



# United Nations Conference on Trade and Development

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## Twelfth session

Accra, Ghana  
20–25 April 2008

### World Investment Forum – Session I

#### “Prospects for global FDI and new business opportunities”

19 April 2008, 10 a.m. –1 p.m.

1. At the opening session of the inaugural World Investment Forum (WIF) in Accra, Ghana, a panel of senior executives from some of the world’s largest companies were broadly positive about prospects for future flows of foreign direct investment (FDI). In his keynote opening speech, the Secretary-General of UNCTAD, Mr. Supachai Panitchpakdi, expressed cautious optimism for future FDI flows, listing a number of reasons for such optimism while however highlighting the significant risk factors that existed.
2. A speech by the President of Ghana, John Kufuor, was read out on his behalf by a senior minister. Guests of honour included Ana Vilma Albanez de Escobar, Vice-President of El Salvador, and the President Emeritus of the United Republic of Tanzania, Benjamin Mkapa. The opening ceremony was chaired by Kai Hammerich, the outgoing President of the World Association of Investment Promotion Agencies and co-organizer of the World Investment Forum. Patricia Francis, Executive Director, International Trade Centre, moderated session I of the WIF.
3. The corporate speakers were Pierre Cailleteau, Managing Director Sovereign Risk and Chief International Economist, Moody’s Investor Services; Gary Carroll, Director, General Business, IBM South and Central Africa; Horst Kayser, Chief Strategy Officer, Siemens; TC Venkat Subramaniam, Chairman and Managing Director, Export-Import Bank India; and Joseph Quinlan, Managing Director and Chief Markets Strategist of Bank of America.
4. One speaker stressed that the profitability of companies headquartered in the developed world was currently being supported by their operations in developing countries at a time when growth was slowing in the rich world. It was suggested that that new and growing source of profitability might well cause companies to accelerate their investments in the South.
5. It was emphasized by another speaker that the fundamentals driving FDI were strong and the long-term need to expand geographically as compelling as ever. For his company, which was active in a range of sectors, being close to customers and

localizing value chains would continue to be a key long-term driver, as it had been since the company's founding in the first wave of globalization in the mid-nineteenth century.

6. FDI was also discussed from a South perspective, it being noted that rising global firms from the developing world had different strategies for different geographies. South—South FDI tended to be in the form of greenfield investment, while South—North FDI overwhelmingly involved acquisitions.

7. High on the agenda for speakers and conference delegates was the current credit crisis, ongoing since August 2007. The consensus was that the worst of the credit crisis might have passed, even if its negative spillover effects on the real economy, particularly in the US, would continue.

8. Those numerous reasons for optimism about the future of FDI flows were tempered by some significant risks. The threat of protectionism was the most frequently cited concern, largely because the developed world was not yet accustomed to the rise of the South.

9. Support for FDI in the developing world was at risk if the benefits of globalization in general and FDI in particular were not shared more widely by populations. The need for greater human resources upskilling was also stressed as being good for companies' profitability and good for countries' development. The latter would mitigate the risk of a backlash against FDI in poor countries. Other risks to continued high levels of global FDI included inflation and macroeconomic imbalances.

## **World Investment Forum – Session II**

### **“Global value chains: Opportunities and challenges for international and domestic firms”**

**19 April 2008, 3 p.m. – 6 p.m.**

10. UNCTAD, together with ITC and WAIPA, organized the second session of the WIF, which provided an overview of how global value chains were evolving and how emerging economies could use local business linkages to maximize the return to host countries from FDI. The meeting was attended by high-level Government officials and business leaders from both developed and developing countries; senior representatives from chambers of commerce and business councils; and heads of inward and outward investment promotion agencies (IPAs) from around the world.

