Opening Statement

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Trade, Foreign Direct Investment in Latin America and Global Value Chains: An International Integration Strategy for Latin America
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Her Excellency Alicia Barcena, Executive Secretary of ECLAC,
Mr. Luis Enrique Berrizbeitia, Executive Vice Presidency, CAF
Distinguished delegates,
Ladies and Gentlemen,

I am honoured to be associated with this Conference organized by ECLAC and CAF on the topic of trade, FDI and GVCs. It is an important topic being discussed at an important juncture for the investment-development fraternity, and you will know that it is a topic closely synchronized with the work that we do at UNCTAD.

We have witnessed over the past decade the rapid expansion of global production networks, which has created corporate giants whose wealth in some instances dwarfs the wealth of entire countries. The transnational corporations that command these production networks have become enormously important players in the global economy. If governments devise policies strategically it is possible to connect economic activities in developing countries with these global value chains in a beneficial manner: for global job creation, for the transfer of skills and technologies to developing countries, for fostering sustainable small enterprises and to spur on general wealth creation. Transnational corporations also possess the requisite funds and expertise to evolve solutions to the multiple problems we face in the world. But we have to bear in mind that these beneficial outcomes will not create themselves. They require careful and targeted planning and policy making, and above all, the fundamental prerequisite is dialogue and strong partnerships between the public and private sector.

At the same time, our growing concern is to put our activities at all spheres of life – be it commercial, industrial, economic, social or environmental – on a sustainable development trajectory. More than ever, governments are concerned with growing global inequality; they are seeking ways to ensure decent labour conditions and workplace safety; they are concerned with stemming deteriorating environmental conditions and attempting to mitigate their negative effects, particularly on vulnerable communities; and they are trying to create more inclusive economies that will alleviate the plight of the poor, and build a better life for all. As you are aware, UN Member States are currently in the process of formulating the Sustainable Development Goals – the set of development targets that will succeed the Millennium Development Goals, which expire next year. We can expect global ambitions to fight poverty, inequality and environmental degradation to redouble, not relax. A strengthened resolve implies that demand on state coffers will increase at a time that taxpayers are already straining. It seems prudent then that we cast our web wider and also explore sources of funding that have perhaps previously been neglected. It has become evident that the private sector will be our key ally to strengthen delivery on our global development commitments.

Investment – both domestic and foreign – will be one of the key sources of funding for the solutions we seek to a multiplicity of our developmental challenges, be they social or environmental. It is therefore vital that we create an investment environment that is secure, predictable and conducive to encourage investors to play a more central role for investment in the development agenda. Allow me therefore to provide some context by giving a brief overview of the latest global investment flows, followed by a summary of developments on the investment policy front, before I turn to the policy direction we can take to ensure the sustainable outcomes from investment that we seek.

Mr. Chairman,

As you are aware, the recovery of FDI flows has lagged the recovery of most other global economic indicators. Even as GDP growth in 2012 moved back into positive territory, and international trade and job creation accelerated, the pessimistic mood which gripped the world in 2009, persisted among investors and were reflected in FDI numbers. UNCTAD's recent Global Investment Trends Monitor in January shows, however, that we have reason for optimism. The mood last year turned positive only for the second time since the onset of the crisis. Our preliminary estimates show that global FDI flows in 2013 edged up by some 10% to an estimated $1.5 trillion – a level last seen in the pre-crisis era. This is good news, and all indications are that the recovery is finally on track, with the outlook for 2014 and 2015 optimistic.

One of the most positive trends in the investment sphere since the crisis has been the rise of developing countries' share of global FDI. This trend endured last year, with developing country receipts reaching a new high of more than half of total global FDI inflows. Developed country FDI flows of 39%, on the other hand, remained at an historically low level of global flows for the second consecutive year. While the flows to developed countries increased, they were still about half short of their peak level in 2007.

Mr. Chairman,

Let me now turn to developments on the investment policy front. As you may be aware, UNCTAD tracks all regulatory and policy measures that countries deploy, which may have an impact on investment. This information is published on a quarterly basis. The investment policy changes were mostly positive, according to UNCTAD's latest Investment Policy Monitor. In contrast to a rash of protectionist measures taken by G20 countries both on the trade and investment front in the aftermath of the 2009 crisis, these latest measures tracked by our Monitor instead showed a continued move towards improving entry conditions for foreign investors.

On the international investment policy front, the declining trend in the conclusion of BITs, which we started observing about five years ago, is continuing, while, at the same time, treaty-making at the regional and inter-regional levels is gathering pace – you will be familiar with negotiations such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), Regional Comprehensive Economic Partnership (RCEP) currently under negotiation.

Mr. Chairman,

Governments' motivations for overhauling investment policies are frequently motivated by their desire to leverage foreign investment to amplify developmental gains. Policy makers have for long understood that investment is a key driver of economic growth, a prerequisite for the build-up of productive capacity and an enabler of industrial development and upgrading. And given the development finance gaps in many developing countries, foreign investment often constitutes a crucial complement to domestic investment to finance development objectives. Investment policy is therefore an integral component of most countries' development strategies. But the opportunities and requirements from different types of investments may vary by country and sector. How to mobilize investment in a proper manner to engineer sustainable and pro-development outcomes therefore remains a formidable challenge for developing countries. How best can we help countries to tailor policies that positively contribute to advance development objectives in a manner that is effective, inclusive and sustainable? Within the investment framework, the answer in the past has not necessarily been clear cut. Unlike the trading system, which is able to collectively discuss and shape trade policy and practice in the interest of 159 members within the ambit of the World Trade Organization, the investment regime has no such multilateral forum. Yet, this does not mean that there is investment policy stasis. Rather, investment policies take shape as actively as in other areas of commercial policy making. But what is often lacking is the coherence that comes with collective consultation and the consideration of common interests.

To help fill this consultative void, UNCTAD proposed to map a guideline for countries, particularly developing ones, to be able to pick optimal investment policy options – both for the formulation of national and international policies – and suited to their unique circumstances. The Investment Policy Framework for Sustainable Development (or the IPFSD for short) strives to be a comprehensive guide book to consult for investment policy making. The framework consists of a set of core principles for investment rulemaking and gives design guidance on how to forge a policy approach to investment that mainstreams sustainable development objectives. The framework is explicitly geared to operationalize sustainable development, align investment policy with development strategies, and foster responsible investor behaviour. However, as I mentioned at the outset: beneficial outcomes from investment will not create themselves. And no matter how sophisticated the policy framework is, our development gains will be tepid if governments and the private sector act in isolation. It will be through strong partnerships that we will deliver results and start making inroads with the development goals.

Mr. Chairman,

It was in 1964, at UNCTAD I, that member States gathered in Geneva with the aim to create "a better and more effective system of international economic co-operation, whereby the division of the world into areas of poverty and plenty may be banished and prosperity achieved by all." This year marks the 50th anniversary of our efforts to bring about a more equitable globe.

As part of our efforts to unite public and private sector investment stakeholders in our global development efforts, UNCTAD's flagship World Investment Forum is set to take place in Geneva from 13-16 October this year, dedicated to the topic of *Investing in Sustainable Development*. The Forum will provide the platform where government leaders and executives from global companies can have a dialogue about the form and content that the post-2015 development agenda could take, and what contribution the private sector could make to deliver the sustainable development goals.

I want to invite you to come and attend the World Investment Forum in Geneva.

I thank you, Mr. Chair and am looking forward to deliberations over the next two days.