



Global Investment: Salient Features and Policy Challenges

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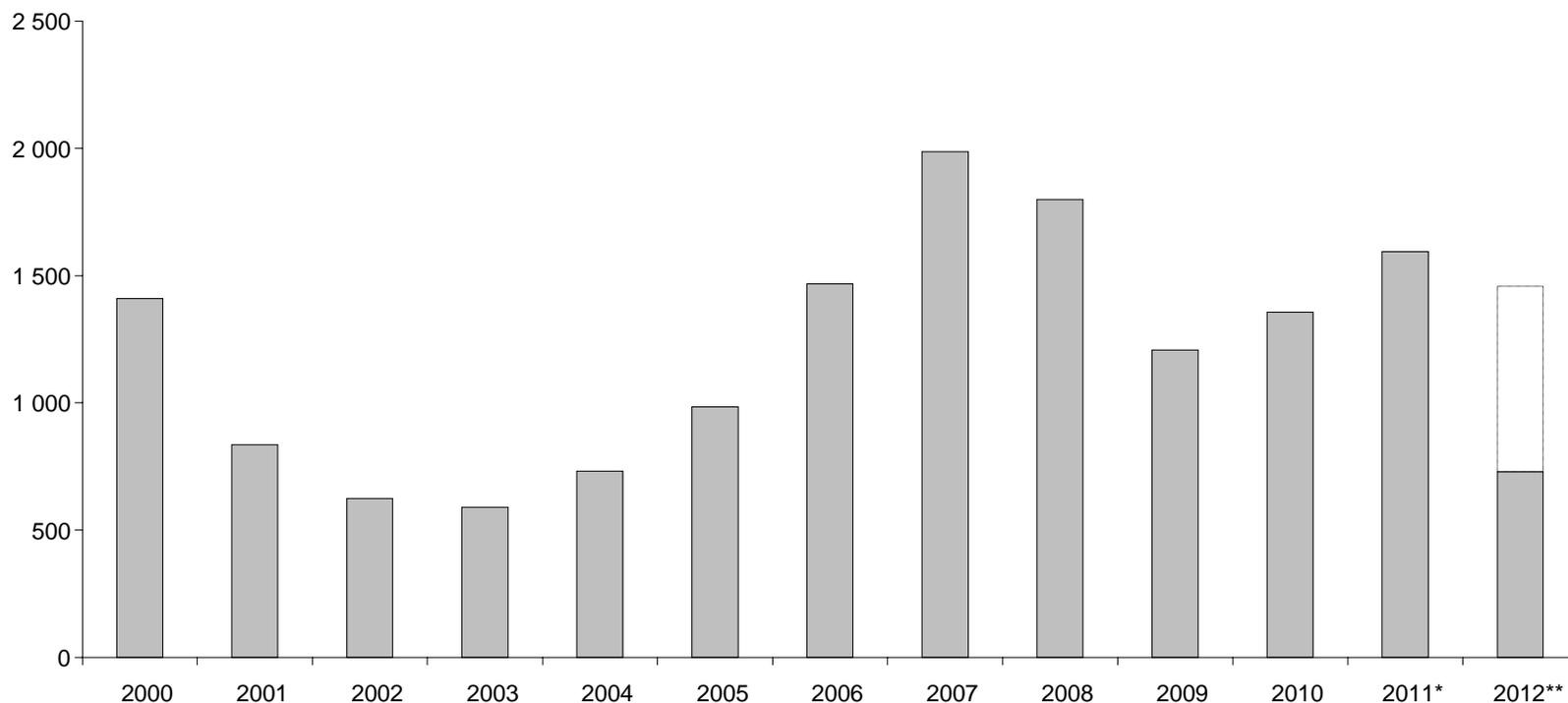
A presentation in 3 parts:

- I. Global FDI Trends**
- II. Investment Policy developments**
- III. Trends in Entrepreneurship and SME development**



Global FDI recovery is moving from a steady to a bumpy road; it is taking longer to recover than expected

Global FDI inflows, 2000–2012
(billions of dollars)



Source: UNCTAD.

* Revised.

** Projection.



FDI versus real GDP growth rate and trade: longer term prospects for FDI are promising

Real GDP growth rates, global merchandise trade and FDI, 2008–2014
(Per cent and trillions of dollars)

Variable	2008	2009	2010	2011	2012 ^a	2013 ^b	2014 ^b
<i>GDP growth rate (IMF)</i>							
World (%)	2.8	-0.6	5.1	3.8	3.3	3.6	4.1
<i>Trade volume</i>							
Global merchandise trade (%)	2.3	-12.5	13.9	5.0	2.5	4.5	..
<i>FDI global</i>							
Value (trillion of dollars)	1.8	1.2	1.4	1.6	up to 1.6	1.7	1.8
Growth rate (%)	-9.5	-32.9	12.3	17.6	0.0	6.9	7.0

