A Comparative analysis of FDI in India and China

* Mr. R. Himachalapathy

ABSTRACT

This study examines the status of inward Foreign Direct Investment flow into India. Ever since Macro Economic structural changes initiated in 1991, the impact of ongoing process of Liberalization, Privatization and Globalization and its implications in attracting inward FDI into India has become focal point of this study, at a time When Economy of India and China experience a slow down in the backdrop of global financial crisis and Economic recession. Globalization process and its implication on inward FDI can be evaluated in terms of Economic Indicators such as GDP, GDP growth rate, Import Trade, Export Trade and Trade Openness.

This study consists of two parts. ***First*** *part is dealt with Performance analysis of inward FDI flows in the Post-Liberalization period and the* ***Second*** *is FDI Outlook for 2009 and beyond*

Definition of Foreign direct investment

IMF defines FDI as "where an investor residing in one economy owns 10%or more of the ordinary shares or voting power/effective voice in management in another country ...and comprises those entities in the host country that are subsidiaries (>50% ownership); associates (<=50% ownership) or branches (wholly or jointly-owned, unincorporated enterprises) of the parent,"(IMF,1993). A simple definition would be –"an investor based in country acquires an asset in another country with the intent to manage that asset".(OECD,2000)

More than two third of the FDI activities (one third as trade between affiliates of the same TNC and another one third a TNC and another enterprise) are involving Trans National Corporations (Ramamurthi,2004), hereinafter referred to as TNCs.

Who are foreign direct investors?

A foreign direct investor is an individual, an incorporated or unincorporated public or private

*Research Scholar (PT), PSGIM, Coimbatore. Email : rhimachalapathy@gmail.com

enterprise, a government, a group of related individuals, or a group of related incorporated and/ or unincorporated enterprises which has a direct investment enterprise – that is, a subsidiary, associate or branch – operating in a country other than the country or countries of residence of the foreign direct investor or investors.

Definition of Direct investment enterprise

OECD recommends that a direct investment enterprise be defined as an incorporated or unincorporated enterprise in which a foreign investor owns 10 per cent or more of the ordinary shares or voting power of an incorporated enterprise or the equivalent of an unincorporated enterprise. The numerical guideline of ownership of 10 per cent of ordinary shares or voting stock determines the existence of a direct investment relationship. An effective voice in the management, as evidenced by an ownership of at least 10 per cent, implies that the direct investor is able to influence or participate in the management of an enterprise; it does not require absolute control by the foreign investor.

Although not recommended by the OECD, some countries may still feel it necessary to treat the 10 per cent cut-off point in a flexible manner to fit the circumstances. In some cases, the ownership of 10 per cent of the ordinary shares or voting power may not lead to the exercise of any significant influence while, on the other hand, a direct investor may own less than 10 per cent but have an effective voice in the management. OECD does not recommend any qualifications to the 10 per cent rule. Consequently, countries that choose not to follow the 10 per cent rule in all cases should identify, where possible, the aggregate value of transactions not falling under the 10 per cent cut-off rule, so as to facilitate international comparability.

Some countries may consider that the existence of elements of a direct investment relationship may be indicated by a combination of factors such as:

a) Representation on the board of directors;

b) Participation in policy-making processes;

c) Material inter-company transactions;

d) Interchange of managerial personnel;

e) Provision of technical information;

f) provision of long-term loans at lower than existing market rates.

Other relationships may exist between enterprises in different economies which exhibit the characteristics set out above, although there is no formal link with regard to shareholding. For example, two enterprises, each operating in different economies, may have a common board and common policy making and may share resources including funds but with neither having

a shareholding in the other of 10 per cent or more. In such cases where neither is a direct investment enterprise of the other, the transactions could be treated as between related subsidiaries. These are not regarded as direct investment.

Resource-seeking FDI it is motivated by the availability of Natural resources, for example minerals, raw material and Agricultural products in host countries

Market-seeking FDI in developing countries shows the size and growth of host-country markets were among the most important FDI determinants

Efficiency-seeking FDI it is motivated by creating new sources of competitiveness for firms and strengthening existing ones, the intention of Efficiency-seeking firms is to take advantage of differences in cultures and institutional arrangements and economic system. Accordingly the competition for FDI would be based increasingly on cost differences between locations, the quality of infrastructures and business-related services, the ease of doing business and availability of skills.

Why Does FDI Matter?

Why does foreign direct investment matter to Economic development?

There are several reasons that foreign direct investment has a significant impact on Economic growth; this impact is magnified in a growing economy. In particular, foreign direct investment (FDI) impacts five variables – Domestic Investment, Technology, Employment generation and labour skills the Environment and Export competitives.

The rationale for increasing FDI

Foreign Direct Investment (FDI) flows are usually preferred over other forms of external finance because they are non-debt creating, non-volatile and their returns depend on the performance of the projects financed by the investors. FDI also facilitates International trade and transfer of knowledge, skills and technology. In a world of increased competition and rapid technological change, their complimentary and catalytic role can be very valuable.

India ranked 133 out of 183 countries in the list of Ease of doing Business according to the report co-published by World Bank and the International finance corporation.

India and China

From the stand point view of inter-sectoral economic growth, China is a fast industrializing country whereas India seems to be entering the post-industrial phase without having industrialized. We need to reverse the trend by stimulating industrialization, especially since it create more jobs and has greater multiplier effects

on the economy. This calls for far greater investments in infrastructure especially since civil projects such as dams, canals and building construction require not only large amounts of material such as steel and cement, but they will also employ large number of least skilled workers. The controlled growth of this segment of our population poses our greatest economic challenge and gainful employment is its only solution. Quite clearly government must spend less on itself and more for the people

Chinese GDP was lower than that of India in absolute terms in 1978 but caught up with India in the very next year. The size of Chinese economy (in 1991) now was 1.47 times that of India. In 2008, the size of Chinese economy now is 3.58 times that of India.

Growth rate; %	China	India
Pre-reform period(10years)	5.5	5.7
Post-reform period(10years)	10.1	5.9

Sources; world development Indicators, World Bank

It is clear indicates from the table given above that China has almost doubled the growth rate within the ten years period ever since it put itself on the economic reformation. Reformation measures that are initiated by China on Macro Economic level (globalization and liberalization) and desired volume of inward FDI flows have brought a great change on the economic growth unlike India which accounts for negligible marginal growth rate.

A study in contrasts: it's true both countries have transformed themselves after they embarked on the path of economical reform. But the transformations were entirely different. In 1980, the sect oral break up of China's economy was as follows; Agriculture 30%, Industry 49% and Services sector 21% as table given shows, over the next 20 years until 2003, the share of Agriculture fell while Industry and Service sector grew. Especially remarkable was the growth of Industry from 1990 to 2003, it grew from 42% to 53%.

The Indian sectoral picture makes for a study in contrast, while the share of Agriculture fell from over 40% to 23% from 1980 to 2003 it was not the Industry that took this share ; instead the Service sector become dominant sector contributing over half of India's income. This is a sharp contrast with China where over half the present income accrues from Industry.

