

# **WORLD INVESTMENT REPORT 2012: *Towards A New Generation of Investment Policies***

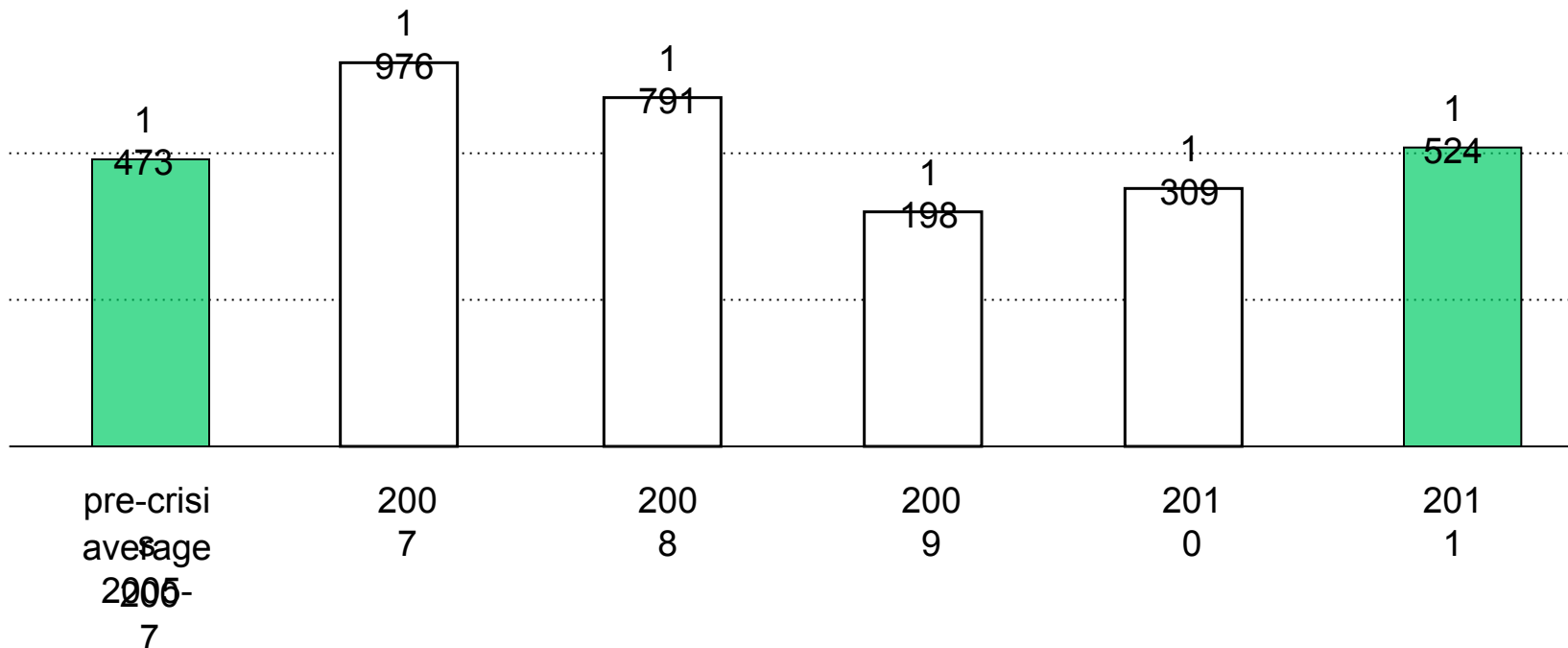
with update from  
**GLOBAL INVESTMENT TRENDS MONITOR, NO 10 (23 October 2012)**

**Astrit Sulstarova,  
Division on Investment and Enterprise  
UNCTAD**

# Global foreign direct investment (FDI) flows surpassed the pre-crisis average in 2011

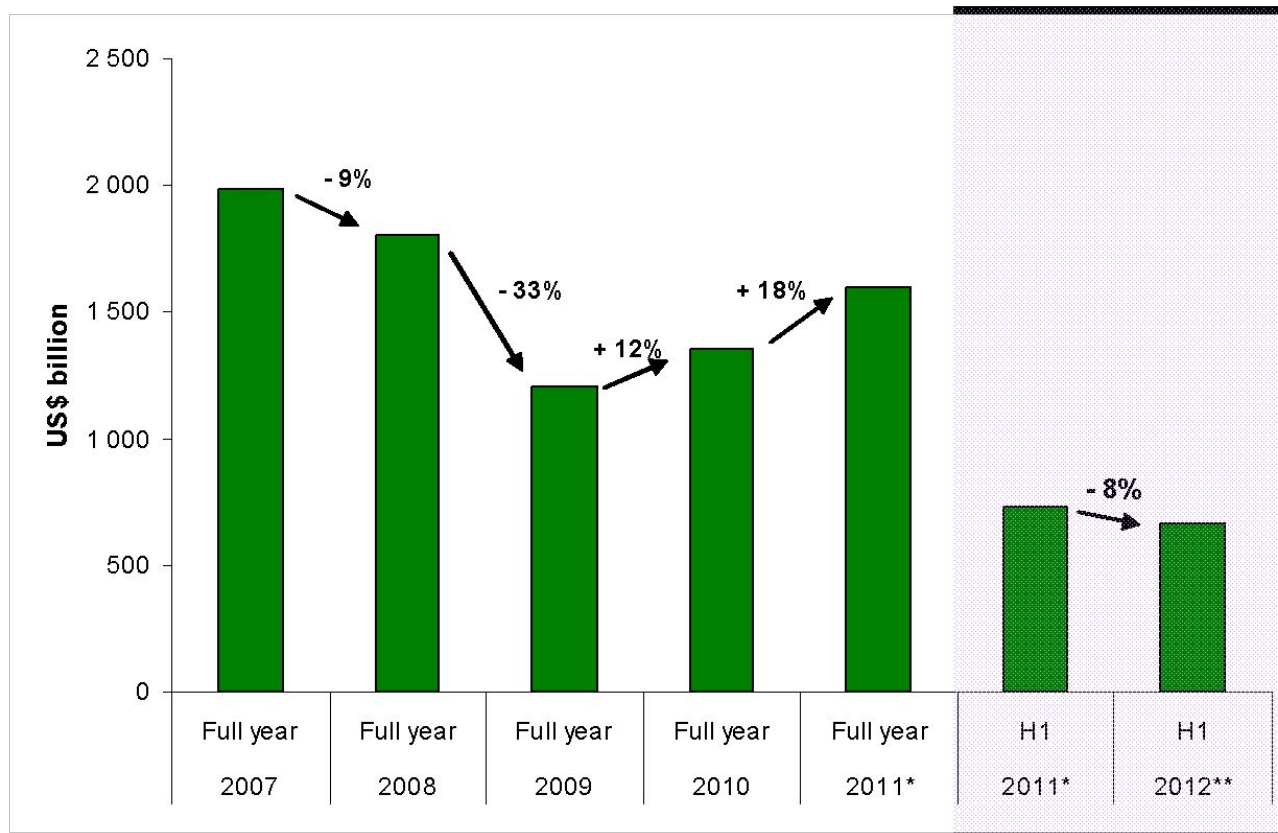
## FDI inflows

(Billions of dollars)