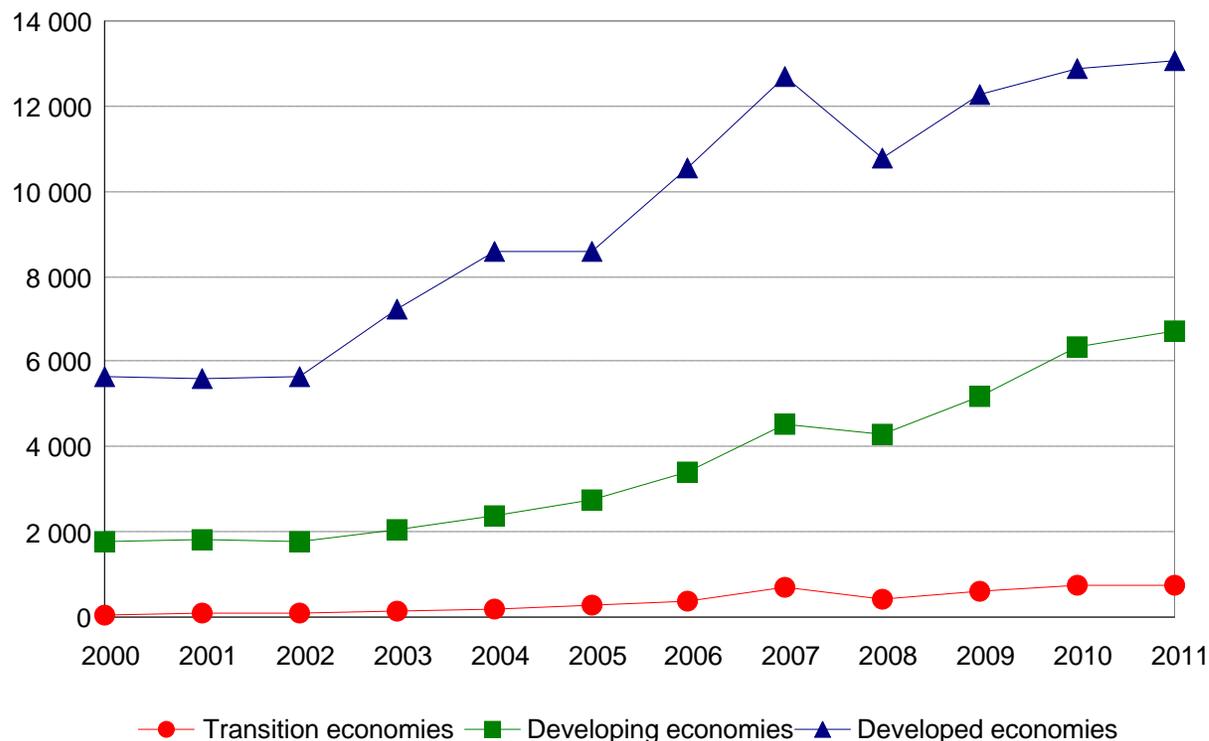
^a Estimation.

^b Projections.

TNCs have been an engine of the global economy, even though they are in a low gear at the moment

Global FDI stock, by region, 2000–2011

(Billions of dollars)



Source: UNCTAD.

International production by transnational corporations (TNCs)

In 2011, foreign affiliates of TNCs...

... employed an estimated 69 million workers ...

... generated \$28 trillion in sales ...

... produced \$7 trillion in value added (~10% of global GDP) ...

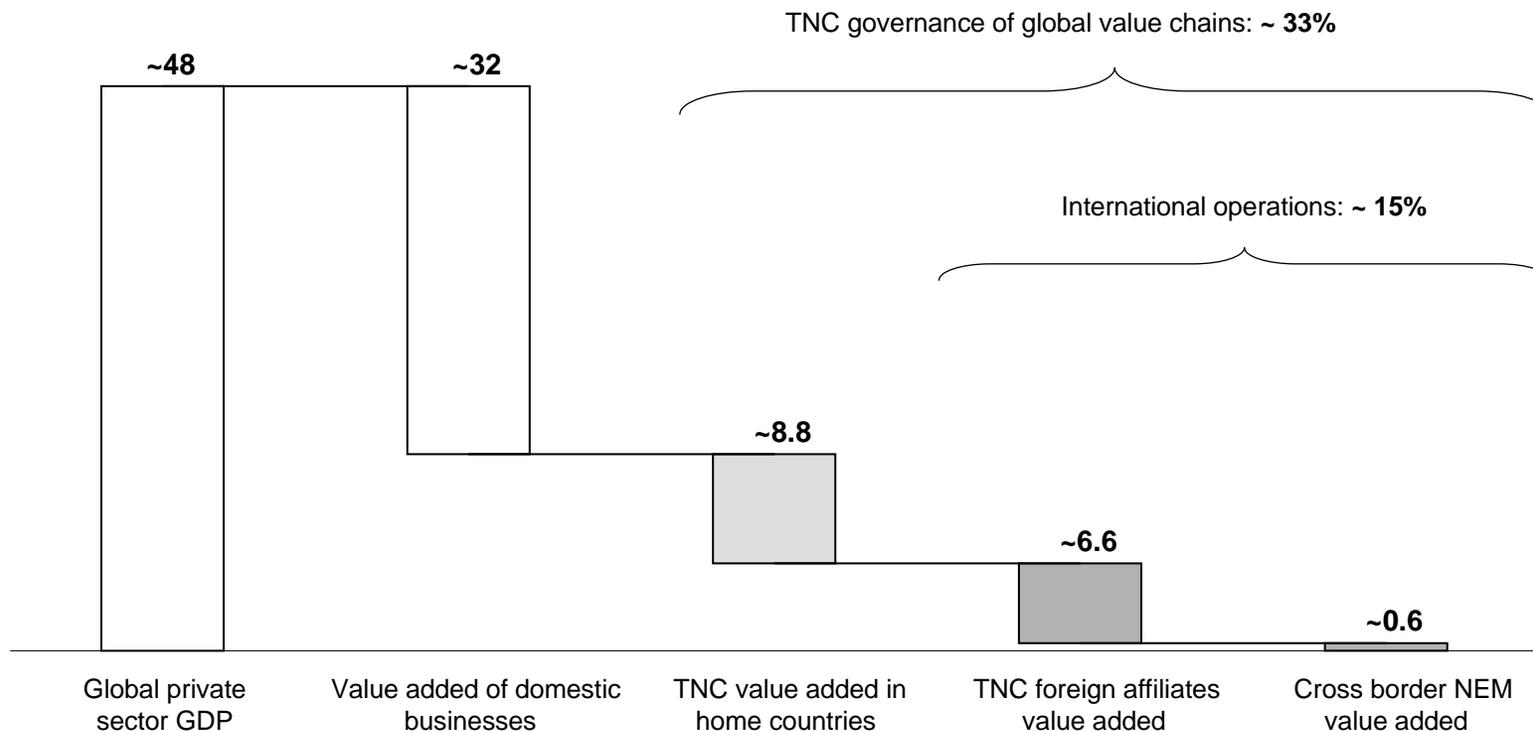
... and managed assets of \$82 trillion



TNC-governed GVCs generate around one-third of global private sector GDP

GDP and value added (gross output) by type of operation, 2010
(trillions of dollars)

