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India: Competitiveness and the Impact of Foreign Investment

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¹ The views presented here are those of the authors and do not necessarily represent the position of either Institute for Competitiveness or Stanford University. Working papers are in draft form. This working paper is distributed for purposes of comment and discussion only.

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India: Competitiveness and the Impact of Foreign Investment

Introduction

India has made significant strides in terms of its economic development and competitiveness in recent years. One area in which there has been significant change is in its approach towards foreign direct investment (FDI). This paper uses modified economic impact analysis tools to estimate the impact of FDI from the US, EU, and the overall on India's economy. Although limited by published data, the results suggest that over 20% of India's GDP can be traced to the impacts of foreign-invested enterprises. The results also suggest that attracting additional FDI can be an important vehicle for India to improve its competitiveness.

The ESA Productivity Competitiveness Index™

Competitiveness has re-emerged as a major emphasis of governments, multilateral agencies, and businesses all over the world. Heightened international competition and the need to recover from the economic fallout from the Covid-19 crisis have reminded the world that sustainable prosperity can only be achieved through improving productivity and competitiveness. The renewed attention on competitiveness, however, also highlights the need to measure competitiveness properly and the shortcomings of existing competitiveness indices. In order to remedy the shortcomings of existing indices, Enright, Scott & Associates (ESA) developed the ESA Productivity Competitiveness Index™ (ESA-PCI) in 2013³ and has used the Index ever since in its competitiveness work.

There have been several competitiveness indices developed over the years. The problem is that they tend not to measure the right thing, mix performance and explanatory variables, have potential researcher bias, rely too much on questionable surveys, exhibit scale compression bias, assume competitiveness is “additive” when it may not be, and are difficult to reproduce.

For decades, leading researchers have claimed that at the national level, competitiveness is fundamentally about productivity.⁴ However, instead of using measures of productivity as their indices of competitiveness, researchers have combined dozens of variables, mixing together economic performance variables with explanatory variables selected by the researchers that are supposed to reflect competitiveness. Data for many of these variables have come surveys coming from non-random samples, with many countries exhibiting response rates so low (30 or fewer in some surveys with single digit response numbers for many questions) as to make the surveys unreliable. The surveys tend to use five of seven point Likert scales which artificially compress the data, giving potentially misleading gaps between high and low performers. Finally, the aggregate competitiveness indices are built up by adding subindices, which in turn are calculated by summing up results for individual variables. This tends to “reward” countries with broad-based, diversified economies and “punish” smaller, specialized economies in which a small number of industries

³ Michael J. Enright, *The ESA Productivity Competitiveness Index*, ESA Thought Leadership Series, 2013. Enright, Scott & Associates Productivity Competitiveness Index, Enright, Scott & Associates PCI, and ESA-CPI are trademarks of Enright, Scott & Associates.

⁴ See for example Michael E. Porter, *The Competitive Advantage of Nations*, The Free Press, 1990 and Paul Krugman, “Competitiveness: A Dangerous Obsession,” *Foreign Affairs*, Vol 28, 1994.

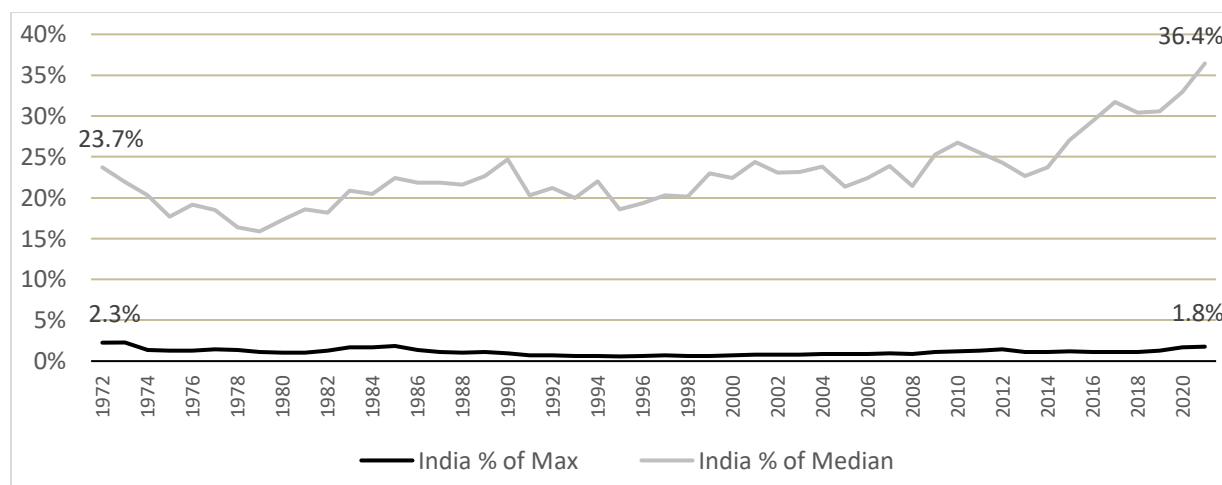
and/or resources dominate even if the overall productivity in the small, specialized economies may be higher.⁵

The ESA Productivity Competitiveness Index™ is a simple, easy to calculate index based strictly on productivity. The productivity measure ESA has chosen is Gross National Income (GNI) divided by population ages 15-64, which roughly represents population of employable age, rescaled with the highest country = 100. ESA has chosen this measure rather than output per worker or output per hour worked, because both of those measures increase when marginal productivity workers are fired or leave the workforce. The ESA-CPI “rewards” countries that bring marginal productivity workers into the workforce and into employment. GNI is used because competitiveness is sometimes reflected in factor incomes from foreign investments, licensing fees, and other sources of international income. The ESA-CPI can be easily calculated from data in the World Bank’s *World Development Indicators*.⁶ ESA has calculated this index for every year from 1963 through 2021.

India and Competitiveness

India’s position in the ESA-PCI is shown in Figures 1 and 2 for the years 1972 through 2021. India’s ESA-PCI was 2.3% of the global leader in 1972 and 1.8%. of the global leader in 2021 and has been consistently in that range for the entire period, showing a lack of headway compared to the global leaders. India’s ESA-PCI was 23.7% of the median economy in 1972 and 36.4% of the median economy in 2021, with a relatively steep rise starting in 2012, indicating positive momentum versus the broad sample of countries. India’s ESA-PCI ranked 104 out of the 117 economies for which data was available for 1972 and 147 out of 187 economies for which data was available in 2021, indicating some progress, but still a long way to go in comparison with other economies around the world.

Figure 1. ESA-PCI: India vs Max and Median

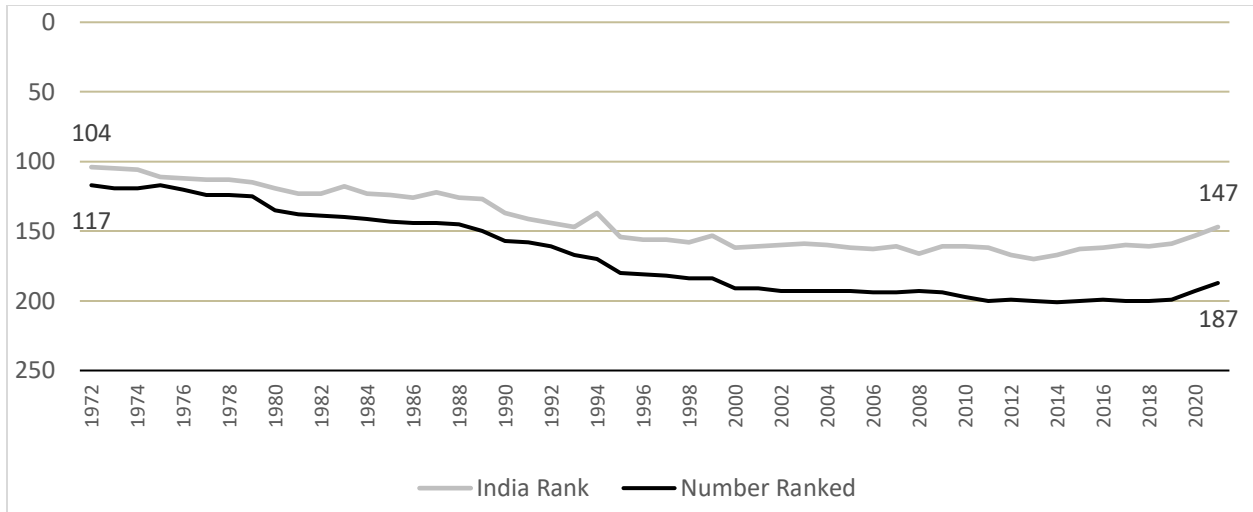


⁵ The pathologies mentioned are specifically related to best-known competitiveness indices, those of the World Economic Forum and IMD, though similar issues arise in other indices. See World Economic Forum, *World Competitiveness Report* and IMD, *Global Competitiveness Report*, various years. While the overall indices these publications provide have problems, they remain very useful compendiums of data.

