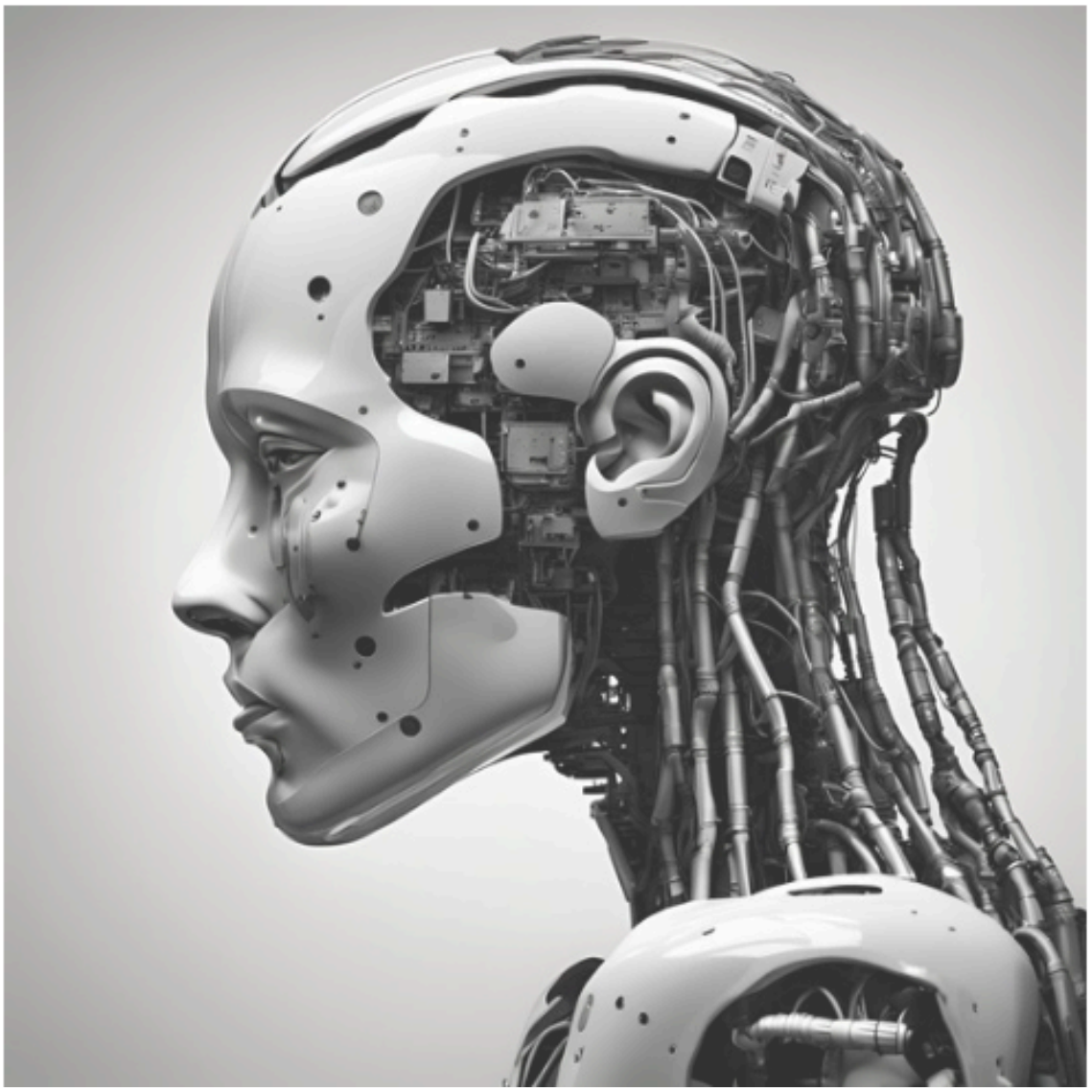
AI for AI: Using Artificial Intelligence to Accelerate Investment



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İlka Gültekin, Khushi Jaiswal, Unyime Enobong Eyo

The Graduate Institute of International and Development Studies
In Collaboration With The World Economic Forum

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Executive Summary

This report examines the role of Artificial Intelligence (AI) in enhancing Foreign Direct Investment (FDI). The study focuses on the stages of Investment Attraction through Promotion and Investment Entry and Operations, exploring how AI can be integrated within the system and improve decision-making. The research employs a comparative analysis between the United States (US) and the United Arab Emirates (UAE), two countries with various regulatory environments and technological frameworks.

Impact of AI on Investments

Artificial intelligence is transforming foreign direct investment (FDI) by improving the efficiency and success of identifying and addressing potential investors. AI tools enable the tailoring of investment strategies. Furthermore, AI facilitates the implementation of regulatory frameworks and investment promotion strategies, thus creating an ideal environment for the adoption and integration of AI.

Comparative Analysis: United States vs United Arab Emirates

The United States and the United Arab Emirates illustrate two approaches, that could be varied, for integrating artificial intelligence into foreign direct investment processes. The United States, with its fragmented regulatory framework and advanced technological infrastructure, demonstrates a substantial environment for the integration of artificial intelligence. On the other hand, the UAE's centralized approach and significant investments in AI demonstrate an innovative system of accelerated economic growth and technology integration.

Key Findings

Regulatory Coordination

To mitigate inconsistencies and maximize compliance, the United States and the United Arab Emirates need stronger regulatory coordination. In the United States, this involves improving the cooperation of federal and state level regulatory bodies.

Adaptation to New Technologies

Both countries could gain from using adaptable laws that are capable of addressing changes and developments in the global economy and technology advancements.

International Cooperation

The advancement of artificial intelligence integration for investments is necessitating the improvement of global collaboration. Cooperation across boundaries and knowledge exchange could help establish regulatory unity, strengthen compliance and enforcement capabilities, and raise investor confidence.

Infrastructure and Skills Development

Appropriately using artificial intelligence in FDI activities depends on investments in AI infrastructure and staff trainings.

Emphasis on Investments

AI technologies greatly improve the investment landscape by offering more precise market analysis, risk evaluation, and predictive modeling. Such features allow investors to make accurate decisions, optimize operations, and minimize expenses. By implementing artificial intelligence (AI) into the systems of promoting and facilitating investments, both the United States and the United Arab Emirates (UAE) can attract foreign investments that are of higher quality and more significant.

In the United States, artificial intelligence tools are being used to identify potential investment prospects and enhance promotional strategies on a state-by-state basis, tailored according to specific financial benefits. In the UAE, the implementation of AI-driven initiatives contributes to a solid investment environment by enabling accurate market analysis and improving efficiency in operations, thus promoting sustainable growth in the economy.

Cybersecurity and Data Governance

To promote AI in FDI processes, the United States and the United Arab Emirates have established strong cybersecurity and data governance frameworks. The United States emphasizes critical infrastructure protection, threat disruption, market adaptability, global cooperation, and prospective technological investments. The UAE is dedicated to developing a safe digital infrastructure through cyber awareness, innovative digital revolution, strong defenses, strategic cooperations, and a national data governance system.

Recommendations

To promote AI-driven FDI, the United States could improve federal-state regulatory alignment and implement flexible policies, while the UAE should build adaptable laws. Both countries ought to collaborate jointly to coordinate AI strategies and manage digital challenges through diplomatic ties, collaborative research institutes, cross-border education initiatives, public-private partnerships, and bilateral policy dialogues.

The integration of AI in FDI has a significant potential to improve the investment decision-making process. The US and UAE could enhance their AI-driven FDI strategies by addressing legislative gaps, encouraging international collaboration, and investing in infrastructure and skills development. These steps will lead the way for a more efficient, secure, and innovative investment environment, ultimately fostering long-term economic development.

Stakeholders may establish new opportunities for development and technological advancement by embracing AI technology and strategically applying them in investment processes. This research outlines a strategic plan for governments, investors, and firms to successfully integrate AI into FDI processes, providing a competitive advantage in the rapidly changing digital economy.

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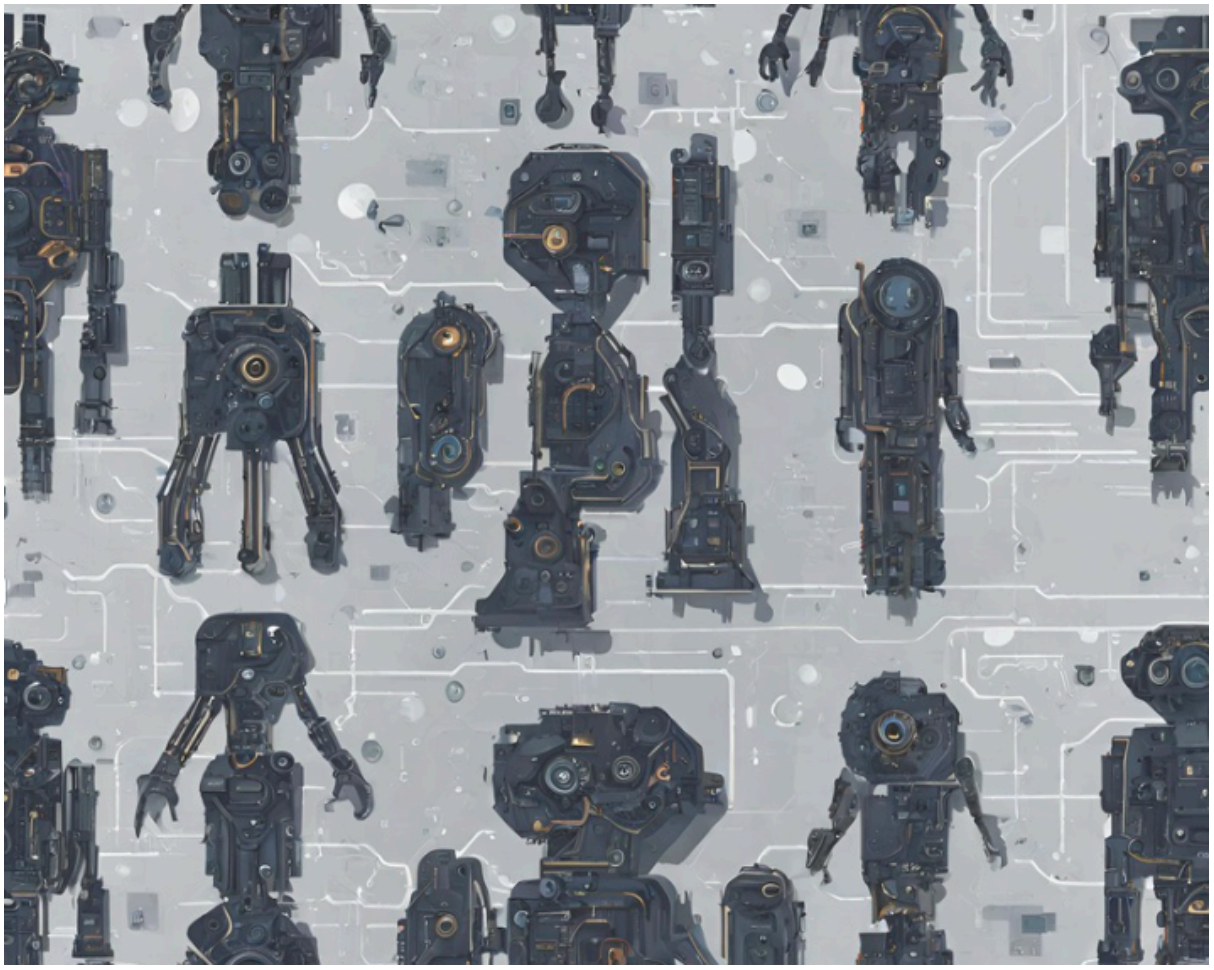
Acronyms and Abbreviations

AI - Artificial Intelligence
FDI - Foreign Direct Investment
ChatGPT - Chat Generative Pre-training Transformer
GPT - Generative Pre-trained Transformers
US - United States
UAE - United Arab Emirates
NSF - National Science Foundation
NAIRR - National Artificial Intelligence Research Resource
NITRD - Networking and Information Technology Research and Development
CCRI - Computer and Information Science and Engineering Community Research Infrastructure
OECD - Organisation for Economic Co-operation and Development
ROI - Return on Investment
ML - Machine Learning
LLM - Large Language Model



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1. Introduction

In the fast-evolving landscape of artificial intelligence (AI), organizations are actively exploring its transformative capabilities. Artificial Intelligence is irresistibly on the lips of everyone – academics, companies, policymakers and government. Arguably, what comes to the fore is its increasing relevance and reliance on every segment of our lives, but more broadly society. Particularly, interest in Artificial intelligence has been sparked profoundly within the scope of businesses to influence investment decisions, although one must note that this is not entirely a new phenomenon, at least when we attempt to historicize the origin of business intelligence rooted earlier before the wake of generative and analytic AI. Furthermore, we also see potential outcomes via political entities' (in this sense - states) ability to incorporate artificial intelligence in their investment strategies and regulatory frameworks. Again, it can be argued that the undeniable and transformative impact AI brings and will potentially bring to both private and public sector spheres.

The reason why we prioritize Foreign Direct Investments (FDI) is quite straightforward - FDI is now a crucial contributor to economic development and progress. In assessing its significance for example, when comparing Foreign Direct Investment (FDI) to other private capital flows, it stands out for its resilience and preference among many developing countries (UNCTAD, 2020). Arguably, this preference is justified, as FDI offers unique advantages, including the transfer of technology, especially in the form of new capital inputs, which surpass the benefits of financial investments or trade. FDI also fosters competition in the domestic input market and contributes to human capital development through employee training in new businesses. Additionally, the profits generated by FDI contribute to corporate tax revenues in the host country. Hence, all these considerations underscore the continued relevance of prioritizing FDI in the pursuit of sustainable development.

On the other hand, while some companies and governments want to invest in AI, through this research we aim to explore the uncharted question of how AI can in turn help investors and investment promotion agencies across companies and governments in their investment decisions. Furthermore, we seek to reconcile how both the private and government sectors, as well as key players in the investment life cycle, are integrating AI strategies to enhance their investment decisions. In introducing this research, we will explore some key thematic concepts related to AI and FDI to provide a clear understanding of the topic. Next, we will provide detailed insights into the investment life cycle processes, which includes the stages of investment promotion and investment entry and operation activities.

By synthesizing diverse perspectives, we aim to provide a comprehensive understanding of the dynamics between AI, the private sector firms, and governments in the context of FDI. Furthermore, conducting an in-depth comparative analysis of the application of AI in FDI processes across selected countries will help better understand the AI ecosystem at large.

Finally, reflections will be shared on the gaps in the regulatory and policy landscape and AI adoption. The research will explore recommendations to offer a balanced perspective by avoiding unrealistic optimism and providing a comprehensive understanding. This report is structured to guide the reader through the key themes and concepts related to AI and Foreign Direct Investments (FDI). It begins by introducing the context of AI's increasing relevance in investment decisions, followed by an overview of the significance of FDI in economic development. The report then explores the integration of AI strategies across the private and government sectors, discussing the investment life cycle processes and the application of AI in FDI processes across selected countries. By synthesizing diverse perspectives and conducting an in-depth comparative analysis, the report aims to provide a comprehensive understanding of the dynamics between AI, private sector firms, and governments in the context of FDI. As we understand the investment life cycle and the transformations driven by AI in the private and government sectors, the aim is to uncover the complexities, challenges, and

opportunities that will ultimately inform policy options and/or recommendations for using AI in investment decisions.

