United Nations

United Nations Conference on Trade and Development

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UNCTAD Deliberations on the Global Economic Crisis and Development

I. Summary of the discussions at UNCTAD's first Public Symposium on "The global economic crisis and development – the way forward" [1]

A. Introduction

UNCTAD's first Public Symposium, held 18 and 19 May 2009 in Geneva, highlighted the "human face" of the global economic crisis and provided a platform for civil society organizations to voice their concerns and offer ideas firmly anchored in grassroots realities.

More than 360 representatives from civil society, the private sector, labour organizations, academia and research institutes, as well as parliamentarians and member States, joined UNCTAD, the International Labour Organization (ILO) and the United Nations Department of Economic and Social Affairs (DESA) to discuss the impacts of the crisis, the responses, and ways forward. The meeting was organized in collaboration with the United Nations Non-Governmental Liaison Service (NGLS) and other partner organizations.

The Symposium was chaired by Mr. Dian Triansyah Djani, President of the UNCTAD Trade and Development Board, and was opened by the Secretary-General of UNCTAD, Dr. Supachai Panitchpakdi. In his opening remarks, Ambassador Djani underlined that the Symposium provided a very timely platform for a broad range of stakeholders to share their perspectives on the crisis and possible ways forward. Dr. Supachai emphasized that the forum intended to "give voice to the voiceless – the innocent bystanders". The Secretary-General went on to say that an exit strategy for the crisis was needed for all countries. Real reforms were necessary to avoid going back to the same old cycle of boom and bust.

Keynote speakers at the start of the debate included Mr. Juan Somavia, Director-General of ILO, who said that ILO advocated a Global Jobs Pact to address the global unemployment crisis, notably through employment targeting, establishing a social protection "floor" and ensuring that economic stimulus packages are better coordinated and have a stronger employment component. Mr. Sha Zukang, Under-Secretary-General of DESA, said that the way forward for the United Nations involved action on two fronts: first, better understanding the full effects of the crisis on developing countries and development; and second, contributing to shaping effective policy responses, notably in relation to the need for a "Global New Deal", deep reform of the global financial system and more legitimate and representative institutions of global governance that would *inter alia* ensure greater coherence between the international trading system and the international financial architecture. It was important for donor nations to honour their aid commitments to the developing world, even as they committed huge sums to domestic stimulus measures. Mr. Anders B. Johnsson, Secretary-General of the Inter-Parliamentary Union, said that parliaments had some soul-searching to do regarding why they had not had regulations in place to prevent the financial abuses that had led to the crisis. Many parliaments were now in the process of significantly strengthening their oversight capacity on global economic matters. Mr. Guy Ryder, Secretary-General of the International Trade Union Confederation, said that the mood among trade unionists was one of anger and fear. It was critical to take seriously the danger of social instability. Ms. Céline Charveriat, Head of the Geneva office of Oxfam International, said that, as a result of the crisis, another 55 million–90 million people could be pushed into extreme poverty in 2009, on top of the 130 million–155 million already reduced to that state in 2008, because of soaring food and fuel prices.

The opening of the meeting set the scene for the three plenary sessions.

[1] Summary prepared by the UNCTAD secretariat.

B. Plenary Session 1: The global economic crisis – its causes and its multiple impacts

Urging UNCTAD to enhance its research capacity to better address the crisis, an eminent panel of experts considered the effects of the crisis on developing countries in the areas of trade, investment, food security and jobs. Plenary session 1 was moderated by Mr. Debapriya Bhattacharya, Distinguished Fellow at the Centre for Policy Dialogue in Dhaka, Bangladesh. The panellists included Ms. Nuria Molina, European Network on Debt and Development; Mr. Vicente Yu, South Centre; Mr. Jan Atteslander, Economiesuisse; and Ms. Diana Aguiar, International Gender and Trade Network/Women's Working Group on Financing for Development; Mr. Arjun Karki, LDC Watch; Mr. Manzoor Ahmad, Food and Agriculture Organization; and UNCTAD resource persons.