I. Performance analysis of inward FDI flows in the Post-Liberalization period

Objectives of the Study

1 To study the Over-View of Global FDI Trend

2 To study the inward FDI Trend in China

3 To study the inward FDI Trend in India

4 To study the GDP Trend in China

5 To study the GDP Trend in India

6 whether there exists the relationship between inward FDI flow into India and India's Import

7 whether there exists the relationship between inward FDI flow into India and India's Export

8 whether there exists the relationship between inward FDI flow into India and India's Trade Openness

9 whether there exists the relationship between inward FDI flow into India and India's Gross domestic Product (GDP)

10 whether there exists the relationship between inward FDI flow into China and China's Import

11 whether there exists the relationship between inward FDI flow into China and China's Export

12 whether there exists the relationship between inward FDI flow into China and China's Trade Openness

13 whether there exists the relationship between inward FDI flow into China and China's Gross domestic Product (GDP)

14 whether there exists the relationship between inward FDI flow into World and World's Import

15 whether there exists the relationship between inward FDI flow into World and World's Export

16 whether there exists the relationship between inward FDI flow into World and World's Trade Openness

17 whether there exists the relationship between the percentage of inward FDI flow on India's GDP and the percentage of growth rate of India's GDP

18 whether there exists the relationship between the percentage of inward FDI flow on China's GDP and the percentage of growth rate of China's GDP

19 To predict the inward FDI flow into India If Trade Openness of India is 600000 US Million Dollar using equation $Y = a + bx$

20 To predict the GDP of India If the inward FDI flow into India is 45026 US Million Dollar using equation $Y = a + bx$

21 To predict the percentage of growth rate of India's GDP If the percentage of inward FDI flow on India's GDP is 12 Dollar using equation $Y = a + bx$

22 To predict the inward FDI flow into China If Trade Openness of China is 3000000 US Million Dollar using equation $Y = a + bx$

23 To predict the GDP of China If the inward FDI flow into China is 117745 US Million Dollar using equation Y = a + bx

24 To predict the percentage of growth rate of China's GDP If the percentage of inward FDI flow on China's GDP is 12 Dollar using equation Y = a + bx

Period of Study

The period of study consists of eighteen calendar years commencing from 1991 to 2008.

Source of Data

Data that are collected are secondary in nature. They are collected from the International Trade statistics 2008, IMF world economic outlook Data Base April 2009 & October 2009, fDi special report produced by fDi Intelligence (Published by FT Business financial times) World investment prospects survey 2009-2011-UNCTAD).

Analitical Tools used

Arithmetic Mean, Standard deviation, Coefficient of variation and Regression equation

Analysis and Interpretation

1. To study the Over-View of Global FDI Trend

The Annual average inward FDI into world is 780.312 U S Dollar in billions for the under study (from 1991 to 2008)

Inward FDI flow into World exhibited an upward trend for the under study (from 1991 to 2008) except from 2001 to 2003.

2. To study the inward FDI Trend in China

The Annual average inward FDI into China is 48.79 U S Dollar in billions for the under study (from 1991 to 2008) which accounts for 6.25 % of the total Annual average inward FDI into world is 780.312 U S Dollar in billions

Inward FDI flow into China exhibited a steady upward trend for the under study (from 1991 to 2008) except 1999.

3. To study the inward FDI Trend in India

The Annual average inward FDI into India is 7.46 U S Dollar in billions for the under study (from 1991 to 2008) which accounts for0.96 % of the total Annual average inward FDI into world and 15.29 % of the total Annual average inward FDI into China U S Dollar in billions. in other words, India gets the Two-Thirteenth of Chinese Annual average inward FDI into China.

Inward FDI flow into India exhibited a steady upward trend for the under study (from 1991 to 2008) except from 1998 to 1999 and 2003.

At the beginning of the period under study that is in the year 1991, India's inward FDI flow amounted

to 75 million U S Dollar in other words when India's inward FDI flow was **one** U S Dollar, Chinese was 58.21 U S Dollar in the year 1991.whereas At the end of the period under study that is in the year 2008, India's inward FDI flow amounts to 41554 million U S Dollar, in other words when India's inward FDI flow was **one** U S Dollar, Chinese is 2.66 U S Dollar in the year 2008.

The performance on inward FDI flow of china is taken as Bench mark performance

China has been leading in attracting lion share of inward FDI flow in the Asia-pacific region during the period under study, the performance on inward FDI flow of china is taken as bench mark performance for estimating the India's potentiality in attracting inward FDI flow as the performance of the best firm in the Industry becomes bench mark for the rest of the firms in the same Industry.

The Average of Annual inward FDI flow into India

The Average of Annual inward FDI flow into India is 7462.77 U S Dollar in million which accounts for 15.29 % of Chinese Average of Annual inward FDI flow which accounts for 48798.16 U S Dollar in million for the period under study. In other words, when India's Average of Annual inward FDI flow is **One** U S Dollar it is 6.33 U S Dollar that China gets and Average of Annual inward FDI flow into World is 104.56 U S Dollar for the period under study.

The Average of percentage of Annual inward FDI flow into China in terms of China's GDP The Average of percentage of Annual inward FDI flow into China in terms of China's GDP is 12.63 % whereas India and world, it accounts 4 % and 16.8 % respectively on this account. It indicates that India has to go a long way to reach out its potentiality as it is only 31.67 % in comparison with China on this account. In other words the World and China account for 3.18 times and 4.2 times greater than India respectively in terms of the Average of percentage of Annual inward FDI flow into India in terms of India GDP

China is in consistency in attracting the inward FDI flow

As the coefficient of variation of India, China and World are 69 %, 25 %and 40 % respectively. It clearly indicates that China more consistent than World and India in attracting the inward FDI flow into China in terms of China's GDP

6. whether there exists the relationship between inward FDI flow into India and India's Import

The relationship between inward FDI flow into India and India's Import is positively correlated to a greater extent.

7. whether there exists the relationship between inward FDI flow into India And India's Export

The relationship between inward FDI flow into India and India's Export is also positively correlated to a greater extent

8. whether there exists the relationship between inward FDI flow into India and India's Trade Openness

The relationship between inward FDI flow into India and India's Trade Openness is also positively correlated to a greater extent

9. whether there exists the relationship between inward FDI flow into India and India's Gross domestic Product (GDP)

The relationship between inward FDI flow into India and India's Gross domestic Product (GDP) is also positively correlated to a greater extent

10. whether there exists the relationship between inward FDI flow into China and China's Import

The relationship between inward FDI flow into China and China's Import is highly positive.

11. whether there exists the relationship between inward FDI flow into China and China's Export

The relationship between inward FDI flow into China and China's Export is also positively correlated to a great extent

12. whether there exists the relationship between inward FDI flow into China and China's Trade Openness

The relationship between inward FDI flow into China and China's Trade Openness is also positively correlated to a great extent

13. whether there exists the relationship between inward FDI flow into China and China's Gross domestic Product (GDP)

The relationship between inward FDI flow into China and China's Gross domestic Product (GDP) is also positively correlated to a great extent

14. whether there exists the relationship between inward FDI flow into World and World's Import

The relationship between inward FDI flow into World and World's Import is also positively correlated .

