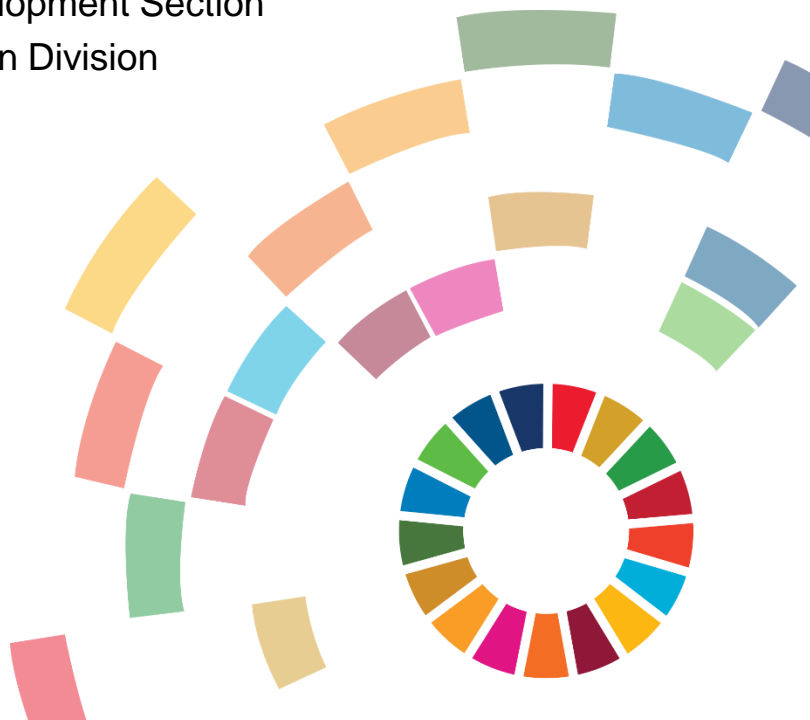


NTMs and FDI: Case Studies

Heather Taylor-Strauss

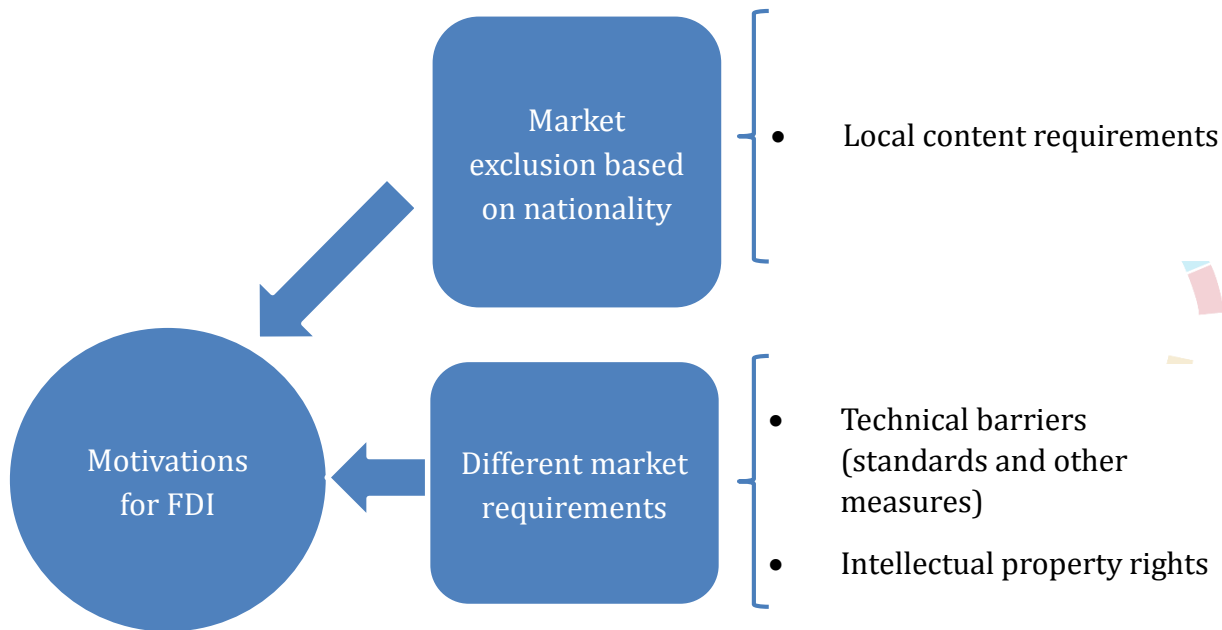
Investment and Enterprise Development Section
Trade, Investment and Innovation Division



