



## UN Report on FDI

India attracted USD 22 billion of FDI flows in the first half of 2018, according to a UN Conference on Trade and Development (UNCTAD) report- '**Investment Trends Monitor**'.

- The report highlighted that said that in South Asia, India's FDI inflows contributed to the subregion's 13% rise in FDI in the first half of the year.
- The report also states that the global foreign direct investment dropped by 41% in the same period due to tax reforms carried out by the US administration. These reforms have encouraged big firms in the US to bring back earnings from abroad, specially from Western European countries.
- The decline in FDI is happening mainly in wealthy, industrialized nations, especially in North America and Western Europe. The developing economies saw FDI flows declining "only slightly" in the first half of the year by 4%, compared with 2017.
- Other factors that have led to this decline are uncertainty about the detail and impact of tax reform and the potential impact of unresolved international trade disputes; such as the tit-for-tat tariffs imposed by the United States and China.
  
- In contrast to the overall decline in foreign investment, the report highlights a 42% increase in "greenfield" projects. These initiatives can involve building operations in a foreign country from scratch and they are seen an indicator of future trends.
  
- China was the largest recipient of FDI, attracting an estimated \$ 70 billion in inflows in the first half of the year, followed by the UK with \$ 65.5 billion, the US with \$ 46.5 billion.

### United Nations Conference on Trade and Development

- UNCTAD is a permanent intergovernmental body established in 1964.
- It promotes development-friendly integration of developing countries into the world economy.
- Headquarters - Geneva, 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
- In its flagship report titled, **Trade and Development Report (TDR 2018)** released in September, 2018 UNCTAD has strongly advocated the need for developing countries to address issues of data sovereignty and design national policies to ensure equitable distribution of gains arising from data which is generated within the national boundaries.

## Foreign Direct Investment

- Foreign direct investment (FDI) is an investment made by a firm or individual in one country into

business interests located in another country.

- The key feature of foreign direct investment is that it establishes either effective control of, or at least substantial influence over, the decision-making of a foreign business.
  - This makes it different from portfolio investments in which an investor merely purchases equities of foreign-based companies.
  - Foreign Direct Investment is important because it gives countries access to external capital, technology, market access and tax contributions.
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- Foreign direct investments are commonly categorized as being horizontal, vertical or conglomerate.
    - A **horizontal direct investment** refers to the investor establishing the same type of business operation in a foreign country as it operates in its home country.
    - A **vertical investment** is one in which different but related business activities from the investor's main business are established or acquired in a foreign country, such as when a manufacturing company acquires an interest in a foreign company that supplies parts or raw materials required for the manufacturing company to make its products.
    - A **conglomerate type** of foreign direct investment is one where a company or individual makes a foreign investment in a business that is unrelated to its existing business in its home country. Since this type of investment involves entering an industry the investor has no previous experience in, it often takes the form of a joint venture with a foreign company already operating in the industry.

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