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World Investment Report

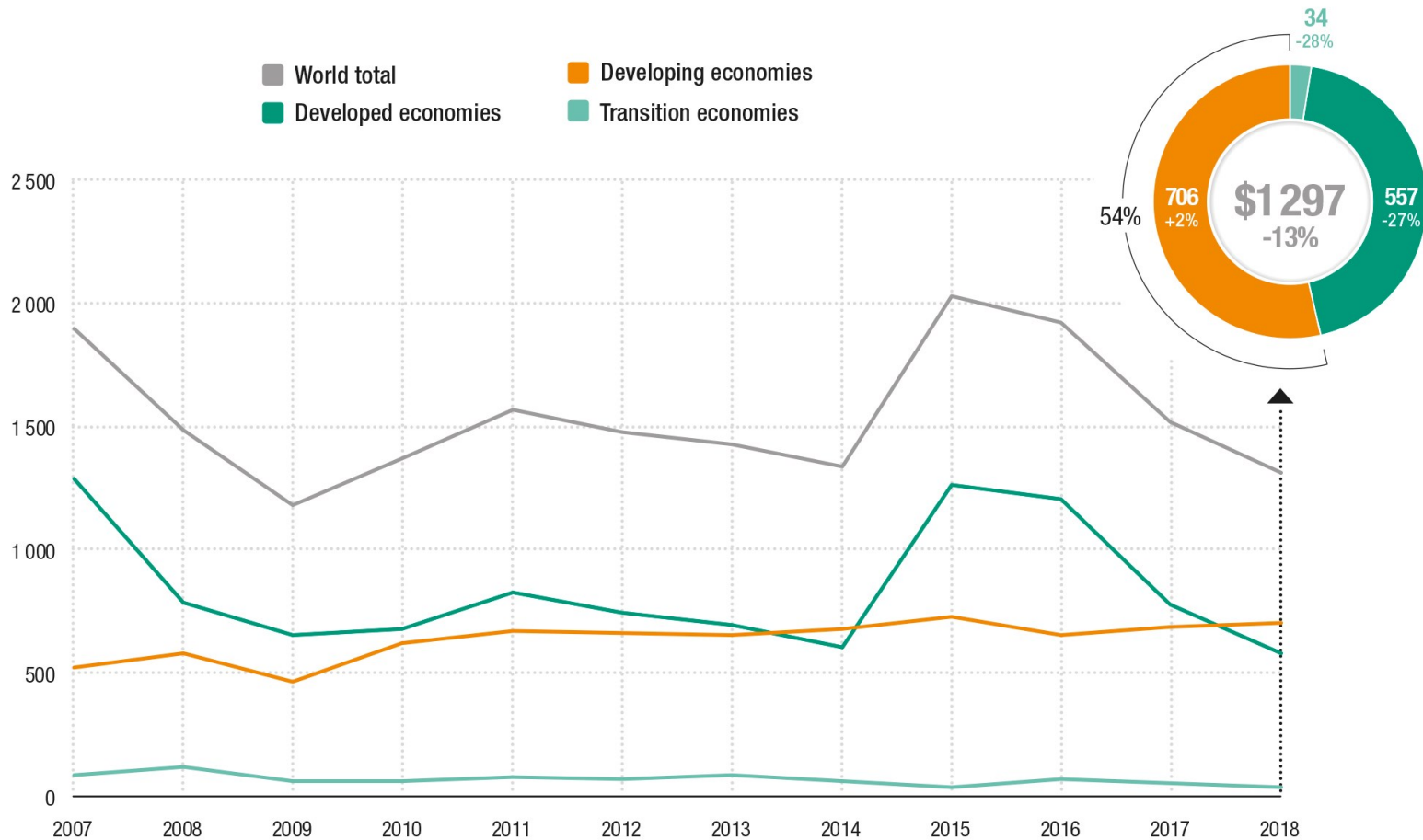




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Global FDI down 13% in 2018

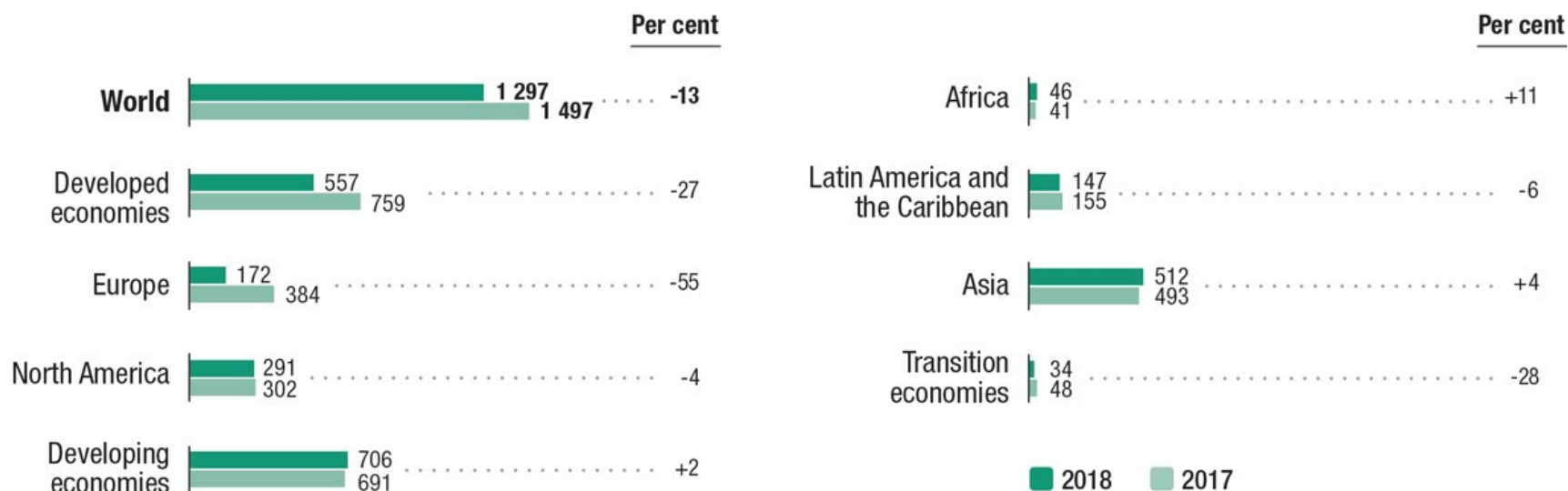
FDI inflows, global and by economic group, 2007–2018
(Billions of dollars and per cent)