⁶ World Bank, *World Development Indicators*, <https://databank.worldbank.org/reports.aspx?source=World-Development-Indicators>, accessed February 18, 2023.

Source: Enright, Scott & Associates

Figure 2. ESA-PCI: India Rank and Total Economies Ranked



Source: Enright, Scott & Associates

It has long been the author's contention that improving India's competitiveness would include progress in education, infrastructure, urbanization, the ability to get things done, and foreign investment. India is making progress on all of these dimensions.⁷

Education is key to a nation's ability to develop and compete. India's vast population, difficult geographic and climatic conditions, and large rural sector have always made education a challenge. While India has excellent universities and schools in major cities, it is basic literacy and numeracy that makes individuals employable in the modern economy. India's overall adult literacy rate was under 75% and adult female literacy rate was under 66% as of 2018⁸ (Table 1). Numerous programs⁹ and substantial investments in education have resulted in an increase literacy rates in the 6 to 14 and 15 to 24 age groups to 93% and 94% respectively, the near disappearance of the literacy gender gap in these age groups, and an increase in literacy rates for older individuals.¹⁰ The trend is clearly

⁷ While much more detailed treatments of India's development needs exist, these basic areas do capture several major areas for potential improvement. Sources with more detailed analysis include McKinsey Global Institute, *India's Turning Point*, August 2000, <https://www.mckinsey.com/featured-insights/india/indias-turning-point-an-economic-agenda-to-spur-growth-and-jobs>, accessed February 21, 2023; Institute for Competitiveness and Government of India Economic Advisory Council to the Prime Minister; *Competitiveness Roadmap for India@100*, https://www.hbs.edu/ris/Publication%20Files/Report_Competitiveness_Roadmap-25_August_2022_Web_Version_690d1fab-dce8-48a0-8cd5-6d6a63a6d5eb.pdf, accessed February 21, 2023; and Government of India, *Economic Survey of India*, several years.

⁸ World Bank, *World Development Indicators*, <https://databank.worldbank.org/reports.aspx?source=World-Development-Indicators>, accessed February 20, 2023.

⁹ Literacy and education programs have included the *Sarva Shiksha Abhiyan*, the India Government's program to achieve universal elementary education (2001), the National Programme of Education of Girls at Elementary Level (2003), *The Right of Children to Free and Compulsory Education Act* (2009), and the *Saakshar Bharat* program to boost adult education.

¹⁰ Tanushree Chandra, "Literacy in India: The gender and age dimension," *ORF Issue Brief No. 322*, October 2019, <https://www.orfonline.org/research/literacy-in-india-the-gender-and-age-dimension-57150/>, accessed February 20, 2023.

favorable. Matching education and skills to potential job opportunities remains a challenge in an economy in which the vast majority of employment is in the informal sector.

Table 1. India Literacy Rate, %

	1987/88	1993/94	1999/00	2007/08	2014/15	2017/18
Male	60.6	65.5	69.2	76.6	80.3	81.5
Female	31.6	37.9	43.8	54.9	61.8	64.6
Gap	28.9	27.6	25.4	21.7	18.5	16.9

Source: National Sample Survey @ Observer Research Foundation’s India Data Labs

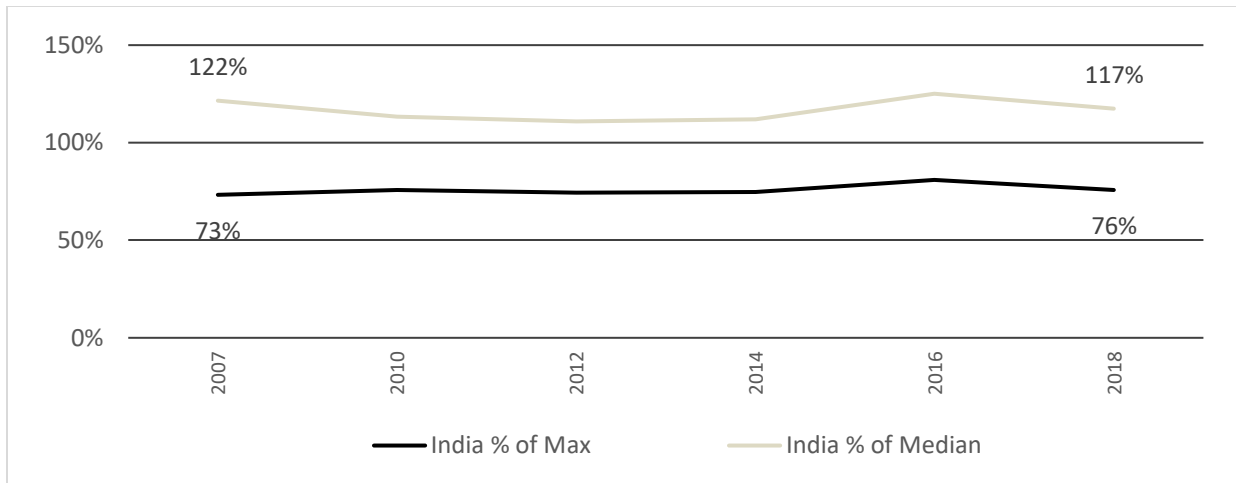
Infrastructure, also key to a nation’s development, remains an issue in India. According to the World Economic Forum, India’s infrastructure ranked 70th among the economies investigated in its 2019 report.¹¹ India ranked well above the median level in the World Bank’s Logistics Performance Index (Figure 3) and not as far behind the global leaders as one might imagine. India is well aware of its infrastructure challenges and has initiated a vast program of modernization. Numerous projects have been opened to public-private partnerships. The Indian Government has launched the National Bank for Financing Infrastructure and Development to provide infrastructure finance and the National Infrastructure Investment Fund to attract outside capital for infrastructure investment. The Indian Government’s National Monetization Pipeline plans to monetize revenue-generating infrastructure in order to recycle the funds into new infrastructure investment.¹² India has reportedly turned the corner in terms of power generation, has developed modern airports, and significantly improved intercity transportation. However, it is estimated that an additional USD 4.5 trillion needs to be invested by 2030 to support the vision of a USD 5 trillion economy.¹³

¹¹ World Economic Forum, quoted by Statista. According to Statista, “The infrastructure score is calculated based on the following factors: road connectivity index, quality of roads, railroad density, efficiency of train services, airport connectivity, efficiency of air transport services, linear shipping connectivity index, efficiency of seaport services, electrification rate, electric power transmission and distribution losses, exposure to unsafe drinking water, reliability of water supply.” Statista, *Top 100: Ranking of countries according to their quality of infrastructure in 2019*, <https://www.statista.com/statistics/264753/ranking-of-countries-according-to-the-general-quality-of-infrastructure/>, accessed February 20, 2023.

¹² Rahul Agarwal and Prerna Soni, “Infrastructure Outlook 2022,” *Construction Times*, <https://constructiontimes.co.in/infrastructure-outlook-2022/>, accessed February 20, 2023.

¹³ Shalu Saini and Jagat Narayan Giri, “Infrastructure Development in India: The Way Ahead,” *Journal of Infrastructure Development*, 14(1) 37-44, 2022, <https://journals.sagepub.com/doi/10.1177/09749306221096958>, accessed February 20, 2023.

Figure 3. India's Relative Performance in the LPI



Source: World Bank, Logistics Performance Index

Urbanization is another driver of growth and development. To put it simply, urbanization in many developing countries allows people to move from relatively low productivity agriculture to higher productivity manufacturing and services. Urban residents are more reachable to companies in the formal sector as producers and as consumers, resulting in double “bump” to the economy. Such evolution is not just associated with rising income levels, it is a driver of rising income levels. India’s urbanization rate in 2021 was 35.4%, up from 31.3% in 2011,¹⁴ but still well below the global average of over 56% achieved by 2020¹⁵ (Figure 4). India reportedly expects to add 416 people to its cities by 2050, representing the largest projected future increase in the world.¹⁶ By 2019, India’s cities were contributing roughly two-thirds of the nation’s economic output, 70% of its future employment was expected to be generated in cities, and roughly 70% of the built environment expected by 2030 had not been built.¹⁷ The importance of efficient and effective urbanization to India’s improved prosperity and competitiveness can hardly be overstated.

