The Politics and Economics of FDI through a Gender lens

FDI is the process whereby residents of one country (the home country) acquire ownership of assets for the purpose of controlling the production, distribution and other activities of a firm in another country (the host country). FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. The Reserve Bank of India (RBI) reports FDI inflows on the basis of investments received from non-residents on equity and preference share capital under the FDI scheme.[1]

Foreign investors are attracted to economically dynamic countries. The various determinants of FDI include market size, availability of natural resources, transportation and communication infrastructure and labour market regulations. Three types of FDIs are thus distinguished: efficiency-seeking FDIs, aimed at minimizing production costs hence the labour costs in the host country are a significant determinant; resource-seeking FDIs, aim to exploit natural resources of the host country; and market-seeking FDIs, concerned with the market size and per capita income of the host country in order to be able to sell its products in the host country's domestic market.[2]

For the host countries, on the other hand, FDI is a good source of capital flow; it complements domestic private investment, is associated with new job opportunities, is related to the enhancement of technology transfer and overall boosts economic growth in host countries.

FDI in India grew unprecedentedly after the economic reforms of 1991. Foreign investments, it is said, provided the much needed capital and job opportunities, to jumpstart India's GDP, which was very low to support the rapidly increasing population. Prior to 1991, a sense of paranoia prevailed regarding foreign ownership of domestic industries as a consequence of the historical experience of imperialism. The liberalization policies allowed industrial growth in many sectors, particularly in technology as well as other industries like soft drinks, food franchises, and the service sector.[3]

FDI has led to feminization of certain women specific sectors such as apparel, small electronics, agriculture and services. These sectors constitute up to 80% of the export manufacturing

[1] According to International Monetary Fund (IMF) definition contained in the Balance of Payments Manual, Fifth Edition (BPM-5), FDI has three components, viz., equity capital, reinvested earnings and other direct capital. For more details see, http://www.rbi.org.in/SCRIPTs/PublicationReportDetails.aspx?UrlPage=&ID=336#sec2

[2] Elissa Braunstein, "Foreign Direct Investment, Development And Gender Equity: A Review Of Research And Policy", United Nations Research Institute For Social Development , OPGP12, pp.5.

[3] Saime Suna Kayam, Sencer Ecer and R Gupta, "Social Determinants of Intra-Regional Dispersion of FDI In India", Munich Personal RPEc Archive, 2011, pp. 3.

workforce in some developing countries.[4] While these sectors are significant source of livelihood for women, their concentration in these sectors continues the gender wage gap. The impact of trade liberalization and FDI depends on both global and local conditions, such as availability of resources, labour market institutions, government practices and consumer preferences. Requirements of the industry and the technology used, additionally, determine the effects, especially on gender. But overall it is assumed that the economic growth brought in by foreign investment would lead to narrowing the wage gap, increase employment of women and would consequently improve their health, education and status.

Empirical studies, however, have revealed mixed results. While some studies have been able to establish a positive link between FDI and gender equality, some have revealed different results for developed and developing countries. Some authors have, on the other hand, claimed that sub-contracting and informalization make it difficult to gauge the employment effects of FDI with the weakening of the distinction between local and foreign ownership.

Today's forum – The Politics and Economics of FDI through a Gender lens – shall address these debates.

[4] Ernesto Aguayo-Tellez, "The Impact of Trade Liberalization Policies and FDI on Gender Inequality: A Literature Review", Gender Equality and Development, World Development Report 2012.