FDI flows to developing economies remain steady

FDI inflows, by region, 2017–2018

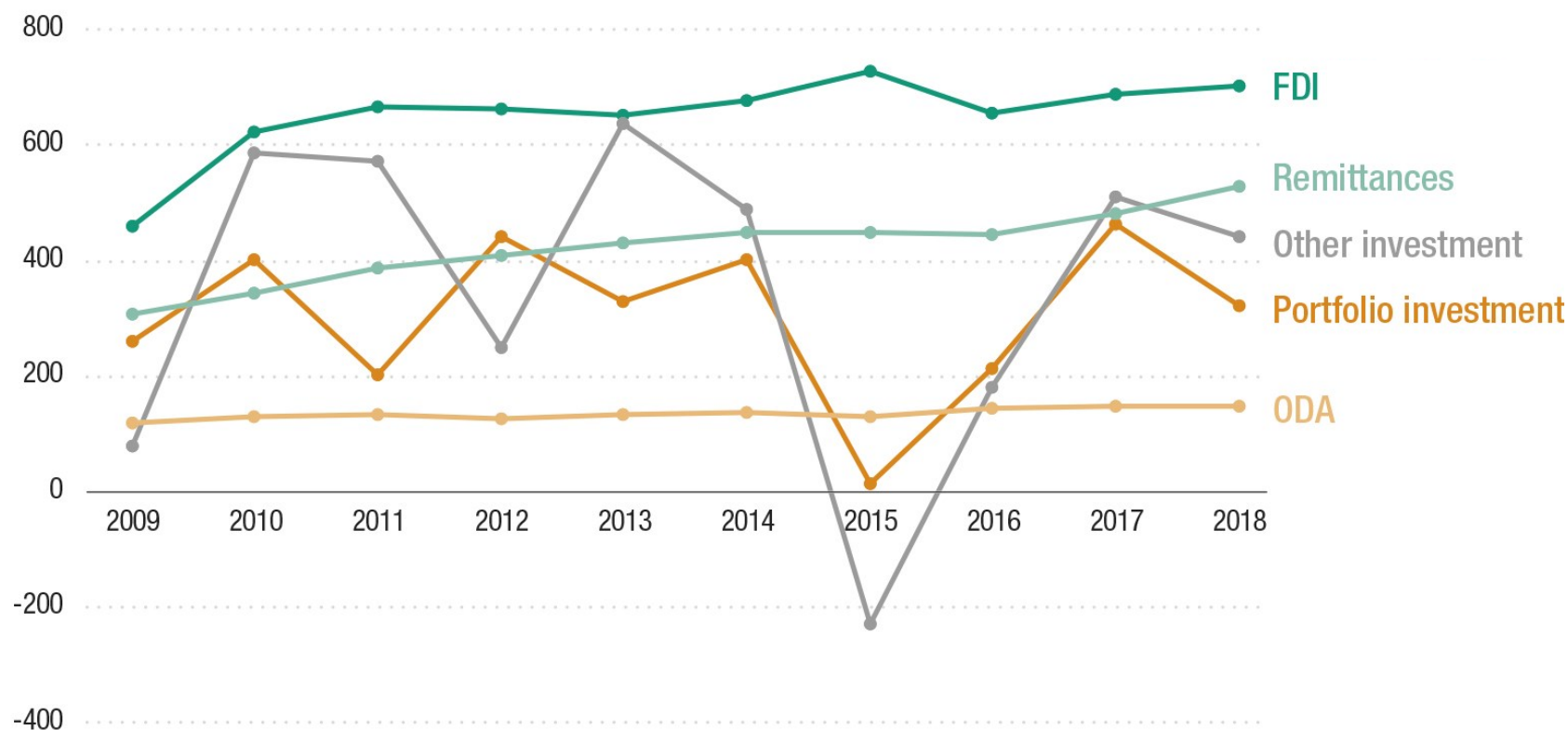
(Billions of dollars and per cent)



