International Journal of Science and Research (IJSR)
ISSN (Online): 2319-7064
Index Copernicus Value (2013): 6.14 | Impact Factor (2013): 4.438

Issues of Research in the light of Trade Related Investment Measures and Foreign Direct Investment

Abhipsa Vagadia[1], Dr. Sandip Solanki[2]

PhD Research Scholar, Department of Management, R K University. Trumba, Rajkot . India
Assistant Professor, Christ Institute of Management, Munjka Rajkot.Gujarat. India

Symbiosis Institute of International Business, Symbiosis International University, Pune, Maharashtra India

Abstract: ***This paper tries to sort out issues, research gap and hypotheses to be tested by the researchers in the light of TRIMS and FDI. The government of India has followed liberalization, privatization and globalization (LPG) policy since 1991. As a member of the WTO, India suppose to follow TRIMS so as to have operation and implementation of FDI for maximise trade benifits. This paper is divided into three sections: the first one reviews literature on WTO. FDI and, TRIMS, the second one highlights FDI and other international studies, whereas, the third one sorts out issues, research gap and hypotheses to be tested. The paper appears as suggested framework on the basis of review of literature and very useful to those who want to work further in the area.***

Keywords: FDI**, WTO,** TRIMS and India

1. Introduction

This paper tries to show issues of research pertaining to Trade Related Investment Measures (TRIMs) and Foreign Direct Investment (FDI) for trade development with reference to India. The main objective of this paper is to highlight major issues and prevailing research gap in the area of the study. For this an attempt is made to review the latest literature on the subject emerging from research journals, articles research reports and WTO websites. The government of India has adopted Liberalization, Privatization and Globalization (LPG) policies for further trade growth. Since the India has become a member of WTO, it will have to follow code of conduct of TRIMs with reference to trade regimes. It is expected that the research issues and prevailing gap will provide new insights to the researcher and policy makers. This paper is divided into three parts: the first one reviews literature on about WTO. TRIMS and FDI, the second one reveals FDI related other International studies and Impact of different international agreements including TRIMS on FDI, whereas. The third part of the paper high lights emerging issues of research, prevailing research gap as well as proposed hypothesis for further studies by researcher.

WTO and TRIMS

1. Bansal (2004) provided basic information of WTO and main provision of agreements among the member countries. He has examined in detail dumping and subsidy offsets, growth of trade of the developing countries with reference to USA, Argentina and other countries. The book is informative compilation of export, imports and trade development with new issues raised in CANCUN conference. Still, there is vast scope of further growth of industrial and agriculture sector so as to know an impact of WTO.
2. Singh M (2005) studied WTO with reference to third world countries. The study has discussed Uruguay round results in terms of final agreement on Agriculture as well as the final agreement on textiles and clothing. The author has highlighted measures against unfair trade practice like subsidies and countervailing measures, special differential treatment for developing countries and protection from dumping by other countries. The study has explained market access; however, it appears as contingencies trade measures and intellectual property. At the end of the book, the author has concluded about the uncertain and unpredictable ministerial conference. For the sound growth of the global trade, it is necessary to have timely conclusion an agreement by ministerial conference.
3. Dev Raj (2005) studied impact of WTO on Indian Trade. He has examined different kind of agreements during last 10 years & studied market excess for developing countries with negotiations on Indian Agriculture. He has examined commodity wise impact with reference to TRIPS. At the end of the paper, he expresses further growth of exports with help of MNCS and FDI. The author emphasized trade liberalization and freeing of trade among its principle objective to reshape the trade and increase of human welfare.
4. Bhat M. & Kira A H (2005) studied impact of WTO in India with reference to trade in financial services. The authors examined expansion of financial services. Then they discussed financial reform in India with regard to growth of capital markets, mutual funds, banking services & other insurance services. The paper has expressed Institution wise & country wise flow of finance as cross border services to emerging economies of Asia for the last one decade.
5. Mathur S.K. (2002) reviewed prospects of multilateral trading system and developing countries with reference to India. The author has highlighted functioning of GATT& WTO and their promotional role for tariff binding, quantitative restriction, nature of hidden subsidies, Foreign Direct Investment & nature of services to be included in the trade.
6. Kumar K(2002) attempted to study performance of Indian Industry and growth of trade in Industrial sector in era of post WTO. His comprehensive study expressed contribution of foreign trade of Industrial sector with reference to business ventures at abroad. The findings of

the paper show post-liberalization growth of Indian corporate and Industrial sector. Liberalization and globalization helped to increase Indian exports and imports. For this, the author has made use of tables during pre-WTO five years and post-WTO five years to measure performance of Industry. He expresses need for developing new models for arresting the fall of Indian corporate sectors. As a policy, he concluded that value capturing and value creation by Indian exporter and importers appear necessary with terms of trade on regular basis.

