

# **Review of the World Investment Forum 2021: an academic perspective**

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## **1. Introduction**

The aim of the WIF2021 was captured in its title: the 7th World Investment Forum: “Investing in Sustainable Development.” This was a very large conference spanning several days with a large number of sessions – more than a hundred speakers by my count – and, I was told, more than a thousand audience members watching and listening to the sessions. With heads of state, ministers, academics and practitioners, and ambassadors involved in this event, we ask ourselves: what were the economics we learned about or were reminded about? What have we learned about sustainable development? What should we all be doing next? WIF2021 offered an exciting array of presentations with different styles, approaches, messages and stakeholders. This article covers some of the substance of what was said and reflects the types of issues that participants deemed to be of importance. Through the talks we obtained a snapshot of the concerns and predictions of a wide range of very knowledgeable people and stakeholders.

## **2. Opening plenary session, ministers, ambassadors**

WIF2021 began with the opening plenary, with heads of state, ministers and heads of institutions. Perhaps here it is good to take a step back and use the participation of various bodies as a framework to remark on some incredible achievements over the past 60-plus years. As we worry about all the problems the world faces now, we should remember that the United Nations itself was created not too many years ago, after World War II, as an enlightened response to the carnage of that war. UNCTAD, the United Nations’ trade and development arm, has the mandate to further trade and investment around the world, so the Sustainable Development title of this conference is precisely the focus of UNCTAD. Also represented at the Forum was the World Trade Organization, created to level the playing field when it comes to trade to make sure there is collective benefit rather than individual restrictive trade policies, which may be good for the one but bad for the many. Our world institutions still serve as the beacon for our cry for enlightened development for all people.

We are in an unprecedented time in the world now, with the COVID-19 pandemic. Many speakers, particularly those in the opening session, made mention of the pandemic and its costs to humanity, while remaining upbeat about the prospects for the world going forward. We were reminded of the losses due to reductions in remittances caused by lack of mobility in many nations, particularly the smaller ones. We were told of the inadequate response of the international community to the hardest-hit vulnerable and poor nations. The pandemic did show that there can be massive public spending in wealthier nations for social services to help the threatened in their own nations. The big concern was for the poorer nations, which may lose ground from previously attained goals because of pandemic-related problems. One of the later<sup>1</sup> sessions touched on the inequalities between the rich and the poor nations in terms of vaccination rates and stimulus packages used to reduce harm to the economies, which have had knock-on effects on global value chains. One of the closing sessions was an ambassadors' roundtable, highlighting many of the issues raised in the opening plenary. Again, the pandemic was highlighted, with concern expressed about global trade and investment.

As befitting a session with heads of state and national leaders, in the opening plenary there were many calls for attention to be paid to a number of policy areas required for sustainable development. There were the calls for investment in human capital. There were the calls for increased use of technology (with examples like Botswana's SmartBots national programme on digitization and Armenia's STEP programme, which funds technologies that support sustainable development goals, as well as one small nation's connection through fibre-optic cable to the rest of the digital world). Climate change and carbon neutrality also came out in the conversations as calls for action. Each of these issues is important, but there are varying amounts of data and study on the impact they have on achieving sustainable development. Some are well studied, with copious data, while others require much more attention. The other sessions in this conference provided details on what we know, what we have data on and what further research is required.

Private sector representatives also gave talks in the opening session. Many called for creating the right business environment, to enable better and quicker private sector participation in economies to attain the desired sustainable development. With the ears of policymakers in the room, private sector representatives used the opportunity to announce their desire and their ability to partner with government in economic development.

Many remarks in the opening session spoke of the goals of the WIF. An important and commendable achievement of the WIF lies in bringing together many types of people: the United Nations and national governments, the private sector and firms of different sizes, civil society and advocacy groups. The WIF provides a forum for very productive exchanges between many types of players in the sustainable development arena.

At the global leaders summit, some of the discussion related to the role of the private sector, and particularly its ability to create jobs. A number of aspects of the sustainable development process were discussed, with some back and forth as to which factors are important. On one side is the

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<sup>1</sup> Rebeca Grynspan, Secretary-General, UNCTAD.

question of finance and its role in economic development. Then there is the question of peace and security. Then there is the question of scale, with small firms in poor countries perhaps too small to help. Mixed into all of this is the question of which institutions are required to enhance development, and how these are in turn affected by or how these affect other factors such as finance, peace and security, and scale – which of these is more important, and which are preconditions for the others. Some took the view that sustainable development is all about finance and that rich nations, FDI and the private sector should be marshalled for large finance transfers to needy areas. Others maintained that without peace and security and without the required scale of economies, there cannot be adequate investment in and adequate movement towards the fulfilment of sustainable development ambitions.

