



UNITED NATIONS
UNCTAD

WIR2020

World Investment Report

INTERNATIONAL PRODUCTION BEYOND THE PANDEMIC

James Zhan

Director,

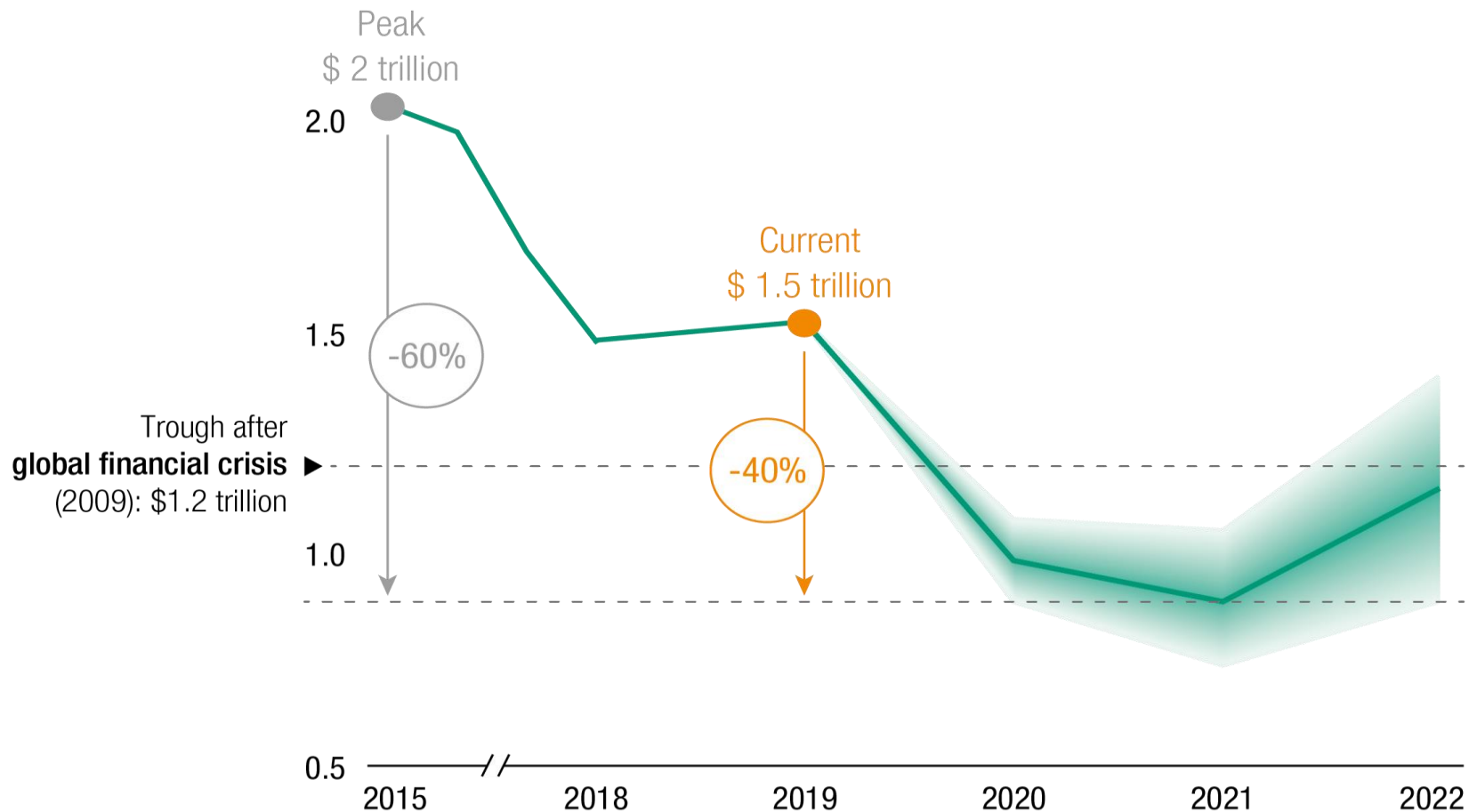
