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How the International Trade and Investment Agreements Can Help to Minimize the Risks of the Emerging Markets?

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Emerging Markets and East Asia

- *Emerging markets* with the potential for *high returns* but also *high risk*
- *Factors for East Asia's rapid growth*
 - ① *Mobilization of massive labor forces*
 - ② *Capital accumulation and a high investment rate*
 - ③ *Government industrial policy in mobilizing resources for promising industries*
 - ④ *Liberalized international trade and foreign investment environment*

Challenges to Trade-dependent Economies

- *Slowdown in growth of most developed countries
=> domestic market as an alternative*
- *High household debt rate*
- *Inclusive Growth*
- *Attracting Investment : a key policy objective*
- *Trade and Investment Agreement: institutional mechanism to reduce the risks*

Investment Agreement

- National Treatment, MFN (Most Favored Nations), prohibition of expropriation without fair compensation, freedom of transfers, ISD (Investor State Dispute)
- Types of the investment agreements
 - BIT (Bilateral Investment Treaty)
 - a chapter in FTA (ex. NAFTA, Korea-US FTA, TPP)
- Multilateral efforts failed
 - MAI (Multilateral Agreement on Investment)
 - WTO Doha Development Agenda (DDA) Investment Chapter
- Lisbon Treaty -> EU competence on investment

Investment Agreement and its Reform (1)

- Unclear meaning of *fair and equitable treatment*
- Balance between *protection of investors* and *government's right to regulate*
 - Investor-State Dispute (ISD) system reform
 - Appellate system
 - International investment tribunal (EU-Canada CETA)
- *Denial of benefits* clause

Investment Agreement and its Reform (2)

- *Difficult to amend the bilateral agreements*
- Efforts at the *regional and global level*

G20 Guiding Principles for Global Investment Policymaking

(2016 Hangzhou G20 Summit)

- Call for international coherence in investment policymaking
- Balance between the developed and developing countries



Uncertainty

- *Slowdown of Chinese economy and
US Fed's interest rate policy*
- *Growing Protectionism*
 - *Doha Development Agenda*
 - *TPP*
- *Brexit*
 - *access to the European single market*
 - *UK's schedule of the WTO*
 - *Preferential trade agreements (FTA)*



Conclusion

- *More stable legal and institutional mechanism* in international trade and investment can help *reduce risks*
- *Trade and investment agreements* are useful tools to enhance the *transparency* and *predictability* of the regulatory regimes of emerging economies
- *Support of business society* is needed for the trade and investment agreements

/The End/