

## **FOREIGN DIRECT INVESTMENT (FDI)** *Chamber of Eco Commerce*

**Foreign Direct Investment (FDI), via Eco Commerce investment and cross-border mergers and acquisitions, is an increasingly important driver of globalization.**

FDI flows are a crucial element for Eco Commerce Hubs, while investments to and from the regional Hubs, ensure that each regional hub is well positioned in world markets and well integrated in worldwide technology flows. Furthermore, rapid technological progress, particularly in Eco Innovation, increasingly allows firms to separate and reorganize their production processes, locating different parts of their activities at sites around the world according to the advantages they offer. Therefore, FDI is at core of the international fragmentation of production activities, which is changing the location of economic activities across the world. Currently, the inward FDI offers good market access, scope for linkages to strong industrial bases, and well-educated labor forces.

### **Promoting FDI**

Attracting inward FDI is an increasingly important challenge and opportunity for the Eco Commerce Hubs to attract foreign investors. Therefore, CEC aims to make the regional Eco Commerce Hubs more attractive by extending and deepening single markets, ensuring open and competitive markets inside and outside each Hub, improving collaboration, and expanding international network of Eco Commerce Hubs to emerging markets. The recently established global Eco Commerce Hub in Atlanta, will contribute to this goal. The CEC will use the fast growing international Eco Commerce platform to increase CEC's competitiveness to attract FDI and create growth and jobs across the fast growing network of Hubs, and help manage the transition towards a new comprehensive Eco Commerce investment strategy. The CEC's Economic and Financial team will continue to closely analyze the evolution of world FDI flows and the performance of the Eco Commerce Hubs and its stakeholders as investors and recipients of FDI. It also monitors economic analysis on the impact of FDI, to provide advice to stakeholders while promoting the sharing of best practices.

### **Financial operations and instruments**

The CEC encourages the financing of investment in enterprises and industries through a wide range of financial programs and instruments. CEC is in charge of developing and implementing a number of projects and instruments for financing investment from investors. The funding is channelled through financial institutions (FIs) and through specialized programs such as those targeted at SMEs and international networks.

The main participants are private and institutional investors, Investment Funds, and Investment, Reconstruction and Development Banks. CEC ensures the necessary coordination between individuals and organizations, and is usually represented on the governing bodies of these institutions.

In addition, CEC experts undertake the day-to-day financial market operations associated with the programs and their implementation. These operations cover substantial off-budget and budgetary resources and require extensive specialized expertise in the financial and banking area.

Fiscal consolidation is imperative around the world. Resources must be found to meet key global challenges with significant budgetary implications in the areas of financial stability, climate change and development.

Cutting expenditure and improving existing tax systems should be the main responses to these challenges. But non-traditional ways of raising public finance – 'innovative finance' – can make a significant contribution.

CEC continues to assess the potential of traditional and non traditional sources of financing. New instruments can provide increased revenues and improved market efficiency and stability.

### **Global Coordination**

To be successful, most innovative financing instruments require coordination with relevant key players, many of them governments.

Actions by the regional hubs alone would be less effective but could be considered, particularly if key Hubs would be likely to follow the CEC's lead.

### **Financing for Development**

New instruments for financing development have been proposed, and existing ones could potentially be scaled up.

New sources of development financing and potential ways can increase development aid in order to meet the UN's Millennium Development Goals.

No single perfect solution exist, but most options are not mutually exclusive and could be combined. This could in fact be an advantage, since different options would likely only be feasible at different times – depending on the preparations needed for implementation, phasing-in possibilities or the medium-term erosion of the tax base.

Combining options would also diversify the risks arising from uncertainties associated with the more innovative proposals.

The CEC encourages the investment in projects and enterprises through a wide range of partner projects. Regional Hubs are in charge of the implementation of these projects. Many of the financing projects managed by CEC are aimed at providing better funding opportunities for small and medium-sized enterprises (SMEs).

In addition, CEC manages several other financing projects, for instance RET energy projects and to improve the energy efficiency; encouraging investment in early-stage companies and high-growth sectors.

CEC also in charge of seeking funding and investments in partner projects and contributes to the development of new financial instruments in support of regional Hub policies.

**NOTE:** CEC does NOT provide direct financial support to individual businesses or entrepreneurs. The projects always implemented via networks of financial intermediaries or specialized funds, to which those interested should refer directly if they wish to apply.