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КВАЛІФІКАЦІЙНА РОБОТА

на тему:
«Міжнародна інвестиційна діяльність господарюючих суб'єктів: оцінка сучасних особливостей та напрямів»

зі спеціальності 292 Міжнародні економічні відносини освітня програма «Міжнародний бізнес» за першим (бакалаврським) рівнем вищої освіти

Виконавець роботи **Каманга Стембісо Конгресс**

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Науковий керівник **к. е. н., доцент кафедри Флегантова Анна Леонідівна**

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Рецензент **Гайденко Сергій Вікторович**

Полтава 2021

ЗАТВЕРДЖЕНО
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HIGHER EDUCATIONAL ESTABLISHMENT OF UKOOPSPILKA
«POLTAVA UNIVERSITY OF ECONOMICS AND TRADE»
Educational and Scientific Institute of Business and Modern Technologies
Full-Time Form of Studies
International Economics and International Economics Relations Department

Approved for defense
___________ L. S. Franko
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QUALIFYING THESIS

«International investment activity of the company: assessment of modern features and directions»

Program Subject Area 292 International Economic Relations, educational program «International Business», first (bachelor's degree) level of higher education

Author of Thesis **Kamanga Sthembiso Congress**

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Reviewer **Haidenko Serhii**

Poltava 2021

CONTENT

INTRODUCTION

Actuality of the research. The International investment activity of the company today has an effect on the global economy. Multinational Enterprise (MNE) profit alerts are an early warning sign. The top 5,000 Multinational Enterprises (MNEs) worldwide, which account for most of global Foreign Direct Investment, have seen expected earnings for the year revised down by 40 per cent on average, with some industries plunging into losses. Lower profits will hurt reinvested earnings, which on average account for more than 50 per cent of foreign direct investment. The pandemic is a supply, demand and policy shock for foreign direct investment (FDI). The lockdown measures are slowing down existing investment projects. The prospect of a deep recession will lead Multinational Enterprises (MNEs) to re-assess new projects. Policy measures taken by governments during the crisis include new investment restrictions. Starting in 2022, investment flows will slowly recover, led by global value chain restructuring for resilience, replenishment of capital stock and recovery of the global economy. That is why it is important to examine the definition, meaning, conditions, characteristics, way forward and significate of international investment activities as subject of global economy.

The main aspects of international investment activities of companies are considered by Transnational Corporations Journal, United Nations conference on trade and development (UNCTAD). And world investment report (2018, 2019, 2020,). The role of international investment activities and the assessment of modern features and directions of international investment in the international market.

Issues of investment potential and investment activity are covered in the works of foreign and domestic scientists, in particular J. Chen [21],S. Deoskar [9], A. Hayes

[34], J. Kuepper [18], M. Thakur [6]. The actuality of the topic determined the goal and objectives, as well as defined the object and subject of research.

The aim of research is to analyze the role of international investment activity for the companies. Subsequently, the following objectives have been assigned:

– to evaluate the essence and role of international investment activity;

– to determine the role of investment activities for the company on the global market;

– to investigate the investment climate and potential of countries;

– to assess the investment attractiveness and its potential regards to the world leading TNC's;

– to examine ways to improve the investment strategy of companies in modern conditions;

– to determine the forecast of investment of the world's leading companies.

The object of the research is the international investment activities of companies in the international market.

The subject of the research is the peculiarities of the international investment activity of the company.

Research Methods. The following methods were used: comparative (to compare the activities of companies roles and essences in the international investment market); quantitative (to analyze economic and financial activity, investigate the investment attractiveness and potential of top 100 Multinational Enterprises (MNEs) in the modern conditions); case study (to determine the practical implementation of transnational corporations' management theories at foreign direct investment and investment climate from the past years); and graphical (to highlight statistical information graphically).

The information base of the research was consisted of electronic resources of the Internet, monographic literature, articles by foreign and domestic scholars in periodicals.

Approbation of the results of qualifying work. The main provisions and research results were presented at International scientific and practical conference «Potential of economic development of the state and regions: financial, innovative and investment aspects» (Dnipro, May 29, 2021).

Publications: Sthembiso Congress Kamanga The modern direction of investment and financial market // Потенціал економічного розвитку країни та регіонів: фінансові та інноваційно інвестиційні аспекти: матеріали Міжнародної науково-практичної конференції (м. Дніпро, 29 травня 2021 року). – Дніпро: НО «Перспектива», 2021. – С. 90-92.

CHAPTER 1
THEORETICAL FUNDAMENTALS OF INVESTMENT ACTIVITY IN THE INTERNATIONAL MARKET

1.1. The essence of the concept of international investment activity

International investment theory explains the flow of investment capital into and out of a country by investors who want to maximize the return on their investments. One of the major factors that influence international investment is the potential return on alternative investments in the home country or other foreign markets.

International Investment is one of the investment strategies in which an investor diversifies his portfolio by purchasing various financial Instruments like shares, mutual funds, etc. or investing to acquire ownership or collaboration in different companies across the globe in order to maximize the return and to reduce their exposure to various investment risks [1].

International Investment provides an opportunity for investors to capitalize on the good performance of the foreign economy if their domestic economy's performance is relatively bad. These investments are mostly driven by the macro economy of the country and most investor focus on the emerging economy [2].

Investing refers to things people, companies and governments do to create more wealth, make money grow, boost production, and improve people's standard of living. The term may also refer to allocating time for something in the hope of future benefit**.**

An investment can refer to any mechanism used for generating future income, including bonds, stocks, real estate property, or a business, among other examples.

An investment is an asset or item that is purchased with the hope that it will generate income or appreciate in value at some point in the future, as per Investopedia.com. Investment.

International Investment is one of the investment strategies in which an investor diversifies his portfolio, an opportunity for investors to capitalize on the good performance of the foreign economy if their domestic economy's performance is relatively bad [3].

The concept of economic investment means an addition to the capital stock of the society. The capital stock of the society is the goods which are used in the production of other goods. The term investment implies the formation of new and productive capital in the form of new construction and producers durable instrument such as plant and machinery. Inventories and human capital are also included in this concept. Thus, an investment, in economic terms, means an increase in building, equipment, and inventory [4].

Financial investment: this is an allocation of monetary resources to assets that are expected to yield some gain or return over a given period of time. It means an exchange of financial claims such as shares and bonds, real estate, etc. Financial investment involves contracts written on pieces of paper such as shares and debentures. People invest their funds in shares, debentures, fixed deposits, national saving certificates, life insurance policies, provident fund etc. in their view investment is a commitment of funds to derive future income in the form of interest, dividends, rent, premiums, pension benefits and the appreciation of the value of their principal capital. In primitive economies, most investments are of the real variety whereas in a modern economy much investment is of the financial variety [5].

The economic and financial concepts of investment are related to each other because investment is a part of the savings of individuals which flow into the capital market either directly or through institutions. Thus, investment decisions and financial decisions interact with each other. Financial decisions are primarily concerned with the sources of money whereas investment decisions are traditionally concerned with uses or budgeting of money.

Advantages of international investment:

– foreign Investment can stimulate the country's economy and also boost the local industries.

– international Investment creates new job opportunities; this leads to an increase in the purchasing power of people and increase their standard of living.

– parent enterprises would also provide investment to get additional expertise, technology, and products.

– as an Investor International Investment is an opportunity to expand his business, diversify his portfolio, to get entry into the new market.

– reduction in cost of production.

– tax Incentives

Disadvantages of international investment:

– international Investment makes things tough for local companies by creating huge competition.

– the risk of Political change will always be a concern for investors as it can lead to expropriation.

– unstable Economic conditions can make your investment economically non-viable.

– international Investment can impact exchange rates that can make things worse for the investor or the target economy [6].

The calculation of international investment is explained Net Foreign Investment (NFI): NFI is also referred to as net capital outflow from the economy. It is the difference between net investments is done by people in the overseas economy and net investment done by overseas people in the domestic economy. NFI includes

Outflow and Inflow of both Foreign Direct Investment and Foreign Portfolio Investment. NFI is one of the important parameters to analyze the Financial Condition of the economy. Negative NFI states that the nation is a debtor nation and vice versa [7].

Foreign Market Exposure An investor who has interest in gaining exposure to foreign markets can use bonds as one way to invest in the economies of foreign countries or companies. Investing in foreign markets can allow an investor to profit from the growth in these countries. Foreign market investing may also be attractive for an investor during periods of decline in the American markets. Though bonds may not offer the returns of foreign stocks, they generally are safer investments.

Capital Investments When foreign investors buy and sell capital investments or securities (ex. stocks and bonds) issued in a given country, they must engage in foreign exchange in order to complete transactions. Similar to trade, the international demand for a country's capital investments has a direct effect on the demand for and price of its currency. Following a decline in a country's currency value, all things being equal, foreign investors may be inclined to invest in that country's securities, taking advantage of the exchange rate-reduced prices.

Rate of Return Almost every investment balances a risk versus reward ratio. This means the riskier the investment, the higher the rate of return on capital. Conversely, the less risky the investment, the lower rate off return. There are many cultures throughout the world that are just becoming part of the global conversation in terms of trade. By investing in these emerging markets, investors can see a higher rate of return than they might in a more established country that is undergoing slower growth.

Diversification One of the biggest advantages to international investing is diversification. By placing your money in U.S. stocks, bonds and real estate, you are essentially investing in the United States. While many U.S. companies sell products and services to businesses in other countries, you are still keeping your investment dollars localized to the United States. By investing directly in stocks, bonds and real estate overseas, you are diversifying your risk. If United States has a sluggish economy for a few years, but other parts of the world are on fire with economic growth, you can boost your investment returns. Conversely, if that paradigm switches, you can stabilize your international returns by investing in the U.S. economy. In this manner diversification spreads risk.

Identifying Opportunity Cost International investment theory is largely determined by the opportunity cost of investment. Opportunity cost is a financial term that refers to the cost you face when picking one investment instead of another that might be more profitable in the long run. International investors compare various investment alternatives and select the opportunity that is likely to maximize returns [8].

Types of International Investment Government Funds/Aids – These are funds that flow from one economy to the other with the purpose of aid or assistance to the economy as a whole. These transactions are carried out between the governments.

Cross Border Loans – A loan arrangement where a government or institution seeks loan financing from a foreign bank is known as cross border loans. Cross-border financing became a popular financing vehicle because of its easier accessibility and fewer collateral restrictions [9].

Foreign portfolio investment is passive foreign investment where investors do not directly participate in the investment in the foreign country. Instead, investors put their money into foreign securities and other investments to earn interest or dividends.

Foreign direct investment (FDI) is an investment when the investor invests in a business situated on foreign land in order to acquire ownership or collaboration.

According to the International Monetary Fund, when an investor holds 10% or more of a foreign company, it is considered to be foreign direct investment (FDI).

Although a holding of 10% doesn't give an investor the controlling interest, it does give the power to influence management decisions.

According to the Organization of Economic Cooperation and Development (OECD), the direct or indirect ownership of 10% or more of the voting power in the business by foreign investors is considered under the category of foreign direct investment (FDI).

Foreign direct investment (FDI) Transactions are done in mainly three ways:

– greenfield Project.

– joint Ventures.

– merger & Acquisition (M&A) also called Brownfield investment.

The three ways are explained below:

Greenfield Projects: When foreign direct investment (FDI) is used to start an enterprise in a foreign country from scratch and don't acquire an existing company to enter the market. Greenfield project also includes the construction of new plants, offices, etc.

Joint Ventures: When foreign direct investment (FDI) is used to enter in venture with the foreign corporations in order to expand their business in a foreign country.

Brownfield Investment: It is another type of foreign direct investment (FDI) transaction in which investment is used to merge or acquire an enterprise on foreign land. Joint Ventures and Brownfield investments are mostly used to enter the foreign market.

Example 1 – Foreign direct investment: Brownfield Investment: (Tata & Corus deal) / Mergers and Acquisitions (M&As)

Tata Steel one of the Indian steel market giants acquired Corus Group plc, known as one of the largest steel producers of the UK. The deal was officially announced on April 2nd, 2007, the total value of this acquisition was £6.2 billion

(US$12 billion). This states that Tata Steel an Indian company made a direct investment of ₤6.2 billion (US$12 billion) in the Corus Group plc a UK-based enterprise in order to acquire management control in the enterprise. [10].

Mergers and Acquisitions (M&As) in which the company merges or acquires the control of a local company. This is a fast and easy way to either privatize or restructure state-owned enterprises. In recent years, this component of foreign direct investment (FDI) has increasingly become dominant.

«According to United Nations Conference on trade and development's World Investment Report (1998), Latin America recorded the highest increase in foreign direct investment (FDI) (USD 24 billion) among developing countries between 1996 and 1997, Privatization constituted 19 per cent of foreign direct investment (FDI) in Latin America.» (TT Ram Mohan, IIM, Ahmedabad).