Participants generally concurred on the multiple long-term causes of the crisis, which included a failure to meet agreed commitments, lack of oversight, structural imbalances in the world's largest economies, macroeconomic imbalances, and other systemic and/or institutional factors. Increasing global interdependence had brought about an increasing inequality that global institutions had been unable to cope with effectively. The crisis also called into question the wisdom of unregulated integration into the global economic and financial system. It was clear that countries that had been affected the most were those that had been the most open and the most dependent on external trade. Participants elaborated on the numerous and tremendous impacts that the crisis had had on developing countries. The crisis, they said, had endangered achievement of the Millennium Development Goals. In the Least Developed Countries (LDCs) especially, it was aggravating both poverty and political crises. Social protection measures were urgently needed, and for that to happen, civil society and trade unions must take action in cooperation with the international community – including the United Nations – to arrest the crisis. Financial commitments made by donors should be honoured.

Inflows of foreign direct investment (FDI) were down worldwide, with developing countries affected the most severely. To turn the crisis into an opportunity, some speakers called on policymakers to encourage domestic investment, which could be enhanced by FDI within the right policy framework. South–South investment and cooperation were especially important, for example to improve agricultural infrastructure in developing countries, as were public–private partnerships. However, in pursuing FDI, developing countries should avoid a "race to the bottom".

International trade from developing countries in 2009 would be down by an estimated 7 to 9 per cent, according to the World Trade Organization (WTO). To address declining export earnings in developing countries – which were proving most damaging to poorer countries dependent on only one or two commodities – trade should be kept afloat. Export and market diversification should be encouraged, along with enhanced domestic productive capacity and a better balance between domestic demand-led and export-led growth, as part of new strategies to build up the resilience of developing countries' economies to exogenous shocks. Measures were also needed to improve market access, including and in particular through South–South economic cooperation and regional integration; to avoid protectionism; and to increase non-reciprocal preferential market access for developing countries, including LDCs. Trade policies needed to be specifically oriented towards alleviating poverty, mainstreaming gender considerations, and promoting sustainable development. The growing trend towards agricultural subsidies should be arrested, as part of measures to improve agricultural production and productivity to deal with the ongoing food crisis. It was noted that without such measures, low food production and continuing high food prices would have a particularly devastating impact, especially on the net food-importing countries, with the risk of unleashing yet another food crisis.

Debt sustainability was a major concern expressed in the meeting. The external shocks caused by the crisis have impaired the capabilities of developing countries to earn foreign exchange to service debt, which has been further exacerbated by rising the cost of borrowing. Depreciation of debtor countries' currencies has further increased their debt servicing burdens. In addition, many low income countries currently have reserve holdings of less than 3 months of imports, indicating their weakened ability to service their debt in the face of shocks. As developing countries are earning less but paying more, the danger of entering into another round of debt crises could arise.

As no part of the world is immune to crises, it is imperative to develop a global financial warning system. The contribution of the financial sector to sustainable, inclusive growth with social protection was highly questionable.

A number of speakers stressed the impact of the crisis on employment, on women, and on human rights. The financial crisis had first evolved into an economic recession, then a jobs crisis, and now a social crisis. Remittances were down, and global social instability – along with justifiable anger and fear – was growing. The rights of capital had grown, while the rights of workers were increasingly being disregarded.

The crisis, said some participants, was reinforcing existing inequalities within and between countries, and between the sexes. Women workers in developing countries were particularly vulnerable in such sectors as apparel, agriculture and tourism, where they predominated.

C. Plenary Session 2: Assessing existing responses to the crisis at international, regional and national levels – limitations, perspectives and best practices

Moderated by Mr. Ernesto S. Martínez Gondra, Minister Plenipotentiary and Deputy Permanent Representative of Argentina in Geneva, the panel in plenary session 2 included Ms. Elizabeth Tankeu, African Union, Ethiopia; Mr. José Manuel Salazar-Xirinachs, ILO; Mr. Janwillem C. Acket, Bank Julius Baer; Mr. Rudy de Meyer, 11.11.11; Mr. Peter Wahl, World Economy, Ecology and Development; Mr. Emmanuel Gyekye Tanoh, Third World Network–Africa; Mr. Carlos Benavente (LATINDAD network, Nicaragua) and Mr. Mustafizur Rahman (Centre for Policy Dialogue, Bangladesh).

