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Advancing Sustainable Development With FDI

Why Policy Must Be Reset

The 27th Global Trade Alert Report

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GLOBAL TRADE ALERT

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Advancing Sustainable Development With FDI: Why Policy Must Be Reset

TABLE OF CONTENTS

FOREWORD BY THE HINRICH FOUNDATION

In this second year of navigating the Covid-19 pandemic, signs are emerging of a stronger than expected economic recovery. The International Monetary Fund is forecasting a 6 percent growth rate for 2021. Economic stimulus packages have buoyed public spending and domestic consumption.

But will the forecast spur the return of foreign direct investment, or FDI, particularly in developing countries?

We at the Hinrich Foundation are hopeful. The mission of the Hinrich Foundation is to advance mutually beneficial and sustainable global trade. FDI is vital in furthering this mission and to achieving the Sustainable Development Goals, or SDGs. In many countries, FDI outperforms aid, remittances, and portfolio investments as the largest source of external financing. These investments create jobs, boost productivity, and bring management expertise and technology.

The less quantifiable benefits of FDI can exceed the value of the financial flows. Technology and management transfer comprise a fraction of FDI's multiplier effects. Consider the other benefits. Recipients of FDI gain access to international markets. Opportunities for human capital development increase. Often, investments foster better working conditions and environmental practices. Subsequently, industries modernize, domestic supply chains emerge, infrastructure develops and improves, as do regulatory reforms and living standards.

Outward FDI, or OFDI, is also important. According to the World Bank, OFDI has increased twentyfold in recent decades. Many developing countries support homegrown companies to establish subsidiaries overseas, often in larger economies close to home. These subsidiaries in turn gain access to capital, technology, and markets.

Collectively, these direct and indirect benefits of FDI can and do lift millions out of poverty. One need not look further than China and its development trajectory. As Michael Enright explained in *Developing China: The Remarkable Impact of Foreign Direct Investment*, the rapid growth enjoyed by China in recent decades exemplifies FDI's transformative power (Enright 2016).

Since 2018, we have watched with alarm the steady decline of FDI, both in aggregate and in developing countries. If the trend holds, FDI's transformative power may recede. Achieving the SDGs may become a more distant prospect.

There are signs of cautious optimism. According to the World Bank's Global Pulse Survey, three-quarters of the multinational corporations surveyed in late 2020 expect to maintain their current levels of investment. While greenfield investments remain muted—a fraction of their volume in 2017—the flows are now on an incline.

In supporting this important report, we also retain our optimism in FDI. We hope that the report findings will prompt policy debate and action to address regulatory gaps that hold back FDI. For the sake of millions of people who have yet to gain from the multiplier effects of FDI, remaining idle is not an option.

Reference

Enright, M. (2016). *Developing China: The Remarkable Impact of Foreign Direct Investment*. Routledge.

EXECUTIVE SUMMARY

Properly guided, foreign direct investment has transformed the prospects of firms, sectors, regions, and even economies. In particular, developing countries have benefited from greenfield investments, opportunities have been created for millions of employees and their families, and living standards have risen.

As multinational corporations are perceived as having ever-growing reach, and now that sophisticated international value chains criss-cross the planet, governments and civil society are demanding that international business does more to advance sustainable development and to tackle climate change. Governments are on record stating that they cannot finance and deliver on the Sustainable Development Goals without private sector engagement.

The reality on the ground is different, however. Companies are resorting less and less to foreign direct investment. Once a hallmark of globalisation, FDI has been in trouble for some time—a fact compounded by the ongoing pandemic:

- Even before last year's 42% drop, sensibly benchmarked annual inflows of FDI have been in decline since the Global Financial Crisis.
- The economic fallout from COVID-19 has witnessed new FDI flows retreating to levels not seen for 25 years.
- New greenfield investments into developing countries have been particularly hit last year, falling 57% year-on-year in the fourth quarter of 2020.
- Globally, the average return on FDI fell during the past decade. Mean FDI returns fell more in developing countries than in higher income countries.
- Outside of the Middle East, since 2015 U.S. multinationals have earned at most meagre additional returns from FDI in developing countries, when compared to investments in less risky European Union economies.
- Returns on U.S. FDI in educational services are so low it would take 40 years to recoup their outlays. Worse, the payback period for investments in health and telecoms is over 90 years. Fortunately, returns from investing in manufacturing are healthier.

Falling returns on FDI are the canary in the coal mine—they call into question the commercial viability of setting up shop in foreign markets and retaining operations there. By and large, public policy has created headwinds for FDI, especially over the past five years:

- Governments have introduced fewer public policies conducive to FDI. This is true of the G20 nations and other nations, including the Least Developed Countries.
- Policies encouraging barrier-jumping FDI are declining in importance.
- Localisation requirements affecting foreign direct investors became more far-reaching over the past five years, as have policies affecting the entry, screening, and regulation of FDI.
- Fewer policies in service sectors encourage FDI when compared to goods sectors.
- Businesses have faced mounting regulatory risks over the past decade.

So while governments demanded more from FDI, they've been making life more difficult for international business. Something had to give—reduced FDI inflows is the likely result.

Discussions on the contribution of international business to pressing global challenges need a reset. FDI cannot make a meaningful contribution to sustainable development and to tackling climate change unless sufficient FDI happens in the first place. Deliberations on the quality of FDI and on business conduct are important, but the quantity of FDI matters too.

At the time the Sustainable Development Goals were adopted, many governments made clear they have neither the money nor the capabilities to deliver and so private sector participation is needed. Policymakers would do well to revisit the business case for choosing FDI over other corporate projects or returning money to shareholders. Implementing the following three steps will improve the commercial prospects of FDI in development-sensitive sectors:

- Having evidenced why returns on FDI are so low in a developing country, or why such returns are falling, dialogue between the World Bank and regional development banks and host government should identify which policies and corporate practices must change and the technical support required to effect policy change.

- Target any state provided financial support for FDI at priority sectors where sustainable development benefits are deemed greatest by host governments in developing countries. This applies to financial incentives for outward as well as inward FDI.
- Governments should progressively de-risk FDI by thoroughly reviewing and benchmarking existing regulatory policy and enforcement practice. Particular attention should be given to the implementation of recently approved FDI screening policies.

With over $11 trillion invested in developing countries, both international business and governments have a huge stake in reviving the commercial fortunes of FDI. To date, too much of the onus has been on international business. For example, the private sector has been told by advocates of sustainable development to "align" with the global and societal transformations needed to accomplish the Sustainable Development Goals.

Those advocates and policymakers must reflect and act on why the returns to FDI in key sectors are so low and why only a trickle of FDI inflows has occurred in them. Enhanced corporate contributions to sustainable development should be balanced by policy reforms to restore the commercial viability of FDI in developing countries—a proven mechanism to transfer management expertise, people, capital, and technology. Urgently needed is a reset in deliberations on what international business can realistically deliver, especially if there is no reversal in the worsening policy treatment of FDI that is documented in this report.

CHAPTER 1
WANTED: MORE OF THE RIGHT KIND OF FDI

Foreign direct investment (FDI) has long been one of the hallmarks of globalisation. It is central to the development strategies of many low- and middle-income nations. As the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) noted in his Foreword to the *World Investment Report 2020*: "For decades, their development and industrialization strategies have depended on attracting FDI, increasing participation and value capture in GVCs [Global Value Chains], and gradual technological upgrading in international production networks."[1] In the same report, the United Nations Secretary-General described FDI as "vital resources" and argued that "sustainable development depends on a global policy climate that remains conducive to cross-border investment."[2]

According to the *World Investment Report 2020*, such has been the openness to foreign investment over the years that, by 2019, a stock of $11.3 trillion of FDI had accumulated in developing countries (UNCTAD 2020). On average that amounts to $1,730 of capital invested by foreign firms for every single person living in developing countries. How that capital is deployed in the future will have a material impact on the quality of life for the populations of the developing world.

Bearing in mind that capital tends to depreciate by just under 4% per year in developing countries,[3] fresh FDI inflows of at least $440 billion per annum are needed just to maintain the current stock of FDI. Whether international business is prepared to deploy such huge sums given the current business environment and policy mix is both an open and rarely asked question.

Meanwhile, many governments, international organisations, and civil society are demanding more of international business. They don't just want more FDI, they want better FDI. Often, this is framed in terms of improving the quality of FDI (OECD 2021), with a particular focus on the impact of FDI on gender equality, the transition to a low carbon economy, labour market outcomes, skills, and income inequality, as well as productivity growth and innovation.[4] Long gone are the days when more FDI was unambiguously good, it seems.

Moreover, perhaps because international business is seen as having greater geographic reach and leverage than the diplomacy and aid policies of many governments, civil society groups often demand verifiable improvements in the conduct of firms that operate extensive international supply chains and overseas operations. In March 2021, for example, the German government approved proposals to require companies operating supply chains to enforce certain human rights and environmental standards.[5] That such proposals are deemed insufficient by some civil society groups provides an indication of the elevated standards to which many now hold multinational corporations. Rising expectations are not confined to any one country or region of the world.

Geopolitical factors are adding further headwinds for firms contemplating foreign direct investments. Moves by governments to more actively screen foreign direct investments in their jurisdictions putatively on national security grounds have garnered plenty of media attention. Much less well known are the steps taken by some governments to actively discourage certain types of foreign direct investments and the exports that can flow from them.

For example, in May 2021 the European Commission proposed new rules to discourage state financing of foreign investments, in particular cross-border acquisitions, within the European Union.[6] Ostensibly the

1 UNCTAD (2020), page iv.

2 UNCTAD (2020), page iii.

3 From the Penn World Tables, one can calculate that the median depreciation rate for capital in developing countries was 3.9% during the years 2017-19. Ideally, one would want to know the depreciation rate of foreign direct investments but to the best of our knowledge that information is not available.

4 Findings that firms that with a corporate social responsibility ethos tend to pay more in developing countries and, when they invest in supplier development programmes, transfer more technology suggest that corporate conduct choices do matter. For evidence in this regard see Görg, Hanley, and Seric (2018).

5 This draft law is available (in German) at https://www.bmas.de/SharedDocs/Downloads/DE/Gesetze/Regierungsentwuerfe/reg-sorgfaltspflichtengesetz.pdf?__blob=publicationFile&v=1.

6 For further details of this initiative see https://ec.europa.eu/commission/presscorner/detail/en/ip_21_1982.

motivation for this step were concerns about Chinese FDI. However, the reality is that many of the EU's traditional trading partners have form in subsidising the overseas acquisitions by their national firms.[7] This is just one example of the increasingly less favourable policy mix facing those making FDI decisions that we detail in this report.

To those versed in the evolution of multinational enterprises since 1945, a further shift in the policy mix facing international business and the societal demands upon them will come as no surprise. The Harvard University authority on multinational corporations, the late Raymond Vernon, wrote a series of books charting this evolution over the post-war era (Vernon 1971, 1977, and 1998). One lesson from history is that the status quo cannot be taken for granted. Consequently, the degree to which FDI advances sustainable development in the future is up for grabs.

Given the disparate tendencies mentioned earlier, it is opportune to reflect on the performance and impact of FDI in developing countries. The approach taken throughout this report is evidence-based. In our assessment, realistic expectations about the extent to which FDI can advance sustainable development in the future should be informed by information on what this particular commercial vehicle has accomplished to date. In the remainder of this chapter we recount what is known about the developmental impact of FDI and what is increasingly expected of such FDI.

Shepherded properly, FDI can still transform developing countries

One starting point of a discussion about the transformational potential of FDI in developing countries is to ask what the evidence shows about the impact on nations open to FDI in the past (Moran, Alfaro, and Javorcik 2007). In our reading, the mountains of evidence do not support sweeping assessments that FDI must be development-friendly or not.

Instead, the nuanced understanding built up over decades of research into the impact of FDI into developing countries has revealed numerous factors that together determine the impact of FDI and the many channels through which it can influence socioeconomic outcomes in developing countries (OECD 2021).

Such nuance has a very important practical implication. Our expectations of the developmental potential of FDI should be shaped by the circumstances facing international business in emerging markets which governments can influence and by the conduct of the multinational corporations undertaking the FDI in the first place. That circumstances differ markedly across developing countries now as they have in the past, inclines us toward looking for formulas for success and makes us cautious about putting too much store on individual episodes (Rodrik 2015). Moreover, given the diversity of circumstances, it does not surprise us that analysts contest the strength of many FDI channels.[8]

An important distinction to make at the outset is between greenfield investments (the construction from scratch of new commercial facilities) and cross-border mergers and acquisitions involving both local and foreign firms. By and large, most of the evidence available on the impact of FDI on developing countries relates to greenfield investments, which until recently accounted for the bulk of FDI inflows in developing countries.

Even if they had no other benefit (and more on that below), greenfield investments result in an expansion of the national capital stock of the host nation. In an economist's standard toolbox, augmenting the size and quality of a nation's capital stock constitutes investment and supports both short and longer term economic growth.

A distinction should also be made between inward flows of FDI and the overseas investments of national firms, so-called outward FDI. As far as developing countries are concerned, with the potential exception of China over the past decade[9] and in Korean and Japanese firms in earlier decades, most of what is known about the FDI's effects on developing countries relates to the impact of inward FDI.

In principle, inward foreign direct investment can advance sustainable development, taken to include economic, environmental, and societal impact, through the following channels:

- The creation of jobs, often jobs that pay a premium over local employment alternatives. Jobs are created directly in a new greenfield facility and indirectly in suppliers. Thicker labour markets for talent in turn foster the development of clusters.
- Enhancing the variety, quality, and affordability of goods and services available to local customers, which include not only consumers, but also local firms and governments that benefit from greater value for money.
- The transfer of technology, physical and tacit knowledge, directly or indirectly to affiliates,

7 Perusal of the Global Trade Alert database reveals that over the past decade Canada, South Korea, and Japan have been financially assisting their nations' firms to make overseas greenfield investments and cross-border acquisitions.

8 An excellent example is the research on the presence and magnitude of spillovers from foreign firms to domestic firms, whether in the form of technology, tacit knowledge, and movement of personnel (see, for example, Blalock and Gertler 2008, Buckley, Clegg, and Wang 2007, Gorodnichenko, Svenjar, and Terrell 2014, Hanson 2001, and Javorcik 2004).

9 A recent analysis of the domestic employment effects of Chinese outward FDI can be found in Liao, Yang, Dai, and van Aasche (2021).

joint venture partners, and local suppliers. Such technology may improve not only productivity but also reduce environmental emissions and other forms of degradation.

- Financing of capacity expansion of local affiliates, suppliers, and distributors, and networks thereof.
- Creation of opportunities for local firms to engage in international supply chain networks, and attendant potential for additional export sales and technical upgrading.
- Enhanced competitive pressure on existing local and foreign firms, which stimulates cost control measures, productivity improvements, and innovation.

In practice, how these channels play out depends on a host of other factors including:

- the rationale for the foreign direct investment in the first place;
- the absorptive capacity of local firms and employees;
- the policies in the host country affecting the business environment and business conduct, in particular the extent of competitive rivalry between firms;
- the quality of national governance institutions that keep officials honest and reliable;
- the presence of rival local firms with the ear of the host government; and
- the integration of the host economy into the world trading system, through bilateral investment treaties, regional trade agreements, and WTO membership.

The foregoing observations have three important implications. First, any compelling assessment of the impact of FDI on development outcomes must be comprehensive in nature, taking account of the various channels mentioned above, the particular initial conditions of the host country, and knock-on effects within sectors, across sectors, and across regions.

This argument has been stressed by Enright (2016) in his far-reaching assessment of the economy-wide impact of FDI into China.[10] Adapting an economic impact assessment methodology to this multi-faceted challenge Enright estimates, that once relevant knock-on effects are taken into account, inward FDI was responsible for 30-35% of Chinese GDP and up to 27% of Chinese employment between 1995 and 2013. Enright concludes that once the ripple effects are taken into account the transformative effect of FDI on the Chinese economy is revealed.

Second, the considerable ink spilt on the need for appropriate flanking policies[11] to maximise the development impact of FDI speaks to both the conditional nature of FDI's development impact and the need to avoid thinking in silos. This is one reason why later in this report we take a broad view of the policies that affect the commercial viability of FDI.

Third, that some of the channels through which FDI delivers benefits are hard to measure; for example, knowledge spillovers and even technology transfers. This hampers not only research on FDI's impact but, more importantly, the design of government policies. That, from time to time, mistakes are made by well-meaning policymakers should not be surprising and shouldn't be used to discount the development potential of properly shepherded FDI. This is an inherently difficult area of public policymaking. Robust experimentation and adjustment based on a disinterested analysis of results is probably the best way forward.

Calls for a "Decade of Action"

The changing societal demands on foreign direct investment should be seen in terms of a broad-based shift in development thinking and policy away from the Washington Consensus (Williamson 1990) towards the Sustainable Development Goals (SDGs), that were adopted by all 193 UN member states on 25 December 2015. The latter essentially defined goals for development for the years 2015 to 2030. Together with the Paris Climate Accord, the SDGs have framed the debate over purposeful societal development, international cooperation, and globalisation.

Recognition of four pervasive environmental and social crises in many countries motivated the adoption of the SDGs (Sachs and Sachs 2021). The four environmental crises, which feed on one another are human-induced climate change; unsustainable land use; pollution of air, oceans, lakes, streams, and on land; and increased frequency and impact of pandemic zoonotic diseases. As for social crises, attention is often drawn to extant levels of poverty, hunger, inequality, homelessness, violence, and oppression.

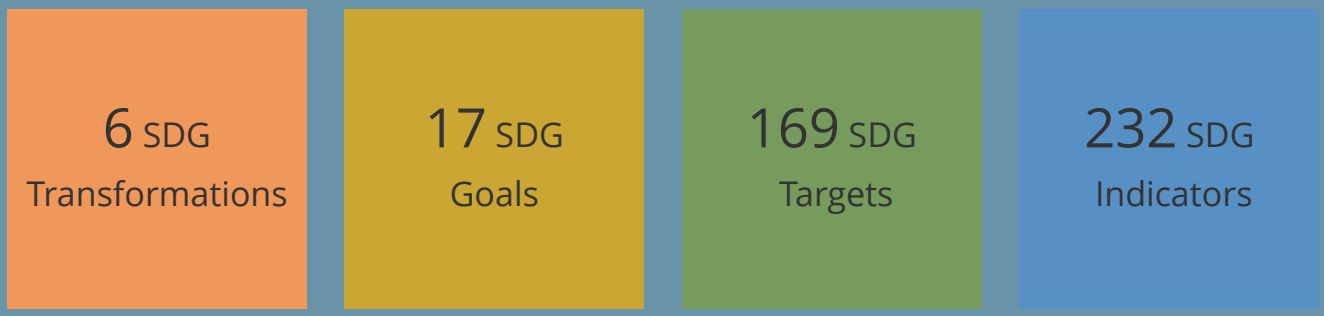
Evidently, any notion of economic growth at all costs or growth as the sole objective development strategy has been rejected. Where did business—which had chased the opportunities created by the acceleration of globalisation after the fall of the Berlin Wall—stand on this shift in approach?

Unlike the preceding Millennium Development Goals, business was actively involved in the creation of the SDGs. Several factors were thought to have brought the business and public sector together (Tett 2017). Governments

10 Enrich also conducted case studies to support his argument.

11 See, for example, OECD (2016).

Box 1: From six transformations to 232 KPIs: the components of the SDGs



knew they didn't have the resources to finance the implementation of the SDGs and sought private sector finance. Some CEOs were under pressure from shareholders and staff to align with more sustainable practices. Other CEOs saw a significant business opportunity.

The language of targets and KPIs is said to have built bridges between the private and public sectors. A total of 17 SDG goals were identified to be tracked using 232 unique indicators.[12] Digging deeper, analysts identified six "deep transformations" that must be undertaken to attain the SDGs and the goals of the Paris Climate Accord (see Box 1 and for further details Sachs et al. 2019).

The Head of the UN Development Programme, Mrs Helen Clark, a former Prime Minister of New Zealand, said at the time of the launch of the SDGs that "the new sustainable development agenda cannot be achieved without business" (UN News Centre 2015). Here, business was taken to include national as well as international business and FDI is one of the key tools available to the latter.

Despite this promising start, just four years later in September 2019 the UN Secretary-General Mr. Antonio Guterres declared "We are off track" and went on to outline how far the world was from meeting the SDGs. He called for a "Decade of Action", with the private sector playing its part. "We need to scale up long-term private investment for sustainable development," he argued. Moreover, "I appeal to innovators and disruptors in the private sector to embrace new business models that match the demands of the 2030 Agenda."[13]

Following a decade of inadequate progress

Before turning to the purpose of this report and its contents, it is useful to present some key facts. Ultimately, the assessment of the UN Secretary-General is correct. More developmental, environmental, and social progress was made in the decade prior to the past 10 years. There is no perfect empirical measure of the degree to which a society has developed, but the Human Development Index is an accepted point of reference. This index combines information on life expectancy, educational attainment, and national income per capita. This index yields a score for each nation that can be tracked over time.

Figure 1 shows that for a clear majority of nations the years 2010-19 saw slower gains in their HDI score than the decade before.[14] Only 37 out of the 174 nations for which data is available increased their HDI score more during 2010-19 than during 2000-10. In a nutshell, the pace of progress towards broad-based development has slowed, which ought to be a major concern.

Matters are no better when the labour market opportunities of women are concerned. Burundi, Guinea, and Rwanda are the only nations where the labour force participation rate of women exceeds that of men. In 140 nations the labour force participation rate of men exceeds that of women by at least 10 percentage points. As the map in Figure 2 shows, the problem is not confined to developing countries.[15]

12 For more information about those indicators see https://unstats.un.org/sdgs/indicators/indicators-list/. Whether, as some of our reviewers noted, those goals and unique indicators are mutually exclusive is another matter. What is certainly the case is that the range of development outcomes considered is extensive.

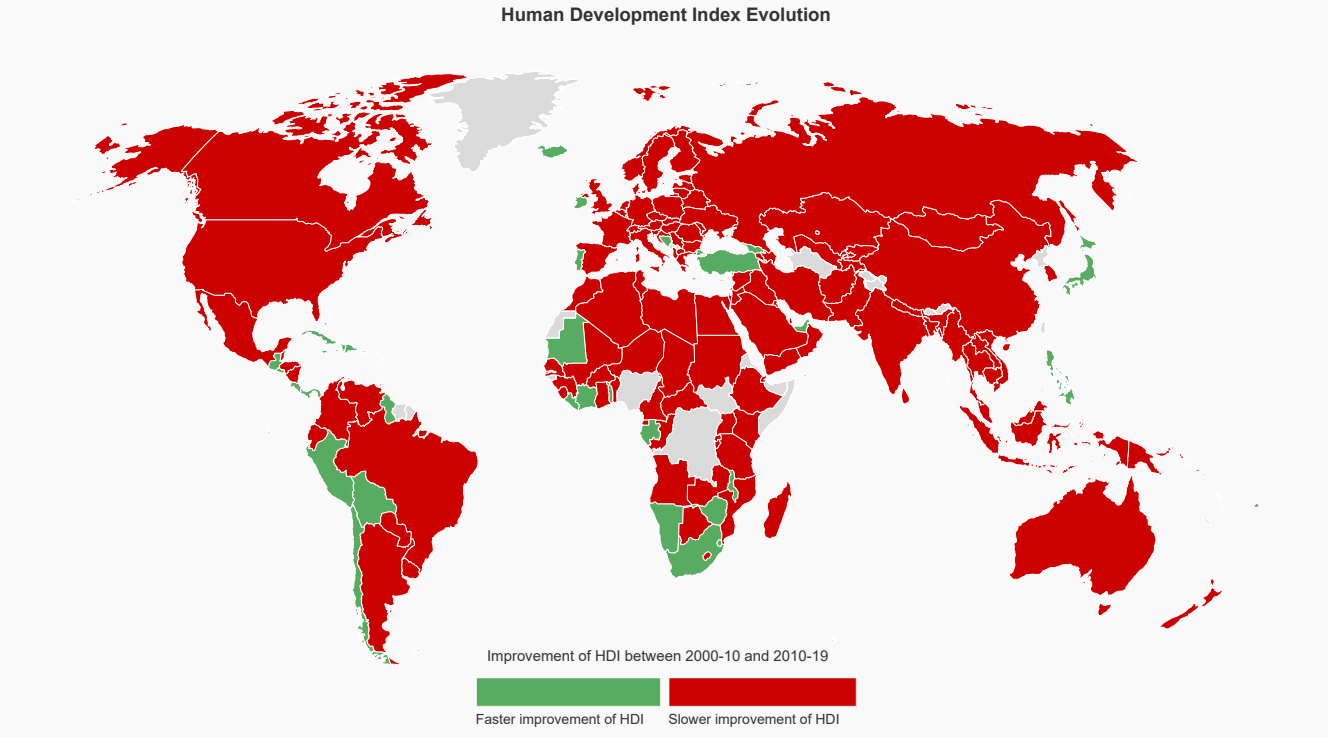
13 The Secretary-General's remarks can be obtained here: https://www.un.org/sg/en/content/sg/speeches/2019-09-24/remarks-high-level-political-sustainable-development-forum

14 Data to reproduce Figure 1 can be assembled from this source: http://hdr.undp.org/en/composite/trends

15 Data to reproduce Figure 2 can be assembled from: http://hdr.undp.org/en/composite/GII

FIGURE 1

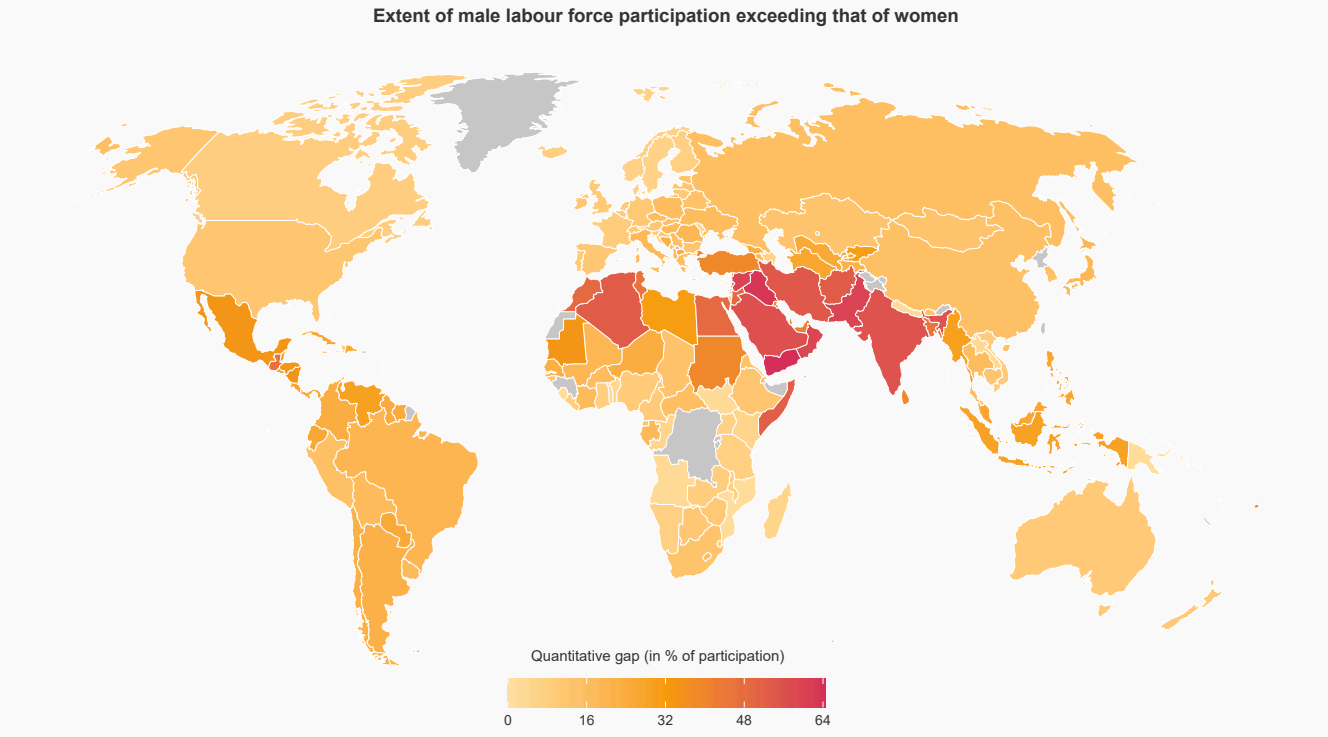
Only 37 nations saw faster rises in the Human Development Index during 2010-19



Source: Human Development Reports.

FIGURE 2

Large gender labour force participation rates remain



Source: Human Development Reports.

As for the transition to a lower carbon economy, according to data collected by the UN Development Programme, there is significant variation in the kilogrammes of CO2 emissions per unit of GDP across the 139 nations for which data is available (see Figure 3).[16] Of the thirty nations with the highest levels of emissions relative to the size of their economy, seven are members of the G20. East Asian nations as well as the region encompassing the former Soviet Union stand out for particularly high levels of CO_2 emissions, suggesting governments there have a long way to go to meet climate change targets.

Compounded by the fallout from the COVID-19 pandemic

If the challenges laid out above were not bad enough, they have been compounded by the COVID-19 pandemic. We cannot do justice to the different ways in which COVID-19 has set back national development trajectories here, but certain points relevant to the rest of this report are made.

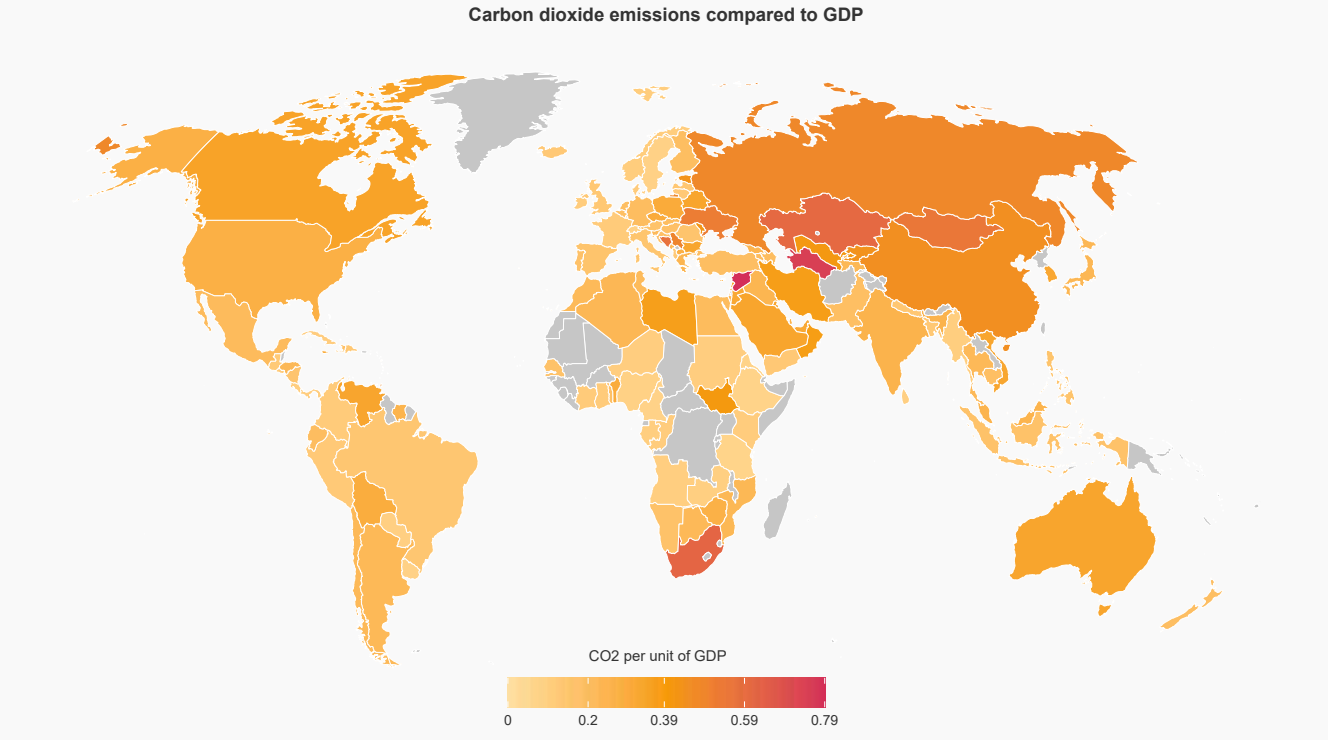
A first order concern is that the fallout from the COVID-19 pandemic has set back progress in reducing poverty. The World Bank estimates that in 2015 a total of 741.4 million people lived in extreme poverty (taken to be living on an income of $1.90 per day). By 2019 that total had fallen to 644.1 million. Had that trend continued the World Bank predicts that, by 2021, the number of people living in extreme poverty would have fallen to 588.4 million. However, as a result of the COVID-19 pandemic, all of the gains since 2015 are expected to be reversed and levels of extreme poverty are forecasted to rise to between 730-750 million people.[17]

Figure 4 provides a regional breakdown of the World Bank's estimates of the poverty impact of COVID-19. All four developing country regions are expected to see millions more fall into extreme poverty. In the case of Sub-Saharan Africa, nearly 40 million people are expected to see their incomes fall below $1.90 per day, taking the number of people living in poverty there to just under half a billion people. Due to the COVID-19 pandemic, the poverty reduction challenge just got significantly harder.

The duration of the pandemic in each developing country will be influenced by the capacity of governments to muster robust public health responses and by the speed

FIGURE 3

Carbon emissions intensity varies considerably across nations



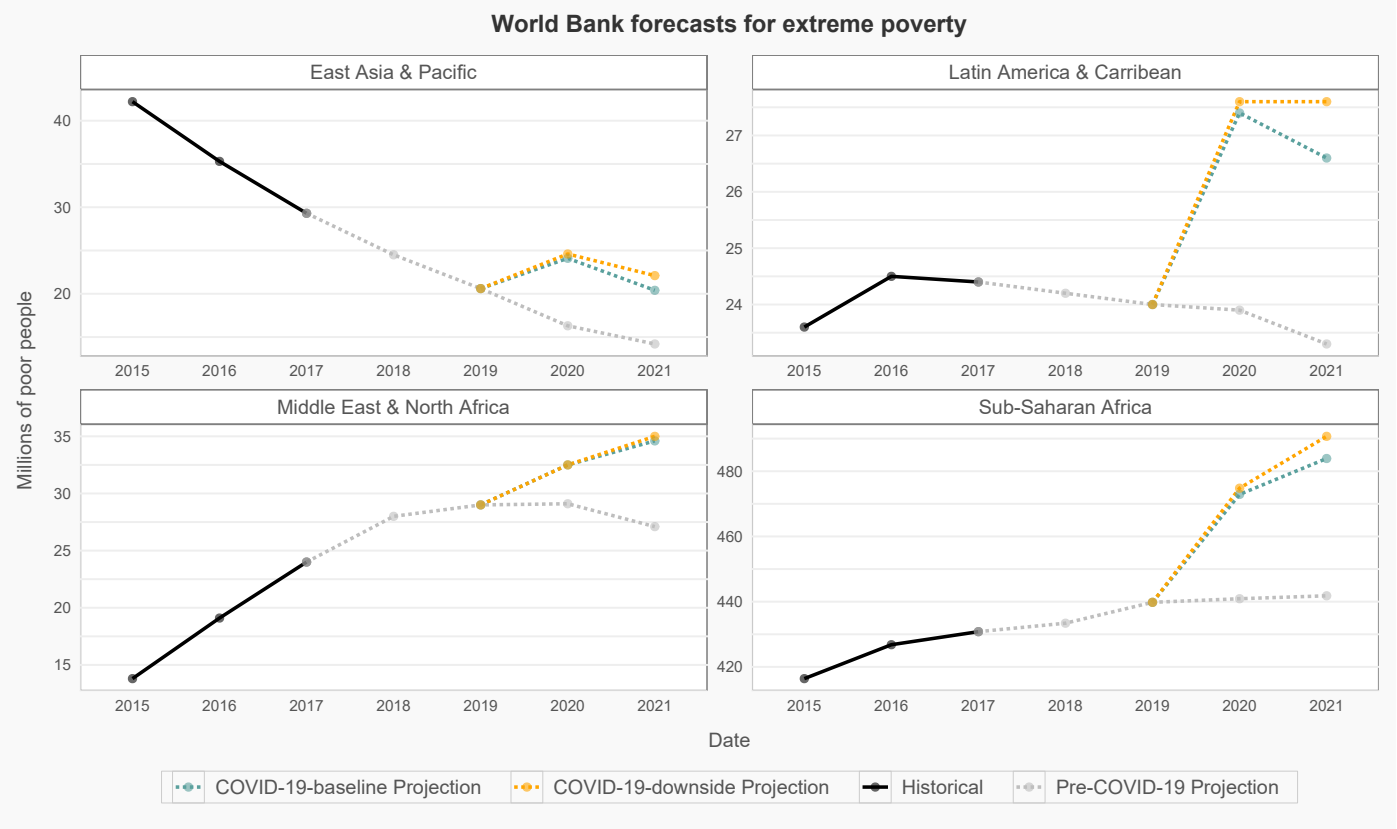
Source: Human Development Reports.

16 Data to reproduce Figure 3 can be assembled from http://hdr.undp.org/en/composite/Dashboard4

17 Source: https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-looking-back-2020-and-outlook-2021#:~:text=Using%20the%20growth%20forecast%20from,each%20contributing%20roughly%20two%2Dfifths.

FIGURE 4

The pandemic fallout is expected to reverse recent gains in reducing extreme poverty



with which vaccines are distributed internationally. There are good reasons to be concerned on both scores due to limited availability of trained medical personnel, insufficient facilities to store and distribute vaccines, and the impact of export curbs by vaccine producers. Until vaccination rates deliver herd immunity, restrictions on travel and international trade are likely to continue, limiting the engagement of many developing countries in the world economy.

In the future as governments repair their public finances and, in some cases, deal with debt crises[18], there will be less money available to build national infrastructure and to nurture the work force of tomorrow that can attract foreign direct investors. Public spending on the environment may come under pressure as well.

Moreover, those nations that provide financial assistance to developing countries may be tempted to cut aid budgets as part of fiscal austerity programmes. Over the medium term, it is difficult to see how the cause of sustainable development will be advanced by such spending cuts. Should this occur, the burden of financing progress would fall more upon the private sector, including international business that makes FDI decisions.

The purpose and organisation of this report

This is not a report about sustainable development or about the contribution of business to sustainable development in general, important though those matters are. Rather, this report takes a fresh look at FDI dynamics (both the flows of new FDI and installed base of prior investments), taking account of the factors buffeting the FDI (including the growing geopolitical tensions as well as the COVID-19 pandemic) and the heightened societal and public sector expectations of FDI.

Ultimately, in this report we seek to understand what is holding back FDI's contribution to advancing sustainable development and propose recommendations that can reverse that trend. For all the worthy discussion of the need for "quality" FDI, the dwindling inflows of FDI, the falling and low returns on FDI in developing countries witnessed since 2015, and the likely underlying causes have not received the attention they deserve. One premise of this report is that "quality" without sufficient "quantity" of FDI is a recipe for unfulfilled potential.

18 Which some observers fear is the prospect for a number of developing countries (Wheatley 2021).

The remainder of this report is organised into seven substantive chapters, followed by a chapter describing the recent developments in the Global Trade Alert database (which is referred to repeatedly in this report). We have drawn upon a wide range of different sources of evidence, including that published by the OECD, UNCTAD, and the World Bank, as well as from the detailed information collected by the United States government on the foreign operations of its multinational corporations. Our objective is to paint a comprehensive picture rarely found in reports on foreign direct investment.

Policies seeking to directly influence foreign direct investment decisions are given pride of place in this report but must share the limelight with other considerations likely to drive private sector decision-making. In so doing, it will become clear how narrow and misplaced is much deliberation in national and international fora on the contribution of FDI to sustainable development. Such deliberation needs to be recast in light of the performance realities on the ground. We will argue that expectations of what international business can realistically deliver in current circumstances need moderating and that the policy mix towards FDI must be reset.

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CHAPTER 2
PUTTING THE RECENT COLLAPSE OF FDI IN PERSPECTIVE

COVID-19 began as a threat to global public health. Then it became a menace to living standards worldwide and as governments took steps to limit face-to-face interaction. Global FDI flows were one economic casualty, falling by 42% in 2020 (UNCTAD 2021, World Bank 2021).[19] The purpose of this chapter is to put that fall in perspective—looking back over time as well as considering this retrenchment in light of the SDGs.

The reaction to the COVID-19 pandemic meant that FDI faced three shocks: on the demand side, on the supply side, and from public policy. The collapse in demand for many goods and services where face-to-face interaction was an essential component put an immediate dampener on the commercial prospects of many lines of business. For companies with cash flow worries, investments of all types including cross-border investments were postponed. For their part, several governments worried that local firms in financial trouble would be sold off to foreign buyers at "fire-sale" prices. Subsequently, several activated mechanisms to review troubling cross-border acquisitions. In light of these headwinds, recorded levels of FDI fell.

The measurement of FDI is not an exact science.[20] Comprising the sum of greenfield investments (in new factories and the like), of publicly-announced cross-border acquisitions, and estimates of the retained profits of foreign affiliates that are reinvested locally, there is room for mismeasurement of each of these three components.[21][22] This warning is provided not to cast down on the statistics presented in this and other studies of FDI. Rather, it is to suggest that readers focus on the orders of magnitude involved, instead of on the precise measurements reported. For example, rather than fixate on the 42% statistic reported above, it makes more sense to view FDI falling around 40% last year.

Uneven regional impact of FDI retrenchment during 2020

In March 2021 the World Bank released its latest *FDI Watch*. In addition to providing breakdowns across different regional groupings of developing countries, this report separates out data on new greenfield FDI projects from cross-border acquisitions. As noted in the last chapter, many experts regard greenfield FDI as having greater potential benefits for host countries, developing or otherwise.

Overall, the World Bank estimates that the announced value of greenfield FDI fell in the fourth quarter by 56% year-on-year. The contraction was greater in South Asia and the Middle East and North Africa, somewhat less in Sub-Saharan Africa and the developing countries of East Asia and the Pacific, and considerably lower in Latin America and the Caribbean and the developing countries of Europe and Central Asia. No developing country region was spared, even the latter two groups of developing countries saw reported levels of greenfield FDI fall 37% (see Figure 1).

This World Bank report also recorded falls in greenfield FDI for certain developing countries and this has been incorporated into Figure 1. Announced greenfield FDI investments into China fell 59% in the fourth quarter of 2020 (compared to the fourth quarter of 2019). The recorded falls for Brazil and India were far less severe, 16% and 10% respectively.

19 Strictly speaking, for both the UNCTAD and World Bank reports this statistic relates to the recorded reduction in FDI from the third quarter of 2019 to the third quarter of 2020. As our report was being revised, the OECD released in April 2021 an estimate that global FDI inflows fell 38% in 2020 (OECD 2021).

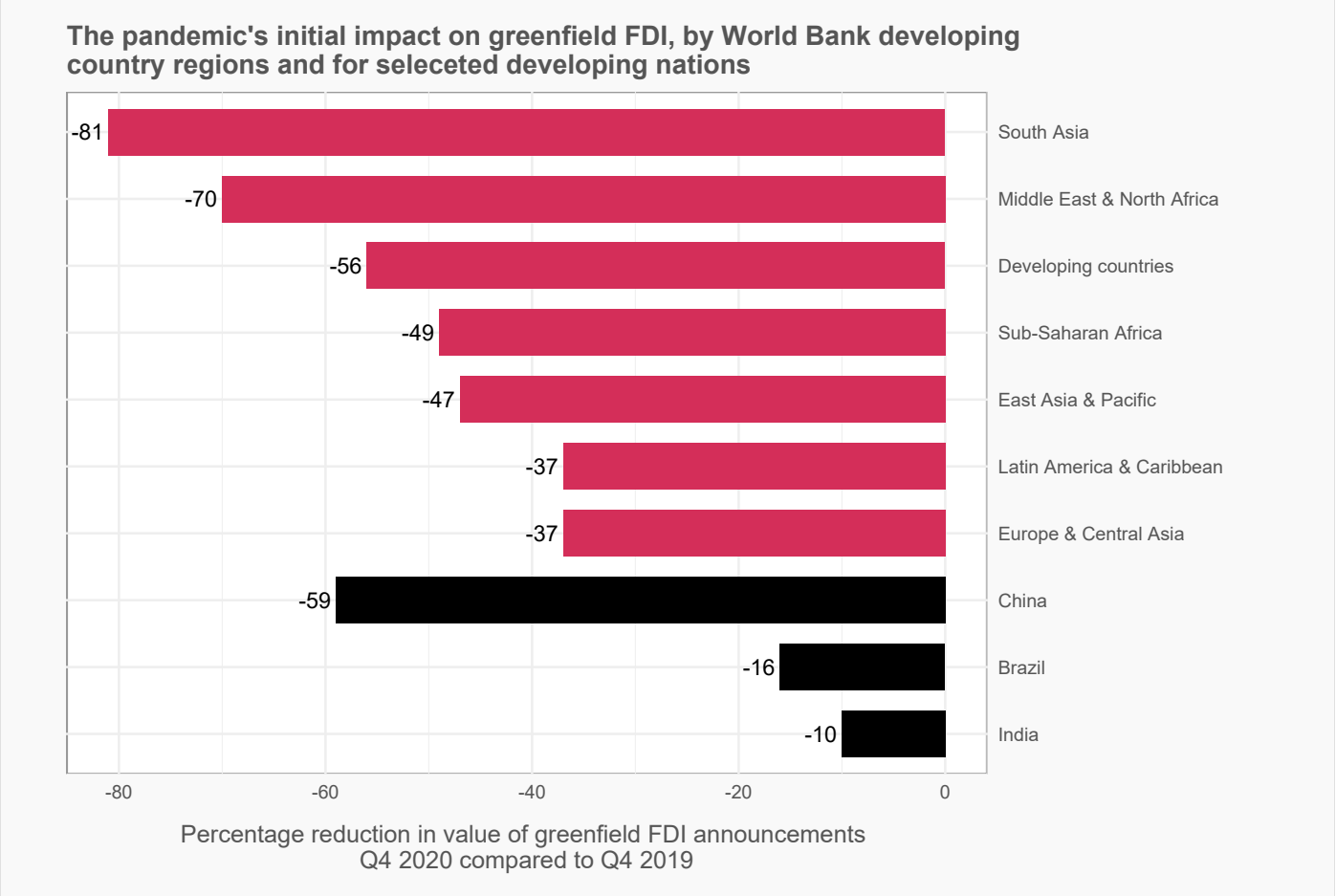
20 See pages 7-32 of OECD (2015).

21 OECD (2015) provides the following definition of foreign direct investment: "FDI is defined as the establishment of a lasting interest in and significant degree of influence over the operations of an enterprise in one economy by an investor in another economy. Ownership of 10% or more of the voting power in an enterprise in one economy by an investor in another economy is evidence of such a relationship" (page 5).

22 Complicating the matter further is how to classify investments associated with the One Belt One Road initiative rolled out by the People's Republic of China in cooperation with other governments. Evidently some of the projects undertaken as part of this initiative involve acquisition of ownership stakes of 10% or more and so would count towards recorded totals for foreign direct investment. Some of those projects may also involve greenfield investments. According to the China Global Investment Tracker, assembled by the American Enterprise Institute, of the total of 459 One Belt One Road projects identified therein a total of 226 were classified as greenfield investments. The estimated total value of those greenfield investments was $139.1 billion.

FIGURE 1

Greenfield FDI was hammered during 2020



Source: Information extracted from World Bank (2021).

The differences across these three large developing economies were likely influenced by the timing of waves of COVID-19 infections and the severity of the governmental response with their implications for both the level of domestic economic activity (including that by foreign affiliates of multinational companies) and the international travel by executives (which typically prepares the groundwork for FDI decisions). China was, of course, hit first by the coronavirus. On this logic, the prospects for new greenfield FDI in Brazil and India in 2021 ought to be downgraded, a reminder that the pandemic is far from over.

Properly benchmarked, FDI inflows retreated to levels last seen 25 years ago

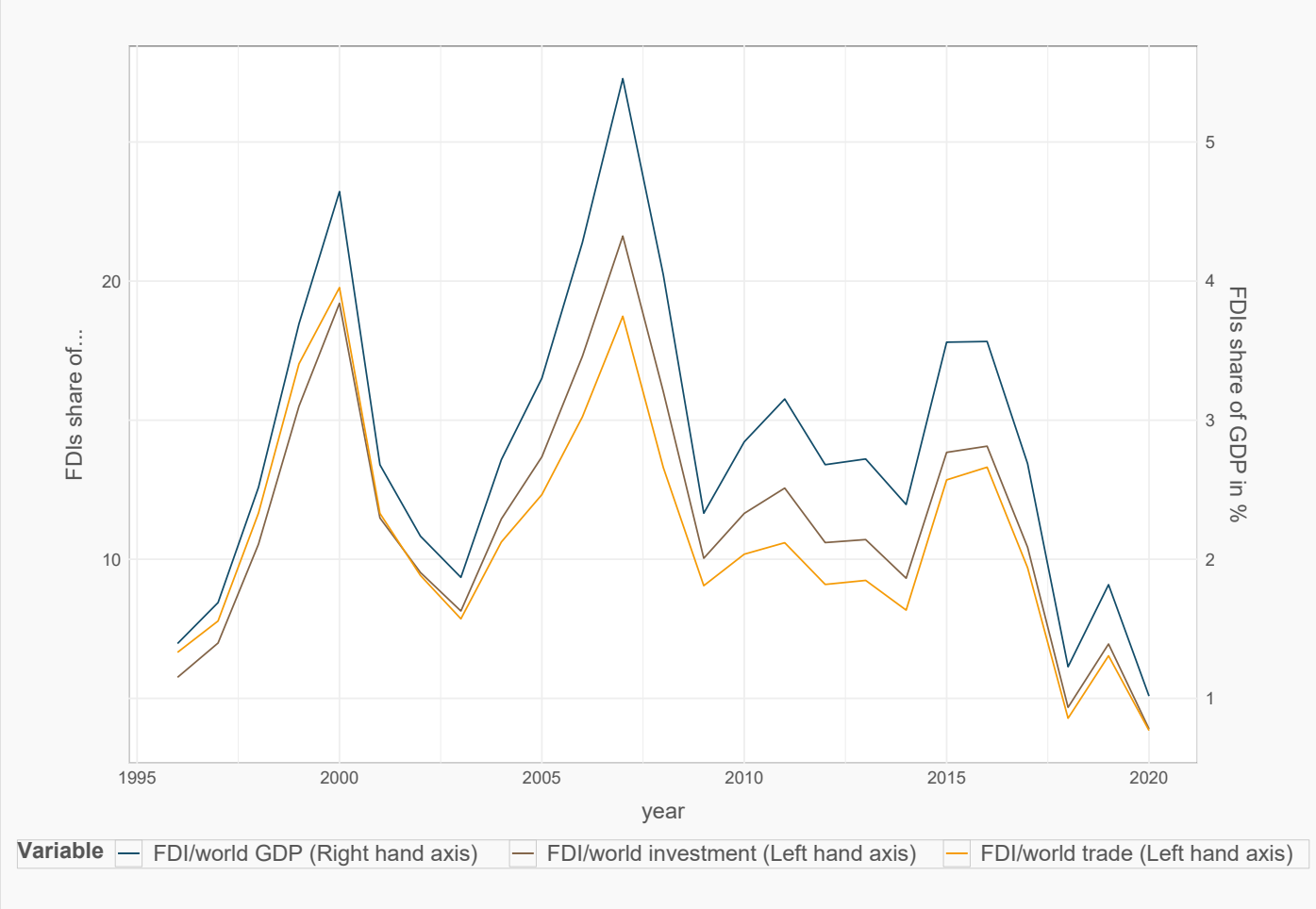
While levels of recorded FDI inflows garner headlines, it is more meaningful to benchmark FDI flows over time against other well-chosen macroeconomic magnitudes. Perhaps FDI was growing because the world economy is growing or because the private sector is expanding capital expenditures? Furthermore, since FDI is just one method of entering and supplying a foreign market, why not benchmark it against cross-border flows of goods, another way of supplying buyers? Figure 2 shows the evolution since 1995 of global inflows of FDI relative to the three benchmarks.

While it is evident that the total level of FDI inflows fluctuates over time, even before COVID-19 hit there was a trend decline in FDI since the Global Financial Crisis, when properly benchmarked against world GDP, global investment totals, and world trade. With the retrenchment in 2020, global inflows of FDI are now below levels witnessed in the mid-1990s.

In 2020, FDI accounted for less than 4% of total value of worldwide investment. Even at its peak in 2007, FDI accounted for no more than 22% of the latter. As a financing vehicle that helps translate national development strategies into tangible outcomes, FDI is no longer of first-order. That doesn't make it irrelevant, but it does put its contribution in perspective.

FIGURE 2

In 2020 FDI flows fell back to levels not seen since 1995



Source: World Development Indicators for data up to 2019, forecasts and latest estimates available for 2020 used.

An inconsistent pattern of FDI inflows into certain SDG-sensitive sectors

Given the emphasis of some on "quality" FDI, the question arises whether FDI inflows are shifting towards sectors thought to have positive SDG-related payoffs. It could be case that, while the overall envelope for global FDI is shrinking, its mix is changing in ways that advance sustainable development. A careful read of UNCTAD's *World Investment Report* for 2020 does not provide a direct answer to this question, but it reveals other pertinent information.

UNCTAD (2020) contains information on the sectoral breakdown of newly announced greenfield FDI projects in eight SDG-sensitive sectors[23] for the years 2010-14 and 2015-19.[24] While the annual average value of FDI inflows into developing countries in these sectors was 18% higher during the latter period, the total number of announced projects fell 5% to approximately 1250 per annum. Given that there are at least 150 developing countries, this implies that on average no more than nine new SDG-intensive FDI projects were announced each year in low- and middle-income countries. And those nine projects would have been spread across the eight different sectors.

According to announced greenfield FDI projects, the total number and value of projects in the power sector and in climate change mitigation sector rose sharply during the years 2015-19 as compared to 2010-14. Falling totals were observed in the health and education sectors and the total value of newly announced projects in the telecommunications sector fell by half. On the basis of this data, after the adoption of the SDGs, it would be difficult to argue that FDI is making an enhanced across-the-board contribution to this global initiative.

23 The eight sectors for which UNCTAD provides data for are labelled Power (excluding renewables), Transport services, Telecommunications, Water, sanitation and hygiene, Food and agriculture, Climate change mitigation, Health, and Education. Two other sectors (Climate change adaption and Ecosystem and biodiversity) are listed in this table but no data was provided on newly announced greenfield FDI projects in developing countries overall and for the Least Developed Countries.

24 See Table V.2. of UNCTAD (2020).

To its credit, UNCTAD (2020) also provides evidence from Balance of Payments data on FDI inflows into certain high profile SDG-related sectors in developing countries for the years 2010-2014 and 2015-2018.[25] However, for the group of developing countries as a whole, the Balance of Payments data contradicts the evidence arising from new greenfield announcements.

For example, with respect to the telecommunications sector, the former data points to a 33% rise in the total value of inward FDI whereas the latter points to a 50% reduction. With respect to the water, sanitation and hygiene sector, the former points to a 113% increase and the latter to a seven percent decrease. Consequently, we do not concur with the following assessment provided in UNCTAD (2020, page 185): "The trends in FDI inflows in developing economies based on balance-of-payments data largely mirrors the assessment from the greenfield project data." Only in the power and health sectors are the findings broadly aligned.

One potential explanation for the discrepancy is that the total amounts subsequently committed to FDI projects fell short of the sums mentioned in press releases for new greenfield investments. Some of the latter totals may be inflated for public relations reasons. Alternatively, statements about the value of long-lived FDI projects (for example, in the power sector) may include forecasts of investments made over multiple years, or forecasts "up to" certain totals, that depart from the subsequent transfer of actual resources to developing countries.

The situation is worse in the Least Developed Countries when evidence on new greenfield FDI projects in SDG-intensive sectors is considered. During the years 2015-2019, two new projects were announced on average per annum in each LDC. Here it is difficult to disagree with UNCTAD's grim assessment: "In LDCs, despite the increase in FDI across sectors, the values are still a fraction of investment needs and insufficient for meaningful progress towards the SDGs."[26]

Overall, even before the COVID-19 pandemic hit, the power sector is the only sector where both greenfield announcements and Balance of Payment data support the conclusion that FDI has contributed more frequently since the adoption of the SDGs. Worse, both sets of data point to a falling contribution of FDI in the education sector. However, as UNCTAD (2020) notes, this may be partly redressed by larger overseas development assistance from foreign governments. For the other six sectors for which evidence is presented, either there is no clear finding or little change in FDI at all.

There are legitimate grounds for asking why the private sector is not making a greater contribution through FDI to sustainable development. For some, this is enough to blame the private sector and to demand that it does more. However, in our view, the first step is to understand why the quantity of FDI inflows is falling in the first place. That is the purpose of the following chapters.

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25 Notice the second interval is shorter than the one (2015-2019) mentioned in the last paragraph. Still, the use of averages in both Tables V.2. and V.3. of UNCTAD (2020) allow for a certain degree of comparability.

26 UNCTAD (2020), page 185.

CHAPTER 3
DIMINISHED PAYOFF TO VENTURING ABROAD: THE FALLING RETURNS TO FDI

Why has the growth of FDI fallen behind world trade, income, and investment? Why do some sectors thought central to advancing the SDGs attract so little FDI? The starting point to answering these questions is to recall that, for private sector firms, a foreign direct investment must make commercial sense if it is to proceed. Businesses are not charities. If the business case for FDI is weakening, understanding the factors responsible is a pre-requisite for designing new initiatives that can enhance the contribution of FDI to sustainable development.

In any properly run firm, typically a proposed FDI project will be tested against different uses of the staff and financial resources required, which may include alternative investments at home or in other foreign nations. Moreover, to the extent that a particular foreign direct investment is a vehicle for entering a new market abroad, the commercial case will be tested against other ways to reach customers in the same market.[27] These tests matter: failure to properly allocate the firm's scarce capital will attract the ire of shareholders who have the power to replace the management that takes FDI decisions. Returns earned on prior foreign direct investments matter as corporate executives must make decisions about whether to invest in existing operations and whether to retain those operations in the first place.

The returns on a new FDI project and on the operations of an existing foreign affiliate relative to other uses of the firm's resources are key metrics.[28] Correcting for risk and uncertainty is important as the commercial viability of such projects depends on political instability, internal strife, non-transparent policy regimes, and irregular enforcement of regulations—factors that can differ markedly across destinations and over time. A premia is expected on FDI in destinations where corporates face greater policy-related and other risks. These risks have long been thought to be higher in many developing country economies (Drabek and Payne 2002).

So important is ensuring a stable business environment for investors that much of the literature on government measures to stimulate FDI inflows examines the relative merits of different domestic institutional arrangements[29] and international agreements[30] that limit the downside risk faced by investors (Buckley 2018). Some governments try to compensate for their risker national business environment with subsidies and other fiscal incentives, although the merits of such policies are hotly contested.

The purpose of this chapter is to document the declining returns on FDI over time, in general and in emerging markets relative to "safer" alternative destinations in industrialised economies. As the next section shows, it would be incorrect to argue that this matter has been completely overlooked in the reports of international organisations. But this matter deserves more attention than it has received to date.

Falling rates of return on FDI: Evidence from UNCTAD

In the *World Investment Report 2020*, UNCTAD reported the rise and fall of the rate of return on inward FDI since 1990. Starting at 3.7% in 1990, these returns rose from 4.0% in 2000 to 7.0% in 2007. Even the Global Financial Crisis did not dent returns for long as UNCTAD reports them reaching 7.1% in 2010. Since then, returns on inward FDI flows have fallen slowly to 6.7% in 2019. No reasons are provided for the evolution on returns on inward FDI over time.

UNCTAD's *World Investment Report* for 2019 provided a regional breakdown of the returns on inward FDI for the

27 A similar logic applies for FDI projects seeking to join established global value chains.

28 Formally, for an investment project under consideration it is the prospective return upon implementation that it is important. This is to be contrasted with the average return on a company's portfolio of prior investments. There may be situations when the latter is a poor proxy for the former. Much of the available information on the returns on FDI relate to average earnings on prior investments, as will become evident in this chapter.

29 Such as constitutions, independent regulators, and the like.

30 Such as bilateral investment treaties and provisions in regional trading agreements.

years 2010 to 2018, which has been reproduced here as Table 1. This table was extended back to 2006 with comparable statistics reported in the *World Investment Report* for 2013.[31] These returns were computed using the International Monetary Fund's Balance of Payments database. There is considerable variation across regions in average rates of return and some variation over time. By 2018 average returns on FDI in West Asia had fallen to 3.4%, whereas returns in East Asia and South-East Asia stood at 9.4%.

Other than an exceptional year in 2007, returns on FDI inflows into the "developed countries" (best thought of as high income per-capita nations) were stable in the range from 4.0% to 6.7% during the period 2006 to 2018. Since 2010 the range of such returns in developed economies was even narrower: namely, from 5.9% to 6.7%. In contrast, average returns on FDI in developing countries fell from around 11% at the start of the last decade to 8% during 2016-2018. This implies a sharply reduced return premia on FDI invested in developing countries. FDI returns fell most in Africa.

The transition economies appear to be the only developing country region that has bucked this trend and sustained above average returns since 2006. Beyond noting that some FDI in extractive industries can earn supranormal returns, and that fluctuating commodity prices can result in volatile returns, no further explanations were provided for these findings in either *World Investment Report.*

A partial explanation for changing returns on inward FDI is provided in the *World Investment Report 2018* on page 3. The fall in returns in Africa and West Asia was partly attributed to declining commodity prices. Furthermore, that report made the more general observation "that structural factors, mainly reduced fiscal and labour cost arbitrage opportunities in international operations, may also be at work." In what follows we augment this limited evidential base by referring to a richer data source on the commercial presence and performance of the overseas subsidiaries of American multinationals.

Falling rates of return on FDI: Evidence from the United States

The Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce has long produced summary statistics on the global footprint of American multinational companies.[32] In addition to information on financial performance, the Bureau also reports data on employment levels and capital invested. Such information is aggregated from corporate declarations, not from the IMF Balance of Payments database. Moreover, summary statistics are available by foreign market, by sector, and in some cases by sector and foreign destination.

Despite its long availability, to the best of our knowledge this data has not been used to examine the returns on FDI outflows from of the United States. By the end of 2019, the BEA estimates that U.S. companies had direct foreign investments worth almost $6 trillion. One advantage of examining the FDI returns of a single source nation is that the reported averages are not skewed by international differences in competence of managing cross-border operations.

