Investing in Sustainable Development

Opening Statement by
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Excellencies,
Ladies and Gentlemen,

I would like to welcome you to this discussion and thank our eminent panellists for joining us today in this round table, jointly organised with the WTO. I have no doubt that the high calibre of our speakers will guarantee an exciting and thought-provoking discussion.

There are three main messages regarding the trade and investment nexus that I would like to convey to you this afternoon. The first one is that both trade and investment are vital tools for development. The second one is that in today's world of global value chains, trade and investment are inextricably linked. And my third and last message is about the need for trade and investment policies that work for sustainable development. This is especially important in light of the ambitious sustainable development goals that the international community is about to set.

Let me elaborate further.

The figures on the trade-investment nexus speak for themselves: some 80 percent of global trade takes place within the international production networks of multinational firms. Thus, patterns of cross-border investment shape patterns of trade. And the patterns of investment themselves are not only shaped by investment policies, but also by trade policies.

Developing countries are increasingly participating in global value chains. In fact, developing country share in global value added trade increased from 20 percent in 1990 to well over 40 percent today.

However, many developing countries still struggle to gain access to global or regional value chains.

Many developing countries still struggle to attract the investment that could help them gain access to markets linked to international production networks.

Many developing countries still struggle to attract investment that help them to enhance domestic productive capacities.

To attract the type of investment needed, developing countries need more and better training to strengthen the skills of their workforce. They need capacity building to cope with standards in export destinations, and to better deal with non-tariff measures.

The support the international community gives to countries to facilitate trade is also helping them to attract and benefit from investment. In this sense, aid for trade is also aid for investment. And trade facilitation is also investment facilitation.

UNCTAD has made a strong case for proactive Global Value Chain (GVCs) policies in its 2013 *World Investment Report*, including active and targeted investment promotion, in line with countries' individual characteristics.

There is considerable potential in manufacturing, but also in international services. In fact, some of the most impressive success stories in helping domestic firms participate in GVCs are in the services sector.

As both the WTO's and our own work on value added trade has shown, services are key in GVCs. This is partly the reason why nearly two-thirds of international investment is in the services sector.

Again, the strong links between trade and investment policies become evident.

UNCTAD's support for pro-active GVC and investment policies should not be misunderstood. There is no doubt that countries have legitimate reasons to place restrictions on FDI of certain types, or in certain sectors, as part of their development strategies. Likewise, there is no doubt that regulation of investment and investor behavior is fundamental to safeguard against social and environmental risks associated with GVCs.

However, it is also important to find a balance between the risk and benefits associated with GCVs. The risks should not translate into constant investment protectionism, but rather better policies that manage the risk and maximize the benefits.

To attract investment and facilitate trade, countries need to put in place an enabling framework. They need to develop a business environment that is attractive and internationally competitive for GVC activities. A substantial component of this environment consists of international trade and investment policies that follow from country commitments to WTO rules as well as the many international investment agreements in force today. The interaction between all these agreements is complex, and becoming ever more so.

Ladies and Gentlemen,

Trade and investment are both enablers for the achievement of the SDGs. Linked through global value chains, trade and investment can help fostering economic growth, employment, and economic transformation in developing countries.

We need clear and consistent trade and investment policies – both at the national and international levels – to help developing countries participate in GVCs, to maximize the benefits from participation, and to minimize the risks associated with it. How this can be achieved and what challenges we face in this process is the topic of our discussion this afternoon.

Thank you very much.