



UNITED NATIONS  
UNCTAD

# WIR2019

World Investment Report

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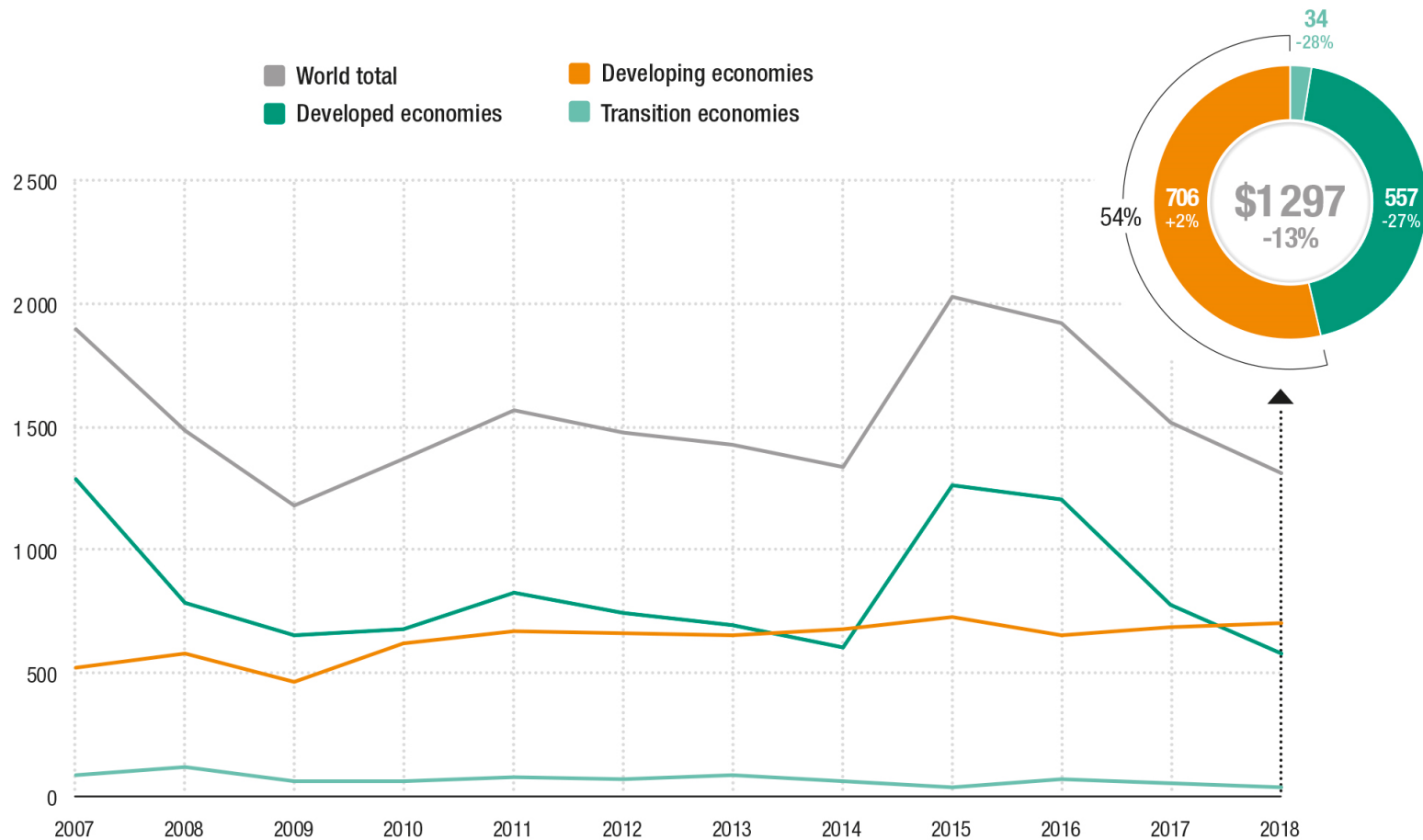


# GLOBAL INVESTMENT TRENDS (with SOME REGIONAL FLAVOR)

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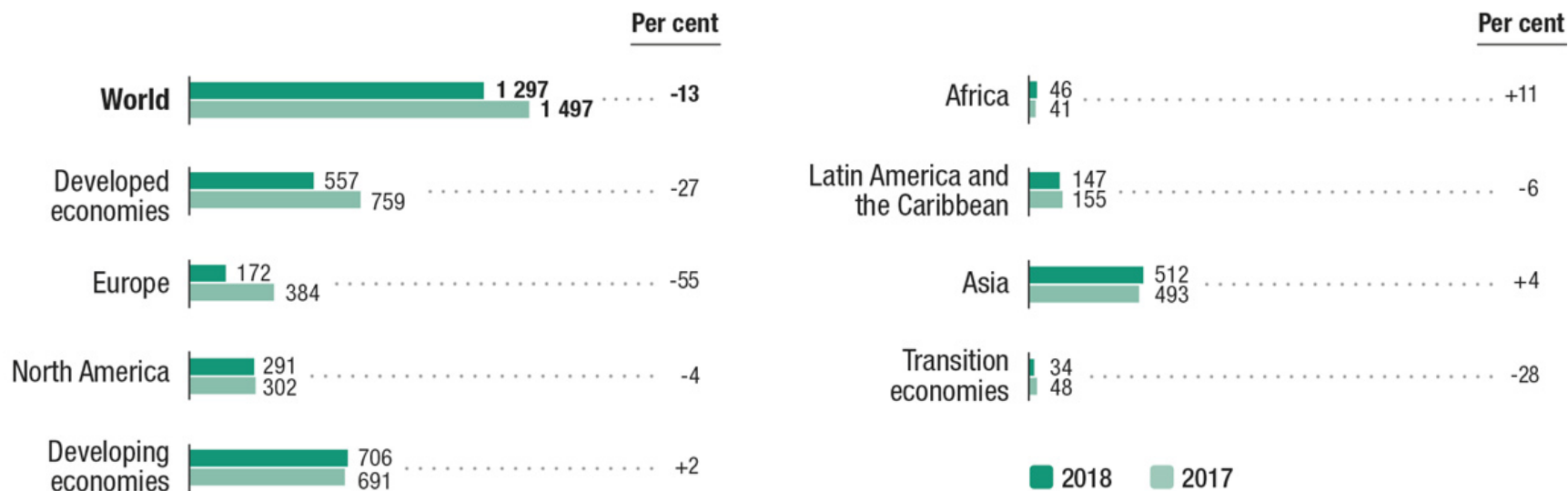
# Global FDI down 13% in 2018

FDI inflows, global and by economic group, 2007–2018  
(Billions of dollars and per cent)



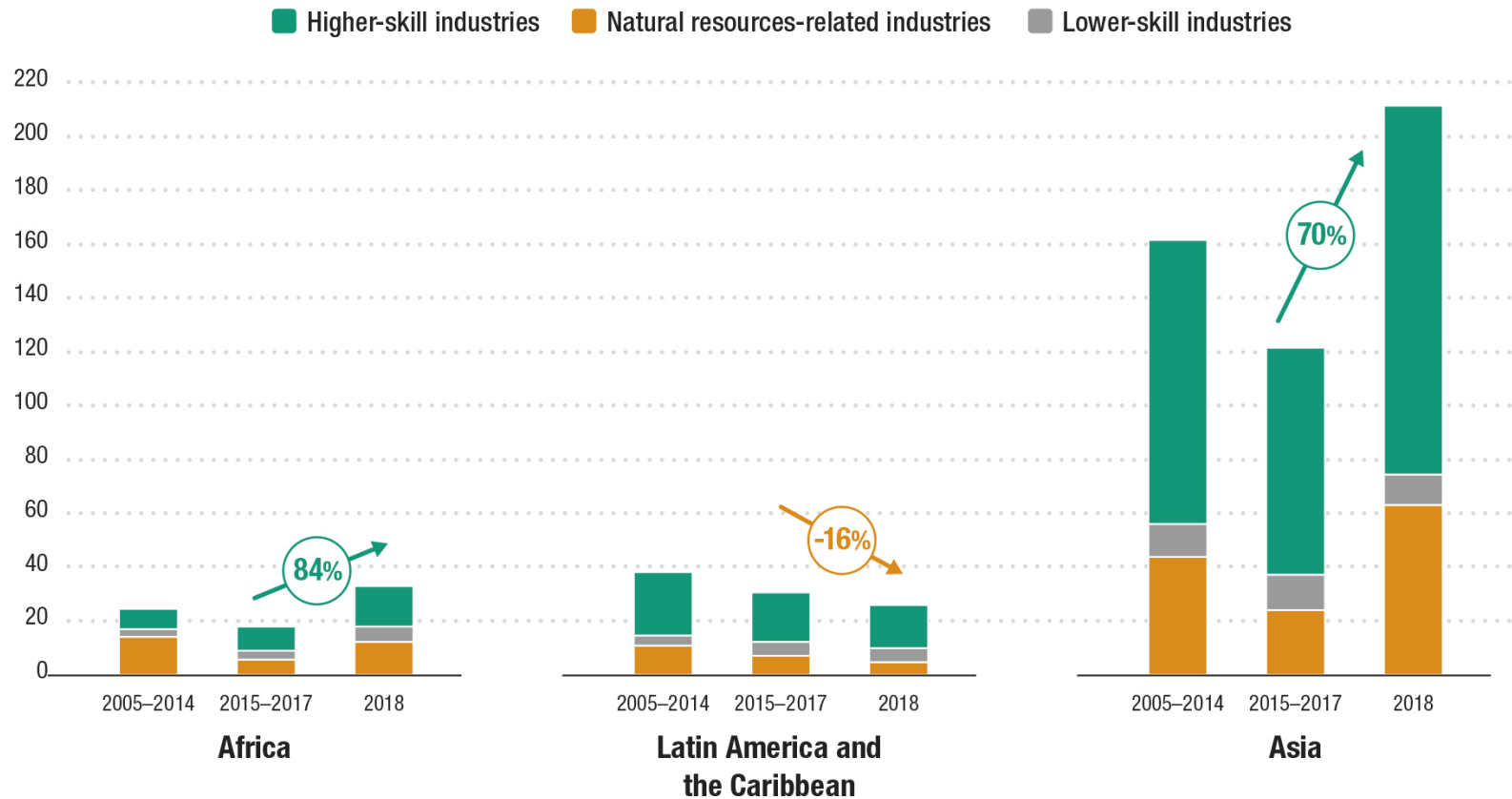
# FDI flows to developing economies remain steady

FDI inflows, by region, 2017–2018  
(Billions of dollars and per cent)



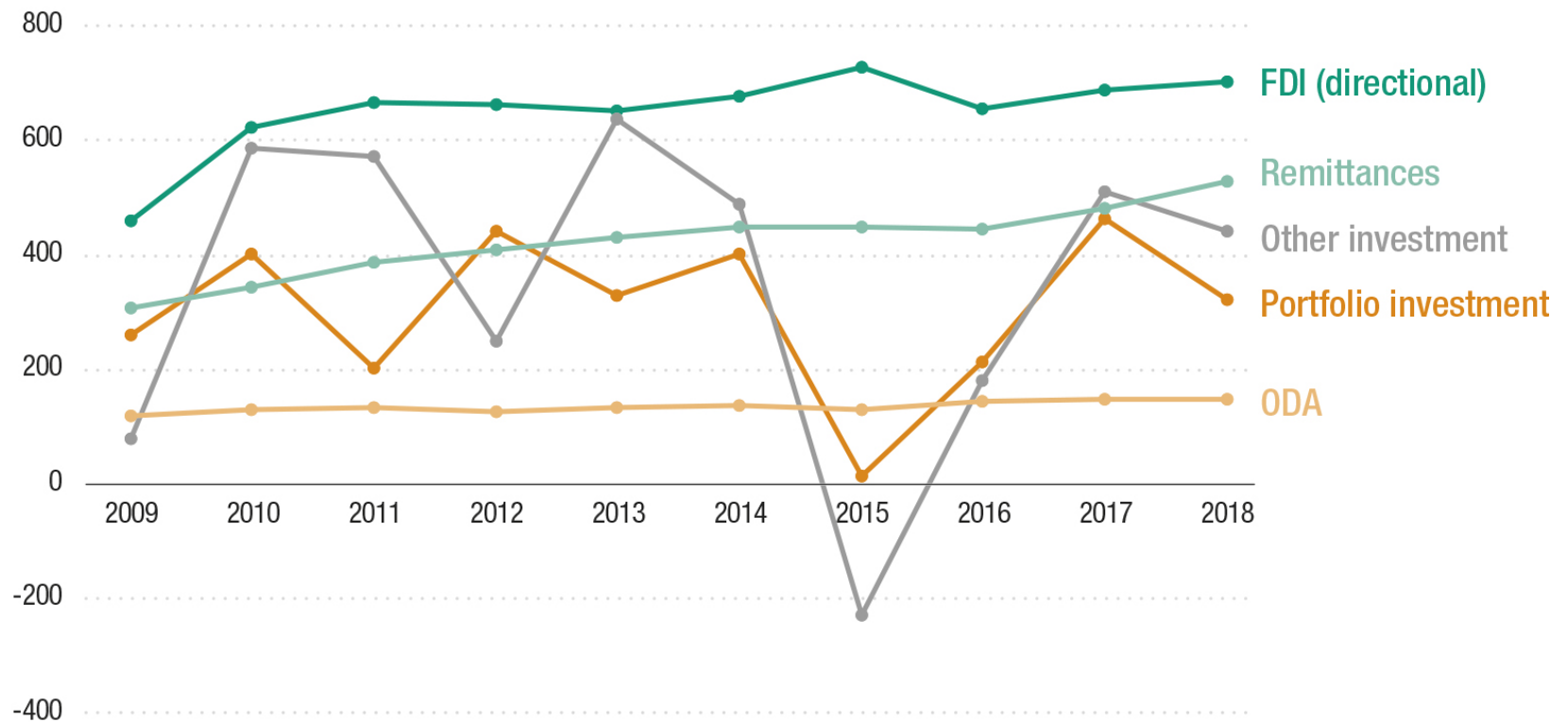
# Manufacturing investment rebounds, but concentrated in Asia