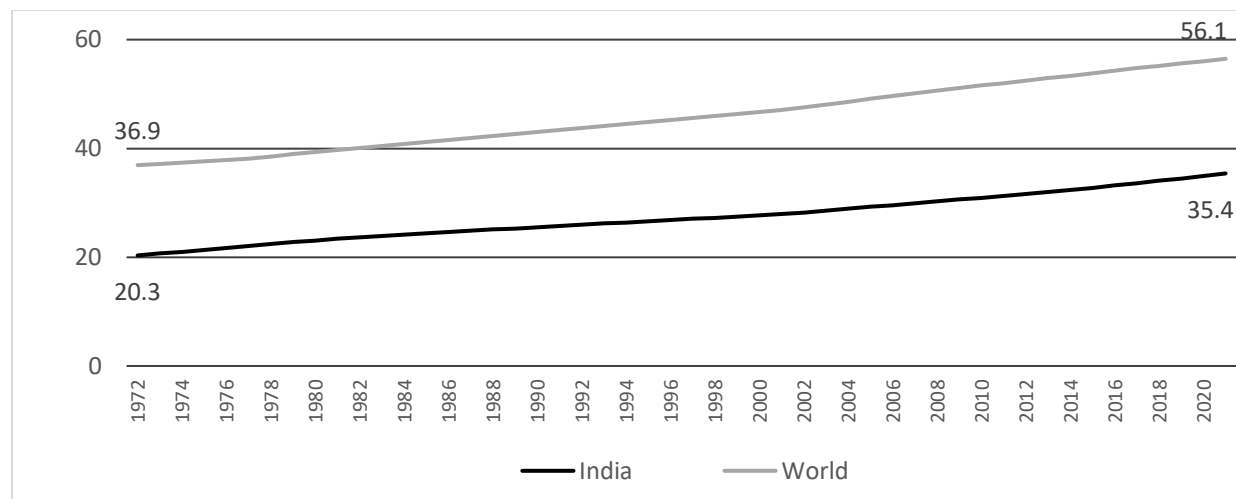
¹⁴ World Bank, *World Development Indicators*, <https://databank.worldbank.org/reports.aspx?source=World-Development-Indicators>, accessed February 20, 2023.

¹⁵ by Hannah Ritchie and Max Roser, “Urbanization,” *Our World in Data*, November 2019, <https://ourworldindata.org/urbanization#share-of-populations-living-in-urban-areas>, accessed February 21, 2023.

¹⁶ Kristina Garcia, “Understanding India’s urban future,” *Penn Today*, February 10, 2023, <https://penntoday.upenn.edu/news/understanding-indias-urban-future>, accessed February 21, 2023.

¹⁷ Sangeeta Prasad, “Why the world should be watching India’s fast-growing cities,” *World Economic Forum*, Jan 18, 2019, <https://www.weforum.org/agenda/2019/01/india-urbanization-why-the-world-should-watch/>, accessed February 21, 2023.

Figure 4. Urbanization Rate, %



Source: World Bank, World Development Indicators

The ability to get things done is critical in any economy. India historically was known for its difficult regulatory environment, with national, state, and local regulations often confusing and sometimes contradictory. Recognizing this situation, the India Government began a large-scale reform process targeted at improving the features the World Bank had identified as important to facilitating business in its *Ease of Doing Business Report*. As a result, India’s overall rank improved from 142 in 2014 to 63 (190 economies) in 2019 (Table 2). In the latter year, India had relatively good performance for protecting minority investors (13), getting electricity (22), getting credit (25), dealing with construction permits (27); middling performance for trading across borders (68) and resolving insolvency (52); and poor performance in enforcing contracts (163), registering property (154), starting a business (136), and paying taxes (115).¹⁸ The World Bank credited the Indian Government with “a tremendous achievement” driven by the “Special focus given by the top leadership of the country, and the persistent efforts made to drive the business reforms agenda...”¹⁹ More important than a position in a ranking have been the improvements on the ground for local and foreign companies, though challenges clearly remain.

¹⁸ World Bank, “Ease of Doing Business rankings,” *Doing Business Archive*, <https://archive.doingbusiness.org/en/data>, accessed February 21, 2023.

¹⁹ World Bank, “Doing Business 2020: Reforms Boost India’s Business Climate Rankings; Among Top Ten Improvers for Third Straight Year,” October 24, 2019, <https://www.worldbank.org/en/news/press-release/2019/10/24/doing-business-india-top-10-improver-business-climate-ranking>, accessed February 21, 2023.

Table 2. India's Ease of Doing Business Rankings

Parameters	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ease of starting a business	169	165	166	173	179	158	155	155	156	137	136
Dealing with construction permits	175	177	181	182	182	184	183	185	181	52	27
Getting electricity	-	-	98	105	111	137	70	26	29	24	22
Registering your property	93	94	97	94	92	121	138	138	154	166	154
Getting credit for your business	30	32	40	23	28	36	42	44	29	22	25
Protecting minority investors	41	44	46	49	34	7	8	13	4	7	13
Paying taxes	169	164	147	152	158	156	157	172	119	121	115
Trading across borders	94	100	109	127	132	126	133	143	146	80	68
Enforcing contracts	182	182	182	184	186	186	178	172	164	163	163
Resolving insolvency	138	134	128	116	121	137	136	136	103	108	52
OVERALL RANK	133	134	132	132	134	142	130	130	100	77	63

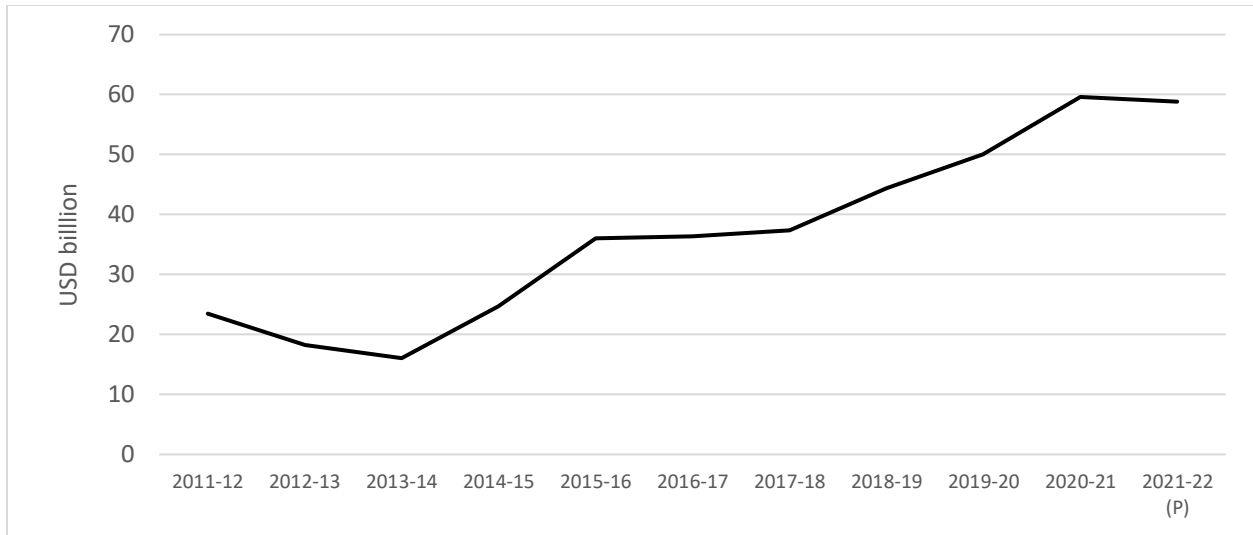
Sources: World Bank, Ease of Doing Business database, *Economic Survey of India 2019-20*.