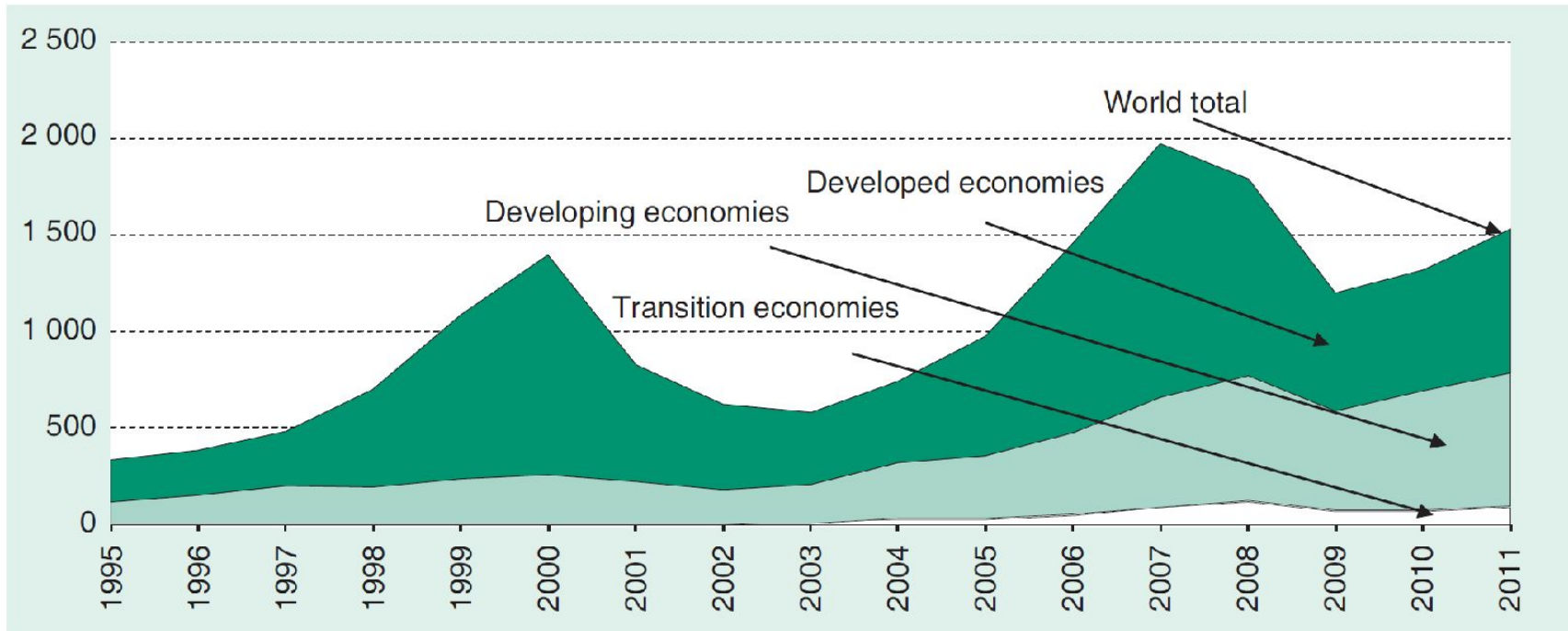
# ...but flows retreated in the first half of 2012

Global FDI inflows and growth rates, 2007–2011 and 2011:H1–2012:H1  
(per cent)



# FDI inflows rose in 2011... Up across all major economic groupings

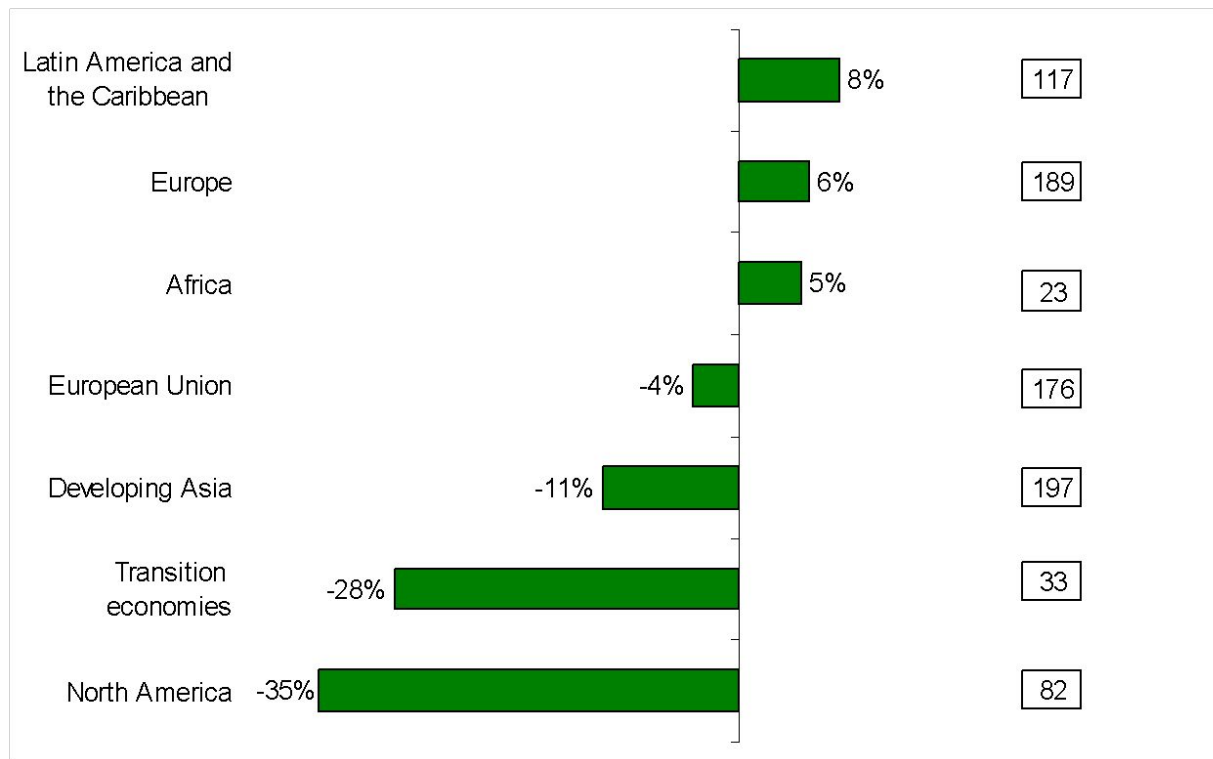
FDI inflows by group of economies, 1990–2011  
(Billions of dollars)



•51%

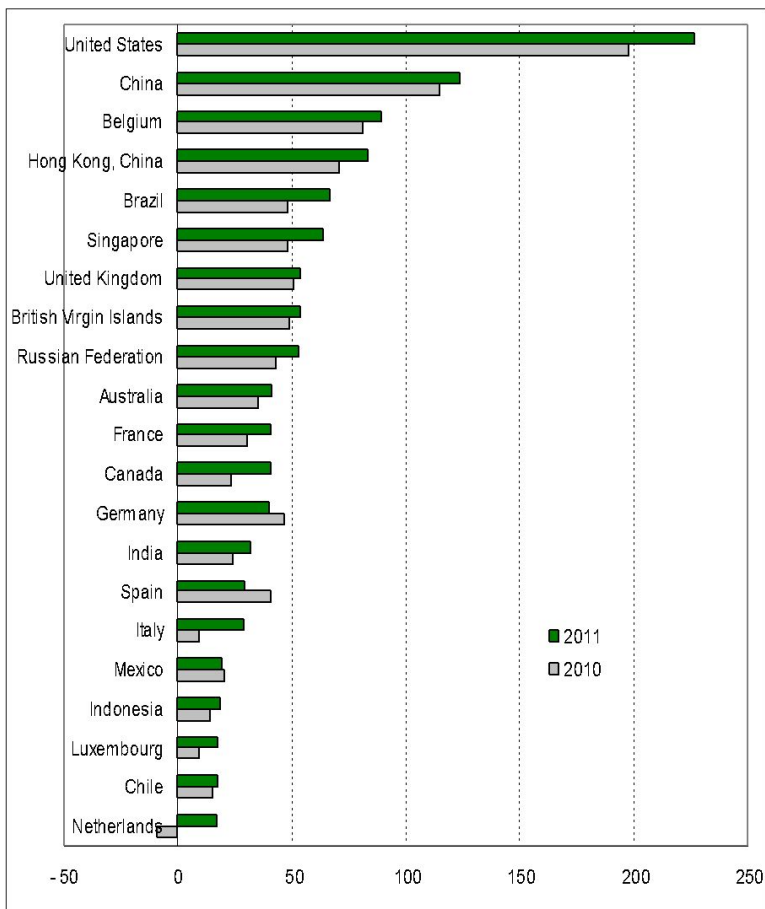
# ...with an uneven pattern among regions