7. Rose, Andrew K (2004) The authors carried out the first comprehensive total trade, WTO, GATT and the Generalized System of Preferences (GSP) in developed and developing countries, using large panel data empirical studies over 50 years, in 175 countries. Compares using standard gravitational equations and control different factors. WTO members and non-members of trade patterns, concluded that the GATT / WTO members not to strengthen trade; although GSP does have a significant effect. This article concentrates on the trade organization's total trade, rather than a specific industry. This article may extend the industrial level may decompose trade.
8. Chaddha G.(2003) has edited research papers in area of WTO and Indian economy. The book has examined impact of WTO on Indian economy in general and Agriculture trade, Industry, Environment and research & development arrangements under the umbrella of WTO in particular. The author of the papers has studied commodity-wise, sector-wise and service- wise internal correction and external initiative for member countries. Issues like fight against existing asymmetries, free movement of labor, non-trade issues, and institutional issues to manage trade under the provision of the WTO. However, there is a vast scope for trade diversion and trade development if active researcher concentrates on preparedness for the WTO and development of global trade.
9. Deogirikar A.B. (2004) attempted to explain trade development of agriculture and service sector for further development of global trade in era of free trade for the member countries of WTO. The book has expressed danger for Indian small scale and tiny sector industries, which may not be able to face global level competition for survival in the market. At the end of the book, the WTO has expressed it to pose new theory of International trade with reference to trade led growth. The present researcher also expects to highlight new models, workable hypothesis and useful analysis for trade development in India.
10. Mane V(2011) In this paper, researcher has studied Indian Foreign Trade Policy in relation to World Trade organization in the context of globalization. He examined that under the Agreements of Trade Related Investment Measures (TRIM's) India has already notified the TRIMS maintained by it. Since 1995, the trade policy reforms in India have been I tune with the commitments to the WTO. However, India's trade policy reforms have not been thoroughly influenced by WTO but these reforms guided by the provisions. In the period of globalization, India's foreign Trade Policies have undergone many changes. In the process of globalizing Indian economy, there are three major features of trade policy reforms these are : 1. Dismantling QR's 2. Reducing tariffs, and 3.Exchange rate flexibility.
11. Larry D. Qiuy Zhigang Tao (2001) Local content requirement is an important government policy in developing countries to control foreign direct investment. In this study the authors establish a model with heterogeneous multinational firms and show that (1) the LCR policy affects the firms' modes of entry to a new market, with FDI being more likely to be adopted for a lower LCR; and (2) when facing the same LCR, a less efficient firm is more likely to adopt the FDI mode than a more efficient firm. Furthermore, the authors have investigated the design of optimal LCR policy. Authors have are considered two types of FDI benefits and two types of LCR policy to compare.
12. WTO (2013) This review of literature introduces the background information of an Agreement on TRIMs. As there is no definition on TRIMs, so the site quotes some examples of TRIMs which are inconsistent with WTO agreement. It has mentioned the exclusion and the transition period for WTO Members to eliminate their TRIMs, the extension request negotiation moreover, an illustrative list has been given.
13. Burt E M(1997) The author has discussed FDI multinational Enterprise and International law on host country Investment measures. He discussed the regulation of Foreign Direct Investment in The GATT frame work in which Uruguay round and FDI-GATS, TRIMS and TRIPs. In this he has give the setting for WTO negotiations, issues and recommendations.
14. Das S P (2003) in foreign direct investment in India on the viewing angle of the WTO rules. According to him, FDI jurisdiction touches on general trade and services agreement. Of dynamic the TRIMS allocation of FDI of a strategy to show that the optimal strategy for foreign direct investment in India, and also moved the potential benefits and costs of foreign direct investment. He has been shown that eight types are classified as follows:
    1) The local content
    2) Trade balancing requirements
    3) Foreign exchange restrictions
    4) Export performance requirements
    5) Local production requirement.
    6) Production tasks
    7) Restrictions on foreign stocks and
    8) Mandatory technology transfer remittance

    The above requirements contribute to the achievement of commitments aimed at eliminating restrictions in the industrial sector. It advocates starting in 1947 to1991and1991year, foreign direct investment policy. There form of the foreign direct investment is not enough to attract more and more foreign companies. His conclusion is that the multilateral rules of India's foreign direct investment should be forthcoming.
15. Archna (2013): has mentioned that some of the countries receiving foreign investment imposed numerous restrictions on that investment designed to protect and foster domestic industries, and to prevent the outflow of foreign exchange reserves. These restrictions include, local content requirements, manufacturing requirements, trade balancing

requirements, domestic sales requirements, technology transfer requirements, export performance requirements, local equity restrictions, foreign exchange restrictions, remittance restrictions, licensing requirements, and employment restrictions. These measures also be used in connection with fiscal incentives as contrasted to requirement. Among these few investment measures distort trade in violation of GATT Article III and XI, and are therefore prohibited. The Agreement contains transitional arrangements allowing Members to maintain notified TRIMs for a limited time following the entry into force of the WTO (two years in the case of developed country Members, five years for developing country Members, and seven years for least-developed country Members). The Agreement also established a Committee on TRIMs to monitor the operation and implementation of these commitments.

16. Banerjee A & Jain T(2007): The authors have shown a prime factor of Trade liberalization, Investment and comprehensive coverage in the multilateral rule based regime under the WTO. Trade related investment measures (TRIMs) concentrated on Investment which are insufficient various barriers facing liberalization of cross border investment flows. Basic rules of fare-play and liberalization of host country measures foreign investment flows. The authors expressed that effects of TRIMs need to be measured from following point of view
    1) TRIMs affect investment decision of investors,
    2) TRIMs may increase/decrease the efficiency of operations,
    3) TRIMs carry a cascading effect on other aspects of trade,
    4) TRIMs affect commercial considerations,
    5) TRIMs distort market forces artificially,
    6) TRIMs affect cost-benefit analysis, etc.

    Thus, one can find that all TRIMs are bad in so far as they tend to distort the market forces of demand and supply from taking a complete hold of market and thus maximize trade. However, certain TRIMs may be justified on the touchstone of (i) promotion of under-developed sectors of economy, (ii) protect from unfair competition, (iii) need for a special and differential treatment of certain sectors etc. The authors also discussed salient features of the agreements, defects of the agreements and bilateral investment treaties and their advantages.