Example 2 – Foreign direct investment: Greenfield Investment

Investment by Multinational Corporation like Coca-Cola, Starbucks, Accenture, etc. in various overseas countries is a good example of Greenfield investment. These companies don't enter the foreign market through mergers or acquisitions; they directly invest in the foreign economy to construct a new production facility, offices, etc. Nike establishing a new factory in Indonesia is an example of Greenfield investment. Expanding existing facilities is also taken as Greenfield investment. Greenfield foreign direct investment (FDI) usually follows strong economic performances in the country. East and South-East Asian economies had and still attracting much Greenfield foreign direct investment (FDI).

International investment is so important because it makes economic globalization and the growth and jobs it brings possible. Investment provides the finance needed to build value chains that stretch across the planet. It facilitates the trade that allows goods and services to be moved to where they are needed. International investment also helps domestic economies to grow too, both directly by giving local firms the means to expand in home and export markets, as well as indirectly through access to the investors' expertise, experience and networks [11].

The issue for governments is how to encourage international investment and to maximize its benefits. They have been successful in eliminating overt discrimination against foreign investors but it has become clear during the crisis that many structural impediments continue to hold investment back. Governments need to tackle these structural barriers so that investment can flow towards the projects, firms and places that need it most. Governments need to encourage longer-term productive investment in the firms and ideas that will be the sources of growth, rather than the short-term strategies that provided such a fertile breeding ground for the crisis. Getting it right means finding the best balance between multiple, sometimes competing, economic goals, social needs, and political constraints as well as the interests of stakeholders ranging from huge multinational corporations to civil society [12].

The advantages of foreign direct investment (FDI) can be to either the investing company or the investee company. Of Course, an ideal situation would be if both the parties (and both the countries involved) benefit from such arrangements

Advantages to the Investing Company would be the following

1. Expanding and Exploring – It would help the investor company is exploring a new market and expanding their market share beyond the boundaries of their own country. When a company has reached the maturity stage in its growth graph in its home country, it would be a great boost to its profitability if they are able to enter a new market

2. Lower Costs – of Production, Labor – Generally, in the set-up of an foreign direct investment (FDI) arrangement, the investor is based out of a developed nation (like the USA or the UK) and the investment is in a developing country. And in developing countries, the cost of labor and material is considerably low. This is one of the major reasons that attract investors from investing in developing countries.

3. Tax Incentives – Foreign companies are usually given tax incentives by host countries with a view to attracting foreign capital. This way the investor will be paying considerably less tax in the host country as compared to their home country and thereby increasing the profitability.

Advantages to the Investee Company:

1. Access to Global Technological Developments – The host country (i.e. the country where the investment is being made) gets access to new technology through foreign direct investment and then gradually, their domestic competitors pick it up as well. This way the consumers of the host country also benefit, as they are able to use new products/services.

2. Access to Advanced Business Practices and Expertise Developed Over the Years – An established company brings with it years of expertise that it has gathered over time from dealing with various challenges. Hence, the new company gains this experience without having to face those challenges. This will give an edge to the investee company over its competitors.

Advantages to the Host Country:

1. Generation of Employment – When more industries are set up in a developing economy, it helps in the generation of large scale employment which contributes to the economic development of the host country. It may also provide the employees with a better quality of work, more opportunities to go to foreign countries, experience different cultures, meet new people, build a diverse network. This will ensure they bring new perspectives and ideas back home that can be implemented and result in better productivity.

2. Contribution to GDP – The revenues generated by these companies contribute to the GDP of the host country. Further, as listed earlier, it helps in the generation of employment; this improves the purchasing power of the employees and thus boosts the economic activity in the country.

3. Higher Competition, Consumers Benefit – It is universally agreed that more competition is beneficial to consumers. Why is that so? When there are multiple players in the market, they try to lower the cost as much as possible to maintain a profit margin as they cannot increase the market price. Further, they are also constantly innovating in order to stay relevant and to not lose their market share to competitors – this gives consumers access to better quality products.

Similarly, when an established company from a developed country enters the market in a developing country, they usually possess better technology and business practices. Hence, domestic competitors will be forced to innovate and meet up to international standards. Thus, ultimately, the consumer benefits.

Disadvantages of Foreign Direct Investment; below are some disadvantages of foreign direct investment as follows:

1. Uncertainty in Government Policies – Change in government policies is unpredictable sometimes and it may have an adverse effect on FDIs. Policy changes can either be in the home country of the investor, for example, the policy changes by the US government (as mentioned earlier). Or they can be in the host country, for example, experts have predicted that foreign direct investment (FDI) inflow to the UK after Brexit will reduce.

2. Loss of Domestic Investment – As overseas investment gets more and more lucrative to investors, the domestic country loses out on domestic capital and this will have an adverse effect on its GDP, employment, etc.

3. The Exploitation of the Resources of Host Countries – This usually happens when the host country is a developing or underdeveloped economy. The investors exploit the human as well as other natural resources without keeping in mind the long-term adverse effect this may have on the host country. For example – Underpaying the labor, large-scale deforestation for setting up industries, releasing

untreated wastewater into streams/rivers, etc. Although this will benefit the investor, such actions will have unfavorable effects on the host country in the long term.

4. Risk of the Unknown – Even in the case where the investor possesses rich experience in the industry in which the company operates, this experience might fall flat on its face in a foreign (host) country owing to differences in the culture and preferences of the consumers there. Hence, detailed and comprehensive market research of the target demographic is imperative before deciding on foreign investment [12].

2. Foreign Portfolio Investment (FPI) [13].

FPI is an investment made in a foreign economy by an investor with no motive to gain any role in the management of any organization. Foreign Portfolio Investors purchase securities traded in another country, which is highly liquid and can easily get buyers when required. Such securities include instruments like stocks and bonds.

1.2. The role of investment activities for the company on the global market

A global market is not limited to specific geographic locations but rather involves the exchange of good, services, and labor anywhere in the world. For example, a business may be located in the United States. It may purchase components for one of its products from Japan, South Korea, Germany, and Mexico. The components may be shipped by a shipping company from Greece to an outsourcing firm in China for assembly, where it is then transported across Chinese and Russian railroads for distribution in European retail stores. The business' stock may be traded on the New York Stock Exchange, Japanese Nikkei Exchange, and the London Stock exchange [14].

Invest in Financial Instruments Investment companies invest in financial instruments according to the strategy of which that they made investors aware. There are a wide range of strategies and financial instruments that investment companies use, offering investors different exposures to risks. Investment companies invest in equities (stocks), fixed-income (bonds), currencies, commodities and other assets [15].

Foreign direct investment can be used by international investors on both a macro and microeconomic level. Countries with sustainable and growing levels of foreign direct investment are preferable, while companies investing abroad can often benefit from higher growth rates.

For international investors, foreign direct investment plays an extremely important role. The growth of emerging markets has been due in large part to incoming foreign direct investment. At the same time, companies investing abroad can realize higher growth rates and diversify their income, which creates opportunities for investors [16].

It's hard to overstate the macroeconomic importance of foreign direct investment with more than $1 trillion worth of capital changing hands in 2010 alone. While these funds usually improve a host country, there are several downsides that may also come into play. That said, sustainable levels of incoming foreign direct investment are often seen as a healthy economic signal to international investors [17].

For international investors, seeking out investments in countries with sustainable and growing foreign direct investment is a popular strategy. These levels can be found on websites like the United Nations Conference on Trade and Development (UNCTAD) [18].

One great example of a successful foreign direct investment is Suzuki Motor Company's joint venture in India through Maruti Suzuki India Limited. Since the joint venture was created, the company has become a market leader in India's automobile industry. And Suzuki's majority ownership stake has since provided it with billions in profits over the years [19].

Here are some tips for investing in companies active in foreign direct investments:

Be Wary of Regulations. Some countries regulate how much control foreign corporations and investors can have in their domestic companies. For instance, China's joint ventures with foreign companies are notorious for their structural complexity.

Be Aware of the Risks. Mining and energy joint ventures, in particular, are very popular in somewhat unstable regions in the Americas and Africa. Investors should be aware of the risk of nationalization, political conflicts and other potential problems that may arise.

Diversification is Best. Companies that are involved in foreign direct investment across a number of different regions around the world offer greater diversification [20].

A multinational corporation (MNC) has facilities and other assets in at least one country other than its home country. A multinational company generally has offices and/or factories in different countries and a centralized head office where they coordinate global management. These companies, also known as international, stateless, or transnational corporate organizations tend to have budgets that exceed those of many small countries [21].

Foreign investments most often occur when a foreign business is established or bought outright. It can be distinguished from the purchase of an international portfolio that only contains equities of the company, rather than purchasing more direct control [22].

One of the benefits of Multinational Corporations is outsourcing of production by multinationals – enables lower prices; this increases disposable incomes of households in the developed world and enables them to buy more goods and services – creating new sources of employment to offset the lost jobs from outsourcing manufacturing jobs [23].

Multinational corporations provide us all with a series of advantages which are challenging to ignore. These firms give us access to cheaper goods, provide jobs, and generate a robust economy that creates numerous indirect opportunities from which we all typically benefit in some way. Even if these businesses consolidate over $1.5 trillion in spending each year, there is a direct return for that investment [24].

The expected level of global foreign direct investment (FDI) flows in 2021 would represent a 60 per cent decline since 2015, from $2 trillion to less than $900 billion. The outlook beyond 2021 is highly uncertain. A U-shaped trajectory, with a recovery of foreign direct investment (FDI) to its pre-crisis trend line before 2022, is possible but only at the upper bound of the expectations. Economic and geopolitical uncertainty look set to dominate the investment landscape in the medium term. At the lower bound of the forecast, further stagnation in 2022 will leave the value of global foreign direct investment (FDI) well below the 2019 level. The trend in foreign direct investment (FDI) could enter a phase of gradual stabilization at a structurally lower level than before the crisis [25].

Multinational Enterprises (MNEs) from developed economies reduced their overseas investment activity only marginally. The flow of outward investment from developed economies declined by 3 per cent to $1 trillion in 2017. Their share of global outward foreign direct investment (FDI) flows was unchanged at 71 per cent. Flows from developing economies fell 6 per cent to $381 billion, while those from transition economies rose 59 per cent to $40 billion. Outward investment by European MNEs fell by 21 per cent to $418 billion in 2017. This was driven by sharp reductions in outflows from the Netherlands and Switzerland. Outflows from the Netherlands – the largest source country in Europe in 2016 – dropped by $149 billion to just $23 billion, owing to the absence of the large megadeals that characterized Dutch outward investment in 2016. As a result, the country's equity outflows fell from $132 billion to a net divestment of –$5.2 billion [27].

Table 1.1 – Examples of Merging and Acquisition cancelled for pandemic-related reasons

Merging and Acquisition company	Pandemic related reasons
Public Storage, Inc – National Storage REIT	On 18 March 2020, Public Storage (United States) withdrew its plans to acquire the share capital of National Storage REIT (Australia) for an estimated $1.2 billion.
Asia Pacifi c Village Group Ltd – Metlifecare Ltd	On 27 April 2020, Pacifi c Village Group, a unit of EQT Holdings Cooperatief (Netherlands), withdrew its agreement to acquire the share capital of Metlifecare (New Zealand) in a $1 billion deal.
HOT Telecommunication Systems Ltd – Partner Communications	On 31 March 2020, HOT Telecommunication Systems, a subsidiary of Next Alt SARL (Luxembourg), withdrew its tender offer for the share capital of Partner Communications (Israel) for $900 million.
Melco Resorts & Entertainment Ltd – Crown Resorts	On 6 February 2020, Melco Resorts & Entertainment (Hong Kong, China) announced that due to the pandemic and the Macao, China decision to lock down casinos
Alphatec Holdings Inc – EOS Imaging SA	On 24 April 2020, Alphatec Holdings (United States) withdrew its tender offer for a stake in EOS Imaging (France) for just over $100 million.

Source: [26]

Reinvested earnings in the fourth quarter of 2017 were 78 per cent higher than during the same period in 2016, in anticipation of tax reforms. Investment activity abroad by Multinational Enterprises (MNEs) from developing economies has declined by 6 per cent, reaching $381 billion. Outflows from developing Asia were down 9 per cent to $350 billion as outflows from China reversed for the first time since 2003 (down 36 per cent to $125 billion). The decline of investment from Chinese

Multinational Enterprises (MNEs) was the result of policies clamping down on outward foreign direct investment (FDI), in reaction to significant capital outflows during 2015–2016, mainly in industries such as real estate, hotels, cinemas, entertainment and sport clubs. The decline in China and Taiwan Province of China (down 36 per cent to $11 billion) offset gains in India (up 123 per cent to $11 billion) and Hong Kong, China (up 39 per cent to $83 billion). Outward foreign direct investment (FDI) from Latin America and the Caribbean (excluding financial centers) rose by 86 per cent to $17.3 billion, as Latin American Multinational Enterprises (MNEs) resumed their international investment activity [28].

