

# Recent Global Investment Trends and Policies

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# KEY POINTS

## 1. Global FDI trends and prospects

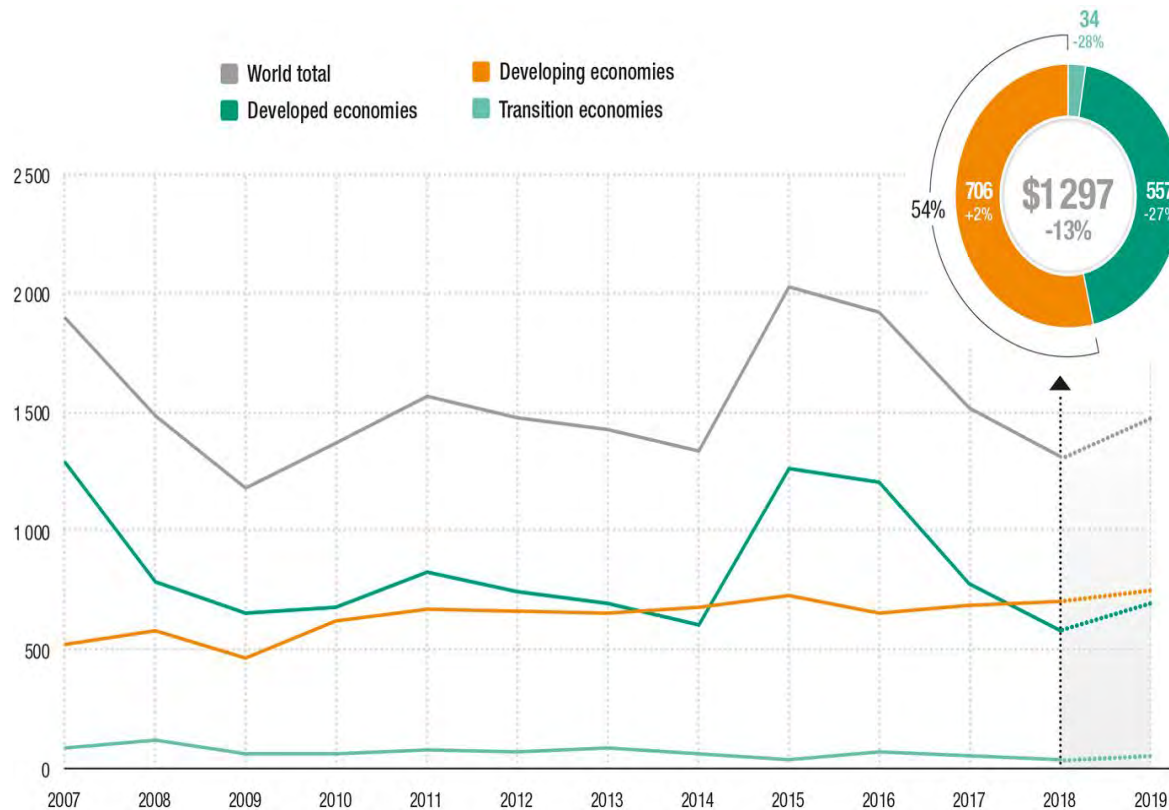
- Global FDI flows: too low for too long
- Global value chains: stagnation in growth – a turning point
- External financing for DCs: FDI continues to be the largest

## 2. Investment policy challenges

- Dichotomy in direction of national policies
- Divergence in approach to International regime
- Dilemma in SDGs investment

# 1. Global FDI trends and prospects

Global FDI flows, 2005–2018 and estimation 2019  
(Billions of dollars and per cent)



## Key factors for 2019 and 2020:

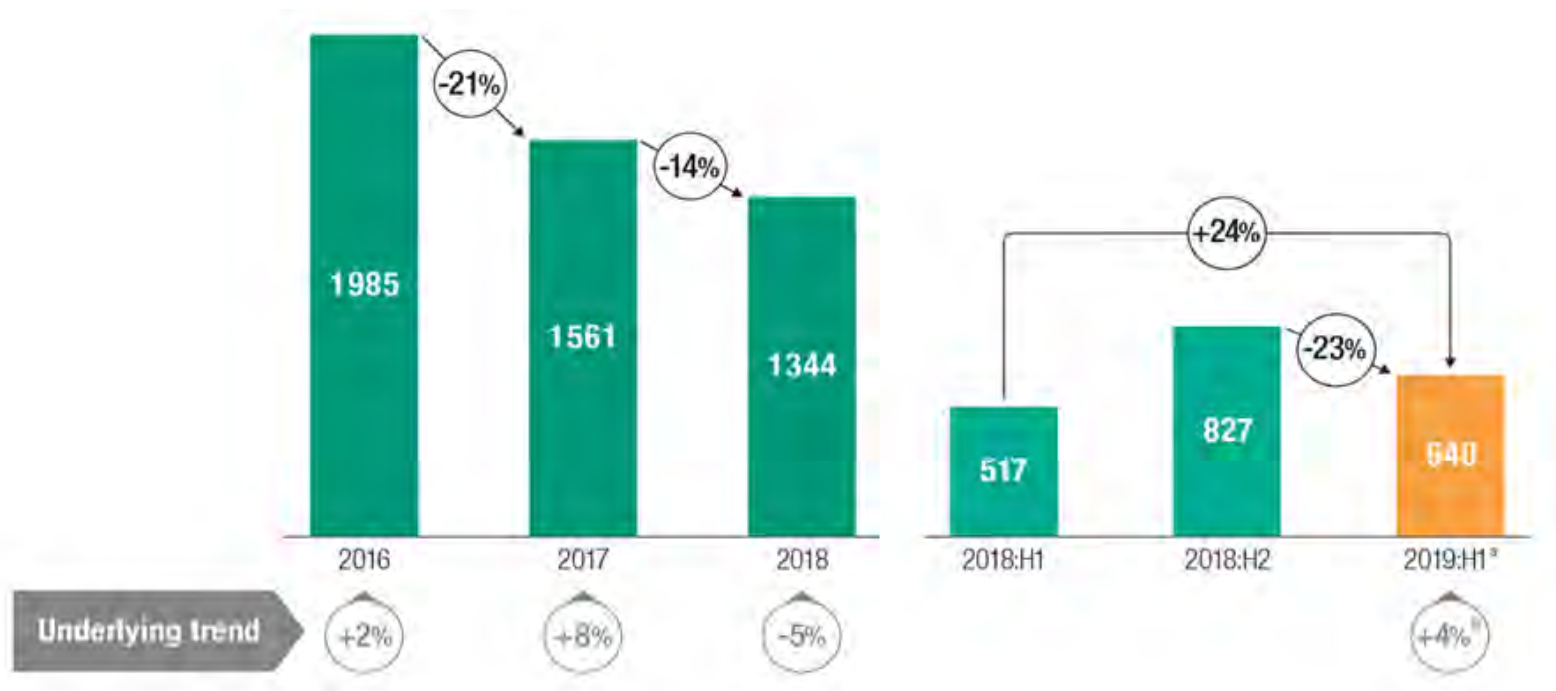
- Underlying trend remains weak
- Rebound expected after anomalous low due to tax reforms
- Risk factors: geopolitical risks, trade tensions, shift to protectionist policies, downsides to macro-economic forecasts

