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# World Investment Forum 2021: insights from the Academic Track and a future research agenda

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## 1. The setting of policy research and deliberation

UNCTAD has contributed during the last three decades to research and policy analysis on foreign direct investment (FDI), activities of multinational enterprises (MNEs), international production and the development impact of all three. In 2020 UNCTAD's *World Investment Report (WIR)* marked its 30th year. The report features the latest global investment trends and prospects, highlights the key emerging policy issues and dives deep into the fundamental themes of FDI and development. Through its policy analysis and recommendations over the past three decades, the *WIR* has helped define and redefine mainstream investment policymaking at national, regional and global levels (Zhan, 2020a). The *World Investment Report 2020* presents an overview of three decades of international production. It coincided with the beginning of a new era for the global economy marked by COVID-19. The analysis describes how the pandemic accelerated pre-existing trends by affecting international production systems. Tougher competition for FDI – especially in manufacturing, growing economic nationalism and the new industrial revolution make it more challenging for developing economies to participate in global value chains (GVCs) and thus require a new investment for development path.

The *WIR* and our wide-ranging research programme benefit from plentiful interaction with academia. Some of our long-standing contributors were instrumental to the report's success in its early years. Every year, we try to maintain this synergy through inputs from scholars, peer reviews and feedback sessions. Over the years the report has been cited extensively in academic research.

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The report usually contains sought-after data, and it also contributes ahead-of-the-curve analyses. It has been recognized by the Academy of International Business (AIB) for its significant contributions in the field of international business (Clegg, 2020).

We are constantly looking to improve on the synergy with academia – including through our academic journal *Transnational Corporations*. Our team of editors is working on the journal's standing – and as a result, citations are increasing. We endeavour to ensure that the research published in it is policy-relevant and feeds into the *WIR*.

Another reflection of this synergy with academia is UNCTAD's World Investment Forum (WIF). The Forum was established in 2008 on the basis of a profound thought: to fill a systemic gap in global economic governance. At the international level, economic governance has several pillars, including a multilateral monetary system embodied by the International Monetary Fund and a multilateral trading system in the World Trade Organization. But there is no equivalent for international investment policy. The current de facto regime is governed by thousands of bilateral and regional agreements. In the absence of a multilateral system for cross-border investment, the Forum could provide a global platform to gather policymakers, the private sector, academia and other key stakeholders for high-level discussion and action to shape international investment policy (Zhan, 2020b). Over the past 13 years, WIF has made a tremendous impact in the field of investment for development.

The 7th edition of the Forum in October 2021, with more than 90 sessions on an eclectic range of topics, also provided an opportunity to instil new thinking on research themes for our agenda. It featured for the first time a full and prolific Academic Track, organized in collaboration with leading academic institutions and associations in disciplines related to investment and development. It consisted of dedicated academic sessions and innovative structured mechanisms to capture key insights relevant for future academic research from other substantive and policy-oriented tracks on topics such as project finance and infrastructure, special economic zones, MNEs and women's empowerment, internationalization of small and medium-sized enterprises (SMEs), investment for the Sustainable Development Goals (SDGs), sustainable finance, international investment agreements, and the impact of international taxation on FDI, among other issues related to foreign investment, MNEs and development in a global context.

A highlight of WIF2021 was an extensive set of hybrid sessions, including high-level panels, bringing together scholars, policymakers, civil society and business leaders, providing a platform to discuss key issues related to investment for sustainable recovery and a forward-looking policy-oriented research agenda. The forum also featured daily roundups led by academics, covering the main topics discussed by our diverse stakeholder community and participants.

With help from our academic partners, we have distilled the key elements of the discussions, with a view to highlighting the key elements of a forward-looking research agenda. Those discussions appear in this special section, consisting of four perspectives and a multidisciplinary academic paper, covering core issues in international investment for economic development.