India and Foreign Direct Investment

India has long had a complex relationship with foreign investment given its colonial past in which foreign investment provided economic development, but not necessarily to maximize the benefit for India. This helps explain the traditional skepticism with which foreign investment has been viewed in the nation. After decades of being mostly closed to foreign investment, India began to open up significantly in 1991. Investment promotion was supercharged by the *Make in India* program introduced by the Prime Minister in September 2014, and augmented by a Production Linked Incentive Scheme in 2020-21. Annual FDI inflows doubled from 2014 to 2021 and from April 2000 to March 2022, India received USD 847 billion in inward FDI (Figure 5). As of 2020, most sectors of the economy were open to foreign investors without prior approval, though some sectors remained off limits, some required government approval, and some were subject to ownership percentage caps.²⁰

²⁰ Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, *Consolidated FDI Policy (Effective from October 15, 2020)*, <https://static.investindia.gov.in/2020-10/FDI-PolicyCircular-2020.pdf>, accessed February 21, 2023.

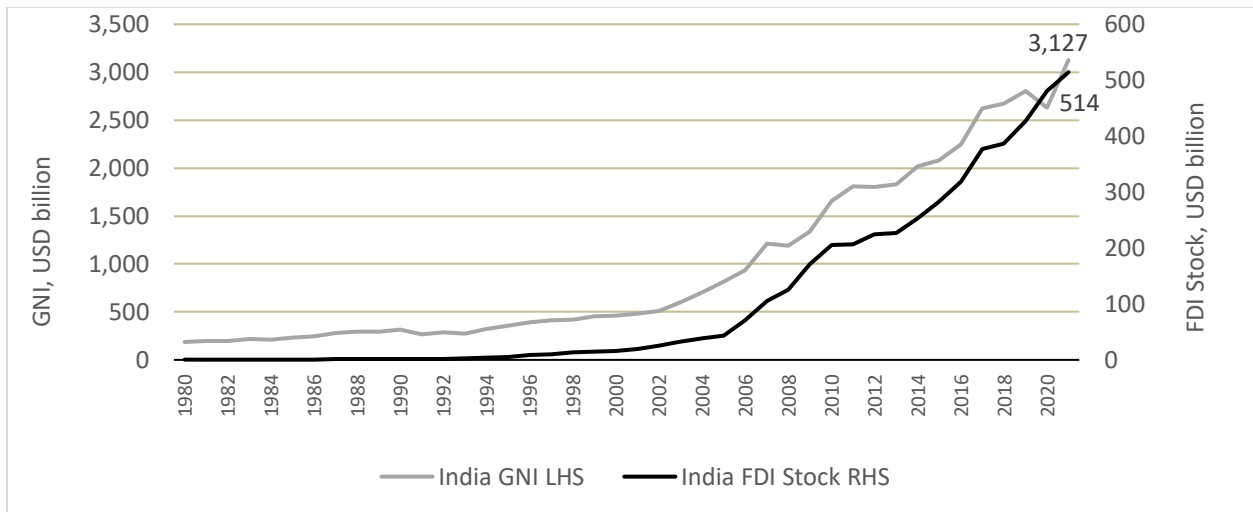
Figure 5. FDI Annual Inflow into India



Source: Reserve Bank of India

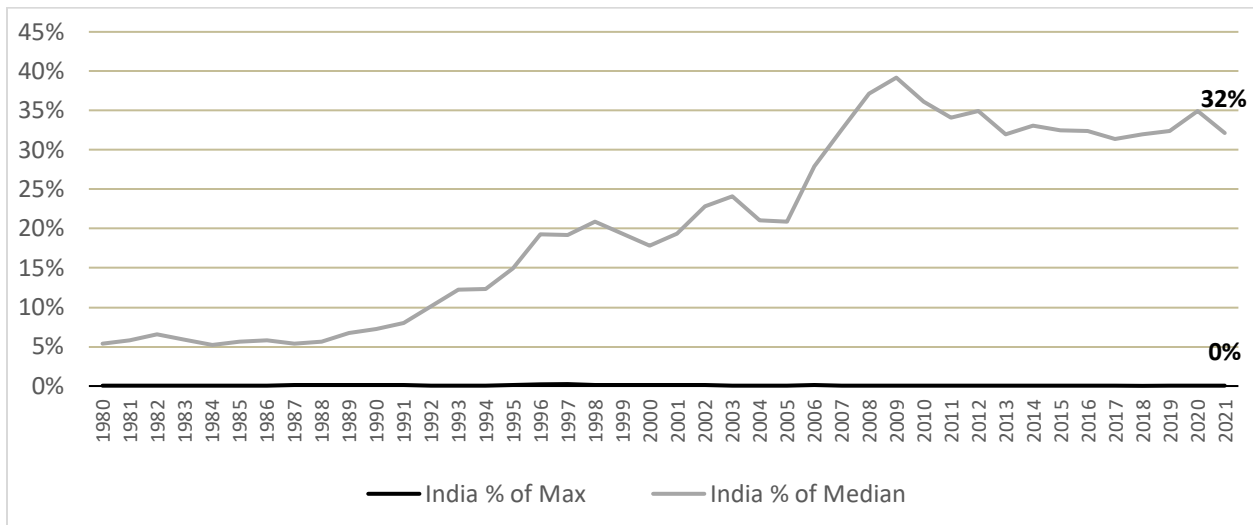
The value of the stock of FDI assets in India was reported at USD 514 billion in 2021, up from USD 206 billion in 2011 (see Figure 6). The figure also shows that the growth in India’s inward FDI stock has shown a similar trend to its growth in Gross National Income (GNI). Interestingly, India’s FDI stock to GDP ratio has been relatively consistent when compared to the median economy in the UNCTAD FDI database for the last decade, and that India’s FDI intensity in GDP is just under a third of that of the median economy (Figure 7). Along with India’s relatively low FDI intensity rank (176 out of 202 in 2021, see Figure 8), this shows that India may not yet have realized the potential for FDI to benefit its economy.

