



World Investment Report: UNCTAD

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Why in News

Recently, the **United Nations Conference on Trade and Development (UNCTAD)** released the **World Investment Report 2020**.

The World Investment Report focuses on **trends in Foreign Direct Investment (FDI)** worldwide, at the regional and country levels and emerging measures to improve its contribution to development.

Key Points

- **Global Scenario:**

- According to the report, global FDI flows are forecast **to decrease by up to 40% in 2020**, from their 2019 value of \$1.54 trillion.
- This would **bring global FDI below \$1 trillion for the first time since 2005**. The FDI is projected to decrease by a further 5% to 10% in 2021.
- **Developing economies are expected to see the biggest fall** in FDI because they rely more on investment in Global Value Chain (GVC) based industries, which have been severely hit due to Covid-19 pandemic.
 - They have **also not been able to put in place the same economic support measures as developed economies**.
- However, the investment flows are **expected to slowly recover by the start of 2022**.
- Global FDI flows rose modestly in 2019, following the sizable declines registered in 2017 and 2018.

The rise in FDI was due to the waning of impact of the 2017 tax reforms in the United States.

- **India's Investment Scenario:**

- India jumped from **12th position in 2018 to 9th position in 2019** among the world's largest FDI recipients.
 - In 2019, the FDI inflows into India jumped over 20% to \$51 billion.
- The report also observed that FDI into **India may decline sharply in 2020** because of the impact of the **Covid-19 pandemic** and the consequent **lockdown** measures, supply chain disruptions and economic slowdown.
 - In India the number of greenfield investment announcements declined by 4% in the first quarter of financial year 2020-21. The Mergers and acquisitions (M&A) also contracted by 58%.
 - A greenfield investment is a type of FDI in which a parent company creates a subsidiary in a different country, building its operations from the ground up.
- However, the report mentioned that **India's large market will continue to attract market-seeking investments to the country.**
 - India's professional services and the digital economy could see a faster rebound as global **venture capital firms and technology companies continue to show interest in India's market through acquisitions.**
 - Investors concluded deals worth over \$650 million in the first quarter of 2020, mostly in the digital sector.

UNCTAD

- United Nations Conference on Trade and Development (UNCTAD) was established in 1964 to promote development-friendly integration of developing countries into the world economy.
- UNCTAD is a **permanent intergovernmental body headquartered at Geneva in Switzerland.**
- Some of the reports published by it are:
 - Trade and Development Report
 - World Investment Report
 - The Least Developed Countries Report
 - Information and Economy Report
 - Technology and Innovation Report
 - Commodities and Development Report

Way Forward

- The efforts need to be put to increase the investment and also countries need to deal with Covid-19 pandemic strategically.

- To deal with the current slowdown, India can provide its poor with direct cash, which will increase the demand in the economy. This will subsequently lead to increase in investment and production in the economy.

Source: Mint