted to gain an overall

perspective or picture. The benefits of a broad perspective are that it can lead to a wide range of implications for social welfare and social policies. However the wide ranging scope produced a breadth and volume of data that, at times, felt unmanageable. The amount of data gathered in India essentially curtailed the ability to include a corporate perspective or analysis of corporate reports. An alternative to this research design would be to delve deeper into fewer variables.

The final section in this chapter will address the wider implications of this research project to other developing countries.

10.5: Policy recommendations

As explained in the Methodology Chapter (section 5.3) case studies are driven by a curiosity towards a problem, examination of the problem and a framework of possible solutions (Baxter and Jack, 2008). The essential problem investigated here is corporate harm derived from FDI to developing contexts and possible solutions include policies that can serve to mitigate disadvantages and maximise benefits. Also, as explored in the Methodology, this thesis is an intrinsic case study as it focuses solely on India in the empirical analysis. However, it does have elements of an instrumental case study (Stake, 1995; Silverman, 2007; Berg, 2007) as the intent is to provide insight into the larger issues of the costs and benefits of FDI to developing countries. Given this, what are the lessons learned from this research that can serve as policy recommendations for India as well as

other developing countries? I will relay the main lessons learned here in the form of policy recommendations.

One of the main perceptions reported by respondents is that India now has a very successful and competitive domestic business class. There were varying opinions as to how much this was derived from competition with and spillovers from FDI. However, one factor clearly involved in the building of its domestic business industry is the way in which India implemented economic liberalisation. India undertook a gradual liberalisation, opening sectors slowly and raising ceiling caps in a steady and measured manner. It was explained by several participants that India opened its markets “at the right time” when the domestic business class was capable of engaging in competition with TNCs. Although respondents heavily criticised the Indian government’s ability to implement effective policies, the ‘gradualism’ (Rao and Dhar, 2011b) of its liberalisation clearly succeeded in enabling certain domestic businesses and sectors to ‘catch up’ and become the competitive global businesses they are today. This gradual approach was very different to the ‘shock doctrine’ employed in other developing countries in Latin America (Klein, 2001) where everything was liberalised at once, all controls removed which led to major financial crises in several of these countries (Stiglitz, 2002). Thus, the first recommendation underscores the need for gradualism in economic liberalisation. Similarly, a further recommendation stresses the importance of sequencing and pacing when opening to global markets. Several respondents stated India had often failed in this regard and opened sectors without ensuring the appropriate safety nets and regulatory frameworks were in place. However, to India’s credit, its capital controls

have remained largely intact and this greatly insulated its financial sector from the more devastating impacts of the global financial crisis of 2008 (Rodrik, 2011). Thus, learning from India's mistakes and successes in regard to its liberalisation programme advances the recommendation to give considerable forethought and attention to matters of sequencing and pacing.

Another lesson learned here, albeit largely from India's mistakes serves to negate the hypothesis of 'trickle-down' economics. Although neoliberal economists argue the opposite, the evidence obtained here is that while economic growth may occur, this does not assure pro-poor growth will occur. In fact, as one respondent stated, "We now know wealth trickles up." India has achieved high rates of GDP growth but the majority of its population are not benefitting from this economic growth. The recommendation that follows is to pursue pro-poor economic growth not 'trickle-down' growth. In doing this, three recommendations are derived from Ghosh's (2011) comparison of poverty reduction in India and China. First, policy makers need to ensure economic growth is not associated with growing inequalities and that the benefits of growth are reaching and helping the poor. Secondly, policy makers must ensure economic growth enables and facilitates the structural transformation of the workforce from unproductive segments of the agriculture sector to productive, organised and decent non-agriculture employment. Thirdly, states must intervene with markets in a way to ensure the provision of basic needs and access to universal social services.

This leads to a fourth recommendation to prioritise the development of social welfare programmes. As explored, this issue resonated with most, if not all

respondents that India was failing to provide appropriate social protection and welfare for its citizens. In neglecting to do so, it has effectively marginalised the majority of its citizens from productive market participation. The exclusion of the majority from productive work is calling into question the sustainability of India's current growth model. An important policy recommendation is to implement a basic package of social security to its entire workforce, both formal and informal. It also must create active labour markets with public institutions that are effective in providing human capital development for its citizens. In particular, the substandard quality of employment and skills training services, basic elementary education and public health services are in need of remedy. If these provisions are implemented then labour laws could be simplified, rationalised and consolidated to better protect workers while providing increased flexibility for business. I will describe each of these recommendations briefly.

First, it is recommended that India provide a basic package of universal social protection to workers. Provisions should include unemployment insurance. As identified by one participant, the unemployment provisions currently provided to the small minority of formal workers (assuming the employer does not ignore the law as is often the case) is well below the international average of three weeks. Therefore it is recommended that all workers, both formal and informal, receive at least three weeks of unemployment insurance. Second, workplace compensation is needed against sickness, injury and death. Thirdly, old age pension is recommended and fourthly, health insurance needs to be provided. The responsibilities of these provisions need to be fairly distributed between the employers, the

government and the employee. A national fund for social security is recommended and the government should liaise closely with business and trade unions in the establishment of social security programs. Elite policy stakeholders identified that India's current social security is fragmented, not implemented efficiently and leaking away through corruption. In order to correct for the fragmentation and inefficiency; legal, financial and administrative coordination needs to be constructed to implement an inclusive and effective institution for social protection. A monitoring system to ensure accountability and regulation must be administered to freeze corruption.

Participants also discussed the need for active labour markets in India. Part of ensuring active labour markets entails provision of employment services to provide support for finding employment and supporting workers when he/she loses a job or are in need of transitioning to new employment. The long term goal is to reduce the informal work sector altogether and have an employment service that can assist workers with entry into skilled productive employment and/or facilitate the transition of workers from skilled labour employment to other employment opportunities for skilled productive employment. Employment services should facilitate skills training by aligning participants with relevant training and education facilities as well as provide counselling and information to service users concerning labour markets and how to obtain employment matched to his/her skill level.

Related to employment services is the need to increase skills training programs in India. Elite policy stakeholders heeded the need to upgrade the

skill levels of the majority of those in need of transition out of agriculture and those occupied in the unproductive and informal realm of the service sector. The National Commission for Enterprises in the Unorganised Sector commissioned a report in 2009 titled: Skill Formation and Employment Assurance in the Unorganised Sector. The Commission set forth comprehensive recommendations for creating a skill development and training program that concentrates on Vocational Education and Training for informal sector workers with low levels of skill. The report also contains suggestions for entitlements for unorganised workers to receive training placements to provide them with marketable skills. It is recommended here that the government ensure the recommendations in the report are implemented fully and effectively.

The research literature (see section 4.4) as well as my interviews explicated that women must carry more of the family burden during economic hardships (see section 9.2). Therefore the government needs to address the problem of unpaid labour and devise effective schemes and the social infrastructure to help redistribute the responsibility. Universal childcare is greatly needed to address women's increased unpaid non-market work and to help provide healthy development for children (Hirway and Prabhu, 2011). Also, as Hirway and Prabhu (2011) argue, separate employment targets and skills training should be provided for women to ensure their employment is not sacrificed due to gender discrimination.

Effective provision of public education and health care are essential for human capital development. Elite policy stakeholders and the research

literature made clear that India is failing in many social indicators that are a direct result of inefficient public education and health system. The Right to Free and Compulsory Education Act (RTE) was implemented in 2010 and, on paper, appears to be thorough, inclusive and a step in right direction (Kohli, 2012; Hirway and Prabhu, 2011; Setalvad, 2013). RTE guarantees free and compulsory education for all children between the ages of 6 and 14 years of age (Setalvad, 2013). However, as Kohli (2012) argues, the quality of implementation is uneven across India. The Act needs to be effectively implemented with regulatory and monitoring systems to ensure schools in both rural and urban areas are functioning productively and efficiently. There must be a comprehensive curriculum evaluation of the content of education as well as regulations and monitoring to ensure safe and appropriate building infrastructure has taken place. One respondent in this sample reported that schools were being built in rural areas to abide by RTE but are lacking electricity, running water, free lunches and toilets. Naturally, as a result, parents were not sending their children to these unsafe and appalling facilities. The funding of education needs to be effectively supervised by the central government with subsidies provided to poorer states to guarantee that all states receive equal budgets. As explored (section 4.3.3.4 and 9.6) inequality between states is very problematic and RTE must ensure that poorer states are not left behind. The availability of properly trained teachers, an appropriate ratio of student to teacher ratio as well as the provision of quality textbooks is a necessity. Also as Hirway and Prabhu (2011) and Setalvad (2013) emphasise, there must be an accountability mechanism to prevent children from being pulled out of school for work.

The central government must also increase its funding for public healthcare and ensure that quality basic healthcare is provided and available to all its citizens. Ghosh (2011) argues that the inadequate contribution of the government has meant that 85 per cent of total health expenditures are out-of-pocket. Central government spending on health alone hovers around .1 per cent of the GDP which is one of the lowest amongst developing countries (Ghosh, 2011). Dreze and Sen (2011) argue that the prospects of constructing an efficient and inclusive public healthcare system in India will be challenged by powerful commercial insurance companies. India has one of the most privatised healthcare systems in the world and with India's level of extreme poverty, this is unacceptable. Efficient healthcare is essential for a productive workforce and instrumental in human capital development. India needs a basic provision for healthcare for all of its citizens. Certain states in India, such as Tamil Nadu, Kerala and Himachal Pradesh, are providing efficient public healthcare and education for their citizens and the systems developed and implemented within these states could be used as a template for a national healthcare system.

Elite policy stakeholders discussed the need for labour reform, however, participants stressed this should not occur without prior implementation of social security provisions. With the effective implementation of universal social protection coupled with active labour markets, labour laws could be amended to better protect workers while providing more flexibility for employers. In other words, as Nagaraj (2005) observes, income security could replace job security for workers. Participants described India's labour laws as complex, outdated and ineffective. There is a need to simplify,

rationalise and consolidate them. This should be done with close collaboration between the government, trade unions, labour law experts and business (Sharma, 2006; Nagaraj, 2005). A key aspect to labour law reform is not only implementing social security but also transforming the informal sector into an organised and formal work sector. Participants explained that job protection within Indian labour law was needed because there are very few formal and organised jobs. As Sharma (2006) stresses, the informal sector must be properly regulated to create more organised conditions such as higher productivity, decent working conditions and better wages. Interviews with participants made clear that labour laws are being blatantly ignored with the implicit consent of the government. Therefore there must be effective implementation of labour laws and a system accountable to ensure enforcement. Labour unions and civil society need to ensure accountability and make it politically unacceptable to ignore labour laws and entitlement to labour and social protection.

The Right to Information Act was implemented in 2005 and grants the right to citizens to request and obtain information from a public authority. Private companies, however, are not within the ambit of the policy. However, as Dreze and Sen (2011) argue, the public must be able to act as watchdogs for the abuse of corporate power. Therefore it is recommended that the Right to Information Act be revised to allow for citizens to gain access to information concerning corporate funding for political parties, CSR activities and compliance with environmental and labour standards. Also one participant (RS, Org. 11) highlighted that business members are institutionalised within government ministries where policies are constructed and there is constant

delegation from business to the government in policy making issues. She explained that the records of those meetings are very vague and there is no transparency as to what is discussed in those meetings. A further recommendation is that clear and transparent records be made available to the public concerning consultations of policy matters between business and the government.

A recommendation for developing countries in general is to implement strategic and selective investment policies whenever possible. As such policies often make demands of foreign investors, for example sourcing requirements, they are often challenged by the WTO, and thus, the recommendation is prefaced with 'when possible'. However, while TNCs and IGOs place constraints on the ability to implement strategic and selective policies, the rise of this global governance power has not surpassed the nation state's ability to define the role for TNCs in the overall development strategy and to restrict and monitor the entry of TNCs into domestic markets in adhering to the overall development strategy (Chang, 2003). Nor has the state's ability to regulate TNC behaviour to try and mitigate harm and promote positive spillovers been absolved as some narratives of globalisation contest (Gilpin, 2001). In other words, the presence and involvement of TNCs in host countries does not have to be 'all or nothing' as it would be a mistake for a developing country to universally apply liberal FDI policies across all sectors (Chang, 2003, p.269). The majority of respondents of both human rights and liberal market orientations stressed that the key to benefitting from FDI is to manage how and on what terms it is received. Quality not quantity was emphasised as important. However,

development prescriptions and IGOs often advance arguments that developing countries must be accommodating to TNCs (Stopford, 1994) and that investors choose host locations based on the amount of freedom provided in the regulatory framework and will not abide by selective policies (Chang, 2003). However, as Lall (1997, p.408) concludes:

On the empirical side, considerable evidence has been accumulated to show that selective interventions can be of vital significance for accelerating and deepening the process of industrial development, and that, under certain conditions, governments can and do intervene effectively.

However, Chang and Grabel (2004) warn that selective policies have not worked for all countries. They link policy failure with the absence of appropriate mechanisms for accountability and oversight. Therefore it is recommended that policy makers establish performance targets and monitor the performance of TNCs to ensure they are abiding by the selective conditionalities set forth.

The final recommendation delivered here is one of the OECD's (2002, p.23) findings in *Foreign Direct Investment for Development: Maximizing Benefits and Minimizing Costs*:

Countries generally should not base their development strategies on the benefits of FDI. Inward FDI should be seen as a valuable supplement to local efforts rather than a main source of growth.

Most respondents indicated that the Indian government was following a misguided notion that FDI would solve its development problems. However, as illustrated throughout the empirical chapters, FDI has served as a catalyst for both India's strengths and weaknesses. FDI certainly has not solved India's development problems and is not likely to do so for other developing countries. Developing countries should assume full responsibility for social and economic developments and, only then, cautiously proceed to use and exploit TNCs to extract resources for development purposes. Foreign direct investment may help development endeavours but only when developing countries regulate FDI in order to exploit and gain from TNCs in equal measure to the profit TNCs have exploited and gained from them. While global institutions of power may add to the difficulty in achieving this reciprocity, it is the hope here that such challenge is not insurmountable with considerable forethought and planning.

References

- ABROL, D., PRAJAPATI, P. & SINGH, N. 2011. Globalization of the Indian Pharmaceutical Industry: Implications for Innovation. *International Journal of Institutions and Economics*, 3, 327-365.
- ACEMOGLU, D., ROBINSON, J. A. & VERDIER, T. 2012. *Can't We All Be More Like Scandinavians? Asymmetric Growth and Institutions in an Interdependent World*, NBER Working Paper No. 18441. Cambridge: The National Bureau of Economic Research.
- ADB 2008. *Key Indicators for Asia and the Pacific*, 39th ed. Manila: Asian Development Bank.
- ADB 2014. *Key Indicators for Asia and the Pacific*, 45th ed. Manila: Asian Development Bank.
- AGHION, P. & BOLTON, P. 1997. A Theory of Trickle Down Growth and Development. *Review of Economic Studies*, 64, 151-172.
- AGOSIN, M. R. & MAYER, R. 2000. *Foreign Investment in Developing Countries: Does it Crowd in Domestic Investment. UNCTAD Discussion Paper*. Geneva: United Nations Conference on Trade and Development.
- ALEXANDRE, V. D., THOMAS, H., CRONIN, A., FIELDING, J. & MORAN-ELLIS, J. 2008. Mixed Methods. In: GILBERT, N. (ed.) *Researching Social Life*. London: Sage Publications Ltd.

ALFARO, L., AREENDAM, C., KALEMI-OZCAN, S. & SAYEK, S. 2004. FDI and Economic Growth: The Role of Financial Markets. *Journal of International Economics*, 64, 89-112.