Figure 6. India GNI and FDI Stock, Current USD



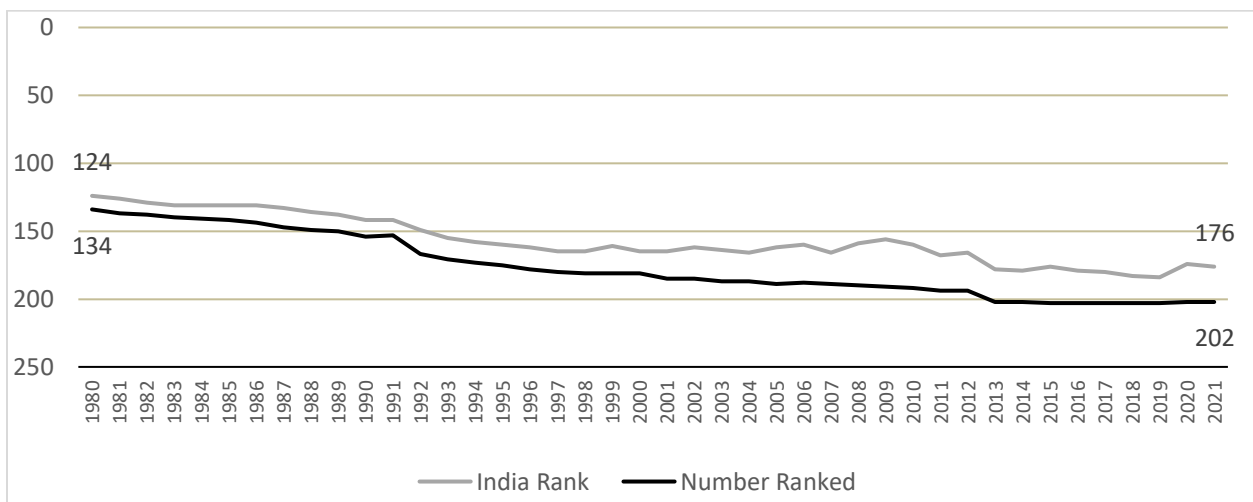
Source: UNCTAD

Figure 7. FDI Stock/GDP: India vs Maximum and Median Economies



Source: UNCTAD

Figure 8. FDI Stock/GDP: India Rank and Total Economies Ranked



Source: UNCTAD

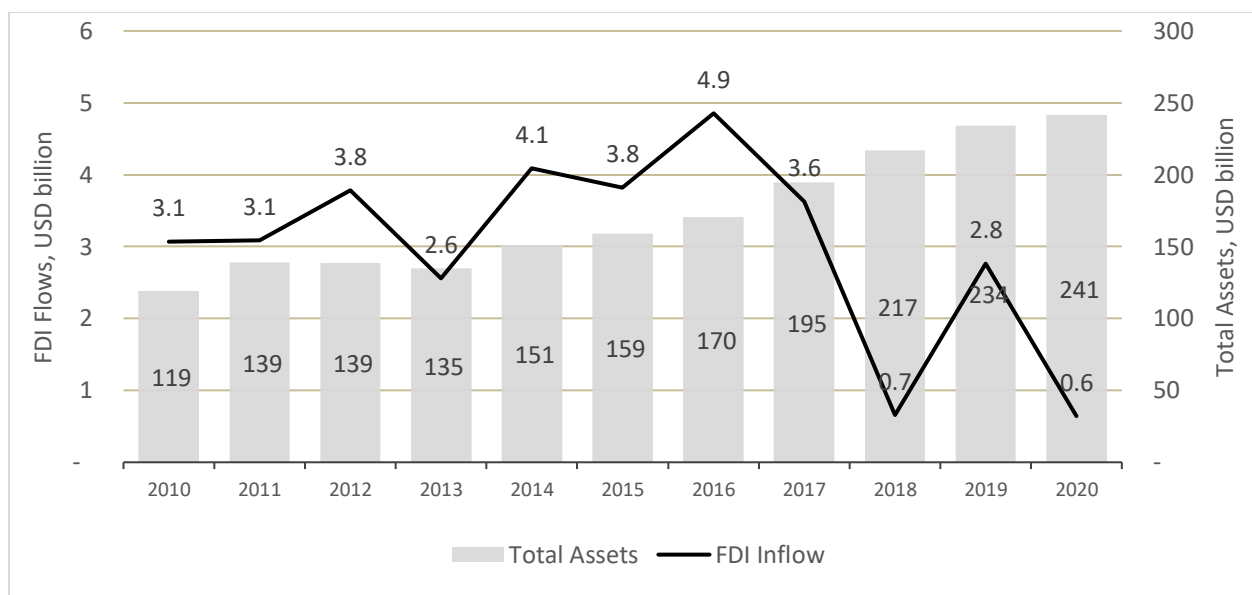
While the flows and stocks of FDI are interesting and useful to assess, it is not until we get to the actual operations of foreign-invested firms and the impacts of these operations on host economies that we see the larger picture.

An Example: US Companies in India

As an example, let us trace the impact of US firms on India's economy. The US Bureau of Economic Analysis (BEA) compiles information on the outbound investment and operations of foreign affiliates of US firms through an annual mandatory survey.²¹ This survey "sees" through investments made through overseas intermediary economies to focus on the investments and operations in "end" target countries. While there are data gaps due to disclosure issues these are not insurmountable for the present analysis.

Figure 9 shows the reported annual FDI flows and stocks of US companies in India for the years 2010 to 2020. The stock number more than doubled from USD 119 billion in 2010 to USD 241 billion in 2020. The sales of all US foreign affiliates in India (USAFAFs) also more than doubled from USD 65 billion in 2010 to US 135 billion in 2019 before declining in 2020 due to the Covid pandemic (Figure 10). Total USAFA profits in India in 2020 were USD 4.2 billion and employee compensation was USD 30.3 billion. Figure 11 reorganizes the data to show that "other costs and taxes," most of which would have been spent in India, were USD 93.0 billion in 2020. While this suggests significant value accruing to India, we need additional tools to get a more complete picture.

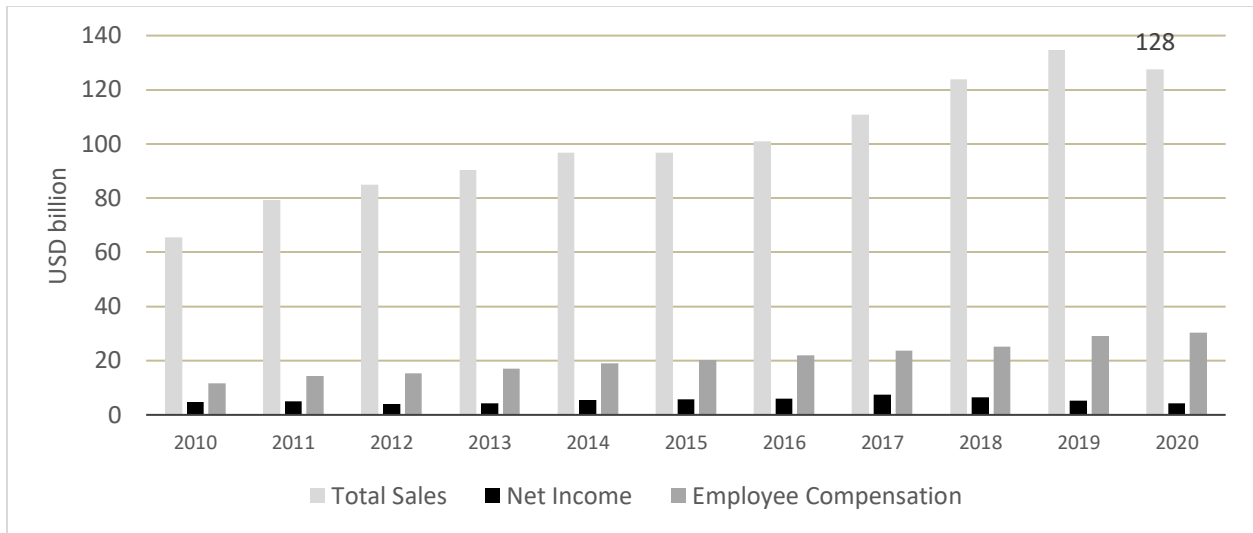
Figure 9. US FDI Into India, Annual Inflow and Stocks



Source: US BEA

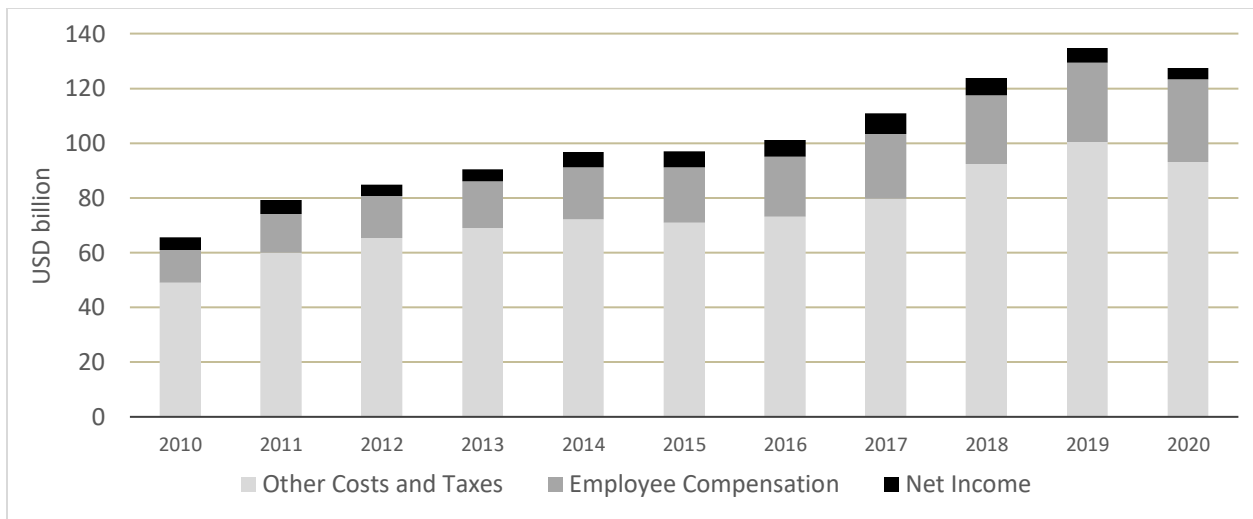
²¹ US Bureau of Economic Analysis, *Activities of U.S. Multinational Enterprises (MNEs)*, <https://www.bea.gov/data/intl-trade-investment/activities-us-multinational-enterprises-mnes>, accessed February 16, 2023.