Average value of announced FDI greenfield projects in manufacturing, 2005–2018  
(Billions of dollars and per cent)



# FDI flows prove resilient as a source of external finance

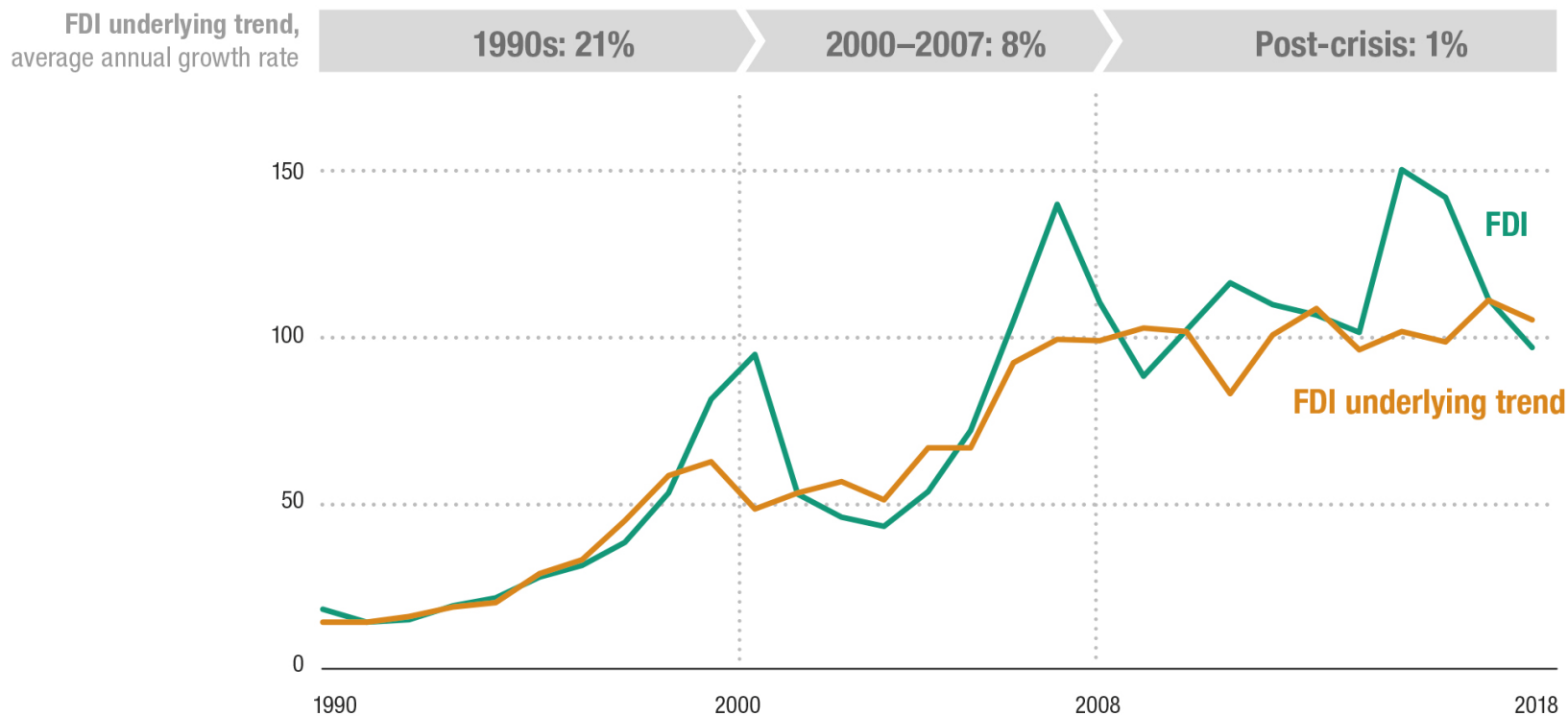
Developing economies: sources of external finance, 2009–2018  
(Billions of dollars)



# The underlying FDI trend anemic since 2008

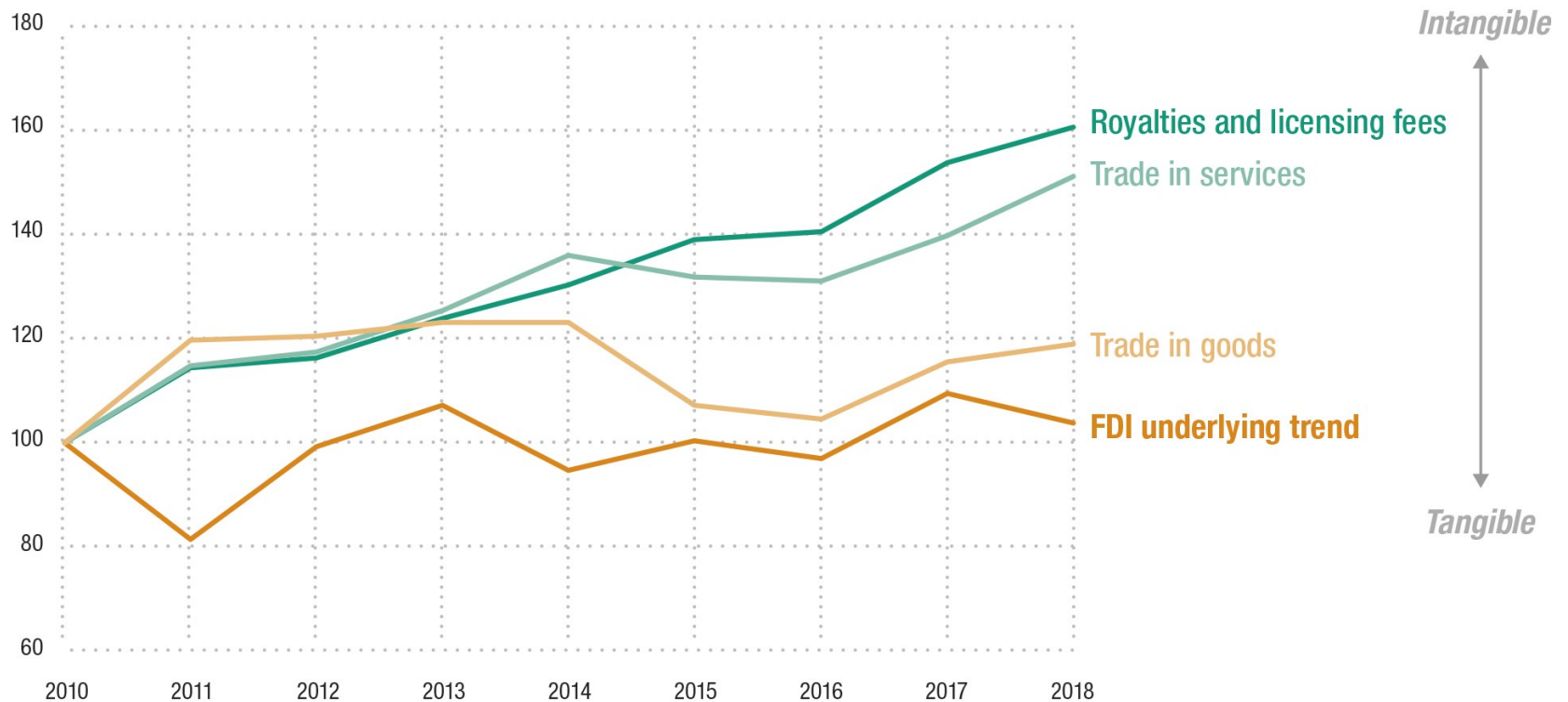
## FDI inflows and the underlying trend, 1990–2018

(Indexed, 2010 = 100)



# Asset-light forms of investment on the rise

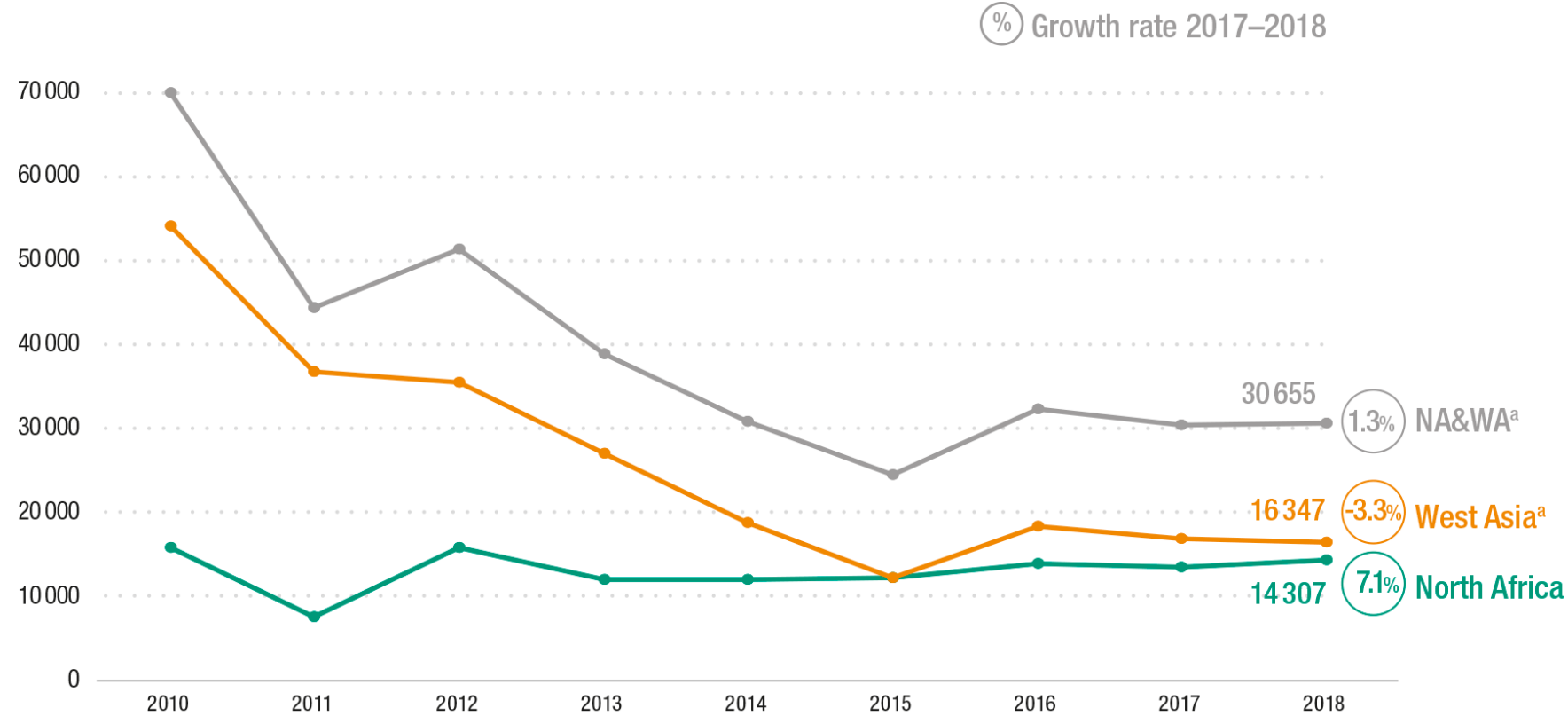
Indicators of international production, tangible and intangible, 2010–2018  
(Indexed, 2010 = 100)