15. whether there exists the relationship between inward FDI flow into World and World's Export

The relationship between inward FDI flow into World and World's Export is also positively correlated.

16. whether there exists the relationship between inward FDI flow into World and World's Trade Openness

The relationship between inward FDI flow into World and World's Trade Openness is also positively correlated.

17. To study the GDP Trend in China

The GDP exhibits a steep upward trend during the period under study except the year 1994.In 1991, The China's GDP was higher than India's GDP by 32 % whereas in the year 2008, it is further higher than India's by 72.12 %.in other words when India earned GDP of One U S Dollar in 1991 and 2008, China earned 1.47 and 3.58 U S Dollar respectively. The China became trillion dollar economy even in the year 1998. The average GDP of China for the period under study is 1492356.5 million u s dollars.

18. To study the GDP Trend in India

The GDP exhibits a steep upward trend during the period under study. In 1991, The India's GDP was less than China's GDP by 32 % whereas in the year 2008, it is further less than China's by 72.12 %. The India became trillion dollar economy even in the year 2007. The average GDP of India for the period under study is 542434.944 million u s dollar which accounts for only 36 % of Chinese GDP. In other words, the average GDP of India is One U S Dollar for the period under study, Chinese GDP is 2.75 U S Dollar. India has caught up China in 2007 as it registered 9.7 and 9.9 percentage of the inward FDI flow on India's GDP in the 2007 and 2008 respectively and the percentages of inward FDI flow on China's GDP were 9.2 % and 8.7 % during the corresponding years.

19. Relationship between the percentages of inward FDI flow on India's GDP and the percentage of growth rate of India's GDP

The relationship between the percentages of inward FDI flow on India's GDP and the percentage of growth rate of India's GDP is positive correlated.

20. Relationship between the percentages of inward FDI flow on China's GDP and the percentage of growth rate of China's GDP

The relationship between the percentages of inward FDI flow on China's GDP and the percentage of growth rate of China's GDP is negatively correlated.

21. If Trade Openness of India is 600000 US Million Dollar

The inward FDI flows into India will be 45026 US Million Dollars using equation Y = a + bx

22. If the inward FDI flow into India are 45026 US Million Dollars

The GDP of India will be 1444818 US Million Dollars using Equation Y = a + bx

23. If the percentage of inward FDI flow on India's GDP is 12 percentages

The percentage of growth rate of India's GDP will be 10.27 % using Equation Y = a + bx

24. If Trade Openness of China is 3000000 US Million Dollar

The inward FDI flow into China will be 117745 US Million Dollar using Equation Y = a + bx

25. If the inward FDI flows into China are 117745 US Million Dollars

The GDP of China will be 4302925 US Million Dollar using Equation Y = a + bx

26 If the percentage of inward FDI flow on China's GDP is 12 percentages

The percentage of growth rate of China's GDP will be 10.58 % using Equation Y = a + bx

II. FDI Outlook for 2009 and Beyond

International production, under taken by multinational enterprises (MNEs), is the productive core of the globalizing world economy, FDI inflows grew from just $58m in 1982 to nearly $1000bn in 2005 and to more than $ 1400bn in 2008. The global stock of FDI is in excess of $15000bn. There are more than 80000 MNEs globally, with ownership stakes in more than 800000 foreign affiliates employing more than 82 million people. MNEs have sales of more than $30000bn, exports of more than $ 6000bn and account for about half of the world's total R&D expenditure and more than two-thirds of the world's business R&D.

Green field Investment has also grown rapidly, with a 50 % growth in projects and a doubling of capital from 2005 to 2008. in 2008, the new investment companies announced in foreign subsidiaries reached a record $15000bn. New jobs created by Greenfield investment projects also reached a record 4 million in 2008.

While global FDI flows have already declined by about 15% in 2008, responses by the largest TNCs to the survey indicate a further fall in their planned expenditure for 2009. Confronted by the consequences of the ongoing crisis, companies appeared very pessimistic about their overall business and investment outlook in the short term. They expressed concerns about the risks of additional financial shocks, a further deterioration of the global economic situation and a rise in protectionism. They thus intend to implement very cautious strategies regarding their FDI expenditures, either M&As and greenfields, and express a slightly rising interest in non-equity international expansion modes such as partnerships, outsourcing or licensing. (World investment prospects survey 2009-2011-UNCTAD).

Global Trends in FDI

Recession hits However, the global recession and financial crisis had brought these impressive

growth figures to an abrupt halt. FDI declined by 21 % in 2008 to $140bn and the Economist Intelligence Unit forecasts a further 49 % decline in FDI flows in 2009. The decline is driven by primarily by the fall in crossborder mergers and acquisitions (M&A).The financial crisis is restricting the ability of firms to finance them so the value of M&A will be lower in 2009 as share prices- and hence the values of companies- have declined, depressing the value of FDI flows.

Impact of Recession and Financial Crisis on FDI sectors, 2009 forecast :

RESILIENT SECTORS	DECLINING SECTORS
Renewable energy	Automotive
Healthcare	Chemicals
Food and beverages	Electronics
Aerospace	Textiles
Professional services	Communications
Coal, oil, natural gas	Real estate
Headquarters	plastics and rubber

FDI Market

The analysis of Destination Markets indicates How the Global FDI market has transformed in recent years. In 2008, Asia–Pacific was leading the region for FDI, accounting for 30 % of global FDI Projects, 29 % of capital of Investment and 36 %of global jobs, while FDI levels are still relatively low compared to the other regions of the world, FDI in Latin America, and the Caribbean, Middle East and Africa boomed in 2008, the number of FDI Projects recorded in Africa nearly doubled. (Refer Table-3)

The global recession is hastening the shift of focus to Developing countries as they remain the only source of growth in the world Economy. At the same time, that these countries have become key destinations for FDI.

Role of Government in FDI

The Indian government has put in place a liberal and investor- friendly policy on FDI under which FDI up to 100% is permitted on the Automatic route in most sectors/activities, including infrastructure and Research and Development (R&D). The UNCTAD world investor report (WIR) 2007&2008; in their analysis of the global trends and sustained growth of FDI inflows; have reported India as the second most attractive location for 2007-2009. India has retained the place that is A.T Kearney's 2007 FDI Confidence Index, a position it held since 2005. Government has also announced a slew of measures to accelerate demand in the economy which would enable India to continue as an attractive destination under the liberalized economic environment, investment decisions of investor are based on the Macro-economic frame work, investment climate in the state investment policies of the Transnational corporations and other commercial considerations.