ROUGH ESTIMATES

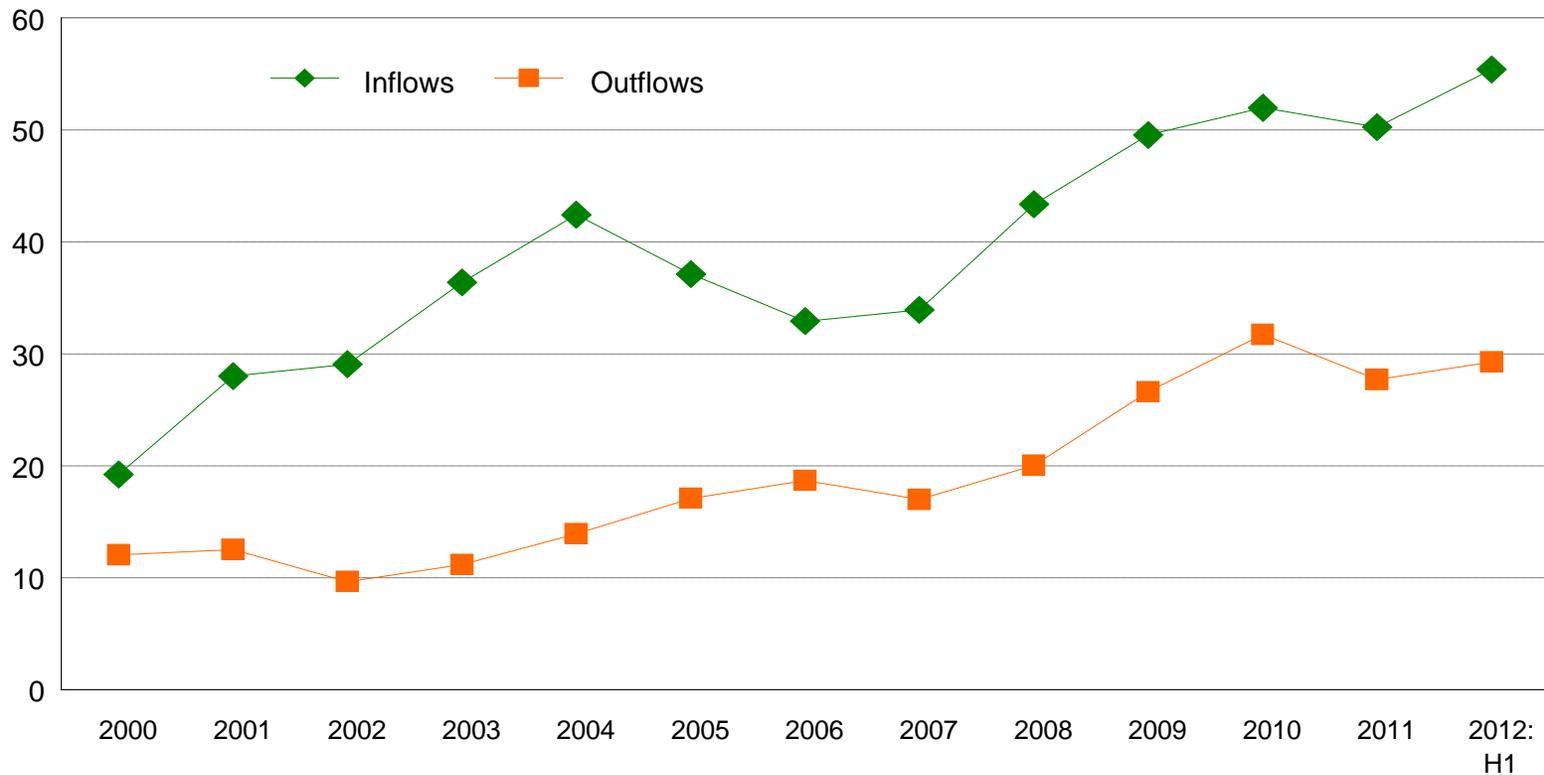


Source: UNCTAD estimates, based on WIR12 (table I.8) and WIR11 (table IV.4); BEA; EFIGE.



Growing importance of the South inward and outward FDI, but with a nuance

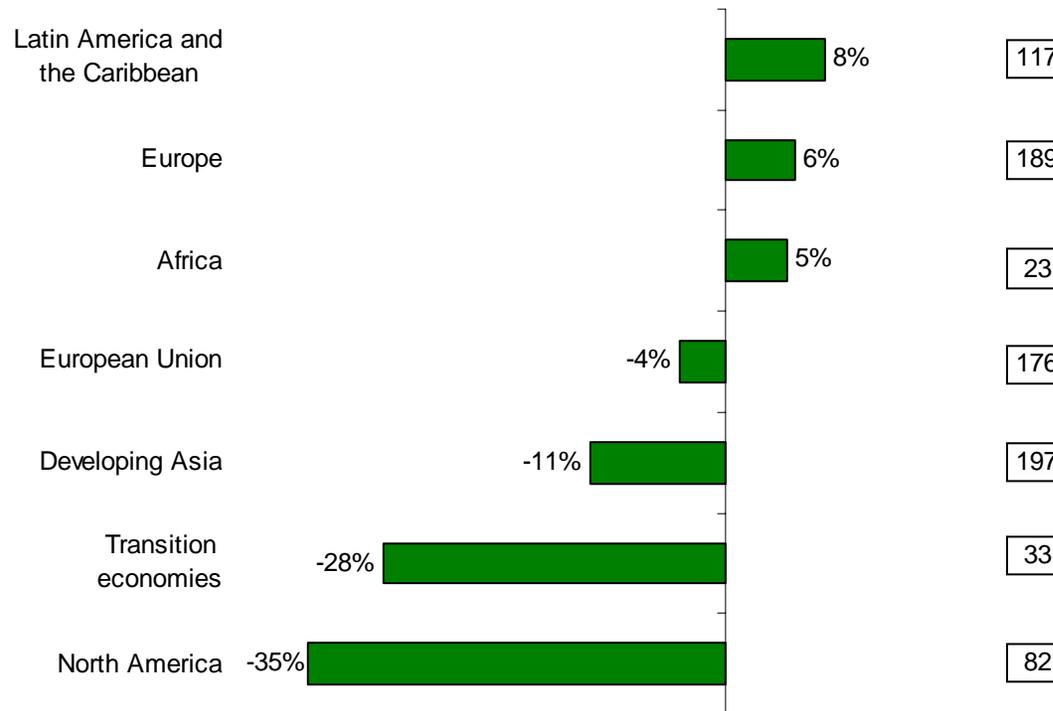
Share of developing and transition economies in global flows, 2000-2012
(Per cent)



Source : UNCTAD, FDI/TNC database.