2. Literature Review

i. Artificial Intelligence (AI) and Foreign Direct Investment (FDI)

The definition of artificial intelligence (AI) is an issue of debate among scholars and technologists (see Annex 1). The interdisciplinary character of AI, which comprises computer science, cognitive science, philosophy, and other fields, leads to the difficulties of arriving at a single, globally accepted definition. There are several points of view based on different emphases, ranging from imitating human intellect to focusing on machine learning and data-driven approaches. The changing cosmos of AI technology and its multiple applications complicates the task of providing a consistent definition further. As science progresses, including new approaches and ethical issues, the debate over the precise definition of artificial intelligence continues as an ongoing and dynamic subject.

Alan Turing, regarded as the pioneer of computer science, defined AI in his 1950 article titled "Computing Machinery and Intelligence." Turing invented the Turing Test, which states that a machine may be considered intelligent if it can engage in an exchange of ideas that imitates human conversation (Turing, 1950). Turing's emphasis on the "imitation game" of machines for human-like interaction laid the groundwork for future AI discussions. Kirsch's work broadened the notion of AI by highlighting the requirement for machines to be capable of knowledge representation and reasoning. He asserts that real AI should go beyond basic computation and include the ability to comprehend, represent, and manipulate the data (Kirsch, 1991). This approach widened the scope of AI by emphasizing the role of cognitive processes in the development of intelligent systems. According to the contemporary definitions of AI, a recent work by Forbes states that Artificial intelligence (AI) is a branch of computer science that allows machines to generate decisions by analyzing data and mimicking human intelligence progressively. AI is divided into several forms, including machine learning, neural networks, and others, each with its own set of applications (Forbes, 2023).

Another point of view, potentially somewhat critical of a particular subfield, is that, despite great advances in learning algorithms, labeling any of them as "intelligent" remains problematic (Brachman, 2006). Recent articles claim that it is essential to recognize that AI does not have actual intelligence; rather, it is expertly trained to do specific tasks within defined limitations. At present, AI lacks the ability to think independently, appreciate the complexities of human behavior, and make sound decisions. Previous AI systems were mostly rule-based, which justified the term "artificial" to some extent. Wright (Interviewee 5, 2024) asserts on AI as,

> ***"Gen AI gives people a superhero cape. People can now get up to speed and be a player and use their brain in a different way, process things in their own way. Gen AI assistants are there to assist people and make them a better version of themselves. It's there to be more efficient and do your task better.***

However, modern AI, as demonstrated by ChatGPT and others, obtains its powers from the input of real humans—artists, singers, software developers, and writers—whose imaginative and professional work is now recycled in the name of advancing civilization. A realistic understanding of AI's potential enables us to use technology more effectively as a tool to improve our lives and society (Dekel, 2023; Morozov, 2023).

Box 1. Definition of AI by ChatGPT

Considering the perspective of the AI itself, ChatGPT defines AI as:

"AI, from a technical perspective, refers to the development of algorithms and systems that can perform tasks traditionally associated with human intelligence. It involves creating machines that can learn, reason, and make decisions based on data. AI has diverse applications and is continuously evolving as a field of study and technology." (ChatGPT, n.d.)

To define the most recent and popular ChatGPT AI tool, the Generative Pre-trained Transformer (GPT) is a neural network that uses prior information to generate coherent and compelling text. GPT, which has been trained on a wide range of data, uses its comprehension of linguistic patterns to write context-relevant and consistent narratives. The model's capacity to generate text is built on significant dataset pre-training, which allows it to identify language variations and generate contextually relevant outputs in the form of written outputs; however, in the context of human intelligence, the system does not demonstrate a sort of "intelligence" comparable to human cognition. It has, nonetheless, exhibited considerable proficiency in a variety of standardized tests (ETH Zürich, n.d.). According to IBM, Artificial Intelligence has gone through multiple hype cycles over the years, but even skeptics of the AI technology agree that the recent release of OpenAI's ChatGPT marks a historic turning point. The advancements in computer technology were the last time generative AI loomed this large, yet currently, the next leap forward is in natural-language processing. Not only can generative models learn the grammar of language, but they can also learn the grammar of software code, molecules, natural photographs, and a number of other data types (IBM, n.d.).

As we look at the transformative capabilities of AI, it is crucial to consider another realm of global significance: FDI. We seek to explore the cutting-edge relevance of AI in shaping and influencing the landscape of FDI. It suffices to note that understanding the dynamics of FDI provides a unique perspective on the global economic landscape and the interconnectedness of nations. But does AI also shape the dynamics of FDI decision-making, and if so, how?

Box 2. Definition of FDI by OECD

According to the Organisation for Economic Co-operation and Development (OECD), FDI represents a form of cross-border investment where an investor, residing in one economy, establishes a lasting interest and exercises a significant level of influence over an enterprise located in another economy. FDI plays a crucial role in fostering international economic integration by establishing enduring and stable connections between economies. It serves as a vital conduit for the transfer of technology across nations, facilitates international trade by providing access to foreign markets, and acts as a substantial driver for economic development. While this background definition offered by the OECD serves as a useful guide, our focus is to bring to the fore of our discussion the increasing attention places on the interaction of AI and FDI (OECD 2006)

Duong (2008) for instance explores the intersection between AI and the patterns of FDI offering an analysis of the transformative forces reshaping global economic landscapes. She contends that the wide scale implementation of AI in the 21st century has the potential to exert profound influence on the traditional flows of FDI, particularly from developed nations to less economically advanced regions. Shifting away from conventional narratives that celebrate technological advancements for their perceived benefits, her hypothesis posits a possible reversal of the established trend, fuelled by the transformative impact of AI on investor behaviours and the erosion of comparative advantages, may lead to shifts in FDI patterns. Specifically, while developed nations have historically been major sources of FDI into less economically advanced regions, the advent of AI could alter this dynamic. By

grounding her argument in historical perspectives on AI's military and industrial applications and drawing attention to shifts in FDI patterns at the turn of the millennium, Duong highlights the complex terrain of international business transactions with a nuanced exploration of the implications of AI on labour dynamics, economic development, and the potential re-emergence of socio-economic disparities reminiscent of 19th-century colonialism. Through her lens, Duong compellingly urges a reconsideration of existing paradigms, envisioning a future where the fusion of AI and global investment necessitates innovative regulatory approaches and systemic changes in both political and educational realms.

In shaping investment landscapes, particularly within the domain of Foreign Direct Investment (FDI), Artificial Intelligence (AI) emerges as a pivotal force, as argued by Zhan and Dettoni (2023). They present a nuanced exploration of two key perspectives on AI's impact. Firstly, they contend that FDI into AI projects is marked by substantial funding and global expansion of start-ups, showcasing opportunities for economic growth and job creation. However, they also highlight challenges, such as the reliance on gig workers and the intricate geopolitical considerations affecting AI-related FDI. Secondly, they argue that AI's application in investment promotion offers significant potential, enabling enhanced marketing, facilitation of investor processes, and navigation of complex legal frameworks. Despite the vast opportunities, they assert that challenges abound, including the reliability of AI models and the sensitive treatment of data. For example, within the realm of FDI and investment promotion, a central theme emerges—the critical importance of preparedness in navigating AI's transformative impact.

In the sphere of FDI, readiness would potentially extend beyond seizing opportunities to actively address associated challenges. The reliability of AI models directly influences investment decisions, compelling organizations and governments to develop strategies that mitigate risks (see Annex 3) and ensure well-informed choices. The insights put forth by Zhan and Dettoni underscore the need for a holistic preparedness, fostering a comprehensive understanding of AI's evolving nature. This approach ensures effective harnessing of AI's transformative potential, minimizing risks and maximizing benefits (see Annex 3) in the dynamic landscape of FDI and investment decisions.

When it comes to making investment decisions, it is also crucial to have a thorough understanding of the decision-making process involved in making investments, both for the investment promotion agencies and the investors themselves. In order to achieve this, it is important to assess the potential of AI and explore how it can be integrated into the decision-making process and also subsequently making such decisions more informed, accurate, and effective within the investment life cycle. This can lead to better outcomes for all parties involved, and can ultimately help to drive growth and development from the investment sector.

ii. Investment Life Cycle of FDI

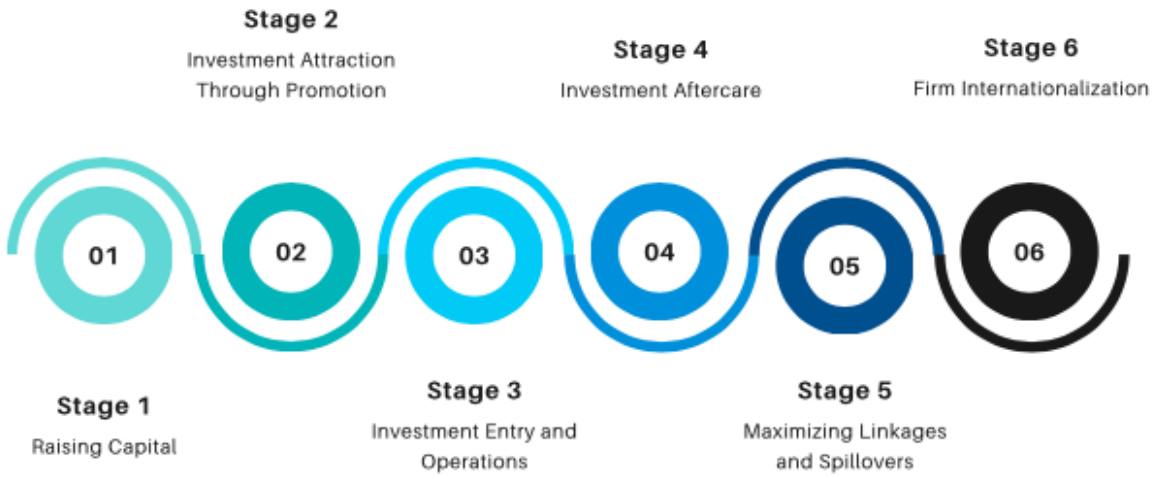


Figure 1. The 6 stages of Investment Life Cycle by WEF

To set some understanding, the Investment Life Cycle is a framework that sheds light on the various stages of a FDI. It begins with the initial attraction of foreign investment and goes on to map out all the significant milestones, providing a roadmap for investors and authorities to navigate through the investment process. This framework is designed to be a valuable tool to gain a deeper understanding of the unique challenges and opportunities that arise at each stage of the investment process. It is important to note that not all firms go through all stages of the life cycle, and may have different experiences at different stages.

As part of the research, we have referred to the Investment Life Cycle model fine-tuned by the World Economic Forum InvestTech (M a Y 2 0 2 4, 2024) based on the World Bank Group's approach, which serves as a conceptual framework to organize this work, as further detailed below using Generative AI itself (ChatGPT, n.d.):

Raising Capital 01	Investment Attraction Through Promotion 02	Investment Entry and Operations 03
Secure funding for the investment project.	*Attract potential investors to a particular country or region.*	*Set up the investment project and begin operations.*
• Develop a business plan and financial projections. • Identify potential sources of financing. • Prepare and submit loan applications.	• Identify potential investors and their investment needs. • Prepare promotional materials and events. • Provide information and support to potential investors.	• Obtain necessary permits and licenses. • Establish a physical presence, such as a factory or office. • Hire and train staff. • Acquire necessary equipment and supplies.

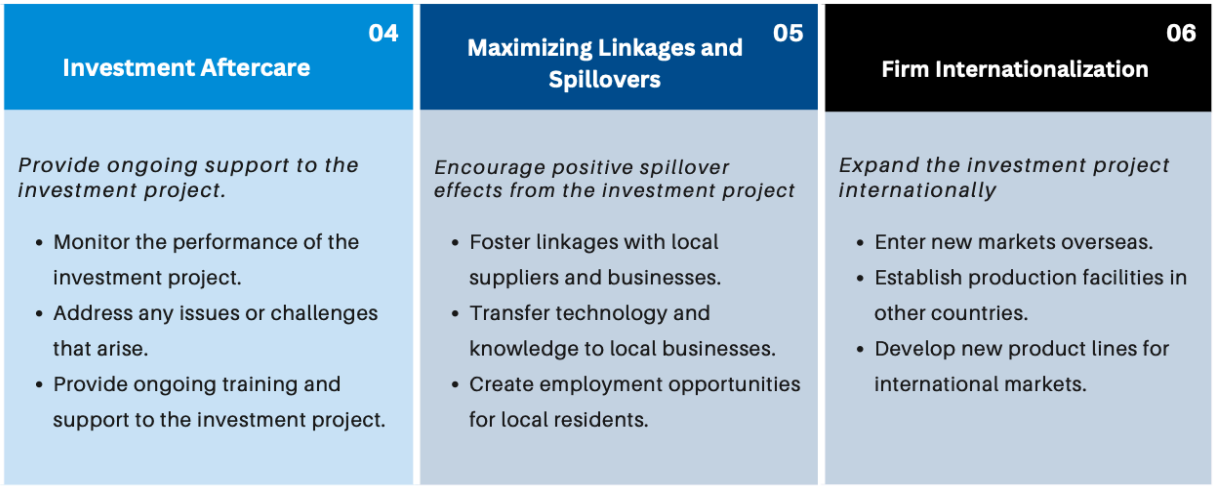


Figure 2. Description of the 6 Stages of Investment Life Cycle

Brada and Tomšík (2013), have proposed a complementary framework that outlines the different stages in the life cycle of a direct investment. According to their model, there are three main stages that a firm goes through: the initial stage, the growth stage, and the maturity stage. Each stage is characterized by different levels of investment, profit, and risk.

During the initial stage, a firm makes an investment in a foreign market, but the returns are often minimal or even negative. This is because the firm is still in the process of establishing itself in the new market, and may have to spend a considerable amount of resources on research, development, and marketing. However, this stage is crucial for building a foundation for future growth.

In the growth stage, the firm begins to reap the benefits of its investment, as sales and profits start to increase. This is a critical phase in the investment life cycle, as the firm needs to maintain its momentum and avoid complacency. It may need to make additional investments in order to expand its operations, improve its product offerings, and stay ahead of the competition.

> ***"Promotion is probably where AI was used first, you can use sentiment analysis, find out what people are saying about your location, engage with companies digitally, tailor the information you need, there is a lot of things you can do in terms of promotion." (Dressler, Interviewee 1, 2024)***

> ***"Investment entry and operations, companies have streamlined the process and automated decisions, AI can be used a lot more, by analyzing documents and now AI can be used a lot more." (Heilbron, Interviewee 4, 2024).***

The final stage of the investment life cycle is the maturity stage, where the firm has established a stable and profitable presence in the foreign market. At this point, the focus is on maintaining profitability and managing risk. The firm may need to adjust its strategy as market conditions change, but the primary goal is to sustain its position in the market.

> ***"Providing services to companies that are already there. A few agencies have a list of companies of about 500 biggest foreign investors, they use AI to track whether there are any relevant updates or developments in investments both in their countries and overseas and analyze trends" (Dressler, Interviewee 1, 2024)***

Alternatively, Buch and Lipponer (2005) have explored the impact of short-term business cycle fluctuations on FDI . They have found that FDI tends to be more sensitive to economic conditions than other forms of investment, as it involves a long-term commitment to a foreign market. This means that firms need to carefully consider the economic conditions of the host country before making a decision on FDI (Buch and Lipponer, 2005).

It is instructive to examine each stage of the investment life cycle and assess how AI can be effectively integrated into the FDI process, which can in turn impact economic conditions in the host and home countries involved. To achieve this, it is important to understand private and public actors within the context of the investment life cycle and the potential for integration of AI in investment-decisions making and management by both sets of actors.

