

# PROSPECTS FOR GLOBAL INVESTMENT AND VALUE CHAINS BEYOND THE COVID-19 CRISIS

**James Zhan**

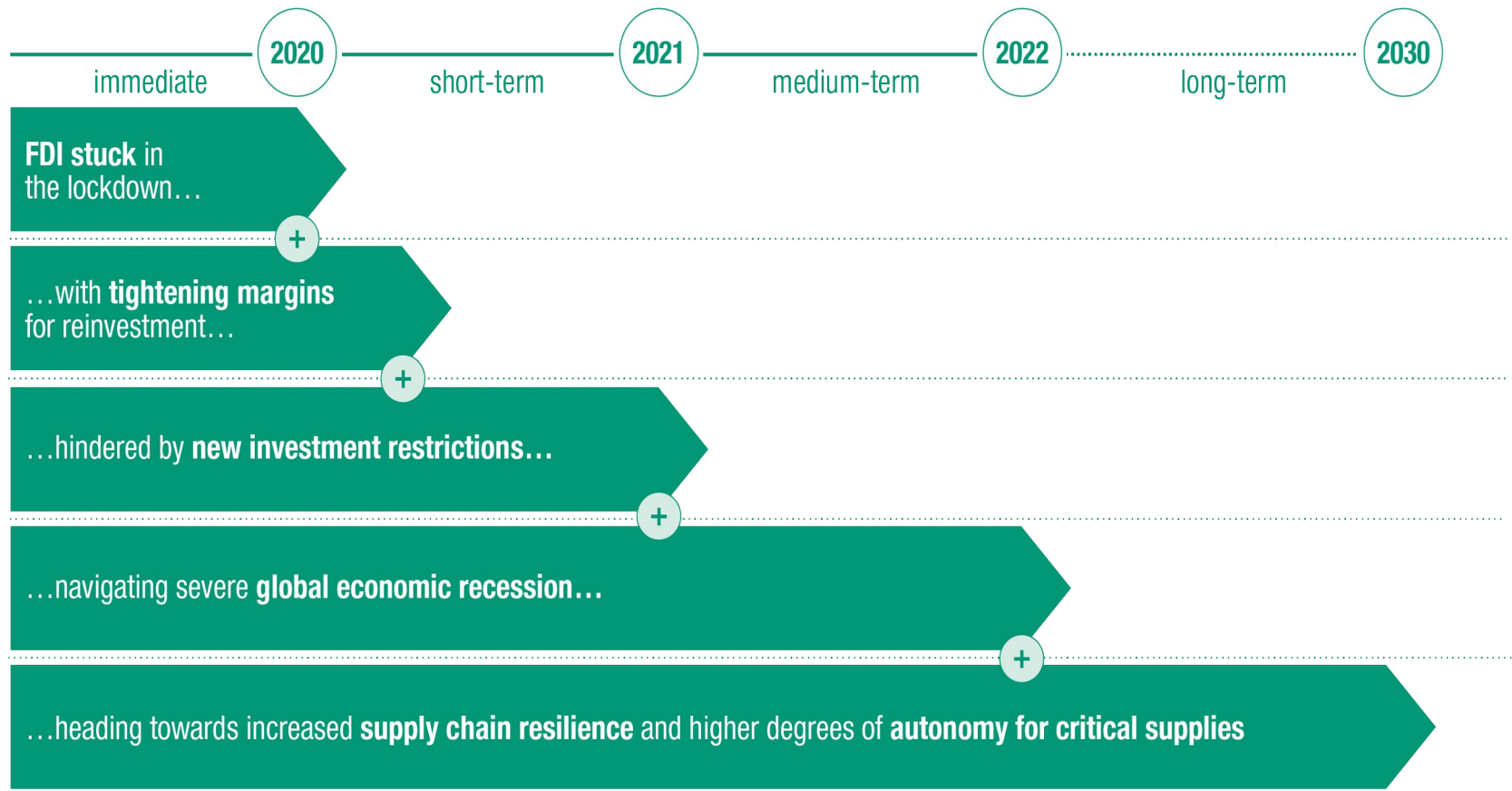
**Director, Investment and Enterprise, UNCTAD  
Team Leader, UN World Investment Report**

