

Webinar proceedings: how can South Asia attract FDI in the post-COVID-19 era?

Foreign Direct Investment (FDI), which features strongly in developing countries' development strategy, is expected to significantly decline in 2020 due to the COVID-19 crisis—an estimate by UNCTAD predicts a 40% fall in global FDI flows in 2020. However, there are opportunities for attracting FDI as well, as countries are looking to diversify their investments to create resilient supply chains. Against this background, **South Asia Watch on Trade, Economics and Environment (SAWTEE)** in association with Biruni Institute, Afghanistan; Centre for Policy Dialogue (CPD), Bangladesh; Research and Information System for Developing Countries (RIS), India; Sustainable Development Policy Institute (SDPI), Pakistan; and Institute of Policy Studies of Sri Lanka (IPS), Colombo organized a virtual meeting titled **“South Asia and foreign investment outlook post-COVID-19”** on 2 October 2020.

The crux of the deliberations was that the South Asian countries have to adapt to the new reality and introduce reforms to ensure that they are competitive to attract FDI to the important sectors. Furthermore, enhanced regional cooperation to improve connectivity and build competitive regional value chains can be an important instrument to make South Asia an attractive destination for FDI, said the speakers. The speakers also emphasized the need to focus on 'building back better' by giving importance to FDI associated with inclusive and sustainable industrialization and those related to ICT sectors.

Dr. Nagesh Kumar, Director and Head, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) South and South-West Asia (SSWA), New Delhi, emphasized the need for South Asian countries to evaluate the important current trends—a general global trend towards de-globalisation even before the onset of COVID-19 pandemic, economic downturns and uncertainties created by COVID-19 crisis, the potential of heightened competition between countries to attract FDI, possible challenges to regulatory measures of South Asian countries by foreign investors, and creation of 'easy money' by central banks around the world that has the potential to find its way to emerging markets such as India and create asset bubbles—for coming up with an effective response to attract FDI in the region.

“The upcoming decline in FDI implies that competition among locations will increase and extra efforts will be required to secure projects,” mentioned Mr. Bostjan Skalar, Executive Director, World Association of Investment Promotion Agencies, Istanbul. This increased competition to secure FDI has made the role of investment promotion agencies (IPAs) hugely important as they need to act swiftly and proactively to attract FDI while adapting to the new realities, said Mr. Skalar.

Ms. Bhawani Rana, President, Federation of Nepalese Chamber of Commerce and Industry (FNCCI), Kathmandu, stressed on the need to diversify FDI into the areas that are going to be increasingly important in the future such as e-commerce and carbon-neutral and green sectors. She further emphasized on the need to harness regional cooperation to attract more FDI in the region.

Prof. Mustafizur Rahman, Distinguished Fellow, Centre for Policy Dialogue (CPD), Dhaka, emphasized the importance of leveraging regional cooperation and the need to focus on building back better through channelling investments into the green economy and emerging technologies. “We need to attract investments that enable South Asian countries to have regional value chains and production networks so that we can collectively get into the global integration process from a position of strength,” said Prof. Rahman.

Dr. Vaqar Ahmad, Joint Executive Director, Sustainable Development Policy Institute (SDPI), Islamabad, highlighted some innovative practices that Pakistan is undertaking to attract FDI amid the COVID-19 crisis such as easing investment procedures for Pakistani diaspora abroad and allowing investment amnesties in certain sectors for a limited period. Dr. Ahmad also highlighted important measures that the countries in the region could adopt such as regulatory harmonization among South Asian countries; harmonization between investment policies and investment laws; and capacity building in dispute settlement issues.

Dr. Prabhas Ranjan, Assistant Professor, Faculty of Legal Studies, South Asian University, New Delhi, drew attention towards how draconian regulatory measures taken by South Asian countries to curb COVID-19 pandemic may be challenged by foreign investors and explained how the South Asian countries should defend themselves against potentially costly investor-state dispute settlement proceedings. “Taking advantage of the general exception clause in the investment agreements and demonstrating that the measures adopted were necessary to protect public health; proving that safeguarding the health of people constituted a ‘circumstance of extreme emergency’; and arguing that the measures were reasonable, bona fide and proportional to the objectives of the measures are primary ways that South Asian countries can defend themselves,” argued Dr. Ranjan.

SAWTEE, in association with other prominent think-tanks in the region, has been [hosting a series of webinars from 22 September to 16 October](#) to deliberate on various socio-economic aspects of the COVID-19 pandemic, how they relate to South Asia and what should be the future course of action for South Asian countries.