11. The session was made up of two parts: the first focused on the policy framework, while the second highlighted specific business experiences. The advantages and challenges of participating in global value chains for both small and medium-sized enterprises (SMEs) and transnational corporations (TNCs) were identified. Speakers illustrated the importance of business linkages programmes and the role of IPAs. Critical elements for attracting investments and filling gaps in national and regional value chains were highlighted with the help of specific business case studies.

12. The session started with an analytical appraisal of the advantages and disadvantages of participating in global value chains for TNCs and SMEs, in both developed and developing countries. The panel highlighted the role of government in strengthening domestic productive capacities, promoting TNC—SME business linkages and integrating domestic firms into global markets. Several of the speakers stressed that a sound policy framework was necessary for strengthening domestic

productive capacities, attracting quality FDI, promoting TNC—SME business linkages and integrating domestic firms into global markets. Accordingly, governments had a crucial role to play, intervening with specific policies related both to FDI as well as SMEs.

13. The focus shifted to the role of IPAs in helping SMEs develop an internationalization strategy and seize the opportunities of global markets. The experiences of developing country companies with strong global value chains illustrated some key factors and policy elements required to develop and internationalize domestic firms. One of the speakers emphasized the example of a rapidly internationalizing aeronautics corporation based in a developing country. Among the key factors that had enabled the company to grow and become the world's fourth-largest firm in its sector was a supportive Government that designed a coherent national export strategy. The example illustrated the point that TNCs in the South were rising to become global economic players, creating new avenues for growth in developed and developing countries alike. Concrete examples were given on the importance of cooperating with IPAs and establishing strong relationships with domestic suppliers in order to upgrade and remain globally competitive. In particular, the importance of technological and knowledge upgrading emerged as a key element for competing globally. Governments and IPAs played an important role in providing assistance.

14. Several speakers underscored that IPAs could be instrumental in providing domestic companies with support for developing an internationalization strategy. Such support could cover a number of different dimensions, including financial and credit assistance, human resource development and marketing back-up. While the need for IPA support was broadly recognized, needs could vary from country to country, so linkage programmes should be tailored to local needs. Linkages programmes should be focused on facilitating the development of sub-supply capacity within the host country, making the country more attractive for new FDI. New investments created demand for more domestic sourcing, thereby triggering a virtuous cycle of enterprise development.

15. Speakers identified several key characteristics of successful business linkage programmes, including:

- (a) Private sector leadership;
- (b) A critical mass of purchasers and potential suppliers;
- (c) Purchasing companies willing to take risks;
- (d) An entity to facilitate the process (e.g. an IPA);
- (e) Voluntary participation.

16. The session addressed measures for attracting quality FDI and helping SMEs enter global value chains. As demonstrated by one country's experience, a best practice linkage programme was pivotal for promoting long-term industrial development. Business linkages programmes were key to integrating SMEs into global value chains and could bring significant improvements to domestic companies. Partnerships with TNCs could provide SMEs in developing countries with access to markets, finance and technology. Partnerships between TNCs and SMEs could take the form of mentoring arrangements whereby TNCs could transfer a number of skills and innovations.

17. A speaker from a developing country-based TNC explained the conditions required to increase local sourcing, as well as the mutual opportunities for establishing business linkages between TNCs and domestic SMEs. In particular, attention was drawn to how TNCs could transfer managerial skills and technological

knowledge to domestic suppliers. SME–TNC business linkages were mutually beneficial: TNCs needed competitive and reliable suppliers able to upgrade, innovate and meet international standards, while SMEs required cooperation with TNCs on technology transfer and knowledge-sharing.

18. A number of questions raised during the discussions focused on the pivotal role of IPAs, tax and financing structures, the regulatory infrastructure of host developing countries, and the importance of corporate responsibility issues within global value chains.

### **Other events**

19. The day also featured a business networking lunch and dinner which brought together investors, investment promotion professionals and policymakers. During the lunch, UNCTAD's new Investment Advisory Series of publications, a pragmatic toolkit for investment promotion practitioners, was launched by the acting Deputy Secretary-General of UNCTAD.

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