

UNCTAD World Investment Forum 2018

Global Leaders Investment Summit II

Statement by Mukhisa Kituyi, Secretary-General of UNCTAD

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AS PREPARED FOR DELIVERY

Prime Minister,
Excellencies,
Distinguished speakers,
Ladies and gentlemen,

Yesterday we heard about the challenges to sustainable development stemming from the backlash against globalization and the rising barriers to trade and investment. In this context we reaffirmed the importance of the multilateral system in protecting the global economy from instability. Today, we will discuss the challenges as well as opportunities that a new age of industrialization will bring forth for sustainable development, with a specific focus on the changing dynamics of investment.

The pace of innovation and technological change is creating a new era that fundamentally alters the way in which goods and services are designed, produced, transported and consumed, globally. It has been referred to as the fourth industrial revolution, or industry 4.0. This will have profound and far-reaching implications for trade, investment and development, especially for developing countries.

Rapid breakthroughs in emerging technologies such as robotics, artificial intelligence, the Internet of Things, 3D printing, quantum computing, energy storage and blockchain are setting the stage for the transformation of economic activity as we know it. The conflation of technologies across physical, digital and biological spheres is opening up new possibilities for manufacturing while at the same time swiftly rendering existing production mechanisms redundant. It has become imperative to assess how this will impact sustainable development in a proactive, farsighted and coordinated approach by all stakeholders.

The impact of digitalization and increased connectivity has already had an impact on investment patterns and value chains. International production is shifting gradually from tangible cross-border production networks to intangible value chains.

Digital MNEs and tech MNEs are now 15 of UNCTAD's top 100 multinationals (up from 4 in 2010). They have a relatively light international production configuration, because they can reach foreign markets with limited assets and small numbers of employees overseas.

Another metric reported by UNCTAD shows that the level of investment in greenfield projects in manufacturing has been consistently lower in the last five years than in the preceding five-year period across all developing regions.

Developing countries have traditionally targeted labor-intensive manufacturing and industrialization as the pathway to create jobs, increase incomes and progress up the economic development ladder. In this endeavor, countries have put an emphasis on attracting foreign investment by Multi-National Enterprises, integrating into global value chains and gradually moving into higher-value activities. However, in the context of the new industrialization, it is useful to review this strategy.

In an era where trade flows may become suppressed and FDI has still not returned to its pre-crisis peak, traditional development paths based on export manufacturing and FDI may be insufficient to meet the employment needs of developing countries and alleviate deep-seated structural inequalities. The inability of many developing countries to capture value from new intangible modes of international production reduces the room economies have to upgrade to higher value-added activities. Additionally, it can further limit government fiscal revenues due to the greater difficulties in collecting tax from the international production and trade of intangibles.

However, the new age of industrialization also presents significant opportunities for developing countries and for their sustainable development. For example, in the same way that many countries by-passed fixed line telephone networks with mobile telephony, developing countries can use new technology to by-pass traditional financial systems and increase access to financial services. Increased connectivity and artificial intelligence can also help

exporters through trade facilitation and supply chain management, as well as enable small companies to internationalize.

The role of the multilateral system and international cooperation in helping developing countries adjust to the demands of the new industrialization, and ensuring that it supports rather than impedes the pursuit of the Sustainable Development Goals, is of paramount importance. UNCTAD is at the forefront, supporting member states to design and implement effective investment policies that can help their adaptation to the demands of the rapidly evolving global economy.

With this broad outline in mind, I invite you to consider some key questions:

- How will the new industrialization affect international investment and its relation to development?
- What are the best possible scenarios for new industrialization to support the SDGs, and what are the main means to realize them?
- What can the United Nations contribute to maximize the positive and minimize the negative impact of new industrialization on investment for development?

These are just some questions that will hopefully help spark the discussion. I thank you.