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



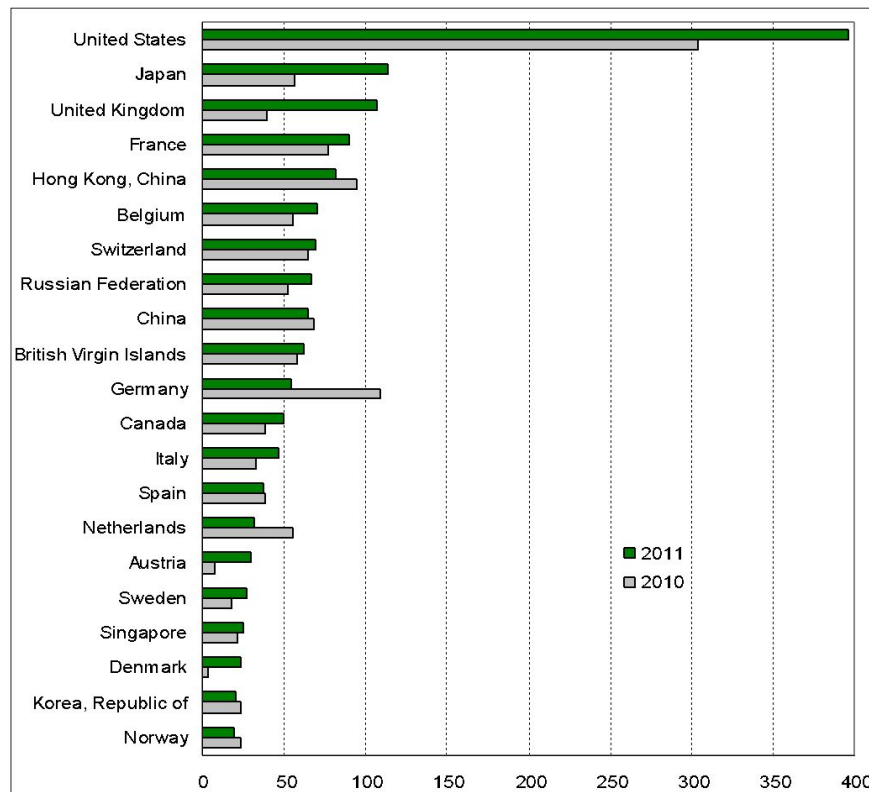
# FDI inflows in 2011

Top 20 host economies, 2010–2011  
(Billions of dollars)



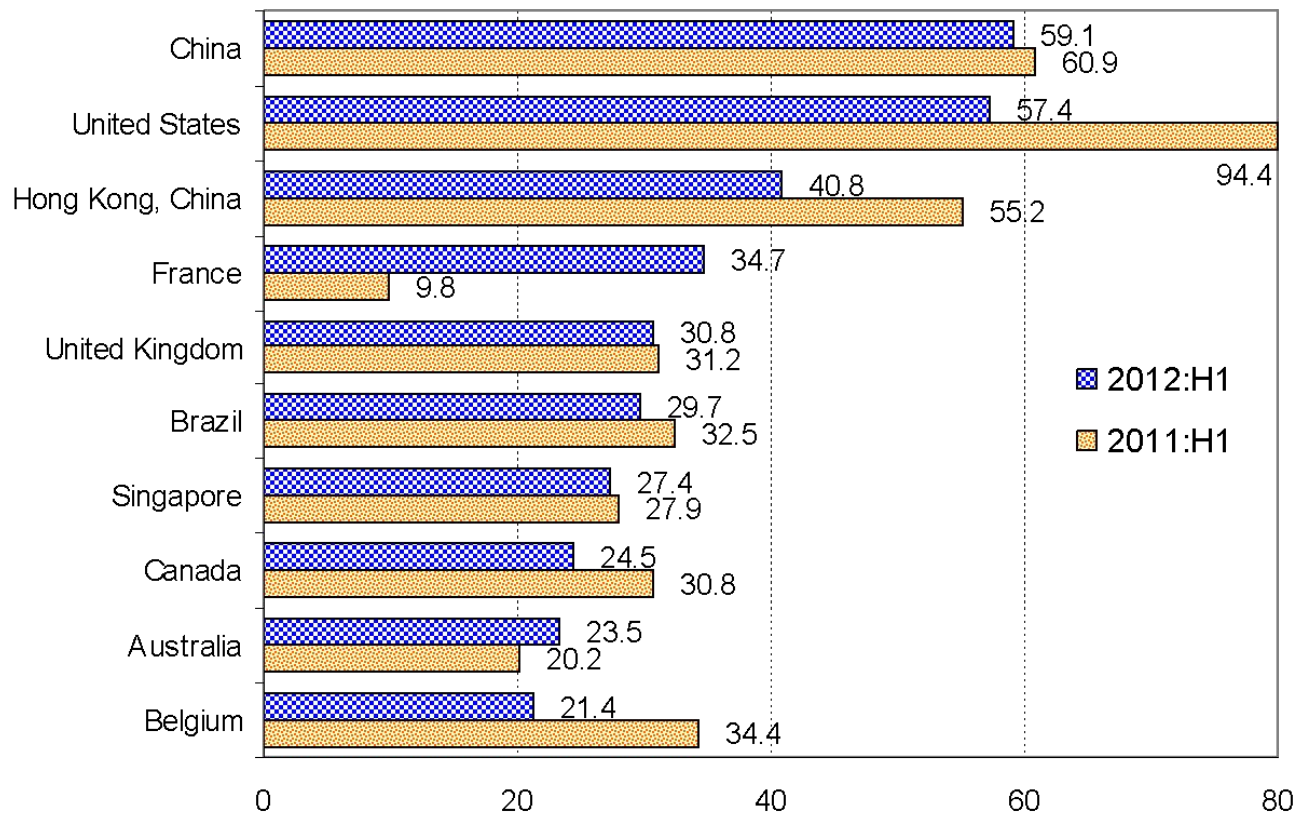
# FDI outflows in 2011

Top 20 home economies, 2010–2011  
(Billions of dollars)



# In the first half of 2012, China became the world's largest FDI recipient

Top 10 host economies, 2011:H1–2012  
(Billions of dollars)