# FDI inflows in North Africa and West Asia, 2010–2018

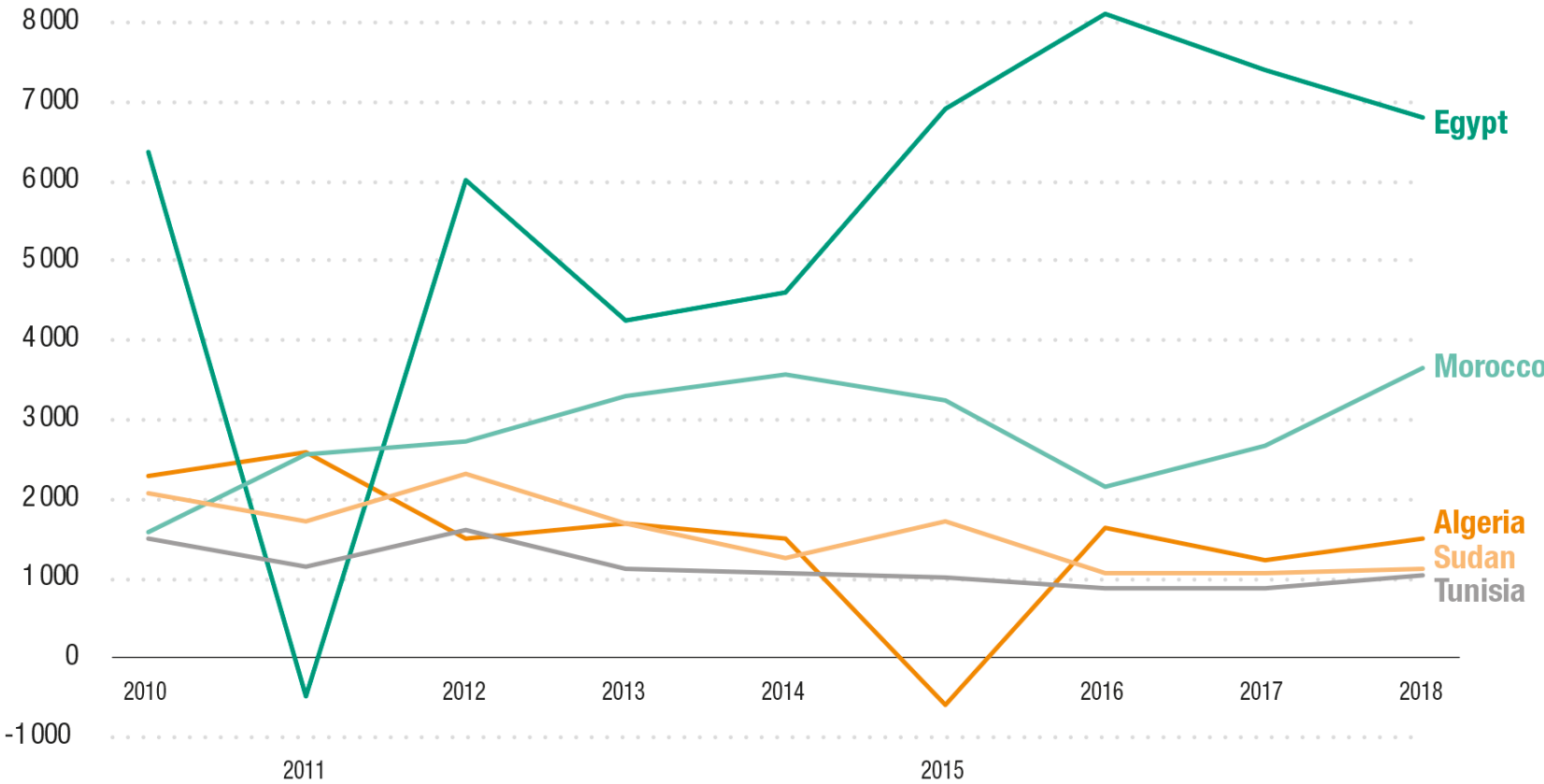
(Millions of dollars and per cent)



<sup>a</sup> West Asia without Turkey.

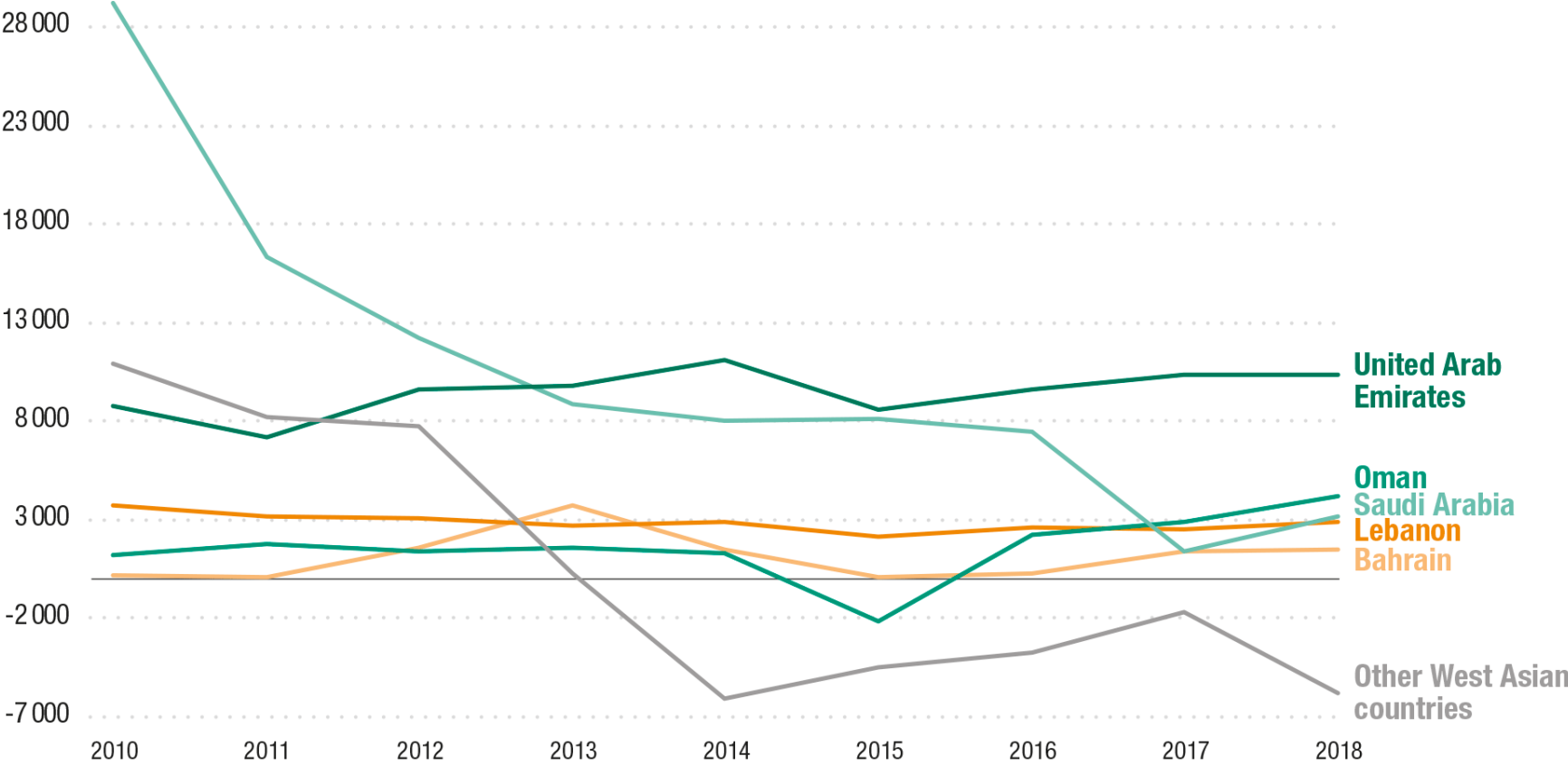
# FDI inflows in North Africa, by economy, 2010–2018

(Millions of dollars)



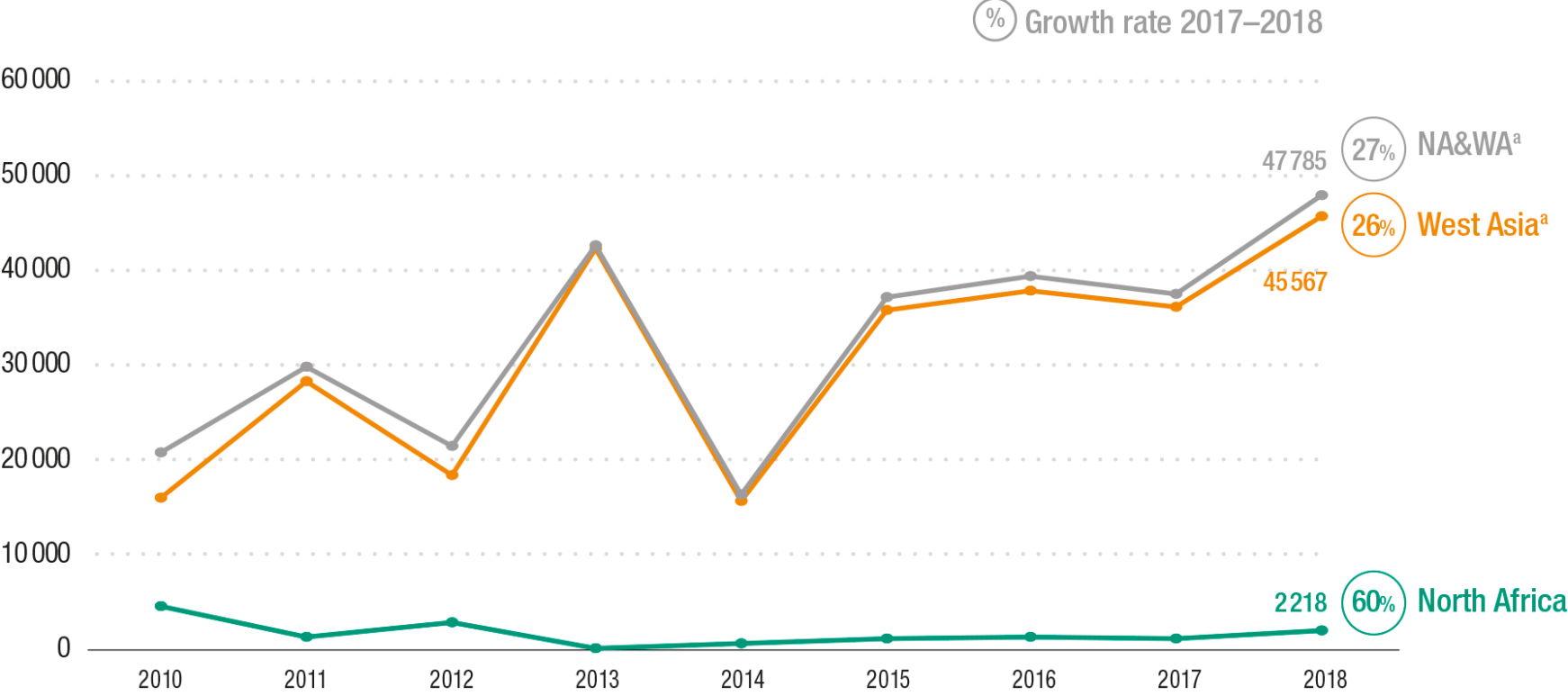
# FDI inflows in West Asia, by economy, 2010–2018

(Millions of dollars)