Presentation Structure

- NTMs-FDI Conceptual Discussion
- Case Studies
 1. Intellectual Property Rights in the Indian Pharmaceutical Sector
 2. Local Content Requirements on 4g Enabled Smartphone Devices in Indonesia
 3. TBTs on the Pharmaceutical Products in China
- Wrap up and Way Forward

Conceptual Discussion: NTMs-FDI

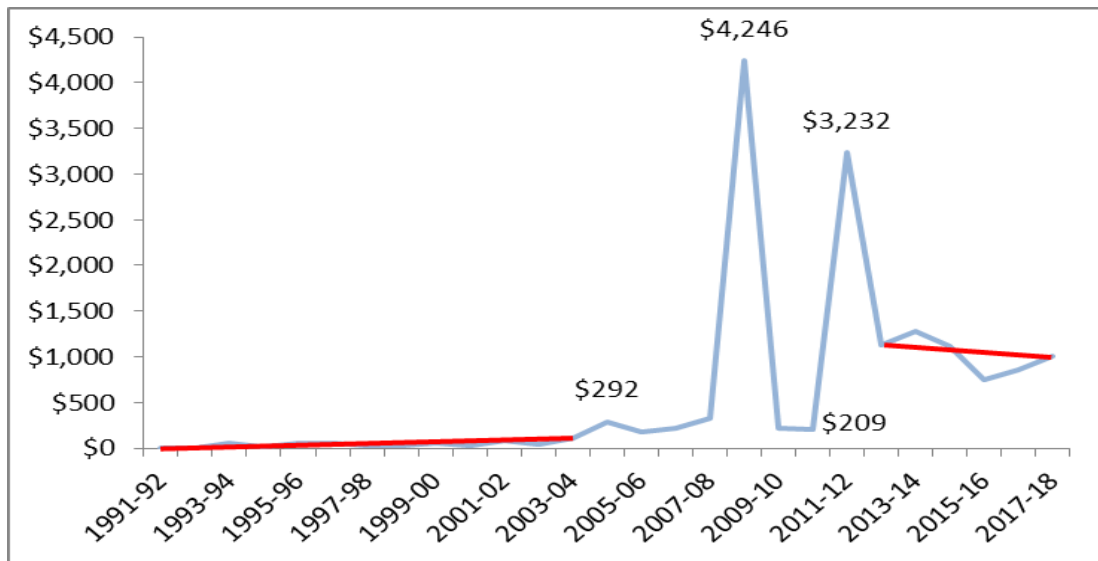


Case Studies

- Intellectual Property Rights in the Indian Pharmaceutical Sector
 - Local Content Requirements on 4g Enabled Smartphone Devices in Indonesia
 - TBTs in the Pharmaceutical Sector China
- Qualitative
 - Context-driven

IPRs in Indian Pharma Industry

Inward FDI to the Indian Pharmaceutical Sector, 1991-2018 (\$US millions)



IPRs in Indian Pharma Industry

Conclusions:

- Strengthened IPRs stimulated increases in IFDI in this case
- To maintain and grow IFDI (and OFDI) levels a delicate balance must be struck between stricter IPRs with consistent enforcement mechanisms and enabling the affordability and availability of medicine in India.

LCR on 4G Devices in Indonesia

- 2015-2016: several iterations of LCR on 4G smartphone enabled devices introduced
- Context: Indonesia's booming smartphone market
- Dramatic increase in greenfield investment projects in 2015, followed by a dramatic decline
 - Foreign Investors (in order of largest market share) include: Samsung (29%), Xiaomi (17%), Oppo (13%), Asus (5%), Apple (4%), Lenovo (3%)