## Prospects

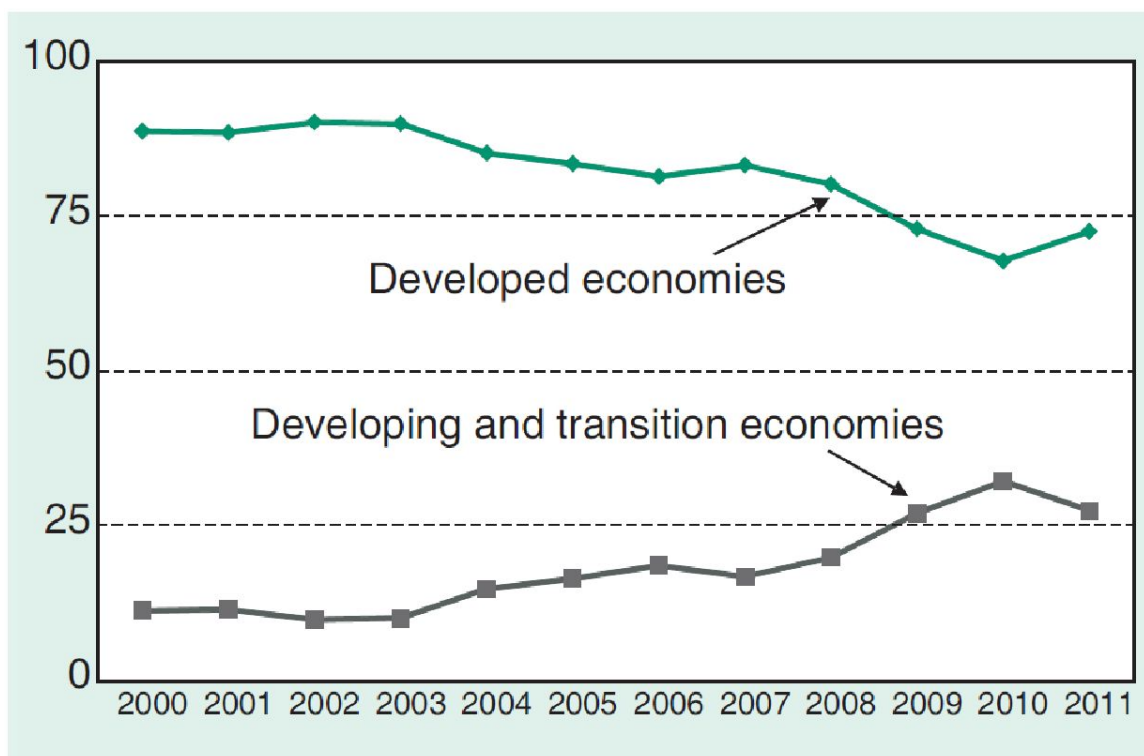
**FDI flows, at best to reach US\$1.6 trillion in 2012,  
forecast for 2013 and 2014 show moderate growth**

- In 2012 FDI flows, at best, might reach \$1.6 trillion:  
The slow and bumpy recovery of the global economy, global weak demand and elevated risks related to regulatory policy changes, continue to reinforce the wait-and-see attitude of many transnational companies.
- UNCTAD's long-term projections show a moderate rise, with global FDI reaching US\$1.8 trillion in 2013 and US\$1.9 trillion in 2014, barring any macroeconomic shocks.



# FDI outflows from emerging markets fell slightly in 2012, but remained high

Shares in global FDI outflows, by group of  
(Billions of dollars)



# International production by transnational corporations (TNCs) advanced...

• 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

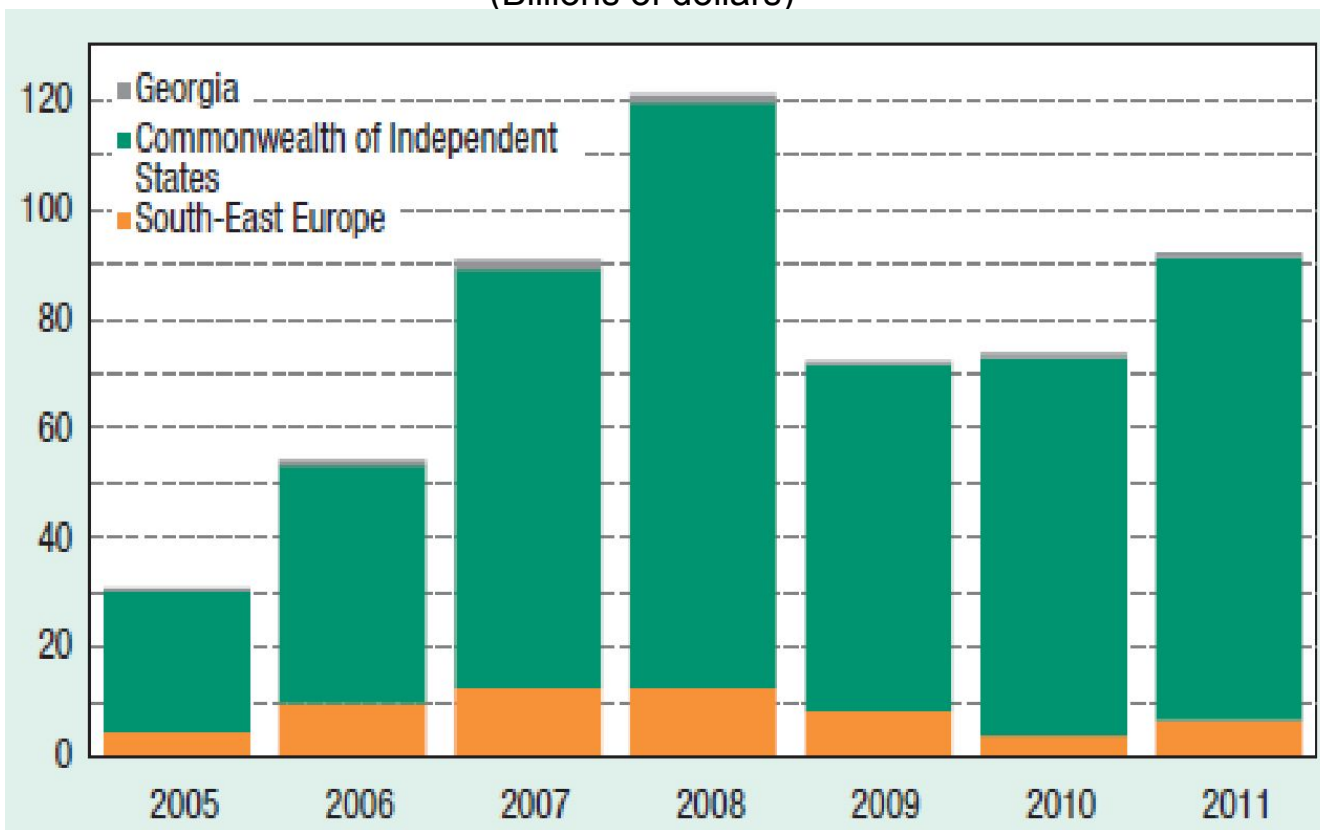
# Primary and services sector: FDI turns around after 2 years of declines

