



FDI IN TURBULENT TIMES: CHILE AND LATIN-AMERICA

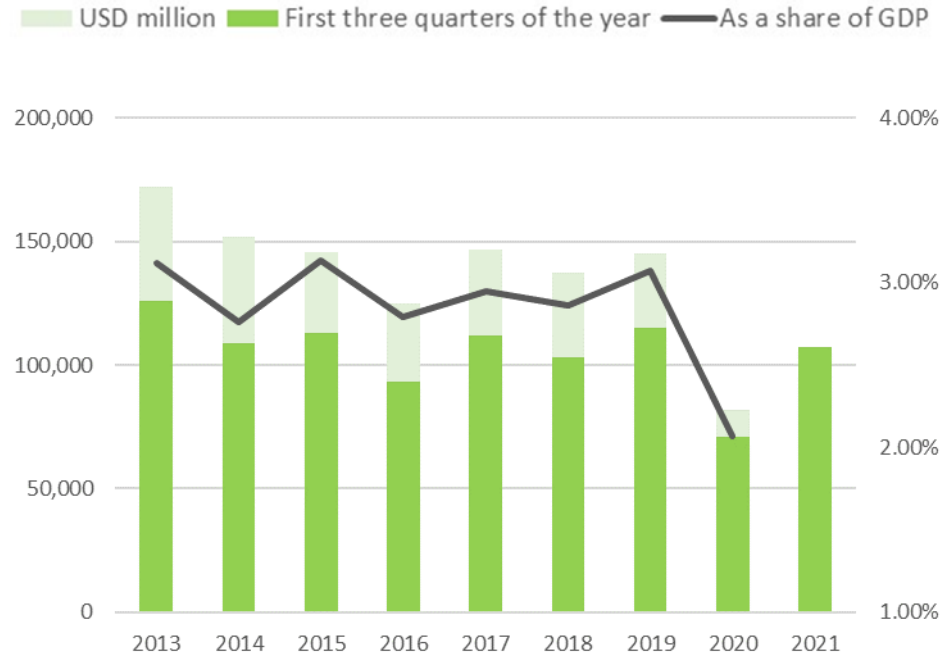
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22 March 2022



FDI flows in LAC increased by 51% in 2021....from low levels in 2020

FDI flows in Latin American (LAC) economies, 2013-2021 (USD million)