### 3. Academic Panels

An innovative session was the academic plenary. Major academic leaders were present, making the case for research and scholarship. They described distinct views on the pathway to sustainable development. This session was followed a few days later by the closing academic panel. The goal of the closing session was to reflect on what had transpired in the earlier academic sessions and to outline areas where further research is needed. Meaningful conversations focused on education in the global South, and the call for researchers from the South should be supported. There was impassioned discussion of the issue of research being carried out by scholars in the richer, developed world, leaving out many in the developing world, and strategies for dealing with this gap.

In conversation about trade and trade restrictions related to the World Trade Organization, fear was expressed about “slowbalization” over the past decade, with a movement away from the free trade of yesteryear. There was conversation about our understanding of global value chains, which we have witnessed not working at their peak. Also discussed were markets and the needs of poorer people in poorer nations, and particularly smallholder farmers in developing areas. Structured markets aided by technology, it was argued, could be instrumental in bringing more of the smaller producers into the global marketplace. Some argued that the role of government should therefore be to create these structures, to enable trade and development within nations, especially in the poorer ones. Special economic zones (SEZs) were also advocated.

In the beginning track with the director of the DIAE at UNCTAD, the audience was directed to the 2021 *World Investment Report*. That report highlighted how the pandemic has accelerated the movement towards a closing-up of the world – as seen in reduced FDI and nationalistic tendencies. These trends raises two types of concerns. The first is that developing nations will find it harder to improve the sophistication of their production if international markets are not opening up as fast as they should. Second, as we are already seeing, issues could arise with the unpredictability of global value chains, with intermittent scarcities of products essential for industries in all nations.

The Academy of International Business oversaw discussions on the distribution of the gains of globalization across nations. In that connection key considerations are the returns to given countries, which result from different international patenting rules and regulations and the

various technical standards enacted, which of course drive trade. NYU Abu Dhabi, a partner of this year's WIF, remarked that partnerships between academia and government leaders making policy are of particular importance, especially with all the changes and uncertainties brought about by the COVID-19 pandemic.

A session with the deputy director of the World Trade Organization provided details on the disruptions caused by the pandemic, such as the numbers of jobs lost. FDI is also slowing, and the prospects for an uptick look bleak, as we see new waves of the pandemic as well as new varieties of the virus. Many countries face macroeconomic and budget issues. Particularly worrisome is the situation of many poor nations, which were especially constrained even before the pandemic. There was a call for further research to understand what is going on in this space, so that governments can be informed and this information can be used to make effective policy interventions.

A conversation on the role of MNEs underscored that MNEs, though usually thought of as solitary companies, actually operate through various foreign affiliates. MNEs are transnational by definition, with patents being created across teams in different nations. FDI through the MNE channel can thus assist with spurring innovation in the host country as well as across the world. Arguments were made to the effect that when governments channel FDI to a particular sector, that sector sees increased innovation.

As the world's attention is moved towards climate control, innovation will be important. The argument about innovation through FDI in MNEs suggests that this channel will be important for tackling climate change. Speakers spoke about MNEs as leaders in green and climate-friendly production.

#### 4. Gender

In a special session on gender issues, though many sessions dealt with the topic, there was much discussion on gender and MNEs. Speakers described the lack of representation of women in many MNEs, especially in the C-suite. Data were provided that showed unequal pay for women in MNEs, especially after controlling for education levels. In other words, there may seem to be equity in some companies, but it disappears when we take into account the fact that, say, high-earning women may be the higher educated. Disparities in compensation and career advancement were discussed, as well as the existence of discrimination in MNEs. One of the speakers addressed issues and achievements at one global university. Universities are by their nature MNEs, so the successes at this university have lessons for other in areas such as compensation, family-friendly policies, and so on. It was remarked that these lessons are also of importance to national governments, and some have been learning from the successes in the university.

Participants had some concern that in most cases, there are not enough data on the degree of gender inequality. The session advocated greater attention to these issues and to the construction of data sets and information processes to shine brighter lights on the problem.

## 5. Special economic zones

The WIF showed great interest in special economic zones (SEZs), with mention of the need for these zones in the academic session. A special SEZ discussion was held in connection with the African Continental Free Trade Agreement (AfCTFA). The audience was directed to look forward to the *Handbook on Special Economic Zones in Africa* produced by UNCTAD and the German development agency, GIZ. This document reviews the experience so far with SEZs and also advocates best practices and disseminates lessons learned in this space. Many countries have had a lot of experience with SEZs over the years, and there is therefore a large amount of material to draw upon.

