Statement of the delegation of Algeria on agenda item 5 (Investment for development: International production beyond the pandemic), 67th TDB’s Session

1. As I am taking the floor for the first time during this 67th session of TDB, I would like to extend my warm congratulations to your Excellency Ambassador Federico Villegas of Argentina for your election as the chair of the TDB and wish you all the success in conducting our work.

2. My thanks are also extended to UNCTAD’s Secretariat, especially the Division on Investment and Enterprise, for the excellent quality of analysis in its last report “World Investment Report 2020” maintaining its long-standing status as the world reference publication in this domain. I would like to commend UNCTAD for the thematic focus of the WIR 2020 on international production, which comes at the right time with emergence of the pandemic.

3. I would like also to mention that my delegation associate itself with the statements made by Zambia, Palestine and Angola respectively on behalf of the G-77 plus China, the Arab and the African Groups. Many thanks also to the participants to this panel for their insightful presentations.

4. The Covid-19 pandemic rightly reminds us of our vulnerabilities as human beings, and thus our need to reinforce existing networks of solidarities amongst us and build new ones in order to overcome the current health and economic crises but also to face in better conditions the inevitable future crises.

5. This pandemic is an unprecedented challenge for current international production networks, adding enormous stresses to the already daunting challenges that affect the global system of international production, namely but not only, challenges arising from the new industrial revolution, climate change burden, growing economic protectionism that, if not halted, will lead to slower global growth, hurting all countries, particularly developing countries which are the most vulnerable, with the probability of having increased violent domestic conflicts, and thus increased political and social instability. Their situation could even worsen in the incoming decades if the international community fail to address international trade tensions that could create a risk of large-scale protectionism.

6. The various forced measures adopted by governments in countries throughout the world, to limit the spreading of the virus, led to an unprecedented disruption to global economy and world trade due to the fact that production and consumption were scaled back across the globe. Global tensions on medical and protective equipment to fight Covid-19 illustrate more than anything else our interdependence and the weaknesses inherent in the current international production system configurations. The resilience and sustainability of this system are at stake.

7. Global Value Chains (GVC) have contributed significantly to the expansion of the benefits of globalization by allowing enterprises to use their production factors efficiently and expand their activities to new markets, while also helping some developing host countries to grow and catch up with richer countries and reducing poverty. However, even before the Covid-19 crisis as mentioned by the “WIR 2020”, there was evidence of a steady decline in the fragmentation of production across borders.

8. Structural shifts like the ever increasing digitalization of economies, the global trend known as the servification of manufacturing (with manufacturing firms tending to incorporate more intensity of services in the goods they sell) but also consumer preferences for more sustainable production processes, are all impacting firms decisions to produce closer to consumers and thus relying less on offshoring.

9. As pointed out by many economists, the Covid-19 has re-ignited the old debate related to the costs and benefits of the GVCs versus nationalization, but also raise also a new debate on to what extent, as
argued by some politicians and experts, GVCs are creating additional economic vulnerabilities during a pandemic or where international trade is disrupted.

10. The Covid-19 had and will continue to have in the foreseeable future real impacts on GVCs, whether direct (production stopped by companies involved in the GVCs) or indirect (supply chain impacts, disruptions in international transport networks, restrictions on the movement of people and additional requirements at the border for customs clearance, a surge in demand like the one we saw for medical supplies, trade and investment policy risk as illustrated with export bans for some health and food products).

11. It is necessary to recognize that the impacts of Covid-19 on GVCs are unevenly distributed between developed and developing countries on the one hand, and within developing countries themselves on the other hand, with Africa being the most affected continent by the disruptions that touched the international production and trade networks, which highlights one again its pre-existing vulnerabilities.

12. Policymakers in national governments, businesses executives, as well as the top management of intergovernmental international organizations must draw the lessons from the Covid-19 crisis, but also from the numerous crises (economic, health, natural and environmental) that the world has experienced since the late 1990s and the start of this millennium.

13. The lessons aforementioned can be summarized as follows:

- The need of policy resilience at the government and firm levels, through improving the resilience of supply chains, which if well structured, could be an advantage in the recovery stage that comes after such crisis. Governments can support efforts of firms to build more resilient GVCs through: collecting and sharing information on potential concentration and bottlenecks upstream, by developing stress tests for essential supply chains and by creating a conducive regulatory environment, that is not a source of additional policy-related risk.

- The importance of building or reinforcing risk management systems within governments agencies, enterprises, international organizations in order to identify and evaluate the likelihood and the likely impacts of real and potential risks that could disrupt production manufacturing systems at the national and international levels.

- The need for international policy response coordination as advocated by the United Nations. The Covid-19 is an existential threat to global systems, without international cooperation in issues such as vaccine development and deployment (which is fortunately more or less the case for the time being), fiscal, monetary and trade policies coordination, the exit from the crisis and the recovery is likely to be slow and weak.

- The governments of developed countries should avoid to rush into the development of uniform industrial relocation policies, without taking into account the specificities of each sector, sub-sector and product, the cost of such policies for customers, but also on developing host countries, especially poor countries.

14. In this difficult juncture, my delegation would like to suggest the organization by UNCTAD, after the next Ministerial Conference, an international workshop or forum where government and businesses representatives and experts from international organizations can exchange best practices on economic policy responses to Covid-19 and fostering future collaborations aiming to strengthen the resilience and the sustainability of Global Value Chains.
15. Before concluding, I would like to give an insight of some policy measures taken by the government of Algeria in order to attenuate the social and economic impacts of Covid-19 (including on the national production system) and allowing an economic recovery in the shortest time frame. These measures are as follows:

- The organization, in mid-August 2020, of a National Conference on the Economic and Social Recovery Plan. This Conference chaired by His Excellency Abdelmadjid Tebboune, President of the Republic, brought together ministers, businesses executives, social partners, as well as national experts, including those living abroad, in order to lay the foundations for a new development model based on economic diversification and sustainable development.

- The Conference adopted many decisions, of which: boosting investment projects through a financial package of USD 14 billion to be used before the end of this year, measures to boost exports and to foster non-hydrocarbon exports with the aim to reduce the country’s dependency to oil and gas exports earnings from 98% currently to 80% at the end of 2021, the liberalization of private sector investments in the strategic sectors of banking, air and maritime transports (both freight and passengers), the speed up of the digitalization of the economic and financial sectors in order to increase transparency throughout national economy.

- Other measures were taken well ahead of this Conference such as: postponement of tax returns and tax payments, measures related to social contributions by employers, banking facilities for enterprises, financial aid for employees in the informal sector and small entrepreneurs.

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