# Global FDI recovered in 2019H1 compared to 2018H1

## Underlying trend is up 4%

Global FDI flows and growth rates, 2016-2018 and 2018:H1–2019:H1

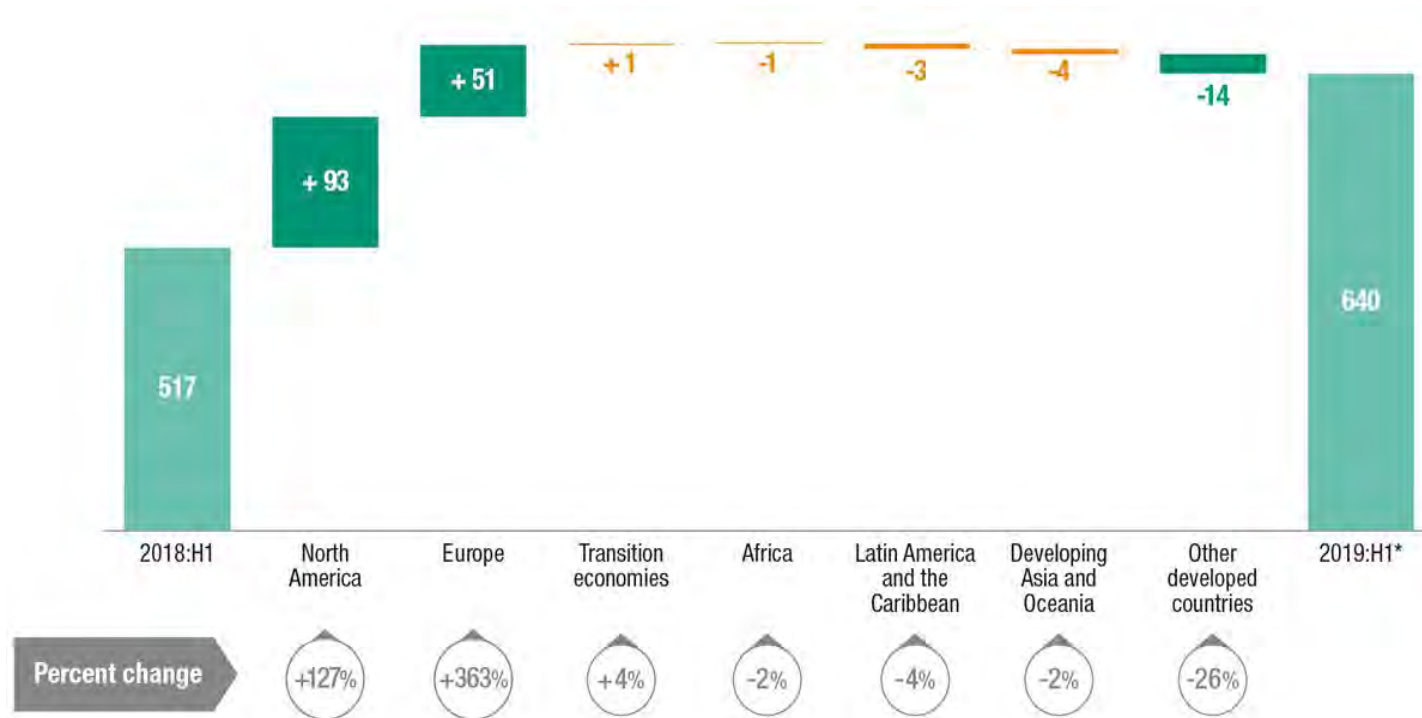
(Billions of US dollars and per cent)



Source: UNCTAD.

# FDI in developed countries rose, flows to developing economies stable

Regional contributions to changes in global FDI flows, H1 2018 – H1 2019  
(Billions of US dollars)

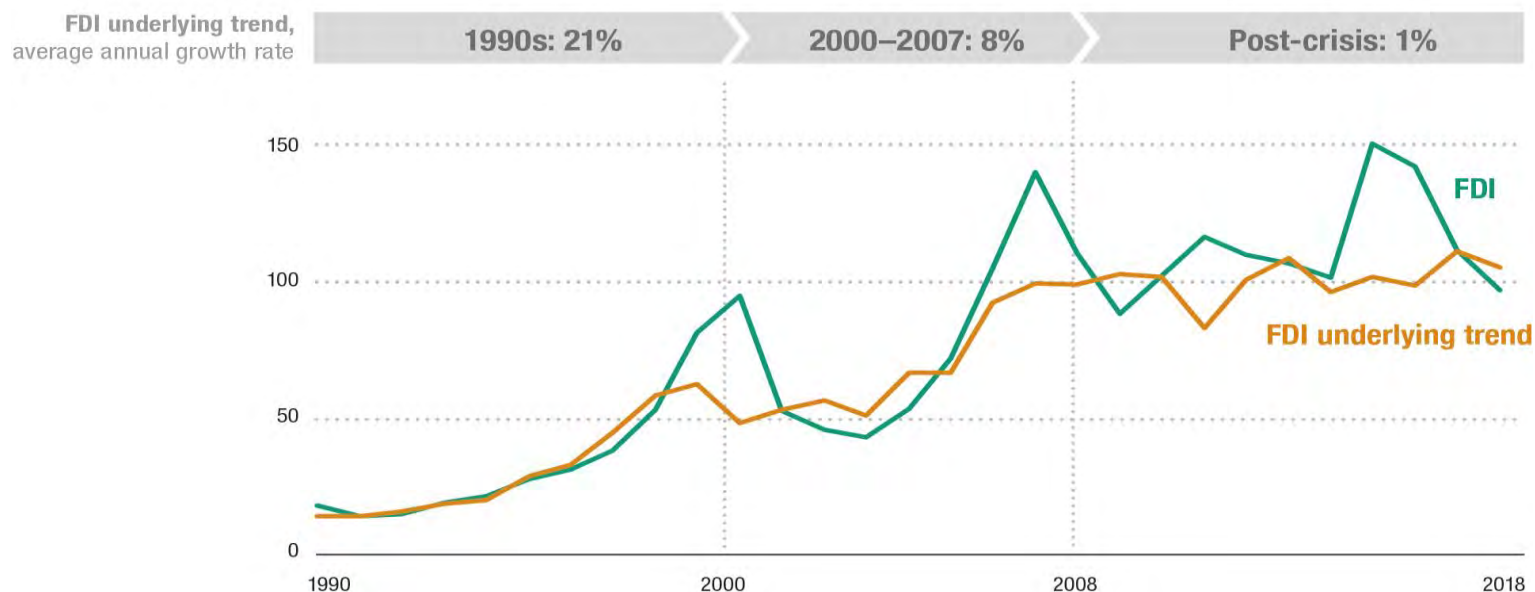


Source: UNCTAD.