Interestingly, a large number of SEZs have been established in Africa. The experiences of Morocco and Nigeria were mentioned. A lot of the activity in SEZs in West Africa is in the agroprocessing sector, which makes sense given the production profile of those nations. It is a source of FDI, we were told. In connection with SEZs, there was also discussion of the desire for industrialization, and, more generally, of using SEZs for the production of more sophisticated products in developing regions.

The session devoted to “Decent Work” and employment policies also had an African focus. Some speakers showed data indicating that some 60 per cent of sampled SEZs did not have employment per se as a major goal. Those that did have this goal did not explicitly tackle issues of employment relations in the set-up. The session advocated respect for and promotion of labour laws.<sup>2</sup> As regards how to ensure that labour laws are followed, it was suggested that workers themselves, through organizing at workplaces, could help in both monitoring and advocacy.

Another strand of the conversation was the interest in using SEZs as a vehicle for workers to improve their human capital. Training and even university education around the SEZs was recommended by many of the speakers.

More generally, the participants<sup>3</sup> indicated the importance of the issues related to employment, environment and gender balance in the creation and design of SEZs. Specific case studies were presented for Ethiopia,<sup>4</sup> Ghana,<sup>5</sup> and Kenya.<sup>6</sup> It was clear that the participants viewed SEZs as an exciting prospect for industrialization and for the provision of good jobs in developing countries. There is now a body of research from which we can begin to determine what works and what does not. In one of the sessions, the Global Alliance of SEZs was launched.<sup>7</sup> This is a collection of free trade zone organizations, each lobbying for, studying and working towards improving SEZs. The UNCTAD *World Investment Report 2020* provided updates on the operation of SEZs.

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<sup>2</sup> Particularly the interventions of Kate Abbeo, Caroline Khamati Mugalla (Executive Secretary, East African Trade Union Confederation), Lelise Neme and Stephen Obiro.

<sup>3</sup> Amelia Santos-Paulino, Chief, Investment Issues Section, UNCTAD.

<sup>4</sup> Lelise Neme, CEO, Industrial Parks Development Corporation, Ethiopia.

<sup>5</sup> Kate Abbeo, Deputy CEO, Ghana Free Zones Authority.

<sup>6</sup> Stephen Obiro, on the employers’ perspective, Head, Advocacy, Communications and Partnerships, Federation of Kenya Employers.

<sup>7</sup> James Zhan, Director, Division of Investment and Enterprise, UNCTAD.

SEZs aim at developing exports and attracting FDI and are often used as pilots for economic policy. Investment promotion agencies play an important role in achieving those objectives.

## 6. Within nations

In addition to high-level cross-cutting conversations, specific updates from the ground were provided from different countries. This list was provided by the NYU Abu Dhabi research assistants team:

- The Government of Indonesia reiterated its commitment to sustainable investment and sustainable development. The nickel industry in Indonesia is used as a case study of the shift to a green economy – the country has banned the export of nickel and has put resources into prioritizing downstreaming. In line with its hosting of the G20 next year, Indonesia will prioritize and contribute to emission reduction to safeguard the climate.
- The Government of Egypt highlights its efforts to enhance the investment and business environments in the country, as evidenced by the high GDP growth, even in light of the pandemic. The country's high FDI, the highest in Africa, was also emphasized as one of the effects of economic reforms. The Egyptian government also committed to accelerate green recovery and climate action, putting nature at its heart and ensuring equitable benefit to all economic sectors.
- In order to achieve sustainable development and economic recovery, the Government of Morocco prioritized investments geared toward renewable energy, sustainable transport and decarbonized industries. To the government, energy efficiency and countering climate change is a crucial part of the agenda – they have a major water and solar power project that involves more than €2 billion of investment in line with the Paris climate agreement.
- The Government of Pakistan highlighted the key role that FDI inflows have, especially for developing countries. There is a huge demand for infrastructure, energy and human development, but at the same time there are significant constraints on the supply side – an annual \$4 trillion shortfall in meeting sustainable development goals.
- From Costa Rica, paraphrasing the presentation of the President: Sustainability = people, planet and purpose. Investing in people is key to building a knowledge base that attracts investment. Costa Rica also has a lot of clean energy that allows investors to achieve zero-carbon status.

## 7. SMEs and FDI

A number of roundtable conversations as well as full sessions were devoted to small and medium enterprises (SMEs) and the current work of UNCTAD and partners related to them. Heightened concern for SMEs was evident, as the pandemic seems to have hit the SME sector particularly

hard.<sup>8</sup> These sessions also highlighted the importance of information and communication technology (ICT) infrastructure and digitization, using a case study of Indonesia. The sessions mentioned the difficulties the sector currently faces from the twin problems of the pandemic and the underlying and longer trends of climate change.

