INDIA'S INVESTMENT IN AFRICA, WITH SPECIAL REFERENCE TO KENYA AND SUDAN

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TOWARDS A LABOUR PERSPECTIVE

A Report (an initial draft)

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Substituting the words Multinational Corporation for bourgeois in the following quote from *The Communist Manifesto* provides a more dynamic picture of the multinational corporation than any of its present-day supporters has dared to put forth:

> The need of a constantly expanding market for its products chases the multinational corporation over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere. The bourgeoisie has through its exploitation of the world-market given a cosmopolitan character to production and consumption in every country. To the chagrin of Reactionists, it has drawn from under the feet of industry, the national ground on which it stood. All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries whose introduction becomes a life and death question for all civilised nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the production of the country, we find new wants requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nationals. And as in material, so also in intellectual production. The intellectual creations of individual nations become common property. National one-sidedness and narrow-mindedness become more and more impossible and from the numerous national and local literatures there arises a world literature. The multinational corporation, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of all its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production, it compels them to introduce what it calls civilisation into their midst, i.e., to become bourgeois themselves. In a word, it creates a world after its own image.
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> **STEPHEN HYMER (1975)**

Introduction

Today, Indian economic interests have crossed all boundaries, both territorial and sectoral. These interests are essentially congealed in numerous "third world multinationals" which have operations throughout the globe. However, there is a dearth of political economic studies that draw on the significance of this expansion in capturing the new semantics rendered to the duality of India's increasing economic expansion and deepening societal segmentation. They are so much restricted to the colonial/postcolonial discourse that they find every leap beyond this discourse ephemeral and insignificant. Thus, they fail to give any insight into the expansion of Indian capitalism both internally and overseas. Whatever significant analyses that are found are generally situated within the perspective of mainstream economics or are strategic documents to design policies that would facilitate the overseas expansion. There is hardly any objective and critical study that could help build a labour perspective over this phenomenon. Our study is an effort to amend this situation and trigger a debate within the arena of labour and social movements. This would also help in providing the ground for a transnational labour solidarity to match capitalist globalisation, of which Indian expansion is an intrinsic part.

Although in the post-1990 scenario, Africa and other developing regions' share in the total outward investment from India has significantly declined because of various reasons that will be discussed later, Africa remains an important area of India's expansion, both for securing oil along with other mineral resources in order to sustain its growth and to increase its competitiveness in the international market. A political economic understanding of the recent surge in India's investment in Africa must be grounded at four levels. Firstly, it should account for India's need for energy and other natural resources that African countries can provide. Secondly, it should take into account India's need for external markets (for both goods and services), in which Africa can play a major role. Thirdly, it should view Indian capital as a player in the competitive realm of capitalist accumulation, thus having an active interest in concentration and centralisation of capital (i.e., competing for dominating the productive and distributive spheres at the transnational levels). And lastly, it must assess the Indian state's capacity and will to protect the capitalist expansion overseas, even in Africa which is the centre of intensive identity and national conflicts.

Sudan and Kenya are two poles with regard to our political economic study of Indian overseas expansion in Africa. Sudan, which hosted the biggest investment in a single project, accounts for 12% of the total Indian investment in Africa. Here investment is essentially restricted to the oil industry. This expansion is led by India's public sector company ONGC Videsh Limited, which began investing in Greater Nile Oil Project in 2003. However, recently the Sudanese government has been giving incentives to Indian investors for their entry in other industries too.

On the other hand, Kenya is a case where the People of Indian Origin (PIO) have been a very important segment in its national development, acting as a pull factor for Indian investment since the 1970s. With India's reclaiming of PIOs and NRIs through its recent dual citizenship policy, it has found a ready agency for its expansion in Kenya. Here, the Indian investment in Kenya has always been sectorally diverse, including pharmaceuticals, chemicals, garments, machinery, paper, finance, rubber, plastic, software etc. Recently, Essar Oil Ltd has acquired a 50% stake in Kenya Petroleum Refineries. Furthermore, in 2004 the Andhra Pradesh government was negotiating 99-year leases of 70,000 acres in Kenya and Uganda for cultivation where the state's drought-hit farmers could be exported. A leading UK newspaper *Independent* expected this to "become one of the extraordinary migrations of modern times". Hence, the focus on Sudan and Kenya would provide us a panoramic view of the nature of India's investment overseas and especially in Africa.

Every political economic study is a study of "the present as history". Hence we need to see the unfolding of the dynamic of India's outward investment, particularly in Africa, through history. Temporally, the scholars have generally divided Indian capital's overseas expansion in two phases – 1975-1990 and after 1990. Prior to the 1990s, the overseas investment activities were restricted to a few family-owned large corporates. However, with neoliberalism, such restriction was not to be seen, and we find many non-family large, medium and small sized firms beyond the private-public divide in the market of outward investment.

Before the 1990s, i.e., in the age of meaningful non-alignment and the cold war, the outward investments from India were seen as part of the strategy of a south-south cooperation and as a vehicle of promoting exports (of indigenous machinery or equipments and technical know-how). This attitude drastically changed in the 1990s, as the policy parameters changed. Now, the outward investment and internationalization became part of the competitive strategy of Indian companies, to strengthen infrastructure in the host country that will enhance exports from India.

Today "the division of the world between capitalist associations and great powers" is increasingly fluidised. Particular (national/regional/individual) capitals compete for attracting more and more profit, but they need to collaborate to compete with others or even to go on competing among themselves. The presence of India and China in Africa too has acquired this dimension. They compete with one another, collaborate to compete with others, and collaborate with others to compete with one another. We cannot take one of these moments to be all defining as most analysts do when they analyse the rise of these two "Asian Powers". Taking into consideration the increasing investment (with all its varieties) in Africa from India and China, an understanding of the Indo-Chinese competition and collaboration is very important in order to grasp the significance of these investments in shaping the capital-labour relations in the continent.

EXECUTIVE SUMMARY

1. India's economic interests have become globalised, competing with one another and with foreign interests not just within its territory, but even beyond that. India's overseas investment has continuously increased from the 1960s onward. In the early years, this investment seemed more exceptional, and primarily geared towards building an international market for indigenously produced technologies and products. In the late 1970s, with gradual liberalisation of the rules over starting joint ventures outside India, Indian overseas interests were taken note of and their experiences became a veritable example of the rise of third-world multinationals. However, even in the 1980s, this phenomenon was explained by most researchers (with a few obvious exceptions, like Srikant Dutt) in terms of scuttling of expansive interests in the domestic economy by the Indian state.

2. Hence, the prime explanation of India's (third-world) multinationals was based on the dichotomisation of interests congealed within the State and India's private capital. If we saw a gradual liberalisation in the rules for export of capital, it was understood as the state's reluctant accommodation of the upcoming private capitalist interests for expansion. However, the reality is not so straightforward. The Indian state undoubtedly emerges out of constant negotiations between diverse conflicting political economic interests and therefore at times its policies are contradictory and gradual, but its teleology points towards the hegemony of corporate industrial interests over it. Its function

throughout the history of post-independence India has been to generalise the hegemonic interests while negotiating with interests represented within it that seem temporarily in contradiction – thus constituting evident zigzags in the policy designs. The formulation of the rules regulating outward foreign investment in 1969, their relaxation in 1978 and subsequent liberalisation in the 1990s should be understood as the Indian state's attempt to facilitate these interests as soon as they became obvious, but in a manner that they seemed consensual.

3. The major initiatives towards foreign expansion was taken up mainly by the established big businesses who made good use of the Indian state's protection to domestically expand and access the international market (whenever protection seemed stifling, there were political forces within and outside the state which negotiated efforts to rationalise protection with the changing needs).

4. For facilitating investment, the task was not simply to build institutions domestically that lubricate the investment outflow, rather those institutions must be supplemented through infrastructural measures that help it ground itself internationally. So, we find a non-aligned third world government of India indulging in various aid measures directed towards fellow third world countries, signing tax treaties with them etc to link up the domestic capital with international markets.

5. In this process of gearing up for such international economic dealings, notions like south-south cooperation and non-alignment acted as potent political strategic ideologies in order to build consensus and institutionalise it within India and in the international arena. India's leadership in the non-aligned movement and its support to the

decolonisation processes throughout the world provided it a definite competitive leverage in its international economic dealings too. In this regard it must be noted that before 1991, Indian investment was overwhelmingly directed towards the underdeveloped world (Africa being the major destination).

6. As David Harvey says, India's moves towards neoliberalism were not simply forced by external pressures like in many other third world countries. They were mainly a by-product of the internal needs of India's capitalist development and the ensuing changes in the international regime of accumulation. The balance of payments crisis in the beginning of the 1990s was just a triggering factor that instituted what was already impending. It can be argued that the gradual but continuous rationalisation of the investment regime to build up linkages between the domestic capital and international markets ultimately led to the qualitative leap in 1991.

7. The leap in 1991 did not mean that everything was suddenly made liberal; it meant simply that the process of neoliberalisation was now institutionalised, and the state officially recognised its task to administer this process. The crisis during that time weakened the forces against it; hence, we see all subsequent governments at the centre and in various states, despite their ideological divergences (which definitely affected the pace), continued to officiate the process. However, the regulation of overseas investment like other arena of economic management was still being rationalised gradually, but continuously, vocally and without hesitation.

8. After 1991, there was a drastic change in the overseas investment strategies and results. The annual compound growth rates in 1991-99 of the increase in Indian Overseas

Foreign Direct Investment (OFDI) flows and Mergers & Acquisitions (M&A) purchase overseas were 158 per cent and 196 per cent respectively. In 2000-06, the annual compound growth rate in OFDI further increased to 168.1 per cent. Before 1991, investment in joint ventures in greenfield projects in the underdeveloped world was dominant. After 1991, mergers and acquisitions were a major trend, which concentrated in the advanced countries. Further, post-1991 investment projects were diversified across the sectors. However, the novelty of this phase was investment in the oil and gas sector throughout the world, overtly to satisfy the domestic energy requirements.

9. Africa is officially the first outpost of India's capital, as we see the Birlas investing in Ethiopia in the late 1950s. There are both politico-economic and historical reasons to the centrality of Africa in India's overseas investment strategy. Politico-economic reasons derive from the location of African economies – their resources and markets – in the global economic milieu, while the export of indentured labour from India to Africa constituted an important historical business linkage that colonialism created and which could be exploited subsequently by Indian capital for expanding overseas. An IBRD-WB study notes that "the large Indian diaspora, whose members have business ties to India and a good knowledge of Africa, has played a significant role in attracting new investment to the continent".

10. India's major recent investment has been in various oil rich regions for procuring energy resources, including some of the important oil producing countries in Africa like Sudan, to fuel its own growth domestically. India's attraction for African oil derives from many strategic reasons. Many oil producing countries in Africa are not part of OPEC and thus are not directly bound by its various oligopolistic decisions regarding the oil

industry. Africa's oil market is less restrictive with regard to foreign participation in comparison to many Gulf countries'.