ALFARO, L. & JOHNSON, M. S. 2013. Chapter 20 - Foreign Direct Investment and Growth. In: CAPRIO, G. (ed.) *The Evidence and Impact of Financial Globalization*. San Diego: Academic Press.

AMITI, M. & WEI, S.-J. 2005. Fear of Service Outsourcing: Is It Justified? *Economic Policy*, 20, 308-347.

AMSDEN, A. 1989. *Asia's Next Giant: South Korea and Late Industrialization*, Oxford, Oxford University Press.

ANANT, T. C. A., HASAN, R., MOHAPATRA, P., NAGARAJ, R. & SASIKUMAR, S. K. 2006. Labor Markets in India: Issues and Perspectives. In: FELIPE, J. & HASAN, R. (eds.) *Labor Markets in Asia: Issues and Perspectives Part III*. Basingstoke: Palgrave Macmillan.

ANDERSON, K. & HASSEL, A. 2012. Pathways of Change in CMEs: Training Regimes in Germany and the Netherlands. In: WREN, A. (ed.) *The Political Economy of the Service Transition*. Oxford: Oxford University Press.

ANTHONSEN, M., LINDVALL, J. & SCHMIDT-HANSEN, U. 2011. Social Democrats, Unions and Corporatism: Denmark and Sweden Compared. *Party Politics*, 17, 118-134.

- ATKINSON, A. B. 1999. *The Economic Consequences of Rolling Back the Welfare State*, Oxford, Oxford University Press.
- ATKINSON, P. & COFFEY, A. 2004. Analysing Documentary Realities. *In*: SILVERMAN, D. (ed.) *Qualitative Research*. London: Sage Publications.
- ATKINSON, R. & FLINT, J. 2001. Accessing Hidden and Hard-to-Reach Populations: Snowball Research Strategies. *Social Research Update*, 33.
- BACCARO, L. & HOWELL, C. 2011. A Common Neoliberal Trajectory: The Transformation of Industrial Relations in Advanced Capitalism. *Politics & Society*, 39, 521-563.
- BAJAJ, V. 2012. Fatal Fire in Bangladesh Highlights the Dangers Facing Garment Workers. *The New York Times* [Online]. Available: http://www.nytimes.com/2012/11/26/world/asia/bangladesh-fire-kills-more-than-100-and-injures-many.html?_r=0 [Accessed March 3, 2015].
- BAKAN, J. 2004. *The Corporation: The Pathological Pursuit of Profit and Power*, New York, Free Press.
- BALASUBRAMANYAM, V. N., SALISU, M. & SAPSFORD, D. 1996. Foreign Direct Investment and Growth in EP and IS Countries. *The Economic Journal*, 106, 92-105.
- BANERJEE, A. 2008. Hunger and its Underlying Causes: A Broad Indian View. *International Development Economics Associates* [Online].

Available:

http://www.networkideas.org/featart/nov2008/fa07_Hunger.htm

[Accessed March 28, 2015].

BANERJEE, A., DEATON, A., LUSTIG, N. & ROGOFF, K. 2006. *An Evaluation of World Bank Research, 1998-2005*. Washington: World Bank.

BARFORD, V. & HOLT, G. 2013. *Google, Amazon, Starbucks: The Rise of 'Tax Shaming'*. BBC News Magazine [Online]. Available: <http://www.bbc.com/news/magazine-20560359> [Accessed March, 27, 2015].

BARNDT, D. 2002. *Tangled Routes: Women, Work, and Globalization on the Tomato Trail*, Lanham, Rowman and Littlefield Publishers.

BARRETT, T. 2012. GOP Senators Block Top Obama Job Initiative. *CNN*, [Online]. Available: <http://edition.cnn.com/2012/07/19/politics/senate-bring-jobs-home-bill-blocked/> [Accessed April 2, 2015].

BASU, K. & MAERTENS, A. 2007. The Pattern and Causes of Economic Growth in India. *Oxford Review of Economics Policy*, 23, 143-67.

BAXTER, P. & JACK, S. 2008. Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers. *The Qualitative Report*, 13, 544-559.

BBC NEWS. 2012. *BBC News*. India's Dalits Still Fight Untouchability [Online]. Available: <http://www.bbc.com/news/world-asia-india-18394914> [Accessed March 30, 2015].

- BBC NEWS. 2013. India Eases Foreign Investment Rules in Retail Sector. *BBC News* [Online]. Available: <http://www.bbc.com/news/business-23544570> [Accessed April, 1, 2015].
- BBC NEWS. 2014. New State of Telangana is Born in Southern India. *BBC News* [Online]. Available: <http://www.bbc.com/news/world-asia-india-27658817> [Accessed April 2, 2015].
- BECK, T., CLAESSENS, S. & SCHMUKLER, S. L. 2013. Chapter 1 - Financial Globalization and Crises: Overview. *In*: CAPRIO, G. (ed.) *The Evidence and Impact of Financial Globalization*. San Diego: Academic Press.
- BELL, S. & HINDMOOR, A. 2013. The Structural Power of Business and the Power of Ideas: The Strange Case of the Australian Mining Tax. *New Political Economy*, 19, 470-486.
- BELLAMY FOSTER, J. & MAGDOFF, F. 2008. Financial Implosion and Stagnation: Back to the Real Economy. *Monthly Review* [Online], 60. Available: <http://monthlyreview.org/2008/12/01/financial-implosion-and-stagnation/> [Accessed March 30, 2015].
- BENSON, M. & SIMPSON, S. 2009. *White-Collar Crime: An Opportunity Perspective*, New York, Routledge.
- BENSON, M. & SIMPSON, S. 2015. *Understanding White-Collar Crime: An Opportunity Perspective*, 2nd ed., New York, Routledge.
- BERG, B. L. 2007. *Qualitative Methods for the Social Sciences*, 6th ed., Boston, Allyn and Beacon.

- BERG, S. 2004. Snowball Sampling—I. *Encyclopedia of Statistical Sciences*.
John Wiley & Sons, Inc.
- BERGER, N. 2014. Theorist Eric Maskin: Globalization is Increasing
Inequality. *The World Bank News* [Online]. Available:
[http://www.worldbank.org/en/news/feature/2014/06/23/theorist-eric-
maskin-globalization-is-increasing-inequality](http://www.worldbank.org/en/news/feature/2014/06/23/theorist-eric-maskin-globalization-is-increasing-inequality) [Accessed April 6, 2015].
- BESLEY, T. & BURGESS, R. 2004. Can Labour Regulation Hinder
Economic Performance? Evidence from India. *Quarterly Journal of
Economics*, 119, 91-134.
- BHADURI, A. 2005. *Development with Dignity*, New Delhi, National Book
Trust.
- BHAGWATI, J. 1993. *India in Transition: Freeing the Economy*, Oxford,
Clarendon Paperbacks.
- BHAGWATI, J. 2007. *In Defence of Globalisation: With a New Afterword*,
Oxford, Oxford University Press.
- BHATTACHARYA, S. 2007. Vicissitudes of the Relationship between State,
Labour, and Capital: An Appraisal of Neoliberal Labour Market
Reforms in India and Beyond. *Labour, Capital & Society*, 40, 106-124.
- BHAUMIK, S. K., BHANDARI, L. & GOKARN, S. 2003. Survey of FDI in
India. *DRC Working Papers*. London: Centre for New and Emerging
Markets, London Business School.

- BHOUMIK, S. K. 2001. *Hawkers and the Urban Informal Sector: A Study of Street Vending in Seven Cities*. New Delhi: NASVI (National Alliance of Street Vendors of India).
- BINSWANGER-MKHIZE, H. 2013. The Stunted Structural Transformation of the Indian Economy: Agriculture, Manufacturing and the Rural Non-Farm Sector. *Economic and Political Weekly*, 48, 5-13.
- BISWAS, S. 2015. Delhi Election: Arvind Kejriwal's Party Routs Modi's BJP. *BBC News* [Online]. Available: <http://www.bbc.com/news/world-asia-india-31294500> [Accessed April 28, 2015].
- BLALOCK, G. & GERTLER, P. J. 2008. Welfare Gains from Foreign Direct Investment Through Technology Transfer to Local Suppliers. *Journal of International Economics*, 74, 2402-2421.
- BLOCK, F. 1977. The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State. *Social Revolution*, 7, 6-28.
- BLOCK, F. & EVANS, P. 2005. The State and the Economy. In: SMELSER, N. & SWEDBERG, R. (eds.) *The Handbook of Economic Sociology*. Princeton: Princeton University Press.
- BLOCK, F. & SOMERS, M. R. 2014. *The Power of Market Fundamentalism: Karl Polanyi's Critique*, Cambridge, President and Fellows of Harvard College.
- BLOMSTROM, M. 2002. *The Economics of International Investment Incentives*. Paris: Organisation for Economic Co-Operation and Development.

- BORENSZTEIN, E. R., DE GREGORIO, J. & LEE, J.-W. 1998. How Does Foreign Direct Investment Affect Economic Growth? *Journal of International Economics*, 45, 115-135.
- BOURKE, B. 2014. Positionality: Reflecting on the Research Process. *The Qualitative Report*, 19, 1-9.
- BOZOKI, A. 2002. Research on Political Elites in East Central Europe. *European Political Science*, 1, 54-59.
- BRAITHWAITE, J. 1984. *Corporate Crime in the Pharmaceutical Industry*, London, Routledge and Kegan Paul.
- BRAITHWAITE, J. 2013. *Corporate Crime in the Pharmaceutical Industry*, 2nd ed., New York, Routledge.
- BRUCE, A. & BECKER, P. J. 2007. State-Corporate Crime and the Paducah Gaseous Plant. *Western Criminology*, 8, 2-43.
- BURNHAM, P., GRANT, G. K. & LAYTON-HENRY, Z. 2004. *Research Methods in Politics*, Basingstoke, Palgrave Macmillan.
- CAMERON, R. 1993. *A Concise Economic History of the World*, Oxford, Oxford University Press.
- CARKOVIC, M. & LEVINE, R. 2002. *Does Foreign Direct Investment Accelerate Economic Growth?*, Minneapolis, University of Minnesota Department of Finance Working Paper.
- CASELLI, M. 2012. *Trying to Measure Globalization: Experiences, Critical Issues and Perspectives*, New York, Springer.

- CERNY, P. 1990. *The Changing Architecture of Politics: Structure, Agency and the Future State*, London, Sage Publications.
- CHANDRASEKHAR, C. P. & GHOSH, J. 2006. *The Market that Failed: A Decade of Neoliberal Economic Reforms in India*, New Delhi, Leftword Books.
- CHANDRASEKHAR, C. P. & GHOSH, J. 2007. Private Equity and India's FDI Boom. *The Hindu*, May 1.
- CHANDRASEKHAR, C. P. & GHOSH, J. 2011. The Latest Employment Trends from NSSO. *The Hindu*, July 12.
- CHANG, H. J. 2002. *Kicking Away the Ladder: Development Strategy in a Historical Perspective*, London, Anthem Press.
- CHANG, H. J. 2003. *Globalisation, Economic Development and the Role of the State*, New York, Zed Books.
- CHANG, H. J. 2007. *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*, New York, Bloomsbury.
- CHANG, H. J. 2014. *Economics: The User's Guide*, New York, Bloomsbury Press.
- CHANG, H. J. & GRABEL, I. 2004. *Reclaiming Development: An Alternative Economic Policy Manual*, New York, Zed Books Ltd.
- CHARLTON, A. 2003. Incentive Bidding for Mobile Investment: Economic Consequences and Potential Responses, *OECD Development Centre Working Papers*, No. 203, Paris, OECD Publishing.

- CHAUDHRY, P., KELKAR, V. L. & YADAV, V. 2004. The Evolution of Homegrown Conditionality in India: IMF Relations. *The Journal of Development Studies*, 40, 59-81.
- CHAUDHURI, S. 2005. *The WTO and India's Pharmaceuticals Industry: Patent Protection, TRIPS, and Developing Countries*, Oxford, Oxford University Press.
- CHEN, S. & RAVALLION, M. 2008. *The Developing World is Poorer Than We Thought but No Less Successful in the Fight Against Poverty*. Washington: World Bank.
- CHOWDHURY, S. 2011. Employment in India: What Does the Latest Data Show? *Economic and Political Weekly*, 46, 23-26.
- CHUDNOVSKY, D. & LOPEZ, A. 1999. Globalization and Developing Countries: Foreign Direct Investment and Growth and Sustainable Human Development. *Globalization, Liberalization and Sustainable Development*. Geneva: UNCTAD/UNDP.
- CLAPP, J. & FUCHS, D. 2009. *Corporate Power in Global Agrifood Governance*, Cambridge, MIT Press.
- CLEAN CLOTHES CAMPAIGN. 2013. One Year after Tazreen Fire, the Fight for Justice Continues. Available:
<http://www.cleanclothes.org/news/press-releases/2013/11/21/one-year-after-tazreen-fire-the-fight-for-justice-continues> [Accessed March, 3, 2015].

- CLINARD, M. B. & YEAGER, P. C. 1980. *Corporate Crime*, New York, The Free Press.
- CLINARD, M. B. & YEAGER, P. C. 2006. *Corporate Crime*, 2nd ed., New Brunswick, Transaction Publishers.
- COEN, D. 1998. The Evolution of the Large Firm as a Political Actor in the European Union. *Journal of European Policy*, 18, 75-100.
- COOK, P. & KIRKPATRICK, C. 1988. *Privatisation in Less Developed Countries*, London, Harvester Wheatsheaf.
- COX, R. W. 1994. The Crisis in the World Order and the Challenge to International Organization. *Cooperation and Conflict*, 29, 99-113.
- COX, R. W. 1994. Global Restructuring: Making Sense of the Changing International Political Economy. In: STUBBS, R. & UNDERHILL, G. R. D. (eds.) *Political Economy and the Changing Global Order*. New York: St Martin's Press.
- COYLE, D. 1999. *Governing the World Economy*, Cambridge, Polity Press.
- CRESWELL, J. W. 2007. *Qualitative Inquiry and Research Design: Choosing Among Five Approaches*, London, Sage.
- CROALL, H. 1992. *White-Collar Crime*, Buckingham, The Open University Press.
- CROALL, H. 2001. *Understanding White-Collar Crime*, Buckingham, The Open University Press.

- CULPEPPER, P. 2011. *Quiet Politics and Business Power: Corporate Control in Europe and Japan*, Cambridge, Cambridge University Press.
- DAHL, R. 1961. *Who Governs? Democracy and Power in an American City*, New Haven, Yale University Press.
- DAHL, R. & LINDBLOM, C. E. 1976. *Politics, Markets and Welfare*, Chicago, University of Chicago Press.
- DASGUPTA, S. & SINGH, A. 2005. Will Services be the New Engine of Indian Economic Growth? *Development and Change*, 36, 1035-1057.
- DAUVERGNE, P. 1999. Globalisation and Environmental Change: The Case of Asia's 1997 Financial Crisis. *Institute of Development Studies Bulletin*, 30, 31-42.
- DAVIES, R. B. & VADLAMANNATI, K. C. 2013. A Race to the Bottom in Labor Standards? An Empirical Investigation. *Journal of Development Economics*, 103, 1-14.
- DAVULURI, V. 2001. *Child Labour and Trans-National Seed Companies in Hybrid Cottonseed Production in Andhra Pradesh*. Hyderabad: India Committee of Netherlands.
- DE MELLO, L. R. 1997. Foreign Direct Investment in Developing Countries and Growth: A Selective Survey. *Journal of Development Studies*, 34, 1-34.
- DEACON, B. 1997. *Global Social Policy*, London, Sage Publications.