The Government continues to make efforts to increase economic cooperation with the developing as well as developed countries through different for a such as joint commission/joint committees, other bilateral channels like interactions with the delegations visiting the country and organizing visits abroad for discussions on issues of national interests and business/ investment meets between India foreign entrepreneurs to stimulate foreign investment into India. The department of Industrial policy and promotion (DIPP) also participates in discussions covering industrial cooperation organized by other ministries and department of Government of India and joint business councils meeting

The Government also undertakes investment promotion activities through organization of "**Destination India**" and "**Invest India**" events in various countries with FDI potential to create awareness about the investment climate and opportunities in India, as well as to provide support to potential investors.

Policy makers estimate that to sustain high growth rates India will need massive investment in the five year period to march 2012, including $500 billion in infrastructure, to sustain high growth rates. In January 2009 India raised FDI limits in petroleum refinery, Aviation, Commodity Exchange, Credit information companies and mining of some precious metals to attract more capital and boost growth in these sectors. Government has plan increase the FDI limit to 49% on Insurance sector and Retail Trade is yet to be opened for. The Government is in the process of fine tuning FDI rules in order to make more attractive as FDI Destination.

India goes down to third spot in FDI ranking.

India has dropped to third place in global FDI the year following the economic melt down, but will continue to remain among the Top five attractive destinations for International investors during the next two years, UNCTAD (United Nations Conference on Trade and Development) in a report on world investment prospects. Last year, thanks to a surge in investments by Chinese Indian companies, who acquired several American sick firms. However, Overall FDI prospects for India remain buoyant, says James Zhan, a senior official and one of the authors of the latest report, "India will remain among the Top five destinations," said Zhan, suggesting that the BRIC countries will hog most of the investment flows once FDI growth starts picking up after 2010. The report titled, World investment prospects survey 2009-2011-UNCTAD has listed FDI prospects by Industry, particularly the "Business- cycle- sensitive" Industries such as Automotives and other Transport materials metal, non-metal products and Chemicals.

India is in second place in the Top five Destination countries in Asia-Pacific, 2008

While China is the lead in the Top five Destination countries in Asia-Pacific, 2008 in attracting inward FDI flow in terms of the Total number of Projects, Capital of Investment and Number of New Jobs created, that is 1483 Projects, 124 $ Billion US Dollar Capital of Investment and 483241 New jobs which accounts for 29 %, 26 %and 32% respectively, India is in second place with 958 Projects, 78 $ Billion US Dollar Capital of Investment and 345073 New jobs which accounts for 18 %, 16 %and 23 % respectively.(Refer Table-5)

The top emerging markets is also clear at City level in 2008, for the first time, Dubai become the number one City in the world for FDI, usurping London, Shanghai and Beijing were also among the Top five cities, the importance of Cities as growth poles of the global Economy is indicated by the fact that Top cities attracted 8 % of the global FDI Projects. The urbanization taking place, foremost in Africa but also in China and Latin America, is likely to lead to cities from developing countries rapidly rising in the ranks of the leading FDI locations in the world.(Refer Table-8)

Industry trends

The 2008 review also examines FDI trends by Industry; it reveals the shift of the global FDI market to services, reflecting the wider shift in the world economy. For the first time, **Financial services** over took software and IT services to become the leading sector for FDI. These sector, combined with business services, account for 27 % of global FDI Projects more than 23 % share accounted for by manufacturing Projects. .(Refer Table-8)

Manufacturing Projects have declined sharply from their peak of 34 % of FDI Projects in 2003. the growth of emerging Industry, in particular environmental Technologies, is also key Trend, with the number of FDI Projects in alternative and renewable energy increasing 10-fold from 2003 to 2008.

Overall, the key Trend and main drivers of the FDI market include the shift to developing countries and rapidly urbanizing cities, and to services sectors and the emerging environmental Technologies sectors.

In 2008, Asia-Pacific remained the Top Location for FDI but Africa achieved the highest annual growth and Dubai edged forward to become the Top Destination city.

Global FDI Projects increased by 30 % in 2008, and in line with previous years.

Asia- Pacific received the largest proportion of Projects, $ 473 bn in investment and nearly 1.5 million new jobs during 2008. the region accounted for 33 % of total FDI Projects 31 % of capital investments and 37 % of new jobs created through FDI. .(Refer Table-8)

China dominates

China attracted 1483 FDI projects, $124 bn in investment and nearly 500000 new jobs, far out-weighing all other destination countries. In terms of global market share,

China received 10 % of new projects, 8 % of capital investment and 12 % of new jobs created in 2008. Although China continues in its dominance and growth, It has experienced a slowdown, with below- average annual growth for all indicators - 25 % in projects numbers, 28 % in capital investment and 22 % in jobs created compared with 30 % , 56 % and 37 %, average global growth respectively.(Refer Table-8)

The Top five destinations countries together accounted for nearly one-Third of the total global FDI projects. Each of the Top five countries experienced an increase in the number of projects during 2008; however, in terms of proportional growth India achieved the largest year - on - year growth of 39 %.

Of the Top 20 destination countries, Hungary and Romania had declines in the number of projects recorded in 2008 compared with 2007, Thailand achieved the highest annual growth of the Top 20 destination countries, with a 168 % growth project numbers.

In terms of capital investment the U K, Indonesia, the Arab Emirates, Brazil and Nigeria all showed impressive increases between 2007 and 2008. Saudi Arabia and Singapore on the other hand, showed a decline in capital investment through FDI despite receiving more projects.

In terms of new jobs created, each of the Top five countries showed positive growth, with Russia displaying the largest yearly increase of 46 % of the Top 20 destination countries Vietnam, Philippines and Bulgaria exhibited negative growth.

Dubai overtakes

For the first time since data collection began 2003, Dubai become the Top destination city by number of FDI Projects and capital in investment, growing by an impressive 51 % and 122 % respectively, between 2007 and 2008 and racing past Shanghai and London to take the Top spot..(Refer Table-7)

Shanghai, although still a strong global competitor, showed very weak growth of a mere 6 % in number of projects and 3 % in job created while the global picture was an average growth of 30 % and 37 % respectively. London continued to grow in 2008, albeit at a slower pace than Dubai.

Bucharest was the shining star in terms of job creation in 2008, creating 86173 new jobs, accounting for 2 % of jobs created globally and growing 130 % year - on – year.

The Top five destination cities accounted for 8 % of the total number of FDI projects, 5 % of total

capital expenditure and 7 % of total new jobs created globally in 2008.

Chennai is in the thirdplace in the top five destination cities in Asia-Pacific, 2008

Chennai is in the third in the Top five Destination Cities in Asia-Pacific, 2008 in attracting inward FDI flow in terms of the Capital of Investment and Number of New Jobs created, that is 7 $ Billion US Dollar Capital of Investment and 30535 New jobs while Shanghai and Beijing are in the first and second, ahead of Chennai in terms of the Capital of Investment and Number of New Jobs created, that is 16 $ Billion US Dollar Capital of Investment and 48605 New jobs and 11 $ Billion US Dollar Capital of Investment and 43934 New jobs respectively. Bangalore is in fourth in attracting inward FDI flow in terms of 104 Projects while Shanghai, Beijing and Singapore are in the first, second and third, ahead of Bangalore in terms of 267, 206 and 124 Projects respectively. (Refer Table-9)

Finance to the fore

Software and IT services, the most popular FDI sector with regards to Project numbers for the past four years, was relegated to second spot in 2008 by financial services.