11. Despite, the state-led investment in the oil sector in Africa, it must not be forgotten that Indian investment in African countries is sectorally diverse. The presence of the Indian state as the major investor in both oil-gas sector and banking sector facilitates Indian private capital's diversification into other sectors – in traditional sectors like textiles and small engineering products, in the new areas contributing to infrastructural development in African countries, in telecommunications, education etc.

12. Africa poses immense challenge to multinational capital because of the lack of infrastructure facilities and skilled labour force, rigid factor markets, unpredictable regulatory regimes and governance. However, middle range powers like India and China are better equipped to deal with such lacunae in comparison to the bigger powers, because of their long experience in dealing with domestic developmental "distortions". It is in this regard that the importance of South-South cooperation is still posed, but it should be understood more in pragmatic terms with profit-motivation of the Indo-Chinese multinational capital being the driving force, rather than as an ethical motivation devoid of any pragmatic strategic-economic designs.

13. The focus on Kenya and Sudan would provide us a panoramic view of the nature of India's investment overseas and especially in Africa. Kenya is a case where the People of Indian Origin (PIO) have been a very important segment in its national development, acting as a pull factor for Indian investment since the late 1960s. Indian investors have many success stories in Kenya. The Indian investment in Kenya has always been

sectorally diverse, including pharmaceuticals, chemicals, garments, machinery, paper, finance, rubber, plastic, software etc. Indian banks like the Bank of India and the Bank of Baroda have long been active in Kenya from the 1950s. All major Indian insurance companies have been operating there. After 2000, there have been many M&As in Kenya undertaken by Indian concerns – the most important being Essar Energy Overseas Ltd acquiring 50 per cent share in Kenya Petroleum Refineries Ltd (KPRL).

14. Sudan, which hosted the biggest investment in a single project, accounts for 12% of the total Indian investment in Africa. Here investment is essentially restricted to the oil industry. This expansion is led by India's public sector company ONGC Videsh Limited, which began investing in Greater Nile Oil Project in 2003. However, under the shadow of OVL's venture, Indian investment in other sectors too has started expanding, including in the production of automobile and light engineering goods. The Sudanese government is offering various incentive packages to encourage the expansion of Indian investment (like bank guarantees, tax holidays and speedy clearance). Bharat Heavy Electricals Limited (BHEL) has already gained a contract to build a 500MW power plant worth $457 million, which is partly funded by the Exim bank.

15. India's investments in Sudan, especially in its oilfields, have come under heavy scrutiny with regard to human rights violations. OVL bought the stakes from Talisman which left Sudan after it was heavily criticised for its active complicity in human rights violations in the country. Indian companies are being pressurised by Western governments, media and human rights group to withdraw from Sudan. Some US fund houses have in fact sold or threatened to sell their shares in these companies. On the other

hand, the concerned companies are arguing that their involvement is just business-oriented.

16. It is not possible to judge India's (and Indian companies') involvement in rights violations by the statements of the western regimes who have their own political economic interests to obtain India's support in their hegemonic designs in the global south, to force it out of the global realignments that might be detrimental to their interests. Nor can we simply uncritically accept the submissions by the Indian state – since throughout the globe and historically the extractive industries have profiteered in a conflictual atmosphere, including in India. Moreover, in such atmosphere all basic rights including labour are kept in abeyance, and unfair labour practices become generalised. This fear can be all the more real in Sudan, where there is a single pro-government national trade union centre, no strikes are allowed, compulsory arbitration is enforced and collective bargaining non-existent. In this atmosphere, it is very difficult to assess the extent of labour rights violations in Sudan, including within the ventures run by Indian concerns.

17. Unlike Sudan, Kenya has well defined labour laws with right to unionisation in export-processing zones too (however with restrictions), and has a history of independent trade union movement. However, the labour market situation is very similar to other developing countries – with the informalisation of labour market and processes as the main industrial strategy. Under these circumstances, the abidance of labour laws is very rare, and like everywhere, in Kenya, too, multinationals outsource services which create various levels of labour market duality and discrimination. It is very difficult to conclude anything about labour relations in Indian-run companies in Sudan or Kenya, because of

the absence of any worthwhile empirical studies. We can only extrapolate in this regard from the overall state of the African economies and the general state of the informal sector which has expanded under neoliberalism.

18. When we talk about labour perspective on a particular phenomenon, it essentially signifies an assessment of the phenomenon's impact over the working class – to what extent it increases or diminishes its vulnerability or its bargaining power vis-a-vis capital. With regard to the issue of globalisation / multinationalisation / transnationalisation of capital, within the labour movement the dominant tendency has been to associate it with the phenomenon of capital flight and deindustrialisation. One can hardly disagree with the genuineness of these concerns about the impacts of globalisation. "Capitalist globalization has... increased the relative power of global capital over global labor by acting as a centripetal force for the capitalist class and as a centrifugal force for the working class". We are witnessing today a considerably reduced bargaining power of labour organisations throughout the world. In fact, an increased competition among firms and economies to accumulate global resources and surpluses has developed a multinational corporate hierarchy. Through this, labourers across national boundaries come into an explicit hierarchic relationship and in an open competition.

19. Globalisation of capital is a strategy that increases the vulnerability of workers, as industrial relations have become more complicated with diverse legal systems and socio-political environments determining them, but it creates a larger context for the counter-globalisation of working class struggles – an opportunity to practice working class internationalism. Multinationalisation of a corporate firm gives an opportunity and reason to organise multinational unions and action that can affect the capitalist hegemony in

various countries simultaneously. If we look at Indian investments in Africa, they do determine India's foreign relations with African countries and affect its relationship with other international institutions and countries (as in the case of OVL's investments in Sudan) to a large extent today. An international labour engagement through Indian workers organisations would go a long way in influencing these relations, and will increase labour's political clout to counter capital's influence both in India and the host countries.

A NOTE ON DEFINITIONS AND DATA

According to the United Nations Conference on Trade and Development (UNCTAD)-International Monetary Fund (IMF) definition, foreign direct investment (FDI) is that investment which allows a foreign investor to acquire long-term interest in domestic enterprises, and to have a decisive voice in their management. Such foreign entity is designated as the direct investor. The enterprise in which such investment is made is termed a direct investment enterprise. FDI is external financing, not net physical investment or real activity, which may increase or decrease as a result of that financing. Further, an acquisition of less than 10 per cent of the value of ownership in an enterprise is not considered FDI, it is Portfolio Investment. So, FDI involves acquisition of at least 10 per cent interest in the total worth of an enterprise. FDI accounts for both initial transaction (creation or liquidation of investments/interests) and subsequent transactions between the direct investor and the direct investment enterprise. Hence, it includes new foreign equity flows (with the foreign investor purchasing shares in an enterprise), intra-company debt transactions including debt securities and trade credits between the parent company and its affiliates, and reinvestments of earnings. New equity flows can be mergers and acquisitions (M&A) of existing local enterprises or greenfield investments in the form of joint ventures or wholly-owned subsidiaries.

But this definition of FDI is generally not followed by many of the data sources, especially commercial sources. These agencies generally do not follow the 10-percent threshold. Also, they do not take into consideration the flow of funds which may have come from the host or a third country, thus they might not be reflected in the net balance of payments of the host or the investor's countries. Further, there are investments routed through tax havens, i.e., funds are invested via a shell company in a low-tax third country. The official data generally do not take this tactic into consideration while accounting for bilateral flow of investments. The commercial sources compiling the M&A data are more accurate in this regard as they focus on ultimate ownership.

1. INTERNATIONALISATION OF INDIAN CAPITAL – A HISTORICAL OVERVIEW

When we talk of multinational enterprises, the focus is generally on enterprises from the developed world trying to control resources in the Third World. But from the 1950s onward there has been a steady growth in the number of such enterprises based in the Third World. India too has expanded its interests beyond South Asia and other neighbouring economies. It has business assets and interests to secure both in developed and underdeveloped worlds. In fact, Indian capital has been 'flying' through legal and illegal routes since the late 1950. The Birla group of companies made a large-scale investment establishing a textile mill in Ethiopia which began production in 1960 and once supplied half of Ethiopia's textile market. In 1961 the Tata group established a wholly-owned subsidiary, Tata International AG in Switzerland, and in 1962 the Shriram group started an assembly plant for sewing machines in Sri Lanka.

Pre-1991 Scenario

In the late 1970s-early 1980s, the phrase "third world multinationals" was popularized to differentiate them from the first world multinationals. There has been a growth in literature trying to understand the economics of the phenomenon of third world multinationals - assess its impact on the economic growth of the host and exporting countries and to understand the peculiarities of these multinationals. In the case of India, literature has been seeping in from the mid-1970s Much of the scholarly efforts in this regard has been invested in trying to quantify the extent of India's export of capital, and also to ascertain its motivations, mostly in terms of individual firms (this is not to say that political economic studies are totally absent, but they too are generally grounded in methodological individualism). The dominant tendency has been to treat the phenomenon as either an anomaly, or as a surreptitious effort by individual businesses to evade throttling anti-monopolistic economic policies characteristic of a planned economy, or even as part of the noble mission of south-south cooperation. The general perception, especially during the pre-1991 phase of neoliberalism, was that unlike the multinationals from the First World, which were motivated by the firms' internal growth process, third world multinationals were products of demand-side bottlenecks, the statist restrictions on monopolistic and trade practices, other imperfections and distortions created by the state and political forces. All these characterisations refuse to locate this cross-boundary expansion in the internal dynamics of global capitalism of which these expanding third world economies were and are an intrinsic part. Instead they reduce it to subjective motivations, which are nevertheless important but only in the sense that they are symptomatic of the objective economic logic.

However, in case of India, a major section of firms that have ventured overseas (and who have cut out a formidable space in the global corporate world for themselves) are those who have profiteered during the phase of 'interventionism'. In fact before 1991, they were firms having "a diverse and established presence at home". As one scholar from that period, Rajiv Lall noted in his study "Multinationals from the Third World: Indian Firms Investing Abroad" (Oxford University Press, 1986): "These firms tend to be part of large industrial houses with a conglomeration of holdings that give them an imposing rule in the Indian market."

Deepak Nayyar (2008) has questioned the biased portrayal of the post-1991 situation, in general and the internationalisation of Indian economy, in particular as a complete break in India's economic trajectory. He finds the so-called post-1991 successes as grounded on the achievements of the earlier decades.

