

R&D investment dynamics in agglomerations under weak appropriability regimes: Evidence from Indian R&D labs

Anna Lamin
Northeastern University

Abstract

R&D activity by local and foreign firms is increasing in environments with weak intellectual property rights (IPR). What are the dynamics of R&D investment when firms from multiple industries co-locate in such environments? Given that co-location can result in knowledge spillovers, we argue that local firms can 'free-ride' on nearby foreign and local firms. Furthermore, local firms are expected to free-ride more from other local firms within their industry and from foreign firms from other industries. Relying on fieldwork and analysis of a unique sample of 3,475 R&D lab investment decisions during 2003-2010 in India, we find that local firms free-ride from other local firms both within and across industries. Our results contribute a more nuanced view of knowledge spillovers in environments with weak IPR.