Since 2003, Software and IT services has been the leading sector in terms of FDI Projects numbers. For the first time since then, financial services claimed the Top spot in 2008 for Project numbers, accounting for 10 % of all the FDI. This is primarily due to a vast increase of 38 % 0n 2007 numbers in the financial sector, compared with a 3 % in numbers in the IT sector.

The Top five sectors accounted for 38 % 0f all the FDI projects set up in 2008. the share was made up of 5863 Projects and $ 397.9 bn in capital investment and resulted in creation of more than 1.5 million jobs.

Although the finance services sector come out on Top in terms of Project number in 2008, Coal, Oil and Natural Gas Topped the capital investment rankings. This is directly related to the high cost of setting up these types of Projects due to Land Cost, Machinery Cost and availability of these scarce resources. In descending order, real estate, Food and Tobacco, and metals ranked Top by number of jobs created due to labours – intensive activities.(Refer Table-10)

Call-centre drop: An interesting pattern in 2008 is the fall of FDI Projects in the areas of Call-Centre activities (Customer contact centres and shared services Centres). FDI Projects numbers, Capital Investment and Jobs created have all declined in this activity. There could be two possible explanations for this.

First, until 2006/07 there was a large rise in FDI in the setting up of Call-Centre activities; 2008 could simply be lull after boom. Second, more stories

are coming to fore-front that customers prefer to talk to a 'local' when calling help lines. This has prompted some companies to favour customer satisfaction over low-cost facilities, so these companies are bringing Call-Centre operations 'back home'. For example, in 2008 Orange announced that it was shifting its Indian call centres back to the UK.

FDI trends in india

In-bound foreign direct investment (FDI) has picked up in the first quarter of 2009/10 touching $9.5 billion, which is more than what came in over the six months between October 2008 and March 2009.However, it is less than $11.9 billion that poured into the country in the first three months of 2008/09. it is expected that FDI inflows will be sustained through the balance period of the year to aggregate $37 billion in 2009/10, which is higher than in the previous year. Outbound FDI in the current fiscal is projected to be $14 billion, which is less than last year

Country – wise Foreign technology transfer approvals

It is U S A which ranks the first place in the list of Top five Countries' Country – wise Foreign Technology Transfer Approvals in achieving 1823 number of Technical collaboration approved out of 8060 (number of cumulative approvals From August 1991 to April 2009) which account for 22.62 %, followed by Germany, Japan, U K, Italy and other Countries account for 13.82 %, 10.89 %, 10.82 %, 6.03 % and 35.82 % respectively.

Sector – wise Foreign technology transfer approvals

It is Electrical Equipments (including computer software & Electronics) which Tops the list of Top five sector' Sector – wise Foreign Technology Transfer Approvals in achieving 1259 number of Technical collaboration approved out of 8060 (number of cumulative approvals From August 1991 to April 2009) which account for 15.62 %, followed by Chemicals(other than fertilizer), Industrials Machinery, Transportation Industry, Misc. Mach. Engineering Industry and other sector account for 11.20 %, 10.82 %, 10.89 %, 9.37 %, 5.51 % and 47.48 % respectively.

State–wise Foreign technology transfer approvals

It is Tamil Nadu which occupies the second place in the list of Top five States' State – wise Foreign Technology Transfer Approvals in achieving 678 number of Technical collaboration approved out of 8060 (number of cumulative approvals From August 1991 to April 2009) which account for 8.41 % after Maharashtra which accounts for 17.24 % with 1390 approvals, followed by Gujarat, Karnataka, Haryana and other states account for 7.83 %, 6.52 %, 4.55 %, and 55.45 % respectively.

Country–wise Foreign technology transfer approvals

It is U S A which occupies the first place in the list of Top five Countries' Country – wise Foreign Technology Transfer Approvals in achieving 1823 number of Technical collaboration approved out of 8060 (number of cumulative approvals From August 1991 to April 2009) which account for 22.62 %, followed by Germany, Japan, U K, Italy and other Countries account for 13.82 %, 10.89 %, 10.82 %, 6.03 % and 35.82 % respectively.

Statement on country wise for FDI inflows

(From April 2000 to June 2009)

It is Mauritius which occupies the first place in the list of Top ten Countries' Country – wise FDI inflows (cumulative FDI inflows From April 2000 to June 2009) in the receipt of amount Rs.1,777,837.33 million (40,233.77 U S $ in million) which accounts for 44.08 %, followed by Singapore , U S A, U K, Netherlands, Japan, Cyprus, Germany, France and U.A.E account for 8.84 %, 7.90 %, 5.30 %, 4.17 %, 3.35 % 3.07 % 2.69 % 1.45 % and 1.18 % respectively.

Sector – wise FDI inflows: (from April 2000 to June 2009)

It is Services Sector which Tops the list of Top Ten sector' Sector – wise FDI inflows in attracting Rs.934,959.28 million (21,103.34 U S $ in Million) which account for 23.18 %, followed by computer software & Hardware, Telecommunications, Housing and Real Estate(including Cineplex, Multiplex, Integrated Townships & Commercial complexes etc.), Construction Activities, Automobile Industry, Power, Metallurgical Industries, Petroleum Natural Gas and Chemicals(other than fertilizer) account for 10.08 %, 7.87 %, 7.32 %, 6.32 %, 4.06 %, 3.70 %, 2.94 %, 2.75 % and 2.46 % respectively.

FDI trends in Tamil Nadu

Tamil Nadu has emerged as the third largest economy in India and its current GDP is well over US$23 billion (at official exchange rate) or US$100 billion based Purchasing Power Parity method. The average growth rate of Tamil Nadu economy has been around 6-7 percent per year, consistently above the all-India average. Tamil Nadu has emerged as a major recipient of investments, Tamil Nadu has become one of the most favored investment destinations particularly FDI.

The state has many inherent strengths and competitive advantages to offer to investors.Tamil Nadu has a strong and stable government with pro-active government policies. It facilitates the creation of foreign and local ventures thanks to an investor-friendly and transparent decision-making process, sound diversified industrial infrastructure, comfortable power situation, abundant availability

of skilled manpower, harmonious industrial relations and absence of labor unrest, high quality of work culture and peaceful life, best incentives package in the country, highly cosmopolitan in its composition and English is spoken with considerable fluency in the State The automobile industry has undergone a dramatic transformation in the recent past in Tamil Nadu and in India as a whole. A range of new players across all the segments-passenger cars, commercial vehicles and two-wheelers have vastly expanded the size of the industry and choice to the consumers. Passenger car segment witnessed a great deal of excitement with the entry first of Suzuki and later Daewoo, Peugeot, Fiat Uno, GM, Mercedes and Ford. Projects of Hyundai, Mitsubishi and Toyota are under implementation. Although the impressive rate of expansion of the industry did slow down in last years of the past century prospects of the auto industry are indeed bright. Responding to the projected growth of the industry, the auto components sector has increased its production from Rs.120 billion in 1996-97 to Rs.230 billion by the year 2000 to meet the requirements of the domestic as well as export markets. For achieving this level of production the investments in the sector have expanded from Rs.60 billions (1996-97) to Rs.100 billion by the turn of the century. With the introduction of the new generation vehicles, several tie-ups with foreign companies have been put in place for substantial upgrading of technology of the components industry. The sub-sectors which have attracted foreign technology and investment have been automotive electronics, casting and forging, precision electric parts and components, interior and exterior trims, decorative plastics,

Complete systems and assemblies, safety and environment related equipment. With vehicle manufacturers from abroad planning to develop Indian component Vendors for global sourcing, in view of India's competitive advantages, technology upgrading has become an imperative for the industry. In fact, sustained annual export growth of 20-25 percent is anticipated and annual exports are targeted to reach Rs.35 billion within 5 years from the turn of the century. Tamil Nadu stands ready to benefit from this increased investment.

