From the FDI Triad to Multiple FDI Poles? (also in Chinese)

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From the FDI Triad to multiple FDI poles?
by Persephone Economou and Karl P. Sauvant

Twenty years ago, in the inaugural issue of the World Investment Report,¹ the United Nations highlighted a shift in the global pattern of foreign direct investment (FDI) from bipolar, dominated by the United States and the European Community, to tri-polar (the FDI Triad), dominated by the European Community, the United States and Japan.

This Triad needs to be revisited, given the rise of FDI from emerging markets (EMs).² To qualify as a Triad member, a “pole” has to account for at least 10% of global FDI outward stocks and flows. While an arbitrary cut-off share, it is indicative of a considerable presence in the world FDI market.

Since 1991, the share of the European Community (modified to include all 27 members of the European Union) declined from 85% in 1990 to 74% in 2009 in world outward FDI stock and from 85% during 1990-1992 to 74% during 2007-2009 in world outward FDI flows.³ Of the three poles of the original Triad, Japan’s share in the global FDI outward stock slumped from 10% to 4% between 1990 and 2009, while its share in global outflows fell from 16% during 1990-1992 to 5% during 2007-2009. According to the “at-least-10%” cut-off share, Japan no longer qualifies as a Triad pole.

The ascendancy of EMs makes them a candidate for a Triad pole. Their share in the world’s outward FDI stock rose from 7% in 1990 to 16% in 2009. Moreover, the momentum is on their side: their share of global FDI outflows jumped from 8% during 1990-1992 to 25% during 2007-2009.

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³ “Emerging markets” are all economies not classified as “developed countries” by UNCTAD.
⁴ All data are from UNCTAD’s FDI database.
Admittedly, EMs are a large group of economies at different stages of development. However, only 20 together accounted for 85% of FDI outflows from all EMs during 2005-2009 (excluding tax havens). This smaller group is roughly comparable, at least in number, to the 27 members of the European Union, also a rather diverse group of countries at different levels of development.

The share of the top 20 (all at least middle-income economies) EMs in global FDI stock rose from 6% to 13% between 1990 and 2009. Their share in global outflows grew from 6% in 1990-1992 to 14% in 2007-2009. With a share of over 10% in both outward flows and stocks, EMs (essentially the top 20) could be seen as having replaced Japan as a pole in a new FDI Triad, alongside the United States and the European Union.

However, EMs as a Triad pole may be a short-lived phenomenon. The BRICs as a group are emerging as strong candidates for a pole. As of 2009, they had not made the cut-off in terms of stocks, together accounting for only 4% of global outward FDI stocks; even if Hong Kong, China and Macao, China are included in China’s stock, their share would reach only 8%.4 However, the BRICs may soon reach the 10% cut-off in terms of flows: over the period 2008-2010, their share in global FDI outflows jumped to 9%; if Hong Kong, China and Macao, China are included, that share becomes 13%.

Furthermore, regional integration schemes (e.g. ASEAN), or individual EMs (e.g. China) - could become FDI poles. This would signify a fuller transition from the old FDI Triad to a multi-polar FDI world, one in which smaller poles coexist with the dominant members of the former Triad.

What are policy implications of these changes? On a practical level, investment promotion agencies need to target these new poles when attracting FDI. Also, the new players (and established investors) will need to understand that countries no longer look just for more FDI, but for sustainable FDI – investment contributing as much as possible to economic, environmental and social development in the framework of mechanisms that ensures a fair distribution of the FDI benefits and on the basis of the commercial viability of individual projects.

Most importantly, the rise of FDI from EMs, crystallizing moreover in multiple FDI poles, is likely to influence international rule-making. In particular, the perspectives of industrialized countries and EMs regarding the rights and responsibilities of host countries and multinational enterprises under international investment law are likely to become more similar, now that the most important among these markets have become significant outward investors. Should this occur, the conditions could be ripe for negotiating a multilateral framework for investment.

4 Double-counting probably still exists as an unknown share of outflows from Hong Kong, China and Macao, China consists of transshipment FDI from China and other countries or involves “round-tripping” investment back to China.
The Vale Columbia Center on Sustainable International Investment (VCC), led by Dr. Karl P. Sauvant, is a joint center of Columbia Law School and The Earth Institute at Columbia University. It seeks to be a leader on issues related to foreign direct investment (FDI) in the global economy. VCC focuses on the analysis and teaching of the implications of FDI for public policy and international investment law.

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在20年前的首期《世界投资报告》中，联合国指明了全球FDI模式的一个转变，即从由美国与欧共体主导的两极模式转变成由美日欧主导的三极模式。鉴于新兴市场（EMs）FDI的增长，三极格局需要重新审视。成为三极中一极，对外投资额须占到全球FDI存量与流量的10%以上。尽管该份额限度的设定较为任意，但能表明在世界FDI市场上分量可观。


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FDI格局：从三极到多极

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不可否认，EMs 是一大批处于不同发展阶段的经济体。然而除避税港外，2005 年至 2009 年期间仅 20 个 EMs 就占了全部 EMs FDI 流出量的 85%。这 20 个 EMs 至少在数目上同欧盟 27 个成员国具可比性，后者同样由发展程度不同的各国国家组成。

1990 年至 2009 年期间前 20 个 EMs（均至少为中等收入经济体）在全球 FDI 存量的份额从 6% 升至 13%，流出量所占的份额从 1990 年至 1992 年期间的 6% 升至 2007 年至 2009 年期间的 14%。由于流量和存量的份额均超过 10%，EMs（特别是前 20 个）能够被视为取代日本成为 FDI 三极之一，与美国和欧盟形成 FDI 新三极。

然而 EMs 成为三极之一可能只是暂时现象。金砖国家（BRICs）正迅速崛起，成为三极候选的强劲竞争者。2009 年就存量而言他们尚未达到要求，仅占全球 OFDI 存量的 4%；即便将香港和澳门计入中国投资存量总额，金砖国家所占份额也仅达 8%。4 然而就流量而言 BRICs 可能很快就能达到 10% 的底线：2008 年至 2010 年期间，其在全球 FDI 流出量中所占份额已升至 9%；如果加上中国香港和澳门，该份额达到 13%。

此外，区域一体化组织（例如东盟 ASEAN）或是单个 EMs（例如中国）也有可能成为 FDI 一极。这可能意味着世界正从旧的 FDI 三极局势向一个多极化 FDI 世界更全面的转变着，在这个多极化 FDI 世界中小极地区同先前三极格局主导国共存。

这些转变的政策含义是什么？从实际操作层面上来说，投资促进机构在吸引 FDI 之时需要瞄准这些新极地区。并且新的参与者（以及现有投资者）需意识到，国家不再仅局限于寻找更多的 FDI，而是需要可持续的 FDI——这种投资在单个项目商业可行性的基础上尽可能有助于机制（这一机制确保 FDI 的收益得到公平的分配）框架内经济、环境和社会的发展。

4 重复计算可能在中国香港和中国澳门的流出量中占有一定的份额，这些由中国以及其他国家的转运 FDI 或是涉及中国的回程投资构成。
最为重要的是，新兴市场 FDI 的增长，具体地说是 FDI 多极化，很有可能影响国际规则的制定。尤其是工业化国家和 EMs 关于国际投资法下东道国与跨国公司的权利与责任的观点将日趋相似，因为这些市场中最重要的那些已然成为举足轻重的对外投资者了。如果这一情况发生，那么商讨投资多边框架的时机就成熟了。

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