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## II. President's summary (*continued*)

### **Investment for development: Transnational corporations, agricultural production and development**

1. All delegations commended UNCTAD for the publication of the *World Investment Report 2009: Transnational Corporations, Agricultural Production and Development*, which was both timely and important, especially in view of the recent food crisis, concerns on food security and the international efforts to fight hunger under Millennium Development Goal 1. To that end, many delegations agreed that there was a need to increase investment in agricultural production in developing countries, but also expressed concerns on its potential social, economic and environmental impact, which needed to be carefully addressed.

2. While global FDI flows fell markedly in 2008, that fall was not shared equally across the globe – with developed countries witnessing strong declines and developing and transition economies reporting record levels. Further decline in global foreign direct investment (FDI) flows in 2009 was in the offing, affecting all regions, including Africa. Delegations expressed concerns on the declining FDI flows and agreed that there was a need to identify measures to help countries attract FDI in a backdrop of the current global economic crisis. A number of suggestions were made. They included the following:

(a) Host countries should continue to improve their investment environment and reinvigorate their efforts at targeting investment in sectors that were less affected by business cycles such as in pharmaceuticals, agriculture and environmental friendly activities;

(b) Investment promotion targeting sources from the South, which was less affected by the crisis, should be expanded;

(c) Host countries could also consider providing “after-care” service to retain current investment and promote reinvestment.

3. Some delegations expressed concerns on increasing investment protectionism, which could affect global FDI flows and the efforts of developing countries to attract them. In this regard, the need for continued monitoring of investment policies by UNCTAD was suggested.

4. While FDI into agricultural production remained small, it was increasing. However, FDI in the entire agricultural value chain was much higher. Aside from FDI, transnational corporations (TNCs) were also participating in agricultural production in developing and transition economies through contract farming. Such farming arrangements by TNCs were widespread, accounting for a high share of output for some commodities in some developing countries.

5. Contract farming was an important and significant alternative for TNCs to participate in agricultural production in developing and transition economies. It brought benefits to TNCs such as better control over quality than procuring agricultural commodities in spot markets, was less capital intensive, less risky and more flexible than FDI. For farmers, contract farming could provide benefits, which included access to technology, know-how, finance and markets.

6. It was generally agreed, based on evidence provided by some delegates and panellists, that FDI and TNCs could play a role in agricultural development in developing and transition economies. Some delegates also stressed the importance of official

development assistance in supporting agriculture development, especially in infrastructure development and building productive capacities. TNC participation in agricultural production could generate both positive and negative effects. The former included transfer of technology, standards and skills, as well as jobs and market access, all of which could improve productivity, quality of produce and development of the industry. However, Governments must be conscious of environmental and social concerns associated with TNC involvement, such as the crowding out of small farmers, which might create job losses, land grab, dispossession of indigenous peoples and an over-dependence on TNCs. In this respect, a number of policy options were expressed by delegations. They included the following:

(a) Developing and transition economies could promote contract farming arrangements between TNCs and local farmers as an alternative option to FDI. Model contracts could be developed for contract farming, which could be used by farmers in developing and transition economies to negotiate with TNCs. UNCTAD currently had no involvement with model contracts, but it was thought to be an area it could explore in future;

(b) In addressing food security of developing and transition economies, output sharing arrangements could be considered;

(c) There was a need for transparency and accountability in large-scale land acquisitions in agriculture and in respect of existing land rights, the right to food, protection of indigenous people, and social and environmental sustainability. To this end, a set of internationally agreed core principles taking into account the interest of various stakeholders could be considered;

(d) Increased public-private partnership to improve the productive capacities of the agriculture sector in developing and transition economies, including building long-term indigenous capacities in farming.

7. Some delegates expressed the need to safeguard intellectual property rights of investors as part of the efforts to promote FDI and TNCs' participation in agricultural production in developing and transition economies. It was noted that trade barriers and subsidies of developed countries, if reduced or abolished, would itself be a good incentive for FDI and TNC involvement in agricultural production in developing and transition economies. This would provide win-win opportunities to the benefit of foreign investors and host countries.

8. Delegations welcomed the initiative by the Government of Japan, with the involvement of UNCTAD and various international organizations, on "Promoting Responsible International Investment in Agriculture", which aimed to address the transparency, accountability and development perspective involving FDI and TNCs in agricultural production in developing countries. Delegations looked forward to the conclusion of the first meeting on the initiative, which was held in New York on 23 September 2009.

9. UNCTAD was requested to continue its research and analysis on issues relating to FDI and TNC participation in agricultural production in developing and transition economies, including on large land deals and policy development. UNCTAD was also requested to help increase agricultural productive capacities of developing and transition economies through technical cooperation and strengthening South-South cooperation, and continue to participate, with other relevant international organizations, in international forums on discussing principles and guidelines on foreign investment in agriculture.