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16 JUNE 2020, 05h00 GMT



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World Investment Report

INTERNATIONAL PRODUCTION BEYOND THE PANDEMIC

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CHAPTERS I & II

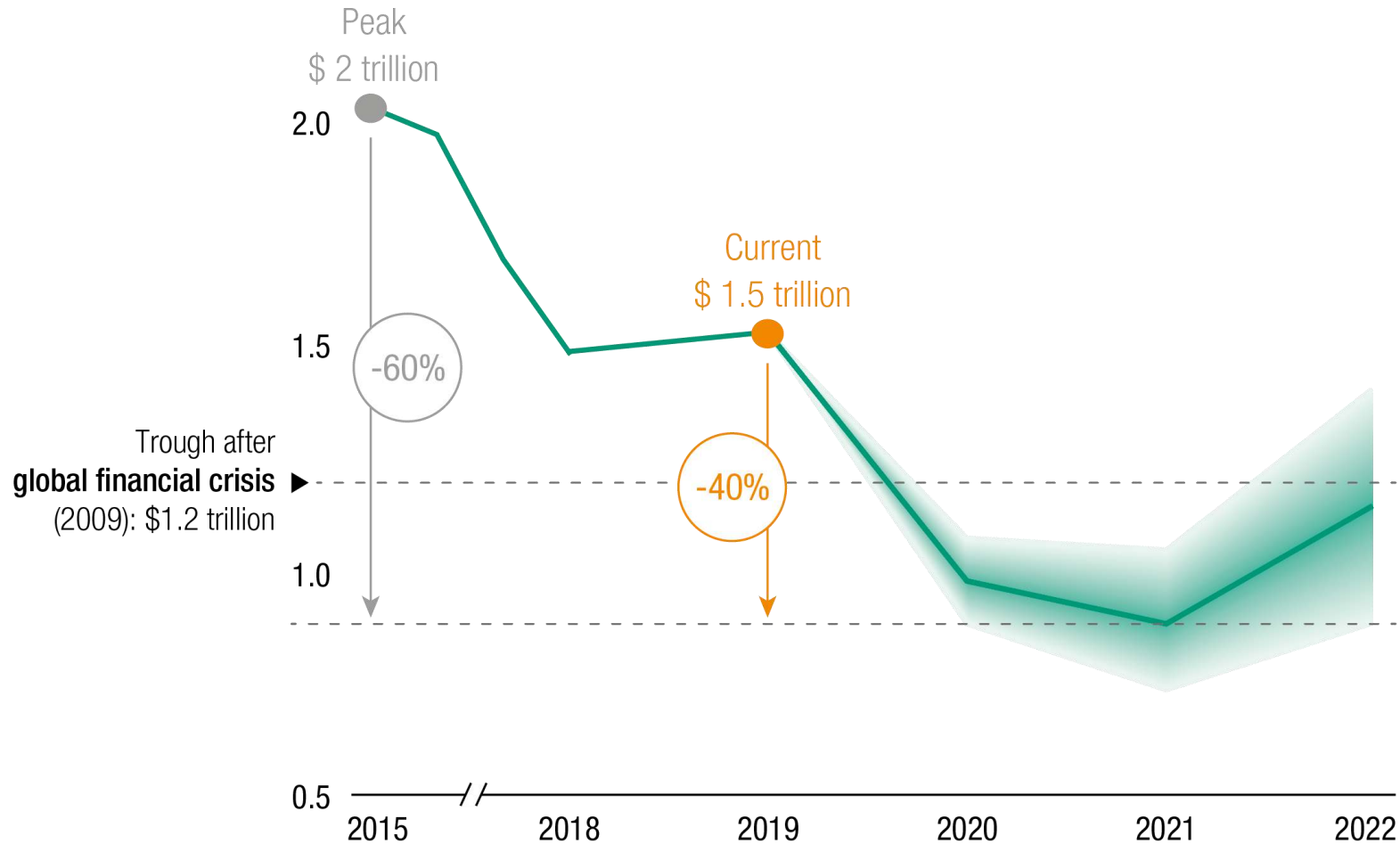
GLOBAL INVESTMENT TRENDS AND PROSPECTS

REGIONAL TRENDS

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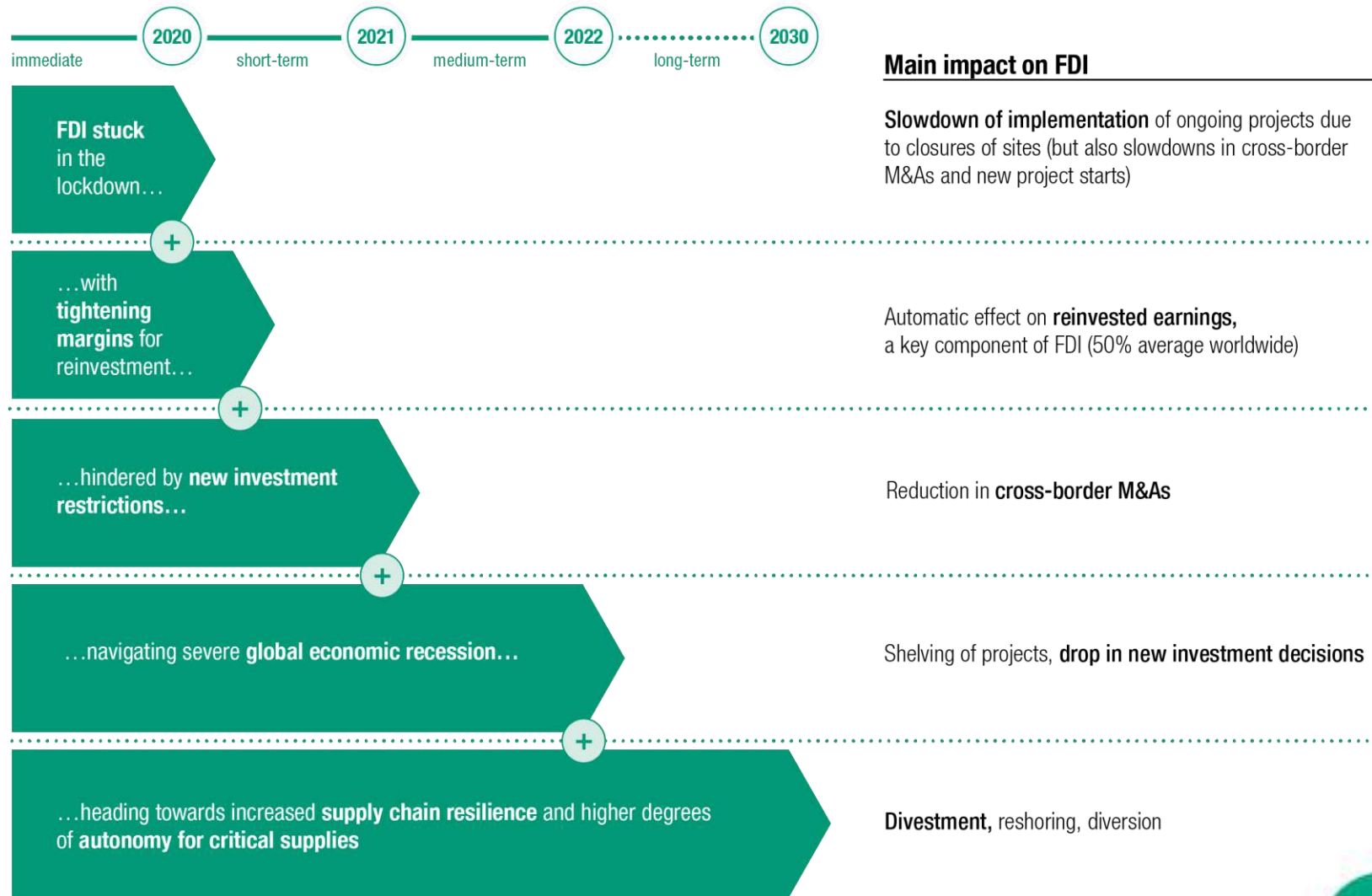
The COVID-19 crisis is forecast to have a big impact on FDI with lasting consequences