## 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

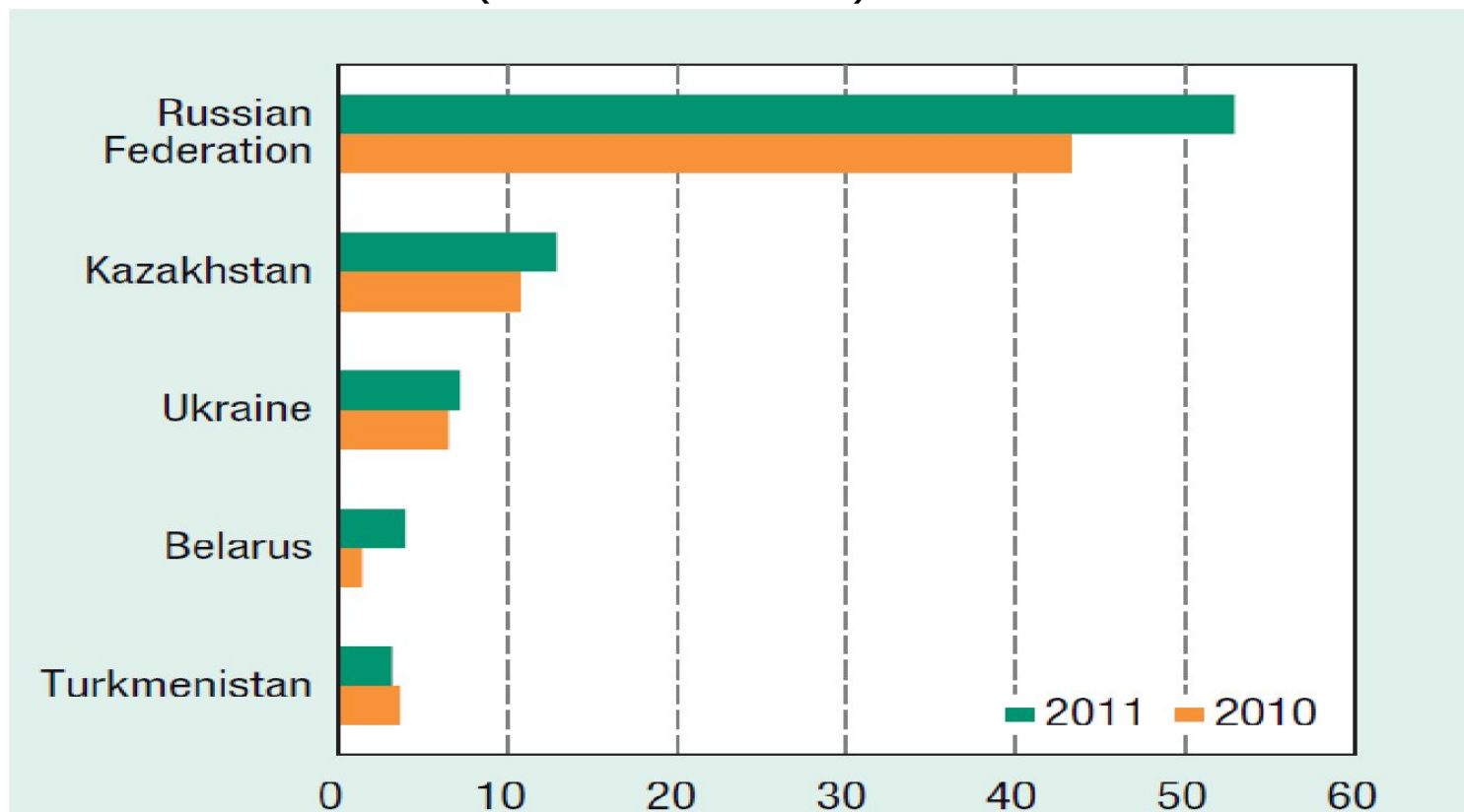
# FDI flows to transition economies recovered strongly in 2011...but they retreated in the first half of 2012

FDI inflows  
(Billions of dollars)