To calculate the average return on U.S. FDI in a trading partner in a given year the following ratio was calculated:

TABLE 1

While FDI returns have remained relatively stable, on the whole they have fallen in developing economies

Region	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
World	**7.3**	**6.1**	**7.7**	**5.9**	**8.0**	**8.5**	**7.7**	**7.5**	**7.6**	**6.9**	**6.8**	**6.8**	**6.8**
Developed economies	**6.3**	**9.8**	**4.6**	**4.0**	**6.4**	**6.7**	**6.1**	**5.9**	**6.4**	**6.0**	**5.9**	**5.9**	**6.0**
Developing economies	**9.7**	**13.4**	**9.7**	**8.7**	**11.0**	**11.5**	**10.1**	**9.9**	**9.5**	**8.4**	**8.2**	**8.1**	**7.8**
Africa	10.0	9.1	15.8	10.8	11.9	12.0	11.7	11.4	9.6	6.5	5.0	6.0	6.5
Latin America & the Caribbean	10.2	10.3	9.9	7.6	9.7	9.8	8.5	7.0	6.3	4.5	5.4	6.2	6.2
Asia	9.5	9.1	8.9	8.8	11.4	12.2	10.6	10.8	10.7	10.0	9.6	9.0	8.5
East & South-East Asia	9.7	9.3	9.1	9.2	12.5	13.4	11.6	11.9	11.8	11.1	10.4	9.9	9.4
South Asia	14.2	12.9	10.6	8.6	8.9	7.6	7.2	6.7	6.1	5.5	6.4	5.6	5.3
West Asia	3.9	3.8	6.7	5.4	6.0	6.8	5.6	5.5	5.0	4.7	4.8	3.5	3.4
Transition economies	**14.5**	**12.0**	**16.5**	**10.7**	**12.1**	**14.8**	**14.6**	**13.2**	**13.2**	**9.0**	**10.2**	**11.6**	**12.4**

Source: World Investment Report 2019, Table I.5 and World Investment Report 2013, Table I.6.

31 Our initial goal was to extend this table of FDI returns back to 2000 but no earlier *World Investment Report* contained such information. This table was constructed taking the data for 2006 to 2008 from the *World Investment Report* for 2013 and the remaining years from the *World Investment Report 2019.*

32 To access this data please go to this URL: https://www.bea.gov/data/intl-trade-investment

total net income[33] earned by US multinationals with affiliates in that trading partner in a given year divided by the total value of US multinational assets tied up in the country in question in the same year. Using the regional breakdown employed by the BEA, for each year 2000 to 2018, we calculated the difference between the average return in a given developing country region and that for U.S. FDI in the European Union. This difference indicates the premium earned by investing in potentially riskier developing countries. Figure 1 represents the findings graphically.

The results are striking. From 2000 to 2018 average FDI returns on US FDI in the developing countries of the Asia and Pacific region[34] and in Central and Southern America[35] barely exceeded those earned by U.S. multinational affiliates in the European Union.[36] Average FDI returns in Africa offered a premium over European locations at the beginning of this period but by 2015 that premium was eliminated and has not been restored. The premia on U.S. FDI in the Middle East have fallen by two-thirds since 2013.

Between 2005 and 2013 U.S. FDI in Africa and the Middle East earned returns at least 5% higher than investments in the European Union. Unfortunately, less than 13% of U.S. FDI in developing countries was invested in these two regions. The overwhelming majority was invested in Asia and twice as much was invested in Central and Southern America than in Africa and the Middle East. Therefore, the bulk of U.S. FDI in developing countries was in regions that earned returns that barely exceeded those earned in the European Union.[37]

FIGURE 1

Outside of the Middle East, U.S. multinationals now earn meagre premia over FDI invested in the European Union

33 Under U.S. Generally Accepted Accounting Principles (GAAP) net income equals total revenues minus cost of goods sold, sales and general administration costs, operating expenses, depreciation, interest, and taxes. Thus, when applied to a single firm net income is a measure of its profitability.

34 As the goal here is to better estimate the average return on FDI in developing countries from this region, returns on U.S. FDI in Japan were excluded from the calculations.

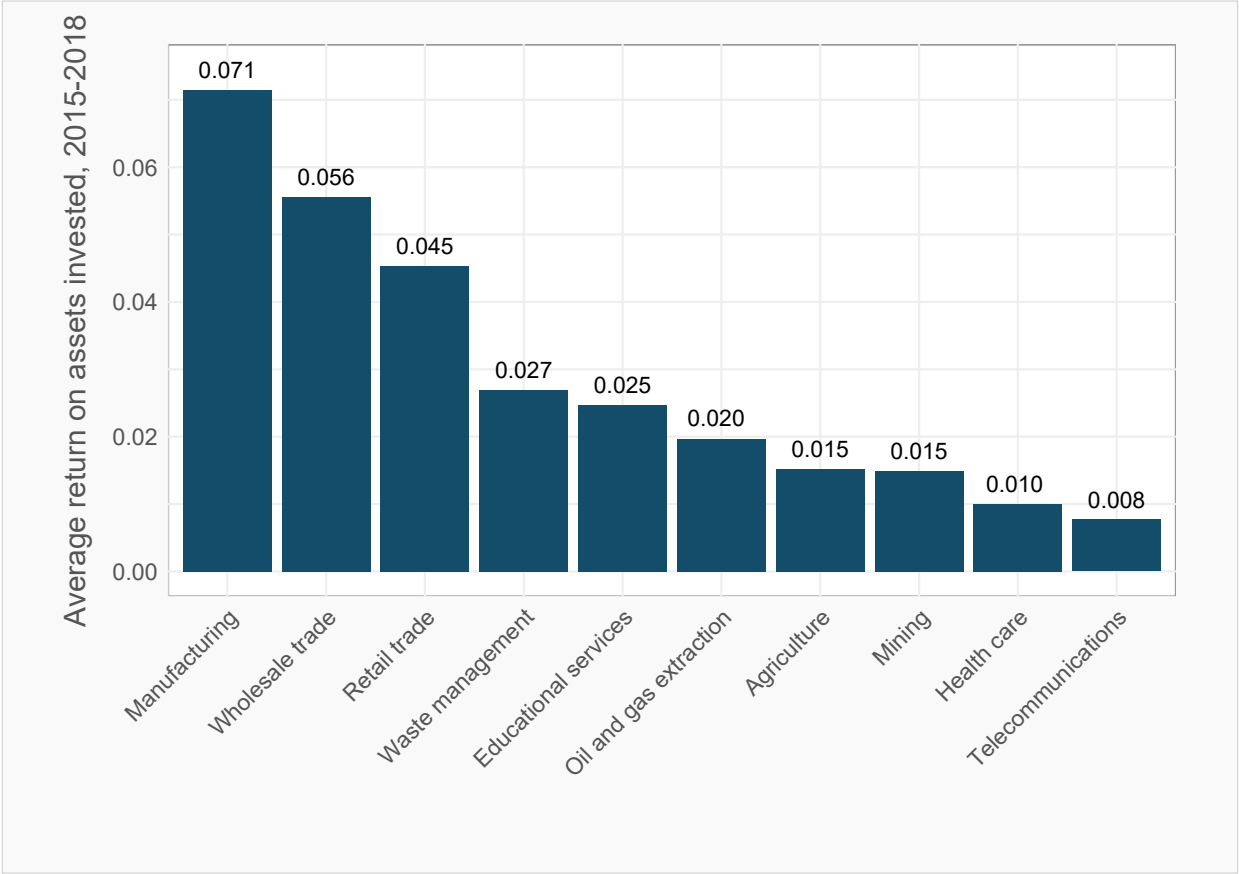
35 As the goal here is to better estimate the average return on FDI in developing countries from Latin America, U.S. FDI in the Caribbean (where some jurisdictions have special tax arrangements) were excluded from the calculations.

36 Over this period the average FDI return on U.S. affiliates operating in the European Union was 4.16% with a standard deviation of 0.34%.

37 Over the years 2000 to 2018 the median annual return premia for FDI in the Asia and Pacific region exceeded that in the European Union by 1.18%. The comparable premia for FDI in Central and Southern America was 0.02%.

FIGURE 2

Since 2015 American multinationals earned markedly higher returns in manufacturing than in many other development-sensitive sectors



What is remarkable is that the baseline region—here the European Union—was widely regarded as having poor macroeconomic performance during the past decade. Despite this U.S. multinationals were unable to earn sustained premia by investing in developing countries.[38]

Further insights follow from examining the average FDI returns across different sectors that U.S. multinationals make direct investments in abroad. Figure 2 provides information on the average returns on FDI by sector for the years 2015 to 2018[39], the period starting with the adoption of the SDGs. A number of sectors were selected, both traditional (such as the manufacturing sector overall, wholesale trade, and retail trade) and those often emphasised by proponents of the SDGs.

US multinationals in oil and gas extraction and mining earn very low average returns. That average returns in the health care sector and in telecommunications are even lower implies there may be difficulties making a business case in the future for more U.S. investments in these particular development-sensitive sectors.

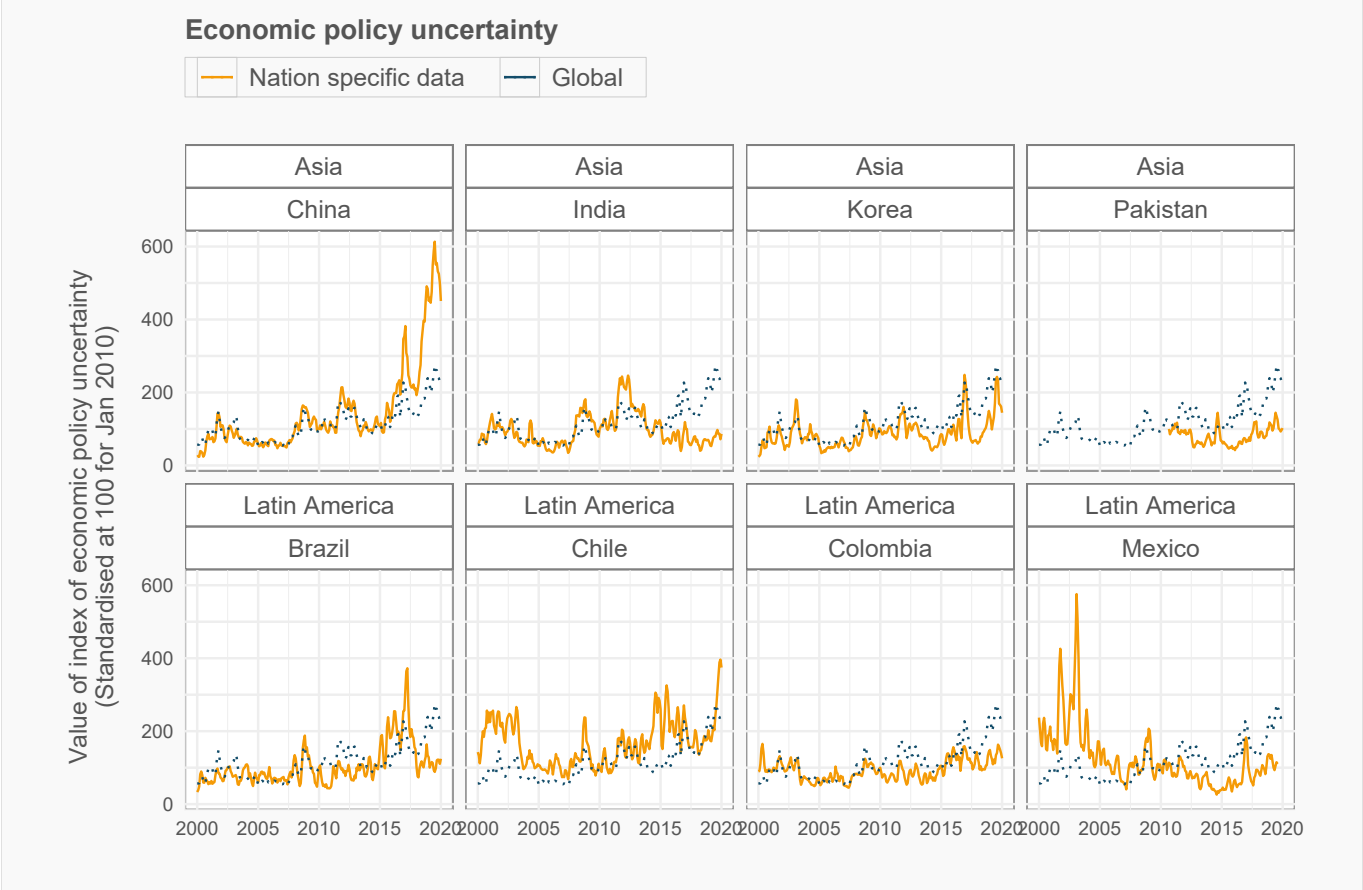
When compared to the average returns in manufacturing, the wholesale trade, and the retail trade, every other sector that directly contributes to the SDGs in Figure 2 falls short in terms of returns. Returns on direct investments in the retail sector were on average more than 200 basis points larger than those in the educational sector. Unless the current shift towards social impact investing becomes pervasive, it is difficult to see how U.S. multinationals will be able to justify investments in health, education, and telecoms if prospective returns stay at the levels witnessed since 2015. Further investments in employment-intensive manufacturing and distribution trades are another matter entirely.

38 One reviewer suggested comparing the returns on FDI in different locations with the corresponding internal rates of return on capital reported in the Penn World Tables database. The suggestion was that perhaps the rates of return on capital were falling more generally and not just for FDI. Although somewhat volatile, there is no trend decline in the median national return on capital in the European Union from 2000 to 2019. Likewise, for the developing countries for which such data are available in version 10 of this database. A chart is available from the authors upon request.

39 Given lags in assembling the requisite financial and operational information, 2018 is the last year the BEA has made available on U.S. MNC performance. Such three year lags are common for this dataset.

FIGURE 3

Businesses face mounting regulatory risks worldwide and in certain emerging markets in particular



Piling on the agony: Rising economic policy uncertainty

Another factor likely to have depressed FDI returns over the past decade is the mounting policy uncertainty faced by firms operating at home and abroad. Significant advances have been made in recent years in developing indices that seek to capture the degree to which regulatory and other business-relevant policies are being altered. These indices have been shown to predict future downturns in corporate investment and are now tracked by leading central banks (Baker, Bloom and Davis 2016).

In addition to producing Economic Policy Uncertainty (EPU) indices for 26 countries, a world EPU index have been prepared.[40] As Figure 3 shows, while the global EPU index rose in fits and starts from 2000 to 2009, it has soared since 2010.[41] At various points at the start of the COVID-19 pandemic the global EPU index was three times the level witnessed at the start of 2010. This coincided with trend decline in world flows of FDI highlighted in the last chapter. However, care is needed here as rising EPU should have discouraged investments at home as well.[42]

As the eight panels in Figure 3 reveal, there are differences across emerging markets in the degree to which national measures of EPU kept pace with the global rise in EPU. Economic policy uncertainty has lagged behind the global average in Columbia, India, Mexico, and Pakistan, in principle making these economies relatively more attractive to domestic and foreign direct investors. Chile and the Republic of Korea have EPU indexes that match those at the global level. Meanwhile, measures of economic policy uncertainty in China have soared ahead of the global totals.

In addition to falling average returns for FDI, rising levels of economic policy uncertainty over the past decade have likely depressed risk-adjusted rates of return. In these circumstances, the falling volume of FDI inflows may not

40 One reviewer suggested reporting information on the World Uncertainty Index (WUI), which is based on information from 143 nations. This suggestion was not pursued because those responsible for constructing the EPU also prepared the WUI. In seeking to validate the latter those authors ensured the WHU was highly correlated with the EPU, suggesting the former will have limited additional informational value. Moreover, the WUI was constructed as a GDP-weighted index of national uncertainty measures. It turns out that the 26 jurisdictions that are part of the EPU exercise account for over 72% of world GDP and so it is not surprising that the EPU and WUI are positively correlated.

41 With the exception of Pakistan, in each panel in Figure 4 the global EPU index and the national index were set at 100 for January 2010. In the case of Pakistan, where the EPU index is only available from September 2010, both indices were set at 100 in September 2020 for the purposes of plotting the chart for that country.

42 Therefore, it is not clear that the ratio of FDI to world capital expenditures (one of the benchmarks used in the last chapter) would fall as measured EPU increases.

be that surprising. Combined with the sub-par reported returns on direct foreign investments in many sectors conducive sustainable development, the headwinds facing business executives keen on contributing to the SDGs and to tackling climate change are apparent. Still, the higher levels of returns earned (at least by U.S. companies) on FDI in employment-intensive manufacturing and distribution sectors in developing countries is a source of relief.

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CHAPTER 4
FALLING OUT OF FAVOUR: A GLOBAL OVERVIEW OF POLICY INITIATIVES DIRECTLY AFFECTING FDI

Could shifts in the public policy treatment of FDI account for some of the declining returns on FDI reported in the last chapter? Over the past decade have similar shifts in policy been witnessed across different groups of nations—such as the G20 nations, the Least Developed Countries (LDCs) etc? Does policy treatment vary across goods and service sectors and are the trends in each over time comparable?

Drawing on the Global Trade Alert (GTA) database, the purpose of this chapter is to answer these questions. Our database now comprises entries on over 31,000 public policy interventions that implicate cross-border commerce by tilting the commercial playing field either in favour of *or* against domestic firms vis-à-vis their foreign rivals.[43] Those policy interventions relate to government intervention taken since 1 November 2008 and 31 March 2021.[44] Chapter 9 provides an account of the latest expansion in the GTA database. One matter that has not changed for many years is our information collection and classification methodology for public policies affecting global commerce, which is described at length in Evenett (2019).

To facilitate interpretation of the evidence that follows, a few remarks on the range of policies affecting FDI is in order.

A wide range of public policies implicate FDI operations and performance

The first distinction to make is between policy that affects the FDI into and out of a country. Policies affecting outward FDI can include restrictions on certain types of investment but increasingly such policy intervention involves financial support for investments abroad, including cross-border mergers and acquisitions. Information on 581 policy interventions affecting outward FDI can be found in the GTA database.

With respect to policies towards inward FDI, one must distinguish between direct and indirect policies. Direct policies refer to government measures that ban, condition, or allow the entry of foreign investment and the type and degree of foreign ownership; to state-provided incentives to attract inward FDI; and to policies affecting the treatment of foreign firms after they have established themselves in a host economy. At this time, the GTA database contains 959 distinct entries on changes in such policies.

Where cross-border supply of a good or service is possible but is impeded or discouraged by a nation's policies, an incentive for barrier-jumping FDI may be created. Analysts have long demonstrated the importance of such barriers as a motive for market-seeking FDI. The GTA database contains information on 11,892 changes in such barriers that may induce changes in FDI flows.

In this regard, it is important to appreciate here that reductions in such trade barriers, while rightly lauded for reducing discrimination against foreign exporters, will diminish the incentive of foreign firms to undertake barrier-jumping direct investments in the implementing nation. As matters stand, of the barrier changes relevant to FDI, a total of 5,244 entries involved barrier reductions that are likely to diminish incentives to engage in FDI (amounting to 44% of the 11,892 revisions mentioned in the last paragraph.) This implies that the majority of barrier changes in the GTA database were of the type that should have encouraged more FDI—possibly at the

43 Consequently, the Global Trade Alert database seeks to cover policy changes that both impede and encourage all forms of global commerce.

44 The start date for our evidence collection on public policy change was November 2008, the month the G-20 Leaders first met and declared their intention to eschew protectionism. Amongst other activities, the GTA has been monitoring that G-20 Leaders' pledge ever since.

expense of reducing the welfare of the nation imposing the measure.[45]

Policies that erect or alter border barriers are to be further distinguished from policies that encourage the local sourcing of production, supplies, or staff. Such so-called localisation requirements tend to increase the costs of affected firms, perhaps doing so to such a degree as to discourage FDI in the first place. The GTA database includes information on 1,788 localisation measures[46], of which 752 were implemented by governments outside of the Group of Seven industrialised nations and the European Union.

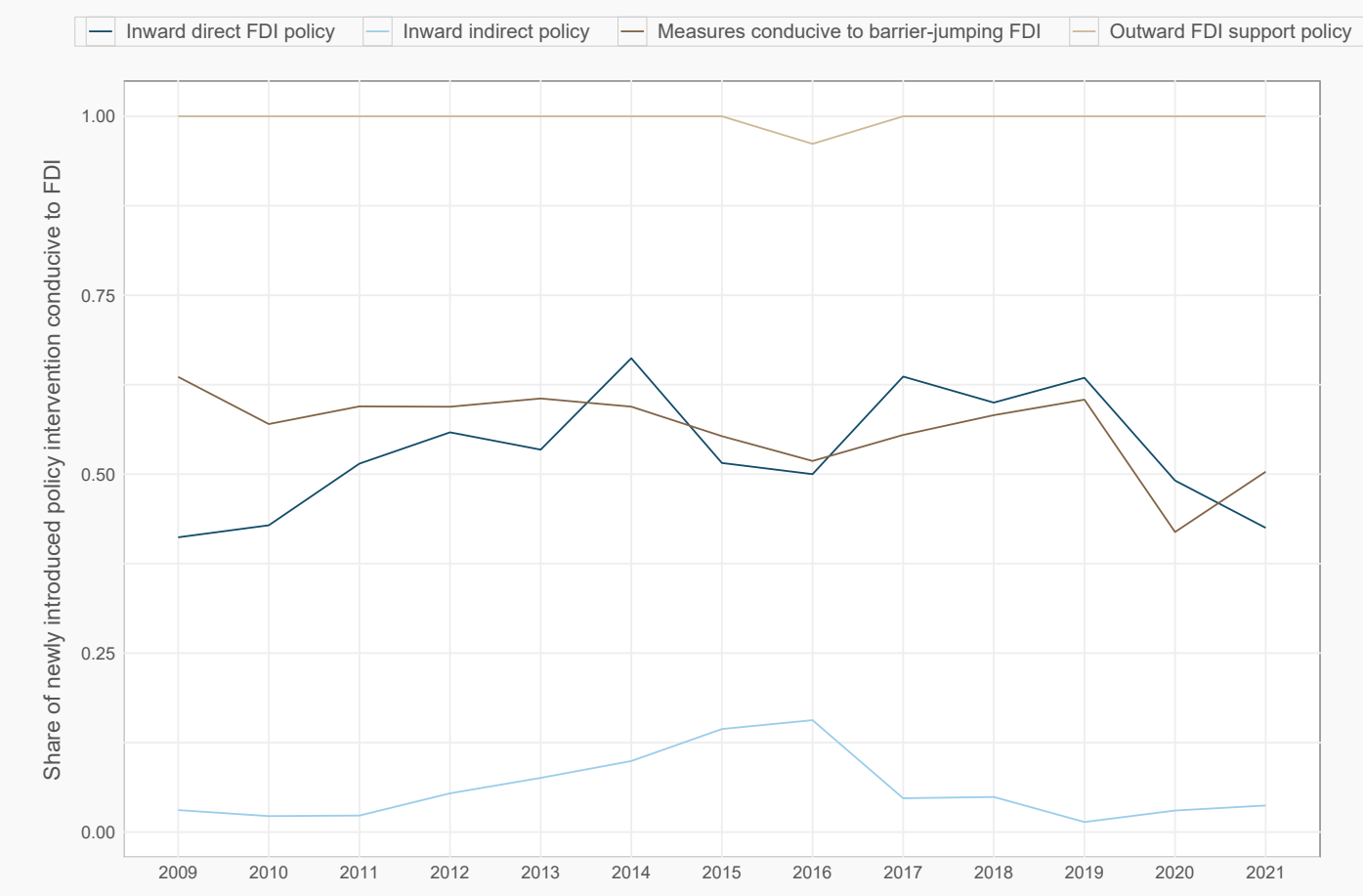
The remainder of this chapter examines whether shifts in these four classes of public policy changed much from 2009 to 2021. This facilitates a comparison across three time intervals: the years before the SDGs were adopted in 2015, the years since adoption and before the Coronavirus pandemic hit, and developments since the start of 2020.

Policies towards outward FDI were consistently supportive, while policy towards inward FDI worsened

We start by taking a global perspective—that is, looking across all FDI-relevant policy changes recorded in the Global Trade Alert database since its inception. For the four different types of policy intervention mentioned above, and for each year from 2009 to 2021, Figure 1 reports the share of newly implemented policy intervention that is conducive to FDI. Such shares provide some insight into the policy mix confronting FDI.[47]

FIGURE 1

Encouragement of FDI varies across policy types and over time



45 This observation reflects the longstanding concern among economists that some policy changes, in particular heightened trade barriers, which increase the incentives for FDI can come at the expense of higher prices paid by importers and their customers. Policies that lead to greater FDI need not lead to higher levels of national income or welfare. Considerations such as these have long made some observers sceptical of any assumption that more FDI is necessary better—or that all steps should be taken to increase the quantity of FDI.

46 Of the 1,788 total, 848 measures were eligibility requirements to bid for public procurement contracts based on meeting minimum levels of local production.

47 No claim is made here that these shares reveal the magnitude of the impact on FDI of implementing the policies in question. One advantage of shares is that properly interpreted they are comparable over time.

Apart from a single aberration in 2016, worldwide policy has been consistently conducive towards outward FDI. An example of such policies include a government financing the building of a mine by one of "its" companies in a foreign economy. Another example is when state financing is provided to a national firm to buy a large equity stake in a foreign company including, in the limit, acquiring the latter company outright. Such measures are not confined to securing access to national resources.

Localisation measures are at the opposite extreme. Since 2009 the overwhelming majority have largely discouraged FDI. From the perspective of foreign direct investors, there was some improvement in resort to localisation measures from 2011 to 2016, but that has almost entirely been reversed in the years since.

Policies directly affecting FDI (establishment including financial inducements as well as post-establishment regulations) followed the same pattern as localisation measures. From 2009 to 2014 the share of direct policies conducive to FDI rose from 0.41 to 0.66. Since peaking in 2014 the share has fallen below 0.5 in 2020 and 2021. Indeed, there has been a sharp shift in policy towards impeding FDI since 2019, reflecting in part the strengthening, and in some cases the creation, of mechanisms to screen inward FDI.

Since 2009 policy intervention has also become less conducive towards barrier-jumping FDI. Although the share of conducive policies has fallen slowly, it fell consistently over time. The sharp drop in the share in 2020 reflects in part the fact that many governments temporarily cut tariff and non-tariff barriers on medical goods in 2020. The share of policy intervention conducive to barrier-jumping FDI this year is 0.13 lower than in 2009, a significant cumulative reduction over time.

As far as global trends in the mix of policy intervention towards FDI is concerned, state support for outward FDI has not faltered. Over time, and in particular since the middle of the last decade, the policy treatment of inward FDI has progressively deteriorated. This may have had a bearing on the diminished resort to FDI by international business over the same time frame.

FIGURE 2

Across levels of development adopted policy mixes are becoming less conducive to inward FDI

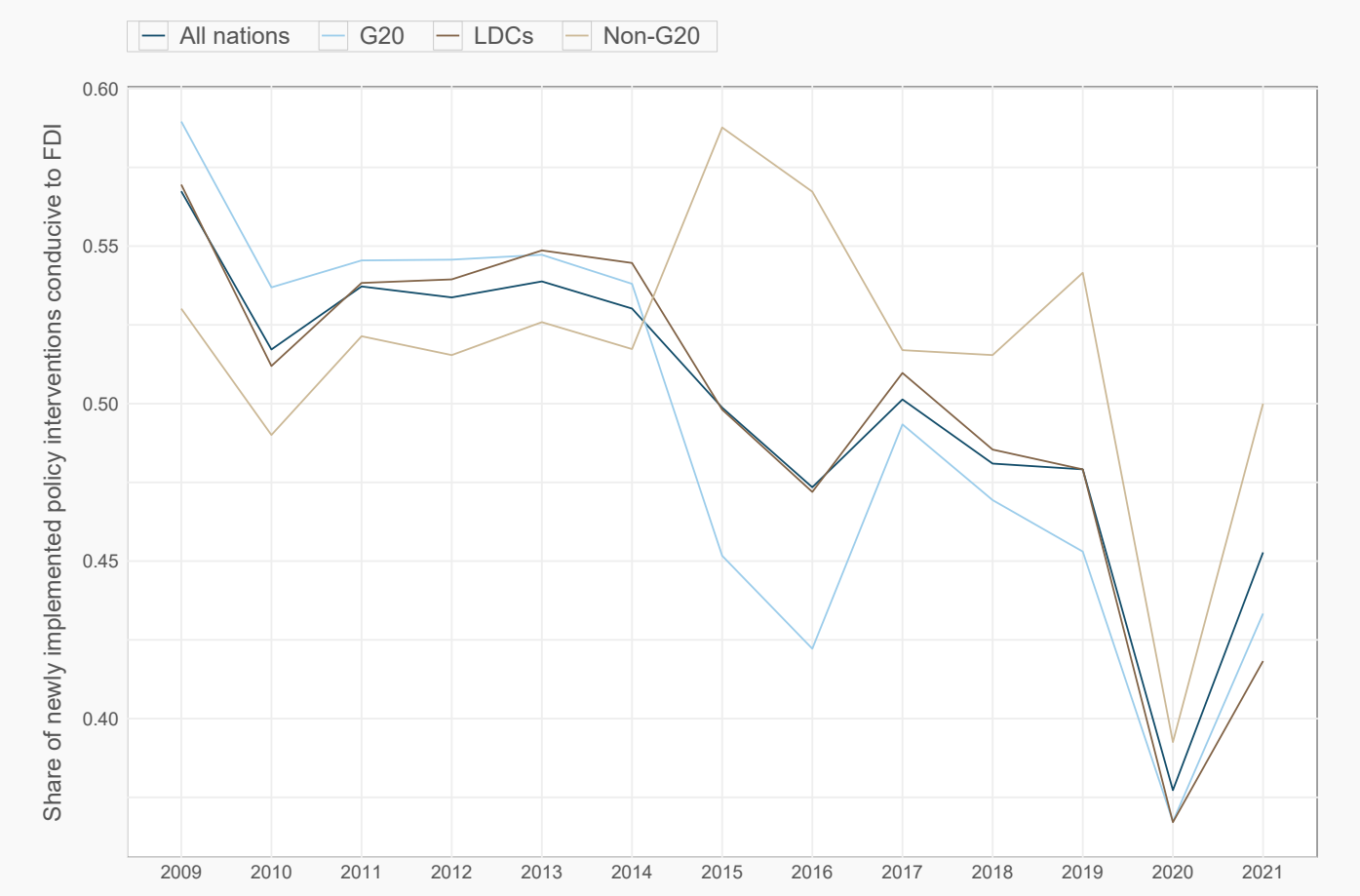
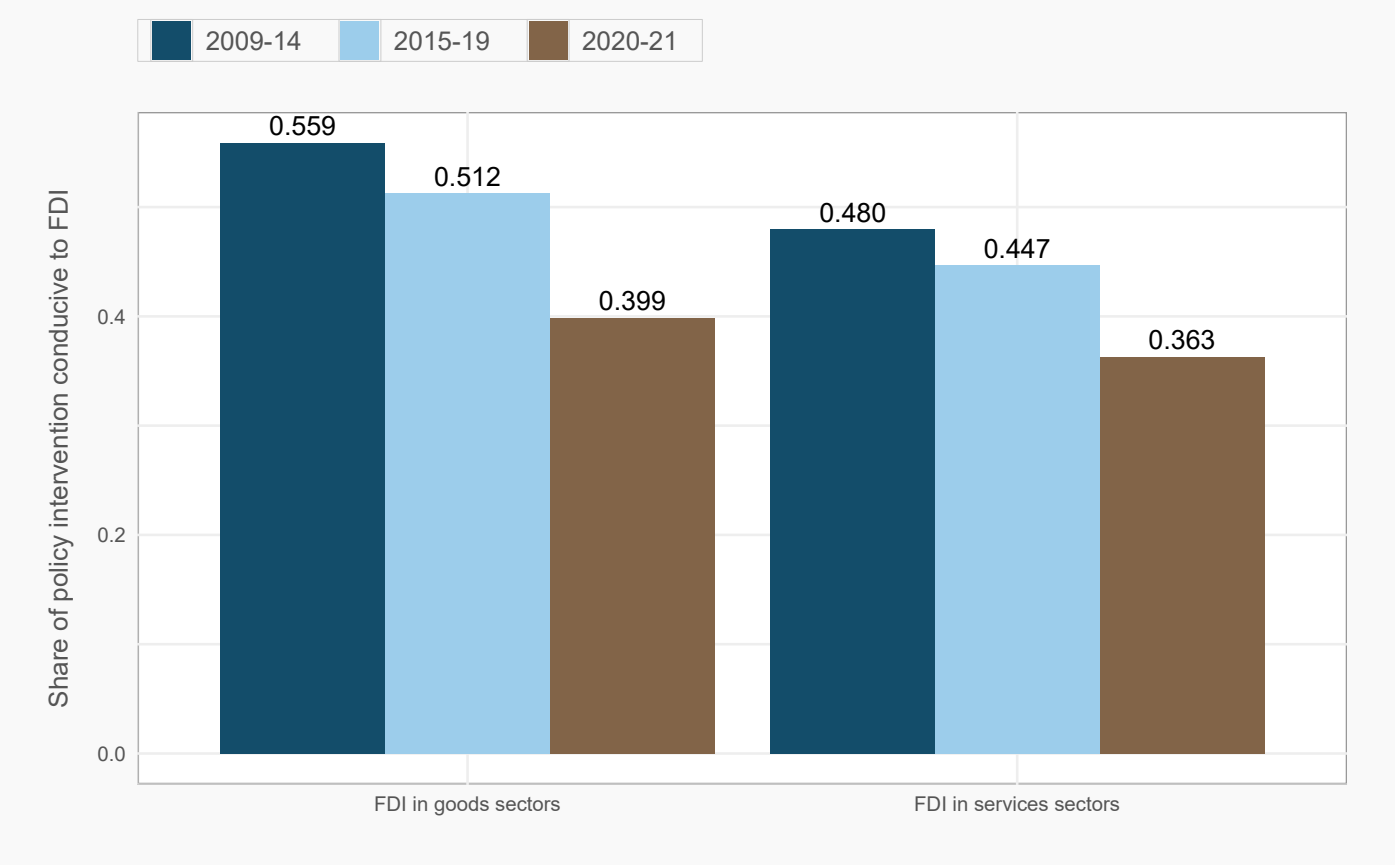


FIGURE 3

Governments are less keen on promoting FDI into national service sectors



Similar findings across nations of every level of development

Do the global trends outlined above carry over the different groups of countries? For example, is there an appreciable difference in the treatment of FDI inflows by G20 governments and other governments? Given the emphasis on this report on development considerations, is a different pattern witnessed in LDCs? Have governments in the LDCs bucked the trend towards policies less conducive to inward FDI? Figure 2 reproduces graphically the annual estimates of the share of newly implemented policy intervention conducive to inward FDI in different groups of countries and worldwide.

The first important finding in Figure 2 is that the G20 nations, other nations, and the LDCs each saw their policy mixes move against inward FDI from 2009 to 2020. This is not a pandemic-era phenomenon, the shares started declining from 2014 on for the G20 and the LDC nations. The share for the non-G20 countries[48] is a bit more volatile over time but it too declines from 2015 onwards.

The second finding is that there appears to be some divergence in policy treatment towards inward FDI between the G20 and non-G20 groups of nations. This is largely due to a sharp reduction in the number of policies discouraging FDI that were introduced by governments outside the G20 in 2015 and 2016. That drop was partially reversed in subsequent years and the share of FDI-conducive policies in non-G20 countries continues to exceed the shares for all nations and the G20. Notwithstanding these differences, even the non-G20 countries are seeing a trend decline in the share of new policy intervention conducive to inward FDI.

Service sectors treated less favourably

The shift over time towards policies less favourable to inward FDI carries over to direct investments in both the goods sectors and services sectors (see Figure 3). The shares are lower in the years since the SDGs were adopted than before. There is a further fall in these shares since the start of 2020, in what might be termed the pandemic era.

What is perhaps more interesting is that the policy treatment towards inward FDI in services sectors is consistently worse than that for goods sectors, at

48 The LDCs are included in this non-G20 group.

least as measured by the share of newly implemented policies conducive to direct foreign investment. From the perspective of FDI's contribution to the sustainable development, this is significant as many of the sectors where improvements are needed (for example, health and education) are service sectors.

Policy headwinds facing inward FDI

Overall, the evidence presented in this chapter points to policy-induced, growing headwinds for inward FDI. Matters have gotten worse since the COVID-19 pandemic hit. However this only compounded a shift in policy that was already underway. There are further grounds for concluding that on average the treatment of inward FDI deteriorated over the past decade due to long-term shifts in most economies away from manufacturing and towards services. Such findings should be borne in mind by those lamenting the falling contribution of international business to pressing global challenges.

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CHAPTER 5
PANDEMIC FALLOUT: ARE GOVERNMENTS FOLLOWING THROUGH ON THREATS TO RESHAPE SUPPLY CHAINS?

"We have become dependent on China" the Japanese Economy Minister, Mr. Yasutoshi Nishimura, declared in June 2020. He went on: "We need to make supply chains more robust and diverse, broadening our supply sources and increasing domestic production."[49] Similar comments were made by policymakers in Europe and the United States in the second quarter of 2020 when faced with the reality that demand surges for medical goods could not be instantly met by existing supply chains (Evenett 2020). Many governments vowed to reform cross-border supply chains. The purpose of this chapter is to assess whether they've backed up their rhetoric with action.

In the context of COVID-19 medical goods, the extent to which countries were dependent on China has been challenged. Using the finest grained U.S. and E.U. import data available, Evenett (2020) demonstrated that China was seldom the majority supplier of imports. Similar findings for EU nations were obtained by Guinea and Forsthuber (2020). Economists at the Federal Reserve Bank of St. Louis estimated that, once U.S. production of medical gear was taken into account, China supplied just 8% of domestic consumption (Leibovici, Santacreu, and Peake 2020). Despite these inconvenient facts many policymakers repeat claims that their economies are too dependent on China.

It is important to distinguish between two ways to reduce import dependence on a particular foreign nation. The first, and arguably the more aggressive, is to encourage—typically with subsidies—the relocation of factories[50] from that foreign nation to another economy. The destination economy need not be the same as that of the government worried about overdependence in the first place.

The second way is for a government to incentivise greater production at home of the goods in question. The latter amounts to import substitution. Given how discredited prior import substitution initiatives are, advocates of contemporary variants prefer not to speak of them in these terms. On the basis of the information collected for this report, it turns out that repatriating factories is a lot less common than modern day import substitution. We discuss each in turn.

Repatriating production from China

Many policymakers may champion production repatriation from China but far fewer back up these intentions with state largesse. The steps taken by the Japanese government since the outbreak of COVID-19 are arguably the most prominent in this respect, although both Korea[51] and Taiwan[52] have long-standing policies to relocate commercial activity from China back home.

Japan has form when it comes to reducing dependence on China. Following an embargo of Rare Earth exports by China, the Japanese Ministry of Economy and Trade financed 160 projects to reduce dependence, offering over $513 million in financial support in the process (Solis 2021).

49 The minster's remarks are reported here: https://www.reuters.com/article/us-health-coronavirus-japan-production-a-idUSKBN23F2ZO.

50 More generally, production facilities.

51 In 2013 Korea passed the Act on Assistance to Korean Off-shore Enterprises in Repatriation, the so-called U-Turn Law. According to the Korea Institute for Industrial Economics and Trade only 80 firms took state incentives to return production home. Fifteen companies did so in each of the years 2019 and 2020. See https://www.bloombergquint.com/global-economics/south-korean-firms-reluctant-to-bring-production-back-from-china.

52 The latest Taiwanese scheme titled the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan" was introduced in 2019 and lasts until 2021. Financing to the tune of NT$20 billion (approximately USD $700 million) was offered amongst other incentives (see https://www.ndc.gov.tw/en/Content_List.aspx?n=286FD0E985C0EA44). The Ministry of Economic Affairs claims that this has resulted in NT$792.5 billion (US$ 28 billion) of investment by firms repatriating business from China. This sum is a fraction of the US$ 191 billion of accumulated Taiwanese investment in China (see https://www.ft.com/content/5b78a04d-e51d-45d8-b276-2bbf9b11bed2).

As part of its response to the economic fallout from the COVID-19 pandemic, Japan passed a Primary Supplementary Budget. That budget included 220 billion yen (approximately US$ 2 billion) of financing for a scheme titled "Program for Promoting Investment in Japan to Strengthen Supply Chains." The stated rationale and objective of this scheme is as follows:

"The COVID-19 pandemic has caused serious disruptions to global supply chains, resulting in shortages of various products. The primary cause of these disruptions are vulnerabilities in the supply chains with high degree of concentration of production bases (manufacturing plants). This program aims to enhance viability of industries by strengthening supply chain resilience" (Government of Japan 2020).

According to the programme's documentation, one time financing of up to 15 billion yen (approximately US$ 138 million) is available per project.

Subsequently, the Japanese government undertook two rounds of applications for these funds. Following the conclusion of the first round in June 2020, the Japanese government chose to finance 57 projects to relocate production from China to Japan with a budgetary outlay of 57.4 billion yen. This implies that the average subsidy payment was less than US$ 10 million.

The second round garnered more corporate interest. A total of 1,670 applicants requested 1.76 trillion yen in support.[53] On 20 November 2020 the Japanese government announced that it had selected 146 projects[54], financing them to the tune of 247.8 billion yen (see Figure 1 for the geographic distribution of relocated factories around Japan). In this case the average subsidy received amounted to around $15 million. To the best of our knowledge, no further rounds of financing have been offered.

In assessing this scheme, there are grounds for scepticism about its effectiveness. The average amounts of subsidy paid are very small. Bearing in mind that this is a one-off payment, this scheme would only shift the commercial calculus for projects on the knife-edge—that is, for projects where the expected profitability of producing in Japan is just below that of China.[55] An alternative explanation worth considering is that Japanese firms that intended on relocating production anyway pocketed the subsidy.

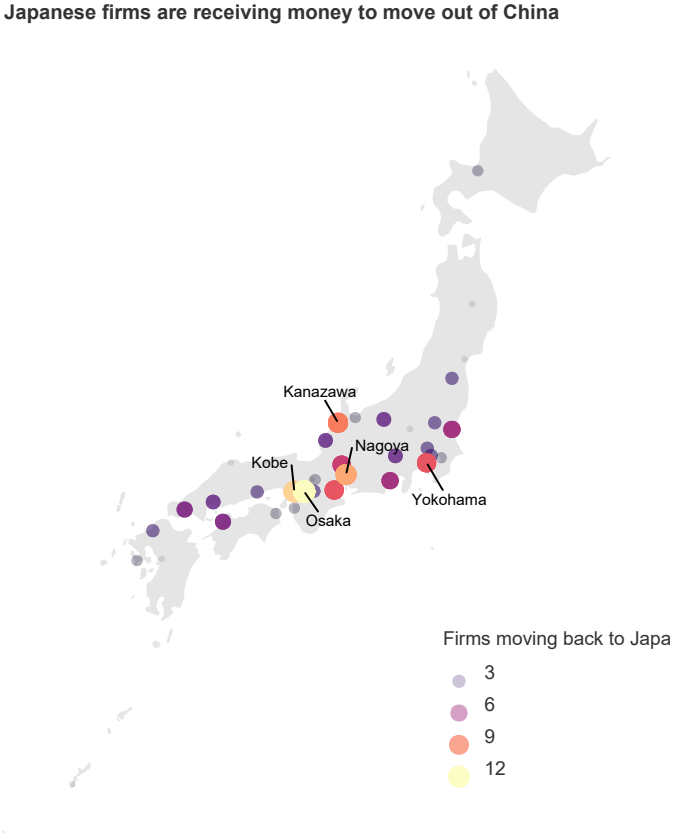
Import substitution returns

One reaction to the shortages of certain medical goods and medicines last year was to encourage the expansion of domestic production capacity. From 1 January 2020 to 31 March 2021 a total of 42 governments undertook 194 different subsidy initiatives to stimulate production of COVID-19-related medical goods. Some of those initiatives were sector-wide schemes, others were firm-specific subsidies. More such subsidies will be documented by the Global Trade Alert team in the months ahead.

However, subsidies are not the only way to incentivise investment in new production capacity. As was argued earlier, foreign direct investment is influenced by a range of national policies, including changes in trade barriers and localisation policies. To examine this matter further, information was extracted from the Global Trade Alert database on policy interventions implicating the COVID-19 medical goods that were introduced from the start of 2020 through to the end of the first quarter of 2021.

FIGURE 1

Factories on the move—146 plants relocate to Japan



Note: This map shows the location of the 146 plants that received Japanese state funding to relocate production from China (second tranche of applications).

53 For details see https://www.meti.go.jp/english/press/2020/1120_001.html.

54 For the list of beneficiary companies and other information see https://www.meti.go.jp/english/press/2020/pdf/1120_001a.pdf.

55 Since production relocation need not induce a change in potential customer base, then these knife-edge projects must be ones where the cost differences between China and Japan were small.

Policy interventions were classified into different types shown in Figure 2. Policies coloured red disincentivise FDI, green encourage it, and yellow have an ambiguous effect.

Subsidies to encourage local production account for a quarter of the 762 policies that altered the incentive for FDI in the COVID-19 medical goods. For all the talk of encouraging the expansion of medical goods capacity, 372 policy interventions actually discouraged cross-border investments in this sector. Many of the latter were cuts in import tariff cuts and value-added taxes on imported medical goods, which clearly have a distinct and compelling logic during a pandemic. A total of 205 policy interventions had the effect of incentivising FDI, of which only 11 involved easing rules on establishing production facilities or better treatment after establishment. Evidently, an opportunity may have been missed to liberalise these aspects of FDI regimes in vitally needed medical goods.

The ambiguous classification of subsidies reflects the fact that in over half (97 to be precise) of cases where state largesse was awarded, the beneficiary was a specific firm. To the extent that governments direct subsidies towards local producers of COVID-19 medical equipment, then the associated subsidy schemes do not benefit foreign direct investors. However, that does not mean that every subsidy scheme excluded foreign firms. Hence, the ambiguous designation.

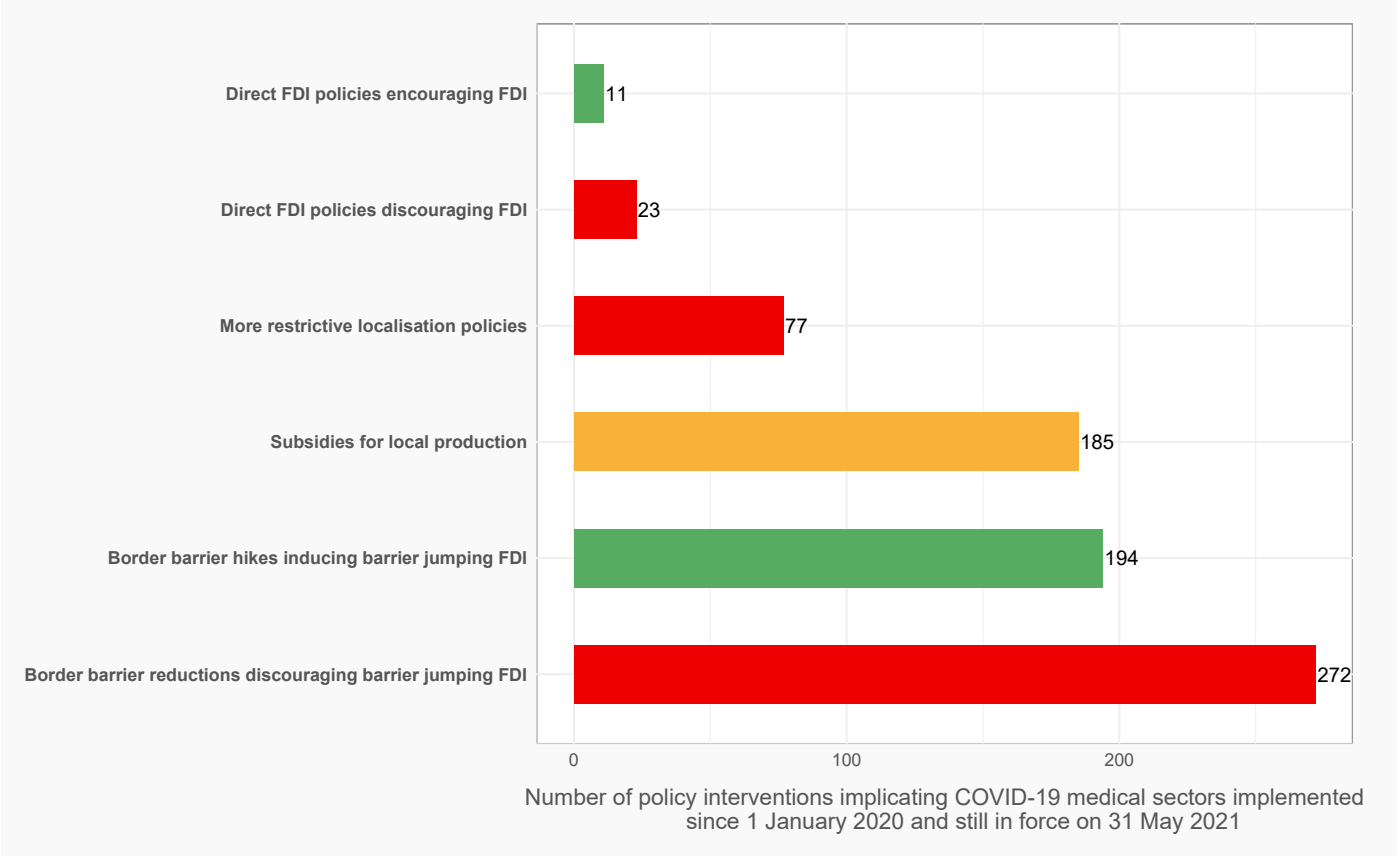
That so many different policies influence the incentive to engage in FDI in medical goods raises the question of whether governments are acting coherently.

Traditional import substitution policies involved raising trade barriers to increase the profitability of domestic production and barrier-jumping FDI. Although some barrier increases occurred once COVID-19 took hold, if anything, many governments resorted quite sensibly to reducing import tariffs and the like. This had the unfortunate side effect of reducing the returns to domestic production.

In turn, such import liberalisation may have tempted some governments to resort to a raft of subsidies and other measures (including localisation requirements and public procurement policy changes) that increased the incentive to substitute imports with domestic production. Curiously, very few governments took the opportunity to remove restrictions on the entry of foreign direct investors and to improve their treatment thereafter.

FIGURE 2

A mixed bag of inducements for FDI in COVID-19-related medical sectors, 1 January 2020 to 31 March 2021



Concluding remarks

While the focus in this chapter has been on the government policy response towards supply chains and overseas sourcing after the COVID-19 pandemic hit, it is important to bear in mind that the private sector has been drawing lessons from this episode as well. Coupled with the increased trade tensions between China and other governments, it should come as no surprise that many surveys of international business have pointed to the private sector rethinking the optimal design of its supply chains (AMCHAM 2020, JETRO 2020, 2021).

This is not to imply that government policy has been ineffective, even though we have our doubts about the impact of the Japanese scheme to shift factories out of China. Rather, it is to suggest that the due account must be taken of non-policy related factors that drive corporate strategy and firm decision-making.

Should a firm decide in light of the COVID-19 pandemic that it wants to differentiate itself from rivals in terms of its ability to maintain deliveries during periods of disruption, then this choice of corporate strategy will surely induce changes in cross-border sourcing.

Moreover, the fact that supply chains differ so much within and across sectors casts doubt on any sweeping claims about the impact of public policy, a subtlety that appears lost on many policymakers commenting on supply chains during the past year.

Proper account of diverse private sector circumstances and incentives will be necessary now that governments, including the Biden Administration, are reviewing national and international supply chains. Such reviews need to be both comprehensive and evidence driven if the trade-offs facing policymakers are to be properly identified and understood. Otherwise, there is change of a coherent policy response being formulated.

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CHAPTER 6
FDI AND GEOPOLITICAL RIVALRY: THE SPREAD OF SCREENING OF CROSS-BORDER INVESTMENTS

More and more direct foreign investments are caught up in geopolitical rivalry. The combination of China's growing economic heft, its determination to take its place as one of the leading powers in the world and American counter-measures, plus the rise of state capitalism, have produced a heady brew that is reshaping policies towards inward FDI.

There is an also important development dimension to the entanglement of FDI in geopolitics. The Chinese government views the overseas operations of its firms as contributing to the implementation of the Belt and Road Initiative (BRI) which finances infrastructure investments, largely in developing countries. While supporters of the BRI and the FDI associated with it emphasise the trade and investment facilitation benefits, critics highlight the leverage that the BRI affords China over recipients. They also lament the unsustainable debts that have apparently followed from certain BRI projects. Once again, the assumption that FDI is an unalloyed good has been challenged.

The purpose of this chapter is to shed light on how FDI has fared as the geopolitical environment facing international business evolved from the unipolar moment witnessed after the fall of the Berlin Wall to the much more contested multipolar world in evidence today.

How FDI got entangled in geopolitics

The technocratic view that FDI is a welcome nationality-blind transfer of resources from the source to the host nation captures little of contemporary global dynamics. Try as they might, it is very difficult for a large multinational corporation to shake off the association with their country of origin. When nations clash, and they tend to when one challenges the other for primacy (Allison 2017), their multinationals and their investments abroad are often targets for state retaliation, nationalistic consumer boycotts, and the like.

These concerns are exacerbated when a country's government runs a heavily state influenced form of capitalism. Here it is important to point out that China is not the only state capitalist economy—Russia and Vietnam also come to mind.[56] Inevitably, questions arise in foreign countries as to whether a multinational company can act independently of its home state. In turn, this raises numerous concerns:

- About the level playing field—is a multinational firm being favoured by its home state? Are a firm's acquisitions abroad being partly financed by subsidies?[57]
- About whether firms from state capitalist economies take decisions based on non-commercial considerations. Are such firms pursuing the strategic objectives of their home state? This could include the acquisition of sensitive technologies and of intellectual property.
- About whether firms from state capitalist economies will favour other firms from their home country.

Perceived reciprocity in the treatment of FDI—specifically, in relation to the direct FDI policies mentioned in earlier chapters—is another key dimension to contemporary commercial tensions between nations.[58] Allegations of lack of reciprocity have plagued relations between China and its trading partners and have been used to advocate blocking Chinese FDI.

The rise of general purpose digital technologies is another factor linking FDI, government procurement, and geopolitics (Medhora 2018). The treatment of Huawei best exemplifies this nexus. As a low cost producer of telecoms

56 Reference is occasionally made to authoritarian capitalism rather than state-led capitalism. The former draws in countries such as India and Turkey.

57 See Dominguez-Jiménez and Poitiers (2020).

58 Although this argument is made with reference to state capitalist economies, it can apply to other forms of capitalist economy as well.

equipment, Huawei is well placed to secure contracts to build 5G infrastructure, the roll out of which is thought to be central to future competitiveness of entire economies.

However, the alleged links between that company and security organs of the Chinese state have led a number of foreign governments to curb, and in some cases ban, Huawei's participation in digital infrastructure development. One concern raised—which is contested—is that the Chinese government could in the future gain access to sensitive information in foreign countries through the telecommunications infrastructure built by Chinese firms.

Whether real or imagined, geopolitical considerations may shade the regulatory push evident in many nations towards the digital economy. This is turn is likely to influence the cross-border operations of companies engaged in digital commerce. It is unclear at this stage whether new regulations will depress or stimulate FDI and much more transparency is needed (see Box 1).

These arguments have historical precedents and it probably more accurate to think of a pendulum swinging over time between a polarised world to a hegemonic world and back again. Since at least 1980 members of the Organisation for Economic Co-operation and Development (OECD) have tracked and debated curbs on inward FDI arising from a variety of sources, including perceived threats to public order and democratic processes (Evenett 2021). Since then government concern about such matters has returned in fits and starts. For example, around 15 years ago there were concerns that sovereign wealth funds and other state-influenced investment vehicles might inappropriately exploit portfolio stakes in foreign firms.[59]

Governments have translated their concerns into action—often blocking proposed foreign direct investment projects or challenging ongoing FDI initiatives. In particular, FDI proposals and projects from China have come under growing scrutiny. The American Enterprise Institute and the Heritage Foundation track what they refer to ask "troubled" overseas projects by Chinese firms in their China Global Investment Tracker.[60]

For current purposes, Scissors (2020) provides the relevant definition: "a troubled transaction occurs only when a finalized commercial agreement is impaired or fails outright," typically drawing in the host country government. He also observed that since 2005 there have been almost 300 troubled Chinese transactions whose total value is approximately $400 billion (Scissors 2020, page 2).

Comparing the maps in Figures 1 and 2 reveals that the growing tendency for Chinese overseas projects to be challenged abroad. Between 2010 and 2014 a total of 86 projects were challenged by 47 foreign governments—where Australia and the United States stand out as most active in this regard. Since 2015 the total number

Box 1: The Digital Policy Alert—a new tool to flag policy developments affecting digital trade

On 15 April 2021 the St. Gallen Endowment for Prosperity Through Trade launched the Digital Policy Alert (DPA). The DPA will enhance policy transparency in the growing domain of the digital economy and will become the second pillar of the Endowment's policy monitoring (the first being the Global Trade Alert, which focuses on traditional commercial policies).

With its launch, the DPA provides a publicly available, early warning system that flags policy and regulatory announcements for the G20 nations affecting the digital economy. As of 14 May 2021, the Digital Policy Alert contained information on 215 policy or regulatory developments from this year alone and a total of 404 developments since 1 January 2020. These 404 developments have been decomposed into 605 events which mark significant advances in the policymaking process—for which there is a short description, official source provided, and an indication of any relevant timeline.

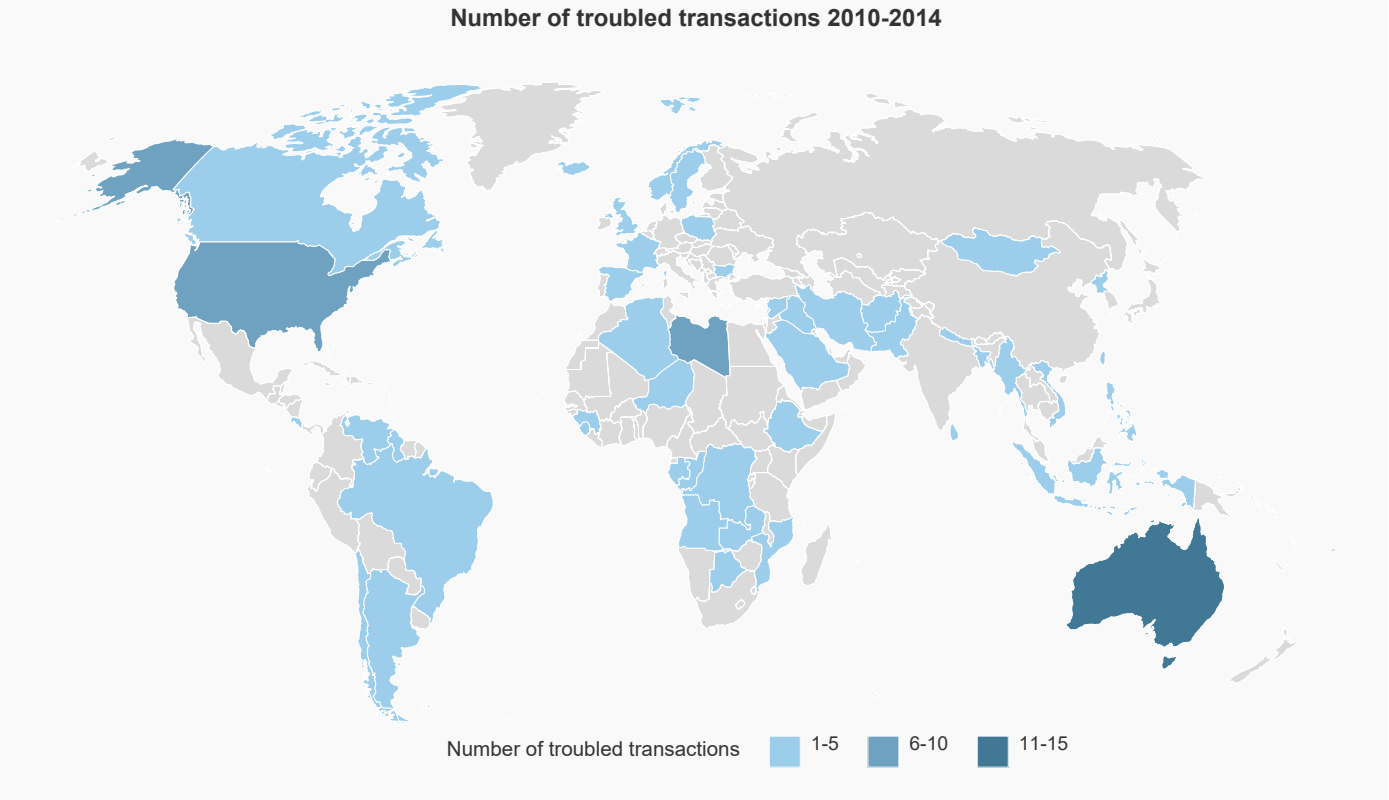
Over time the goal is to expand both the range of countries and policies tracked by the DPA. In addition, to provide greater context and the ability to see how policy initiatives are evolving over time and spreading across the globe, the intention is to map policy and regulatory developments announced before 2020.

59 Strictly speaking, equity stakes involving less than 10% of the ownership of a company are not FDI. However, there are parallels between some of the concerns raised about such portfolio investments as there are about direct foreign investments.

60 This tracker can be accessed here: https://www.aei.org/china-global-investment-tracker/. This database also includes information on Chinese overseas infrastructure projects as well as FDI. Information on the latter was not used in compiling the maps in Figures 1 and 2 presented in this chapter.