Figure 10. USAFA Operational Results in India



Source: US BEA

Figure 11. USAFA Operational Results in India, Part 2



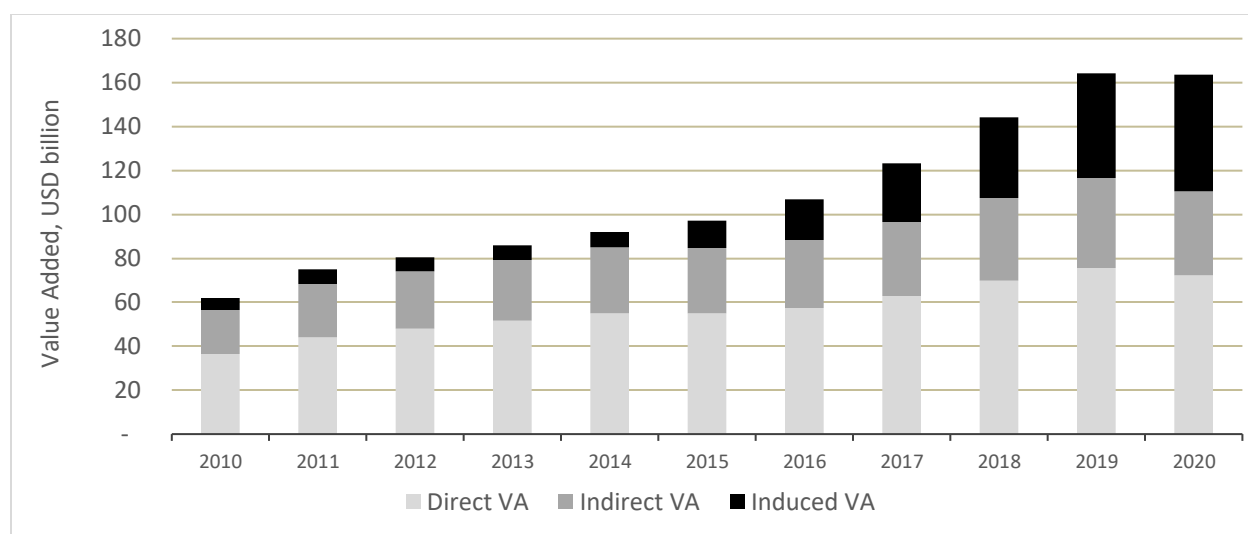
Source: US BEA

Economic Impact Analysis (EIA) estimates the impact of an investment and the subsequent operation of businesses on an economy, taking into account the activities of investing companies (direct impacts), ripple effects through supply chains (indirect impacts), and effects of consumer spending of direct and indirect employees (induced impacts). EIA is typically employed for single investments, such as a new highway, exhibition center, tourist attraction, etc. ESA has modified the “usual methodology” (generating multipliers from Input-Output tables and applying them to operational cash flows) to estimate the impact of FDI / Foreign Invested Enterprises (or Foreign

Affiliates) across entire economies. This usually involves unpacking and repacking the Input-Output tables to eliminate double counting of foreign companies sourcing from foreign companies.²²

Figure 12 shows the estimated direct, indirect, and indirect value added impact (essentially the GDP contribution) of the operations of USAFAs operating in India. The multipliers employed were derived from the 35x35 industry Input-Output tables published by the Asian Development Bank²³ as well as savings rates and income data sourced from the Reserve Bank of India.²⁴ The total value added estimates were just over USD 60 billion in 2010 and just over USD \$160 billion in 2020. As shown in Figure 13, the value added impact on India’s GDP has been in excess of 20 times the annual FDI inflow, with spikes representing years with sudden FDI falls. Thus, looking at the FDI flows or even the stocks gives a very incomplete picture.

Figure 12. USAFAs Value-Added Impact on India’s Economy



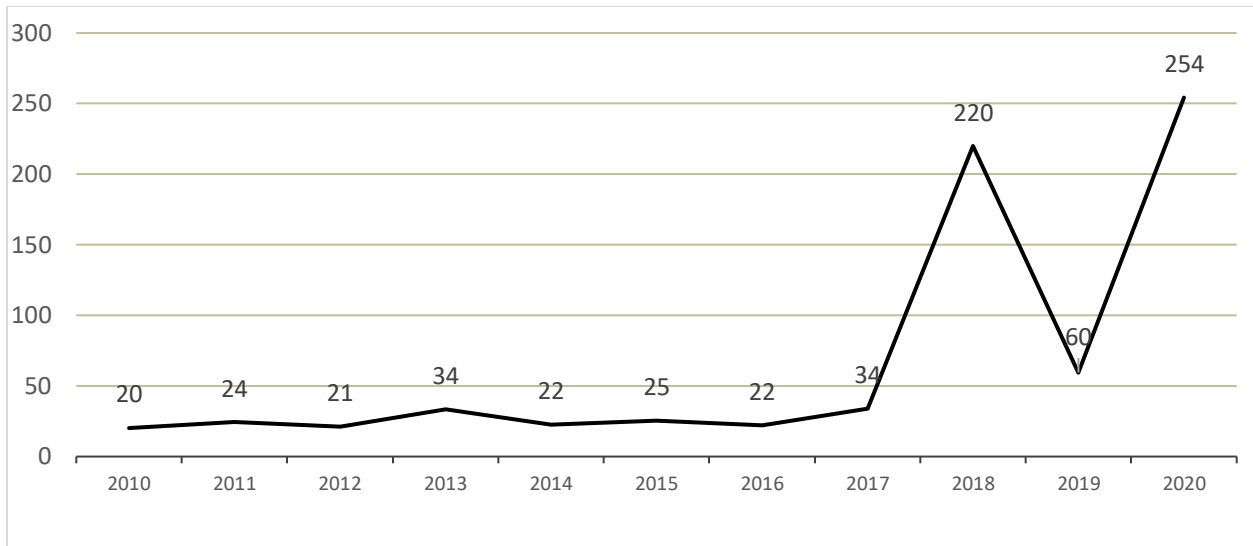
Source: Enright, Scott & Associates

²² The methods are reported in Michael J. Enright, *Developing China: The Remarkable Impact of Foreign Direct Investment*, Routledge, 2017 and Michael J. Enright, “The impact of US FDI in China,” Hinrich Foundation White Paper, July 5, 2017, <https://www.hinrichfoundation.com/research/wp/fdi/impact-of-us-fdi-in-china/>, accessed February 22, 2023.

²³ Asian Development Bank, *India: Input-Output Economic Indicators*, <https://data.adb.org/dataset/india-input-output-economic-indicators>, accessed February 16, 2023.

²⁴ Reserve Bank of India, *Database on Indian Economy*, <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!2>, accessed February 16, 2023.

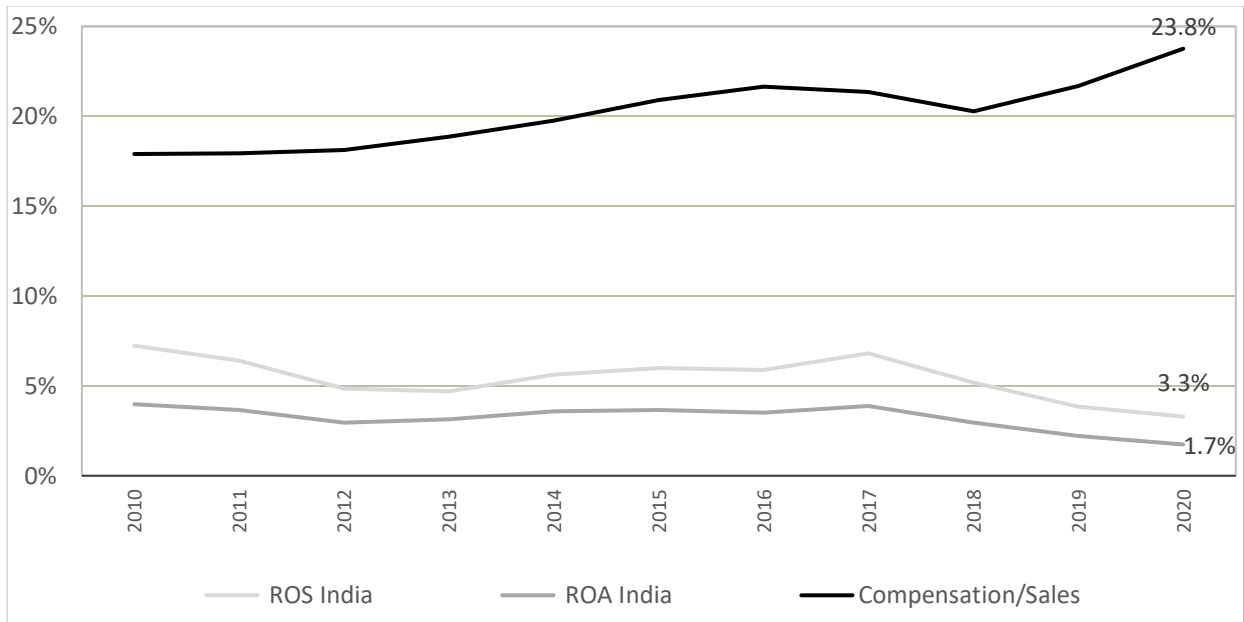
Figure 13. USAFAs Value-Added Impact / FDI Flow