...but flows retreated in the first half of 2012, with an uneven pattern among regions

**The growth rate and the amount of FDI inflows, by group of economies
2011:H1–2012:H1**
(Per cent and billions of US dollars)

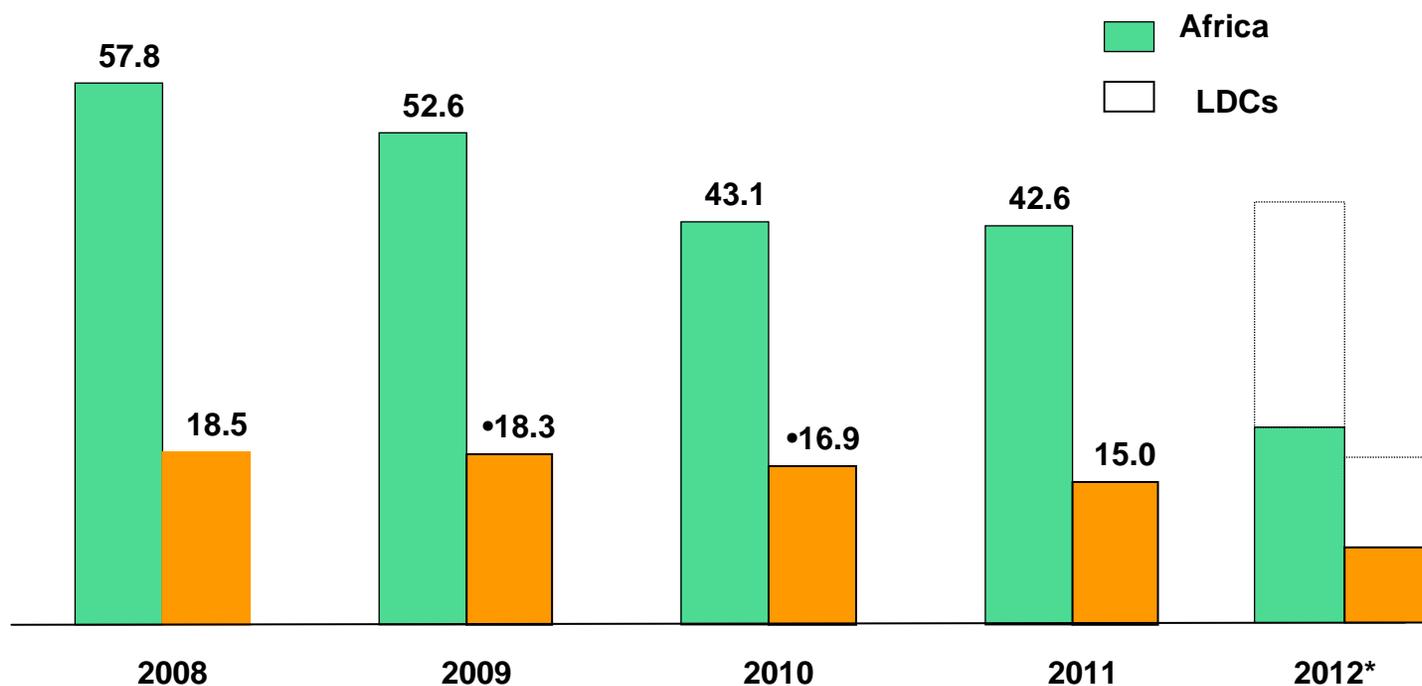


Source: UNCTAD.



Africa and the least developed countries (LDCs) remained in FDI recession in 2011; but in the first half of 2012 Africa saw a sign of FDI recovery

FDI inflows, 2008–2011
(Billions of dollars)



Source: UNCTAD.

* Projection.



Primary and services sector: FDI turns around after 2 years of decline

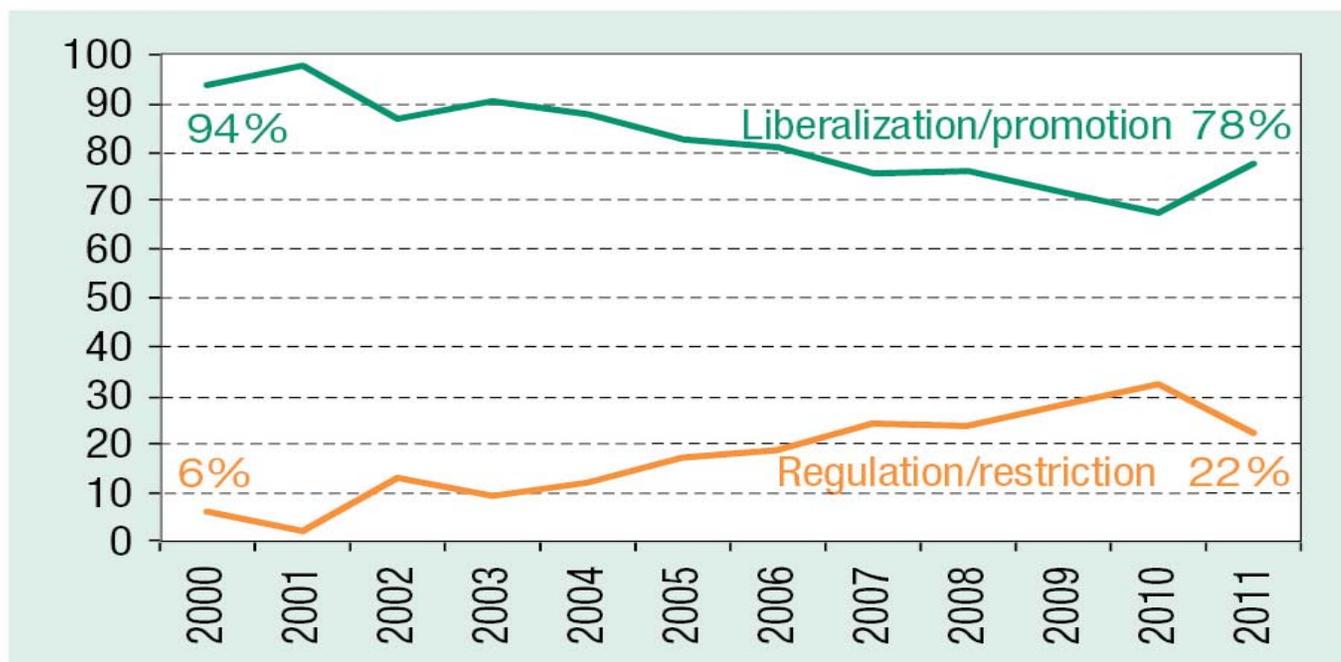
Sectoral distribution of FDI projects, 2005 – 2011 (Billions of dollars and per cent)