In 2018, Multinational Enterprises (MNEs) from developed countries reduced their investments abroad by 40 per cent to $558 billion. In the first half of 2018, the reinvested earnings of United States Multinational Enterprises (MNEs) slumped by a net $367 billion and turned sharply negative, at -$200 billion, compared with a positive $168 billion in the same period in 2017. Although reinvested earnings in the second half of the year reverted to a positive value, foreign direct investment (FDI) outflows from the United States for the full year still declined sharply, to -$64 billion, compared with $300 billion in 2017. In addition to the immediate repatriation effect, the tax reforms resolved the tax liability overhang on overseas assets, which may have contributed to a jump in cross-border M&A purchases by United States Multinational Enterprises (MNEs) to $253 billion – a record high. Almost half of those purchases were registered in the fourth quarter of 2018 [29].

Worldwide employment by U.S. multinational enterprises (MNEs) increased 1.4 percent to 43.0 million workers in 2018 from 42.4 million in 2017, according to statistics released by the Bureau of Economic Analysis on the operations and finances of U.S. parent companies and their foreign affiliates. Employment in the United States by U.S. parents increased 2.1 percent to 28.6 million workers in 2018. U.S. parents accounted for 66.5 percent of worldwide employment by U.S. Multinational

Enterprises (MNEs), up from 66.1 percent in 2017. Employment abroad by majority-owned foreign affiliates (MOFAs) of U.S. Multinational Enterprises (MNEs) was nearly unchanged at 14.4 million workers and accounted for 33.5 percent of employment by U.S. Multinational Enterprises (MNEs) worldwide [30].

In 2018, the values of net cross-border M&As and announced foreign direct investment (FDI) greenfield projects increased. The value of net cross-border M&As rose 18 per cent to $816 billion, recovering ground after the 22 per cent fall in 2017. The increase was driven by large deal sizes, especially in the chemicals industry and the services sector, while the number of deals actually declined. The value of announced greenfield projects rose by 41 per cent to $981 billion. Also here, the average project size was the main driver of the increase, as investment activity measured by the number of projects increased by only 7 per cent. The gains in value were mostly in extractive and processing industries, and in construction [31].

Outflows from Multinational Enterprises (MNEs) in Europe rose by 13 per cent, mainly due to large investments by Multinational Enterprises (MNEs) based in the Netherlands, and a doubling of reinvested earnings by German Multinational Enterprises (MNEs) abroad. In contrast, outflows from France and Switzerland, which both recorded large outflows in 2018, declined in 2019 by 63 per cent and 82 per cent, respectively. Investment by Multinational Enterprises (MNEs) based in North America reached $200 billion. Outflows from the United States turned positive (mostly in the form of reinvested earnings) after falling to -91 billion in 2018 when firms repatriated funds as a result of tax reforms. Investment by Canadian Multinational Enterprises (MNEs) jumped by 54 per cent. Japan remained the largest investor in the world. Investments by Japanese Multinational Enterprises (MNEs) rose by 58 per cent to a record $227 billion, due to a spike in cross-border M&As (reaching $104 billion from $36 billion in 2018, including a large megadeal).

Japanese Multinational Enterprises (MNEs) doubled their investments in Europe and North America [32].

Foreign direct investment (FDI) outflows from economies in transition declined by 37 per cent, to $24 billion, in 2019. As in previous years, the Russian Federation accounted for almost all outward foreign direct investment (FDI). Russian Multinational Enterprises (MNEs) remained cautious about foreign expansion, especially in developed market economies, in which they face increasing restrictions in access to international finance and technology, as well as international sanctions [33].

The activities of MNEs, and their impact on development. The first reports early described how the global presence of MNEs had evolved from relatively simple cross-border structures predominantly motivated by the search for natural resources and international markets only a few decades earlier to more complex international production networks built to exploit differences in labour costs and productivity. This process enabled by advances in technology that allowed the fine-slicing of production processes and better communication in complex cross-border supply chains, supported by the liberalization of trade and investment policies and the spread of export-oriented industrial policies, and spurred on by competition – both between firms in order to survive in globalized markets and between economies aiming to attract investment for development.

This worrisome global trend in recent years has reflected a mix of economic factors, including declining rates of return on FDI; business factors, including adoption of digital technologies and increasingly asset light forms of international production; and policy factors, including the erosion of investor confidence due to policy uncertainty and changes in US tax policy that drove repatriation of capital back to the United States.3 More specifically, worsening business fundamentals have driven much of the decline in FDI since 2015, when FDI flows reached their post crisis peak. The global average rate of return on FDI decreased from 8.0 percent in 2010 to 6.8 percent in 2018 (UNCTAD 2019). While the rates of return have dropped in both developing and developed countries, the declines have been especially large in developing countries. Furthermore, changing business models resulting from technological advances have driven declines in FDI levels and returns. In particular, increases in labor costs and the rise of advanced manufacturing technologies have eroded or decreased the significance of many developing countries' labor cost advantages. At the same time, the increasing importance of the digital economy and services is shifting businesses toward more asset-light models of investment (UNCTAD 2019). In addition, commodity price slumps have adversely affected returns on FDI in more commoditydependent markets (such as many economies in Latin America and the Caribbean, the Middle East and North Africa, and Sub-Saharan Africa).

Multinational corporations provide the developing countries around the world with the necessary financial infrastructure to achieve economic and social development. But though they bring about several benefits to such nations, they also come with ethical conducts that happen to exploit the neediness of these countries. So, are multinational corporations really good for both the country of origin and the country of operation? Let us take a closer look at their pros and cons.

List of Pros of Multinational Corporations; Their size benefits consumers - The operational size and scale of these corporations can give them the chance of taking advantage of the economies of scale, which paves the way for lower average costs and prices for consumers. This is particularly important to industries that carry extremely high fixed costs, such as car manufacturers and airlines. They can help a country in many ways - Multinational corporations have the ability to bring advanced technology to poorer countries, while bringing low-cost products to the wealthier ones. They are cost-effective - By utilizing labor in parts of the world where the low cost of living does not require high wages for production, these companies can keep consumer costs down. As a result, many industries can also benefit. They can create jobs and wealth - These global companies' inward investments offer the much needed foreign currency for developing economies, which in turn help with creating jobs and increasing expectations of things that will likely happen. They help other companies - Through merger and acquisition, multinational companies can help other commercial organizations with achieving economies of scale in distribution and marketing, allowing well-managed businesses to take over those that are poorly managed.

They adhere to the best brand standards - This is one of the best qualities of these corporations. For example, McDonalds is still McDonalds wherever it is operating in the world. There is a standard that this restaurant chain is expected to adhere to. The same goes to the manufacturing sector, where standards are set and are expected to be adhered to. This builds trust and confidence among consumers, which is then converted to consumer loyalty. They ensure minimum standards - Somehow connected to the previous pro, the main reason for the success of multinationals is that consumers would usually purchase products and services on which they can go for minimum standards. They help improve standard of living - Multinational corporations have the capability to improve the world's standard of living, providing people with access of quality products regardless of the place. Their large profits are consumed for development and research - Taking into consideration pharmaceutical companies; they can easily afford to pour millions of dollars into their research and development efforts. The same goes for automobile manufacturers and other large corporate entities. Without their global presence and large profit margins, they will not be able to do this. Another good example is oil exploration, which is both costly and risky. As such, only large firms can undertake it by using significant amount of money and other resources. They allow for a wider market – With these big businesses, huge markets have been created both domestically and internationally.

List of Cons of Multinational Corporations; They might unfavorably dominate the market – Remember that the market dominance of multinational corporations would make it hard for smaller local companies to thrive and succeed. For example, arguments state that the larger supermarkets can squeeze out local corner stores' notable margin, leading to lesser diversity. They might exploit the workforce - These corporations are not well-known for treating people fairly and are instead known for ignoring rules and regulations, as well as turning a blind eye to injustice in the workplace. They are put into the spotlight for outsourcing to the lowest bidders and for skimping on quality. They are not known for having what smaller businesses have – the "human" touch. Many of them are even found exploiting workers and natural resources without considering the economic well- being of any country. In fact, some of them are criticized for using slave labor, where workers are paid with very small wages. They take advantage of consumer expense – Usually, companies are interested at consumers' expense, but multinational companies, with more power, are taking this to another level. They can push local firms out of business - Giant multinationals use the scale of developing economies to push the local firms out of their business. They are willing to gain ridiculous profits at any cost – These companies are able to realize tremendous profits and do not share their wealth. For example, these organizations that have manufacturing plants in China, where wages are very low, do not increase worker salaries when actually they have very huge amounts of extra revenues.

They strive for a monopolized business -Naturally, many of the largest corporations are monopolizing their industries. They are very powerful, which makes it very difficult, if not impossible, for start-ups and smaller businesses to compete. By monopolizing, they cut out the competition, which eventually stunts economic growth. Plus, authorities might put power in the hands of these global corporations, so they will be able to set the rules. They a great environmental threat - In the name of profit, multinational corporations commonly contribute to pollution and make use of non-renewable resources, which can pose a threat to the environment. They often abuse the environment and are typically not very careful when using their resources. Moreover, they are well known for leaving an environmental mess in their wake and even have a strong reputation for dumping waste and utilizing natural resources until they are depleted. In general, they are not being very good as keepers of the earth.

While it is a fact that multinational corporations bring a lot of benefits, we cannot also deny that they can cause of some major issues in the economy. On your end, do you think they are beneficial or a big threat in the global market, based on the pros and cons listed above?

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Chapter 1 conclusions

The essence of the concept of international investment activity is creation of employment, transferring technology, share rare professional skills and provide capital resources. The role of the international investment activities is identifying emerging markets; discover potential of investment in different regions and assessing the attractiveness. The concept and roles are pursued through foreign direct investment (FDI) and Foreign Portfolio Investment.

Companies on the global market use Merging and acquisition modern features to conduct their investment activities. Investment activities by Multinational Enterprises (MNEs) have declined in the past few years. The pandemic is a supply, demand and policy shock for foreign direct investment (FDI). The lockdown measures are slowing down existing investment projects. The prospect of a deep recession will lead Multinational Enterprises (MNEs) to re-assess new projects. Policy measures taken by governments during the crisis include new investment restrictions.

All the International investments are done through FDI or FPI route. These investments are highly rewarding but also carries risk with it, so it becomes very important to do proper analysis and due diligence before making such investments. Many developing countries need FDI to facilitate economic growth or repair. International trade agreements have paved the way for increasing FDI flows. FDI has benefited countries through; raised living standards in emerging markets, Competitive global capital allocation, dampening of market volatility caused by asset bubbles

With the growing emphasis on the concept of a global village, where the different corners of the world can be connected with the internet, such arrangements of FDI is only expected to grow in numbers and volume. FDIs can take the form of mergers, acquisitions, Joint ventures, etc. The common challenges that may be encountered, however, is the voluminous paperwork (license and permits) that are required to be adhered to. In the future, it is expected that governments will relax such requirements and bring in transparency in procedures in order to facilitate the free flow of capital, resources, and people without the barriers of boundaries.

CHAPTER 2
ANALYSIS OF THE CURRENT STATE OF INVESTMENT ACTIVITY ON THE GLOBAL MARKET

2.1. Analysis of investment potential and investment climate of countries

Investment climate refers to the economic, financial, and socio-political conditions in a country that impact whether individuals, banks, and institutions are willing to lend and acquire a stake (invest) in the businesses operating there.

Investment climate is affected by many indirect factors, including: poverty, crime, infrastructure, workforce participation, national security, political instability, regime uncertainty, taxes, and rule of law, property rights, government regulations, government transparency, and government accountability [34].

Expanding Investment Opportunities: Attracting foreign direct investment (FDI) helps to link a country's economy to global value chains and facilitates economic upgrading. Foreign direct investment (FDI) brings investment, jobs, increased exports, supply chain spillovers, new technologies and business practices to countries. While the benefits of foreign direct investment (FDI) are well recognized, they do not flow without a conducive policy, legal and institutional environment. In a global landscape deeply impacted by the COVID-19 pandemic yet still subject to rapid technological change and political uncertainly, countries must refine their value propositions as investment locations. In addition, to fully capture the benefits of foreign direct investment (FDI), a country requires clear and effective implementation of investment strategies and policies. By leveraging a comprehensive approach that addresses the legal, regulatory, procedural and institutional barriers affecting all phases of the investment life cycle, the Investment Climate team helps countries establish a competitive investment climate that is favorable for attracting, retaining, and expanding sustainable foreign direct investment (FDI) [35]. Outward investment by Latin American Multinational Enterprises (MNEs) increased sharply in 2019 to $42 billion, mostly driven by a reduction of negative outflows. Brazilian, Mexican and Chilean Multinational Enterprises (MNEs) were the most active, supported by falling interest rates at home. Brazilian companies especially appear to have suspended their practice of collecting funds through foreign affiliates to finance operations at home, as the domestic interest rate has fallen to historical lows. This shift is combined with some important acquisitions abroad, especially in the retail industry. A notable example is Cia Brasileira de Distribuicao's acquisition of department store Éxito (Colombia) from Groupe Casino (France) for almost $1.1 billion [36].