FDI flows prove resilient as a source of external finance

Developing economies: sources of external finance, 2009–2018

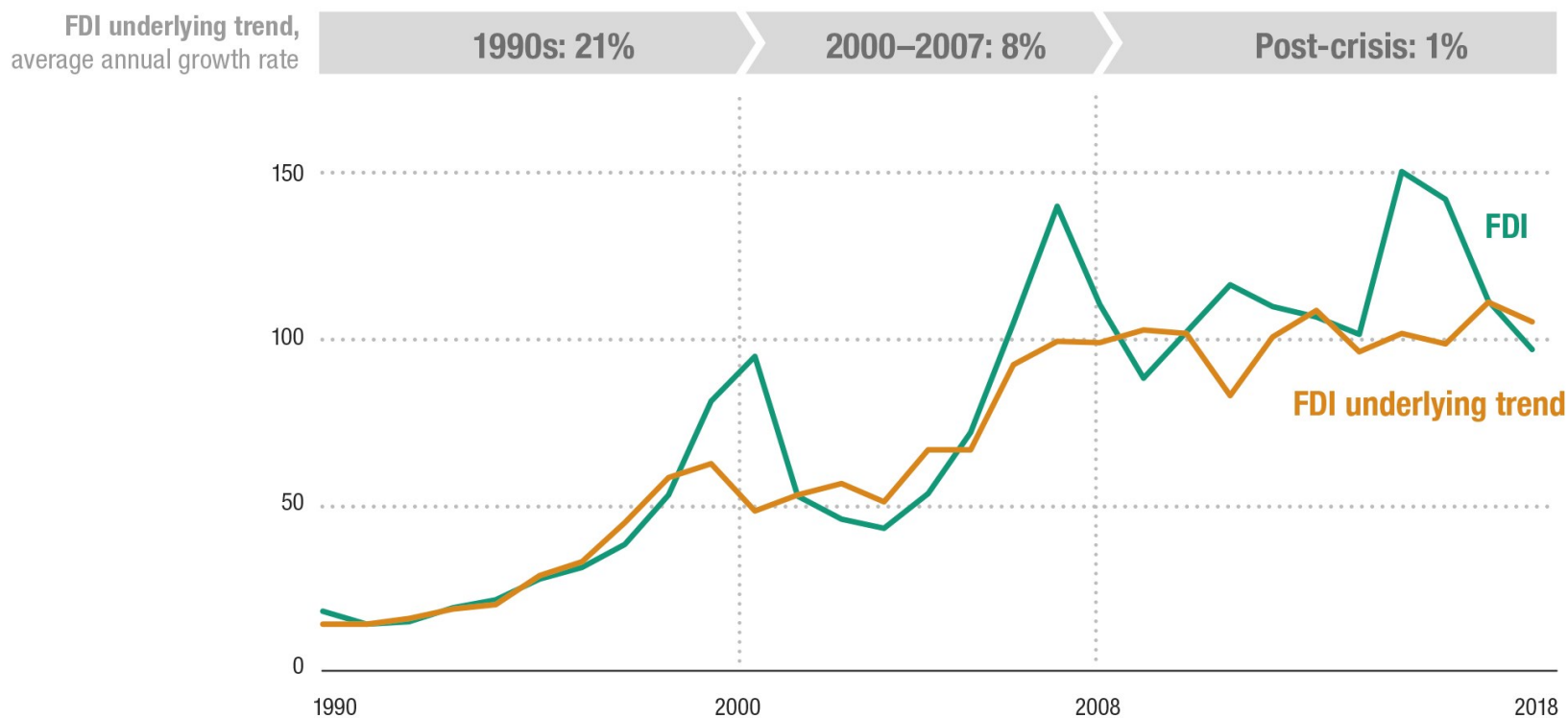
(Billions of dollars)