Table 1. How AI can be integrated into the 6 Stages of Investment Life Cycle

Stage of Investment Life Cycle	How AI Can Be Integrated	Impact on Decision Making
Investment Attraction	• AI can be used to identify and analyze data on potential investors and their investment needs. This can help to target marketing and promotional materials more effectively. • AI can also be used to generate personalized and engaging marketing content.	AI can help to attract more investors and increase the likelihood of investment success.
Raising Capital	• AI can be used to develop financial models and identify potential sources of financing. This can help investors to secure funding more efficiently. • AI can also be used to automate tasks such as loan applications and due diligence.	AI can help investors to raise capital more quickly and easily. This can accelerate the investment process and save investors time and money.
Investment Entry and Operations	• AI can be used to automate tasks such as obtaining permits and licenses, hiring and training staff, and acquiring equipment and supplies. This can help to streamline the investment process and reduce costs. • AI can also be used to monitor the performance of the investment project and identify potential risks (see Annex 3).	AI can help to reduce the time and effort required to set up an investment project. This can make it more attractive to investors. AI can also help to improve the efficiency and profitability of investment operations.
Investment Aftercare	• AI can be used to monitor the performance of the investment project and identify any issues or challenges that arise. This can help to ensure that the investment is on track to meet its objectives. • AI can also be used to provide ongoing training and support to the investment project.	AI can help to improve the success rate of investment projects. This can lead to higher returns for investors. AI can also help to create a more positive investment environment for businesses.
Maximizing Linkages and Spillovers	• AI can be used to identify and connect with local suppliers and businesses. This can help to foster partnerships that can benefit both the investment project and the local economy. • AI can also be used to transfer technology and knowledge to local businesses.	AI can help to create more positive spillover effects from investment projects. This can benefit the local community and economy.

Firm Internationalization	• AI can be used to identify new markets and opportunities for expansion. This can help firms to grow their business and reach new customers. • AI can also be used to automate tasks such as market research and competitor analysis.	AI can help firms to expand their business more quickly and easily. This can lead to increased profits and market share.

iii. Private Sector Firms

Investment cannot take place without enterprises, and so understanding their decision-making and action at each stage of the investment lifecycle is crucial. Private enterprises such as businesses and investment firms are essential in attracting, facilitating, and reaping the benefits of FDI (OECD, 2002b).

Hymer (1976) proposed that FDI could be explained by analyzing market structure and firm characteristics. The impact of these factors has been researched in both static and dynamic contexts. The former examines internal decision-making and industrial organization, while the latter emphasizes product cycle considerations and oligopolistic competition. Hymer argued that market imperfections are the reason why multinational companies exist. These imperfections are categorized into two groups: structural imperfections and transaction-cost imperfections. Structural imperfections allow multinational corporations to increase market power by making use of knowledge advantages, distribution networks, credit advantages, economies of scale, and product diversification. On the other hand, transaction costs imperfections make it profitable for multinational enterprises to establish an internal "market" rather than relying on external transactions. Structural imperfections have contributed to the industrial organization theory of FDI, whereas transaction-cost imperfections have resulted in the internalization theory of FDI (Lizondo, 1990).

Companies are increasingly adopting AI technologies to enhance their FDI strategies, ranging from market analysis to risk assessment and decision-making. Several private sector firms, such as Google, Palantir, Amazon, and Alibaba, are leading the way in integrating AI into their FDI practices.

Table 2. Use of AI by Major Private Sector Firms

Google	AI algorithms are used by Google to analyze extensive data sets and recognize patterns, consumer behavior, and investment prospects in foreign markets. This facilitates precise and well-informed decisions regarding international investments.
Palantir	Palantir uses AI to analyze geopolitical factors, regulatory environments, and historical data. This helps evaluate risks associated with foreign investments and provides valuable insights for decision-making.
Amazon	AI technology is used by Amazon to streamline logistics and manage the supply chain. This leads to increased operational efficiency, making locations more appealing for FDI due to the improved infrastructure.
Alibaba	Alibaba's City Brain is an AI-powered system that helps in optimizing traffic flow and resource allocation in smart cities. These initiatives showcase how AI can impact both local communities and foreign investors through efficient decision-making.

Collaboration among governments, businesses, and regulators is essential to achieve financial harmony, as per the views of Farghal (2023), Director General of the Annual Investment Meeting

Congress, which focuses on fostering global economic development through increased gains from investment. Farghal is of the opinion that the private sector firms can bring in valuable financial resources and expertise to enhance government efforts and extend the scope of development projects (Turner, 2023b). Alignment between the public and private sector firms can facilitate development objectives through FDI by governments, for instance through growing investment and linkages with local firms. To achieve such a collaboration, creating an Investment Promotion Agency (IPA) or another institution is a common approach. The IPA can help with investment facilitation and promotion while serving as a conduit for private sector firms' input into improvement of the investment climate, for instance reforms to simplify administrative procedures and improve regulatory transparency (OECD, 2006). Several IPAs have integrated and leveraged AI in their processes to attract and facilitate investments, along with other objectives.

Table 3. How Investment Promotion Agencies (IPAs) use AI in their Processes

Invest Estonia	The e-Estonia initiative, leverages AI and digital solutions to attract and facilitate investments. The platform provides a comprehensive digital ecosystem that includes e-residency, digital signatures, and automated services for businesses. It uses AI-driven chatbots for investor queries, predictive analytics to identify investment trends, and automated administrative processes to simplify business operations for investors.
Costa Rican Investment Promotion Agency (CINDE)	CINDE uses AI to analyze data and provide insights into the most promising sectors for investment in Costa Rica. This helps in creating targeted strategies to attract investors, it uses AI algorithms to process economic, social, and industry-specific data to generate reports and recommendations for potential investors, enhancing the precision of investment promotion efforts.
UK Department for International Trade (DIT)	The DIT utilizes AI to manage and analyze large datasets related to trade and investment. This helps in identifying trends and opportunities, as well as providing personalized support to investors. AI tools are used for market analysis, investor profiling, and risk assessment, enabling the DIT to offer customized advice and support to businesses looking to invest in the UK.
Singapore Economic Development Board (EDB)	The EDB has integrated AI-driven chatbots to assist potential investors with their inquiries, providing immediate and accurate information. Additionally, they use data analytics to refine their investment strategies. They use Natural Language Processing (NLP) for chatbots, predictive analytics for market trends, and machine learning models to optimize marketing and outreach efforts.
Germany Trade & Invest (GTAI)	GTAI uses AI to optimize their marketing campaigns and reach the most relevant audience of potential investors. AI helps in identifying the most effective channels and messages for outreach. Machine learning is used for analyzing campaign performance, audience segmentation, and content optimization to enhance the effectiveness of investment promotion activities.

Box 3. Example of how Private Sector Helps in FDI Flows

The International Finance Corporation (IFC), which is the private sector arm of the World Bank Group, is a crucial example of how the private sector can help increase FDI flows. IFC's work includes advising on privatization (on the seller's or the buyer's side), offering technical assistance, and giving foreign corporations a sense of comfort – through guarantees, finance, or advisory services -- to help address concerns that might have prevented them from investing in low-income countries. Over the past three years, IFC has invested $800 million in low-income countries, with

$475 million going to larger countries such as India, China, and Pakistan, and $330 million to 30 smaller economies. In 27 of the low-income countries, IFC accounted for over 10 percent of total capital inflows, and in many cases, considerably more than 10 percent. By helping crowd in private investment to poorer countries, IFC is a powerful catalyst for FDI-led economic development. (Guy, n.d.)

FinTech companies primarily use technology and cloud services to provide financial services to their clients, reducing the need for physical branches. FinTechs, or financial technology firms, primarily rely on technology to carry out necessary financial services tasks. This affects the ways in which people move, save, borrow, invest, store, and protect their financial assets. Financial institutions such as banks are planning to adopt an AI-first strategy in order to better compete with rapidly expanding tech enterprises. It is estimated that the global economy might benefit from generative AI alone by up to $4.4 trillion a year (McKinsey, 2024).

Blockchain, AI, and big data are the main engines of modern fintech, which is transforming the way businesses move, store, and protect digital currency. AI in particular helps organizations better understand their clients by providing them with insightful data on consumer behavior and spending patterns. Algorithms for ML and AI are widely used to handle and analyze enormous volumes of data, allowing businesses to provide insightful reports. These algorithms are a necessary data-oriented talent for anyone hoping to work in the fintech industry because they can lower risk, increase returns, automate operations, and make future forecasts (Columbia Engineering, 2021). The impact of Artificial Intelligence (AI) on the Fintech firms is critical. Artificial Intelligence (AI) is driving a major shift in the fintech sector, transforming the delivery and use of banking and financial services. Artificial intelligence technologies such as machine learning and natural language processing have enabled fintech entrepreneurs to create new approaches that challenge conventional banking structures. These revolutionary impacts include increased efficiency, customized assistance, and improved client experiences, resulting in a new era in the financial industry (Agrawal et al., 2024). According to Wright (Interviewee 5, 2024) from IBM,

> ***“We need to look at how the investment decisions are being made today, then look at how can they be made better and quicker, by having larger dataset or access to data that we can’t get today and then looking beyond that into running multiple scenarios. If we can get data faster, we can run multiple scenarios, the speed of decision making is faster and more informed.”***

AI's adaptability is illustrated by its broad effect on many aspects of financial services. Financial organizations can use predictive analytics to assist them manage risk, make investment decisions, and classify clients. Fraud detection algorithms use machine learning to detect and prevent fraudulent activity instantaneously. Robo-advisors automate financial advice and portfolio management to provide individualized solutions to regular customers. Furthermore, customer service automation uses chatbots and virtual assistants to simplify questions and increase overall customer service (Agrawal et al., 2024). Dressler (Interviewee 1, 2024) asserts the integration of data in investment promotion as,

> ***“IPA websites and materials in the last 6 months alone have become much better, because they are using ChatGPT to write them. AI is producing text that is legible. A few IPAs are using AI to produce presentations, helps with efficiency and save on staff time. When you get in depth, an individual investor would require very specific information, highly customized information, but the information is not online. AI is only as good as the data.”***

AI has altered for customers tasks in banking, with chatbots and voice assistants becoming widespread at major financial institutions. Digital-first banks, assisted by firms such as Kasisto, use conversational AI platforms to improve interactions with clients and offer advanced financial advice. AI-powered biometrics technology, such as those developed by Affectiva and HooYu, enhance cybersecurity issues and improve authentication processes in accordance with transforming customer demands for digital banking services (Gossett, 2020).

AI is transforming credit scoring and risk assessment systems, encouraging equitable lending procedures. ZestFinance uses AI-based credit underwriting algorithms to reduce bias and improve lending decisions. Similarly, JPMorgan Chase employs autonomous machine learning to extract key provisions from legal papers, improving operational efficiency and contract management. These improvements in AI-driven lending and risk management show potential for increasing financial inclusion while reducing systemic biases in credit assessment (Gossett, 2020). Considering the growing application of AI in fintech, implementing strong cybersecurity and data governance measures is critical for protecting sensitive financial data. Fintech companies are increasingly investing in AI-powered cybersecurity solutions that detect and reduce cyber threats including data breaches and phishing attempts. Companies like Feedzai use ML to track transactions in real time to assist in detecting suspicious activity and improving fraud prevention procedures. Furthermore, advanced encryption techniques and secure multi-party computing are used to protect client data and ensure privacy (Gossett, 2020). The adoption of AI in the world of fintech is driving tremendous innovation and efficiency, altering traditional banking systems and improving client experiences. As AI technologies advance, financial institutions have to embrace an AI-first approach in order to remain competitive and adapt to the changing demands of the digital economy (McKinsey, 2021).

Their success in navigating FDI complexities can be determined by their ability to intelligently utilize AI, which not only influences their strategies but also shapes the broader economic ecosystem. The private sector also collaborates with governments in the entire investment lifecycle decision and processes, however, there is a need for a much stronger public- private collaboration in this space.

iv. Government Sector

Just like with firms, governments are undergoing transformative shifts through the integration of AI, a theme extensively explored by Zuiderwijk, Chen, and Salem (2021). The infusion of AI into government practices holds promises for enhanced public services, increased citizen trust, and improved and more efficient service delivery. The potential spans many activities and sectors, including decision support, transportation systems, public health, and law enforcement. Governments can utilize AI to generate accurate forecasts, simulate policy scenarios, and enhance overall governance. Despite the evident benefits, challenges arise from privacy concerns, fairness issues, and the opacity of black-box AI systems, posing threats to citizens' trust and introducing accountability complexities.

For instance, In the United States, initiatives such as the White House's AI Executive Order (2023) demonstrate a commitment to harnessing AI's potential for improving government services and decision-making processes. AI-powered systems are increasingly used to analyze vast amounts of data, enabling more informed policy decisions and resource allocations. For example, in public health, AI-driven predictive analytics can help identify disease outbreaks early and allocate resources efficiently to mitigate their spread Brookings (2023).

Similarly, fast developing economies like the UAE have been proactive in adopting AI in various sectors, including governance. The UAE government launched the UAE Strategy for Artificial Intelligence in 2017, aiming to position the country as a global leader in AI adoption. Initiatives like the Dubai Data Initiative and the UAE AI Ethics Council emphasize the importance of responsible AI governance, addressing concerns such as privacy, fairness, and transparency (Government of UAE, 2021).

Parallelly, the integration of AI within digital government services aligns with broader efforts to improve governance and create a favorable environment for foreign direct investment (FDI). By utilizing digital tools, governments can streamline administrative processes, reducing costs and saving time, which significantly enhances their ability to attract FDI. Take for example, the TradeNet system in Singapore, which exemplifies how the government efficiently streamlined import/export licensing, minimizing paperwork and processing time. Furthermore, the government fosters transparency and accountability, reducing corruption and supporting a competitive landscape for investors, as illustrated by Seoul's Online Procedures Enhancement (OPEN) system. Lastly, the government's role in increasing access to information and knowledge about investment opportunities aligns with the literature linking information technology infrastructure, including government, to positive economic growth. The challenge outlined by Zuiderwijk, Chen, and Salem regarding limited understanding of AI considerations in governance resonates with the broader need for knowledge in both AI governance and the government-FDI dynamic. Governments must bridge these knowledge gaps for effective and holistic integration, ensuring that advancements in technology benefit both citizens and investors.

v. Existing Gaps and How the Research Would Help

The impact of FDI on the countries is quite intriguing when considered from an economic and social perspective. Our research is aimed at exploring how AI can become an integral part of the decision-making process for investments and the policies and regulations to be considered for such decisions.

At the heart of our inquiry lies the recognition of a crucial gap in the existing literature—a gap that fails to address the symbiotic relationship between FDI and AI. By bridging the information gap on the application of FDI and AI, we seek to provide a forward-looking approach that leverages AI's innate capabilities to aid in critical decision-making processes. Hence, there is a gap in the literature that does not exist in a study that combines the FDI and AI, which we hereby try to fulfill. Based on the existing literature reviewed earlier, we identified certain gaps which we aim to address through our research:

- While several companies are investing in AI to improve their processes, there is a need to understand how AI can be used to accelerate investment, specifically FDI and look at the landscape at the intersection of both concepts
- There is a dearth of detailed examination regarding the practices adopted by countries, particularly within the FinTech sector, concerning AI infrastructure, adoption strategies, and skill development initiatives.
- The impact of pivotal AI policies on investment decisions has not been thoroughly explored, highlighting the necessity of examining the regulatory landscape to discern its facilitative or inhibitive role in AI integration within investment frameworks.
- A nuanced analysis of the regulatory framework of the investment life cycle processes and their implications, which facilitate as well as stand in the way of AI integration.

To address these gaps, our research adopts a multifaceted approach, encompassing the analysis of the current AI adoption ecosystem and undertaking a comparative examination of AI's applications within FDI processes from the regulatory perspective. By doing so, we aim to unlock the untapped potential of AI to accelerate investment decisions, thereby contributing to the formulation of informed policy options and recommendations.