The expected level of global foreign direct investment (FDI) flows in 2021 would represent a 60 per cent decline since 2015, from $2 trillion to less than $900 billion. The outlook beyond 2021 is highly uncertain. A U-shaped trajectory, with a recovery of foreign direct investment (FDI) to its pre-crisis trend line before 2022, is possible but only at the upper bound of the expectations. Economic and geopolitical uncertainty look set to dominate the investment landscape in the medium term. At the lower bound of the forecast, further stagnation in 2022 will leave the value of global foreign direct investment (FDI) well below the 2019 level. The trend in foreign direct investment (FDI) could enter a phase of gradual stabilization at a structurally lower level than before the crisis [37].

The COVID-19 crisis has had immediate effects on foreign direct investment (FDI) and will have potentially lasting consequences. Immediate impacts: foreign direct investment (FDI) stuck in the lockdown. The physical closure of places of business, manufacturing plants and construction sites to contain the spread of the virus causes immediate delays in the implementation of investment projects. Some investment expenditures continue (e.g. the fixed running costs of projects), but other outlays are blocked entirely. In order to address the adverse impact of the pandemic, several economies have recently adopted policy measures to boost investment in those industries that are crucial to containing the spread of the virus.

Table 2.1 Impact of the pandemic on FDI: transmission mechanisms

YEARS (type of impact)	2020 (Immediate)	2021 (short term)	2020 (medium – term)	2030 (long term)
Impact of the pandemic	FDI stuck in the lockdown	with tightening margins for reinvestment	Hindered by new investment restrictions. navigating severe global economic recession	heading towards increased supply chain resilience and higher degrees of autonomy for critical supplies
Impact on FDI	Slowdown of implementation of ongoing projects due to closures of sites (but also slowdowns in cross-border M&As and new project starts)	Automatic effect on reinvested earnings, a key component of FDI (50% average worldwide)	Reduction in cross-border M&As. Shelving of projects, drop in new investment decisions	Divestment, reshoring, diversion

Source: [38]

They provide various incentives to increase research and development (R&D) efforts and expenditures in such fields as medical and pharmaceutical research for developing vaccines and treatments (e.g. Czechia, the Republic of Korea, the European Union (EU)). Other incentive schemes concern measures to encourage manufacturers to expand or shift production lines to medical equipment and personal protective equipment (PPE) in order to increase the quantity available (e.g. India, State of Tamil Nadu; Italy; the United States). A third group of incentives aims to enhance contracted economic activities. They include, for example, subsidy programmes for training and capacity-building and reductions in the price of natural gas or electricity for industrial use (e.g. Canada, Province of Quebec; China; Egypt). Finally, major supply chain disruptions have caused some countries (e.g. Japan) to encourage their companies to divest from host countries that are heavily affected by the pandemic.

Short-term impacts: tightening margins for reinvestment and new investment restrictions. Foreign affiliates are facing exceptionally challenging operational, market and financial conditions. Their profits are expected to plummet in 2020. The vast majority of the top 5,000 largest multinational enterprises (MNEs) revised their earnings expectations for 2020 between February and May, with the average downward revision surpassing 35 per cent. With reinvested earnings accounting for more than 50 per cent of foreign direct investment (FDI) flows, on average, the impact of lower foreign affiliate profits on global foreign direct investment (FDI) could be severe. On the policy side, in parallel with temporary trade restrictions taken in some countries to prevent shortages of critical medical supplies during the pandemic, several governments have taken measures to avoid fire sales of domestic firms during the crises, introducing new screening requirements and investment restrictions. For example, the European Union (EU) brought out guidance concerning investment from non-member economies for the protection of member States' strategic assets; Australia introduced investment reviews to protect national interest and local assets from acquisition. Medium-term effects: navigating a global economic recession [39].

The trend towards rationalization of international operations, reshoring, nearshoring and regionalization looks likely to accelerate, leading to downward pressure on foreign direct investment (FDI). Early indicators – foreign direct investment (FDI) projects in the first months of 2020 – are showing sharp declines. The numbers of announced greenfield projects in March and cross-border M&A deals in April decreased by over 50 per cent compared with the 2019 monthly average. Earnings revisions are a preliminary warning of the potential impact of the pandemic on foreign direct investment (FDI) through reinvested earnings. Earnings forecasts for fiscal year 2020 of the top 5,000 (listed) Multinational Enterprises (MNEs) show average downward revisions since the outbreak of -36 per cent.

Table 2.2 Annual growth in FDI inflows, by group of economies and regions, 2019 (actual) and 2020 (forecast)

Groups of economics/region	2019	2020
Group of economies		
World	3%	(-40% to -30%)
Developed economies	5%	-40% to -25%)
Developing economies	-2%	(-45% to -30%)
Transition economies	59%	(-45% to -30%)
Regions		
Africa	-10%	(-40% to -25%)
Asia	-5%	(-45% to -30%)
Latin America and the Caribbean	10%	(-55% to -40%)

Source: [41]

Services industries directly affected by the lockdown are among the most severely hit, particularly accommodation and food service activities (-94 per cent) and transportation and storage (-63 per cent, with passenger airlines taking crippling losses).

Commodity-related industries are expected to suffer from the combined effect of the pandemic and plummeting oil prices, with downward earnings revisions of -70 per cent in the extractive industries. In manufacturing, some industries that are global value chain (GVC) intensive, such as automotive and textiles, were hit early on by supply chain disruptions. Because of their cyclical nature they are vulnerable to both supply and demand shocks; their revised earnings stand at half their original forecast.

Overall, industries that are projected to lose 30 per cent or more of earnings together account for almost 70 per cent of foreign direct investment (FDI) projects [40].

IPAs and government ministries in charge of investment around the globe have taken rapid actions to adapt their services to investor needs during the pandemic.

Brazil: APEX-Brasil is Brazil's trade and investment promotion agency. It has developed a comprehensive platform with tools to support exporters and investors during the COVID-19 crisis. For example, it developed an online market intelligence tool that provides economic and trade updates by sector and has organized a webinar to familiarize users with it. Other useful tools include a model action plan for businesses in crisis management, a support guide for suppliers and checklists for exporters. Recently, APEX-Brasil launched an exclusive area on the platform with pandemic-related information for foreign investors in English. It includes an online survey on how the agency and the federal Government can assist foreign investors in investment facilitation and mitigation of pandemic impacts.

Germany: Germany Trade and Invest has developed a special pandemic website to assure the investment community that the Investment promotion agencies (IPA) continue to work on their behalf. The website provides regular updates on matters including financial support for businesses, supply chains and economic developments. It also closely follows German industry-specific developments, highlighting information on sectors where the pandemic has generated increased demand such as digital solutions in education, logistics and health. A series of webinars has been held on topics including the latest pandemic-related regulatory changes and the novel fast track programme for medical apps as the demand for digital solutions in the health care system continues to grow. Recently, a webinar by the Investment promotion agency (IPA)'s CEO and the Association of German Chambers of Commerce and Industry discussed how companies have managed the crisis and what possible exit scenarios look like.

India: The Business Immunity Platform, developed by Invest India, is a comprehensive portal devoted to pandemic-related news and tools targeted at the investment community. The platform keeps track of pandemic-related developments, provides the latest information on various central and state government initiatives, has dedicated communication lines for pandemic-related investor queries, monitors the number and nature of queries received and provides Investment promotion agency (IPA) expert analysis and market reports. The platform also facilitates strategic collaboration to identify and fill shortages in the supplies required to fight the disease. In addition, through this platform as well as through active social media engagement, Invest India has been channeling feedback from the private sector to the relevant government institutions. Japan: The Japan External Trade Organization (JETRO) is responsible for both outward and inward investment promotion. Throughout the pandemic, it has focused on providing up-to-date information on Japan's policy measures and market environment. In order to understand the needs of investors, the agency established an "Invest in Japan" hotline and conducted an emergency survey to better gauge the impact of the pandemic on foreign-affiliated companies, publishing the results online. JETRO has been active in communicating the needs of its clients to the Government. To prepare the economy for accelerated digitalization, the organization has launched the Digital Transformation Partnership Programme, which fosters open innovation between Japanese and foreign companies.

Mauritius: The website of the Economic Development Board of Mauritius provides comprehensive and updated pandemic-related information about measures taken by the Government to support businesses and facilitate investment, including the wage support scheme and contact information for import permits and clearances. The site also offers online application forms for government support to enterprises affected by the pandemic and features the Business Support Plan of the Ministry of Finance, Economic Planning and Development.

Saudi Arabia: The Ministry of Investment of the Kingdom of Saudi Arabia has established a COVID-19 Response Centre. Its website also hosts a "Business Continuity" section that aims to support investors during the pandemic. It includes information about initiatives and services introduced by the Government to support businesses as well as a guidebook and a list of investors' frequently asked questions.United Arab Emirates:

The online portal "Stimulating the Business Environment to Address COVID-19 Virus Effects", developed by theMinistry of Economy, encompasses a wide range of relevant information for the investor community, including the latest pandemicrelated developments, best practices for doing business in the crisis, and analysis and reports on the impact of the pandemic on investment. The Ministry is also conducting a survey of the impact on private sector activities of precautionary measures linked to the crisis.

Investment policy is a significant component of the pandemic response. Several multilateral groupings, including the G20, have issued declarations in support of international investment. More than 70 countries have taken measures either to mitigate the negative effect on foreign direct investment or to shield domestic industries from foreign takeovers. Already in 2019, continuing the trend of recent years, several countries – almost all developed – introduced more rigorous screening of investment in strategic industries on the basis of national security considerations. At least 11 large cross-border M&A deals were withdrawn or blocked for regulatory or political reasons [42].

2.2. Assessment of investment attractiveness and investment potential of the World's leading TNCs

In 2017, the top 100 global Multinational Enterprises (MNEs)' foreign operations represented 9 per cent of world foreign assets, 17 per cent of world foreign sales and 13 per cent of foreign employment.7 The top global Multinational Enterprises (MNEs) represented a tiny 0.1 per cent of the estimated universe of MNEs, but their total sales in 2017 were equivalent to about 10 per cent of world GDP. The relative importance of the top 100 Multinational Enterprises (MNEs) is a function partly of globalization and partly of concentration among the universe of Multinational Enterprises (MNEs). In 2017, top Multinational Enterprises (MNEs) scaled up their global operations, increasing assets and sales by 8 per cent, although internationalization statistics remained roughly stable. The investment attractiveness in this climate is big risk factor yet the potential is still an opportunity, Assets and sales were boosted by a wave of megadeals across virtually all industries represented in the Top 100 that brought five new companies into the ranking: DowDuPont Inc., the chemical conglomerate formed after the merger of Dow Chemical and DuPont; the Canadian multinational energy transportation company Enbridge Inc.; the United Kingdom consumer goods company Reckitt Benckiser Group Plc; the German health care services group Fresenius SE & Co KGaA; and the Chinese conglomerate HNA Group Co Ltd. A sixth new company, the Chinese tech conglomerate Tencent Holding, was not involved in megadeals but rather accumulated foreign assets over the last few years, operating like an investment holding company [44].

Among the companies exiting the rankings this year, some divested or split up (Schlumberger Ltd., ConocoPhillips, General Motors and Hewlett Packard, all from the United States), while others simply slid out of the list as the threshold level of foreign assets increased (reaching over $40 billion this year) while they maintained constant assets (E.ON Ag (Germany), WPP Plc (United Kingdom)). Internationalization statistics remained roughly stable. Foreign assets decreased by 1.4 per cent influenced by some national deals including the Dow–DuPont merger, luxury goods group LVHM (France) consolidating its shares in fashion house Christian Dior and French electric utility EDF SA acquiring Areva's nuclear business. By contrast, foreign employees and foreign sales as a share of the total increased by 1.2 and 2.2 per cent. This trend is not visible in the Top 100 developing-economy Multinational Enterprises (MNEs), which are still dominated by large conglomerates. Companies not involved in cross-border megadeals expanded their business as well, especially in the automotive and tech industries.