Global FDI inflows, 2015–2019 and 2020–2022 forecast (Trillions of dollars)



The pandemic causes supply, demand and policy shocks

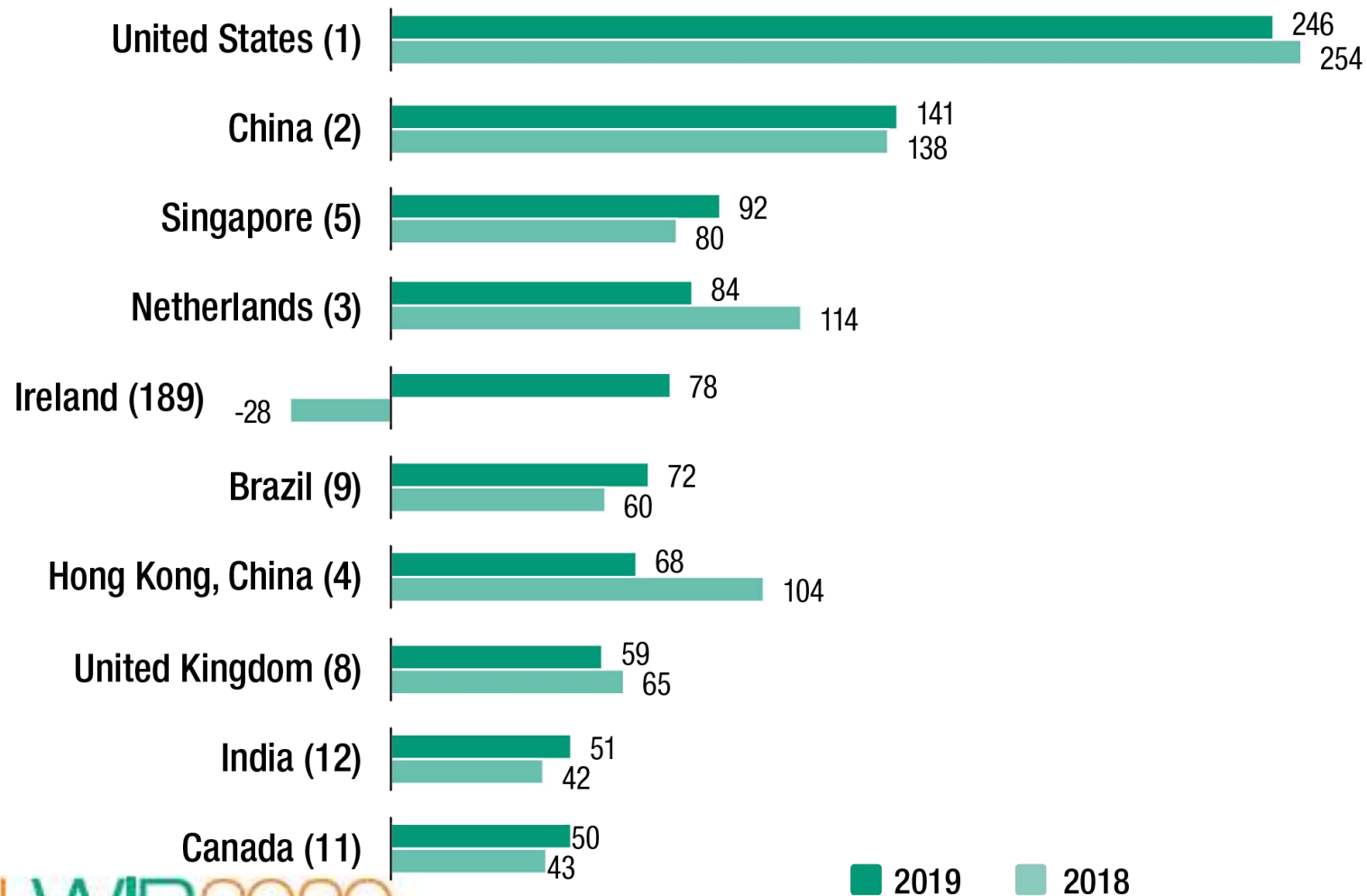
Impact of the pandemic on FDI: transmission mechanisms



Top FDI recipients: no big change in 2019, except in transshipment centres

FDI inflows, top 10 host economies, 2018 and 2019 (Billions of dollars)