- DEACON, B. 2007. *Global Social Policy and Governance*, London, Sage Publications.
- DEACON, B. 2012. Shifting Global Social Policy Discourse and Governance in Times of Crisis. *In: UTTING, P., RAZAVI, S. & BUCHHOLZ, R. V. (eds.) The Global Crisis and Transformative Social Change.* Basingstoke: Palgrave Macmillan.
- DELONG, B. J. 2001. India since Independence: An Analytical Growth Narrative. *In: RODRIK, D. (ed.) In Search of Prosperity: Analytic Narratives in Economic Growth.* Princeton: Princeton University Press.
- DESHMUKH, S. 2012. The Impact of Foreign Direct Investment on Agriculture Economy. *International Referred Research Journal*, 3, 7-9.
- DEV, S. M. 2008. *Inclusive Growth in India: Agriculture, Poverty, and Human Development*, Oxford, Oxford University Press.
- DHAWAN, H. & SINGH, P. 2011. National Industrial Manufacturing Zones is in Defiance of the Directives Principles of State Policy and Exacerbate Regional Imbalance and Turn Workers into Wage Slaves. *Sanhati* [Online]. Available: <http://sanhati.com/articles/4407/> [Accessed April 1, 2015].
- DIEHL, P. 1997. *The Politics of Global Governance: International Organisations in an Interdependent World*, Boulder, Lynne Rienner.

DIPP 2011. *National Manufacturing Policy, Press Note No. 2 (2011 Series)*.

New Delhi: Department of Industrial Policy and Promotion,
Government of India.

DIPP 2012. *FDI in Multi-Brand Retail Trading, Press Note No. 5 (2012*

Series). New Delhi: Department of Industrial Policy and Promotion,
Government of India.

DIPP 2013. *Review of the Policy for Foreign Direct Investment in the Multi-*

*Brand Retail Trading Sector-Amendment of Paragraph 6.2.16.5 (iii),
(iv) and (vi) of Circular 1 of 2013 Consolidated FDI Policy*. New Delhi:
Department of Industrial Policy and Promotion, Government of India.

DIPP 2014. *Consolidated FDI Policy (Effective from April 17, 2014)*. New

Delhi: Department of Industrial Policy and Promotion, Government of
India.

DIPP 2015. *Fact Sheet on Foreign Direct Investment (FDI): From April 2000*

to January 2015. New Delhi: Department of Industrial Policy and
Promotion, Government of India.

DIPP. 2015. *FDI Statistics January 2015*. Available:

http://dipp.nic.in/English/Publications/FDI_Statistics/FDI_Statistics.aspx
x [Accessed March 30, 2015].

DOMHOFF, G. W. 1967. *Who Rules America*, New Jersey, Prentice Hall.

DOMHOFF, G. W. 1978. *Who Really Rules: New Haven and Community
Power Re-examined*, New Brunswick, Transaction Books.

- DONER, R. F. & SCHNEIDER, B. R. 2000. Business Associations and Economic Development: Why Some Associations Contribute More than Others. *Business and Politics*, 2, 261-288.
- DORLING, D., GORDON, D., HILLYARD, P., PANTAZIS, C. & TOMBS, S. 2005. *Criminal Obsessions: Why Harm Matters More than Crime*. London: Centre for Crime and Justice Studies.
- DREZE, J. & SEN, A. 1995. *India: Economic Development and Social Opportunity*, Oxford, Oxford University Press.
- DREZE, J. & SEN, A. 2013. *An Uncertain Glory: India and its Contradictions*, Princeton, Princeton University Press.
- DREZNER, D. W. 2004. The Outsourcing Bogeyman. *Foreign Affairs*, 83, 22-34.
- DULLIEN, S., KOTTLE, D., J, MARQUEZ, A. & PRIEWE, J. 2010. Introduction. In: DULLIEN, S., KOTTLE, D., J, MARQUEZ, A. & PRIEWE, J. (eds.) *The Financial and Economic Crisis of 2008-2009 and Developing Countries*. New York and Geneva: United Nations.
- DUNNING, J. H. 1997a. A Business Analytic Approach to Governments and Globalization. In: DUNNING, J. (ed.) *Governments, Globalization, and International Business*. Oxford: Oxford University Press.
- DUNNING, J. H. 1997b. Introduction. In: DUNNING, J. H. (ed.) *Governments, Globalization and International Business*. Oxford: Oxford University Press.

- DUNNING, J. H. 2002. Trade, Location of Economic Activity and the Multinational Enterprise: A Search for an Eclectic Approach. *In*: DUNNING, J. H. (ed.) *Theories and Paradigms of International Business Activity*. Cheltenham: Edward Elgar Publishing.
- DUNNING, J. H. & LUNDAN, S. M. 2008. *Multinational Enterprises and the Global Economy*, Cheltenham, Edward Elgar Publishing.
- DUTTA ROY, S. 2004. Employment Dynamics in Indian Industry: Adjustment Lags and the Impact of Job Security Regulations. *Journal of Development Economics*, 73, 233-256.
- EASTERLIN, R. A. 2013. Happiness, Growth, and Public Policy. *Economic Inquiry*, 51, 1-15.
- EICHENGREEN, B., GUPTA, P. & KUMAR, R. 2010. *Emerging Giants: China and India in the World Economy*, Oxford, Oxford University Press.
- ELMAWAZINI, K. & NWANKWO, S. 2012. Foreign direct investment: Technology Gap Effects on International Business Capabilities of Sub-Saharan Africa. *Thunderbird International Business Review*, 54, 457-467.
- ELSON, D. 2004. Social Policy and Macroeconomic Performance: Integrating 'the Economic' and 'the Social'. *In*: MKANDAWIRE, T. (ed.) *Social Policy in a Development Context*. Basingstoke: Palgrave Macmillan.

- ELSON, D. 2012. Social Reproduction in the Global Crisis: Rapid Recovery or Long-Lasting Depletion? *In: UTTING, P., RAZAVI, S. & BUCHHOLZ, R. V. (eds.) The Global Crisis and Transformative Social Change*. Basingtoke: Palgrave Macmillan.
- EMDE, M. 1999. An Analysis of the Effects of MNCs in India since Liberalization. *The Saskatchewan Economic Journal*, 2, 1-14.
- ENGLAND, K. V. L. 1994. Getting Personal: Reflexivity, Positionality, and Feminist Research. *The Professional Geographer*, 46, 80-89.
- ERDILEK, A. 2005. R&D Activities of Foreign and National Establishments in Turkish Manufacturing. *In: MORAN, T. H., GRAHAM, E. M. & BLOMSTROM, M. (eds.) Does Foreign Direct Investment Promote Development?* Washington: Institute for International Economics.
- ERDOĞAN, E. & ATAKLI, R. 2012. Investment Incentives and FDI in Turkey: The Incentives Package after the 2008 Global Crisis. *Procedia - Social and Behavioral Sciences*, 58, 1183-1192.
- ESPING-ANDERSON, G. 1990. *Three Worlds of Welfare Capitalism*, Cambridge Polity Press.
- ESPING-ANDERSON, G. 1996. *Welfare States in Transition*, London, Sage.
- ESTEVEZ-ABE, M., IVERSEN, T. & SOSKICE, D. 2001. Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State. *In: HALL, P. A. & SOSKICE, D. (eds.) Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.

- EVANS, P. 1995. *Embedded Autonomy: States and Industrial Transformation*, Princeton, Princeton University Press.
- EVANS, P., RUESCHEMEYER, D. & SKOCPOL, T. 1985. *Bringing the State Back In*, Cambridge, Cambridge University Press.
- EXPRESS NEWS SERVICE. 2014. Odisha Seeks Centre Nod for NIMZ. *The New Indian Express* [Online]. Available: <http://www.newindianexpress.com/states/odisha/Odisha-Seeks-Centre-Nod-for-NIMZ/2014/08/08/article2369636.ece>. [Accessed March 2, 2015].
- FALLON, P. & LUCAS, R. 1991. The Impact of Changes in Job Security Regulations in India and Zimbabwe. *World Bank Economic Review*, 5, 395-413.
- FARNSWORTH, K. 2004. *Corporate Power and Social Policy in a Global Economy: British Welfare under the Influence*, Bristol, The Policy Press.
- FARNSWORTH, K. 2010. Business Power, Social Policy Preferences and Development. In: MARQUES, J. C. & UTTING, P. (eds.) *Business, Politics and Public Policy*. Houndmills: Palgrave Macmillan.
- FARNSWORTH, K. 2012. *Social versus Corporate Welfare*, Basingstoke, Palgrave Macmillan.
- FARNSWORTH, K. 2014. Business and Global Social Policy. In: YEATES, N. (ed.) *Understanding Global Social Policy*. Bristol: Policy Press.

- FARNSWORTH, K. & IRVING, Z. 2012. Varieties of Austerity: Social Policy in Challenging Times. *Journal of Poverty and Social Justice*, 20, 133-147.
- FEAGIN, J., ORUM, A. & SJOBERG, G. 1991. *A Case for Case Study*, Chapel Hill, University of North Carolina Press.
- FENNELL, S., KAUR, A. & SINGH, A. 2013. India and the Eurozone: A Commentary on the Political Economy of Adjustment and Correction. *Contributions to Political Economy*, 32, 151-167.
- FERRETIJANS, M. U. & SURRENDER, R. 2012. China's Developmental Model in Africa: A New Era for Global Social Policy? *In*: KILKEY, M., RAMINA, G. & FARNSWORTH, K. (eds.) *Social Policy Review: Analysis and Debate in Social Policy 2012*. Bristol: The Polity Press.
- FIELDING, N. & THOMAS, H. 2008. Qualitative Interviewing. *In*: GILBERT, N. (ed.) *Researching Social Life*. London: Sage.
- FINE, B. 2012. Financialization and Social Policy. *In*: UTTING, P., RAZAVI, S. & BUCHHOLZ, R. V. (eds.) *The Global Crisis and Transformative Social Change*. Basingstoke: Palgrave Macmillan.
- FISHER, J. 1994. Why Do Companies Make Donations to Political Parties? *Political Studies*, 42, 690-699.
- FLIGSTEIN, N. 2001. *The Architecture of Markets: An Economic Sociology of Twenty-First Century Capitalist Societies*, Princeton, Princeton University Press.

- FORSGREN, M. 2013. *Theories of the Multinational Firm: A Multidimensional Creature in the Global Economy*, 2nd ed. Cheltenham, Edward Elgar Publishing Limited.
- FOUCAULT, M. 1980. *Power - Knowledge*, New York, Pantheon.
- FRIEDMAN, M. 1989. Evidence Shows the Internationalized Economy is Nonsense. *Globe and Mail* (Canada), May 6, 1989.
- FRIEDRICH EBERT STIFTUNG. 2014. Interview: Professor Arup Mitra, Institute of Economic Growth. Friedrich Ebert Stiftung, *India Office* [Online]. Available: <http://newsletter.fes-india.org/interview-professor-arup-mitra-institute-of-economic-growth/> [Accessed April 14, 2014].
- FRIEDRICHS, D. O. & FRIEDRICHS, J. 2002. The World Bank and Crimes of Globalization: A Case Study. *Social Justice*, 29, 1-12.
- FUCHS, D. 2005. *Understanding Business Power in Global Governance*, Baden-Baden, Nomos.
- FUNG, H.-G., YAU, J. & ZHANG, G. 2011. Reported Trade Figure Discrepancy, Regulatory Arbitrage, and Round-Tripping: Evidence from the China-Hong Kong Trade Data. *Journal of International Business Studies*, 42, 152-176.
- GANGA, D. & SCOTT, S. 2006. Cultural "Insiders" and the Issue of Positionality in Qualitative Migration Research: Moving "Across" and Moving "Along" Researcher-Participant Divides. *Forum: Qualitative Social Research* [Online], 7. Available: <http://www.qualitative->

research.net/index.php/fqs/article/view/134/289 [Accessed March 31, 2015].

GARSIDE, J. 2014. Amazon UK Boycott Urged after Retailer Pays Just £4.2m in Tax. *The Guardian* [Online]. Available: <http://www.theguardian.com/business/2014/may/09/margaret-hodge-urges-boycott-amazon-uk-tax-starbucks> [Accessed March 27, 2015].

GEREFFI, G., HUMPHREY, J. & STRUGEON, T. 2005. The Governance of Global Value Chains. *Review of International Political Economy*, 12, 78-104.

GEREFFI, G. & KORZENIEWICZ, M. 1994. *Commodity Chains and Global Capitalism*, London, Praeger.

GHOSH, J. 2004. Social Policy in Indian Development. In: MKANDAWIRE, T. (ed.) *Social Policy in a Development Context*. Basingstoke: Palgrave MacMillan.

GHOSH, J. 2011. Poverty Reduction in China and India: Policy Implications of Recent Trends. In: CHOWDHURY, A. & SUNDARAM, J. K. (eds.) *Poor Poverty: The Improverishment of Analysis, Measurement and Policies*. New York: Bloomsbury Academic.

GHOSH, J., SENGUPTA, A. & ROYCHOUDHURY, A. 2008. *The Impact of Macroeconomic Change on Employment in the Retail Sector in India: Policy Implications for Growth, Sectoral Change and Employment*. Geneva: International Labour Organization.

- GIBBON, P. & PONTE, S. 2005. *Trading Down Africa: Africa, Value Chains and the Global Economy*, Philadelphia, Temple University Press.
- GIDDENS, A. 1979. *Central Problems in Social Theory*, London, Macmillan Press.
- GILL, S. 1995. Globalisation, Market Civilisation and Disciplinary Neoliberalism. *Journal of International Studies*, 24, 399-423.
- GILL, S. R. & LAW, D. 1989. Global Hegemony and the Structural Power of Capital. *International Studies Quarterly*, 33, 475-499.
- GILPIN, R. 2001. *Global Political Economy: Understanding the International Economic Order*, Princeton, Princeton University Press.
- GLASBERG, D. & SKIDMORE, D. 1997. *Corporate Welfare Policy and the Welfare State: Bank Deregulation and the Savings and Loan Bailout*, New York, Aldine Transaction.
- GOHOU, G. & SOUMARÉ, I. 2012. Does Foreign Direct Investment Reduce Poverty in Africa and are There Regional Differences? *World Development*, 40, 75-95.
- GOPAKUMAR, K. M. 2013. Ban Recommended on MNC Acquisition of Indian Pharmaceutical Companies. *Third World Network* [Online]. Available:
http://www.twn.my/title2/intellectual_property/info.service/2013/ipr.info.130803.htm [Accessed March 31, 2015].
- GORE, C. 2000. The Rise and Fall of the Washington Consensus as a Paradigm for Developing Countries. *World Development*, 28, 789-804.

- GOUGH, I. 1979. *The Political Economy of the Welfare State*, London, Macmillan.
- GOUGH, I. 2000. Globalisation and Regional Welfare Regimes: The East Asian Case. Helsinki: International Social Security Association Research Programme.
- GOUGH, I. & FARNSWORTH, K. 2000. *The Enhanced Structural Power of Capital: A Review and Assessment Global Capital, Human Needs and Social Policies*. Basingstoke: Palgrave.
- GOVERNMENT OF INDIA. 2005. *The Special Economic Zones Act, 2005*. Available: <http://sezindia.nic.in/goi-policies.asp> [Accessed April 1, 2015].
- GOVERNMENT OF INDIA 2013. The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Bill, 2013. In: MINISTRY OF LAW AND JUSTICE (ed.). *The Gazette of India*.
- GOWAN, P. 2009. Crisis in the Heartland. *New Left Review* [Online], 55. Available: <http://newleftreview.org/11/55/peter-gowan-crisis-in-the-heartland> [Accessed March 30, 2015].
- GRAHAM, E. M. 1997. Should There Be Multilateral Rules on Foreign Direct Investment? In: DUNNING, J. H. (ed.) *Governments, Globalization, and International Business*. Oxford: Oxford University Press.
- GRAMSCI, A. 1971. *Selections from The Prison Notebooks of Antonio Gramsci*, New York, International Publishers.

