



Investing in Sustainable Development



UNCTAD World Investment Forum 2014

High-level Inter-Regional Dialogue: Investment and Regional Integration

Geneva, 15 October 2014 Room XXIII (16:00-18:30)

Opening Statement by Mr. Petko Draganov Deputy Secretary-General of UNCTAD

Excellencies,
Distinguished participants,
Ladies and gentlemen,

It is my great pleasure to welcome you to today's dialogue, which brings together representatives of regional groupings, other regional institutions, and the private sector to discuss investment issues related to regional integration.

Many mechanisms for regional integration already exist. For instance, as at June 2014, nearly 600 regional trade agreements (RTAs) had been notified to the World Trade Organization. These agreements aim to provide common investment policy regimes or integrated markets for trade and investment. And many of them have a separate chapter devoted to the promotion and protection of investments.

Today, a number of megaregional agreements, such as the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, are under negotiation. If successfully concluded, such agreements will forge stronger economic links between regions— provided that they replace, rather than overlay,

a patchwork of pre-existing bilateral trade and investment treaties between the participating countries.

Regional integration is back in the global economic agenda, partly because of slow progress in multilateral cooperation in trade and investment. In this context it seems to me that today's session has three objectives. The first is to examine how regional integration affects FDI flows and private sector activity. The second is to examine how the private sector itself contributes to regional integration. And the third, and last objective, is to examine how all this has to be placed in the context of sustainable development.

Ladies and gentlemen,

The theory tells us that regional integration generally boosts cross-border investment flows, resulting from increased market size, the opening-up of new sectors to investment and policy alignment and harmonization of rules. Harmonized policies, in particular, facilitate supply chain linkages across borders, improving efficiency and the level playing field for businesses in the region.

There is evidence of the potential positive effects that regional integration agreements may have on FDI flows within a region. However, empirical research on this topic is scarce and, at times, ambiguous. Moreover, just as regional integration agreements can influence global and regional value chains, private sector operations can also shape the integration process.

In this context, the experience of senior executives and policymakers can help us better understand the effects of regional integration on FDI and corporate behaviour, and vice versa.

A feature that is worth noting in the context of your discussions is that, according to UNCTAD's statistics, in terms of trade and investment, developing countries are much less regionally connected than developed countries.

In developed and emerging market regions – Europe, North America, and to a lesser extent East and South-East Asia – intra-regional Global Value Chains trade accounts for half or more of the total. In contrast, this figure in Latin America accounts for slightly over 10 per cent and in Africa for even less than that.

Private sector engagement can also help foster regional integration. Consultation mechanisms on how to shape regional integration – including trade and investment provisions in existing and future agreements – are a good means to ensure private sector participation. They ensure private sector understanding of how agreements will impact their business decisions.

These mechanisms may also be useful in engaging the private sector on discussions about sustainable development at the regional level. UNCTAD's World Investment Report 2014 advocates Regional SDGs Investment Compacts to facilitate private investment in sustainable development. This can be for example through regional infrastructure development projects, regional clusters to promote regional value chains, and regional industrial collaboration agreements.

Ladies and gentlemen,

We are fortunate to have several experienced panellists today who can offer insights and experience on the key factors of success in boosting the effect of regional integration efforts on trade and investment, and in ensuring a positive sustainable development outcome. We look forward to hearing your views.

I would like now to hand over to our facilitator Ms. Courtney Fingar, Editor-in-Chief of fDi Magazine at the Financial Times. She will moderate this event and introduce our distinguished guests.

Thank you.