Division on Investment and Enterprise

UNCTAD

30 June 2020

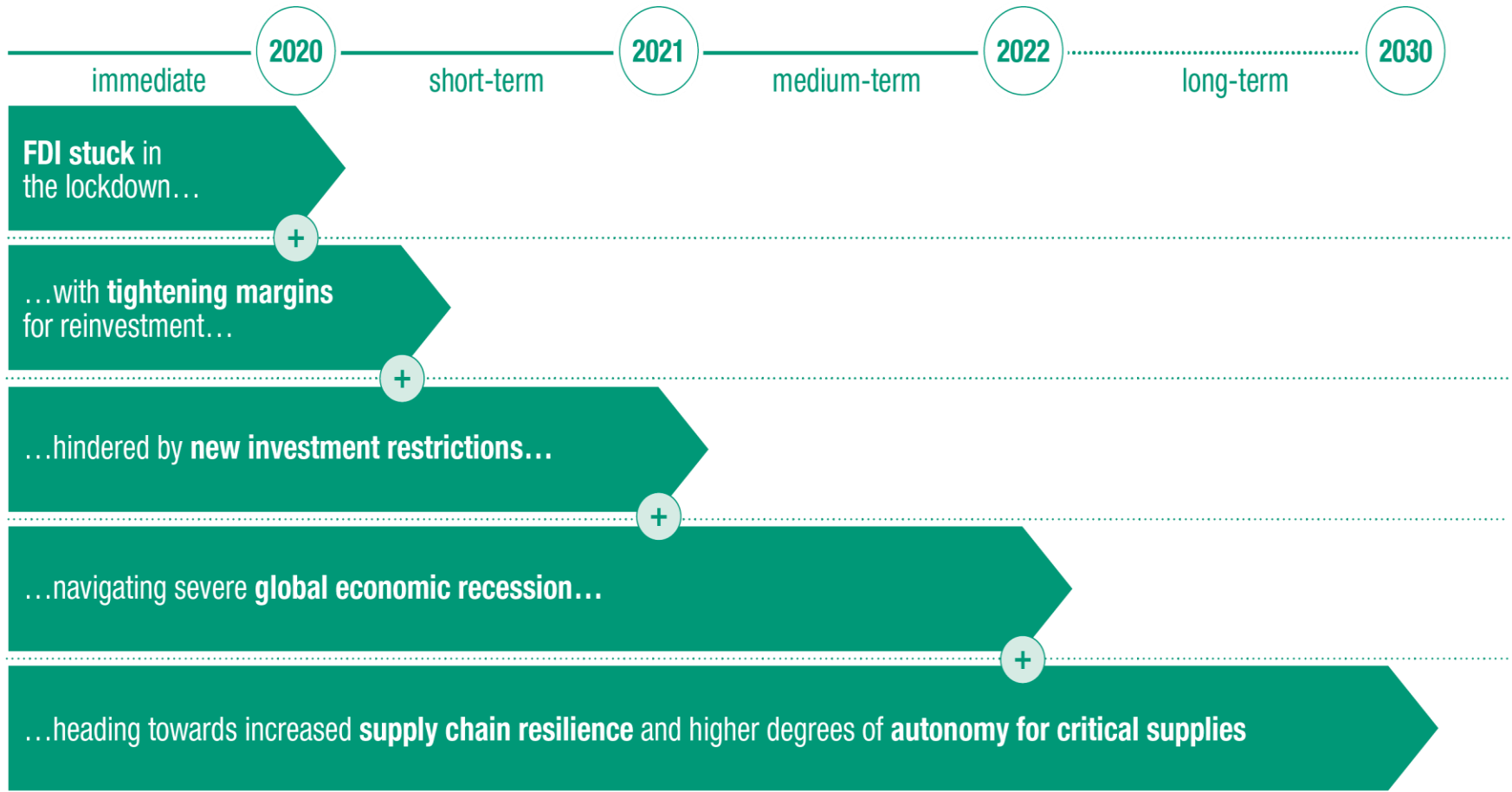
The COVID-19 crisis is forecast to have an immediate impact on FDI with potentially lasting consequences