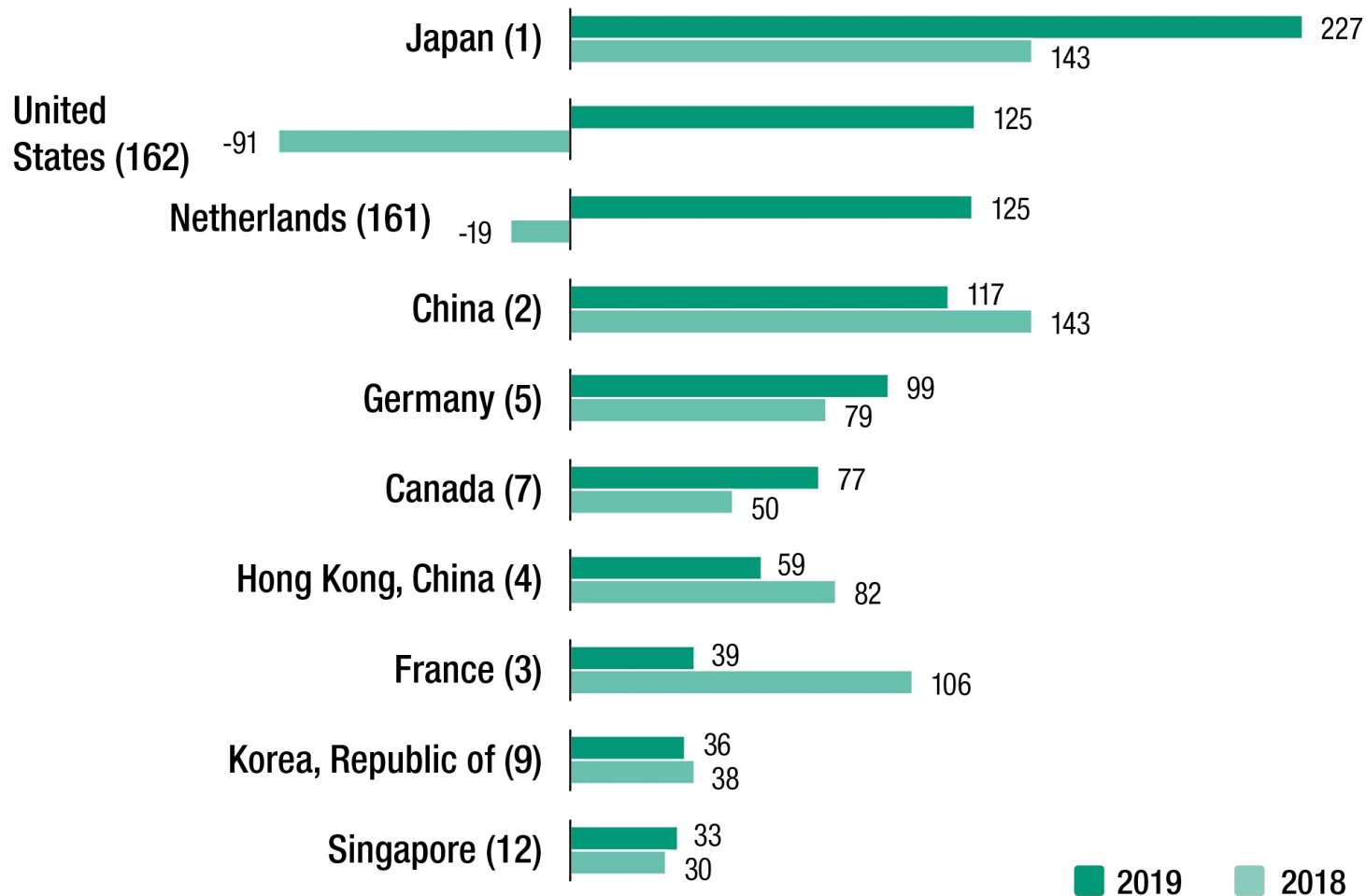
(x) = 2018 ranking



Investment by developed economy MNEs increased in 2019

FDI outflows, top 10 home economies, 2018 and 2019 (Billions of dollars)

(x) = 2018 ranking



■ 2019 ■ 2018

FDI flows to developing economies declined marginally

FDI flows, by region, 2017–2019 (Billions of dollars and per cent)

Region	FDI inflows			FDI outflows		
	2017	2018	2019	2017	2018	2019
World	1 700	1 495	1 540	1 601	986	1 314
Developed economies	950	761	800	1 095	534	917
Europe	570	364	429	539	419	475
North America	304	297	297	379	-41	202
Developing economies	701	699	685	467	415	373
Africa	42	51	45	12	8	5
Asia	502	499	474	417	407	328
East and South-East Asia	422	416	389	367	345	280
South Asia	52	52	57	11	12	12
West Asia	28	30	28	39	50	36
Latin America and the Caribbean	156	149	164	38	0.1	42
Oceania	1	1	1	0.1	-0.3	-1
Transition economies	50	35	55	38	38	24
Structurally weak, vulnerable and small economies^a	40	39	39	6	2	0.4
LDCs	21	22	21	2	1	-1
LLDCs	26	22	22	4	1	0.5
SIDS	4	4	4	0.3	0.3	1

In- and outflows of Hungary (\$ billion)



In- and outflows of Hungary (% of world)