The underlying FDI trend anemic since 2008

FDI inflows and the underlying trend, 1990–2018

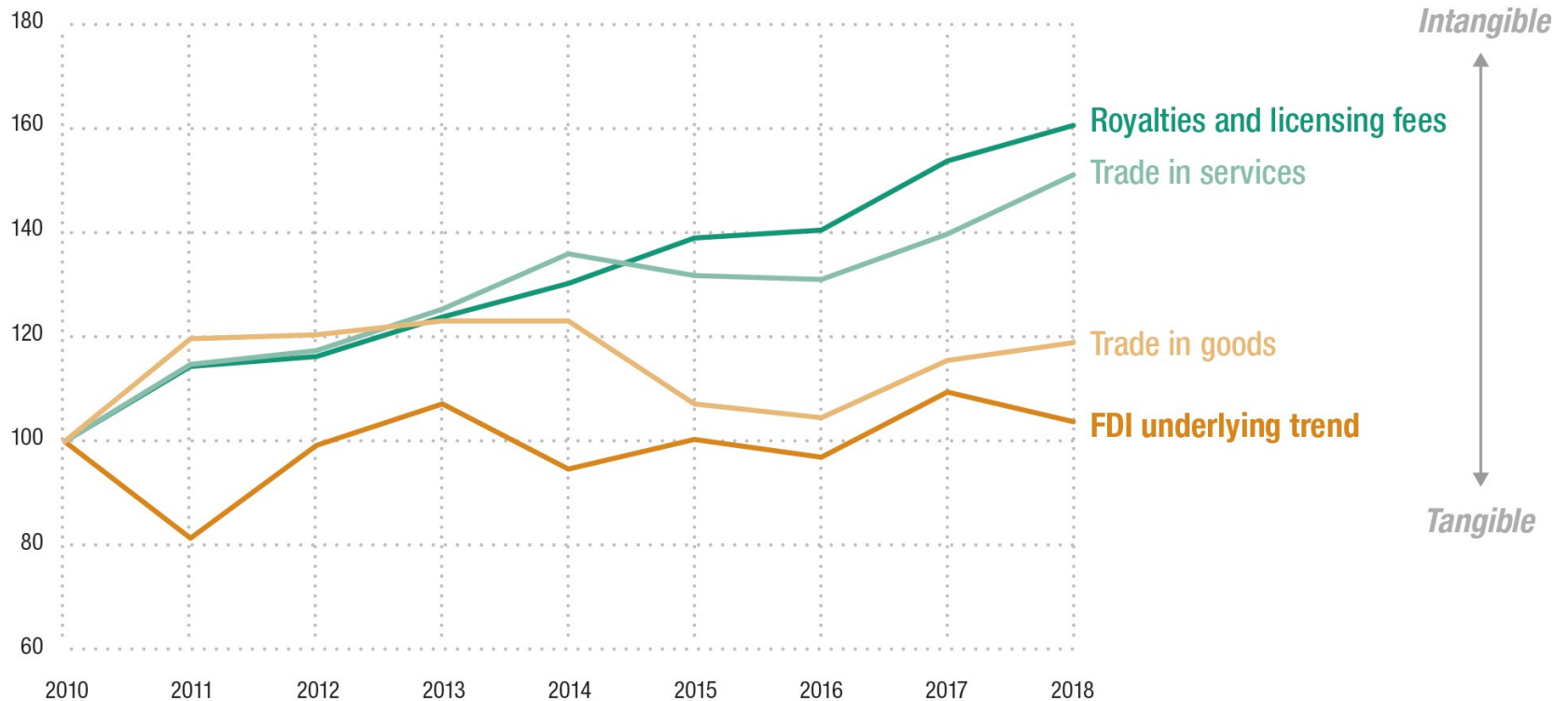
(Indexed, 2010 = 100)



Asset-light forms of investment on the rise

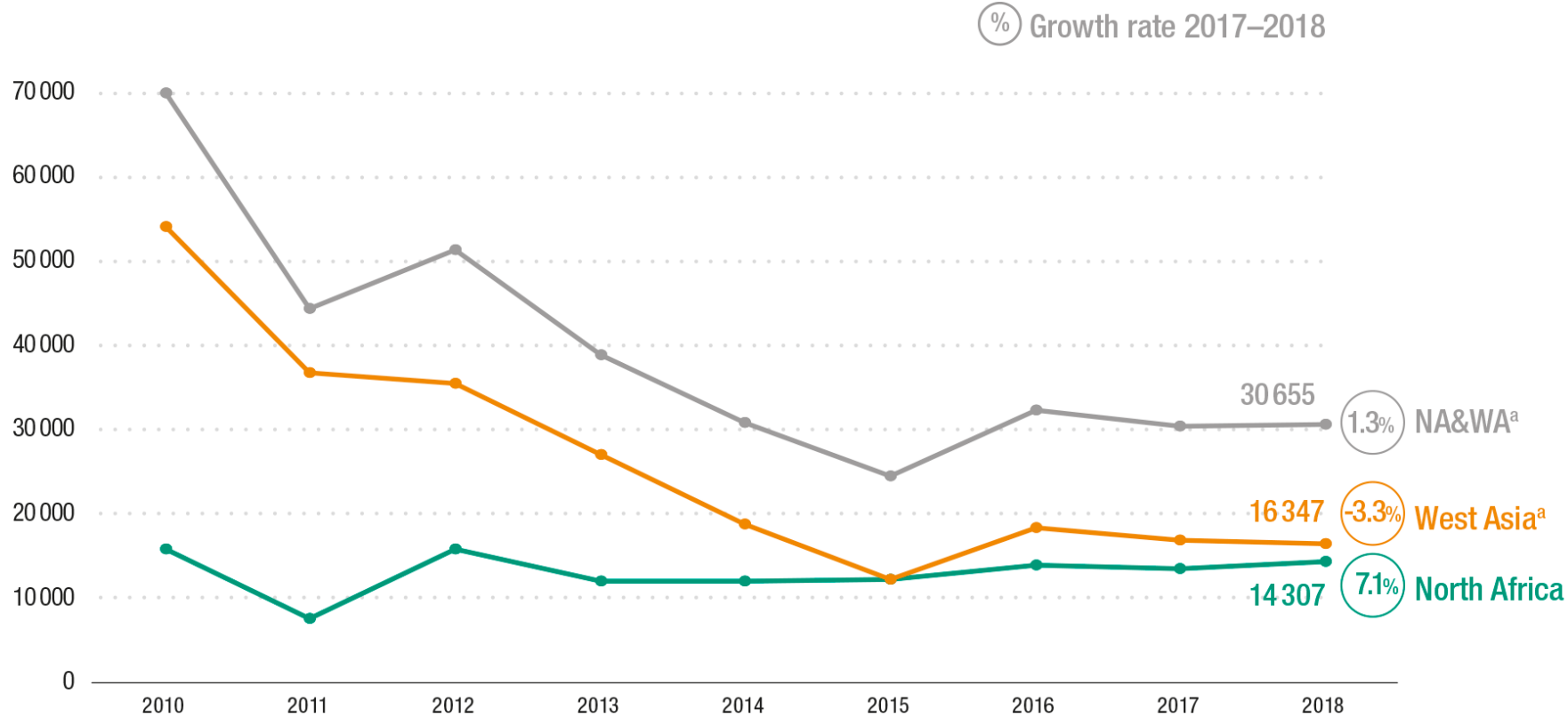
Indicators of international production, tangible and intangible, 2010–2018