FIGURE 1

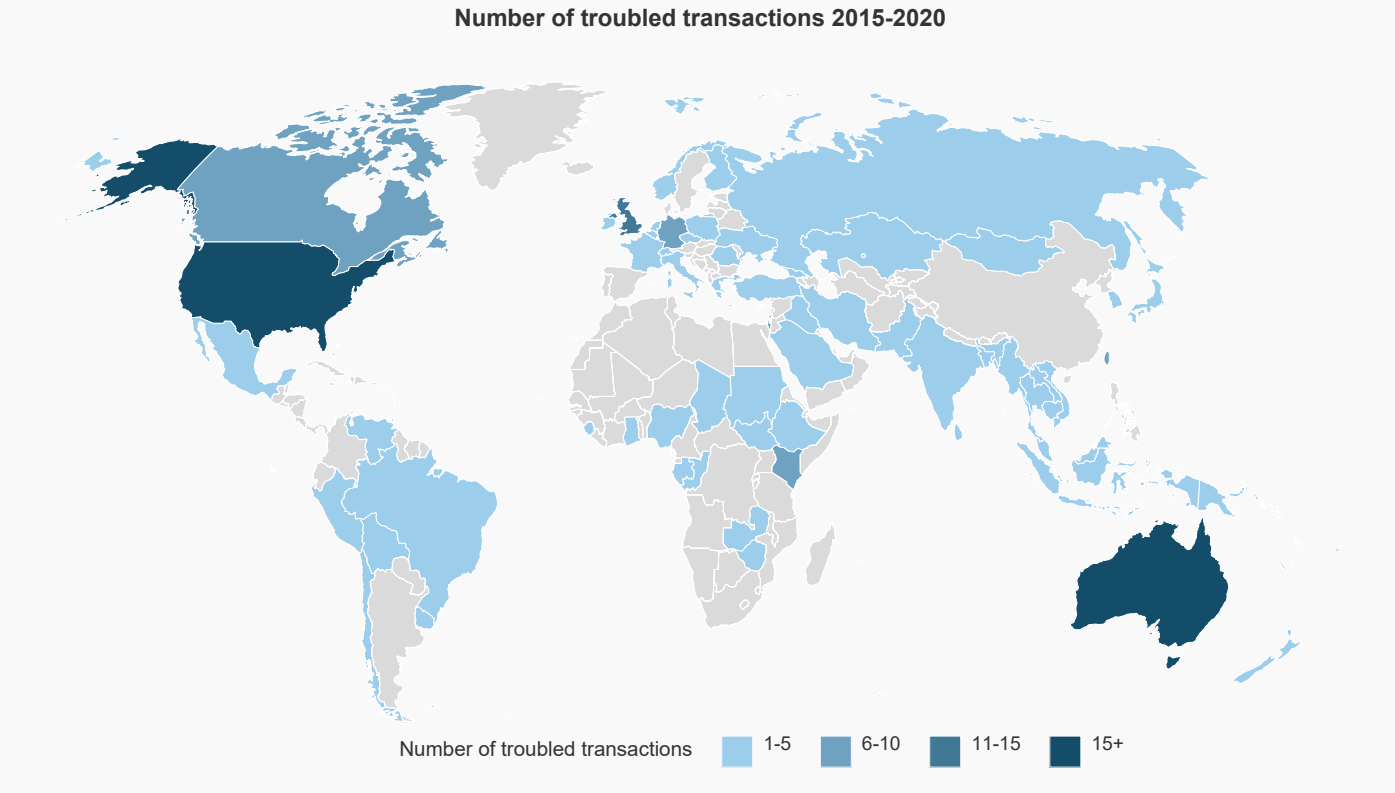
Between 2010 and 2014 a total of 86 Chinese overseas projects ran into trouble



Source: The American Enterprise Institute and The Heritage Foundation.

FIGURE 2

174 Chinese overseas projects have run into trouble since 2015



Source: The American Enterprise Institute and The Heritage Foundation.

of challenged Chinese FDI projects has more than doubled to 174. No less than 64 foreign governments took action against these Chinese projects. Australia, Canada, Germany, Israel, Taiwan, the United Kingdom, and the United States have each taken action against six or more Chinese FDI projects. There can be no better indicator of how FDI is becoming tangled in geopolitical considerations.

Having written this, it would be remiss to overlook the steps taken by the Chinese government to rein in outward FDI on macroeconomic grounds. Hanemann and Rosen (2020) observe that such measures have resulted in outward FDI from China falling sharply from its 2016 peak, in particular the cross-border mergers and acquisitions element.

How COVID-19 added fuel to the fire

To deteriorating geopolitics must be added the consequences of the economic fallout from the COVID-19 pandemic. Three arguments have been advanced in favour of greater state activism towards inflows of FDI. The first is the longstanding contention that during economic crises there is a risk of fire-sale FDI, that is, of distressed local firms being sold off cheaply to foreign buyers. The second argument is that the sale of domestic firms to foreign owners will somehow lead to a loss of commercial capabilities and capacity.

To this is added a third fear, articulated among others by Fabry and Bertolini (2020) in the context of the European Union that "The aggressive acquisition of a company in one member state can create dependencies in an entire supply chain and therefore affect several member states." The concern here appears to be that the foreign acquisition of a firm in a supply chain may divert sales to other buyers, thereby distributing downstream production by original buyers. This concern should be seen in light of the difficulties experienced in the second quarter of 2020 in certain medical goods supply chains, which appear to have had a significant impact on the views of many policymakers.

In fact, none of these concerns justifies blocking FDI, in particular cross-border mergers and acquisitions (Evenett 2021). Fire-sale FDI can be prevented by insisting that foreign acquisitions pay prices for domestic companies linked to their pre-pandemic valuation. Logic dictates that a minimum price rule is preferable to an outright ban.

Moreover, concerns about loss of capabilities need to be evidenced. To the extent that those capabilities involve medical technologies, then the cross-border sharing of such innovation during a pandemic may have important public health benefits. What matters is whether the technology remains available in the originating country and, in principle, this condition could be applied in a review of any proposed foreign acquisition.

Likewise, such behavioural remedies (as competition law experts refer to them) could be applied to ensure that existing customers' orders are met following the foreign acquisition of a firm in a "key" supply chain. Moreover, as is often the case during economic crises, there is a risk that policy responses take a nationalistic turn, not just during the crisis but long after. As Milton Friedman once remarked "Nothing is more permanent than a temporary government program" (Friedman and Friedman1984).

FDI screening as the preferred government response

No government has introduced an across-the-board ban on FDI but in recent years many have stepped up the screening of FDI. The grounds for doing so include national security considerations and, during the past year, the economic fallout from the pandemic.

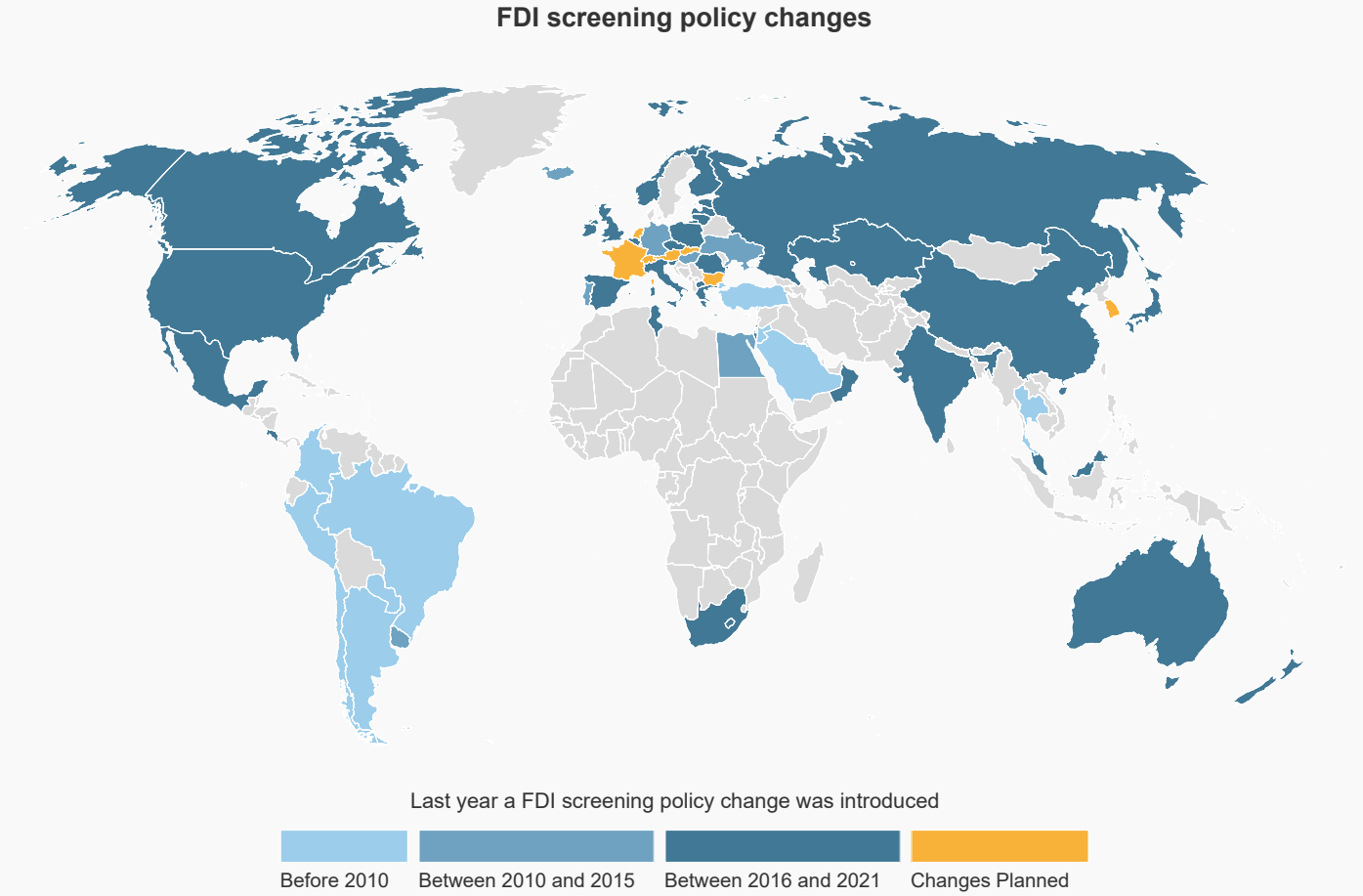
Figure 3 reveals that dozens of governments have revised their FDI screening policies after 2015 and several legislatures or governments are considering similar reforms. The OECD secretariat has observed that "since 2018 have more than half of the 37 OECD countries put in place a cross- or multi-sectoral investment screening mechanism, compared to less than a third a decade earlier" (OECD 2020a, page 2). A subsequent OECD analysis of developments in 62 jurisdictions found that, while there is considerable diversity across national FDI screening mechanisms, numerous governments have given themselves the right to take action against proposed FDI transactions as well ones completed in the past. The latter is seen as necessary to manage "ownership-related" risks (OECD 2020b) and implies that local companies with significant foreign ownership stakes are on notice.

Whether private sector participants perceive these policy innovations as constituting a broad-based obstacle to foreign direct investment is key. On this score, Baker McKenzie (2020) warned their clients: "…it now seems that some countries are using foreign investment screening to protect wider economic and social concerns triggered by COVID-19" going beyond, they contend, national security considerations.

Another concern is that uncertainty over the outcome of reviews of proposed FDI transactions will have a chilling effect. Recall that in many jurisdictions a foreign firm can now come under official scrutiny long after completing the original merger, acquisition, or greenfield investment. Not enough time has elapsed to ascertain whether the recent strengthening of FDI screening mechanisms reduced inward direct foreign investment. However, there is a longstanding research finding that business environments

FIGURE 3

Many governments have introduced or revised FDI screening mechanisms in recent years



where private sector actors face greater policy uncertainty attract less inward FDI. It is difficult to see how more far-reaching FDI screening reduces such policy uncertainty.

Concluding remarks

Enhanced FDI screening is another cross that international business has to bear. In light of the evidence presented earlier in this report concerning rising global economic policy uncertainty, the question arises as to how many FDI projects won't happen on account of the shadow cast by revised FDI screening procedures.

For sure, governments have the right—indeed, the duty—to protect national security. However, the manner in which it does so and the range of commercial activities that fall under scrutiny should be tightly proscribed. FDI screening should be undertaken in a technocratic manner as divorced from political considerations as possible.

Many nations have independent competition law enforcement agencies. To the extent that the agency responsible for FDI screening is seen as acting in a rational, evidence-based manner to examine only national security threats, then foreign companies driven solely by legitimate commercial objectives will have less to fear—and any reduction in inward FDI attenuated.

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CHAPTER 7
OTHER PERTINENT POLICY DYNAMICS AND THEIR IMPACT ON FDI

Companies with international operations have alternatives to supplying foreign customers through FDI. That means that FDI is in a horse race against other corporate options and policy intervention may alter the relative—as well as the absolute—attractiveness of direct foreign investment. This chapter focuses on three such policies.

Capital controls and limits on profit repatriation

Many analysts contrast decisions to export with decisions to establish foreign presence through FDI with a significant equity stake in a local commercial operation. This can be a useful framing device to address certain questions but it misses the many ways in which international business can induce production abroad without taking equity stakes. Those include contract manufacturing with local firms, contract farming, licensing production or service delivery, and a number of other options (see Table 1).

What many of these non-equity options have in common with traditional FDI is that the foreign affiliate earns revenues or profits in a host country that at some point may be transferred abroad. At the moment transfer is contemplated, the policy that the host government has towards the repatriation of profits or other revenues streams, including capital controls, becomes relevant.

TABLE 1
Alternatives to FDI

Non-equity mode type	Definition
Contract manufacturing Services outsourcing	Contractual relationships whereby an international firm contracts out to a host-country firm production, service or processing elements of its GVC (extending even to aspects of product development). All go under the general rubric of "outsourcing". Services outsourcing commonly entails the externalization of support processes including IT, business and knowledge functions.
Contract farming	Contractual relationship between an international buyer and (associations of) host-country farmers (including through intermediaries), which establishes conditions for the farming and marketing of agricultural products.
Licensing	Contractual relationship in which an international firm (licensor) grants to a host country firm (licensee) the right to use an intellectual property (e.g. copyrights, trade marks, patents, industrial design rights, trade secrets) in exchange for payment (a royalty). Licensing can take various forms, including brand licensing, product licensing and process licensing. In-licensing refers to a company acquiring a licence from another firm; out-licensing entails sale of intellectual property to other firms.
Franchising	Contractual relationship in which an international firm (franchisor) permits a host country firm (franchisee) to run a business modelled on the system developed by the franchisor in exchange for a fee or a mark-up on goods or services supplied by the franchisor. Franchising includes international master franchising, with a single equity owner of all outlets in a market, and unit franchising, with individual entrepreneurs owning one or more outlets.
Management contracts	Contractual relationship under which operational control of an asset in a host country is vested to an international firm, the contractor, which manages the asset in return for a fee.
Concessions	Contractual relationship under which operational control of an asset in a host country is vested to an international firm, the concessionaire. The firm manages the asset in return for an entitlement to (part of) the proceeds generated by the asset. Concessions are normally complex agreements, such as build-own-transfer (BOT) arrangements, which might include elements of investment by the TNC or ownership of the asset for a period. Legally they can be structured in many ways, including as public–private partnerships (PPPs).
Strategic alliances Contractual joint ventures	Contractual relationship between two or more firms to pursue a joint business objective. Partners may provide the alliance with products, distribution channels, manufacturing capability, capital equipment, knowledge, expertise, or intellectual property. Strategic alliances involve intellectual property transfer, specialization, shared expenses and risk. Contracts set forth terms, obligations, and liabilities of the parties but do not entail the creation of a new legal entity.

Source: UNCTAD (2011).

Impediments to transferring funds, plus any uncertainty over whether such impediments will be imposed in the future, tend to reduce risk-adjusted rates of return.

The Global Trade Alert team keeps tabs on changes in repatriation policies and capital controls that potentially implicate the interests of firms undertaking FDI. A total of 146 such policy changes have been documented since 2009. Sixty-one of those policy changes made it harder to send money out of a country or impede their ability to undertake cross-border financial transactions, but a larger number—85 to be precise—made it easier.

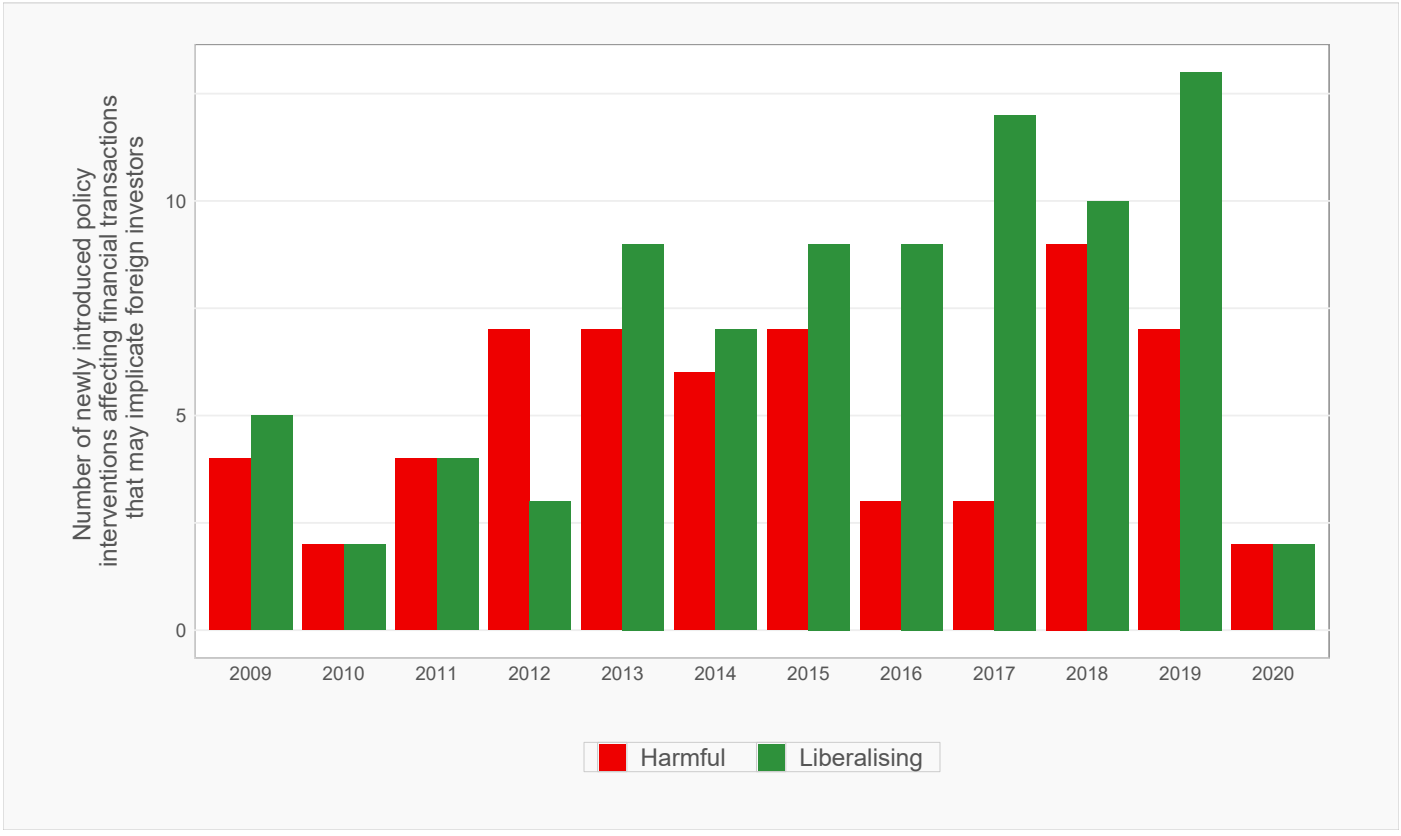
In fact, as Figure 1 shows, in no year since 2012 have more new impediments to transferring funds out of host countries been implemented than liberalising measures. Indeed, contrary to the FDI policy dynamics described in earlier chapters, the years 2017-2019 saw higher numbers of reforms benefiting equity and non-equity modes of commercial presence than in earlier years. Interestingly, the number of new recorded policy changes slumped in 2020. Perhaps concerns about profit repatriation by foreign firms may have been blunted as COVID-19 sharply reduced those profits in the first place.

Weighting these policy changes by the share of the world's FDI stock implicated, however, changes the assessment. Figure 2 reports such shares for the liberalising and restrictive policies affecting repatriation of funds and associated cross-border financial transactions in force at the end of each calendar year.[61] Even though some of these policy interventions lapses, many did not and so the shares of world FDI stock implicated grew over time.

Despite being fewer in number, the share of world FDI facing more restrictive policies exceeds that of liberalising measures in every year since 2009. Indeed, by end 2020, such was the degree to which the former share (0.133) exceeded the latter (0.108) that the cumulative totals of FDI implicated differed by approximately three-quarters of a trillion dollars.

FIGURE 1

Since 2013 more policy intervention has eased cross-border transfer of funds



Source: Policy intervention data taken from the Global Trade Alert, April 2021.

61 Specifically on 31 December of each year. The weights used in constructing the shares reported in Figure 2 were taken from global distribution of FDI stock in 2019, the last year available in the latest *World Investment Report*.

Shifts in tariff and non-tariff barrier favour exporting but by less and less over time

For some customers located abroad exporting a good or service may be a technically feasible alternative to establishing nearby commercial presence through FDI. In such cases, shifts in trade policies towards exports can alter the relative profitability of exporting compared to FDI. Everything else equal, lower tariff and non-tariff barriers abroad will make it less costly to ship goods to foreign customers. In turn, this flatters exporters' profit margins (if prices paid by foreign customers remains unchanged) or can result in larger foreign market share (when some of the tariff reductions are passed on as price cuts to foreign customers).

In earlier chapters we established that the tendency worldwide is for policy to become less conducive to FDI. That alone could help account for the declining resort to FDI. The question is whether tariff and non-tariff polices over the past decade further diminished the incentive to engage in FDI.

Rather than examine the share of tariff and non-tariff policy changes that are conducive to exporting, it is possible to calculate the shares of world exports each year covered by more restrictive trade barriers and by trade reforms. This is accomplished by matching up the products where such policy changes occur with underlying trade flow information from the United Nations COMTRADE database. Such trade coverage shares are used frequently in the analysis of international trade flows to reveal the exposure of exports (or imports) to policy changes.

The entries in the Global Trade Alert database referring to changes in tariff and non-tariff border barriers from 2009 to 2020 were combined with UN COMTRADE data on trade flows[62] to calculate the share of world trade exposed to (a) more restrictive and (b) less restrictive policies in force in each year. These estimates cumulate up from November 2008 and take account of the dates when a policy is introduced and, where relevant, when a policy lapses. The amount of trade affected in any given year is scaled by the number of days a relevant policy change is in effect. Therefore, a tariff increase introduced on the first day of the year is estimated to cover 12 times more trade than a tariff increased on 1 December of the same year (assuming both measures are in effect for the rest of the year).

These calculations were performed for three classes of goods: capital (or investment) goods, intermediate goods (such as parts and components), and consumer goods. For each class of goods, we estimated the share of world exports of those goods facing more restrictive trade barriers, lower trade barriers, and the gap between the latter and the former. That gap indicates whether access to foreign customers has improved or not over time. Figure 2 plots those gaps for each class of good from 2009 to 2020.

Such are the patterns of world trade in capital, consumer, and intermediate products and the incidence of tariff and non-tariff barrier changes that, for every year 2009 to 2021, the share of world trade in each product category facing trade reforms in force exceeded those facing trade restrictions. This is apparent in Figure 3 because all three lines lie above the horizonal axis, which indicates equal exposure to trade reforms and trade restrictions.

Net exposure to trade reforms peaked in 2013 but has since fallen for all three good categories. Indeed, by 2021 the net exposure to trade reforms had fallen to approximately 2% of world trade in each product category. Such reduced net export exposure should be associated with diminishing returns to exporting and therefore, other things being equal, to relatively more favourable conditions for FDI. Yet, as shown in earlier chapters, FDI returns in emerging markets were low or falling during this period and totals for properly-benchmarked FDI flows fell over time. Declining favouritism towards exporting coincided with worse FDI outcomes, suggesting that some other factor must account for the latter.

Ambiguous effects of selective subsidies

The Global Trade Alert has documented over the past decade significant resort to subsidisation of local firms (taken to be firms located within the jurisdiction awarding the subsidy) and of exporting firms (through either subsidised trade finance or export incentives, principally through national tax systems). The GTA database contains information on 10,098 changes in subsidies to local firms and on 3,254 policy changes in incentives to exporters. The past year has seen another significant expansion in state-provided financial support for national firms, as our 26th report also made plain (Evenett and Fritz 2020).[63]

Some of these subsidies are firm-specific, some sector-specific, and some allocated on other bases. What are the implications of generous state largesse for the relative profitability of FDI versus other means of supplying foreign customers, such as exporting?

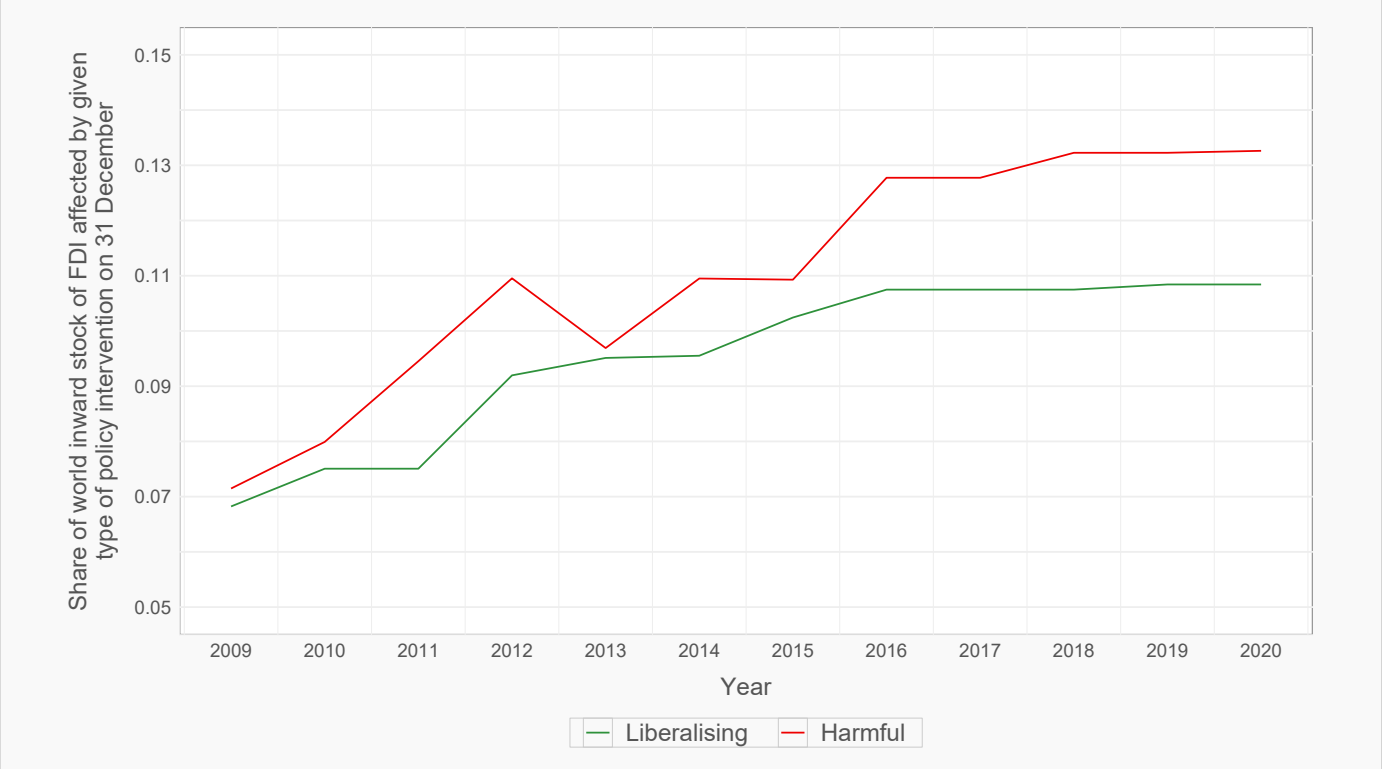
Without detailed micro level analysis, it is difficult to draw conclusions concerning the profitability of exporting relative to FDI because subsidisation of both of these modes of supply has been increasing over the past

62 At the most fine-grained or disaggregated level available globally, namely, the six-digit level of aggregation.

63 To date, we have documented 1,104 subsidy interventions affecting conditions of competition in local markets during 2020. A further 198 state interventions to increase exports have been recorded as well. If previous reporting experience is anything to go by, these totals will sharply during 2021.

FIGURE 2

However the share of world FDI covered by more restrictive regimes on cross-border financial transfers and transactions is larger



Source: Policy intervention data taken from the Global Trade Alert, April 2021. Combined with data on the global distribution of the inward FDI sock available in the World Investment Report 2020.

FIGURE 3

Since 2016 net export exposure to trade reforms have fallen by two-thirds, irrespective the type of of good exported

Source: Policy intervention data taken from the Global Trade Alert, April 2021. Combined with UN COMTRADE data on international trade flows at the six-digit level of disaggregation.

decade.[64] Furthermore, foreign direct investment may be lured to locations where the subsidies offered as part of a national industrial policy, for example, are more generous.[65] However, to the extent that such subventions are firm-specific and reserved largely for local firms, then a foreign direct investor may find themselves competing for local customers against subsidised local rivals.

While it is not possible to draw general conclusions about the impact of such state largesse on the relative profitability of exporting and FDI, detailed case studies of different modes of supplying a given customer base may reveal sharper conclusions. What is almost certainly the case is that the pervasive resort to subsidisation by governments has distorted export and FDI decisions.

Concluding remarks

Those corporate executives advocating for FDI projects must compete internally for resources and inevitably returns on FDI will be compared to other ways of supplying foreign markets. Those returns are influenced by policies that do not target FDI directly. As a result, the contribution of FDI to sustainable development is a hostage to fortune of other policy developments, at least in part.

In this chapter we examined the evidence relating to three such policy developments: one of which likely decreased risk-related returns to FDI (capital controls and repatriation requirements), another which should have increased FDI returns from 2013 (diminishing favouritism towards exporting), and a third that probably had an ambiguous effect.

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64 In addition, a comprehensive account would have to factor in the resort to state-provided financial support for outward FDI that was mentioned in chapter 4.

65 This is in addition to any subsidies offered by the host country specifically to attract foreign firms.

CHAPTER 8
FROM HEADWINDS TO TAILWINDS: POLICY RECOMMENDATIONS TO REVIVE FDI AND ITS CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

FDI is in trouble. This is manifested by volumes of inward FDI that, when properly benchmarked, have been falling since the onset of the Global Financial Crisis. One aspect of the economic fallout from the COVID-19 pandemic is that FDI levels have fallen to levels not witnessed since 1995.

Even the 7.1% annual average (nominal) growth rate of the FDI stock in developing countries from 2010 to 2019 looks a lot less impressive once the 3.9% median rate for capital depreciation in developing countries is factored in.[66]

Returns on FDI have fallen globally and in particular in developing countries. On some measures, for more than a decade, direct foreign investments in developing countries in the Asia & Pacific and in Central and South America regions have not earned returns much higher than in the European Union. On the plausible assumption that, in general, it is riskier to invest in emerging markets, then risk-adjusted average returns from FDI were almost certainly lower than in economies with higher incomes per capita. No doubt some FDI projects in emerging markets have a sound business case. However, unless there are grave measurement problems in the reported rates of average return, many direct foreign investments must have disappointed.

This commercial underperformance coincides with greater demands from governments and civil society for higher quality FDI and for purposeful contributions by international business to the Sustainable Development Goals and the Paris Climate Accord. Yet, as evidenced by calls for a Decade of Action[67] (during the 2020s), not enough progress is being made and the private sector is being called upon to redouble its efforts.

Moreover, pressure on international business is not confined to advocates of sustainable development. Pools of finance to support social impact investing and projects with significant ESG dimensions are growing. Some high-profile investment companies are demanding that the firms they invest in have a socially meaningful purpose and don't just chase quarterly profit targets. They are joined by more and more employees that expect the organisations they work for to make a difference.

So what is to be done? Fundamentally, a **reset** is needed in discussions on the contribution of FDI to pressing global challenges. FDI has made profound contributions to the development of economies where governments have put in place the right policy mix. With $11.3 trillion invested in developing countries, international business is well placed to further contribute to sustainable development so long as their operations remain sufficiently commercially viable. This is not helped by populist backlashes against globalisation and the domestic reforms of yesteryear, geopolitics, and the disruption caused by the ongoing pandemic.

That FDI no longer generates significant premium returns in Africa, East Asia and the Pacific, and in Central and Southern America, and in many high-profile SDG-related sectors, is the **canary in the coal mine**. Recall such low

66 The Penn World Tables (version 10.0) reports the rate of depreciation of a nation's capital stock. The 3.9% figure reported here is the median capital depreciation rate for developing countries during the years 2017-2019. The Penn World Tables can be accessed here: https://www.rug.nl/ggdc/productivity/pwt/. Another way to look at the matter of capital depreciation is the following. According to the *World Investment Report 2020* a total of US$11.3 trillion of foreign direct investments have been made in developing countries up until the end of 2019. Each year some of that capital will depreciate and need to be replaced. With a 3.9% depreciation rate, this implies that annual FDI inflows into developing countries must exceed $440 billion just to replace the FDI capital that has worn out and ceased to be commercially useful. For reference, UNCTAD estimates that during 2020 the total FDI inflow was US$ 616 billion, implying that less than one-third of this inflow adds to the net FDI stock.

67 Recall the discussion in chapter 1.

returns have been in evidence since 2015, well before the onset of the Corona pandemic.

The findings presented in this report call into question whether many existing business models and policy mixes towards FDI are fit for purpose. The onus is not only on policymakers to reform policies, although more on that later. It is reasonable that advocates of the Sustainable Development Goals call for a creative spurt on the part of the private sector that results in new business models.

If we take seriously certain claims made at the time of adoption of the SDGs, namely, that governments don't have either the resources or the capabilities alone to deliver on their own, then policymakers would do well to consider the **business case** for undertaking new FDI and for retaining existing foreign operations. The performance and attractiveness of FDI is influenced by a wide range of government policies. It is far from obvious that governments selected the many policy decisions taken over the past decade that bear upon FDI in a **coherent** manner.

Companies operating across borders have a choice of destination market (home, high per capita income, and developing), of sector of activity, and of commercial vehicle for serving customers (of which FDI is one). If the goal is to encourage firms to choose one form of vehicle (FDI) to foster sustainable development in developing countries, then the risk-adjusted returns on these investments must be higher than alternatives projects available and exceed the cost of capital.[68]

An important first step is to **establish** why the rate of return at foreign affiliates of multinational corporations is so low, why perceived levels of risk have risen so markedly in many jurisdictions, and to **identify** which policies or corporate practices are **responsible.**

All too often governments and international organisations have shone the spotlight on specific policy interventions (such as those associated with the World Bank's Doing Business Index) with the implicit assumption that any reforms will enhance the attractiveness of the national business environment.[69] As much attention should be given to **tracking relevant commercial outcomes** as it is to gaming cross-country rankings of policy intervention. What is needed is explicit consideration of the factors driving profitability over the entire investment horizon and the levels of capital being tied up in foreign affiliates.

The many **surveys** of foreign companies undertaken by the multilateral and regional development banks should be **revised** so as to reveal what rates of return management is targeting, what factors are driving recent observed changes in return, and what factors impede higher returns being earned. Factors adding to the riskiness of such investments should be surveyed as well. These findings would then support **policy dialogue** between the World Bank, in particular its arm that supports FDI, the International Finance Corporation and central and sub-national governments.

A second step could be to **restrict any state aid for FDI to priority sectors where benefits to sustainable development are deemed greatest** by host nation governments. Given that national circumstances differ, governments would tailor their list of priority sectors accordingly. Those priority lists could just as well include employment-intensive sectors such as manufacturing and distribution, not only education, health, and environmental services.

An important step would be to make that list public so that inward investors know which sectors any incentives are confined to. This restriction would apply to both **outward FDI** as well as **inward FDI**. Therefore, agencies supporting outward FDI would refuse to subsidise proposed corporate projects that do not involve operations in sectors on the list determined by the relevant host government.

Aid-giving governments keen on encouraging FDI inflows into lower per-capita countries in designated development-sensitive sectors could **fund targeted FDI incentives** as well. Initially, the focus should be on financing such incentives in the **Least Developed Countries** and **heavily disadvantaged regions** of other developing countries. Enhanced incentives should be offered to facilitate the transfer to developing countries of innovations that deliver progress towards priority sectors.

From the perspective of increasing the expected returns in developing countries relative to elsewhere, even better would be for national and sub-national governments in **high-income countries to cap their own incentives** for inward FDI into self-designated priority sectors. FDI incentives in other sectors should be avoided. Such discipline on FDI incentives would mark a break with existing practice. The goal is not to end FDI incentives but to target them to the sectors and the economies with the greatest potential for sustainable development.

In the interests of **promoting transparency**, and with an eye to **limiting distortions to the commercial playing field**, governments should **publish** lists of domestic and foreign recipients of financial incentives to invest in self-declared sectors that are a priority for the nation's sustainable development. Such information could be discussed in relevant committees of the World Trade Organization, including those responsible for **Trade Policy Reviews**.

68 One might, of course, challenge the premise that FDI is the preferred vehicle for delivering some goods or services. In the case of telemedicine, for example, health services could be delivered digitally from abroad. The point remains, however, that once the preferred vehicle has been identified then discussion should proceed to identifying factors that are holding back the expected risk-adjusted returns.

69 Likewise, much attention is given to new commercial inputs (such as new FDI inflows) rather than outcomes.

The third step is to take every possible opportunity to **de-risk FDI**. Governments are unlikely to give up the option to screen FDI on national security grounds. But that does not mean states have *carte blanche* with its attendant adverse impact on the uncertainty faced by firms, both domestic and foreign. Sectors and economic activities where national security concerns are paramount should be identified and made public. There should be a **strong presumption that foreign businesses operating outside the identified sectors and activities are at little or no risk of investigation**. The OECD should continue its useful work mapping FDI screening policies and ultimately better practices should be identified and their adoption by all governments encouraged.

More generally, the significant rise in measured economic policy uncertainty faced by firms—based in part on mentions of regulatory changes in the media—should give officials pause. Nothing here should be read as challenging the right of governments to regulate. However, we are entitled to ask how did regulatory institutions get to the point where business face such elevated policy risks?

In addition to **benchmarking** themselves against rival FDI destinations, governments should check that every regulatory agency that deals with the private sector is as transparent, deliberate, and expeditious as possible. The same applies to courts, investor-state dispute settlement procedures, central banks, and finance ministries, the latter two are often responsible for restrictions on cross-border capital movements and on profit repatriation. Many of the ensuing improvements would benefit domestic investors as well, who too can contribute to advancing sustainable development.

Not every means to raise risk-adjusted returns to FDI should be pursued, however. **Eschew raising tariff and non-tariff barriers to induce FDI** is top of the list. The adverse social fallout from doing so will compound the income losses from resource misallocation. Since the poor are among the buyers of health products, medicines, and education services and the like, policies that have the by-product of raising prices paid by customers so as to boost the returns of foreign direct investors should be rejected in favour of the targeted subsidies advocated earlier.

With over $11 trillion invested in developing countries, both international business and governments have a huge stake in reviving the commercial fortunes of FDI. To date, too much of the onus has been on international business—for example, being told by advocates of sustainable development to "align" with the global and societal transformations needed to accomplish the Sustainable Development Goals.

Those advocates must reflect on why returns to FDI in key sectors are so low and why only a trickle of FDI inflows has occurred in them. They need to balance their advocacy by demanding that governments take steps to restore the commercial viability of this important mechanism for transferring better practice, capital, people, and technology around the globe. Urgently needed is a reset in deliberations on what international business can realistically deliver, especially if there is no reversal in the worsening policy treatment of FDI that has been documented in this report.

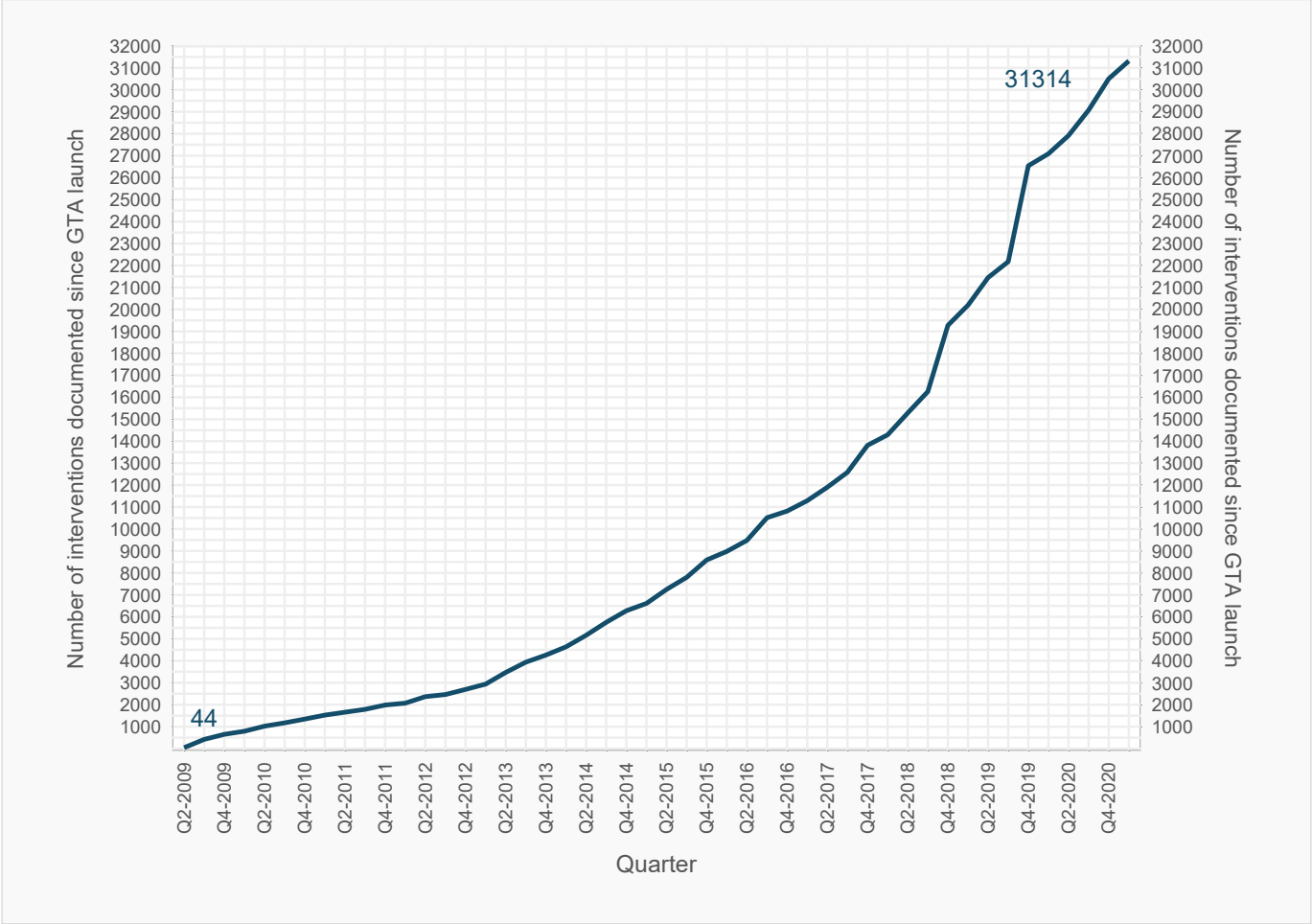
CHAPTER 9
WHAT'S NEW IN THE GLOBAL TRADE ALERT DATABASE?

The Global Trade Alert team crossed another threshold in the fourth quarter of 2020: our 30,000th policy intervention was documented (see Figure 1). At this time this report was prepared in mid-April 2021, the GTA database contained information on 31,314 policy interventions. This was accomplished observing our long-standing information gathering and processing methodology, the latest statement of which is Evenett and Fritz (2020) (the so-called GTA Handbook).

Our last report, the 26th, contained information on public policy interventions announced or implemented on or before 30 October 2020. Policies must have been announced, implemented, and documented before 31 March 2021 to be included in this report. Therefore, five months elapsed between these two deadlines. During that time a total of 1,152 policy moves were documented.[70] Nine-hundred and thirty-one of those policy interventions tilted the commercial playing field in favour of local firms,

FIGURE 1

During the fourth quarter of 2020 the GTA database recorded its 30,000th policy intervention



70 Some of those policy moves were undertaken before 1 November 2020. Therefore, the 1,152 total does not refer to the quantum of new commercial policy intervention between 1 November 2020 and 31 March 2021.

the remaining 231 benefited foreign commercial interests. A total of 81 governments were responsible for these changes in commercial policy. In total, the G20 countries were responsible for 839 of the 1,152 newly documented policy interventions.

Five types of policy intervention together accounted for half of 1,152 new policy interventions documented. The five most documented policy changes were: import tariff changes (152), state loans (150), financial grants (107), changes in FDI entry and ownership rules (82), and trade finance measures (60).

Given this report's focus was on foreign direct investment, it may be useful to know that 100 new direct FDI policy interventions were documented before this report was prepared. In addition, a total of 117 different types of localisation measure was documented during the five months from November 2020 to March 2021, of which 52 involved public procurement-related localisation measures.

The Global Trade Alert continues its Essential Goods Monitoring Initiative, tracking policy interventions in the food, medical goods, and medicines sector. Our updates are made public at the start of each month and can be found here.

Given the high level of interest in policy interventions affecting certain COVID-19-related medical sectors, it may be of interest to learn that since our 26th report was published a total 391 policy interventions affecting these sectors have been documented. Approximately a quarter (96 to be precise) eased trade and investment in these sensitive sectors.

The three most frequent policy interventions implicating the COVID-19 medical sectors documented from 1 November 2020 to 31 March 2021 and published in the GTA database were import tariff changes (80), public procurement measures requiring some degree of localisation (49), and antidumping actions (38). Of the 391 newly documented policy interventions affecting this sector, together the G20 nations were responsible for 299.

Reference

Evenett, S., and J. Fritz (2020). *The GTA Handbook*. 14 July. Available in the third panel of this URL: https://www.globaltradealert.org/data_extraction.

WHAT IS THE GLOBAL TRADE ALERT?

The Global Trade Alert is the leading independent monitor of commercial policy change. Widely recognised as having the most comprehensive coverage of tariff and non-tariff barriers deployed by governments since the onset of the Global Financial Crisis, the Global Trade Alert seeks to inform policy debate, deliberation by government, international organisations, civil society, and business, as well as providing high quality inputs for analysts.

Created in 2009, the Global Trade Alert documents 61 different types of policy intervention that affect the relative treatment of domestic and foreign commercial rivals. The Global Trade Alert goes beyond documenting policy intervention affecting trade in goods, those affecting cross-border trade in services, the cross-border movement for commercial reasons of persons, capital, data, and intellectual property also fall within its remit. Over 95% of the entries in the Global Trade Alert are documented using either government statements or legally mandated statements by corporations.

The Global Trade Alert is a strategic pillar of the St. Gallen Endowment for Prosperity Through Trade. That Endowment was founded in November 2008 by Simon J. Evenett, the Max Schmidheiny Foundation of the University of St. Gallen, and the University of St. Gallen, Switzerland. Constituted as a non-profit foundation under Swiss Law, the new Endowment became the new institutional home of the Global Trade Alert and its sister, the new Digital Policy Alert (described in a Box in chapter 6).

The St. Gallen Endowment has benefited from the financial support of a wide range of sponsors, most notably the Max Schmidheiny Foundation and the Swiss Government. All sponsors recognise the critical importance of the independence of the Endowment's activities.

The Global Trade Alert started as a project of the Centre for Economic Policy Research (CEPR), the "thinknet" that has brought together leading economists from Europe and across the world since 1983. Simon J. Evenett is a research fellow of the CEPR and was for several years co-director of its International Trade and Regional Economics programme. Thanks also are due to the leadership of CEPR for their support over the years.

Simon J. Evenett

Founder, St. Gallen Endowment for Prosperity Through Trade

ACKNOWLEDGEMENTS

The St. Gallen Endowment for Prosperity Through Trade was delighted to join forces with the Hinrich Foundation to prepare and jointly disseminate this report. Special thanks go to Merle Hinrich, Kathryn Dioth, Andy Staples, and Dini Djalal. Valuable feedback at conception and review stage were provided by colleagues from the Hinrich Foundation. This report was written by Simon J. Evenett and Johannes Fritz, who take final responsibility for its contents.

The Global Trade Alert has benefited over the years from the advice of many experts from academia, think tanks, business, and government. In the case of this report Professor Peter Buckley, Dr. Lorenzo Ciari, Ambassador Jonathan Fried, Professor Bernard Hoekman, Professor Holger Görg, Dr. Przemek Kowalski, Dr. Matthew Stephenson, and Dr. Martin Wermelinger provided valuable comments on the first draft. As did several experts commissioned by and from the Hinrich Foundation.

The up-to-date information on policy changes affecting foreign direct investment was only possible because of the diligent and sustained efforts of the monitoring team of the Global Trade Alert, whose members are Fandi Achmad, Fiama Angeles, Hannes Berggren, Callum Campbell, Alya Gharara, Halit Harput, Pia Höring, Chintan Jadwani, Anvar Rahmetov, Claudio Vidal, and Carlee Wright. The monitoring team has been guided and strengthened by Ana Elena Sancho and Josse Jakobsen.

Josse Jakobsen has also taken on responsibilities in the area of the Endowment's outreach activities. Apolline Duclaux and Silvan Hofer provided excellent support preparing the figures and annexes for this report. Piotr Lukaszuk, Director of Data Analytics, checked the programme codes for these figures and took steps to improve the presentation of material in the annexes too.

Special thanks are to Dr. Johannes Fritz, a co-author of this report and, more importantly, CEO of the St. Gallen Endowment for Prosperity Through Trade. His many responsibilities include managing the growing number of team members, many of whom have contributed to this report through painstaking evidence collection on public policy changes that bear upon foreign direct investment. Anil Shamdasani, our electronic publisher, put the report together with his customary zeal and care.

HOLDING THEIR FEET TO THE FIRE: THE TRACK RECORD OF EACH G20 MEMBER

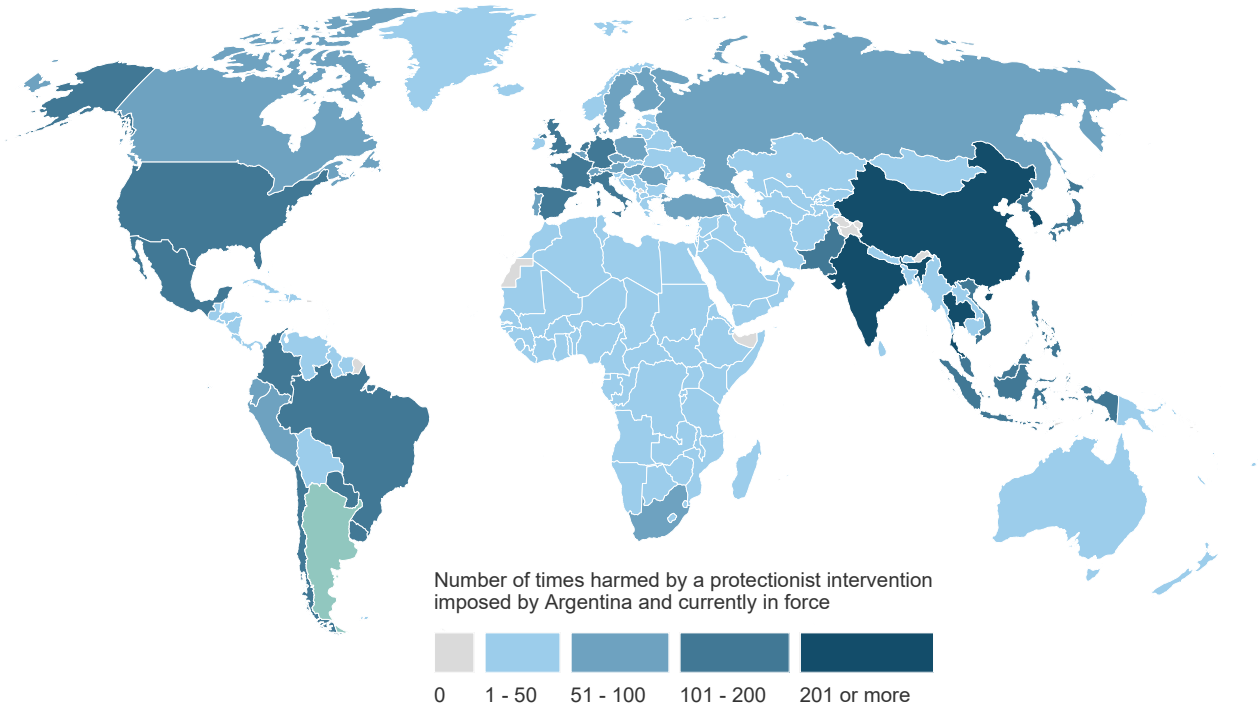
ARGENTINA

What is at stake for Argentina's goods exporters?

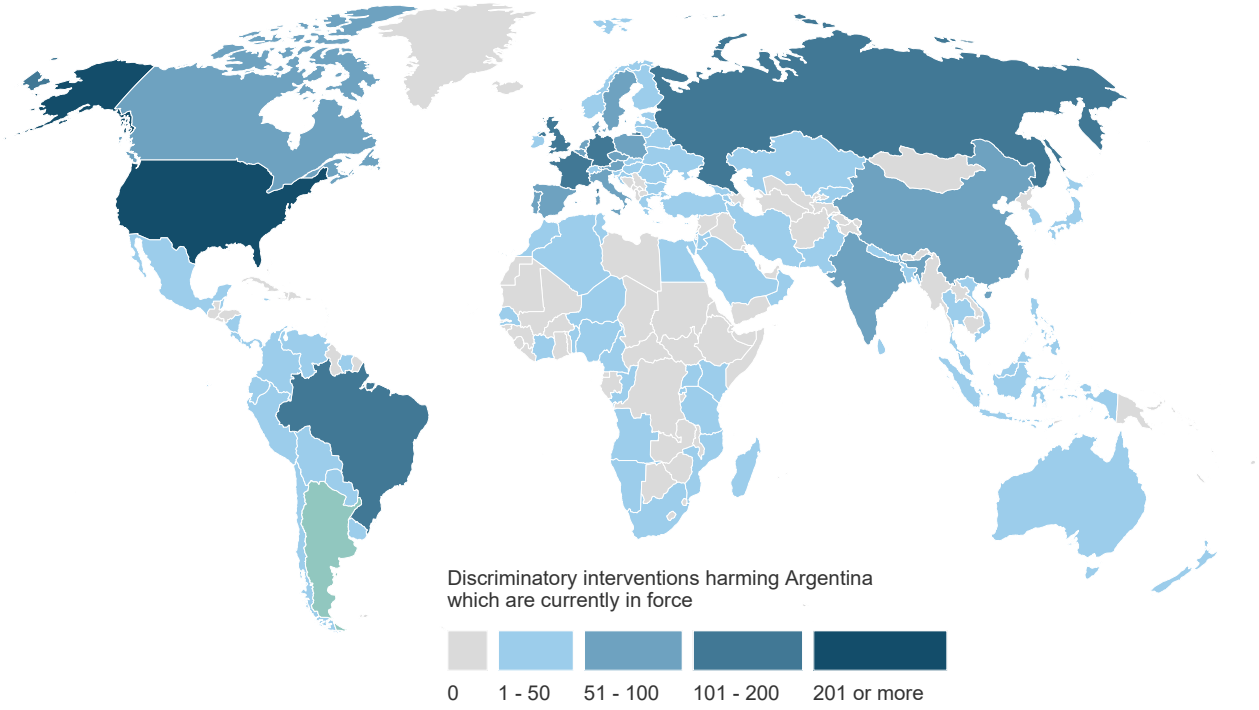
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	18.01	36.19	48.82	59.79	68.67	72.12	71.60	74.09	77.21	76.39	77.45	77.37	76.86
D	Contingent trade-protective measures	0.30	0.35	0.36	0.07	0.30	0.44	0.44	0.57	0.61	0.84	0.85	0.88	0.87
E	Non-automatic licensing, quotas etc.	1.77	1.52	5.16	10.42	10.25	10.92	11.12	13.60	14.31	14.52	14.43	14.50	14.49
F	Price-control measures, including additional taxes and charges	0.17	0.17	1.21	3.57	0.41	3.46	4.62	5.19	5.19	6.60	6.73	6.73	6.73
G	Finance measures	0.32	1.38	1.72	1.72	1.72	1.72	1.73	1.74	1.74	1.74	1.74	1.74	1.74
I	Trade-related investment measures	0.26	0.54	1.01	3.11	2.42	4.43	6.80	5.94	4.98	2.54	2.45	2.42	2.44
L	Subsidies (excl. export subsidies)	4.09	4.53	7.63	7.82	22.35	24.29	22.50	18.67	25.94	27.37	27.58	28.77	38.82
M	Government procurement restrictions	0.27	0.30	0.27	0.78	1.85	2.58	2.82	1.39	1.50	1.64	1.89	1.75	1.75
P	Export-related measures (incl. subsidies)	9.20	29.05	40.67	47.06	51.24	57.75	56.75	59.31	63.54	62.64	65.98	66.05	64.50
	Tariff measures	3.61	4.83	5.91	17.66	19.51	19.80	20.25	20.76	22.30	21.48	22.47	23.78	24.58
	Instrument unclear	0.05	0.10	0.10	0.39	0.39	0.57	1.23	1.41	1.47	1.51	1.54	1.54	1.54

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY ARGENTINA'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING ARGENTINA'S INTERESTS

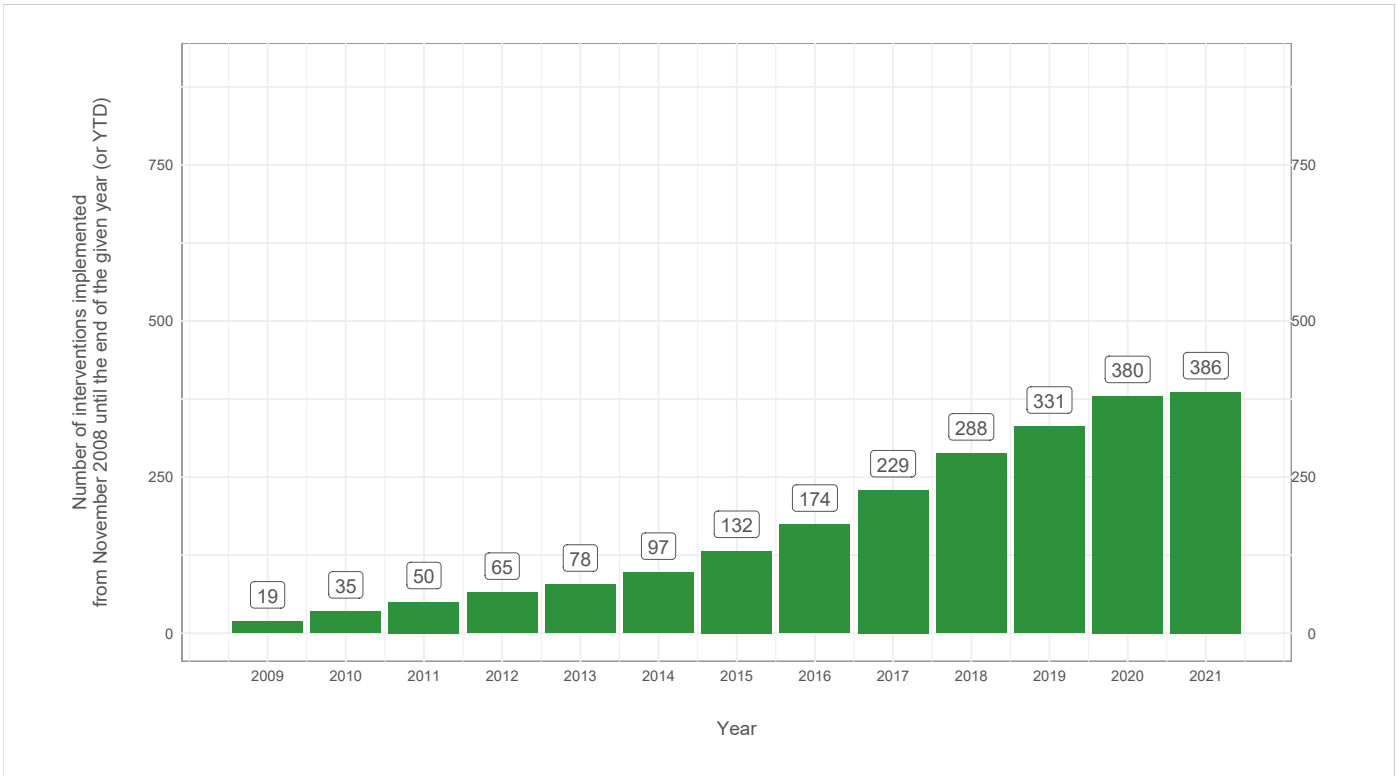


ARGENTINA

Track record of liberalisation

ARGENTINA

Number of liberalising interventions imposed since November 2008

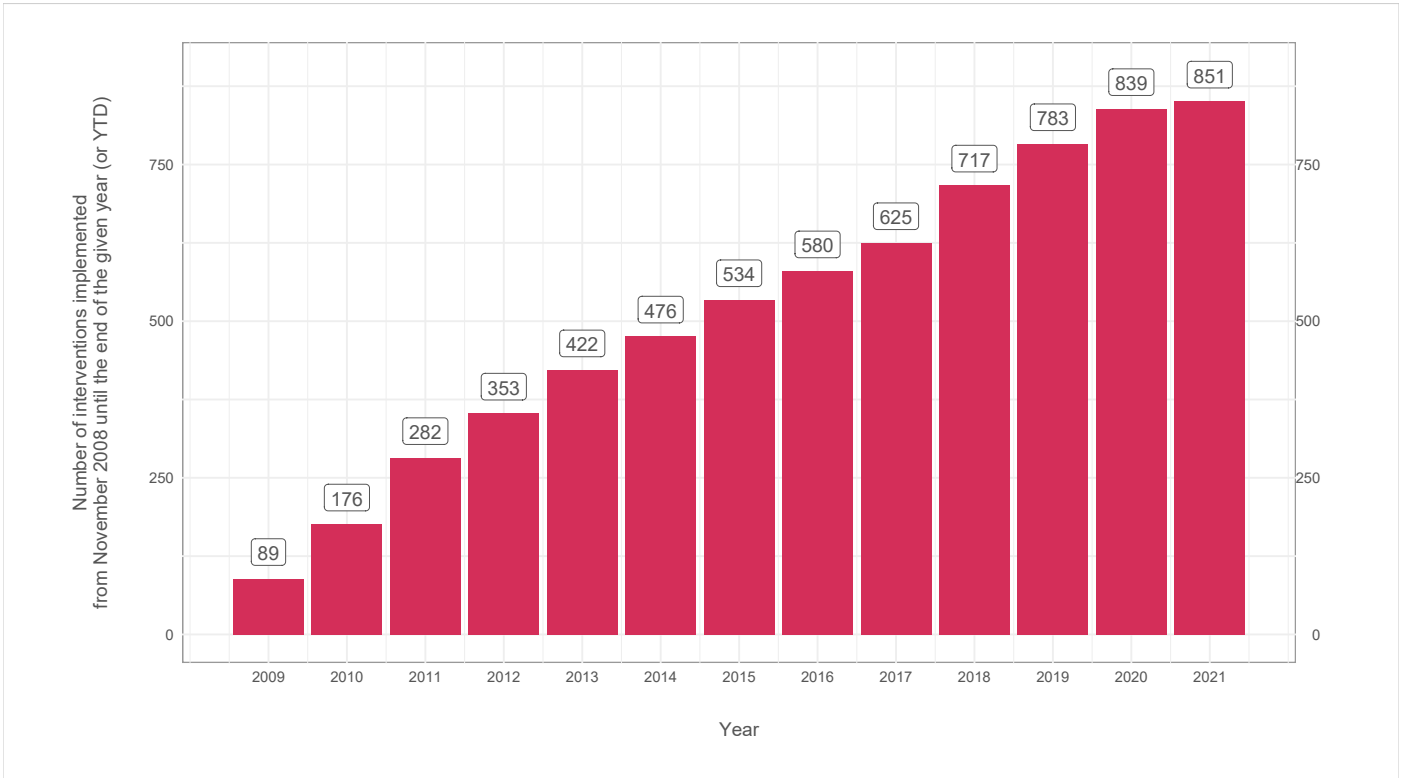


ARGENTINA

Track record of protectionism

ARGENTINA

Number of discriminatory interventions imposed since November 2008



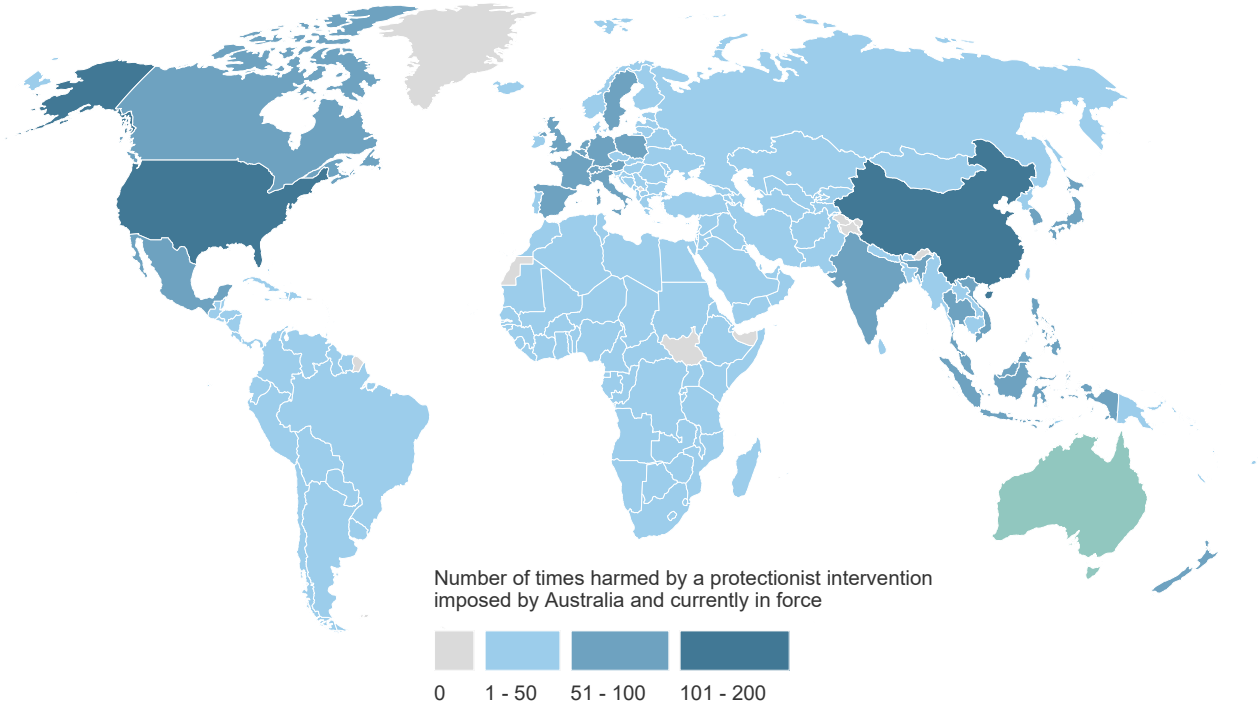
AUSTRALIA

What is at stake for Australia's goods exporters?

