

Perspectives on possible deliverables in the investment area

Presentation by International Organizations to the G20 Trade and Investment Working Group

Beijing, January 2016



Division on Investment and Enterprise



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▪ **UNCTAD (Overview)**

James Zhan

▪ **OECD**

Ana Novik

▪ **World Bank**

Michele Ruta

▪ **WTO**

Robert Koopman

G20 Investment Factsheet

available on the

InvestmentPolicyHub.UNCTA
D.org

2016

unctad.org/diae

unctad.org/ia

investmentpolicyhub.unctad.org

[unctad-
worldinvestmentforum.org](http://unctad-worldinvestmentforum.org)

unctad.org/wir

unctad.org/fdistatistics



Division on Investment and Enterprise



Perspectives on possible deliverables in the investment area

Presentation to the G20 Trade and Investment Working Group

Beijing, January 2016

James X. Zhan
Director, Investment and Enterprise
UNCTAD

Overview of possible TIWG deliverables in the investment area

Deliverables

Description

1

Principles for Investment Policymaking

- Non-binding Principles for Investment Policymaking to inform national and international investment policies, and to pave the way for deeper and broader international cooperation in the area of investment.

2

Key issues for improvement of the IIA regime

- A shared view on key issues for improving the IIA Regime, to remedy commonly perceived problems and concerns.

3

Investment Facilitation Package

- An Investment Facilitation Package, for G20 members and other countries, with concrete policy options and actions to boost cross-border investment in productive assets, remedying a gap in international investment cooperation.

4

Promoting investment in LICs

- An Initiative to Promote and Facilitate Investment in Low-Income Countries (LICs). This Initiative could set a target of increasing international investment in low-income countries.

5

Trade-Investment Nexus

- A study on key policy gaps in the interrelationship between trade and investment, with a view towards ensuring policy coherence between trade and investment policies and creating synergies between the two.

Principles for investment policymaking

POSSIBLE ELEMENTS

FOR DISCUSSION

*Example elements
as they emerge in
international
discussions
worldwide*

- **Policy coherence.**
- **Public governance and institutions.**
- **Balanced rights and obligations.**
- **Right to regulate.**
- **Openness to investment.**
- **Investment protection.**
- **Investment promotion and facilitation.**
- **Corporate governance and responsibility.**
- **International cooperation.**

Key issues for improvement of the IIA regime

POSSIBLE ELEMENTS

FOR DISCUSSION

- **Balancing the right to regulate and protection of investment**

- **Improving investment dispute settlement**

- **Strengthening investment promotion and facilitation**

- **Promoting responsible investment**

- **Enhancing systemic consistency**

- *100+ countries/regions are revising their treaty models in these areas*

- *New treaties increasingly factor in these elements*

Global Investment Facilitation Package

POSSIBLE ELEMENTS

FOR DISCUSSION

- Promote **accessibility and transparency** in the formulation of investment-related policies.
- Enhance **predictability and consistency** in the application of investment-related policies.
- Improve the **efficiency and effectiveness** of investment administrative procedures.
- Enhance **proactive investment promotion**.
- Build **constructive stakeholder relationships**.
- Establish **provisions in IIAs** encouraging investment flows.
- Establish an investment **ombudsperson/facilitator**.
- Strengthen promotion activities through a **joint investment promotion** body.
- Provide **technical assistance** to developing host countries to facilitate FDI flows.
- Establish **monitoring and review** mechanisms for investment facilitation.

Promoting investment in LICs

POSSIBLE ELEMENTS

FOR DISCUSSION

- **A new generation of investment promotion and facilitation. From IPAs to Investment Development Agencies.**
- **Sustainable-development-oriented investment incentives.**
- **Regional Investment Compacts.**
- **New forms of partnership for LIC investments, e.g. OIA-IPA partnerships, a multi-agency technical assistance consortium,**
- **Enabling innovative financing mechanisms.**
- **Changing the business mindset and developing LIC investment expertise**

Trade-Investment Nexus

POSSIBLE ELEMENTS

FOR DISCUSSION

Key issue areas that require policy attention:

- The **interaction between trade and investment policies**: consistency between investment-related trade measures and trade-related investment measures, and synergies with initiatives and strategies to promote trade growth.
- The interface between the **General Agreement on Trade in Services (GATS) and international investment agreements**: identification of gaps, overlaps and inconsistencies and development of proposals for a systemic approach to resolving key challenges.
- **Trade and investment issues in RTAs** and their implications for multilateral cooperation.
- **Non-equity modes of international production** (crucial components of GVCs in addition to trade and investment): policies for regulation, promotion and facilitation, as well as their relationship with trade and investment policies.

