

## **Summary of webinar: “Optimize investment conditions to accelerate digital recovery”**

On 19 May 2020 WAIPA and Huawei jointly organized an online panel discussion titled “Optimize investment conditions to accelerate digital recovery”. The discussion gathered panelists from international organizations, investment promotion agencies (IPAs), FDI advisory and the business sector.

### **Panelists**

- Fahad Al Gergawi, President of WAIPA and CEO of Dubai FDI
- Prerna Soni, Sr AVP, Invest India
- Juan Marchetti, Chief Counsellor on Investment WTO
- Andreas Dressler, Managing Director, FDI Center
- Craig Burchell, VP Global Trade, Huawei

The focus of the panel was inward investment for recovery, multilateral collaboration, the importance of the WTO “Multilateral Framework on Investment Facilitation for Development” and the significance of IPAs.

The discussion was as follows:

### **Challenges and solutions**

It was noted that the investment community faces major challenges: to help avoid economic depression; energize investment & unlock the potential of digital trade at this crucial time. Governments, IPAs and businesses working together are part of the solution and can facilitate the investment needed for recovery.

It was noted that some analysts predict FDI will halve in 2020. One panelist said that instead of predicting decline, we should take the initiative to create the future by generating more FDI. As G20 Governments have committed to support investment and global value chains, he added that he would like to see the G20, at its ministerial meeting in July, take concrete action and create a funding facility to boost FDI, especially for developing economies.

One panelist drew attention to its recent publication on investment priorities for digital recovery, which proposes actions and gives examples of win-win partnership creating local jobs and mutual prosperity through integration in local ecosystems.

### **Digitalization and investments into digital infrastructure**

The panelists all highlighted the importance of digitalization and how digitalization can help recovery post COVID. For this recovery, digital competitiveness will be key. The discussants stressed the fact that investments into ICT are crucial as these long-term investments are also an enabler for many different sectors of the economy to increase prosperity.

On the question of the readiness of investment conditions for ICT, the participants expressed their view that increasing digital connectivity is crucial. From the business side the view was that sharing experiences, connecting talent, and working with universities is key to accelerate

innovation. Moreover, as ICT investments go beyond the investor company they create multiple positive effects through integration into the local business ecosystem

It was also argued that there will be new ways of working and as such we will all have to adapt to a “New Normal” with different approaches to how we worked before. The panelists agreed that going digital can bring operational efficiencies and optimize budgets and will help focus energy on giving support.

During these unprecedented times the integration of technology in the healthcare sector is strongly evident. In a post COVID era the priorities for countries will change. The panelists discussed that there will likely be more investments in green, carbon neutral projects to support the fight against the climate crisis. As such, while FDI in several sectors such as tourism will be heavily affected by the crisis more than others, FDI in ICT will be only slightly impacted due to its importance as an enabler of economic activity. Hence, a funding facility to drive continued investment was suggested to drive investment particularly into digital infrastructure. This may help to reverse the general decline of FDI; here also IPAs have a crucial role.

Overall the discussants agreed that the development of digital skills and access to good digital infrastructure is the way to enable economies to accelerate their recover.

### **The importance of multilateralism**

One major topic also discussed was the importance of multilateral cooperation. As investments will be crucial for the recovery post COVID, facilitation measures will be more crucial than ever to mobilize those investment flows. A large number of WTO members are engaged in negotiations to create a multilateral framework on investment facilitation that would provide a framework and foster and contribute to investment facilitation worldwide. This framework is to provide an umbrella but also foster policies and measures and the use of digital technology which is already in the draft framework, e.g. measures, regulations, use of technology and applications electronically. An outcome for this is expected at the next WTO ministerial meeting. The WTO has been following trade and investment from the very beginning to keep policies transparent. The panelists discussed how important investment facilitation has become, both in terms of the access in general and how one to support current and prospective investors; as such pressures that go beyond ensuring self-reliance may become problematic for countries and investors.

Overall the discussants witnessed in the last 30 years waves of multilateral cooperation and believes more multilateral cooperation will be the way forward. This time will also be remembered for how we mobilize ourselves and how we cooperate to create our future together. Some sources predict a dramatic decline in FDI, but this will not be the same across all sectors and there will likely be a greater competition for it. Moreover, the discussants observe greater government involvement, e.g. the panelists agreed that protectionism negatively impact FDI. The discussants agreed that IPAs can step up to be champions for greater multilateral

cooperation and that concerted cooperation is needed to ensure equal and fair access to the new opportunities.