Source: Enright, Scott & Associates

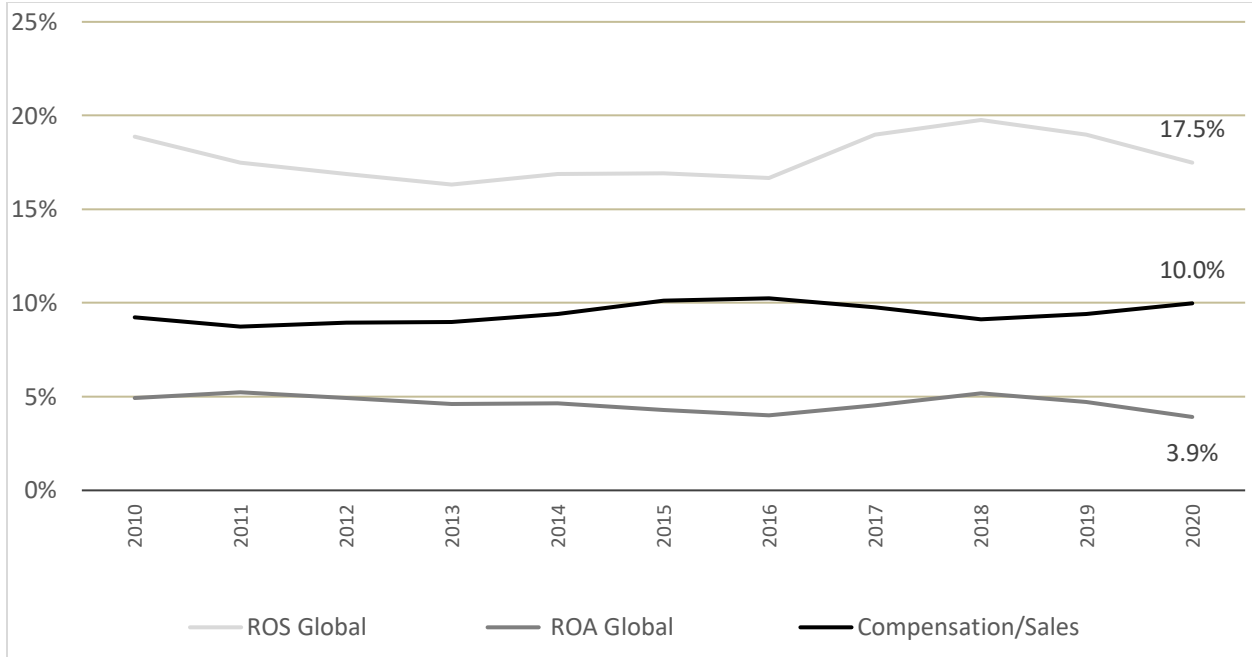
Figures 14 and 15 show that India is a relatively low profit market for USAFAs compared to the world as a whole, with return on sales and return on assets significantly lower in India than in the world as a whole while compensation to employees as a percent of sales is substantially higher in India than in the world as a whole. So the attraction of India to US companies is a growth story, it is not a profitability story, at least not yet. Finally, there is often a fear that foreign companies will make profits at the expense of local consumers and companies. Figure 16 shows that for every USD 1 a US firm makes in India, it drives a system that contributes USD 15 to USD 20, or more to India's GDP, which makes the inward investment a very good deal for India.

Figure 14. Operating Ratios of USAFAs in India



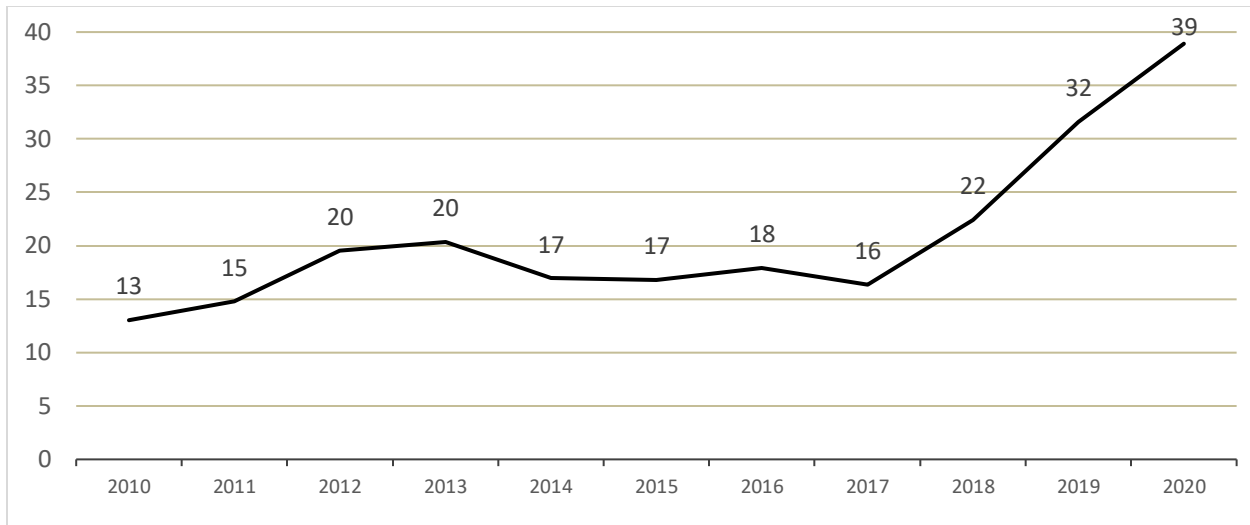
Source: Enright, Scott & Associates

Figure 15. Operating Ratios of USAFAs Globally



Source: Enright, Scott & Associates

Figure 16. USAFAs Total Value-Added Impact / Net Income



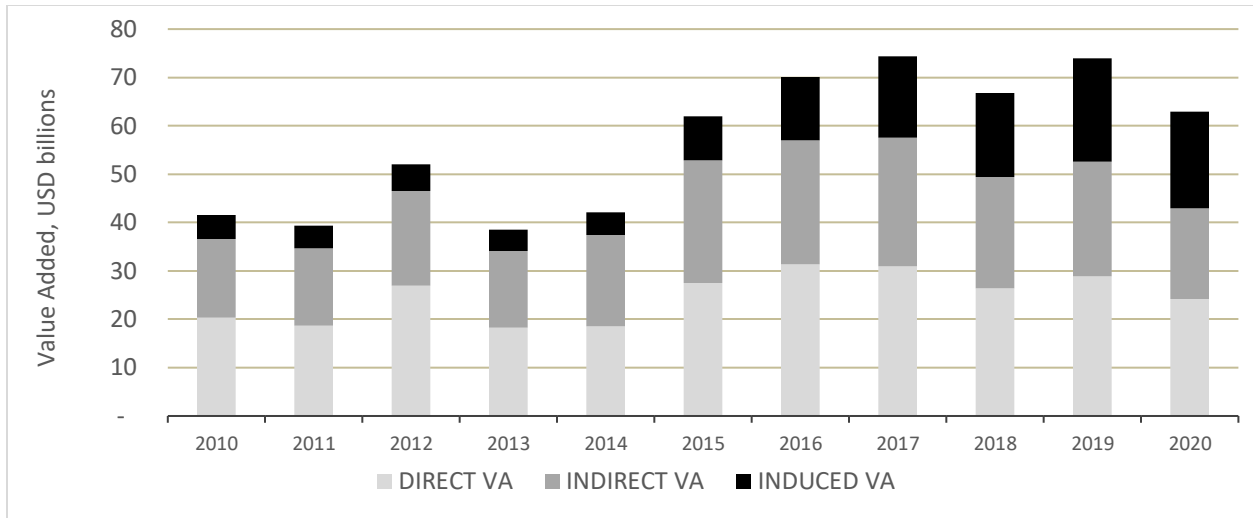
Source: Enright, Scott & Associates

Europe and the World

One can do a similar analysis for inward investment from Europe. Eurostat has data on the investment and operations of the foreign affiliates of firms from EU countries. Again, this data is supposed to “see through” investments made through holding companies in intermediary economies to focus in on the end country of the investment or operation. The EU data, however, is more difficult to deal with than the US data since reporting to Eurostat by the member states is voluntary, the member states have different standards and requirements for company reporting, and there is a great deal of data that is missing due to disclosure considerations.

