WORKSHOP ON
TRADE & INVESTMENT

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Scheme of Presentation

- Evolution of Sustainable Development in Investment Narrative
- SDGs and Investment
- Role of Investment Policy Making in Attaining Development Goals
Investment Regulation

- National level
  - Specific laws applicable to FDI
  - Non-investment specific domestic regulatory framework

- International Level
  - Bilateral - BITs
  - Regional - FTAs, PTAs, Customs Union
  - Multilateral - Relevant rules in WTO + other Int’l Investment conventions (ICSID, UNCITRAL, ECT etc.)
National Level Regulation

- More countries undertaking more regulatory change
- Despite prevailing promotion of FDI, protectionism is in increase...

Source: UNCTAD
IIAs – Historical Perspective

- Friendship, Commerce & Navigation Treaties (17th – 19th Century)
- Customary International Laws – State Responsibility for Protection of Aliens
- Post World War – OECD Draft 1950s
- First BIT 1959 – Germany + Pakistan
1960s 1960s-1980s 1990s- present

Natural resource seeking FDI

Market seeking FDI

Efficiency-seeking FDI

BITs/ Protection

BITs & PTAs Protection & Liberalization

Natural resource seeking FDI

Market seeking FDI

Natural resource seeking FDI
Proliferation of IIAs

Figure 1: Trends in IIAs signed, 1980–2014
Reasons for Proliferation of IIAs

- Tariffs no longer relevant – growing importance for rules governing production and access to markets
- PTAs important for attracting export-oriented FDI – the more PTAs the higher the number of secured export markets
- Rising south-south investment (from 3% in 2000 to 17% in 2016).
Sustainable Development in Investment Narrative - Fourth Generation IIAs 2000s

- Increasing literature showed not all investment is ‘development friendly’ – Emphasis on ‘sustainable development’
- Emergence of Model Treaties (SADC, Commonwealth, IISD etc)
- No Universally agreed definition of ‘sustainable development’ or of its linkage with investment
Sustainable Development and Investment

- Sustainable development requires structural economic change (SEC)
- SEC requires investment in new forms of energy production, resource extraction, transportation and manufacture
- Sustainable development is promotion of investment that improves sustainability and equitable economic growth
SDGs and Investment

- 17 goals with 169 targets across all sectors

- Mentions ‘Investment’ 13 times in the context of poverty eradication, job creation, enhancing productivity, improving rural infrastructure, closing gender gap, clean energy and addressing investment needs of vulnerable economies.

- UNCTAD points to a $2.5 trillion gap
Addressing the Gaps

- $2.5 trillion is less than 3% of global capital stock, but how to reach it?
- Total ODA is 131 billion annually
- Even 0.7% GNI target is insufficient
- What is needed is to rally private cross-border investment behind SDGs
Addressing the Gap

- Can individual countries' regulatory reform address the gap? If yes, how?
- Can a multilateral setting help achieve SDGs?
Can IIAs unlock investment

- Heterogeneous results due to data and methodological challenges (UNCTAD 2014)
- Impact on investment-attraction tends to be different depending on the type of IIAs
- Little evidence that BITs attract investment but evidence on impact of PTAs is stronger
- Remains to see what a multilateral agreement may achieve.
THANK YOU