**On-line Conference “From Recovery to  
Sustainable Growth”  
July 31, 2020**

**WIR2020**  
World Investment Report

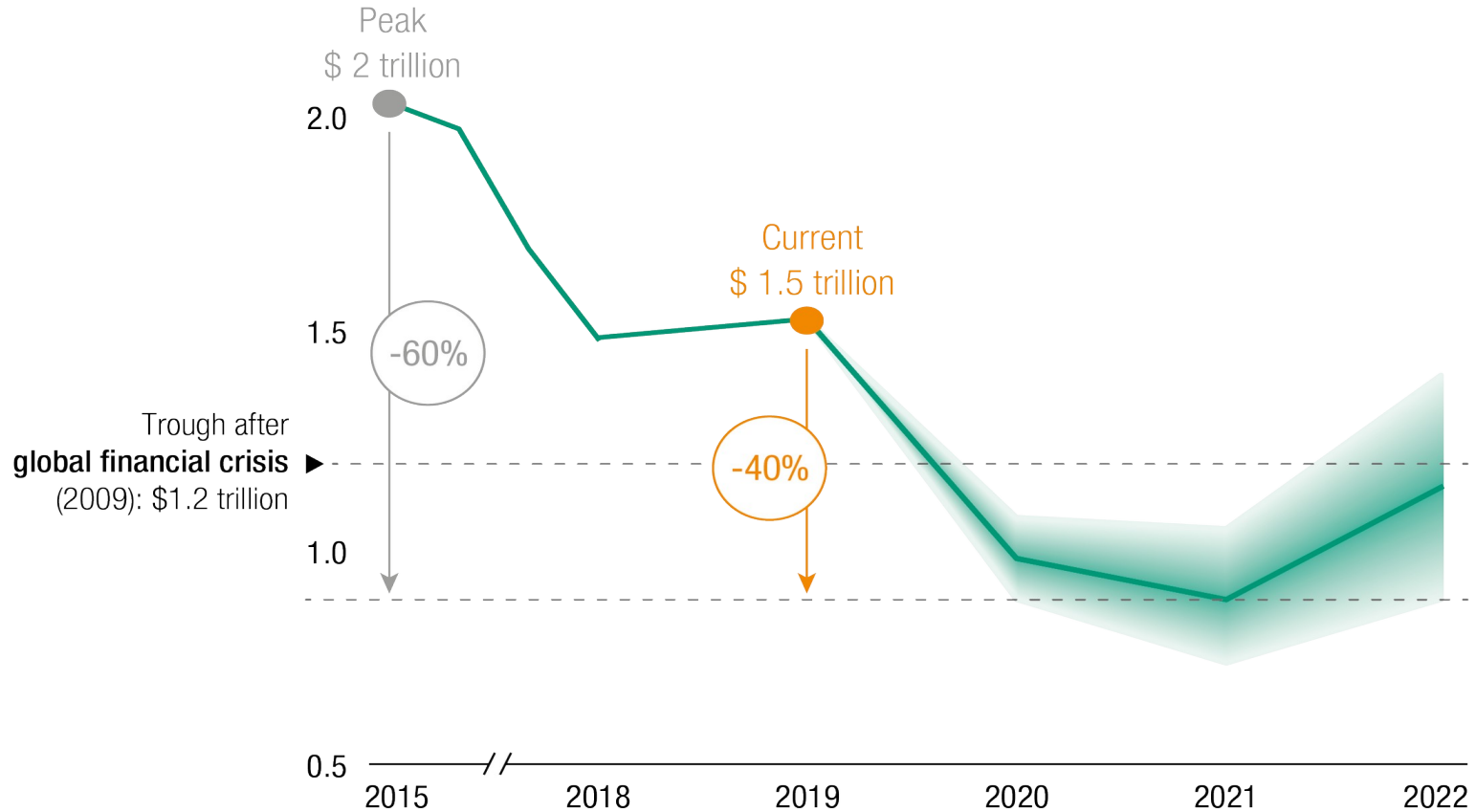
# The COVID-19 pandemic is a triple shock of supply, demand and policy

## Impact of the pandemic on FDI: transmission mechanisms



# COVID-19 crisis will have a severe impact on FDI prospect 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>

Source: UNCTAD, World Investment Report 2020.