Foreign Direct Investment

17. Dunning John (2001) studied an Eclectic Paradigm of International production in mid-1950 to 2001. He concluded that Eclectic Paradigm is still a powerful and robust framework to examine contextual specific theories on FDI and International production. He expressed that it is in appropriate to compare merits and demerits of Eclectic Paradigm with that of Internationalization and other theories of the firm. He argued that the paradigm can help to explain why an Industry's, country's international profile may be different in two points of time.
18. Hooda S. (2011) has examined inflows of FDI in India since 1948 to 2010 so as to view trends and patterns of FDI inflow, assesses the determinates of FDI inflow and examines impact of flow of FDI on Indian Economy. She analyzed the data with simple regression technique and model given by her shows growth pattern of different segment of Indian economy. She has studied flow of FDI at global level to India level, as well as trends and pattern of FDI at Indian sectoral level. Moreover, she studied role of FDI on overall economic growth.
19. Chaterjee S (2009) has examined integration of Indian economy with world economy through regional distribution of FDI flow from the global level. The study made pattern of originating and destination country of Indian FDI flows, structure of cross border merger and equation of India. The study examines inward and outward investment in India by using linear regression analysis. The research concluded with charts of determinants of FDI in India
20. Chakraborty C & Basu P,(2001) have studied theoretical level of two relationships between FDI and Growth for short run and long run dimensions. Lower labour cost attracted FDI in developing countries and FDI have effects on growth via knowledge spill over. The Technology transfers brought by FDI have permanent effect on infrastructure effect on home country and have impacted recipient country's long run growth favourable. The authors have attempted to test hypothesis pertaining to differentials in reward in factor services, cost structure and market sizes are determents of FDI inflows. For these they developed model in order to measure impact on development during 1974-96. They developed three deferent model for performing the test: 1. Model with the intercept restricted to the integration to account for the units of measurement of the variables with zero mean.2. Another model with linear trend included with co integration vectors. 3. A model that neither includes a constant nor a trend in the long run co- integration space.
21. Singh K (2005) explores the uneven foreign direct investment began in India and the study of development (economic and political) in two sectors: industrial and infrastructure development trend. The study concluded that the impact of the policy environment for foreign direct investment in India's reform, presents a mixed picture. Industrial reforms go far, but they need to add more infrastructure reform, this is an important missing link.
22. Prasanna N(2010): has examined very optimistic view on the role of FDI on Export performance in the host country. The increasing trend of FDI inflows after 1991 has significantly positive effect on export performance. As a policy, he has suggested that government of India need to follow export –oriented strategy and continue for long term. Most importantly, the government of India must recognized compliment domestic efforts to meet development objectives.
23. Sahoo R K (2005) has examined policy and institution arrangement for attracting FDI and its pattern of FDI from 1991 to 2003, FDI on Productivity& its dimension in manufacturing sector. The author concluded that foreign firms having FDI in India got increased total factor productivity in general whereas, they registered marginally higher in sector side engineering, chemical , partially explaining lower growth in total factor productivity(TFP) Growth negative during phase 1991-

95. Manufacturing sector level foreign firm are more labor intensive then domestic firm. He also concluded that FDI is found to be more sensitive after 1991 economic policy in general and liberalization of FDI in particular.

24. Sasidharan S & Ramanathan A. (2007), It is an attempt to empirically examined the spill over effects from the entry of foreign firms using a firm level data of Indian manufacturing industries. They used firm–level data of Indian manufacturing industries for the period 1994-2002. They consider both horizontal and vertical spill over effects of FDI. Consistent with the results of their previous studies, the study finds no evidence of horizontal spill over effects. However, the study finds negative vertical spill over effects.
25. ShriPrakash, Shrma S & Kasidi F.,(2007) presented the paper at International conference held in Brazil . They developed export –led growth model in which they expressed that real GDP depends on labor, domestic capital stock, exports and technological progress through time. They examined impact of FDI by I-O modelling to impound growth effects of 1. Change in technology and 2.Domestic investment. With the help of ANOVA of Maximum and average output effect he analysed that technology is one of the powerful variables and time is defined as parameter of functional shift.
26. Sashicharan S (2003) has examined spill over effects of FDI by MNC's Investment in host country. his study has empirically examine positive spill over effects from the entry of foreign firm using firm level data of Indian manufacturing industry from the period 1994-2002. The Empirical model estimated by using OLS (Ordinary Least square) Method. He has found significant horizontal spill over effect but found negative vertical spill over effects due to the fact that foreign firms are unable to find local suppliers, which satisfy their quality requirements. He has made comparison of the total factor productivity between foreign firms and domestic firm with regression analysis.
27. Kamath B(2008): estimated and analysed the impact of FDI on Gross Domestic Product and Exports in India during 1991-2005. The data are analysed by using simple Linear Analyses to find the impact of FDI on various variables. He expressed that a greater inflow of foreign capital has led to growth of exports of goods and services as well as overall growth of economy. The study concluded that FDI has contributed in the process of growth in the world economy in general and the developing countries in particular. FDI has positive impacts on Exports, Import and has greatly contributed in GDP.
28. Sahni P(2012) has empirically examined in his study, the determinants of FDI in India by taking time series data for the period 1992-93 to 2008-09. Author applied regression analysis method for this purpose. The author's results indicated that inflation and Trade Openness are important factors GDP, in attracting FDI inflows in India during post-reform period, whereas, Foreign Exchange Reserves are not important factors in explaining FDI inflows in India.
29. Sayed & Murthy (2010) studied a case on "Trends of FDI in India the Post Liberalization period–A study with special reference to Pharmaceutical sector", It has expressed that the post liberalization period has shown increasing trend on FDI in India with a high growth rate. The government policy relaxed toward international trade and investment for capital exporting countries as a determinant of FDI inflows into India. And FDI has become an important area for researchers with reference to trade and investment. Investment in FDI in Industrial sectors in India has become an important area if research useful to industrialist and business organization as such investment itself is service sector. Still, however, information technology, Telecommunication sector and Manufacturing sector have vast potentiality to absorb FDI.
30. Dash & Sharma(2011) examined empirically the inter-linkage between FDI, Trade, Growth. They used a vector Auto-regression model to measure relationship between FDI and growth. They developed two hypotheses. 1. FDI causes export, import and economic growth.2. Export, Import, economic growth causes FDI. The authors concluded that three variables are theoretically related but causality is running from export to FDI and not Vice-a-versa. So the role of FDI in export promotion is not substantiated however complimentary relation between FDI and Imports indicate that FDI in India is domestic market-seeking rather than Export-seeking.
31. Singh J; Jha Shashi R & Sing Y (2011) tried to see a result of the liberal investment policy by inflow of FDI in India. It has shown the emerging trend and FDI out flows from India. The analyses contend of upward trend in post reform period. The regional and sectorial composition of FDI inflow emerges that the policy reform positively contributed to the FDI inflow as well as out flows from India.
32. R Anitha(2012) has studied Foreign Direct Investment (FDI). which plays a very important role for enhancing competitiveness of the domestic economy through transfer of technology, strengthening infrastructure, raising productivity and generating new employment opportunities. The paper analysed FDI inflow into the country during the Post Liberalization period. Further, the trends of FDI inflow into the country are projected for a period of five years from 2010-11 to 2014-15 using Auto-regressive Integrated Moving Average (ARIMA) forecasting technique. The researcher examined the macroeconomic indicators: Gross Domestic Product at Factor Cost (GDP), Coal Production (COAL), Wages paid (WAGE), Electricity generated (ELEC), Inflation (INFL), Deficit in Balance of Payment (DEFICIT) and Trade Openness (OPEN), as independent variables which influence the flow of FDI into the country. These macroeconomic indicators are considered as the pull factors of FDI inflows in the country which influence the flow of FDI Identifying the causes for low inflow and suggestive remedial measures to increase the flow of FDI in India.