> "In a long-term perspective, it is important to focus on industrialization in India during the period from the late 1950s to the late 1980s as the economy learned to industrialize. A system of higher education was developed. Entrepreneurial abilities were created. The social institutions and the legal frameworks necessary for a market economy were put in place. A physical infrastructure was created. And a capital goods sector was established. This did, over time, lead to the development of managerial and technological capabilities in firms. It is clear that these foundations were laid long before the era of economic liberalization. The discernible international competitiveness of firms in the pharmaceuticals sector is attributable, at least in part, to the Patents Act of 1970 that did not allow products patents but allowed only process patents which, in turn, supported the possibilities of reverse engineering. In the engineering goods sector, import substituting industrialization that encouraged local technology and skill development also created capacities and abilities in firms which enabled them to cope with restructuring and become competitive. In steel, the much maligned public sector now provides a large proportion of the managerial talents that run Mittal Steel worldwide. Similarly, the foundations for the information technology sector were

laid in the early 1980s, so that domestic firms in this sector were already established when economic liberalization began a decade later. The changed milieu nurtured and fostered their capacity and ability to compete in the world market.

Going further, we must admit that the economic past cannot be treated simply as a stock of institutional and entrepreneurial capital to base the future upon; rather, it contains the internal logic that makes the present a possibility. Economic history must be treated as a flow (of course, with twists and turns) that finds the present as a tributary. The balance of payments crisis in the beginning of the 1990s was just a triggering factor that instituted what was already impending. It is in this sense that David Harvey (2005) in his book on the history of neoliberalism states that in India the transition towards neoliberalisation started in the 1980s and was not fully due to external pressures.

Definitely, until the late-1970s, the Government of India had clear guidelines regarding the ventures abroad, which seemed to frustrate the outward expansion. There was a prohibition of equity participation in foreign ventures in the form of cash (unless warranted by some special conditions), an insistence to export made-in-India equipments in lieu of equity and also a preference for minority equity participation. However, these rules were not due to the Indian state's apathy towards expansion overseas, as they apparently seem to be; rather they were formulated "in response to serious problems in India's balance of payments and consequent shortages of foreign exchange". (Aggarwal and Weekly, 1982) In fact formalisation of these rules in 1969 can be viewed as indication of the Indian government's urge to promote foreign investment as a vehicle of maximisation of foreign trade and hence net foreign exchange earnings. Through these rules there was an attempt to create institutions that could systematically promote such investment in a targeted manner (Encarnation, 1982).

An early research (perhaps the earliest) on Indian investment in the Joint Ventures overseas published in 1976 found it commendable that in spite of the above-mentioned strictures there were 65 operational units overseas run by Indian entrepreneurs. As on January 1 1976, 233 joint ventures which were spread over 43 countries had been approved. About 45 per cent and 51 per cent units in the proposal and production stages respectively were in the engineering and textile industries. Balakrishnan (1976) finds that promoting joint ventures was "gradually being recognised as a powerful instrument to secure a foothold in world markets". The paper concluded that

> "Industries or product lines (a) with limited need for initial investment, (b) based on mature technologies, (c) having a high labour content, and (d) possessing no significant economies of large scale are ideal cases for Indian entrepreneurs to consider."

Balakrishnan (1982), which extends the above analysis till 1979-80 and accounts for around 107 operational units, found that more than 70 per cent of units under production overseas became operational in the latter half of the 1970s. Although India's first successful business venture was in cotton textiles, India's foreign direct investment soon diversified (Table 1) with investment in light engineering and raw-materials-intensive industries (e.g., cement, paper, sugar). In the 1970s, we find its expansion to chemicals and pharmaceuticals, electrical, and service industries (Encarnation 1982).

Table 1: Indian Joint Ventures Abroad (31 January 1980)

Industry	Projects	Percentage
Engineering products	47	24
Construction, trade and consultancy	34	18
Textiles	24	13
Restaurant and food products	23	11
Chemicals and pharmaceuticals	15	8
Oils and refining	15	8
Pulp, paper, cement and sugar	9	5
Miscellaneous	25	13
Total	192	100

Source: Aggarwal and Weekly, 1982

It is pertinent to mention here that the expansion of Indian ventures abroad coincided with the recessions of 1965-67 and 1973-74 which bore severe impact on the domestic capital goods industry. It has been argued that international investment was used to overcome the problems of idle capacity in domestic capital goods industries, and the Indian experience was in consonance with this general strategy. There were less than expected exports of capital goods to Indian joint ventures operating in Mauritius and the

Philippines when Indian machinery manufacturers were not suffering from a recession.(Encarnation 1982) Hence, we find India's large business conglomerates, which had this surplus capacity in their command, controlling most of the overseas Indian ventures, thus indicating a sort of vertical integration.

Table 2 Ownership of Indian joint venture in the Third World, 1977

Ownership	Indian Joint Ventures			
	In Production		Under Implementation	
	Number	% of Total	Number	% of Total
Largest Indian-owned business houses (1975-76 rank by assets in brackets)				
Birla (1)	11		1	
Tata (2)	4		0	
J.K. (4)	3		0	
Sarabhai (9)	3		2	
Kirloskar (11)	3		1	
Thapar (6)	1		2	
Mahindra (14)	1		2	
Mafatlal (3)	1		0	
Shri Ram (8)	1		0	
Lalbhai (20)	1		0	
Walchand (17)	0		2	
Other	7		57	
TOTAL	36	60%	67	45%
Foreign-owned business houses	3	5%	3	2%
All other houses	21	35%	79	53%
Total	60	100%	149	100%

Source: Encarnation (1982)

Among the units that were in production in 1977 in the Third World, almost half were initiated by ten of the top twenty houses in India (Table 2). Also, as Table 3 shows, it was countries in the developing world, i.e. the Third World that dominated as hosts of Indian investment.

Table 3: Regional Distribution of Indian Projects Overseas (in operation on 31 January 1980)

Region	Projects	Percentage
Southeast Asia	79	41
Africa	39	20
West Asia	38	20
Developed countries	23	12
South Asia	13	7
Total	192	100

Source: Aggarwal and Weekly, 1982

Of course, anti-monopolistic legislative measures played a significant role in motivating various individual groups like the Birlas to expand overseas, but we must recognise that they were able to do so in the same investment regime existing at that time. So there was not any fundamental conflict of interests between the Indian state and upcoming Indian capital. The challenge before the Indian state was that it had to articulate the interests of economic leaders in such a manner that they became general or national interests. Hence, the formulation of the rules regulating outward foreign investment in 1969, their relaxation in 1978 and subsequent liberalisation in the 1990s should be understood as the

Indian state's attempt to facilitate these interests as soon as they became obvious, but in a manner that they seemed consensual. But this can become evident only if we understand the trajectory of Indian economy and ground the exercise of policy making in that trajectory, not vice versa.

Besides the guidelines, the Indian government tried to use everything in its capacity to increase foreign trade through foreign investment whenever it found suitable and possible. It formulated export promotion schemes encouraging capital goods exports to joint ventures overseas. The Export Credit and Guarantee Corporation covered even commercial and political risks for the capital goods exporters. The government increasingly assumed the role of financier too. The Industrial Development Bank of India (IDBI) started giving deferred payment credits, and other financial supports to overseas investment ventures. In 1981 a new Export-Import Bank (Exim Bank) took over many of these functions. In 1977, for the first time in Indian business industry IDBI made an arrangement with the Kenya Development Bank to open commercial lines of credit; very soon similar deals were struck with Nigeria and Ghana.

As mentioned earlier, with the improvement of India's external accounts, along with the reduction of the need to import food and an increased remittances from overseas Indians, the Indian government was able to relax its rules in 1978 – cash payments for equity in certain ventures, provision of loans, capitalisation of unremitted fees, royalties and other payments from overseas business, and more than 50 percent ownership in these businesses were allowed. Tax laws were gradually revamped in favour of such investments and beneficial bilateral tax treaties with many countries were negotiated (Aggarwal and Weekly, 1982)

One significant development that we see during the modified investment regime was a tremendous growth in investment in the service sector in the 1980s (Table 4).

Table 4 Sectoral composition of Indian OFDI

Sector	1961-79		1980-89	
	OFDI flows	Percent	OFDI flows	Percent
Primary	4.03	3.7	1.1	0.7
Manufacturing	90.45	82.4	78.4	51.7
Services	15.35	14.0	70.3	46.3
Total	109.83	100	151.7	100

Source: Pradhan, 2009

During the first two decades of the OFDI (1961-1979) around 82 percent of investment went to the manufacturing sector and just 14 percent to the services. The trend significantly changed in the 1980s with the service sector hosting 46 percent of investment, while the manufacturing sector's share was reduced to 51.7 percent. This trend too was in consonance with the domestic situation, as the service sector was fast emerging as the main contributor in the gross domestic product. Of course, we do not see much leap in India's outward foreign direct investment even after the above-mentioned changes in the regulation regime. But we can definitely call the 1980s a transitional period (heralded by policies such as the 1978 guidelines on the OFDI) when the import-substitution strategy that underlay the economic policy-making in India till the 1970s came to be considered outmoded even within the government circle. A slow ideological transition towards neoliberalism was evident with its clear impact on the policy designs, especially during Rajiv Gandhi's regime (1984-89).

It is also important to mention here that the analysis of the OFDI remains incomplete, especially with regard to the period before 1991, because the official data sources of that period had information mainly pertaining to joint ventures, not on subsidiaries, i.e. units fully-owned by Indians. But it is known that there were subsidiaries involved in manufacturing, trading, agency business, technical services, consultancy, bidding for contracts, investments in and holding other companies. Unlike the Joint Ventures of that period, these subsidiaries were concentrated more in the advanced capitalist countries. Subsidiaries were approved mainly to facilitate the direct earning of foreign exchange "through bidding for contracts, consultancy, other service exports and indirectly by helping their parents or Indian firms in general to export/secure orders". However, once they were formed the government and the RBI lost any meaningful control over them. The government officials complained that these subsidiaries did "not repatriate anywhere near the initially projected dividends". They chose "to retain very large portions of their profits within. Apparently, very many of them are known to evade submitting their detailed performance reports to the government." (Morris 1987)

The overseas investment whether in joint ventures or subsidiaries, even prior to 1991 was seen as a significant aspect in companies' corporate strategies of expansion. It might be true for individual businesses that they found the pre-1991 economic regime stifling with stagnant domestic inlets and policy restrictions on monopolies. Also, the claim that they went for overseas expansion to evade this atmosphere might have played a major role in delegitimizing the pre-neoliberal regime and manufacturing consent for transition, but, as the above narration shows, this explanation cannot account for the whole scenario. Rather, it was the step-by-step move of the Indian state that made their expansion viable and organically grounded in India's economic development. Morris (1990) has correctly concluded with regard to the pre-1991 scenario that

> "Foreign direct investments (FDI) from India has been a systematic phenomenon ever since the mid- sixties. It grew at a rate exceeding 30 per cent per annum in current price terms during the period of the recession 1964-80. And during the eighties when the growth of the manufacturing sector in India exceeded 8 per cent per annum, the growth of FDI from India has slackened somewhat, but nevertheless continues to grow. During the seventies the quantum of outflows was quite comparable to inflows of FDI, and equalled 10 per cent of domestic private corporate investments. Equally importantly for some of the large business houses such as the Birlas and Thapar, FDI (from India) is an important consideration in their growth strategies. Some companies such as Grasim Industries Ltd, Ballarpur

> Industries Ltd, Orient Industries Ltd, are so highly transnationalised that no discussion of their performance and role in the domestic market can be complete without consideration of their foreign operations."

