Syllabus subtopic: Important International institutions, agencies and fora, their structure, mandate.

Prelims and Mains focus: about the report and its key findings; about UNCTAD

News: India was among the top 10 recipients of Foreign Direct Investment in 2019, attracting USD 49 billion in inflows, a 16 per cent increase from the previous year, driving the FDI growth in South Asia, according to a UN report released on Monday.

About the report and its highlights

- The Global Investment Trend Monitor report compiled by United Nations Conference on Trade and Development (UNCTAD) states that the global foreign direct investment remained flat in 2019 at USD 1.39 trillion, a 1 per cent decline from a revised USD 1.41 trillion in 2018. This is against the backdrop of weaker macroeconomic performance and policy uncertainty for investors, including trade tensions.

- Developing economies continue to absorb more than half of global FDI flows. South Asia recorded a 10 per cent increase in FDI to USD 60 billion and this growth was driven by India, with a 16 per cent increase in inflows to an estimated USD 49 billion. The majority went into services industries, including information technology.

- The FDI flows to developed countries remained at a historically low level, decreasing by a further 6 per cent to an estimated USD 643 billion.

- The FDI to the European Union (EU) fell by 15 per cent to USD 305 billion, while there was zero-growth of flows to United States, which received USD 251 billion FDI in 2019, as compared to USD 254 billion in 2018, the report said.

- Despite this, the United States remained the largest recipient of FDI, followed by China with flows of USD 140 billion and Singapore with USD 110 billion.
China also saw zero-growth in FDI inflows. Its FDI inflows in 2018 were USD 139 billion and stood at USD 140 billion in 2019. The FDI in the UK was down 6 per cent as Brexit unfolded.

Way forward

Looking ahead, UNCTAD expects the FDI flows to rise moderately in 2020, as current projections show the global economy to improve somewhat from its weakest performance since the global financial crisis in 2009.

Corporate profits are expected to remain high and signs of waning trade tensions emerge. However, the decrease of announced greenfield projects by 22 per cent – an indicator of future trends, high geopolitical risks and concerns about a further shift towards protectionist policies temper expectations.

The report said that GDP growth, gross fixed capital formation and trade are projected to rise, both at the global level and, especially, in several large emerging markets.

Such an improvement in macroeconomic conditions could prompt MNEs to resume investments in productive assets, given also their easy access to cheap money, the fact that corporate profits are expected to remain solid in 2020, and hopes for waning trade tensions between the United States and China.

However, significant risks persist, including high debt accumulation among emerging and developing economies, geopolitical risks and concerns about a further shift towards protectionist policies, it added.

About United Nations Conference on Trade and Development (UNCTAD)

UNCTAD is a permanent intergovernmental body established by the United Nations General Assembly in 1964.
- Its headquarters are located in Geneva, Switzerland, and it has offices in New York and Addis Ababa.
- UNCTAD is part of the UN Secretariat. It reports to the UN General Assembly and the Economic and Social Council but have its own membership, leadership, and budget.
- It is also a part of the United Nations Development Group.