FDI and other International studies

1. Sinha S(2008) has identified the gap in the literature by analyzing state level data between 1992-2005 in India and its comparison with china from period 1978 to 2005. According to her market size, market growth rate, political stability, corruption, exchange rate, labour productivity, economic freedom infrastructure, openness,

human capital, and taxes affect FDI flows. For conducive business climate adequate infrastructure privatization, export growth rate, rising investment and labour laws are determinants for FDI. For efficient management of FDI she suggested that service sector growth should be supported with manufacturing growth. Current manufacturing pattern in India created a jobless growth. She express Chinese model I and model II Utilizing Auto-regression method. As policy, she recommended that India has an opportunity due to its demographic dividend, having the highest young working population in the world.

2. B V Galan (2006) attempted to examine FDI impact on Mexican economy by time series econometrics estimates techniques and estimation of a dynamic simultaneous equations system by making use of quarterly data from 1980to 2002. By using Granger Causality Test he expressed that FDI variance decomposition and impulse response function confirm the relative importance of each variable in the system. Main determinants in GDP are capital accumulation, labour productivity and liberal fiscal and monetary policy for FDI utilization.
3. Ivanov I(2014) in his study for the period of twenty years from 1992 to 2012 which include sixteen central and eastern Europe countries. The researcher has developed standard gravity model and OLI paradigm (dunning 1993) and stated that FDI is determinants to countries microeconomic indicators like market sizes, fiscal stability, inflation, CRR and unemployment. The empirical analysis concluded that several macroeconomic stability indicators can influence MNEs' decision-making process, whether to invest in a country or not; therefore policies for controlling those indicators can be implemented.
4. Rutherford T & Tarr G (2010) developed ten region comparative static computable general equilibrium model of Russia to access impact of entry to WTO. He has Examined business services and goods produced under imperfect competition, the authors concluded there are well fare gains about 20 times greater than in a constant return to scale model such gains are varying differently among the regions as per their ability from a reduction in barriers against FDI. They studied export patterns from different regions and perfectly competitive goods. The paper has concluded that the region of Russia can be expected to gain substantially from WTO entry from liberalizations of barriers against multinational providers of Business services.
5. Krestevska A Petrovska M(2012) has elaborated economic impacts of FDI the case of Macedonian economy. Their study based on a panel regression technique in which FDI impact on GDP, export and employment has been estimated on structural dimension. The study concluded that FDI inflow is positively affect by export performance. Unemployment occurs due to less green field investment and non-attractive for labour-intensive foreign investor in Macedonian economy.
6. Tortian A(2007) has analysed twelve years of bilateral FDI inward stocks and FDI inflows from 22 OECD countries to four emerging central European countries during period of 1992-2003, and found strong empirical result that International investment agreement at the bilateral level have a significant positive effect on Foreign Direct Investment, for that researcher has used panel data methodology in the estimation progress, the model was estimated using both fixed effect and random effect estimation method, moreover, A Hausmand test has been applied to capture the correlation between the unobservable country-pair specific effect and explanatory variables. The regression method estimated under different specification by using financial, economic and international competitiveness. His study particularly focuses on link between BIT and financial institution. The study found that the efficient and well developed financial institutions have a significant and favourable impact on to attract FDI.
7. Banga R (2003) examined the impact of fiscal incentives offered that the removal of restrictions and signing of bilateral and regional investment agreements with developed and developing countries on FDI inflows to developing countries, after controlling for the effect of economic fundamentals of the host countries. In this study, the first analysis is undertaken for aggregate FDI inflows to fifteen developing countries of South, East and South East Asia for the period 1980-81 to 1999-2000. He also gave separate analysis for FDI the from the developed and the developing countries. Random effects model used and gave the result like fiscal incentives do not have any significant impact on aggregate FDI, but removal of restrictions attracts aggregate FDI on the other hand, FDI from developed and developing countries are attracted to different selective policies. Even as lowering of restrictions attract FDI from developed countries, fiscal incentives and lower tariffs attract FDI from developing countries. At the end she concluded that BITs, which emphasize non-discriminatory treatment of FDI, are found to have a significant impact on aggregate FDI on developed countries rather than developing countries.
8. Banga R(2007) has studied differential impact of Japanese and U.S FDI on exports of Indian Manufacturing. This study has found that FDI has not played a significant role in exports of the Indian manufacturing sector in the post reform period. The author concluded that FDI on export intensity differ with respect to the source of FDI in India has led to export diversification. The impact of FDI on export intensity differs with respect of the source of FDI both at the Industry and firm level. The US FDI has a Positive and significant impact on the export intensity of the industry and the firms and also the US FDI has greater spill over effects on the exports of the domestic firms.
9. Samuel Adams (2009) has studied FDI and economic growth in sub Saharan Africa countries. Author has observed that the contribution of FDI in the economic development of the host country mainly in two aspects, enhance domestic capital and improve the efficiency of the new technology, marketing and management skills, innovation and best practice transfer. Second, the impact of the costs and benefits of FDI by the general country-specific conditions and policy environment, especially in their ability to diversify, absorptive capacity levels for the links between FDI and the opportunity to domestic investment.