The impact of the crisis on developing countries had occurred through external shocks and various transmission mechanisms. The crisis was already having a devastating impact on growth and development in Africa, through falls in commodity prices, transfers, trade finance, and investment flows. In the Asia-Pacific region, some LDCs were showing some resilience to the crisis, and were even showing positive growth prospects for the current year. It was noted that the ability of developing countries to mitigate the adverse effects of the crisis was contingent on their level of dependence on external demand (exports) and external financing (FDI, remittances, and official development assistance (ODA)), and also on their space for fiscal expansion/discretionary demand management and the ability of their authorities to use it flexibly. Both in Africa and in the Asia-Pacific region, there was limited policy space to react counter-cyclically to the current crisis. Some countries had responded by implementing large stimulus packages to mitigate the negative consequences of the crisis. It was stated that the best-designed fiscal stimulus packages were those that focused on targeted job-generation and social protection, but that, unfortunately, direct spending on employment had made up only a minimal share of fiscal stimulus packages.

It was noted that the financial sector remained in a critical state in many countries. Capital flows had not been restored to levels compatible with full employment, and the limited bank lending taking place was often at high interest rates. Banks were still facing huge credit gaps that could not be filled by interventions by central banks and multilateral institutions.

Restoring health to the financial system to sustain a private-sector-led recovery was urgent, because the room for discretionary fiscal stimulus had been nearly exhausted in some major developed countries, suggesting that a public-sector-led recovery was not sustainable beyond 2010 for major economies, particularly the United States.

The need for developing countries to engage in counter-cyclical policies was emphasized. However, all sources of financing for developing countries were affected by the crisis, making it hard for fiscal stimulus in those countries to compensate for lost sources of growth. Developing countries simply did not have the capacity to pursue large stimulus packages. It was pointed out that the question of how to finance that drop in fiscal earnings remained unanswered and could not be tackled in the traditional IMF balance-of-payments framework.

A number of participants called upon Governments of developing and emerging-market countries not to wait for Western solutions and stimulus packages, and to implement their own domestic-demand-boosting measures urgently. At the regional level, civil society in Africa was disappointed with the global multilateral response to the crisis. It was stated that the current stimulus packages may not be adequate to address the challenges that African economies face. Africa needed a concerted stimulus package that included elements such as production-boosting measures and technological upgrades. Public investment also played a vital role. On financial regulation issues, Africa needed to be given its policy space to address its current account deficits, with a central role for the State as the regulator.

The need for efficient institutions was stressed. Some concerns were expressed as to whether the G-20 proposal was sufficient to deal with the current crisis in developing countries. It was highlighted that the current crisis required a joint global effort. The importance of more inclusive international governance was underlined, notably with respect to the participation of African countries. If the process was to be inclusive, counter-cyclical, egalitarian, and environmentally friendly, then there was a need for a more decentralized approach with a stronger coordinating role for the United Nations and a subordinate role for the IMF in dealing with tax, finance and the economy.

D. Plenary Session 3: Ways forward

Moderated by Mr. Martin Khor, Executive Director of the South Centre, Geneva, Plenary 3 aimed to identify ways forward, to deal with the crisis. Discussants included Mr. Jomo Kwame Sundaram, Assistant Secretary-General, DESA; Mr. Pedro Páez, member of the Stiglitz Commission and former Ecuadorian Minister of Economic Coordination; Ms. Esperanza Durán, Executive Director, Agency for International Trade Information and Cooperation; Ms. Jacqueline Coté, Head, Geneva Office, International Chamber of Commerce; Ms. Joy Kategekwa, Oxfam International; Mr. Christophe Aguiton, Association for the Taxation of Financial Transactions to Aid Citizens; Ms. Marina Durano, Development Alternatives with Women for a New Era; Ms. Sanya Reid-Smith, Third World Network, Geneva; and Mr. Stephen Pursey, ILO.