- GREEN, D., KING, R. & MILLER-DAWKINS, M. 2010. The Global Economic Crisis and Developing Countries. *Oxfam Research Reports*. Oxfam International.
- GREER, J. & SINGH, K. 1996. *TNCs and India: An Activists Guide to Research and Campaign on Transnational Corporations*, New Delhi, Public Interest Research Group.
- GRIFFITHS, P., GOSSOP, M., POWIS, B. & STRANG, J. 1993. Reaching Hidden Populations of Drug Users by Privileged Access Interviewers: Methodological and Practical Issues. *Addiction*, 88, 1617-1626.
- GUNNIGLE, P. & MCGUIRE, D. 2001. Why Ireland? A Qualitative Review of Factors Influencing the Location of US Multinationals in Ireland with Particular Reference to the Impact of Labour Issues. *The Economic and Social Review*, 32, 43-67.
- HACKER, J. S. & PIERSON, P. 2002. Business Power and Social Policy: Employers and the Formation of the American Welfare State. *Politics and Society*, 30, 277-325.
- HALE, T., HELD, D. & YOUNG, K. 2013. *Gridlock: Why Global Cooperation is Failing When We Need It Most*, Cambridge, Polity Press.
- HALL, P. 1986. *Governing the Economy: The Politics of State Intervention in Britain and France*, New York, Oxford University Press.
- HALL, P. A. & SOSKICE, D. (eds.) 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford: Oxford University Press.

- HANLON, M., MAYDEW, E. C. & THORNOCK, J. R. 2013. Taking the Long Way Home: U.S. Tax Evasion and Offshore Investments in US Equity and Debt Markets. *Journal of Finance*. Forthcoming.
- HARMS, P. & MEON, P.-G. 2013. *The Growth Effects of Greenfield Investment and Mergers and Acquisitions: Econometric Investigation and Implications for MENA Countries*, Working Paper 794. Dokki: Economic Research Forum.
- HART, D. M. & ROGERSON, C. M. 1989. Hawkers in South Africa's Urban Centres: Policy and Planning. *Development Southern Africa*, 6, 295-310.
- HASHMI, M. 2006. Outsourcing the American Dream? Representing the Stakes of IT Globalisation. *Economic and Political Weekly*, 41, 242-249.
- HAUFLER, V. 2000. *Private Sector International Regimes. Non-State Actors and Authority in the Global System*. London: Routledge.
- HAWKES, C. 2005. The Role of Foreign Direct Investment in the Nutrition Transition. *Public Health Nutrition*, 8, 357-365.
- HAWKES, C. 2006. Uneven Dietary Development: Linking the Policies and Processes of Globalization with the Nutrition Transition, Obesity and Diet Related Chronic Diseases. *Globalization and Health*, 2, 1-18.
- HAYEK, F. A. 1944. *The Road to Serfdom*, Chicago, University of Chicago Press.

- HAYNES, K., MURRAY, A. & DILLARD, J. 2013. Introduction: Corporate Social Responsibility--a Research Agenda. *In: HAYNES, K., MURRAY, A. & SILLARD, J. (eds.) Corporate Social Responsibility: A Research Handbook*. New York: Routledge.
- HAZRA, A. K. 2005. Labour Laws and Industrial Relations. *In: DEBROY, D. & KAUSHIK, P. D. (eds.) Reforming the Labour Market*. New Delhi: Academic Foundation.
- HECOCK, R. D. & JEPSEN, E. M. 2013. Should Countries Engage in a Race to the Bottom? The Effect of Social Spending on FDI. *World Development*, 44, 156-164.
- HELD, D., MCGREW, A., GOLDBLATT, D. & PERRATON, J. 1999. *Global Transformations: Politics, Economics, and Culture*, Cambridge, Polity Press.
- HELLEINER, E. 1994. From Bretton Woods to Global Finance: A World Turned Upside Down. *In: STUBBS, R. & UNDERHILL, G. (eds.) Political Economy and the Changing Global Order*. New York: St Martin's Press.
- HELLEINER, E. & PAGLIARI, S. 2011. The End of an Era in International Financial Regulation? A Postcrisis Research Agenda. *International Organization*, 65, 169-200.
- HERZER, D. 2012. How Does Foreign Direct Investment Really Affect Developing Countries' Growth? *Review of International Economics*, 20, 396-414.

- HILL, M. D., KELLY, G. W., LOCKHART, G. B. & VAN NESS, R. A. 2013. Determinants and Effects of Corporate Lobbying. *Financial Management*, 42, 931-957.
- HIRSCHMAN, A. O. 1970. *Exit, Voice and Loyalty: Responses to Decline in Firms, Organisations and States*, Cambridge, Harvard University Press.
- HIRST, P. & THOMPSON, G. 1996. *Globalisation in Question: The International Economy and the Possibilities of Governance*, Cambridge, Polity Press.
- HIRWAY, I. & PRABHU, S. 2012. Restructuring Development to Address the Global Financial Crisis: Lessons from India. In: UTTING, P., RAZAVI, S. & BUCHHOLZ, R. V. (eds.) *The Global Crisis and Transformative Social Change*. Basingstoke: Palgrave Macmillan.
- HOLLINGSWORTH, R. J. & BOYER, R. 1999. *Contemporary Capitalism: The Embeddedness of Institutions*, Cambridge, Cambridge University Press.
- HOOGVELT, A. 1997. *Globalisation and the Postcolonial World*, Basingstoke, Macmillan Press.
- HOPKINS, W. 1994. *Commodity Chains and Global Capitalism*, London, Praeger.
- HORSMAN, M. & MARSHALL, A. 1994. *After the Nation State*, London, HarperCollins.

- HUBER, E. & STEPHENS, J. D. 2005. Welfare States and the Economy. *In*: SMELSER, N. J. & SWEDBERG, R. (eds.) *The Handbook of Economic Sociology*. Princeton: Princeton University Press.
- HYMER, S. 1972. The Multinational Corporation and the Law of Uneven Development. *In*: BHAGWATI, J. (ed.) *Economics and World Order*. New York: The Free Press.
- HYMER, S. 1979. *The Multinational Corporation: A Radical Approach*, Cambridge, Cambridge University Press.
- IDSN. 2014. International Dalit Solidarity Network: Working Globally Against Caste-Based Discrimination. *Manual Scavenging* [Online]. Available: <http://idsn.org/key-issues/manual-scavenging/> [Accessed March 30, 2015].
- IKENBERRY, J. G. 1988. Conclusion: An Institutional Approach to American Foreign Economic Policy. *In*: IKENBERRY, J. G., LAKE, D. & MASTANDUNO, M. (eds.) *The State and American Foreign Economic Policy*. Ithaca: Cornell University Press.
- ILO 2011. *Global Employment Trends 2011: The Challenge of a Jobs Recovery*. Geneva: International Labour Organization.
- ILO 2014. *Global Employment Trends 2014: Risk of a Jobless Recovery?* Geneva: International Labour Organization.
- ILO-ABD 2011. *Women and Labour Markets in Asia: Rebalancing for Gender Equality*. Geneva: International Labour Organization and Asian Development Bank.

- IMF. 1999. *The Poverty Reduction and Growth Facility (PRGF)--Operational Issues*. Available:
<https://www.imf.org/external/np/pdr/prsp/poverty2.htm#l> [Accessed March 3, 2015].
- IMF 2000. *Poverty Reduction Strategy Papers*. Washington: International Monetary Fund.
- IMF 2010. *World Economic Outlook Update: Restoring Confidence without Harming Recovery*. Washington: International Monetary Fund.
- INVEST INDIA. 2015a. *Invest India: Guiding Your Investments* [Online]. Available: <http://www.investindia.gov.in/advantage-india/> [Accessed April 2, 2015].
- INVEST INDIA. 2015b. *Advantage India: A Favourable Demography for Higher Growth* [Online]. Invest India. Available: <http://www.investindia.gov.in/advantage-india/> [Accessed April 2, 2015].
- INVEST INDIA. 2015c. *Invest India Brochure* [Online]. Available: http://www.investindia.gov.in/InvestIndia_Brochure_web.pdf [Accessed April 2, 2015].
- JAVORCIK, B. S. & SPATAREANU, M. 2005. Disentangling FDI Spillover Effects: What Do Firm Perceptions Tell Us? *In*: MORAN, T. H., GRAHAM, E. M. & BLOOMSTROM, M. (eds.) *Does Foreign Direct Investment Promote Development?* Washington: Institute for International Economics.

JENKINS, R. 1987. *Transnational Corporations and Uneven Development: The Internationalization of Capital and the Third World*, London, Methuen.

JENKINS, R. 2005. Globalization, Corporate Social Responsibility and Poverty. *International Affairs*, 81, 525-540.

JESSOP, B. 2012. Narratives of Crisis and Crisis Response: Perspectives from North and South. In: UTTING, P., RAZAVI, S. & BUCHHOLZ, R. V. (eds.) *The Global Crisis and Transformative Social Change*. Basingstoke: Palgrave Macmillan.

JORDON, G. 1991. *The Commercial Lobbyists: Politics for Profit in Britain*, Aberdeen University Press, Aberdeen University Press.

JOSHI, R. M. 2009. *International Business*, New York, Oxford University Press.

KALE, D. & LITTLE, S. 2007. From Imitation to Innovation: The Evolution of R&D Capabilities and Learning Processes in the Indian Pharmaceutical Industry. *Technology Analysis and Strategic Management*, 19, 589-609.

KALEMLI-OZCAN, S. & VILLEGAS-SANCHEZ, C. 2013. Chapter 22 - Role of Multinational Corporations in Financial Globalization. In: CAPRIO, G. (ed.) *The Evidence and Impact of Financial Globalization*. San Diego: Academic Press.

- KANORIA, R. V. 2012. Give Industry Some Respite. *FICCI Blog* [Online]. Available from: <http://blog.ficci.com/land-bill-india-industry-concerns/1491/> [Accessed October 25, 2012].
- KAPLINSKY, R. 2001. Is Globalisation All It's Cracked Be? *Review of International Political Economy*, 8, 45-65.
- KAUZLARICH, D. C., MULLINS, C. W. & MATTHEWS, R. A. 2003. A Complicity Continuum of State Crime. *Contemporary Justice Review*, 6, 241-254.
- KENNEDY, G., NANTEL, G. & SHETTY, P. 2004. *Globalization of Food Systems in Developing Countries: A Synthesis of Country Case Studies*. Geneva: Food and Agriculture Organization of the U.N..
- KEYNES, J. M. 1936. *The General Theory of Employment, Interest and Money*, London, Macmillan.
- KEYNES, J. M. 1980. *In the Collected Writings of John Maynard Keynes*, London, Macmillan.
- KHOR, M. 2000. Globalisation and the South: Some Critical Issues. No 147. *United Nations Conference on Trade and Development South Summit*. Havana: UNCTAD Discussion Papers.
- KIDWAI, F. 2012. Govt Lacks Imagination, Common Sense: Jayati Ghosh. *Rediff Business* [Online]. Available: <http://www.rediff.com/business/slide-show/slide-show-1-interview-govt-lacks-imagination-common-sense-jayati-ghosh/20120917.htm> [Accessed April 1, 2015].

- KIRABAEVA, K. & RAZIN, A. 2013. Chapter 7 - Composition of International Capital Flows: A Survey. *In: CAPRIO, G. (ed.) The Evidence and Impact of Financial Globalization*. San Diego: Academic Press.
- KLEIN, N. 2001. *No Logo*, London, Flamingo Press.
- KOBRIN, S. J. 1997. The Architecture of Globalization: State Sovereignty in a Networked Global Economy. *In: DUNNING, J. H. (ed.) Governments, Globalization and International Business*. Oxford: Oxford University Press.
- KOHLI, A. 1991. *Democracy and Discontent: India's Growing Crisis of Governability*, Cambridge, Cambridge University Press.
- KOHLI, A. 2004. *State-Directed Development: Political Power and Industrialization in the Global Periphery*, Cambridge, Cambridge University Press.
- KOHLI, A. 2012. *Poverty Amid Plenty in the New India*, Cambridge, Cambridge University Press.
- KORPI, W. 1983. *The Democratic Class Struggle*, London, Routledge and Kegan Paul.
- KORPI, W. 1989. Power, Politics and State Autonomy in the Development of Social Citizenship: Social Rights during Sickness in Eighteen OECD Countries since 1930. *American Sociological Review*, 54, 309-328.
- KORTEN, D. C. 1995. *When Corporations Rule the World*, London, Earthscan.

- KRAMER, R. 1992. The Space Shuttle Challenger Explosion: A Case Study of State-Corporate Crime. *In*: SCHLEGEL, K. & WEISBURD, D. (eds.) *White-Collar Crime Reconsidered*. Boston: Northeastern University Press.
- KRAMER, R. & MICHALOWSKI, R. 1990. *Toward an Integrated Theory of State-Corporate Crime*. American Society of Criminology Meeting. Baltimore: American Society of Criminology.
- KRAMER, R. & MICHALOWSKI, R. 2005. *State-Corporate Crime: Wrongdoing at the Intersection of Business and Government*, Piscataway, Rutgers University Press.
- KRAMER, R., MICHALOWSKI, R. J. & KAUZLARICH, D. 2002. The Origins and Development of the Concept and Theory of State-Corporate Crime. *Crime and Delinquency*, 48, 263–282.
- KRISHAN, D. S. 2014. Micro Finance as an Antidote to Poverty in Rural India. *International Journal of Research in Economics and Social Sciences*, 4, 36-48.
- KRUEGER, A. O. 2009. The Missing Middle. *Working Paper No 230*. New Delhi: Indian Council for Economic Research on International Economic Relations.
- KUMAR, D. 2011. *A Future of Coexistence? Hawkers and the Impact of Corporate and Chain Retail*. New Delhi: Janpahal for India FDI Watch.

- KUMAR, D. & RANJAN, V. 2011. *Corporatizing Agri-Retail: Implications for Weaker Links of Food Supply Chain: An Appraisal of Bengaluru*. New Delhi: Janpahal for FDI Watch.
- KUMHOF, M. & RANCIERE, R. 2010. Inequality, Leverage and Crises, *IMF Working Paper 10/268*. Washington: International Monetary Fund.
- KURTZ, M. J. & SCHRANK, A. 2007. Growth and Governance: Models, Measures and Mechanisms. *Journal of Politics*, 69, 538-554.
- KUZNETS, S. 1966. *Modern Economic Growth: Rate, Structure, and Spread*, New Delhi, Oxford and IBH Publishing.
- KWON, E. 2012. Flashback: Financial Liberalization in Mexico and South Korea. *Asian Affairs: An American Review*, 39, 21-43.
- KWON, H.-J. 2004. The Economic Crisis and the Politics of Welfare Reform in Korea. In: MKANDAWIRE, T. (ed.) *Social Policy in a Development Context*. Houndsmills: Palgrave.
- KWON, H.-J. 2014. Global Economic Downturn and Social Protection in East Asia: Pathways of Global and Local Interactions. In: KAASCH, A. & STUBBS, P. (eds.) *Transformations in Global and Regional Social Sciences*. Basingstoke: Palgrave Macmillan.
- LALL, S. 1997. East Asia. In: DUNNING, J. H. (ed.) *Governments, Globalization and International Business*. New York: Oxford University Press.
- LAWRENCE, F. 2011. Alarm as Corporate Giants Target Developing Countries. *The Guardian* [Online]. Available:

<http://www.theguardian.com/global-development/2011/nov/23/corporate-giants-target-developing-countries> [Accessed April 1, 2015].