(Indexed, 2010 = 100)



FDI inflows in North Africa and West Asia, 2010–2018

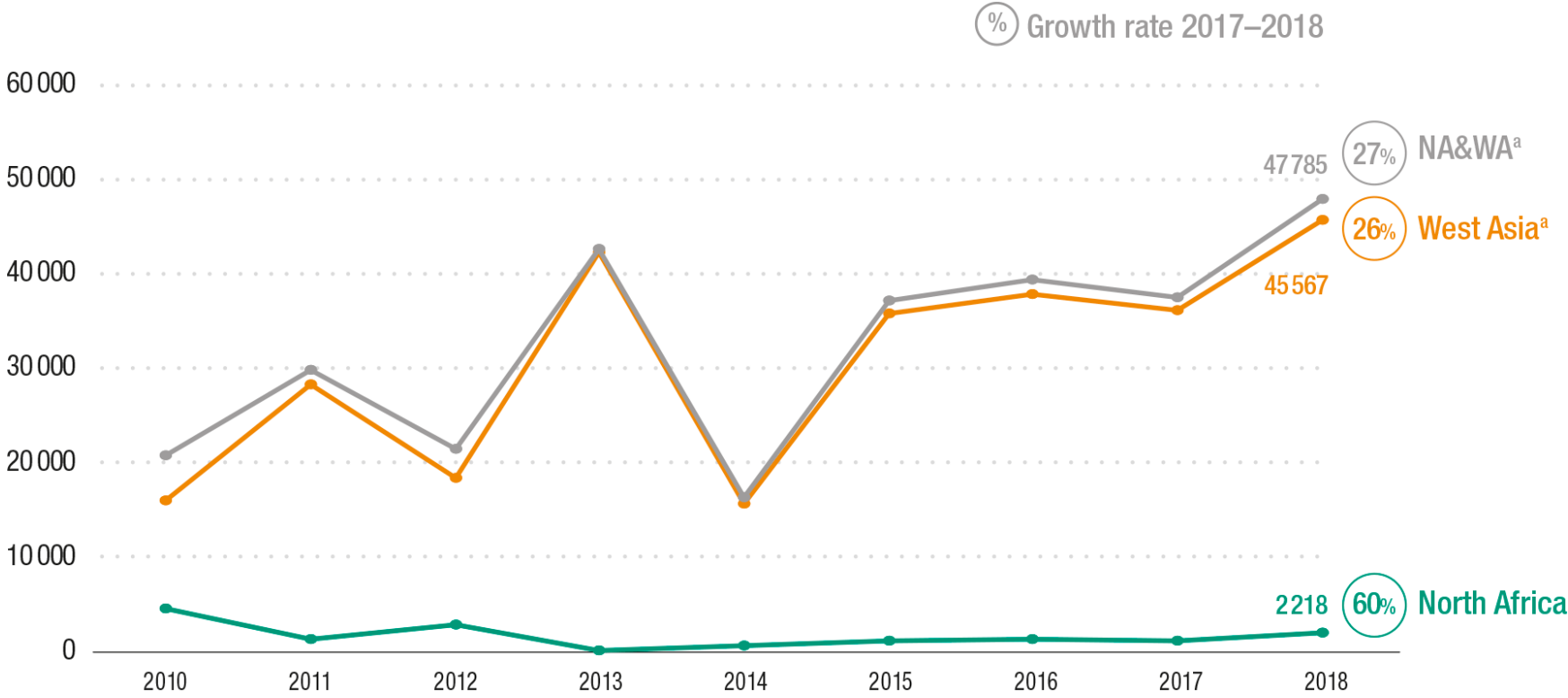
(Millions of dollars and per cent)



^a West Asia without Turkey.

FDI outflows from North Africa and West Asia, 2010–2018

(Millions of dollars and per cent)



^a West Asia without Turkey.