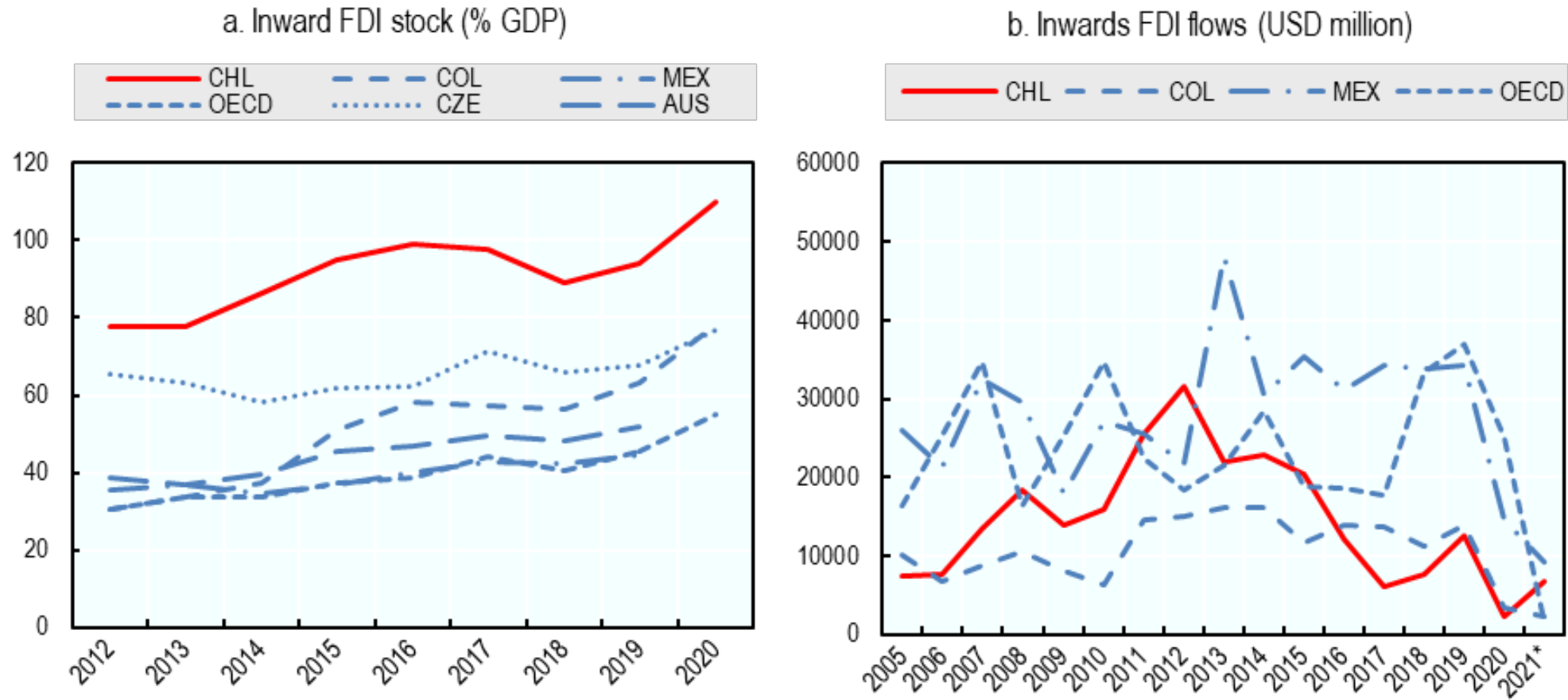
Nota: Flujos de IED en LAC incluye información de Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, México, Paraguay, Perú and Uruguay.

Fuente: flujos de IED: bases de dato de IED de la OCDE, de Balanza de Pago del FMI y páginas web de países. Series en relación al PDB utiliza precios Corrientes de los Principales Indicadores de la OCDE y del Outlook Económico Mundial del FMI..

- FDI flows in LAC economies increased by 51% in the first nine months of 2021, to USD 107 billion.
- Meanwhile, FDI inflows into OECD economies increased by 176% in annual base, to USD 612 billion.



Chile: Since 2012 FDI as a share of GDP has increased, but inward FDI flows have fallen