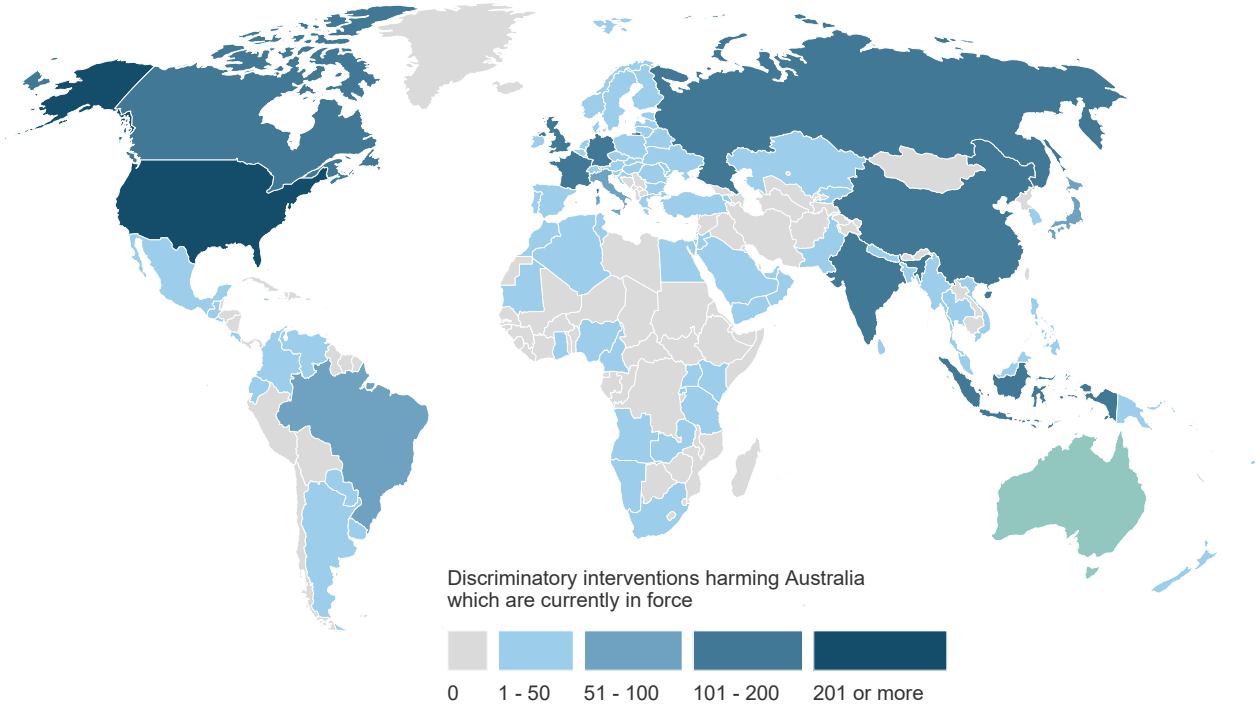
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	26.27	32.76	37.80	43.58	50.55	57.03	56.19	58.28	59.72	63.21	66.40	66.96	69.82
D	Contingent trade-protective measures	0.06	0.04	0.04	0.05	0.07	0.10	0.14	0.34	0.42	0.46	0.48	0.54	0.58
E	Non-automatic licensing, quotas etc.	2.19	8.01	12.36	13.46	14.51	14.61	15.02	15.26	15.47	15.92	16.05	16.02	16.01
F	Price-control measures, including additional taxes and charges	9.06	9.06	9.10	9.13	9.12	10.09	11.05	11.05	11.05	14.59	14.96	15.07	14.31
G	Finance measures	0.06	0.30	0.69	0.69	0.69	0.69	1.07	1.19	1.19	1.19	1.19	1.19	1.19
I	Trade-related investment measures	0.00	0.02	0.03	0.04	0.04	0.22	0.26	0.28	0.28	0.28	0.17	0.06	0.09
L	Subsidies (excl. export subsidies)	3.38	4.58	13.73	14.04	21.88	22.94	20.17	15.09	23.80	25.79	18.33	18.72	20.47
M	Government procurement restrictions	0.58	0.90	0.70	0.82	0.92	1.04	1.11	1.12	1.26	1.83	2.76	2.38	2.40
P	Export-related measures (incl. subsidies)	12.75	22.48	26.86	30.71	32.72	35.71	34.02	35.66	38.16	40.43	47.48	49.18	51.13
	Tariff measures	3.42	4.62	5.02	10.72	12.18	13.57	14.25	14.44	15.88	16.58	16.59	17.02	17.42
	Instrument unclear	0.20	0.39	0.40	0.96	2.42	3.16	1.26	1.21	1.59	2.46	2.60	2.62	2.59

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY AUSTRALIA'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING AUSTRALIA'S INTERESTS

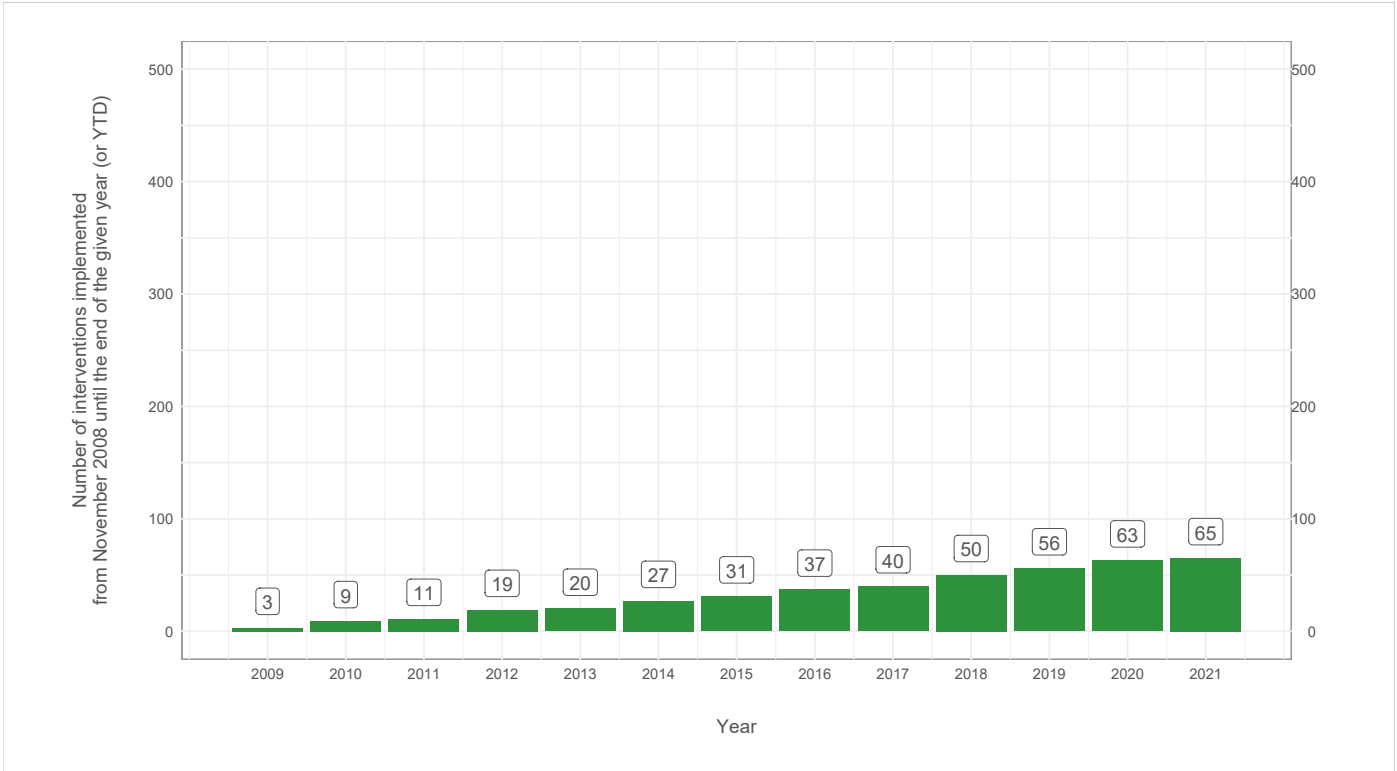


AUSTRALIA

Track record of liberalisation

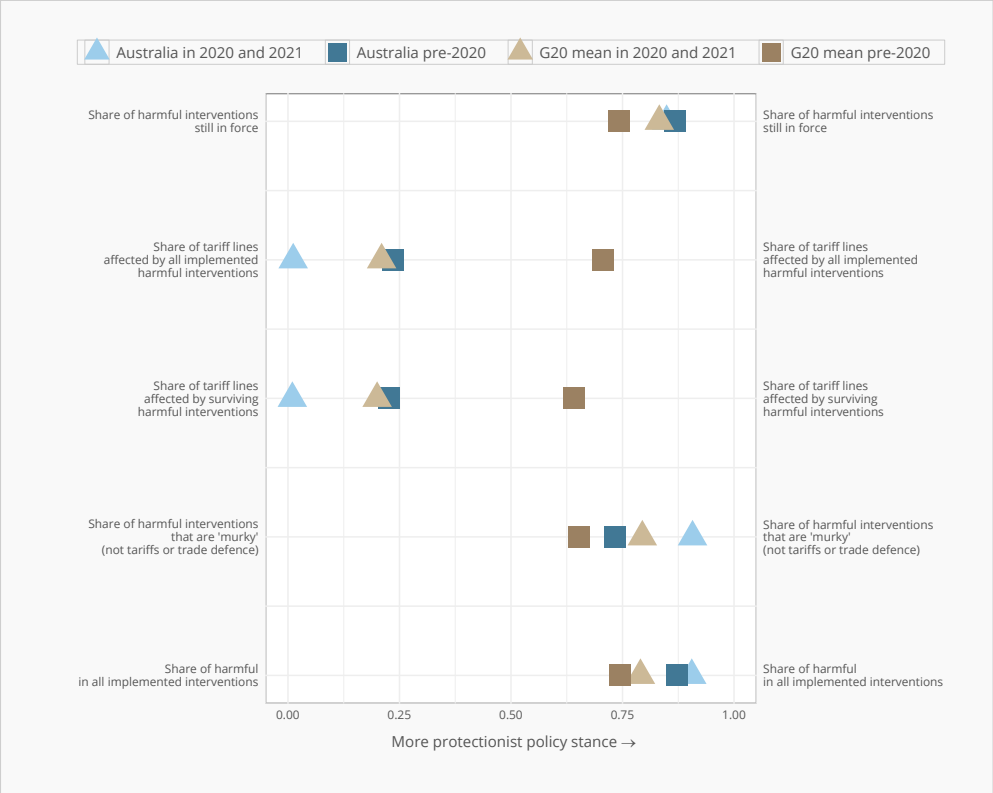
AUSTRALIA

Number of liberalising interventions imposed since November 2008



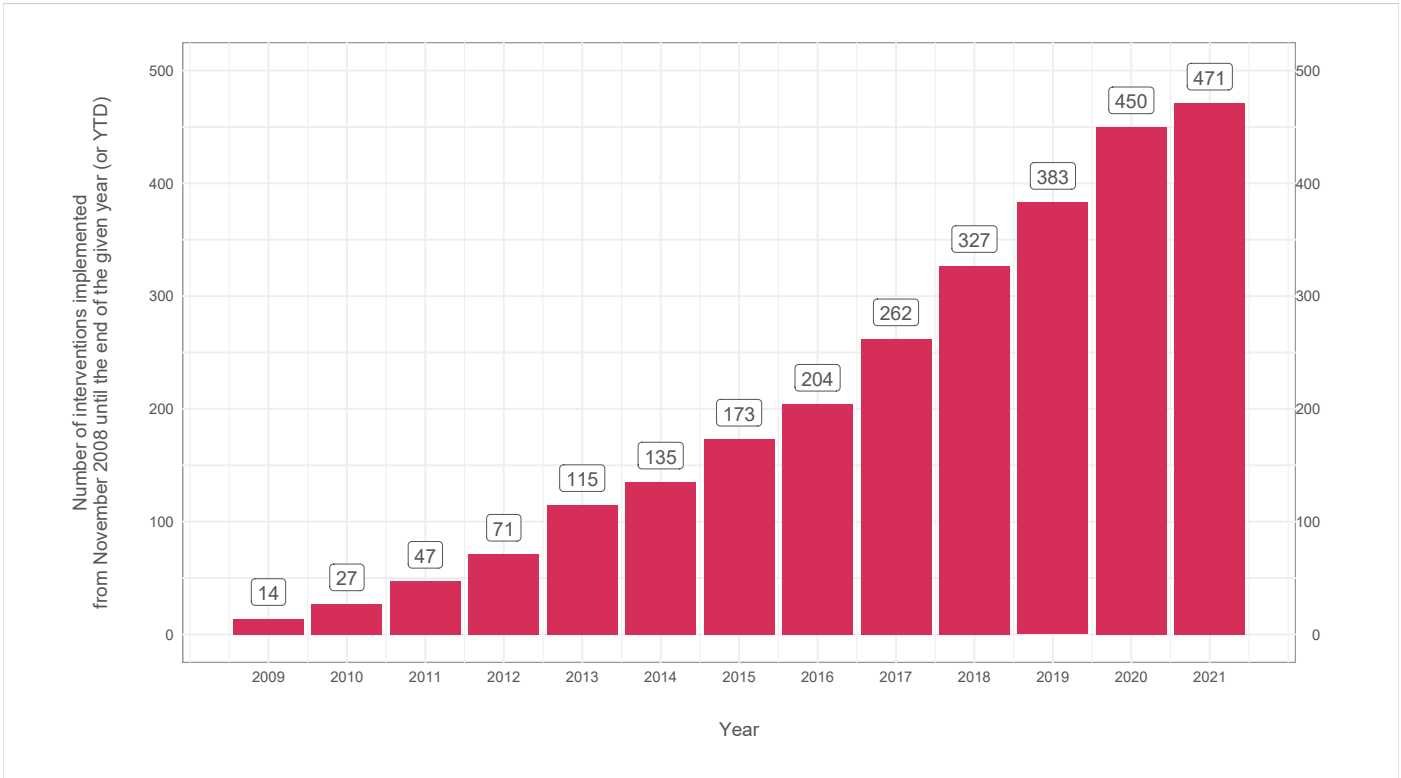
AUSTRALIA

Track record of protectionism



AUSTRALIA

Number of discriminatory interventions imposed since November 2008



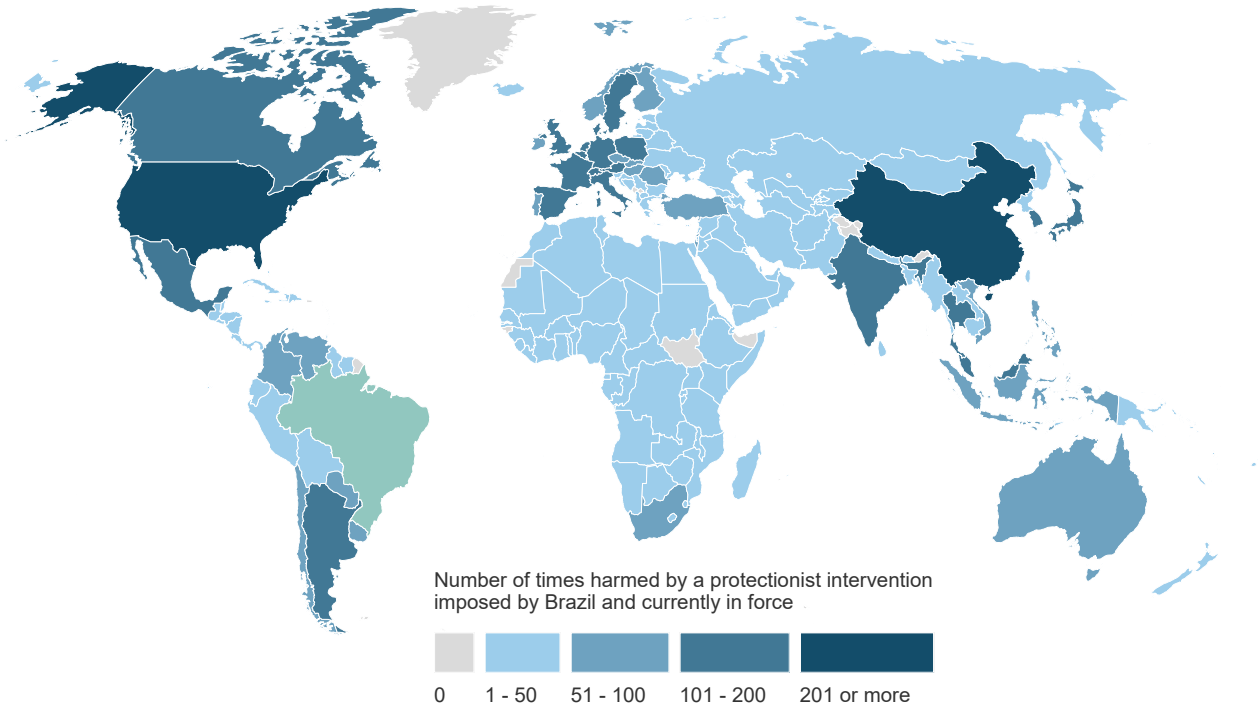
BRAZIL

What is at stake for Brazil's goods exporters?

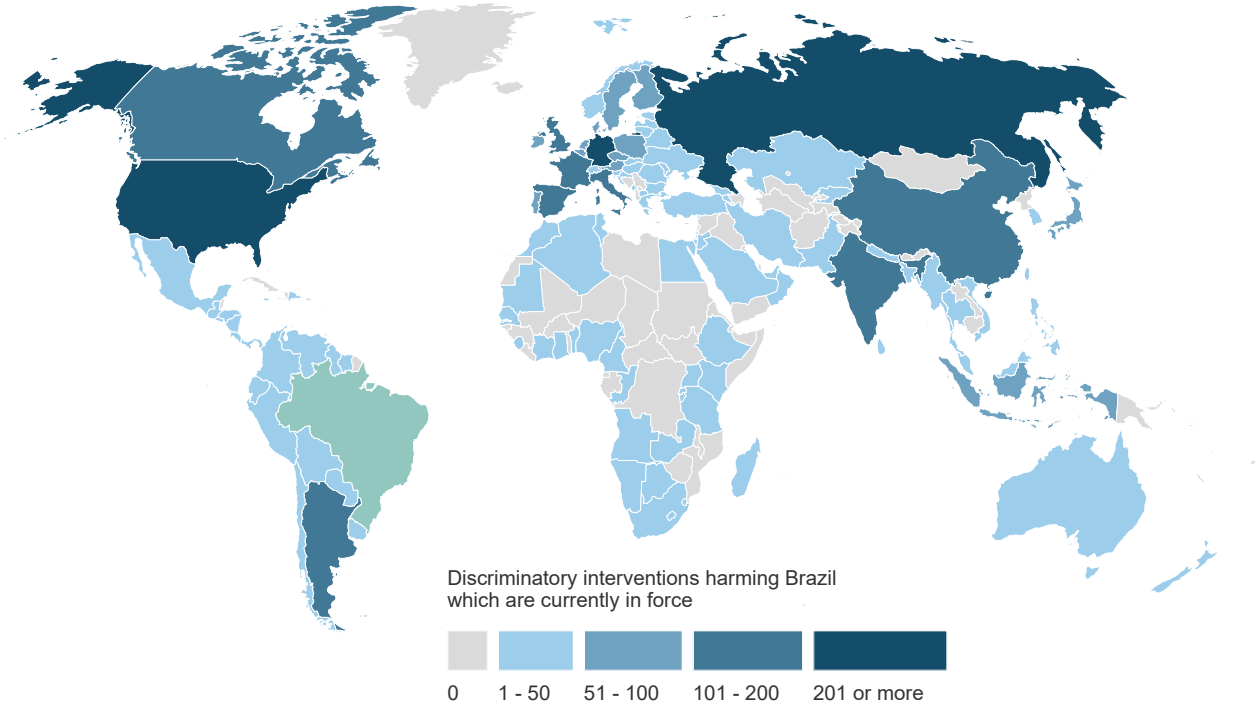
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	36.61	47.16	49.96	58.35	68.87	69.52	69.11	70.72	72.88	75.33	77.17	78.83	78.07
D	Contingent trade-protective measures	0.04	0.09	0.17	0.26	0.25	0.25	0.26	0.72	0.90	1.77	2.18	1.80	1.57
E	Non-automatic licensing, quotas etc.	2.43	6.83	12.50	17.84	19.35	19.54	18.43	15.96	16.95	16.76	16.81	18.83	18.91
F	Price-control measures, including additional taxes and charges	4.70	4.72	4.74	4.75	4.75	4.76	4.76	4.76	4.76	5.16	5.20	12.17	12.17
G	Finance measures	0.39	1.48	1.57	1.57	1.57	1.57	1.61	1.63	1.63	1.63	1.63	1.63	1.63
I	Trade-related investment measures	0.52	1.15	2.08	2.54	2.56	2.63	3.55	4.24	4.25	4.32	4.16	4.14	4.17
L	Subsidies (excl. export subsidies)	4.53	9.61	14.64	16.08	29.92	32.04	31.11	26.73	33.71	36.06	30.14	31.21	38.10
M	Government procurement restrictions	2.71	2.73	2.27	3.53	4.95	5.99	6.71	7.04	7.49	7.56	7.89	7.93	7.93
P	Export-related measures (incl. subsidies)	26.12	36.38	38.26	41.93	47.97	47.79	48.23	52.78	56.04	58.68	64.79	65.64	62.46
	Tariff measures	2.77	3.58	4.62	10.89	11.68	12.59	13.65	14.41	16.67	17.64	18.72	19.53	19.53
	Instrument unclear	0.02	1.30	1.44	1.48	3.81	4.48	6.08	6.25	5.99	5.56	5.63	5.63	5.63

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY BRAZIL'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING BRAZIL'S INTERESTS

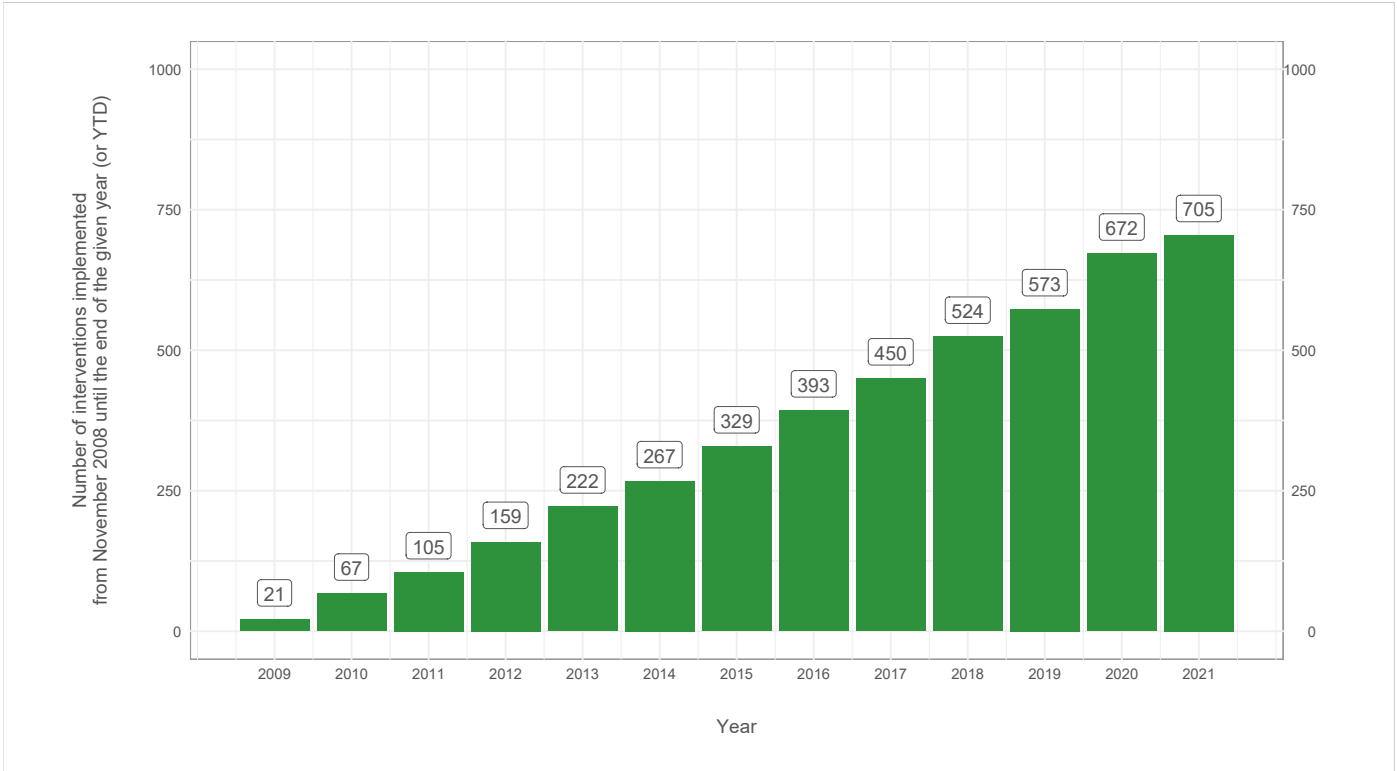


BRAZIL

Track record of liberalisation

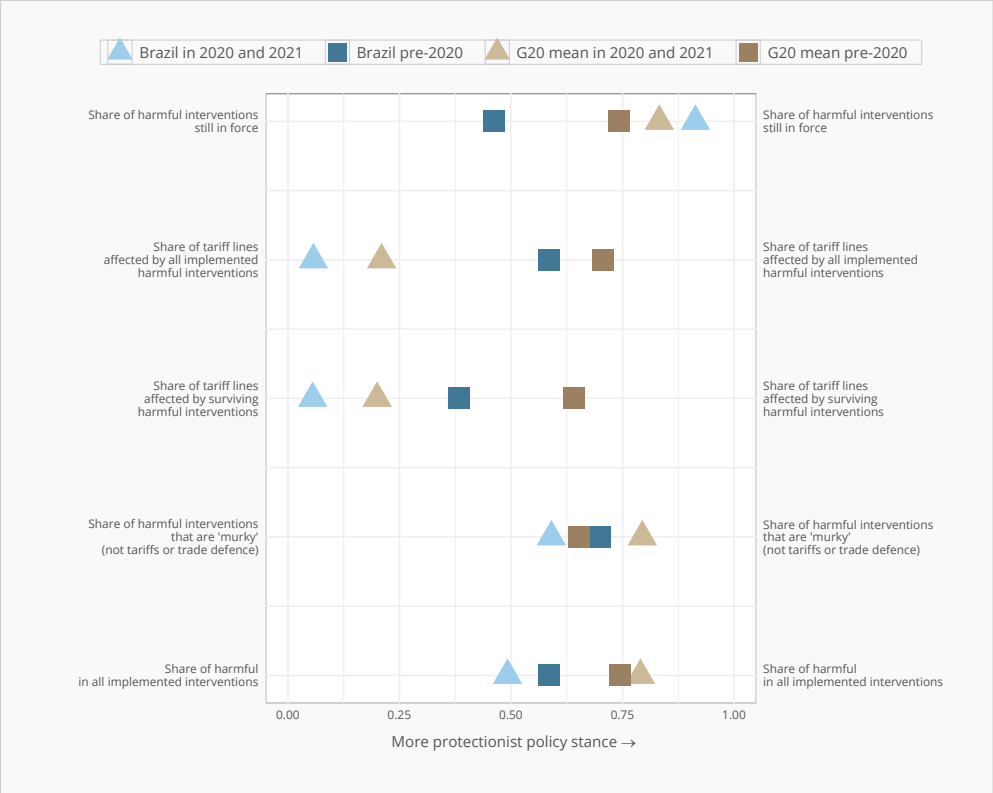
BRAZIL

Number of liberalising interventions imposed since November 2008



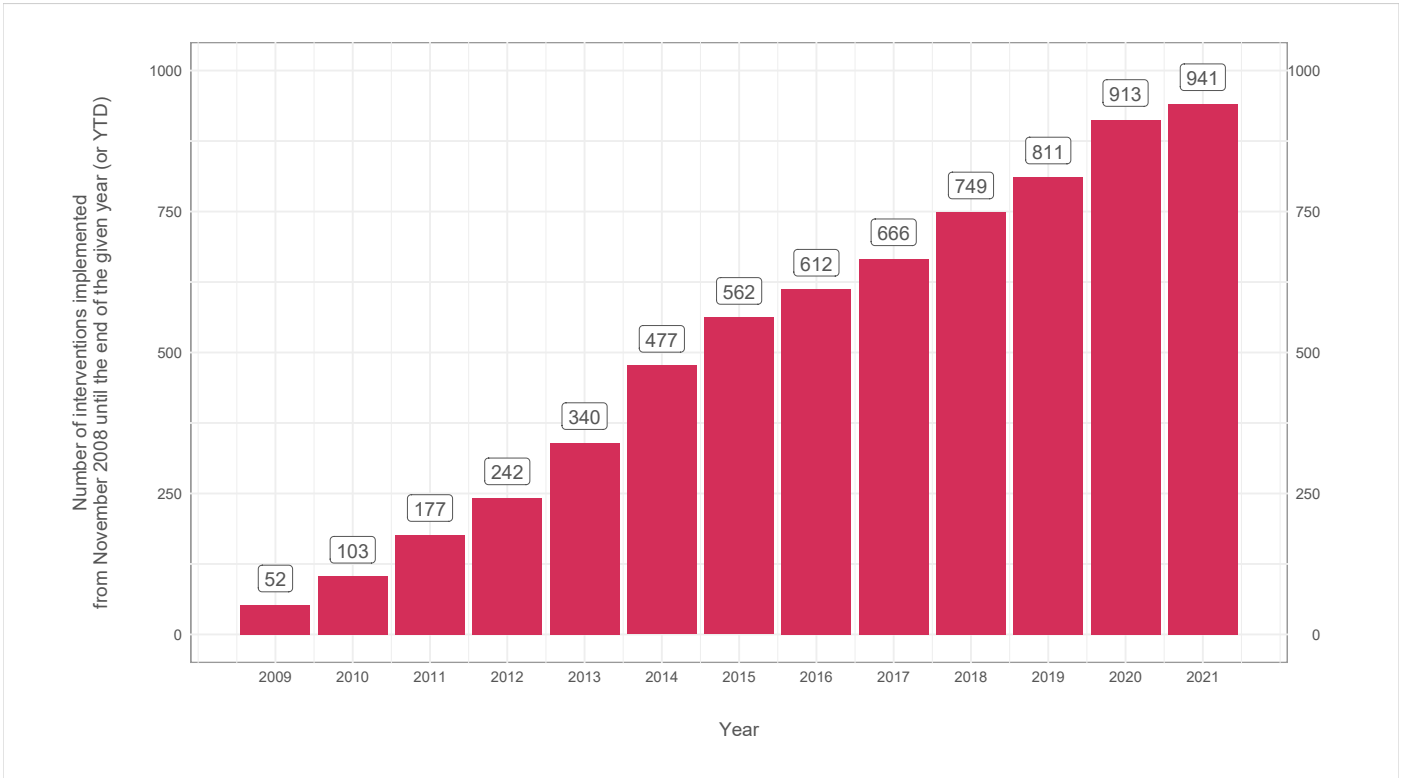
BRAZIL

Track record of protectionism



BRAZIL

Number of discriminatory interventions imposed since November 2008



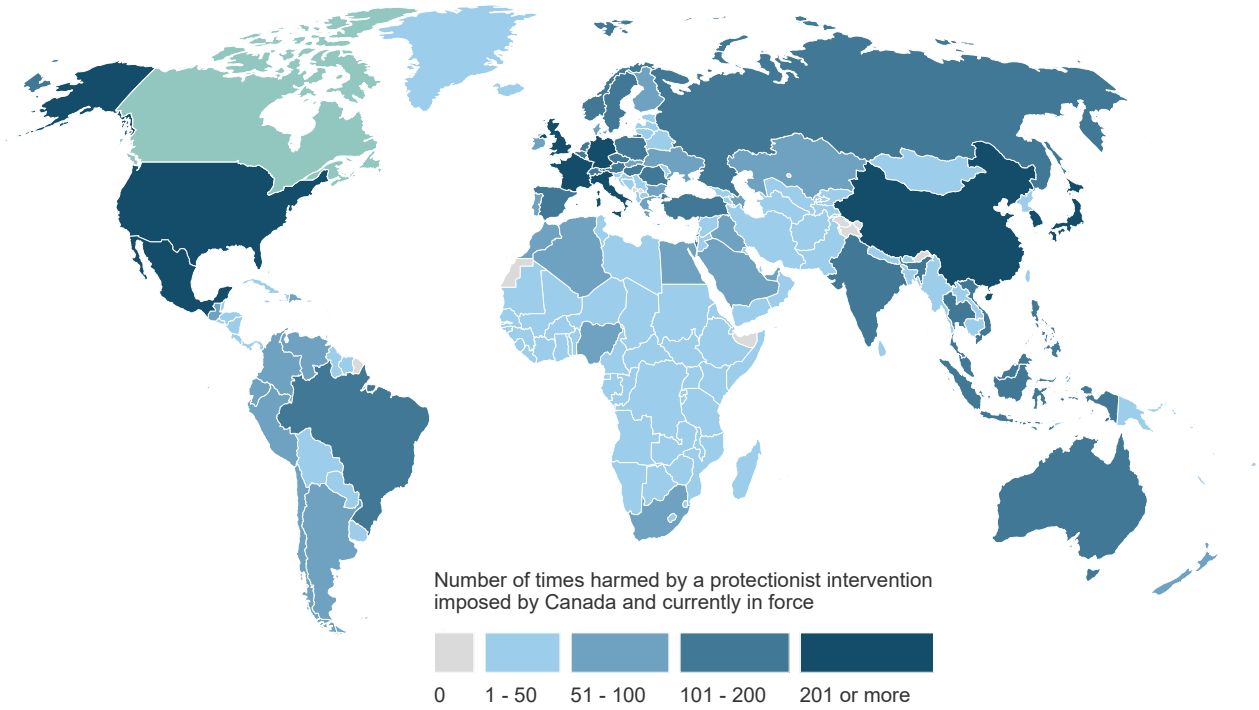
CANADA

What is at stake for Canada's goods exporters?

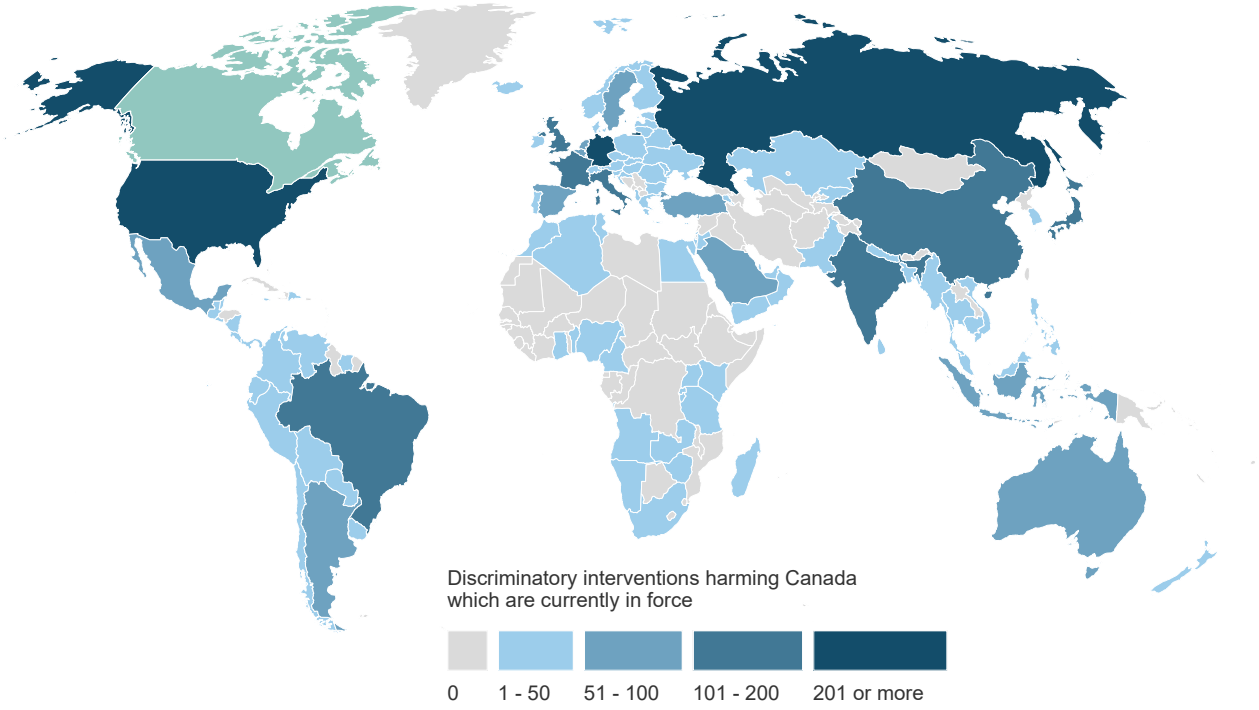
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	37.52	49.49	54.84	65.99	72.16	72.25	79.55	82.37	84.47	85.99	86.67	86.58	86.81
D	Contingent trade-protective measures	0.11	0.12	0.13	0.13	0.13	0.14	0.43	2.07	2.57	4.41	4.53	4.49	4.46
E	Non-automatic licensing, quotas etc.	0.19	0.33	0.66	0.72	0.95	0.98	1.08	1.19	2.42	3.17	3.27	3.29	3.25
F	Price-control measures, including additional taxes and charges	0.31	0.31	0.33	0.34	0.34	0.42	0.56	0.65	0.66	0.88	0.90	0.94	0.94
G	Finance measures	0.03	0.09	0.10	0.10	0.10	0.10	0.11	0.11	0.11	0.11	0.11	0.11	0.11
I	Trade-related investment measures	0.14	0.41	0.20	0.21	0.22	0.22	0.47	0.88	1.43	1.40	1.33	1.33	1.49
L	Subsidies (excl. export subsidies)	12.72	17.62	22.09	31.54	39.85	40.67	39.48	41.74	43.49	48.59	48.60	48.97	49.89
M	Government procurement restrictions	2.19	2.62	2.90	3.18	3.23	3.64	4.25	4.25	4.76	5.37	6.56	7.12	6.76
P	Export-related measures (incl. subsidies)	23.98	32.29	42.93	55.57	57.01	46.73	53.04	54.15	57.35	58.18	58.02	59.67	59.09
	Tariff measures	0.43	0.73	0.85	1.80	2.09	1.96	2.19	2.60	4.35	7.20	8.85	9.98	10.08
	Instrument unclear	0.01	0.14	0.03	0.13	1.10	1.67	1.93	2.34	2.62	2.99	2.99	3.03	3.00

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY CANADA'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING CANADA'S INTERESTS

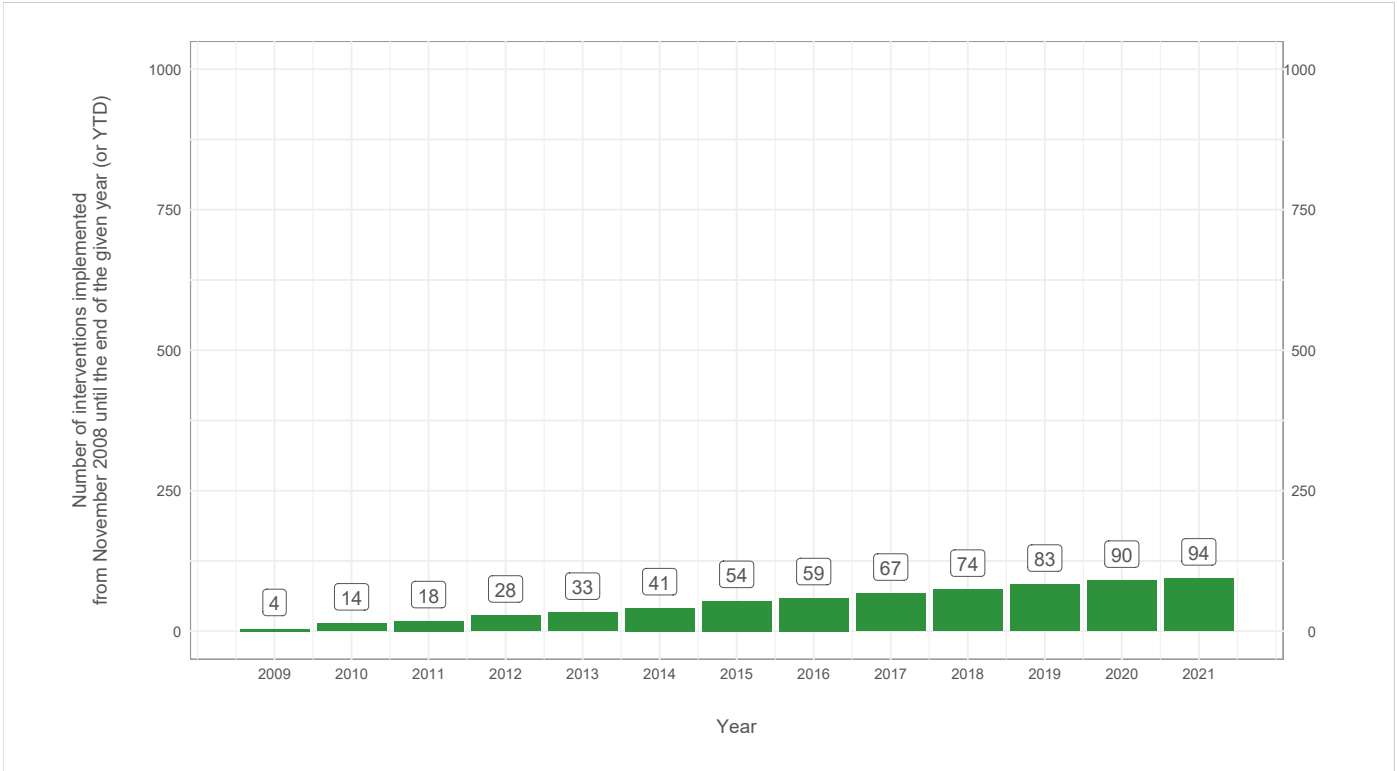


CANADA

Track record of liberalisation

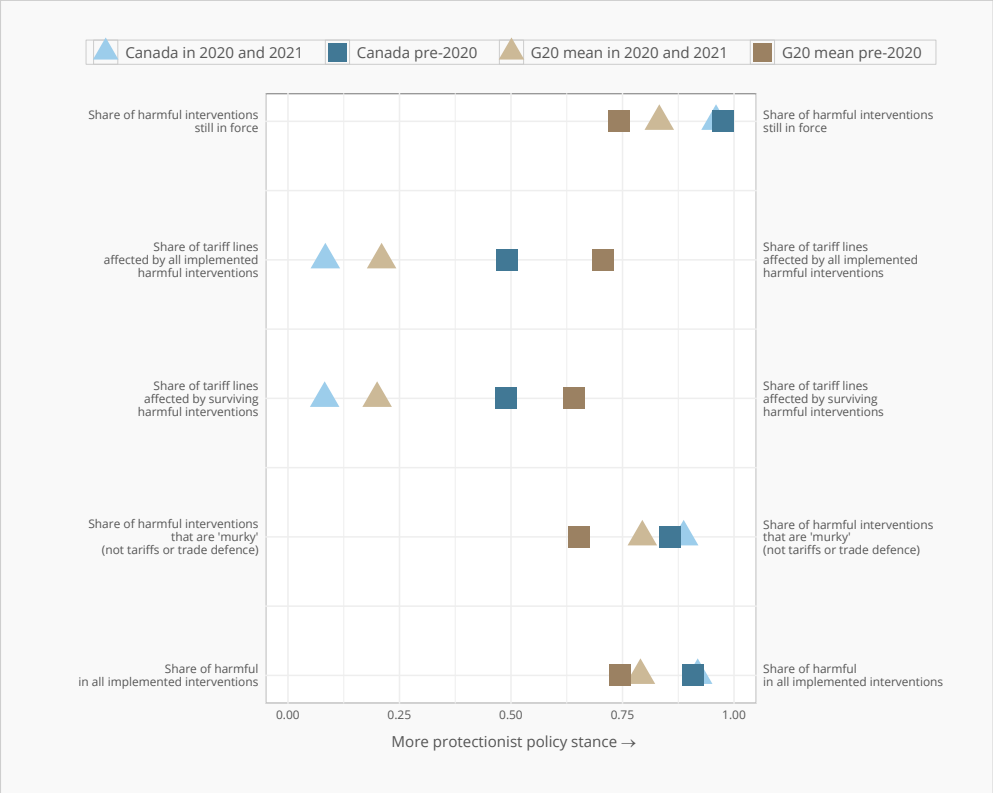
CANADA

Number of liberalising interventions imposed since November 2008



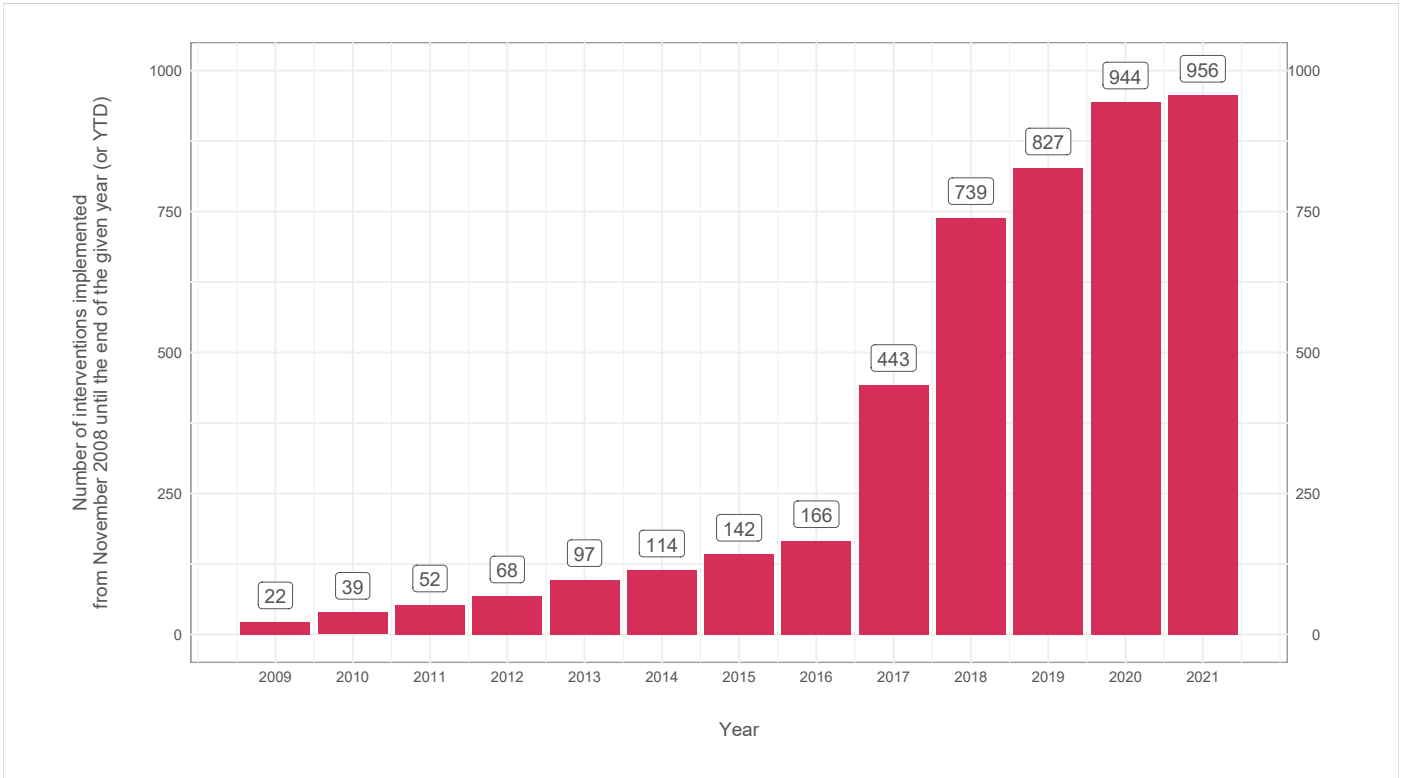
CANADA

Track record of protectionism



CANADA

Number of discriminatory interventions imposed since November 2008



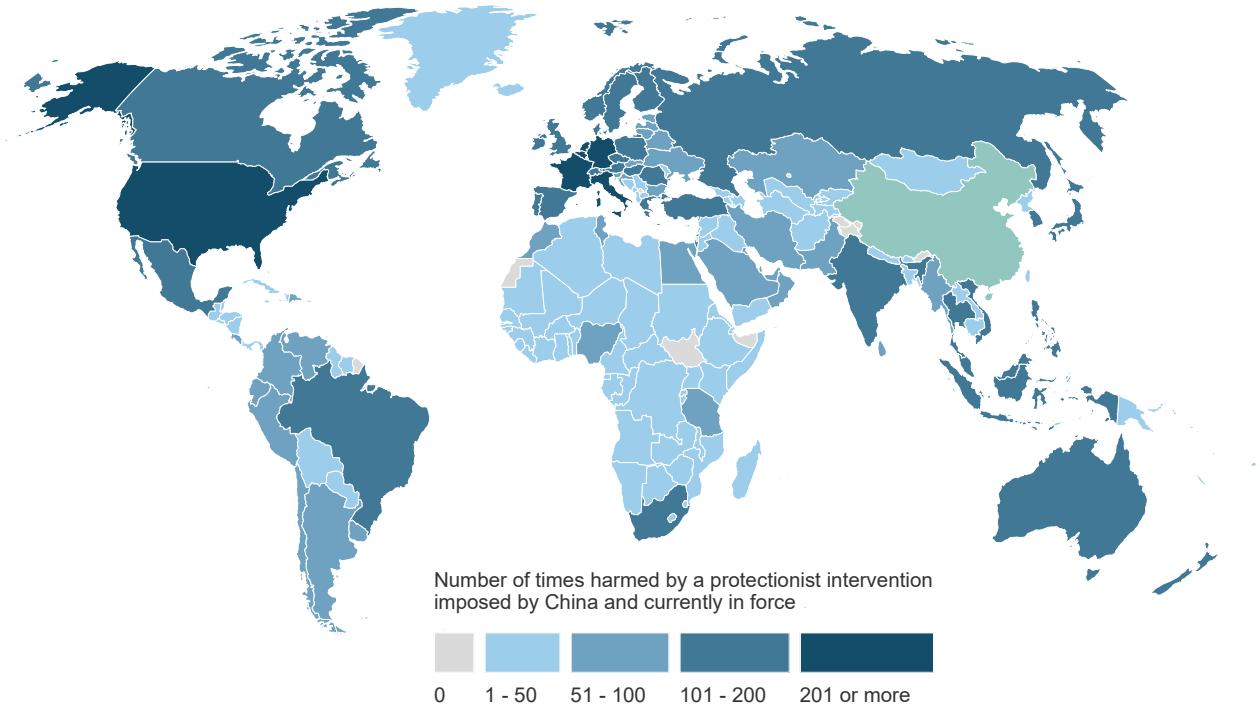
CHINA

What is at stake for China's goods exporters?