Even in the consumer goods industry – a relatively slow-growing industry in developed economies – the British–Dutch conglomerate Unilever Plc grew revenues by investing in fast-growing opportunities and start-ups, including digital tools and platforms. The corporation is planning to move its headquarters to the Netherlands, leading to a likely, albeit small, increase in its share of foreign assets. Automotive Multinational Enterprises (MNEs) grew their assets by an average of 10 to 20 per cent, as they have been heavily investing in the development of new products, often seeking collaboration with tech companies. A notable exception is General Motors (United States), which, following a strategy of global downsizing, divested assets around the world (e.g. South Africa, Kenya, India, Australia, Indonesia, Europe) and exited the Top 100 ranking for the first time [45].

Dow was named the Large Enterprise Manufacturer of the Year for its enterprise-wide digital transformation encompassing manufacturing, logistics and operations. Hologic was named the Small/Medium Enterprise Manufacturer of the Year for its workforce cultural transformation, which has positioned the company to take advantage of advanced manufacturing technologies, such as data analytics, 3D printing and machine learning.

Through innovation, "we've made great strides in defeating COVID-19 and creating the manufacturing workforce of the future," said MLC co-founder, Vice President and Executive Director David R. Brousell in a statement. He added, "The past year was possibly the most challenging in modern history for manufacturing operations. But we also saw how critical modern manufacturing is to our society and to our quality of life."

This year, the MLC also unveiled its Creators Respond Honor Roll, an acknowledgement of all nominations that were directly tied to pandemic response. The honorees included:

– ALOM Technologies;

– Anheuser-Busch InBev;

– Bridge Publications Inc.;

– Dow Inc.;

– Flex;

– IBM;

– Mallinckrodt Pharmaceuticals;

– Merck & Co., Inc.;

– Roche and Genentech;

– Smithfield Foods.

Also announced at the gala were this year's High Achievers, the projects with the highest scores in each

– Artificial Intelligence and Advanced Analytics Leadership: IBM for Manufacturing Quality Inspection with AI and Edge Computing;

– Collaborative Innovation Leadership: Roche and Genentech for Rapid Technical Transfer;

– Engineering and Production Technology Leadership: Anheuser-Busch InBev for Project Segue and General Motors for GM Additive Industrialization Center (tie);

– Enterprise Integration and Technology Leadership: Dow for Dow Manufacturing 4.0;

– Industrial Internet of Things Leadership: Intertape Polymer Group for Operational Excellence Through Digital Transformation;

– Operational Excellence Leadership: Aircraft Optical Network Diagnostic System;

– Supply Chain Leadership: Corning for Global Supply Management Transformation;

– Sustainability Leadership: Owens Corning for Foamular NGX;

– Talent Management Leadership: Hologic for Building a Talent Management System for a 4.0 Medical Device Company in Costa Rica [45].

The presence of technology companies in the top 100 MNEs from developing countries is increasing. New entries in 2017 included the electrical appliance manufacturer Midea Group (China), following three major acquisitions in 2016: the home appliances business of Toshiba (Japan), the German robotics company KUKA, and Eureka, a floorcare brand, from Electrolux (Sweden). During 2018, many semiconductor MNEs from emerging economies entered joint ventures or increased investment in production capacity, with some poised to enter the list next year (e.g. SK Hynix, ASE Technologies, TWC). SK Hynix (Republic of Korea) plans to invest almost $150 billion over the next 10 years into its semiconductor business to maintain its position as one of the world’s largest chipmakers. Also, last year, Advanced Semiconductor Engineering (Taiwan Province of China) and Siliconware Precision Industries formed a new holding company, as part of the consolidation in the global semiconductor industry. The top 100 Multinational Enterprises (MNEs) from developing and transition economies also saw the relative growth of their foreign operations slow, on average, although the absolute growth of their foreign sales, assets and employees remained significantly higher than that of the firms in the global top 100. For both top 100 groups, foreign sales are growing faster than foreign assets and employees, in line with the increasing importance of intangibles, asset-light operations and non-equity modes of international production.

Other industrial MNEs are still in the 2018 ranking, often as a result of M&As. Examples of mergers between traditional industrial companies include the new Linde Plc (United Kingdom), DowDuPont (United States) and LafargeHolcim (Switzerland). Others acquired major competitors: in 2018 Bayer Ag (Germany) purchased Monsanto (United States), and United Technologies Corp (United States) bought Rockwell Collins (United States). Post-merger moves to shed non-core businesses or to realize synergies could negatively affect the ranking in the top 100 of these companies. For example, United Technologies already announced it will split into three companies, with the aviation business remaining the largest. Similarly, DowDuPont (merged in 2017) is splitting this year into three more focused companies. LafargeHolcim (merged in 2015) has already sold its business in Indonesia and plans to sell assets in South-East Asia for $2 billion over the next five years. The downsizing of industrial Multinational Enterprises (MNEs) appears to be a general trend. For example, Siemens (Germany) floated its medical equipment business to attract investors for businesses outside its core industrial engineering operations, and it separated its wind power operations. In 2018, Siemens announced that it will spin off its gas and power operations into an independent company to be listed next year [47].

The top three R&D investors were all from technology and digital industries: Amazon.com (United States) with almost $29 billion of expenditures in 2018, followed by Alphabet (United States) with $21 billion, and Samsung Electronics (Republic of Korea) with $17 billion. Including in the sample the top 100 Multinational Enterprises (MNEs) from developing and transition economies produces a list of the top 20 R&D investors that captures a large part of innovation expenditures across the world. The top innovators are concentrated among technology Multinational Enterprises (MNEs) from the United States and a few emerging economies (mainly the Republic of Korea and China), followed by developed-economy pharmaceutical and automotive firms. Among the top Multinational Enterprises (MNEs), global international traders, utilities and extractive companies invested the least in R&D. Top R&D investors from emerging economies were – after Samsung Electronics – Huawei Technologies (China) with $15 billion, and China Mobile (China) with $6 billion. Given the differences in size between Multinational Enterprises (MNEs), the absolute value of R&D expenditures is not a reliable guide to the importance of R&D in maintaining a company's competitive edge. For example, the oil company Sinopec (China) invested $1.2 billion in R&D in 2018, representing only 0.3 per cent of its revenues. Thus, especially for the ranking of Multinational Enterprises from developing and transition economies, it is more indicative to look at R&D expenditure as a percentage of total revenue (i.e. R&D intensity). This changes the ranking among industries, with pharmaceuticals showing the highest intensities [48].

In the top 100 Multinational Enterprises (MNEs) from developing and transition economies, only a few spend more than 5 per cent of sales on R&D. This is due mostly to the industry composition of the list and the prevalence of big industrial or extractive conglomerates. However, even comparing like for like industries, the R&D expenditures by companies from developing countries remain lower. For example, comparing the R&D intensity in the automotive industry shows an average of 1.2 per cent for the two companies in the developing-country list (Hyundai and Tata Motors), compared with 4.7 per cent in the global list (11 companies) foreign direct investment (FDI) in R&D activities is growing. MNEs establish R&D activities abroad to locate close to markets, to access pools of skilled resources, or to cluster near knowledge centres. R&D-related greenfield investment projects are significant in number and growing. During the last five years 5,300 R&D projects were announced, representing about 6 per cent of all investment projects, and up from 4,000 in the previous five years. For pharmaceutical companies, R&D-related projects can account for as much as 17 per cent of all greenfield projects. Software and IT services follow, with about 15 per cent of their greenfield projects related to R&D [49].

Table 2.3 Top 20 R&D investors from the top 100 MNEs (global and developing and transition economies), by expenditure, 2018

Ranking	Company	Country	Industry	R&D expenditures ($ billion)	R&D intensity
1	2	3	4	5	6
1.	Amazon.com, Inc	United States	Tech	28,8	12,4
2.	Alphabet Inc	United States	Tech	21,4	15,7
3.	Samsung Electronics Co Ltd	Korea,Rep	Tech	16,5	7,5
4.	Huawei Technologies	China	Tech	15,3	14,1
5.	Microsoft Corp	United States	Tech	14,7	13,3
6.	Apple Inc	United States	Tech	14,2	5,4
7.	Intel Corp	United States	Tech	13,5	19,1
8.	Roche Holding AG	Switzerland	Pharmaceuticals	12,3	20,3
9.	Johnson & Johnson	United States	Pharmaceuticals	10,8	13,2
10.	Toyota Motor Corpa	Japan	Automotive	10,0	3,6
11.	Volkswagen AG	Germany	Automotive	9,6	3,4
12.	Novartis AG	Switzerland	Pharmaceuticals	9,1	16,5
13.	Robert Bosch GmbH	Germany	Automotive	8,7	9,2
14.	Ford Motor Co	US	Automotive	8,2	5,1

Continuation of the table 2.3

1	2	3	4	5	6
15.	Pfizer Inc	United States	Pharmaceuticals	8,0	14,9
16.	General Motors Co	United States	Automotive	7,8	5,3
17.	Daimler AG	Germany	Automotive	7,5	3,9
18.	Honda Motor Co Ltd	Japan	Automotive	7,3	5,1
19.	Sanofi	France	Pharmaceuticals	6,7	16,0
20.	Siemens AG	Germany	Industrial	6,4	6,7

Source: [49]

Top Multinational Enterprisess in global value chain-intensive industries were among the first affected by supply chain disruptions. All firms are now grappling with falling global demand. On average, the top 100 have seen earnings expectations for fiscal year 2020 revised downward by 39 per cent between February and May. Pharmaceutical and tech Multinational Enterprises (MNEs) were the least affected. Three MNEs in these sectors actually revised earnings upwards: Takeda Pharma (Japan), NTT (Japan) and Microsoft (United States).

The worst affected are extractives and automotive firms. Some Multinational Enterprises (MNEs), including Ford (United States) and Honda (Japan), have pulled or withheld earnings guidance because of the uncertainty created by the shutdown of plants and by the sharp drop in global demand. Nissan Motor and Hitachi (both Japan), which close their fiscal year at the end of March, have delayed the release of financial reports; Nissan anticipates a downward revision of more than 30 per cent with respect to February's forecast [50].

Embarking on a new investment-development path. Shifting strategic policy direction from a global value chain-driven, segment-targeted export orientation towards RVC (regional value chain)-based export expansion, with domestic industrial clustering to build linkages and resilience. In following the new path, countries should balance modern (open) industrial development policies with built-in national economic security and resilience mechanisms. Developing a new ecosystem. Promoting a business environment attractive to new investment activities and conducive to technology dissemination and sustainable development. An important component of the new ecosystem should be the modernization of infrastructure for digital, physical and institutional connectivity at regional and sub regional levels.

Building dynamic productive capacity. Shifting the focus from narrow specialization to the expansion of the manufacturing base. Strengthening industrial clustering (including cooperatives of micro and SMEs for scale and scope of production) and retooling SEZs and science parks are viable approaches that match with MNE regionalization and diversification strategies. Such approaches can also help low-income countries to foster a resilient and inclusive economy by crowding in domestic micro and SMEs and facilitating backward linkages.

4. Formulating a new investment promotion strategy. Adapting investment promotion and facilitation to the new investment-development path. This includes resetting priorities for investment promotion, targeting diverse investment activities and business functions, and facilitating green and digital investors, as well as impact investors, to promote investment in the SDGs. Overall, the trends that will drive the transformation of international production, in particular the NIR and the sustainability imperative, and the need for MNEs to restructure for resilience in the short term and the transformation trajectories in the longer term, will offer a myriad of investment opportunities for developing countries. To seize these opportunities, formulating the right policy mix at the right time matters.

The trends and trajectories presented in this chapter are subject to many degrees of uncertainty. The business response is a first unknown. Resilience is now the new imperative, but where MNEs will decide to reposition on the efficiency-resilience spectrum remains to be seen. It will depend on the costs, on the pressure for short-term results to guarantee survival and on political incentives. It also depends on their corporate structure and governance, as well as on their business model in different industries. The same resilience-building technology may be available in some industries and not in others, or at completely different costs in different countries and regions at different development levels. Future policy developments are also unpredictable. For now, the pandemic appears to accelerate the trend towards more economic nationalism, but the need to repair the economic damage might yet reverse the trend and lead towards more cooperation. Similarly, sustainability trends will continue evolving across different dimensions of international production. The pandemic appears to be generating increased sustainability momentum in some countries but this may not be the case in others. Furthermore, the pressure to restart economies may lead to delays in the implementation of sustainability plans. Chapter IV International production: a decade of transformation ahead 175 Table IV.24. Investment-development ecosystem in a new era of intern.