## **2. The Academic Track of the WIF and a forward-looking research agenda**

Mega-trends, together with the impact of the COVID-19 pandemic on investment flows in general and on investment in the SDGs in particular, were at the centre of WIF2021. With the overarching theme of Investing in Sustainable Recovery, the Forum discussed the immediate challenges and opportunities in investment and interrelated trade, technology and sustainability issues, and longer-term development priorities for countries and companies alike.

The key and emerging topics that underpinned many of our discussions in the Academic Track reflected the realities and needs of our stakeholder community, from governments to business leaders. The programme and broad range of stakeholders represented enabled us to register the concerns of policymakers and their policy priorities, as well as the concerns and expectations of the business community. The aim of the Academic Track was to translate those concerns into policy-relevant research directions (figure 1).

Some of the major policy concerns that guided us in our thinking – and are reflected variously in the research directions we developed – include the following (see also Zhan, 2021):

1. The implications for industrial policy and development strategies of GVCs and the evolution of international production.
2. The implications for investment policymakers, investment authorities, investment promotion agencies, special economic zones and other special industrial arrangements of the shift from industry investment to infrastructure investment, and the growing importance of project finance – fundamentally different from traditional MNE FDI.
3. How to boost investment in the SDGs and what policy mechanisms could effectively contribute to bolstering SDG investment.
4. Reflecting the interdisciplinary nature of the WIF fields such as international economic law and taxation, the importance of the continued need to reform international governance of investment and what can be learned from parallel efforts in international taxation.

### The beginnings of a framework for future research

Key themes in investment and development	WIF discussions – new and improved research agenda
1. Global economic governance realignment	<ul style="list-style-type: none"> <li>• Reform of international taxation and investment policy</li> <li>• Regional integration and investment promotion</li> <li>• Reform of the IIA regime</li> </ul>
2. The transformation of GVCs and international production and industrial policies	<ul style="list-style-type: none"> <li>• Leaders Summit: International Production and Productive Capacity</li> <li>• SME internationalization</li> </ul>
3. The implications of the New Industrial Revolution for development strategy	<ul style="list-style-type: none"> <li>• Investing in Industry 4.0</li> <li>• Growing digital FDI</li> <li>• Science parks</li> </ul>
4. The impact of the sustainability imperative on international production	<ul style="list-style-type: none"> <li>• SDG model zones</li> <li>• Future-proofing sustainable GVCs</li> </ul>
5. The shift from industry to infrastructure investment	<ul style="list-style-type: none"> <li>• International project finance</li> <li>• G20 infrastructure investment plans</li> </ul>
6. The drive for increased corporate accountability	<ul style="list-style-type: none"> <li>• Sustainable stock exchanges</li> <li>• ISAR sustainability reporting</li> <li>• MNEs and gender equality</li> </ul>

Source: UNCTAD.

Through the various sessions of WIF2021, scholars and our broad stakeholder community discussed and addressed the questions highlighted at the onset, for example:

- Virtually all sessions addressed the issue of investing in the SDGs, including the financing requirements to achieve the goals in the next “decade of action”.
- Likewise, most sessions discussed the implications for development of the changing international investment and trade landscape, including regional integration, new investment promotion strategies, new technologies, new industrial policies, evolving international taxation and the impact of the pandemic across the international production and investment system.
- The need to reform the international governance of investment at both national and international levels.
- We exchanged views and ideas on how to partner with the private sector – family businesses, institutional investors and MNEs, also including SMEs – to achieve a more inclusive and gender-balanced economy through their activities in developing countries.

### 3. The articles in this special section

The articles in this special section – three brief perspective pieces and a longer contextual paper – cover five global themes: GVCs and sustainable development, investment in infrastructure, optimal policymaking in the context of crises, investment for inclusive development, and better interaction between academia and policymakers – including international organizations.

