A NEW GLOBAL INVESTMENT LANDSCAPE, A NEW GENERATION OF INVESTMENT POLICIES


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The new global investment landscape

Outline

- Trends in investment flows: tectonic changes
- Trends in investment policies
- UNCTAD Investment Policy Framework for Sustainable Development
- UNCTAD Roadmap for International Investment Governance Reform
FDI recovery road proves bumpy

Global FDI inflows
(Billions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI Inflows (Billions of dollars)</th>
<th>Average Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-crisis average 2005-2007</td>
<td>1,397</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>1,872</td>
<td>-20%</td>
</tr>
<tr>
<td>2008</td>
<td>1,490</td>
<td>+15%</td>
</tr>
<tr>
<td>2009</td>
<td>1,186</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1,328</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>1,564</td>
<td>-7%</td>
</tr>
<tr>
<td>2012</td>
<td>1,403</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>1,467</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>1,228</td>
<td></td>
</tr>
<tr>
<td>Average 2012-2014</td>
<td>1,366</td>
<td></td>
</tr>
</tbody>
</table>
The trend of FDI flows is in contrast with other macro variables

Growth rates of global GDP, GFCF, trade, employment and FDI, 2008-2016
(Per cent)

<table>
<thead>
<tr>
<th>Variable</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015(^a)</th>
<th>2016(^a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>5.7</td>
<td>3.1</td>
<td>0.0</td>
<td>5.4</td>
<td>4.2</td>
<td>3.4</td>
<td>3.3</td>
<td>3.4</td>
<td>3.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Trade</td>
<td>7.9</td>
<td>2.9</td>
<td>-10.3</td>
<td>12.5</td>
<td>6.7</td>
<td>2.9</td>
<td>3.3</td>
<td>3.3</td>
<td>3.2</td>
<td>4.1</td>
</tr>
<tr>
<td>GFCF</td>
<td>8.3</td>
<td>3.0</td>
<td>-3.5</td>
<td>5.7</td>
<td>5.5</td>
<td>3.9</td>
<td>3.2</td>
<td>2.9</td>
<td>3.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Employment</td>
<td>1.7</td>
<td>1.2</td>
<td>1.1</td>
<td>1.2</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
<td>1.3</td>
<td>1.2</td>
</tr>
<tr>
<td>FDI</td>
<td>34</td>
<td>-20.4</td>
<td>-20.4</td>
<td>11.9</td>
<td>17.7</td>
<td>-10.3</td>
<td>4.6</td>
<td>-16.3</td>
<td>11.4</td>
<td>8.4</td>
</tr>
</tbody>
</table>

Memorandum:
FDI value (in $trillions)
1.9 1.5 1.2 1.3 1.6 1.4 1.5 1.2 1.4 1.5


\(^a\) Projections.

Note: Excluding Caribbean offshore financial centres. GFCF = Gross fixed capital formation.
Developing economies are the driver of global FDI flows. Asia is the largest recipient and investor.

**FDI inflows**
(Billions of dollars and per cent)

**FDI outflows**
(Billions of dollars and per cent)

- Share of developing economies in world inflows
- Share of developing economies in world outflows

Developing economies w/o developing Asia
Developing Asia

UNCTAD Action Menu
Over the past decade, FDI stock tripled in LDCs and SIDS and quadrupled in LLDCs

FDI inward stock, 2002-2014
(Billions of dollars)
South-South FDI have intensified in recent years

Estimated South-South FDI stock
(Trillions of dollars and per cent)

Global outward FDI stock
(Trillions of dollars and per cent)
Dichotomy in national investment policy developments

Trends in national investment policies, 2000–2014 (Percent)

- Liberalization/Promotion
- Restriction/Regulation

Yearly percentages:
- Liberalization/Promotion: 94, 94, 94, 94, 94, 94, 94, 94, 94, 94, 94, 84
- Restriction/Regulation: 6, 11, 13, 15, 17, 19, 21, 23, 25, 27, 29, 31

Source: UNCTAD
International investment policies: new IIAs in 2014: 31
88 countries involved in 7 megaregional negotiations (concluded and/or ongoing)

Trends in IIAs signed, 1980–2014
UNCTAD's Investment Policy Framework 2015

Investment Policy Framework for Sustainable Development

Core Principles

“Design criteria” for investment strategies, policies and treaties

<table>
<thead>
<tr>
<th>National investment policy guidelines</th>
<th>IIA guidance: policy options</th>
<th>Action menu: promoting investment in sustainable development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concrete guidance on how to formulate investment policies and regulations and on how to ensure their effectiveness</td>
<td>Framework and toolkit for designing and negotiating international investment treaties</td>
<td>Strategic initiatives to mobilize funds and channel investment towards sectors key for sustainable development prospects</td>
</tr>
</tbody>
</table>
UNCTAD Roadmap for IIA Reform (WIR 2015)

6 GUIDELINES

- Harness IIAs for SD
- Focus on critical reform areas
- Act at all levels
- Sequence properly
- Inclusive / transparent process
- Multilateral support structure

5 AREAS

- Ensuring responsible investment
- Safeguarding the right to regulate
- Reforming investment dispute settlement
- Promoting and facilitating investment
- Enhancing systemic consistency

4 LEVELS

- Multilateral
- Regional
- Bilateral
- National
Estimated annual investment needs for SDGs and potential private sector contribution (WIR2014) (Trillions of dollars)
A Transformative Action Plan for the SDGs (WIR 2014)

1. New generation of investment promotion strategies and institutions
   - At national level:
     - New investment promotion strategies focusing on SDG sectors
     - New investment promotion institutions: SDG investment development agencies; developing and marketing pipelines of bankable projects
   - New generation of IIAAs:
     - Pro-active SDG investment promotion and facilitation
     - Safeguarding policy space for sustainable development

2. Reorientation of investment incentives
   - SDG-oriented investment incentives
   - Targeting SDG sectors
   - Conditional on sustainability contributions
   - SDG investment guarantees and insurance schemes

3. Regional SDG Investment Compacts
   - Regional/South-South economic cooperation focusing on:
     - Regional cross-border SDG infrastructure development
     - Regional SDG industrial clusters, including development of regional value chains
     - Regional industrial collaboration agreements

4. New forms of partnerships for SDG investment
   - Partnerships between outward investment agencies in home countries and IIAAs in host countries
   - Online pools of bankable SDG projects
   - SDG-oriented linkages programmes
   - Multi-agency technical assistance consortia
   - SVE-TNC-MIG partnerships

5. Enabling innovative financing and a reorientation of financial markets
   - New SDG financing vehicles
   - SDG investment impact indicators
   - Investors' SDG contribution rating
   - Integrated reporting and multi-stakeholder monitoring
   - Sustainable Stock Exchanges (SSEs)

6. Changing the global business mindset
   - Global Impact MBAs
   - Training programmes for SDG investment (e.g., fund management/financial market certifications)
   - Entrepreneurship programmes in schools

Guiding Principles

- Balancing liberalization and regulation
- Balancing the need for attractive risk-return rates with the need for accessible and affordable services for all
- Balancing a push for private funds with the push for public investment
- Balancing the global scope of the SDGs with the need to make a special effort in LDCs
THANK YOU!

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