# FDI to economies in transition is to fall between 30 and 45% in 2020

Average quarterly number of announced greenfield investment projects in Q1 of 2020 compared to 2019 indicates sharp decline



# Vulnerabilities and points of resilience in economies in transition

Three types of exposures to the COVID-19 shock:

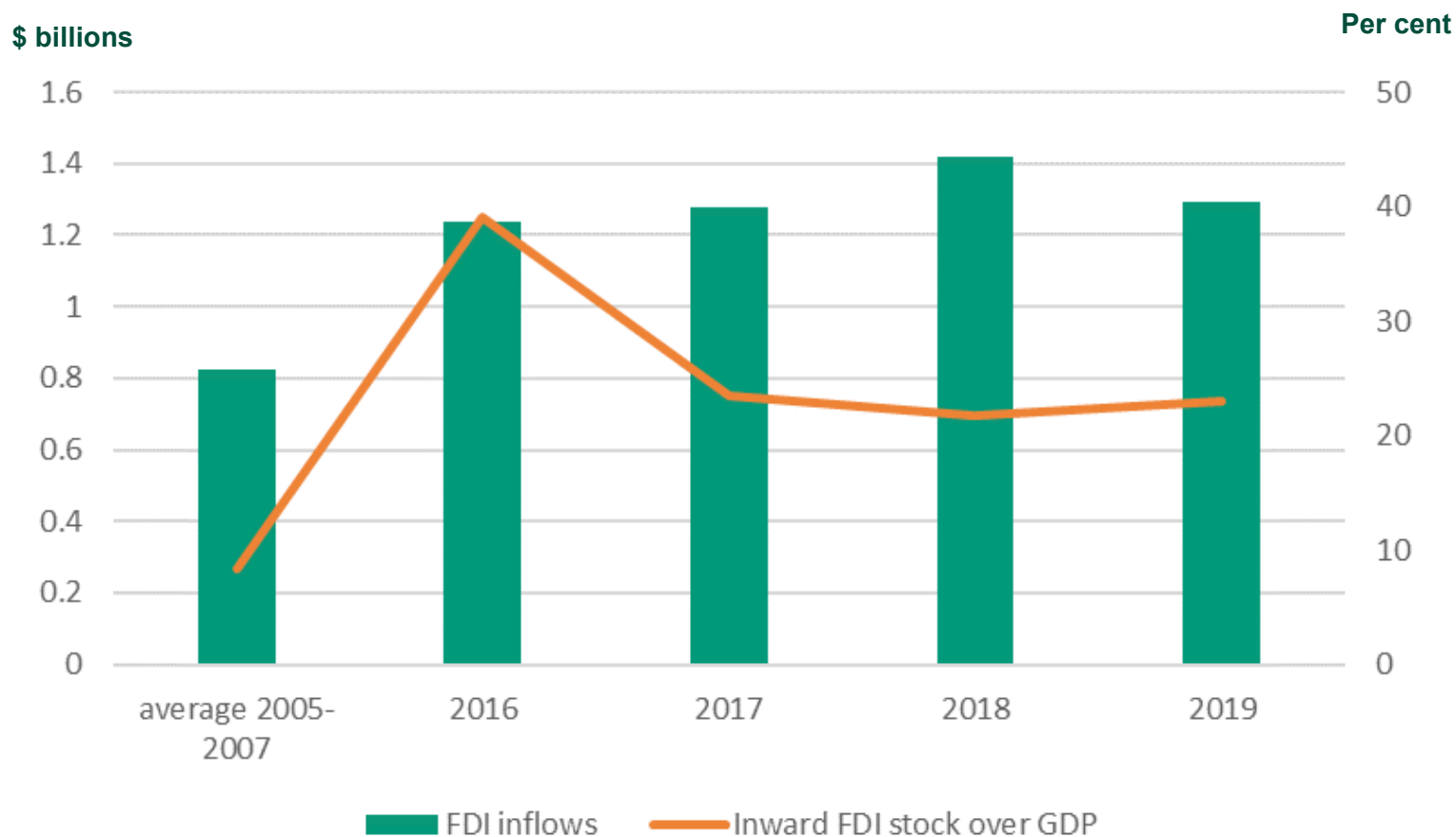
- Resource-dependent countries: their FDI also hit by low oil prices
- GVC-dependent countries (mostly in South-East Europe): their FDI hit by supply chain shocks
- SEZ-reliant countries (including Belarus): their FDI hit by trade closures and frictions

Opportunities to be seized:

