Abstract: In recent years developing countries have emerged as significant participants in the OFDI (outward foreign direct investment), seeking strategic assets. Such asset exploiting-cum-augmenting OFDI involves potential two-way cross-border knowledge flows. This study examines several dimensions of OFDI in the Indian automotive industry – currently internationalizing rapidly in terms of OFDI. This study undertakes a quantitative analysis of the influence of OFDI activities on the in-house (domestic) R&D performance of the Indian automotive firms during 1988-2008, and finds expected favourable impact on the R&D intensity. The study concludes with suggestions to promote OFDI, particularly the strategic asset enhancing OFDI.

Keywords: OFDI, knowledge flows, strategic asset-seeking FDI, R&D, automotives.

JEL classifications: F21, F23, O32, L62

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