Year	Value			Share		
	Primary	Manufacturing	Services	Primary	Manufacturing	Services
Average 2005–2007	130	670	820	8	41	50
2008	230	980	1 130	10	42	48
2009	170	510	630	13	39	48
2010	140	620	490	11	50	39
2011	200	660	570	14	46	40



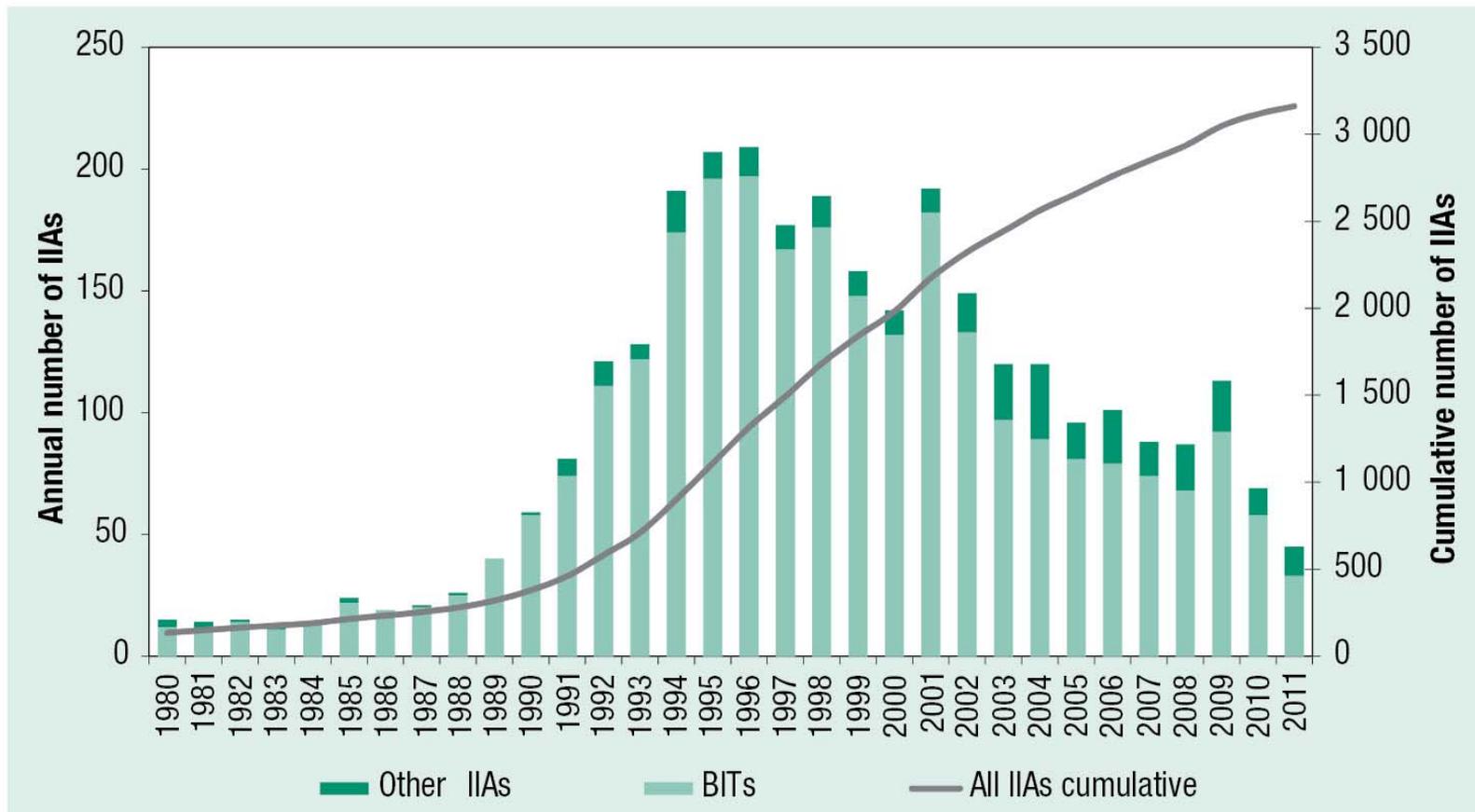
National investment policies continued to be favourable to foreign investors

National investment policy changes, 2000 – 2011
(Per cent of measures)



International investment policies: Shifting from the bilateral to the regional level

Trends of BITs and “other IIAs”, 1980 – 2011 (Number of treaties)



Recent international investment instruments enhance sustainable development

- UN Guiding Principles on Business and Human Rights (2011)
- **UNCTAD**, FAO, World Bank, IFAD Principles on Responsible Agricultural Investment (2011)
- Revised OECD Guidelines on Multinational Enterprises (2011)
- Revised ICC Guidelines for International Investment (2012)
- EU-US Statement on Shared Principles for International Investment (2012)
- Commonwealth Secretariat handbook “Integrating Sustainable Development into IIAs: A Guide for Developing Country Negotiators” (2012)
- **UNCTAD**, GC, PRI, UNEP FI Sustainable Stock Exchange Initiative (2012)
- SADC model BIT template (2012)
- **UNCTAD’s IPFSD (2012)**