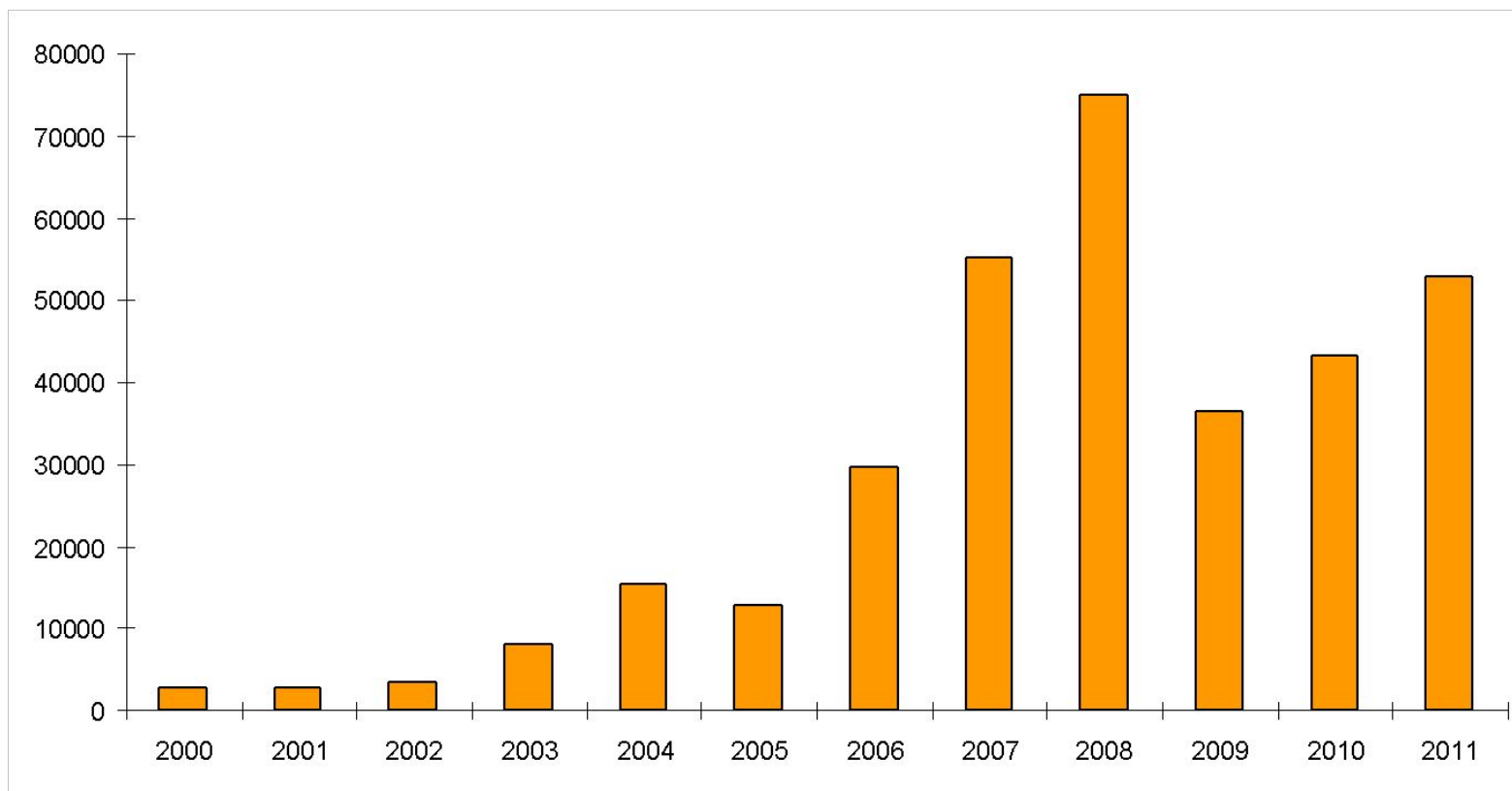


## Large countries continued to account for the lion's share of inward FDI

**FDI inflows**  
(Billions of dollars)

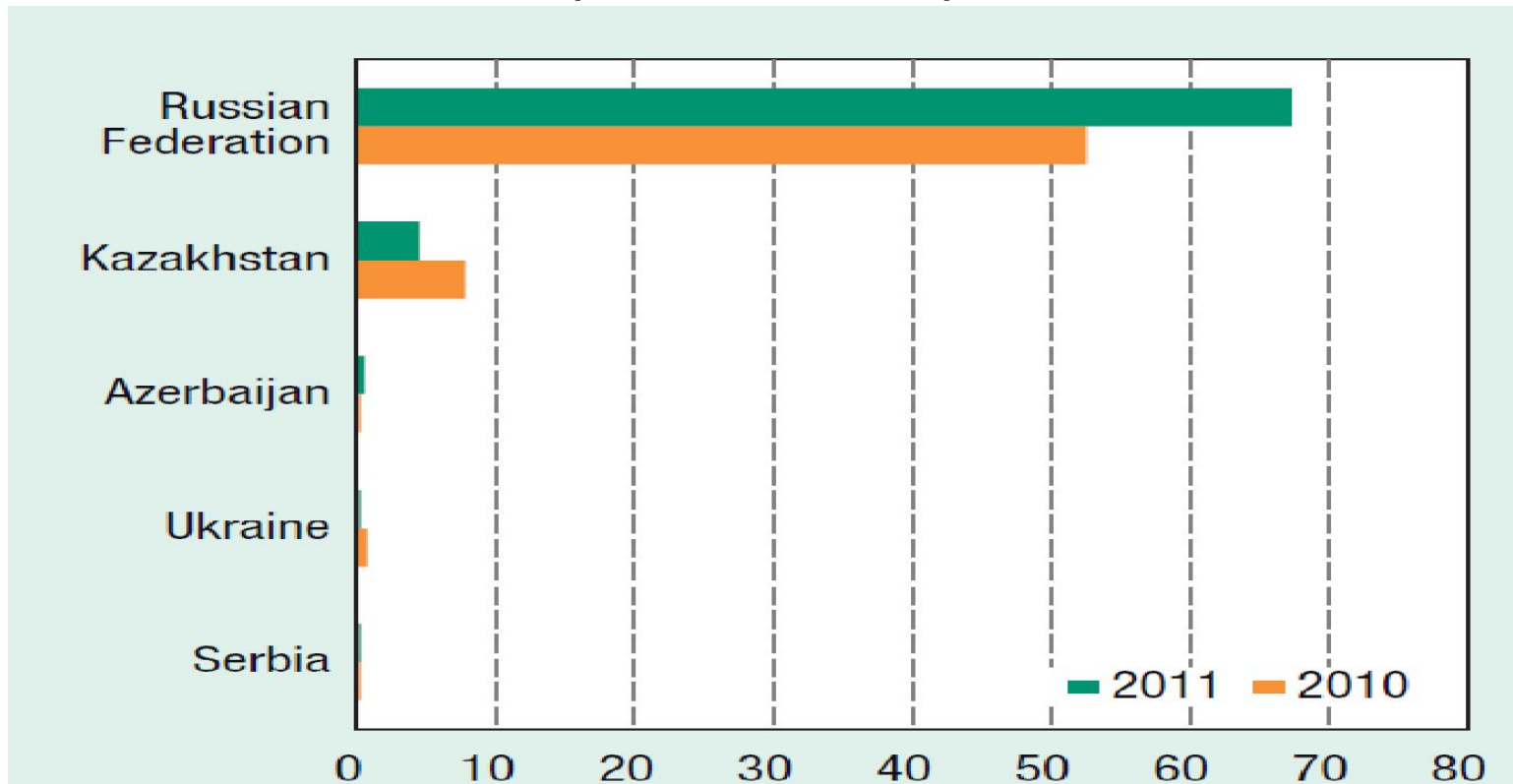


# FDI flows to the Russian Federation increased in 2011 (millions of dollars)



# Record-high FDI outflows, and not only by natural-resource-based TNCs

**FDI outflows**  
(Billions of dollars)



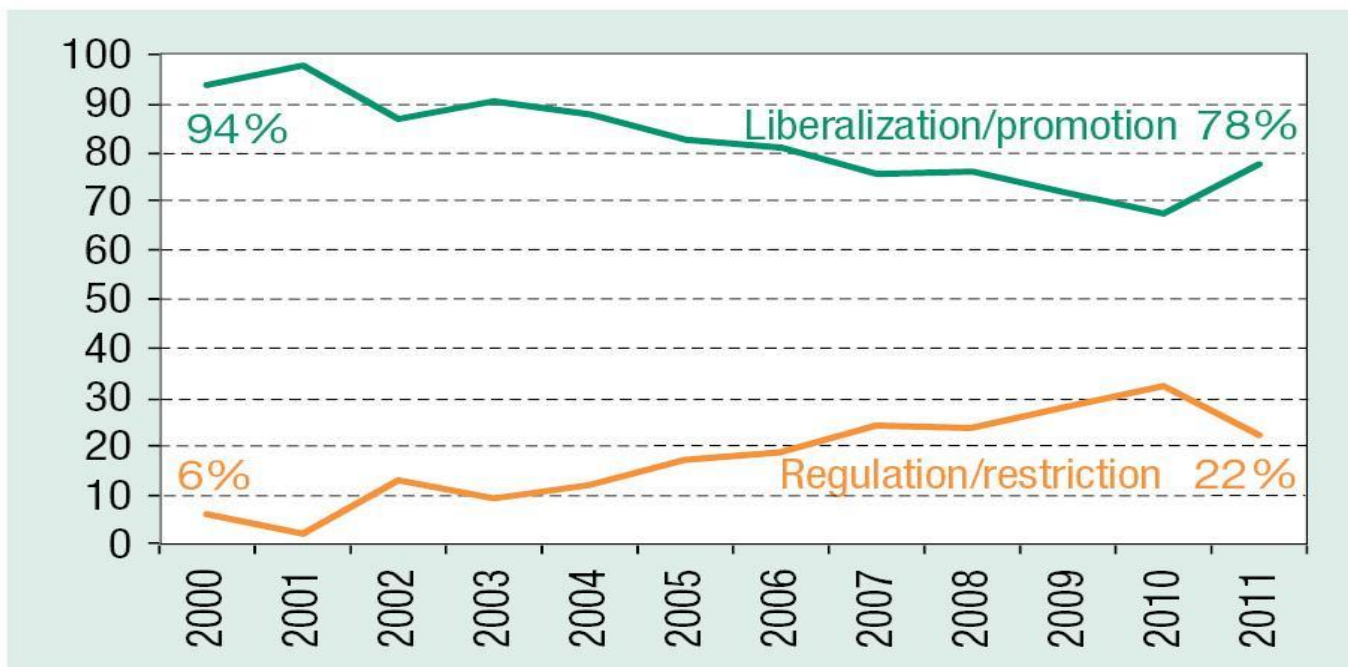
## **FDI flows to transition economies are expected to continue to grow in the medium term due to:**

- A more investor-friendly environment;
- WTO accession by the Russian Federation;
- new privatization programmes;
- The rise of investments from other developing countries



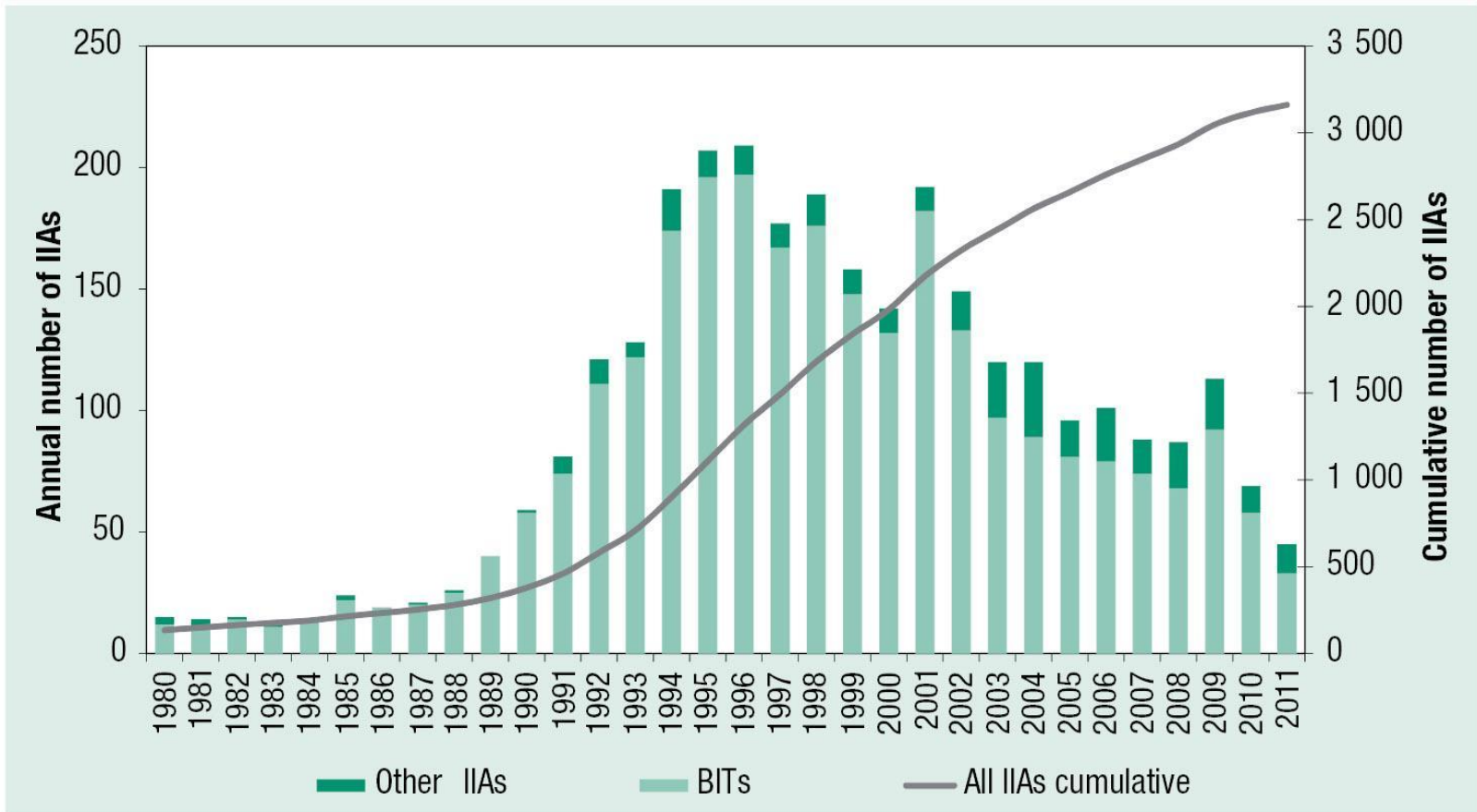
# National investment policies continued to be favourable to foreign investors