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



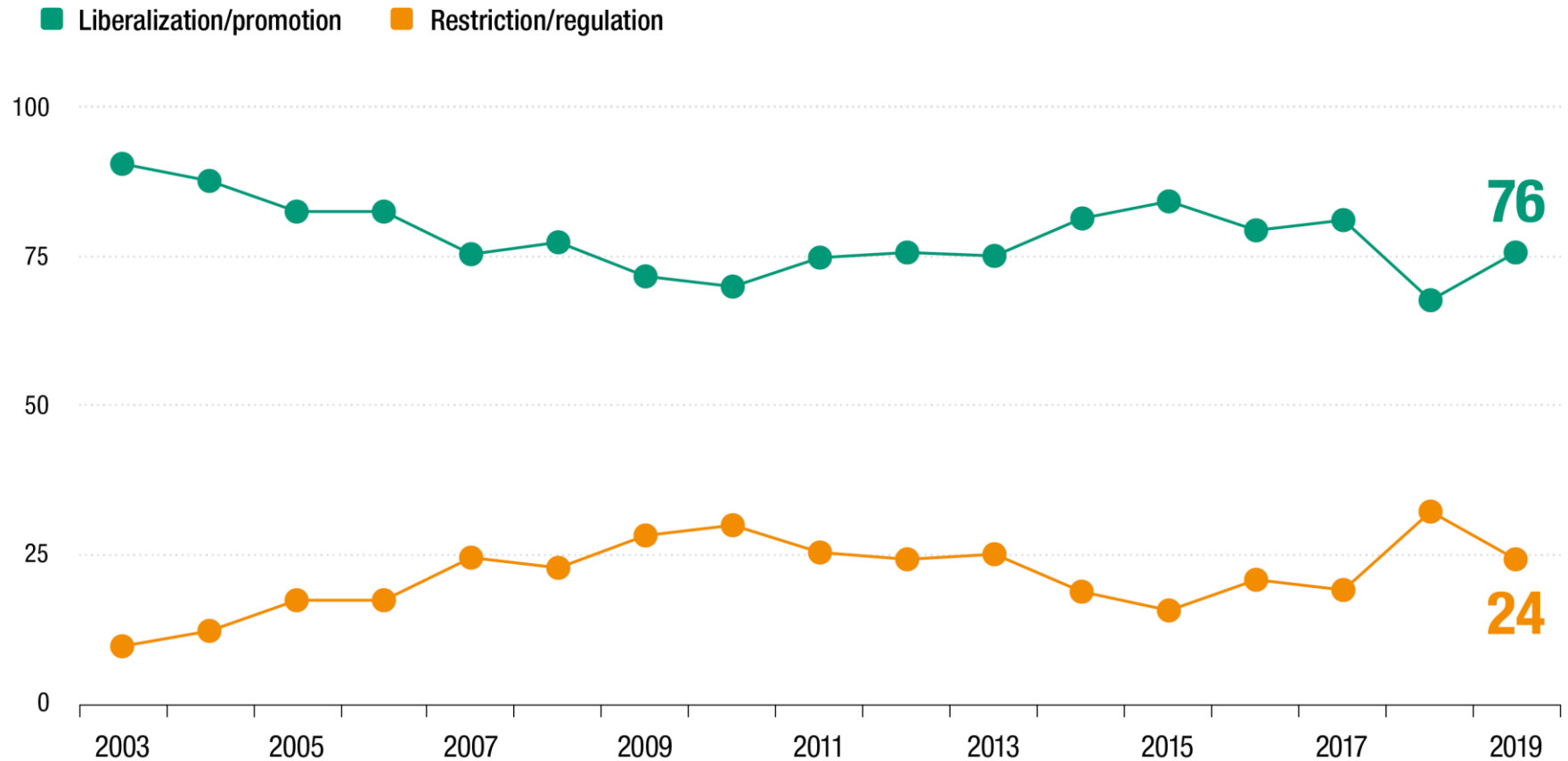
The COVID-19 pandemic is a supply, demand and policy shock