Discussions focused on the need for well-coordinated action to ensure sustainability; on trade, which was seen as vital to recovery; on policy space; on reform of the international financial and monetary system; on the reform of international institutions; and on the role of the United Nations.

Ways forward

- Financial/monetary issues
  - Explore a new exchange rate system that would ensure stable real exchange rates that reflected fundamentals
  - Review the reserve currency system and explore the possibility of a system based on special drawing rights to replace the United States dollar as the major reserve medium
  - Develop regional financial/monetary instruments, institutions and coordination mechanisms, drawing on new schemes such as the Bank of the South in Latin America and the Chiang Mai initiative, which offer a "bottom-up" approach and could be the building blocks of a new system
  - Ensure continued credit flows to cover revenue shortfalls, including new IMF loans that do not impose "old" procyclical conditions
  - Allow countries the necessary policy space to impose capital controls and other measures to deflect speculation and ensure stability
  - Strengthen financial regulation to discourage the "carry trade" and ban "short-selling";
  - Revisit the WTO financial services negotiations and free trade/investment agreements, to review the impact of commitments on effective crisis response.

- Debt
  - Offer a debt moratorium to vulnerable nations affected by crisis-induced exchange rate movements and losses of revenues. Explore the creation of a sovereign debt restructuring mechanism.

- Institutional and corporate governance
  - IMF and Financial Stability Board (FSB) to provide progress reports on reform efforts;
  - Financial institutions to be subject to new, more rigorous regulation;
  - Basel II to explore differentiated guidelines for different sectors and countries.

- Role of civil society
  - Collective action taken by civil society on a variety of fronts, including to monitor IMF "reform", push timely disbursement of stimulus funds, and discourage unreasonable conditions for developing countries. Also included pressure to make the United Nations less bureaucratic and more responsive and action-oriented.

- Role of the United Nations
  - Development by the United Nations of a strategy to enhance its role and visibility in dealing with the economic crisis. This could build on the United Nations' convening power and its ability to think outside the box, in order to find inclusive multi-dimensional solutions to the complex economic problems facing the world.
  - Member States to strive to make the Conference at the Highest Level on the World Financial and Economic Crisis and its Impact on Development a landmark event – decision-oriented and actionable – producing a technically robust programme of action and incorporating a follow-up mechanism (e.g. perhaps setting up a working group to report on progress to the General Assembly).
  - Member States to explore further the idea of a United Nations global economic coordination council to monitor the economic and financial situation and to provide effective responses (avoid it turning into just another "coordination club").
  - There is a need to strengthen United Nations cooperation with the Bretton Woods institutions.

II. Chairs' summaries of the discussions on the economic crisis at the first sessions of UNCTAD's Commissions

A. UNCTAD's Trade and Development Commission: High-level session – Impact of the global economic crisis on trade

The first session of UNCTAD's Trade and Development Commission was held 11–15 May 2009 in Geneva, and was chaired by Mr. Muktar Djumaliev (Kyrgyzstan). The high-level session deliberated on the impact of the ongoing global economic crisis in trade and development, and on possible measures that could be taken at the national, regional and global level to cope with the crisis and to increase the resilience of developing countries in confronting future shocks. The discussion was supported by report TD/B/C.I/CRP.1 of the UNCTAD secretariat, entitled "Global economic crisis: implications for trade and development", which was commended for providing an early assessment, from a development perspective, of the crisis and its effects on world trade in goods and services, commodities, and investment. It was stressed that the future evolution of the global crisis should be monitored, and that this assessment should be continually updated. Both the immediate and the long-term impact should be detailed, at a country-specific level, and at a group-specific level, for example for LDCs. Conducting this kind of analysis helps to identify the lessons learned from the global crisis, which is important in order to deal effectively with its impact.