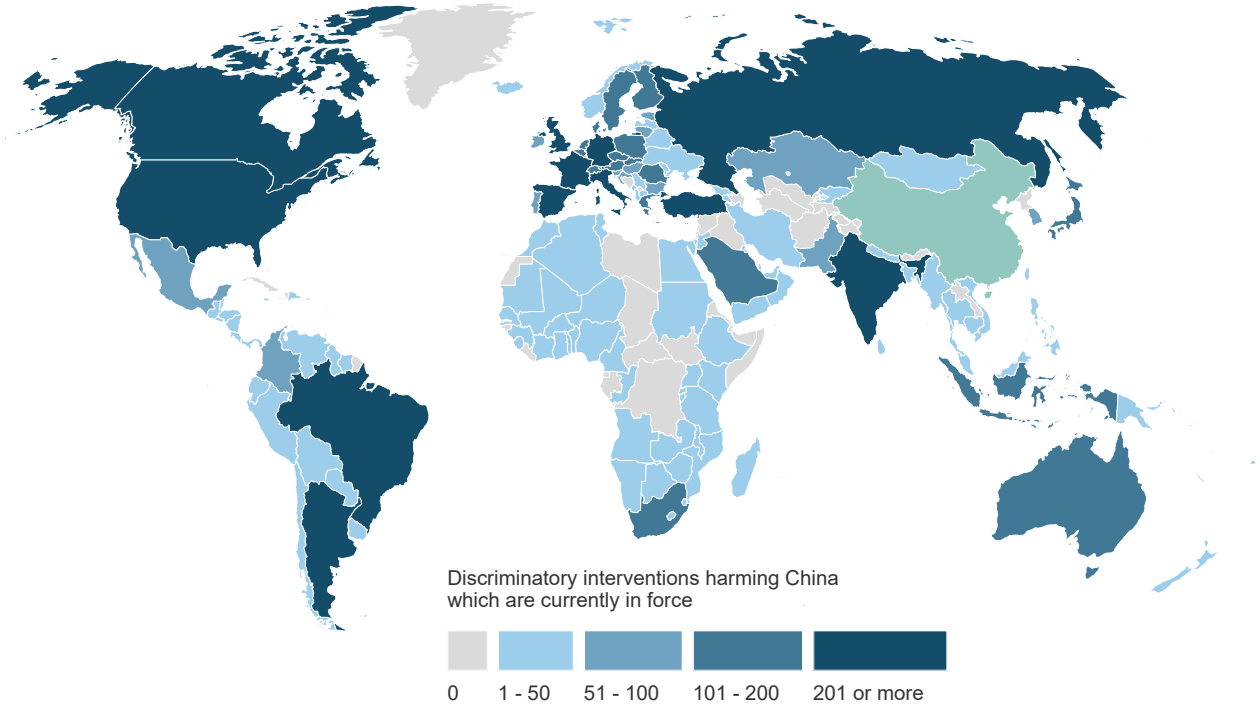
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	15.76	27.38	43.93	52.84	67.53	71.70	67.50	70.56	72.64	74.23	75.51	76.60	74.09
D	Contingent trade-protective measures	0.55	1.89	2.70	2.92	3.21	3.58	3.80	4.07	4.42	4.81	5.21	5.49	5.55
E	Non-automatic licensing, quotas etc.	0.31	0.25	0.42	0.52	0.71	0.70	0.85	1.21	1.52	1.58	1.86	1.92	2.40
F	Price-control measures, including additional taxes and charges	0.04	0.07	0.13	0.16	0.17	0.29	0.40	0.43	0.43	1.00	1.10	1.68	1.71
G	Finance measures	0.28	0.61	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.02	1.02	1.02
I	Trade-related investment measures	0.04	0.19	0.22	0.25	0.27	0.31	0.50	0.68	0.80	0.82	0.80	0.85	0.94
L	Subsidies (excl. export subsidies)	1.81	2.73	7.80	11.72	31.64	32.38	22.62	23.71	24.28	25.76	26.70	27.64	26.93
M	Government procurement restrictions	0.83	0.87	1.20	1.57	3.67	4.83	5.25	5.20	5.36	5.42	5.57	5.66	5.70
P	Export-related measures (incl. subsidies)	10.80	21.24	34.72	44.74	51.53	52.46	43.32	52.22	55.04	56.89	57.29	57.58	46.17
	Tariff measures	1.61	2.06	2.97	4.27	5.07	25.33	24.02	25.43	28.56	32.95	39.36	47.03	47.21
	Instrument unclear	0.15	0.34	0.39	0.41	0.55	0.94	1.02	1.09	1.08	1.16	1.27	1.27	1.27

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY CHINA'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING CHINA'S INTERESTS

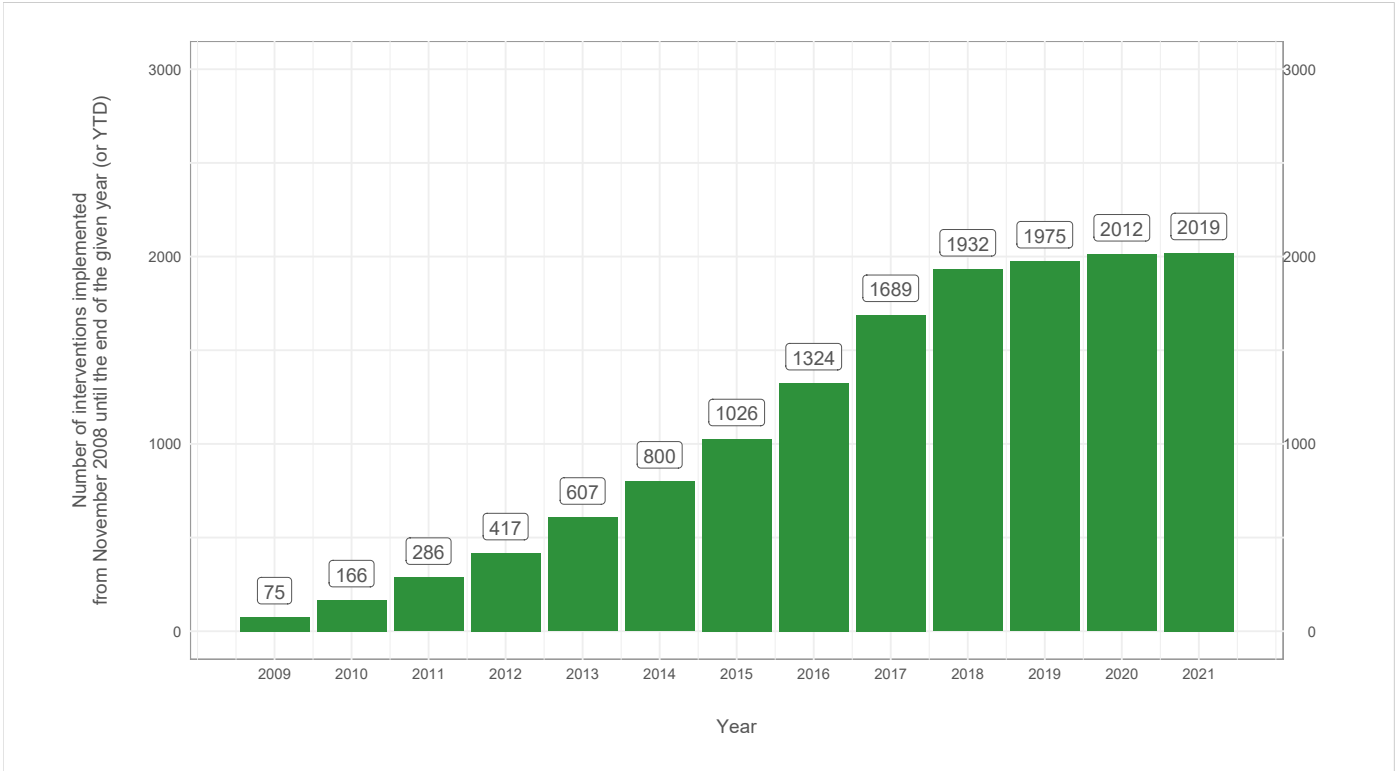


CHINA

Track record of liberalisation

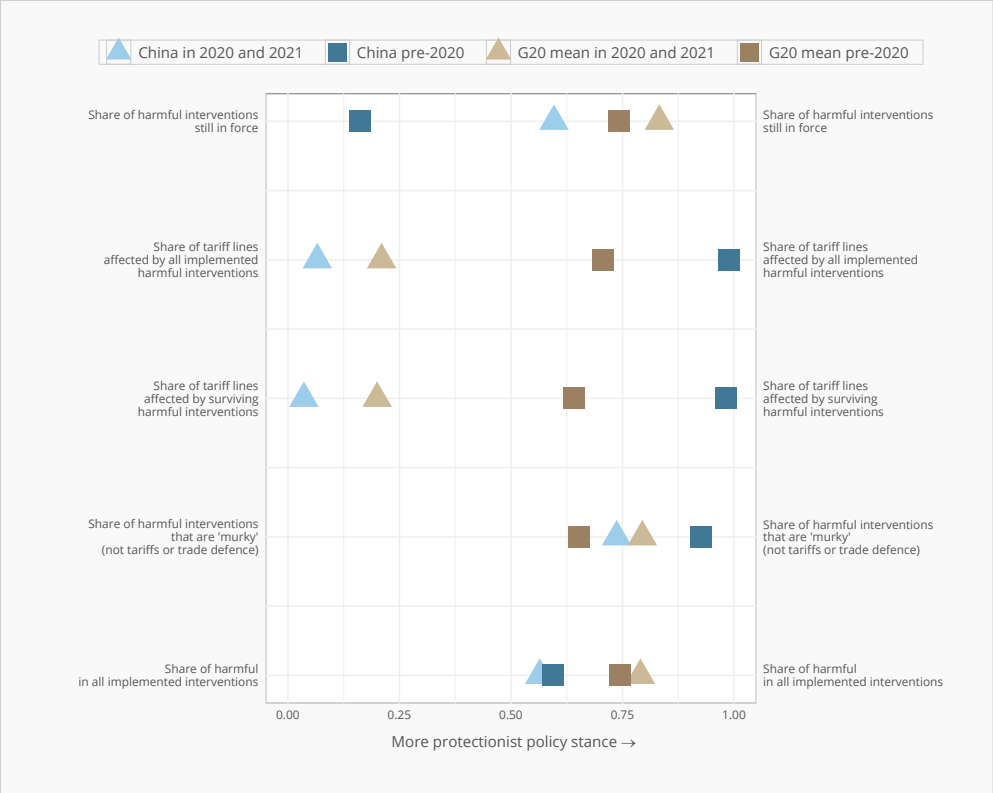
CHINA

Number of liberalising interventions imposed since November 2008



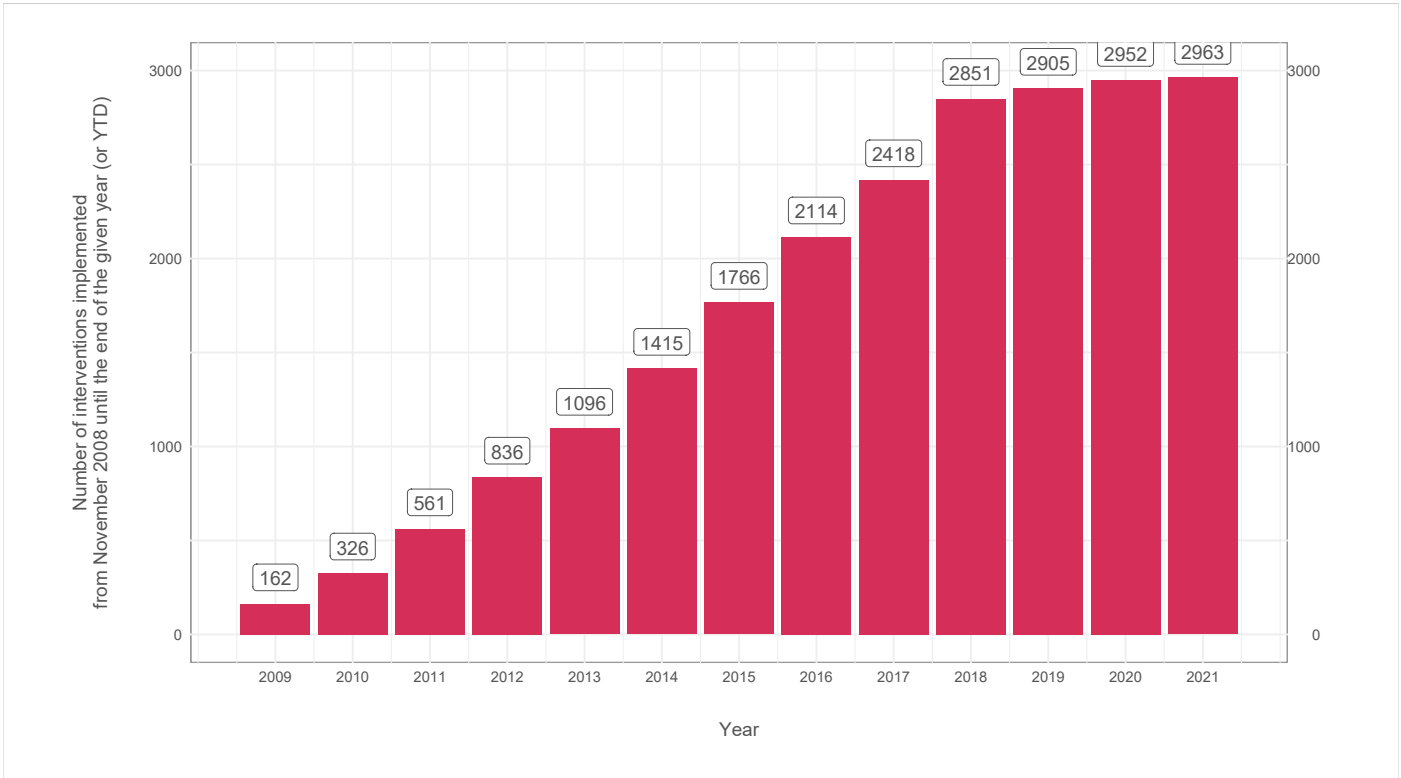
CHINA

Track record of protectionism



CHINA

Number of discriminatory interventions imposed since November 2008



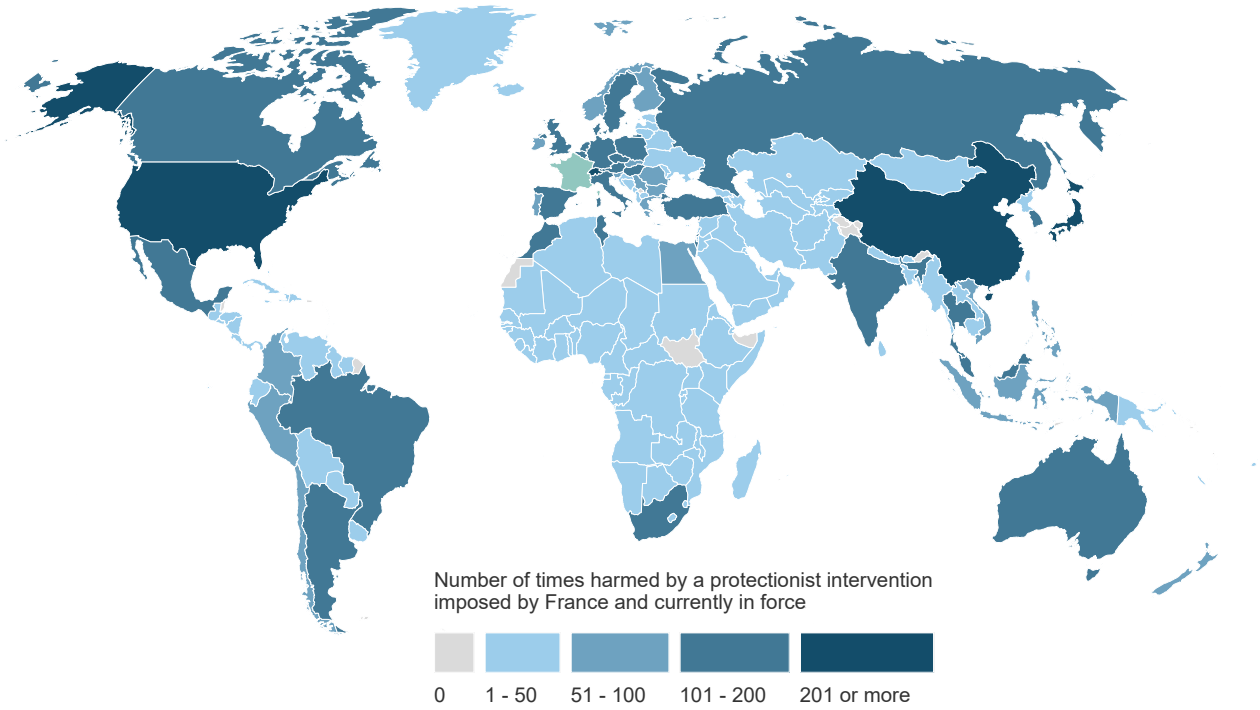
FRANCE

What is at stake for France's goods exporters?

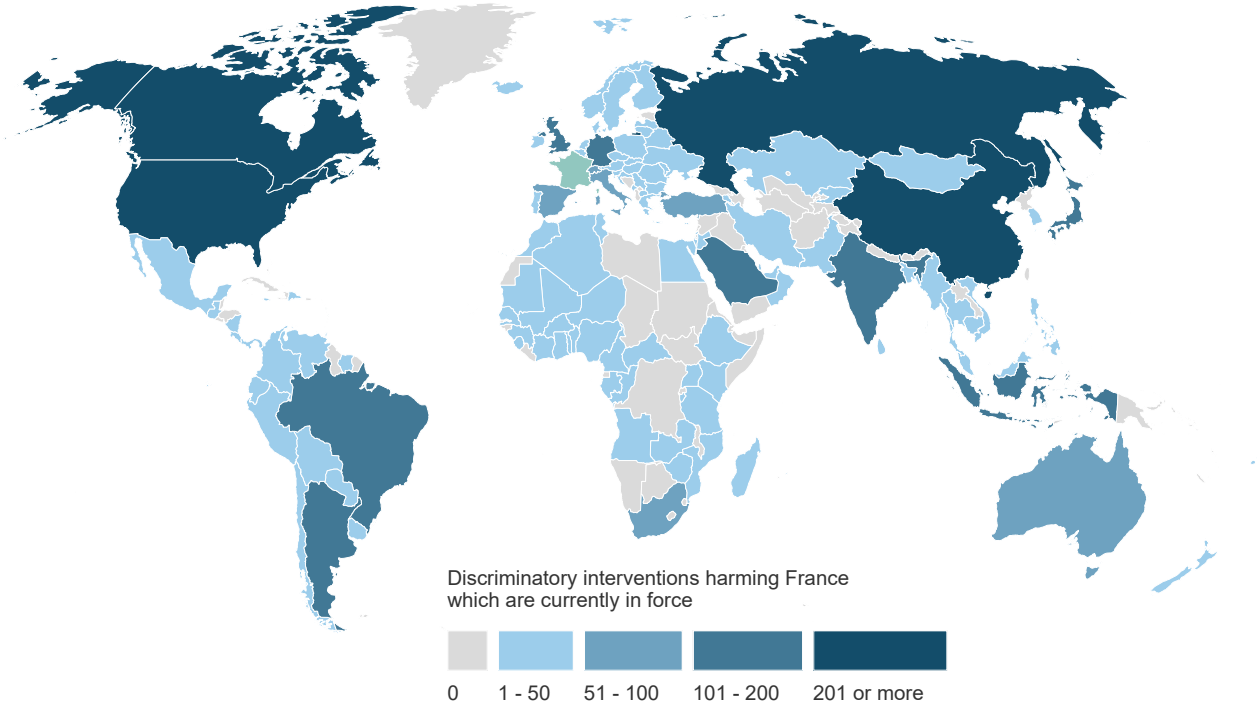
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	36.24	50.25	55.42	61.12	63.72	66.19	64.55	66.78	68.61	69.88	72.93	73.82	72.17
D	Contingent trade-protective measures	0.01	0.03	0.03	0.04	0.07	0.17	0.16	0.26	0.28	0.32	0.39	0.41	0.41
E	Non-automatic licensing, quotas etc.	0.12	0.17	1.12	1.24	1.35	1.52	1.60	1.58	2.03	2.65	2.67	2.65	2.88
F	Price-control measures, including additional taxes and charges	0.01	0.02	0.06	0.08	0.29	0.82	0.97	1.05	1.09	1.25	1.27	1.40	1.40
G	Finance measures	0.17	0.24	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
I	Trade-related investment measures	0.11	0.17	0.21	0.22	0.25	0.35	0.48	0.78	1.33	1.27	1.27	1.19	1.26
L	Subsidies (excl. export subsidies)	6.44	10.57	8.32	10.78	10.75	14.90	14.09	16.23	17.89	21.77	23.71	26.07	24.68
M	Government procurement restrictions	0.34	0.43	0.31	0.49	0.63	0.83	1.10	1.23	1.29	1.39	1.62	2.11	1.62
P	Export-related measures (incl. subsidies)	30.16	42.41	50.48	57.52	59.88	59.88	58.40	60.25	62.10	63.15	66.85	67.64	66.06
	Tariff measures	1.27	1.65	2.00	2.47	3.02	2.87	3.07	3.64	4.38	4.81	5.57	6.53	6.86
	Instrument unclear	0.15	0.28	0.31	0.33	0.95	1.25	1.36	1.43	1.52	1.64	1.60	1.58	1.57

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY FRANCE'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING FRANCE'S INTERESTS

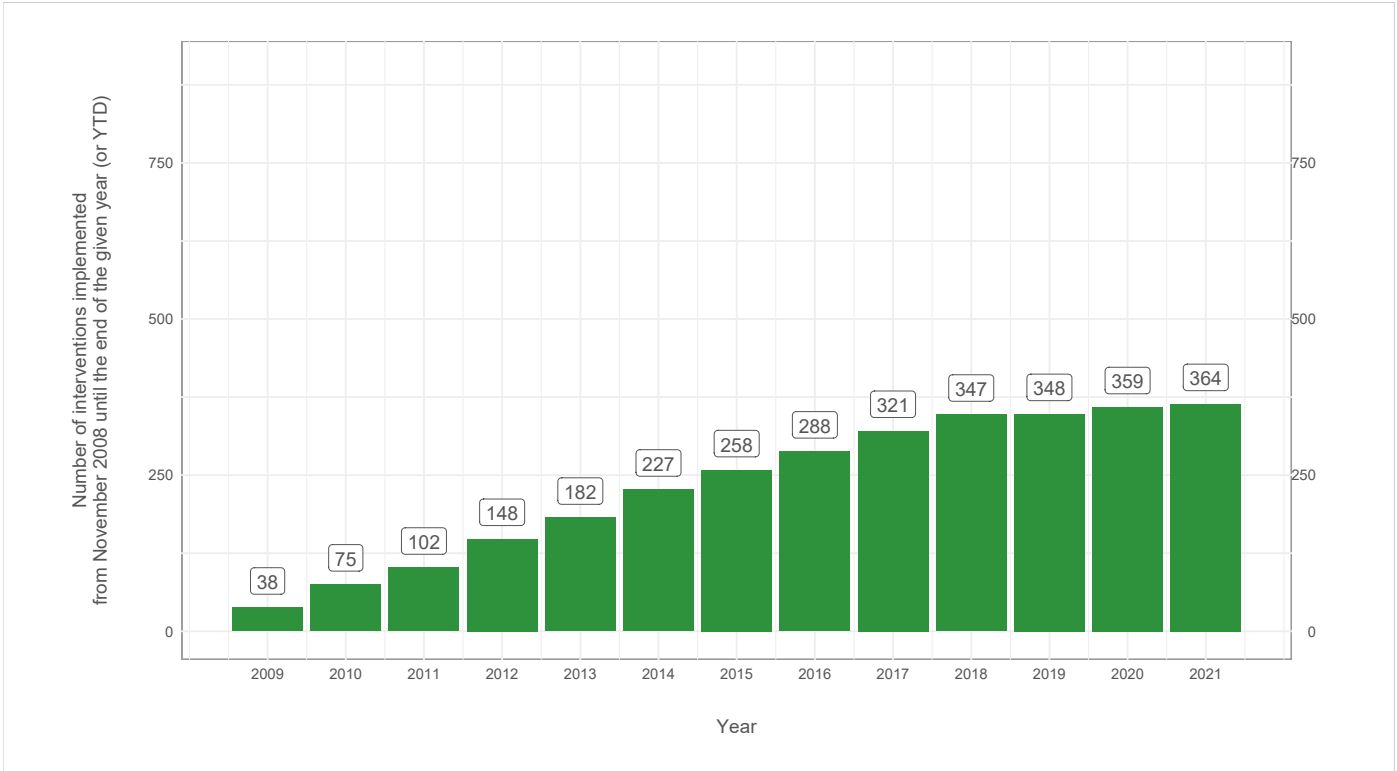


FRANCE

Track record of liberalisation

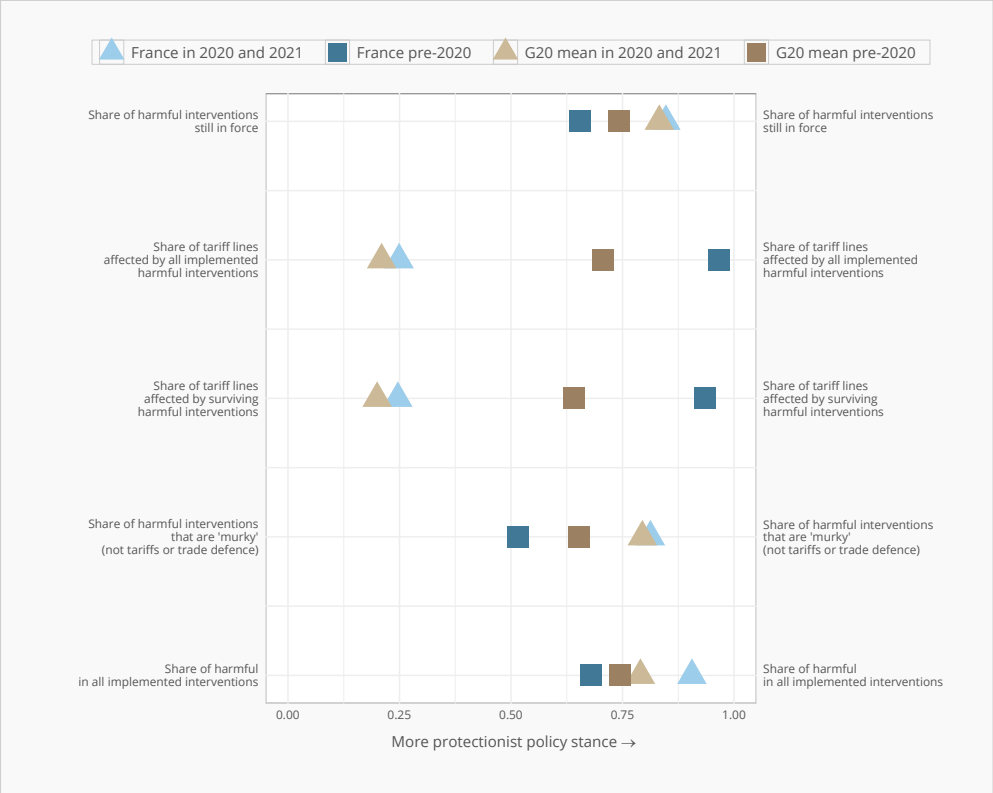
FRANCE

Number of liberalising interventions imposed since November 2008



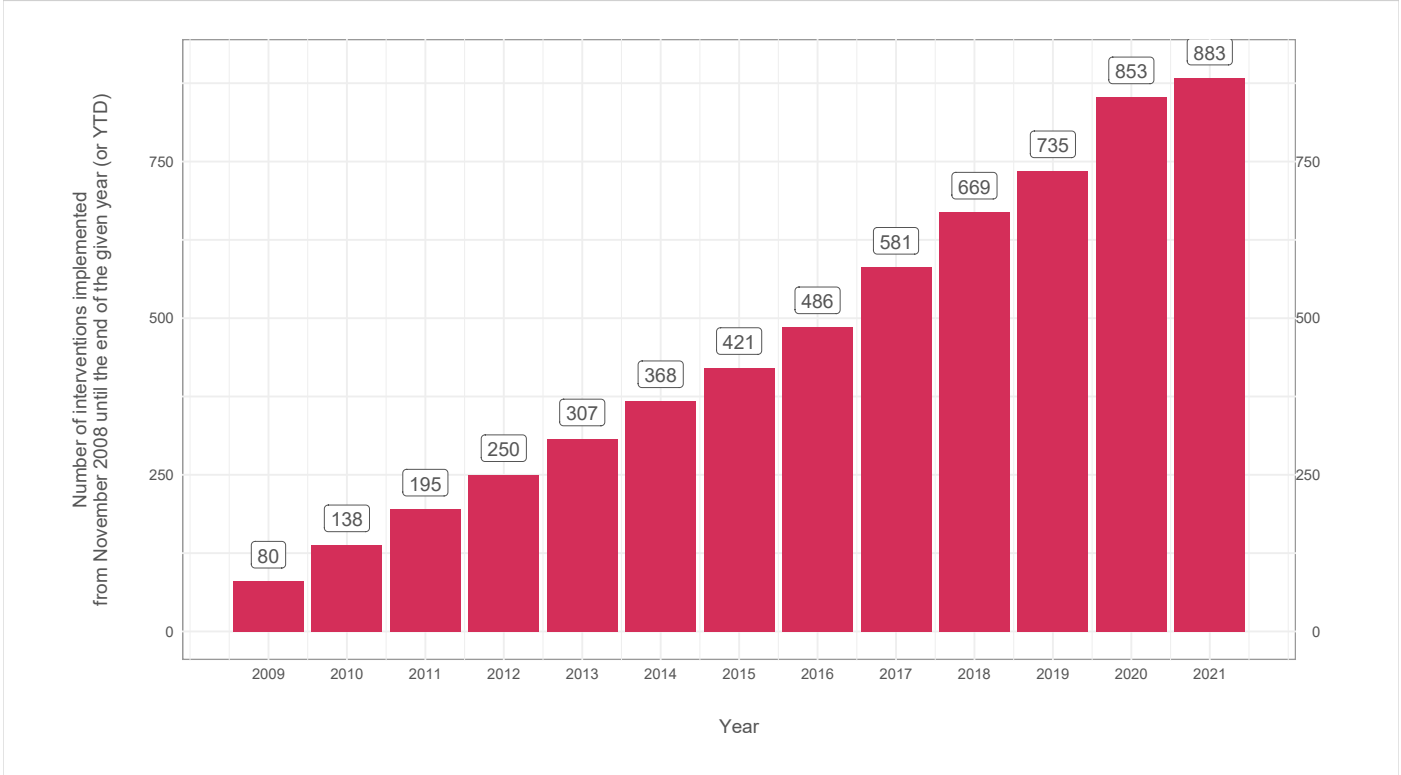
FRANCE

Track record of protectionism



FRANCE

Number of discriminatory interventions imposed since November 2008



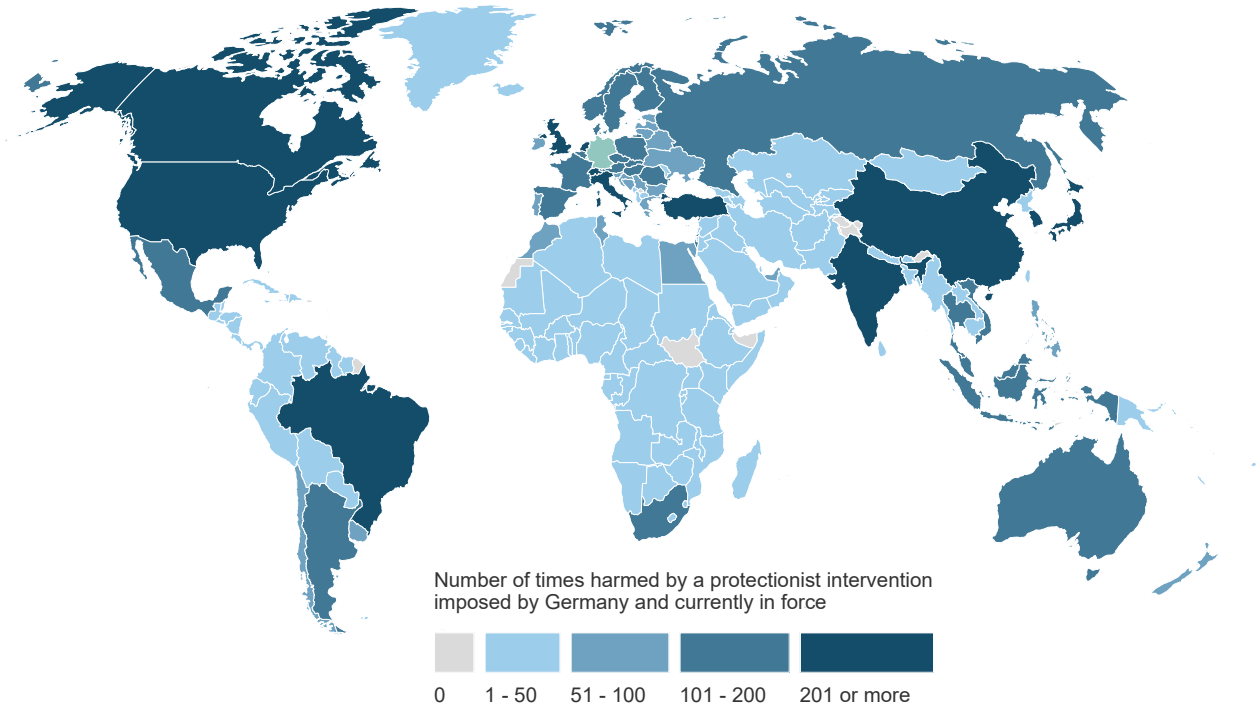
GERMANY

What is at stake for Germany's goods exporters?

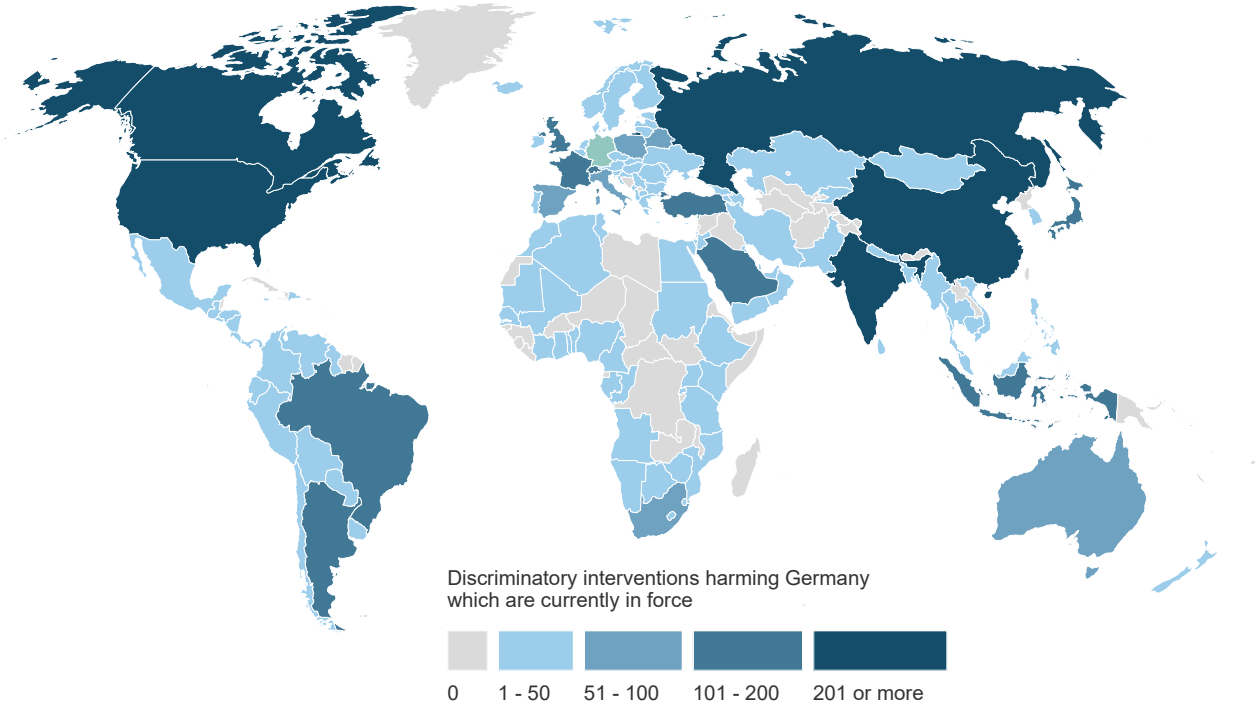
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	42.21	53.95	55.92	59.39	61.46	63.30	61.77	63.87	66.42	67.87	70.72	71.70	70.53
D	Contingent trade-protective measures	0.04	0.08	0.09	0.13	0.21	0.23	0.24	0.32	0.33	0.41	0.47	0.54	0.51
E	Non-automatic licensing, quotas etc.	0.26	0.37	1.57	1.66	2.06	1.76	1.83	1.83	2.13	2.53	2.58	2.63	2.68
F	Price-control measures, including additional taxes and charges	0.01	0.05	0.07	0.11	0.14	0.28	0.44	0.54	0.83	1.21	1.25	1.43	1.43
G	Finance measures	0.20	0.26	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
I	Trade-related investment measures	0.25	1.61	1.81	1.85	1.88	1.93	2.17	2.34	2.42	2.36	2.39	2.39	2.48
L	Subsidies (excl. export subsidies)	10.45	13.97	10.33	12.15	12.60	15.63	14.80	16.92	19.37	21.73	22.67	24.61	24.38
M	Government procurement restrictions	0.33	0.54	0.54	0.81	0.90	1.33	1.76	1.85	1.92	1.97	2.06	2.46	2.55
P	Export-related measures (incl. subsidies)	33.16	44.29	48.51	53.81	55.99	54.92	53.50	55.07	57.66	59.44	63.06	63.77	62.54
	Tariff measures	1.04	1.53	1.66	2.72	3.46	3.02	3.19	3.76	4.77	5.01	5.67	6.04	6.34
	Instrument unclear	0.05	0.24	0.32	0.34	0.48	0.57	0.78	0.80	0.94	1.03	1.00	0.98	1.00

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY GERMANY'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING GERMANY'S INTERESTS

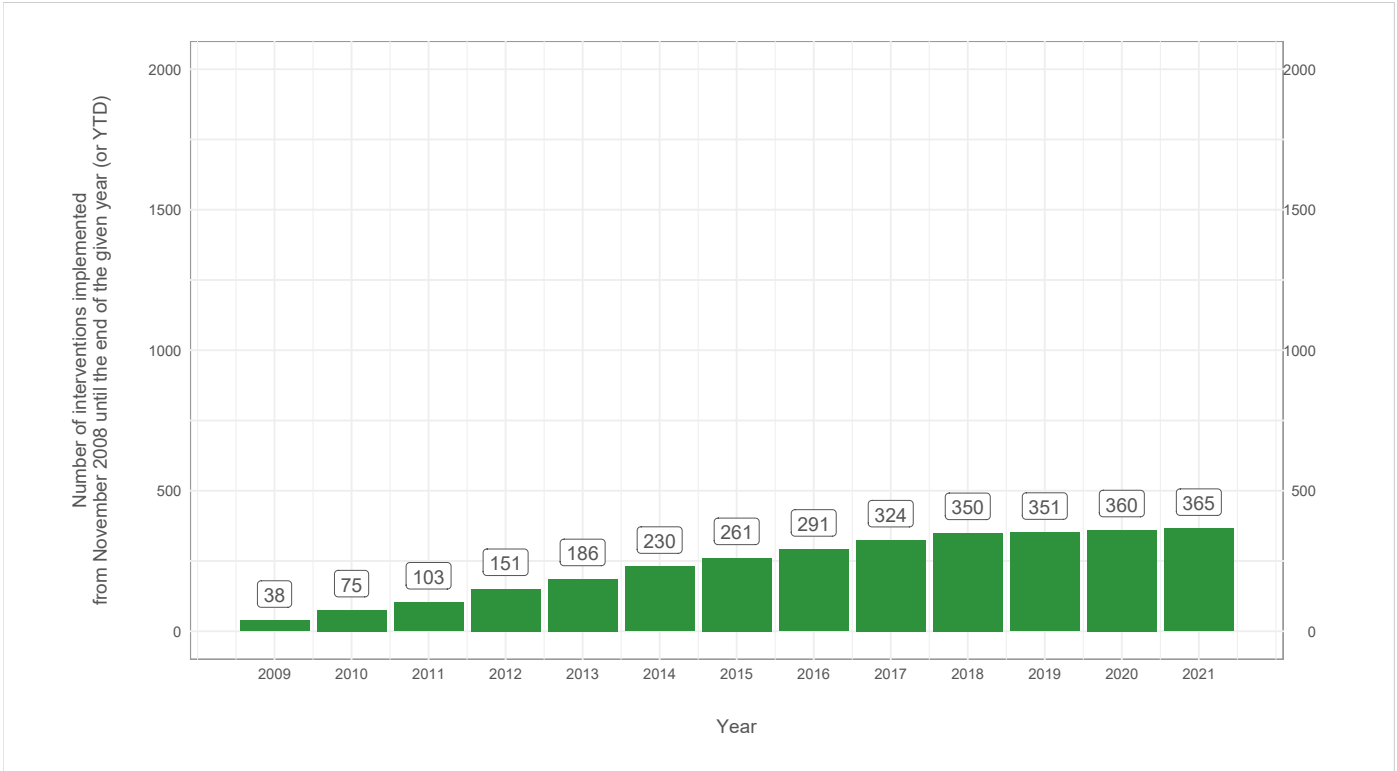


GERMANY

Track record of liberalisation

GERMANY

Number of liberalising interventions imposed since November 2008

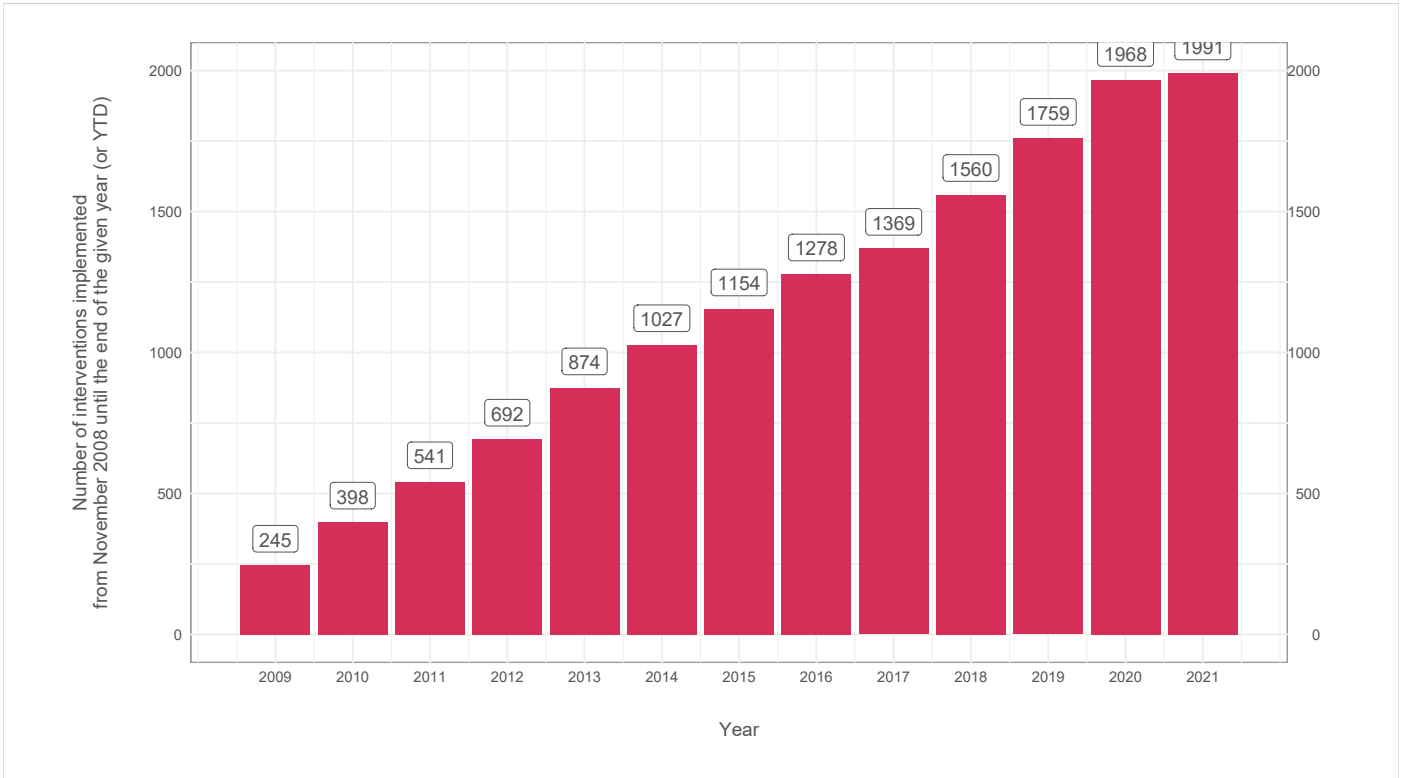


GERMANY

Track record of protectionism

GERMANY

Number of discriminatory interventions imposed since November 2008



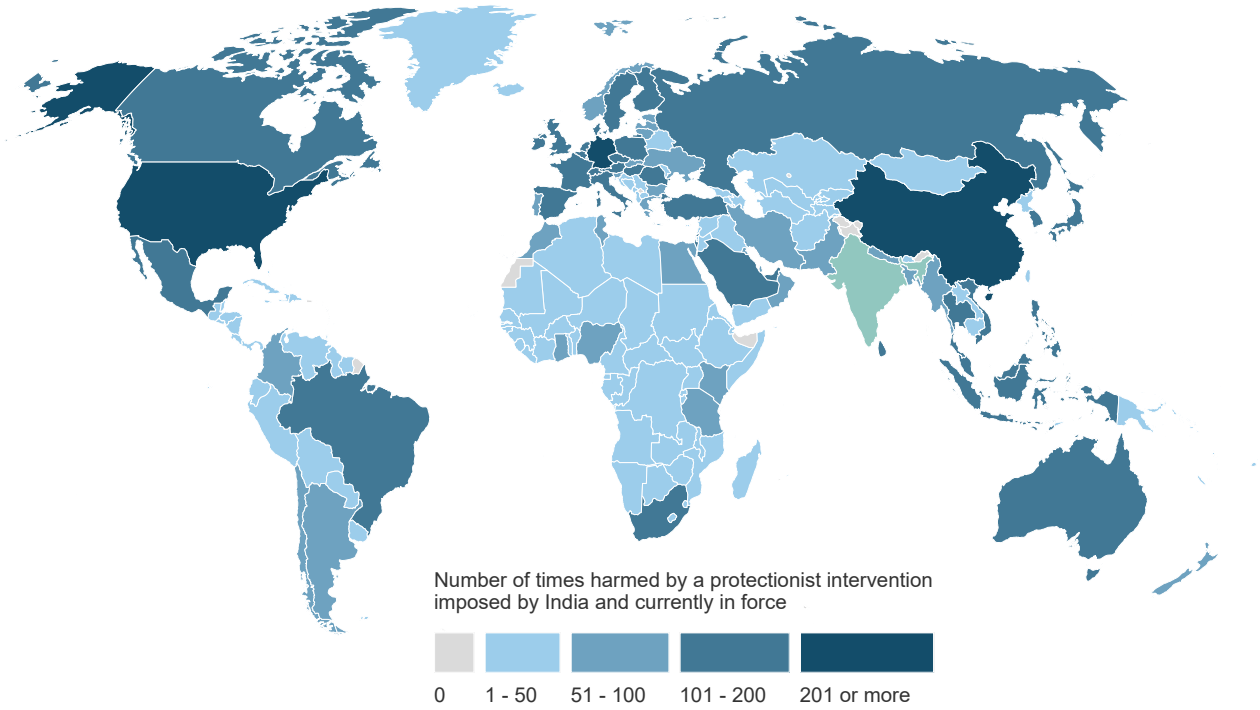
INDIA

What is at stake for India's goods exporters?

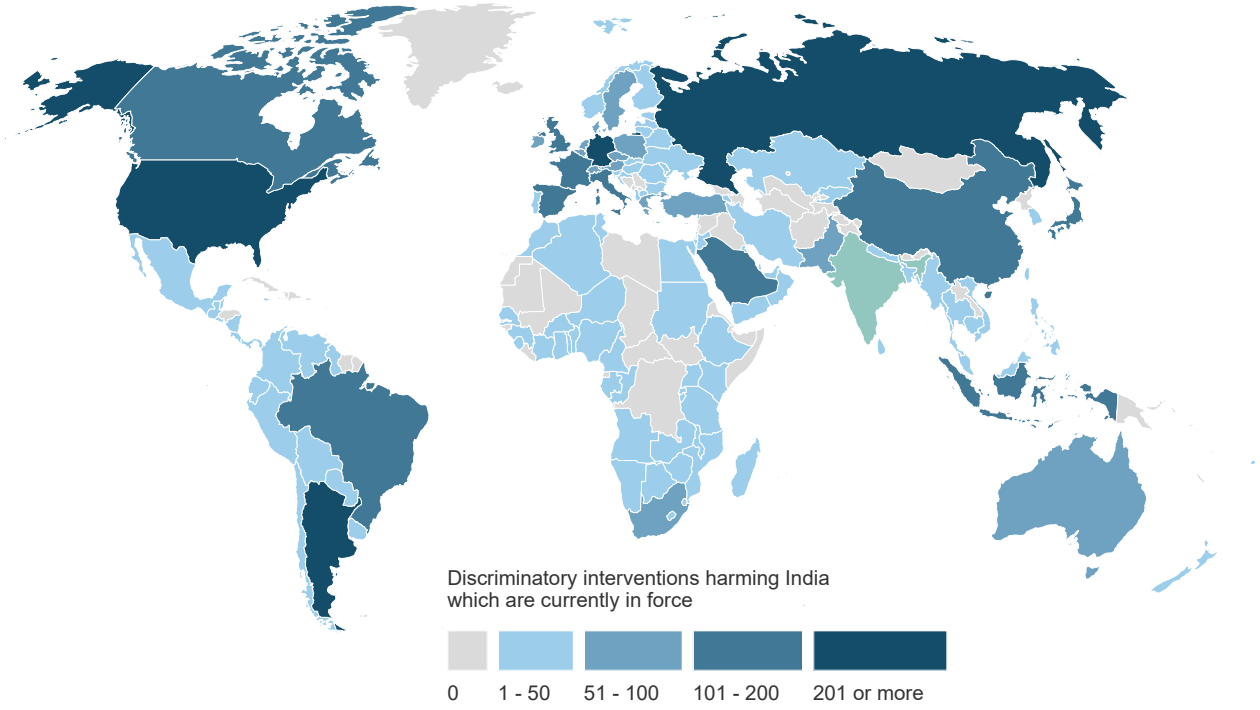
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...											
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	38.88	46.42	57.37	53.75	58.60	63.55	73.47	75.99	76.92	77.55	78.05	77.86	77.98
D	Contingent trade-protective measures	0.16	0.23	0.62	0.83	0.86	1.04	1.08	1.61	1.77	2.47	3.05	3.05	3.03
E	Non-automatic licensing, quotas etc.	0.20	4.18	6.06	7.64	7.18	7.52	7.78	8.76	9.92	10.24	10.09	9.39	9.94
F	Price-control measures, including additional taxes and charges	5.35	5.37	5.37	5.37	5.37	5.53	5.59	5.62	5.62	5.64	5.67	5.77	5.82
G	Finance measures	0.60	0.89	1.28	1.28	1.36	1.28	1.31	1.31	1.31	1.36	1.48	1.48	1.48
I	Trade-related investment measures	0.04	0.18	0.16	0.16	0.19	0.43	1.04	0.63	0.44	0.35	0.33	0.33	0.35
L	Subsidies (excl. export subsidies)	1.94	3.78	9.28	11.34	28.91	30.60	21.07	17.15	24.81	27.65	21.94	22.67	22.87
M	Government procurement restrictions	1.10	1.22	1.32	1.65	1.76	1.92	2.28	2.47	2.39	2.43	2.60	2.63	2.67
P	Export-related measures (incl. subsidies)	32.44	40.73	51.45	46.03	46.18	52.01	64.01	67.85	69.31	70.26	71.13	71.36	71.62
	Tariff measures	1.48	2.11	2.88	5.57	6.25	24.52	12.86	15.65	17.24	18.70	23.19	21.75	22.42
	Instrument unclear	0.10	0.26	0.17	0.20	0.25	0.43	0.55	0.72	0.82	0.88	0.94	0.94	0.92

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY INDIA'S DISCRIMINATORY INTERVENTIONS

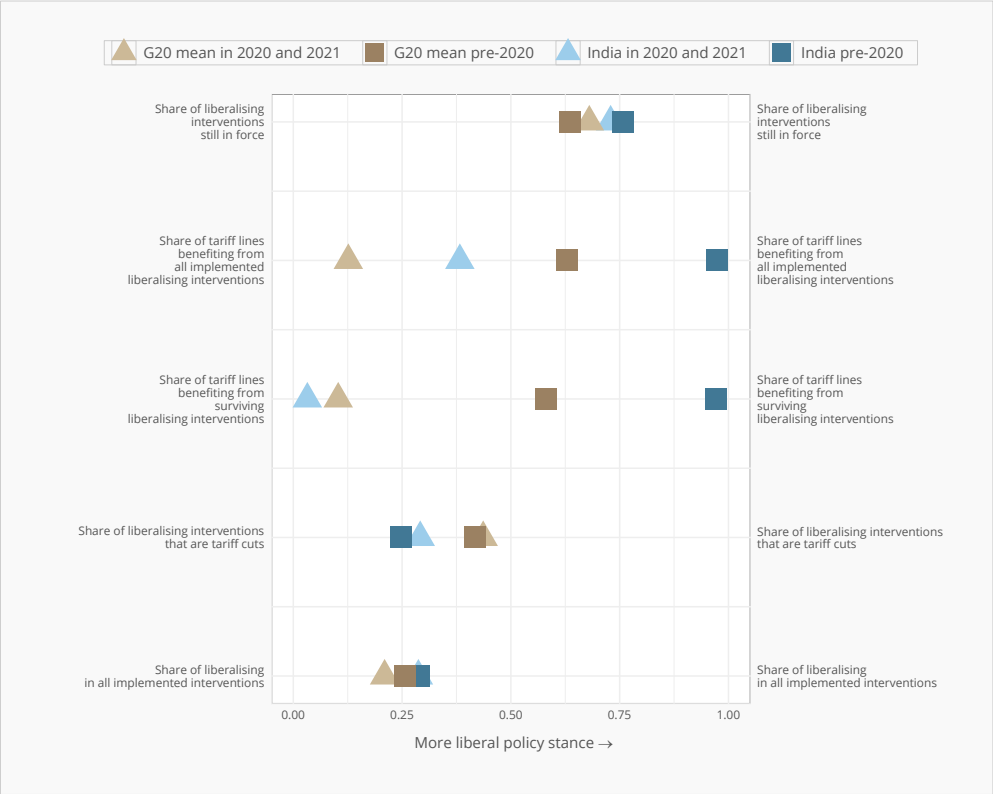


DISCRIMINATORY INTERVENTIONS HARMING INDIA'S INTERESTS



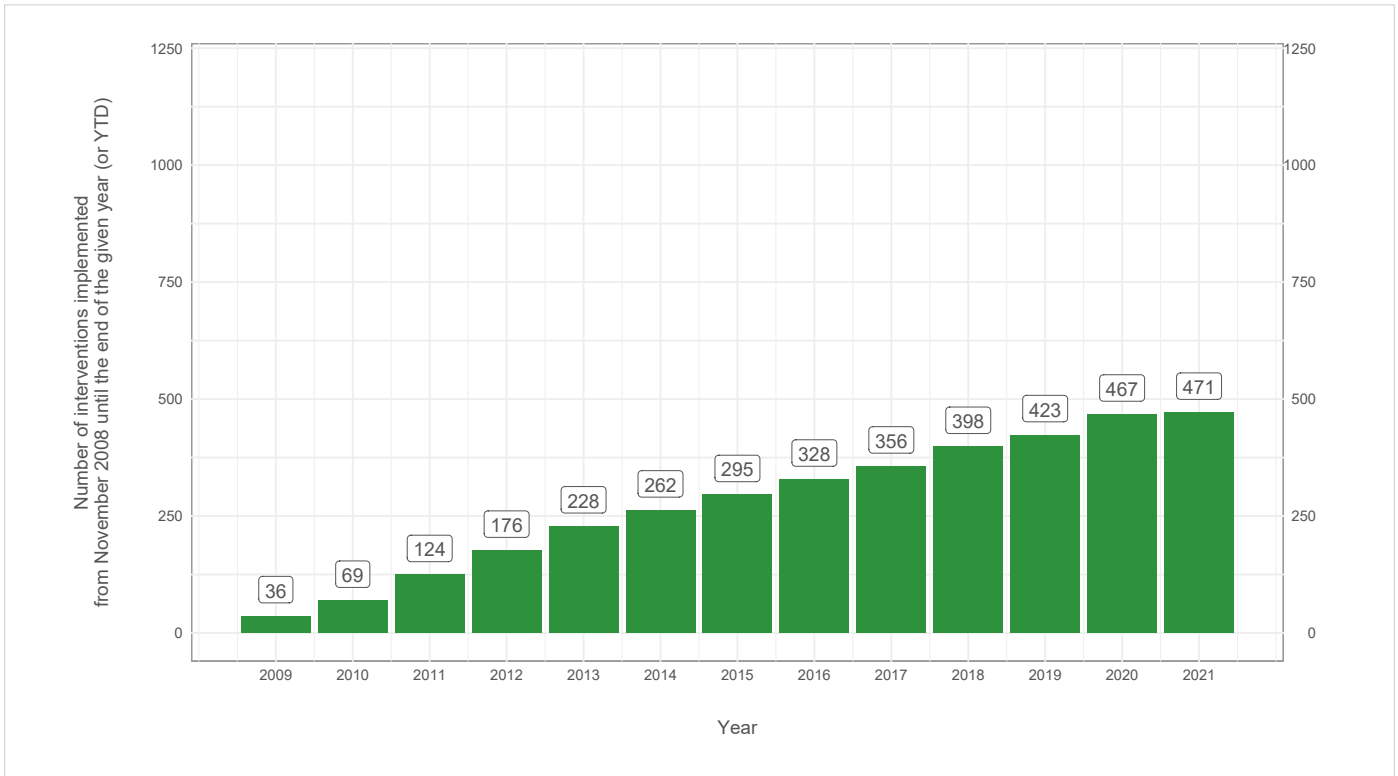
INDIA

Track record of liberalisation



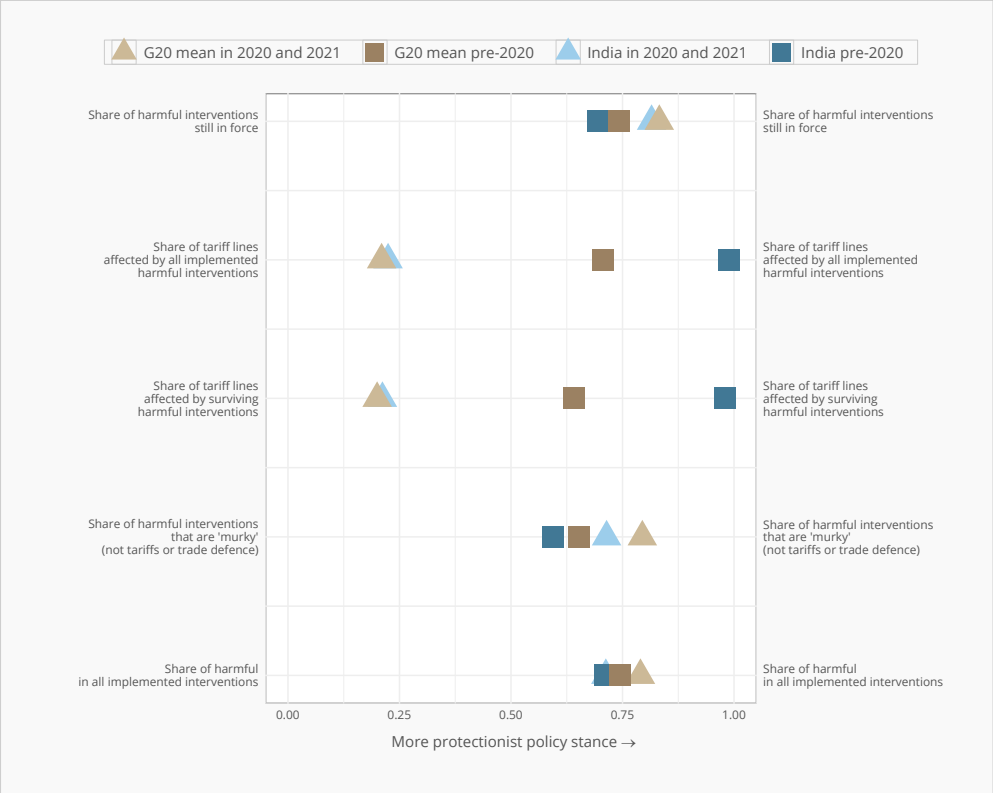
INDIA

Number of liberalising interventions imposed since November 2008



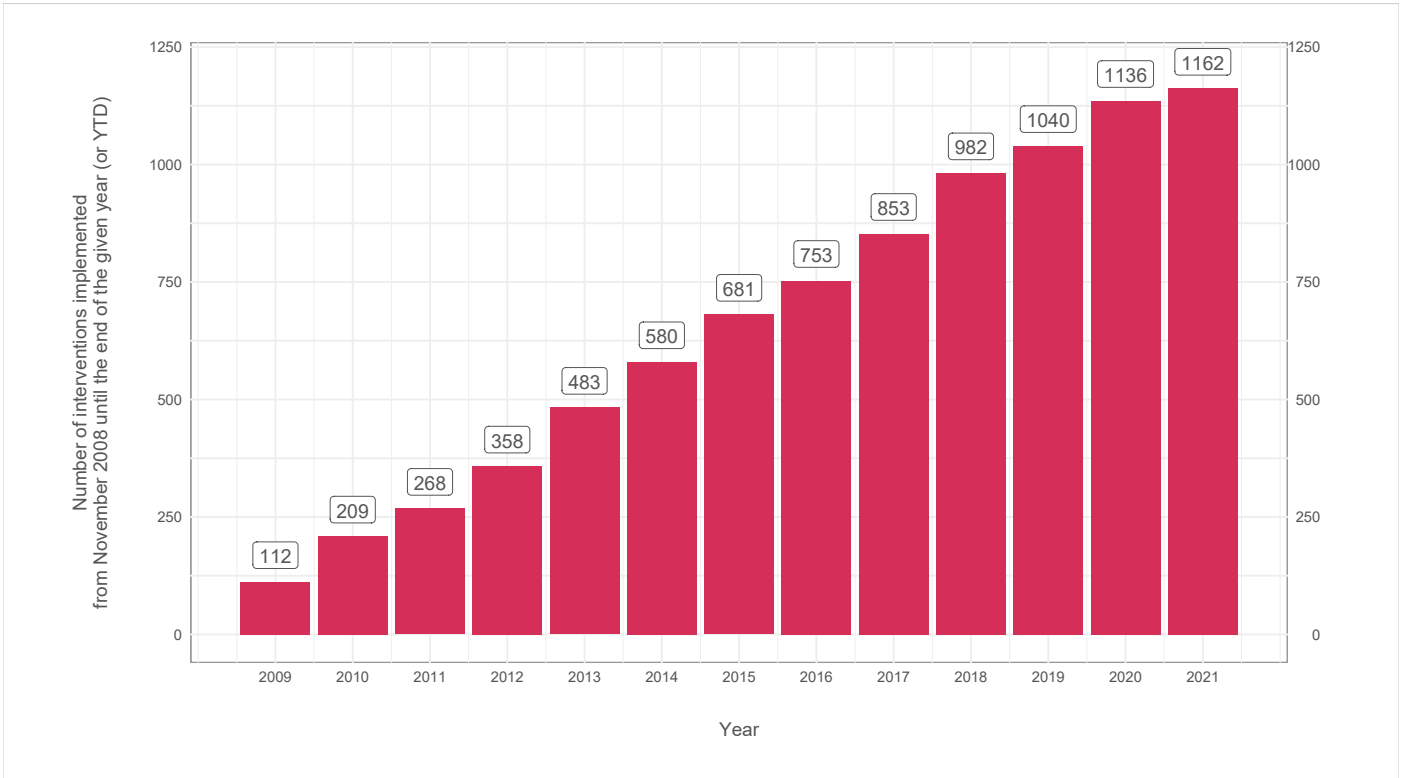
INDIA

Track record of protectionism



INDIA

Number of discriminatory interventions imposed since November 2008



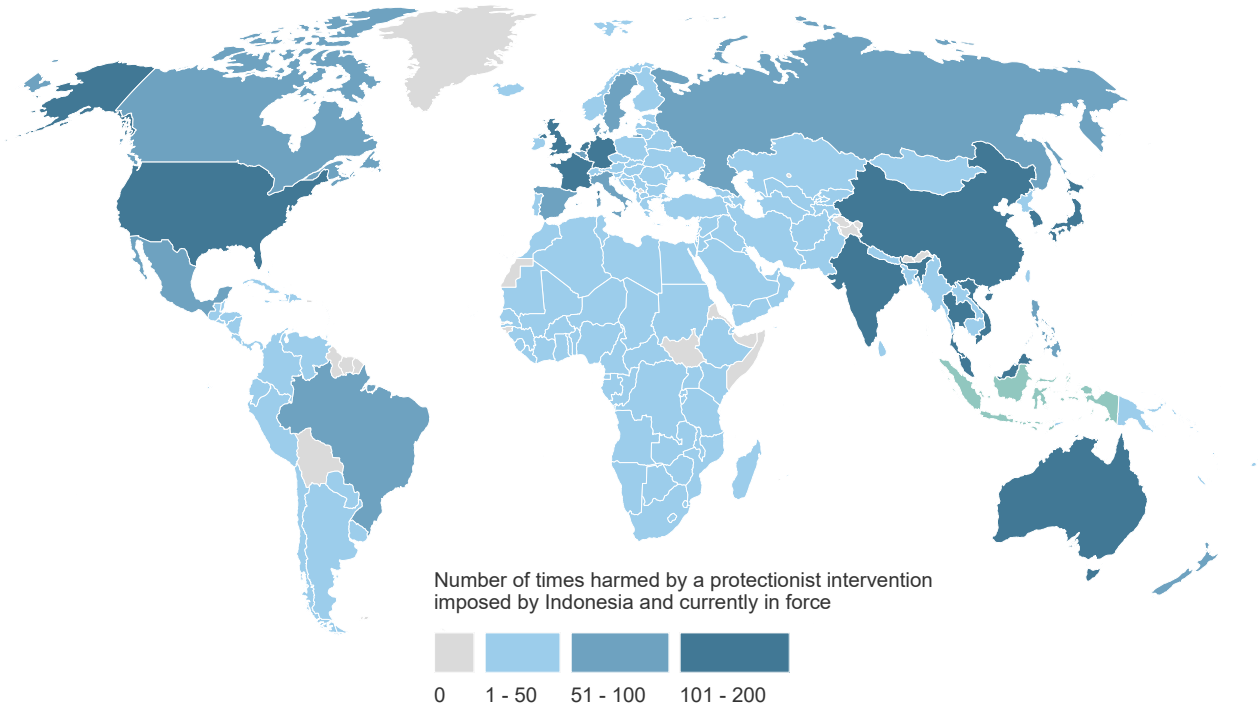
INDONESIA

What is at stake for Indonesia's goods exporters?