Investment-development ecosystem in a new era of international production New investment development path Building a new ecosystem Building dynamic domestic productive capacity New investment promotion strategy New strategic orientation; Old path – Export-led growth and transformation, GVC segment/niche targeting approach to integrating into the global economy based on cost effi ciency, which creates silos in the host economy, New path – Technology and sustainability driven productive capacity building through industrial clustering, at national and regional or sub-regional level National enabling framework, Macroeconomic policy appropriate for a new international production system, Strengthen national technology and innovation systems in line with NIR and digitalization, Policy package for SDGs including sustainability and inclusiveness Build production capability, Expanding domestic productive capacity and re-engineering domestic industrial base, Establishing SEZ platforms for industrial clustering, Building joint cross-border industrial parks on regional industrial cooperation basis Towards a new approach, Reorienting: from global effi cency-seeking FDI to regional and subregional production-related FDI, Targeting: from specifi c value segment to industrial clusters promotion for diversifi cation-related FDI, Adding: technology applications promotion and facilitating fi rm-level strategic alliance with MNEs Industrial transformation, Diversifying: creating and attracting new industrial development activities, particularly related to new technology and sustainable development, Deepening: clustering through upstream and downstream extension and linkages to crowd in MSMEs, Upgrading: product, process and function through greening and digitalizing International enabling framework, Regional and bilateral treaties to promote and facilitate trade, investment and technology flows, Regional cooperation and geo-economic positioning.

Regional framework for industrial collaboration Nurture technological capabilities, Promoting adoption of digital applications, Continuous human resources and skills development in sync with technological evolution, Technology alliance through cross-border collaborative arrangements; and partnerships of firms and research institutions Link investment to sustainable development, Partnering between FDI and public investment in SDGs such as agriculture, health, education and digital infrastructure. Promoting impact investment, Incubating social entrepreneurship Balance between openness and resilience, Open industrial development policy , Mindful of the need for job creation and inclusive growth • Protect national economic security and build resilience Modernize infrastructure. Investing in regional infrastructure, particularly transport, logistics and high-speed Internet connectivity and digitalizing manufacturing facilities. Upgrading producer services, e.g. regional marketing network, trade corridors Support emerging industrial sectors, Coordinate the manufacturing policy environment with policies for services, data flows and other intangibles to promote emerging industrial sectors, Enforce strong and adaptive intellectual property regimes reorient investment institutions. Establishing agencies with both investment and technology facilitation and functions, promoting synergies between SEZs and IPAs and prioritizing investment in SDG sectors, including by developing bankable projects.

Over the coming years, as developments in these areas materialize, it will be important to regularly monitor and reassess the trajectories presented in this report, and their implications. Some trajectories or combinations of trajectories will prevail over others. They may result in different international production configurations across industries. The impact on individual economies and groups of economies will vary. This report aims to provide a broad enough analytical framework to encompass the most likely directions and to address the range of policy options available to navigate the decade of transformation ahead. Notwithstanding the high degree of uncertainty and the range of possible trajectories for international production, the general direction of travel seems clear. GVCs, trade and investment are heading for a period of turbulence that will present ample challenges and opportunities for developing countries. For the past three decades international production and the promotion of export-oriented manufacturing investment have been the pillars of the development and industrialization strategies of most developing countries. Efficiency-seeking and resource-seeking investment will remain important, but the pool of such investment is shrinking. This calls for a degree of rebalancing towards growth based on domestic and regional demand and on services. The large amounts of capital looking for investment opportunities available in global markets do not look for investment projects in manufacturing, but for value-creating projects in infrastructure, agriculture and services. Some services that have always been predominantly domestic are internationalizing, such as health care, just as traditional international production industries are retreating or restructuring. That creates new opportunities for promoting investment in new areas. Promoting investment in infrastructure and services implies marketing new sectors (especially those that are relevant for the SDGs), targeting a different type of finance (project finance rather than traditional FDI) and targeting a different type of investor (institutional investors rather than MNEs) operating in a different policy ecosystem (financial market standards and regulations). Investment in the green economy and the blue economy, as well as in infrastructure and domestic services, presents great potential for contributing to achieving the Sustainable Development Goals (SDGs). Chapter V – a new chapter in this report – looks specifically at trends in investment in the SDGs.

The closing of factories, disruptions in transport, and unavailability of production inputs are directly affecting how companies operate across the globe. The shocks, having already spread from directly hit sectors to others, are also spreading across regions through supply linkages. At the epicenter of this turmoil are multinational corporations that have shaped the geography of global value chains (GVCs) over the past three decades. Nearly four in five MNEs report reductions in revenues and profits over the past three months, on average by 40 percent (figure O.4, panel a). Demand has fallen sharply because of high uncertainty and precautionary behavior of consumers, resulting in reduced consumer spending and corporate orders. On the supply side, three in four MNEs report declines in supply chain reliability, on average by 30 percent. Along with the liquidity crunch (experienced by more than 60 percent of respondents) and a decline in worker productivity (reported by three-fourths of businesses), the aggregate effects of these shocks include reductions of roughly onethird in output and investment, reported by most businesses. The shock waves are also reaching companies' employees: two in five businesses report declines in jobs, on average by 16 percent. This worrisome global trend in recent years has reflected a mix of economic factors, including declining rates of return on FDI; business factors, including adoption of digital technologies and increasingly asset light forms of international production; and policy factors, including the erosion of investor confidence due to policy uncertainty and changes in US tax policy that drove repatriation of capital back to the United States.

Chapter 2 conclusion

Countries have investment projects on slowdown or shut down completely. The investment climate is not favorable to countries. Every country from all regions of the world has suffered negatively on the foreign direct investment (FDI). Europe moved from 30 percent to 45 percent, Foreign direct investment (FDI) Asia (grow engine of foreign direct investment (FDI)) decreased from 30 percent to 45 percent, Latin and Caribbean drop foreign direct investment (FDI) from 40 percent to 55 percent and Africa declined from 25 percent to 40 percent.

The attractiveness and potential of foreign direct investment (FDI) is determined by the current investment climate. The world's leading Multinational Enterprises (MNEs) have projects delayed and other features of international investment like Merging and Acquisitions had to cancel due to COVID – 19. The foreign direct investment (FDI) has decreases pre-covid and during but after this pandemic period projections shows that the upswing. The potential of international investment impacts looks to be moving towards booming level.

CHAPTER 3
PROSPECTS FOR DEVELOPMENT OF INVESTMENT ACTIVITY IN THE GLOBAL MARKET

3.1. Ways to improve the investment strategy of companies in modern conditions

The term investment strategy refers to a set of principles designed to help an individual investor achieve their financial and investment goals. This plan is what guides an investor's decisions based on goals, risk tolerance, and future needs for capital. They can vary from conservative (where they follow a low-risk strategy where the focus is on wealth protection) while others are highly aggressive (seeking rapid growth by focusing on capital appreciation).

Investment strategies are styles of investing that help individuals meet their short- and long-term goals. Strategies depend on a variety of factors, including: age, goals, lifestyles; financial situations; available capital; personal situations (family, living situation); expected returns [51].

Foreign direct investment (FDI) could play an important role in supporting economies during the economic recovery following the pandemic. Evidence from past crises has shown that foreign-owned affiliates, including small and medium enterprises, can show greater resilience during crises thanks to their linkages with, and access to the financial resources of, their parent companies (e.g. Alfaro and Chen, 2012; Desai et al., 2008). Foreign direct investment (FDI) could be particularly important for emerging and developing economies given that other sources of international financing, including portfolio investment, have fled these economies.

Unfortunately, it appears that the impacts of the pandemic on foreign direct investment (FDI) flows to these economies may be particularly severe. For example, the primary and manufacturing sectors, which account for a larger share of foreign direct investment (FDI) in many of these economies than in most developed economies, have been particularly hard hit by the pandemic [52].

Contributions to the recovery from foreign direct investment (FDI) can go beyond financing. Multinational enterprises (MNEs) are generally larger, more research and development (R&D)-intensive, and more productive than purely domestic firms. As such, they are well-positioned to help governments deal with the effects of the pandemic.

Investment Promotion Agencies (IPAs), charged with attracting and facilitating foreign direct investment (FDI), are also working with their clients and local networks of foreign affiliates to facilitate business collaborations and assist government efforts to combat the pandemic (see the forthcoming note investment promotion in times of uncertainty: Organization of Economic Cooperation and Development (OECD) agencies during and post COVID-19 crisis). Going forward, cross-border partnerships and collaborations between companies can facilitate finding long-term business solutions, such as ways to resume production while protecting workers' health [53].

In the longer term, the pandemic may lead companies to shift the geographic allocation of their foreign operation. For example, Multinational Enterprises (MNEs) may review and potentially shorten their global value chains to protect themselves from supply-chain disruptions; alternatively, they could seek geographic diversification to reduce exposure to location-specific shocks and reduce costs to be able to deal better with crises.

Such shifts could have important implications for countries' economic prospects as Multinational Enterprises (MNEs) are responsible for a large share of global value-added, trade, employment and R&D (Organization of Economic Cooperation and Development (OECD), 2018; Cadestin et al., 2018). Beyond direct impacts, foreign direct investment (FDI) can also have potentially important indirect effects on the local economy. For example, it can have second-order effects on the economy when locally-established Multinational Enterprises (MNEs) are entering buyer-supplier relations or competing with local firms, hiring and training local workers, and facilitating exports [54].

However, there are reasons to have some scepticism regarding the role that foreign direct investment (FDI) can play. The pandemic hit at a time when FDI flows were at the second lowest level recorded since 2010 in the aftermath of the global financial crisis (for more information on developments in foreign direct investment (FDI) flows through the end of 2019, see the April 2020 edition of foreign direct investment (FDI) in Figures).

In addition, corporate debt was at record levels at the time the pandemic hit. OECD research shows that the stock of non-financial corporate bonds was at an all-time high at the end of 2019, and that this stock "has lower overall credit quality, higher payback requirements, longer maturities, and inferior covenant protections" compared to previous debt cycles (Celik at al (2020). High levels of debt could limit the ability of companies to survive the COVID-19 crisis, let alone support their foreign affiliates or pursue new investments. Rising debt levels and liquidity constraints could also be factors driving companies to divest some of their foreign operations (Borga et al, 2020) [55].

Boosts Economic Resilience—Easing the Impact of Economic Crises by Creating Jobs, Alleviating Poverty, and Boosting Productivity

In the post-COVID recovery phase, foreign direct investment (FDI)'s role is likely to further increase. Countries' crisis-response policies, such as financial and fiscal stimulus measures, are generating debt. Domestic revenue sources will be insufficient to service that debt. Foreign direct investment (FDI) is therefore likely to remain an essential source of capital. Beyond capital, foreign investment also helps create jobs and reduce poverty. Foreign direct investment (FDI) can affect welfare through three main channels:

– employment income: As foreign direct investment (FDI) brings capital and new technologies to a sector, it often raises overall labor demand and productivity in the sector. This can raise total employment and average wages, leading to higher household incomes. Consumer prices: The entry of new foreign firms increases competition in markets. This may lower the prices of goods and services, thus raising household purchasing power and consumption possibilities;

– producer income: As foreign firms compete with, buy from, or sell to domestic firms, they may influence the productivity and profitability of these enterprises, increasing or cutting into incomes of domestic producers. Government Actions Can Rebuild Investor Confidence—Reducing Investor Risk, Fostering Investment Expansion, and Attracting New foreign direct investment through Policy Predictability, Regulatory Certainty, and Targeted Investment Promotion [56].

The COVID-19 pandemic has rapidly escalated business uncertainty, in turn magnifying investment risks and depressing foreign investor confidence. Multinational firms are realizing that their historical push toward low-cost, low-inventory supply chains has opened them up to significant risk. In response, some of them are changing their corporate strategies, reassessing their approaches to sourcing production inputs, diversifying their suppliers, and making greater use of digital technologies. They are also responding to changes in the policy environments, which in some markets have seen introductions of more restrictive regulations, including during the outbreak. For example, to protect sensitive assets from foreign takeovers—notably in sectors such as health, medical research, biotechnology, and infrastructure—some countries are adopting new foreign investment screening mechanisms.

Traditionally, investors rely on a country's legal and regulatory framework to recognize their property rights and enforce those rights in a predictable and efficient manner. Economic theory suggests that when investors incur fixed and irreversible setup costs, uncertainty about the local conditions – especially policy uncertainty—will have a dampening effect that reduces investors' response to new investment opportunities. Amid the COVID19 outbreak, nationalization of essential supply chains, cancellation of government procurement contracts, and exchange control restrictions have come as sudden regulatory changes. Investors identify these political risks among their top concerns in the current crisis. It is therefore vital for governments to endeavor to reduce investor risk and help restore their confidence [57].