The IOs will work together on all items and provide joint deliverables to the G20

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Promoting Global Investment Policy Cooperation and Coordination

G20 TIWG, China
28-29 January 2016

Ana Novik,
Head of the Investment Division
Directorate for Financial and Enterprise Affairs, OECD

» MNEs are changing their business model

- Global FDI flows have been directionless over the last five years
- Since 2007, accelerated shift of world economic activities towards emerging market economies
- Growing importance of financial flows
 - Tax planning; management of income flows associated with services, licences and other intangibles; financing M&A and green field investment
- Divestment:
 - Market conditions and strategic corporate priorities change
 - More reliance on contractual and non equity relationship
- Plus: Investment Needs: SDG COP21
Responsible Business Conduct

⇒ Implications for the current investment regime

⇒ More coherent policy framework

Promoting Global Investment Policy Cooperation and Coordination

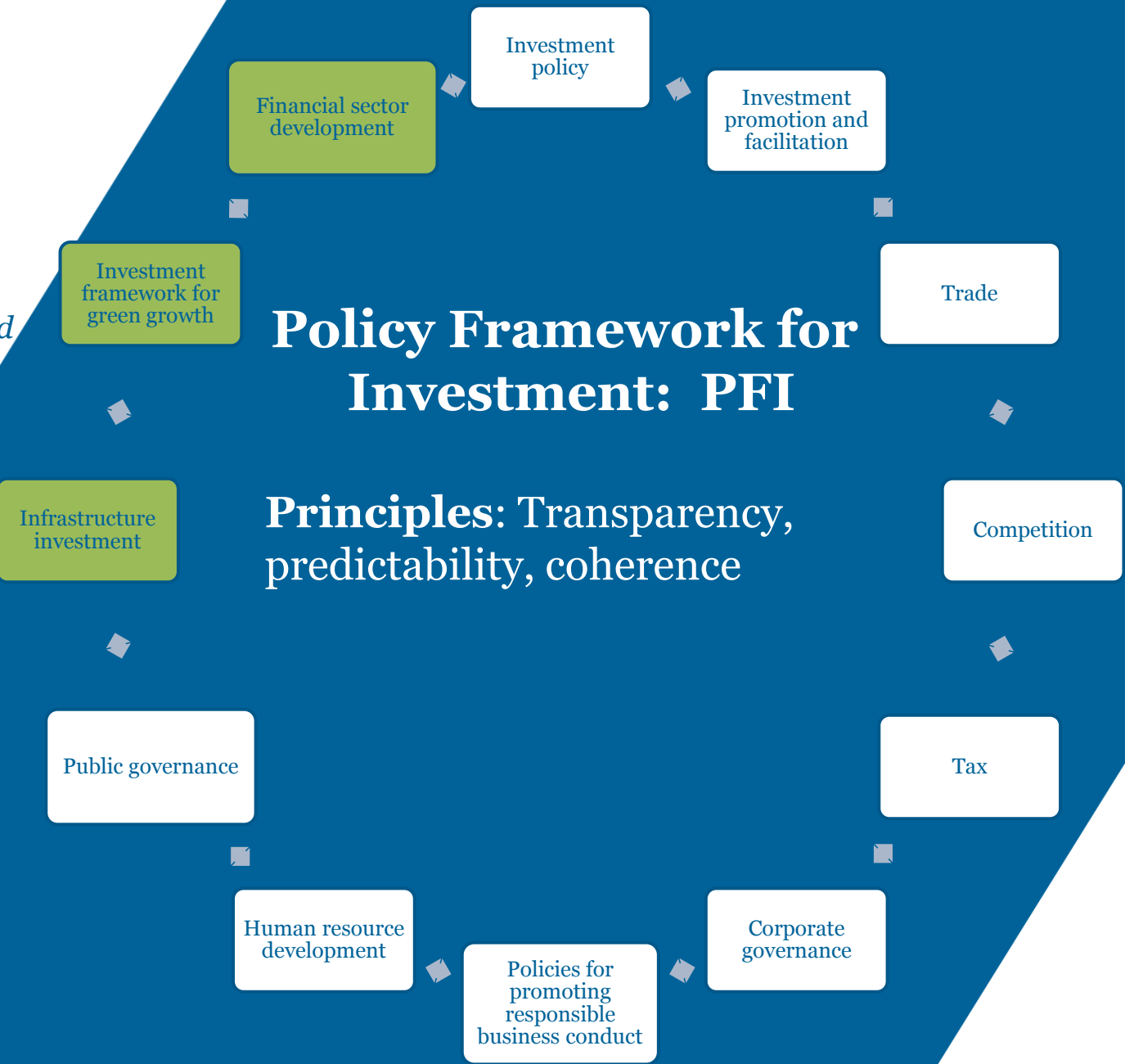
- More coherence and international cooperation:
 - International investment regime
 - Investment policies should be defined and implemented in coherence with other policies
 - Trade and investment nexus