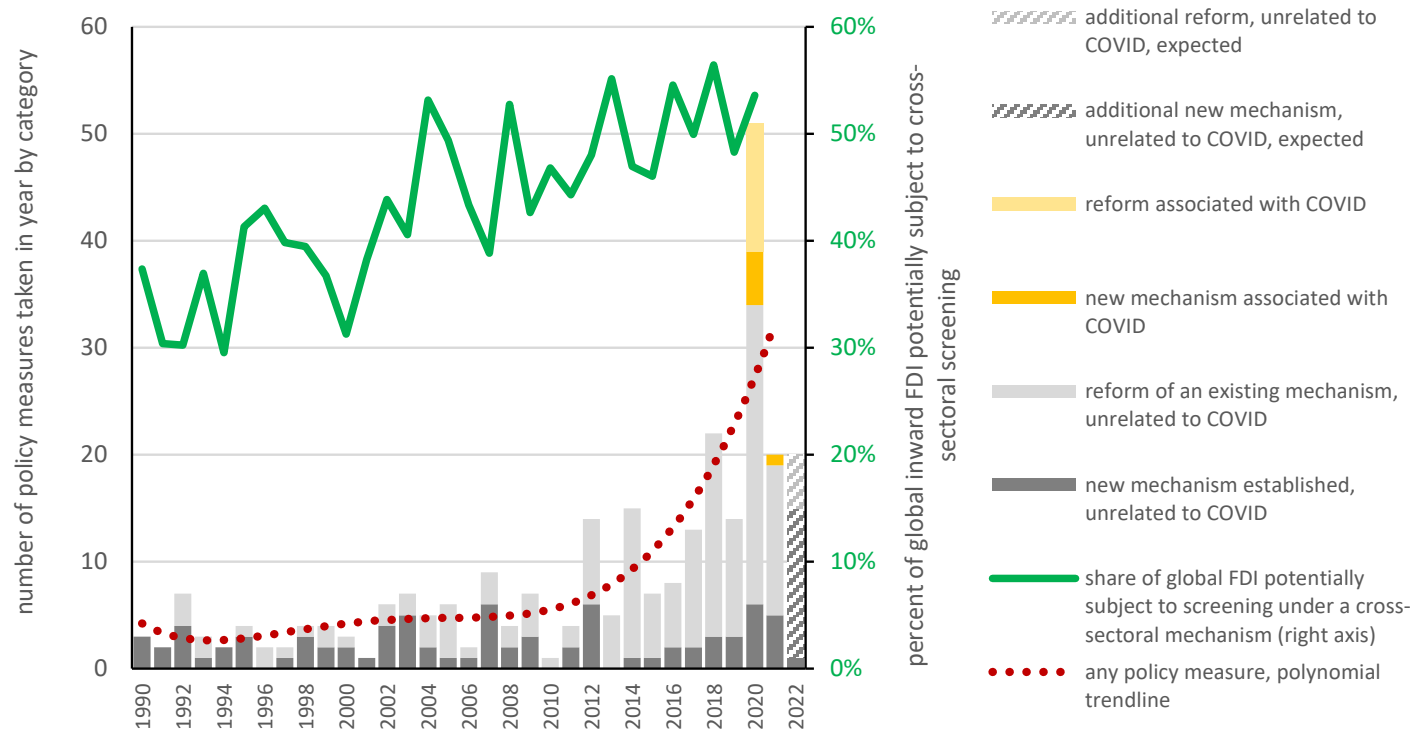


Note: Panel b: FDI flows for 2021 covers the first and second quarter of 2021.
Source: OECD FDI statistics



