Draft Statement to be delivered by Barbados on behalf of the Group of SIDS in UN CTAD during the Second Segment of the Sixty-Seventh Session of the Trade and Development Board

9 September 2020

Agenda Item 5: Item 5 – Investment for development: International production beyond the pandemic

Thank you Mister President.

I have the honour to deliver this statement on behalf of the Group of Small Island Developing States in UNCTAD.

Mister President.

The global economy continues to be gripped by what started as a health crisis but has emerged into a crisis that has impinged on the everyday facets of human life and serves as potential threat to economic growth and sustainable development at the country and global level. The UNDP has indicated that owing to the challenges associated with smallness as well as their inherent vulnerabilities to economic and environmental shocks, small island developing states have been and will continue to be disproportionately impacted by the negative impacts of these crises. It is therefore apt and timely that this year’s World Investment Report has been titled, “International Production Beyond the Pandemic”. We thank the UNCTAD Secretariat for this body of work under its research and analysis pillar. It is a demonstration of UNCTAD’s contribution to the global sustainable development goals, and is a timely reminder of UNCTAD’s role in the UN system, that is, the focal point for the integrated treatment of development and interrelated issues in the areas of trade, finance, investment, technology and
sustainable development. UNCTAD’s analysis of the economic impact of the crisis and other issues, particularly as they relate to small island developing states will be a critical aspect our ability to effectively respond and recover from the crisis, the full impact of which we are yet to realise.

Mister President.

A key aspect of the reality that the multilateral community has been facing over the last few years is that of “uncertainty”. This has been primarily due to geopolitical factors, trade tensions between large trading nations, a retreat from multilateralism and an increase in protectionism and unilateralism. While these uncertainties continue to serve as challenges to the global economic system, the magnitude and scope of these uncertainties have been exacerbated due to the COVID-19 crisis.

Early modest estimates forecast that world trade would decrease by between 13 and 32 percent in 2020. UNCTAD’s recent forecast in the World Investment Report (WIR) has predicted that global FDI flows will decrease by 40 percent from their 2019 levels, thereby bringing global FDI to below $1 trillion - its lowest since 2005. Deeply troubling for the SIDS Group is that UNCTAD in the Report has characterised the outlook for FDI in SIDS as “grim”. For SIDS, measures restricting the movement of people as a means of containing the COVID-19 health crisis had an immediate social and economic impact on our countries and served as a stark reminder of the fragility of our economies. The reality for small vulnerable island states is that though these measures were necessary from a health perspective, they threaten to reverse the social and economic development achieved by our countries over the last few years. UNCTAD has indicated that in 2019, that is, post COVID-19, inward FDI to SIDS had increased by 14 percent after having experienced declines in the two preceding years. Estimates for 2020 and to some extent 2021 have however revealed that this positive aggregate trend for SIDS could be reversed,
particularly for those SIDS that are tourism-dependent, as the travel, tourism and hospitality sectors have been among the most negatively impacted sectors by COVID-19 crisis.

The World Travel and Tourism Council (WTTC) has estimated that on average, the tourism sector accounts for almost 30 percent of the gross domestic product (GDP) of SIDS. However, its contribution to GDP for some individual SIDS is in excess of 50 percent, as is the case of Grenada, the Maldives, Seychelles and St. Kitts and Nevis. We therefore take careful note that the UNDP’s outlook the Report states that the negative impact of the crisis on GDP will be more severe in SIDS. As the main provider of employment and foreign exchange earnings for many SIDS, both in terms of tourism receipts as well as foreign direct investment for capital works, the projected 60 – 80 percent decrease in tourism arrivals that has been estimated by the UNWTO will have detrimental effects to SIDS economies. We have also noted that a number of SIDS have already recorded cancellations of greenfield investments for major tourism projects, and are concerned that if the shutdown of domestic economic activity persist the absence of a quick recovery may result in a cancellation of FDI projects and ultimately the withdraw of FDI investors from host country SIDS.

In light of our high dependence on foreign capital and on FDI from other countries, the impact of the crisis is not only limited to tourism-related sectors but extends to sectors including, finance and information and communication technologies and could be see significant decline as the economies of FDI source countries are also impacted negatively by the crisis. SIDS in the Caribbean are familiar with the adaptation of the term “when the US sneezes, the Caribbean catches pneumonia”. Unfortunately, this is not only common to Caribbean SIDS but to SIDS in the Pacific and the Atlantic, Indian Ocean, Mediterranean and South China Sea (AIMS).

Mister President.
The SIDS Group would wish to underscore that though the significance of the COVID-19 should in no way be underrated, we must not ignore the threat that climate change poses to our trade and development, including our investment prospects. We look forward to seeing how the Divisions in UNCTAD will work at delivering as one on the economic impact of COVID-19 and how through all three of its pillars, UNCTAD can work to assist SIDS with their response and recovery efforts to the crisis.