Tamil Nadu has attracted many major, highly-rated automobile components manufacturing facilities. Recent entry of automobile manufacturers like Ford and Hyundai has only further reinforced the trends and this sub-sector is expected to attract huge investments for expansion, diversification and technology upgrading.

Even a dedicated Park for automotive components is in the works. With Ford, Hyundai Motors & HM-Mitsubishi car Projects Chennai , the Ideal Location for Automotive projects - Ford Motors, Hyundai & Mitsubishi car projects, SAME tractor project &

expansion of TAFE, Ashok Leyland - IVECO truck project, etc., have set up mother plants .Component projects namely Engine management systems, Automotive security devices, Plastic & rubber moulded components, Die-cast products & Auto horns have excellent potential in the state.

Ready- made garments including knitted and woven garments sector is the biggest

Earner of net foreign exchange for India; nearly $5.0 billion exports account for around 15% of the country's total exports. The rate of growth of the sector continuous to be robust on the strength of the country's core competencies: low labor cost, local availability of a variety of yarns and fabrics specifically cotton and a vast pool of entrepreneurial talents. Most of India's exports are low to medium quality cotton-based madeups; high value or high- fashion garments account for only a limited share. Average unit value realisation of garment exports is about $4.5. USA is the largest market for Indian Garments followed by Germany, UK and France. Again, Tamil Nadu is a major player in the country's garment export business. Tirupur, a small town in Tamil Nadu, accounts for a significant share in India's exports of knitted cotton garments.

Chennai Centre of National Institute of Fashion Technology could provide institutional leadership to promote design- intensive, high- value garments.

Tamil Nadu has a rich resource endowment. Fruits such as mango, banana, citrus and vegetables & spices are abundantly available. Food Processing & Floriculture have been identified as thrust sectors by the state government for special incentives. Potential Projects in this sector are (i) 100% EOU Chicken Processing Project (ii) Freeze-dried food products (iii) Integrated Floriculture Project (iv) Cold Chain (v) Food irradiation facility.

The government is establishing a biotech park in Chennai to tap the abundant availability of highly skilled manpower in biotechnology & biochemistry from eminent institutions. Furthermore, the state is very rich in herbs and a major exporter of herbal products to Europe, East Asia, and the United States.

Tamil Nadu has scope in pharmaceuticals as well. Orchid Pharmaceuticals is the

third largest manufacturer of sterile cephlosporin, Dadha Pharma, Malladi, Citadel, and other companies have set up in Tamil Nadu. Tamil Nadu is the ideal location for (i) Contract manufacturing (ii) Global sourcing base(iii) Process engineering for Products going off patents (iv) Manufacture of Generic and other bulk drugs and special formulations.

FDI in Tamil Nadu is dominated by investments in the IT sector. Chennai and the Tamil Nadu region

as a whole have been attractive host sites for FDI for the past decade. Although Chennai must compete with Silicon City in Bangalore and Cyberabad in Hyderabad, Chennai has highly skilled IT workers who attract investors despite being a in the areas of software design, computerized services such as call centers, accounting etc. Tamil Nadu is now well positioned amongst the southern states of India to be a major site for IT-related investment in the decades to come. Other papers from the Center for International Development at Harvard University have highlighted the role of the state in promoting computer education, computer-based government services and assistance to the private sector (Bajpai, and Ramachandran and Goebel, 2001). Chennai has emerged as a major hub of software development in the count ry and has the potential to become an IT corridor to South East Asia. The State has also a fair share of electronics manufacture and assembling.

Chennai ranks *first* among Indian cities in terms of technology exposure & responsiveness by Business World survey, 1999. NASSCOM rates Chennai the ideal location for software projects in India. Tamil Nadu registered the fastest and highest growth rate in software exports- almost 800 percent in 1998-2001 - from Rs.4.00 billion to Rs.31.2 billion. Chennai is a major producer of software professionals in India and has largest mainframe capacity in Asia. Companies such as Alcatel, TCS, Ramco, Pentafour, Cognizant, Singapore Airlines, EDS, Infosys, etc.and MNCs like Matsushita have set up their base in Chennai. Opportunities for Investment in Software Centres is well -facilitated with New Investor-friendly IT Policy. More than 760 Companies are operational with over 35,000 professionals employed. Built- up office space already occupied by software industry in Chennai is over1.6million sq.feet. While estimates show that India produces the second largest number of IT professionals in the world, Tamil Nadu stays ahead of other states in producing the highest number of engineering undergraduates per year in the country (40,000 students are registered as engineering undergraduates, of which, 20,000 are enrolled in IT -related disciplines). With the software industry booming, the software and services sector in India is expected to attract foreign direct investment (FDI) of $4-5 billion by 2008. Tamil Nadu was one of the first states in the country to announce a distinct IT Policy (as early as November 1997). In addition, the state government is helping software companies by giving them an uninterrupted power supply, land area at

subsidized rates and exemption from pollution control regulations. It has also liberalized the floor space index (FSI) in prominent cities to 50 percent for IT parks, thereby promoting the growth of new enterprises in this area. Of the Rs.24,350 crore Indian software market in 1999-2000, export revenues have touched Rs.17,150 crore, of which

software exports from Tamil Nadu have increased to Rs.1,890 crore as compared to Rs.1,246 crore during the previous year. Tamil Nadu exports are about 11-12 per cent of the overall market. If this is used as a proxy for the size of the IT industry, it is second only to Karnataka and about twice as large as Andhra Pradesh. Also, the number of software exporting companies in the state has surged to 596 units. Certain areas of exports are particularly important to the state. Services such as medical transcription, call centers, and GIS mapping are crucial components of the IT industry. The Indian IT-enabled services market grew by 66 per cent (Rs.4,000 crore) during the year 2000-2001, according to a Nasscom survey. Coimbatore, according to available data, is emerging as the largest medical transcription facility in the country. The following table describes the cost structure for a new company in Chennai:

Statement on rbi's regional offices (with state covered) received FDI equity inflows (from April 2000 to June 2009)

Regional office RBI at Chennai (covering Tamil Nadu State and Pondicherry U T) reports that Chennai is in fifth place in the receipt of FDI equity inflows amounts to Rs.22,198.78 crores(4,955.78 U S $) which accounts for 5.50 % whereas, the Mumbai covering (Maharashtra, Dadra & Nagar Haveli, Daman & Diu), New Delhi covering (Delhi, part of U P and Haryana),Bangalore covering (Karnataka)and Ahmadabad covering(Gujarat) are ahead of Chennai which account for 37.05 %, 16.94 %, 6.60 %, and 6.27 % respectively.