» International Investment Regime

- G20 economies:
 - Are party to over $\frac{3}{4}$ of IIAs
 - Are involved in practically all known exits from IIAs
 - Have led innovation in IIAs
 - Concept Note identifies key IIA issues for G20. OECD has been intensively analysing them with governments and stakeholders.
 - Balancing the right to regulate and investor protection
 - Analytical papers, dialogue, March 2016 conference
 - ISDS and improving consistency since 2011
- => OECD strongly supports G20 dialogue based on policy analysis of key issues identified by the Concept Note



Strengthened dimensions



Policy Framework for Investment: PFI

Principles: Transparency, predictability, coherence

Financial sector development

Investment policy

Investment promotion and facilitation

Trade

Investment framework for green growth

Competition

Infrastructure investment

Tax

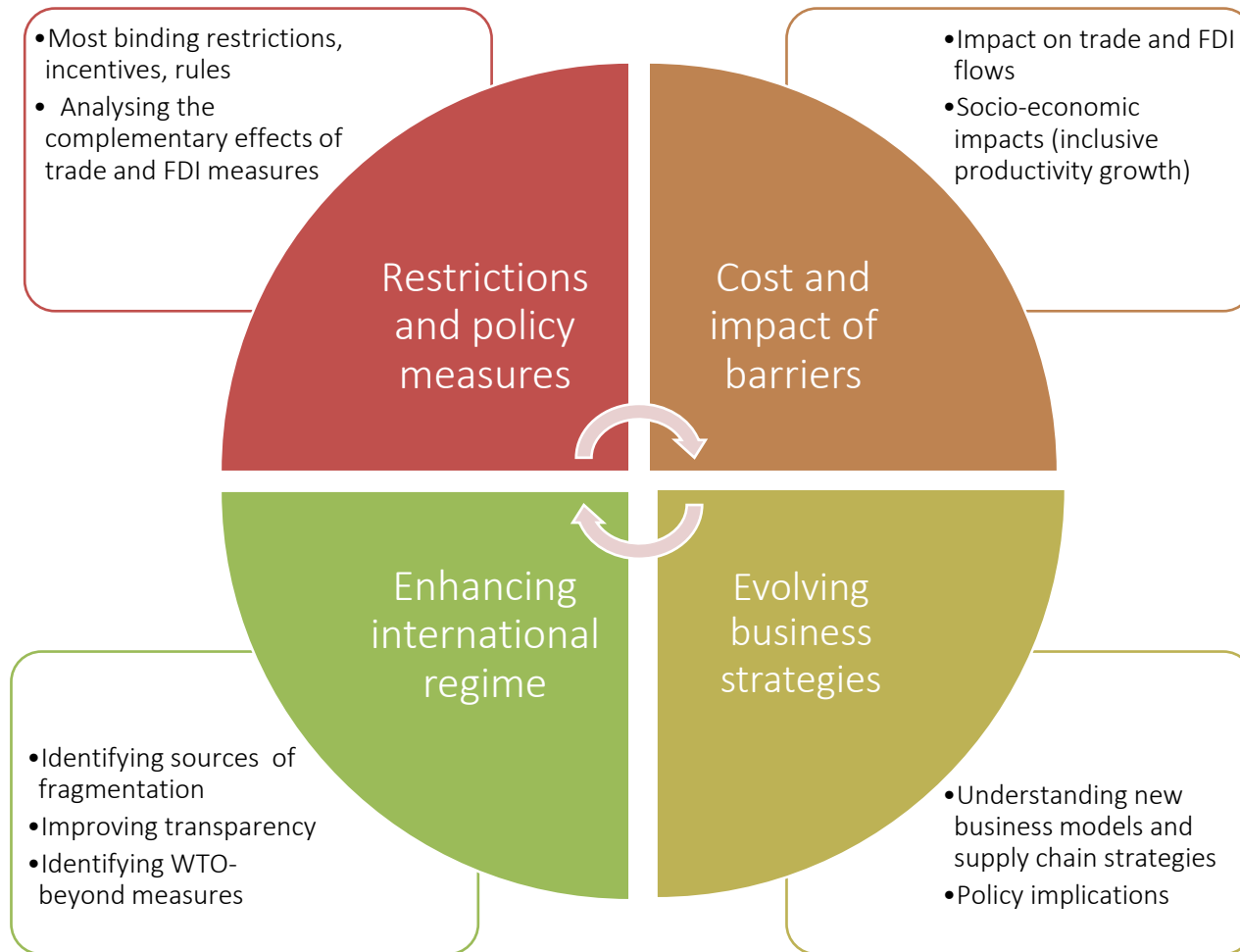
Public governance

Corporate governance

Human resource development

Policies for promoting responsible business conduct

Trade and Investment Coherence



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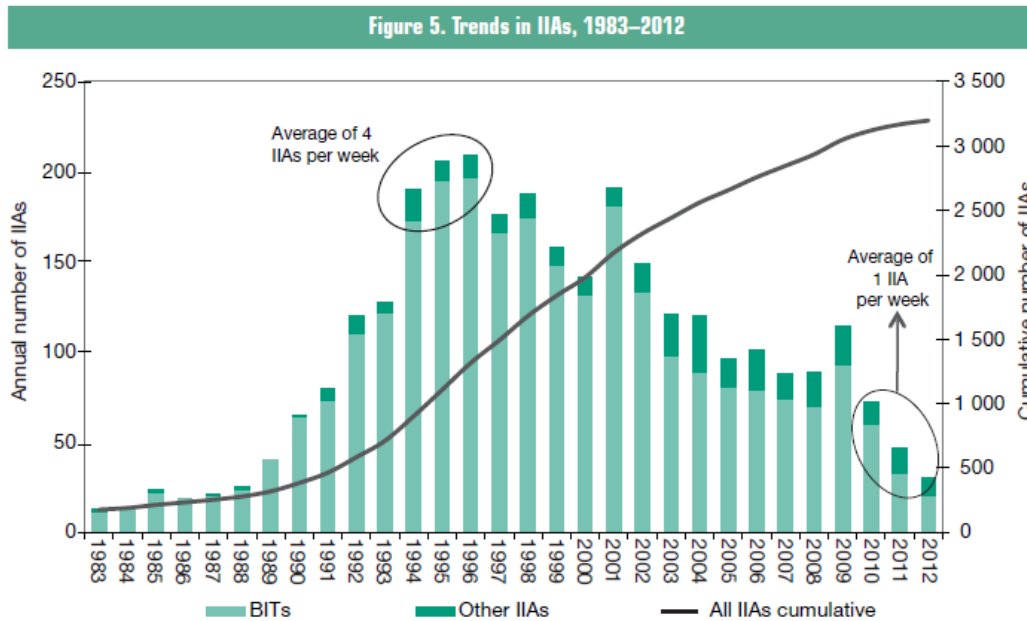


