



Watch out for the rise of protectionism in FDI

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From Dr Karl P. Sauvant.

Sir, Christopher Caldwell is right (“[Protection by another name](#)”, March 7) to draw attention to the rise of protectionism under whatever name – and there is plenty of it. But he, like many others, focuses only on the rise of protectionism in the trade area.

The same is happening in the inward and outward foreign direct investment area – and there is more and more of it. On the outward FDI protectionism side, an example is President Nicolas Sarkozy encouraging French carmakers to repatriate production to France to protect jobs there. On the inward side, a number of countries (including Australia, Canada, France, Germany, Japan, the US, China, Russia) have tightened rules for certain inward FDI and strengthened their screening mechanisms for such investment.

In fact, the countries that introduced at least one regulatory change making the investment climate less welcoming for foreign investors in 2006-07 accounted for 40 per cent of world FDI inflows at that time.

We ought to keep an eye on the rise of FDI protectionism, perhaps through an FDI Protectionism Observatory. Not that this would necessarily convince governments to stand still, but it would increase transparency and, perhaps on the margins, dissuade some from going overboard.

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