Impact of TRIMs on FDI:

10. UNCTAD (2003) In this conference report, it is mentioned that Incident of performance requirement 0among the developing countries like India, Malaysia, Chile, south Africa and Brazil in treatment of performance requirement in international investment agreements (IIAs). As highlighted requirements are 1. How export obligation and its impact assessment, 2.Joint venture and domestic equity requirements and its impact assessment, 3.technology requirement and its impact assessment, 4.researcher and development requirement and its impact assessment and 5. Employment and Training requirements and its impact assessment. At the end, Overall trends incidence of performance requirement has been reviewed in the report.
11. Li Hai –Qing (2001) has explained that the purpose of TRIMs is to use FDI measures to attract FDI or direct FDI in a way that is beneficial to host country's domestic industries and trade performance. He has reviewed various theory and relation between Trade and FDI. He analyzed Investment-Related Trade Measures (IRTMs) and Trade-Related Investment Measures (TRIMs). He give TRIMs can be categorized into two groupings: restrictive TRIMs and incentive TRIMs. Restrictive TRIMs are FDI measures that not only restrict or discourage FDI, but also exert an impact on trade. Incentive TRIMs are various tax holidays, grants, and subsidies that are offered specific to foreign investors but nevertheless have an impact on trade. which require particular levels of local procurement by an enterprise ("local content requirements"), (ii) measures which limit the amount of an enterprise's imports to its exports ("trade-balancing requirernents"), (iii) measures which limit an enterprise's imports based on general or foreign exchange control grounds ("quantitative restrictions on imports"), and (iv) measures that restrict the exportation of products ("quantitative restrictions on exports").
12. Moran and Pearson (1999) has defined TRIMs as including export requirements, local content requirernents, requirements on the use of local labor, limits on foreign ownership of equity, counter trade requirernents, and foreign exchange balancing requirement.
13. According to a USTR study that was based on a survey of forty one countries, of the thirty-one "middle income and less-developed" countries, twenty-three had local content requirements and sixteen had export performance According to a USTR study, that was based on a survey of forty one countries, of the thirty-one "middle income and less-developed" countries, twenty-three had local content requirements and sixteen had export performance.
14. Mosoti, Victor (2003): observed that in spite of recent increases in FDI inflows, Africa has remained marginal recipient. In his view, the focus of the TRIMs Agreement remains, trade in goods, not the inducement or protection of foreign investment. It simply re-emphasizes what was already prohibited under GATT 1947. It does not explicitly address performance requirements falling outside Articles III and XI of the GATT 1994, nor does it deal with foreign investment per se and its protection, such as minimum standards with respect to expropriation. African countries have responded in varying ways to their TRIMS Agreement commitments. The majority of them already had an investment climate that was largely WTO consistent by the time the TRIMs Agreement was concluded. He concluded that, due to problems, such as poor infrastructure and inadequate communication networks, which translate into high operational costs, FDI was not forthcoming. This is changing slowly.
15. Zean Z(2003) has studied that TRIMS agreement are ambiguous or incomplete, moreover, he has presented his study in three easy dissertations, in which he has examined theoretical and practical trade-related investment policies with a focus on the strategic regulation of TRIMS policies in the developing countries. To study the impact of TRIMS policies on the developing counties, he has developed a dynamic general equilibrium model in which he examined two types of TRIMs policy instruments 1. Local content requirement (LCR) and government investment incentives (GIIS). The models explained that increasing LCR will benefit short term by increasing R&D and Technology transfer but in long term LCR will hinder economic development. Moreover, researcher has studied TRIMS policy in Computable General Equilibrium (CGE) model for a small open economy of Tunisia, and quantifies the economic impacts of fortification TRIMs policies under post Uruguay round. At the end of the thesis, he has concluded that LCR in host country benefited for the development and growth of economy.
16. UNCTAD Report(2007)The research in the context of promoting linkages, many developing countries have traditionally made use of TRIMs. The six country studies demonstrated how the countries concerned have been affected by the elimination of such TRIMs. From a normative perspective(different case studies), the concept that TRIMs should be not entitled, when individual countries may consider them as useful tools of industrial development and diversification, remains controversial. The study suggested that the extent to which TRIMs have helped advance the objectives set out has diverse considerably, reflecting the specific economic conditions and policy environment of the country using them. In several cases, the host economy played a role in spurring foreign companies to source more locally in, or enhance their exports. In other instances, the impact appeared to have been small or even negative. The efficiency of various TRIMs has been influenced by a range of factors, including, local absorptive capacity of the workforce and domestic enterprises, government capabilities and the extent to which measures used have been compatible with other industrial and trade policies.
17. Chen X(2002): In his reviewed article, the author has discussed Chinese Foreign Investment Law (FDI Law) and the criteria to be used in assessment of TRIMs. Author studied the standard for identifying TRIMs existing in Chinese FDI Law is the TRIMs Agreement and its extension in the Protocol of China's agreements. At the end author has concluded that China must abolish and stop to enforce trade and foreign exchange balancing requirements, local content and export or

performance requirements made effective through laws, regulations or other measures. While China amended its three FDI laws before its WTO accession, there still remain a number of TRIMs in administrative rules and local regulations. TRIMs include not only mandatory measures but create advantages if observed, so China needs to identify TRIMs correctly, precisely and appropriately. The criteria are the TRIMs Agreement, which provides an international minimum standard for investment measures in relation with trade in goods and the Protocol on China's Accession.