WORLD BANK GROUP
Trade & Competitiveness

G20 Investment Policy Cooperation

The World Bank Group
January 2016

Strengthening the Understanding and Constructive Use of IIAs



Source: UNCTAD IIA database

- Analysis on common features (“normative floor”) across bilateral and regional investment agreements
- Piloting effective tracking mechanisms to retain investment, promote regulatory transparency and prevent implementation issues escalating into ISDS

Proliferation of IIAs:

**Reinforcing,
complementary or
contradictory?**

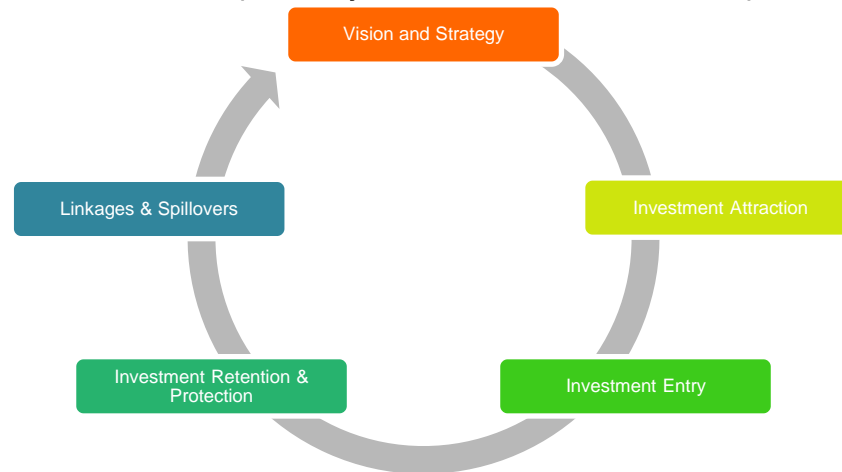
Sharing Good Practices on Investment Facilitation

- Drawing on G20 experiences
- Diagnostic tools to identify priority areas, e.g. WBG FDI regulation (investing across border) indicators, available for 87 economies, and the Global Investment Promotion Benchmarking (GIPB), available for 189 countries



Promoting Investment in LICs

- Identifying best practices to “promote and catalyze private investment” as a pillar of the Financing for Development Initiative, with a focus on financing mechanisms (drawing from IFC’s investment experiences, MIGA’s guarantee schemes) and enabling investment climate
- Sharing experiences of investment policy formulation, implementation and measurement along the investment cycle of attraction/promotion, entry/establishment, retention and linkages in 70 countries (many of which are LICs) we provided support