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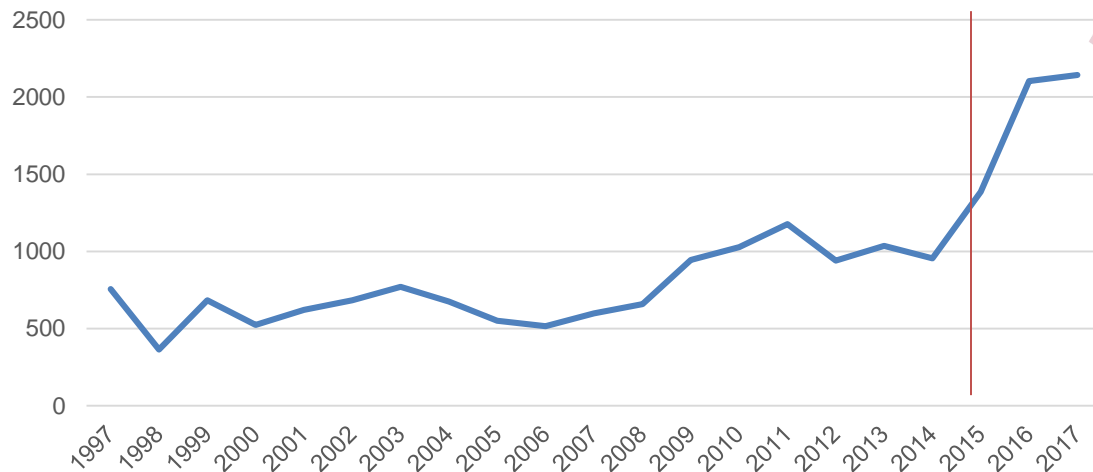
Economic and Social Commission for Asia and the Pacific

LCR on 4G Devices in Indonesia

- LCR's positive impact on FDI was short-lived and context-specific
- Careful redesign of the LCR needed:
 - Removal of R&D mandatory requirements
 - Introduction of capacity building element
 - Institute a sunset clause
- Policy lesson learned: proper design, and continuous monitoring and evaluation of LCR(s) is essential

Removal of TBT Measures in Pharmaceutical Products in China

Inward FDI flows to China in pharmaceutical products (drugs and devices), 1997-2017 (US\$ millions)



Removal of TBT Measures in Drugs and Medical Devices in China

- Removal of TBTs generated increased IFDI in this case
- Removal of upfront risk and investment
- Well-crafted long-term strategy still needed

Way Forward and Wrap Up

- Addressing the Limitations
 - Extension and verification are needed
 - Both qualitative *and* quantitative work
- Challenge: identifying the NTMs and getting the data
 - Firm Level Analyses
 - Draw on and extend ITC Non-Tariff Measures Business Surveys
- Policy Takeaways:
 - NTMs do impact FDI, and must to be carefully designed and monitored
 - Explore how they may be used to detract or attract FDI in SDG sectors
 - Context is critical

THANK YOU

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FDI Data Comparison (1991-2018)

(\$ in Mio \$)	avg yrl FDI	Δ (P/P)	$\Delta\%$ (P/P)	total FDI	observation period
1991-1995	\$ 24	-	-	120.76	5 years
1996-2000	\$ 39	\$ 15	60%	193.58	5 years
2000-2005	\$ 138	\$ 99	256%	690	5 years
2006-2010	\$ 1,043	\$ 905	656%	5217	5 years
2011-2015	\$ 1,501	\$ 458	44%	7,506	5 years
2016-2018	\$ 934	\$ (568)	-38%	1867	3 years
2006-2018	\$ 1,159	13758	2689%	14590	13 years

Stabilized Level Comparison

(\$ in Mio \$)	avg yrl FDI	Δ (P/P)	$\Delta\%$ (P/P)	total FDI	observation period
1991-2004	\$ 42	-		832	13 years
2013-2018	\$ 1,004	\$ 962	2315%	5018	5 years



No	Scheme	Description
1	Hardware	<ul style="list-style-type: none">• Manufacturing of 70%, consisting of 95% material, 2% labour, 3% production machinery• 20% R&D consisting of 10% license, 40% firmware, 20% industrial design, 30% integrated circuit layout design• Apps of 10%, with minimum of 2 embedded local apps or 4 embedded local games which are actively being used by 250,000 users, the software injection process is done in the country, use of domestic server, and own local online app store
2	Software	<ul style="list-style-type: none">• Manufacturing of 10%, consisting of 95% material, 2% labour, 3% production machinery• 20% R&D consisting of 10% license, 40% firmware, 20% industrial design, 30% integrated circuit layout design• Apps of 70%, with minimum of 7 preload local apps or 14 preload local games which are actively being used by 1,000,000 users, the software injection process is done in the country, use of domestic server, own local online app store, and the cost, insurance, and freight (CIF) price of a minimum of 6 million IDR
3	Investment	<ul style="list-style-type: none">• Investment of 400 billion IDR to 550 bn IDR is equal to 25% local content• Investment of 550 billion IDR to 700 bn IDR is equal to 30% local content• Investment of 700 billion IDR to 1 trillion IDR is equal to 35% local content• Investment over 1 trillion IDR is equal to 40% local content• This applies to investment only and the investment must be completed within 3 years. Vendors must realize 40% of investment during the first year and provide details on its annual investment