Central to our research agenda is the identification of critical considerations for effectively integrating AI into the Investment Life Cycle processes. Through this endeavor, we aspire to provide insights that empower stakeholders to leverage AI in optimizing FDI decisions.

3. Methodology

This research explores the role of artificial intelligence in accelerating investments, particularly the foreign direct investments as a case study of the US and UAE. To comprehend the "how" and "why", we used a combination of methods, which will include predominantly qualitative data from in-depth interviews, and case studies of good practices undertaken by countries and further supplemented with empirical research to investigate the correlation between AI and investments. This study correlates both the private sector firms and government, with a focus on Foreign Direct Investments (FDIs) and the investment life cycle. In particular, data were collected from multiple sources, interviews, literature reports. We then developed a comparative analysis of two case countries, the US and the UAE. The following are the main points that we considered establishing a case study:

1. We analyzed how AI can be integrated into the investment life cycle which can lead to the empowerment of investors and businesses to improve their decision-making processes, mitigate risks (see Annex 3), and optimize investment outcomes.
2. The regulations and policies regarding the foreign direct investments, related to the investment life cycle, in the US and the UAE were assessed in depth in this study.
3. Cybersecurity and data governance policies and regulations in the US and UAE were analyzed.
4. We assessed the impact of AI on Fintech companies, especially the usage of AI in the financial technology domain and how it affects the investors' decision-making process.

A number of other factors must be addressed in order to create an optimized methodology that fully comprehends the relationship between investments and AI. Our approach employs a constructivist methodology to derive indicators from the investment life cycle, acknowledging that these indicators are socially constructed and context-dependent. By engaging with stakeholders through qualitative methods, we capture the nuanced ways in which AI influences investment decisions at different stages. This constructivist lens allows us to develop a more comprehensive and adaptable set of indicators, reflecting the diverse realities of investors and firms. Drawing on insights gleaned from the reviewed literature, the below framework is formulated to delve into the effective incorporation of AI across the entire FDI investment life cycle.

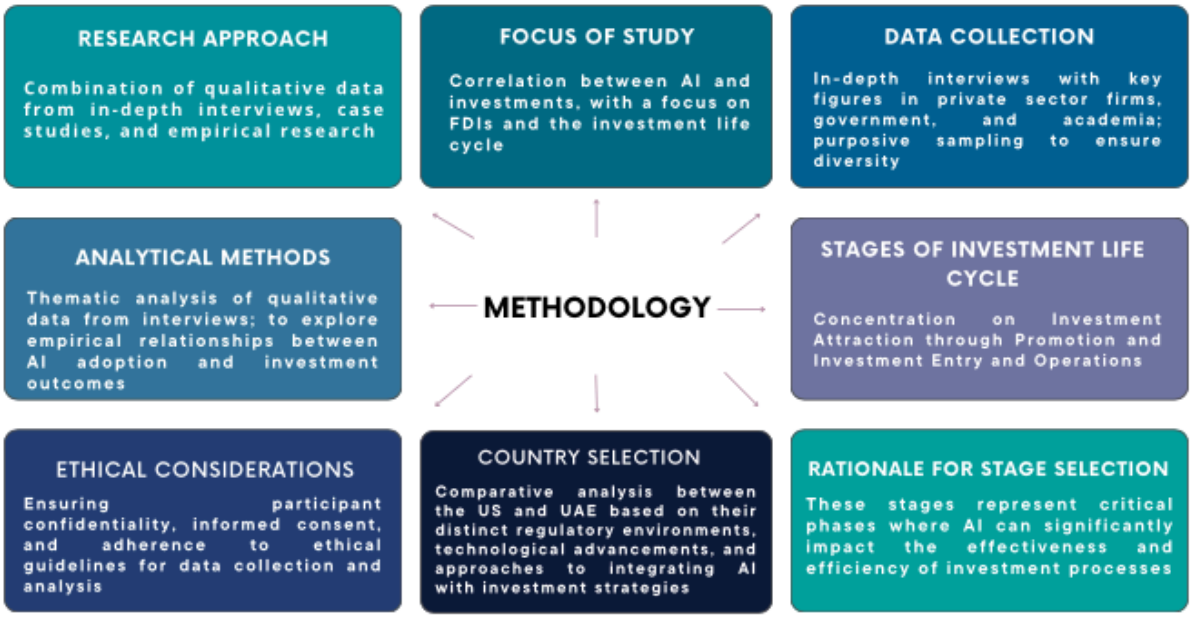


Figure 3. Outline of the Methodological Approach Utilized

Our research methodology divides into two distinct segments focusing on the private and public sectors. In the private sector, we will engage significant actors such as investors, financial analysts, and industry experts through purposive sampling, ensuring a diverse representation across various industries and investment profiles. Data will predominantly be gathered through in-depth interviews with key figures in the AI and investment spaces, spanning the private sector, government, and academia. These interviews are aimed at uncovering unique insights into how AI influences investment decisions and the broader investment lifecycle, particularly in Foreign Direct Investments (FDIs). Moreover, our study will incorporate a few carefully chosen case studies (justified below) to provide deeper understanding into how various countries are integrating AI within different sectors, highlighting best practices and enhancing our knowledge base for strategic decision-making.

Our analytical approach incorporates both qualitative and quantitative methods to examine the empirical connections between AI adoption and investment outcomes. Additionally, we plan to apply thematic analysis to qualitative data from interviews, identifying recurring themes and insights into the AI investment landscape. This analysis will be based on responses from a diverse group of interviewees, as listed in the Annex. The study employs purposive sampling to identify key actors, primarily from the private sector. Participants from the World Bank, IBM, Invest India, Medad Holding, and FDI Center are among those involved. While purposive sampling allows us to select individuals with valuable insights on AI use in investment decisions, it has several limitations. The main drawback is the potential lack of representativeness in the sample. We select participants based on their experience and interest in the study, which may not fully capture the perspectives of the entire investor, analyst, or policymaker population. This could introduce biases into the data and limit the generalizability of the findings. Furthermore, the focus on private sector organizations might overlook the perspectives and experiences of public sector actors and other stakeholders involved in the investment lifecycle, potentially leading to a biased understanding of AI's impact on investment decisions, particularly in relation to legislative and policy frameworks.

We have aimed for a diverse representation, the private sector is well-represented, that includes a range of industries, investment types, and geographical areas, in order to lessen these limitations. We do, however, recognize that these essential limitations should be taken into consideration when comprehending the findings of the research. More public sector participants and wider sample techniques could improve generalization and provide a deeper understanding of the relationship between AI and investment in future studies.
Additionally, we will pursue ethical standards in our research, ensuring informed consent for all interviews, respecting ethical guidelines for both qualitative and empirical data collection and analysis. Through this comprehensive methodology, we aim to develop a nuanced understanding of the role AI plays in shaping investment strategies and decisions in the evolving global market landscape.

Focus on Selected Stages of the Investment Life Cycle

Our study concentrates specifically on the stages of Investment Attraction through Promotion and Investment Entry and Operations. Why? These stages are critical as they represent the initial and operational phases of the investment process, where AI can have a pronounced impact. By focusing on these stages, our research aims to delve into how AI tools and systems can enhance the effectiveness and efficiency of attracting investments and managing entry operations, which are pivotal for the success of FDIs. These stages also offer substantial data and case studies that can illustrate the potential benefits and challenges of integrating AI into investment processes.

The stage of Investment Attraction through Promotion is selected due to its potential for leveraging AI in identifying and targeting potential investors, customizing marketing strategies, and enhancing promotional materials with data-driven insights. Similarly, the stage of Investment Entry and Operations is chosen because of the opportunities AI presents in streamlining processes such as regulatory compliance, permit applications, and operational setups, which are often complex and time-consuming.

Rationale for Country Selection

The research employs a comparative analysis between the United States (US) and the United Arab Emirates (UAE) to explore the impact of Artificial Intelligence (AI) on Foreign Direct Investment (FDI). The selection of these countries is based on their distinct regulatory environments, technological advancements, and approaches to integrating AI with investment strategies. Here, we provide a brief rationale for choosing these specific nations for our study:

The US, with its existing advanced technological infrastructure and decentralized regulatory environment, provides a mature perspective on how AI influences investment across a diverse economic landscape. It also serves as a benchmark for innovation and AI adoption, making it an ideal candidate for understanding best practices in AI-driven investment processes (U.S. Department of State, 2023).

Conversely, the UAE offers a unique model of rapid economic development driven by strategic governmental initiatives. Its centralized approach and aggressive investment in AI and technological infrastructure make it a distinctive model for examining how emerging markets are leveraging AI to transform their investment landscapes (UAE Government, 2021). By studying these two countries, our research can highlight differences in AI adoption in FDI processes and provide insights into how diverse economic, regulatory, and technological contexts influence the effectiveness of AI applications in investment decisions, learnings which can be useful for other economies.

Source: Image Generated Using AI

4. Comparative Analysis

The globalized world necessitates a nuanced understanding of how nations regulate data, security and while managing investments. This analysis explores the contrasting approaches the United States (US) and the United Arab Emirates (UAE) employ in these critical areas to foster economic growth and secure their digital infrastructure.

The US, a mature market, fosters a decentralized system with federal and state governments collaborating to create a stable investment environment. In contrast, the UAE, an emerging market, adopts a centralized strategy focused on rapid economic diversification through stringent regulations. This comparative analysis will specifically explore few key areas:

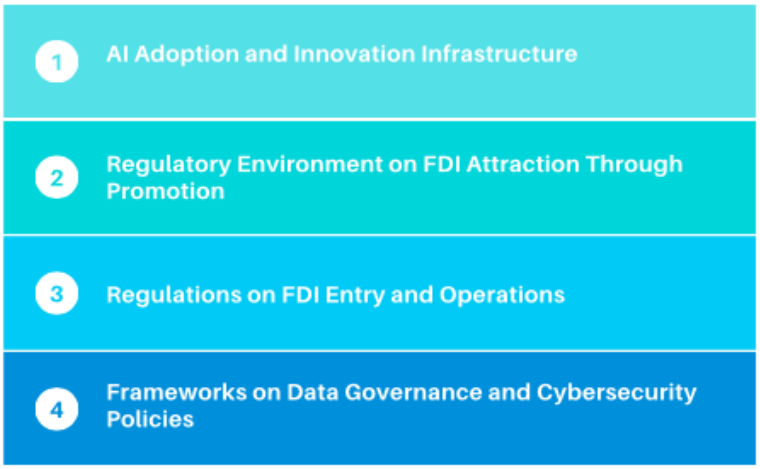


Figure 4. Key Focus Areas of the Comparative Analysis

By examining these nations, we can highlight how distinct regulatory environments, policy frameworks and infrastructural strategies not only reflect the unique economic landscapes and strategic objectives of each country but also significantly enhance their attractiveness to foreign investors.

i. AI Adoption and Innovation Infrastructure

The United States and the United Arab Emirates (UAE) stand as prominent players, each charting its course towards technological advancement and innovation.

The United States, with its robust technological ecosystem and pioneering research institutions, has been at the forefront of AI development. Through initiatives and concerted efforts to promote responsible innovation, the U.S. aims to maintain its global leadership in AI while fostering a competitive and equitable AI infrastructure.

In contrast, the UAE has embarked on an ambitious journey outlined in its National AI Strategy 2031, with aspirations to become a global leader in AI by the next decade. With a strong emphasis on government support, investment in research, and collaboration with global partners, the UAE is positioning itself as a hub for AI innovation and entrepreneurship. According to Gherras (Interviewee 2, 2024),

"UAE is a hub, it will always see, influence, learn and take the best from other countries. Modest data collection and learning from everyone. UAE is working on building a platform for reflection where other countries can get together and think on AI adoption and infrastructure."

The below analysis aims to offer valuable insights into the unique approaches and strategic imperatives shaping AI adoption and innovation infrastructure in the United States and the UAE:

Table 4. Key Aspects of the AI Adoption and Innovation in the US and the UAE

Aspect	United States	UAE
National AI Strategy	The U.S. government has initiatives like the National Artificial Intelligence Research Resource (NAIRR) pilot, emphasizing shared research infrastructure and collaboration to advance AI research and discovery (*National Artificial Intelligence Research Resource*, n.d.).	UAE launched the National AI Strategy 2031, aiming to become a global AI leader by 2031. The strategy focuses on integrating AI into various sectors, enhancing government performance and efficiency. It prioritizes domains where UAE can lead globally and leverages existing strengths like industry assets and emerging sectors (UAE Government, 2018).
AI Investment & Startups	The U.S. government invests in AI research infrastructure through initiatives like NAIRR and supports AI startups through funding and resources. The US National Science Foundation (NSF) recently announced its plan to dedicate $140 million towards establishing seven research centers focused on the development of artificial intelligence. The Networking and Information Technology Research and Development (NITRD) program fosters research and development in computing, networking, and software, providing crucial support for the foundation of AI research infrastructure (McElheran et al., 2023) (Kinery, 2023) (*NSF Announces 7 New National Artificial Intelligence Research Institutes*, n.d.) (*The Networking and*	UAE fosters a culture of AI learning and innovation through educational programs, free economic zones for AI firms, and the establishment of AI networks and accelerators. Initiatives like the AIATC and MGX aim to accelerate AI adoption through investment in AI infrastructure, semiconductors, and core AI technologies and applications. The UAE has introduced a plan worth $500 million to speed up the advancement of artificial intelligence and other nascent technologies by means of research and development. (*Discover How UAE AI Council Unleashes Innovation and Adoption Wave*, n.d.) (Grey, 202*4) (UAE Announces $500m Investment in AI, Research Platform, 2024).*

	Information Technology Research and Development (NITRD) Program, n.d.).	
Infrastructure Readiness	The U.S. has significant AI infrastructure, including computational resources, data access, and research platforms. Initiatives like NAIRR and CCRI aim to enhance AI research infrastructure nationwide (*Advancing Artificial Intelligence Research Infrastructure through New NSF Investments | NSF - National Science Foundation*, 2023).	UAE's infrastructure readiness for AI adoption is relatively low, with just 7% of local organizations categorized as pacesetters. However, the country is investing in AI infrastructure, including data centers, connectivity, and high-performance computing, to support innovation and research in AI (Editorial, 2024). ***Gherras (Interviewee 2, 2024) asserts that, "One of the competitive advantage would be to build the right infrastructure to continuously capture the change in variables (signal), which enable a faster decision making. UAE is definitely building the right pillars for AI, science and technology, regulation, capital. If you are an innovative player, you attract talent, startups, you enable the right ecosystem to grow."***
Research Collaboration & Funding	Collaboration and funding opportunities are facilitated through government-led initiatives like NAIRR, which aim to provide researchers with expanded access to computational resources, data, and educational tools (*DOE Advancing Safe and Secure AI Research Infrastructure through the National Artificial Intelligence Research Resource Pilot*, n.d.).	UAE encourages research collaboration and commercialization through AI networks and accelerators, aggregating local expertise and providing funding for AI research and companies (UAE Government, 2018).
Education & Workforce Development*	The U.S. invests in AI-related education and training programs to equip its workforce with the skills needed for AI innovation and research.	UAE fosters a culture of AI learning and innovation through educational programs at various levels, from schools to workplaces. The country aims to attract AI talent through initiatives like free economic zones and licensing subsidies for AI firms (*Discover How UAE AI Council Unleashes Innovation and Adoption Wave*, n.d.).
Cybersecurity Integration	AI integration with cybersecurity is emphasized through initiatives like Department of Homeland Security's (DHS) Cybersecurity and CISA's Roadmap for Artificial Intelligence, focusing on using AI to enhance cybersecurity capabilities and protect critical infrastructure (*Recent U.S. Efforts on AI Policy | CISA*, n.d.)	UAE recognizes the importance of AI cybersecurity and collaborates with agencies and industry partners to assess and mitigate AI threats facing critical infrastructure, response automation, and vulnerability analysis. Initiatives like the AIATC and MGX aim to address AI security challenges and ensure responsible and secure AI adoption.