After 1991

Changes in the Policy Regime

The post-1991 scenario has rendered new dimensions to the "export of capital" from India. The policy regime has been drastically and continuously altered in this phase. Below we enumerate the major changes that have occurred.

Following the Kalyan Banerji Committee's recommendations in its Report on Indian Joint Ventures Abroad in December 1991, Ministry of Commerce introduced an Automatic Route for outward investments in 1992 and the total value of investment was restricted to $2 million with a cash component of up to $0.5 million in a block of 3 years. In 1995, a single window system was provided for the work relating to such investment projects. The Reserve Bank of India (RBI) became the nodal agency in place of the Ministry of Commerce in this regard. The value restriction was increased to $4 million (with same cash component of $0.5 million in a block of 3 years). Some financial services (insurance, mutual funds etc) were included for overseas operation. For proposals above $4 million, approvals were given through Normal Route at the Special Committee level. For proposals of more than $15 million, the Ministry of Finance had to be approached.

In 2000, the limit was raised to $50 million for annual investment without any profitability condition. Further, companies could now invest 100 per cent of their proceeds from international share and stock trading in acquiring foreign companies and for direct investments in joint ventures and wholly-owned subsidiaries. In 2002, the limit for investment overseas through automatic route was raised to $100 million.

In 2003, the cash limitation was done away with and Indian parties could now fund to the extent of 100 per cent of the net worth of a venture through automatic route. This was raised to 200 per cent in 2005, then to 300 per cent in June 2007, which again increased to 400 per cent in September 2007. Now the prior approval from the Reserve Bank of India was not required and firms could obtain the remittances through any authorised foreign exchange dealer. In 2004, Indian firms got a permission to undertake agricultural activities, which were totally restricted earlier. Also, Indian companies could not engage in businesses unrelated to areas at home. In 2005, banks were allowed to fund overseas ventures of Indian companies.

The above changes were integral part of the process of liberalisation of Indian economy that started in 1991. A main target of this process has been integration within the world market, and to attract capital flows to the domestic economy. FDI inflows have definitely increased in recent years, but until 2005-06 net FDI as shown in the balance of payments account was still very low in comparison to portfolio and other kinds of debts. (Table 5)

Table 5: India's balance of payments (1997-2009)

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09*
Gross international reserves	29.7	33.2	38.7	42.9	54.7	76.1	113.0	141.5	151.6	199.2	309.7	312.1
(in percent of GDP)	*7.2*	*8.0*	*8.6*	*9.3*	*11.4*	*15.0*	*18.8*	*20.3*	*18.8*	*21.6*	*27.2*	
Change in international reserves	2.9	3.5	5.5	4.2	11.8	21.4	36.9	28.5	10.1	47.6	110.5	2.4
A. Current account balance	-5.5	-4.0	-4.7	-2.7	3.4	6.3	14.1	-2.5	-9.9	-9.8	-17.4	-10.7
(in percent of GDP)	*-1.3*	*-1.0*	*-1.0*	*-0.6*	*0.7*	*1.2*	*2.3*	*-0.4*	*-1.2*	*-1.1*	*-1.5*	
Merchandise trade balance	-15.5	-13.2	-17.8	-12.5	-11.6	-10.7	-13.7	-33.7	-51.9	-63.2	-90.1	-31.6
(in percent of GDP)	*-3.8*	*-3.2*	*-4.0*	*-2.7*	*-2.4*	*-2.1*	*-2.3*	*-4.8*	*-6.4*	*-6.8*	*-7.9*	
B. Capital account balance	9.8	8.4	10.4	8.8	8.6	10.8	16.7	28.0	25.5	45.8	108.0	13.2
FDI, net	3.5	2.4	2.1	3.3	4.7	3.2	2.4	3.7	3.0	8.5	15.5	10.1
portfolio flows, net	1.8	-0.1	3.0	2.6	2.0	0.9	11.4	9.3	12.5	7.1	29.3	-4.2
C. Errors and omissions, net	0.2	-0.2	0.7	-0.3	-0.2	-0.2	0.6	0.6	-0.5	0.6	1.5	-0.3
D. Valuation change	-1.6	-0.7	-0.9	-1.7	0.0	4.5	5.5	2.4	-5.0	11.0	18.4	0.2
Memorandum Items:												
Non-FDI capital account balance (including errors and omissions)	6.5	5.9	9.0	5.3	3.6	7.4	14.9	24.9	22.0	37.9	94.0	2.8
Nominal GDP	410.0	414.0	450.0	460.0	478.0	508.0	602.0	696.0	806.0	922.7	1140.0	

Source: Prasad, 2009

This was partly due to the 'net' nature of the figure, as outflows were subtracted from the inflows. Liberalisation meant not just smoothening of the inflow channel, but of the outflow too. Gross FDI outflows have almost matched the inflows – in fact, from 2003-04 onwards FDI outflows have exceeded the amount of FDI inflows (table 6). As OECD Investment Policy Reviews: India 2009 puts, "A unique feature in India is that outward has been tracking inward FDI with a short time lag in contrast with other Asian economies which absorbed substantial amounts of inward FDI before starting to invest abroad."

According to the Boston Consulting Group's survey in 2006 among top 100 MNCs from developing economies 21 firms were from India. Further, there are 7 Indian multinational corporations in Fortune 500 list in 2009 (see Table 7). Facing an increased competition in the domestic market with foreign and domestic companies, Indian firms took the route of diversification in the global market.

Consequently, we find that the annual compound growth rates in 1991-99 of the increase in Indian OFDI flows and M&A purchase overseas were 158 per cent and 196 per cent respectively (See Table 8). In 2000-06, the annual compound growth rate further increased to 168.1 per cent. Tables 9 and 10 provide a historical overview of India's OFDI flows and stocks, placing them in the globe of OFDI sources.

Table 6: Capital inflows in and outflows from India

Inflows

	Gross Inflows		Components			
			FDI	Portfolio	Loans	Other
	(USD billions)	(percent of GDP)	(as percent of gross inflows)			
1995-96	7.8	2.1	27.6	34.3	28.4	9.6
1996-97	13.6	3.5	20.9	24.4	35.3	19.4
1997-98	14.0	3.3	25.4	13.1	34.3	27.2
1998-99	10.8	2.5	23.0	-0.6	41.0	36.7
1999-00	10.8	2.4	20.0	28.0	14.8	37.2
2000-01	14.9	3.2	27.0	18.5	35.3	19.2
2001-02	9.2	1.9	66.7	22.0	-13.7	25.0
2002-03	4.0	0.8	125.7	24.4	-96.1	46.0
2003-04	16.3	2.8	26.4	69.5	-26.7	30.8
2004-05	35.4	5.1	16.9	26.3	30.9	25.9
2005-06	35.2	4.3	25.3	35.4	22.4	16.9
2006-07	61.3	6.7	35.9	11.4	40.1	12.6
2007-08	98.1	8.6	18.3	33.5	28.9	19.3

Outflows

	Gross Outflows		Components			
			FDI	Portfolio	Loans	Other
	(USD billions)	(percent of GDP)	(as percent of gross outflows)			
1995-96	3.5	0.9	5.4		0.2	94.4
1996-97	3.1	0.8	6.1		0.0	93.9
1997-98	2.5	0.6	1.5		0.4	98.0
1998-99	2.9	0.7	3.4		0.5	96.0
1999-00	2.9	0.6	2.5		-0.3	97.8
2000-01	3.5	0.8	21.6	4.8	0.6	72.9
2001-02	3.1	0.6	45.4	2.3	2.7	49.6
2002-03	3.1	0.6	57.9	1.1	0.7	40.2
2003-04	4.3	0.7	44.9	0.0	2.3	52.7
2004-05	6.8	1.0	33.5	0.4	4.9	61.2
2005-06	10.9	1.3	53.9	0.0	2.9	43.2
2006-07	17.5	1.9	77.0	-0.3	1.8	21.5
2007-08	26.0	2.3	64.6	-0.6	0.1	35.9

Note: Prior to 2000-01, outward FDI and portfolio outflows were not reported separately.

Source: Prasad, 2009

Table 7: Fortune 500 Companies from India, 2009

Rank	Companies	Global 500 Rank
1	Indian Oil	105
2	Tata Steel	258
3	Reliance Industries	264
4	Bharat Petroleum	289
5	Hindustan Petroleum	311
6	State Bank of India	363
7	Oil & Natural Gas	402

Table 8: OFDI Flows from emerging economies (1991-2007)

Region/Country	OFDI Flows				M&A Purchase			
	Annual Average ($ billion)		Annual Compound Growth Rate (%)		Annual Average ($ billion)		Annual Compound Growth Rate (%)	
	1991−99	2000−07	1991−99	2000−07	1991−99	2000−06	1991−99	2000−06
World	438.6	1025.5	59.1	25.2	265.1	626.0	98.7	-3.1
Developed economies	388.9	883.0	60.2	22.0	247.5	568.4	100.0	-7.2
Emerging economies	49.7	142.5	49.4	47.4	17.5	56.4	79.3	62.8
Developing economies	48.4	126.9	49.0	41.6	17.3	53.1	79.0	59.9
Economies in transition	1.5	15.6	37.6	153.3	0.2	3.3	95.0	207.0
Brazil	1.0	6.3	66.3	106.9	1.1	5.9	247.0	221.3
China	2.5	9.3	1.5	149.9	0.5	3.6	96.5	253.5
India	0.1	4.6	158.0	168.1	0.2	1.9	195.6	70.5
Russian Federation	1.4	14.3	35.9	153.4	0.1	3.0	49.9	223.2
South Africa	1.4	1.2	57.4	168.4	2.1	2.8	100.9	-26.0

Note: Compound growth is obtained by fitting semi-logarithmic regression function.