# FDI outflows from North Africa and West Asia, 2010–2018

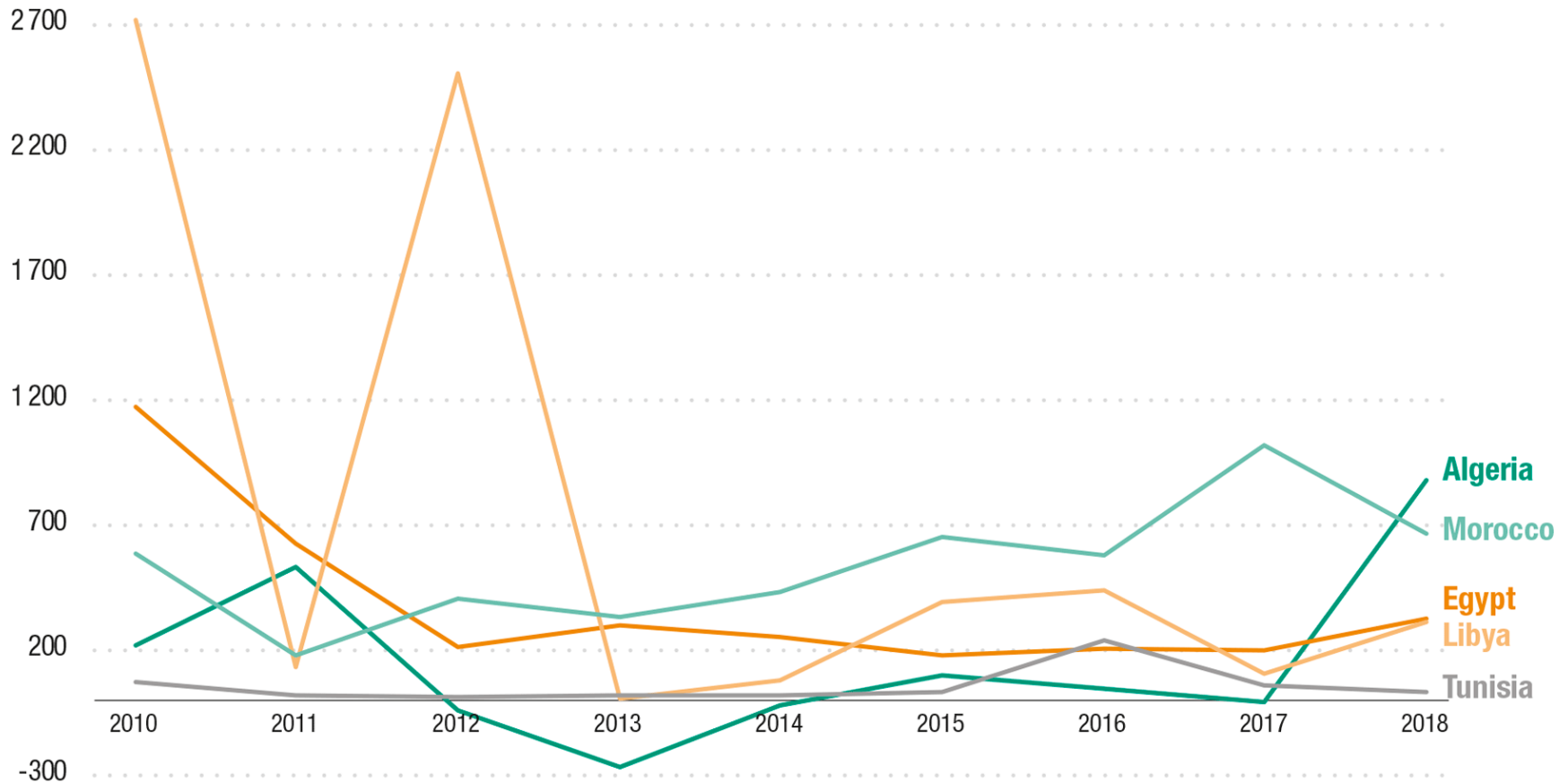
(Millions of dollars and per cent)



<sup>a</sup> West Asia without Turkey.

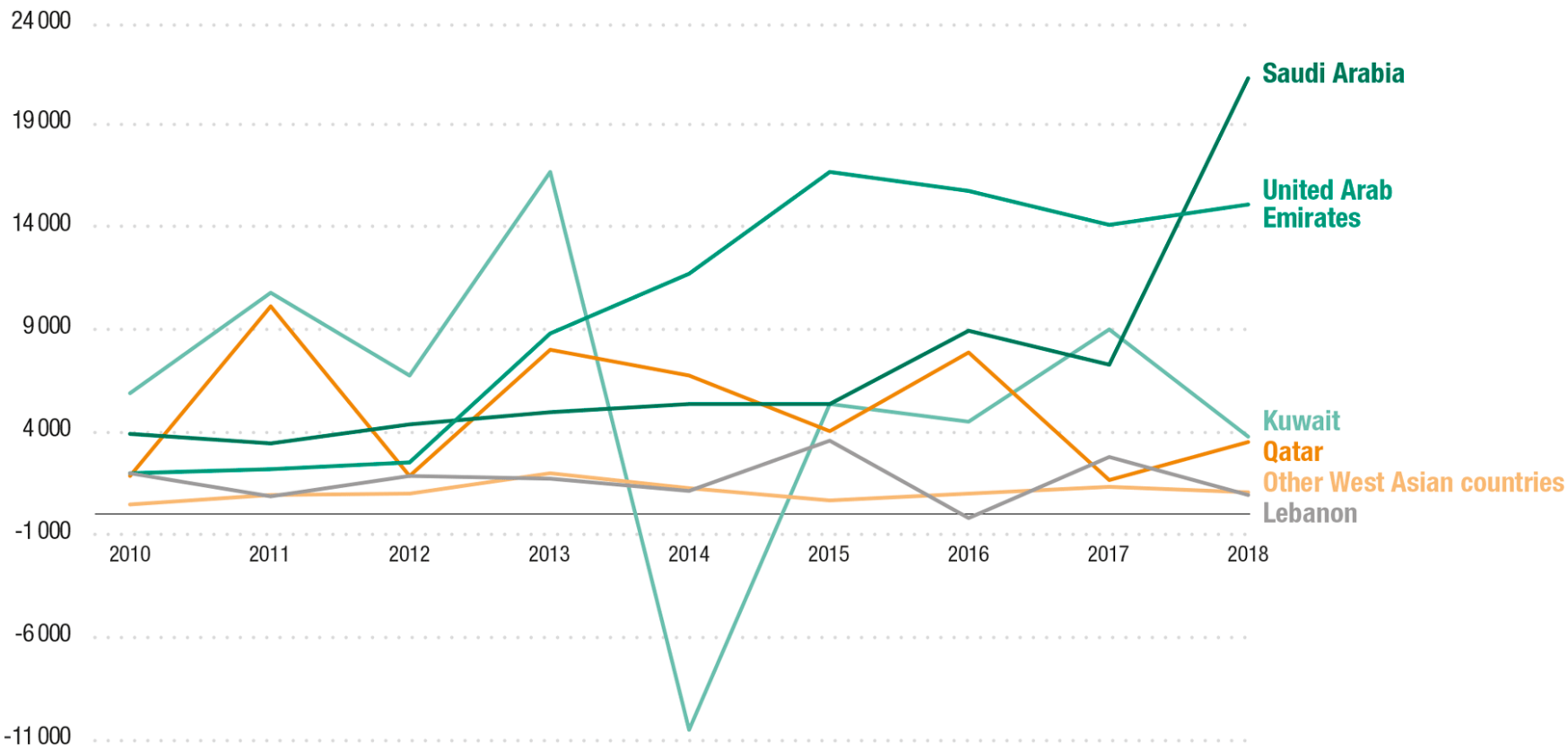
# FDI Outflows from North Africa, by economy, 2010–2018

(Millions of dollars)



# FDI outflows from West Asia, by economy, 2010–2018

(Millions of dollars)