LEVIN, M. 2012. The Land Question: Special Economic Zones and the Political Economy of Dispossession in India. *Journal of Peasant Studies*, 39, 933-969.

LEWIS, A., W 1955. *The Theory of Economic Growth*, Homewood, Richard Irwin.

LILLY, R. J., CULLEN, F. T. & BALL, R. A. 2015. *Crimes of the Powerful: Theories of White-Collar Crime*. 6th ed., Los Angeles, Sage.

LINCOLN, Y. S. & GUBA, E. G. 1985. *Naturalistic Inquiry*, London, Sage.

LINDBLOM, C. E. 1977. *Politics and Markets*, New York, Basic Books.

LINTON, K. C. & CORRADO, N. 2007. A "Calibrated Approach": Pharmaceutical FDI and the Evolution of Indian Patent Law. *Journal of International Commerce and Economics* [Online]. Available: www.usitc.gov/publications/332/journals/pharm_fdi_indian_patent_law.pdf [Accessed March 31, 2015].

LIPSEY, R. 1997. Globalisation and National Government Policies: An Economist's View. In: DUNNING, J. (ed.) *Governments, Globalization, and International Business*. Oxford: Oxford University Press.

LIPSEY, R., E 2000. Inward FDI and Economic Growth in Developing Countries. *Transnational Corporations*, 9, 67-95.

- LIPSEY, R. E. 2003. Foreign Direct Investment: Growth and Competitiveness in Developing Countries. *In*: CORNELIUS, P. K. (ed.) *The Global Competitiveness Report, 2002-2003*. New York: World Economic Forum.
- LIPSEY, R. E. & SJOHOLM, F. 2005. FDI and Host Countries: Why Such Different Answers? *In*: MORAN, T. H., GRAHAM, E. M. & BLOMSTROM, M. (eds.) *Does Foreign Direct Investment Promote Development?* Washington: Institute for International Economics.
- LIPSEY, R. E. & SJÖHOLM, F. 2011. Foreign direct investment and growth in East Asia: Lessons for Indonesia. *Bulletin of Indonesian Economic Studies*, 47, 35-63.
- LIPSEY, R. E., SJÖHOLM, F. & SUN, J. 2013. Foreign Ownership and Employment Growth in a Developing Country. *The Journal of Development Studies*, 49, 1133-1147.
- LIST, F. 1841. *The National System of Political Economy*, London, Longmans, Green and Company.
- LOFLAND, J., SNOW, D., ANDERSON, L. & LOFLAND, L. H. 2006. *Analyzing Social Settings: A Guide to Qualitative Observation and Analysis*, London, Thomson Wadsworth.
- LONG, Q. 2005. China's Policies on FDI: Review and Evaluation. *In*: MORAN, T. H., GRAHAM, E. M. & BLOMSTROM, M. (eds.) *Does Foreign Direct Investment Promote Development?* Washington, D.C.: Institute for International Economics.

- LUKES, S. 1977. *Essays in Social Theory*, London, Macmillan Press.
- LUND, F. & SKINNER, C. 1999. *Promoting the Interest of Women in the Informal Economy: An Analysis of Street Trader Organizations in South Africa*. Durban: CSDS, University of Natal.
- MADELEY, J. 1999. *Big Business Poor Peoples: The Impact of Transnational Corporations on the World's Poor*, London, Zed Books.
- MANGEN, S. 2004. Fit For Purpose? Qualitative Methods in Comparative Social Policy. In: KENNETT, P. (ed.) *A Handbook of Comparative Social Policy*. Cheltenham: Edward Elgar.
- MANN, M. 1993. *The Sources of Social Power, Volume 2: The Rise of Classes and Nation States, 1760-1914*, Cambridge, Cambridge University Press.
- MARES, I. 2003. *The Politics of Social Risk: Business and Welfare State Development*, New York, Cambridge University Press.
- MARQUES, J. C. & UTTING, P. 2010. Introduction: Understanding Business Power and Public Policy in a Development Context. In: MARQUES, J. C. & UTTING, P. (eds.) *Business, Politics, and Public Policy*. Houndmills: Palgrave Macmillan.
- MARSH, D. & LOCKSLEY, G. 1983. Capital in Britain: It's Structural Power and Influence Over Policy. *West European Politics*, 3-13.
- MARSHALL, D. D. 1996. Understanding Late Twentieth Century Capitalism: Reassessing the Globalisation Theme. *Government and Opposition*, 31, 193-215.

- MARTENS, J. 2010. *Steps Out of the Global Development Crisis: Towards an Agenda for Change*. Friedrich Ebert Stiftung, International Policy Analysis.
- MASON, J. 2002. *Qualitative Researching*, London, Sage.
- MATHUR, H. M. 2011. *Resettling Displaced People*, New Delhi, Routledge.
- MAZUMDAR, D. & SARKAR, S. 2008. *Globalization, Labour Markets and Inequality in India*, Oxon, Routledge.
- MAZUMDAR, S. 2011. Continuity of Change in Indian Capitalism. *Rethinking Capitalist Development in Emerging Economies*. Rio De Janeiro, Brazil: Ambedkar University.
- MCKENZIE, R. A. 2011. Casino Capitalism with Derivatives: Fragility and Instability in Contemporary Finance. *Review of Radical Political Economics*, 43, 198-215.
- MCMICHAEL, P. 1996. Development and Social Change: A Global Perspective, Thousand Oaks, Pine Forge.
- MEHROTRA, S. 2010. India and the Global Economic Crisis. *Journal of Asian Public Policy*, 3, 122-134.
- MEIER, G. & SEERS, D. 1984. *Pioneers in Development*, New York and Oxford, Oxford University Press.
- MESSNER, S. & ROSENFELD, R. 2012. *Crime and the American Dream*, 5th ed., Belmont, Wadsworth Cengage Learning.

- MIGDAL, J. 2001. *State in Society: Studying How States and Societies Transform and Constitute One Another*, Cambridge, Cambridge University Press.
- MILIBAND, R. 1969. *The State in Capitalist Society*, London, Quartet Books.
- MISHRA, R. 1998. Beyond the Nation State: Social Policy in an Age of Globalization. *Social Policy Administration*, 32, 481-500.
- MITRA, A. 1994. *Urbanisation, Slums, Informal Sector Employment and Poverty*, New Delhi, Aggarwal Publications.
- MITRA, A. 2008. The Indian Labour Market: An Overview. *ILO Asia-Pacific Working Paper Series*. New Delhi: International Labour Organization.
- MITTELMANN, J. H. 2000. *The Globalisation Syndrome*, Princeton, Princeton University Press.
- MKANDAWIRE, T. 2004. Social Policy in a Development Context: Introduction. In: MKANDAWIRE, T. (ed.) *Social Policy in a Development Context*. Basingstoke: Palgrave Macmillan.
- MONBIOT, G. 2000. *The Captive State: The Corporate Takeover of Britain*, London, Macmillan.
- MORAN, T. H. 1990. *The Impact of Trade Related Investment Measures (TRIMS) on Trade and Development: Theory, Evidence and Policy Implications*, Georgetown, Mimeo.
- MORAN, T. H., GRAHAM, E. & BLOMSTROM, M. 2005. *Does Foreign Direct Investment Promote Development?*, Washington, Institute for International Economics.

- MORAN, T. H. & OLDENSKI, L. 2013. *Foreign Direct Investment in the United States: Benefits, Suspicions and Risks with Special Attention to FDI from China*, Washington, Peterson Institute for International Economics.
- MORAN, T. H. & OLDENSKI, L. 2015. Japanese Investment in the United States: Superior Performance, Increasing Integration. *Peterson Institute for International Economics Policy Brief* [Online]. Available: <http://www.iie.com/publications/interstitial.cfm?ResearchID=2755> [Accessed April 3, 2015].
- MOREL, N., PALIER, B. & PALME, J. 2012. Beyond the Welfare State as We Know It? *In: MOREL, N., PALIER, B. & PALME, J. (eds.) Towards a Social Investment Welfare State? Ideas, Policies and Challenges*. Chicago: The Policy Press.
- MOSS, T. J., RAMACHANDRAN, V. & SHAH, M. K. 2005. Is Africa's Skepticism of Foreign Capital Justified? Evidence from East African Firm Survey Data. *In: MORAN, T. H., GRAHAM, E. M. & BLOMSTROM, M. (eds.) Does Foreign Direct Investment Promote Development?* Washington: Institute for International Economics.
- MOTIRAM, S. & VAKULABHARANAM, V. 2011. Poverty and Inequality in the Age of Economic Liberalization. *In: NACHANE, D. M. (ed.) India Development Report 2011*. New Delhi: Oxford University Press.
- MOTIWALA, M., PATHAK, B. B. & THAMPI, S. 2012. Compulsory Licensing under the Indian Patent System: A Potential Growth Driver for Industries. *International Bar Association* [Online]. Available:

<http://www.ibanet.org/Article/Detail.aspx?ArticleUid=6b14bac7-cd1d-4700-801b-06d9c322cca6> [Accessed March 31, 2015].

- MUKHOPADHYAY, S. 1997. Locating Women within Informal Sector Hierarchies. *Indian Journal of Labour Economics*, 40, 483-492.
- MULLINGS, B. 1999. Insider or Outsider, Both or Neither: Some Dilemmas of Interviewing in a Cross-Cultural Setting. *Geoforum*, 30, 337-350.
- MULLINS, C. W. & ROTHE, D. L. 2007. The Forgotten Ones. *Critical Criminology*, 15, 135-158.
- MURALI, K. 2010. Liberalization, Business-State Relations and Labour Policy in India. In: MARQUES, J. C. & UTTING, P. (eds.) *Business, Politics and Public Policy*. Basingstoke: Palgrave Macmillan.
- MYRDAL, G. 1984. International Inequality and Foreign Aid in Retrospect. In: MEIER, G. & SEERS, D. (eds.) *Pioneers in Development*. Oxford: Oxford University Press.
- NACHANE, D. M. 2011. Two Decades of Structural Reforms: A Balance Sheet. In: NACHANE, D. M. (ed.) *India Development Report 2011*. Oxford: Oxford University Press.
- NADER, R. 2000. *Cutting Corporate Welfare*, London, Turnaround Publisher Services.
- NAGARAJ, R. 2004. Fall in Organised Manufacturing Employment: A Brief Note. *Economic and Political Weekly*, 39, 24-30.

- NAGARAJ, R. 2005. *Replacing Job Security with Income Security: A Suggested Outline. International Conference on Employment and Income Security in India*. New Delhi: Institute for Human Development.
- NASCHOLD, F. 2012. "The Poor Stay Poor": Household Asset Poverty Traps in Rural Semi-Arid India. *World Development*, 40, 2033-2043.
- NASSIF, A. 2010. Brazil and India in the Global Economic Crisis: Immediate Impacts and Economic Policy Responses. *In: DULLIEN, S., KOTTLE, D., J, MARQUEZ, A. & PRIEWE, J. (eds.) The Financial and Economic Crisis of 2008-2009 and Developing Countries*. New York and Geneva: United Nations.
- NATHAN, D. & KALPANA, V. 2007. Issues in the Analysis of Global Value Chains and Their Impact on Employment and Incomes in India. Discussion Paper 183. *Discussion Papers*. Geneva: International Labour Organization.
- NATHAN, D. & KELKAR, G. 2012. A Political Economy Analysis of Crisis Response: Reflections on India and Thailand. *In: UTTING, P., RAZAVI, S. & BUCHHOLZ, R. V. (eds.) The Global Crisis and Transformative Social Change*. Basingstoke: Palgrave Macmillan.
- NDTV. 2012. FDI in India's Interest, Lobbying a Worry: Kaushik Basu Tells NDTV. *NDTV Video* [Online]. Available: <http://www.ndtv.com/video/player/ndtv-special-ndtv-profit/fdi-in-india-s-interest-lobbying-a-worry-kaushik-basu-tells-ndtv/258462> [Accessed April 1, 2015].

- NDTV. 2013. Indo-US ties: The next chapter. *NDTV Video* [Online].
Available: <http://www.ndtv.com/video/player/ndtv-special-ndtv-profit/indo-us-ties-the-next-chapter/268345> [Accessed April 1, 2015].
- NDTV. 2014. No Decision on FDI in Multi-Brand Retail: Nirmala Sitharaman. *NDTV Business* [Online]. Available:
<http://profit.ndtv.com/news/market/article-no-decision-on-fdi-in-multi-brand-retail-nirmala-sitharaman-593774> [Accessed April 4, 2015].
- NEWELL, P. 2002. Globalisation and the Future State, *IDS Working Paper 141*. Institute of Development Studies.
- NSDC. 2014. *National Skill Development Corporation: Transforming the skill landscape* [Online]. Government of India. Available:
<http://nsdcindia.org/> [Accessed April 4, 2015].
- NSSO 2010. *Employment and Unemployment Situation in India (66th Round)*. New Delhi: Ministry of Statistics and Programme Implementation.
- NUNNENKAMP, P. 2002. To What Extent Can Foreign Direct Investment Help Achieve International Development Goals? Kiel Working Paper 1128. *Kiel Working Papers*. Kiel: Kiel Institute for World Economics.
- NUNNENKAMP, P. & ANDRÉS, M. S. 2014. Ownership Choices of Indian Direct Investors: Do FDI Determinants Differ between Joint Ventures and Wholly Owned Subsidiaries? *South Asian Journal of Macroeconomics and Public Finance*, 3, 39-78.

- NUNNENKAMP, P. & SPATZ, J. 2004. FDI and Economic Growth in Developing Economies: How Relevant are Host-Country and Industry Characteristics. *Transnational Corporations*, 13, 53-86.
- O'BRIEN, R. & WILLIAMS, M. 2007. *Global Political Economy*, Basingstoke, Palgrave Macmillan.
- O'BRIEN, R. & WILLIAMS, M. 2013. *Global Political Economy: Evolution and Dynamics*, 4th ed. Basingstoke, Palgrave Macmillan.
- O'CONNOR, J. 1973. *The Fiscal Crisis of the State*, New York, St Martin's Press.
- ODI 2010. *The Global Financial Crisis and Developing Countries*. London: Overseas Development Institute.
- OECD 2002. *Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs*. Paris: Organisation for Economic Co-Operation and Development.
- OECD 2008. *OECD Benchmark Definition of Foreign Direct Investment*. Paris: Organisation for Economic Co-Operation and Development.
- OECD 2008. *The Social Impact of Foreign Direct Investment, Policy Brief*. Paris: Organisation for Economic Co-Operation and Development.
- OECD 2014. International Investment Stumbles into 2014 after Ending 2013 Flat. *FDI in Figures*. Paris: Organisation for Economic Co-Operation and Development.
- OECD. 2015. *About the OECD* [Online]. OECD. Available: <http://www.oecd.org/about/>. [Accessed April 20, 2015].

- OECD-ILO 2008. *The Impact of Foreign Direct Investment on Wages and Working Conditions. Employment and Industrial Relations: Promoting Responsible Business Conduct in a Globalising Economy*. Paris: Organisation for Economic Co-Operation and Development and International Labour Organization.
- OFFE, C. & RONGE, V. 1984. Theses on the Theory of the State. *In*: OFFE, C. (ed.) *Contradictions of the Welfare State*. London: Hutchinson.
- OFFE, C. & WIESENTHAL, H. 1980. Two Logics of Collective Action: Theoretical Notes on Social Class and Organisational Form. *In*: ZEITLIN, M. (ed.) *Political Power and Social Theory*. Greenwich: Jai Press.
- OHMAE, K. 1990. *The Borderless World*, London, Collins.
- OHMAE, K. 1995. *The End of the Nation State*, New York, Free Press.
- OLIVER, P. 2008. *Writing Your Thesis*, Los Angeles, Sage.
- OSTRY, S. 1990. *Governments and Corporations in a Shrinking World*, New York, Council on Foreign Relations Press.
- OVERSEAS DEVELOPMENT INSTITUTE 2002. *Foreign Direct Investment: Who Gains?* London: ODI Briefing Paper.
- PAMPEL, F. & WILLIAMSON, J. 1989. *Age, Class, Politics and the Welfare State*, Cambridge, Cambridge University Press.
- PANAGARIYA, A. 2004. Growth and Reforms During the 1980s and 1990s. *Economic and Political Weekly*, 39, 2581-2594.

