Opening remarks by
Supachai Panitchpakdi
Secretary-General of UNCTAD

WIF2010 Ministerial roundtable

Xiamen, 7th September, 2010

AS PREPARED FOR DELIVERY

Honourable Ministers,

This afternoon's debate benefits from an impressive pool of contributors, who have assembled to address a profoundly important issue. It is widely recognized if investment is to generate maximum development benefits it needs to be guided by a strong regulatory and institutional framework. Striking the right balance between further investment liberalization and regulating in the public interest has become the key policy challenge for governments today.

In the current post crisis context in food, energy, finance and the economy, this challenge is particularly important. Policymakers need to ensure that their crisis response measures do not negatively affect the determinants of investment and that they properly manage the increasing interaction between investment and other policy areas, such as trade.

Already at the national and international levels a re-balancing of the rights and obligations of investors and the State is taking place. Currently we are observing a certain dichotomy in investment policy trends, whereby policymakers are increasingly scrutinizing and regulating investment inflows, albeit with the continuation of a long-standing trend towards liberalization.

Among some of the broader issues that policymakers now need to consider are:

(i) policies to protect the environment – combating climate change being the pre-eminent challenge in this context;

(ii) policies to promote health and safety; and,

(iii) policies to improve the livelihoods of the poor and marginalized in society, through, for example, access to basic services.

Today, economic, competition and industrial policies all play a major role in ensuring that international investment generates successful development outcomes. Striking the right balance between investment liberalization and regulation, enhancing the critical interfaces between investment and development, and ensuring policy coherence between national and international investment policies and between investment policies and other public policies are all critical elements for a successful investment policy regime.

Nevertheless, the need to maintain an open investment climate was recognised by policymakers during the financial and economic crisis. In other policy areas, such as trade, we have observed instances of policy slippage as governments have sought to protect industries, with possible negative consequences for foreign investment, especially the global value chains of TNCs. Such considerations have been given a great deal of attention by the G20 leaders. At recent summits, G20 leaders pledged to refrain from investment protectionism in the wake of the financial crisis, and hence avoid some of the policy mistakes of the past. Future investment policies need to reflect this commitment, in order not to damage the prospects for a rebound in FDI, that UNCTAD forecasts in its World Investment Report 2010.

With regard to maintaining a favourable policy climate for investment, it will be critical to monitor countries' policy responses to the crisis. Here, UNCTAD has been mandated by the G20 and the wider UN membership to undertake such a task. UNCTAD's role in this area is one example of how international organizations can play their part in rehabilitating foreign investment flows, and ensuring that they are balanced with sustainable development objectives. Another example involves UNCTAD, the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD) and the World Bank that have come together to propose seven principles for responsible agricultural investment. The Principles illustrate the increasing emphasis on regulating foreign investment in order to maximise development outcomes in a post-crisis economy.

All of these investment policy changes – and challenges – are taking place against a background of broader developments in the post-crisis economy that seek a rebalancing of development priorities. Additionally, a shift in economic power and developments in economic governance will have further ramifications for international investment. New governance structures, such as the G20, are gaining influence in international economic decision-making; regional organizations, such as the EU, are introducing fundamental changes to their FDI policies; and emerging economies are playing an increasing role as both prominent FDI recipients and, increasingly, as outward investors.

These changes pose novel challenges for policymakers, especially in poorer developing and least developed countries. The United Nations, with its global membership, could make an important contribution to supporting the inclusion of marginalised nations in the debate and policy frameworks evolving in the field of investment.

I am confident that UNCTAD's second World Investment Forum will play its role in moving us one step further towards a new investment-development nexus and, perhaps hopefully in the not too distant future, closer to an international investment regime that effectively promotes sustainable development for all.

Thank you for your attention.