	(The White House, 2023) (*DHS Cybersecurity and Infrastructure Security Agency Releases Roadmap for AI | Homeland Security*, n.d.).	Additionally, the National AI Strategy 2031 emphasises utilizing AI to enhance cybersecurity capabilities and protect critical infrastructure (UAE Government, 2018) (Grey, 2024).

***Considering the skills, Heilbron (Interviewee 4, 2024) shares his insights as,**

> ***"Skills is definitely a challenge which can be sort by multilateralism among investors. As a company I would invest on training people how to do it right. For example, investors struggle tremendously on finding information and calculating risks and AI can do wonders there. However, you do need the human feeding the information otherwise it'll bring hallucinations for the investors."***

By contrasting the creation and adoption of AI in the US and UAE, we can see how AI raises the interest of each country for foreign investment. Cutting-edge technology and a strong emphasis on innovation encourage investment in the US due to its sophisticated AI research facilities. AI plays a crucial role in modernizing investment landscapes, as demonstrated by the UAE, where international cooperation and smart government initiatives create an attractive environment for AI companies and foreign investors.

ii. Regulations on Investment Attraction Through Promotion

The strategic imperative to attract foreign direct investment (FDI) profoundly influences the economic policies of nations around the world, particularly for major economic players like the United States of America (USA) and the United Arab Emirates (UAE). These countries deploy distinct regulatory frameworks and promotional strategies to enhance their attractiveness to foreign investors, reflecting their unique economic landscapes and strategic objectives. It is worth noting that for the purposes of this project, these countries are selected as case studies due to their prominent roles in the global economy and their contrasting yet effective approaches to FDI attraction. The USA, with its mature market and decentralized regulatory system, compellingly offers a broad perspective on how developed countries tailor local and national strategies to attract foreign capital (Damgaard and Sanchez-Munoz, 2022). In contrast, the UAE represents an emerging market perspective, showcasing rapid economic development fuelled by strategic regulatory reforms and aggressive promotion of FDI in a bid to diversify its economy beyond oil (Rahman, 2024). By examining these nations, attempts are being made to highlight how distinct regulatory frameworks and promotional strategies not only reflect the unique economic landscapes and strategic objectives of each country but also significantly enhance their attractiveness to foreign investors. Consequently, the comparative analysis will emphasize the nuanced regulatory environments and the effectiveness of promotional activities in attracting FDI, providing insights into successful global investment strategies.

Regulatory Frameworks and Investment Promotion in the USA

The United States adopts a sophisticated, dual-layered approach to foreign direct investment (FDI), where both federal and state governments play pivotal roles. At the federal level, the U.S. is known for fostering an open investment environment, grounded in a stable political and economic

landscape that actively encourages foreign participation. Fagan opines that the U.S. regulatory framework is designed to facilitate market entry and operational freedoms for foreign businesses, all while maintaining a balance with national security considerations that have become increasingly significant post-9/11 (Fagan, 2010). Loewendahl also highlights the importance of having a favourable policy framework, such as a liberal trade and payments regime and a favourable tax regime, which the USA exemplifies, to attract FDI (Loewendahl, 2001).

State governments complement federal efforts by tailoring their investment attraction strategies to their unique economic profiles and advantages. States like Florida and Pennsylvania, as noted by Vila (2010), capitalize on tax incentives, workforce development programs, and the creation of industry-specific clusters to attract foreign investments effectively. These initiatives are often supported by robust public-private partnerships, enhancing the states' competitive advantages in the global market. For example, Pennsylvania leverages its heritage in advanced manufacturing and life sciences, combining tax incentives with a strategic geographical location and a skilled workforce to attract significant international business, thereby boosting local employment and economic growth (Pennsylvania Department of Community & Economic Development, 2023).

The synergy between federal openness and state-specific strategies is further exemplified by the targeted efforts of individual states to create favourable business environments that align with broader national policies (McKinsey & Company, 2019). States actively compete to attract foreign investment by offering customized benefits such as regulatory relief, financial incentives, and logistical support. This competitive atmosphere not only helps to diversify the economic base of the states but also aligns with the federal agenda of maintaining the U.S. as a premier global investment destination. The federal government supports these state efforts by providing a regulatory framework that ensures consistency and security for foreign investors, encompassing stringent reviews and approvals particularly for investments in sensitive sectors such as defence, telecommunications, and energy.

From the foregoing, the dynamic interplay of federal and state initiatives crucially promotes FDI, sustaining the United States' economic vitality and its global economic stance. Integrating advanced AI technologies plays a pivotal role in this strategy. AI not only streamlines regulatory frameworks, making the investment process more transparent and efficient, but also spurs innovation across key industries like finance, healthcare, and manufacturing. This integration of AI ensures that the U.S. remains an attractive destination for foreign investors by enhancing its economic stability and creating a cutting-edge, secure investment environment. As the competition for FDI intensifies globally, the U.S. continues to refine its AI-enabled regulatory frameworks, driving sustainable growth and ensuring that it remains at the forefront of technological advancements. Such strategic use of AI in investment facilitation not only secures necessary foreign capital and technological prowess but also supports widespread job creation and infrastructure development.

Regulatory Frameworks and Investment Promotion in the UAE

The UAE has undergone significant regulatory reforms to attract both domestic and foreign investments more effectively. The Securities and Commodities Authority (SCA) has implemented a new legal framework that drastically changes how investment funds operate within the country. As of January 16, 2023, the SCA repealed the Board of Directors' Decision No.9/RM of 2016 and introduced a suite of new regulations, signaling a major shift in the regulatory landscape for both foreign and domestic funds (CMS LawNow, 2023).

New Regulatory Framework for Foreign Funds in the UAE

The New Foreign Funds Law (SCA Decision No.04/BC of 2023) introduces stringent controls on how foreign funds can be promoted within the UAE. Unlike the Old Regulations, the promotion of foreign funds to UAE-based retail customers, professional investors, and market counterparties has been

significantly tightened. Now, foreign-owned funds are restricted to private distribution only to professional investors and/or market counterparties, and they are prohibited from publicly advertising or distributing units (see CMS LawNow, 2023).

This change aims to regulate the promotion and distribution of foreign investment funds more rigorously. The SCA now requires that only firms licensed by the SCA to conduct the regulated activity of “Promotion” may promote such funds to professional investors on a private placement basis. Additionally, the promotion or distribution of foreign funds to retail investors is outright prohibited unless there is reverse solicitation, where the investor initiates contact. This regulatory adjustment ensures that foreign funds engage with UAE investors through SCA-licensed entities, reflecting a shift towards a more controlled and formalized investment environment.

New Regulatory Framework for Local Funds in the UAE

Conversely, the New Local Funds Law (SCA Resolution 01/Chairman of 2023) has introduced substantial changes for domestic UAE funds. The law outlines major reforms by introducing new fund structures such as Family Funds, ESG Funds, precious metal funds, and real estate development funds. This initiative not only diversifies the types of investment vehicles available but also simplifies the process for structuring and launching these funds within the UAE (CMS LawNow, 2023).

The New Local Funds Law encourages local and international businesses to establish and manage their funds within the UAE’s regulatory framework by reducing minimum capital requirements and expanding the scope of permissible activities for fund service providers. This is part of the UAE's broader strategy to enhance its attractiveness as a major hub for financial services and to encourage the onshoring of fund activities. According to Gherras (Interviewee 2, 2024):

> ***“The US is involved in a lot of short term investment. However, UAE has longer term investment and they are tied to quantitative and macroeconomic analysis.”***

Box 4. Regulatory landscape of Investment Promotion in the US and UAE and AI

Both the United States and the United Arab Emirates have crafted sophisticated regulatory frameworks and promotional strategies to attract foreign direct investment (FDI), tailored to their unique economic structures and strategic ambitions. The USA employs a decentralized approach, allowing states to leverage their specific economic advantages under a broader federal policy that promotes a stable and open investment environment, while safeguarding national security considerations. This model benefits from the flexibility of state-specific incentives, such as tax breaks and workforce development, which cater to a diverse economic infrastructure. Additionally, the U.S. increasingly focuses on AI-driven industries by supporting innovation through R&D credits and facilitating partnerships between universities and tech firms, positioning AI as a pivotal sector for FDI attraction. In contrast, the UAE adopts a more centralized strategy to diversify its economy beyond oil, characterized by significant regulatory reforms aimed at creating a dynamic yet tightly controlled investment environment. This approach focuses on attracting investments into high-value sectors through clear, stringent guidelines and the development of specialized economic zones, aligning investment closely with national development objectives and enhancing the UAE’s profile as an emerging global investment hub. Moreover, the UAE emphasizes attracting AI investments by establishing state-of-the-art digital infrastructures and smart city projects, creating a favorable ecosystem for tech companies and startups. Both countries' strategies reflect their different economic backgrounds and development stages, showcasing a tailored approach to

fostering economic growth and attracting international capital, with a keen emphasis on integrating AI technologies to further enhance their competitive edge on the global stage.

iii. Regulations on Investment Entry and Operations

The burgeoning impact of technological advancements on the financial sector has necessitated a nuanced understanding of the regulatory environments governing investment entry and operations in leading economies. This analysis focuses on the United States of America and the United Arab Emirates, examining how these nations have adapted their regulatory frameworks to accommodate and regulate the rapid proliferation of financial technologies (FinTech), including artificial intelligence (AI) applications in investment decision-making.

Understanding FinTech's role, particularly AI, is crucial, as it represents a significant shift in how financial services are delivered and decisions are made. AI technologies in investment can provide enhanced data analysis, predictive modeling, and automated trading, thereby transforming traditional investment strategies and operational frameworks. This comparative study highlights the distinct approaches each country adopts to foster innovation while ensuring robust oversight and stability in their financial markets. By drawing from the work of regulatory bodies and financial experts, the analysis explores how tailored regulations in the financial sector can significantly influence global investment patterns and economic development, demonstrating the importance of adapting to technological advancements to maintain competitive and secure financial markets.

United States of America: Regulation and Oversight of Financial Technologies

In the United States, regulatory frameworks have evolved to address the challenges and opportunities presented by FinTech. Bodies such as the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC) are at the forefront of this regulatory evolution. FINRA's Office of Financial Innovation, established in April 2019, epitomizes efforts to synergize significant financial innovations with regulatory standards by engaging stakeholders, conducting pertinent research, and fostering collaboration across regulatory entities (FINRA, 2019). The SEC's Strategic Hub for Innovation and Financial Technology (FinHub), initiated in October 2018, further complements these efforts by guiding technological advancements within the financial systems and enhancing internal and external regulatory collaborations (SEC, 2018). State-specific regulations like the California Consumer Privacy Act (CCPA) underscore the localized regulatory responses tailored to safeguard consumer rights against the backdrop of increasing automation and data-driven decision-making in financial services (State of California, 2018).

United Arab Emirates: Fostering Innovation through Regulatory Frameworks

Conversely, the UAE has sculpted a centralized regulatory mechanism that significantly enhances its capacity to integrate and oversee financial technologies. The Central Bank's regulatory frameworks for Stored Value Facilities and Large Value Payment Systems illustrate a strategic approach to manage electronic payments and financial infrastructure, ensuring robust governance and risk management (UAE Central Bank, 2021). The Financial Services Regulatory Authority (FSRA) and Dubai Financial Services Authority (DFSA) provide comprehensive oversight of digital assets, including cryptocurrencies and security tokens, delineating the operational boundaries and compliance requirements for market participants (FSRA, 2020; DFSA, 2021). The UAE's strategic deployment of regulatory sandboxes, such as the ADGM RegLab, demonstrates an innovative regulatory approach, allowing FinTech firms to test and refine pioneering financial products within a controlled and regulatory flexible environment (ADGM, 2021). See (ICLG, 2023).

Box 5. Regulatory landscape of Investment Entry and Operations in the US and UAE and AI

The regulatory landscapes in the USA and UAE offer distinct yet effective paradigms for managing FinTech-driven transformations in the financial sector. The USA's multi-tiered approach leverages both federal oversight and state-specific regulations to craft a comprehensive regulatory environment that supports innovation while safeguarding market integrity and consumer rights. In contrast, the UAE's centralized strategy streamlines regulatory processes and fosters a conducive ecosystem for financial innovation through national strategies and regulatory sandboxes. This comparison not only underscores the diverse methodologies in regulatory frameworks but also highlights how each country strategically aligns its regulatory practices with broader economic objectives to capitalize on the technological advancements reshaping the global financial landscape.

iv. Policies on Data Governance and Cybersecurity

Effective regulations regarding cybersecurity and data governance are necessary for investments to be thrived in any country. These regulations guarantee the effective and safe application of AI technologies, which are becoming more and more essential to contemporary investment strategies. Comprehending the legislative environment concerning cybersecurity and data governance is vital in order to understand the ways in which AI can be efficiently employed to improve investment outcomes.

US Cybersecurity

The US has taken several different approaches to cybersecurity, as indicated by the Executive Order on Improving the Nation's Cybersecurity and the National Cybersecurity Strategy. These frameworks focus on critical infrastructure protection, disrupting threat actors, influencing market forces for security, investing in a resilient future, and fostering international alliances (White House, 2023).

a) Defending Critical Infrastructure: The first pillar of the strategy emphasizes on protecting important infrastructure through establishing basic cybersecurity standards for various industries and improving public-private cooperation. This strategy guarantees the reliability and resilience of government systems (White House, 2023; Joshi & Dobrygowski, 2023). Using artificial intelligence enables companies to proactively detect and respond to threats, therefore enhancing their capacity to protect vital systems. The ability of artificial intelligence to analyze immense quantities in real time assists to identify possible hazards and weaknesses, therefore improving general cybersecurity protections (Watson & Bergman, 2024).
b) Disrupting and Dismantling Threat Actors: This strategy uses all tools of state power to disrupt and destroy hostile actors, to counter cyber threats. This includes strategic interaction with foreign partners and the business sectors (White House, 2023; Joshi & Dobrygowski, 2023).
c) Shaping Market Forces to Drive Security and Resilience: While accountability for safe software products and services will be shifted toward those with the greatest risk and good privacy practices will be promoted, grant schemes will encourage investment in safe infrastructure (Joshi & Dobrygowski, 2023). Through applying vulnerability assessments, AI can enhance software security systems which could facilitate this transition. AI-driven tools can also enable companies to comply with legal regulations and guarantee that

cybersecurity infrastructure are provided with maximum protection (Watson & Bergman, 2024).

d) Invest in a resilient future: Cybersecurity research and development for future technologies including post quantum encryption will be given top priority and an extensive cyber-workforce will be created (Joshi & Dobrygowski, 2023).
e) Forging International Partnerships: Collaborating with its allies and partners, the US will address cyberthreats and build solid and reliable technologies for communication and information supply chains (Joshi & Dobrygowski, 2023).

The US policy prioritizes stronger laws, more public-private partnerships, and investment in cybersecurity R&D. The emphasis on data-driven methods and annual assessments demonstrates the US's dedication to assessing and improving the effectiveness of its cybersecurity programs.