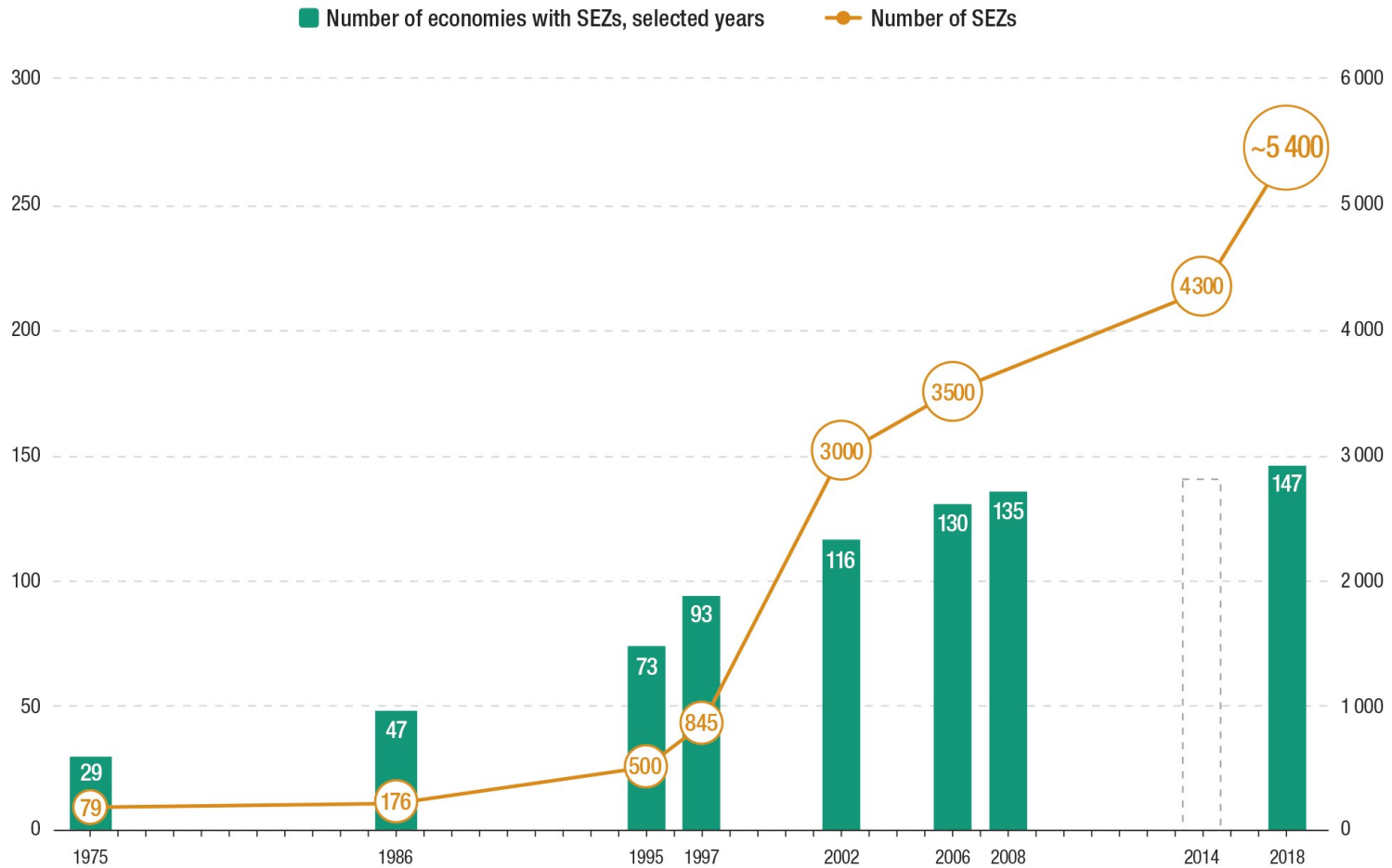
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Special economic zones (SEZs) widely used around the world

Historical trend in SEZs

(Numbers of countries and SEZs)