Source: Pradhan, 2009

Table 9 India's OFDI flows (USD million)

	OFDI flow from India	As a share in OFDI flow from the world (%)	As a share in OFDI flow from developing countries (%)	As a share in GDP (%)	Ranking in the world	Ranking in developing countries
1980s	4	0.00	0.07	0.00	66	43
1990-94	20	0.01	0.07	0.01	95	69
1995-99	120	0.02	0.19	0.03	52	28
2000	759	0.04	0.37	0.16	40	17
2001	1391	0.19	1.63	0.29	29	11
2002	1819	0.31	3.09	0.36	31	12
2003	1934	0.33	3.37	0.32	28	10
2004	2274	0.24	1.62	0.32	34	14
2005	5867	0.34	2.26	0.73	34	14
2006	13512	0.97	5.44	1.48	21	5
2007	18835	0.68	4.48	1.65	24	6

Source: OECD Investment Policy Reviews: India 2009

Table 10 India's OFDI stocks, and their place globally - Table 1.A1.8

	OFDI flow from India	As a share in OFDI flow from the world (%)	As a share in OFDI flow from developing countries (%)	As a share in GDP (%)	Ranking in the world	Ranking in developing countries
1980s	80	0.01	0.11	0.04	46	25
1990-94	113	0.01	0.09	0.04	64	38
1995-99	735	0.02	0.15	0.21	60	34
2000	5083	0.03	0.21	1.10	49	27
2001	4006	0.04	0.29	0.84	45	23
2002	5825	0.05	0.43	1.15	44	21
2003	7759	0.07	0.56	1.29	43	20
2004	10033	0.08	0.63	1.43	41	18
2005	15900	0.09	0.69	1.97	41	17
2006	30946	0.12	0.83	3.38	41	17
2007	46781	0.19	1.15	4.37	36	13

Source: OECD Investment Policy Reviews: India 2009

With regard to the sectoral diversification, Indian multinationals have come a long way. There was an exclusive dominance of manufacturing firms till the 1970s. In the 1980s, manufacturing was still dominant but we find an increase in share of the service sector in the 1980s. Since 1991, the trend of a declining share of manufacturing sector OFDI and rising share of services sector OFDI continued. However, in post-1990 phase overall, we find Indian enterprises expanding themselves across all the three broad economic sectors. (Table 11)

Table 11: India's OFDI by sector (in percentage)

	OFDI stocks as of 1980	OFDI stocks as of 1987	OFDI flows during 2003-06	OFDI flows during 2007-08
Manufacturing	93.8	85.4	64.4	30.6
Services	3.9	14.0	31.6	64.1
- Non-financial	3.9	10.0	21.8	32.4
- Financial	0.0	1.2	1.2	0.2
- Trading	0.0	2.8	8.6	31.6
Others	2.2	0.6	3.9	5.3

Source: OECD Investment Policy Reviews: India 2009

The distinguishing feature of the latest phase has been a tremendous surge in investments in the primary sector, especially, oil, gas and minerals. The energy requirements of India's economy have been constantly increasing and as a result indigenous corporate oil interests have evolved, which initially were restricted to brokerage in export and import. But as the regulation for the outflow of Indian capital for investment and acquisitions abroad has been eased out, there has been heavy investment to 'proactively' secure energy supplies from abroad. Indian oil companies, especially, Oil & Natural Gas Corporation Videsh Ltd (OVL), have acquired assets in oilfields in Russia, Latin America, the Middle East and ex-Soviet Central Asian republics. India is particularly using its erstwhile non-aligned image to gain access to the African oil and gas fields - Chad, Niger, Ghana, and Congo in particular. In Sudan, it has made its largest investment acquiring the assets from a Canadian company, which left Sudan after human rights organizations charged it of committing genocide in Darfur region.

The Indian state's consonance with the interests of Indian capital has forced it to emerge as a leading investor, concentrating on sectors that allow a smooth process of capital accumulation domestically and internationally – energy and finance, being true to its role of expressing the general conditions of accumulation and devising overall economic strategy. One needs only to look at the list of Fortune 500 companies to assess the emergence of the Indian state in this regard. Of the 7 Indian corporate firms in the list, 5 are public sector enterprises, of which 4 are engaged in the exploration of energy sources, and one is a bank.

Another distinct feature of the 1990s trends in the OFDI was the emergence of the developed countries as the major host of Indian investment. In contrast to the earlier period, when the state's support and guidance provided a logic of the overseas expansion, after the 1990s, the direction was provided by the strategies to consolidate firm-specific competitive advantages in various industries, which essentially meant the acquisition of decisive assets in the developed countries. During the period 2002-08, the share of the developed world in India's OFDI flows was about 50.8 per cent, which constituted about 32.2 per cent of OFDI stocks in 2006. (Table 12)

Table 12: India's OFDI by region (in percentage)

	OFDI stock as of 1986	OFDI stock as of 2006
Developed countries	1.6	32.2
Developing countries	96.4	67.8
Asia	58.4	19.9
East Asia	0.1	5.2
South-East Asia	51.1	7.4
South Asia	3.9	1.9
West Asia	3.4	5.4
Africa	35.3	20.4
Europe	3.2	13.5
EU	1.1	12.7
CIS	0.0	17.3
Other Europe	2.1	0.9
Latin America & Caribbean	0.0	10.4
Caribbean	0.0	9.6
Central America	0.0	0.2
South America	0.0	0.6
Oceania	0.7	3.0
North America	0.4	15.4

Since the 1990s another new feature was evident, i.e., in the nature of ownership participation. There was an obvious trend away from joint ventures, and to establishing wholly-owned subsidiaries or overseas affiliates. As discussed earlier, much of this has to do with rules and regulations concerning the overseas investment that were in place before the 1990s. However, it has been noted that with regard to these forms of participation too there has been a traceable geographical pattern, according to which the Indian investors have been more prone to indulge in Mergers and Acquisitions in the developed countries, while in the developing world they prefer to invest in joint ventures and minority ownership.

If we try to reason the logic and patterns of investment, we find that as these firms begin to enter into competition with new entities, they are exposed to new demand and supply structures, which require different levels of vertical and horizontal integration to compete globally, thus forming their motivations for investment. Firstly, they need to invest in acquiring new technology, and in research and development. Especially with regard to India's pharmaceutical companies, expanding their R&D base is extremely necessary to compete, as they have been one of the major beneficiaries of the post-1991 changes. Secondly, companies are motivated to acquire brand names and expand product mixes as an important strategy for expanding themselves on the established market bases. Thirdly, there is an increase in market-seeking investments as with the deregulation of various sectors and the domestic market, the Indian enterprises have to consolidate existing markets and to explore new ones. Fourthly, many Indian firms need to internationalise themselves in order to reduce their dependence on the domestic market and local business cycle. Fifthly, there is a need to invest in creating regional production networks that can allow Indian firms to build an optimal industrial structure by utilising the best in various locations; this will increase efficiency. And lastly, perhaps with major political economic implications, a stable supply of material and energy resources has to be ensured in order to fuel India's energy-intensive growth.

2. INDIA'S INVESTMENT IN AFRICA

As mentioned earlier, Africa has been officially the first outpost for India's capital, and still continues to be an important one. If we look at Table 12, we find that despite a decline in Africa's share in the overall OFDI stocks, it stands out as one of the biggest hosts in continental terms, as Europe and the Americas have increased their share more at the cost of the Asian countries' share. Africa hosted 20.4 per cent of India's total OFDI stocks in 2006. In fact, while the recent financial crisis took its toll on the overall overseas foreign investment from India, "African developing economies weathered the Indian FDI downturn by receiving 69% more of it in 2008 than in 2007", as one scholar has noted (Pradhan, 2009).

In my view, there are both politico-economic and historical reasons to the centrality of Africa in India's overseas investment strategy. Politico-economic reasons derive from the location of African economies – their resources and markets – in the global economic milieu, while the export of indentured labour from India to Africa and other regions constituted an important historical business linkage that colonialism created and which could be exploited subsequently by Indian capital for expanding overseas. One prominent historian thus mentions the "successes" of a section of the indentured population:

> Estimation of commercial migration needs to take into account that those who ended up as traders often left as labourers. It is well known that the `dukawallas'

> of East Africa, who formed the backbone of the commercial economy of British East Africa from the 1910s onwards, were the leftovers and descendants of the indentured migrants, both Punjabi Sikhs and Gujarati Patidars, who built the Ugandan railway in the late 1890s and early 1900s. The Jains coming from the *bavangami*, a group of fifty-four villages in the neighbourhood of Jamnagar in Kathiawar, who emerged in the twentieth century as a successful business community in Kenya, were originally agriculturists-cum-small traders who shifted to a completely urban and commercial mode of life after their migration. An important distinction is therefore to be made between commercial migrants who were in commercial occupations in India before their migration, and migrants who had other occupations before migration and shifted to trade after they reached their destination. The second category is probably larger than the first one, as it includes, in particular, most of the business communities of East Africa as well as South Africa. (Markovits 2004)

These 'successful' Indian Africans constitute the historical connection that provides a ready infrastructure to facilitate India's economic expansion in African territories, and Indian capital has effectively capitalised on this. A recent IBRD-World Bank (Broadman, 2007) study of Africa as Indo-Chinese economic frontier notes that "the large Indian diaspora, whose members have business ties to India and a good knowledge of Africa, has played a significant role in attracting new investment to the continent". The study explains the role of diasporas

> "...as vehicles for diffusion of information about investments and trade opportunities between the countries where they reside and the countries of their ethnic ancestries. Benefits from ethnic networks are particularly large in an environment in which formal networking opportunities are limited. Contacts among expatriate communities across international boundaries play a crucial role in exchanging market information for international trade. The large Indian diaspora, whose members have business ties to India and a good knowledge of Africa, has played a significant role in attracting new investment to the continent".

However, this link sometimes becomes a burden for Africa's "People of Indian Origin" (PIO), as they frequently become victims to native anger against Indian capitalists and those PIO entrepreneurs who have relinked themselves with the Indian state and economy. A recent incident happened in 2007 when the Ugandan government proposed to sell a major portion of the Mabira rainforest to the Sugar Corporation of Uganda Limited owned by the Mehtas (who were part of the local society until Idi Amin ousted them), and many local PIOs suffered due to the riots that followed.

A major factor that is frequently missed out in accounting for India's rise in the international arena has been the postcolonial rebirth of India as a non-aligned independent economy, which many developing countries took as a model, despite its pace and specificities (which many neoliberal enthusiasts nowadays call distortions). A scholar rightly put (Harshe Rajan 1990):

> Over the years, after absorbing infinite complexities in the process of multilayered interactions with in the dynamics of world politics, India's non- alignment has become an instrument of a middle-range power. During the process of its evolution, India's non-alignment relentlessly inspired smaller Afro-Asian states which were grappling to carve out their self-identity in a world torn between stereotype social systems. Their eventual merger within the mainstream of the NAM transformed the principal concerns of NAM from east-west tensions to north-south dialogue and the NIEO. India's non-alignment, thanks to its economic strength, has, inevitably, an important role to play in this scenario.

The end of the Cold War swept away the need to balance between the two world powers and established a new competitive milieu where "middle-range powers" like India and China found themselves in open competition with one another and with traditional powers (collaboration being part of the competitive strategy). In this atmosphere, India's "social capital" accumulated during the Cold War phase provided a definite base for developing its own space in the global political economy.