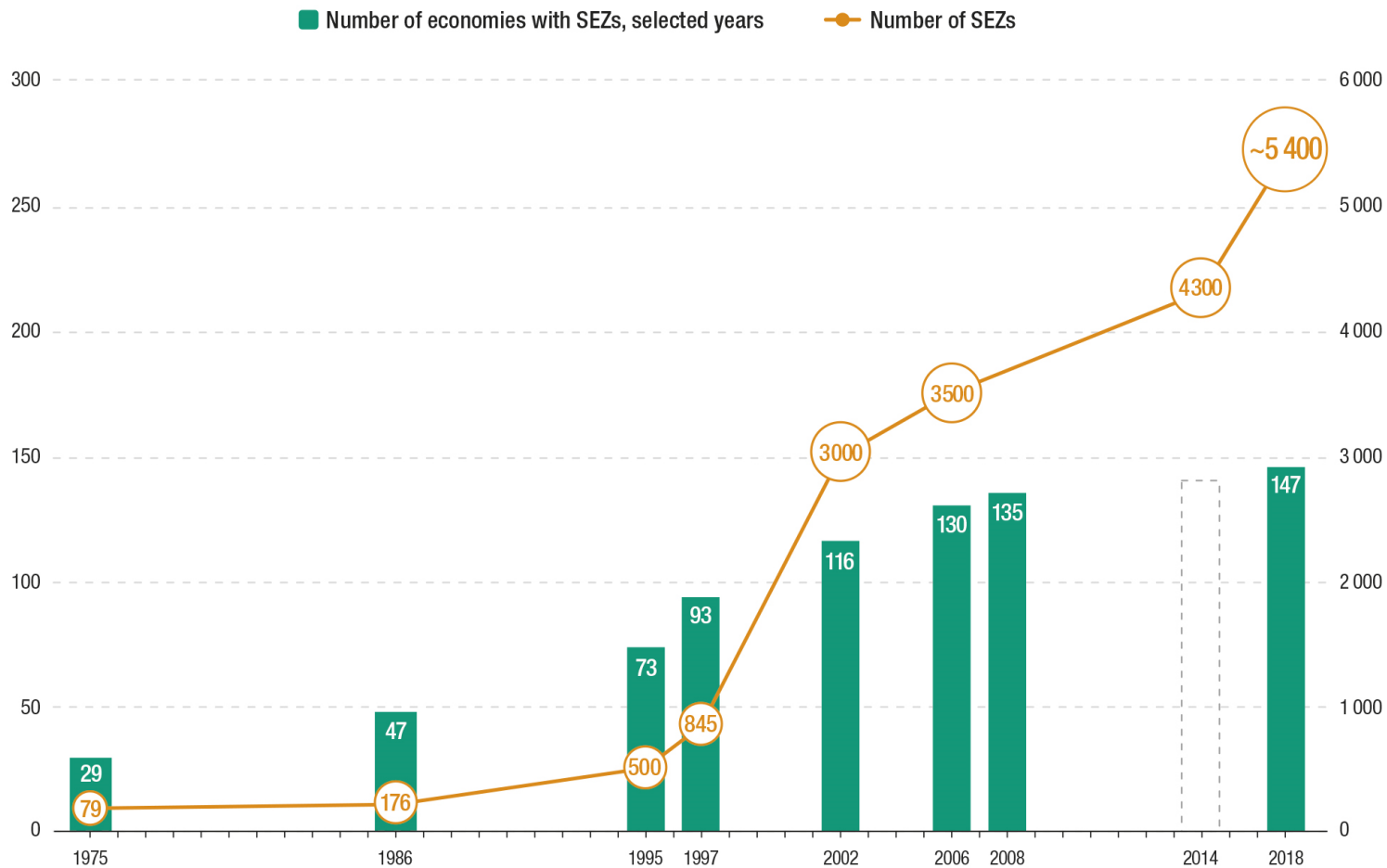
# SPECIAL ECONOMIC ZONES

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

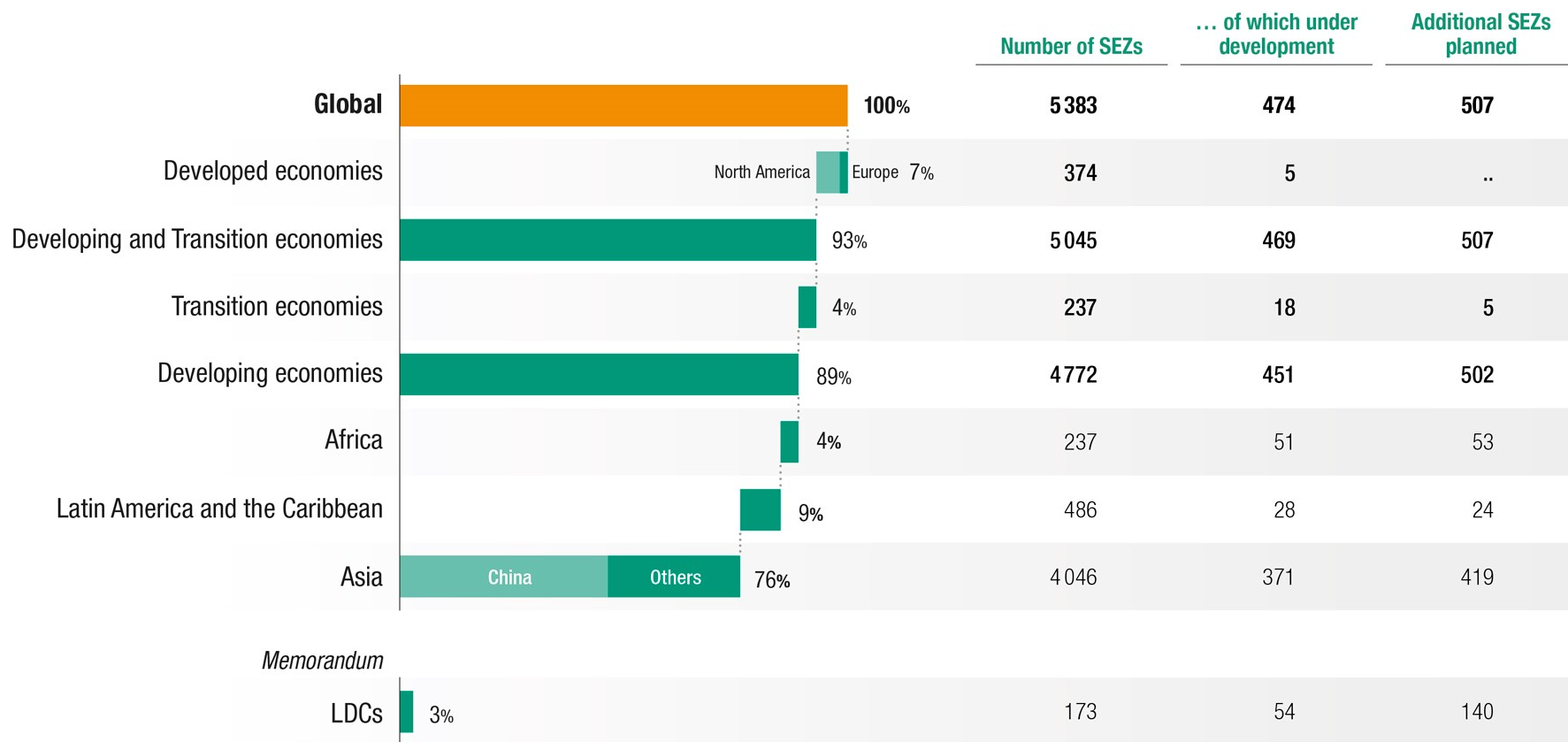
## Historical trend in SEZs

(Numbers of countries and SEZs)





# Particularly concentrated in developing economies



# Distribution of zone types by region or grouping (%)

	<u>Logistics hub</u>	<u>Multi-activity<sup>a</sup></u>	<u>Specialized</u>	<u>Innovation-driven</u>
<b>World</b>	<b>8</b>	<b>62</b>	<b>24</b>	<b>5</b>
Developed economies	91	9	1	0
Africa	1	89	10	0
Asia	2	65	26	7
China	1	93	1	6
Latin America and the Caribbean	9	77	13	1
Transition economies	3	34	59	5

Source: UNCTAD.

<sup>a</sup> Includes unspecified and unknown.

# Zone types follow an SEZ development ladder

## The SEZ development ladder

	Zone policy objectives	Prevalent zone types
<b>High-income economies</b>	<ul style="list-style-type: none"> <li>• Provide an efficient platform for complex cross-border supply chains</li> <li>• Focus on avoiding distortions in the economy</li> </ul>	<ul style="list-style-type: none"> <li>• Logistics hubs free zones only (not industrial free zones)</li> <li>• Innovation and new industrial revolution objectives pursued through science parks without separate regulatory framework, or though incentives not linked to zones</li> </ul>
<b>Upper-middle-income economies</b>	<ul style="list-style-type: none"> <li>• Support transition to services economy</li> <li>• Attract new high-tech industries</li> <li>• Focus on upgrading innovation capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Technology-based zones (e.g. R&amp;D, high-tech, biotech)</li> <li>• Specialized zones aimed at high value added industries or value chain segments</li> <li>• Services zones (e.g. financial services)</li> </ul>
<b>Middle-income economies</b>	<ul style="list-style-type: none"> <li>• Support industrial upgrading</li> <li>• Promote GVC integration and upgrading</li> <li>• Focus on technology dissemination and spillovers</li> </ul>	<ul style="list-style-type: none"> <li>• Specialized zones focused on GVC-intense industries (e.g. automotive, electronics)</li> <li>• Services zones (e.g. business process outsourcing, call centres)</li> </ul>
<b>Low-income economies</b>	<ul style="list-style-type: none"> <li>• Stimulate industrial development and diversification</li> <li>• Offset weaknesses in investment climate</li> <li>• Implement or pilot business reforms in a limited area</li> <li>• Concentrate investment in infrastructure in a limited area</li> <li>• Focus on direct employment and export benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-activity zones</li> <li>• Resource-based zones aimed at attracting processing industries</li> </ul>

Source: UNCTAD.

Source: UNCTAD WIR 2019.

# Emerging challenges and possible policy responses

Policies/standards	Sustainable development imperative	New industrial revolution and the digital economy	Changing patterns of international production
<b>Strategic reorientation</b>	<ul style="list-style-type: none"> <li>Integrate sustainable development indicators in SEZ programme design</li> <li>Explore new SEZ models focused on incubating business activities that promote sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Modernize SEZ service provision by integrating digital technologies</li> <li>Promote investment in business activities of digital firms</li> <li>Partner with global platform providers to enhance SEZ competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Focus specialized SEZs on services and manufacturing activities in line with global industrial restructuring</li> <li>Link SEZ development to regional integration, including through new international cooperation models</li> </ul>
<b>Regulatory reform</b>	<ul style="list-style-type: none"> <li>Establish, monitor and enforce ESG performance indicators for SEZ investors</li> <li>Promote global standards in SEZs</li> </ul>	<ul style="list-style-type: none"> <li>Consider the interaction between the policy framework for SEZs and the national regulatory regime for the digital economy</li> </ul>	<ul style="list-style-type: none"> <li>Adapt facilitation and regulations to new forms of investment (non-equity modes of international production)</li> <li>Anticipate shifts in international rules and trade preferences, and regional integration efforts</li> </ul>
<b>Repackaging of the value proposition</b>	<ul style="list-style-type: none"> <li>Provide supporting services and training programmes in ESG factors</li> <li>Reorient incentive schemes towards sustainable development contributions</li> </ul>	<ul style="list-style-type: none"> <li>Provide adequate digital infrastructure within zones</li> <li>Facilitate digital start-ups through focused clustering and linkages programmes</li> <li>Adjust HRD programmes to include digital skills</li> </ul>	<ul style="list-style-type: none"> <li>Incentivize upgrading and diversify exports</li> <li>Strengthen entrepreneurship policies and mobilize dynamic local entrepreneurs to catalyze FDI in SEZs</li> <li>Provide on demand or shared manufacturing, design or testing spaces or services</li> </ul>

Source: UNCTAD.

# WIR2019

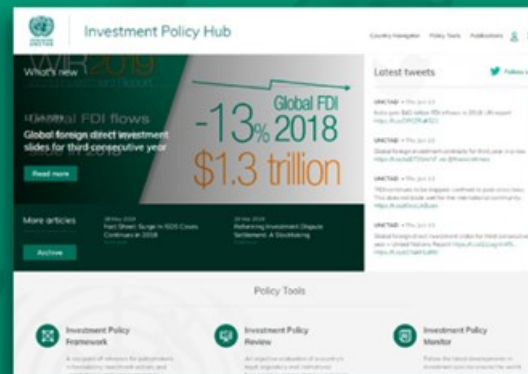
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# THANKS!



[worldinvestmentreport.unctad.org](http://worldinvestmentreport.unctad.org)



[investmentpolicy.unctad.org](http://investmentpolicy.unctad.org)



Check out special issue of the *Transnational Corporations Journal* on SEZs. For queries and submissions to the *TNC Journal*: [tncj@unctad.org](mailto:tncj@unctad.org)

# BACKUP

A faint, light-colored world map is visible in the background, centered on the Atlantic Ocean. The map shows the outlines of continents and major landmasses.

BACKUP 1

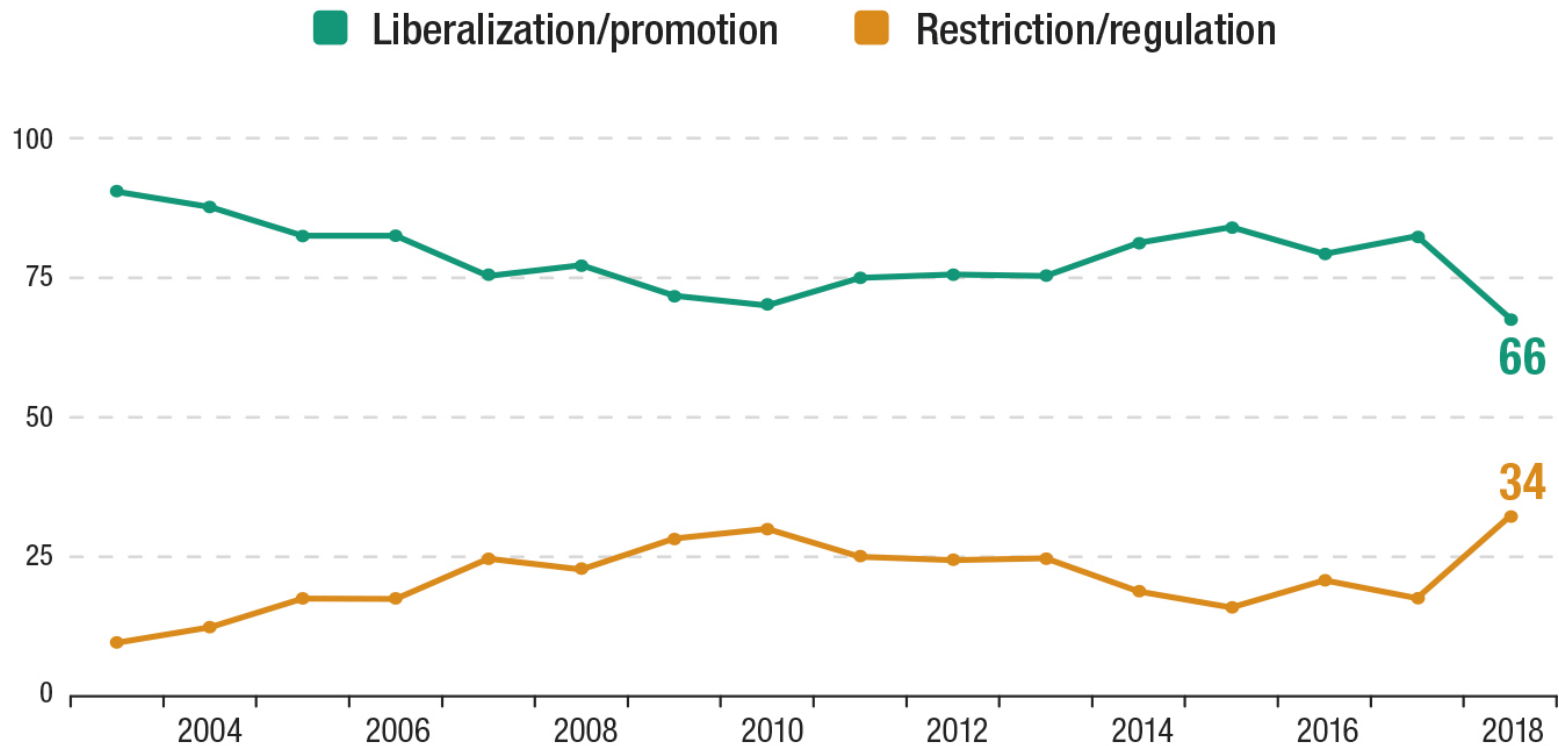
# RECENT POLICY DEVELOPMENTS AND KEY ISSUES