- PAPOLA, T. S. 2005. Emerging Structure of the Indian Economy: Implications of Growing Intersectoral Imbalances. *88th Conference of the Indian Economic Association*. New Delhi: Institute for Studies on Industrial Development.
- PAPOLA, T. S. & SHARMA, A. N. 1999. Gender and Employment in India, New Delhi, Vikas.
- PASSAS, N. 2010. Anomie and White-Collar Crime. *In: CULLEN, F. T. & WILCOX, P., K. (eds.) Encyclopedia of Criminological Theory*. Thousand Oaks: Sage Publications.
- PATERNOSTER, R. & SIMPSON, S. 1993. A Rational Choice Theory of Corporate Crime. *In: CLARKE, R. V. & FELSON, M. (eds.) Routine Activity and Rational Choice: Advances in Criminological Theory*. New Brunswick: Transaction Publishers.
- PATNAIK, I. & SHAH, A. 2010. Why India Choked When Lehman Broke, Working Paper 2010-63. *India Policy Forum 2009-2010*. New Delhi: National Institute of Public Finance and Policy.
- PATNAIK, P. & CHANDRASEKHAR, C. P. 1998. India: Dirigisme, Structural Adjustment and the Radical Alternative. *In: BAKER, D., EPSTEIN, G. & POLLIN, R. (eds.) Globalization and Progressive Economic Policy*. Cambridge: Cambridge University Press.
- PEARSON, R. & SWEETMAN, C. 2010. Introduction. *Gender & Development*, 18, 165-177.

- PECK, J. 2010. *Constructions of Neoliberal Reason*, Oxford, Oxford University Press.
- PEDERSEN, J. D. 2008. *Globalization, Development and the State: The Performance of India and Brazil since 1990*, Basingstoke, Palgrave Macmillan.
- PEET, R. 2003. *Unholy Trinity: The IMF, World Bank and WTO*, London, Zed Books.
- PIERSON, C. 2004. Late Industrializers and the Development of the Welfare State. *In: MKANDAWIRE, T. (ed.) Social Policy in a Development Context*. Houndsmills: Palgrave.
- PIERSON, P. 1995. The Scope and Nature of Business Power: Employers and the American Welfare State, 1900-1935. *Annual Meeting of the American Political Science Association*. Chicago: American Political Science Association.
- PIERSON, P. 1996. The Path to European Integration: A Historical Institutional Analysis. *Comparative Political Studies*, 29, 123-163.
- PIVEN, F. F. & CLOWARD, R. A. 1971. *Regulating the Poor: The Functions of Public Welfare*, New York, Pantheon Books.
- PLANNING COMMISSION (GOVERNMENT OF INDIA) 2013. *Twelfth Five Year Plan (2012-2017): Faster, More Inclusive and Sustainable Growth*. New Delhi: Sage.
- POLANYI, K. [1944] 2001. *The Great Transformation: The Political and Economic Origins of Our Times*, Boston, Beacon Press.

- PORTER, M. E. 1990. *The Competitive Advantage of Nations*, London, Macmillan.
- POULANTZAS, N. 1973. The Problem of the Capitalist State. *In*: URRY, J. & WAKEFORD, J. (eds.) *Power in Britain*. London: Heinemann.
- POULSEN, L. S. & HUFBAUER, G., CLYDE 2011. Foreign Direct Investment in Times of Crisis, WP-11-3. *Working Paper Series*. Washington: Peterson Institute for International Economic.
- PRADHAN, J. P. & ABRAHAM, V. 2005. *Attracting Export-Oriented FDI: Can India Win the Race?*, Ahmedabad, Gujarat Institute of Development Research.
- PRASAD, P. H. 1989. *Lopsided Growth: Political Economy of Indian Development*, Oxford, Oxford University Press.
- PRIEWE, J. 2010. What Went Wrong? Alternative Interpretations of the Global Financial Crisis. *In*: DULLIEN, S., KOTTLE, D., J, MARQUEZ, A. & PRIEWE, J. (eds.) *The Financial and Economic Crisis of 2008-2009 and Developing Countries*. New York and Geneva: United Nations.
- PRZEWORSKI, A. & WALLERSTEIN, M. 1988. Structural Dependence of the State on Capital. *American Political Science Review*, 82, 11-29.
- RAJAN, R. S., RONGALA, S. & GHOSH, R. 2008. *Attracting Foreign Direct Investment (FDI) to India*. Fairfax: George Mason University.
- RAO, C. K. S. & DHAR, B. 2011a. *Formulating India's FDI Policy: Waiting for Godot*. New Delhi: Institute for Studies in Industrial Development.

- RAO, C. K. S. & DHAR, B. 2011b. India's FDI Inflows: Trends and Concepts, New Delhi, Research and Information System for Developing Countries and Institute for Studies in Industrial Development.
- RAO, M. K. 1994. The Urban Informal Sector and Urban Development. *In*: RAO, M. K. (ed.) *Growth of Urban Informal Sector and Economic Development*. New Delhi: Kanishka Publications.
- RASIAH, R. 2006. Exports and Technological Capabilities: A Study of Foreign and Local Firms in the Electronics Industry in Malaysia, the Phillippines and Thailand. *In*: LALL, S. & NARULA, R. (eds.) *Understanding FDI-Assisted Economic Development*. New York: Routledge.
- RATNAM, V. C. S. 1998. Multinational Companies in India. *The International Journal of Human Resources Management*, 9, 567-589.
- RAWAT, V. B., BHUSHAN, M. B. & SUREPALLY, S. 2010. *The Impact of Special Economic Zones in India: A Case Study of Polepally SEZ*. New Delhi: Social Development Foundation.
- RAYNER, G., HAWKES, C., LANG, T. & BELLOW, W. 2006. Trade Liberalisation and the Diet and Nutrition Transition: A Public Health Response. *Health Promotion International*, 21, 67-74.
- REDDY, Y. V. 2009. *India and the Global Financial Crisis: Managing Money and Finance*, London, Anthem Press.

- REED, A. M. & REED, D. 2004. Corporate Governance in India: Three Historical Models and Their Development Impact. *In: REED, D. & MUKHERJEE, S. (eds.) Corporate Governance, Economic Reforms and Development.* Oxford: Oxford University Press.
- RESERVE BANK OF INDIA. 2014. *Annual Report.* Available: <http://www.rbi.org.in/scripts/AnnualReportPublications.aspx?Id=1120> [Accessed March 30, 2015].
- RICHTER, J. 2001. *Holding Corporations Accountable*, London, Zed Books.
- RIVOLI, P. 2005. *The Travels of a T-Shirt in the Global Economy: An Economist Examines the Markets, Power and Politics of World Trade*, Hoboken, John Wiley.
- ROBINSON, W. I. 2012. Global Capitalism Theory and the Emergence of Transnational Elites. *Critical Sociology*, 38, 349-363.
- RODRIK, D. 1990. How Should Structural Adjustment Programs Be Designed? *World Development*, 18, 933-947.
- RODRIK, D. 2000. Institutions for High Quality Growth: What They Are and How to Acquire Them. *NBER Working Papers*, Working Paper 7540.
- RODRIK, D. 2011. The Future of Economic Convergence. *Achieving Maximum Long-Run Growth*. Jackson Hole, Wyoming: Federal Reserve Bank of Kansas City.
- RODRIK, D. 2011. *The Globalization Paradox: Democracy and the Future of the World Economy*, New York, W.W.Norton and Company.

- RODRIK, D. & SUBRAMANIAN, A. 2005. From 'Hindu Growth' to Productivity Surge: The Mystery of the Indian Growth Transition. *Palgrave Macmillan Journals*, 52, 193-228.
- ROTHER, D. L. 2011. Complementary and Alternative Domestic Responses to State Crime. *In*: ROTHER, D. L. & MULLINS, C. W. (eds.) *State Crime: Current Perspectives*. New Brunswick: Rutgers University Press.
- ROTHER, D. L. & FRIEDRICHS, D. O. 2006. The State of the Criminology of Crimes of the State. *Social Justice*, 33, 147-161.
- ROTHER, D. L., MULLINS, C. W. & MUZZATTI, S. 2006. Crime on the High Seas: Crimes of Globalization and the Sinking of the Senegalese Ferry Le Joola. *Critical Criminology*, 14, 159-180.
- ROY, M. & KUMAR, S. 2012. Foreign Direct Investment in Agricultural Retailing in India. *International Conference on Humanities, Economics and Geography*. Bangkok.
- RUGGIE, J. G. 1982. International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order. *International Organization*, 36, 379-415.
- RUGGIE, J. G. 2008. *Protect, Respect and Remedy: A Framework for Business and Human Rights*, Report of the Special Representative of the United Nations Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises. New York: United Nations.

- SANHATI. 2011. Press Note: Joint Statement Calls for Rejecting 2011 Land Acquisition Bill. *Sanhati: Fighting Neoliberalism in Bengal and Beyond* [Online]. Available from: <http://sanhati.com/articles/4335/> [Accessed April 1, 2015].
- SANKARAN, T. S. & RAO, V. R. 1995. *The Urban Informal Sector of India: A Study of Govindpuri (Delhi)*. New Delhi: Jaishankhar Memorial Centre and Friedrich Ebert Stiftung.
- SCHWANDT, T. A. 1998. Constructivist, Interpretivist Approaches to Human Inquiry. In: DENZIN, N. K. & LINCOLN, Y. S. (eds.) *The Landscape of Qualitative Research*. Thousand Oaks: Sage Publications.
- SCOTT, J. 1991. *Who Rules Britain*, Oxford, Polity Press.
- SCOTT, J. & GRIFF, C. 1984. *Directors of Industry*, Cambridge, Polity Press.
- SELDON, A. 1988. Interviews. In: SELDON, A. (ed.) *Contemporary History: Practice and Method*. Oxford: Blackwell.
- SEN, A. 1999. *Development as Freedom*, Oxford, Oxford University Press.
- SEN, A. & DREZE, J. 2011. Putting Growth in Its Place. *Outlook* [Online]. Available: <http://www.outlookindia.com/article/Putting-Growth-In-Its-Place/278843> [Accessed April 22, 2015].
- SEN GUPTA, A. 2010. Sustaining Growth in a Period of Global Downturn: The Case of India. In: DULLIEN, S., KOTTLE, D., J, MARQUEZ, A. & PRIEWE, J. (eds.) *The Financial and Economic Crisis of 2008-2009*. New York and Geneva: United Nations.

- SENGUPTA, A. 2006. *Committee Report, National Policy on Urban Street Vendors: Report and Recommendations*. New Delhi: Ministry of Housing and Urban Poverty Alleviation.
- SETALVAD, A. 2013. Is the Right to Education a Reality for India's Children? The Somewhat Successful Implementation of the RTE Act. *Business Standard* [Online]. Available: http://www.business-standard.com/article/economy-policy/is-the-right-to-education-a-reality-for-india-s-children-113091300395_1.html [Accessed April 22, 2015].
- SHAH, A. & PATNAIK, I. 2013. Chapter 23 - India's Reintegration into the World Economy in the 1990s. In: CAPRIO, G. (ed.) *The Evidence and Impact of Financial Globalization*. San Diego: Academic Press.
- SHAH, G. 2004. *Caste and Democratic Politics in India*, London, Anthem Press.
- SHAH, M. 2012. Bill for Land Gives True Value. *The Hindu*, [Online]. Available: <http://www.thehindu.com/opinion/lead/bill-for-land-gives-true-value/article3889718.ece> [Accessed April 1, 2015].
- SHAPIRO, S. 1983. The New Entrepreneurs: Corporate Crime Crusaders. *Contemporary Sociology*, 12, 304-307.
- SHARMA, A. N. 2006. Flexibility, Employment and Labour Market Reforms in India. *Economic and Political Weekly*, 41, 2078-2086.
- SHARMA, Y. S. & SETH, D. 2013. Government's Manufacturing Zones Land Trouble. *The Economic Times* [Online]. Available: <http://articles.economictimes.indiatimes.com/2013-05->

28/news/39580026_1_nmizs-nimzs-national-manufacturing-investment-zones [Accessed April 1, 2015].

SILVERMAN, D. 2005. *Doing Qualitative Research*, London, Sage.

SIMPSON, S. 2002. *Corporate Crime, Law, and Social Control*, Cambridge, Cambridge University Press.

SINGER, D. 1999. *Whose Millennium? Theirs or Ours?*, New York, Monthly Review Press.

SINGH, A. 2002. *Competition and Competition Policy in Emerging Markets: International and Developmental Dimensions. Working Paper No 246.* Cambridge: ESRC Centre for Business Research.

SINGH, K. 2005. *Foreign Direct Investment in India: A Critical Analysis of FDI from 1991-2005.* New Delhi: Centre for Civil Society.

SKLAIR, L. 2001. *The Transnational Capitalist Class*, Oxford, Blackwell Publishers.

SKLAIR, L. 2002. *Globalization: Capitalism and its Alternatives*, Oxford, Oxford University Press.

SKLAIR, L. 2012. Transnational Corporations. The Wiley-Blackwell Encyclopedia of Globalization. John Wiley & Sons, Ltd.

SKOCPOL, T. 1979. *States and Social Revolutions*, Oxford, Blackwell Publishers.

SMITH, W. 2011. Civil Disobedience and the Public Sphere. *Journal of Political Philosophy*, 19, 145-166.

- SPENCE, M. 2012. *The Next Convergence: The Future of Economic Growth in a Multispeed World*, New York, Farar, Strans and Giroux.
- SRINIVASAN, S. 2009. *Ethical Concerns in Clinical Trials in India: An Investigation*. Mumbai: Center for Studies in Ethics and Rights.
- SRINIVASAN, T. N. & TENDULKAR, S. D. 2003. *Reintegrating India with the World Economy*, Washington, Institute for International Economics.
- STAKE, R. 1995. *The Art of Case Study Research*, London, Sage.
- STAKE, R. 1998. Case Studies. *In: DENZIN, N. & LINCOLN, Y. (eds.) Strategies of Qualitative Inquiry*. London: Sage.
- STEPHAN, M. & PFAFFMANN, E. 2001. Detecting the Pitfalls of Data on Foreign Direct Investment: Scope and Limits of FDI Data. *Management International Review*, 41, 189-218.
- STEPHENS, J. 1979. *The Transformation from Capitalism to Socialism*, New York, Macmillan Press.
- STEWART, F., RANIS, G. & RAMIREZ, A. 2000. Economic Growth and Human Development. *World Development*, 28, 197-219.
- STIGLITZ, J. 2006. *Making Globalization Work*, London, Pengiun Books.
- STOPFORD, J. & STRANGE, S. 1991. *Rival States, Rival Firms: Competition for World Market Shares*, Cambridge, Cambridge University Press.
- STRANGE, S. 1991. *Big Business and the State*. *Millennium*, 20, 245-250.

