

FDI AND DEVELOPMENT: TOWARDS ACHIEVING THE SDGs

OUTLINE OF PRESENTATION

- **Developments in FDI: rise of the GVC**
- **FDI and sustainable development in the host country**
- **FDI and SDGs**
- **Discussion: how you can make a difference**
- **Concluding remarks**

DEVELOPMENTS IN FDI: RISE OF GVCs

GLOBALIZED TNC CHARACTERISTICS

- World-wide sourcing/supply chain management
- Customized end-products
- Global market presence essential
- Cost minimization and intensive use of ICT/automation
- Intangible assets (brands, skills, innovation) more important than tangible assets (factories, warehouses, dealer networks)
- Increasing importance of SMEs as TNCs
- Increasing FDI from emerging economies, mostly market-oriented
- Role of state-owned enterprises and sovereign wealth funds as foreign investors

TRADE AND INVESTMENT LINKAGES

FDI has evolved from being a

- substitute for trade (replacing exports, jumping trade barriers to serve foreign markets)

to being

- complementary to trade (FDI as part of global value chains)

TRADE AND INVESTMENT LINKAGES AT VARIOUS LEVELS

- Multilateral level: WTO and multilateral trade agreements: TRIMS, GATS, TRIPS
- Regional level: regional integration agreements including preferential/free (bilateral and regional) trade agreements containing investment provisions
- National level: need for trade and investment policy coherence: from trade and industry policies to trade and investment policies

FDI AND GLOBAL SUPPLY CHAINS: EFFICIENCY-ORIENTED FDI

- **FDI has accelerated the development of global supply chains as firms (re)located part of their business activities in other countries that can undertake these activities more efficiently.**
- **Globalization and regionalization and economic (trade and investment) liberalization and deregulation have led to increasing market integration and reduced the importance of market size as determinant of investment location, enabling small countries to attract FDI and participate in global supply chains.**
- **Global supply chains enable local SMEs to act as suppliers of labour-intensive parts and components or to provide other basic services, largely on a subcontracting basis.**

LINKING FDI AND SMEs THROUGH GLOBAL AND REGIONAL SUPPLY CHAINS

- Including local SMEs into global supply chains results in regional supply chains. Recently, several trends can be observed in the development of global supply chains which are particularly relevant to SMEs:
 - The multilateral trading system has established a global system of trade rules which enhance predictability and transparency in international trade transactions
 - Enterprises from Asia-Pacific emerging economies have expanded their access to the markets of regional trading partners due to various regional trade agreements and other regional integration arrangements, often incorporating commitments on investment.
 - Many SME suppliers in Asia-Pacific developing countries have been moving to higher value-added functions within global supply chains.
 - Some suppliers in emerging economies such as China, Malaysia and Thailand have

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