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# Stance towards foreign investment turning more critical

Changes in national investment policies, 2003–2018

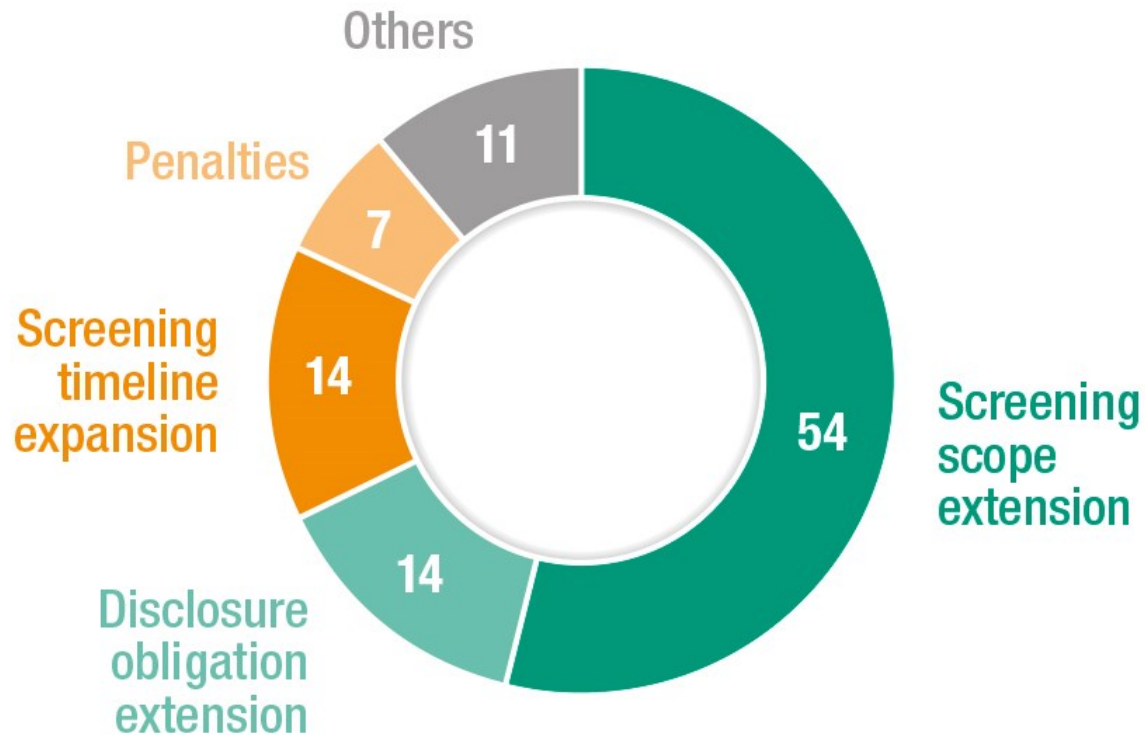
(Per cent)





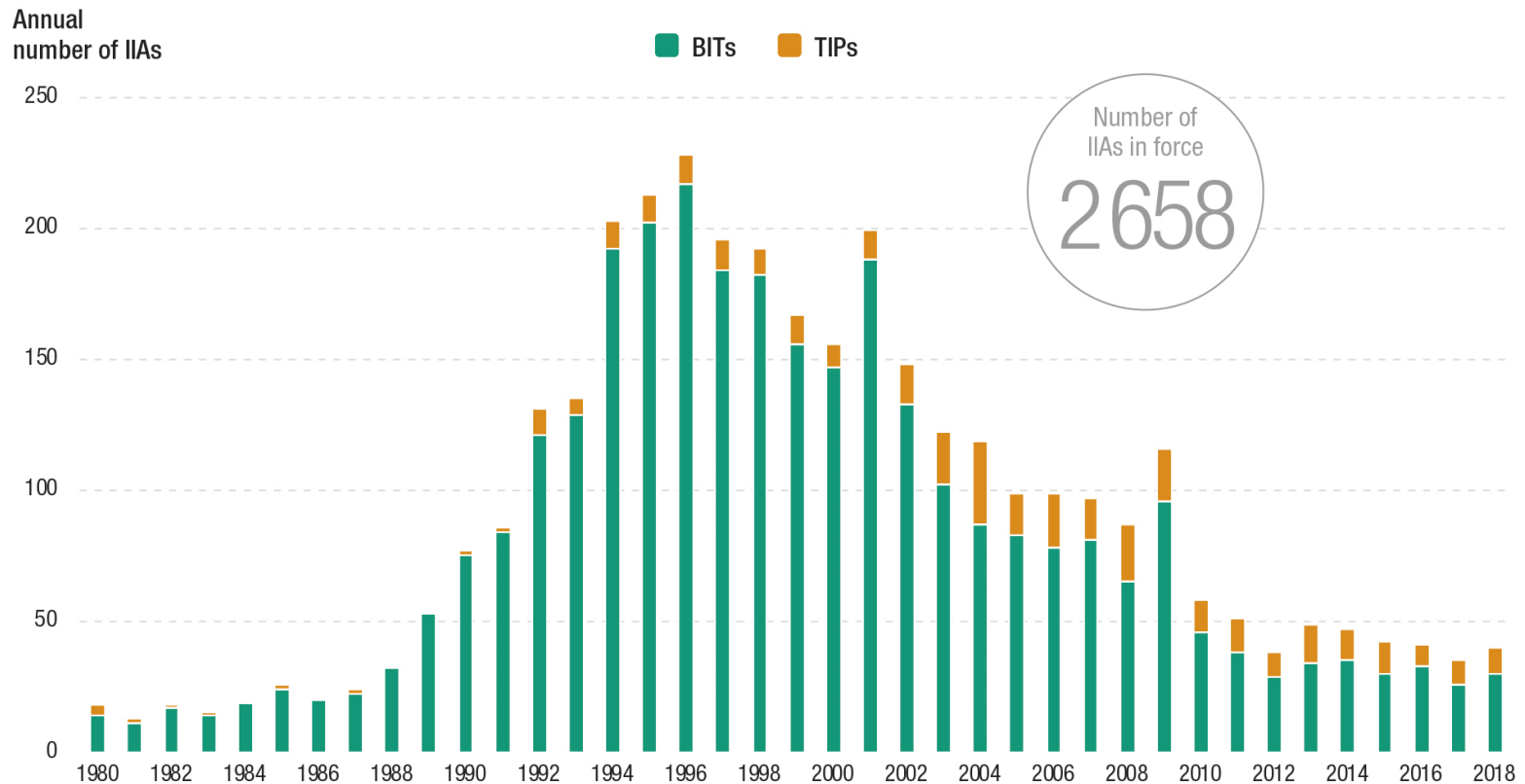
# Screening mechanisms gaining importance

New FDI screening policies by category, 2011–March 2019  
(Per cent)



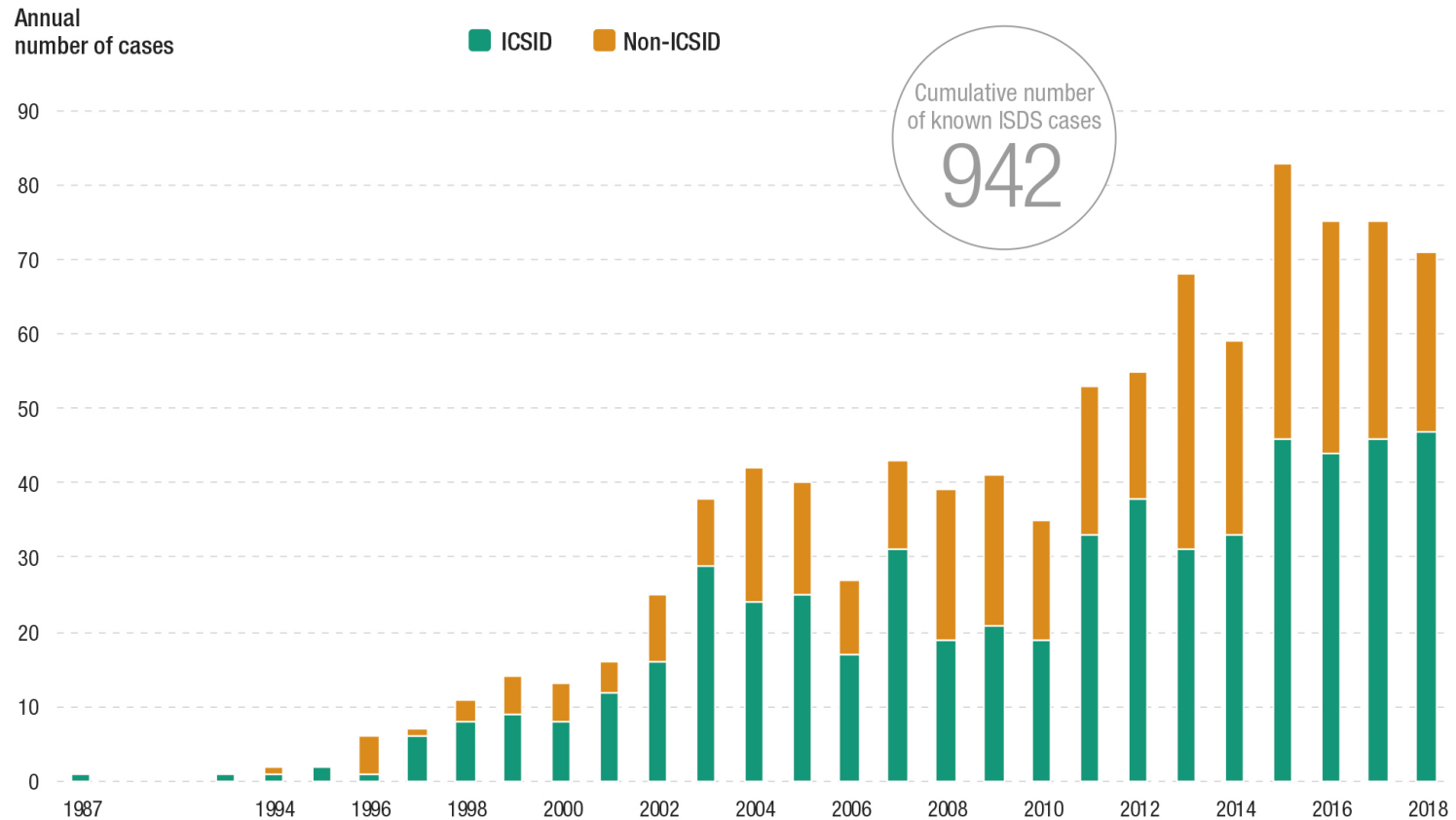
# International investment policymaking in a dynamic phase

Number of IIAs signed, 1980–2018



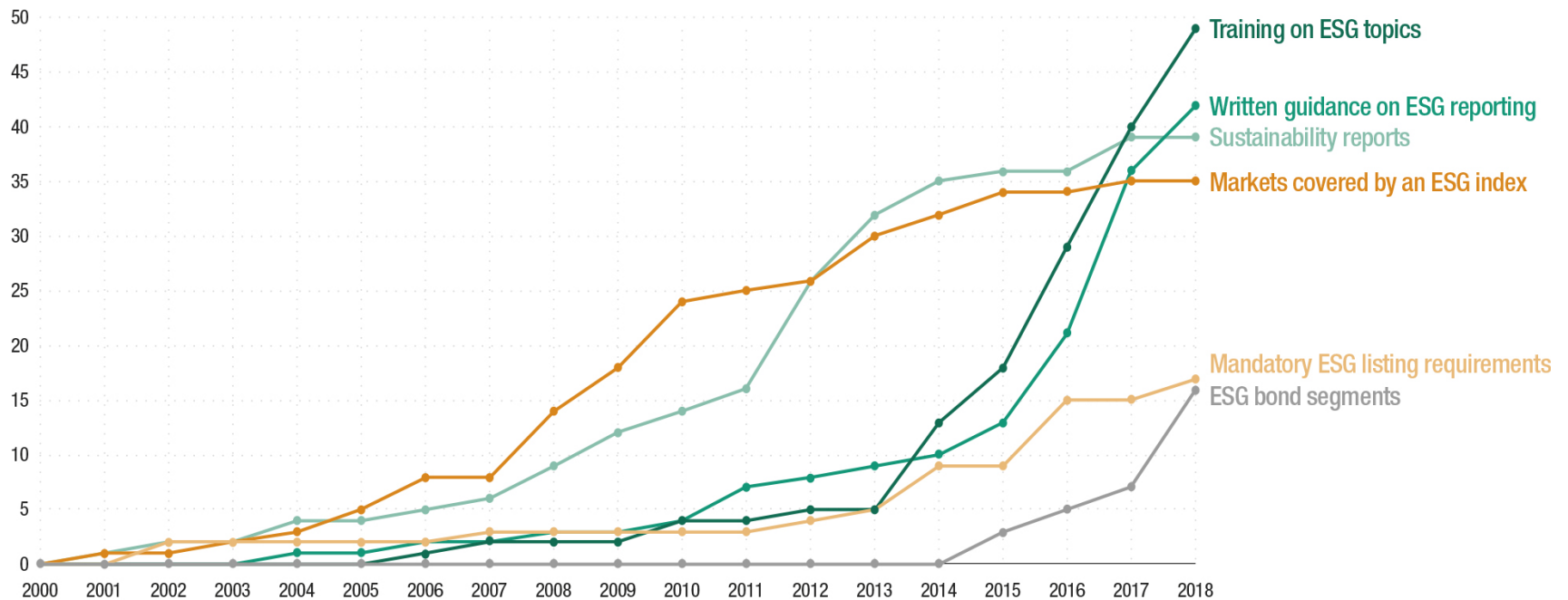
# Investors continue to resort to old-generation treaties