# The underlying FDI trend anemic since 2008

FDI inflows and the underlying trend, 1990–2018

(Indexed, 2010 = 100)

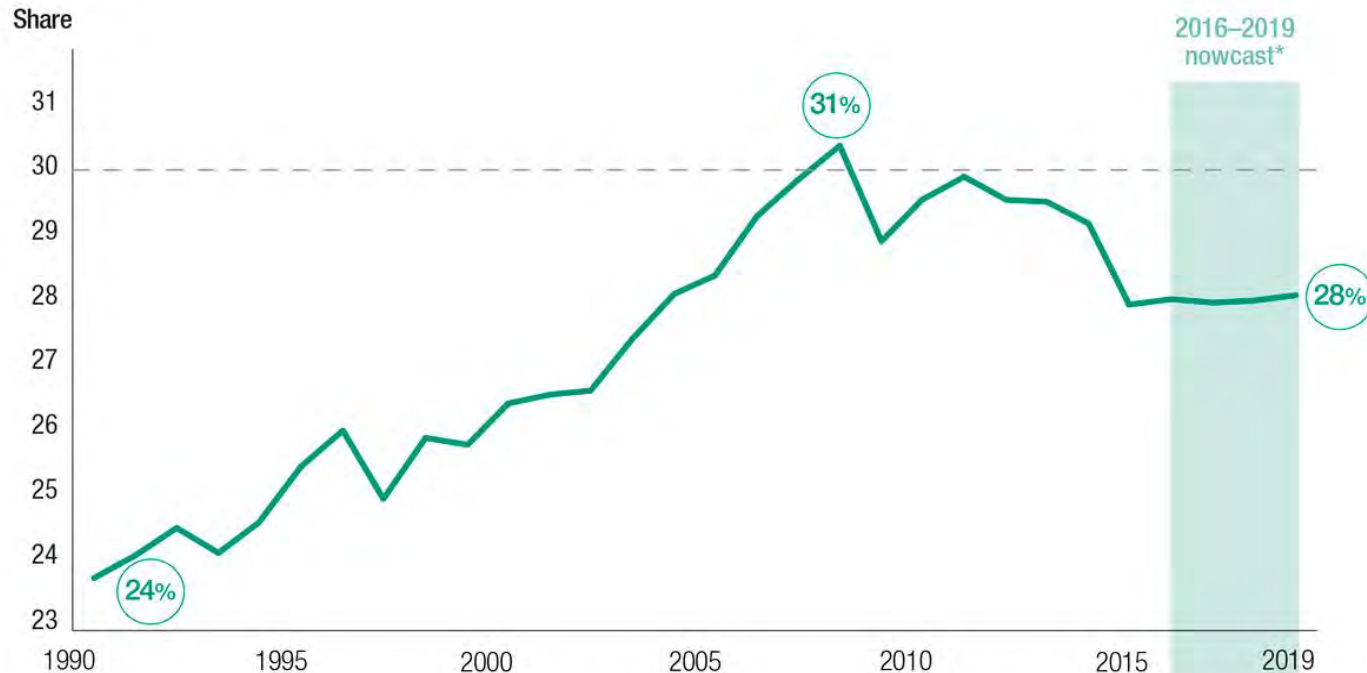


Source: UNCTAD WIR 2019.

# Low level of FDI flows affects the growth of GVCs

## Foreign value added as share of global trade, 1990-2019

(Per cent)



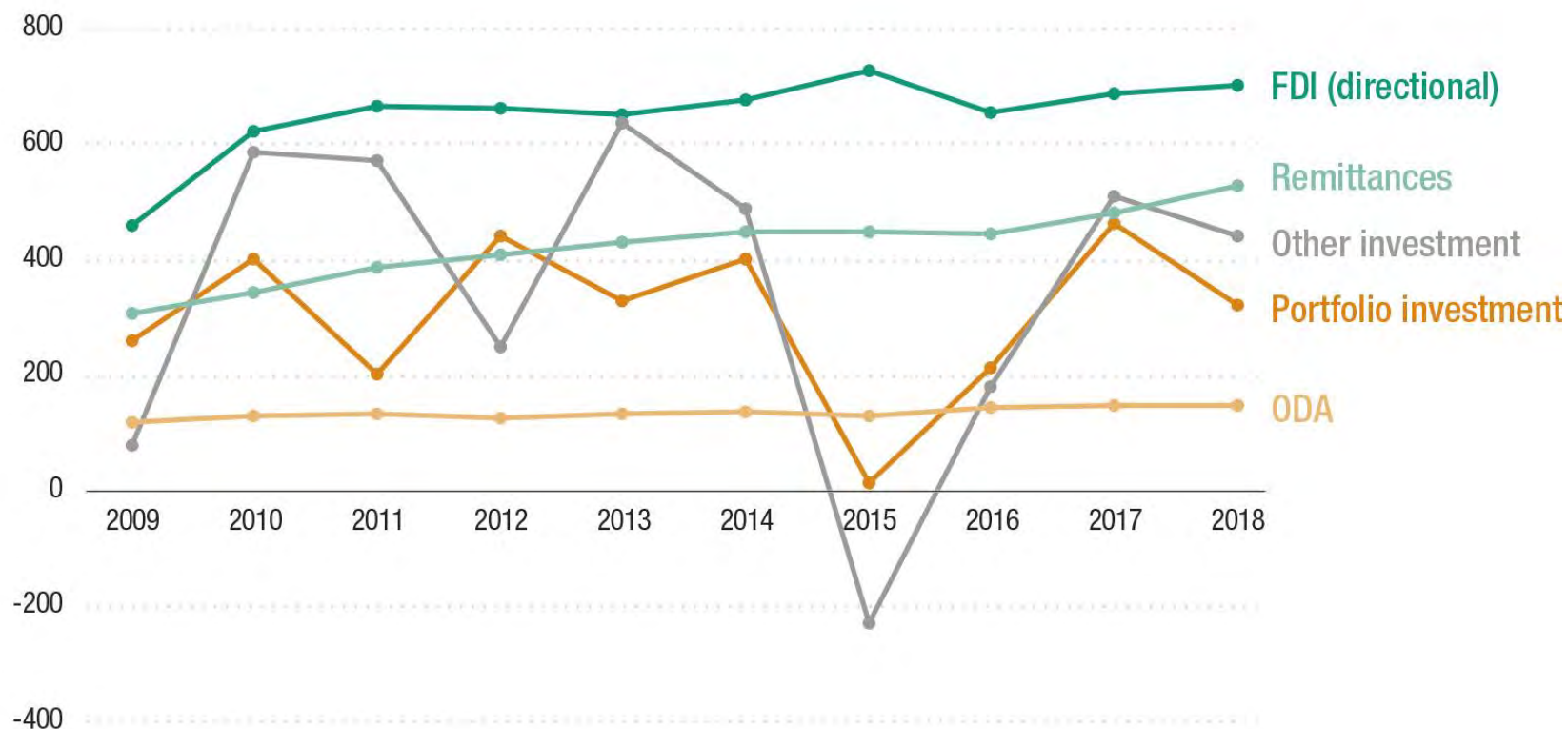
Source: UNCTAD –Eora GVC database, October 2019