Investment acceleration opportunities are generated by the use of AI in cybersecurity in several ways. Reduced risk for firms and vital infrastructure due to effective AI-powered defense, improving the investment environment. Furthermore, a growing demand for AI-powered safeguards accelerates the sector's expansion and attracts additional investment. AI may additionally optimize resource allocation, improve response times, and streamline security operations—all of which can result in significant cost savings. The US has embraced AI as a drive to create a more innovative and dynamic cybersecurity environment that attracts investment and encourages economic growth, while simultaneously establishing a more secure digital future (Watson & Bergman., 2024; White House, 2023).

UAE Cybersecurity

The UAE showed a proactive and open approach to cybersecurity with its updated Dubai Cyber Security Strategy of 2023. This strategy is built on four pillars: a cyber-secure society, an incubator city for innovation, a resilient cyber city, and an active cyber partnership (UAE Government, 2023).

The UAE wants to create a secure cyberspace, develop digital infrastructure, accelerate digital transformation, and improve digital defense capabilities. The strategy includes actions to increase cyber awareness, support cybersecurity research and development, create a safe cyberspace, and build global collaboration.

The UAE's cybersecurity framework includes AI, which accelerates opportunities for investment significantly. The UAE minimizes cyber risk and improves investment and business operations by utilizing AI-driven technology to improve its capacity to identify and address cyber threats promptly. Investments in AI startups and innovation hubs are drawn to the local technology industry by the increasing demand for cybersecurity solutions driven by AI. Additionally, AI can boost cybersecurity measures' effectiveness by allocating resources optimally and facilitating quicker reaction times to cyber disasters, which can save firms a significant sum of money. Through these initiatives, the United Arab Emirates not only strengthens its digital infrastructure but also cultivates a dynamic and inventive cybersecurity environment that attracts foreign direct investment and advances economic development (UAE Government, 2023).

Box 6. Cybersecurity in the US and the UAE - A Comparison

Comparing US and UAE cybersecurity strategies illustrates distinctive strategies with common goals. Both countries prioritize important infrastructure protection, innovation, and international collaboration. The United States, on the other hand, prioritizes laws, public-private partnerships, and federal control, whereas the UAE concentrates on developing a cyber-secure society, encouraging local cyber cooperation, and driving digital transformation. The United States takes a comprehensive approach with an international scope, whereas the UAE takes a more localized approach with an emphasis on community engagement and collaboration.

The US and UAE acknowledge that AI is crucial for enhancing their cybersecurity systems. AI is revolutionizing cybersecurity techniques with its real-time threat detection and massive data processing capabilities. In the US, incorporating AI into cybersecurity measures provides a proactive approach to threats, in line with the interests of national security. AI helps the UAE maintain a solid cyber infrastructure, which promotes a safe atmosphere for companies and technological advancement. Both countries strengthen their cybersecurity capacities by utilizing AI, which makes investments safer in their digital and economic environments.

Data Governance in the United States

Data governance has evolved as an important component of modern governance, especially given the increasing number and importance of data in decision-making across all sectors. In the United States, the Federal Data Strategy serves as a core framework for data governance standards among federal agencies.

> ***"We need harmonization of data on the regulatory side, and mandate on data publishing. The US is amazing in that." (Dressler, Interviewee 1, 2024)***

The data governance principles highlight ethical governance, conscious design, and a learning culture. The strategy emphasizes ethical governance, which promotes the monitoring and review of data activities in order to preserve and promote the public good. Conscious design aims to ensure the relevance and usability of data by leveraging existing datasets and predicting future applications. Continuous investment in data infrastructure and people resources promotes a learning culture, cultivates data leadership at all levels of the federal workforce, and fosters transparency through continuing assessment and refinement (Federal Data Strategy, 2020).

In addition to its guiding principles, the strategy emphasizes essential practices that will inform agency activities and improve the government's approach to data management. These practices involve establishing an environment that embraces data and encourages public usage, controlling, managing, and safeguarding data, and promoting efficient and acceptable data use (Federal Data Strategy 2020).

Data Governance in the United Arab Emirates

In the United Arab Emirates (UAE), the government has created ten fundamental Smart Data Principles to guide data management and use across all entities. These principles are intended to be integrated into governance systems and business processes, and full adoption will require a

long-term commitment. (The UAE Smart Data Framework, 2019). According to Gherras (Interviewee 2, 2024):

> ***"UAE is extremely involved in the forefront of AI, both research and regulations. UAE has an AI minister, completely involved in building right regulatory framework to let AI flourish. There are also research centres like TII (able to compete with what Meta is doing), advanced technology research center ATRC. In May 2023, Func LLM, open sourced LLM launched. There is a new competitive landscape with technology and research."***

The first principle highlights treating data as a national asset, encouraging entities to maximize the value provided by data gathering and preservation for the benefit of the entire UAE (The UAE Smart Data Framework, 2019). The second tenet emphasizes data sharing and reuse, encouraging collaboration across institutions to meet user needs and promoting the creation of private-sector applications that employ open data (The UAE Smart Data Framework, 2019). The third principle seeks to minimize data duplication by establishing accurate primary registrations while preventing duplicate datasets. (The UAE Smart Data Framework, 2019).

Other principles include open data release, privacy, confidentiality, Intellectual Property Rights (IPR), open standards, data quality, data insights, collaborative governance, and continual improvement. These principles include openly publishing non-personal data, protecting privacy and intellectual property rights, using open standards, managing data quality, maximizing data insights, participating in shared services and collaborative governance mechanisms, and adopting continuous improvements (The UAE Smart Data Framework, 2019).

> ***"UAE always let the innovation flourish. Want to be more than a market, never define themself as always open, instead make sure that the regulatory framework is so good that players come to the UAE to build from the UAE. Today UAE is still trying to do the tradeoff, as AI is dangerous, you cannot trust the data, because it might not be always reliable, along with the data poisoning which is prevalent." (Gherras, Interviewee 2, 2024).***

In contrast to the US model, data governance in the United Arab Emirates (UAE) is intrinsically related to regulatory compliance and risk management, especially in the banking sector. The Risk Management Regulation (Circular No. 153/2018) was issued by the Central Bank of the UAE (CBUAE) to guarantee that banks have effective risk assessment and measurement systems in operation (CB 2022).

The legislation requires banks to implement a comprehensive risk governance framework that includes policies, processes, procedures, systems, and controls for early risk detection and mitigation (CBUAE, 2018). It also specifies the requirements for risk-measuring systems and emphasizes effective internal procedures for model development and validation when models are employed in decision-making (CBUAE, 2022).

The CBUAE's Model Management Standards (MMS) aim to ensure model quality, increase uniformity in model management across banks, and reduce potential risks (see Annex 3) associated with

funding and capital underestimation (CBUAE, 2022). The accompanying Model Management Guidance (MMG) provides a structured approach to implementation, enabling institutions to identify deficiencies, develop remediation strategies, and demonstrate constant progress toward compliance (CBUAE, 2022).

Additionally, the UAE's emphasis on innovative technologies can be seen with the establishment of the Advanced Technology Research Center (ATRC) and the Technology Innovation Institute (TII). The emergence of an artificial intelligence minister demonstrates how dedicated UAE is to establish an AI environment. Programs like the open-sourced Func LLM are initiated by these organizations. The UAE draws investment in AI-driven technology and research by establishing a secure environment for AI innovations (UAE National Strategy for Artificial Intelligence 2031).

Box 7. Data Governance Approaches in the US and the UAE

Data governance has developed as a significant component in modern governance frameworks around the world, driven by the growing importance of data in decision-making across multiple sectors. The United States and the United Arab Emirates (UAE) have different approaches to data governance, as it is highlighted throughout this section, each customized to their specific legislative contexts, societal demands, and goals.

"If a company is going to make an investment decision, based on AI generated recommended data, they are running a risk, they have to make sure it is accurate. We need regulations around where is the data from AI coming from and how accurate is it." (Dressler, Interviewee 1, 2024).

Regulatory Context and Focus Areas

In the United States, data governance is primarily governed by federal legislation, which emphasizes federal control, stakeholder participation, and accountability for compliance. The Federal Data Strategy seeks to improve the US government's approach to data management by creating an environment that values data, controls, manages, and safeguards it as well as encourages efficient and acceptable data use (Federal Data Strategy, 2020). In contrast, data governance in the UAE is closely related to regulatory compliance and risk management, especially in the banking sector. The Risk Management Regulation (Circular No. 153/2018) was issued by the Central Bank of the UAE (CBUAE) to guarantee that banks have appropriate risk assessment and measurement systems in place. This act mandates banks to have a comprehensive risk governance framework, as well as standards for risk measurement systems and internal procedures for model development and validation (CBUAE, 2018).

Implementations for AI and Continuous Improvement

Both the United States and the UAE emphasize the necessity of ongoing development in their data governance systems. The US fosters a learning culture by investing in data infrastructure and people resources, as well as increasing transparency via continuous assessment and development (Federal Data Strategy, 2020). Similarly, the UAE's Smart Data Principles include the notion of continuous improvement, which encourages entities to manage change over time in order to foster an open, data-driven, and data-sharing environment (The UAE Smart Data Framework, 2019).

> ***"Data is a huge opportunity. We are using a tool to access data faster and quicker, which we can fact-check and source check where AI has found this data. We now have more confidence if the data is not 100% accurate. If the data is only 80-90% accurate, you remain in charge and fully accountable and cannot be replaced easily. It is like an assistant we need to work with AI. We need governments to be thinking about how to drive standards, data standards, sharing data globally, standards about where collaborative models can help." (Wright, Interviewee 5, 2024)***

The US and the UAE approaches for data governance differs while understanding the connection of AI and investments. The ethical governance, data utilization, and ongoing improvement focus of the Federal Data Strategy in the US provides a strong basis for AI integration. This approach of the US improves data quality and promotes accountable, ethical data practices. Hence, it is improving the investor confidence in AI-driven solutions and enabling safe, and accurate AI usage (The White House, 2023). On the other hand, the UAE's legislative system enables a safe and secure environment for artificial intelligence by including data governance with thorough risk management and regulatory framework. The UAE's emphasis is to see data as a national asset. Also, UAE supports open data sharing which can help to enhance artificial intelligence programs, which can lead to the advancement of national prosperity. Solid criteria for privacy and data quality enables safe AI solutions, thus attracts interest in artificial intelligence-driven technologies and research (UAE National Strategy for Artificial Intelligence 2031; CBUAE, 2018).

Overall, both the United States and the United Arab Emirates understand the value of data governance in promoting cybersecurity, innovation, and digital transformation. However, they use varying tactics that are tailored to their distinct regulatory contexts and societal needs. The United States Federal Data Strategy prioritizes federal control, stakeholder engagement, and compliance monitoring. In contrast, the UAE incorporates data governance into its overall regulatory framework, stressing compliance with risk management laws, particularly in the banking industry, while also addressing a broader range of data governance concepts and practices. While the US model is more streamlined and centered on federal agencies, the UAE approach is more comprehensive, encompassing a broader range of industries and themes. Both methods emphasize the value of ethical governance, data sharing, privacy protection, and continual development, but they differ in terms of regulatory framework, target areas, and implementation methodologies.

Source: Image Generated Using AI

5. Policy Implications/Key Findings

i. Analysis of the Gaps in AI adoption and Infrastructure

Based on the comparative analysis undertaken above for both the countries, there are disparities in the supportive frameworks for AI adoption and innovation infrastructure between the United States (US) and the United Arab Emirates (UAE), highlighting areas for probable improvement in various key aspects.

The differences in their National AI Strategies reveal varying levels of clarity and specificity. The UAE's National AI Strategy 2031 stands out for its vision, specific goals, and timelines, aiming to position the country as a global AI leader by 2031. In contrast, the US points toward a lack of unified and clearly defined national AI strategy with specific long-term objectives, indicating potential gaps in strategic planning and direction that could hinder its ability to maintain global leadership in AI.

Moreover, the discrepancy in infrastructure readiness for AI adoption is notable, with the US boasting significant AI infrastructure compared to the UAE. The US has established computational resources, data access, and research platforms supported by initiatives like NAIRR and CCRI. In contrast, the UAE's infrastructure readiness for AI adoption is quite different, despite ongoing investments in data centers and high-performance computing. This difference underscores the importance of enhancing infrastructure readiness in the UAE to support innovation and research in AI effectively, ensuring that the country remains competitive in the global AI landscape.

Further understanding of the probable gaps in regulations and policies for both the countries, will help tease out concrete options to improve the efficiency of AI integration in the FDI processes, mainly Investment Promotion and Investment Entry and Operations, enabling the countries to harness AI's full potential for societal and economic benefits.

ii. Regulatory gaps in Investment Decisions

Assessing regulatory frameworks and identifying potential gaps appears imperative for countries aiming to attract foreign direct investment (FDI) or as the case may be in the earlier comparative analysis, foster innovation in the financial sector. The comparative analysis between the United States of America (USA) and the United Arab Emirates (UAE) highlights distinct regulatory approaches and their implications for investment attraction and financial sector innovation. By looking at some of these approaches, we can identify some regulatory issues and gaps that could be considered to enhance the effectiveness of investment promotion and financial sector oversight.

Decentralization & Centralization Concerns

The contrasting approaches to investment attraction and financial sector regulation between countries can be broadly categorized into fragmentation and centralization. The USA employs a decentralized regulatory approach, characterized by federal and state-level involvement. This model stems not only from legal constraints inherent in the U.S. Constitution, which reserves certain powers to the states, but also from historical precedents in industrial and science policy where local customization has driven region-specific economic growth. (Khan Academy, n.d.) (Brookings Institution, n.d.)

While this decentralization allows for tailored state-specific incentives that can be closely aligned with local economic conditions and needs, it also introduces complexities and potential

inconsistencies in regulatory compliance across jurisdictions. This fragmentation could complicate nationwide policy implementation and enforcement, impacting the uniformity and predictability needed by foreign investors.

Conversely, the UAE's centralized regulatory mechanism is designed to streamline decision-making and ensure a uniform policy environment across the federation. This approach reflects the UAE's relatively smaller geographic and demographic scale, which supports centralized governance. However, such centralization might lack the flexibility to address the localized economic dynamics and investor preferences effectively, potentially stifling the ability of individual emirates to capitalize on unique opportunities or address local challenges. The UAE's centralized model may struggle to accommodate the diverse economic characteristics and priorities of its different regions, and the absence of decentralized decision-making authority could hinder the agility needed to respond to rapid changes or emerging trends within specific sectors or industries. The centralized structure risks overlooking local nuances that could enhance regulatory effectiveness and innovation.

Promotion & Regulation Balance

Both countries prioritize attracting FDI and fostering financial sector innovation, but the balance between promotion and regulation differs. The USA emphasizes a balance between openness to foreign investment and national security considerations, reflected in its liberal trade regime and stringent sector-specific regulations. (Li, Shapiro, & Ufimtseva, 2024). In contrast, the UAE focuses on aggressive promotion through regulatory reforms and specialized economic zones, potentially risking oversight gaps or maybe regulatory arbitrage.(El Shimy, 2008). While these initiatives aim to enhance the country's economic diversification and competitiveness, they may also pose challenges such as oversight gaps or regulatory arbitrage, where investors exploit regulatory disparities to their advantage. Thus, while both countries prioritize FDI attraction and innovation promotion, their strategies reflect differing priorities and trade-offs in balancing promotion with regulatory oversight and risk management.

Adaptability to Technological Innovations

Regulatory frameworks in both countries evolve to accommodate technological advancements, particularly in the financial sector. However, challenges persist in ensuring timely and effective regulatory responses to emerging technologies such as financial technology (FinTech). It is argued that the USA's multi-tiered regulatory structure may face coordination challenges, delaying regulatory updates, while the UAE's centralized approach could encounter difficulties in swiftly adapting to rapidly changing technological landscapes.

