



## India's World: World Economic Forum 2020

The 50<sup>th</sup> 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 50<sup>th</sup> 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.

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