- Foreign value added in global trade peaked in 2010 after two decades of continuous increases.
- Growth in GVC participation decreased this decade compared with the last, across all regions, developed and developing.

# FDI flows prove resilient as a source of external finance

Developing economies: sources of external finance, 2009–2018

(Billions of dollars)



Source: UNCTAD WIR 2019.

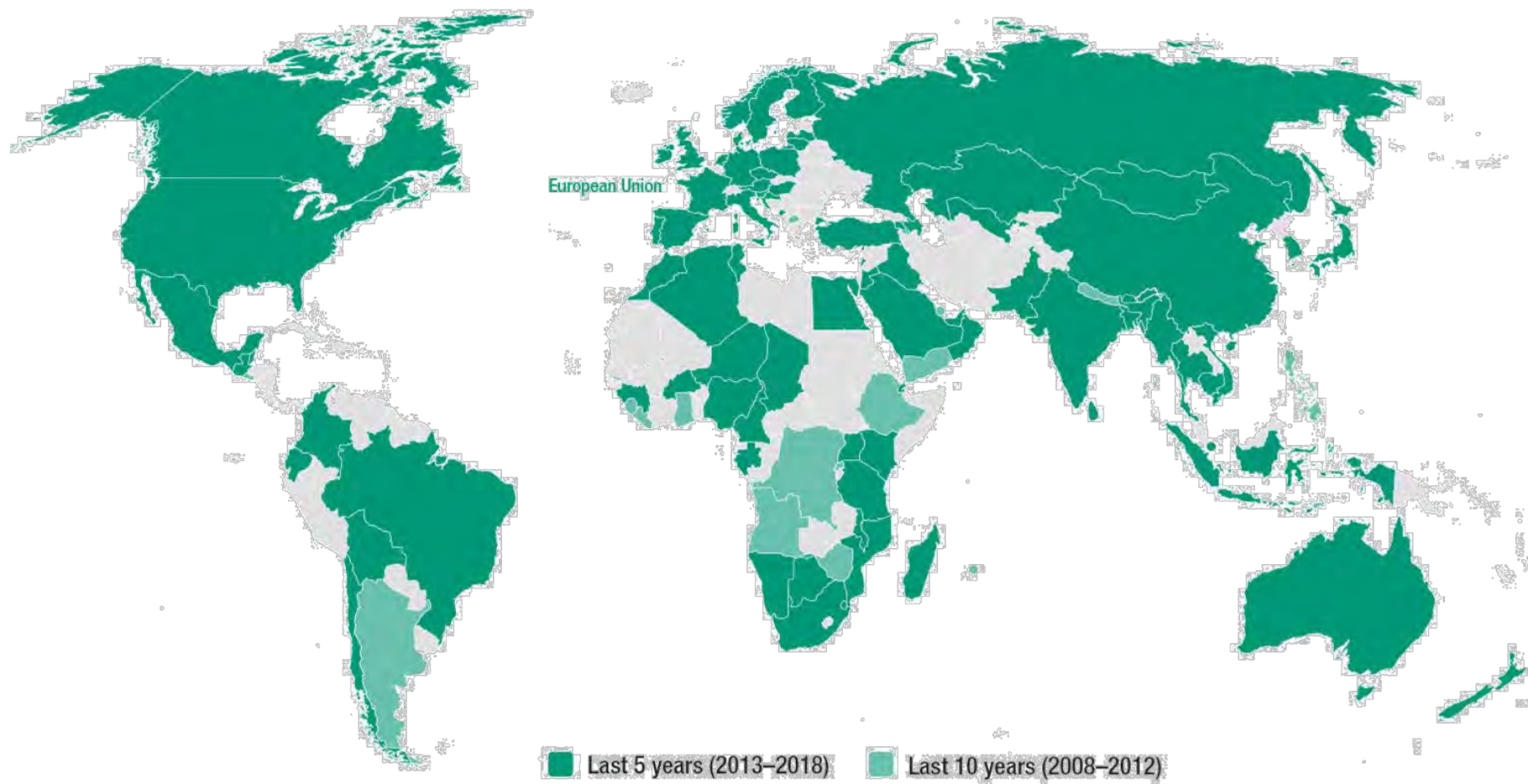


## 2. Investment Policy Challenges

- **Dynamics** in policymaking (driven by new industrial development policies)
- **Dichotomy** in regulatory directions
  - **Divergence** in IIA approach
  - **Dilemma** in investing in SDGs