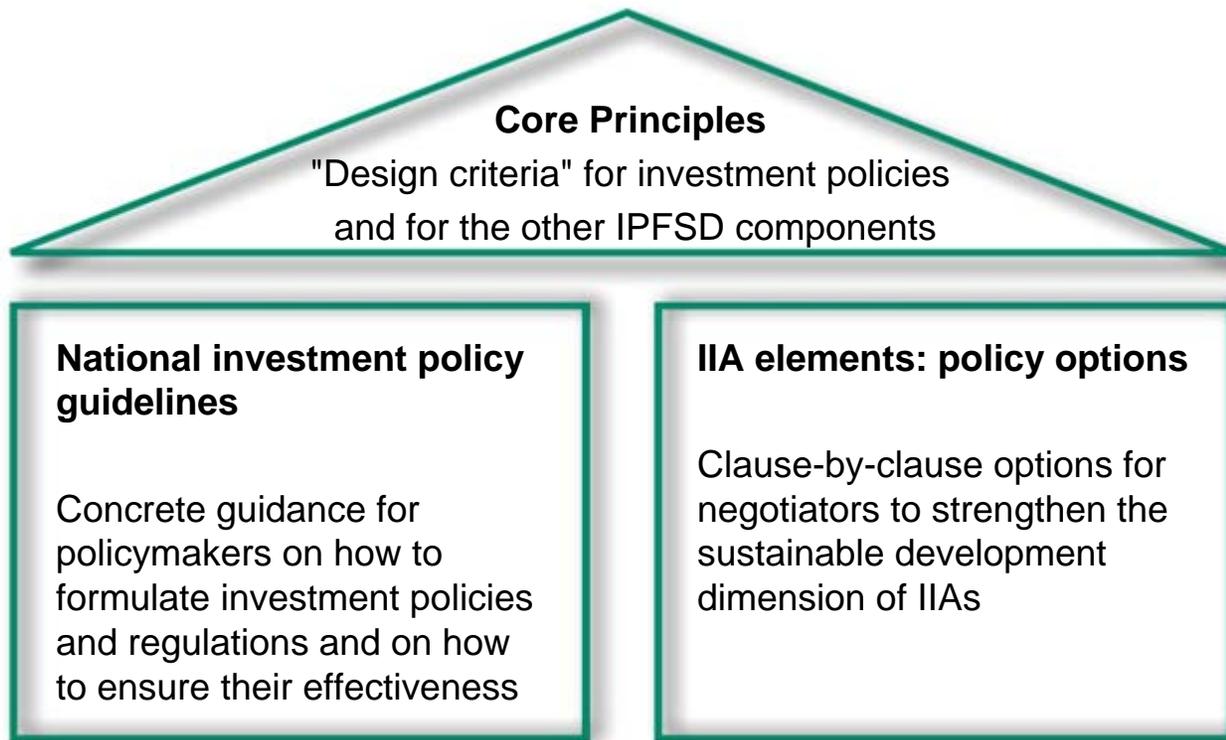
Challenges for investment treaty making

- How to address both a host and home country perspective?
- How to balance investment liberalization and regulation? How to avoid investment protectionism, while recognizing that countries may have legitimate reasons to restrict foreign investment?
- How to factor in sustainable development and inclusive growth into IIAs?
- How to address the systemic complexity of today's IIA regime?
- How to ensure coherence between investment policies and other policies in pursuit of wider development goals?
- How to promote multilateral investment cooperation in the absence of a multilateral investment framework?



UNCTAD's Investment Policy Framework for Sustainable Development helps policymakers responding to these challenges