Avoid Protectionist Policies – Governments should avoid protectionist policies, which would further exacerbate disruptions to GVCs and amplify the already elevated uncertainty. Instead, to attract additional investment, countries should counter the global protectionist trend by further easing foreign direct investment (FDI) entry and operational restrictions. Being more open to foreign direct investment (FDI) relative to peers helps attract new investment. In fact, some countries are already using this crisis as an opportunity to open new sectors of their economies to foreign investment. Enhanced regional cooperation can also be a critical element in the removal of barriers to intraregional trade and investment. Regional integration helps countries overcome divisions that impede the flow of goods, services, capital, people, and information. These divisions are a constraint to economic growth, especially in developing countries.

While Europe, North America, and East Asia have historically led the way in regional integration, the momentum has lately also increased in some of the less integrated regions – as evidenced, for example, by the recently concluded negotiations on the African Continental Free Trade Area (AfCFTA).

Experience has shown that deepened regional integration allows countries to improve market efficiency, accelerate reform processes in a coordinated and predictable manner, and foster multiregional cooperation. Bilateral and regional trade and investment agreements also help enhance policy certainty by committing national governments to specific policy priorities and by fostering open and conducive trade and investment environments [58]. High-level government support (from the president or prime minister), granting a high priority to investment (or foreign direct investment [FDI]) and directly or indirectly championing the needed legal, regulatory, and institutional reforms for investment. Strong strategic alignment stemming from consultations with public and private sectors and cascading from a national development plan or foreign direct investment (FDI) strategy to Investment promotion agencies (IPAs) corporate plans and industry-specific strategies.

A clear, uncontested mandate ideally focused on investment promotion, especially when starting or restructuring the Investment promotion agencies (IPAs). Developing-country Investment promotion agencies (IPAs) with multiple mandates take much longer to, or never do, deliver substantial foreign direct investment (FDI) impact. Regulatory functions (including one-stop shops) are best performed by a separate public institution that ensures proper delivery of this essential function without compromising the equally essential investment promotion mandate of an Investment promotion agencies (IPAs).

A high degree of institutional and financial autonomy (or semi autonomy), emulating private sector flexibility to act according to agreed-upon strategic plans and to hire staff using specified and transparent job qualifications; avoiding political interference; and providing sustainability through political cycles. An independent and well-functioning board of directors or advisory board with strong and active private sector representation to better understand investors and provide direction in catering to their needs. A strong investor-centric service orientation to design and provide relevant and high-quality services to investors throughout their investment cycle. Management and key promotion staff with strong private sector experience, as well as international exposure and language skills, within the Investment promotion agencies (IPAs)'s mix of employees with public and private sector experience.

Sufficient and sustained financial resources over three- to five-year periods to provide continuity of strategic efforts over the long-cycle nature of investment promotion and to avoid struggling over funds every year or having to charge fees [59].

De-risking projects requires that the public sector engage the private sector in consequential ways where the resources of both parties can improve the sustainability and resilience of current and future projects through the allocation of project risk to appropriate parties.

Infrastructure Sector Projects Most at Risk; Infrastructure PPP projects sectors identified by survey respondents as the most at risk, were the following, listed in descending order: transportation (toll roads, airports, and maritime ports); tourism-leisure; power-energy (due to declines in demand and ability to pay); healthcare (due to stress caused by demands in covid-19 mitigation and declining demand for cancer and cardiac services); and education (inability of schools to provide online education platforms). The two most common challenges cited by respondents with these sectors were the massive drop in usage – due to restricted access to these sectors - and the resulting decline in user /revenue fees.

Project Triage De-Risking; to ensure the survivability of infrastructure PPP projects, the public sector and their private sector partners will have to seriously look at de-risking. This means that serious decision will need to be taken regarding an existing project's ability to survive pandemic induced stresses or adverse natural events. A pragmatic and subjective approach to de-risking projects will require a "triage" approach where projects that are meritorious (e.g. can contribute to economic growth or SDG goals) and which can survive pandemic type events become the focus of remedial actions.

De-Risking Best Practices; De-risking strategies should include the following best practices – Strengthening political will and transparency when acknowledging project risks, Optimizing value for money, value for people, and value for future considerations, Re-evaluating all projects against strong sustainability and resilience criteria, Improving stakeholder participation, especially regarding transparency in decision making.

Considering project costs holistically, Improving project due diligence and enhanced feasibility studies, Hiring professional advisors to help with projects if internal capacity does not exist for de-risking actions and Searching for best practices – that have been adopted elsewhere – that enhance resilience and sustainability [60].

3.2. Forecast of investment activity of the world's leading companies

The global economic upswing and short-term positive outlook have, for now, inspired optimistic spending plans among Multinational Enterprise (MNE) executives. Almost 80 per cent of the executives surveyed reported plans to increase investment in the coming year. Top Multinational Enterprises (MNEs) and those operating in tech sectors, declared above-average spending intentions, suggesting that they foresee using part of their cash reserves. Corporations from developing and transition economies also traditionally have bolder spending plans. The survey was conducted in January, before trade tensions heightened. Should tensions subside, these spending intentions could translate into a more positive scenario for global foreign direct investment. Looking at likely locations, 30 per cent of executives who rated investment in the next three years as highly likely or likely prioritized developed economies as targets, and almost 20 per cent chose destinations in developing Asia and in Latin America and the Caribbean. Transition economies and African destinations were selected by 15 per cent of investors [61].

Tech companies expect to be the most active investors; they are planning to expand in all regions. Financial companies are focusing mostly on developed economies, while light industry companies (such as those in consumer goods) are targeting developing economies, attracted by growing domestic markets and lower labour costs.

Executives from aerospace and defense corporations place more importance on technological and innovation capabilities. These results in their preference for developed countries as well as leading economies in developing Asia and transition economies. Executives in these industries rated investment in India at a similar probability as investment in France or the Netherlands, where a leading aeronautical producer (Airbus SE) is based.

Telecommunication and utilities companies are mostly driven by domestic economic performance, hence investing in large domestic economies where the market is not yet saturated. Investment promotion agencies (IPAs) in developing economies expect most investment to come from agribusiness corporations, followed by information and communication Multinational Enterprise (MNE). Investment promotion agencies (IPAs) also expect to attract utilities and construction investors to fill infrastructure gaps. Investment promotion agencies (IPAs) in developed economies expect most investments to come from information and communication companies and professional services, and from specialized manufacturing industries: pharmaceuticals, automotive and machinery. There are some parallels within Multinational Enterprise (MNE) expectations: Investment promotion agencies (IPAs) from developing and transition economies all forecast investments from the food and beverages industry (light industry), matching corporations' plans of investments across the developing world. Another promising industry for developing economies is information and communication (that includes both tech and telecom corporations) as the digital economy spreads to frontier markets [62].

United Nations Conference on Trade and Development (UNCTAD) forecasts show a sharp decline in global FDI in 2020 and 2021, to a level about 40 per cent lower than in 2019. Even before the outbreak of COVID-19, United Nations Conference on Trade and Development (UNCTAD) model forecasts a stagnant trend (-3 per cent in 2020 and +1 per cent in 2021) as a result of political and trade tensions and an overall uncertain macroeconomic outlook.

Global Investment Trends and Prospects 7 This projection is subject to significant uncertainty. The exogenous shock of the pandemic adds to the usual volatility of foreign direct investment (FDI). The range forecast for foreign direct investment (FDI) through 2020 is between -30 and -40 per cent and for 2021 between -30 and -50 per cent. The main factor that will determine the severity of the drop is the development of the health emergency.

Another key element of uncertainty will be the extent of the economic damage and the effectiveness of extraordinary measures that governments around the world are implementing to support businesses and households. Specific trade and investment policies in response to the crisis will also critically affect investor confidence and investment decisions.

The projections for the underlying foreign direct investment (FDI) trend – an United Nations Conference on Trade and Development (UNCTAD) indicator designed to capture the long-term dynamics of foreign direct investment (FDI) by netting out fluctuations driven by one-off transactions and volatile financial flows – indicate a milder but still substantial decline in 2020 (-12 per cent). The underlying trend is expected to start a recovery in 2021.

The forecasts for the underlying trend in 2020-2021 can be interpreted as the more systemic effect of the pandemic and the economic crisis, after discounting the temporary shock. The widening range of the forecast beyond 2021 recognizes that the results of the forecasting model can reflect only current projections of underlying fundamental variables and cannot account for the uncertainty surrounding the development of the health and economic crises, particularly over the medium and longer terms. The lower bound reflects the result of the forecast for foreign direct investment (FDI) inflows for 2022, following an L-shaped pattern, with the foreign direct investment (FDI) value substantially aligned with the central forecast of 2021; in other words, these prospects do not show any rebound over the next three years. In addition, a U-shaped trajectory is presented as an upper bound for 2022. This scenario is based on the assumption that the aggregate Foreign direct investment inflows will ultimately revert to the underlying foreign direct investment (FDI) trend projections once the COVID-19 shock is fully absorbed [63].

Unfortunately, it appears that the impacts of the pandemic on foreign direct investment (FDI) flows to these economies may be particularly severe. For example, the primary and manufacturing sectors, which account for a larger share of foreign direct investment (FDI) in many of these economies than in most developed economies, have been particularly hard hit by the pandemic (see forthcoming Organization of Economic Cooperation and Development (OECD) note on implications of the COVID-19 public health and economic crisis on development finance). Contributions to the recovery from foreign direct investment (FDI) can go beyond financing. Multinational enterprises (MNEs) are generally larger, more research and development (R&D)-intensive, and more productive than purely domestic firms. As such, they are well-positioned to help governments deal with the effects of the pandemic. Investment Promotion Agencies (IPAs), charged with attracting and facilitating foreign direct investment (FDI), are also working with their clients and local networks of foreign affiliates to facilitate business collaborations and assist government efforts to combat the pandemic (see the forthcoming note investment promotion in times of uncertainty: Organization of Economic Cooperation and Development (OECD) agencies during and post COVID-19 crisis). Going forward, cross-border partnerships and collaborations between companies can facilitate finding long-term business solutions, such as ways to resume production while protecting workers' health [64].

In the longer term, the pandemic may lead companies to shift the geographic allocation of their foreign operation. For example, Multinationals enterprise may review and potentially shorten their global value chain's to protect themselves from supply-chain disruptions; alternatively, they could seek geographic diversification to reduce exposure to location-specific shocks and reduce costs to be able to deal better with crises. Such shifts could have important implications for countries' economic prospects as Multinational Enterprises (MNEs) are responsible for a large share of global value-added, trade, employment and R&D (Organization of Economic Cooperation and Development (OECD), 2018; Cadestin et al., 2018). Beyond direct impacts, foreign direct investment (FDI) can also have potentially important indirect effects on the local economy. For example, it can have second-order effects on the economy when locally-established MNEs are entering buyer-supplier relations or competing with local firms, hiring and training local workers, and facilitating exports. However, there are reasons to have some skepticism regarding the role that foreign direct investment (FDI) can play. The pandemic hit at a time when foreign direct investment (FDI) flows were at the second lowest level recorded since 2010 in the aftermath of the global financial crisis. In addition, corporate debt was at record levels at the time the pandemic hit. Organization of Economic Cooperation and Development (OECD) research shows that the stock of non-financial corporate bonds was at an all-time high at the end of 2019, and that this stock "has lower overall credit quality, higher payback requirements, longer maturities, and inferior covenant protections" compared to previous debt cycles (Celik at al (2020). High levels of debt could limit the ability of companies to survive the COVID-19 crisis, let alone support their foreign affiliates or pursue new investments. Rising debt levels and liquidity constraints could also be factors driving companies to divest some of their foreign operations [65].

This note begins with an examination of the current situation for foreign direct investment (FDI) flows. It uses information from companies and commercial databases to provide information on trends in companies' actual and expected earnings in the first half of 2020; in announced, completed, and pending mergers and acquisitions (M&A); and in announced greenfield investments. It then considers various scenarios for the impact of the pandemic on foreign direct investment (FDI) flows in the medium term (2nd half of 2020 and full year 2021). The analysis examines the impacts on reinvested earnings and equity capital flows separately as the impacts will likely be different over time and under the different scenarios. Finally, it differentiates between the investment decisions and the divestment decisions of Multinational Enterprises (MNEs) as the factors influencing them will differ. It concludes with a discussion of potential long term impacts. Foreign direct investment (FDI) is expected to decline sharply as a consequence of the pandemic and the resulting supply disruptions, demand contractions, and pessimistic outlook of economic actors. This decline is accentuating and accelerating the steady decline of foreign direct investment (FDI) flows observed in the past five years. There immediate impact on foreign direct investment (FDI) flows will come from a reduction in reinvested earnings. However, equity capital flows will also be impacted as companies put some mergers and acquisitions (M&As) and greenfield investments on hold.