# Industrial policy: proliferating worldwide

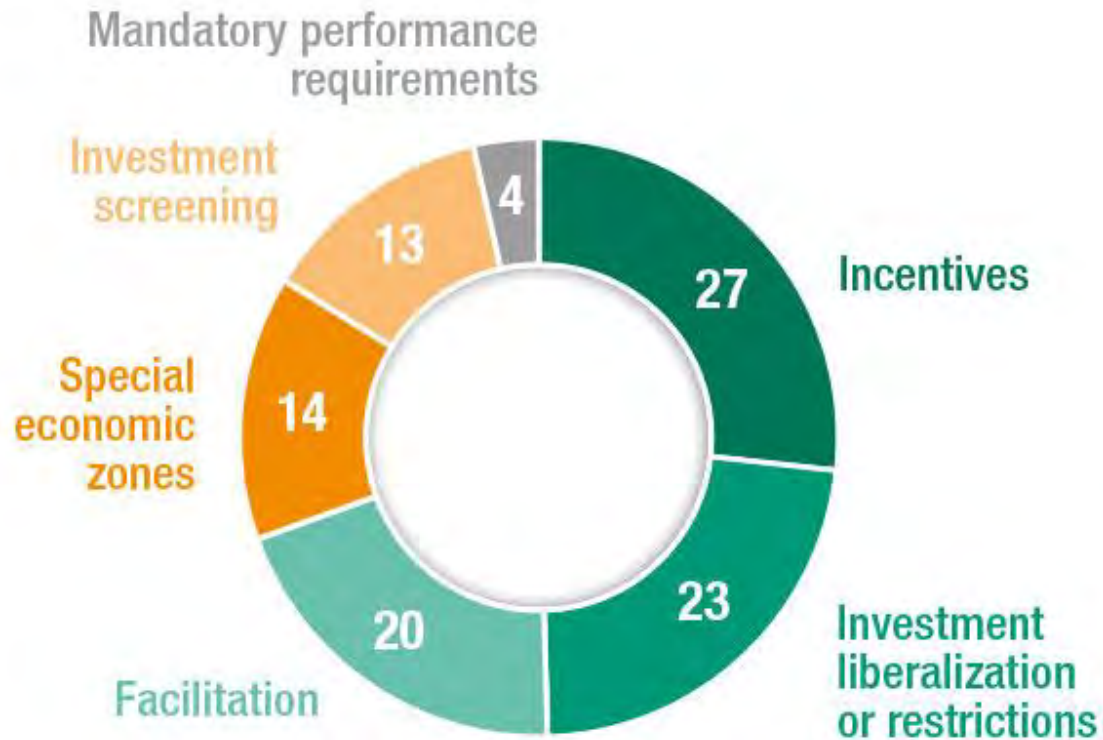
Industrial policies adopted since 2008



James Zhan, DIAE

# Modern industrial policies drive investment policy trends

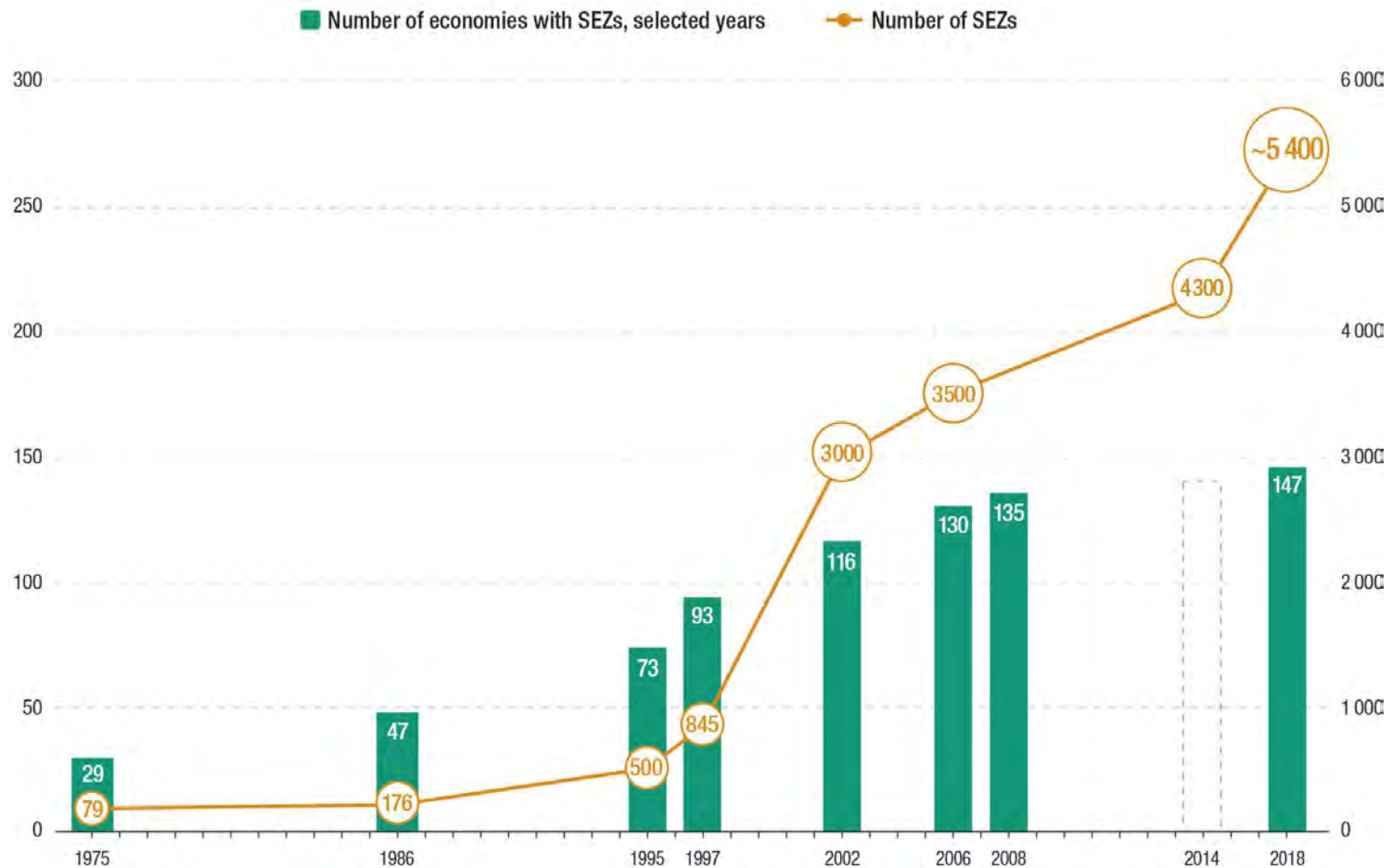
Investment policy measures for industrial policy purposes, by type, 2010-2017  
Per cent of total (n=387)



# Special economic zones (SEZs) widely used around the world

## Historical trend in SEZs

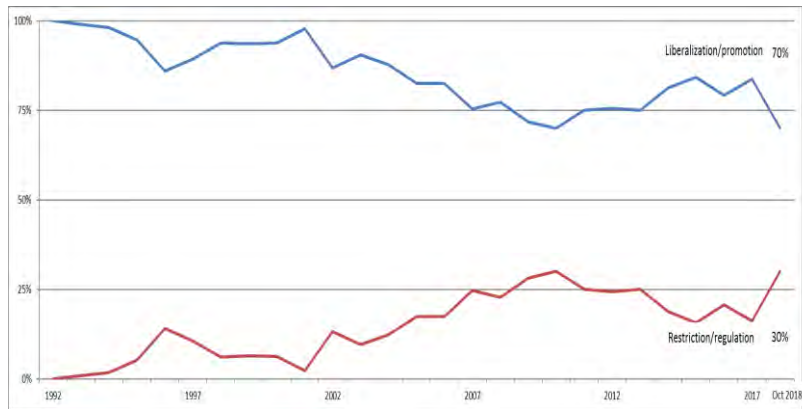
(Numbers of countries and SEZs)



Source: UNCTAD WIR 2019.