Consumer Protection and Data Privacy

With increasing automation and data-driven decision-making in financial services, ensuring consumer protection and data privacy becomes paramount. Take for example, State-specific regulations in the USA's context like the *California Consumer Privacy Act (CCPA) 2018* and similar measures in the UAE demonstrate efforts to safeguard consumer rights. However, gaps may potentially exist in harmonizing these regulations across jurisdictions and ensuring consistent enforcement, posing challenges for multinational financial institutions and tech firms operating in both countries.

iii. Policy gaps in Data Governance and Cybersecurity

When comparing the data governance and cybersecurity policies of the United States (US) and the United Arab Emirates (UAE), several policy gaps emerge. While both states show commitment to mitigating/solving the challenges of the digital era, there are key domains where improvements could enhance the effectiveness of their strategies.

To begin with, one notable gap is, although both countries emphasize the significance of cybersecurity and data governance, there is a lack of conventional ways that may lead to international cooperation and collaboration. Without a shared system, sharing of data, threat-relevant data exchange, and coordinated actions against cyber threats may be undermined, which would put both countries exposed to more complex cyber-attacks with global impact.

> ***"What is required is an extreme collaboration between the scientific community in AI and embed within the regulatory framework the right innovation to enable the UAE as a whole to protect themselves against the weaknesses but leverage themselves with the huge productivity you can get from AI." (Gherras, Interviewee 2, 2024)***

> ***"Companies need to collaborate and help each other to make AI adoption easier in FDI processes and more risk free." (Heilbron, Interviewee 4, 2024)***

Furthermore, both countries face challenges due to regulatory fragmentation. In the United States, the multifaceted regulatory environment, which includes several agencies and conflicting jurisdictions, can lead to deviations in enforcement as well as compliance among sectors. In a similar manner in the UAE, whereas the government has made progress in designing comprehensive data governance legislation, there may still be gaps of federal regulations, particularly in areas which are not banking and finance. Addressing legislative gaps and decreasing compliance requirements may improve the efficiency and performance of cybersecurity and data governance procedures.

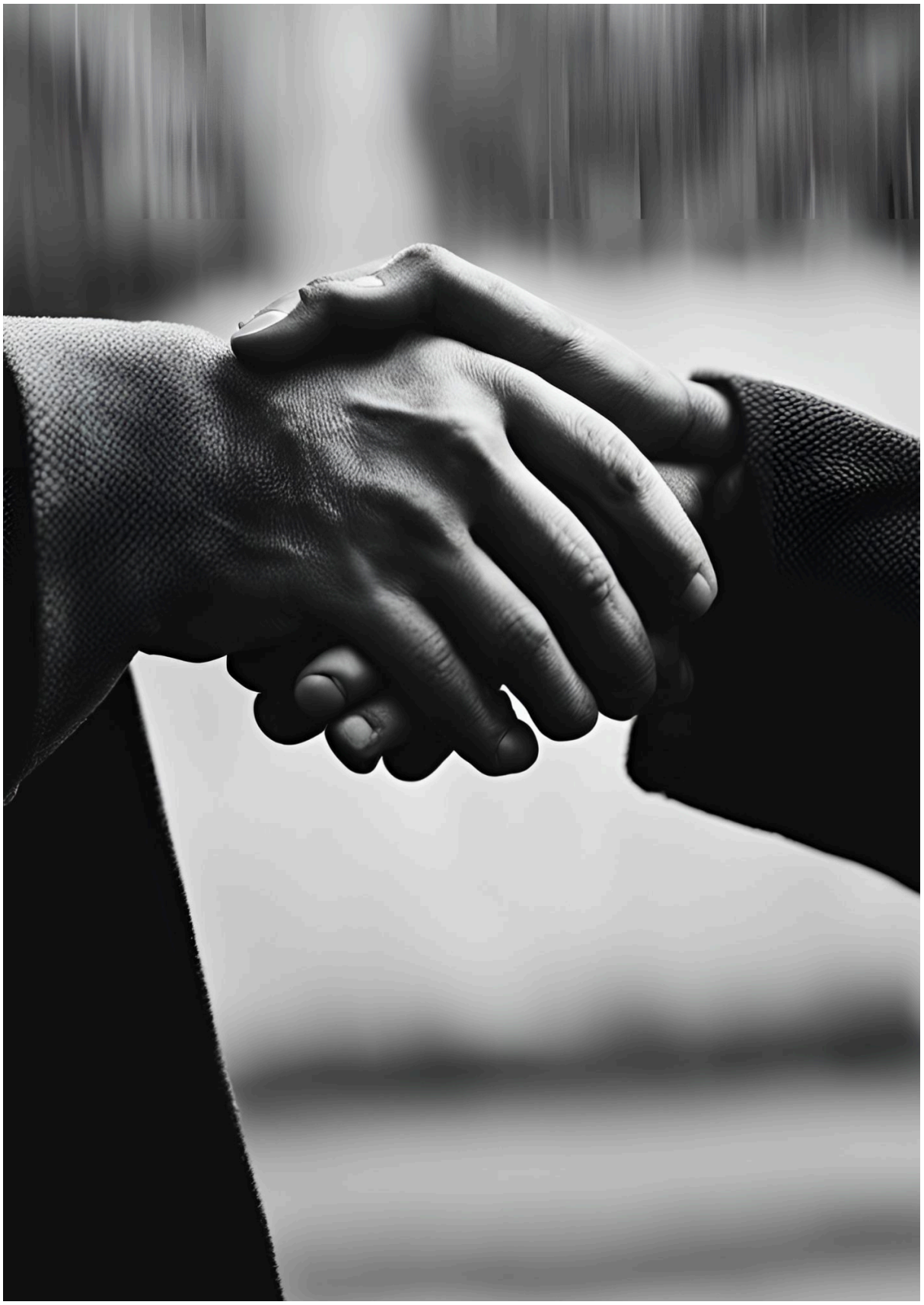
Another vital gap within the policies is that there is limited focus on emerging technologies. Policy gaps arise from these limits and evolving cyber threats. Mr. Baghdad argues on UAE,

> ***"UAE needs to come up quickly with a playbook, but its difficult as the world is moving very fast with AI innovation and its difficult as people have techniques and algorithms to make the playbook not work."***

Although both countries have comprehensive policies on data governance and cybersecurity, emerging technologies are always one step ahead of the governments, due to lack of predictability of future technologies. According to Preet Singh, there are challenges of integrating AI as indicated below,

> ***"The way we capture data is not the best. Not everything is captured in an objectively measurable form/numeric form. We restrict AI to doing what we would have done at scale, we have to think as AI first, and we haven't reached there yet. We have to increase explainability and the goal has to be the involvement of everyone onboard." (Singh, Interviewee 3, 2024)***

Failure to address these emerging threats by providing too broad policies may lead to critical infrastructure vulnerabilities and global cyberattacks.



Source: Image Generated Using AI

6. Recommendations

i. Discussion of Recommendations on Regulations in Investment Decisions

Enhanced Regulatory Coordination: Both countries would benefit by prioritizing and enhancing coordination between federal and state-level regulatory bodies (in the case of the USA) and between central and local regulatory authorities (in the case of the UAE). This can mitigate inconsistencies and streamline regulatory compliance for investors and financial institutions operating across different jurisdictions. For example, the USA's Financial Stability Oversight Council (FSOC) facilitates coordination among various federal and state regulators, to create unified guidelines for the use of AI in financial services.

Flexible Regulatory Frameworks: The USA can explore mechanisms to maintain regulatory consistency while allowing for greater flexibility to address state-specific economic needs and investor preferences. Similarly, the UAE could consider adopting more agile regulatory processes to swiftly adapt to technological innovations and changing market dynamics.

International Collaboration: Given the global nature of investment and financial services, both countries should actively engage in more international collaboration and information-sharing initiatives. This can facilitate cross-border regulatory coherence, improve regulatory enforcement capabilities, and enhance investor confidence in the stability and integrity of their markets.

Investment in Regulatory Capacity: Investing in regulatory capacity-building and technological infrastructure is essential for both countries to effectively oversee and regulate rapidly evolving financial markets. This includes training regulatory personnel, leveraging advanced data analytics for surveillance purposes, and implementing robust cybersecurity measures to protect sensitive financial information.

ii. Policy options on data governance and cybersecurity

Through integrating artificial intelligence (AI) into these policy recommendations below, their effectiveness will be boosted, which can further ensure that both the United States and the United Arab Emirates (UAE) maintain and advance their leading positions in technological innovation. The application of artificial intelligence will enable both nations to have the opportunity to enhance their data governance, safeguard privacy, and create a safe digital environment that could promote investments and economic development.

Market Incentives: Market should encourage the adoption of best practices in data governance and cybersecurity through incentives such as grants, tax breaks, awards for companies that demonstrate excellence within cybersecurity and data privacy measures according to the government regulations/policies. There also could be a certification program or ratings system that provides incentives for companies to invest in improving cybersecurity measures and demonstrate compliance with governmental data protection regulations. Artificial intelligence (AI) can improve this process by automating the assessment of compliance and provide instant analysis of security performance to ensure that companies comply with the cybersecurity standards.

Government Subsidies and Regulations: Governments could provide subsidies for companies, especially SMEs to invest in AI, data governance and cybersecurity infrastructure, skills training, and technology adoption. Additionally, regulations could be implemented to companies that mitigate

minimum cybersecurity risks, and enforce a penalty system for non-compliant parties to incentivize the best practices in data protection and cybersecurity issues.

AI-driven security solutions: Through providing government incentives for investments in AI-driven safeguards, there can be established a more secure and reliable digital infrastructure. This could mitigate the risk, and thus attracts foreign direct investment in industries that largely depend on digital security, such as Fintech.

AI-driven data analytics: This can enhance the efficiency and productivity within various sectors, especially Fintech companies. Firms that use artificial intelligence (AI) for data analytics are more prone to attract foreign direct investment (FDI) because of their outstanding position in the international market. And investors are more inclined to invest in companies that show innovation and efficiency, since these qualities often align with higher profits with lesser risks.

Human Workforce: Since AI does not have social intelligence, human workforce should be the utmost priority of the governments and the private sector. High levels of reliance on AI would reduce human productivity, yet AI can assist in human tasks. Skill requirement and investing in R&D is highly vital for creating new employment opportunities within the tech sector. To achieve this, governments could develop employment strategies through policies and regulations to promote human workforce within the private sector, and to incentivize the recruitment, training program to create a highly skilled workforce to manage cybersecurity, AI, and data governance through minimum usage of automation. Private sector should be encouraged to collaborate with educational institutions to tailor their human workforce development programs to the needs of the cybersecurity industry, for governments to ensure that skilled professionals with high educational levels meet the growing demand for AI expertise alongside data governance and cybersecurity. Artificial intelligence may assist in the detection of skill deficiencies and tailoring of training programs. AI technologies may analyze data on employee performance to provide targeted training modules, ensuring that the workforce stays dynamic and proficient in handling emerging technologies.

Data Ownership & Privacy Protection: AI works through using immense data, which means it collects data from everyone. Utmost priority should be to strengthen the privacy protection laws and regulations to ensure individuals to be in control of their own data, and the enhancement in the data ownership. While artificial intelligence progresses continuously day by day, it's crucial to establish legal regulations to ensure that the law remains ahead of technological developments. Governments should implement such measures to increase accountability and transparency in data processing practices, including serious breach notifications and penalties for misuse of data or unauthorized data access.

Investment in Education and R&D: Governments could fund education and R&D initiatives that focus on AI, cybersecurity, and data governance to support technological advancements and innovative solutions. There could also be an establishment of public-private partnership to improve collaboration between academia, industry and government branches in fostering research and innovation in AI and cybersecurity.

iii. Fostering collaboration for AI-driven FDI initiatives

Figure 5. Key Aspects of Fostering Collaboration for Initiatives

Joint Research and Development Centers: The UAE and US could collaborate on the establishment of joint research facilities focused on AI-driven cybersecurity and data governance for FDI initiatives. These centers can foster AI education, knowledge exchange, technology transfers, and collaborative R&D projects that aim to mitigate the shared challenges of AI, and cybersecurity.

Cross-Border Training Programs: Both countries could jointly develop and establish cross-border training programs for exchanging cybersecurity, data and AI professionals, government officials, and stakeholders. These programs could consist of courses, seminars and workshops focused on AI-driven FDI initiatives, cybersecurity technologies and best practices.

Public-Private Partnership: Public-private partnerships between the UAE and US enterprises, academic institutions, and government agencies could be encouraged to develop and implement AI driven cybersecurity policies. This partnership might involve exchanging professionals both in the public and private sphere, technology transfer agreements, and R&D joint projects targeted at providing advanced goods and services in AI to the market.

Diplomacy: Policy dialogue and sharing information between the UAE and US should be encouraged on AI strategies. Bilateral practices such as treaties, joint research initiatives, and diplomatic summits on technological advancements aimed at addressing the emerging AI advancements, cybersecurity threats, data privacy protection and other challenges in the digital age.

7. Conclusion

The intersection of Artificial Intelligence (AI) and Foreign Direct Investment (FDI) presents a promising landscape for enhancing decision-making processes, optimizing investment strategies, and fostering economic growth. Our study has highlighted the increasing importance of AI in transforming traditional investment practices and unlocking new opportunities for stakeholders across various sectors. While many companies are already investing in AI to improve their processes, there is a pressing need to understand how AI can be harnessed to accelerate FDI specifically. By exploring the landscape at the intersection of AI and FDI, we have uncovered valuable insights into the

potential benefits and challenges associated with integrating AI technologies into investment decision-making processes.

Moreover, our research has shed light on the practices adopted by countries, particularly within the FinTech sector, in terms of AI infrastructure, adoption strategies, and skill development initiatives. The impact of pivotal AI policies on investment decisions has also been examined, emphasizing the importance of regulatory frameworks in facilitating or inhibiting AI integration within investment frameworks. A nuanced analysis of the regulatory framework of the investment life cycle processes has revealed both opportunities and obstacles for AI integration, underscoring the need for informed policy options and recommendations.

Through a multifaceted approach encompassing the analysis of the current AI adoption ecosystem and a comparative examination of AI's applications within FDI processes from a regulatory perspective, our research aims to unlock the untapped potential of AI to accelerate investment decisions. By identifying critical considerations for effectively integrating AI into the Investment Life Cycle processes, we seek to empower stakeholders with insights that can optimize FDI decisions and drive sustainable economic development. Looking ahead, the recommendations derived from our study offer a roadmap for policymakers, private sector firms, and government entities to leverage AI technology effectively in optimizing investment decisions, enhancing data governance and cybersecurity practices, and fostering collaboration for AI-driven FDI initiatives. By addressing the gaps in AI adoption and infrastructure, regulatory frameworks, and policy implementation, we can create a more conducive environment for AI-driven investments and innovation to thrive. By harnessing the power of AI technologies and leveraging them strategically in investment decision-making processes, we can unlock new possibilities for growth, innovation, and prosperity on a global scale. It is imperative that stakeholders across sectors collaborate, innovate, and adapt to the evolving landscape of AI-driven investments to realize the full potential of this transformative partnership.

Annexes

Annex 1. Historical Perspective on AI

The historical trajectory of AI in investment reveals an interesting evolution shaped by the interplay of technological advancements, academic discourse, and practical applications. The foundations of AI, rooted in early 20th-century ponderings on the possibility of creating artificial brains, gained momentum in the mid-20th century. The birth of AI during the 1950s, marked by Alan Turing's seminal work on machine intelligence, set the stage for significant strides. This era witnessed the maturation of AI, with the creation of fundamental tools such as LISP, the first programming language for AI research, and the development of the term ‘machine learning’ by Arthur Samuel in 1959.