The session was moderated by the Secretary-General of UNCTAD and assisted by the presentations made by several high-level panellists.

Assessment

It was emphasized that the world economy was undergoing a serious global crisis that originated in the financial sector of developed countries and spilled to the real sectors in the last quarter of 2008, leading to a global recession. This had manifested itself in a rapid decrease in international trade exacerbated by a lack of credit and trade finance, in falling commodity prices, a slowdown in FDI, declining remittances, and increases in unemployment all over the world, with consequent declines in family incomes. Many developing countries were also dependent on official development assistance (ODA), which could shrink during the crisis.

The global financial and economic crisis – preceded by and intermingled with the food crisis, volatile energy prices and the climate-change challenge – was inflicting severe economic hardship and social problems on most developing countries. It had raised the danger of political and economic instability, and had become a real challenge for humanity. This was because in many developing countries, there were few or no social safety nets, and even fewer opportunities for finding other jobs. These factors threatened to stall and reverse many years of efforts to achieve internationally agreed development goals – including the Millennium Development Goals – in developing countries, particularly in LDCs, and also in small island developing States, landlocked and transit developing countries, and other structurally weak, vulnerable and small economies.

Although it was too early to assess the depth of the crisis and its likely duration, as its impact was still unravelling, the reduction of international trade caused by demand-driven drops in exports and imports in late 2008, together with a prognosis for further decline in 2009 made by UNCTAD, the World Trade Organization (WTO) and other international organizations, meant that a recovery in 2010 was less likely. It was noted that international trade – which had long been a powerful engine of growth and poverty-reduction in many developing countries – may not provide the expected development gains. It was further noted that the adverse impact could be more significant for export-oriented and commodity-dependent developing countries, especially those that were dependent on just a few commodities, products or services, and on a small number of markets, and for those with small and vulnerable domestic economies, such as LDCs. However, some cautious optimism was expressed regarding a possible recovery for some countries with more diversified exports and markets, and a lesser degree of exposure to global markets.

It was pointed out that most developing countries were now closely linked with the global economy by trade and FDI flows, and their economies were more sensitive than before to falling international demand. The degree of exposure and integration between developing countries' economies and external markets had increased greatly in recent years. On average, developing countries' exports accounted for more than half of their gross domestic product (GDP) in 2007, up from about a quarter of GDP in 1995.

Many participants stated that the challenges posed by the current economic crisis were different from those posed by previous crises. Economies were now closely connected with each other, and this called for closer global cooperation and collaboration to arrest rapid contagion of the crisis across the global economy and to revive economic growth and development. Owing to the interdependent nature of today's global economy, policies and strategies needed to be designed by Governments not only with respect to their effect on the domestic market, but also taking into account their impact on international markets and trading partners.

Policy responses

Against such a challenging background, effective and coordinated policy responses at the international, regional and national level were required to achieve a sustainable global economic recovery. These needed to address developing countries' concerns, and enable them to continue to grow through trade, investment, remittances, aid, and technological innovation. Special measures should be provided in support of LDCs, as well as small and vulnerable economies, in view of their specific circumstances, including increased ODA, especially for the productive sector, and more effective trade preferences.

Several policy responses were put forward by various participants. At the international and regional levels, restoring trade finance and resisting protectionism while maintaining effective market access and entry conditions for developing countries' exports of goods and services were among the immediate challenges. The need was stressed for an expeditious, development-oriented and balanced conclusion of the WTO Doha Round. The importance was recognized of harvesting some of the key development deliverables such as duty-free and quota-free treatment for LDCs, accompanied by simple and flexible rules of origin, and the removal of non-tariff barriers. Other key issues included meaningful progress on the cotton issue, market access in services under Mode 4, and trade facilitation.

It was noted that the conclusion of North–South regional trade agreements, such as the ACP–EU Economic Partnership Agreements (between African, Caribbean and Pacific countries and the European Union), could help to make developing country economies more resilient to external shocks in the future, although it was also stressed that this would depend on strengthening the development dimension of economic partnership agreements as articulated by ACP States.