CHAPTER III

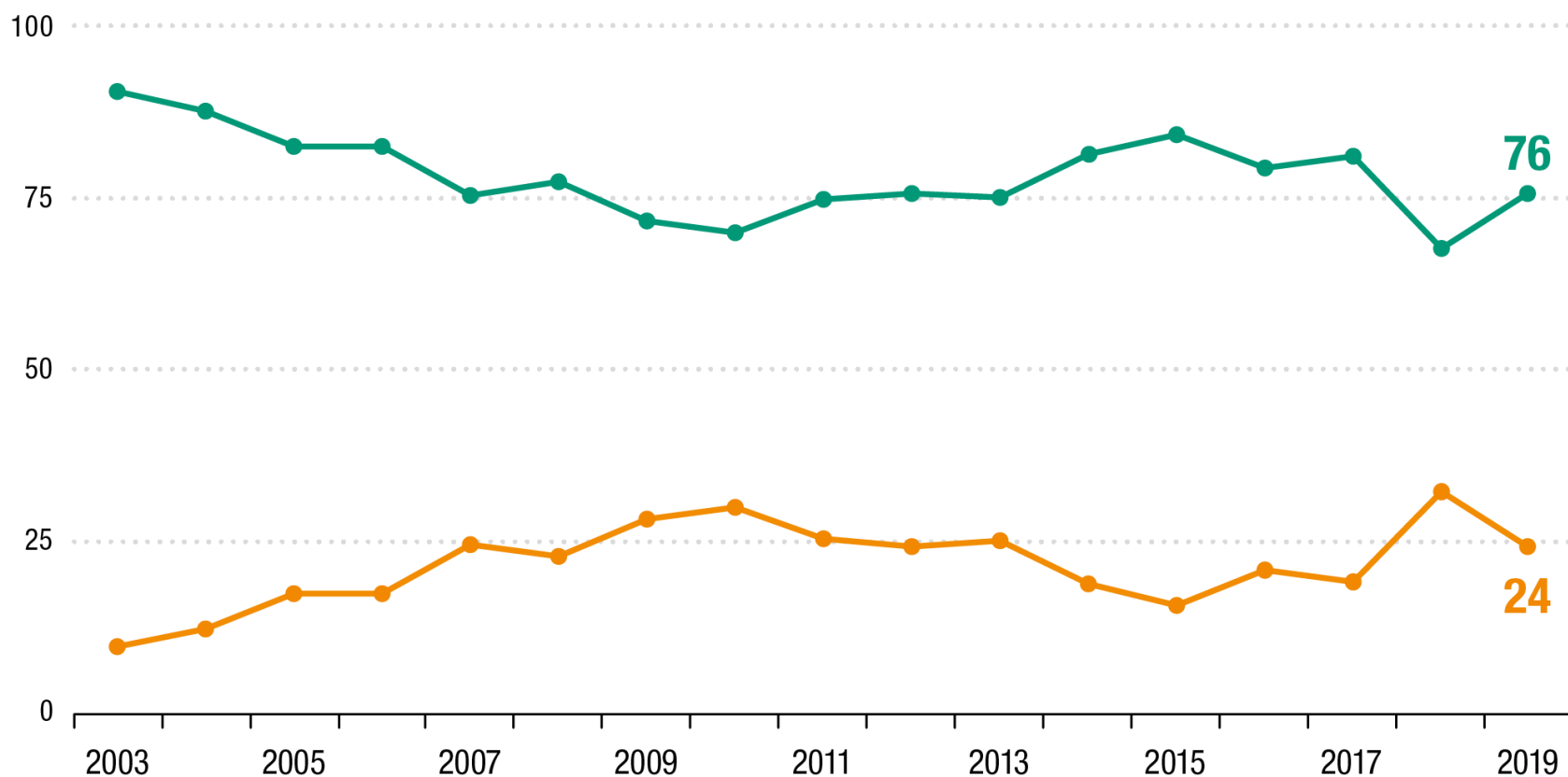
RECENT POLICY DEVELOPMENTS AND KEY ISSUES

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Tightening of FDI screening persists despite certain investment rules relaxation

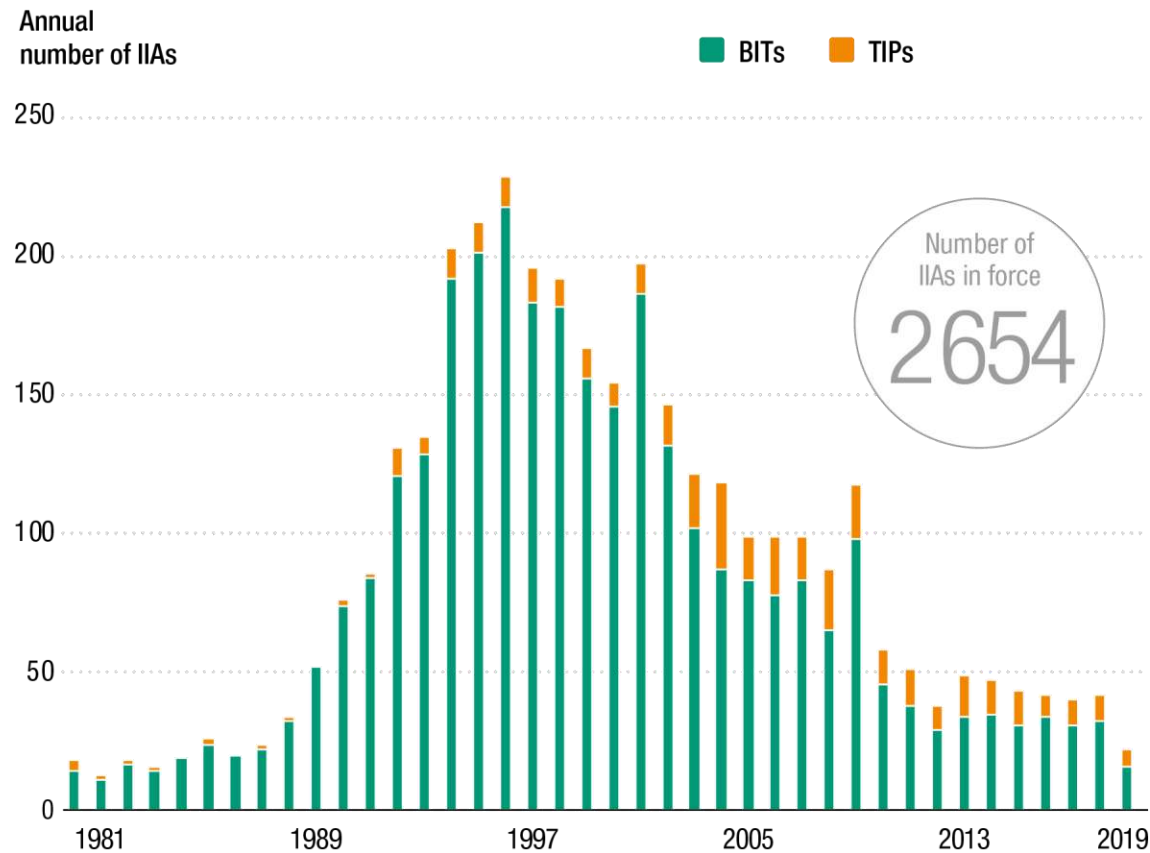
Changes in national investment policies, 2003–2019 (Per cent)

