



India's World: World Economic Forum 2020

The 50th edition of the WEF, held in January 2020 focussed on establishing **stakeholder capitalism** as a way of addressing the world's greatest challenges, ranging from the societal divisions created by income inequality and political polarisation to the climate crisis we face today.

World Economic Forum at 50: The Journey

- Based in Geneva, Switzerland, WEF is a not-for-profit International organization established in the year 1971.
- The Forum provides a platform for the CEOs of the largest companies, heads of state of countries, to meet each other and discuss business through bilateral meetings.
 - It's a meet to showcase countries' potential in order to attract businesses.
- The **theme** of WEF 2020 is **Stakeholders for a Cohesive and Sustainable World**.
- It is basically a networking event where countries project themselves to garner investment.

WEF Goals and Challenges

- **Protectionism** is the biggest problem that the world is facing and the 50th summit of WEF is being held in this backdrop.
 - In the recent past, US has advocated protectionism and has also been trying to decimate the WTO and other such organizations.
 - The US' approach towards climate agenda and towards trade has been disruptive.
- Because of the US-China trade war, there has been a **distinct fall in investment flows and trade flows**. World trade faced renewed headwinds in 2018 as trade tensions and economic policy uncertainty rose sharply.
- All the major, fastest-growing economies including India and China have slowed down presently. Most of the European economies are showing a growth of less than 1%.
- Many economists are projecting that by the end of 2020 there might be a mild global recession.

World Trade and India

India is a land that has the power of democracy, demography, leadership, talent, culminating in the "power of opportunity." These are the 5 selling points that India has projected to the rest of the world.

- **FDI:** India needs to attract more FDI. India needs to get a place for manufacturing exports and if there are tariff and non-tariff barriers they need to be breached. Reforms are needed such as better infrastructure, land-labor reforms and lesser regulations.
 - Other important factors to attract FDI will be labour issues, electricity supply issues and electricity rates, the logistics, the infrastructure scenario and the large domestic market of India.
 - FDI in manufacturing in India is not much, it is mainly concentrated in services and e-commerce sector.
 - Some more domestic reforms are needed to promote FDI in manufacturing before ably

competing against countries like Vietnam, Thailand, Malaysia etc

- **Matching up to the 6 key themes:** India's performance in regards to attracting FDI will depend on how these five selling points match with the 6 key themes that WEF has outlined, namely: **Economy, Ecology, Technology, Society, Geopolitics and Industry.** These factors are interlinked and India needs to take advantage of this.`
- **Focussing on exports:** Almost 40% of the world's GDP is contributed by the US and China. The simple formula to increase GDP of a country is to increase consumption, plus private investments, plus government expenditures, plus exports, minus imports.
 - For India, to grow fast and achieve the objective of a \$5 trillion economy it needs to step up exports and get a bigger share in the world exports.
- **Government incentives:** All that India can achieve will depend on the various incentives being offered by the government, especially the recent corporate tax reduction.
- Parameters like ease of doing business, resolution of contractual disputes etc will matter prominently.
 - India has moved 14 places to be 63rd among 190 nations in the World Bank's ease of doing business ranking.
 - However, India's contract enforcement rank 2018 was 163 out of 190 countries, the lowest among G-20 countries.

Best Way Forward

- India needs to put in place the policies of data localisation and cross border data flows.
- Also India will have to make a clear case for special and differential treatment for its coastal fishermen who carry out fishing as a source of livelihood rather than for commercial purposes unlike Korea, Japan and China.

India needs to support multilateralism and multilateral institutions. It needs to work on its perception and project a confident image of itself in the world economic scenario assuring the investors of its economic stability.