State of FDI in OIC Member Countries: Challenges and Prospects

SESRIC - UNCTAD Webinar on
Foreign Direct Investment (FDI) Statistics in OIC Countries

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Ankara, Republic of Turkey

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2. State of FDI in OIC Member Countries

3. Challenges and Prospects

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INTRODUCTION

STATISTICAL, ECONOMIC AND SOCIAL RESEARCH AND TRAINING CENTRE FOR ISLAMIC COUNTRIES (SESRIC)

SINCE 1978 IN ANKARA, TURKEY
Global foreign direct investment (FDI) flows fell by 35% in 2020, reaching $1 trillion, from $1.5 trillion in 2019.

Figure 1: FDI Inflows in the World (Billion USD)

Source: UNCTAD, World Investment Report 2021, Geneva
FDI inflows in OIC countries hit by the pandemic moderately, which declined by 12.5% in 2020.

Figure 2: Inward FDI Flows in OIC Countries (Billion USD)

Source: UNCTAD, World Investment Report 2021, Geneva
The share of OIC countries in the global FDI inflows stayed far below their potential.

Figure 3: Share of OIC Countries in Inward FDI Flows (%)

Source: UNCTAD, World Investment Report 2021, Geneva
The FDI Inward Stocks in OIC countries followed a positive trend between 2013 and 2020.

Figure 4: FDI Inward Stocks (Trillion USD)

- **2013**
  - OIC: 1.7
  - Developing: 7.8
  - Developed: 16.4

- **2020**
  - OIC: 2.2
  - Developing: 11.8
  - Developed: 28.7

- **Percentage Increases**
  - OIC: 26.6%
  - Developing: 51.4%
  - Developed: 75.2%

Source: UNCTAD, World Investment Report 2021, Geneva
The FDI Inward Flows and Stocks are concentrated in only a few number of OIC countries.

**Figure 5: Top 10 Hosts of Inward FDI Flows and Stocks (2020, Billion USD)**

<table>
<thead>
<tr>
<th>Flows</th>
<th>Stocks</th>
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<tbody>
<tr>
<td>UAE</td>
<td>20</td>
</tr>
<tr>
<td>Indonesia</td>
<td>19</td>
</tr>
<tr>
<td>Turkey</td>
<td>8</td>
</tr>
<tr>
<td>Egypt</td>
<td>6</td>
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<td>Saudi Arabia</td>
<td>5</td>
</tr>
<tr>
<td>Oman</td>
<td>4</td>
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<tr>
<td>Kazakhstan</td>
<td>4</td>
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<tr>
<td>Malaysia</td>
<td>3</td>
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<tr>
<td>Lebanon</td>
<td>3</td>
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<tr>
<td>Bangladesh</td>
<td>3</td>
</tr>
</tbody>
</table>

Share in OIC total: 74%

**Source:** UNCTAD, World Investment Report 2021, Geneva
Challenges are diverse yet there are some commonalities among OIC Member Countries regarding the investment climate that affects the investment decision of MNEs.

- Trade Barriers
- Limited Skilled Labour Force
- Quality of Institutions
- Macroeconomic Volatilities
- Quality of Infrastructure
- Limited Intra-OIC Investment
- Trade Barriers
- Limited Skilled Labour Force
- Quality of Institutions
- Macroeconomic Volatilities
- Quality of Infrastructure
- Limited Intra-OIC Investment

CHALLENGES AND PROSPECTS
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- OIC member countries have some unique factors that make them attractive for more FDI

- Relatively Young Population
- Rich Natural Resources
- Increasing Purchasing Power
- Geostrategic Importance
- Higher Integration to GVCs
- Incentives for Investors
THE WAY FORWARD

• Improve Investment Climate such as by reducing macroeconomic uncertainties and volatilities and increasing trade openness

• Enhance intra-OIC FDI such as through promotion and marketing of investment opportunities among OIC member countries

• Take actively part in international and regional initiatives especially during the pandemic as preparation of the post-pandemic period (e.g. improving capacities on data and monitoring)
Thank you for your attention!

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