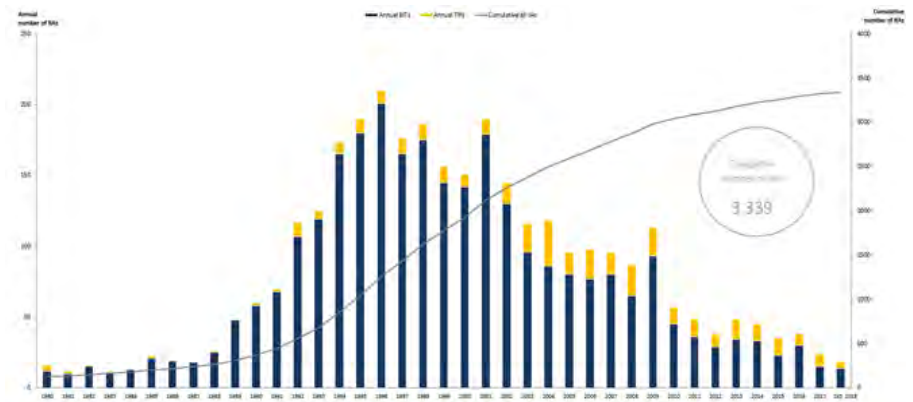
# Investment policy developments

Changes in national investment policies, 1992– 2018  
(per cent)



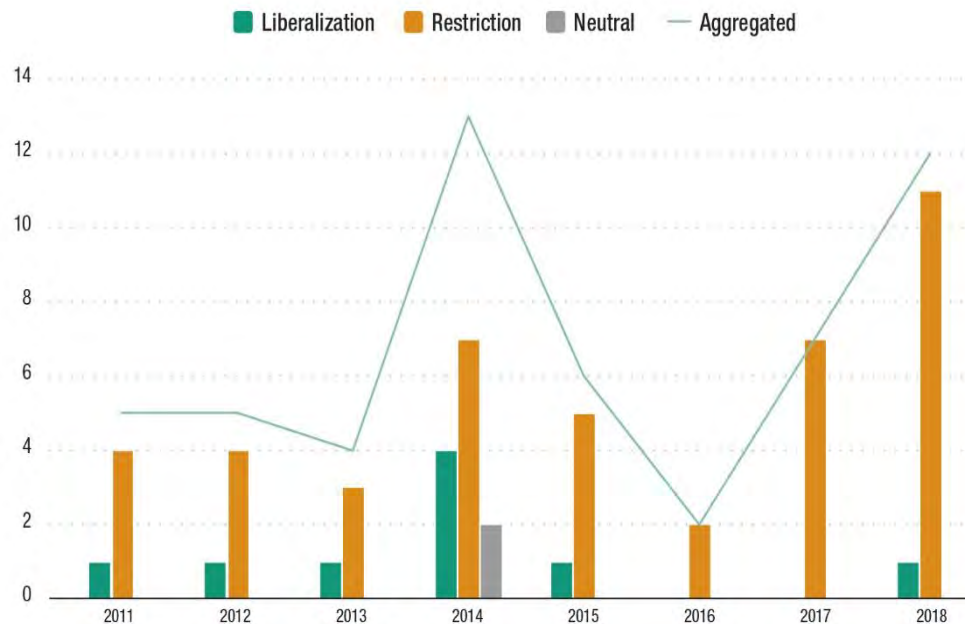
- **Dichotomy** in regulatory directions

International Investment Agreements signed, 1980–2018  
(number)



- **Divergence** in IIA approach

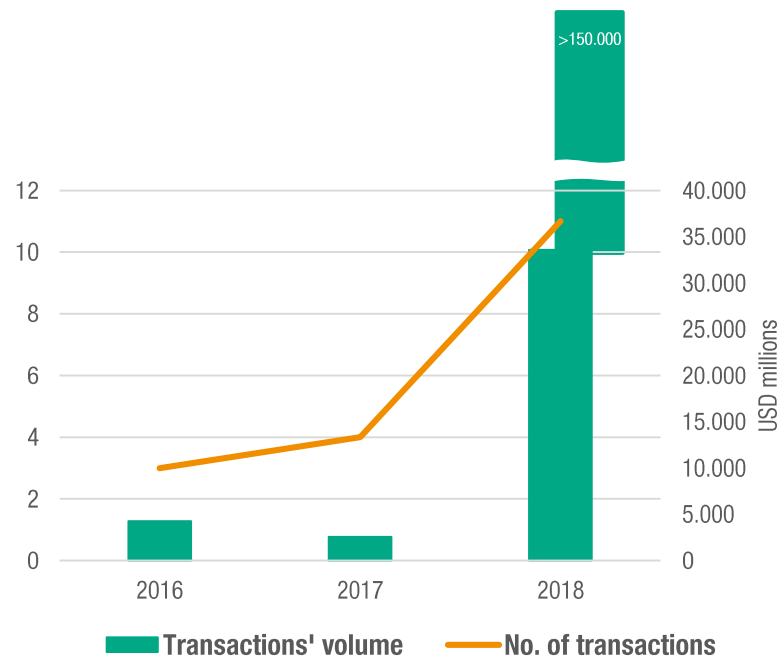
# National security-related FDI screening enhanced



- Foreign investment screening for national security reasons has gained prominence in recent years.
- At least 26 major economies have FDI screening mechanisms relating to national security.
- FDI inward stock of these 26 countries amounted to about 56 per cent of global FDI inward stock in 2018.
- Legislative changes mainly focus on widening the screening scope, expanding the disclosure obligations of foreign investors or extending the statutory timelines for the length of screening procedures.