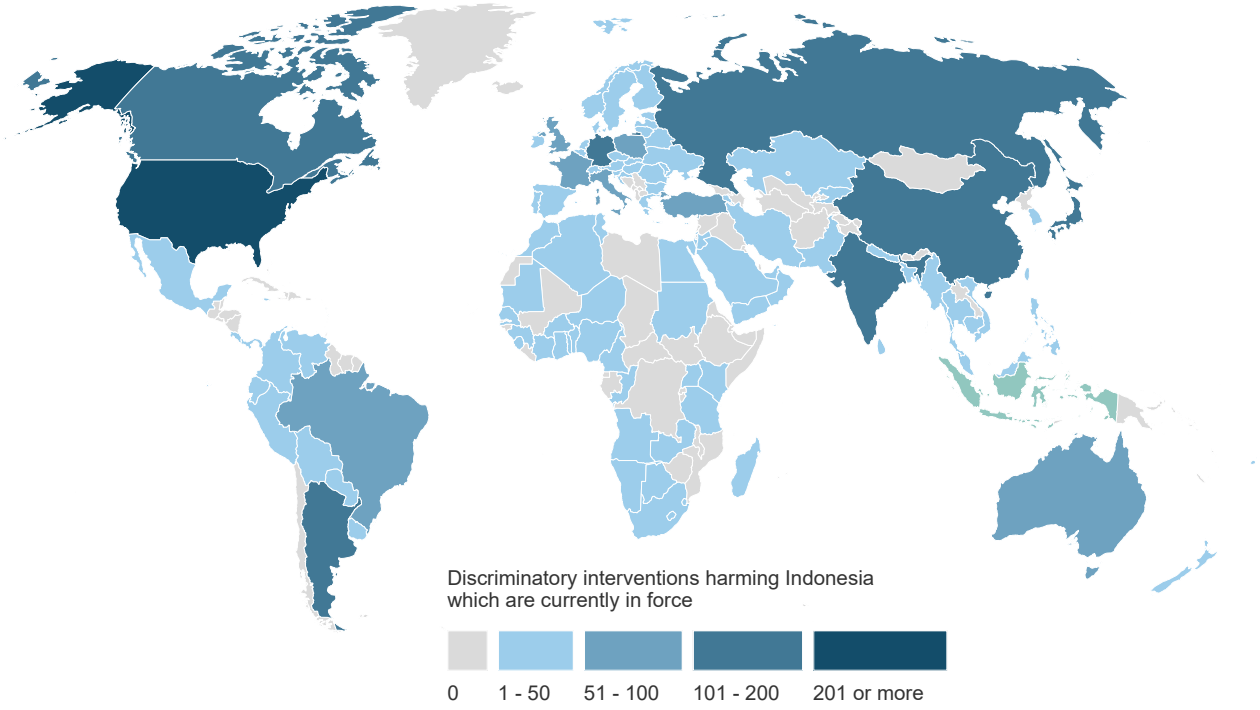
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	40.53	44.89	49.70	53.78	59.69	67.04	64.04	65.62	67.35	69.53	72.16	72.24	75.75
D	Contingent trade-protective measures	0.20	0.30	0.34	0.40	0.46	0.48	0.48	0.55	0.60	1.26	1.30	1.33	1.58
E	Non-automatic licensing, quotas etc.	1.21	0.99	3.00	3.41	3.18	3.22	3.54	4.66	4.80	4.82	4.83	5.04	5.16
F	Price-control measures, including additional taxes and charges	1.20	1.20	1.26	1.30	1.30	2.02	2.53	2.54	2.54	5.05	5.32	5.43	5.39
G	Finance measures	0.06	0.31	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
I	Trade-related investment measures	0.00	0.03	0.03	0.03	0.04	0.12	0.15	0.21	0.24	0.24	0.23	0.24	0.25
L	Subsidies (excl. export subsidies)	3.76	3.69	6.96	7.60	17.01	17.47	13.88	14.35	15.35	20.05	18.56	19.09	19.30
M	Government procurement restrictions	0.32	1.70	1.67	1.85	1.99	2.06	2.27	2.27	2.31	2.36	2.64	2.60	2.63
P	Export-related measures (incl. subsidies)	32.44	37.59	40.26	43.37	48.12	55.87	53.80	55.15	57.01	57.49	60.38	61.96	65.45
	Tariff measures	3.66	4.91	5.68	7.64	8.32	17.81	11.26	13.21	16.12	16.01	16.89	16.59	16.70
	Instrument unclear	0.01	0.21	0.05	0.05	0.19	0.32	0.47	0.85	1.13	1.20	1.21	1.21	1.21

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY INDONESIA'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING INDONESIA'S INTERESTS

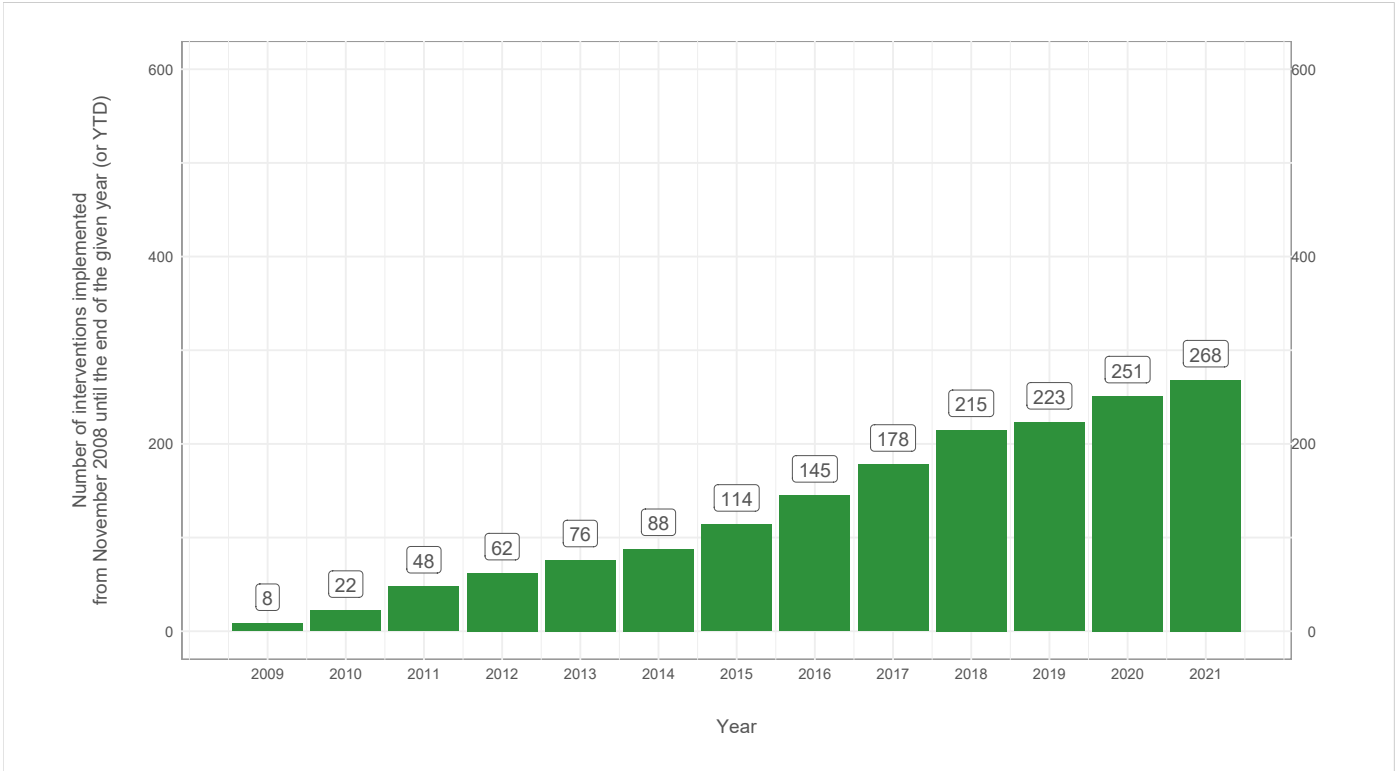


INDONESIA

Track record of liberalisation

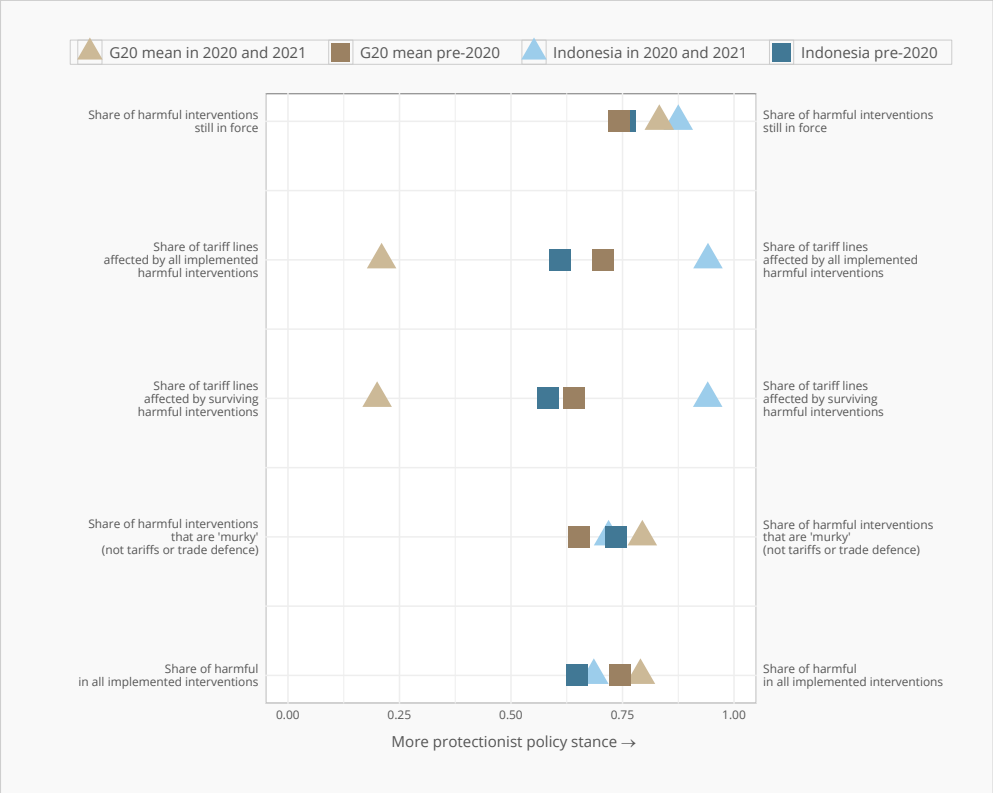
INDONESIA

Number of liberalising interventions imposed since November 2008



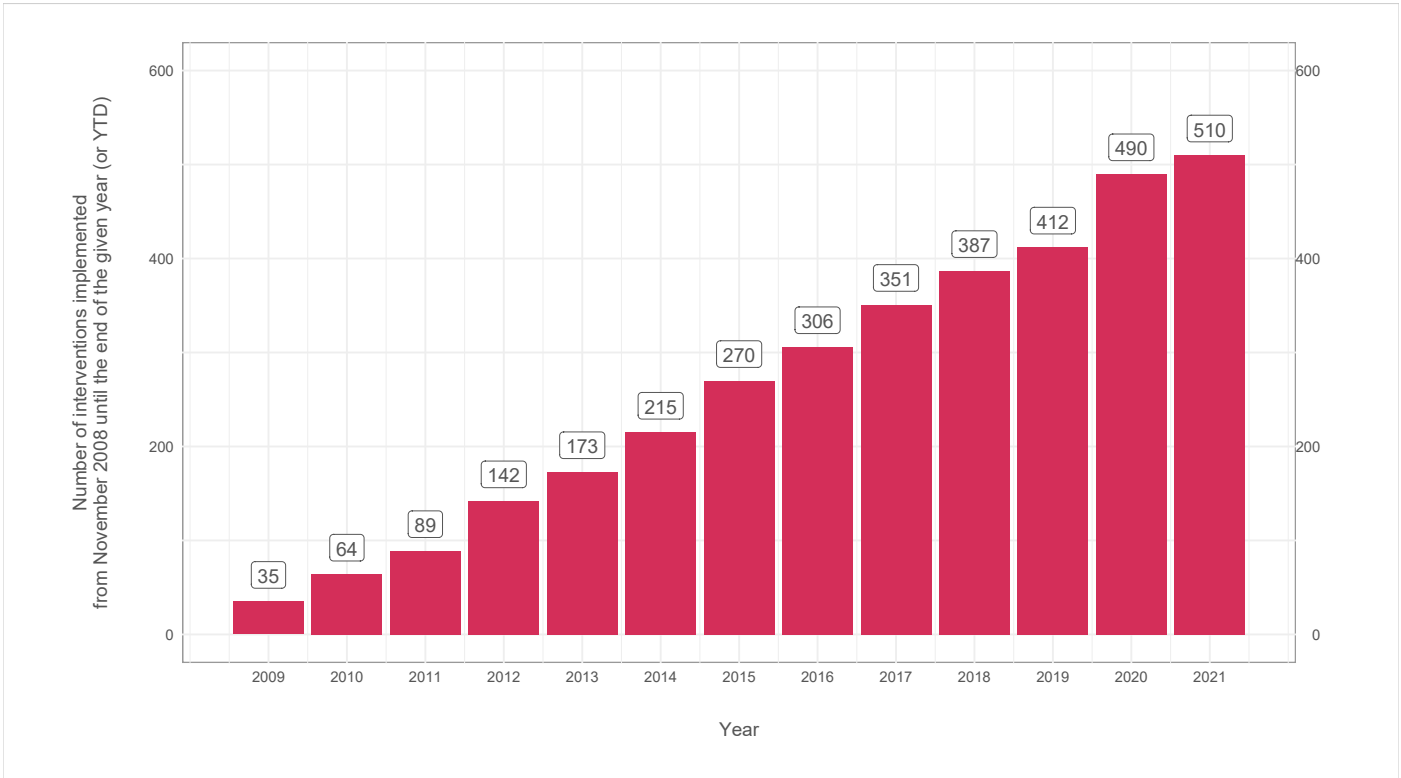
INDONESIA

Track record of protectionism



INDONESIA

Number of discriminatory interventions imposed since November 2008



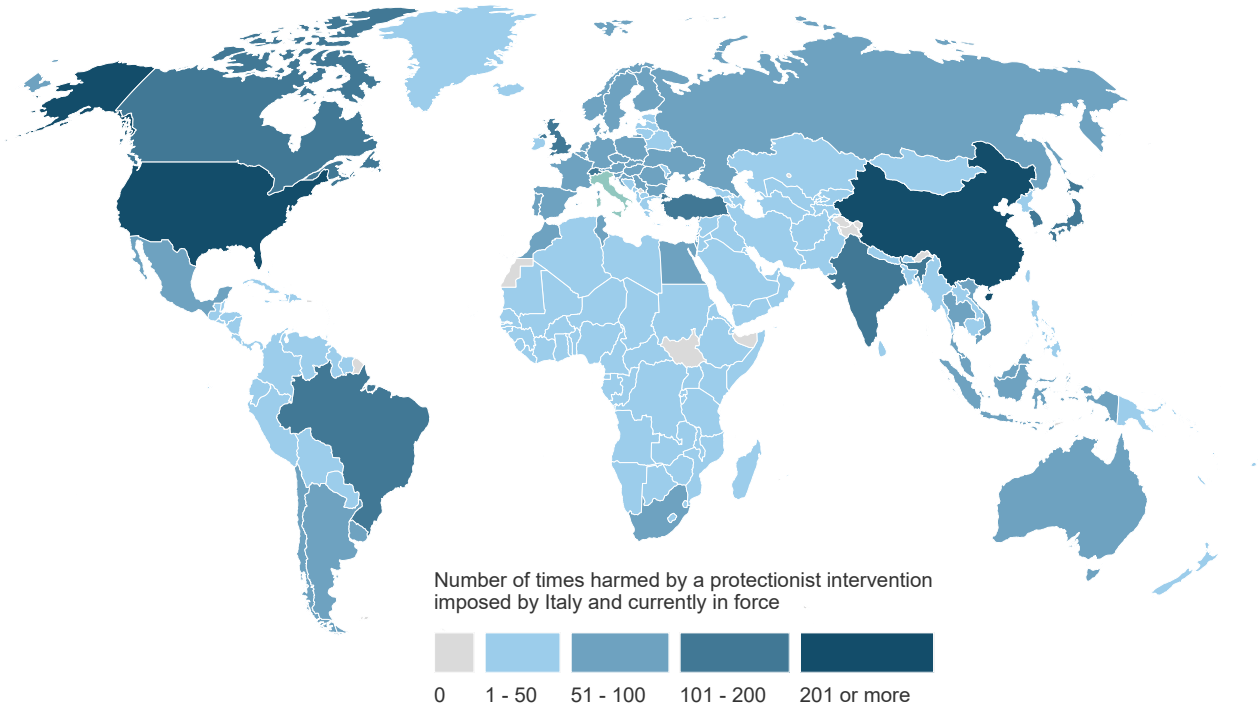
ITALY

What is at stake for Italy's goods exporters?

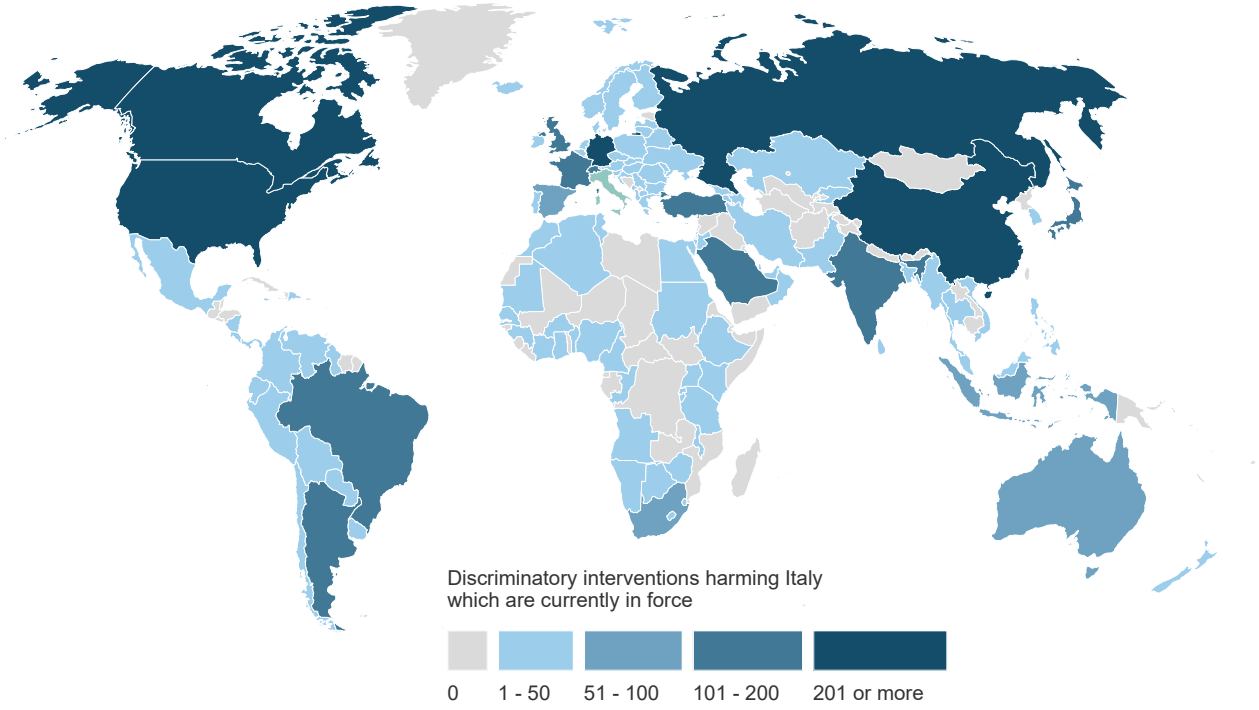
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	48.07	59.49	62.33	65.69	67.72	68.91	67.85	70.10	72.02	73.16	75.66	76.23	73.99
D	Contingent trade-protective measures	0.03	0.05	0.07	0.11	0.14	0.19	0.18	0.29	0.32	0.37	0.48	0.57	0.57
E	Non-automatic licensing, quotas etc.	0.23	0.22	0.63	0.75	0.80	0.83	1.09	1.09	1.36	1.64	1.68	1.72	1.72
F	Price-control measures, including additional taxes and charges	0.00	0.03	0.12	0.19	0.19	0.21	0.35	0.41	0.43	0.77	0.81	0.96	0.97
G	Finance measures	0.24	0.35	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
I	Trade-related investment measures	0.03	0.76	0.92	0.94	0.97	1.08	1.21	1.31	1.37	1.33	1.30	1.28	1.33
L	Subsidies (excl. export subsidies)	4.78	7.18	5.60	7.04	8.25	11.22	11.58	13.95	15.41	18.25	19.27	21.23	18.88
M	Government procurement restrictions	0.37	0.42	0.40	0.68	0.76	1.27	1.71	1.80	1.96	2.12	2.36	2.38	2.43
P	Export-related measures (incl. subsidies)	44.37	55.05	58.69	62.52	64.80	64.46	62.85	64.67	66.11	66.97	70.24	70.68	69.27
	Tariff measures	0.86	1.38	1.50	2.38	2.98	2.77	3.01	3.43	4.23	4.59	5.69	6.86	7.07
	Instrument unclear	0.07	0.14	0.16	0.17	0.26	0.30	0.47	0.61	0.71	0.80	0.81	0.81	0.81

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY ITALY'S DISCRIMINATORY INTERVENTIONS

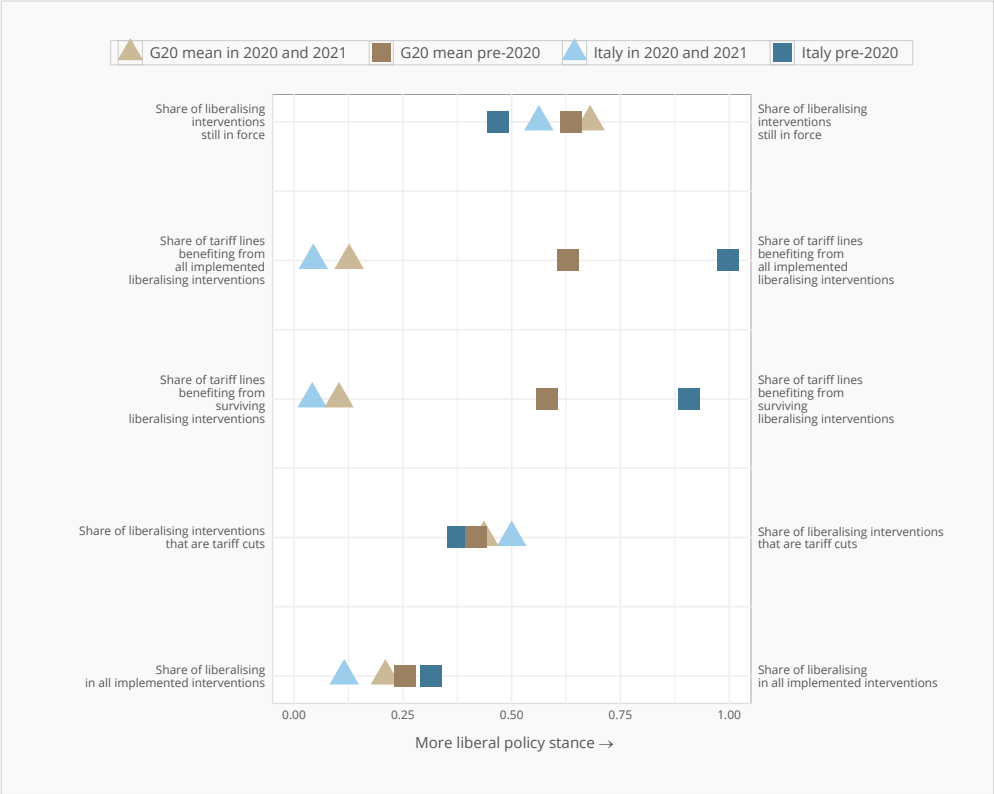


DISCRIMINATORY INTERVENTIONS HARMING ITALY'S INTERESTS



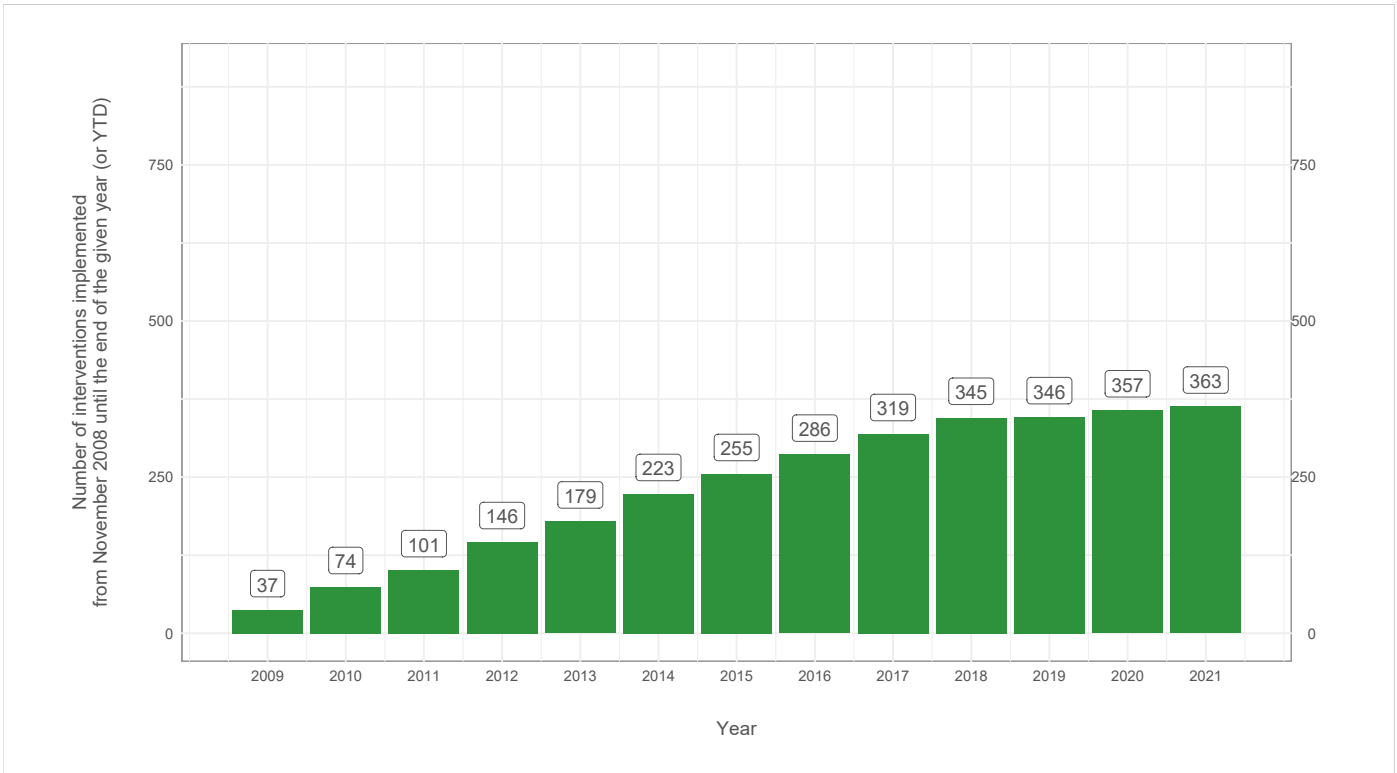
ITALY

Track record of liberalisation



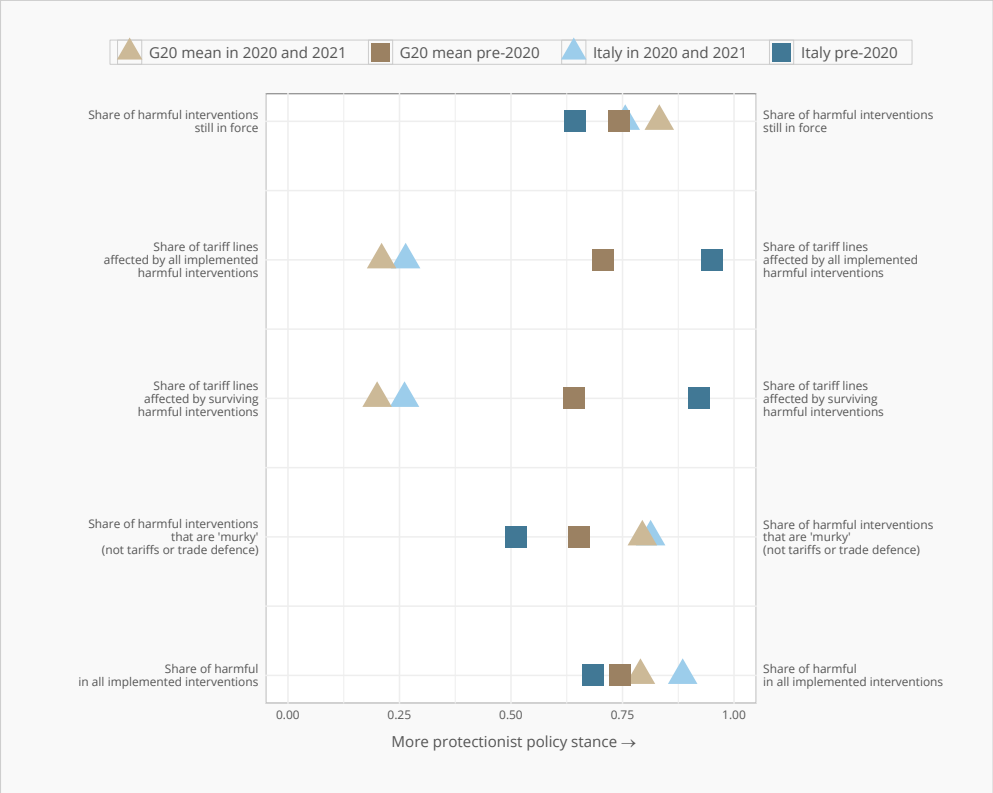
ITALY

Number of liberalising interventions imposed since November 2008



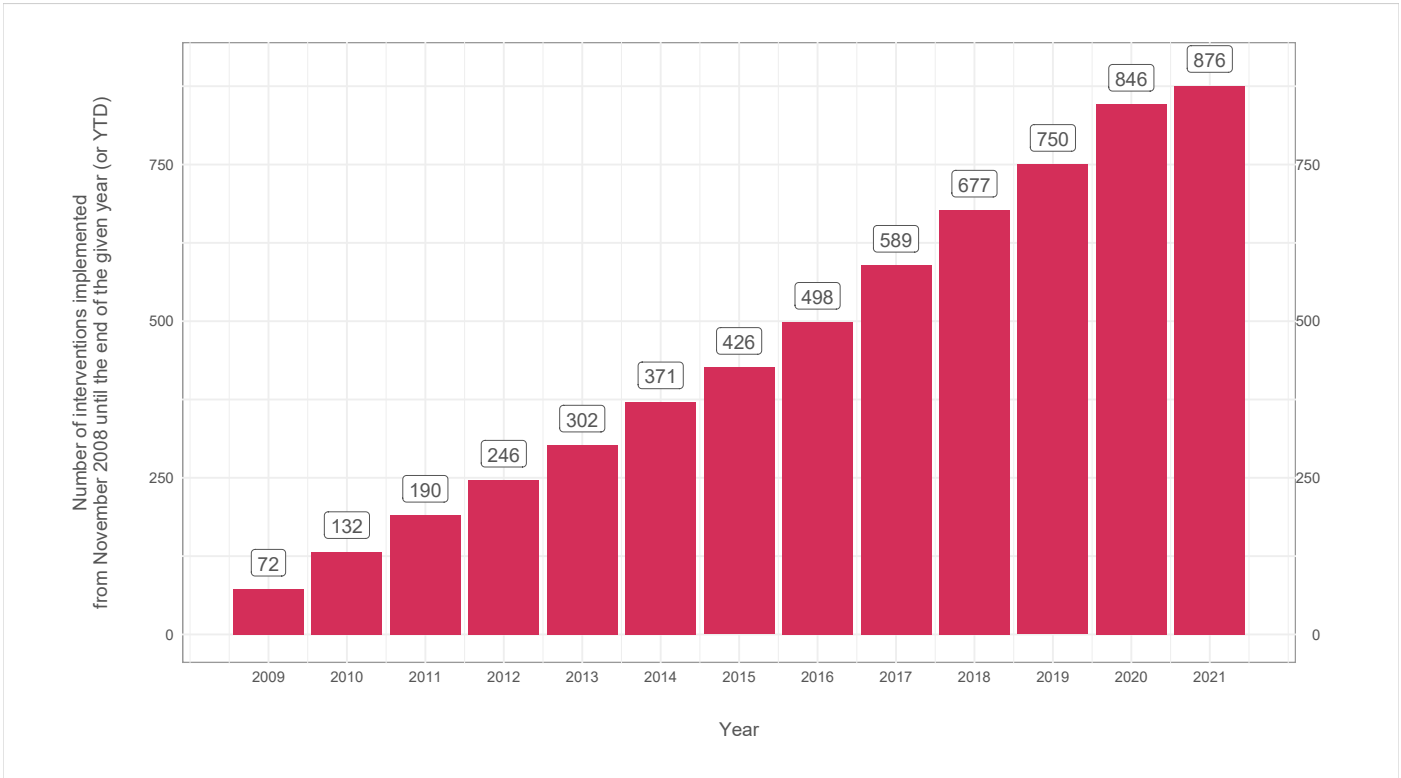
ITALY

Track record of protectionism



ITALY

Number of discriminatory interventions imposed since November 2008



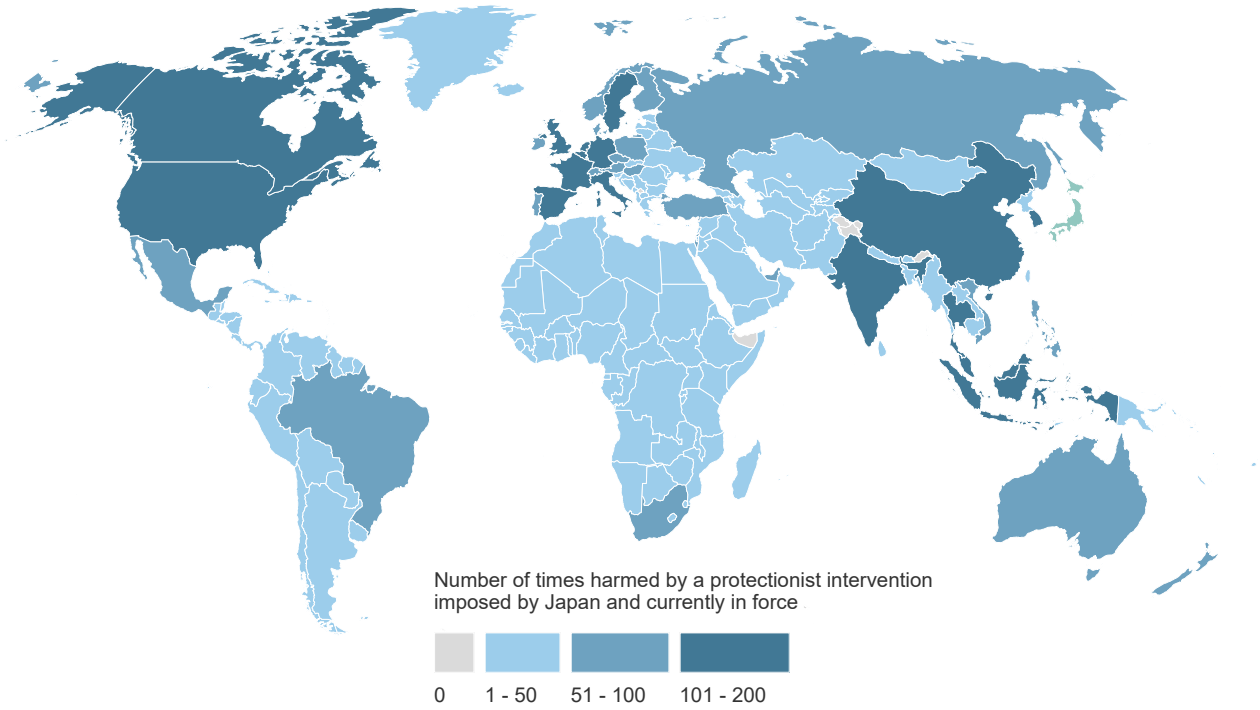
JAPAN

What is at stake for Japan's goods exporters?

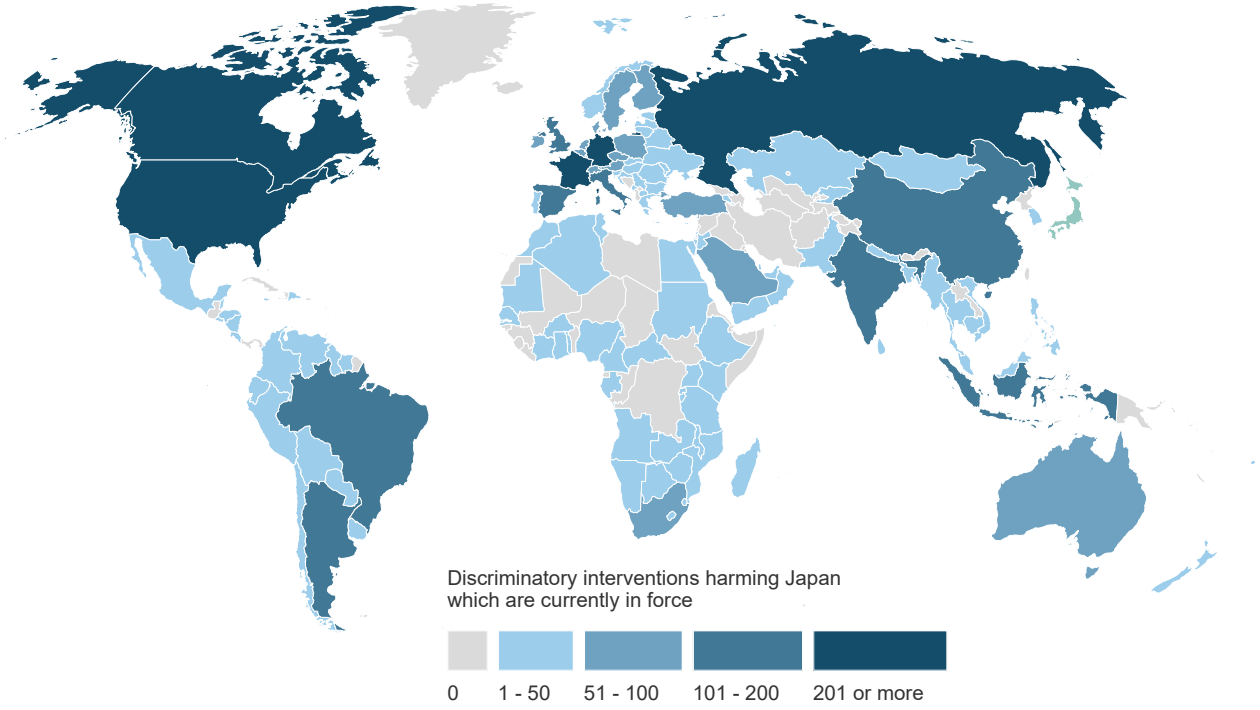
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	57.68	70.18	72.46	77.98	82.51	83.63	81.93	82.40	84.48	85.35	85.35	85.61	84.61
D	Contingent trade-protective measures	0.15	0.30	0.58	0.94	1.09	1.15	1.14	1.37	1.43	1.59	1.70	1.72	1.72
E	Non-automatic licensing, quotas etc.	0.86	1.38	4.52	4.88	6.94	5.43	6.27	6.62	6.92	7.23	7.34	7.60	8.47
F	Price-control measures, including additional taxes and charges	0.04	0.06	0.08	0.10	0.09	0.46	0.93	1.05	1.33	1.65	1.72	1.89	1.92
G	Finance measures	0.17	0.46	0.83	0.83	0.84	0.83	0.83	0.83	0.83	0.84	0.86	0.86	0.86
I	Trade-related investment measures	0.76	1.56	1.49	1.57	1.59	1.62	2.09	2.35	2.25	2.22	2.12	1.99	2.36
L	Subsidies (excl. export subsidies)	18.55	23.63	24.75	28.83	39.37	40.21	34.72	34.75	35.78	38.19	32.81	33.69	32.38
M	Government procurement restrictions	0.47	1.47	1.75	1.99	2.07	2.49	3.56	3.57	3.64	3.68	3.71	3.82	3.75
P	Export-related measures (incl. subsidies)	39.56	52.27	57.50	66.32	69.79	67.24	65.94	67.84	71.84	73.76	75.47	75.94	73.40
	Tariff measures	3.86	5.33	6.36	11.13	14.39	11.99	13.26	17.16	22.19	22.49	23.09	22.87	23.58
	Instrument unclear	0.27	0.95	1.37	1.41	1.48	1.94	1.92	1.80	1.93	2.31	2.38	2.38	2.38

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY JAPAN'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING JAPAN'S INTERESTS

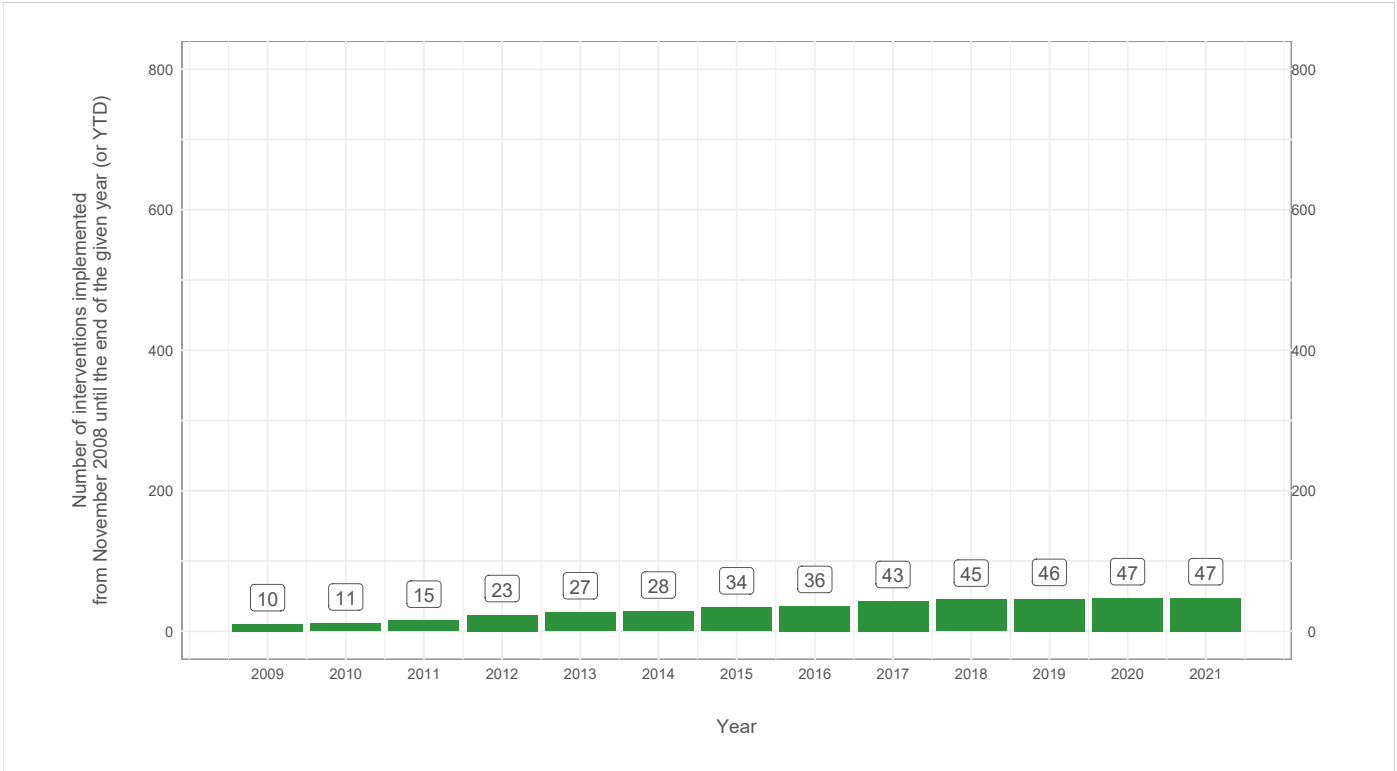


JAPAN

Track record of liberalisation

JAPAN

Number of liberalising interventions imposed since November 2008

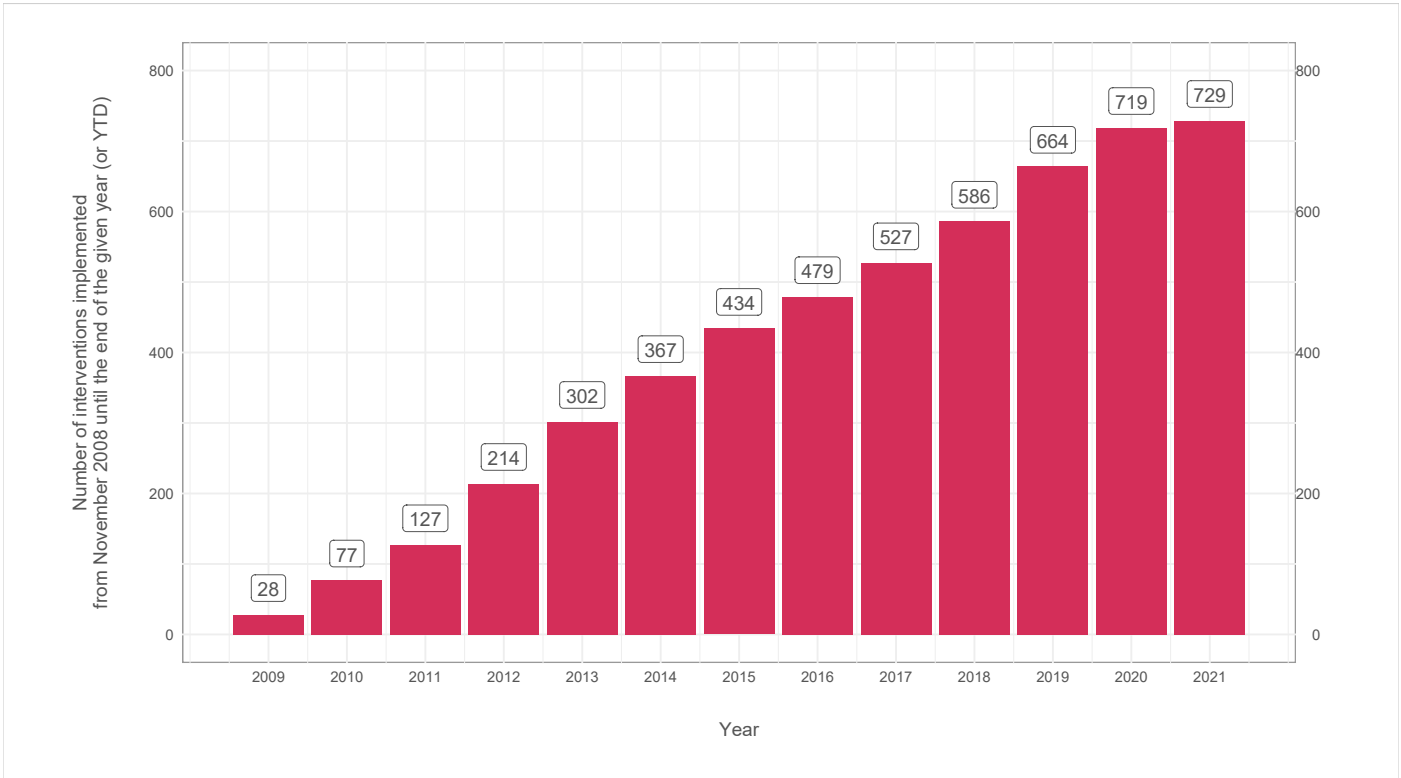


JAPAN

Track record of protectionism

JAPAN

Number of discriminatory interventions imposed since November 2008



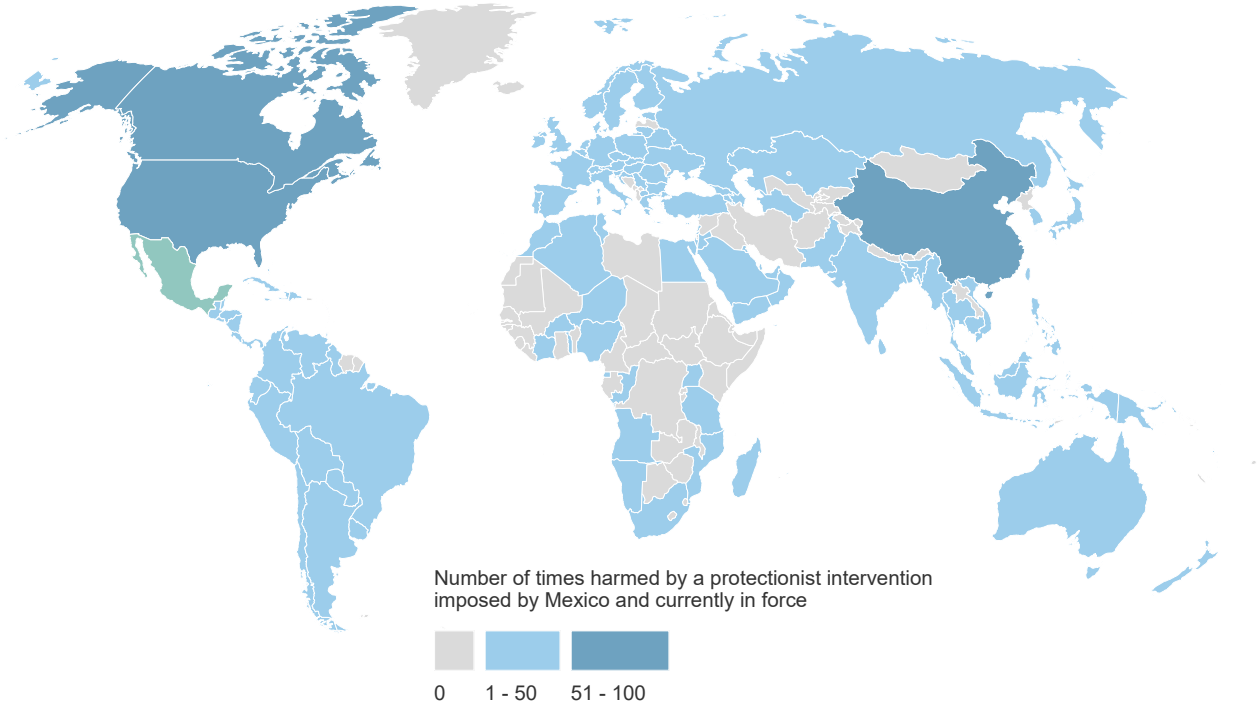
MEXICO

What is at stake for Mexico's goods exporters?

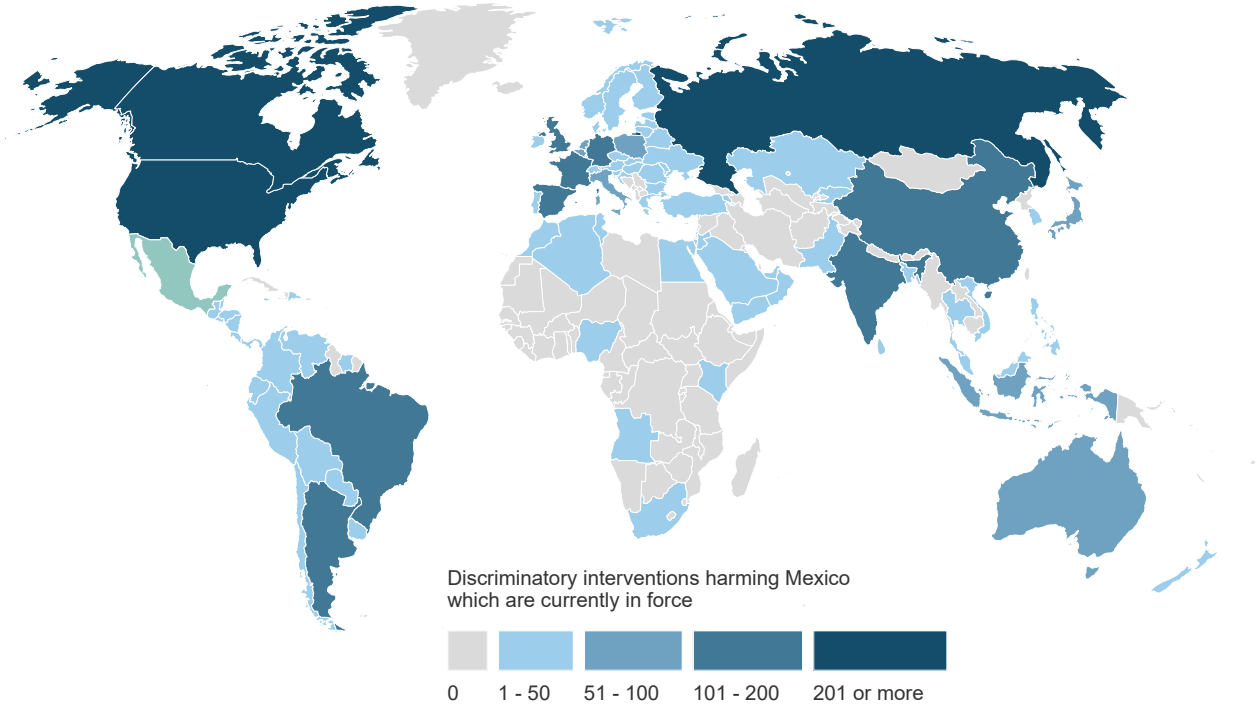
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	59.53	69.07	71.95	74.67	77.44	78.24	88.74	89.02	91.54	93.57	94.16	94.26	93.95
D	Contingent trade-protective measures	0.00	0.33	0.65	1.40	1.80	1.96	2.02	2.74	2.89	3.30	3.24	3.50	3.55
E	Non-automatic licensing, quotas etc.	0.13	0.23	0.59	0.81	0.91	0.98	0.99	0.95	1.74	1.89	1.87	1.99	2.05
F	Price-control measures, including additional taxes and charges	0.11	0.11	0.16	0.26	0.14	0.27	0.33	0.40	0.42	0.58	0.60	0.96	0.96
G	Finance measures	0.02	0.41	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
I	Trade-related investment measures	0.05	0.40	0.52	0.63	0.61	0.67	0.73	0.77	0.77	0.69	0.66	0.66	0.66
L	Subsidies (excl. export subsidies)	8.88	13.29	26.95	32.56	37.02	37.88	37.31	38.53	39.29	47.57	49.29	54.32	63.17
M	Government procurement restrictions	1.81	2.13	2.54	3.04	3.22	3.88	6.58	6.55	7.35	8.80	10.35	8.69	8.55
P	Export-related measures (incl. subsidies)	49.65	56.44	63.20	71.35	72.37	68.76	79.41	79.78	83.82	86.72	87.82	88.25	87.40
	Tariff measures	0.19	0.31	0.42	1.38	1.85	1.87	2.07	2.85	4.63	6.55	7.62	8.85	9.06
	Instrument unclear	0.00	0.13	0.08	0.09	0.31	0.66	0.67	0.77	0.88	0.94	0.96	0.96	0.95

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY MEXICO'S DISCRIMINATORY INTERVENTIONS

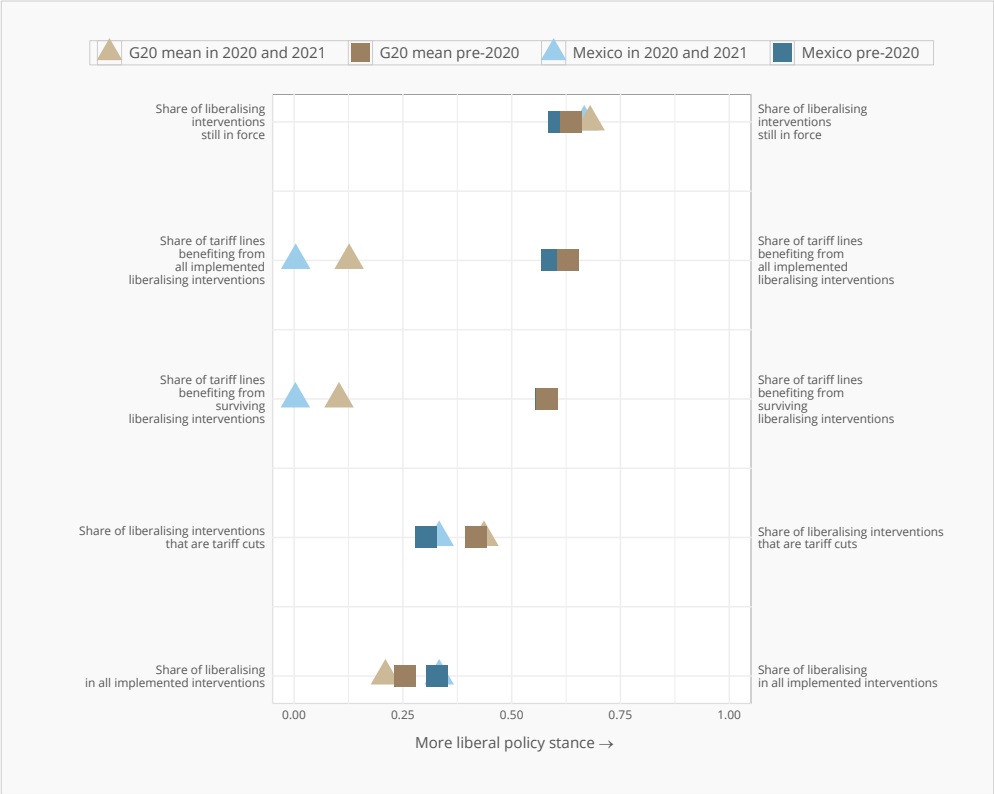


DISCRIMINATORY INTERVENTIONS HARMING MEXICO'S INTERESTS



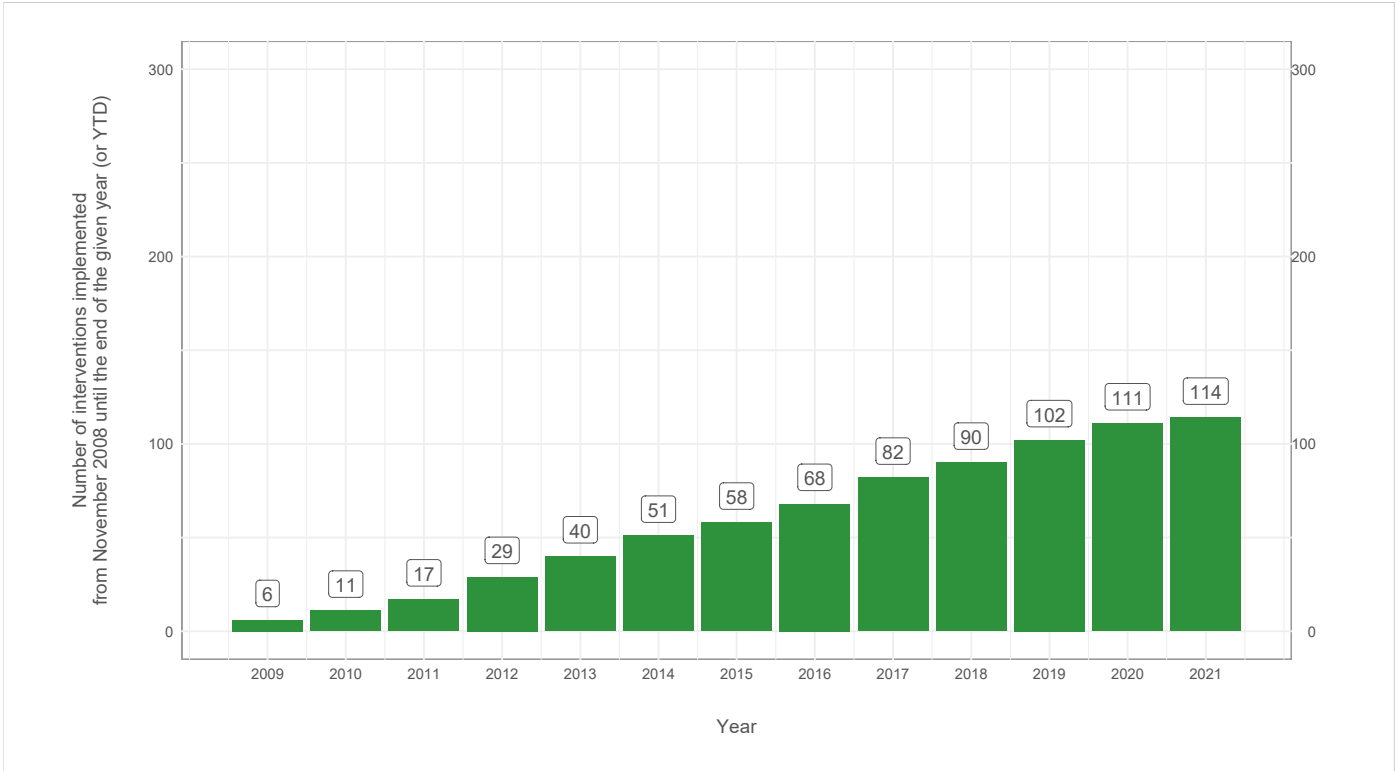
MEXICO

Track record of liberalisation



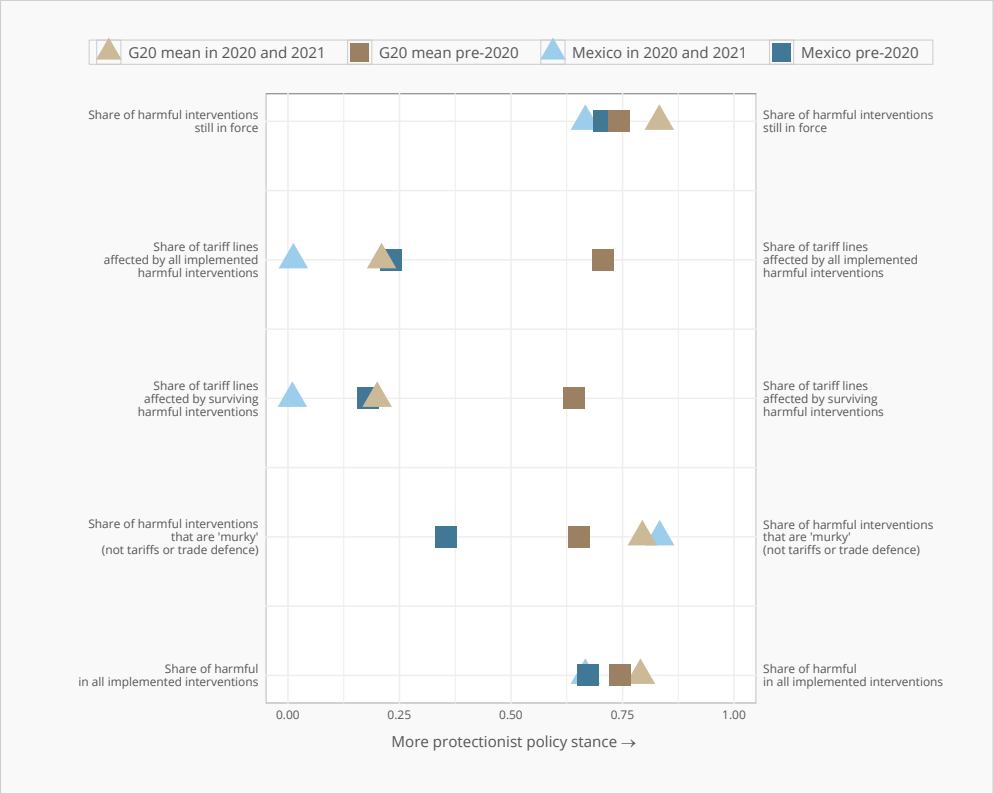
MEXICO

Number of liberalising interventions imposed since November 2008



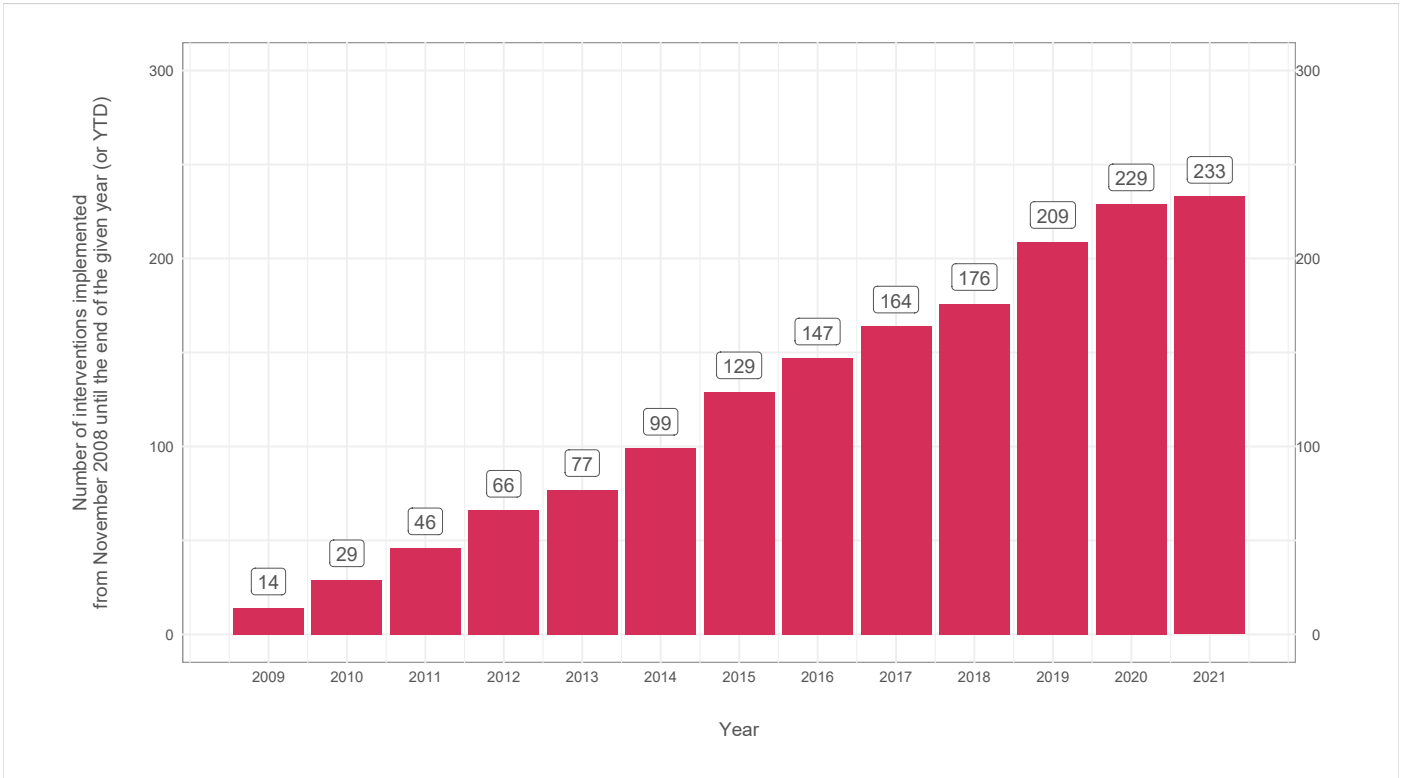
MEXICO

Track record of protectionism



MEXICO

Number of discriminatory interventions imposed since November 2008



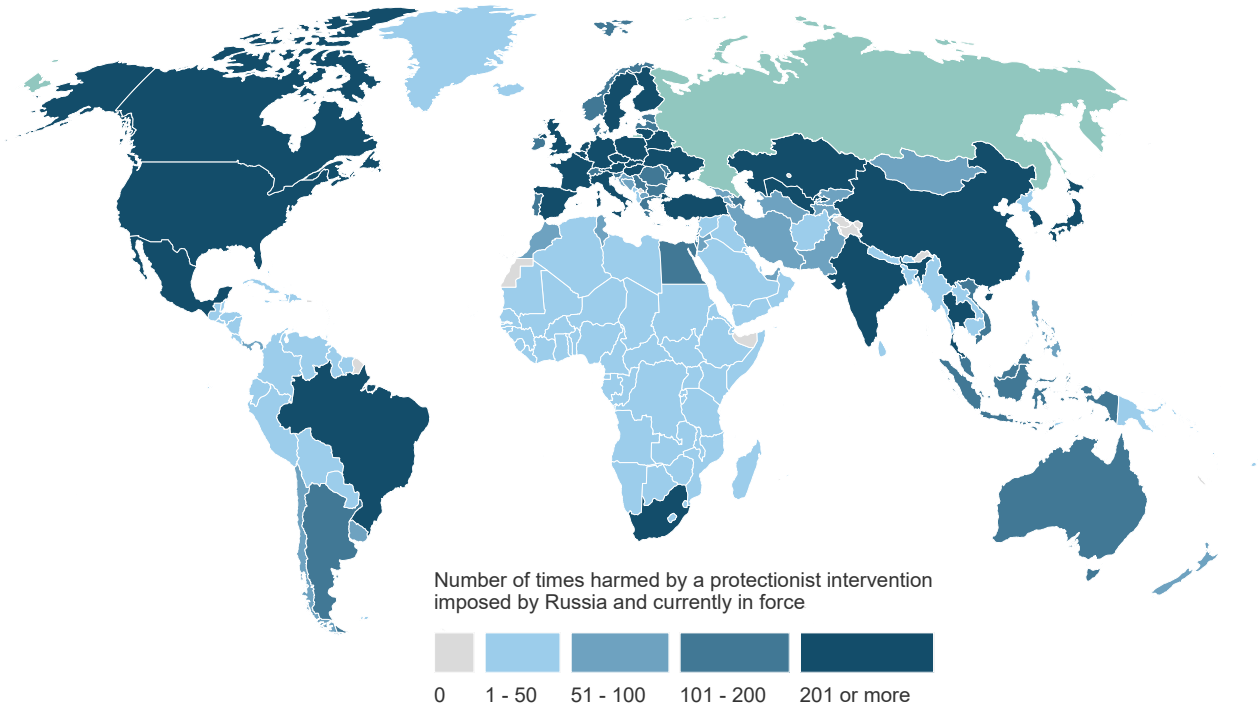
RUSSIA

What is at stake for Russia's goods exporters?