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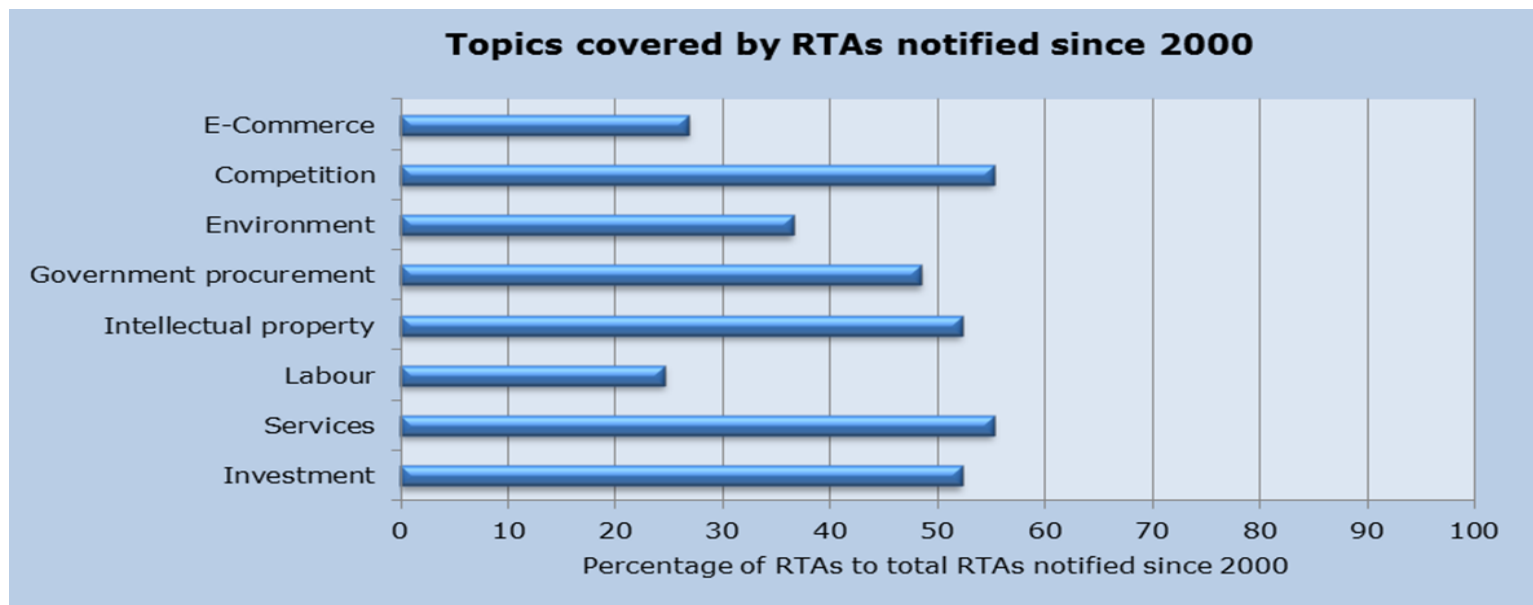
Michele Ruta

- **WTO**

Robert Koopman

G20 Global Investment Policy Cooperation

- In today's global economic landscape - defined by the rise of services trade, the spread of global value chains, and the growth of the digital economy – trade, investment and other policies are increasingly interdependent at national and global levels.
- At the same time, a new generation of trade and investment agreements is taking shape bilaterally, regionally and multilaterally. There is a need to better understand how this new architecture will impact global trade and investment flows – and to begin a G20 dialogue on ways to reinforce coherence and avoid fragmentation



The G20 logo consists of five curved, overlapping lines in red, blue, green, and purple, arranged in a circular pattern.

G20 Global Investment Policy Cooperation

- The WTO supports further analysis of the key issues identified in the G20 Concept Note on "Promoting Global Investment and Policy Cooperation and Cooperation", and stands ready to work with other IGOs to advance this important agenda. In particular, the WTO underscores the importance of:
 - taking stock of recent trends in international investment agreements, including investment provisions in new regional and mega regional trade agreements.
 - examining how the international investment agreement regime can be improved and made more coherent. The WTO's investment-related rules – especially those included in the services, subsidies, and TRIMs agreements - are relevant to this discussion.
 - exploring ways to promote and facilitate investment, including the proposal to discuss scope for a Global Investment Facilitation package. Insights from the WTO's 2013 Trade Facilitation Agreement would also be relevant to this discussion.

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G20 Global Investment Policy Cooperation

- One of the main – and most valuable – aims of the new G20 Trade and Investment Working Group is to explore more coherent approaches to global policy making and to encourage greater trade and investment synergies. The WTO stands ready to contribute to a report on “the trade-investment nexus” that would examine policy coherence opportunities and challenges from the investment regime perspective.
- Key issues include:
 - exploring the growing inter-dependence of trade and investment policies, focussing in particular on the importance of services and global value chains (GVCs);
 - taking stock of new investment provisions in recent regional and ‘mega-regional’ trade agreements;
 - analysing how investment policy developments affect trade, and how trade policy developments affect investment;
 - and examining where the growing intersection of trade and investment policies might benefit from a better collective understanding of, and dialogue on, trade and investment policy objectives and instruments.