Trends in known treaty-based ISDS cases, 1987–2018



# Capital market policies to promote sustainability transitioning to mainstream

Stock exchange sustainability mechanisms offered  
(Number of exchanges)





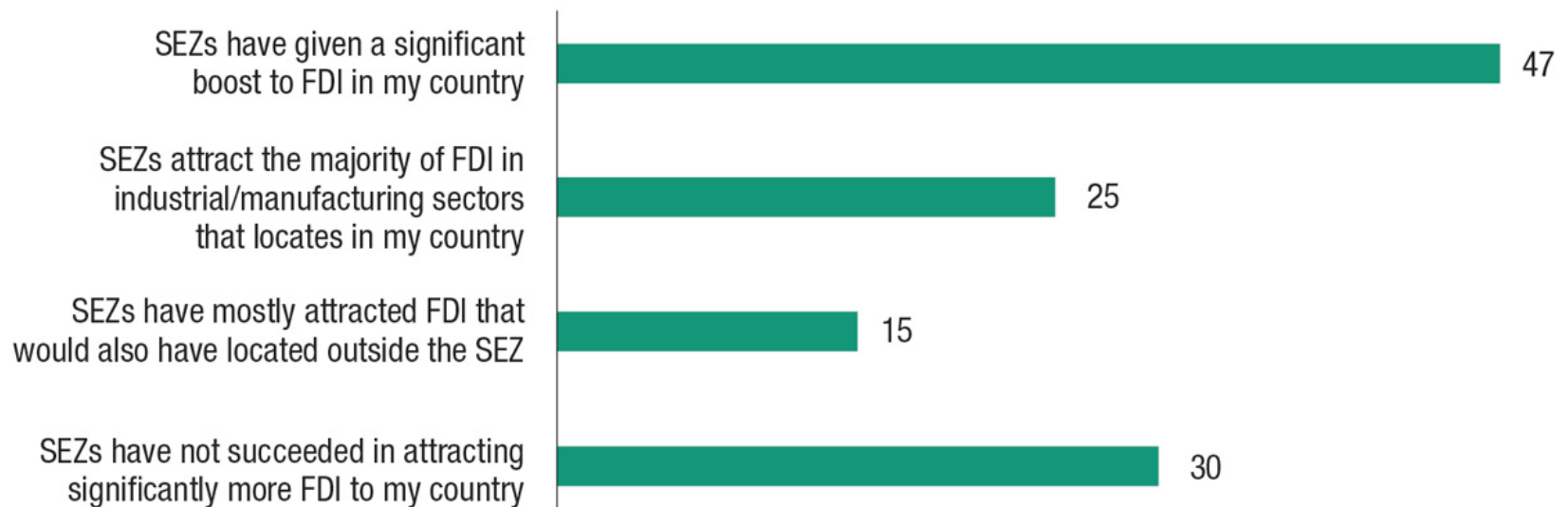
BACKUP 2

# MORE ON SEZs

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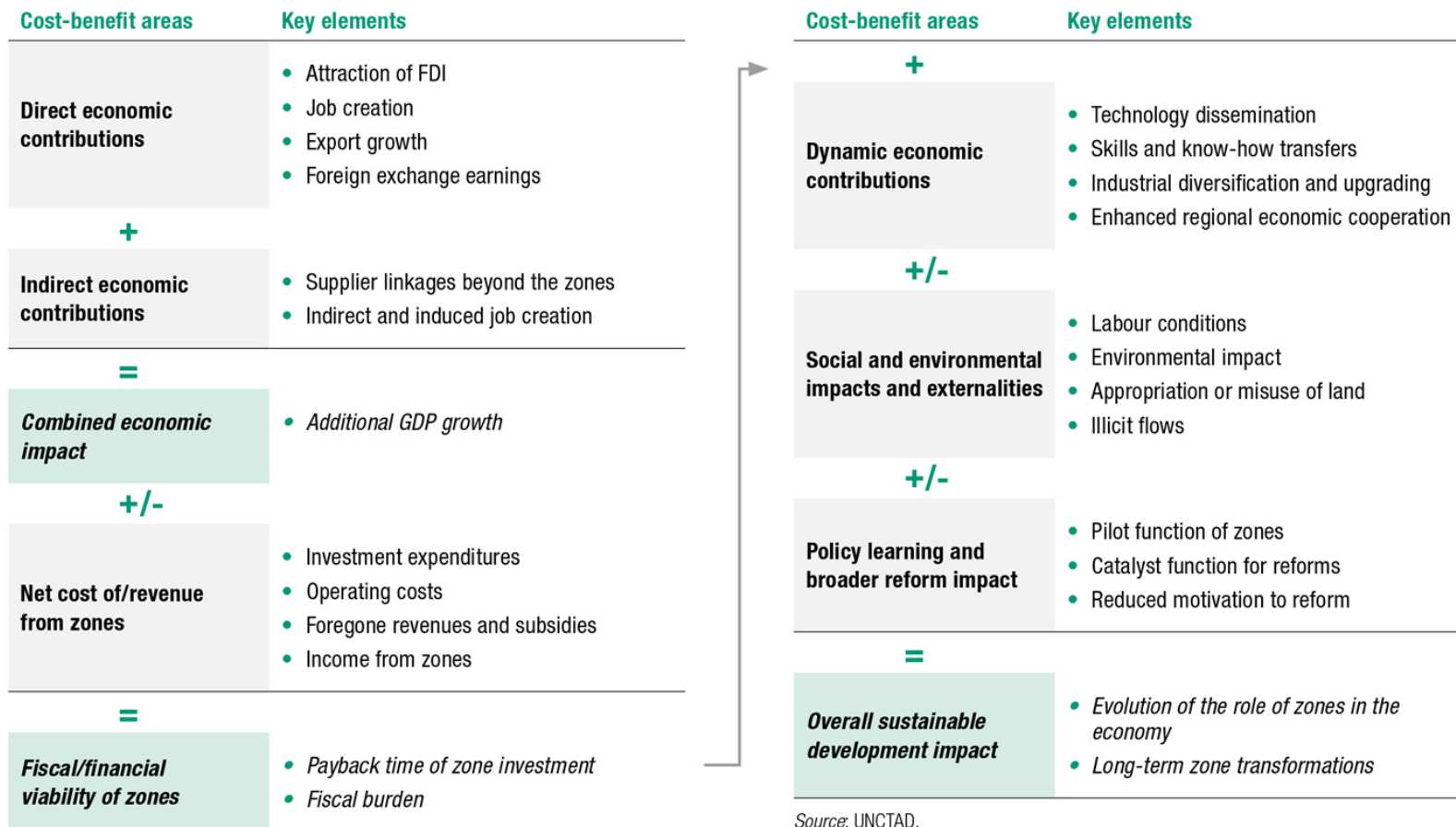
# Role of SEZs – Survey of investment promotion agencies

Contribution of SEZs to investment promotion  
(Percentage of respondents)



# Comprehensive monitoring and evaluation essential

## SEZ sustainable development “profit and loss statement”



# Lessons for modern zone development

## Lessons learned from SEZ experience

Areas	Lessons learned
Programme design	<ul style="list-style-type: none"><li>• Integrate SEZs dynamically in development strategy</li><li>• Complement existing competitive advantages</li><li>• Take into account the national investment climate and governance capabilities</li><li>• Design zones to be self-financing</li></ul>
Operations	<ul style="list-style-type: none"><li>• Get the basics right: business facilitation, infrastructure, labour pool</li><li>• Promote clusters and linkages</li><li>• Ensure strong institutions and good governance</li><li>• Coordinated investment promotion</li></ul>
Development impact	<ul style="list-style-type: none"><li>• Set clear goals and performance metrics for economic and ESG contributions</li><li>• Conduct effective monitoring and evaluation, with consequence management</li><li>• Maximize synergies between institutions and levels of government</li></ul>

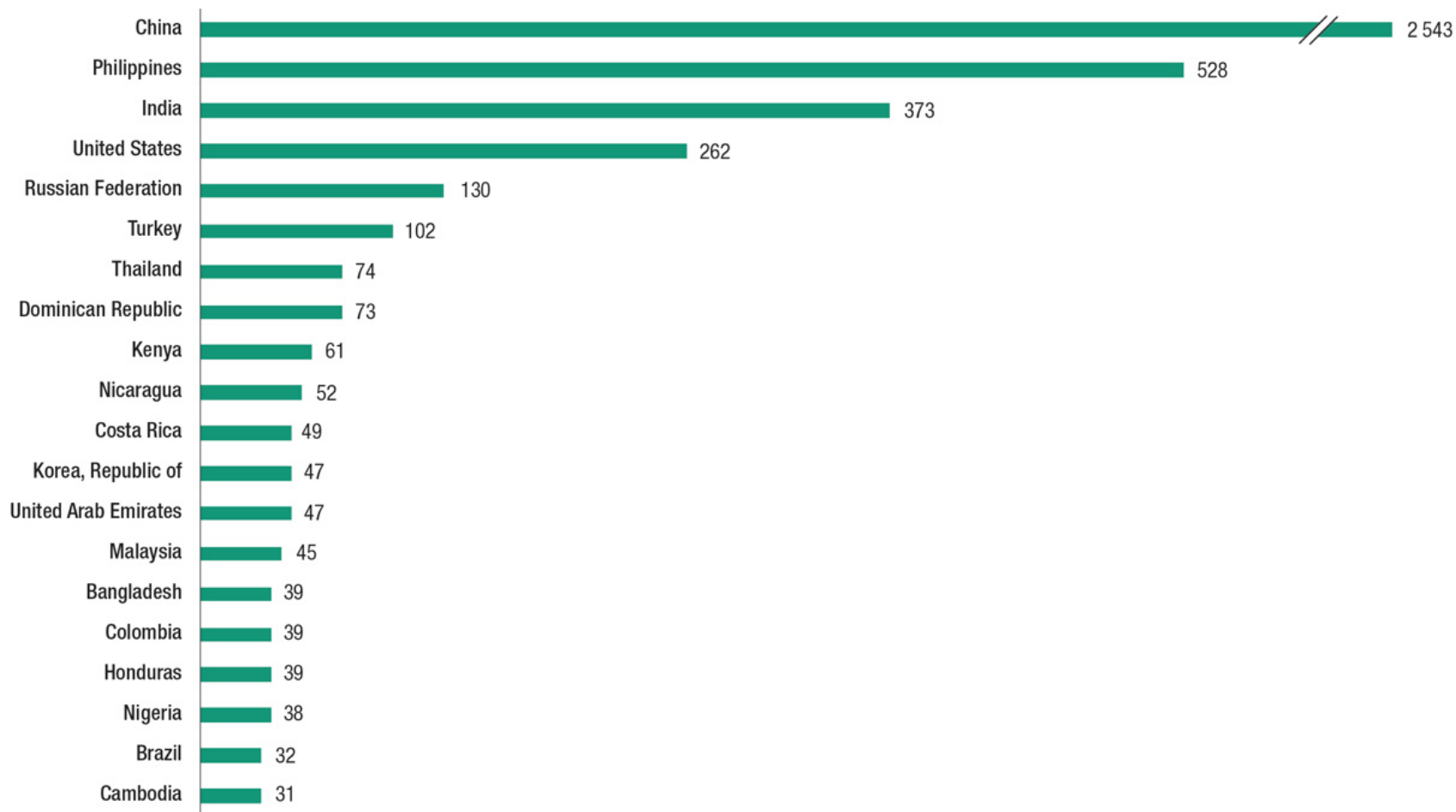
Source: UNCTAD.