Investment Policy Measures: Screening mechanisms

Policies to safeguard essential security interests remains strong



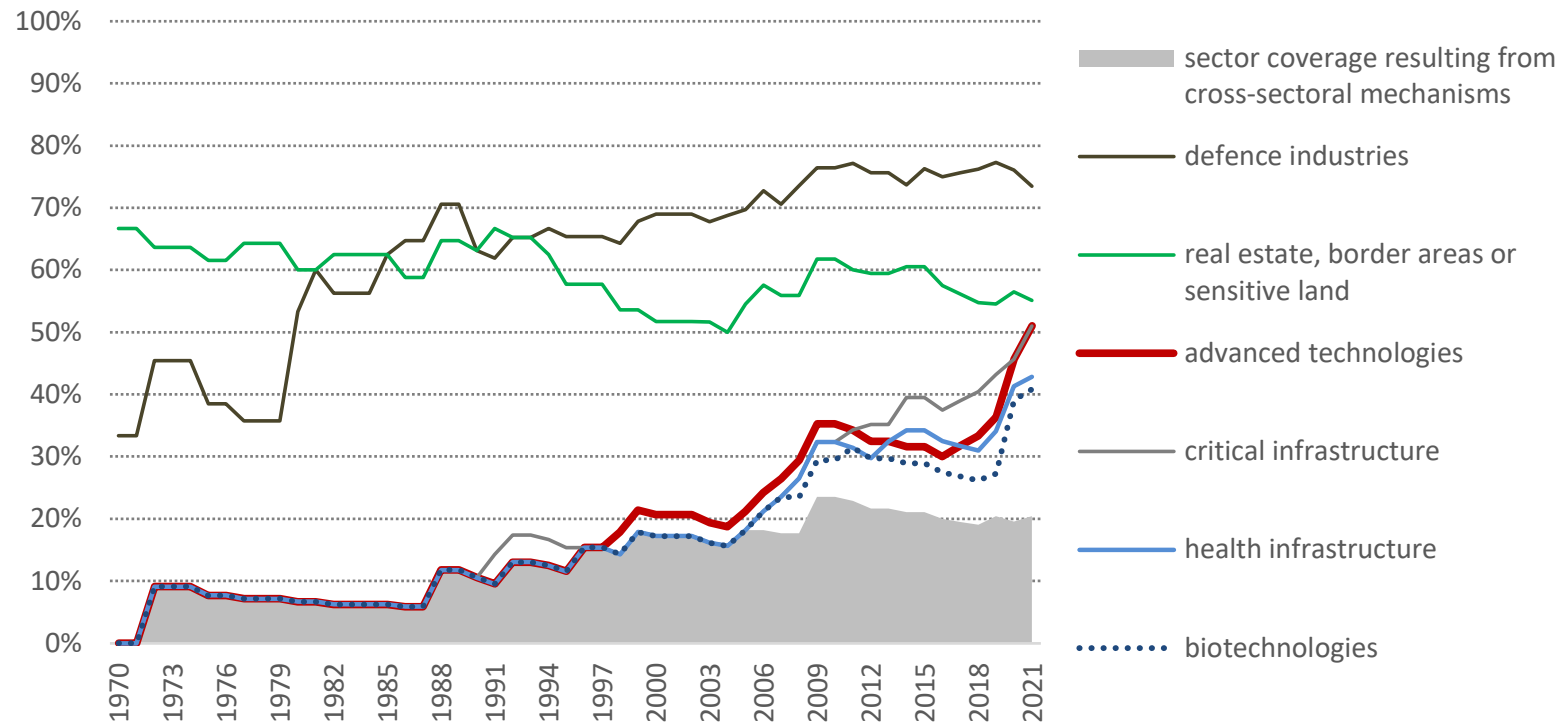
- Many economies are facilitating and liberalizing foreign investment, but policy making for investment screening continues an upward dynamic. Result: The share of global FDI inflows potentially subject to screening continues to grow
- Private investment, and in particular international investment, should be part of a sustainable recovery

Note: Data cover OECD countries.
Source: OECD.



Investment Screening mechanisms

Areas of concern appear to shift – again – to return to pre-pandemic priorities

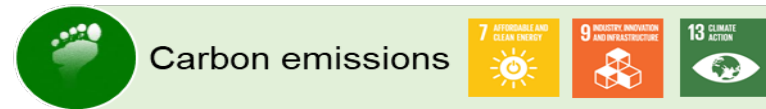
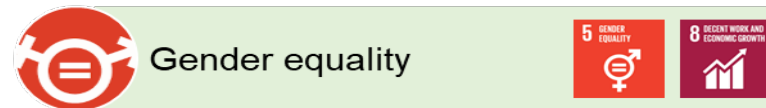
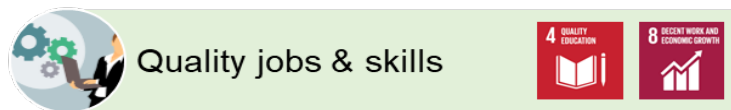
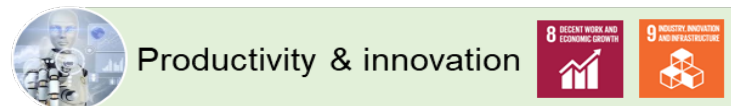


Note: Data cover OECD countries.
Source: OECD.

FDI Qualities Initiative: role of FDI to tackle challenges

FDI Qualities Indicators

Measure the sustainable development impacts of investment in four areas of the SDGs:



Indicators:

FDI Qualities Indicators
Measuring the sustainable development
impacts of investment



Applications:



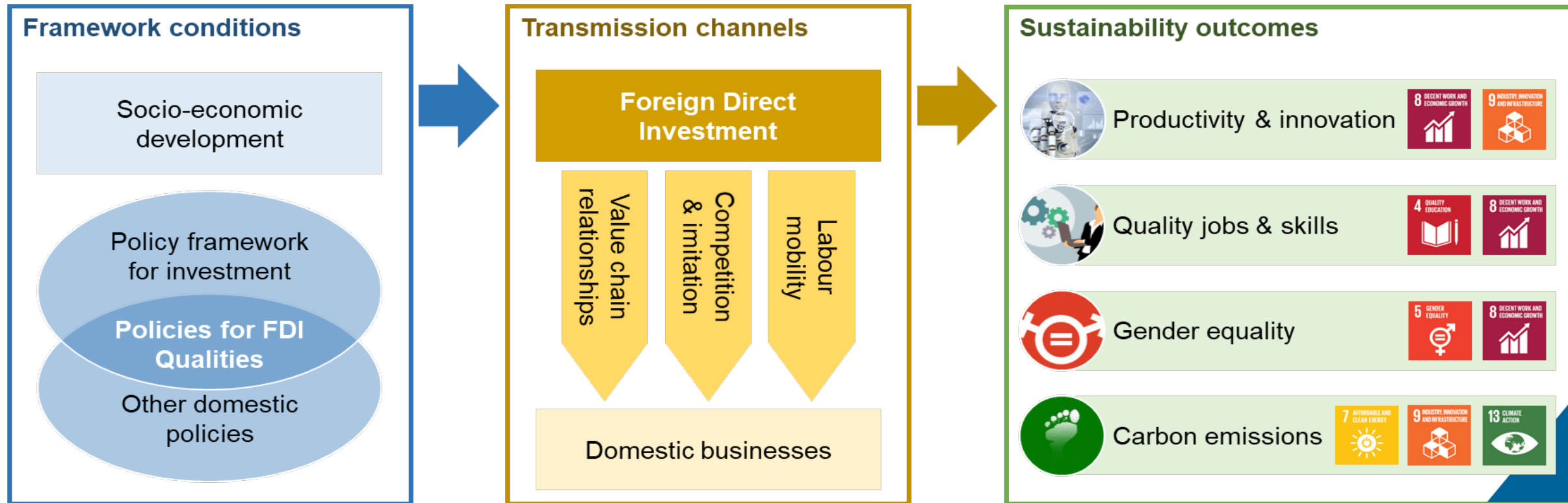


Foreign investment is key for achieving the SDGs

- FDI creates approximately **180'000** jobs every month
- In 2020, **one third** of new global investments in renewables were FDI.
90% of FDI in energy went to renewables in the OECD in 2020
- Foreign firms are twice as productive as domestic firms, and they pay **50%** higher wages
- ... but FDI is concentrated in sectors with **fewer** opportunities for women