Maintaining and increasing ODA, including through aid for trade, was also important, in order to build and strengthen the productive capacities of developing countries, especially African countries and LDCs.

Diversification across products and markets was also mentioned as a key element allowing developing countries to better cope with the economic crisis, by improving their competitiveness. Special attention to small and medium-sized enterprises was required in this regard.

Some participants also mentioned that reforms of international financial institutions were necessary, including substantive changes to their previous prescriptions and conditionalities regarding development policies. There was also a need to rethink development policies in such a way as to promote more inclusive and broad-based development, and to be more climate- and environment-friendly. It was noted that, to this end, effective coordination at the global level and policy coherence for development were crucial.

Strengthening South–South trade and investment linkages – in particular by reshaping the existing production and supply chains to create more regional demand – could help in view of the recent dynamism of such flows. South–South trade and regional economic integration should be pursued more vigorously and intensified, including through policy instruments such as the Global System of Trade Preferences among Developing Countries. More effective and comprehensive South–South regional trade, investment and financial agreements and cooperation could be initiated and/or strengthened. Recent initiatives, such as the setting-up of an Asian investment infrastructure fund and exchange-rate coordination mechanism, were also highlighted as being important.

At the national level, it was considered timely to carry out a detailed assessment of the impacts of the crisis, especially for the most vulnerable economic sectors, and to review development strategies that would make national economies more resilient and immune to future shocks. Fostering a process of sustainable economic growth and development that catered for the needs of future generations was a major challenge for developing countries. In that context, the role of sovereign wealth funds was discussed too, based on the Norwegian experience of managing such a fund.

Some participants also stressed that excessive dependence on international trade and on the markets of developed countries was an important factor to consider in reviewing development strategies, including in addressing structural impediments to consumption and investment. Furthermore, the role of the State in promoting development had increased in light of the crisis, and there was a need to reflect on how this role could be effectively articulated, including in the building of trade-related infrastructure with international support. Some participants noted that efforts to deal with the impact of the crisis underlined the importance of preserving the necessary policy space for developing countries in a globalizing world to counter any such exogenous shocks.

It was also emphasized that there was little scope for seeking to mitigate the impact of the crisis by means of national remedies and domestic demand measures in the case of LDCs, many African countries, and small and vulnerable economies with limited financial and economic capacity and overdependence on a few exports. Those developing countries with fragile and vulnerable economies would have to rely on international actions and support, particularly in terms of development partnerships, in aid, trade, technology and finance, based on the principle of solidarity between countries that are dependent on one another.

How UNCTAD can help?

Participants suggested a number of areas in which UNCTAD – consistent with its role as the United Nations' focal point for the integrated treatment of trade and development issues – could help developing countries to address the immediate challenges of mitigating the impact of the global crisis and developing more resilient trade and development strategies for the medium-to-long term. It was stressed that UNCTAD should continue to monitor and diagnose the evolving crisis and its impact on trade and development, including in cooperation with other international organizations. UNCTAD should be more present on the ground, by providing necessary advice and technical assistance in times of crisis, and especially when many developing countries and regions are reviewing their trade and development strategies. The Project in India, managed by UNCTAD with funding from the United Kingdom's Department for International Development, was mentioned as a good example of a local presence that could service the needs of beneficiary countries more effectively and immediately. UNCTAD should intensify efforts to support developing countries in building competitive productive capacities, including in services sectors.

UNCTAD should actively participate in the United Nations-wide conferences on the crisis, including the forthcoming United Nations Conference at the Highest Level on the World Financial and Economic Crisis and its Impact on Development (New York, 1–3 June 2009), to ensure that the development dimension of international trade and investment issues constitutes a key element of any global strategy to respond to the global crisis. Furthermore, UNCTAD should flag the special concerns of developing countries in regard to international trade and development at these international forums, in order to ensure that such concerns are adequately addressed in the outcomes.