The prominence of GVCs, as a key vehicle for market access and as a means through which MNEs can help address major global socioeconomic challenges, is assessed by *Ari Van Assche* and *Kristin Brandl*. The role of GVCs is appraised through the lens of corporate behaviour, stressing the need for a change in MNEs' business model to effectively promote social and environmental standards along GVCs. The authors discuss the opportunities and limitations of various policy options (including due diligence principles) that governments have adopted to help the lead firms adjust their business model. They argue that academics and policymakers can benefit in their development of actionable policies by combining insights from these two themes. The authors capture the discussion at WIF2021 on these issues and argue that further research can help to validate the applicability of due diligence policies for sustainable development within GVCs. Another relevant question for future research raised in the article is the compatibility of due diligence policies with frameworks of multilateral trade authority, specifically, the World Trade Organization, beyond MNEs' own governance.

Another theme of WIF2021 was boosting investment in infrastructure and the SDGs. In this context, international project finance is regarded as a key mechanism to channel funds towards investment in infrastructure and other key sectors relevant for sustainable development, including renewable energy, water and sanitation, and hospitals. The growing use of such finance presents an opportunity to draw in private sector capital but also poses a set of new challenges for sustainability financing. *Sarianna Lundan* and *Gunnar Leymann* delve into this issue while proposing new directions for future international business research. They argue that in the energy sector, the pressure to rapidly increase the proportion of renewable capacity, primarily wind and solar, has created unprecedented opportunities for investment. However, it also raises concerns about the availability of project finance investors to execute all of these projects, particularly in developing countries. The article puts forward three areas of future research that address the causes and remedies for such capacity constraints: the structuring of project finance investment, demonstration effects, and the role of technological complementarities and leapfrogging in developing countries.

*Lorraine Eden*, *Charles F. Hermann* and *Stewart R. Miller* reflect on the impact of the COVID-19 pandemic and the recent shocks to global economy, a cross-cutting issue addressed in multiple sessions of WIF2021. The paper focuses on

how policymakers and executives of MNEs can render sound policy decisions in the current challenging global environment – i.e. volatile, uncertain, complex, and ambiguous. On the basis of the Forum's week-long events and deliberations, the authors call for closer collaboration between academia and decision makers (both public and private) for an effective evidence-based policymaking process. For this, researchers must adopt empirical research techniques appropriate for studying the backgrounds and consequences of global shocks based on a sound theoretical framework. The issues elucidated in the paper range from the challenges posed by global pandemics to the SDGs.

The international activities of MNEs, from investment to trade, were also at the centre of the WIF2021 discussions. *Robert Grosse's* commentary reports on international business activities, ranging from exports to FDI to other contractual arrangements such as licensing and franchising, and the different types of ownership governing such activities. He discusses the perspective of policymakers on each of these international business activities and foreign investments. The paper draws conclusions for companies and governments, and notes areas of possible collaboration.

Some of the key elements of discussion at the Forum, drawn together in the papers in this special section, underscore the need for enhanced frameworks for investment policies and investment promotion strategies apt for this new era of more flexibility and resilience. Global trends in both investing in and financing the SDGs, including the myriad financing instruments launched to respond to the pandemic and climate change, were also at the high-level exchanges (see also Zhan et al., 2020). The Forum also highlighted the main challenges for mobilizing funds, channeling investment into SDG sectors and maximizing positive impact, as well as regulatory dilemmas in promoting SDG investment. Thus, the emerging research agenda should reflect core principles for guiding private sector investment, mainstreaming the SDGs into national and international investment policies and promotion strategies, harnessing financial instruments for sustainable development, building special SDGs model zones and promoting better environmental, social and governance standards, compliance and reporting (see also Zhan and Santos-Paulino, 2021).

We hope the reflections and topics here will ignite a refreshed multidisciplinary research agenda on investment for sustainable development. We thank our partners and the academic institutions that contributed an outstanding set of events at WIF2021, including the Academy for International Business and New York University (Abu Dhabi). We also thank the members of our editorial board and contributors to the journal for their continued commitment and support.

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