UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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WORLD INVESTMENT REPORT 2020

INTERNATIONAL PRODUCTION BEYOND THE PANDEMIC

30th anniversary edition

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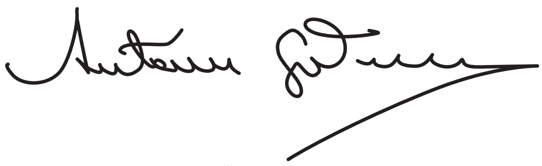
PREFACE

Global flows of foreign direct investment (FDI) will be under severe pressure this year as a result of the COVID-19 pandemic. These vital resources are expected to fall sharply from 2019 levels of $1.5 trillion, dropping well below the trough reached during the global financial crisis and undoing the already lackluster growth in international investment over the past decade. Flows to developing countries will be hit especially hard, as export-oriented and commodity-linked investments are among the most seriously affected.

The consequences could last well beyond the immediate impact on investment flows. Indeed, the crisis could be a catalyst for a process of structural transformation of international production this decade, and an opportunity for increased sustainability, but this will depend on the ability to take advantage of the new industrial revolution and to overcome growing economic nationalism. Cooperation will be crucial; sustainable development depends on a global policy climate that remains conducive to cross-border investment.

The *World Investment Report*, now in its thirtieth year, supports policymakers by monitoring global and regional FDI trends and documenting national and international investment policy developments. This year's Report naturally takes stock of the COVID-19 crisis. It also includes a new chapter, added at the request of the UN General Assembly, on investment in the Sustainable Development Goals. This analysis shows that international private sector flows to four out of ten key SDG areas have failed to increase substantially since the adoption of the goals in 2015. With less than a decade left to the agreed deadline of 2030, this makes it all the more important to evaluate the implications of the expected changes in the investment landscape over the coming years.

As such, this year's *World Investment Report* is required reading for policymakers and an important tool for the international development community. I commend its information and analysis to a wide global audience.



António Guterres
Secretary-General of the United Nations

FOREWORD

The global economy is in the midst of a severe crisis caused by the COVID-19 pandemic. The immediate impact on FDI will be dramatic. Longer term, a push for supply chain resilience and more autonomy in productive capacity could have lasting consequences.

But COVID-19 is not the only gamechanger for FDI. The new industrial revolution, the policy shift towards more economic nationalism, and sustainability trends will all have far-reaching consequences for the configuration of international production in the decade to 2030.

The overall directional trend in international production points towards shorter value chains, higher concentration of value added and declining international investment in physical productive assets. That will bring huge challenges for developing countries. For decades, their development and industrialization strategies have depended on attracting FDI, increasing participation and value capture in GVCs, and gradual technological upgrading in international production networks.

The expected transformation of international production also brings some opportunities for development, such as promoting resilience-seeking investment, building regional value chains and entering new markets through digital platforms. But capturing these opportunities will require a shift in development strategies.

Export-oriented investment geared towards exploiting factors of production, resources and low-cost labour will remain important. But the pool of such investment is shrinking, and the first rungs on the development ladder could become much harder to climb. A degree of rebalancing towards growth based on domestic and regional demand and promoting investment in infrastructure and domestic services is necessary.

That means promoting investment in SDG sectors. The large amounts of institutional capital looking for investment opportunities in global markets does not look for investment projects in manufacturing, but for value-creating projects in infrastructure, renewable energy, water and sanitation, food and agriculture, and health care.

The findings in the dedicated chapter in this report on investment in the SDGs show that sustainability-themed funds in global capital markets are growing rapidly. At the same time, they show these finances are not yet finding their way to investments on the ground in developing countries.

We have now entered the last decade for the implementation of the SDGs. We need action to translate increased interest in SDG finance into increased SDG investment in the least developed countries.

I hope that the Action Plan for Investment in the SDGs presented in this report will inspire and reinvigorate efforts around the world to make this happen.

Mukhisa Kituyi
Secretary-General of UNCTAD

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