World Investment Forum 2018

Investment Promotion Conference

Opening statement by

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Excellencies,
Distinguished panelists,
Ladies and Gentlemen,

It is my pleasure to welcome you to the 2018 Investment Promotion Conference, organized in partnership with the World Association of Investment Promotion Agencies and the Caribbean Association of Investment Promotion Agencies.

Our meeting today comes at a challenging time for the global economy. Global foreign direct investment lost ground again in 2017 and indications from the first half of 2018 are likewise gloomy. After a sharp decline of 23 per cent to $1.43 trillion in 2017, global FDI flows continued to decrease, falling a further 41 per cent in the first half of 2018. FDI flows are currently at the lowest level in a decade and at a level well off the peak seen in 2007. This situation is in stark contrast to other macroeconomic variables, such as GDP and trade, which both recovered and expanded in 2017 and 2018. The juxtaposition of falling investment levels against improving other macroeconomic variables highlights the challenging nature and complexity of the current investment situation.

Moreover, the investment storm clouds continue to grow. The prospects for the rest of 2018 and for 2019 are not optimistic. Whilst global FDI flows may grow modestly over this period (UNCTAD forecasts growth of about 5 per cent), overall FDI levels will remain well below the 2007 peak. The road ahead is further complicated by uncertainty and abundant risks. Geopolitical risk and policy uncertainty threaten to derail investment and could seriously dampen prospects for a recovery in the short to medium-term. Furthermore, specific events such as the uncertainty surrounding BREXIT, increasing trade and investment tensions between major economies and ongoing tax reforms in different countries, separately or together, may undermine investment recovery over the next eighteen months.

Clearly the current and future investment situation is precarious, and we are faced with complex issues. I would suggest we face a triple-set of challenges that need to be address if we are to renew the vigor and quality of global FDI flows.

The first of the triple challenges is the mainstreaming of sustainable development. In 2016, the United Nations defined 17 distinct goals to help define the development path up to 2030. At the heart of these goals lies the concept of sustainable development. Mobilization of investment is a major component in successfully advancing towards these goals.

However, with reduced levels of investment it is increasingly important that we link investment with the Sustainable Development Goals. Furthermore, with lower investment flows it is essential that we must make the most of the investment available, we must meet higher expectations, we must attract higher quality FDI and we must ensure that each dollar invested contributes, in some way, to sustainable development and inclusive growth. I foresee Investment Promotion Agencies playing a critical role in the challenge of mainstreaming sustainable development and attracting higher quality FDI. Succinctly, there exists scope to transform agencies from general promotion to sustainable development-oriented agencies. This expanded role can be facilitated by identifying and preparing pipelines of quality projects and conducting pre-feasibility studies to attract the appropriate type of investment into high quality, sustainable development-related projects.

The second of the triple challenges will be to respond and adapt to digital transformation. The current rate of technological advancement continues to push the boundaries of what is normal and what is possible. There are continually evolving opportunities to expand and improve the quality and impact of investment and investment promotion by taking advantage of the benefits offered by digital enhancement and it is important for countries not to fall behind. In digital transformation there lies potential to develop new business sectors, increase the integration of small suppliers into global value chains and increase the effectiveness and reach of e-tools for promotion and facilitation. It is particularly important for investment promotion agencies to heed the developments in the digital sphere and factor these in to their investment promotion strategies.

The third of the triple challenges is how investment and investment promotion interface with new industrial policies and how it is affected by rising levels of protectionism. It is essential that we remain abreast of the evolving industrial policy landscape and ensure that our work adapts and responds to policy changes. Equally, we must actively resist growing protectionism by obtaining support and championing the merits of investment and its keystone role in advancing the Sustainable Development Goals. The challenge of protectionism is unlikely to dissipate, and indeed will likely grow over the years to come. We expect wider trade and investment policy clashes in the near future and therefore we will need to remain united, resolute and determined in our response lest investment continues to be eroded and we lose one of the main drivers needed to advance Agenda 2030.

Now, what to do? I would say that we are entering a new era for investment, a new era of investment policy, and a new era of investment promotion. I would call it the fourth generation of investment promotion. The first generation of investment promotion relates to liberalization, lifting the barriers for investment. The second generation involves trying to build the image of countries and locations to encourage investment. Then the third generation entails three methods or approaches: targeting, advocating, and aftercare services.

What is the fourth generation of investment promotion? It starts with the challenge of attracting more foreign direct investment while it *seems* that there is a shortage of supply. In fact, that is not true. We know that there is abundant liquidity and a lot of assets. We know that multinational companies are sitting on 6 to 7 trillion U.S. dollars of cash and that financial assets worldwide are 270 trillion to 300 trillion dollars. This is abundant liquidity and investable capital for us to mobilize to serve development purposes.

We also know that today we need sustainable development related investment. Movements for impact investment and social entrepreneurship are on the rise. Green investment and green bonds are growing exponentially. Next door, at the Sustainable Stock Exchange Platform, where CEOs of exchanges are, and tomorrow at the Sovereign Wealth and Pension Fund Managers dialogue, the first question participants ask is: "We want to invest in sustainable development—where are the pipelines of bankable projects?"

However, the constraints are on the recipient side. Recipients have limited capacity to develop bankable projects. Our investment promotion agencies need to be transformed into pipeline project development agencies. That is our daunting task. It is difficult for you to work alone as individual investment promotion agencies, so you need partnerships. We need to connect the dots. We need to break the silos.

We need different ways to work, both horizontally and vertically. Horizontally, trade promotion agencies and investment promotion agencies should work together. Outward investment promotion agencies and inward investment promotion agencies should work together. SDG development agencies need to work with investment promotion agencies. And we also need to work with multilateral banks—they also want to work in this area.

We also know that policymakers need to work with us; therefore, we need to work with them. If you look at the investment framework for many countries, including in Africa, there are investment laws and regulations that are quite modern, because the countries were helped by international organizations to formulate them. The problem is investment facilitation and implementation. In these areas, investment promotion agencies can help and work together with them. So that is another partnership we need to develop.

On the other side, vertically, investment promotion agencies need to look beyond multinational companies and look at the entire investment chain, from the upstream with fund owners, fund managers, stock exchanges, and green bonds, to further down to multinational companies and SMEs, to get projects done. We need to work together to mobilize financial resources, channeling them into the SDG sectors and ensure they make impact on the ground. When you work at the national level, encourage multinationals and help them to report on their impact on sustainable development and to build indices and indicators for investment fund managers and fund owners to invest in those firms and in turn to invest in their countries.

In conclusion, global FDI continues to face significant headwinds and for the foreseeable future the outlook remains gloomy. Faced with triple challenges, it is now more important than ever that we use opportunities such as today's Investment Promotion Conference to discuss these challenges and deliberate how we may best respond to clear the investment storm clouds and give renewed vigor to global FDI that is of a higher-quality, more responsive and directly supports the advancement of the Sustainability Development Goals towards a better, and more prosperous world. Therefore, it is without further ado, and with great pleasure and appreciation that I thank you for your attendance today and wish you fruitful deliberations.