18. "Evidence and policy Implication", The Impact of TRIMS on Trade and development Theory in this chapter the author has studied various cases with subject to TRIMs requirements of developed and developing countries. Overall analysis in this chapter suggested that under condition of imperfect competition, there may be a need for public sector invention because TRIMs in and by themselves do not ensure a beneficial outcome even when they are successful it requires other policy tools which would achieve the same outcome more readily.
19. Moran T(1992) The study posed the following question: Why would a development strategist recommend an export TRIM? For this expert has explained that it depends upon whether the granting of production subsidies to foreign investors is economically feasible and politically acceptable in a third world context. In addition, the explicit quid pro quo associated with the TRIM may carry economic and political advantages like resolving domestic criticism which might accompany a large on-budget subsidy to a foreign firm. The threat of loss of access to a confined market with promise of gain from exporting from a world-scale-sized facility may help overcome intra-firm rigidities and risk aversion. at last, in the arena of negotiating tactics, a list of TRIM requirements on the report may permit a host authority to act as a discriminating monopolist, offering a concession on an obligation of relatively high distaste to a foreign firm in return for a commitment of relatively high desirability to the country. In general, the study concluded that export-performance TRIMs remain an imperfect development tool in the world of imperfectly competitive foreign investors.
20. Tiwari N (2006) has mention that under the TRIMs agreements, restriction on entry of foreign investment and condition on various aspects removed and it is quite released. Except some few sectors, FDI is being allowed up to 100% through automatic route and Indian companies are also go in for FDI out flow to invest abroad.

Issue Drawing Attention:

Having review of the said literature, the present researcher is confined to draw attention of other researchers as under:

1. WTO has made special arrangement for TRIMs for free and non-restricted FDI for capital deficit countries like India.
2. The studies express that there is a vast scope for trade diversion and trade development if active research concentrate on preparedness for the WTO and development of global trade.
3. Most of the studies cantered on inflow of FDI with regards to different time and different sectors.
4. FDI flow is highly related with technological advancement for the higher rate of output and hence higher exportable surplus.
5. There are studies which express that FDI can play a role of import substitution for keeping fare trade of balance and ultimately it can be helpful to correct overall balance of payment of a country.
6. Many developing countries argued that, the TRIMs agreement has not taken into account their development requirements. They are particularly concerned about the agreement's negative effects on employment and value added, because it prohibits late-industrializing countries from pursuing domestic content polices. Such policies were crucial to the successful development strategies of today's industrial countries and East Asia's newly industrialized countries.
7. Developing countries have membership of reasons for maintaining TRIMs. Among these are ensuring the fullest, most efficient contribution of investment to their economic development. Such as TRIMs may allow small firms to expand to full competitive scale and can be used to channel foreign direct investment to bring infant industries to maturity. In doing so, such enterprises are likely to increase domestic employment.
8. TRIMs can also ease the problems of disadvantaged regions and enhance investment's contribution to building and upgrading domestic technological capacity, increasing the value-added share of exports. In this context the TRIMs agreement is viewed by many developing countries as a major impediment to upgrading technology.
9. Developing country governments have also argued that. local content requirements can be used to increase employment, protect the viability of local firms and avoid overpricing by transnational corporations because of TRIMs counter the trade-restrictive and -distorting strategies of transnational corporation, so local content requirements can also be a necessary response to vertically integrated transnational corporations that dominate the market.
10. The TRIMs Agreement does not define "investment" and "investors" and can therefore be considered nationality-neutral. But the general perception is that the agreement mainly governs FDI.
11. The Agreement on Trade Related Investment Measures, though one exclusively concentrated on investment, has proved to be insufficient as regards various barriers facing liberalization of cross-border investment flows are concerned.
12. Studies those who advocated liberalization and increasing flow of FDI express that export promotion council and FDI board have provided a vital boost for export growth an absorbing FDI in India.
13. There are sector specific studies showing positive relation between rising flow of FDI and growth of sectors like Pharmaceutical, Infrastructure (5.5%),Transport and communication(2.85%), Manufacturing sector(23.31%), Financial and Business service(17.3%), wholesale and retail trade and total (5.1%).

14. After post liberalization in India flow of FDI come from automatic route, FIPB route , moreover, role of FIIA, role of FIPC and role of SIA to boost output, employment and GDP in host country.
15. It is found that in developing economies FDI and economic growth are mutually supporting. In other words economic growth increases the size of the host country market and strengthens the incentives for market seeking FDI. It is also observed that bidirectional causality exist between FDI and economic growth i.e. growth in GDP attract FDI and FDI also contribute to an increase in output.
16. The main determinants of FDI in developing countries are inflation, infrastructural facilities, debts, burden, exchange rate, FDI spillovers, stable political environment etc.
17. Management expert in developed countries showed that Inter relationship and complementarities between FDI and institution for growth and efficient utilization of FDI depends upon clear property rights by the government of India rising facility to the business committees and facility to earn foreign exchange without forcing exchange restriction.
18. Majorities of the studies recommended positive and liberal policy to absorb FDI and advocated for the free trade of commodities and factors of production as happened in the case of china, Mexico, Korea and other countries.

