

Foreword

The *Global Investment Competitiveness Report 2019/2020* comes at a critical time—a period of economic uncertainty marked by the coronavirus outbreak (COVID-19), a challenging global policy environment for investment and trade, rising protectionism, and shifting trade and investment preferences. These forces are changing the patterns of international production and corporate decision-making, creating both opportunities and risks for foreign investment.

The report was developed in the months that preceded the outbreak of COVID-19 and focuses on trade and investment policy uncertainty due to policy shifts, globally and nationally. It finds that rising policy uncertainty is darkening the outlook for foreign direct investment. Unfortunately, these negative effects will only be exacerbated by the economic challenges and policy uncertainty brought by the spread of the virus. Considering the difficult global environment, this report focuses on what the governments of developing countries can do to enhance investor confidence, maximize investments' contributions to inclusive growth, and foster the investment competitiveness of their economies. It delivers novel analytical insights, fresh empirical evidence, and actionable recommendations for governments eager

to raise investor confidence in times of uncertainty.

Although responsible fiscal and monetary policies underpin macroeconomic stability, governments can further reduce risk and build confidence by implementing transparent and predictable regulatory regimes. Reaffirming commitments to market access and rules-based international systems would decrease uncertainty related to protectionism and economic nationalism. Better regulation and implementation would reduce obstacles to investment. Finally, governments do not need to forgo growth to improve inclusion. Measures to improve labor market skills and local supplier linkages to multinational companies can promote more equitable, broad-based economic growth.

These recommendations reflect the results of the 2019 Global Investment Competitiveness Survey of more than 2,400 business executives representing foreign direct investment (FDI) in 10 large developing countries: Brazil, China, India, Indonesia, Malaysia, Mexico, Nigeria, Thailand, Turkey, and Vietnam. Two-thirds of investors said that policy uncertainty due to protectionism and economic nationalism in trade and investment is “important” or “critically important” in their investment decisions. Over half of

those who said policy uncertainty is a “critically important” investment factor reported a decrease in employment, firm productivity, or investments over the past year. A majority of investors surveyed overall do not expect to expand investments over the next three years. Interviews were conducted from June to November 2019.

Foreign investors said that supportive political environments, stable macroeconomic conditions, and conducive regulatory regimes are their top three investment decision factors—even more important than low taxes, low labor and input costs, or access to natural resources. Moreover, the report’s new global database of regulatory risk shows that predictability and transparency increase investor confidence and FDI flows.

The report assesses the impact of FDI on poverty, inequality, employment, and firm performance using empirical evidence from various countries. It shows that FDI in developing countries yields benefits to firms and citizens—including more and better-paid jobs,

technology transfers, and stronger linkages to global value chains. Still, governments need to remain vigilant about the potential for worsening income inequality. A final chapter articulates priorities for investment promotion agencies and other stakeholders seeking to enhance their countries’ investment competitiveness.

The *Global Investment Competitiveness Report 2019/2020* draws insights from a variety of sources, including the survey of business executives, extensive analysis of data and evidence, and a thorough review of international best practices in investment policy design and implementation. Together, these sources underscore the significant threat to global economic growth from high levels of international and domestic policy uncertainty in trade and investment. They also indicate that with timely action, policy makers can bolster foreign direct investment and reap its benefits for short-term growth and long-term economic transformation—both critical for poverty reduction.



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