Source: UNCTAD WIR 2019.



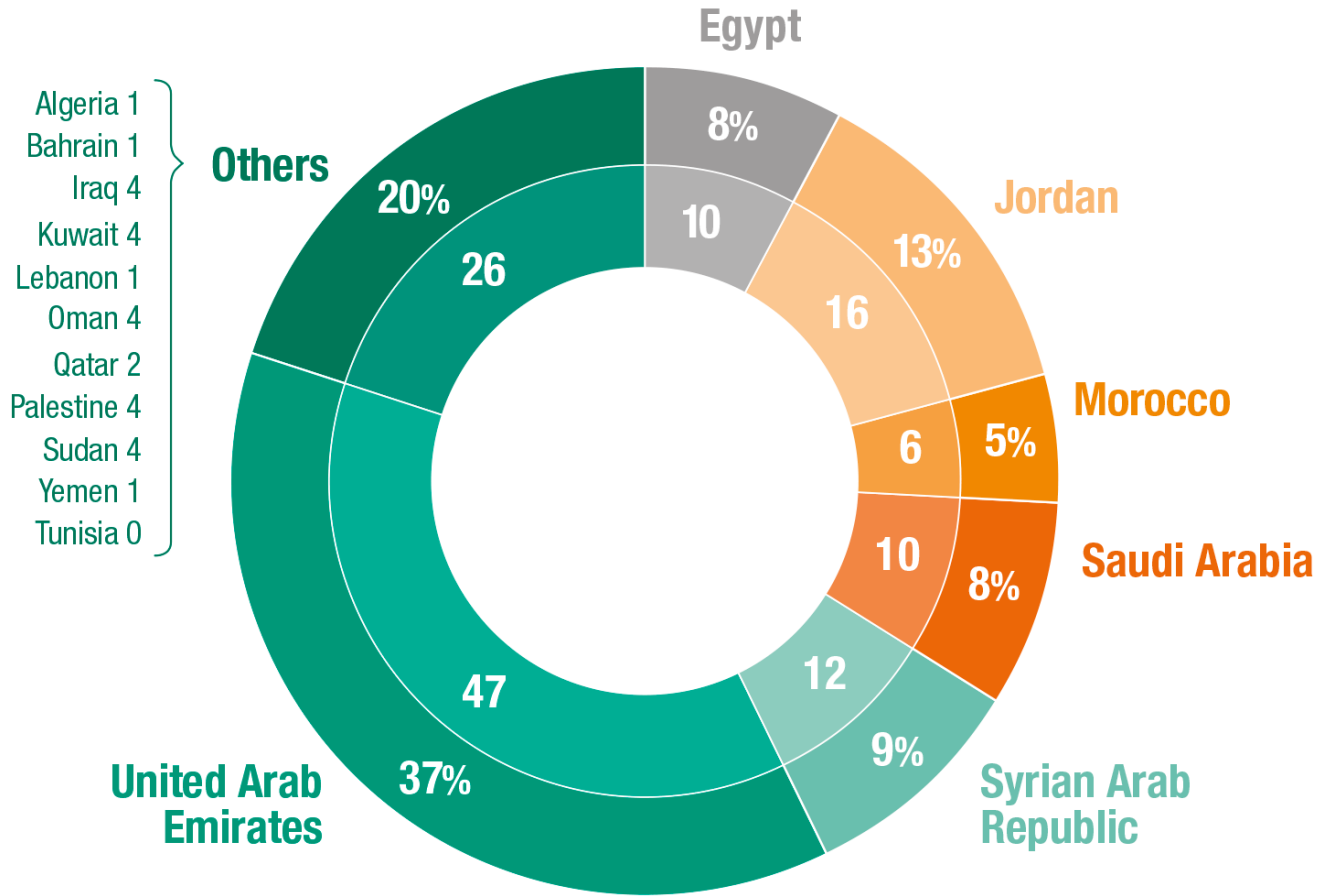
# A diverse set of economies embrace SEZs

## Economies with the most SEZs, 2019



# 1/3 of SEZs in North Africa and West Asia in the UAE

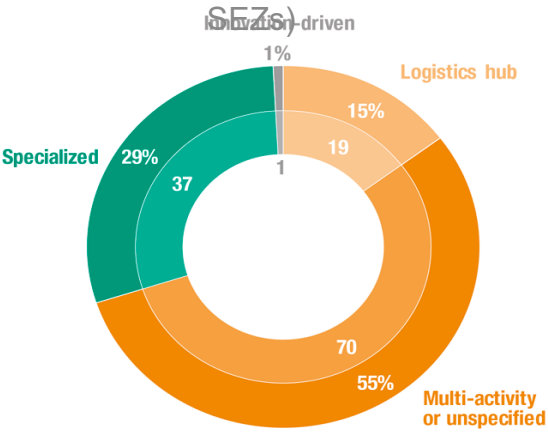
(100% = 127 SEZs)



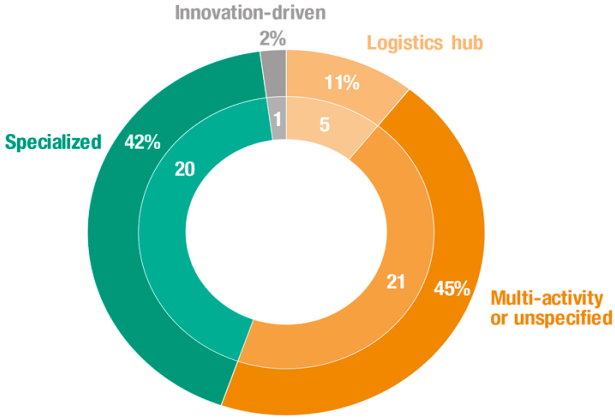
Note: Libya: NA

# Different mix of functionalities of SEZs in the region

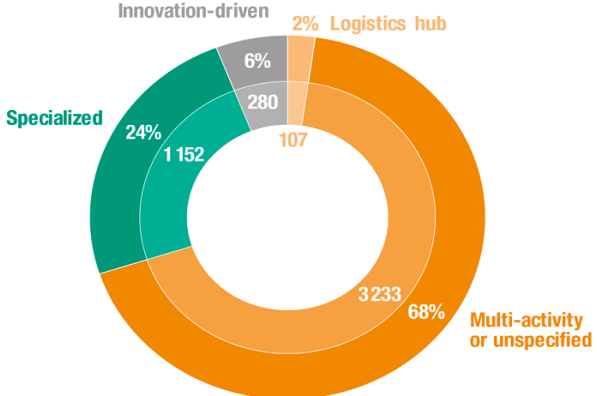
Number of SEZs in North Africa and West Asia, by functionality, in 2018 (100% = 127)



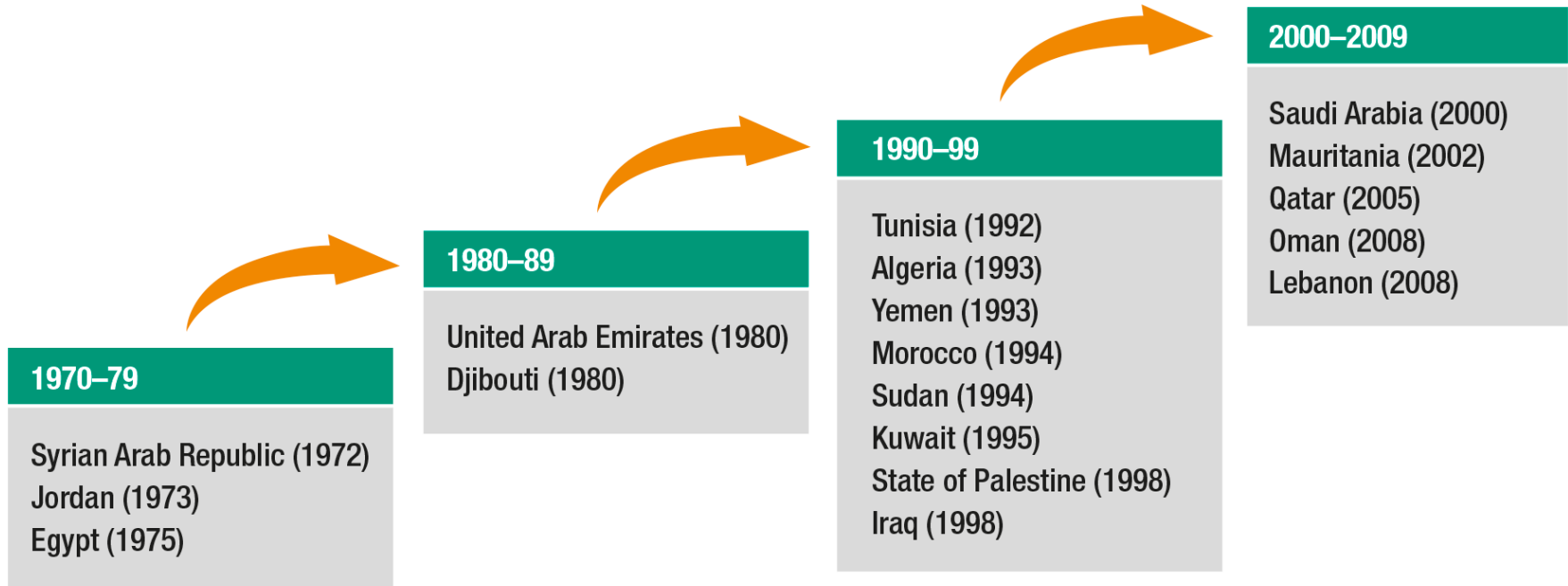
Number of SEZs in the UAE, by functionality, in 2018 (100% = 47 SEZs)



Number of SEZs in developing countries, by functionality, in 2018 (100% = 4772 SEZs)



# Year of the first promulgation of law establishing SEZs in North Africa and West Asia



# Policy options for the creation of SDG model zones

## Illustrative list

Policy option	Policy objectives	Focus	Promotion/facilitation
<b>SDG investment strategy</b>	<ul style="list-style-type: none"> <li>• Catalyze SDG implementation</li> <li>• Incubate pro-SDG business activities</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable agriculture, food security and nutrition</li> <li>• Basic infrastructure, utilities, water and sanitation services</li> <li>• Health care and essential medicines</li> <li>• Renewable energy and climate change mitigation</li> <li>• Education</li> </ul>	<ul style="list-style-type: none"> <li>• Target SDG sectors and incubate SDG activities</li> <li>• Reorient incentive schemes towards SDG contributions</li> <li>• Prepare a pipeline of SDG projects</li> <li>• Facilitate impact investment and social entrepreneurs</li> <li>• Cooperate with development partners</li> </ul>
<b>ESG standards compliance</b>	<ul style="list-style-type: none"> <li>• Promote sustainable processes in production and services</li> <li>• Enhance CSR and good governance</li> </ul>	<ul style="list-style-type: none"> <li>• Aspirational goals: zero emissions and minimum waste</li> <li>• Highest labour, health and safety standards</li> <li>• Gender-equality benchmark</li> <li>• Measurement of zone contributions to public revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Services in the zone to facilitate the implementation of standards</li> <li>• Inspection of standards compliance and exchange of best practices</li> <li>• Investors agree to codes of conduct and reporting on ESG performance</li> </ul>
<b>Inclusive growth via linkages and spillovers</b>	<ul style="list-style-type: none"> <li>• Shift from enclaved zones to models that facilitate backward and forward linkages</li> <li>• Spillovers of SDG best practice to the rest of the country</li> </ul>	<ul style="list-style-type: none"> <li>• Renewable energy installations that also supply outside the zone</li> <li>• Waste management plant with capacity beyond the zone</li> <li>• Amenities and services (health care, housing and education) that benefit the wider community</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen entrepreneurship policies</li> <li>• Mobilize local entrepreneurs to catalyze FDI and promote MNEs suppliers</li> <li>• Broaden incentive schemes to support local supplier development</li> </ul>

Source: UNCTAD.

Source: UNCTAD WIR 2019.