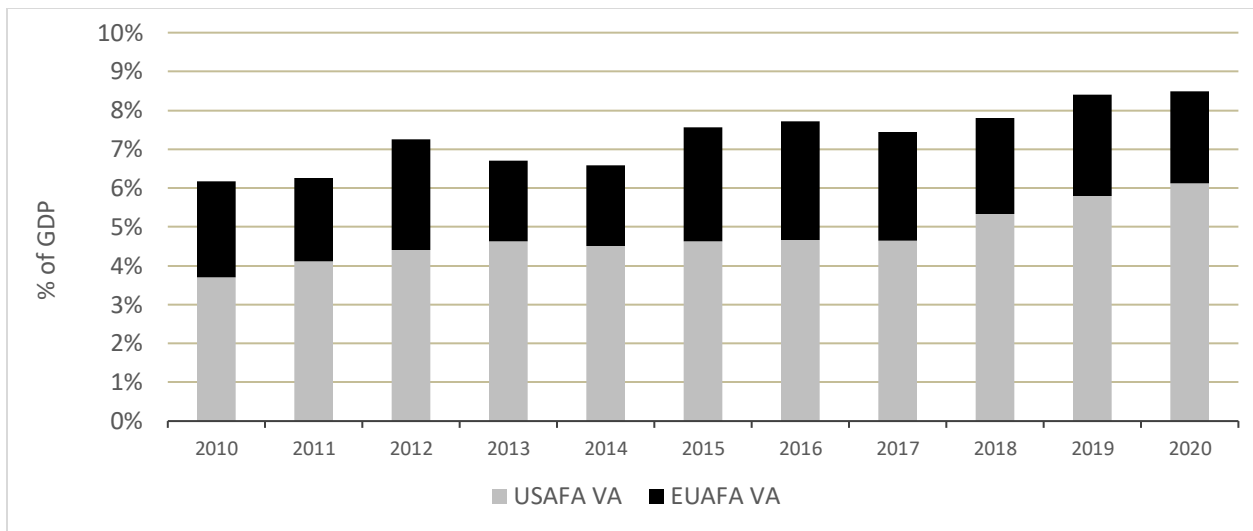
Even so, Figure 17 shows the estimated value added (GDP contribution) impact of the EU companies for which we could obtain the data. The total contribution was just over USD 40 billion in 2010, over USD 70 billion in 2019, and over USD 60 billion in 2020. Together the US and EU company impacts were estimated to exceed 8% of India’s GDP in both 2019 and 2020 (Figure 18).

Figure 17. EUAFAs Value Added Impact on India's Economy



Source: Enright, Scott & Associates

Figure 18. USAFA + EUAFA Value-Added Impact, % of India's GDP



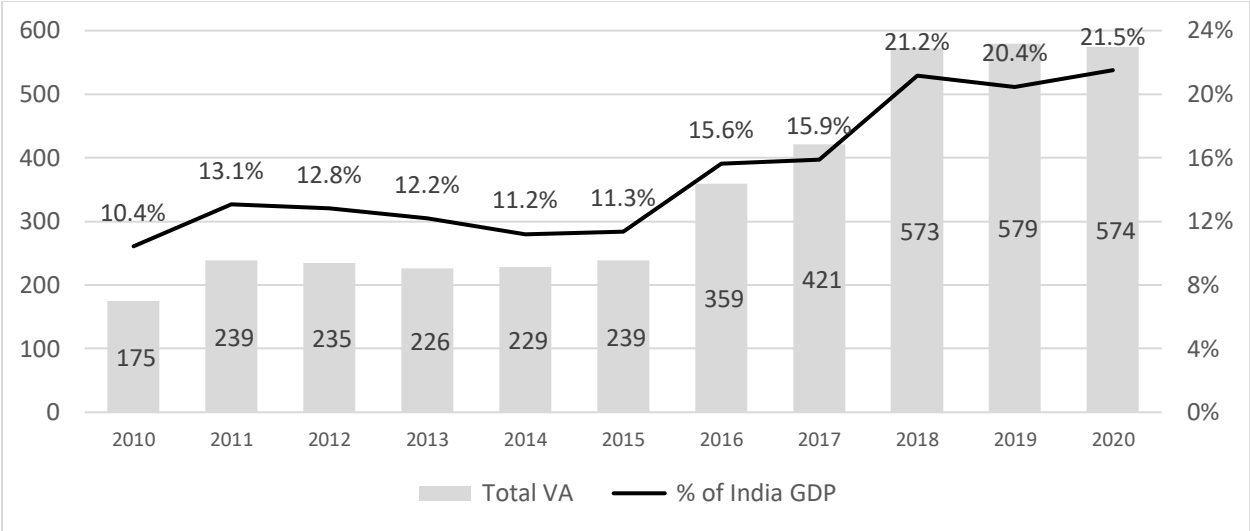
Source: Enright, Scott & Associates

The Reserve Bank of India (RBI) publishes a variety of statistics on FDI into India based on surveys of foreign companies operating in the country.²⁵ The coverage is partial and the values reported for a given year depend on the number and identity of the firms responding. However, it appears to be the only published source on the total sales of foreign invested enterprises in India. In order to get a

²⁵ Reserve Bank of India, *Database on Indian Economy, Finances of FDI Companies*, <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics>, accessed February 16, 2023.

rough estimate of the GDP contribution derived from the activities of foreign firms in India, ESA used the RBI sales figures and assumed the industrial distribution of all inward investment was similar to that of US investment. This allowed us to use the industry-by-industry indirect and induced multipliers as we did for the US data. While the estimates generated in this manner are very rough, and could be significant underestimates depending on the survey’s coverage, they suggest that the impact of the systems driven by foreign invested enterprises, including their supply chains, and the impact of the consumer spending of relevant employees went from 11% to 13% of GDP from 2011 to 2015, to over 21% by 2018, while the absolute values of the impacts have increased from USD 175 billion in 2010 to USD 229 billion in 2014, to USD 579 billion in 2019 (Figure 19). This suggests that the major changes in approach towards foreign investment started in 2014 have been extremely positive for the Indian economy and promises further benefit in the future.

Figure 19. Estimated Impact of all FDI on India’s Economy



Source: Enright, Scott & Associates

We note that these quantitative estimates do not include the potential benefits of foreign investment in technological and spillovers into local companies, improvements in supply chains and distribution channels, bringing in CSR and ESG practices and reporting, enhancing human resource development, and enhancing India’s international economic and business connections. These non-quantified impacts may be as large as the quantified benefits, and suggest that inward investment has had a much larger positive impact on India’s economy than is generally recognized.

The estimates also do not consider the potential costs of inward investment, which might include crowding out of local firms, environmental or labor practice “dumping,” abuses by global oligopolies, lack of local accountability or commitment, potential data security or secrecy issues, the potential for foreign enterprises to engage in corruption, and the possibility that foreign companies might export top talent from India to other locations. We should note that our experience in working with numerous other countries on investment promotion has been that confident, effective states can often manage the process to gain many of the benefits while mitigating many of the costs.

Conclusions

There are several conclusions that can be drawn from this work. India's competitiveness trends are positive, but there is still a long way to go if India is going to achieve its aspirations. The preliminary investigation reported here suggests that changes in India's approach towards FDI are already bearing fruit and has the potential to bear much more in the future, particularly as India continues on its development path, companies become more familiar with India, and companies look to reconfigure their production systems and supply chains in the face of shifting competitive advantage, demographic changes, geopolitical tensions, and the aftermath of the Covid pandemic.

The work also suggests that nations need to move beyond thinking about FDI in terms of flows alone, but need to focus on stocks of investment, the operations of foreign enterprises, and the economic impacts of foreign enterprises, their supply chains, and the consumer spending of all relevant employees. Such a flows to stocks to operations to impacts analysis should be used to better understand and communicate the potential benefits of foreign investment. This does not suggest that the potential downsides of foreign investment should be ignored, but rather for sovereign nations to make their own choices with better information.