Table 13: Indian FDI Flows into Africa, by Destination (1961-2007)

Region/Country	*FDI flows in $ million*							*Number of Investing Firms*
	1961–69	*1970–79*	*1980–89*	*1990–99*	*2000–07*	*All Years*		
						Value	*Per cent*	
Africa	13	35	25	317	2968	3358	100	398
North Africa			1	41	508	550	16.37	23
Algeria					1	1	0.04	3
Egypt			1	8	7	16	0.47	14
Libya					100	100	2.99	3
Morocco				32		32	0.97	1
Sudan					395	395	11.75	3
Tunisia					5	5	0.16	
West Africa	3	4	19	29	203	258	7.69	49
Burkina Faso					0.05	0.05	0.00	1
Cote-d'Ivoire				0.01	14	14	0.43	4
Ghana				0.05	2	2	0.07	6
Liberia				0.3	155	155	4.62	2
Niger					0.01	0.01	0.00	1
Nigeria	3	4	4	7	30	47	1.41	34
Senegal			16	22	1	39	1.16	2
Sierra Leone					0.02	0.02	0.00	2
Central Africa					63	63	1.88	2
Congo					0.2	0.2	0.01	1
Gabon					63	63	1.88	1
East Africa	10	31	5	226	2170	2442	72.70	295
Ethiopia			0.03		5	5	0.16	12
Kenya	9	27	0.7	13	3	53	1.56	26
Mauritius			0.4	201	2149	2351	70.00	233
Mozambique				0.3	10	10	0.31	2
Seychelles		4	2			5	0.16	2
Tanzania				4	1	5	0.14	10
Uganda	0.9			4	0.2	5	0.15	11
Zambia			2	2	0.2	5	0.14	6
Zimbabwe			0.1	1	1	3	0.08	4
Southern Africa				22	24	45	1.35	50
Botswana				0.2	1	1	0.04	7
Namibia				0.3	0.1	0.38	0.01	3
South Africa				21	22	44	1.30	41

Source: Pradhan, 2008

Table 14: Sectoral Composition of Indian FDI flows into Africa (1961-2007)

Industry	*FDI flows in $ million*							*No. of Firms*	*No. of Countries*
	1961–69	*1970–79*	*1980–89*	*1990–99*	*2000–07*	*All Years*			
						Value	*Per cent*		
Primary				23	594	617	18.38	24	13
Agriculture & allied products				7	18	25	0.74	10	5
Ores & Minerals				0.3	0.1	0.4	0.01	6	6
Gas, Petroleum and related products				16	576	592	17.63	8	6
Manufacturing	13	27	21	259	1556	1877	55.88	225	23
Food, beverages and tobacco			1	18	23	42	1.25	21	9
Textiles and wearing apparel	10	0.29	0.05	16	34	60	1.80	25	10
Paper and paper products		23		0.3	2	25	0.75	4	3
Printing and Publication					1	1	0.03	5	4
Gems and Jewellery				2	17	19	0.57	12	5
Leather and related products				19	0.2	20	0.58	6	2
Rubber and plastic products				3	263	266	7.91	19	7
Non-metallic mineral products		2		4	0.1	6	0.18	7	5
Basic metals and fabricated metal product				14	60	74	2.20	23	9
Machinery and equipment		2	0.3	2	54	58	1.74	20	9
Electrical Machinery and equipment	3	0.03	0.2	7	4	15	0.43	21	6
Transport equipment		0.2		6	119	125	3.71	9	6
Computer, electronic, medical, precision				3	41	44	1.31	15	4
Chemicals			16	137	930	1083	32.25	24	9
Pharmaceuticals		0.3	1	9	8	18	0.52	35	11
Other manufacturing			2	19	1	22	0.66	7	3
Services		8	3	32	817	860	25.59	163	17
Construction and engineering services		0.3		1	28	29	0.87	15	5
Trading			2	6		8	0.24	9	7
Advertising and market research				0.00	4	4	0.12	6	1
Consultancy and business advisory service		0.1	0.1	0.01	3	3	0.10	15	5
Event Management					0.3	0.3	0.01	2	1
Film, entertainment and broadcasting				1	60	61	1.82	14	1
Hospitality and Tourism		4	0.2	1	0.2	5	0.16	6	5
Hospital and health services					2	2	0.04	1	2
Financial and Insurance Services		4	0.1	19	229	251	7.48	43	8
Telecommunication Services				0.01	5	5	0.14	3	1
Transportation services			1	4	162	167	4.97	14	4
Software Development, Packages and ITES				0.07	323	323	9.63	44	4
Other services					0.4	0.4	0.01	6	4
Others			2	3	0.3	5	0.14	12	5
Total	13	35	25	317	2968	3358	100	398	28

Source: Pradhan, 2008

As can be deduced from the above narration, India's outward economic expansion in the form of overseas investment was from the very beginning organically connected to the economic interests that prospered domestically during the semi-autarchic atmosphere. The Indian state was an intrinsic part of the strategic designs for such expansion, and the slowness of the lifting of the legal barriers, despite the fact that this might have temporarily frustrated individual interests, was for shaping up these designs by meticulously negotiating with international powers and agencies. So post-1990 liberalisation in the to-and-fro investment climate was not a drastic break from the past. In fact, the domestic expansion and intensification of capitalist accumulation continues to determine the specifics of India's overseas investment strategies. This is true specifically for its investment in one particular sector that has shaped India's politico-military strategy in a drastic manner. India's domestic energy requirements have involved the Indian state as the most important investor. India's major recent investment has been in various oil rich regions for procuring energy resources, including some of the important oil producing countries in Africa like Sudan, to fuel its own growth domestically (however, the investment acquires its own logic once it triggers off, so that we find India competing to acquire distribution networks which do not include just the domestic needs but the needs of other economies too).

India's attraction for African oil derives from many strategic reasons. Many oil producing countries in Africa are not part of OPEC and thus are not directly bound by its various oligopolistic decisions regarding the oil industry. Africa's oil market is less restrictive with regard to foreign participation in comparison to many Gulf countries'. (Ruchita Beri, 2005)

In the analyses, generally, the focus has been on India's outward investment in extractive industries, despite the fact that manufacturing and services sectors continue to get the largest share of such investment. In fact, much of India's recent investments in African countries in various industries are undertaken under the shadow and protection of the Indian state's initiatives in overseas acquisitions in the oil and mining sectors. This allows the visible strong hand of the state to be always handy where the invisible hand of the market fails. This sponsored expansion is further strengthened by the proactive support of India's banking sector (EXIM and other public sector banks). In the classical Hobson-Hilferding framework, which was generally used to explain the capitalist expansion at the turn of the twentieth century, such coordination between the banking and industrial interests give rise to the phenomenon of finance capital, and the Indian state till now has been successful in nurturing it.

Africa poses immense challenge to multinational capital because of the lack of infrastructure facilities and skilled labour force, rigid factor markets, unpredictable regulatory regimes and governance. However, middle range powers like India and China are better equipped to deal with such lacunae in comparison to the bigger powers, because of their long experience in dealing with domestic developmental "distortions". In fact, they can transform these hindrances into opportunities to park more investment. Recent investment news items do show that they are effectively utilising their ability in this regard. We are witnessing a large investment by Indian companies in telecommunications, in the Pan-African E-Network Project, railways, roads and building other infrastructural facilities in Africa. There is an opportunity for countries like India to export its own skilled labour force, and also in investing in technical education sector. Further, even unpredictability and political instability can act as assets if they provide space to outmanoeuvre competitors who are less competent in dealing with them.

The Case of Kenya

Kenya is one of the first overseas destinations of Indian capitalists, and many joint ventures that they established have been operational for the last four decades. Since we find a large population of Indian origin in Kenya, this must have been one of the reasons that attracted Indian capital, as it provides a ready network in order to master the local markets. In the 1960s-70s, it was the most important destination among all African countries hosting more than half of the amount of Indian investment in Africa. Indian investment has congealed into many successful ventures which have immense impact over Kenyan political economy. They have not just been profitable, but have diversified Kenya's industrialisation with enhancement of local technology capabilities and skills. Further, they have opened the Kenyan market for Indian machinery and goods.

Initially, the concentration of Indian investment in Kenya was in textiles, pharmaceuticals, pulp and paper, cast iron, machine tools and distillery. One of the most striking cases has been that of the Birla Group's investment in Pan- African Paper Mill which was set up in 1972 in Webuye in Western Kenya. The World Bank supported the project. Its success can be gazed from the fact that this mill which was essentially manufacturing paper and paper pulp, has diversified into the production of caustic soda and chloride. The mill is a joint venture in which the Birla's Orient Paper and Industries Ltd has only about 30 per cent share, while the Kenyan government (34 per cent) along with various financial institutions own the rest. The town of Webuye has now become a town with 30,000 population from a few hundred of people, all because of the Mill. This venture led to a surge in the printing industry.

In the textiles industry, we have the case of the Raymond woollen mills owned by JK Singhania group. This concern has achieved phenomenal growth since its inception in 1969. This unit produces a wide range of high-quality fabrics as well as readymade garments for men such as suits, trousers, jackets etc. It established a knitwear unit in Kenya in 1970-71. It was a Greenfield investment, as the Kenyans were used to wearing imported fabrics. In fact, it would not be an exaggeration to believe that the Raymond provided the initial impetus to the textiles industry in Kenya. Notably, Kenya's Raymond earns more through exports than its parent company in India. It produces produces high-quality fabrics in which polyester is blended with wool. Earlier, wool was imported from Australia and New Zealand, as Kenyan wool was found unsuitable for this purpose. However, eventually the company encouraged a group of local farmers to form a co-operative for breeding sheep whose wool could compare with that from Australia or New Zealand. This experiment has succeeded and it is the Kenyan wool, alone which now goes into the fabrics produced by parent company in India to import Kenyan wool. The Raymond India has a majority share in this venture.

Among other important companies that established themselves in Kenya before the post-1991 spurs in Indian investment abroad is included Mohan Meakin Ltd, which established a joint venture for a distillery and glass bottle making factory in 1978.

With regard to the financial sector, too, there has been a formidable presence of India in Kenya. Major Indian insurance companies have been operating in Kenya for nearly five decades now. In 1979, four of the biggest Indian insurance companies, namely, the LIC, New India Insurance Company, United India insurance company and Oriental insurance company joined hands with Kenyan partners to form the Kenindia Assurance Co. Ltd. In this joint venture 55 per cent of the stakes is with Indians and 45 per cent with Kenyan partners. This company has contributed significantly in the development of the insurance sector in Kenya. KenIndia is a major player competing with other 24 insurance companies.