■ Liberalization/promotion ■ Restriction/regulation



IIA regime is down

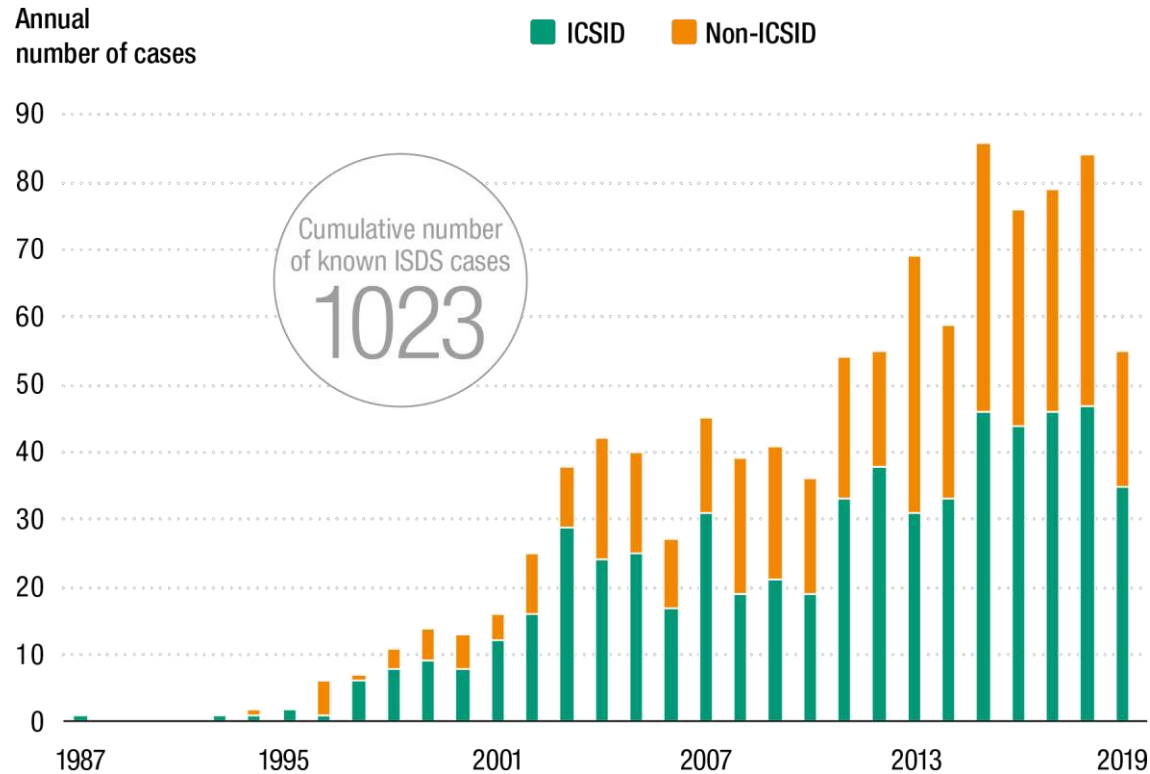
Number of IIAs signed, 1980–2019



Source: UNCTAD WIR 2020.

The number of new ISDS cases remains high

Trends in known treaty-based ISDS cases, 1987–2019



Source: UNCTAD WIR 2020.

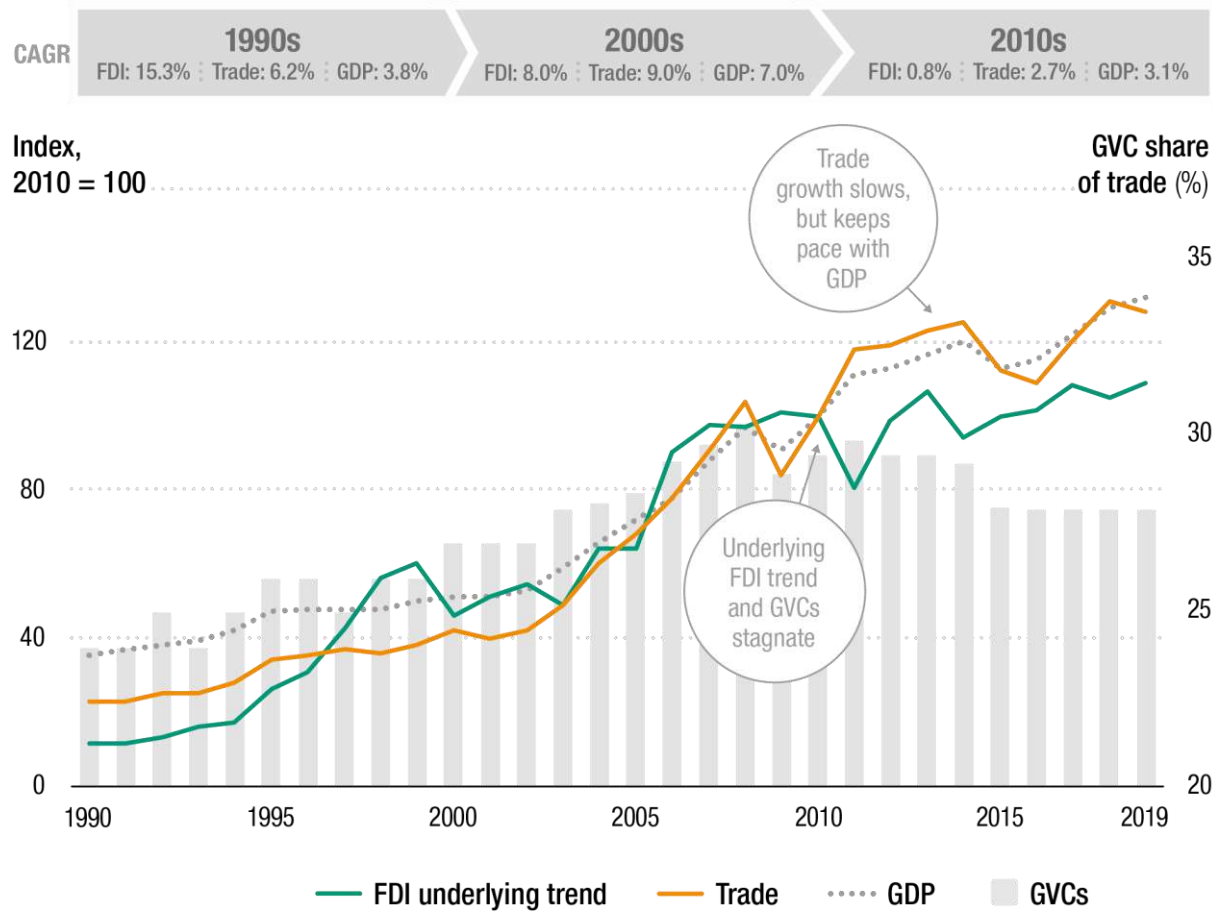


CHAPTER IV

INTERNATIONAL PRODUCTION: A DECADE OF TRANSFORMATION AHEAD

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Since the 1990s, international production has seen two decades of growth followed by one of stagnation



Source: UNCTAD WIR 2020.