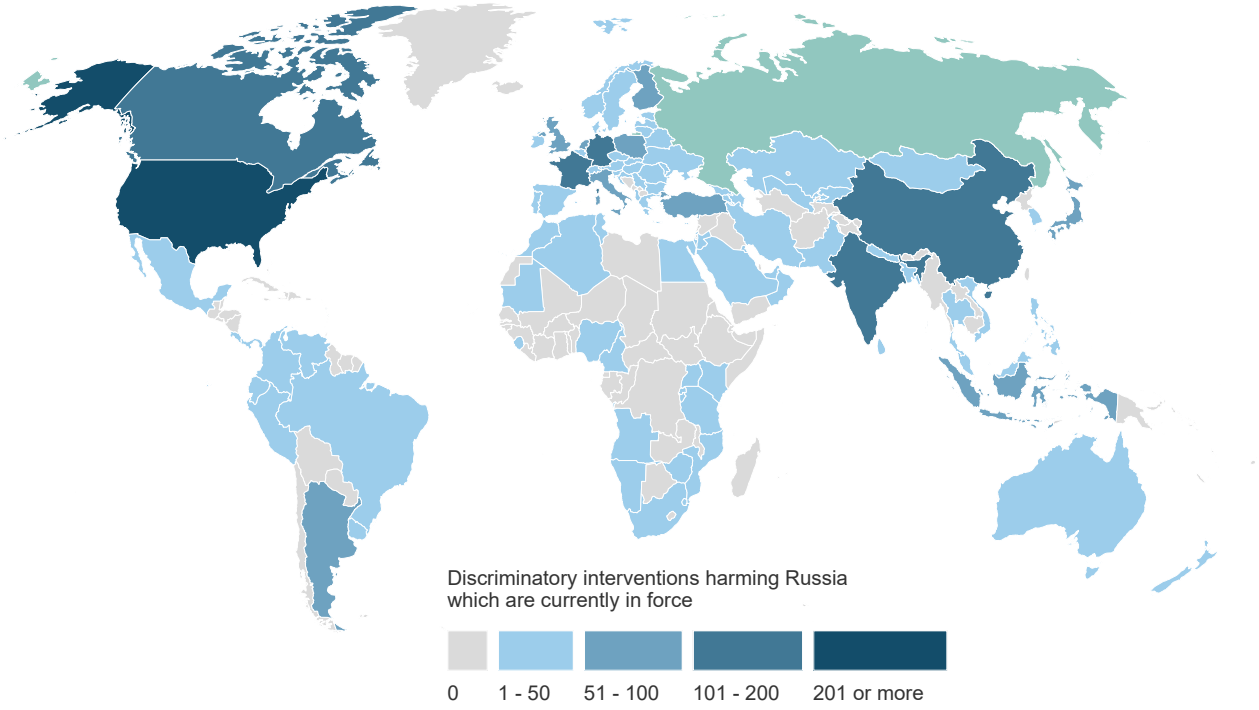
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	13.87	21.54	33.49	37.45	74.30	75.44	49.28	47.54	59.49	63.53	63.38	64.02	76.56
D	Contingent trade-protective measures	0.03	0.15	0.18	0.51	0.69	0.80	0.87	1.11	1.27	2.29	3.19	2.67	2.23
E	Non-automatic licensing, quotas etc.	0.44	0.14	3.77	4.03	4.76	4.64	4.63	5.14	5.71	5.82	5.80	5.35	11.21
F	Price-control measures, including additional taxes and charges	0.22	0.22	0.23	0.24	0.25	1.02	1.21	1.49	1.49	2.02	2.08	2.17	2.14
G	Finance measures	2.80	3.19	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
I	Trade-related investment measures	0.02	1.03	1.03	1.01	1.11	1.22	1.24	1.22	1.23	1.22	1.26	1.27	1.27
L	Subsidies (excl. export subsidies)	4.35	7.03	11.94	10.43	57.77	57.66	28.05	29.07	29.39	30.63	29.94	31.74	53.84
M	Government procurement restrictions	0.51	0.72	0.83	0.84	0.87	0.88	0.93	1.00	1.13	1.17	1.16	1.11	1.11
P	Export-related measures (incl. subsidies)	4.56	10.33	20.42	24.34	25.67	23.88	25.35	26.41	41.30	47.82	46.76	47.00	44.90
	Tariff measures	2.08	3.00	3.18	4.06	6.08	9.66	14.37	12.32	12.89	13.21	13.48	13.51	13.53
	Instrument unclear	0.00	0.06	0.00	0.08	0.19	2.21	3.57	3.68	3.82	3.76	3.84	3.84	3.84

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY RUSSIA'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING RUSSIA'S INTERESTS

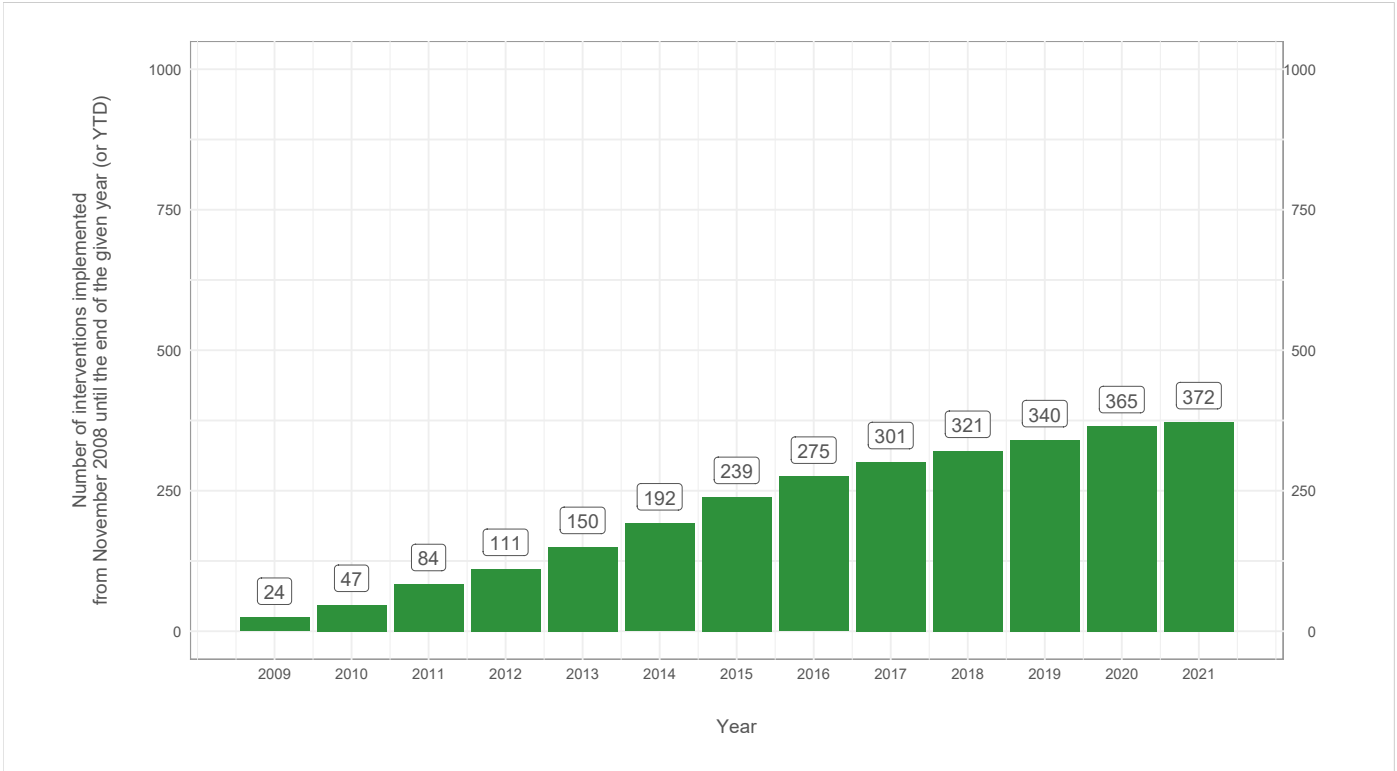


RUSSIA

Track record of liberalisation

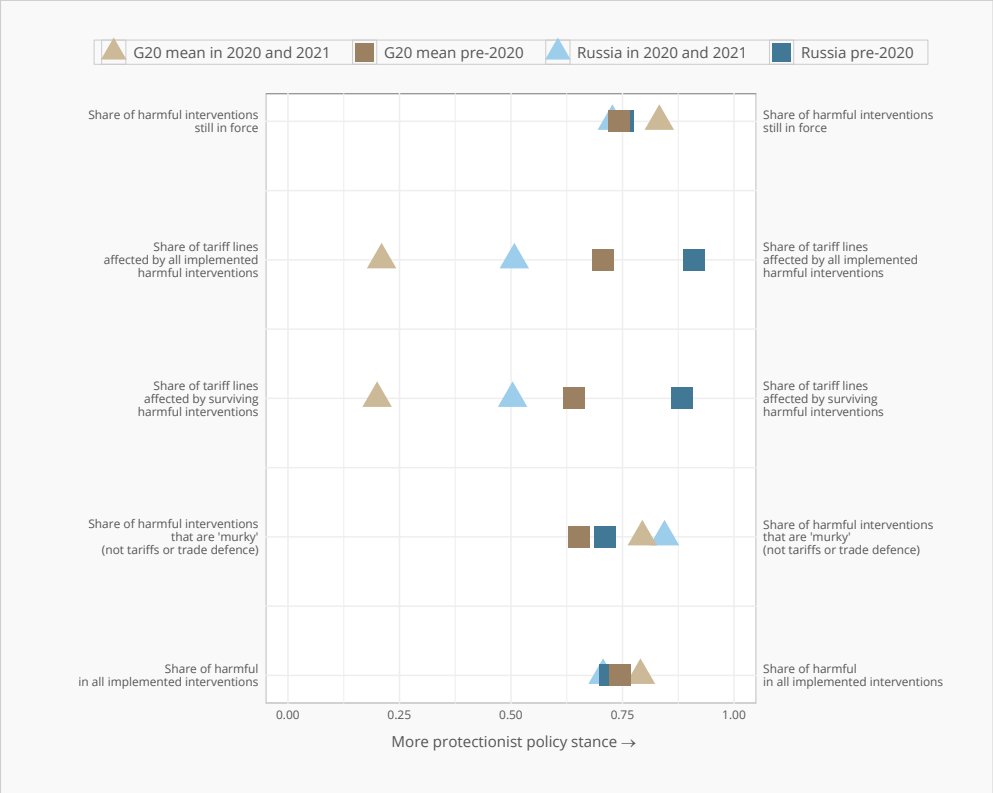
RUSSIA

Number of liberalising interventions imposed since November 2008



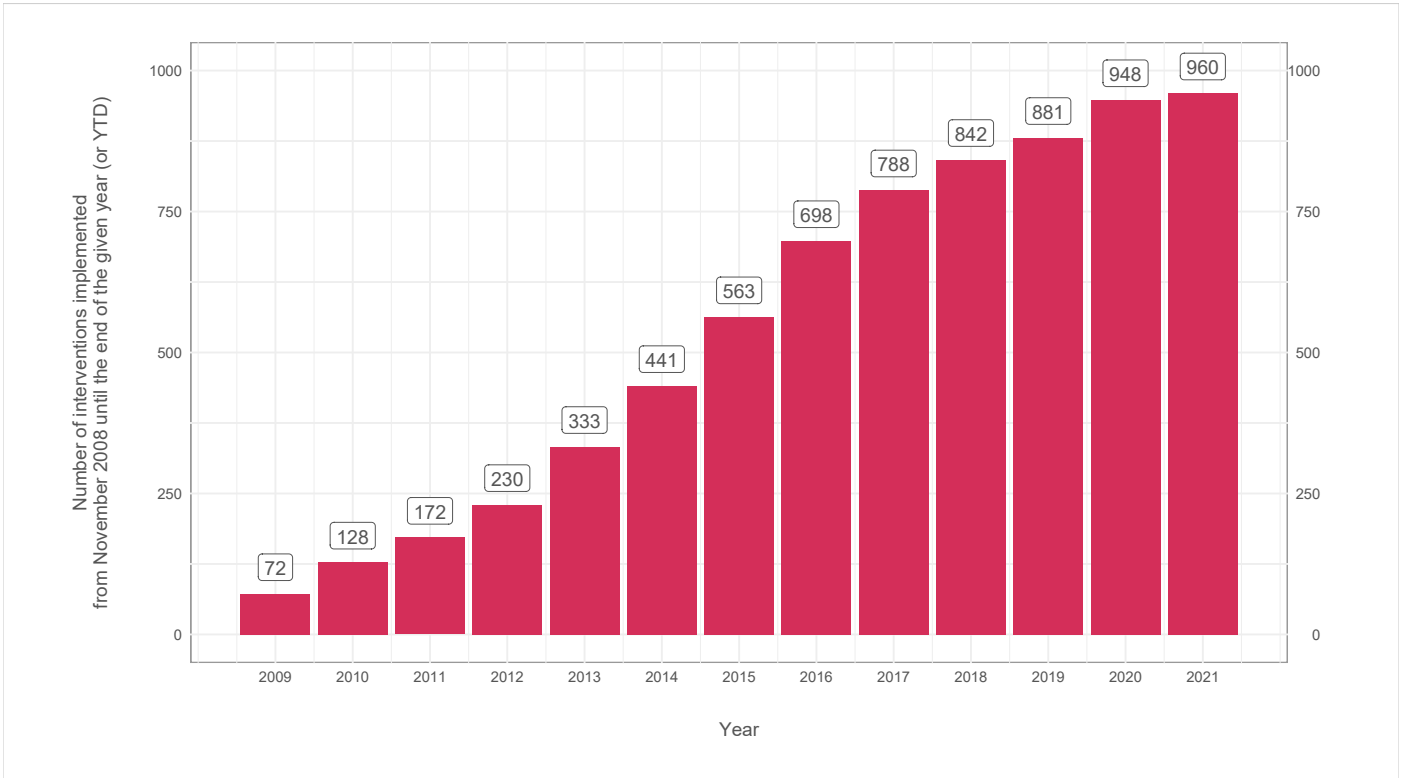
RUSSIA

Track record of protectionism



RUSSIA

Number of discriminatory interventions imposed since November 2008



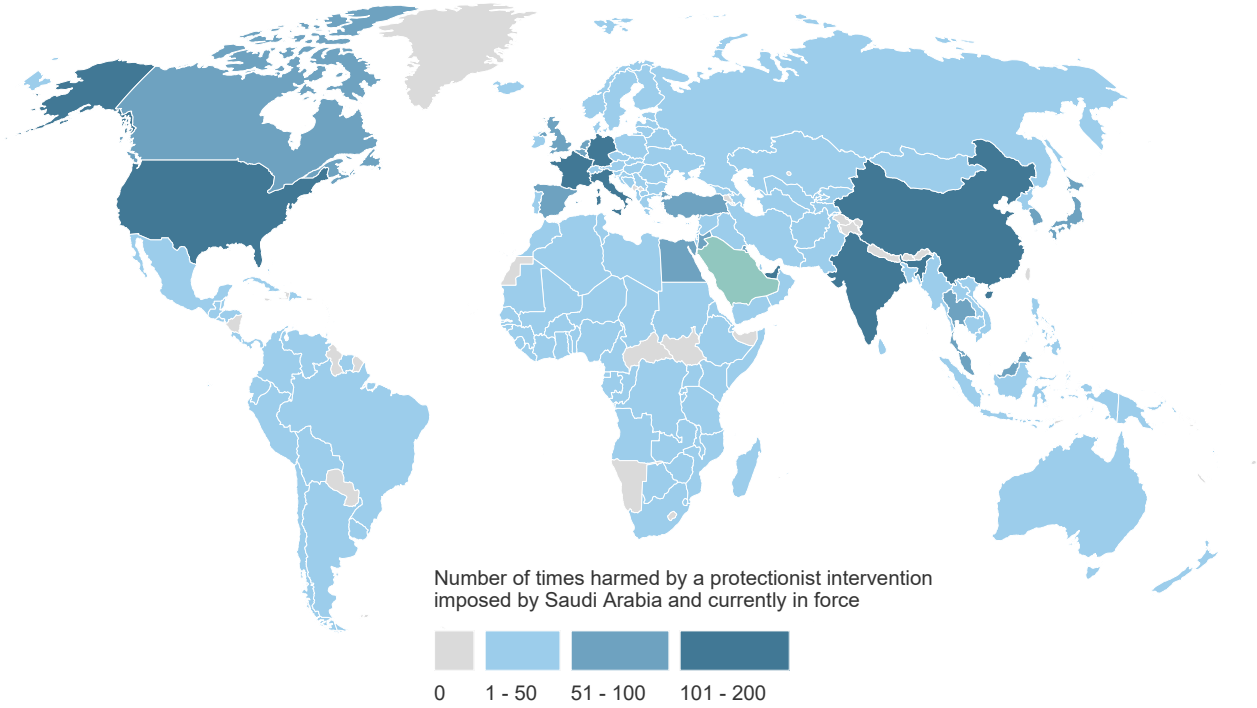
SAUDI ARABIA

What is at stake for Saudi Arabia's goods exporters?

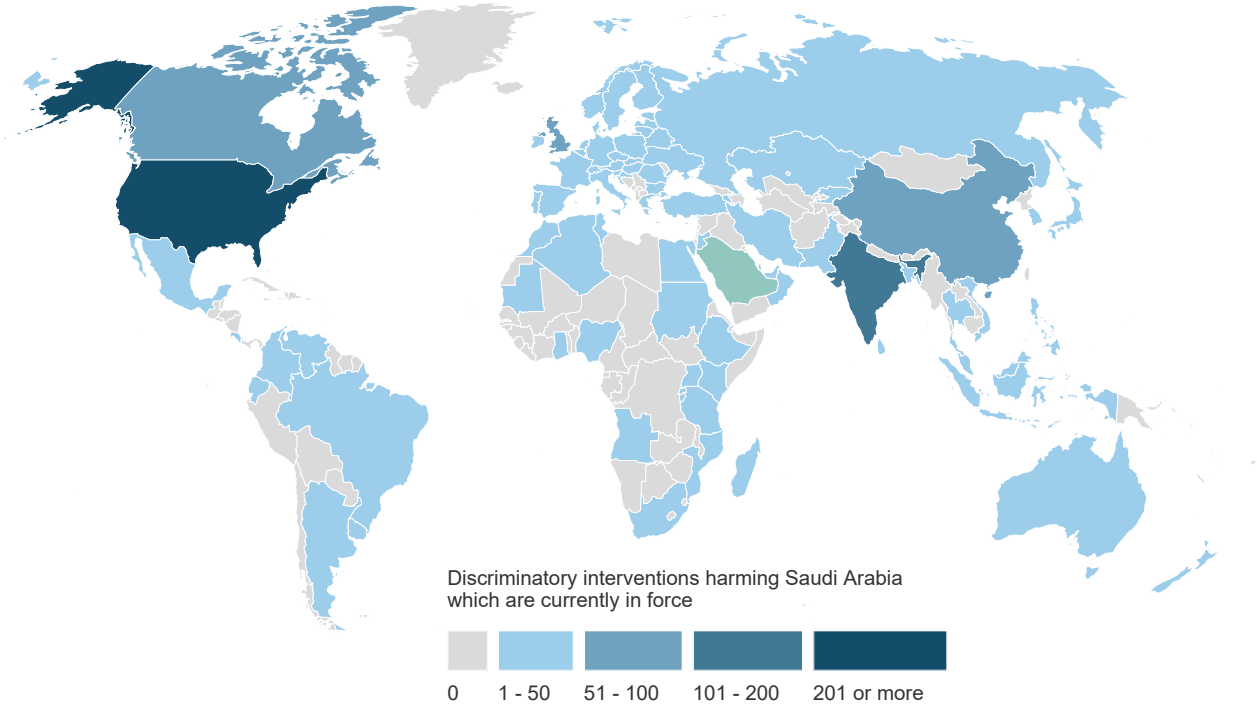
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	17.35	17.09	29.23	31.15	43.34	45.50	56.59	57.20	62.94	64.47	64.42	65.47	90.31
D	Contingent trade-protective measures	0.01	0.04	0.08	0.10	0.08	0.08	0.05	0.00	0.00	0.00	0.00	0.02	0.03
E	Non-automatic licensing, quotas etc.	4.55	0.04	5.97	6.73	6.02	6.04	7.31	7.87	7.96	8.16	8.73	8.56	8.61
F	Price-control measures, including additional taxes and charges	0.07	0.07	0.16	0.28	0.28	0.40	0.41	0.41	0.41	4.86	5.29	5.29	5.07
G	Finance measures	0.05	0.07	0.10	0.10	0.10	0.10	1.17	1.53	1.53	1.53	1.53	1.53	1.53
I	Trade-related investment measures	0.00	0.00	0.00	0.00	0.00	0.01	0.03	0.01	0.00	0.00	0.00	0.00	0.00
L	Subsidies (excl. export subsidies)	6.65	1.80	10.14	5.09	25.43	25.73	14.87	14.96	17.07	18.46	17.00	24.88	39.72
M	Government procurement restrictions	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
P	Export-related measures (incl. subsidies)	2.36	5.81	10.46	12.46	13.49	13.58	40.06	41.50	47.22	47.50	47.58	47.54	83.12
	Tariff measures	8.32	9.93	10.21	10.85	11.34	12.98	15.22	17.05	19.07	23.17	23.17	24.21	24.89
	Instrument unclear	0.00	0.00	0.00	0.00	0.04	0.87	0.89	0.89	0.89	1.36	2.34	2.34	2.34

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY SAUDI ARABIA'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING SAUDI ARABIA'S INTERESTS

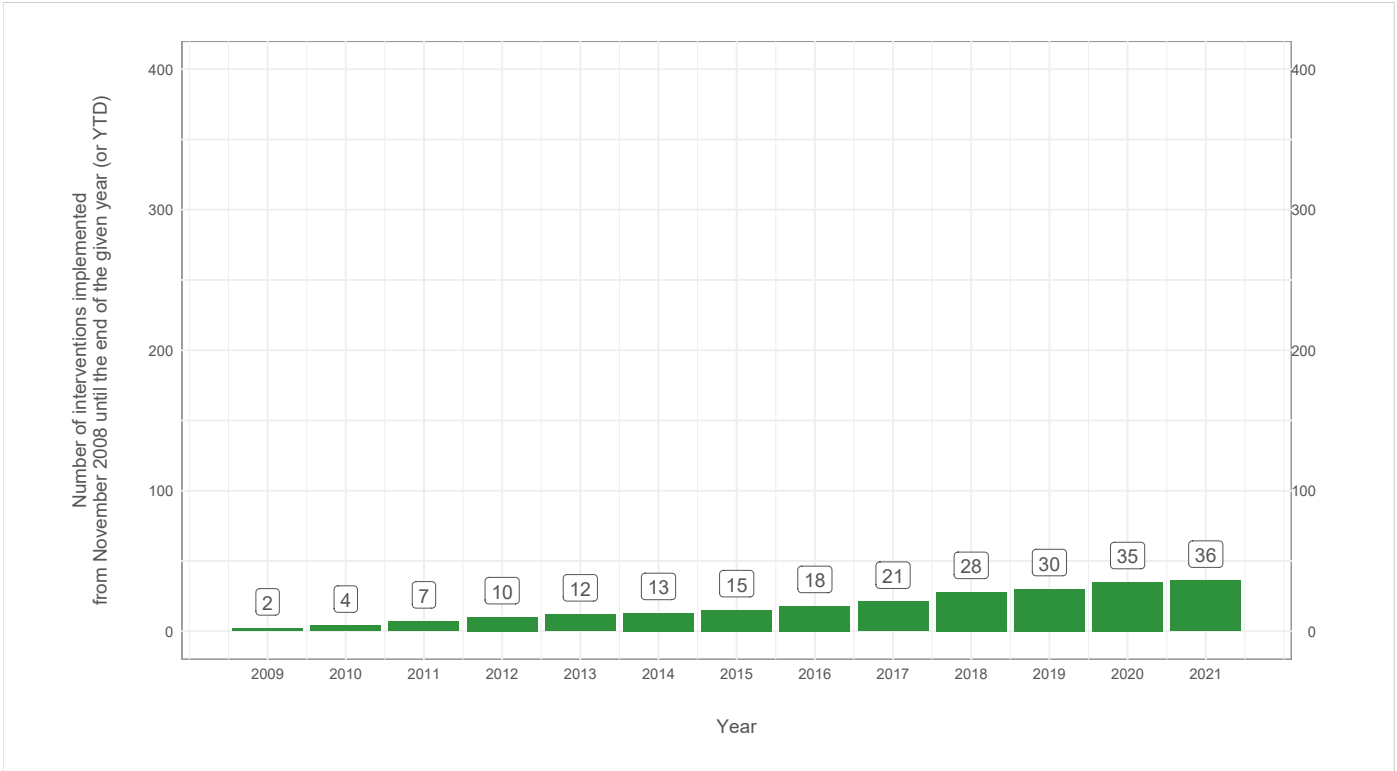


SAUDI ARABIA

Track record of liberalisation

SAUDI ARABIA

Number of liberalising interventions imposed since November 2008

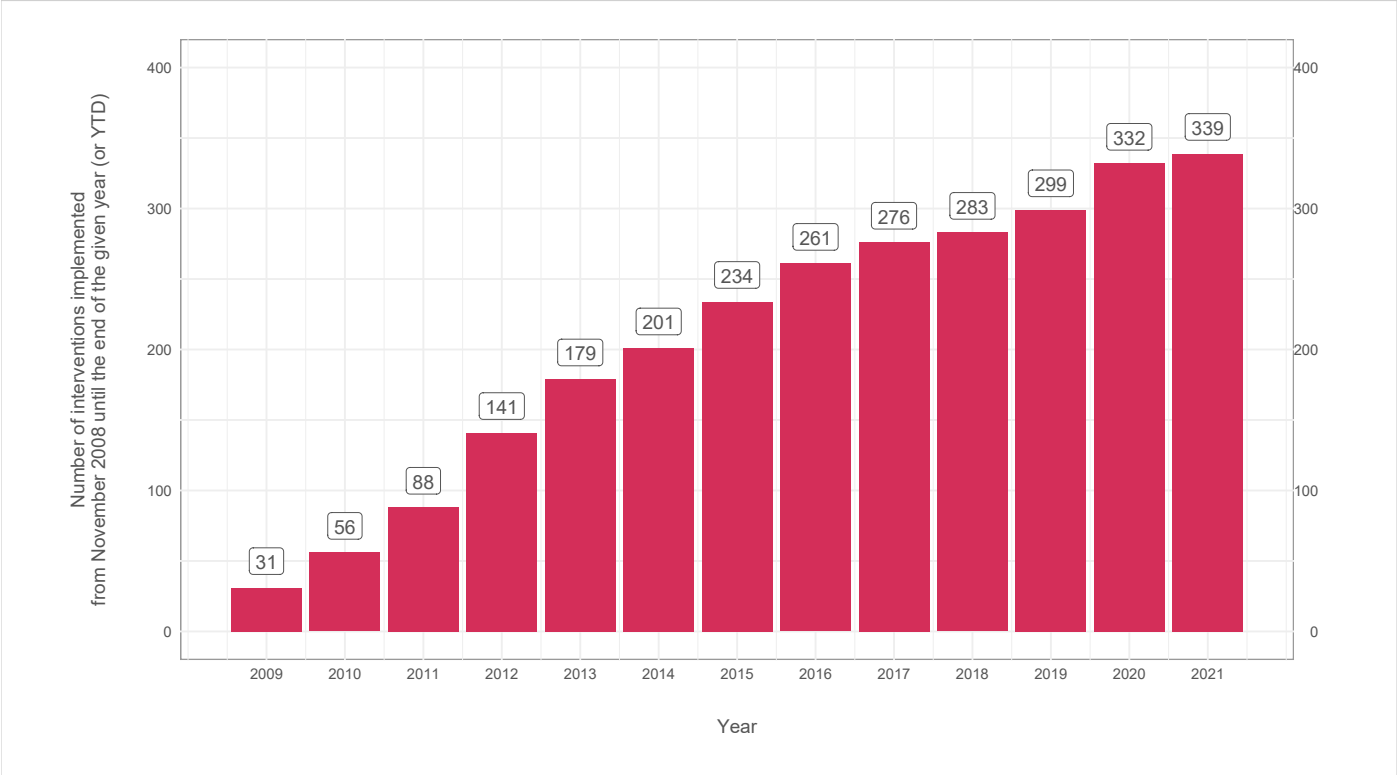


SAUDI ARABIA

Track record of protectionism

SAUDI ARABIA

Number of discriminatory interventions imposed since November 2008



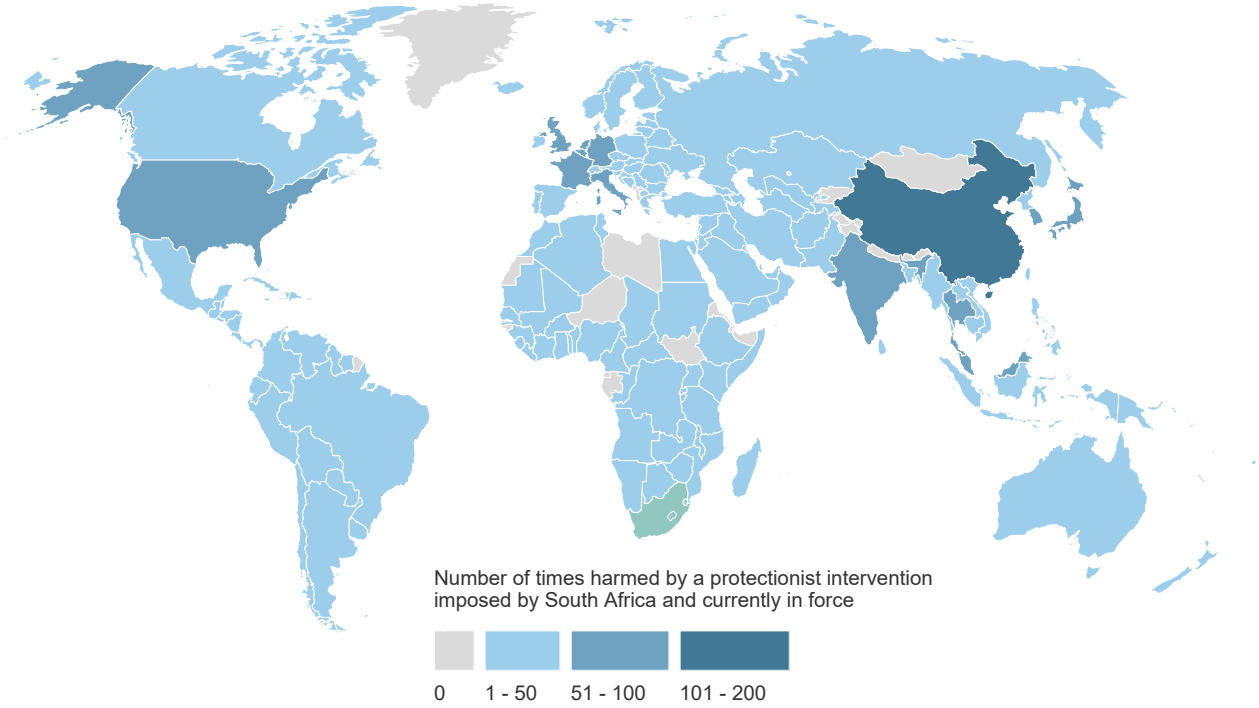
SOUTH AFRICA

What is at stake for South Africa's goods exporters?

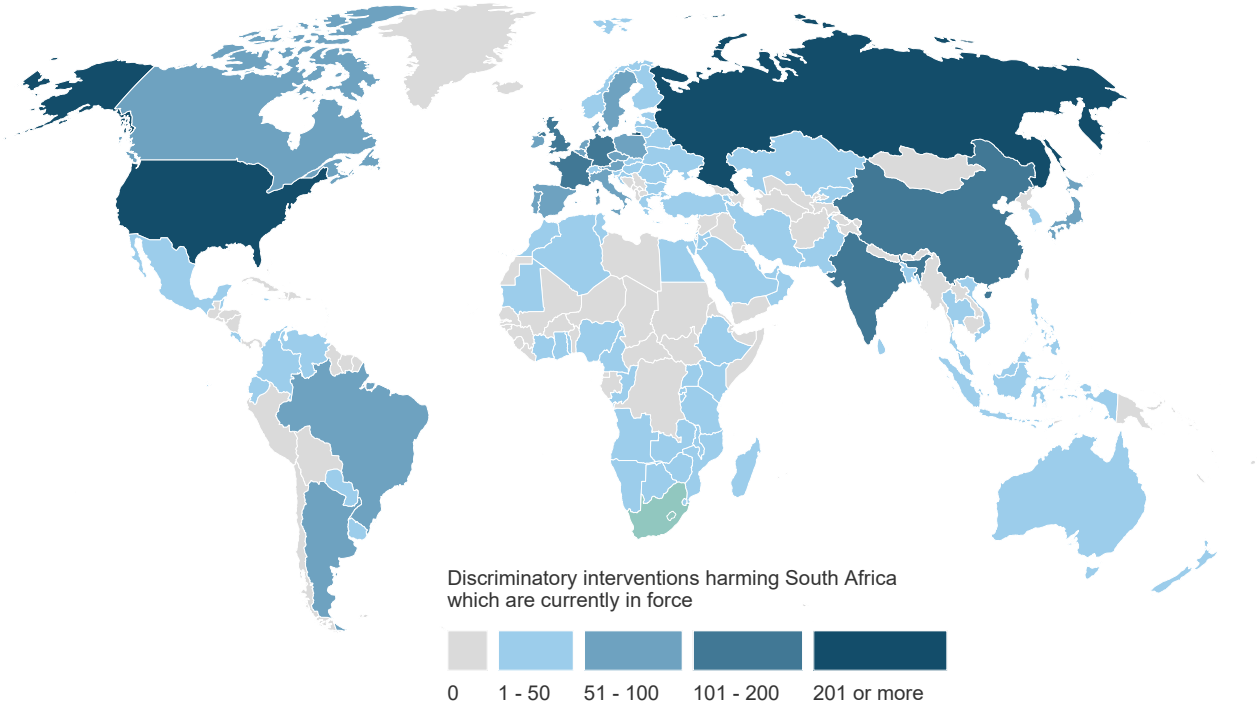
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	28.80	36.23	44.51	48.38	62.25	58.79	51.91	54.10	55.50	56.82	57.09	57.52	60.86
D	Contingent trade-protective measures	0.03	0.05	0.06	0.06	0.06	0.11	0.13	0.53	0.62	1.01	1.24	1.02	0.98
E	Non-automatic licensing, quotas etc.	0.63	1.95	3.98	4.61	4.79	5.26	5.00	5.61	6.01	6.25	6.18	5.87	5.72
F	Price-control measures, including additional taxes and charges	2.12	2.12	2.15	2.22	2.22	2.23	2.25	2.25	2.25	4.87	5.12	5.17	3.89
G	Finance measures	0.44	0.47	0.52	0.52	0.52	0.52	0.53	0.53	0.53	0.53	0.53	0.53	0.53
I	Trade-related investment measures	0.00	0.15	0.19	0.19	0.22	0.29	0.31	0.33	0.35	0.33	0.29	0.26	0.27
L	Subsidies (excl. export subsidies)	5.62	6.98	7.89	8.54	33.76	33.58	22.25	22.76	24.64	25.20	23.49	23.87	30.10
M	Government procurement restrictions	0.90	0.86	1.06	1.15	1.20	1.29	1.45	1.52	1.50	1.58	1.68	1.67	1.69
P	Export-related measures (incl. subsidies)	19.17	24.88	33.91	38.24	39.94	32.95	29.81	33.46	37.39	39.11	40.92	41.44	36.68
	Tariff measures	1.77	5.03	6.46	8.41	10.09	10.36	11.22	11.82	12.39	13.71	14.05	14.10	14.38
	Instrument unclear	0.05	0.70	0.69	0.70	1.78	2.66	0.32	0.44	1.09	2.39	2.42	2.42	2.42

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY SOUTH AFRICA'S DISCRIMINATORY INTERVENTIONS

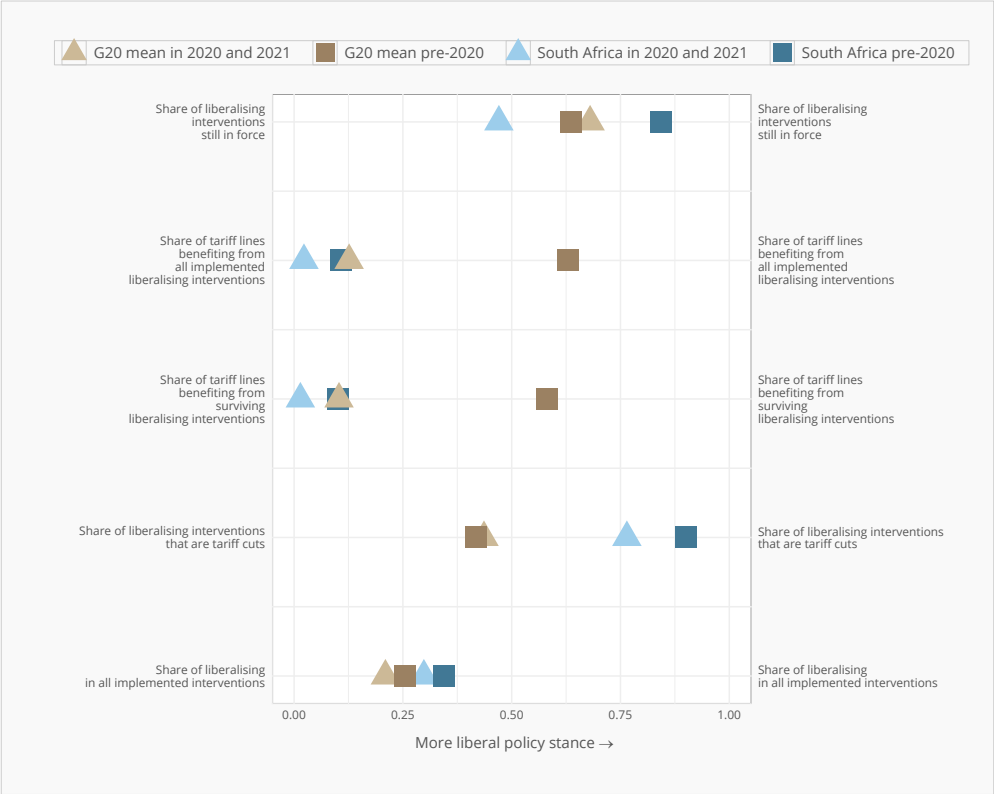


DISCRIMINATORY INTERVENTIONS HARMING SOUTH AFRICA'S INTERESTS



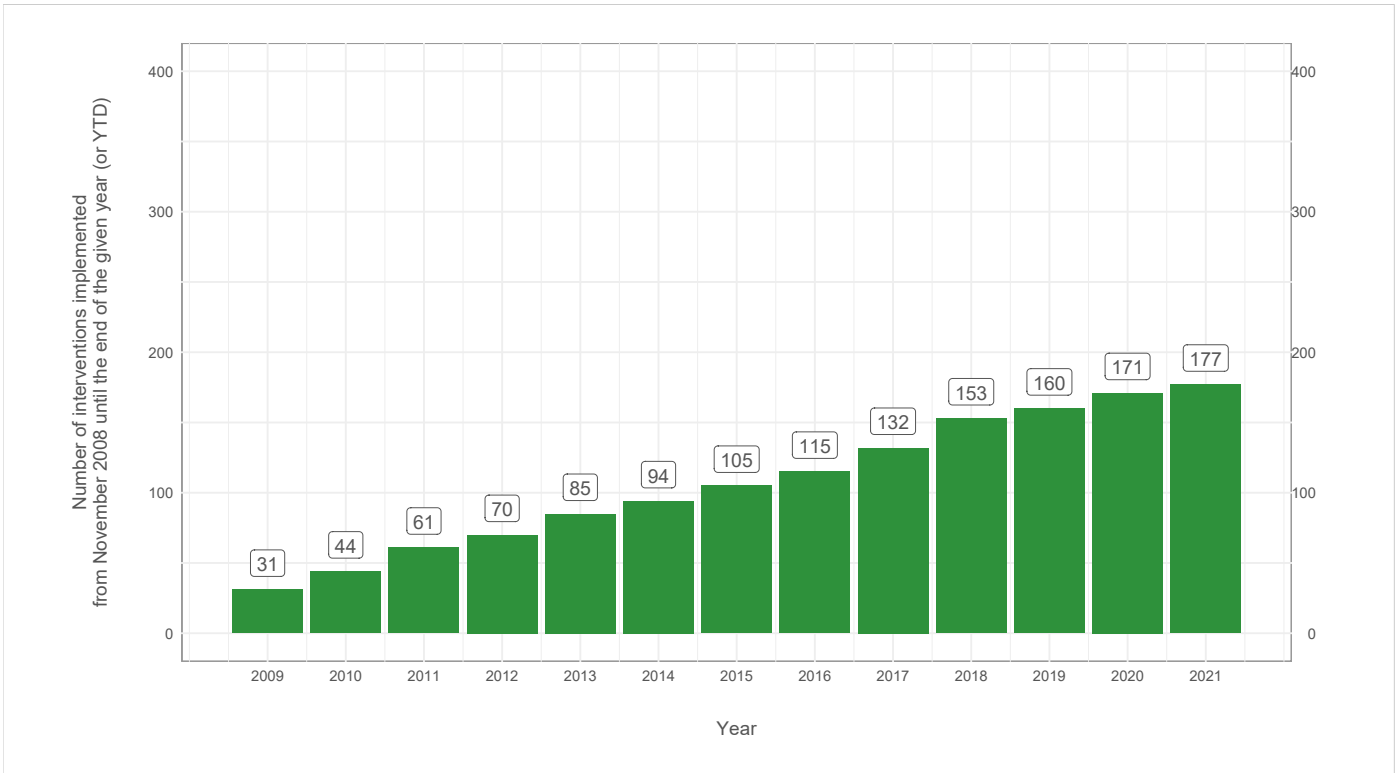
SOUTH AFRICA

Track record of liberalisation



SOUTH AFRICA

Number of liberalising interventions imposed since November 2008

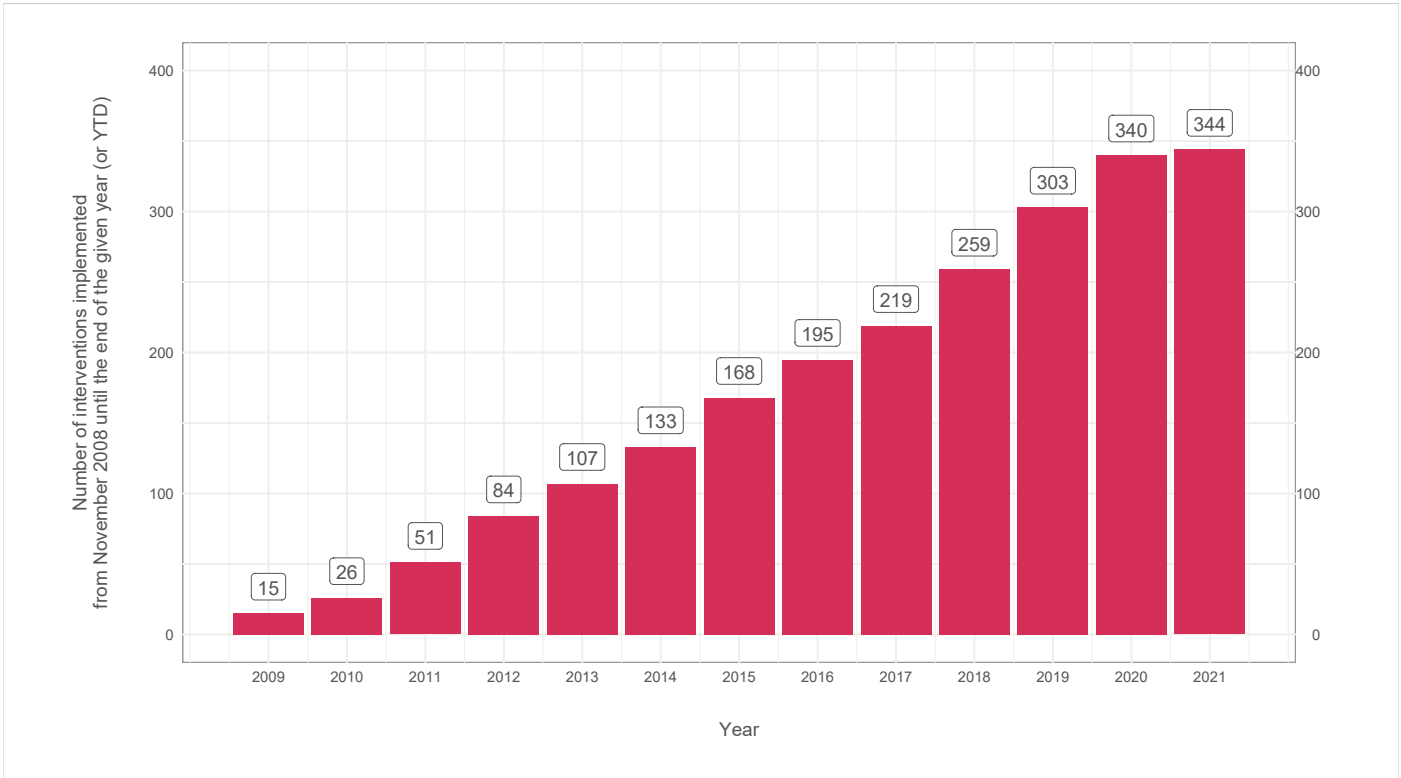


SOUTH AFRICA

Track record of protectionism

SOUTH AFRICA

Number of discriminatory interventions imposed since November 2008



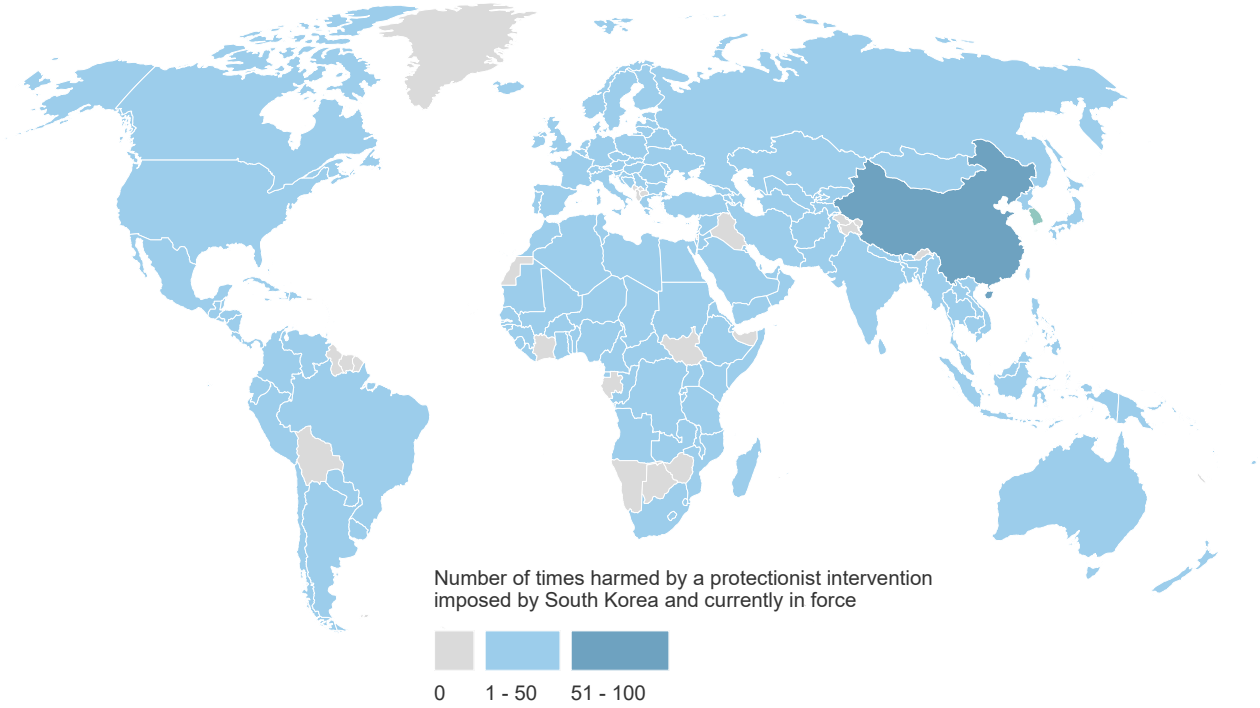
SOUTH KOREA

What is at stake for South Korea's goods exporters?