A fall in reinvested earnings - Reinvested earnings have become an increasingly important component of foreign direct investment (FDI) flows, accounting for more than half of foreign direct investment (FDI) inflows in 2019. Two factors determine the amount of reinvested earnings: the earnings of direct investment enterprises and the share that the direct investor chooses to reinvest. In the first and second quarters of 2020, earnings of large MNEs are expected to fall, but the impact varies greatly across sectors. For example, Refinitiv (2020) gathered the latest earnings information and market intelligence for companies in the S&P 500, which includes many of the largest Multinational Enterprises (MNEs) in the world. Their analysis found that there will be large year-over-year drops in earnings in the energy, consumer discretionary sector, industrials, and materials sectors. On the other hand, it is expected that there will be year-over-year increases in earnings in the health care, technology, and communications sectors.

Given the important role that the primary sector and manufacturing play in foreign direct investment (FDI), these developments are expected to significantly reduce earnings of direct investment enterprises in the first half of 2020. Foreign direct investment (FDI) in emerging and developing economies will likely be more seriously impacted due to the higher share of the primary sector and manufacturing in their foreign direct investment (FDI) than in developed economies, where services play a more important role [66].

The share of earnings investors choose to reinvest is also likely to fall during the crisis shows the share of foreign direct investment (FDI) earnings reinvested in

OECD countries from 2005 to 2019. The share of earnings that are reinvested has shown an upward trend since 2013. In the period following the financial crisis, the share of earnings that were reinvested fell by about half, from 45% in 2007 to 24% in 2008. This is because some companies distribute a regular, constant amount of earnings, and some companies distributed a higher share of earnings to support other parts of the Multinational Enterprise (MNE). Therefore, it is expected that the share of earnings that are reinvested will fall in the first half of 2020.

The difficulties faced by firms operating in the energy sector following the collapse in demand, may result in negative impacts for economies relying on resource-seeking foreign direct investment (FDI). Future trends in efficiency-seeking foreign direct investment (FDI) are still uncertain. Disruptions due to the coronavirus pandemic may lead some Multinational Enterprises (MNEs) to rethink the geographic and sectoral spread of their activities and shorten their supply chains and the distance between suppliers and clients. Other Multinational Enterprises (MNEs) may wish to diversify their supplier networks to increase resilience to location-specific shocks. This diversification may involve divestments from some locations but expansions in others. These concerns will add to other factors that were already leading companies to reconsider their supply chains. For example, some companies were already concerned about possible vulnerabilities of global value chains in light of global trade tensions and Brexit. The pandemic could also increase other pressures. For example, companies were already rethinking their supply chains in response to demands by consumers and companies for more sustainable and inclusive production methods; the pandemic may increase these demands. Another factor present before the crisis is the deployment of digital technologies, which could expand following the experiences during the pandemic. To insulate themselves from future shocks, companies may make more intense use of e-solutions to dematerialize and automate processes, and to reduce reliance on unmovable assets and long-term contracts [67].

Global investment is expected to see a modest recovery of 10 per cent in 2019. This expectation is based on current forecasts for a number of macroeconomic indicators, UNCTAD's econometric forecasting model of FDI inflows and its underlying trend analysis, and preliminary 2019 data for cross-border M&As and announced greenfield projects. It is complemented by UNCTAD's survey of investment promotion agencies (IPAs). 1. Short-term prospects Projections for FDI in 2019 point to a 10 per cent increase to almost $1.5 trillion – still below the average of the last 10 years. The main factor driving up expectations is the likely rebound from anomalously low levels of FDI in developed countries in 2018. Following the subsiding of repatriations of foreign earnings of United States multinationals in the second half of 2018, developed-country inflows are likely to revert to prior levels, implying a significant jump in some countries that normally receive sizeable inflows. The expected increase of FDI flows in 2019 is also apparent in the 41 per cent jump in greenfield project announcements (planned expenditures) from their low levels in 2017. Despite these upward-pointing signs the size of the expected increase in FDI is relatively limited because the long-term underlying FDI trend remains weak (section I.B.2). M&A data for the first four months of 2019 confirm the need for caution; the value of cross-border M&As was about $180 billion, 10 per cent lower than the same period in 2018. The likelihood of an increase in global FDI is further tempered by a series of risk factors. Geopolitical risks, trade tensions and concerns about a shift towards more protectionist policies could have a negative impact on FDI in 2019. Moreover, longer-term forecasts for macroeconomic variables contain important downsides. The projected increase of FDI flows is highest in developed economies, with Europe expected to see an increase of more than 60 per cent (recovering but remaining at only about half of 2016 values). Flows to developing economies are expected to hold steady, with projections showing a marginal increase of about 5 per cent. Among developing regions, FDI in Africa is likely to increase by 15 per cent, in view of an expected acceleration of economic growth and advances in regional integration. Prospects for developing Asia are cautiously optimistic, especially in South-East Asia and South Asia, with flows rising slightly (by 5 per cent) thanks to a favourable economic outlook and improving investment climate. Flows to Latin America and the Caribbean are expected to remain relatively stable, with a projected decline of about 5 per cent, while in transition economies flows are likely to see a recovery in 2019, reaching $50 billion. 2. Long-term trends The relatively modest increase in global FDI projected for 2019 is in line with the slow growth over recent years in the underlying trend. That trend – net of fluctuations driven by one-off factors such as tax reforms, megadeals and volatile financial flows included in FDI – has shown anemic growth since the global financial crisis (figure I.11). Key drivers for the long-term slowdown in FDI include policy, economic and business factors. Policy factors. The gradual opening of emerging markets worldwide that spurred FDI growth until the late 2000s is no longer fueling FDI to the same extent. In the last few years, restrictions on foreign ownership, based on national security considerations or strategic technologies, have again been front of mind for policymakers (chapter III). Uncertainty over the development of the international policy frameworks for trade and investment is also not supporting investor confidence. Economic factors. Declining rates of return on FDI are a key factor behind the long-term slowdown (table I.5). In 2018, the global rate of return on inward FDI was down to 6.8 per cent, from 8 per cent in 2010. Although rates of return remain higher on average in developing and transition economies, most regions have not escaped the erosion. In Africa, for example, return on investment dropped from 11.9 per cent in 2010 to 6.5 per cent in 2018. Business factors. Structural changes in the nature of international production are also at work. The adoption of digital technologies in global supply chains across many industries is causing a shift towards intangibles and increasingly asset-light forms of international production, as reaching global markets and exploiting efficiencies from cross-border operations no longer requires heavy asset footprints. The trend is visible in the divergence of key international production indicators – on a scale from tangible to intangible – with a substantially flat trend for FDI and trade in goods and much faster growth for both trade in services and international payments for intangibles (royalties and licensing fees).

Comparing IPAs' perceptions for global FDI prospects between 2016 and 2019 shows that expectations have been progressively less optimistic in every year of the survey. IPAs rank the United States and China – in joint first place – as the most likely sources of foreign investment to their countries. Three large European economies – the United Kingdom, Germany and France – were considered the next most important sources of FDI. India and the United Arab Emirates, not traditionally in the top 20 outward investor countries, were also considered as among the top 10 most important sources of FDI for the 2019 to 2021 period. IPAs in developed economies expect most investment to go to information and communications industries, followed by professional services, and finance and insurance. In developing and transition economies, IPAs expect more investment in agriculture, followed by food and beverages, and information and communication. More and more countries are looking to attract investment in digital technologies and innovation as key drivers of economic growth. The high ranking of the ICT sector for FDI prospects is also a reflection of the investment promotion efforts of IPAs in this sector. The selection of agriculture and food processing among the most promising sectors in developing and transition economies indicates that IPAs in those economies expect a significant share of FDI to remain connected to natural resources for the foreseeable future.

Early indicators – FDI projects in the first months of 2020 – are showing sharp declines. The numbers of announced greenfield projects in March and cross-border M&A deals in April decreased by over 50 per cent compared with the 2019 monthly average. Earnings revisions are a preliminary warning of the potential impact of the pandemic on FDI through reinvested earnings. Earnings forecasts for fiscal year 2020 of the top 5,000 (listed) MNEs show average downward revisions since the outbreak of -36 per cent. Services industries directly affected by the lockdown are among the most severely hit, particularly accommodation and food service activities (-94 per cent) and transportation and storage (-63 per cent, with passenger airlines taking crippling losses. Commodity-related industries are expected to suffer from the combined effect of the pandemic and plummeting oil prices, with downward earnings revisions of -70 per cent in the extractive industries. In manufacturing, some industries that are global value chain (GVC) intensive, such as automotive and textiles, were hit early on by supply chain disruptions. Because of their cyclical nature they are vulnerable to both supply and demand shocks; their revised earnings stand at half their original forecast. Overall, industries that are projected to lose 30 per cent or more of earnings together account for almost 70 per cent of FDI projects.

Chapter 3 conclusion

The impact of COVID 19 had immediate effect, short term effects and long term effects. Nearly four in five Multinational Enterprises (MNEs) report reductions in revenues and profits over the past three months, on average by 40 percent. Demand has fallen sharply because of high uncertainty and precautionary behavior of consumers, resulting in reduced consumer spending and corporate orders.

The ways of improving the investment strategy in the modern conditions requires avoiding barriers of protectionism, identify new markets, and I think there should be more merging and acquisitions. Collaborative in foreign direct investment (FDI) is essential to the recovery plan.

The year 2022 seems to be free from COVID -19. Projections for global foreign direct investment (FDI) in 2018 show fragile growth. Global flows are forecast to increase marginally, by up to 10 per cent, but remain well below the average over the past 10 years. Higher economic growth projections, trade volumes and commodity prices would normally point to a larger potential increase in global foreign direct investment (FDI) in 2018. At the lower bound of the forecast, further stagnation in 2022 will leave the value of global foreign direct investment (FDI) well below the 2019 level. The trend in foreign direct investment (FDI) could enter a phase of gradual stabilization at a structurally lower level than before the crisis.

CONCLUSIONS

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At the lower bound of the forecast, further stagnation in 2022 will leave the value of global foreign direct investment (FDI) well below the 2019 level. The trend in foreign direct investment (FDI) could enter a phase of gradual stabilization at a structurally lower level than before the crisis. The world’s leading Multinational Enterprises (MNEs) have projects delayed and other features of international investment like Merging and Acquisitions had to cancel due to COVID – 19. International Investment is one of the investment strategies in which an investor diversifies his portfolio.

The global rules for trade and investment need to be improved and made to work better in support of level playing fields and an open, rules-based global economy. One of the greatest threats for developing countries would be the widespread outbreak of protectionist trade and investment wars which could accelerate what to date has been a significant but measured retreat of the private sector from the developing countries; As private sources of financing that align with and can support achievement of the SDGs retreat, public sources will become relatively more important and will need to play a countercyclical role. They cannot fill the gap left by the private sector but they can soften the blow. This will be difficult in the developing countries themselves given the knock-on negative impact of declining business investment on the ability of governments to maintain adequate levels of tax receipts, which could feed negative spirals as public spending on critical business infrastructure is cut back, further undermining business climates. Coordination among donors 8 While there will be double counting in these calculations, especially between FDI and cross-border M&A, the zero nominal growth counterfactual comparison nonetheless provides a good orders of magnitude sense of the combined scale of the declines in private investment in developing countries across these four channels.

Investment sectors covered basic infrastructure (roads, rail and ports; power stations; telecommunication; water and sanitation), food security (agriculture and rural development), climate change mitigation and adaptation, health and education. The report highlighted the need for private investment, including international investment, to supplement public and domestic investment in order to bridge the financing gap. In the report, UNCTAD also proposed a package of transformative actions to mobilize and channel private investment towards the SDGs and ensure their positive impact on sustainable development.

Balancing liberalization with regulation. SDG sectors often, by their nature, provide public goods and frontline services; private sector involvement requires careful balancing of market access considerations with appropriate public regulations and oversight. Balancing the need for attractive risk-return rates with the need for accessible and affordable services for all. The risks undertaken by corporate actors and their expected returns need to be weighed against the requirement to ensure the accessibility and affordability of goods and services. Balancing a push for private investment with public investment. Private sector involvement is not a panacea for solving the SDG financing problem but can play an important role in complementing and supporting public sector engagement. Mobilizing private and public funding must go hand in hand. Balancing the global scope of the SDGs with the need to make a special effort in LDCs and other vulnerable economies. Although the SDGs provide a global framework, their attainment is particularly important in the most vulnerable economies. Their special situation therefore requires national and international measures tailored to their specific contexts. A set of transformative actions The Action Plan presents a range of policy tools to respond to the investment mobilization, channeling and impact challenges faced especially by developing countries, including mainstreaming SDGs into the national investment policy framework and international investment treaty regime, re-orienting national investment promotion and facilitation strategies towards SDGs investment, establishing regional SDG Investment Compacts, fostering new forms of partnerships for SDG investment with investment-development stakeholders, deepening the integration of ESG in financial markets, and changing the global business mindset.

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