Figure IV.3. Indicators of international production by tangibility, 2000–2019 (Indexed, 2000 = 100)

Index, 2000 = 100

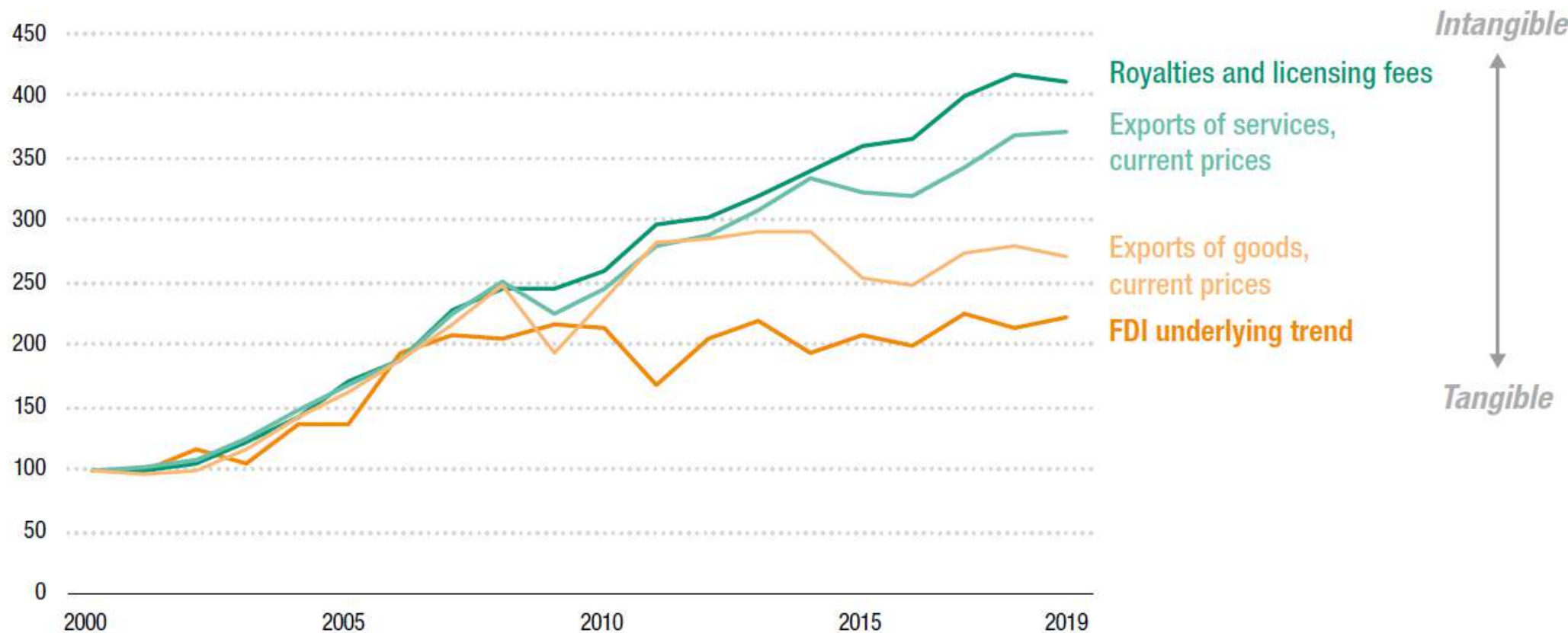
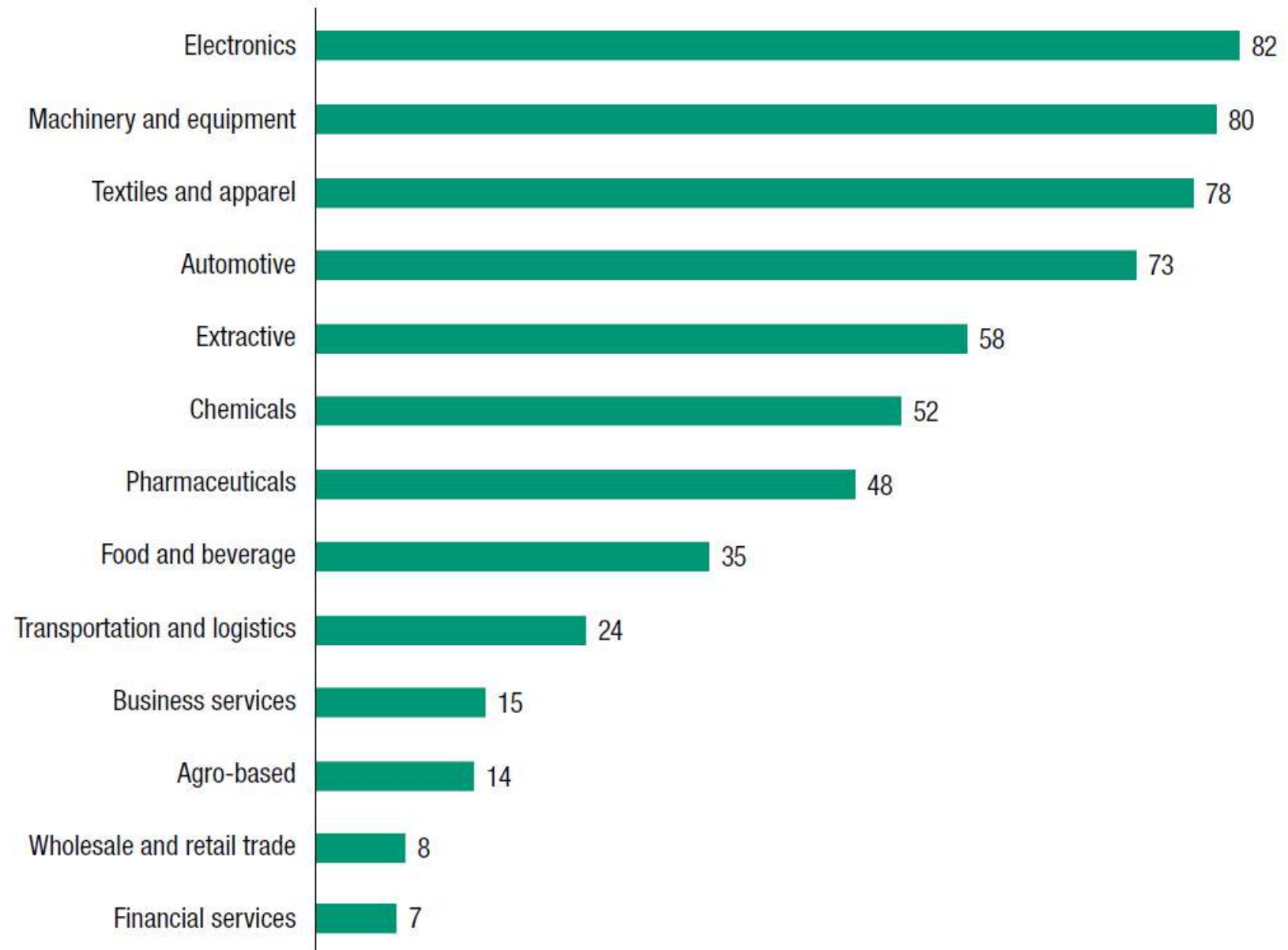