Implication of study

(1) The economic indicators such as Import, Export, Trade Openness and Gross Domestic Product (GDP) that are taken for study and inward FDI flow of host country are positively correlated to a greater extent.

(2) The Import, Export, Trade Openness and Gross Domestic Product (GDP) (economic indicators) are identified as determinants which attracts inward FDI flow of host country besides other determinants.

(3) These determinants that are indentified under this study would form a basis for evolving a Mathematical Model that forecast the future inward FDI flow into Host country.

(4) The world investment and prospect report 2010-2011 indicates that FDI projects on Business services are the key to woo inward FDI flows.

(5) fDi special report on fDi outlook for 2009 identifies that Financial services followed by Software and IT services, and Business services are top three sectors that would attract Global FDI inflows in 2009 and Beyond.

(6) Policy makers in India should see that Efficiency-seeking FDI inflows be attracted so that

industrialization can be achieved to make industry leading contributor of our GDP and Employment

(7) since the service sector is the major contributor of GDP in India, Services Sector is potential enough to take advantage of the Key Trend and main drivers of the FDI Market include the shift to developing countries and rapidly Urbanizing Cities, and to Services Sector and the Emerging environmental technology sectors.

(8) The Business activity on Manufacturing, Sales marketing and support and business services are the one that would attract global FDI inflows.

(9) India has been having adverse Balance of Trade since 1991 unlike China which has been having Favorable Balance of Trade during the corresponding period except in1993, the Export-oriented Efficiency-seeking FDI inflows is the need of the hour to promote competitiveness in Export.

(10) Since the Degree of Urbanization is directly proportionate to the amount of inward FDI flow, rapidity in the process of Urbanization of Chennai, Coimbatore, Tripur, Madurai and salem district on the part of State Government, can make them poles of global economy on par with Dubai, Shanghai and Beijing

(11) India has reached its potentiality in terms of percentage of the inward FDI flow on India's GDP when India registered 9.7 and 9.9 percentage of the inward FDI flow on India's GDP in the 2007 and 2008 respectively and the percentages of inward FDI flow on China's GDP were 9.2 % and 8.7 % during the corresponding years.

Conclusion

It is hoped that the insightedness and suggestions derived on this study and recommendations to Policy-makers that has evolved out of this study will go a long way in constructing a model for economic development considering the prospects of inward FDI flow that emerges in the years to come, India reaches its potentiality quickly in attracting FDI inflows qualitatively and quantitatively and thereby economic development without diluting the triple objectives of expansion, inclusion and excellence what has been adapted for the 11th plan.

Transition of a economy from Agriculture sector to Industrial sector and from Industrial sector to services sector is an evolutionary process. This is how a economy can achieve inclusiveness, expansiveness and excellent growth of economy. But transition of Indian economy from Agriculture sector to Services sector can attract global FDI inflows in relation to the manufacturing activity and thereby accelerate Industrial development

Terminology defined

1. **The Average of Annual inward FDI flow into world** = Inward FDI flow into world /18 years

2. **The Average of Annual inward FDI flow into China** =Inward FDI flow into China /18 years

3. **The Average of Annual inward FDI flow into India** = Inward FDI flow into India /18 years

4. **The percentage of Annual inward FDI flow into World in terms of World's GDP** = Annual inward FDI flow into World in U S Dollar in million/ Annual World 's GDP in U S Dollar in million * 100

5. **The Average of percentage of Annual inward FDI flow into World in terms of World's GDP** = the sum total of all those eighteen years' of the percentage of Annual inward FDI flow into World in U S Dollar in million period under study / 18 years

6. **The percentage of Annual inward FDI flow into China in terms of China's GDP** = Annual inward FDI flow into China in U S Dollar in million/ Annual China's GDP in U S Dollar in million * 100

7. **The Average of percentage of Annual inward FDI flow into China in terms of China's GDP** = the sum total of all those eighteen years' of the percentage of Annual inward FDI flow into China in U S Dollar in million period under study / 18 years

8. **The percentage of Annual inward FDI flow into India in terms of India's GDP** = Annual inward FDI flow into India in U S Dollar in million/ Annual India's GDP in U S Dollar in million * 100

9. **The Average of percentage of Annual inward FDI flow into India in terms of India's GDP** = the sum total of all those eighteen years' of the percentage of Annual inward FDI flow into India in U S Dollar in million period under study / 18 years

Bibliography

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Appendix

Table 1

Showing correlation anlysis between annual inward FDI flow and import, export, trade openness and GDP

	IMPORT	EXPORT	TRADE OPENNESS	GDP	GDP RATE %
INDIA – FDI	0.97	0.95	0.96	0.93	-
CHINA – FDI	0.92	0.92	0.92	0.95	-
WORLD – FDI	0.87	0.87	0.87	N.A	-
% FDI on GDP- India	-	-	-	-	.66
% of FDI on GDP- China	-	-	-	-	-.60
% FDI on GDP- World	-	-	-	-	.45

GLOBAL FIGURES

FDI INFO

TOTAL PROJECTS	15551
TOTAL CAPEX ($bn)	1509
TOTAL JOBS CREATED	3992471
TOP SECTOR	FINANCIAL SERVICES
TOP INVESTOR	IBM (72 PROJECTS)

Source: fDi Markets

Table 2

Breakdown by source world region, 2008

DESTINATION REGION	TOTAL PROJECTS	CAPEX ($bn)	NEW JOBS CREATED
Western Europe	7231	582	1670687
North America	3764	318	797311
Asia-Pacific	2880	315	910136
Rest of Europe	638	193	166755
Middle East	576	56	345530
Latin America &Caribbean	270	26	64127
Africa	192	18	37925
Total	15551	1509	3992471

Source: fDi Markets

Table 3

Breakdown by destination world region, 2008

SOURCE REGION	TOTAL PROJECTS	CAPEX ($bn)	NEW JOBS CREATED
Asia-Pacific	5066	473	1494798
Western Europe	3921	215	464893
Rest of Europe	2525	215	923334
North America	1144	108	152557
Latin America &Caribbean	1106	124	416606
Middle East	969	154	237068
Africa	820	220	303215
Total	15551	1509	3992471

Source: fDi Markets

Table 4

Top five global source countries, 2008

SOURCE COUNTRY	TOTAL PROJECTS	SOURCE COUNTRY	CAPEX ($bn)	SOURCE COUNTRY	NEW JOBS CREATED
US	3448	US	237	US	733669
Germany	1431	UAE	108	Germany	287148
UK	1298	UK	108	UK	271139
Japan	1065	Germany	92	Japan	257183
France	986	Japan	87	France	224287