Emerging gap in the research

This researcher has visualized following glaring gaps on the basis of review of literature as well as issues sorted out:

1. Very few studies are carried out from theoretical application point of view. These studies are specifically concentrating on application of the Eclectic Theory with regard to FDI.
2. There are very limited studies, which have defined Impact of FDI with reference to economic and Political factors.
3. Very scant attention is paid by researchers to know inter-relationship between WTO rules, TRIM provision and FDI utilization in efficient way.
4. Research can be conducted on effect of TRIMs on Performance Requirement, Local Content Requirement and Technology transfer requirement.
5. Very fewer studies are found on Impact of TRIMs on sector specific considering on FDI inflow and outflow from different countries.

Possible Hypothesis to be tested:

This researcher has proposed and formulated following hypotheses on the basis of review of literature issues shorted out so far and examining prevailing gap for possible research.

- **H1 Economic Performance**
  H: The higher the economic performance of a host country indicated by GDP and growth, the higher the foreign investment inflows. GDP indicates also market size, therefore, the larger the market size of a host country, the higher the foreign investment inflows.
- **H2 Price Stability**
  H: The higher the price instability of a host country reflected by high inflation rate, the lower the foreign investment inflows.
- **H3 Infrastructure**
  H:Foreign investment inflows will be positively related to a host Country's infrastructure for international trade.
- **H4 Employment**
  H:The higher a host country's international competitiveness indicated by employment in public and private attracts positive the foreign investment inflows.
- **Performance Requirement**
- Foreign investment inflows will be positively related to performance by a host country.
  H5 Export Performance Requirement
  H : Foreign investment inflows will be positively related to export performance.
- **H6 Exchange Rate**
  H:currency depreciation, there is mixed evidence on the impact of depreciation of real exchange rate of host country currency on FDI inflows
- **H7 Technology Transfer**
  H :Higher the Technology transfer , Increase M&A,R&D higher the foreign investment flow.
- **H8 Liquidity Position**
  H:The higher the international liquidity position of a host country reflected by the reserves the higher its creditworthiness, therefore the higher the foreign investment inflows.
- **H9 External Debt Position**
  H: The lower a host country's external debt obligations relative to its output or export revenues, the higher is its creditworthiness, the higher the foreign investment inflows.
- **H10 SSI Unit**
  H: positive flow of FDI protect small scale Unit
- **H11 TRIMs Agreements**
  H :Foreign investment inflows will be positively related to a host country.

6. Conclusion

There are empirical studies carried out by the researchers but the third part of the paper inspires the young researcher to go in for formulations for proper hypothesis and testing of impact country wise and commodity in general and India in particular. There is vast potentiality for construction of models with theoretical frame work so as to prescribe macro policy for further growth of trade. The government of India can learn a lot for experiment and experiences made by other member countries of WTO for trade development.

References

[1] Bansal N S(2004):WTO after CANCUN , A Mittle Publication, New Delhi.
[2] Menjor Singh K. H. (2005): 'World Trade Organization & The Third World', Mittle Publication, New Delhi.
[3] Raj Dev(2005): 'The Indian Economics Association', 88th Annual conference part-I, Andra Pradesh.
[4] Bhat G M & Kira A H (2005): 'Trade in Financial Services- WTO & India', The Indian Economics

Association, 88th Annual conference part-I, Andra Pradesh.

[5] Mathur S K (2002) : "National seminar on WTO and Allied Issues Vol-2, New Delhi.

[6] Kumar K (2002): 'Fall out of liberalization performance of Indian Industry in the post-liberalization era' National seminar on WTO and Allied Issues Vol-2, New Delhi.

[7] Rose & Andrew K(2004): 'Do We Really Know That the WTO Increases Trade?' The American Economic Review, Vol. 94, No. 1, pp. 98-114.

[8] Chaddha V (2005): 'WTO and the Indian Economy', Deep and Deep Publication PVT. LTD. New Delhi.

[9] Deogirikar A B (2004):'WTO and Indian Economy', Shreenivas Publication, Jaipur.

[10] Mane V (2011); 'World Trade Organisation (WTO) & Trade policy reforms in India', Global Economic Research half yearly research Journal, Vol-1, Issue I, ISSN 2249-4081. PP 160 -166.

[11] Larry D & Qiuy Zhigang T (2001): 'Export, Foreign Direct Investment, and Local Content Requirement', Working paper, http://www.bm.ust.hk/~larryqiu/LCR.pd visited on 30/12/2014

[12] WTO Trade Related Investment Measures (TRIMs) Agreement http://www.dti.gov.uk/worldtrade/trims.pdf visited 30/12/2014

[13] Burt E M(1997) Developing Countries and the Framework for Negotiations on Foreign Direct Investment in the World Trade Organization, American University International Law Review, Vol. 12, Issue 6 , Article 3 pp1016-1061

[14] Das P S (2003): 'India and The WTO, An Indian Perspective on WTO rules on Foreign Direct Investment', co publication of the world Bank and oxford University press.

[15] Archna (2013): 'Effect of Agreement on TRIMs on Indian Foreign Trade' International Journal of Computational Engineering Research, Vol 03 Issue 5, pp71

[16] Banerjee A & Jain T(2007): 'WTO rules on investment: Futility manifold', Journal of International Business Research, Vol.6, No.2.

[17] Robert H. Edwards, Jr., Simon N. Lester,(1997) 'Towards a more comprehensive world Trade Organization Agreement on Trade Related Investment Measures', Stanford Journal of International Law.

[18] Dunning John (2001): 'The Eclectic (OLI)Paradigm of International Production: Past, Present and Future', International Journal of Economics of Business, vol. 8, No.2, pp 173-190.

[19] Hooda S (2011): 'A study on FDI and Indian Economy', unpublished Thesis of National Institute of Technology deemed University Kurukshetra.

[20] Chatterjee S (2009): 'An Economic analysis of FDI in India', unpublished Thesis, M S University Baroda.

[21] Chakraborty C & Basu P (2001): 'Foreign direct investment and growth in India: A co integration approach' Applied Economics, Tailor & Francis Ltd.,2002, 34, 1061±1073

[22] Singh K (2005): 'Foreign Direct Investment in India: A Critical analysis of FDI from 1991-2005', papers.ssrn.com/sol3/papers.cfm_id_822584.