Figure IV.6.

Degree of internationalization of selected industries

(Gross exports as a share of output, per cent)

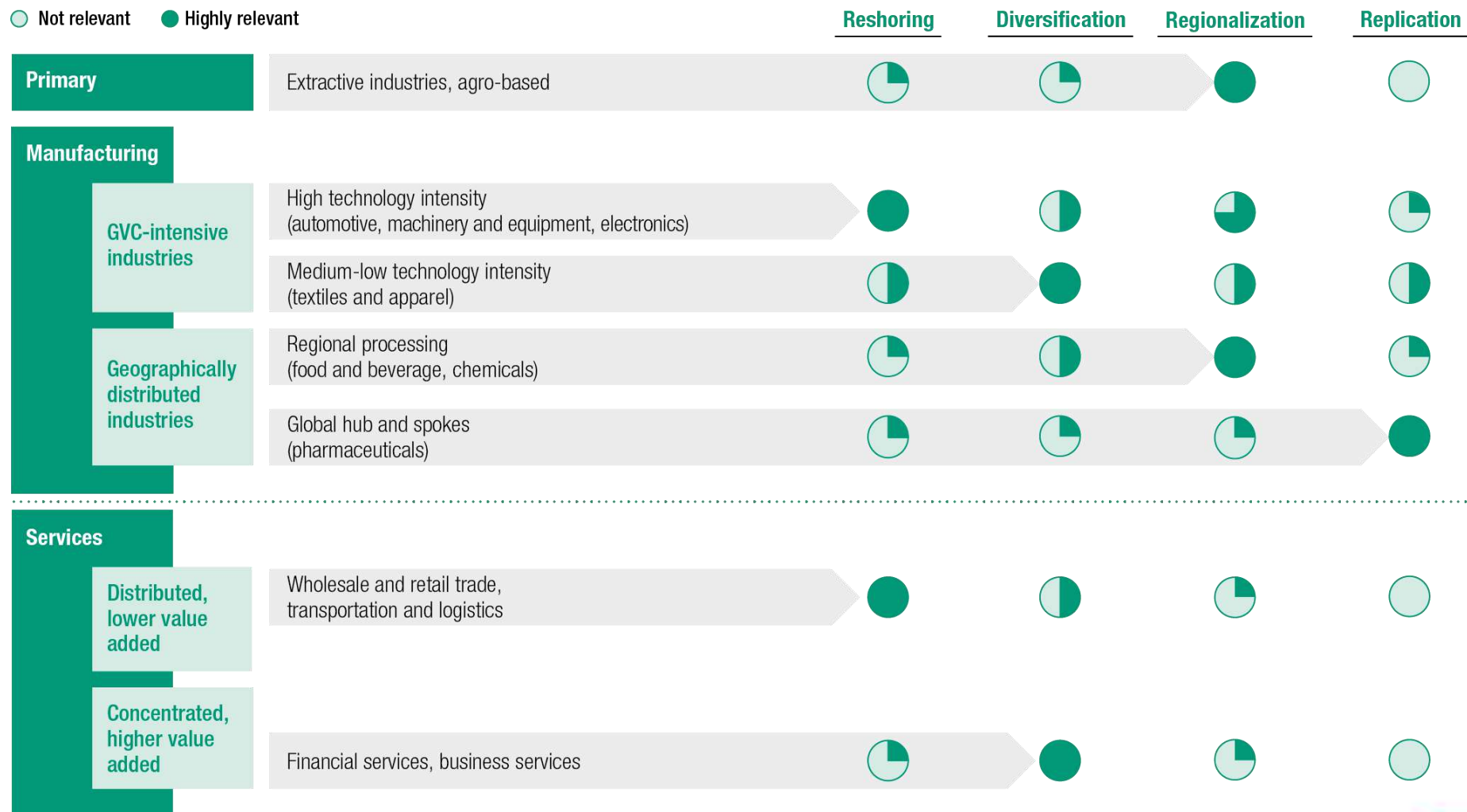


The pandemic arrived on top of three existing megatrends shaping international production