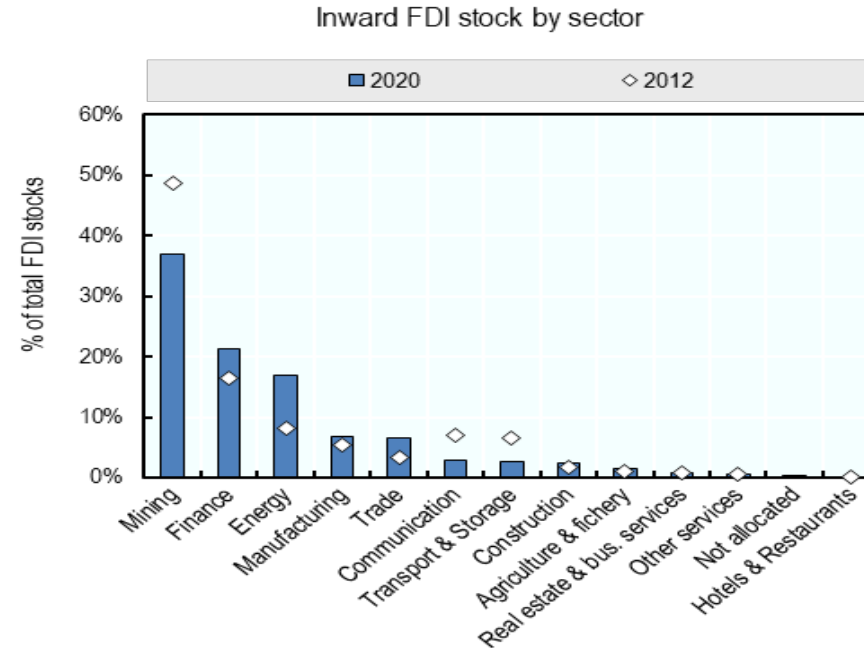
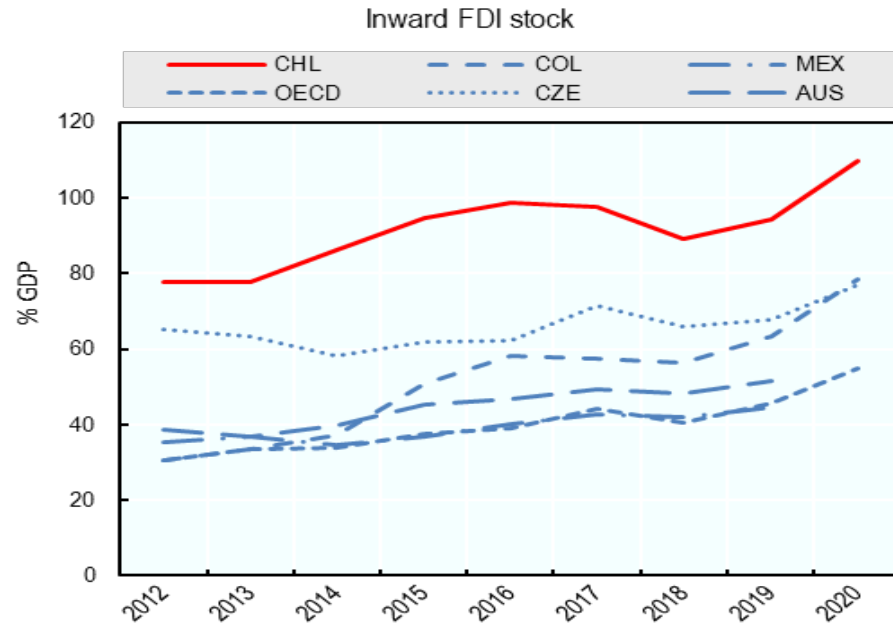
FDI Qualities Initiative: role of FDI to tackle challenges

Policy guidance on policy mix and institutional arrangements to enhance the impacts of FDI on sustainable development in four areas of the SDGs, linking investment with more specific policies in each of the four areas of the SDGs.





FDI Qualities Assessment of Chile



- Structural weakness: specialisation in natural resources; low level of labour productivity high income inequality and important environmental challenges relative to OECD countries
- As small open economy Chile depends on trade and foreign direct investment to sustain economic growth
- The importance of FDI for the Chilean economy has grown over time. While FDI has supported economic growth, it remains largely concentrated in a few sectors and regions
- The assessment will help Chile understand how to leverage FDI to achieve its sustainable development goals, particularly in areas such as **economic diversification, productivity, innovation, skill development, job creation, and gender equality.**



From quantity to quality

Balance quantity with quality: openness with impact

- FDI can make a significant contribution to sustainable development but the effect of FDI in promoting sustainable and inclusive growth are not automatically positive
- Chile's policies and institutional frameworks, including the coordination between different responsible institutions will be critical to maximize the benefit of FDI

We are starting with this assessment and will continue

- =>Examine the role of FDI in supporting Chile's exports, particularly exports of services;
- => Assess the contribution of FDI to other sustainable development dimensions such as job creation and gender equality;
- ⇒Focus on some elements of the policy and institutional framework that influence the impact of FDI in the area of trade integration/GVC, FDI diversification, productivity, innovation, skills, and gender equality



Thank You!

Contacts

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For further information

FDI Qualities Initiative

<https://www.oecd.org/investment/business-investment-sdgs.htm>

Policy Framework for Investment

www.oecd.org/investment/pfi.htm

Investment Policy Reviews

www.oecd.org/investment/countryreviews.htm