Multimedia: Deconstructing FDI in India

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Earlier this month, Professor Kellee Tsai gave a talk at LSE titled ‘Developmental Diasporas in China and India: A Reconsideration of Conventional Capital’. Comparisons of India and China’s economic development typically focus on either the nature of state intervention in the economy or the role of foreign direct investment (FDI). But this ignores a vast network of informal financial flows generated by remittances and ethnic investors residing abroad.

In her talk, Professor Tsai explains why FDI has more economic relevance and prestige, even though India has received US$150 billion more in the form of remittances than FDI since 1991. In light of such statistics, she calls for amendments to development debates that focus on FDI and instead emphasises the importance of ethnic financing and diasporic remittances. She also deconstructs sources of India and China’s FDI to show why they are non-comparable, misleading, and liable to distort national financial goals. To conclude, Professor Tsai provides an overview of migration from India and China to create a portrait of the countries’ diasporas and the sources of remittances.