Before the recent financial ventures overseas, in the banking sector we find two major banks - the Bank of Baroda and the Bank of India operational in Kenya for many decades. The Bank of Baroda which was established in 1908 by Maharaja Gaekwad opened its first overseas branch in Mombasa, Kenya way back in 1953. Similarly the Bank of India which was established by major entrepreneurs in Western India in 1906 opened its first branch in Mombasa in 1952 (however, it had overseas branches in UK, Japan and Singapore. Both these banks were nationalised in India in 1969. These banks have contributed immensely in the industrial and financial sectors of Kenya, and have played an important role in strengthening the business relationship between India and Kenya.

Among India's various investment forays in Kenya during 2000-2010, they have been mostly in the form of mergers and acquisitions unlike up to the 1980s when joint ventures in the greenfield sectors were the main form of India's outward foreign investment. Among important ones we can include the Tatas acquiring Magadi Soda Company, a leading producer of sodium carbonate and salt in 2005. The State Bank of India acquired a commercial banking concern, Giro Commercial Bank in 2005. However, once again the major venture arrives in the oil and gas sector in 2009 with Essar Energy Overseas Ltd acquiring 50 per cent share in Kenya Petroleum Refineries Ltd (KPRL). Also, Reliance Industries acquired majority shares in Gulf Africa Petroleum Corporation (GAPCO) Mauritius in 2007, of which GAPCO Kenya is a subsidiary.

Regarding the greenfield investment in Kenya, it has been speculated that India surpasses China in the ownership of greenfield FDI projects operational in Africa. In fact, according to the data available at the G-15 website, in 2005 India had the highest number of greenfield projects originating from developing countries. Recently the news has come about an upcoming cement plant. With the growth in the African construction industry in view, Gujarat-based Sanghi Industries has already bought 650 acres of land in Kenya to build a 1.2 million tonne cement plant. It is expected to become operational in 2012.

The Case of Sudan

India's economic relationship with Sudan did not start after OVL's investment. If we are accounting for this relationship after India's independence, in 1970-71 Sudan was eighth in ranking in India's export trade accounting. India's export to Sudan accounted for over 20 per cent of its total exports to Africa. In the 1960s Sudan was the second largest market for Indian goods in Africa (Mutalik-Desai, 1973). In the 1970s, according to the Indian embassy at Khartoum, India was its "largest economic partner". However, despite India's decent presence in Africa with regard to outright investment during that time, till the 1970s India's relationship besides trade was limited to aid gifts under the Indian Technical and Economic Co-operation programme (ITEC) and other kinds of aid (including military). There were instances of credit arrangements for rupee purchases too (Dutt, 1980). In 1980, India's Exim bank granted Rs 120 million worth line of credit to Sudan (which was disbursed in 1982).

However, as the Indian embassy in Khartoum calls it, the Indo-Sudanese relationship reached "an inflection point" when India decided to invest US$750 million in 2003 in Sudan's oil sector. Since then the investment in this sector by the government owned ONGC Videsh Limited (OVL) has already accumulated to over US$2.5 billion. In order to sustain its domestic growth, India has been engaged in proactive energy diplomacy.

ONGC formed its subsidiary OVL for a vigorous investment plan throughout the globe. Its much talked about venture is undoubtedly its investment in Sudan, where it bought 25 per cent stakes held by Canada's Talisman group in the Greater Nile Petroleum Company (GNPOC), which is a consortium that includes the China National Petroleum Corporation among others. Talisman withdrew after being accused of its complicity in human rights violations in Sudan. (Leary, 2007) OVL's investment in Sudan has amounted to about 12 per cent of total Indian FDI in Africa. Subsequently, it increased its stakes by obtaining 26.1 per cent and 24.5 per cent stake in exploration Blocks 5A and 5B from an Austrian corporation (it sold its stakes in Block 5B in 2009). Also, in 2005 OVL funded and built a 741-km multi-product pipeline from Khartoum refinery to Port Sudan. Other public sector oil companies in India too have entered the fray. In December 2009, India and Sudan signed a Memorandum of Understanding to expand their ties in the oil and gas industry, as part of India's larger strategy to expand in Africa.

Under the shadow of OVL's venture, Indian investment in other sectors too has started expanding, including in the production of automobile and light engineering goods. The Sudanese government is offering various incentive packages to encourage the expansion of Indian investment (like bank guarantees, tax holidays and speedy clearance). (Pradhan, 2007) Bharat Heavy Electricals Limited (BHEL) has already gained a contract to build a 500MW power plant worth $457 million, which is partly funded by the Exim bank.

The most significant involvement of Indian companies in Sudan, besides above projects has been in infrastructure projects. Time to time, lines of credit have been announced for

Sudan to ensure a wider involvement of India in Sudan's infrastructure building. In 2007, Water & Power Consultancy Services (India) Ltd. (WAPCOS), obtained a $40 million consultancy contract from the World Bank administered Multi Donor Trust Fund for water and electricity supply project in various cities in South Sudan. Telecommunications Consultants India Limited (TCIL) – a PSU has been selected by the Sudanese government to conceptualise the proposed Sudan Electronic City in Khartoum. Indian railways subsidiaries – Rites Ltd and IRCON have Sudan Railway Corporation as their client to help it in developing railroads. Indian companies, Larsen & Toubro and Progressive Constructions Limited (PCL) have joined hands with Central Trading Company (CTC) of Sudan in forming a joint venture company to undertake road projects in Sudan. They are involved in the construction of a 127 km two-lane road connecting Atbara in the west and Haiya in the east which will provide a direct link between Khartoum and Port Sudan City.

However, this involvement of Indian companies in the production overseas also creates markets for the Made-in-India products. For instance, Kirloskar and Kalpataru Power are providing latest equipments like pumps and transmission towers for various industrial and infrastructural projects in Sudan. In order to strengthen its trade relations with Sudan, India is pursuing what it calls "a non-exclusive five-plus-one commercial policy" since 2005. It essentially means that India has located five priority sectors in which India can fulfil the Sudanese demands – infrastructure (including transport), agriculture, human resource development, information & communication technologies, and small & medium industries. Further, the Indian embassy in Khartoum explains on its website (retrieved:

19/03/2010), "The “plus-one” is commercially viable investment in the energy and manufacturing sectors (oil, electricity, gas, pharmaceuticals, small and medium industry). To achieve this, the Embassy has formulated a Target and Introduce Programme (TIP) under which one new Indian product is introduced every semester".

3. HUMAN RIGHTS, LABOUR RELATIONS AND INDIAN INVESTMENT IN AFRICA

India's investments in Sudan, especially in its oilfields, have come under heavy scrutiny. The powerful Western media and human rights activists have criticised OVL's deals because it bought the stakes from Talisman which left Sudan after it was heavily criticised for its active complicity in human rights violations in the country. In fact, the tenor of the criticism levelled against India's oil dealings in Sudan has been highly accusatory. One prominent European human rights activist accused OVL's acquisition as profiteering from distress selling by Talisman:

> "Talisman's 25 per cent interest in GNPOC was bought with a big war discount. Neither the Indian press nor the Indian Parliament noticed that fact or its implications. They presented the deal as proof of India's competitiveness, while the rest of the world saw it as a proof that corporate cynicism was taking root in India." http://www.projectsmonitor.com/detailnews.asp?newsid=8130

In fact, it has recently been reported, anticipating the invoking of the Alien Tort Claims Act in the US because of its Sudanese business, OVL quietly exited in 2003 its only hydrocarbon asset in the US, i.e., in Louisiana. (Mint, "ONGC quit US on Sudan backlash fears", July 1, 2008) And the pressure still continues with US fund house TIAA-CREF selling its holdings in ONGC and other Chinese energy companies early this year over their investments in Sudan. (Business Standard, "US fund house exits ONGC over Sudan investments", January 6, 2010). The fund house's chief says:

> "Our decision to sell shares in these companies culminated a three-year effort to encourage them to end their ties to Sudan or attempt to end suffering there".

BHEL which has been involved in the construction of a thermal project in Sudan (as mentioned above) too is being pressurised to exit its operations there by potential investors from the US. (Mint, "US funds pressurize Bhel to exit Sudan", March 17, 2010)

The companies that have invested in Sudan defend themselves by calling their investment to be purely business and not located in conflict zones. However, since these companies are Public Sector Undertakings (PSUs), the onus comes on the Indian government to explain its relationship with Sudan. The Sudanese government is definitely utilising its goodwill with its Indian counterpart in order to defend itself in the international political arena. But India understands the opportunity cost of not investing in or exiting Sudan at this juncture, which it is not willing to bear.

It is not possible to judge India's (and Indian companies') involvement in rights violations by the statements of the western regimes who have their own political economic interests to obtain India's support in their hegemonic designs in the global south, to force it out of the global realignments that might be detrimental to their interests. Nor can we simply uncritically accept the submissions by the Indian state – since throughout the globe and historically the extractive industries have profiteered in a conflictual atmosphere, including in India. Moreover, in such atmosphere all basic rights including labour are kept in abeyance, and unfair labour practices become generalised. This fear can be all the more real in Sudan, where there is a single pro-government national trade union centre, no strikes are allowed, compulsory arbitration is enforced and collective bargaining non-existent. According to ITUC-CSI:

> The 1992 Trade Union Act established a trade union monopoly controlled by the government and only the government-controlled Sudan Workers Trade Union Federation (SWTUF) can function legally. All other unions are banned.... The current Labour Code, which came into effect in December 2000, continues to deny trade union freedoms and reinforces government control over trade unions.

In this atmosphere, it is very difficult to assess the extent of labour rights violations in Sudan, including within the ventures run by Indian concerns. What is appalling that Indian trade unions and labour rights activists who are so much concerned about the Indian state's insistence to rationalise labour laws and other rights to make the atmosphere investment-friendly for the national and foreign corporate sector, have hardly made any efforts to examine the effect of multinationalisation of India's corporate sector (vigorously supported by the Indian state) in the weaker economies of Africa and other continents.

Unlike Sudan, Kenya has well defined labour laws with right to unionisation in export-processing zones too (however with restrictions), and has a history of independent trade union movement. However, after the recent changes in labour laws in 2007 in the form of five labour legislations: The Labour Institutions Act, the Employment Act, the Labour Relations Act, the Occupational Health and Safety Act and the Work Injury Benefits Act, there have been intense efforts by the industrialists to counter their pro-labour impact. The Federation of Kenya Employers and the Law Society of Kenya opposed specific portions of the laws, especially of the Work Injury Benefits Act in the High Court, which gave its judgement in March 2009 in favour of the employers rendering nine sections of the Act unconstitutional, and therefore nullifying them.