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



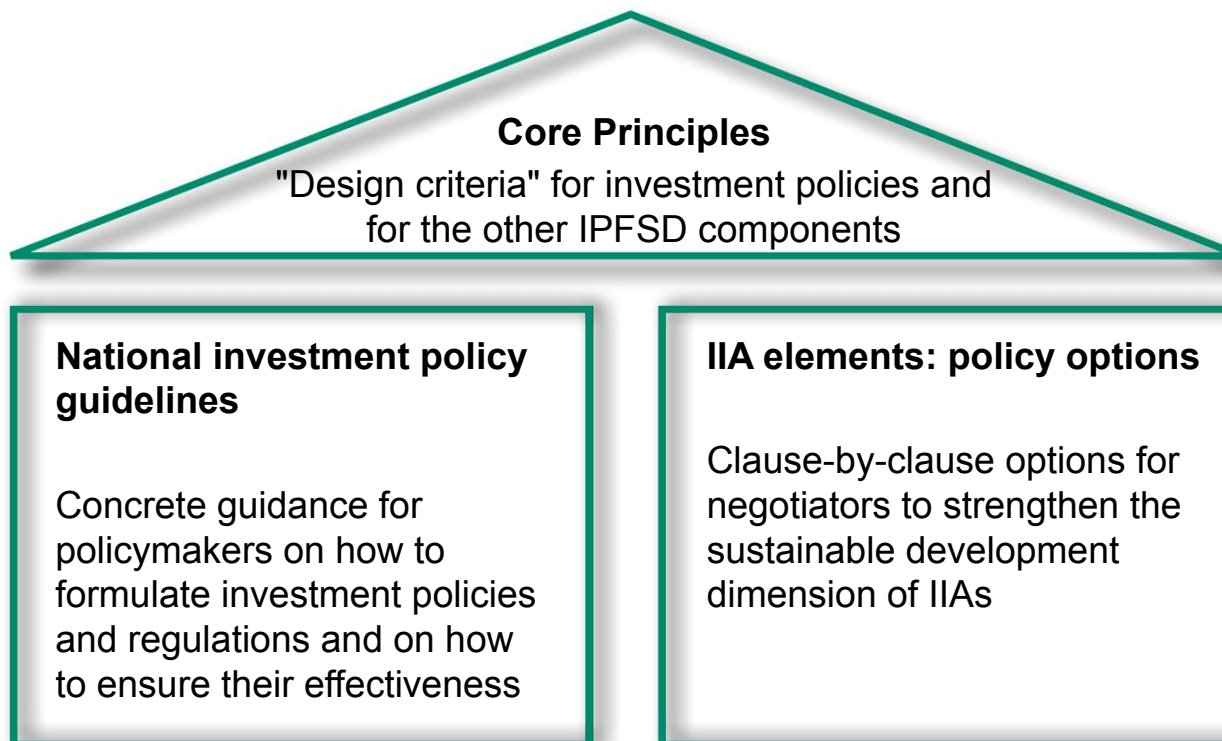
# International investment policies see a shift from the bilateral to the regional level

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



# UNCTAD's Investment Policy Framework for Sustainable Development helps policymakers address these challenges

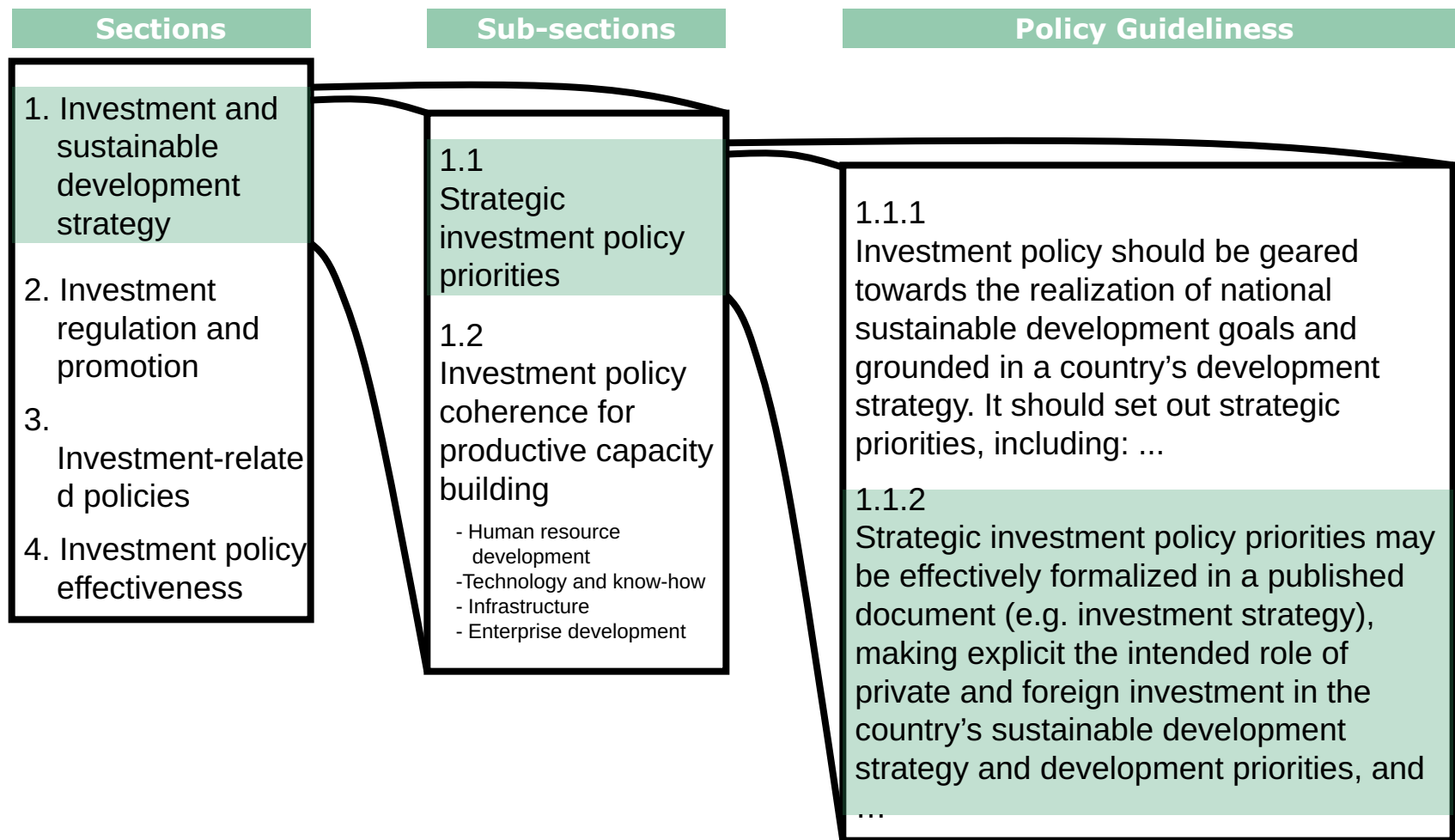
## Structure and components of the IPFSD