Source: fDi Markets

Table 5

Top five global destination countries, 2008

DESTINATION COUNTRY	TOTAL PROJECTS	DESTINATION COUNTRY	CAPEX ($bn)	DESTINATION COUNTRY	NEW JOBS CREATED
China	1483	China	124	China	483241
India	958	US	90	India	345073
US	931	India	78	Russia	255619
UK	845	Russia	62	Romania	213690
France	668	Vietnam	60	Vietnam	171410

Source: fDi Markets

Table 6

Top five global source cities, 2008

SOURCE CITY	TOTAL PROJECTS	SOURCE CITY	CAPEX ($bn)	SOURCE CITY	NEW JOBS CREATED
London	727	Paris	68	Paris	153368
Paris	658	London	68	London	148789
Tokyo	611	Tokyo	58	Tokyo	139124
New York	391	Abu Dhabi	57	New York	92321
Dubai	181	Calgary	41	Vienna	91272

Source: fDi Markets

Table 7

Top five global destination cities, 2008

DESTINATION CITY	TOTAL PROJECTS	DESTINATION CITY	CAPEX ($bn)	DESTINATION CITY	NEW JOBS CREATED
Dubai	342	Dubai	21	Bucharest	86173
London	287	London	17	Dubai	58161
Shanghai	264	Shanghai	16	Shanghai	48605
Beijing	206	Tunis	15	Moscow	44985
Paris	190	Bucharest	13	St Petersburg	44558

Source: fDi Markets

ASIA-PACIFIC FIGURES

FDI INFLOWS

TOTAL PROJECTS	5066
TOTAL CAPEX ($bn)	473
TOTAL JOBS CREATED	1494798
TOP SECTOR	FINANCIAL SERVICES
TOP INVESTOR	GENERAL ELECTRIC (30 PROJECTS)

Table 8

Top five destination countries in Asia-Pacific, 2008

DESTINATION COUNTRY	TOTAL PROJECTS	DESTINATION COUNTRY	CAPEX ($bn)	DESTINATION COUNTRY	NEW JOBS CREATED
China	1483	China	124	China	483241
India	958	India	78	India	345073
Vietnam	347	Vietnam	60	Vietnam	171410
Thailand	327	Indonesia	38	Thailand	64803
Singapore	290	Australia	28	Malaysia	58298
Other	1661	Other	145	Other	371973
Total	5066	Total	473	Total	1494798

Source: fDi Markets

Table 9

Top five destination cities in Asia-Pacific, 2008

DESTINATION CITY	TOTAL PROJECTS	DESTINATION CITY	CAPEX ($bn)	DESTINATION CITY	NEW JOBS CREATED
Shanghai	264	Shanghai	16	Shanghai	48605
Beijing	206	Beijing	11	Beijing	43934
Singapore	124	Chennai	7	Chennai	30535
Bangalore	104	Tianjin	7	Tianjin	28701
Mumbai	90	Makassar	7	Makassar	24890

Source: fDi Markets

TABLE- 10
Global FDI, top 15 sector analysis, 2008

	SECTOR	TOTAL PROJECTS	CAPEX ($bn)	NEW JOBS CREATED
1	Financial services	1568	55.92	156676
2	Software and IT services	1476	25.07	136593
3	Business services	1158	11.59	91373
4	Real estate	880	287.91	1088050
5	Industrial machinery, equipment and tools	781	17.43	103394
6	textiles	757	13.9	126241
7	Food and tobacco	708	32.5	255104
8	Consumer products	592	26.2	201231
9	Communication	582	26.75	67131
10	Metals	581	118.91	220322
11	Coal, oil and natural gas	556	358.63	139322
12	Hotels and tourism	553	59.63	149023
13	Transportation	548	49.95	86784
14	Electronic components	463	27.75	154544
15	Automotive components	437	17.06	104884
	Other	3911	379.3	911799
	Overall total	15551	1508.50	3992471

TABLE -11
Global FDI business activity analysis, 2008

	BUSINESS ACTIVITY	TOTAL PROJECTS	CAPEX ($bn)	NEW JOBS CREATED
1	Manufacturing	3628	489.6	1342147
2	Sales, Marketing and support	3268	56.01	168615
3	Business services	2356	54.23	115895
4	Retail	1596	57.05	439546
5	Construction	1207	362.76	1258275
6	Logistics, distribution and transportation	705	113.92	171253
7	Design, development and testing	578	16.09	103912
8	Headquarters	504	11.72	52833
9	Electricity	341	159.81	33809
10	Extraction	323	143.39	127389
11	Research and Development	225	7.21	22599
12	ICT AND Internet infrastructure	221	27.89	29040
13	Education and training	178	2.01	8923
14	Customer contact services	118	0.97	49334
15	Maintenance and servicing	138	2.08	15246
16	Technical support centre	72	1.33	28202
17	Shared services centre	53	0.8	22210
18	Recycling	40	1.64	3243
	Overall total	15551	1508.50	3992471

Table -12
Number of companies in major developed and emerging markets by sector, 2009

Sl No.	Country	Software & IT services	Automotivecomponents	Chemicals
1	Brazil	73480	6270	20635
2	Canada	19207	869	3489
3	China	27840	24488	82532
4	France	35508	829	5452
5	Germany	97127	3325	10128
6	India	39190	8763	28282
7	Italy	65604	2863	9815
8	Japan	101039	11155	17969
9	Mexico	4590	1715	4839
10	Russia	215722	5356	29952
11	Spain	27155	1580	6084
12	Turkey	892	5083	8145
13	UK	140310	2150	6987
14	US	415101	11248	43324

TABLE 13

Showing forecast of FDI and GDP using Y = A+BX

IF TRADE OPENNESS OF INDIA IS 600000 US DOLLAR MILLION	THE INWARD FDI FLOW IS 45026 US DOLLAR IN MILLION
IF INWARD FDI FLOW INTO INDIA IS 45026 US DOLLAR MILLION	THE GDP IS 1444818 US DOLLAR IN MILLION
IF THE PERCENTAGE OF FDI INTO INDIA ON GDP IS 12	THE PERCENTAGE OF GDP WILL BE 10.27
IF TRADE OPENNESS OF CHINA IS 3000000 US DOLLAR MILLION	THE INWARD FDI FLOW IS 117745 US DOLLAR IN MILLION
IF INWARD FDI FLOW INTO CHINA IS 117745 US DOLLAR MILLION	THE GDP IS 4302925 US DOLLAR IN MILLION
IF THE PERCENTAGE OF FDI INTO CHINA ON GDP IS 12	THE PERCENTAGE OF GDP WILL BE 10.58

Sector -country	**1980**	**1990**	**2003**
Agriculture China	30.1	27.1	15
Agriculture India	42.8	21	23
Industry China	48.5	41.6	53
Industry India	21.9	28	26
Service China	21.4	31.3	32
Service India	35.3	41	52