

# **Global Investment Promotion Conference**

**December 7-8, 2020**

## **GLOBAL INVESTMENT PROSPECTS AND GVC TRANSFORMATION BEYOND THE PANDEMIC**

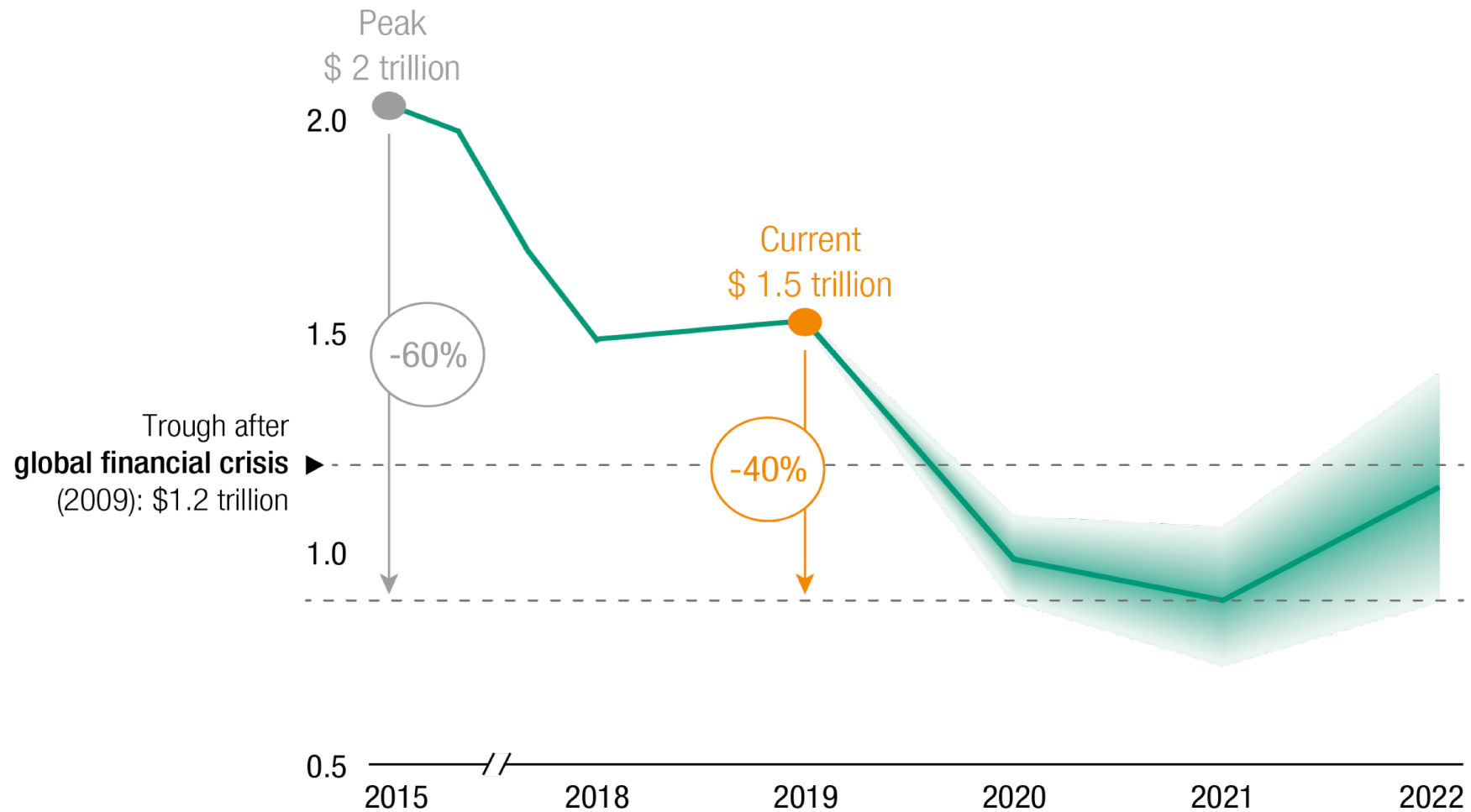
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# The COVID-19 crisis is forecast to have an immediate impact on FDI with potentially lasting consequences