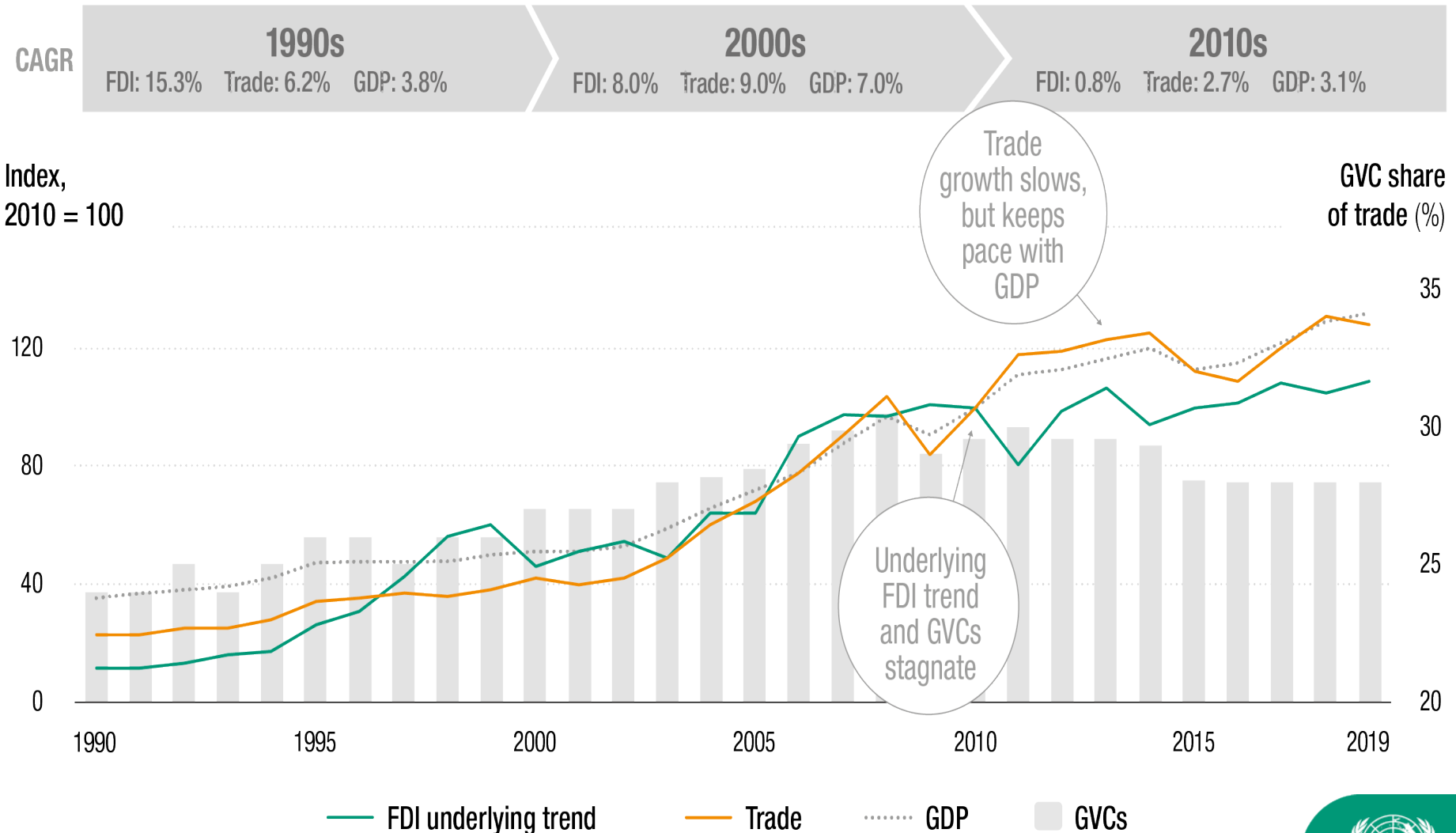
- Attracting resilience-seeking FDI with stable economies and logistics
- Opportunities in regional groupings such as the Eurasian Economic Union
- Attracting nearshoring FDI (physical proximity to EU)

# Trends of FDI significance in Belarus economy

FDI inflows (billions of dollars) and FDI stock over GDP (per cent)  
Average 2005-2007 and 2016-2019