# 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

# National investment policy guidelines: how it works



# Sustainable development features of the IPFSD's national investment policy guidelines

## 1 Integrating investment policy in development strategy

- Section on **strategic investment priorities** and investment policy coherence for **productive capacity building**, including sub-sections on investment and: Human resource development, Infrastructure (including section on PPPs), Technology, Enterprise development
- Attention to investment policy options for the **protection of sensitive industries**
- Sections on other policy areas geared towards overall sustainable development objectives to ensure **coherence** with investment policy

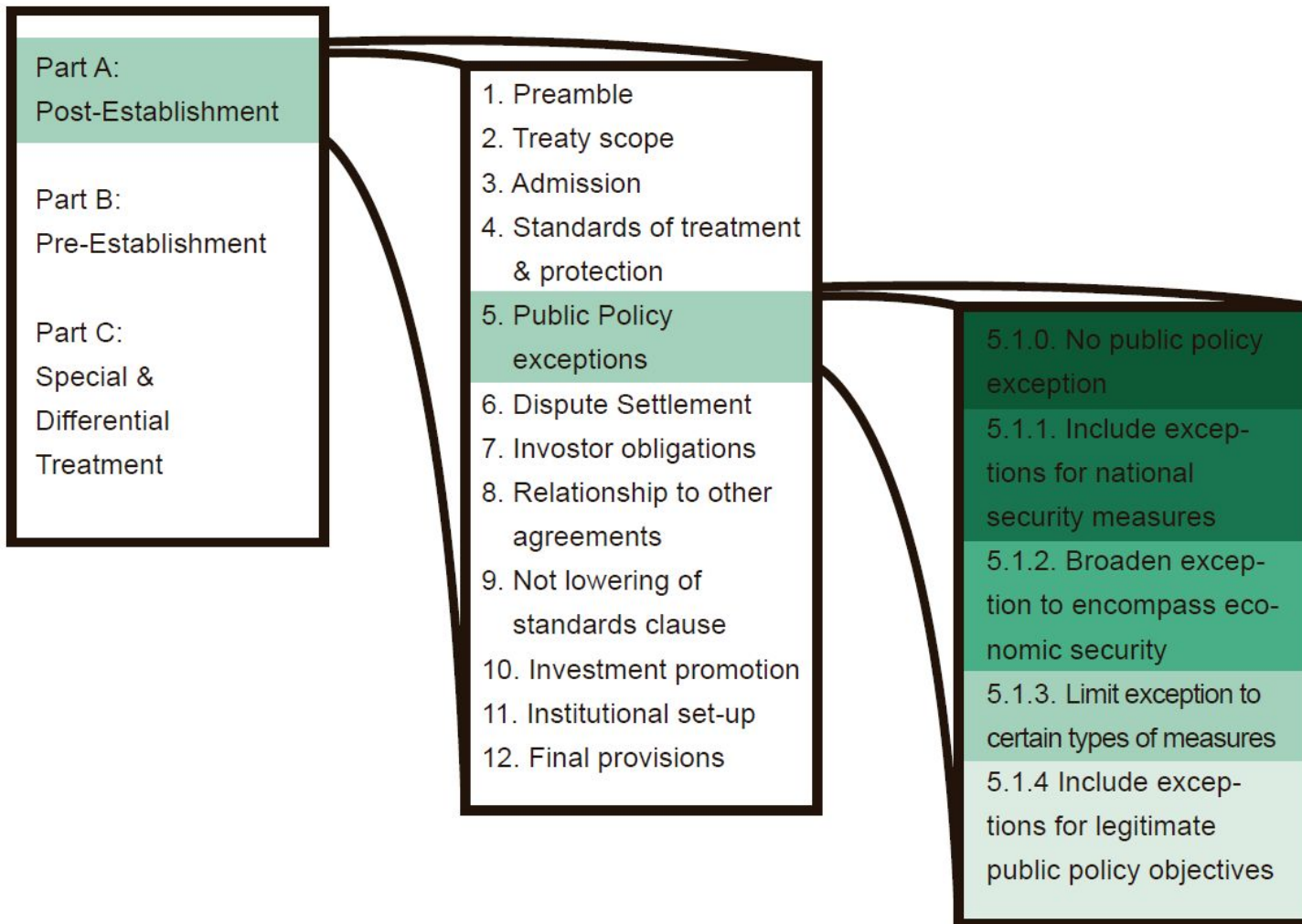
## 2 Incorporating sustainable development objectives in investment policy

- Specific guidelines for the design of investment-specific policies and regulations, including not only establishment and operations, treatment and protection of investments, and investment promotion and facilitation, but also **investor responsibilities**
- Guidance on the encouragement of responsible investment and on guaranteeing compliance with **international core standards**
- Guidance on investment promotion and use of **incentives in the interest of inclusive and sustainable development**
- Specific guidelines aimed at **minimizing potential negative effects of investment**, such as tax avoidance, anti-competitive behaviour, core labour standards, environmental impact
- A sub-section on access to land, incorporating the **Principles for Responsible Agricultural Investment** (PRAI)

## 3 Ensuring investment policy relevance and effectiveness

- Section on investment policy effectiveness, including guidance on **public governance and institutional capacity-building**
- Guidance on the **measurement of policy effectiveness**, with reference to quantitative investment impact indicators and UNCTAD tools (FDI Attraction and Contribution Indices)

# The IIA elements table: how it works



# IPFSD: a reference point, common language, and platform for discussion with investment stakeholders

The screenshot displays the UNCTAD Investment Policy Hub website. At the top, the UNCTAD logo and the text 'UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT DIVISION ON INVESTMENT AND ENTERPRISE' are visible. Below this is a navigation menu with options: Home, Discussion forum, Core Principles (highlighted), National Policy Guidelines, and Policy options for IIAs. The main content area is titled 'Core Principles for Investment Policymaking' and features a search bar, an account login section, and a post by Stephen Young from the University of Glasgow. The post discusses the focus of the IPFSD, emphasizing the need to clarify and extend the definition of 'sustainable development'.

**UNCTAD** UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT  
DIVISION ON INVESTMENT AND ENTERPRISE  
**INVESTMENT POLICY HUB**

Home Discussion forum **Core Principles** National Policy Guidelines Policy options for IIAs

## Core Principles for Investment Policymaking

Q search

### 1. Investment for sustainable development

*The overarching objective of investment policymaking is to promote investment for inclusive growth and sustainable development.*

Last updated on 05 May 2012, at 12:05 AM [view history](#)

Stephen Young [University of Glasgow] Posted on 14 June 2012, at 12:44 PM

**Focus of the IPFSD (Stephen Young)**

Focus of the IPFSD. The notion of 'sustainable development' is central to the IPFSD, and its definition needs to be clarified and extended. For example, p5 notes that sustainable development issues include environmental, social and poverty alleviation – as well as investor responsibility in these areas; p5/6 comments on 'a desire to pursue sustainable development through responsible investment'; and p6 states that sustainable investment implies the promotion of specific types of investment e.g. 'green investments' and 'low carbon investment' (see also the definition on p11). Aside from clarifying the definition, I wonder if the notion of sustainable development is given sufficient attention in the National

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