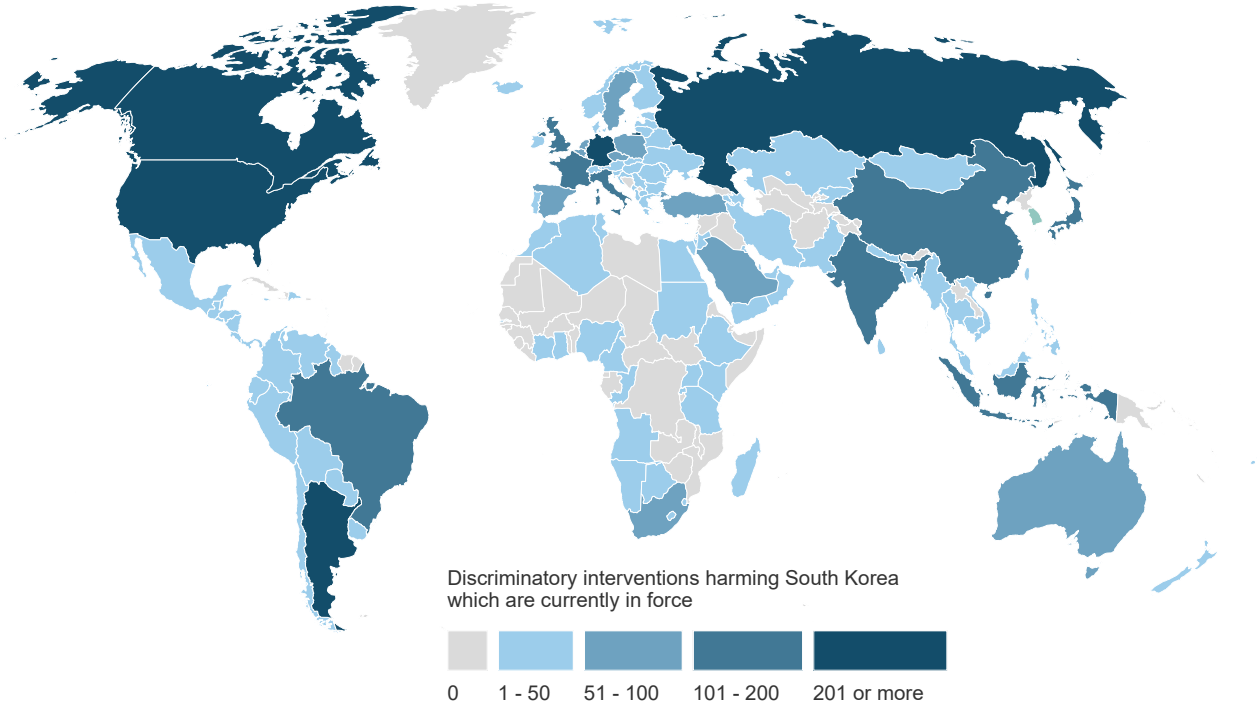
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	58.02	75.01	77.24	82.08	86.39	87.08	85.74	86.03	88.19	89.16	89.35	89.45	88.64
D	Contingent trade-protective measures	0.24	1.17	1.31	1.73	1.95	2.01	1.99	2.37	2.58	3.21	3.65	3.80	3.79
E	Non-automatic licensing, quotas etc.	0.56	0.92	5.09	5.32	5.60	5.85	6.79	7.62	7.98	8.14	8.27	8.23	9.83
F	Price-control measures, including additional taxes and charges	0.06	0.13	0.14	0.12	0.08	1.53	1.97	2.04	2.24	3.05	3.28	3.72	3.66
G	Finance measures	0.19	0.66	1.37	1.37	1.37	1.37	1.38	1.38	1.38	1.38	1.38	1.38	1.38
I	Trade-related investment measures	0.38	0.78	0.94	1.04	1.05	1.09	1.49	1.70	1.76	1.82	1.79	1.65	1.73
L	Subsidies (excl. export subsidies)	19.09	27.38	31.77	35.42	46.91	47.51	44.30	43.85	44.84	48.83	42.86	43.60	41.94
M	Government procurement restrictions	0.85	2.19	2.33	2.48	2.79	3.24	3.70	3.71	3.93	4.01	3.94	4.13	4.19
P	Export-related measures (incl. subsidies)	41.65	56.39	61.07	69.31	73.36	73.21	71.05	72.56	74.83	76.23	78.51	78.85	77.17
	Tariff measures	4.46	10.20	10.95	13.67	18.47	14.97	15.20	18.98	27.63	28.17	29.45	28.64	29.18
	Instrument unclear	0.12	0.56	0.80	0.84	0.76	0.82	0.85	0.96	0.96	1.42	1.58	1.58	1.58

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY SOUTH KOREA'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING SOUTH KOREA'S INTERESTS

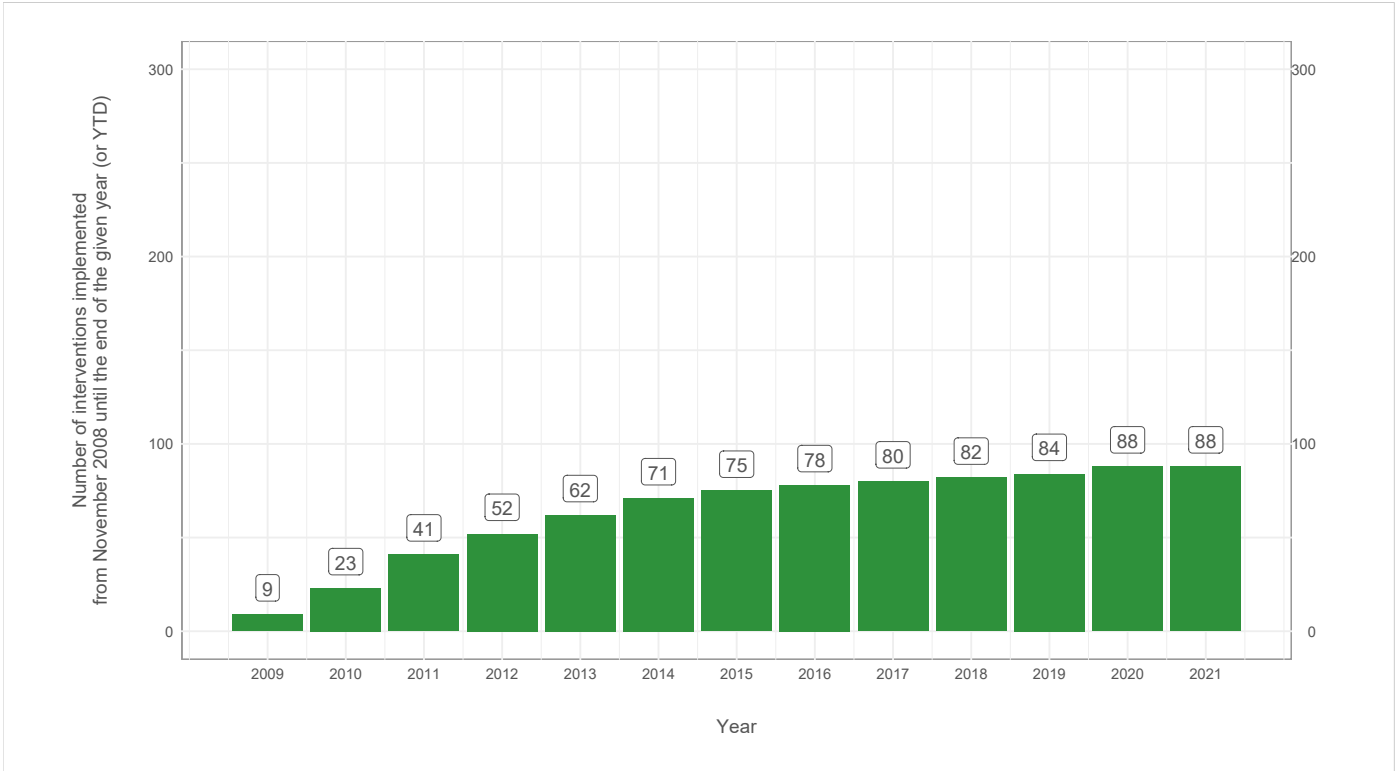


SOUTH KOREA

Track record of liberalisation

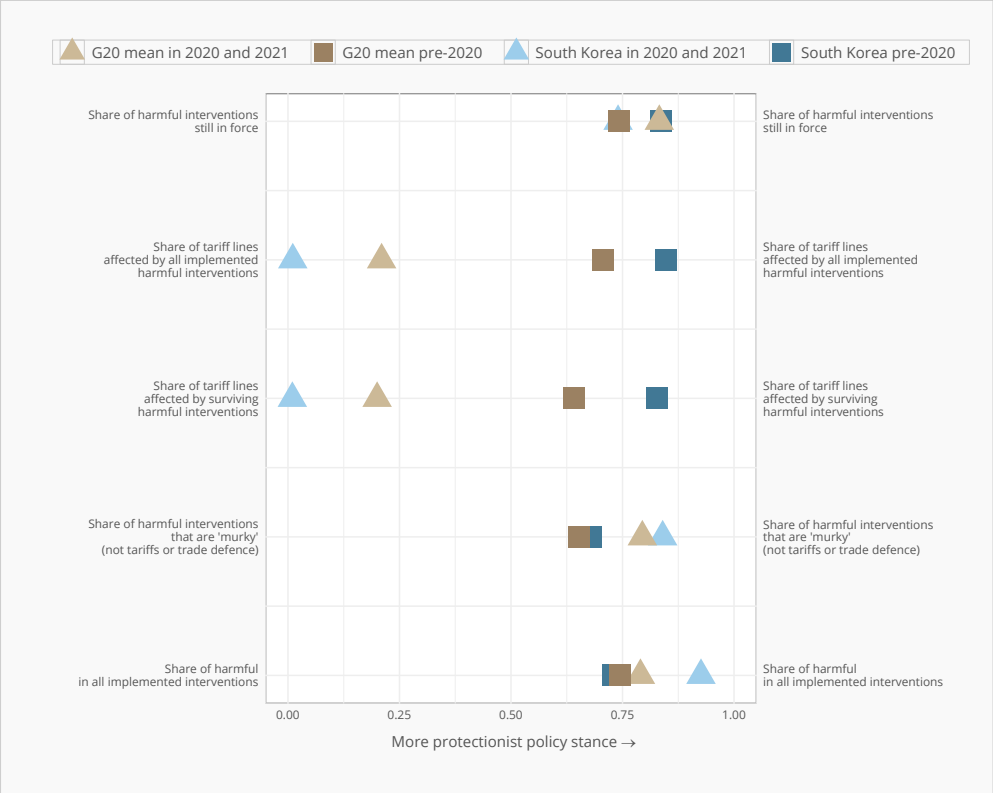
SOUTH KOREA

Number of liberalising interventions imposed since November 2008



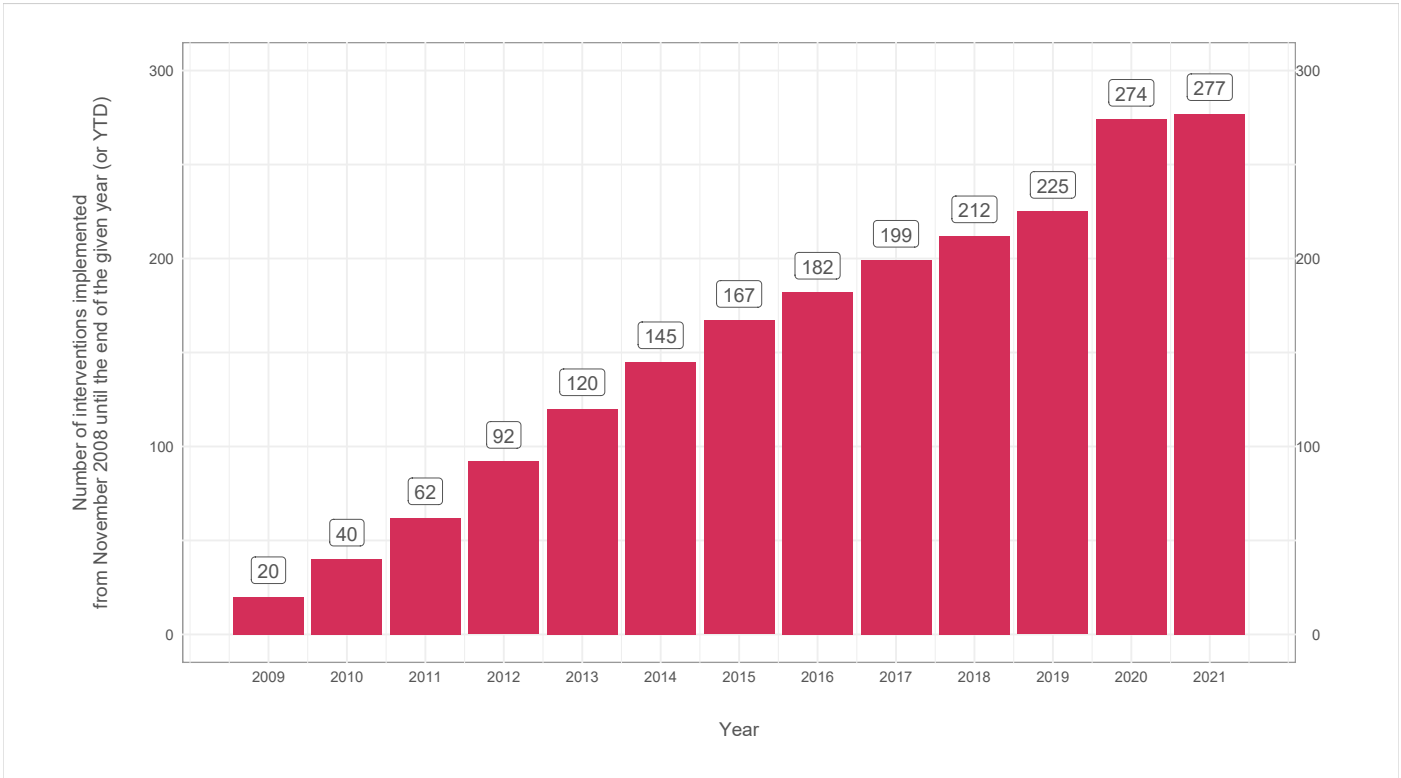
SOUTH KOREA

Track record of protectionism



SOUTH KOREA

Number of discriminatory interventions imposed since November 2008



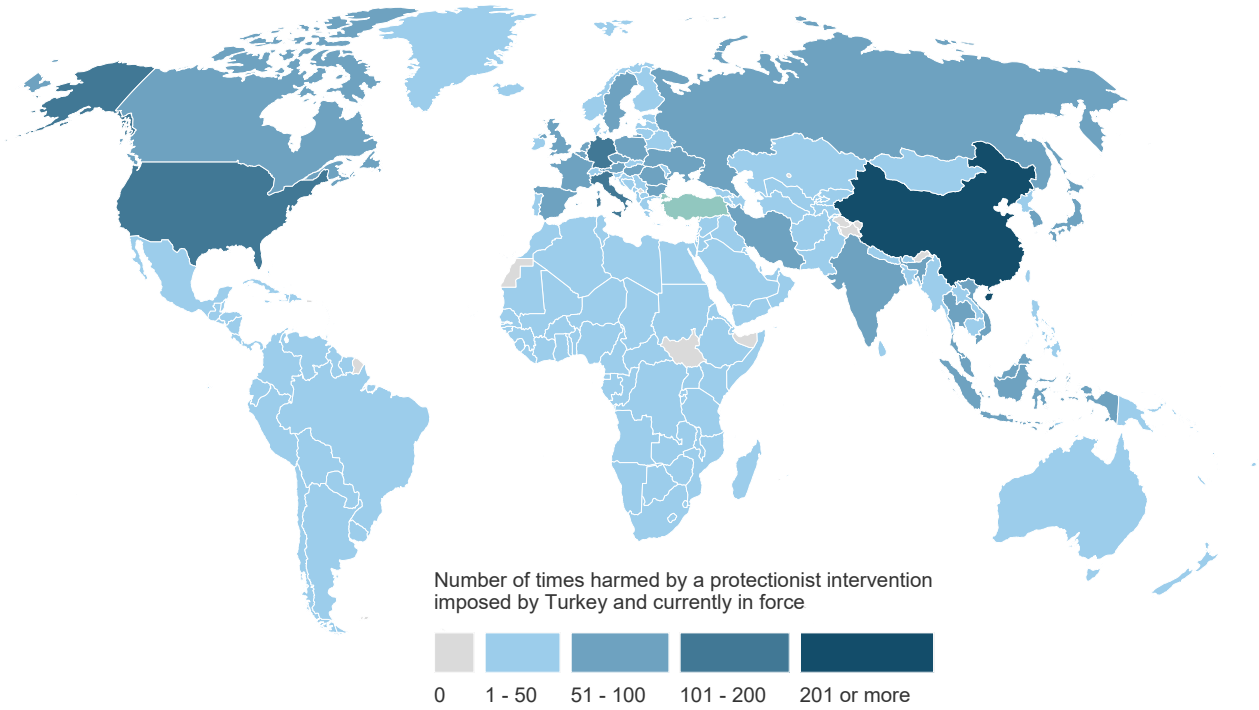
TURKEY

What is at stake for Turkey's goods exporters?

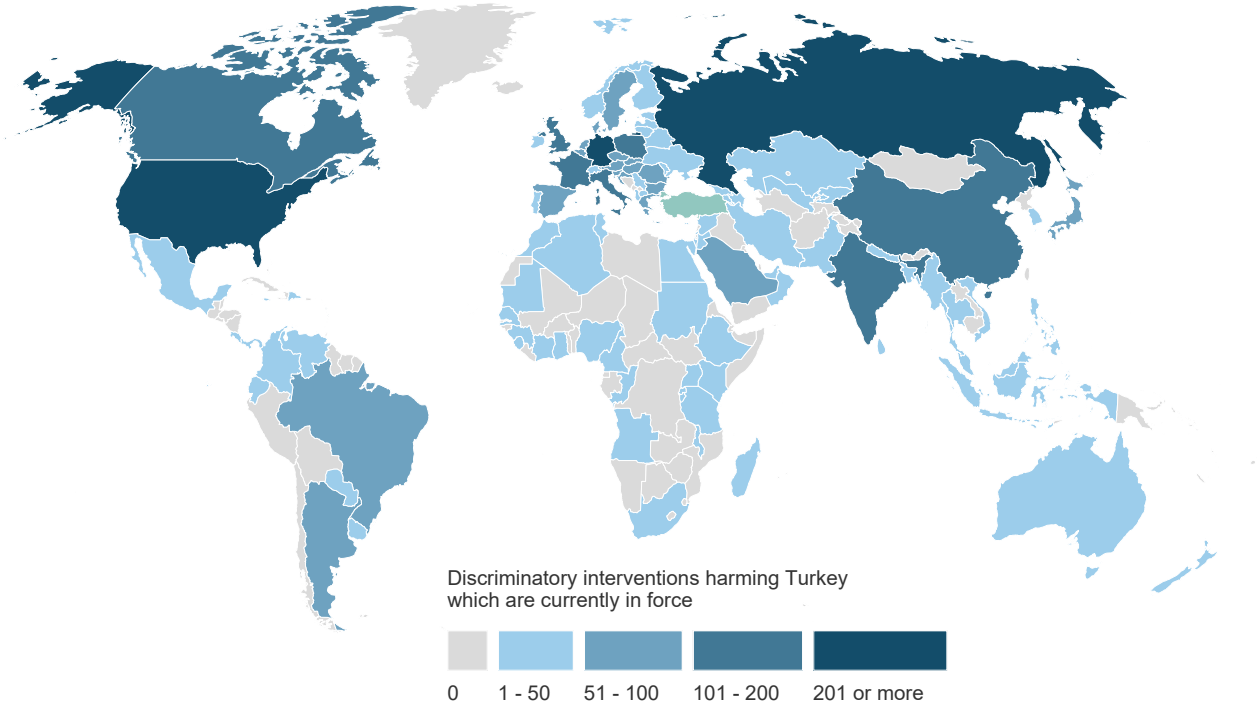
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	53.56	65.35	67.93	71.11	77.82	77.46	74.72	75.84	77.63	79.11	79.40	79.84	81.51
D	Contingent trade-protective measures	0.08	0.02	0.11	0.13	0.26	0.68	0.87	1.00	1.07	2.86	4.88	4.44	4.15
E	Non-automatic licensing, quotas etc.	0.08	0.17	0.72	0.93	0.96	1.00	1.21	2.81	4.27	4.44	4.44	3.06	3.54
F	Price-control measures, including additional taxes and charges	0.43	0.46	0.46	0.47	0.47	0.57	0.60	0.61	0.61	1.00	1.04	1.06	1.06
G	Finance measures	0.53	0.50	0.51	0.51	0.51	0.51	0.72	0.79	0.79	0.79	0.79	0.79	0.79
I	Trade-related investment measures	0.48	2.14	2.37	2.37	2.39	2.42	2.51	2.52	2.53	2.50	2.50	2.57	2.62
L	Subsidies (excl. export subsidies)	7.30	10.12	7.50	9.11	48.54	49.53	23.21	23.93	24.98	27.90	28.72	32.66	32.83
M	Government procurement restrictions	0.94	1.38	1.38	1.46	1.53	2.02	2.54	2.76	2.86	2.89	2.91	3.33	3.41
P	Export-related measures (incl. subsidies)	47.54	58.72	61.61	64.13	66.23	65.43	64.14	65.86	66.93	67.79	69.83	70.35	69.69
	Tariff measures	1.31	2.05	2.57	3.90	4.63	4.64	8.05	8.56	9.35	11.46	13.51	14.47	14.58
	Instrument unclear	0.00	0.46	0.66	0.70	0.71	0.75	0.81	0.90	0.92	1.08	1.31	1.31	1.29

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY TURKEY'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING TURKEY'S INTERESTS

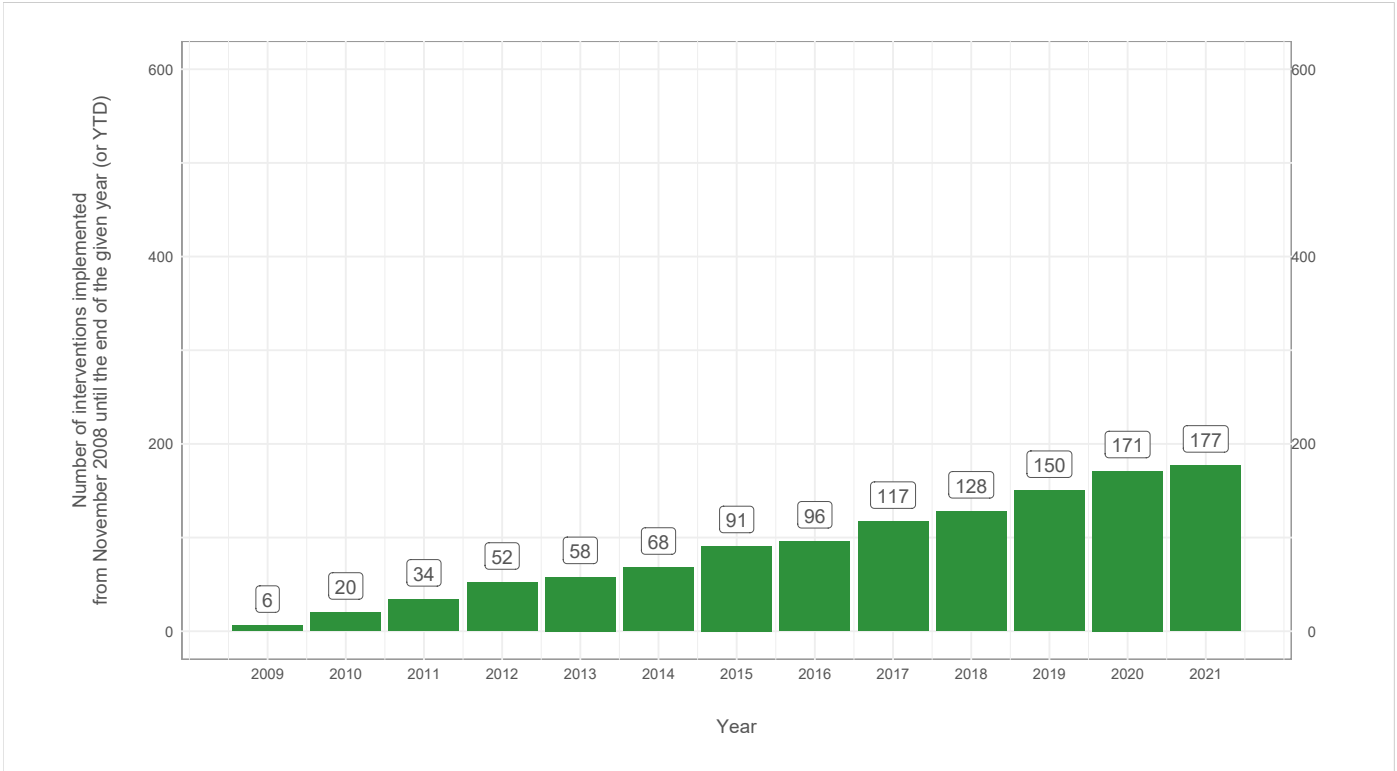


TURKEY

Track record of liberalisation

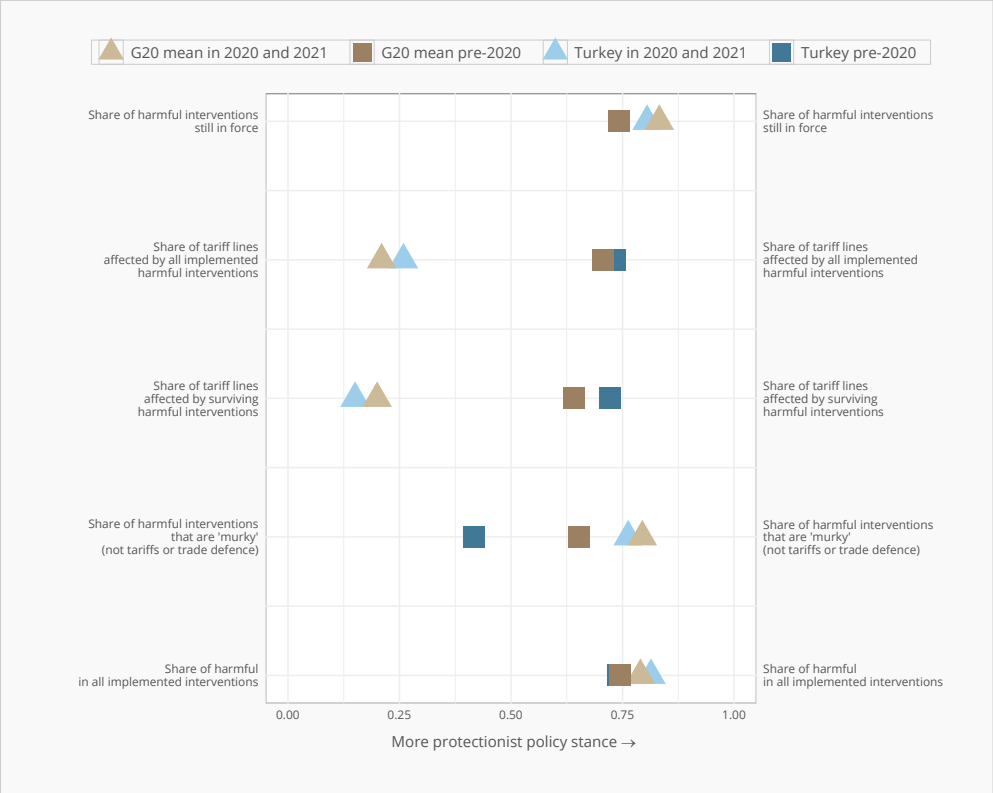
TURKEY

Number of liberalising interventions imposed since November 2008



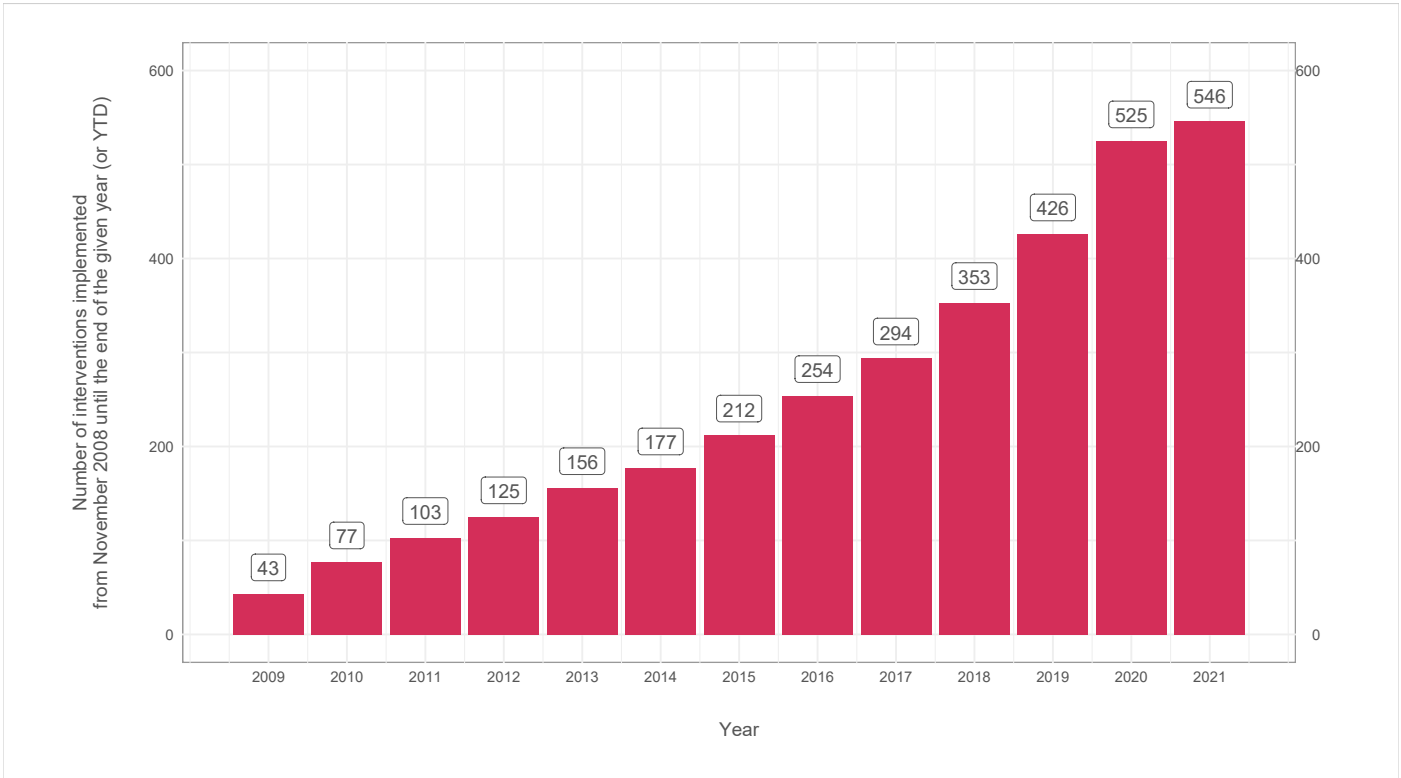
TURKEY

Track record of protectionism



TURKEY

Number of discriminatory interventions imposed since November 2008



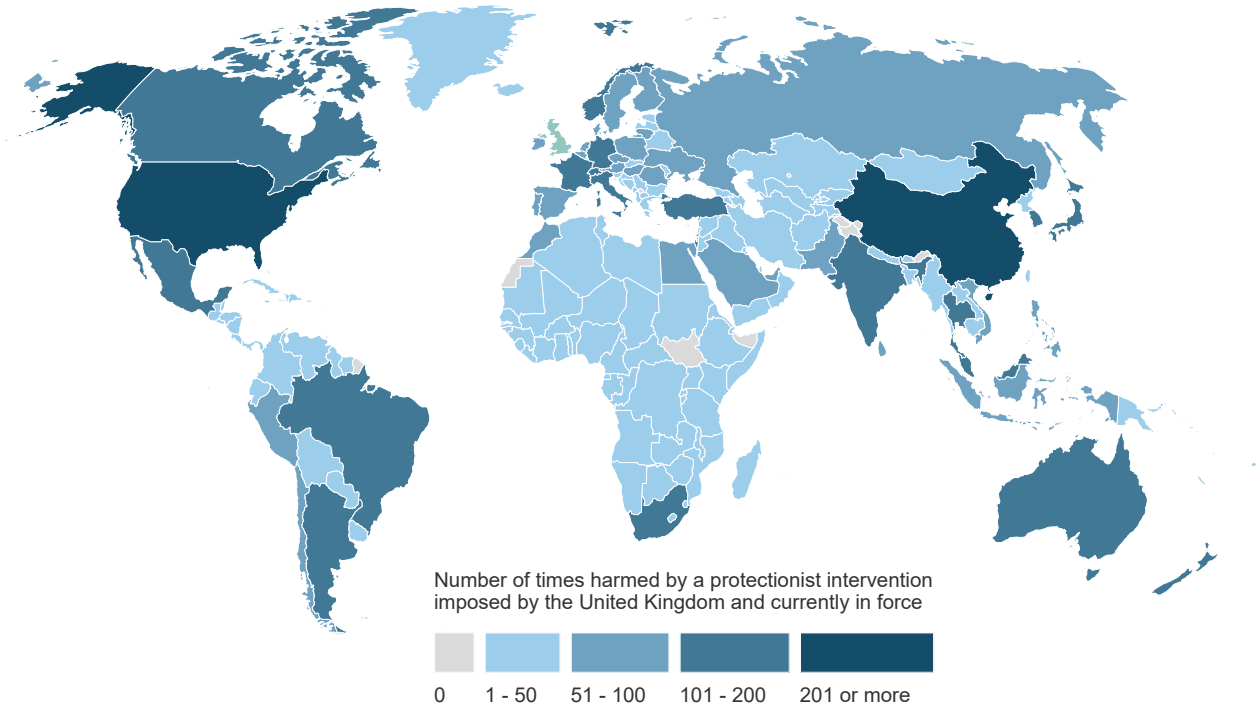
UNITED KINGDOM

What is at stake for the United Kingdom's goods exporters?

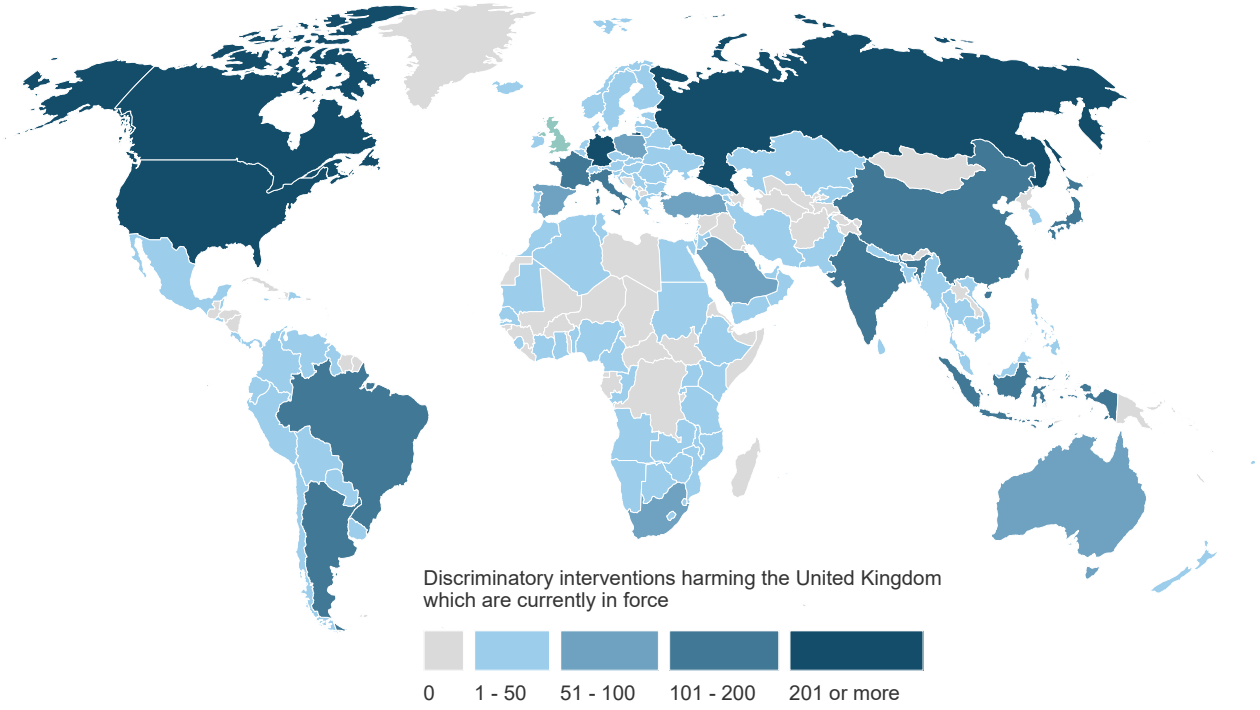
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	35.79	45.99	51.70	58.36	60.91	62.74	63.60	65.68	69.54	71.34	73.37	74.31	74.71
D	Contingent trade-protective measures	0.01	0.02	0.07	0.12	0.14	0.15	0.16	0.21	0.23	0.28	0.33	0.38	0.38
E	Non-automatic licensing, quotas etc.	0.11	0.17	0.48	0.56	0.66	0.68	0.85	0.82	1.48	2.37	2.40	2.44	4.56
F	Price-control measures, including additional taxes and charges	0.01	0.04	0.06	0.08	0.07	0.09	0.17	0.22	0.33	1.10	1.19	1.28	1.23
G	Finance measures	0.40	0.46	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47
I	Trade-related investment measures	0.33	1.17	1.29	1.31	1.31	1.34	1.42	1.50	1.52	1.50	1.53	1.55	1.60
L	Subsidies (excl. export subsidies)	4.51	7.31	9.14	12.38	13.59	18.05	17.64	19.14	20.83	23.72	25.32	28.43	28.77
M	Government procurement restrictions	0.36	0.70	0.78	0.99	1.06	1.27	1.67	1.71	1.73	1.77	1.91	2.60	2.16
P	Export-related measures (incl. subsidies)	30.58	39.56	46.07	53.68	56.13	53.54	54.40	56.81	61.52	63.52	65.64	66.46	66.97
	Tariff measures	1.33	1.65	1.71	2.42	2.99	2.93	3.13	3.50	4.20	4.52	4.99	5.53	5.69
	Instrument unclear	0.02	0.29	0.41	0.42	0.50	1.79	2.06	2.14	2.25	2.39	2.39	2.39	2.39

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY THE UK'S DISCRIMINATORY INTERVENTIONS



DISCRIMINATORY INTERVENTIONS HARMING THE UK'S INTERESTS

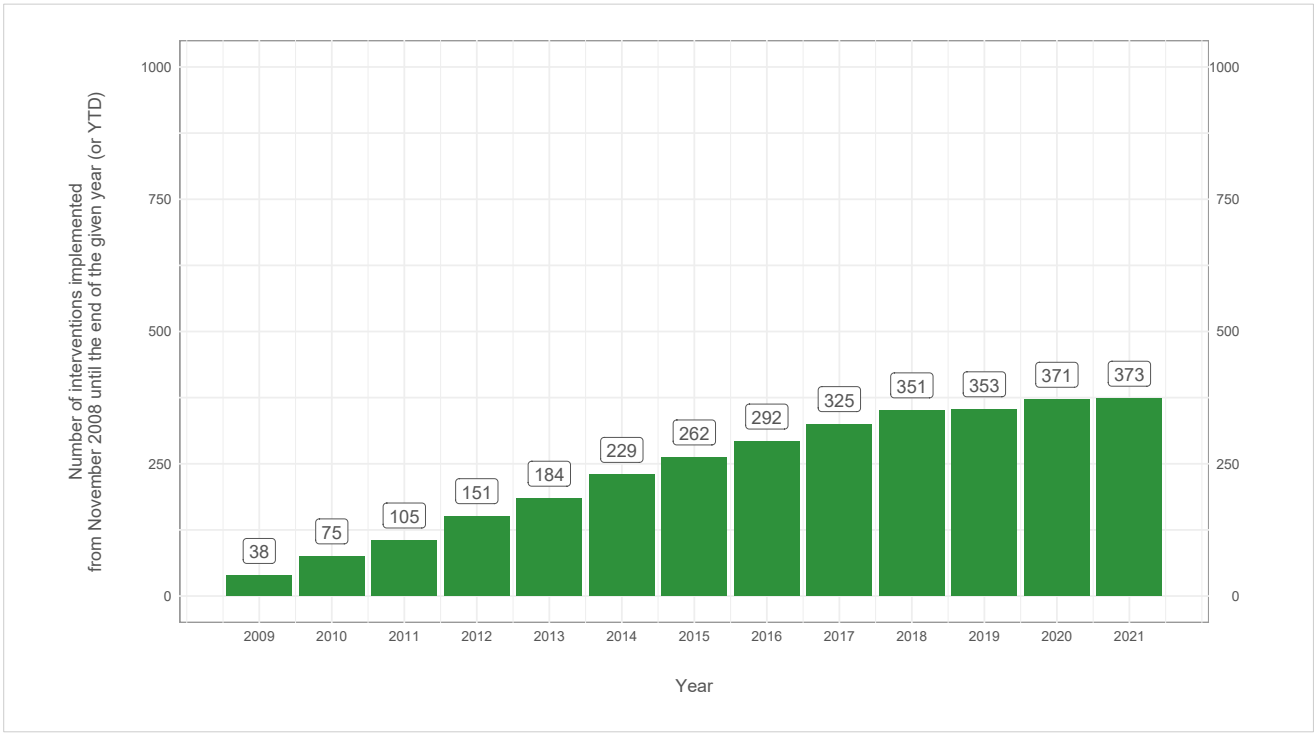


UNITED KINGDOM

Track record of liberalisation

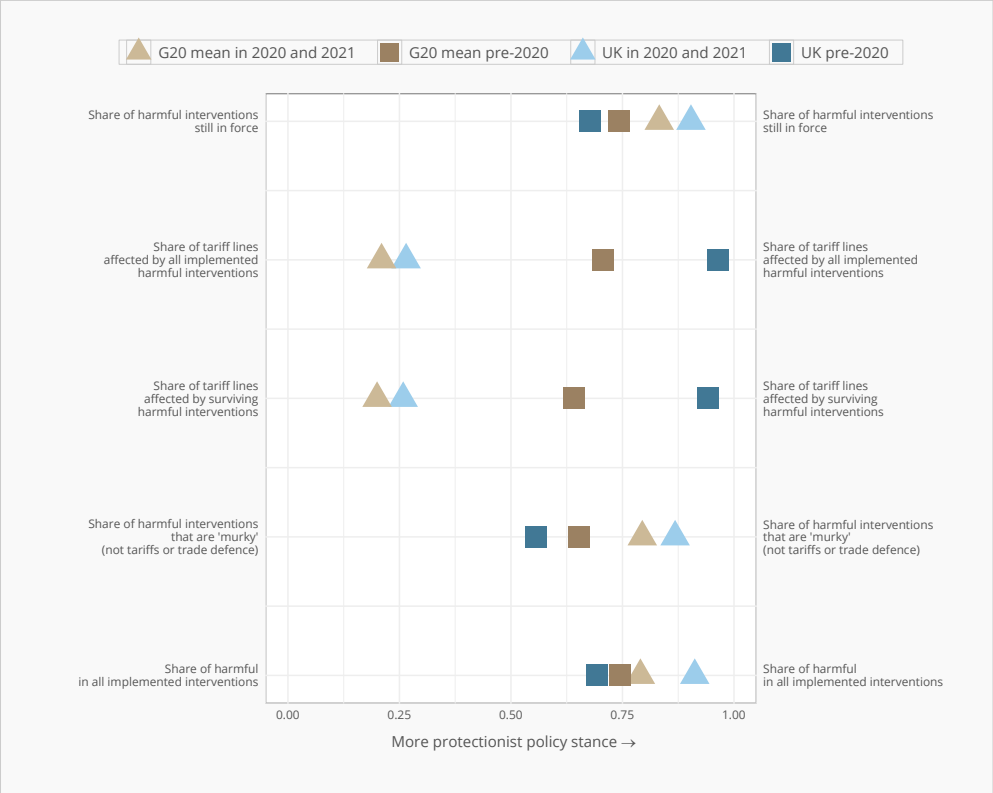
UNITED KINGDOM

Number of liberalising interventions imposed since November 2008



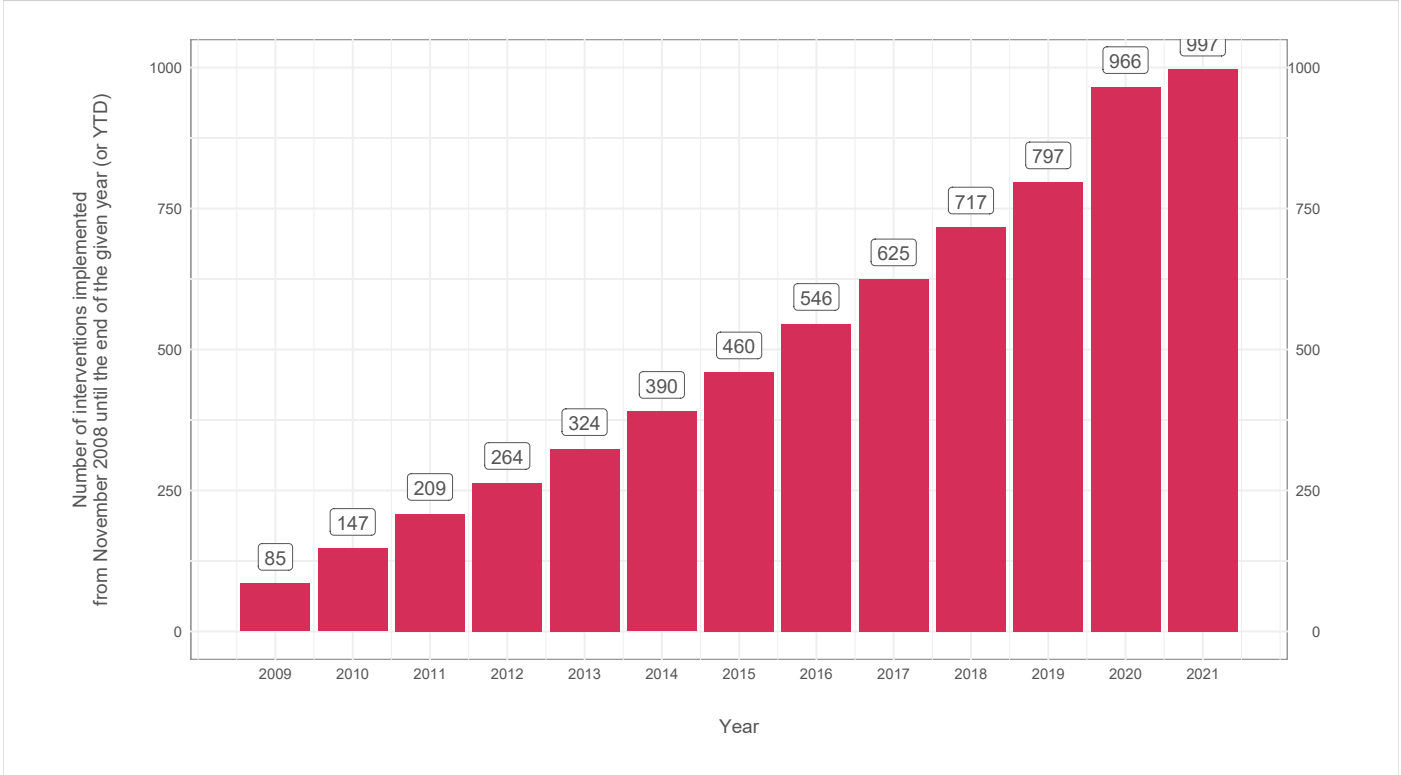
UNITED KINGDOM

Track record of protectionism



UNITED KINGDOM

Number of discriminatory interventions imposed since November 2008



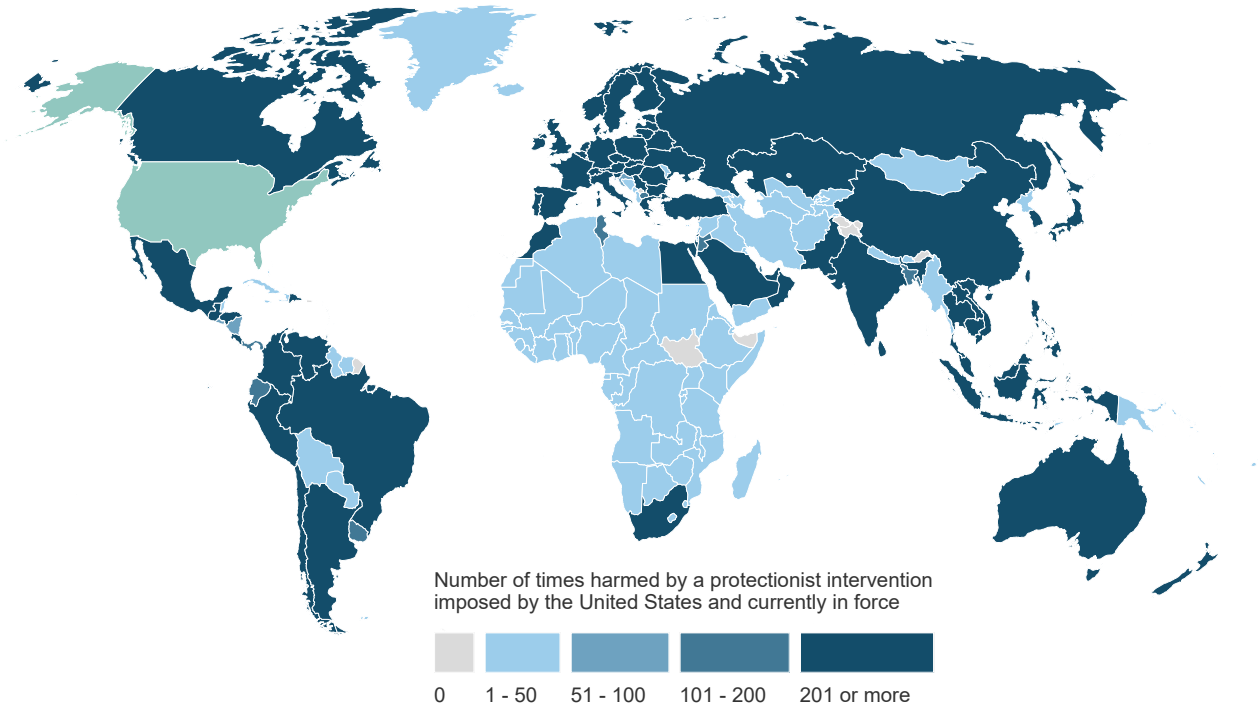
UNITED STATES

What is at stake for the United States' goods exporters?

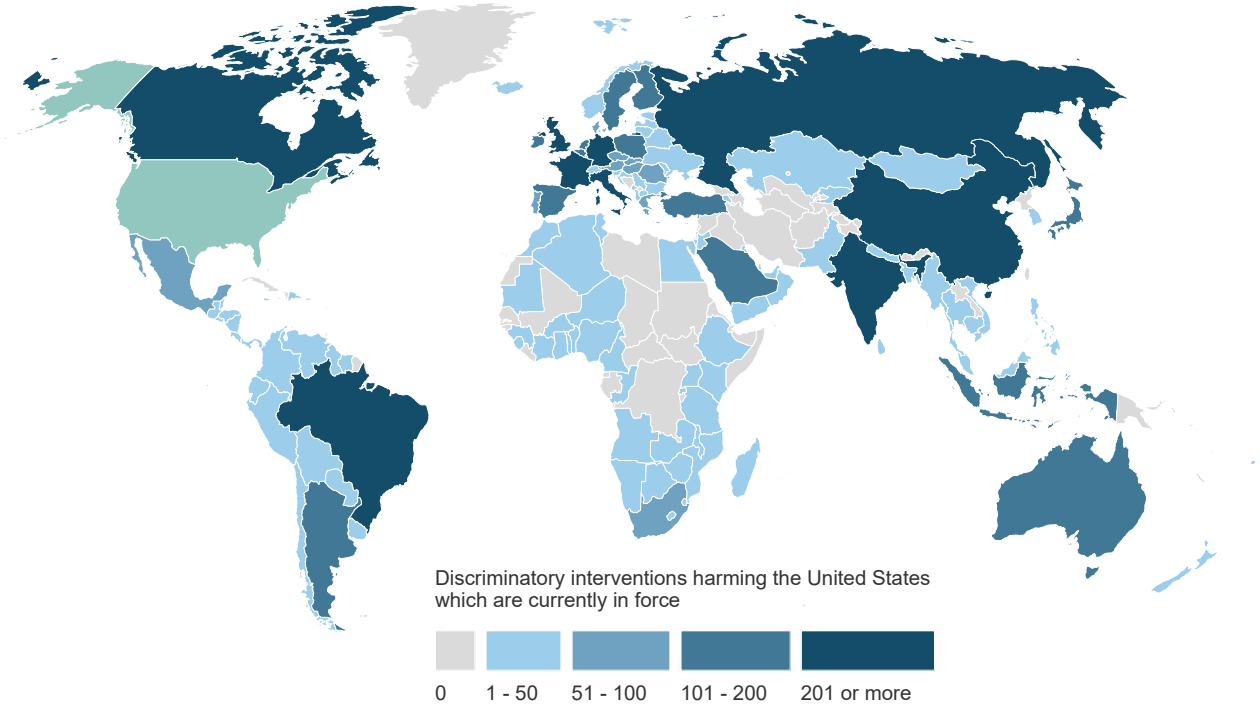
UN MAST chapter	Foreign discriminatory policy instrument	Percentage of this G20 member's exports at risk due to ...												
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	All instruments	43.22	53.33	60.13	66.21	73.65	76.13	75.17	76.53	78.74	80.97	82.65	83.12	82.39
D	Contingent trade-protective measures	0.30	0.44	0.49	0.60	0.66	0.63	0.64	0.69	0.80	1.34	1.55	1.75	1.73
E	Non-automatic licensing, quotas etc.	0.47	0.84	1.86	2.48	3.67	3.47	5.00	5.21	5.33	5.47	5.50	5.55	6.01
F	Price-control measures, including additional taxes and charges	0.08	0.10	0.14	0.20	0.33	0.66	0.89	1.03	1.11	1.52	1.59	2.10	2.11
G	Finance measures	0.34	1.03	1.10	1.10	1.10	1.10	1.11	1.11	1.11	1.11	1.11	1.11	1.11
I	Trade-related investment measures	0.36	0.77	0.46	0.49	0.50	0.57	1.26	1.62	1.17	1.09	1.09	1.09	1.15
L	Subsidies (excl. export subsidies)	5.92	8.33	7.31	8.84	26.77	28.83	21.97	23.12	26.03	29.61	30.16	31.19	31.46
M	Government procurement restrictions	0.08	0.35	0.35	0.57	0.85	1.37	1.94	1.82	1.83	1.96	2.00	2.08	2.14
P	Export-related measures (incl. subsidies)	36.54	44.99	52.47	58.43	61.29	62.77	62.30	64.31	66.91	68.14	70.27	71.05	69.59
	Tariff measures	3.15	4.14	4.88	6.52	8.36	8.10	9.88	11.59	16.68	18.81	20.42	21.31	22.76
	Instrument unclear	0.10	0.24	0.32	0.42	0.57	1.53	1.88	1.94	1.95	2.40	2.75	2.75	2.74

Note: This table presents estimates of the percentage of a nation's exports that face different harmful policy interventions in their export markets. Only those harmful interventions implemented after November 2008 count towards these totals--therefore, the estimates indicate the exposure of national exports to crisis-era policy intervention that favours domestic commercial interests. The trade data used in the estimation is taken from UN Comtrade and at the six-digit level of the Harmonised System product classification. For each product exported by a nation, the foreign markets accounted for in this estimate are those where bilateral exports exceeded $1 million for the given product. De minimis trade flows are therefore excluded. To limit endogeneity problems (that is, the harmful policy interventions affecting the total value of exports observed) pre-crisis shares of world trade are employed in these calculations. The pre-crisis shares are computed as the mean weight for the years 2005-7. The calculations also take into account when a harmful policy intervention comes into force and, where relevant, lapses. When an intervention lasts for only part of a year, the trade flow is discounted by the fraction of the year the harmful measure is not in force.

COUNTRIES HARMED BY THE US' DISCRIMINATORY INTERVENTIONS

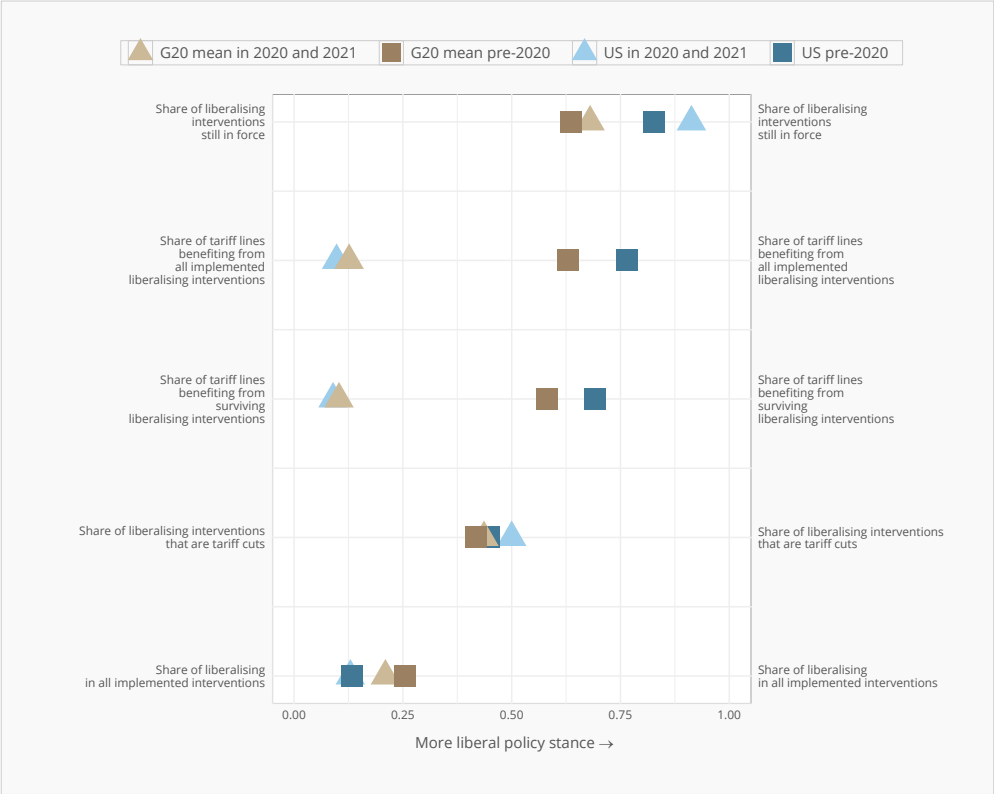


DISCRIMINATORY INTERVENTIONS HARMING THE US' INTERESTS



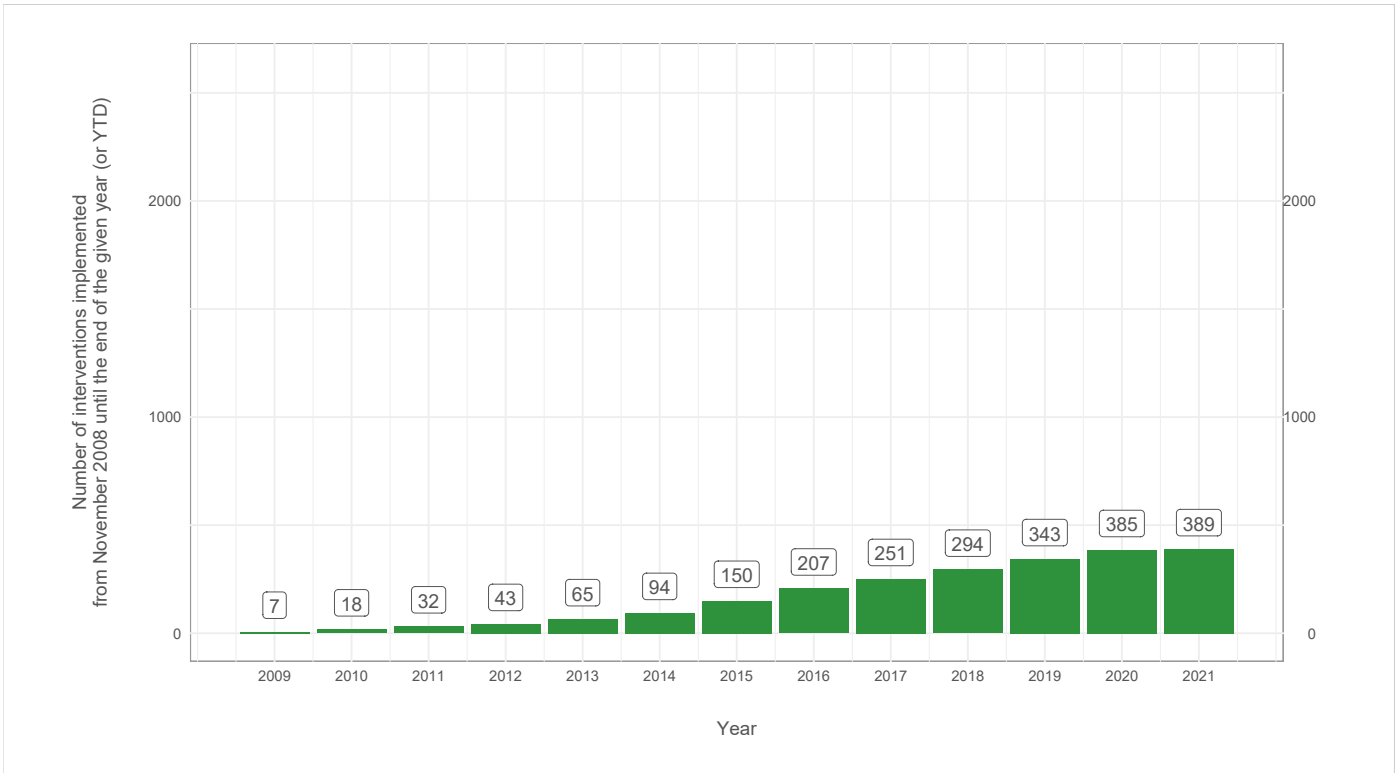
UNITED STATES

Track record of liberalisation



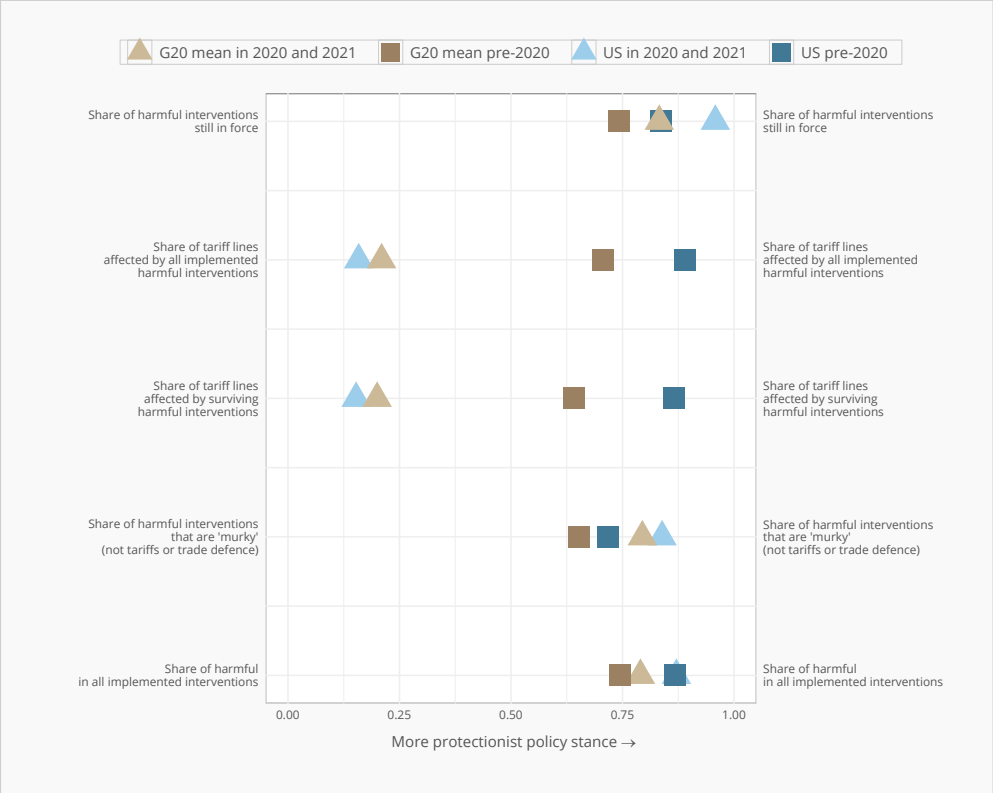
UNITED STATES

Number of liberalising interventions imposed since November 2008



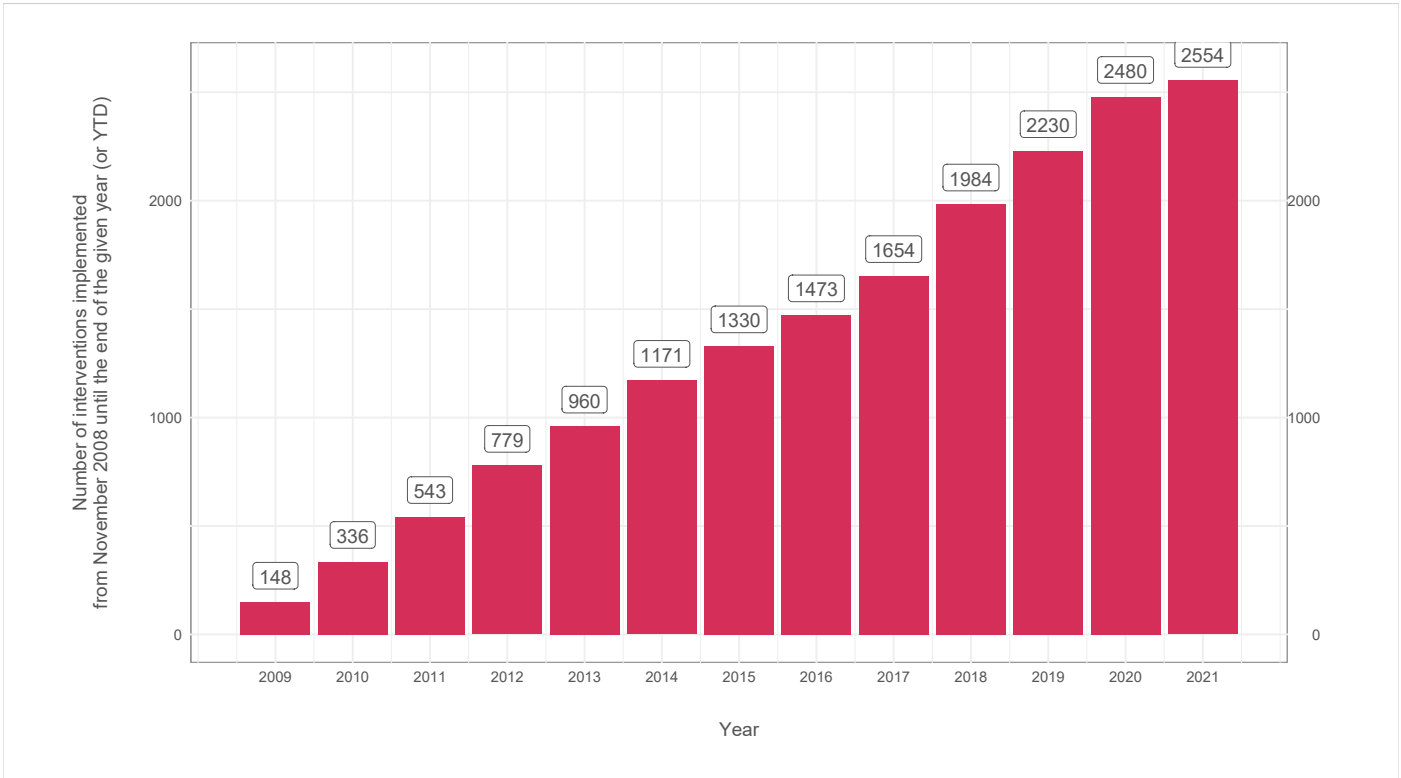
UNITED STATES

Track record of protectionism



UNITED STATES

Number of discriminatory interventions imposed since November 2008



Foreign direct investment (FDI) is in trouble. This is manifested by volumes of inward FDI that, when properly benchmarked, have been falling since the onset of the Global Financial Crisis. One aspect of the economic fallout from the COVID-19 pandemic is that FDI levels have fallen to levels not witnessed since 1995.

The purpose of this report, the twenty-seventh prepared by the Global Trade Alert team, is to survey the current state of FDI performance and policies that bear upon it. Particular attention is given to the mismatch between the increasing demands on governments and civil society that international business contribute to the Sustainable Development Goals and to tackling climate change and the reality on the ground of falling or low returns to FDI in developing countries.

With over $11 trillion invested in developing countries, both international business and governments have a huge stake in reviving the commercial fortunes of FDI. To date, too much of the onus has been on international business—for example, being told by advocates of sustainable development to "align" with the global and societal transformations needed to attain the Sustainable Development Goals. Urgently needed is a reset in deliberations on what international business can realistically deliver, especially if the deterioration in the policy framework facing FDI documented in this report is not reversed.

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