# International production/GVCs: -- Two decades of growth followed by one of stagnation





# COVID-19 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

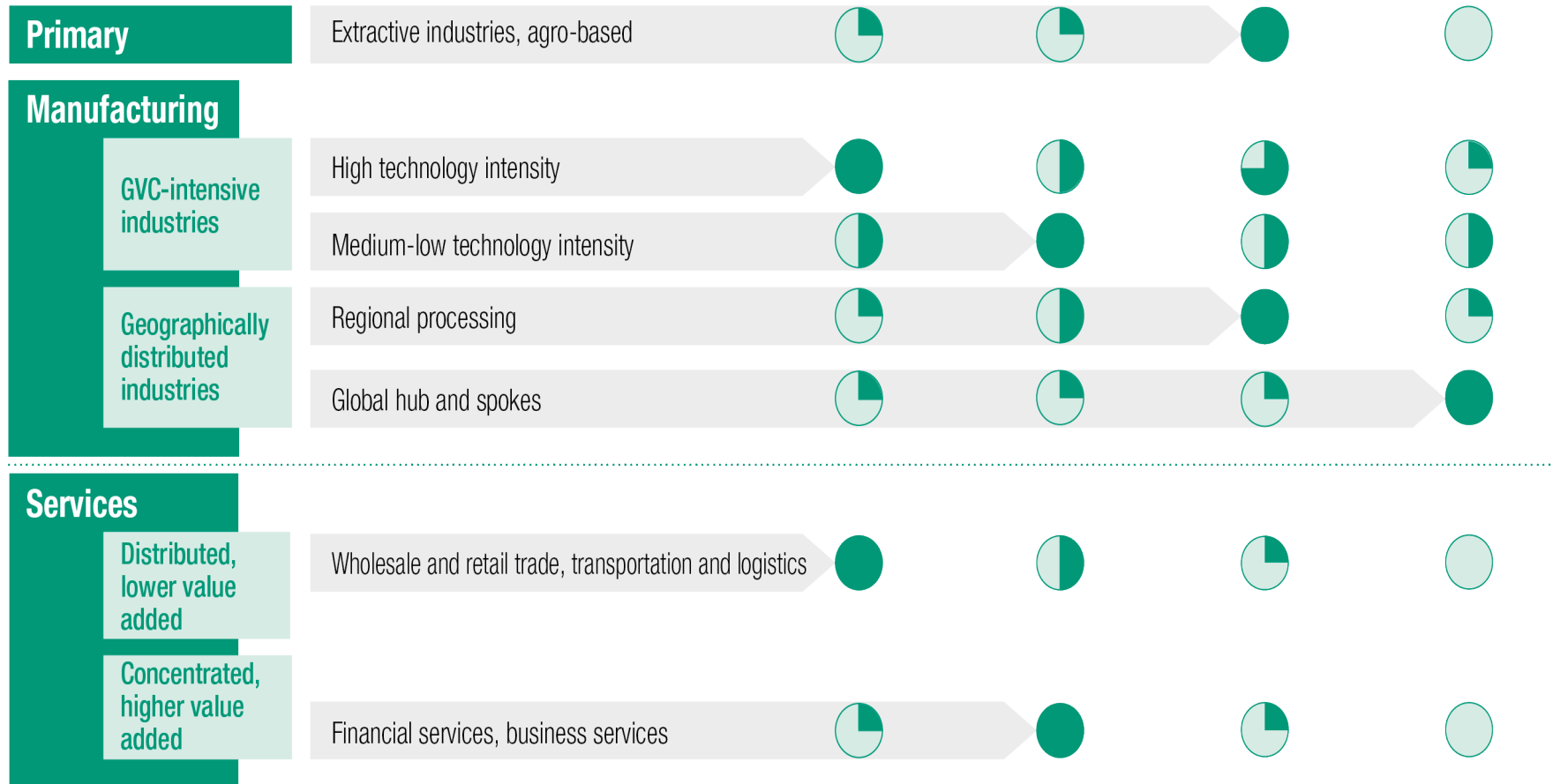
### Sustainability

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

# Transformation of International Production: - Impact across industries via four trajectories

○ Not relevant ● Highly relevant

Reshoring   Diversification   Regionalization   Replication



# Implications of the Transformation: 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

Source: UNCTAD.

## 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:**

**James Zhan**

**Director, Investment and Enterprise**

**United Nations Conference on Trade and Development  
(UNCTAD)**

**Palais des Nations**

**CH-1211 Geneva 10 Switzerland**

**Tel: +41 22 917 1781**