[23] Prasanna N (2010): 'Impact of foreign Direct Investment on Export Performance', Journal of social Science 24(1): pp 65-71

[24] Sahoo R K (2005): 'Foreign Direct Investment and growth of manufacturing sector- An empirical study of India', Unpublished thesis, Institute of social and Economic change, Bangalore.

[25] Sasidharan S & Ramanathan A (2007): 'Foreign Direct Investment and Spillovers: Evidence from Indian Manufacturing', ideas.repec.org/e/psa140.html.

[26] ShriPrakash, Shrma S & Kasidi F (2007): 'Input Output modelling of Impact of FDI on Indian Economic Growth', International Review of Business Research Papers, Vol. 6, No 4, pp. 101 – 117.

[27] Sashicharan S (2003) 'Foreign Direct Investment and Technology Spillovers: Evidence and from the Indian Manufacturing sector', Unpublished paper Indian Institute Of Technology Mumbai.

[28] Kamath B (2008): 'Impact of FDI In India', The ICFAI Journal of International Journal Vol 3, No.4.

[29] Sayed K S & Murthy S (2010): 'Trends of FDI in India the Post Liberalization period – A study with special reference to Pharmaceutical sector'.

[30] Dash R & Sharma C (2011): 'FDI trade and Growth dynamics, new evidence from the Post-reforms India', The International Journal Vol. 25 ,No. 2.

[31] Singh J, Jha S & sing Y (2011): 'Impact of Liberalization on Foreign Direct Investment - An Empirical Analysis of Indian Economy in Post Reform', The IUP Journal of Public Finance Vol.9, No.3.

[32] R Anitha (2012):'Foreign Direct Investment and economic growth in India' International Journal of Marketing, Financial services and Management Research Vol 1, Issues 8 ISSN 2277-3622.

[33] Sinha S (2008): 'Can India Adopt Strategic flexibility like china Did?',Global Journal of Flexible Management, Vol. 9, No2 &3, pp 1-14

[34] Galan B V (2006): 'The effect of Trade Liberalization and FDI in Mexico', unpublished Thesis, University of Birmingham.

[35] Ivanov I (2014): 'Analysis of Determinants of FDI on its capacity as source of economic growth for the European countries in transition', unpublished thesis of Aarhus University.

[36] Rutherford T & Tarr G (2010): 'Regional Impact of liberalization of barriers against Foreign Direct Investment in Services: The case of Russia's Accession to the WTO', Review of International Economics ,18(1), Blackwell publishing.

[37] Krestevska A & Petrovska M(2012): 'The economic impacts of the foreign direct investments: panel estimation by sectors on case of Macedonian economy', Journal of Central Banking theory and Practice, pp55-73

[38] Tortian A (2007) " International Investment Agreements and their impact of Foreign Direct Investment: evidence from emerging four European countries" Published thesis of University of Perris.

[39] Banga R(2003): 'Impact of Government policies and investment agreements on FDI inflows',working paper India council for Research on International economic relations, New Delhi.

[40] Banga R(2007): 'Impact of Government Policies and Investment agreements on FDI Inflows', Indian Council for research on International Economic Relation(ICRIER).
[41] Adams S (2009): 'Can Foreign Direct Investment help to promote growth in Africa', African Journal of Business Management Vol.3 (5), pp.178-183.
[42] UNCTAD report (2003); WTO, Working Group on the Relationship between Trade and Investment - Communication from UNCTAD.
[43] Li Hai –Qing (2001): 'The Relation between Trade and Foreign Direct investment and The Implication for the WTO', Published Thesis University of Toronto, Department of Law.
[44] Moran T (1992): 'The impact of TRIMS on Trade and development', Transnational Corporations, vol. 1 no. 1.
[45] World Trade Organization (WTO) (2001). Trade-Related Investment Measures and Other Performance Requirements, Joint Study by the WTO and UNCTAD Secretariats, Geneva: Committee on TRIMs, WTO (G/C/W/307), 1 October 2001.
[46] Mosoti, Victor, (2003): "The WTO Agreement on Trade Related Investment Measures and the Flow of Foreign Direct Investment in Africa: Meeting the Development Challenge" Pace International Law Review. Paper 204.
[47] http://digitalcommons.pace.edu/intlaw/204
[48] Chen X(2002): 'Criteria to identify Trade-Related investment Measures in Chinese Foreign Investment Law" Bon Law Review, Bond University China, Vol. 14, Issue 2 Article.
[49] Zean Z(2003): 'The Impact of Trade Related investment Measures in developing countries' , unpublished thesis university of Hawaii.
[50] UNCTAD (2007) "Elimination of TRIMS: The experience of selected developing countries, United Nations New York and Geneva.
[51] Moran T(1992) "The impact of TRIMS on Trade and development" Transnational Corporations, Vol. 1, No. 1.
[52] Tiwari N(2006): 'India and World Trade Organisation', Pratiyogita Darpan, PD/November/ 2006/797.

Author Profile

Abhipsa Vagadia received MBA degree in Marketing Management from NSVKMS Visnagar in 2001-03, respectively. During 2006-07, she got Diploma in International Business from Swinburne University, Melbourne, Australia. At Present she is Ph D research scholar in R K University and working as Assistant Professor in Christ Institute of Management, Rajkot.

Prof. (Dr.) Sandip P. Solanki, is a Professor in Faculty of Management. He has more than fourteen years of teaching experience in various B-Schools. He is a PhD guide at Gujarat Technological University, RK University and Pacific University. He was nominated as a key note speaker at many International Conference and National conferences. He was also nominated as a chairperson in several International and National conferences .He has carried out various assignments of Gujarat Technological University. He is a life member of Indian Economic Association, Gujarat Economic Association.