

Survey Concept

**Globalization of Local Risks: Global Implications of Investments in the
Vulnerable Regions of Asia and Elsewhere**

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Thank you very much for your valuable time in participating in this survey. Please circulate it among your colleagues who may be relevant to participate and help us reach out to the relevant stakeholders.

Enhanced trade and investments have been one of the significant developments of regional integration in Asia and elsewhere that has been evolving in the past three decades. As a result, generally speaking, developing countries have become producers of goods and services around the globe over the years. Some of these enhanced investments in developing countries have also largely been fuelled by the efforts to cut the production costs by the developed countries and efforts to diversify their economies away from the domestic manufacturing, partly due to their growing environmental concerns and preference for higher quality of life. On the other hand, the developing countries have seen this as an economic opportunity. The enhanced foreign investments in developing countries are at least partly facilitated by the growing educated young workforce willing to work in manufacturing, in hope of better wages and better work environment.

Most developing countries that have been successful in attracting global investments in manufacturing and service industries are also highly vulnerable to natural hazards and related losses. This has opened up doors to an important, inescapable and hidden phenomenon of globalization of local risks. Before the advent of international investments and trade, the domestic risks that these countries are prone to (e.g. risks from natural hazards, internal security, political uncertainty, social insecurity) were largely confined within national borders with little or no global implications. With the increased global investments in the vulnerable regions, there is even more chance now for these local risks to spill beyond their borders and to become global as the foreign investments taking place in these countries are exposed to such risks.

Without naming countries, one can easily identify instances of drought in a country that is producing for the international markets is now impacting the global food prices more than ever before and floods in a country are impacting more foreign businesses than ever before. When the foreign investments are affected because of local risks, these risks tend to multiply in magnitude and spill over into international markets both in terms of financial aspects as well as in terms of the credibility of businesses and the credibility of the countries in which these investments are affected. Understanding and addressing such risks is even more relevant today than a decade ago as more and more countries are eying to attract foreign investments but are yet to fully improve their disaster risk reduction and climate change readiness. Climate change projections indicate even more serious consequences for the vulnerable countries where such investments may continue to increase in the future.

Largescale investments are generally protected by various risk mitigation and management practices including insurance and portfolio diversification measures. One negative effect of some of these risk management options appears to globalize the local risks as insurance markets are globally connected and these efforts may not entirely isolate the local risks from spilling over beyond the country boundaries even though the investors themselves are financially covered. Hence, there are still important questions to be asked both to the countries that are eager to accommodate foreign investments and to those businesses that invest in vulnerable countries.

While there is a need for creation of an ecosystem for effective risk management, with contributions from the private sector, governments, civil society organizations and science and technology institutions, the role of governments and private sector is of paramount importance as direct stakeholders in transboundary investments. Some of the important questions for the host countries are a) what measures are put in place by the host countries to limit and or mitigate the local risks from affecting the international investments, b) to what extent the local risks have been communicated to the international investors in a transparent manner, and c) what efforts have gone into understanding the uncertainty in the available information to fully understand and address the future risks.

The question for the businesses are a) to what extent they are fully aware of the risks they face in their investment destinations, b) what measures were taken, including the criteria employed in conducting risk assessments, to mitigate local risks from becoming global risks, and c) what impact these international investments have in mitigating the local risks?

In this survey, we solicit your kind contribution in sharing your ideas and experiences on the above questions in a structured manner. The survey may take 20-25 min of your valuable time. All efforts are in place to treat responses with at most care to personal privacy and results will not be attributed to a single entity or individual by aggregating the results, survey results will be used exclusively used for research purposes, and the raw data will not be shared with any third party.

Please contact for additional clarifications: survey_ad@iges.or.jp