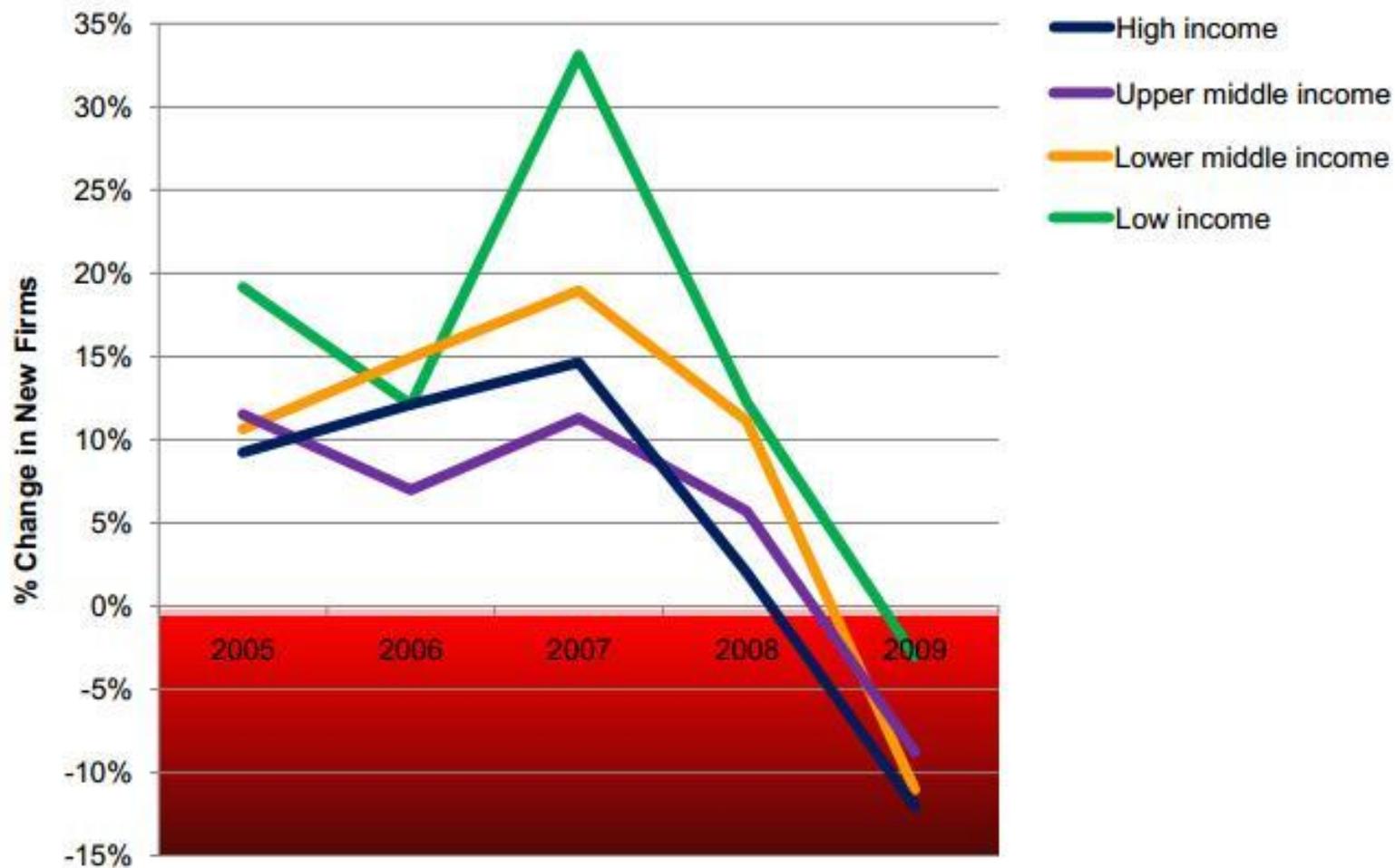
Structure and components of the IPFSD



Core principles for investment policymaking

- ① Investment for sustainable development
 - ...overarching objective of investment policymaking ...
- ② Policy coherence
 - ...grounded in a country's overall development strategy ... coherent and synergetic ...
- ③ Public governance and institutions
 - ...involving all stakeholders ... standards of public governance ... predictable, efficient and transparent procedures for investors
- ④ Dynamic policymaking
 - ...regular reviews for effectiveness and relevance ...
- ⑤ Balanced rights and obligations
 - ...setting out rights and obligations of States and investors in the interest of development
- ⑥ Right to regulate
 - ...in the interest of the public good and to minimize potential negative effects
- ⑦ Openness to investment
 - ...in line with development strategy ... open, stable and predictable entry conditions ...
- ⑧ Investment protection and treatment
 - ...adequate protection to established investors ... non-discriminatory
- ⑨ Investment promotion and facilitation
 - ...aligned with sustainable development goals ... minimize risk of harmful competition for investment
- ⑩ Corporate governance and responsibility
 - ...promote adoption of and compliance with best international practices of CSR ...
- ⑪ International cooperation
 - ...address shared investment-for-development challenges ... avoid investment protectionism

Recent Trends: Entrepreneurship and the Crisis (1)

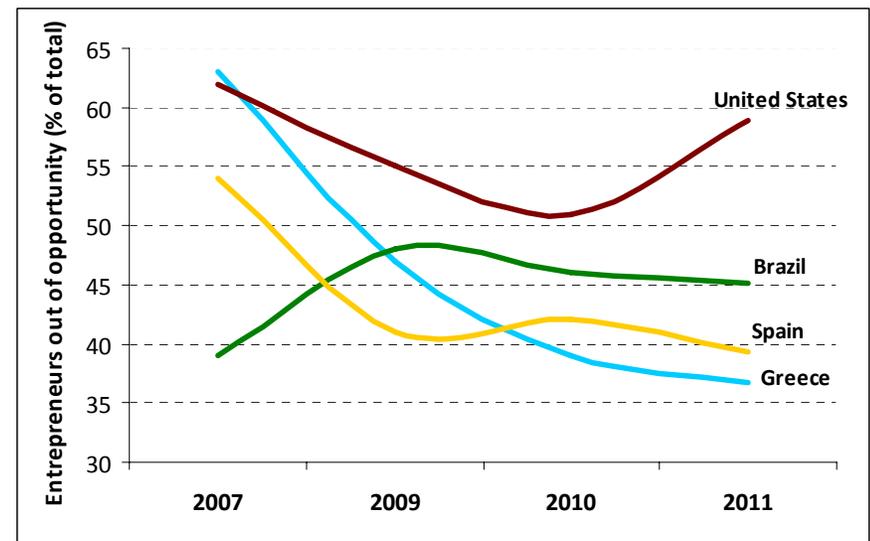
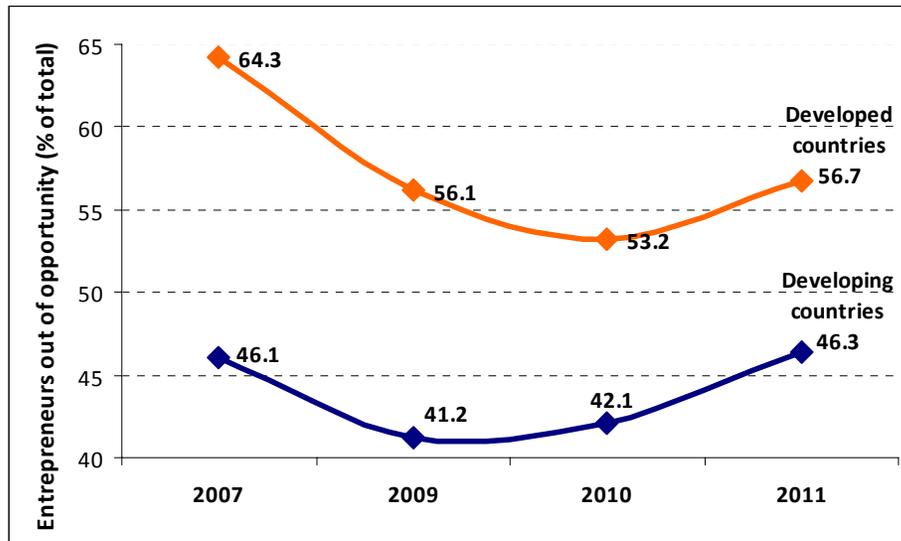


Source: World Bank 2010 Entrepreneurship Snapshots



Recent Trends: Entrepreneurship and the Crisis (2)

- The most productive entrepreneurs start their business to seize an economic opportunity, others mainly because they lack an alternative employment choice
- The number of “entrepreneurs out of opportunity” has rebounded strongly after the crisis in developing countries ...