Zone types follow an SEZ development ladder

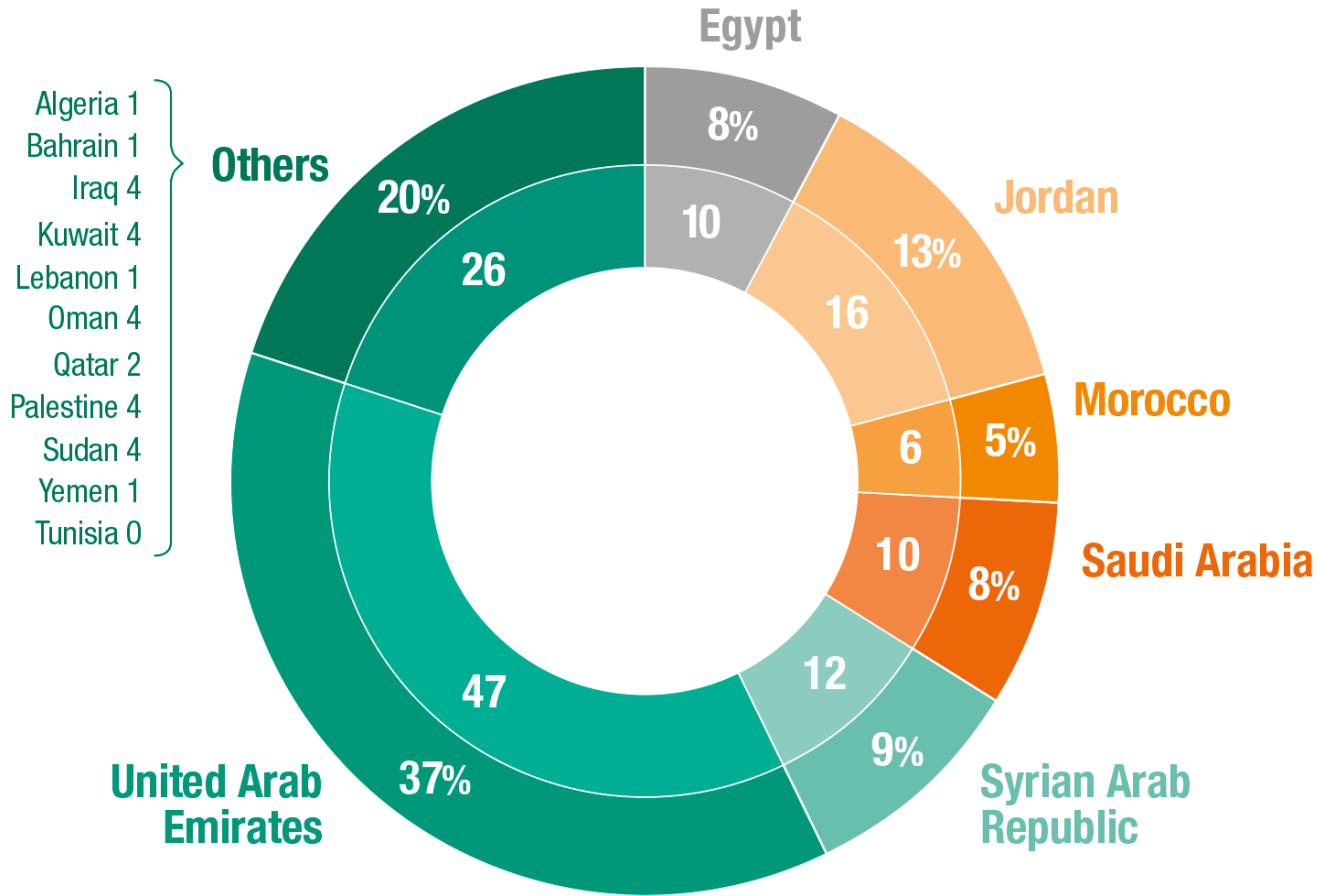
The SEZ development ladder

	Zone policy objectives	Prevalent zone types
High-income economies	<ul style="list-style-type: none"> • Provide an efficient platform for complex cross-border supply chains • Focus on avoiding distortions in the economy 	<ul style="list-style-type: none"> • Logistics hubs free zones only (not industrial free zones) • Innovation and new industrial revolution objectives pursued through science parks without separate regulatory framework, or though incentives not linked to zones
Upper-middle-income economies	<ul style="list-style-type: none"> • Support transition to services economy • Attract new high-tech industries • Focus on upgrading innovation capabilities 	<ul style="list-style-type: none"> • Technology-based zones (e.g. R&D, high-tech, biotech) • Specialized zones aimed at high value added industries or value chain segments • Services zones (e.g. financial services)
Middle-income economies	<ul style="list-style-type: none"> • Support industrial upgrading • Promote GVC integration and upgrading • Focus on technology dissemination and spillovers 	<ul style="list-style-type: none"> • Specialized zones focused on GVC-intense industries (e.g. automotive, electronics) • Services zones (e.g. business process outsourcing, call centres)
Low-income economies	<ul style="list-style-type: none"> • Stimulate industrial development and diversification • Offset weaknesses in investment climate • Implement or pilot business reforms in a limited area • Concentrate investment in infrastructure in a limited area • Focus on direct employment and export benefits 	<ul style="list-style-type: none"> • Multi-activity zones • Resource-based zones aimed at attracting processing industries

Source: UNCTAD.

1/3 of SEZs in North Africa and West Asia in the UAE

(100% = 127 SEZs)

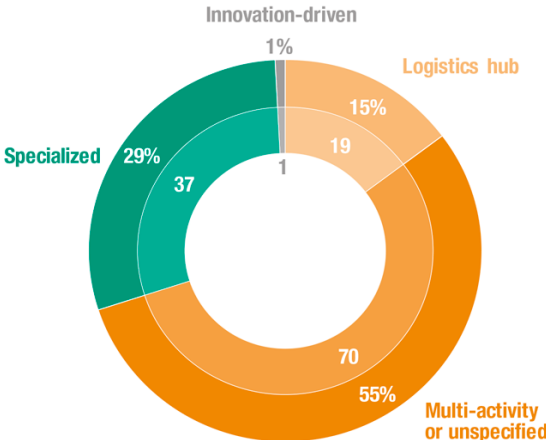


Note: Libya: NA

Different mix of functionalities

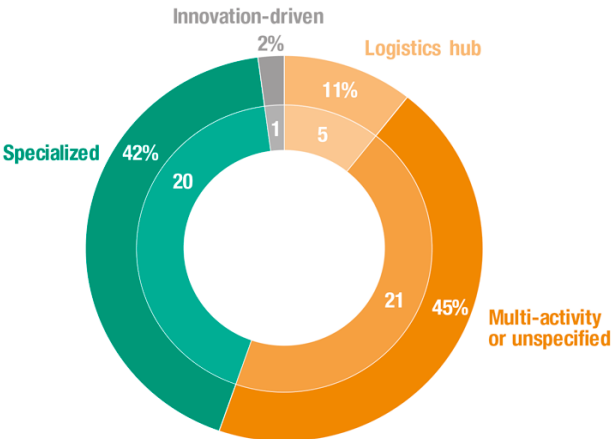
Number of SEZs in North Africa and West Asia, by functionality, in 2018

(100% = 127 SEZs)



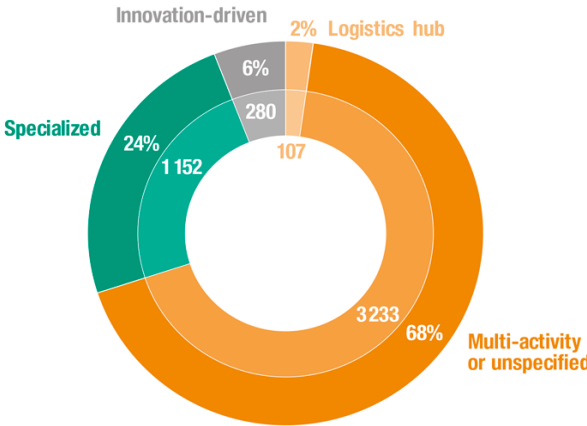
Number of SEZs in the UAE, by functionality, in 2018