Impact of the pandemic on FDI: transmission mechanisms

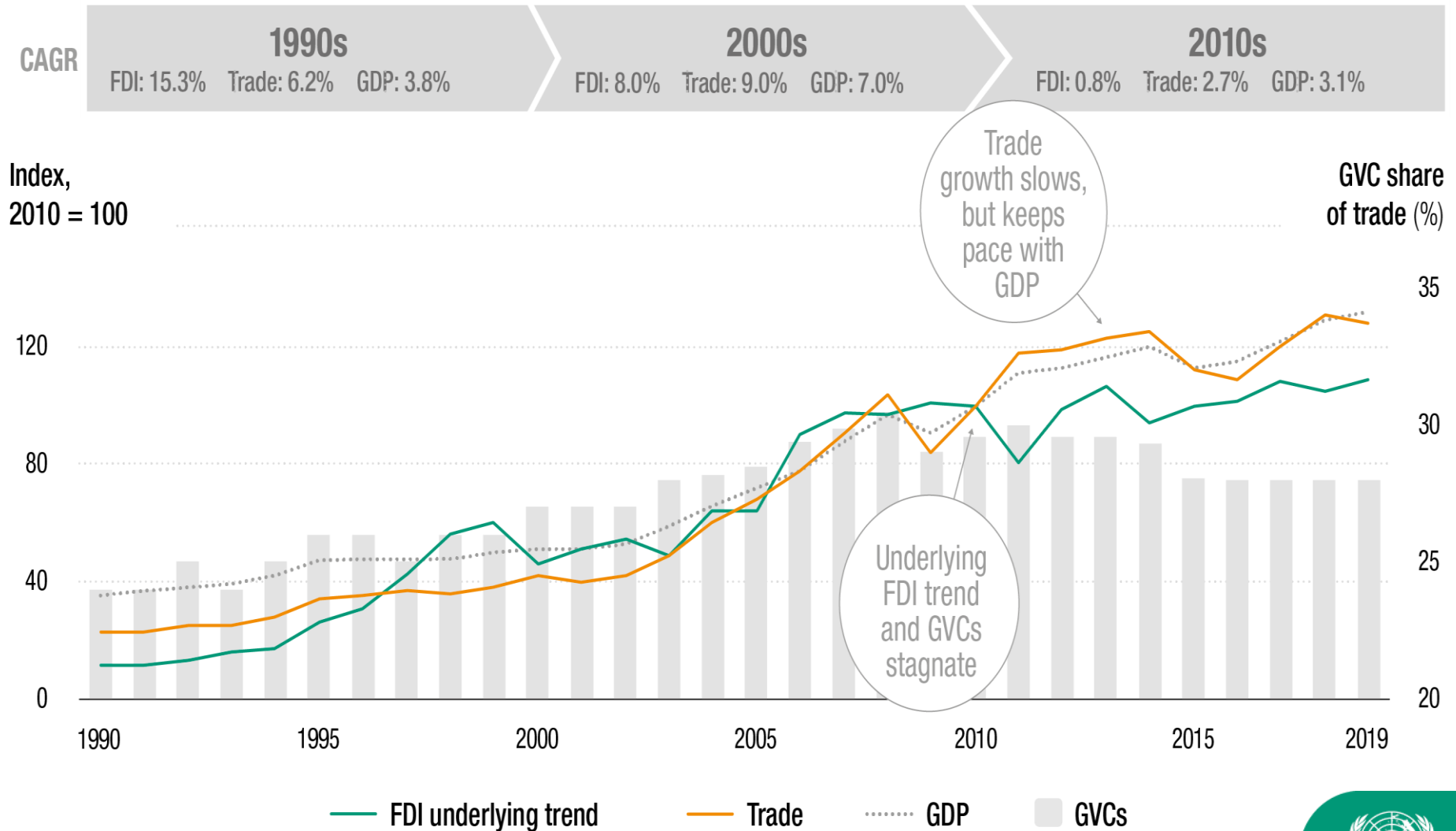


Tightening of FDI screening persists, but most measures are still favourable to investment

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



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



The COVID-19 pandemic arrived on top of 3 existing megatrends shaping international production

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 have different implications for investment-development policy

Reshoring



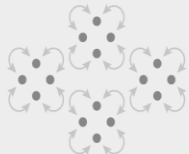
- Possible shock of restructuring, including divestment, relocation; investment diversion
- Shrinking pool of efficiency-seeking FDI
- Need to re-industrialize or cope with (premature) de-industrialization
- Access to and upgrading along the GVC development ladder becomes more difficult

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

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)

WIR2020

World Investment Report



For further information on the work on foreign direct investment and multinational enterprises, please address inquiries to:

Division on Investment and Enterprise
United Nations Conference on Trade and Development
Palais des Nations, Room E-10052
CH-1211 Geneva 10 Switzerland

Telephone: +41 22 917 4533

@unctadwif