	Trends	Key elements
Technology/ New Industrial Revolution	<ul style="list-style-type: none"> • Advanced robotics and AI • Digitalization in the supply chain • Additive manufacturing (3D printing) 	<ul style="list-style-type: none"> • Industrial automation, AI-enabled systems (“white collar” robots) • Platforms, cloud, IoT, blockchain • Distributed manufacturing, mass customization, commodification of production
Policy and economic governance	<ul style="list-style-type: none"> • More interventionism in national policies • More protectionism in trade and investment • More regional, bilateral and ad hoc economic cooperation 	<ul style="list-style-type: none"> • Industrial policies, competition policy, fiscal policy • Tariffs and non-tariff measures, shielding of strategic/sensitive industries • Trade deals among select groups and on common-ground issues
Sustainability	<ul style="list-style-type: none"> • Sustainability policies and regulations • Market-driven changes in products and processes • Physical supply chain impacts 	<ul style="list-style-type: none"> • Major green plans (and varying implementation timelines), carbon border adjustments • Increased reputational risks and demand for sustainably produced goods and services • Supply chain resilience measures, changing sources of agricultural inputs

Four possible international production trajectories with varying relevance across industries and regions

○ Not relevant ● Highly relevant



The four trajectories have different implications for investment-development policy

Reshoring



- Possible shock of restructuring, including divestment, relocation; investment diversion
- Shrinking pool of efficiency-seeking FDI
- Need to re-industrialize or cope with (premature) de-industrialization
- Access to and upgrading along the GVC development ladder becomes more difficult

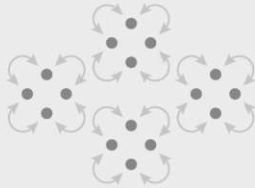
Diversification



- Broader opportunity to participate in GVCs, but loosely governed, platform-based and asset-light
- Acceleration of the shift to intangibles and services-based GVCs
- Concentration of value, value capture in host countries becomes more difficult
- Quality of hard and soft digital infrastructure drives GVC participation

The four trajectories have different implications for investment-development policy (concl'd)

Regionalization



- Shift from global efficiency-seeking investment to regional market-seeking investment
- Shift from investment in dispersed vertical GVC segments to investment in broader industrial bases and clusters
- Nearshoring replicates restructuring effects of reshoring (but softens others)
- Regional economic cooperation, industrial policy and investment promotion indispensable to build regional value chains

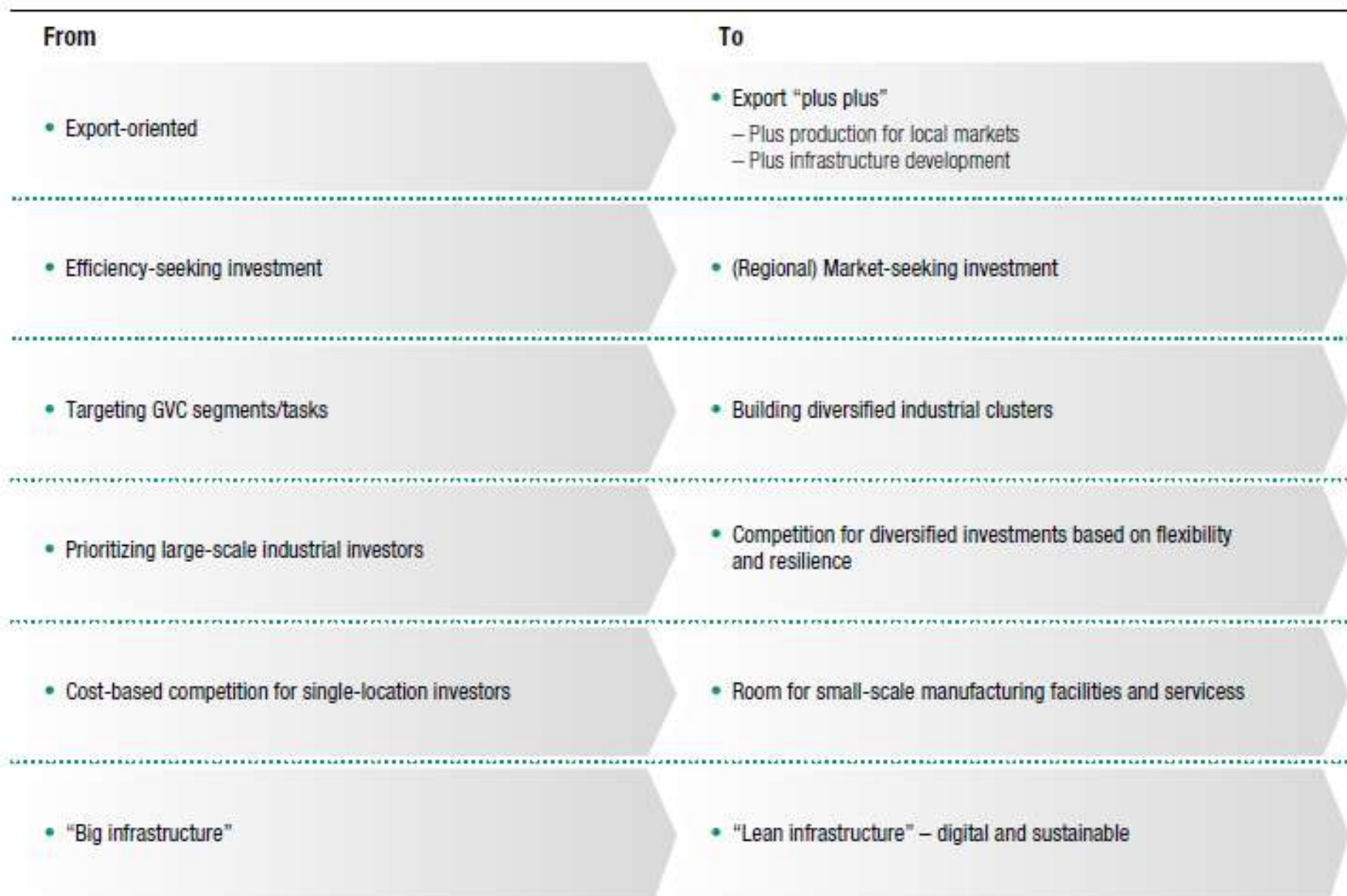
Replication



- Shift from investment in large-scale industrial activity to small-scale distributed manufacturing
- Local manufacturing base and producer services a prerequisite to attract final stages of GVCs
- Increased outsourcing to local producers and service providers, value capture and technology dissemination not guaranteed
- Greater need for cost-effective physical supporting infrastructure and quality digital infrastructure (hard and soft)

Source: UNCTAD WIR 2020.

Figure IV.15. | The transformation of international production and the investment-development path



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