- STRANGE, S. 1994. Rethinking Structural Change in the International Political Economy: States, Firms and Diplomacy. *In*: STUBBS, R. & UNDERHILL, G. (eds.) *Political Economy and the Changing Global Order Toronto*: Oxford University Press.
- STRANGE, S. 1996. *The Retreat of the State: The Diffusion of Power in the World Economy*, Cambridge, Cambridge University Press.
- STRANGE, S. 1997. An International Political Economy Perspective. *In*: DUNNING, J. (ed.) *Governments, Globalization, and International Business*. Oxford: Oxford University Press.
- STRYKER, R. 1998. Globalization and the Welfare State. *International Journal of Sociology and Social Policy*, 18, 1-49.
- STUCKLER, D., KING, L. & PATTON, G. 2009. The Social Construction of Market Reforms. *Political Economy Research Institute, Working Paper 199*. Amherst: University of Massachusetts Amherst.
- SUBRAMANIAN, A. 2011. *Eclipse: Living in the Shadow of China's Economic Dominance*, Washington, Peterson Institute for International Economics.
- SUMNER, A. & MCCULLOCH, N. 2009. Introduction: The Global Financial Crisis, Developing Countries and Policy Responses. *IDS Bulletin*, 40, 1-13.
- SUTHERLAND, E. H. 1940. White Collar Criminality. Presidential Address to the American Society of Sociology. *American Sociological Review* 5, 1-12.

- SUTHERLAND, E. H. 1948. Crime of Corporations. *In*: COHEN, A., LINDESMITH, A. & SCHUESSLER, K. (eds.) *The Sutherland Papers* (1956). Bloomington: The Indiana University Press.
- SUTHERLAND, E. H. 1949. *White Collar Crime*, New York, Holt, Rinehart, and Winston.
- SUTHERLAND, E. H. 1983. *White Collar Crime: The Uncut Version*, New Haven, Yale University Press.
- TESNER, S. & KELL, G. 2000. *The United Nations and Business: A Partnership Recovered*, Houndmills, Macmillan Press Ltd.
- THE ECONOMIC TIMES. 2014. New Companies Act: Seven Concerns of India Inc. *The Economic Times* [Online]. Available: <http://economictimes.indiatimes.com/et-now/corporate/new-companies-act-seven-concerns-of-india-inc/videoshow/36065963.cms> [Accessed April 1, 2015].
- THE ECONOMIST. 2012. The LIBOR scandal and the rotten heart of finance. *The Economist* [Online]. Available: <http://www.economist.com/node/21558281> [Accessed March 27, 2015].
- THE HINDU. 2013. Budget 2013-14: Highlights. *The Hindu* [Online]. Available: <http://www.thehindu.com/business/Economy/budget-201314-highlights/article4461680.ece> [Accessed April 1, 2015].
- THELEN, K. 2014. *Varieties of Liberalization and the New Politics of Social Solidarity*, Cambridge, Cambridge University Press.

- THELEN, K. & STEINMO, S. 1992. Historical Institutionalism in Comparative Politics. *In: STEINMO, S., THELEN, K. & LONGSTRETH, F. (eds.) Structural Politics: Historical Institutionalism in Comparative Analysis.* Cambridge: Cambridge University Press.
- THOMAS, K. P. 2011. *Investment Incentives and the Global Competition for Capital*, Basingstoke, Palgrave Macmillan.
- THOMAS, R. J. 1993. Interviewing Important People in Big Companies. *Journal of Contemporary Ethnography*, 22, 80-96.
- TILLY, C. 1990. *Coercion, Capital, and European States: A.D. 990-1992*, Oxford, Blackwell.
- TITMUSS, R. M. 1976. *Essays on the Welfare State*, London, Allan and Unwin.
- TITTENBRUN, J. 2013. Economic Sociology or the Economic Structure and the Non-Economic Societal Structures as Conceived of by Socio-Economic Structuralism. *Warsaw Forum of Economic Sociology*, 4, 1-23.
- TOMBS, S. & WHYTE, D. (eds.) 2003. *Unmasking the Crimes of the Powerful*, New York: Peter Lang Publishing.
- TOWNSEND, I. 2009. *Global Economic Crisis and Developing Countries*. Economic Policy & Statistics section. UK Parliament House of Commons.
- TOWNSEND, P. 2004. From Universalism to Safety Nets: The Rise and Fall of Keynesian Influence on Social Development. *In: MKANDAWIRE, T.*

(ed.) *Social Policy in a Development Context*. Houndmills: Palgrave Macmillan.

TRUONG, T. D. 1996. Gender, International Migration and Social Reproduction: Implications for Theory, Policy, Research and Networking. *Asian and Pacific Migration Journal*, 5, 27-52.

TURNER, A. 2001. *Just Capital: The Liberal Economy*, London, Macmillan.

UN 2009. *Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System*. New York: United Nations.

UNCTAD 2006. *World Investment Report 2006 FDI from Developing and Transition Economies: Implications for Development*. New York and Geneva: United Nations Conference on Trade and Development.

UNCTAD 2007. *The Universe of the Largest Transnational Corporations*. Geneva: United Nations Conference on Trade and Development.

UNCTAD 2007. *World Investment Report 2007 Transnational Corporations, Extractive Industries and Development*. New York and Geneva: United Nations Conference on Trade and Development.

UNCTAD 2008. *World Investment Report 2008 Transnational Corporations and the Infrastructure Challenge*. New York and Geneva: United Nations Conference on Trade and Development.

UNCTAD 2009. *World Investment Report 2009 Transnational Corporations, Agriculture Production and Development*. New York and Geneva: United Nations Conference on Trade and Development.

UNCTAD 2010. *World Investment Report 2010 Investing in a Low-Carbon Economy*. New York and Geneva: United Nations Conference on Trade and Development.

UNCTAD 2013. *World Investment Report 2013 Global Value Chains: Investment and Trade for Development*. New York and Geneva: United Nations Conference on Trade and Development.

UNCTAD 2014. *World Investment Report 2014 Investing in Sustainable Development Goals: An Action Plan*. New York and Geneva: United Nations Conference on Trade and Development.

UNCTAD 2015. *World Investment Report 2015 Reforming International Investment Governance*. New York and Geneva: United Nations Conference on Trade and Development.

UN-DESA 2011. *Report on the World Situation 2011: The Global Social Crisis*. New York: United Nations.

UNDP 1990. *Human Development Report 1990*. New York: United Nations Development Programme.

UNDP 1995. *From Poverty to Equity: An Empowering and Enabling Strategy*. Geneva: United Nations Development Programme.

UNDP 1995. *Poverty Eradication: A Policy Framework for Country Strategies*. Geneva: United Nations Development Programme.

UNDP 2013. *Human Development Report 2013. The Rise of the South: Human Progress in a Diverse World*. New York: United Nations Development Programme.

- UNICEF 1987. *Annual Report 1987*. New York: UNICEF.
- UNITED NATIONS GENERAL ASSEMBLY 2010. *Comprehensive Study on the Impact of the Converging World Crisis on Social Development*. Report of the Secretary-General. New York: United Nations.
- URRY, J. 2014. *Offshoring*, Cambridge, Polity Press.
- UTTING, P., RAZAVI, S. & BUCHHOLZ, R. V. 2012. Overview: Social and Political Dimensions of the Global Crisis and Possible Futures. *In*:
UTTING, P., RAZAVI, S. & BUCHHOLZ, R., VARGHESE (eds.) *The Global Crisis and Transformative Social Change*. Basingstoke: Palgrave Macmillan.
- VARSHNEY, A. 1998. Mass politics or elite politics? India's Economic Reforms in Comparative Perspective. *Journal of Policy Reform*, 2, 301-335.
- VAUGHAN, D. 1996. *The Challenger Launch Decision*, Chicago, Chicago University Press.
- VAUGHAN, D. 1998. Rational Choice, Situated Action and the Social Control of Organizations. *Law & Society Review*, 32, 23-61.
- VENKATESWARLU, D. 2010. *Seeds of Child Labour- Signs of Hope: Child and Adult Labour in Cottonseed Production in India*. Hyderabad: International Labour Rights Forum, India Committee of the Netherlands and Stop Child Labour- School is the Best Place to Work.

- VERSCHUREN, P. J. M. 2003. Case Study as a Research Strategy: Some Ambiguities and Opportunities. *International Journal of Social Research Methodology*, 6, 121-139.
- VOGEL, D. 1996. *Kindred Strangers: The Uneasy Relationship between Politics and Business in America*, Princeton, Princeton University Press.
- WADE, R. H. 2002. US Hegemony and the World Bank: The Fight over People and Ideas. *Review of International Political Economy*, 9, 215-243.
- WALL, K. 2012. The End of the Welfare State? How Globalization is Affecting State Sovereignty. *Global Policy* [Online]. Available: <http://www.globalpolicyjournal.com/blog/17/08/2012/end-welfare-state-how-globalization-affecting-state-sovereignty-0> [Accessed April 6, 2015].
- WALLACK, J. S. 2003. Structural Breaks in Indian Macroeconomic Data. *Economic and Political Weekly*, 38, 4312-4315.
- WATAL, J. 2000. Pharmaceutical Patents, Prices and Welfare Losses: Policy Options for India Under the WTO TRIPS Agreement. *World Economy*, 23, 733-752.
- WEBER, M. [1922] 1978. *Economy and Society: An Outline of Interpretative Sociology*, Berkeley, University of California Press.
- WEF 2012. *The Global Competitiveness Report 2012-2013*. Geneva: World Economic Forum.

- WEF 2012. *The Global Gender Gap Report 2012*. Cologny/Geneva: World Economic Forum.
- WEF 2014. *The Global Competitiveness Report 2014-2015*. Geneva: World Economic Forum.
- WEF 2014. *The Global Gender Gap Report 2014*. Cologny/Geneva: World Economic Forum.
- WEINER, M. 1991. *The Child and the State in India*, Princeton, Princeton University Press.
- WEISS, L. 1998. *The Myth of the Powerless State*, Cambridge, Polity Press.
- WEISS, T. G. 2013. *Global Governance: What? Why? Whither?*, Cambridge, Polity Press.
- WETHERLY, P. 2005. *Marxism and the State*, London, Pluto Press.
- WILENSKY, W. 1975. *The Welfare State and Equality: Structural and Ideological Roots of Public Expenditure*, Berkeley, University of California Press.
- WILLIAMSON, J. 1993. Democracy and the 'Washington Consensus'. *World Development*, 21, 1329-1336.
- WOLF, M. 2013. The Shifts and the Shocks: Emerging Economies in an Age of Financial Crises. *2013 Asia Economic Policy Conference: Prospects for Asia and the Global Economy*, San Francisco: Federal Reserve Bank of San Francisco.

- WOO-CUMINGS, M. 1999. *The Developmental State*, Ithaca, Cornell University Press.
- WORLD BANK 1985. *World Development Report 1985*. New York: World Bank.
- WORLD BANK 2004. *World Development Report 2005: A Better Investment Climate for Everyone*. New York: World Bank.
- WORLD BANK. 2014. *Data: Rural population (% of total population)*. Available: <http://data.worldbank.org/indicator/SP.RUR.TOTL.ZS> [Accessed March 30, 2015].
- WORLD BANK. 2015. *Ease of Doing Business in India. Doing Business: Measuring Business Regulations* [Online]. Available: <http://www.doingbusiness.org/data/exploreeconomies/india> [Accessed March 31, 2015].
- WORLD BANK. 2015. *Services, etc., value added (% of GDP) World Development Indicators* [Online]. Available: <http://data.worldbank.org/indicator/NV.SRV.TETC.ZS> [Accessed March 28, 2015].
- WRISTON, W. 1992. *The Twilight of Sovereignty*, New York, Charles Scribner's Sons.
- YEAGER, P. C. & SIMPSON, S. 2009. Environmental Crime. *In*: TONRY, M. (ed.) *The Handbook of Crime and Public Policy*. New York: Oxford University Press.

- YEATES, N. 1999. Social Politics and Policy in an Era of Globalisation: Critical Reflections. *Social Policy and Administration*, 33, 372-393.
- YEATES, N. 2001. *Globalization and Social Policy*, London, Sage Publication.
- YEATES, N. 2012. Global Care Chains: A State-of-the-Art Review and Future Directions in Care Transnationalization Research. *Global Networks*, 12, 135-154.
- YEUNG, H. W.-C. 2013. Governing the Market in a Globalizing Era: Developmental States, Global Production Networks and Inter-Firm Dynamics in East Asia. *Review of International Political Economy*, 21, 70-101.
- ZIMMERMAN, L. 2013. Why Guarantee Employment? Evidence from a Large Indian Public-Works Program. *Institute for the Study of Labour, IZA Discussion Papers 6858*.

Appendix One: List of documents used in empirical research

- World Investment Report by UNCTAD: 2006; 2007; 2008; 2009; 2010; 2013; 2014; 2015.
- World Economic Forum: Global Competitiveness Report: 2012-2013; 2014-2015.
- World Bank: Doing Business: India 2015.
- National Sample Survey Organisation (NSSO), 2010: Employment and Unemployment Situation in India
- Twelfth Five Year Plan (2012-2017)
- National Manufacturing Policy, Press Note No. 2 (2011 Series)
- FDI in Multi-Brand Retail Trading, Press Note No. 5 (2012 Series)
- Special Economic Zones Act 2005
- Consolidated FDI Policy (Effective from April 17, 2014)
- Fact Sheet on Foreign Direct Investment (FDI): From April 2000 to January 2015
- The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act 2013

Appendix Two: List of Interview Participants

Initials	Area of Expertise	Organisation Number	Type of Organisation	Theoretical Orientation	Description of Organisation
AB	Director of an NGO that works to promote social equity and justice. He is very active in advocacy, networking and coalition building with a focus on issues of governance and civil society from the perspective of rights and justice.	12	NGO	Human Rights	An independent Indian foundation that is both a fund raising and grant-making organisation to promote civil society action and public deliberation for social change. It uses development action and development communication to promote social equity and justice.
AG	A medically trained physician and has conducted extensive research in the areas of public health, pharmaceuticals policy and intellectual property rights.	18	International NGO	Human Rights	A multidisciplinary global network that brings together grassroots health activists, academic and research institutions and civil society organisations under the united aim to tackle the global health crisis that has resulted from growing inequities within and among nations.
AK	Director of policy, research and campaigns with an international NGO that works to fight poverty and injustice.	10	International NGO	Human Rights	An NGO working to promote human rights and justice. The organisation works to fight poverty and injustice by connecting grassroots programming to local, national and global advocacy and policy making.
AM	Professor of development	4	Research and	Both	Autonomous, multidisciplinary

	economics with a research institute that concentrates on economic and social development. His areas of specialization include urban development, labour and welfare, and the informal sector.		Academic Institution		centre for advanced research and training in the fields of economic and social development.
AMK	Professor with one of India's premier economic policy think tanks. Her research has directly contributed to India's negotiating strategies in the WTO and her research interests include world trade, FDI, and the service sector.	6	Research Organisation	Liberal Market	An autonomous, policy-oriented, not-for-profit economic policy think tank. The main focus is to enhance the knowledge content of policy making by undertaking analytical research that is targeted at improving India's interface with the global economy.
AS	Senior Fellow for an applied economics research organisation. Her areas of expertise are the informal economy, gender equity, and globalisation and development. Her research uses equilibrium frameworks to analyse the impact of policies and economic shocks to women in informal and service sectors.	8	Research Institution	Liberal Market	Established as a registered society, it is an independent, non-profit research institution that works to assist the government, civil society and the private sector with policy issues concerned with business and economics. Through its research, it aims to facilitate solutions that will contribute to India's overall development.
BG	Senior Economist involved with research and policy analysis for a national business association.	5	Business Association	Liberal Market	Not for profit, non-government organisation that works to promote and sustain an environment conducive for growth for Indian