# Impact of national security-related FDI screening

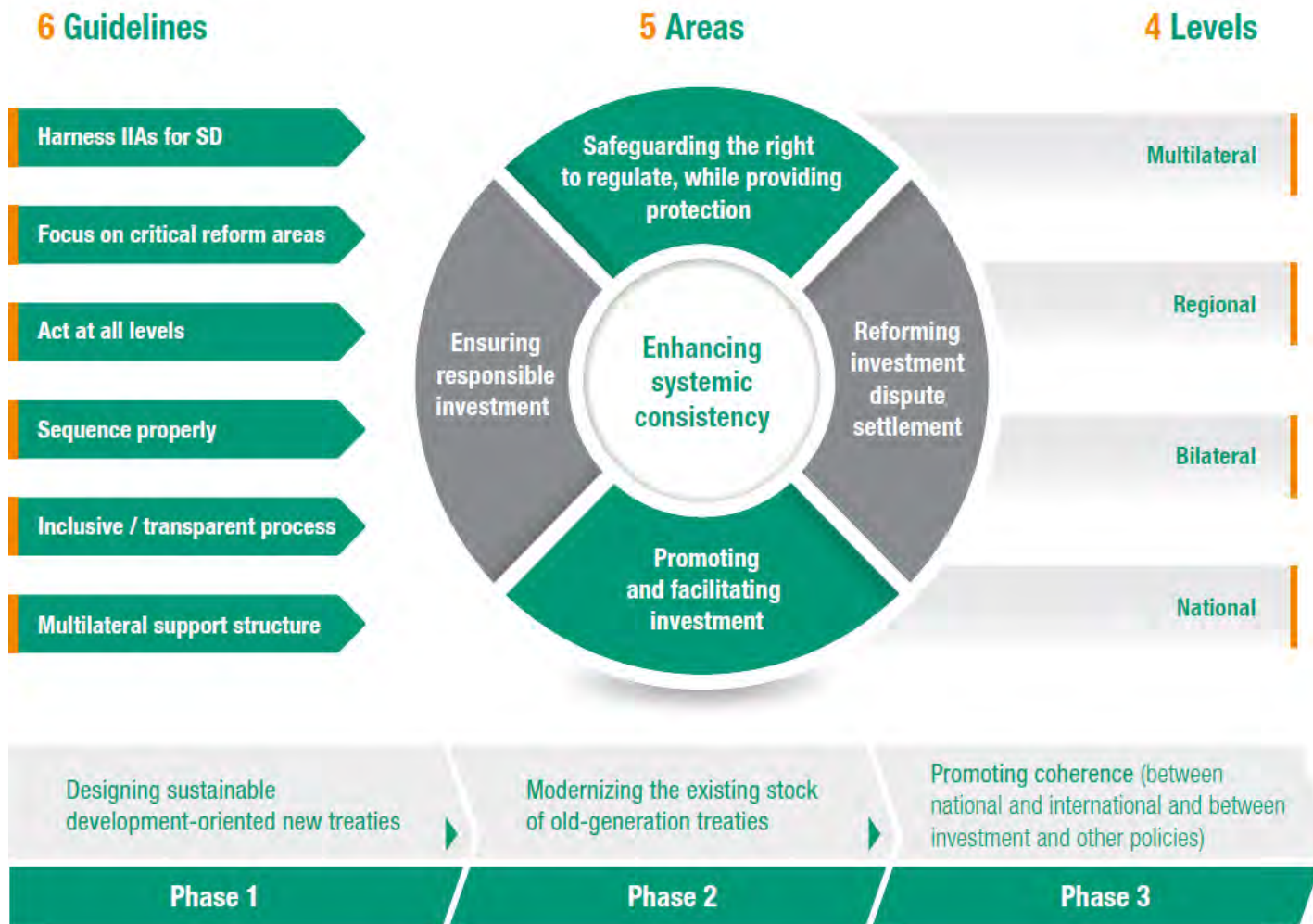
- UNCTAD identified at least twenty instances of planned foreign acquisitions with a value exceeding \$50 million that were blocked or withdrawn for national security reasons in the period from 2016 to September 2019. The aggregated value of these transactions amount to more than \$162,5 billion.
- These acquisitions are present in new technology and data sectors, but occur also in finance, utilities and energy, and construction and infrastructure.



Foreign acquisitions over \$50 million blocked or abandoned for national security reasons, 2016-2018



# UNCTAD's Reform Package for the Investment Treaty Regime





# IIA reform is happening

## Reform-oriented provisions in IIAs concluded in 2000 compared to 2017

2000

	1	2	3	4	5	6	7	8	9	10	11
Austria–Bangladesh BIT											
Belarus–Singapore BIT											
Brunei Darussalam–China BIT											
Chile–Dominican Republic BIT											
Cuba–Paraguay BIT											
Ethiopia–Turkey BIT											
Greece–Mexico BIT											
India–Lao People's Democratic Republic BIT											
Italy–Libya BIT											
Malaysia–Saudi Arabia BIT											
Mongolia–Philippines BIT											
Nigeria–Switzerland BIT											
Rwanda–South Africa BIT											

Yes No Not applicable

2017

	1	2	3	4	5	6	7	8	9	10	11
Argentina–Chile FTA											
ASEAN–Hong-Kong, China Investment Agreement											
Burundi–Turkey BIT											
China–Hong Kong, China Investment Agreement											
Colombia–United Arab Emirates BIT											
Intra-MERCOSUR Investment Facilitation Protocol											
Israel–Japan BIT											
Jordan–Saudi Arabia BIT											
Mozambique–Turkey BIT											
Pacific Agreement on Closer Economic Relations Plus											
Rwanda–United Arab Emirates BIT											
Turkey–Ukraine BIT											
Turkey–Uzbekistan BIT											

Yes No Not applicable

The scope and depth of commitments in each provision varies from one IIA to another.