One concern was how the pandemic could lead to bankruptcies among many of the firms in the SME sector (and, indeed, the MSME sector – micro, small and medium enterprises). The contribution of SMEs to employment creation was illustrated through case studies on Cameroon,<sup>9</sup> Uganda<sup>10</sup> and Zimbabwe.<sup>11</sup> Many panelists referred to the MSME sector as the backbone of their economies, contributing significantly to jobs and economic growth – as much as 72 per cent of new employment and 56 per cent of GDP). The point is that for many nations these numbers are big, and therefore important.

One important discussion topic was the internationalization of SMEs. For this sector to really grow, it will need to expand into the larger international marketplace. Panelists discussed the risks that SMEs face as they seek to expand into foreign direct investment: issues of technology and communication, and of marketing abroad. Many phrased this in terms of SMEs being not a sector using a global value chain but instead becoming a controller of parts of the chain. Panelists grappled with the human capital and resources required to move into FDI, addressing issues related to changing internal cultures and processes within an SME in order to expand and engage in FDI.

Many of the speakers on SMEs focused on Africa, mentioning advances by African SMEs in agribusiness, transport and information technology. As regards problems that Africa faces, it was interesting to hear about how investment and trade between African nations may be more difficult than between European nations or between a European nation and the United States. This may be a result of colonialism and the fact that many African nations' economies were tied to their colonial masters and have not been able to move far enough away from those structures yet. Panelists mentioned that digitization and ICT will be important in overcoming barriers to intra-African trade.

Many panelists also presented information on the experience of Asian nations with SMEs. For example, in India SMEs represent 98 per cent of companies and contribute 30 per cent of GDP. India was presented as a case study in successful internationalization and growth of SMEs into international companies engaged in FDI. The automotive industry was used as a case study: The country now is a major exporter of motorbikes and two-wheel drive vehicles, many of these seen in the rural areas and smaller towns of Africa. A case example of an early MNE entrant in India was discussed, showing it helped local SMEs grow into the exporting firms that they are today. The pharmaceutical industry was also cited as another example of SME transformation. India is now a major player in that industry, producing 30 per cent of the world's medicines.

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<sup>8</sup> Rebeca Grynspan, Secretary-General of UNCTAD, at the Ministerial Roundtable on Entrepreneurship and Sustainable Recovery Post-COVID-19.

<sup>9</sup> H.E. Achille Bassilekin III, Minister of Small and Medium Enterprises, Social Economy and Handicrafts, Cameroon.

<sup>10</sup> David Bahati, Minister of State for Trade, Industry and Cooperatives, Uganda.

<sup>11</sup> Sithembiso Nyoni, Minister, Small and Medium Enterprises and Cooperatives, Zimbabwe.



Another Asian case study of SMEs looked at Cambodia. The importance of the SME sector to Cambodia was stressed – it accounts for 70 per cent of employment and 58 per cent of GDP – yet only a few Cambodian companies are able to export or engage in FDI. There were also presentations on SMEs in Latin America and the Caribbean.

## 8. Conclusion

WIF2021, although virtual, had a large number of speakers from different sectors and different nations, representing a myriad of stakeholders and viewpoints yet with some common themes across most of the sessions. Looming large around all of the conversations was the COVID-19 pandemic, which has caused a downturn in all economies.

Despite this there is a strong desire for sustained development across the world, and in poorer countries in particular. Different strategies for achieving this development came out in many sessions. Common themes were human capital and training, with technology always highlighted as being critical. We heard about technology and digitization as key tools in helping firms stay afloat and indeed helping them to survive. There was a special session on gender issues, as well as references to gender equity in almost all of the sessions. There was a lot of excitement about and interest in SEZs. Panelists in various sessions about SEZs shared their optimism about the concept and described data sets, surveys and review work on SEZs.

Panelists from many nations each provided what amounted to brief case studies of their nation as relates to the sustainable development topic of the WIF. A final session discussed the importance SMEs in the question of sustainable development. Many mentioned the dire straits the sector is in because of the pandemic. Expansion and internationalization of the sector was called for. Case studies were given from the experiences of many nations on this internationalization.

All in all, and despite the virtual nature of the WIF this year, the Forum as a whole clearly outlined the most important aspects of the sustainable development agenda. It identified key action items, data and the case studies that will enable us all to contribute, in our ways, to that agenda.