In the absence of any worthwhile study on industrial relations in multinational companies in Kenya, one of the most prominent trade unionists in the country, Francis Atwoli provides a picture of the labour situation in Kenya in his speech at the International Labour Conference in 2007:

> Globalization and the current economic reforms have made it difficult to address the challenge of equality at workplaces. Many jobs that are otherwise permanent have been casualized and made seasonal in a bid to give employers flexibility to hire and fire workers indiscriminately. We as workers are tired year in year out to be talking about casualisation, contractual, seasonal and casual employment across the world. We now need action and not words. Casualization of employment is discriminatory because it denies workers access to social security

> like the National Social Security Fund, Pension Schemes, National Hospital Insurance Schemes and shelter. It does not guarantee job security and incomes for the workers and their families. Many employers especially the multinationals are engaged in outsourcing services there by discriminating against the workers outsourced as they are not entitled to the same terms as workers employed directly by such multinationals. The informal economy in Kenya is rapidly expanding. It is a source of livelihood for the majority of workers in Kenya. However, since the labour laws do not apply in this sector there exists inequality that range from gender to age discrimination. There is need to urgently address the informal sector with the aim of formalizing the sector and ensuring that anti-discriminatory policy measures apply in all sectors.

The above description is not very different from what workers organisation face in India today. This similitude must make the Indian multinationals in Kenya feel attuned to the industrial strategies that they should adopt to gain leverage in the industrial relations. An important comparative advantage that the "third world multinationals" have is the knowledge of the intricacies of the labour market in the underdeveloped economies, and their ability to use them for their advantages.

4. TOWARDS A LABOUR PERSPECTIVE

A study on "Labour Standard Application among Chinese and Indian Investors in Ghana" shows how MNCs from emerging economies "often slip through the net of international pressure groups and are most unlikely to receive pressure in their home country to observe labour standards in their overseas operations". The study demonstrates the potential for worker exploitation especially in Ghana "in the manufacturing sector where MNC presence in general is the highest and where Chinese and Indian investments in particular are the highest". Like Kenya (or even India), Ghana has a very comprehensive and encompassing labour law, but the development strategy that forces the state to continually seek ways of opening up the local market to foreign investors is definitely "conducive for the operation of FDI, but far from conducive for ensuring that [the country's] ordinary workers are afforded decent work". (Akorsu and Cooke, 2009) It is in this regard that we must admit that the dominance of multinational corporations tends to de-politicise the economic life, by continuously reducing the state and instrumentalising it, minimising its ability to control capital mobility.

When we talk about labour perspective on a particular phenomenon, it essentially signifies an assessment of the phenomenon's impact over the working class – to what extent it increases or diminishes its vulnerability or its bargaining power vis-a-vis capital. With regard to the issue of globalisation / multinationalisation / transnationalisation of capital, within the labour movement the dominant tendency has been to associate it with the phenomenon of capital flight and deindustrialisation – which imputes normative tenor to the analysis, generally tilting the movement's leadership towards nationalism, rather than labour internationalism. In the country that exports capital, it is seen as a flight of jobs and employment to foreign countries, while in the country that imports, it is viewed generally as a sort of colonisation, an accumulation of local resources and surplus transfer by foreign capital, which the nation-state is unable to control.

One can hardly disagree with the genuineness of these concerns about the impacts of globalisation. A first economist to systematically deal with the phenomenon of multinational corporations, celebrated by both orthodoxy and heterodoxy of the discipline of economics, Stephen Hymer (1972) found capital mobility with regard to its impact on employment as "a process resembling slash and burn agriculture" leaving one group of workers for another, where the former lies fallow in unemployment for use later when their resistance has been weakened. Hymer shows how the hierarchical structure within the multinational corporations (between headquarters and subsidiaries) perpetuates a hierarchical division of labour internationally between various nation-states, instituting a differential power structure globally. As Pitelis (1991) argues FDI flows have diverse impact on bilateral and inter-national relations. Depending on this international division of labour, those relations can be collusive and/or colliding.

One can draw a sketch of the nature of dominance-dependence relationship among various nation-states, relative to FDI flows across them. However a model is an abstraction which leaves out many aspects of relationships established through FDI flows. In this model, we collect these nation-states in three broad sets – advanced, developing and underdeveloped. The left-to-right flows of FDI create a relationship of domination, while flows in the opposite direction create dependency. On the other hand, when we find flows occurring among advanced countries or among developing ones they create mutual dependency or a collusive relationship.

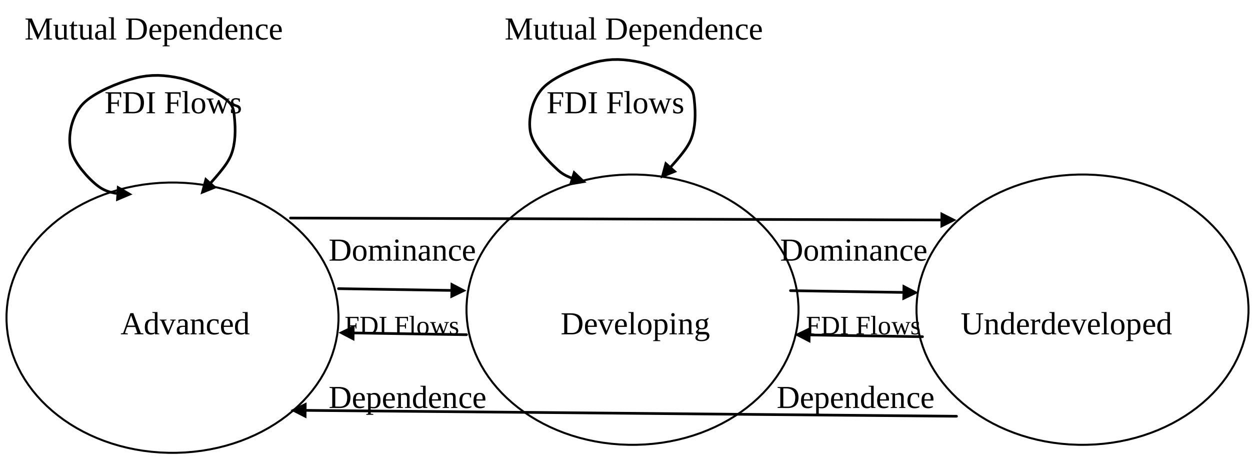

Fig 1 FDI Flows and International Relations

However one must not forget that a degree of competitiveness (the prime vehicle of capital flows) is present in all these relationships, determining the vigour of dependency and domination, cooperation and conflict among various nation-states. Further, the ability to attract flows can be an indicator of both strength and weakness of economies; the more advanced economies might attract flows because of their more developed commodity and capital markets (thus having more control over the flows), while less advanced economies, might attract flows by selling their natural resources and cheap labour, in desperation to gain rent and foreign exchange. Hence the relative endowment of various economies put diverse economies regardless of the stage of development they are in into an open competition.

Yet, as Hymer (1972) recognises, "competition in the product and capital market helps forge a unified interest among capitalists". Through competitive international political economic processes, a class representing the transnational economic interests have emerged. These interests are embedded in the spreading of transnational corporations, in continuous increase in foreign direct investment, in proliferating international M&As, global financial system, the increased interlocking of positions within the global corporate structure. Robinson and Harris (2000) find the congealment of these interests into a class which they call "a transnational capitalist class". They, further elaborate,

> Capitalist globalization has, in the momentary historical juncture of the late 20th and early 21st century, increased the relative power of global capital over global labor by acting as a centripetal force for the capitalist class and as a centrifugal force for the working class.

This disunity among the working class is perpetuated through corporate hierarchy and competition which divide and weaken popular power, as Hymer puts. Definitely, we are witnessing today a considerably reduced bargaining power of labour organisations throughout the world. In fact, an increased competition among firms and economies to accumulate global resources and surpluses has developed a multinational corporate hierarchy. Through this, labourers across national boundaries come into an explicit hierarchic relationship and in an open competition. But herein lies the contradiction which has been a defining characteristic of capitalism through all its stages, of the relationship between capital and labour. Though capitalism extends and intensifies competition among workers beyond all boundaries via more and more labour market segmentation (as workers with diverse identitarian origins are put under vertical and horizontal relationships), the fact is that more and more workers are being hurled up together. Hymer (1972) cogently puts this task that capitalist expansion unknowingly takes upon itself:

> "When labour cooperates systematically," Marx wrote, "it strips off the fetters of its individuality and develops the capability of its species." But in order for labor to cooperate, it must be brought together and linked through exchange. Under capitalism, the cooperation of laborers is entirely brought about by the capital that employs them. The history of social labor is the history of social capital since the number of laborers who can work together depends upon the degree to which capital is concentrated and centralized.

Labour movement is definitely under a crisis today, which is essentially to do with its inability to cope up with the challenges posed by the multinational corporate system, through the forms of workers organisations that it has posed until now. The labour organisations will have to reorganise themselves and re-strategise according to the re-composition of the working class under the new regime of capitalist accumulation – under globalisation and multi-nationalisation. Globalisation of capital is a strategy that increases the vulnerability of workers, as industrial relations have become more complicated with diverse legal systems and socio-political environments determining them, but it creates a larger context for the counter-globalisation of working class struggles – an opportunity to practice working class internationalism. Multinationalisation of a corporate firm gives an opportunity and reason to organise multinational unions and action that can affect the capitalist hegemony in various countries simultaneously.

If we look at Indian investments in Africa, they do determine India's foreign relations with African countries and affect its relationship with other international institutions and countries (as in the case of OVL's investments in Sudan) to a large extent today. An international labour engagement through Indian workers organisations would go a long way in influencing these relations, and will increase labour's political clout both in India and the host countries. As Jairus Banaji (1996) rightly puts, with reference to restructuring in the Indian food industry,

> [U]nions in India are no longer confronting some inert 'national' capitalism but an increasingly sophisticated global capitalism which cannot be handled effectively if unions themselves do no establish a new level of coordination. *Global capital wants tighter control over investments, cost-effective production structures, and pliable workforces isolated from the influence of unionism.* All this underpinned by the increasingly ruthless nature of competition in world industry. When

> existing businesses lose market share or fail to diversify successfully, parent firms may sidestep those operations and seek fresh entry points. [*Emphasis Original*]

Capital mobility is determined by the logic of profitability, not by the logic of employment creation, while labour mobility is always sticky, which makes labour more and more vulnerable in today's context of financialisation. In order to counter globalisation as capital's strategy to make labour vulnerable and hence "pliable", there is a need for "the system of coordination" that allows an exchange of information regarding working class efforts to organise and act at various 'locals' of an MNC. This will allow conduct coordinated solidarity measures, strengthening "local bargaining to produce greater equality (in wages, working conditions, etc) among work forces, working for the same employer worldwide". Also, by monitoring the international spread of companies, securing and enforcing international standards of workers' rights, international working class organisations and efforts can make central managements more accountable towards their operations everywhere. (Janardhan 1996) This will curb corporate hierarchy and international division of labour from perpetuating international labour market segmentation. Lastly, international efforts in this regard will allow workers control their own destiny, not remaining pawn at the mercy of acquisitiveness of capital and of its whims and fancies.

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