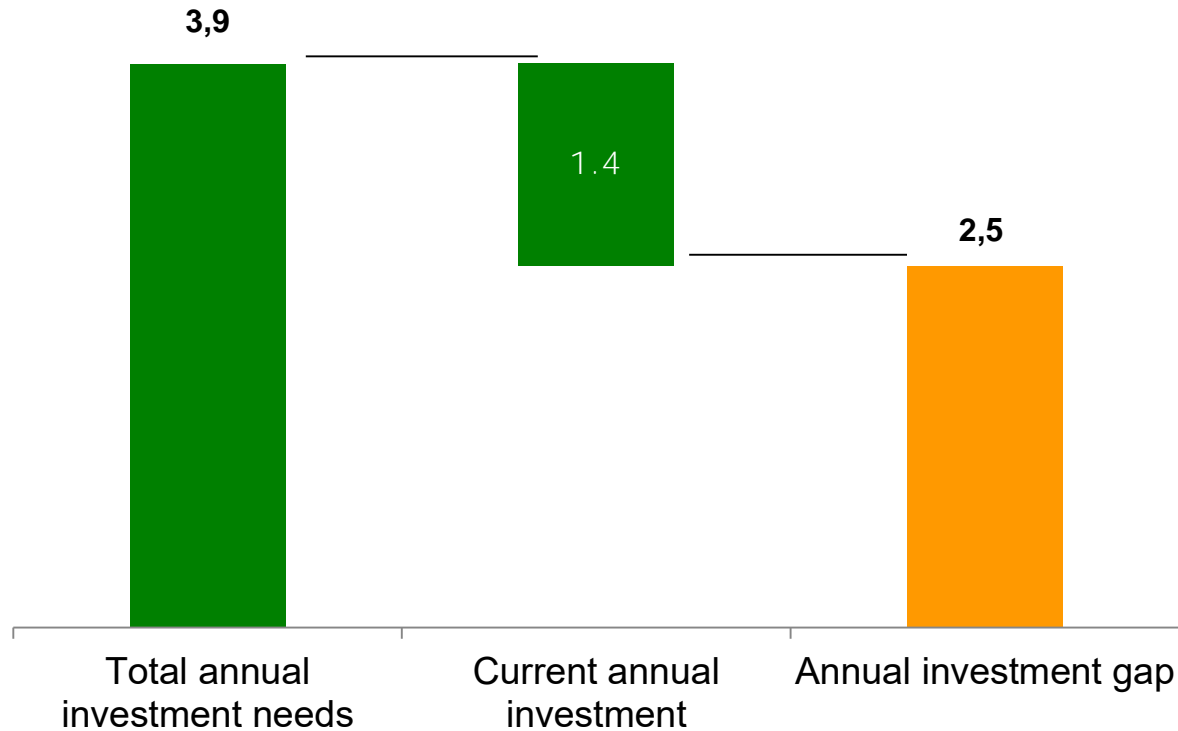
### Selected aspects of IIAs

- References to the protection of health and safety, labour rights, environment or sustainable development in the treaty preamble
- Refined definition of investment (e.g. reference to characteristics of investment; exclusion of portfolio investment, sovereign debt obligations or claims to money arising solely from commercial contracts)
- Circumscribed fair and equitable treatment (with reference to customary international law (CIL), equated to the minimum standard of treatment of aliens under CIL or clarified with a list of State obligations)
- Clarification of what does and does not constitute an indirect expropriation
- Detailed exceptions from the free-transfer-of-funds obligation, including balance-of-payments difficulties and/or enforcement of national laws

- Omission of the so-called "umbrella" clause
- General exceptions, e.g. for the protection of human, animal or plant life or health; or the conservation of exhaustible natural resources
- Explicit recognition that parties should not relax health, safety or environmental standards to attract investment
- Promotion of corporate and social responsibility standards by incorporating a separate provision into the IIA or as a general reference in the treaty preamble
- Limiting access to ISDS (e.g. limiting treaty provisions subject to ISDS, excluding policy areas from ISDS, limiting time period to submit claims, omitting an ISDS mechanism)
- Specific proactive provisions on investment promotion and/or facilitation

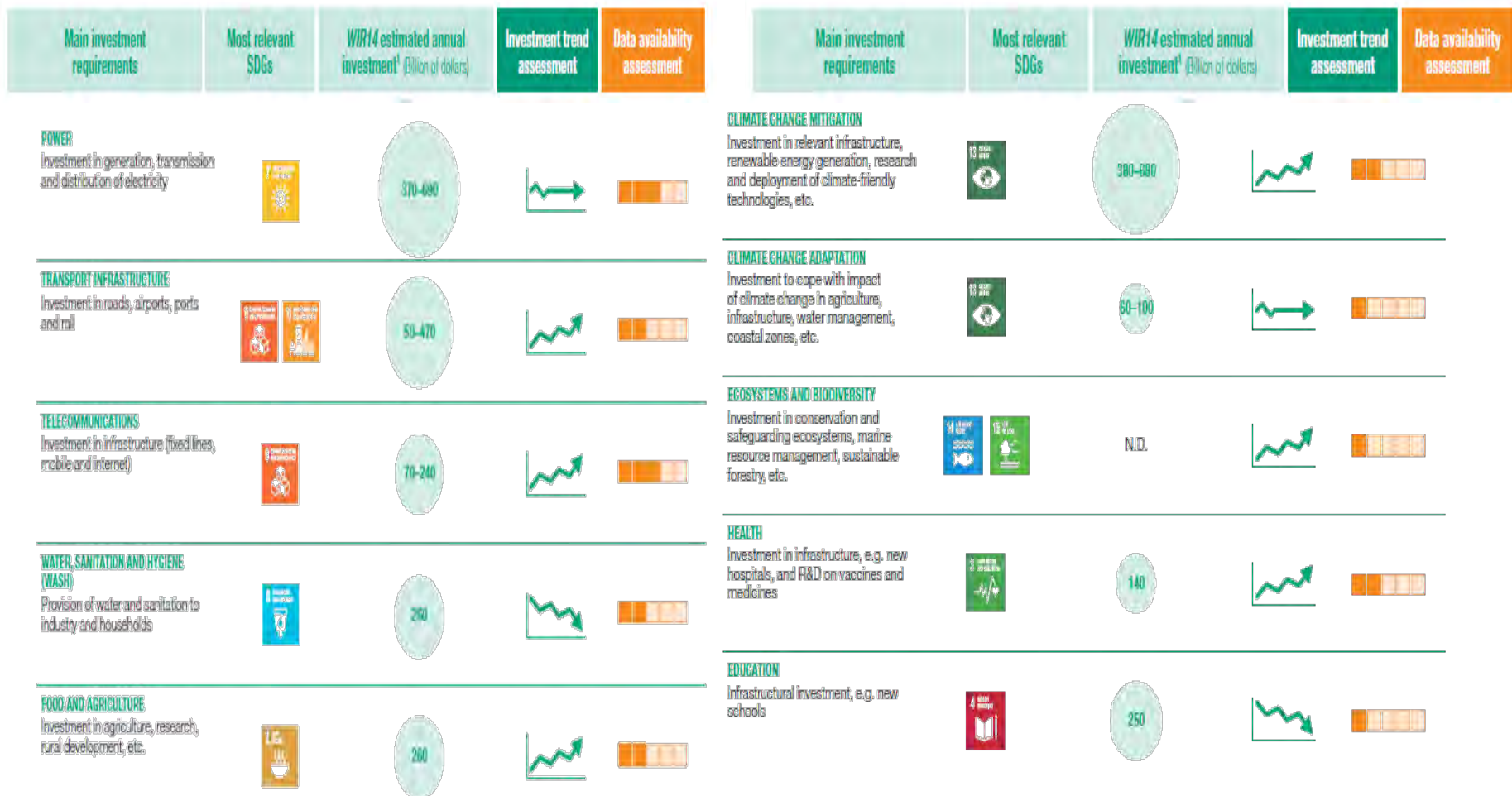
# SDGs need to bridge a large investment gap

Estimated annual investment needs in key SDG sectors, 2015–2030  
(Trillions of dollars, annual average)



# SDG Investment Trends Monitor

## Summary of gaps, directional trends and data availability



Overall, the data paint a mixed picture: signs of progress are evident in the 6/10 sectors. **Investment growth is far from enough to fill in the SDG financing gaps.**

# A Big Push for private investment in the SDGs: Action Packages