Source: GEM Global Reports 2007-2011, UNCTAD Analysis

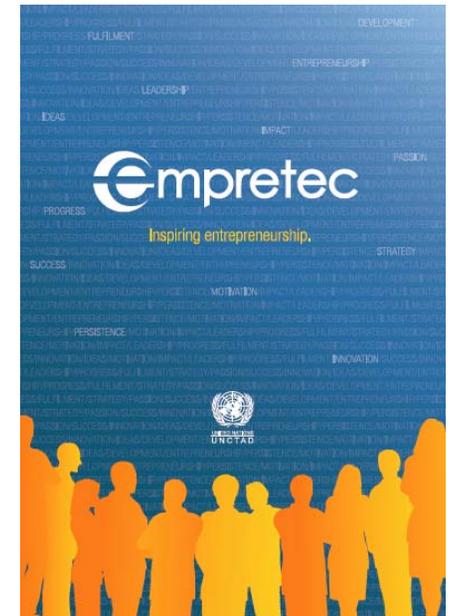
- ... however, this is not yet the case for some developed countries, where the crisis lingers on.



- UNCTAD actively promotes entrepreneurs' abilities to recognize and act upon economic opportunities through its flagship **Empretec Programme**
- To date, more than 240,000 Empretecnicos have been trained all over the world, out of which 30% are women



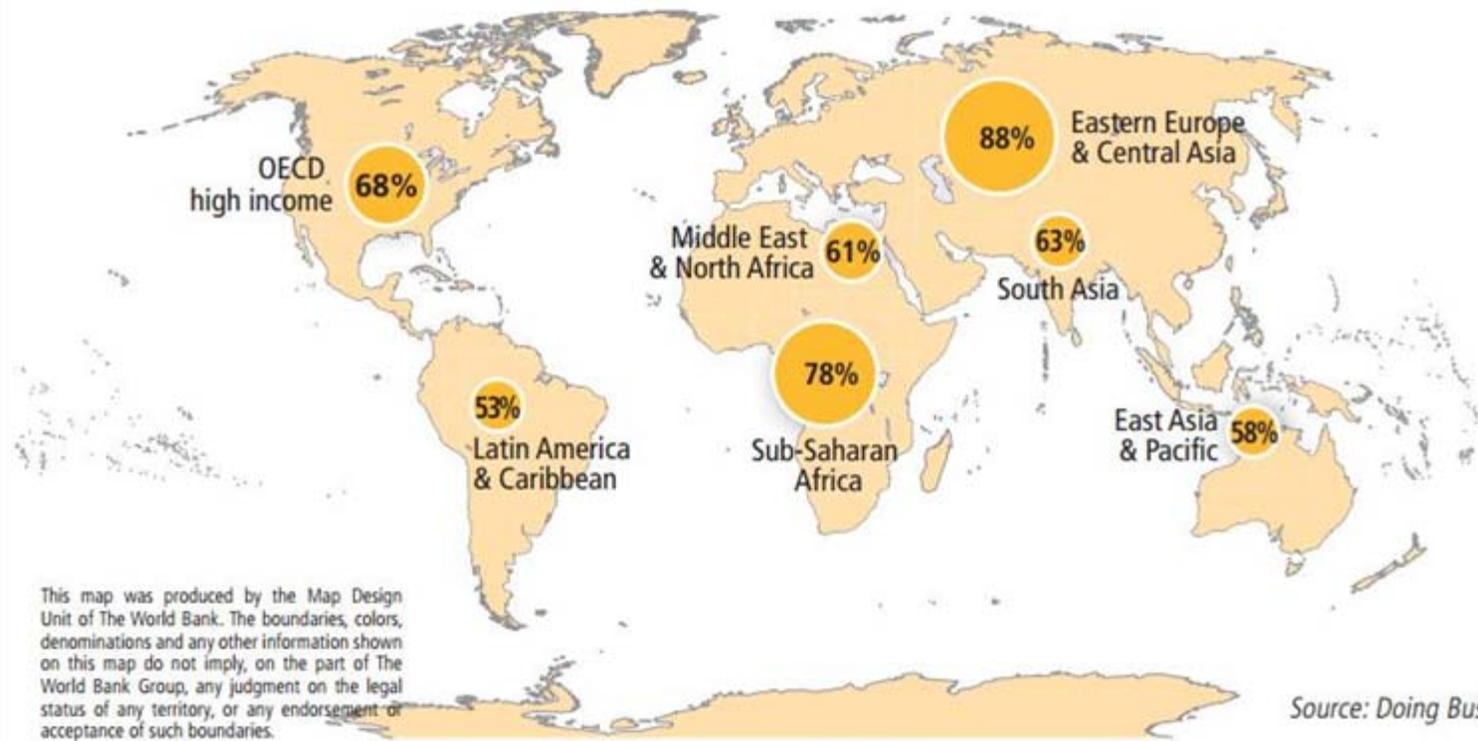
Map Generator



Recent Trends: Entrepreneurship-friendly Regulations

- According to the World Bank's latest *Doing Business* report, developing countries continue to adopt legislation supportive of a move towards more entrepreneurial economies

A large number of economies in Sub-Saharan Africa reformed business regulation in 2010/11
Share of economies with at least 1 *Doing Business* reform making it easier to do business



The UNCTAD Entrepreneurship Policy Framework comprises 6 areas that have a direct impact on entrepreneurial activity



Experience of Pilot Countries



• **June 2012.** Based on UNCTAD's database of good practices, the Government of Brazil mapped out the current state of entrepreneurship in Brazil, as a first step to designing a national entrepreneurship policy.



• Nigeria's revised MSME Policy (**May 2012**) draws on UNCTAD's Entrepreneurship Policy Framework.



• Eleven policy recommendations on entrepreneurship development were presented to the Government of Panama in **May 2012**. The recommendations were the result of a National Forum on Entrepreneurship which made use of the tools and recommendations of UNCTAD's Entrepreneurship Policy Framework.



• UNCTAD's Entrepreneurship Policy Framework methodology was applied to the Ghanaian context



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