Global FDI inflows, 2015–2019 and 2020–2022 forecast



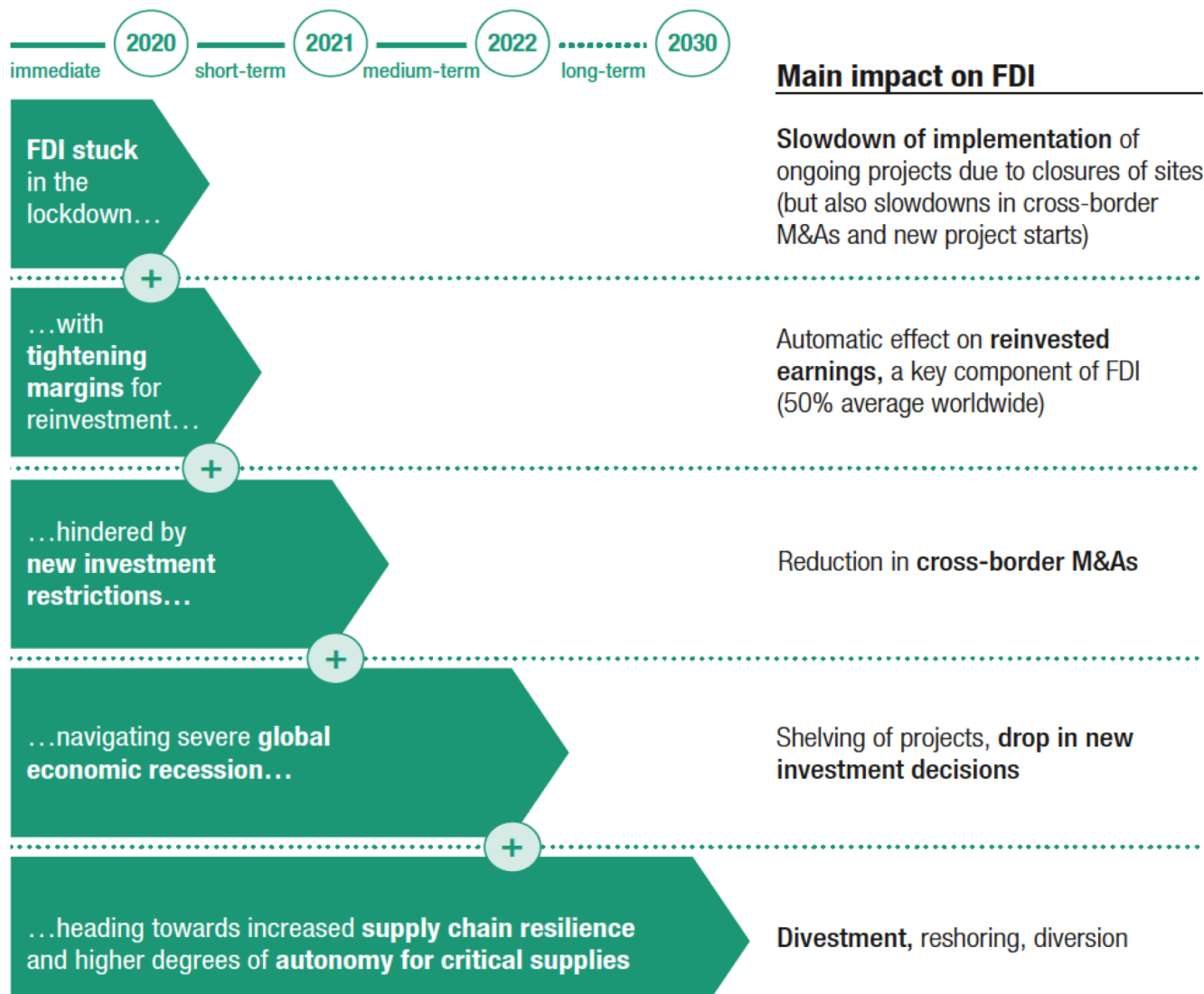
# All regions will see decrease in FDI flows in 2020 with more severe impact expected in developing economies

FDI inflows and projections, by group of economies and region, 2017-2019, and forecast 2020  
(Billions of dollars and per cent)

Group of economies/region	2017	2018	2019	Projections
				2020
<b>World</b>	<b>-14</b>	<b>-12</b>	<b>3</b>	<b>(-40 to -30)</b>
<b>Developed economies</b>	<b>-25</b>	<b>-20</b>	<b>5</b>	<b>(-40 to -25)</b>
Europe	-16	-36	18	(-45 to -30)
North America	-40	-2	0	(-35 to -20)
<b>Developing economies</b>	<b>7</b>	<b>0</b>	<b>-2</b>	<b>(-45 to -30)</b>
Africa	-10	22	-10	(-40 to -25)
Asia	7	-1	-5	(-45 to -30)
Latin America and the Caribbean	14	-5	10	(-55 to -40)
<b>Transition economies</b>	<b>-25</b>	<b>-31</b>	<b>59</b>	<b>(-45 to -30)</b>

# The COVID-19 pandemic is a supply, demand and policy shock

## Impact of the pandemic on FDI: transmission mechanisms



# These existing trends can be grouped into three broad categories

## Trends

### Technology/ New Industrial Revolution

- Advanced robotics and AI
- Digitalization in the supply chain
- Additive manufacturing (3D printing)

### Policy and economic governance

- More interventionism in national policies
- More protectionism in trade and investment
- More regional, bilateral and ad hoc economic cooperation