(100% = 47 SEZs)



Number of SEZs in developing countries, by functionality, in 2018

(100% = 4 772 SEZs)



SEZs and international cooperation

Types of SEZs	Examples	Main motivation	
Foreign partnership zones	Private-private: Zones developed by foreign developers or through joint ventures with local companies as private FDI	Amata City Bien Hao (Thailand to Viet Nam, 1994); Techno Park Poipet (Japan to Cambodia, 2015)	<ul style="list-style-type: none"> • Development assistance • Economic cooperation • Strategic considerations
	Private-public: Zones developed through public-private partnerships with foreign developers	Savan-Seno SEZ (Malaysian to Lao People's Democratic Republic, 2003); Free Industrial Zone Hualing Kutaisi 2 (China to Georgia 2015)	
	Public-public: Zones developed as government-government partnership projects	Suzhou Industrial Park (Singapore to China, 1994); Thilawa SEZ (Japan to Myanmar, 2011)	
Border zones	Border zones: Zones located at borders with neighbouring countries	Mexico Maquilladoras; border zones within the Greater Mekong Subregion	<ul style="list-style-type: none"> • Export facilitation • Regional integration and regional value chains
	Cross-border Zones: Zone located across borders, under joint ownership by neighbouring countries	Mohan/Boten (China to Lao People's Democratic Republic, 2015); Horgos/Khorgos (China to Kazakhstan, 2012)	

Emerging challenges and possible policy responses

Policies/standards	Sustainable development imperative	New industrial revolution and the digital economy	Changing patterns of international production
Strategic reorientation	<ul style="list-style-type: none"> Integrate sustainable development indicators in SEZ programme design Explore new SEZ models focused on incubating business activities that promote sustainable development 	<ul style="list-style-type: none"> Modernize SEZ service provision by integrating digital technologies Promote investment in business activities of digital firms Partner with global platform providers to enhance SEZ competitiveness 	<ul style="list-style-type: none"> Focus specialized SEZs on services and manufacturing activities in line with global industrial restructuring Link SEZ development to regional integration, including through new international cooperation models
Regulatory reform	<ul style="list-style-type: none"> Establish, monitor and enforce ESG performance indicators for SEZ investors Promote global standards in SEZs 	<ul style="list-style-type: none"> Consider the interaction between the policy framework for SEZs and the national regulatory regime for the digital economy 	<ul style="list-style-type: none"> Adapt facilitation and regulations to new forms of investment (non-equity modes of international production) Anticipate shifts in international rules and trade preferences, and regional integration efforts
Repackaging of the value proposition	<ul style="list-style-type: none"> Provide supporting services and training programmes in ESG factors Reorient incentive schemes towards sustainable development contributions 	<ul style="list-style-type: none"> Provide adequate digital infrastructure within zones Facilitate digital start-ups through focused clustering and linkages programmes Adjust HRD programmes to include digital skills 	<ul style="list-style-type: none"> Incentivize upgrading and diversify exports Strengthen entrepreneurship policies and mobilize dynamic local entrepreneurs to catalyze FDI in SEZs Provide on demand or shared manufacturing, design or testing spaces or services

Source: UNCTAD.

Policy options for the creation of SDG model zones

Illustrative list

Policy option	Policy objectives	Focus	Promotion/facilitation
SDG investment strategy	<ul style="list-style-type: none"> • Catalyze SDG implementation • Incubate pro-SDG business activities 	<ul style="list-style-type: none"> • Sustainable agriculture, food security and nutrition • Basic infrastructure, utilities, water and sanitation services • Health care and essential medicines • Renewable energy and climate change mitigation • Education 	<ul style="list-style-type: none"> • Target SDG sectors and incubate SDG activities • Reorient incentive schemes towards SDG contributions • Prepare a pipeline of SDG projects • Facilitate impact investment and social entrepreneurs • Cooperate with development partners
ESG standards compliance	<ul style="list-style-type: none"> • Promote sustainable processes in production and services • Enhance CSR and good governance 	<ul style="list-style-type: none"> • Aspirational goals: zero emissions and minimum waste • Highest labour, health and safety standards • Gender-equality benchmark • Measurement of zone contributions to public revenues 	<ul style="list-style-type: none"> • Services in the zone to facilitate the implementation of standards • Inspection of standards compliance and exchange of best practices • Investors agree to codes of conduct and reporting on ESG performance
Inclusive growth via linkages and spillovers	<ul style="list-style-type: none"> • Shift from enclaved zones to models that facilitate backward and forward linkages • Spillovers of SDG best practice to the rest of the country 	<ul style="list-style-type: none"> • Renewable energy installations that also supply outside the zone • Waste management plant with capacity beyond the zone • Amenities and services (health care, housing and education) that benefit the wider community 	<ul style="list-style-type: none"> • Strengthen entrepreneurship policies • Mobilize local entrepreneurs to catalyze FDI and promote MNEs suppliers • Broaden incentive schemes to support local supplier development

Source: UNCTAD.

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