Here the discussants also referred to the role of WAIPA and its members; namely to maximize different ideas available. Moreover the social element of investments will become more crucial in the near future and they will come with projects. The current pandemic has left a profound impact on social and economic segments. Therefore, upcoming investments may not be based on the financial components only, but also take into consideration social and environment impact. Special focus should be on job creation due to the significant impact of the pandemic on unemployment levels around the world.

A discussant also suggested that it is time for world leaders, such as G7, to come up with funding to provide facility which will drive investments. The investments should drive the recovery and a multilateral not unilateral approach is called for.

Moreover the importance of the involvement of various stakeholders was highlighted. Hence, the example of the current discussion was given where e.g. private sector, WAIPA, ITC, WEF, German development institute et. al. gather regularly to discuss investment facilitation for development. It is concluded that multilateral cooperation is crucial also in challenging times.

### **The important role of IPAs**

Generally, it was noted that it is a good time for IPAs to adapt their strategies; as such digitalization and green investment are big opportunities. This is a critical time for FDI and for IPAs, as such it was also suggested that countries seek creative ways how to expand investment in digital infrastructure and how lesser developed countries can participate. As IPAs have a crucial role to contribute, they can guide and support the discussions with investors and governments in the creation of new ideas and proposals.

The discussants saw the current situation as an enormous chance for IPAs to spot new sectors and new investments that will emerge because of shifts caused by the current pandemic. For example the need for investment into digital healthcare, and on-line education as away to boost social factors for the future.

The discussants argued that currently the work of the IPA is also to immunize the businesses, to come up with ways to support these investors to continue working by minimizing their concerns. The support from IPAs is crucial for all sizes of companies and that the IPAs support is of the utmost importance.

The panelists discussed moreover the idea to create additional demand for investment While there are packages to support COVID, creating additional supply, to which also technology can contribute immensely will help; both in keeping up the economy but also to alleviate the impact and also to find solutions. Here IPAs may elevate their standing, to move beyond facilitating investment to play a role in economic recovery. IPAs should think of new ways to elevate digital

and advocate to government the importance of investing in ICT as a way to enable many sectors to support the economic recovery.

Overall the panelists underlined the current need to revisit strategies and adapt them to the new realities. IPAs will continue to pursue their tasks, but sectors will change; target sectors hence will need adjustments. Moreover, there will also likely be a shifting of resources in the organizational structures of IPAs, i.e. aftercare will become more important in addition to attraction. The current situation is however also a good opportunity to implement roles that exist in consumer marketing. These tools exist but only few IPAs have implemented these yet. Here, also the FDI Excellence Series was highlighted, where IPAs regularly share best practices in this regard. Moreover, digital service provision will become more prominent. The discussants all agreed that with digitalization there will be a major levelling of the playing field across many countries, bringing new opportunities for entrepreneurs, importers and exporters wherever they are located. As digitalization is cost effective in the medium and long run in terms of efficiency, quality and effectiveness in boosting economies; while the panelists agreed on the fact that digitalization will not replace the personal aspect the unique position of the IPAs is not at risk.

The example of an IPA was given that created an immunity platform to help existing investors, e.g. to help them with any issue in terms of the supply chain or with manufacturing essentials and also to support employees. The IPA reached out to stakeholders worldwide to let them know they would help. IPAs understand both international and domestic markets and with the use of technology IPA kept working, resolved all supply related question by creating a logistics platform. Again, here IPAs need to find balance and focus more on projects that bring more jobs and have bigger social impact. Overall, some sectors are more labor-intensive, i.e. food production, textile manufacturing, etc., while others less and depend more on technology.

Generally, IPAs can also identify ways to make struggling sectors work better, more efficiently and share their valuable insight on policies and reforms for sectors. As such the creation of demand using a digital presence and the focus on innovation will be crucial.

Technology has been applied to minimize the impact of COVID-19. There are numerous examples such as CT scans with AI that can cut diagnose of COVID-19 from 14 minutes to just 10 seconds. There will be more demand for investments in the health sector and in general demand will change and new sectors will emerge. Therefore, IPAs should consider these emerging trends and adapt to them accordingly.

Finally, it was agreed that for IPAs this is a window of time, to step up their game. IPAs have time to reflect what extra services IPAs can bring, by observing market signals to tap on. As such WAIPA is looking at serving its members but also actively contributing to the investment scene. There is a lot of value looking at IPAs as they have a lot on their shoulders to tackle part of disruptions at the moment, but they will be essential also in the recovery and to attract investors. Hence, IPAs will be in the heart of the comeback.