The subsequent AI boom in the 1980s showcased remarkable growth and heightened interest, paralleled by the launch of expert systems like XCON in the commercial market. However, this fervor was followed by a challenging period known as the ‘AI winter’ (1987-1993), characterized by dwindling interest and funding due to setbacks and unmet expectations. The resilience of AI became evident during the AI agents era (1993-2011), marked by breakthroughs such as Deep Blue defeating world chess champion Gary Kasparov in 1997 and the introduction of virtual assistants like Apple's Siri in 2011.

The current epoch, characterized by the pursuit of Artificial General Intelligence (AGI) from 2012 onwards, witnesses AI's integration into everyday life with virtual assistants, search engines, and deep learning techniques. Governments, acknowledging the transformative potential of AI, have entered the landscape with a growing interest. However, challenges persist, particularly in the public sector, where factors like a lack of technical staff, risk considerations, and the need for transparency impede seamless adoption. Scholars like Wirtz, Weyerer, and Geyer (2018) underscore these challenges, emphasizing the importance of governance, trustworthy AI, and impact assessment methodologies in the public sector.

Companies, on the other hand, have harnessed AI to fortify investment decision-making processes, enhance operational efficiency, and refine overall strategies. The private sector's historical journey with AI reveals a dynamic interplay between advancements and challenges. For instance, the 1980s saw the commercial launch of Alacrity, an expert system aiding managerial advisory tasks, showcasing early attempts at integrating AI into business strategies. As businesses grappled with the promises and pitfalls of AI, the 21st century has witnessed a resurgence, marked by innovations like GPT-3 and DALL-E from OpenAI, pushing the boundaries of language generation and image understanding.

From a critical perspective of the new emerging AI technology, Acemoğlu and Johnson (2023) highlight that there is a historical parallel between the nobility exploiting peasants in the medieval era and the bourgeoisie exploiting the working class during the Industrial Age has a modern echo in the improvements of artificial intelligence technologies by companies, governments, and corporations. While the digital age has resulted in incredible technological advances, the core dynamic of affluent elites reshaping societal and financial structures for their personal benefit has not changed. The authors remark that corporations and governments use artificial intelligence and digitalization as potent tools for solidifying their influence and control over economic and financial activity, and individual decisions, not exclusively for the well-being of the public, but for their own advantage.

In essence, what lessons can we tease from this historical analysis? The historical perspective of AI in investment mirrors a narrative of resilience, adaptation, and ongoing exploration. As companies and businesses navigate the evolving landscape, the integration of AI is not just a technological revolution but a societal transformation. The journey from speculative discussions in the early 20th century to the present era of sophisticated AI applications underscores the enduring quest to leverage AI for informed decision-making in both private and public spheres.

Annex 2. Current Trends of FDI and AI

Moreover, as we navigate the complex interplay between the private and public sectors, the nexus of Artificial Intelligence (AI) and Foreign Direct Investment (FDI) is a fundamental connection driving the modern global economic landscape. The dynamics of FDI are changing dramatically as AI technologies alter businesses and decision-making processes. This research investigates recent AI and FDI trends, examining their interconnection and shining light on the ramifications for governments, firms, and investors.

The most recent generative AI programs can handle a variety of standard tasks, such as data reorganization and classification. As a result, a broader collection of stakeholders are dealing with the impact of generative AI on business and society, but with little background to help them make sense of it. Companies are expected to race to adapt and implement it, with a knowledge of the technology's ability to offer value to the economy and society at large helping shape important decisions (McKinsey, 2023).

A variety of literature has extensively examined the application of AI, as well as specific AI techniques, within various domains and regions. Noteworthy research includes studies on financial management decision-making (Al-Blooshi & Nobanee, 2020), customer financial services (Hentzen et

al., 2022), financial distress identification (Kuizinienė et al., 2022), wealth and risk management, financial security, and consulting (Zheng et al., 2019), and financial markets (Berradi et al., 2020).

Li et. al (2023) argue about the trends of AI in a three-step. Initially, AI applications in finance are primarily found at the corporate and government levels. Second, deep learning has grown in popularity in recent years. A few applications have shown that deep learning can outperform baseline approaches in terms of performance, precision, rapidity, and generalizability. Because of its superior performance, deep learning will be used by an increasing number of researchers in their research. Lastly, AI will be more intimately associated with management or the "societal angle," for example, management analytics.

Additionally, understanding current patterns in Foreign Direct Investment (FDI) is critical, especially in light of the impact of developing technologies such as artificial intelligence (AI) on global investment flows. According to data from the United Nations Conference on Trade and Development (UNCTAD), FDI is declining overall. Following a strong comeback in 2021, international foreign direct investment (FDI) fell by 12% in 2022, totaling $1.3 trillion. This drop was mostly attributable to concurrent global crises, such as the Ukraine crisis, rising food and energy costs, and an increase in government debt. The impact of the fall was especially noticeable in developed economies, where FDI fell 37% to $378 billion. In comparison, developing nations had a 4% increase in FDI, however the distribution was uneven. The majority of investment went to a few major rising economies, while flows into least developed countries fell (UNCTAD, 2023).

OECD 2023 Reports further correlate with the findings of the UNCTAD by highlighting the fall of the FDI. More in detail, FDI inflows to the OECD area grew to USD 275 billion but were 42% lower than in the first half of 2022 and lower than half-year levels in 2021. They turned positive in 2023, but then fell by 58% in the second quarter, owing primarily to reduced equity inflows and reinvested revenues, reflecting a slowdown in new investment activity. Outflows from the OECD region more than doubled in the second half of 2022, reaching USD 580 billion, while they were lower than in the previous half-year. In this case, too, much of the rise occurred in the first quarter, while FDI outflows from OECD countries fell by 56% in the second quarter. In the first half of 2023, foreign direct investment (FDI) into non-OECD G20 economies fell by 15%. They fell by 13% in the first quarter and by 27% in the second quarter. The USA was the major FDI recipient globally, followed by Brazil; Canada and Mexico were tied for the third-largest FDI beneficiaries. The United States additionally served as the world's largest investor, followed by China and Japan (OECD, 2023).

Understanding the contemporary links between artificial intelligence and FDI patterns is critical for policymakers, firms, and investors. It emphasizes the need to evaluate how technological breakthroughs, particularly in AI, affect investment decisions, industry dynamics, and the global economic landscape. As artificial intelligence continues to alter numerous industries, it is anticipated to play a critical role in defining the direction of future FDI patterns.

Annex 3. Types of Risks of Foreign Direct Investments

A question thus arises: How do risks affect FDI flows? Logically, it should be the case that risk would have a significant negative impact on FDI. Uncertainty in the economic environment is escalated by political instability, which in turn diminishes the incentive of foreign investors to invest in a host country.

Country risk analysis is a tool that aims to forecast potential issues in cross-border transfer of capital by evaluating future risks, accounting for various factors such as political, social, macro and microeconomic indicators, countries' ratings, and other measures of economic performance (Rafat and Farahani, 2019). Although such indicators may be quite useful in assessing the investment climate of a host country, they do not take into full account all the peculiarities of different types of risk.

Jensen's research findings reveal that democratic countries tend to attract more inflows of resource-seeking FDI into abundant natural resources, after controlling for selection bias of authoritarian developing countries (Jensen, 2006).

On the other hand, Ibrahim's study examines how risks impact entry into foreign markets and operations in foreign countries. The findings of the study, based on multiple regression analysis, demonstrate a significant relationship between country risks and FDI inflows. This implies that the levels of FDI in countries, as well as decisions regarding market entry and business operations, are significantly influenced by the political, financial, and economic risks of the host country. Therefore, firms must increase their awareness of risks and develop risk management plans to minimize potential risks (Ismail, 2017).

In order to increase their awareness and further develop mitigation strategies, the following major types of risks should be identified by the public and private sector while making FDI decisions:

Political Risks	• Political instability: Unrest in politics, coups, or revolutions can cause disturbance to business operations, harm assets, or even result in the confiscation of property. • Regulatory changes: Foreign investment may become less appealing or even result in losses if laws, policies or taxation are modified. • Corruption: Forms of corruption, such as bribery and kickbacks, have the potential to escalate expenses, impede business expansion, and mar the image of a company. • Legal uncertainty: It can be challenging to safeguard intellectual property, enforce agreements, and settle disagreements due to ambiguous or inconsistent regulations, inadequate implementation, and partial judicial systems.
Economic Risks	• Exchange rate fluctuations: Unexpected fluctuations in the rates at which different currencies can be exchanged may diminish profits, escalate expenses associated with borrowing, and create obstacles for bringing back overseas earnings. • Inflation and interest rates: Profits and investment returns may experience a reduction in purchasing power due to high inflation, and increased borrowing costs may result from high interest rates. • Economic downturns: Reduced demand for products and services caused by economic slowdowns or recessions in the host country can result in lower sales and profits.
Operational Risks	• Market entry challenges: Breaking into unfamiliar markets is often challenging as a result of cultural differences, linguistic obstacles, and well-established competition within the area. • Cultural differences: It is important to have knowledge of local customs, practices, and business etiquette to ensure smooth operations and prevent cultural misunderstandings. • Supply chain disruptions: Production and operations can come to a standstill due to supply chain interruptions, such as raw material, component, or logistics disruptions. • Labour issues: Significant impacts on production and profitability can result from labor disputes, strikes, or shortages of skilled labor.
Governmental Risks	• Restrictions on foreign ownership: Restrictions on the ownership of foreign businesses may be enforced by governments, thereby imposing limitations on the profitability and control of FDI ventures. • Discriminatory policies: Policies implemented by governments could give preferential treatment to domestic businesses or industries, which could lead to foreign investors being at a disadvantage in terms of competitiveness. • Taxation policies: FDI can be discouraged and operating costs can be increased by high taxes, complicated tax systems, or random tax audits.

It is imperative for both public and private sectors to be aware of the risks associated with any investment. However, instead of just considering these risks, it is essential to explore prevention and mitigation strategies as well. Prevention and mitigation strategies are two sides of the same coin,

with each being distinct yet interconnected. For instance, a company can invest in prevention without necessarily investing in mitigation, and vice versa.

Prevention and mitigation strategies differ from each other, but preventive measures can reduce the likelihood of a problem occurring. This, in turn, reduces the incentive to invest in mitigation. Similarly, investing in mitigation can reduce the cost of a problem and therefore the incentive to prevent it. For example, if a government plans to raise taxes once a company has invested, and lobbying efforts are unsuccessful, prevention is impossible. In this case, the company may choose to share ownership with others as a mitigation strategy. Conversely, if lobbying is a viable option, the company is more likely to own the investment outright, and no mitigation strategy is required (Casson and da Silva Lopes, 2013).

Therefore, it is crucial to assess the risks and determine the most effective prevention and mitigation strategies before embarking on any investment. By doing so, both public and private sectors can mitigate potential risks, reduce costs, and maximize the benefits of investments.

Annex 4. Interviewee List and Questionnaire

No.	List of Interviewees	Organization
1.	Andreas Dressler	FDI Center
2.	Baghdad Gherras	Medad Holding
3.	Dr. Preet Deep Singh	Invest India
4.	Armando Heilbron	World Bank
5.	Jonathan Wright	IBM

1. Do you have any examples of use cases where AI was used to facilitate investment (Foreign Direct Investment) decision-making?
    a. Perhaps we can first consider the public side, and how investment authorities might be using AI for investment decision-making (Investment Attraction and Investment Entry and Operations)
    b. And, what about companies that may be leading in the area of using AI for investment-decision making, but we are thinking of FDI decisions rather than portfolio optimisation decisions.
2. In these examples, what worked well, and what was a challenge? Are there any lessons learned that could be useful to scale these solutions?
3. Are there policies and regulations that could either facilitate the adoption of AI to facilitate investment decision making (Investment Attraction and Investment Entry and Operations)?
4. Are there policies and regulations that are standing in the way of the adoption of AI to facilitate investment decision-making?
5. Is there any needed infrastructure or skills development needed to unlock AI for investment decision-making?

Annex 5. Quick Overview of the Comparative Analysis

Focus Areas	US	UAE
AI Adoption and Innovation Infrastructure	• National Artificial Intelligence Research Resource pilot (NAIRR) - Focus on shared research infrastructure and collaboration to advance AI research and discovery. • Significant AI infrastructure, including computational resources, data access, and research platforms. • Government investment in AI research infrastructure through initiatives like NAIRR, NITRID, investments by NSF - Support for AI startups through funding and resources. • Collaboration and funding opportunities facilitated through government-led initiatives like NAIRR, NITRID. • Investment in AI-related education and training programs to equip workforce with AI skills.	• Emphasis on government support, investment in research, and collaboration with global partners. • Investment in AI learning and innovation through educational programs, free economic zones for AI firms, and establishment of AI networks and accelerators. • Infrastructure readiness relatively low, but investing in AI infrastructure like data centers, connectivity, and high-performance computing. • Encourages research collaboration and commercialization through AI networks and accelerators. • Fostering a culture of AI learning and innovation through educational programs at various levels, from schools to workplaces.
Regulations on FDI Attraction Through Promotion	• Federal and state-level regulatory frameworks. • Open investment environment with stable political and economic landscape. • State-specific strategies tailored to unique economic profiles and advantages. • State governments offer tax incentives, workforce development programs, and industry-specific clusters to attract foreign investments. • Federal government provides a regulatory framework ensuring consistency and security for foreign investors. • Ensures stringent reviews and approvals particularly for investments in sensitive	• Strategic regulatory reforms to attract domestic and foreign investments. • Securities and Commodities Authority (SCA) introduced new regulations for investment funds. • New Foreign Funds Law tightens controls on foreign funds promotion. • New Local Funds Law introduces reforms for domestic UAE funds, encouraging local and international businesses to establish and manage funds within UAE. • UAE's approach is centralized, focusing on regulatory reforms to create dynamic yet controlled investment environment.

	sectors like defense, telecommunications, and energy.	• Aim to diversify economy beyond oil through regulatory reforms and aggressive promotion of FDI.
Regulations on FDI Entry and Operations	• Federal and state-level regulatory oversight. • Efforts to facilitate market entry and operational freedoms for foreign businesses while ensuring national security considerations. • State governments tailor investment attraction strategies to their unique economic profiles and advantages. • Federal government supports state efforts with regulatory framework ensuring consistency and security for foreign investors. • Federal regulations encompass stringent reviews and approvals particularly for investments in sensitive sectors like defense, telecommunications, and energy.	• Regulatory reforms to enhance the investment climate, such as New Foreign Funds Law and New Local Funds Law. • Stringent controls on promotion of foreign funds to UAE-based retail customers, professional investors, and market counterparties. • UAE aims to attract investments into high-value sectors through clear, stringent guidelines and development of specialized economic zones.
Frameworks on Data Governance and Cybersecurity	• Federal Data Strategy serves as core framework for data governance standards among federal agencies. • Focuses on ethical governance, conscious design, and a learning culture to ensure relevance and usability of data. • Essential practices involve establishing an environment that values data, controls, manages, and safeguards it, and promotes efficient and acceptable data use. • Stress on federal control, stakeholder participation, and accountability for compliance. • Continuous investment in data infrastructure and human resources for fostering a learning culture and promoting openness through continual assessment and improvement.	• The UAE Smart Data Framework guides data management and use across all entities. • Emphasizes treating data as a national asset, promoting data sharing and reuse, and minimizing data duplication. • Also addresses themes like open data release, privacy, confidentiality, Intellectual Property Rights (IPR), open standards, data quality, data insights, collaborative governance, and continuous improvement. • Regulatory compliance and risk management, particularly in the banking sector, are key aspects of data governance.

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