					industry. It serves as a liaison between industry and the government through advisory and consultative processes.
BJ	Specialist on international labour standards and an expert on discrimination for an international organisation that promotes fair labour standards. His areas of specialisation are social origin, Tribal and Indigenous peoples, and disabilities.	1	IGO	Human Rights	An independent agency of the United Nations, it works to bring governments, employers, and workers together in the cause for decent work, social justice, and better living conditions. The branch in New Delhi serves to realize decent work for sustainable social and economic development in South Asia.
BN	Professor of economics with an academic institution concerned with economic and social development. His research specializes in trade and foreign investment.	4	Research and Academic Institution	Both	Autonomous, multidisciplinary centre for advanced research and training in the fields of economic and social development.
CC	Professor of economics with a major university in India. His area of expertise is development economics.	9	University	Both	A public university located in New Delhi.
CD	Senior Research Fellow at an applied economics research institute. Her research interests are international and development economics. She has conducted several projects	8	Research Institute	Liberal Market	Established as a registered society, it is an independent, non-profit research institution that works to assist the government, civil society and the private sector with policy issues concerned with

	concerning FDI and inequality in Eastern Europe and America.				business and economics. Through its research, it aims to facilitate solutions that will contribute to India's overall development.
CW	Long-term expert on the issue of child labour involved in agricultural TNC operations. He has conducted several large studies concerning the use of children in hybrid seed operations run by TNCs.	22	NGO	Human Rights	A registered trust that works to build capacities within communities in both rural and urban areas for the abolition of child labour. It works to universalize education and empower women and children.
DA	Professor of Science and Technology for an organisation devoted to the study of science, technology and developing countries. One of his areas of expertise is intellectual property rights, TRIPS and the pharmaceutical industry.	24	Research Institute	Both	A national institute devoted to the study of various aspects of interaction between science, society, and issues relevant to developing countries.
DH	Director of Economic Policy with one of India's business associations. He also serves as a consultant with the United Nations Conference on Trade and Development.	5	Business Association	Liberal Market	Not for profit, non-government organisation that works to promote and sustain an environment conducive for growth for Indian industry. It serves as a liaison between industry and the government through advisory and consultative processes.
DN	Visiting Professor with an organisation concerned with	17	Research Organisation	Human Rights	A non-profit autonomous research institution that

	human development and empowerment. His areas of expertise include subcontracting chains in the global garment industry.				works to integrate research with policy recommendations for greater empowerment of the people.
DR	High-ranking member of a national trade union that is politically attached to the Communist Party of India (Marxist). It is one of the largest trade unions in India.	23	Trade Union	Human Rights	One of the major central trade unions in India. The union is tied to the political party, the Communist Party of India. It supports the cause of the working class and economic sovereignty in India and opposes imperialist globalisation.
FO	Senior Economist with an applied economics and development research institute. The majority of her research concerns FDI, regional trade agreements, and trade policies of developing countries.	8	Research Institute	Liberal Market	Established as a registered society, it is an independent, non-profit research institution that works to assist the government, civil society and the private sector with policy issues concerned with business and economics. Through its research, it aims to facilitate solutions that will contribute to India's overall development.
GD	Specialist with Employers' Activities Unit. His and department works to organize and advance the collective interests of employers in India.	1	IGO	Human Rights	An independent agency of the United Nations, it works to bring governments, employers, and workers together in the cause for decent work, social justice, and better living conditions. The branch in New Delhi serves to

					realize decent work for sustainable social and economic development in South Asia.
GK	Legal advisor to an international NGO involved in North-South development issues. His area of expertise is pharmaceuticals, access to medicines, and trade related intellectual properties.	19	International NGO	Human Rights	An independent, non-profit international network of organisations involved in North-South development issues. The aim to promote the following: the needs and rights of peoples in the South, the fair distribution of world resources, and sustainable development.
GN	Visiting Professor with a research institute concerned with issues regarding social development. He has previously worked for several UN agencies specializing in displacement and resettlement issues around the world.	15	Research Organisation	Human Rights	A leading institution working in the area of development research in India. The objective is to undertake and promote the study of social development and assist in integrating these needs with economic development, especially concerning the needs of the underprivileged sections of Indian society.
JC	Head of the Department for Human Rights and Law within an NGO concerned with socioeconomic development and human rights.	3	NGO	Human Rights	An NGO with special consultation status with the Economic and Social Council of the U.N., it serves as a centre for research, training, and action for socioeconomic development and human rights. The priority populations are all

					the marginal and excluded communities, especially the Dalits, Tribals, Unorganized, landless labourers, and women.
KD	Actively involved with an NGO concerned with FDI and the corporate takeover of the retail sector in India.	13	NGO	Human Rights	An NGO that works to build awareness and facilitate grassroots action to protect the corporate takeover of India's retail sector.
KT	Distinguished researcher with a national-level policy research organisation in the public domain that concentrates on India's industrial development and the corporate sector. His area of specialization is FDI.	7	Policy Research Organisation	Both	A national-level policy research organization in the public domain, it concentrates on India's industrial development and the corporate sector.
LM	Lawyer and leading activist that has been involved in several high profile campaigns and litigation battles against pharmaceutical TNCs for access to Indian generic medications.	2	INGO	Human Rights	An international medical aid organisation that provides assistance to populations in distress and aims to save lives and alleviate suffering by working directly with these populations. It acts with full independence and is free of all ethnic, political, religious or economic discrimination.
LN	Senior Fellow with an organisation concerned with energy use and sustainable development. She also works with the World	16	Research Organisation	Both	A non-profit policy research organisation that assists in the development of solutions to global concerns regarding energy, the environment,

	Economic Forum on issues concerning regulatory and governance issues regarding energy, minerals and the environment.				and sustainable development.
MC	Professor of Sociology specialising in gender, feminism and media studies.	9	University	Both	A public university located in New Delhi.
NK	Senior Research Associate for a research foundation that studies various issues of the economy. Her area of interest is poverty and development.	21	NGO	Human Rights	NGO with Special Consultative Status with the UN Economic and Social Council that aims to help provide health, education, rural development, poverty alleviation and empowerment to the citizens of India.
PJ	Professor of economics at a major university located in New Delhi. His areas of specialization include labour economics, development economics, the agriculture sector as well as rural development. He has been a Visiting Professor in major universities in several countries including Germany and China and he was at one time a Senior Research Economist at the International Labour Organization.	9	University	Both	A public university located in New Delhi.
PS	Professor of macroeconomics with a	4	Research and Academic	Both	Autonomous, multidisciplinary centre for

	multidisciplinary centre for advanced research and training in the fields of social and economic development. His areas of speciality are development economics and international trade and finance.		Institution		advanced research and training in the fields of economic and social development.
QC	Programme Coordinator for Economic Justice for an international NGO that works to promote human rights and fight poverty.	10	International NGO	Human Rights	An NGO working to promote human rights and justice. The organisation works to fight poverty and injustice by connecting grassroots programming to local, national and global advocacy and policy making.
RC	Senior Research Specialist in international trade, foreign direct investment and regulatory reforms. He has over 35 years teaching and research experience with a prestigious university in India. He has been a Visiting Professor in several prestigious American universities as well.	8	Research Institution	Liberal Market	Established as a registered society, it is an independent, non-profit research institution that works to assist the government, civil society and the private sector with policy issues concerned with business and economics. Through its research, it aims to facilitate solutions that will contribute to India's overall development.
RO	Representative of, and economist within an international organisation concerned with monitoring the global economy and the economies of member	14	IGO	Liberal Market	International organisation that monitors the economic performance of member countries, provides monetary loans, and technical assistance to member countries

	countries.				seeking support.
RS	Director of an NGO devoted to the promotion of inclusive civil society, democracy building and social action in India.	11	NGO	Human Rights	An NGO devoted to the promotion of inclusive civil society, democracy building and social action in India.
RW	Senior Employment Specialist with an international organisation that promotes decent labour standards. His research specialities are in areas of informal employment and working poor as well as labour regulations.	1	IGO	Human Rights	An independent agency of the United Nations, it works to bring governments, employers, and workers together in the cause for decent work, social justice, and better living conditions. The branch in New Delhi serves to realize decent work for sustainable social and economic development in South Asia.
SK	Senior Child Labour Specialist for an international organisation promoting fair labour standards.	1	IGO	Human Rights	An independent agency of the United Nations, it works to bring governments, employers, and workers together in the cause for decent work, social justice, and better living conditions. The branch in New Delhi serves to realize decent work for sustainable social and economic development in South Asia.
SS	Visiting Professor with a policy research organisation for industrial development. Her area of expertise is globalisation and	7	Policy Research Organisation	Both	A national-level policy research organization in the public domain, it concentrates on India's industrial development and the corporate sector.

	development.				
SSK	Health Economist for an organisation that works to strengthen public health in India. His areas of expertise are pharmaceutical economics.	20	Public-Private Initiative	Human Rights	A public- private initiative of multiple constituencies including Indian and international academia, state and central governments, multi & bi-lateral agencies and civil society groups. It works to strengthen training, research and policy development in the area of Public Health.
SR	Professor at a policy research organisation for industrial development. His research specialities include industrial organisation, industrial clusters, and technology and employment, FDI and spillovers in the automotive industry.	7	Policy Research Organisation	Both	A national-level policy research organization in the public domain, it concentrates on India's industrial development and the corporate sector.
SZ	The founder of an NGO in India that is proactive in combatting child labour.	22	NGO	Human Rights	A registered trust that works to build capacities within communities in both rural and urban areas for the abolition of child labour. It works to universalize education and empower women and children.
TB	Professor of Economics specialising in small scale industries, trade and policy aspects of industry and the institutional and political economy	4	Research and Academic Institution	Both	Autonomous, multidisciplinary centre for advanced research and training in the fields of economic and social development.

	<p>of reforms. She has authored several books and has received special recognition and awards from both the Ford Foundation and World Bank for her high quality research.</p>				
--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--	--

Appendix Three: Ethics Approval



Department
Of Sociological
Studies.

Katherine Running
Department of Sociological Studies

Department Ethics Co-ordinator
Dr Jo Britton
The University of Sheffield
Department of Sociological Studies
Elmfield, Northumberland Road
Sheffield, S10 2TU

20 October 2011

Telephone: +44 (0) 114 222 6431
Fax: +44 (0) 114 276 8125
Email: n.j.britton@sheffield.ac.uk

Dear Katherine

PROJECT TITLE: "The Benefits and Costs of Corporate Investment in Developing Contexts"

On behalf of the University ethics reviewers who reviewed your project, I am pleased to inform you that on 20 October 2011 the above-named project was unconditionally **approved** on ethics grounds, on the basis that you will adhere to the following document that you submitted for ethics review:

- University research ethics application form (*dated 20 September 2011*)
- Participant information sheet (*dated 20 October 2011*)
- Participant consent form (*dated 20 October 2011*)

If during the course of the project you need to deviate significantly from the above-approved document please inform me since written approval will be required. Please also inform me should you decide to terminate the project prematurely.

Yours sincerely



Dr Jo Britton
Department Ethics Co-ordinator



Appendix Four: Information Sheet



Department Of Sociological Studies

Department of Sociological Studies
The University of Sheffield
Elmfield Building
Northumberland Road
Sheffield, S10 2TU
Telephone: 41+114 222 6400
Fax: 41+114 222 6400

Title of research project:

The Benefits and Costs of Corporate Investment in Developing Contexts

Information Sheet for Participants

Dear Participant,

You are invited to take part in a research study to examine the impact (positive and negative) of inward investment in various sectors and various regions of India. The study will help to shed light onto the various risks associated with foreign investment to workers, consumers, the environment and to transnational corporations themselves. I would like to interview you to ask you about your thoughts regarding the relative benefits and costs of foreign direct investment within India. I think your knowledge, experience, and expertise in this area could greatly benefit my research. This research is part of a PhD thesis project funded by the University of Sheffield in the United Kingdom.

Developing countries are welcoming and using foreign direct investment (FDI) as one of their key tools for development. Research into FDI for developing countries via multinational corporations demonstrates very mixed outcomes as to how beneficial they are to the host economy. The impact that corporations have on citizens, workers, physical environments, local politics and economies varies widely over time and between nations and according to the form and prevalence of different corporate activities within different regions of the state. Thus, multinational corporate activity may be beneficial, detrimental, or a mixed bag of both according to how it is practised within different contexts. The aim of my research is to explore the relative costs and benefits brought by foreign direct investment via multinational corporations within the Indian economy. My research will be a qualitative and utilise both documentary analysis and semi-structured interviews.

It is entirely up to you to decide whether or not to take part. If you decide to take part you will be given this information sheet to keep. You will also be asked to sign a consent form. You can change your mind at any time and withdraw from the study without giving a reason. You can be assured, should you decide to participate, that your participation in this study will be treated with the strictest confidentiality. You are welcome to phone me or contact my supervisor if you would like any further information.

Yours sincerely,
Katherine Running

Phone: 9818032149 (mobile)
E-mail: kathrunning@yahoo.co.uk

Supervisor: Dr. Kevin Farnsworth
Telephone: +44 (0) 114 222 6441
Fax: +44 (0) 114 276 8125
Email: k.farnsworth@sheffield.ac.uk



THE QUEEN'S
ANNIVERSARY PRIZES
FOR HIGHER AND FURTHER EDUCATION
1998 2000 2002

Appendix Five: Interview Consent Form



Department
Of Sociological
Studies

Interview Consent Form

This consent form outlines my rights as a participant in the research project titled: The Benefits and Costs of Corporate Investment in Developing Contexts conducted by Katherine Running from the University of Sheffield. I understand that the project is designed to gather information about the costs and benefits of inward investment in various industries and regions of India. The study will help to shed light onto the various risks associated with new investment to workers, consumers, the environment and to transnational corporations themselves.

The interview should take about 30-45 minutes.

I understand the following:

- Taking part in this study is entirely voluntary
- It is my right to decline to answer any question that I am asked.
- I am free to end the interview at any time.
- I may withdraw any, some or all data from my interview at any time up until the end of the data collection period.
- I may request that the interview not be taped.
- My name and identity will remain confidential in any publications or discussions.
- My name will not appear on any tapes or transcripts resulting from the interview. All data will be password protect and kept in a locked facility. All data will be destroyed after the research is completed.

___ I have read this consent form or it has been read aloud.

___ I have received enough information about this study.

___ I agree to be a participant in this research study.

___ I have had a chance to ask questions concerning any areas that I did not understand.

Signature of participant: _____

Name of participant: _____

Signature of the investigator: _____

Date of interview: _____

If you have any further enquiries about this study, please feel free to contact myself by e-mail: k.running@sheffield.ac.uk; or contact my direct supervisor, Dr. Kevin Farnsworth from



Appendix Six: Interview Questions and Schedule

- 1) Could you summarise India's present development strategy? [Do you think the government balances the need for economic growth and social welfare development?]
- 2) To what extent will current economic policies help to tackle poverty?
- 3) How can the government best use FDI to help development?
- 4) What are the key factors that are holding India's economy back?
- 5) Why do you think TNCs are investing in India? [What type of FDI is India attracting?]
- 6) What are the key benefits / problems for India that have resulted from attracting TNCs? [social and development consequences from FDI]
- 7) How do you assess the spillover effects from TNCs into the domestic environment? [technology, management skills, research and development]
- 8) What contribution do you think TNCs have made to India?
- 9) What positive and/or negative aspects do you think there are for people working for a TNC? For example, are the wages better, working conditions better than domestic companies?
- 10) What are the key problems that TNCs face in India?
- 11) How would you describe the Indian state-business relationship? [Any changes following economic liberalization?]
- 12) How do you assess the government's ability to construct effective FDI policies? [Do you feel they are able to minimize harm while maximizing benefit?]