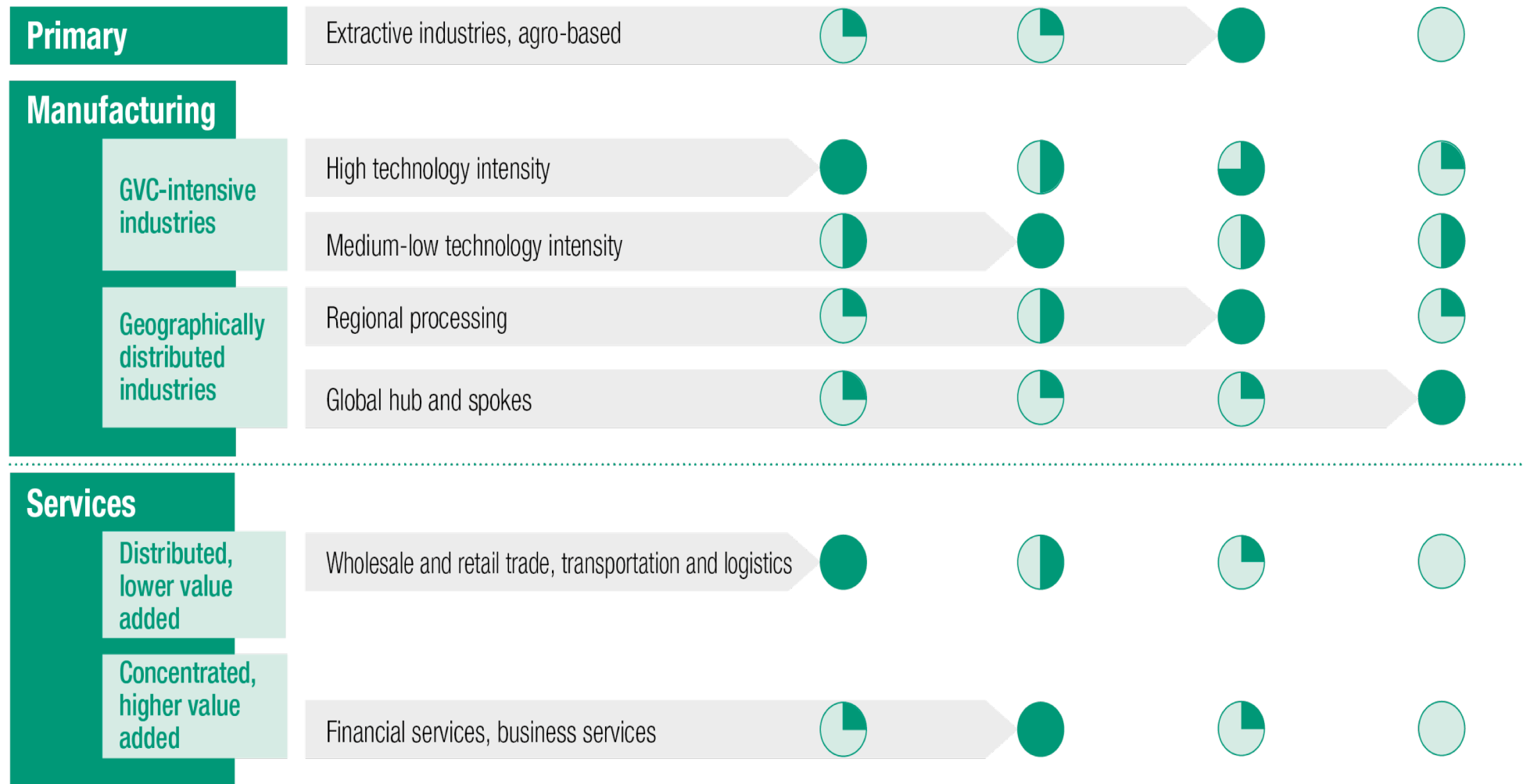
### Sustainability

- Sustainability policies and regulations
- Market-driven changes in products and processes
- Physical supply chain impacts

# The four trajectories will have varying relevance across industries

○ Not relevant ● Highly relevant

Reshoring   Diversification   Regionalization   Replication



# Key implications of the transformation



1. Shorter and less fragmented value chains
2. More concentrated value added
3. More platform-driven and asset-light value chain governance
4. A shift from global to regional and sub-regional value chains
5. Less global efficiency-seeking FDI; more regional market-seeking FDI
6. Downward pressure on trade in intermediate goods, less on trade in final products
7. A shift in some industries from large-scale investment to smaller-scale distributed manufacturing
8. Continued growth and fragmentation in services value chains
9. Resilience and national security concerns as key drivers of GVC diversification
10. A shift from GVC-investment to cross-border investment in infrastructure, domestic services and in the green and blue economies driven by the sustainability imperative

# The transformation of international production will bring both challenges and opportunities

Challenges	Opportunities
Impact of restructuring of international production configurations: divestment, relocations, investment diversion	Attracting investors that are looking to diversify supply bases and building redundancy and resilience
Shrinking pool of efficiency-seeking investment: tougher competition for FDI	Increasing (local and regional) market-seeking FDI and distributed manufacturing
Value capture in GVCs and development based on vertical specialization increasingly difficult	Shorter value chains and more investment in final-goods production with broader industrial capability and clustering
Diminishing returns of infrastructure built for a world of GVCs	Digital infrastructure and platforms enabling new applications and services and new GVC entrants



## A New Framework for Investment Attraction

- **Embarking on a new investment-development path**
- **Developing a new ecosystem**
- **Building dynamic productive capacity**
- **Formulating a new investment promotion strategy**



**For further information**

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