

# A NEW LOOK TOWARDS OVERSEAS INVESTMENT IN INDIA

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OVERSEAS investments are not new to India. However, their experience has been manifold. The traditional type of foreign capital which was concentrated largely in extractive industries and in the export sector in the British period has done little good from the point of view of the overall economy. Singer's criticism of the 'traditional' type that 'foreign investment was foreign only in a geographic sense, it formed essentially a part of the creditor economy; it did little or nothing to promote — and, on occasion, may even have impeded — the economic development of the debtor countries'<sup>1</sup> — applies to a considerable extent in the Indian case.

Nevertheless, in the second half of the twentieth century many changes have occurred in respect of the forms and outcome of the overseas capital investment in the country and a rethinking has emerged which has moved far ahead the sentimental thinking of the early twentieth century. It is increasingly being realized, since the political independence of India that indigenous enterprise and effort alone can do little in transforming the traditional society into a modern society.

This paper tries to provide an economic basis to the new look towards the overseas capital investment in the country. Although foreign capital has entered the economy in the forms of aid on the government to government basis for infrastructural and other developments, collaboration with the Indian industrialists and private overseas investment, we shall concentrate, in this paper, on private overseas investment, though the analysis with slight modifications may also be relevant for public borrowings and collaborations.

The foreign capital requirements of a development plan can

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<sup>1</sup> Singer, H.W., 'The Distribution of Gains between Investing and Borrowing Countries', *American Econ. Review*, Papers and Proceedings, May 1950.