B. UNCTAD's Investment, Enterprise and Development Commission: High-level Session – Impact of the global economic crisis on investment

The first session of UNCTAD's Investment, Enterprise and Development Commission was held 4–8 May 2009 in Geneva, and was chaired by Mr. Eduardo Ernesto Sperisen-Yurt (Guatemala). At the high-level session, experts and delegates reaffirmed the positive contribution that FDI had made and could make in economic and social growth, including through its positive employment and balance-of-payments effects, transfer of skills and technology, competition effects, and productive capacity-building, particularly for emerging economies. While such positive effects were particularly needed in the current environment, characterized by the global financial and economic crisis, many countries expressed concern and uncertainty regarding the types of policies that would be most conducive to generating FDI inflows and attendant development contributions. The sharing of experiences and best practices on investment policies was therefore particularly welcome, and participants commended UNCTAD for its initiatives, in terms of both implementing the best practices project (as launched at UNCTAD XII in Accra, Ghana) and offering an opportunity for interactive exchanges of views in the context of the 2009 meeting of the Investment, Enterprise and Development Commission.

In light of the economic crisis and governments' fiscal stimulus packages, participants discussed the role of FDI in financing infrastructure projects, specifically those of roads and electricity. Although there was general agreement on the advantages of using FDI for this purpose (given shortfalls in domestic credit availability), some stressed the need to implement policy frameworks for maximizing the development effects of FDI. Identifying best-fit policies and the proper pacing and sequencing were considered to be crucial in this context – an issue raised, amongst others, by LDCs. Preparing the private sector for long-term public–private partnerships in infrastructure was also considered important.

A second issue linked to the current crisis related to the recent G-20 commitments to refrain from raising barriers to international trade and investment. Participants praised those commitments, along with the monitoring of those commitments by relevant international organizations.

In terms of attracting FDI, participants highlighted the need for effective investment promotion agencies, to provide foreign investors with a "one-stop shop". Well-executed investment promotion marketing was seen as a valuable tool with which to improve perceptions held by foreign investors, or to raise the profile of small developing economies. Participants stressed the benefits of adhering to simple and transparent investment rules for attracting FDI, and shared examples of countries that had shown significant progress in those areas. For example, some countries reported reducing the time necessary for certain procedures and improving their score in the World Bank's "Doing Business" report. Administrative capacity and efficiency were crucial for creating an environment that attracted foreign investment, and many delegates highlighted their countries' experiences, including in the context of training public officials. Overall, it was considered important to ensure that efforts to attract FDI would not result in a competitive “race to the bottom”.

One point of debate during the meeting was the role of the State in managing FDI and ensuring positive outcomes for the local economy. On the one hand, concerns were expressed that the pre-crisis foreign investment boom may have resulted in large inflows of FDI, but that the potential benefits of FDI, such as technology transfers, were not being absorbed by host countries. Inadequate regulatory and policy frameworks, lack of administrative capacity and the lack of pre-prepared project packages could result in poor long-term outcomes. To counter this problem, it was argued that specific conditions or directives regarding FDI may be used to maximize its positive local effects. One suggestion was for host governments to focus on parallel policies that targeted small and medium-sized enterprises to ensure that they had the capacity to build networks with FDI and capture more benefits for the host country. On the other hand, some delegates emphasized the spontaneous nature of the positive spillovers that FDI had generated in their countries, and recommended focusing on general openness to foreign investment, as well as broad-based improvement of national infrastructure and human capital, particularly that which matched the skill needs of foreign investors.

In that context, participants also discussed best practices for attracting FDI and making FDI work for development. Participants benefited from the experience shared by the G8+5 Investment Working Group, a dialogue based on a new partnership between countries with a view to forging common understandings of foreign investment, specifically the policies, regulations and business practices involved. Dialogue partners had focused on policy strategies to maximize the positive impact of international investment as a catalyst for economic development and higher standards of living, highlighting the importance of appropriate institutions and policies for fully taking advantage of FDI for sustainable development and ensuring that globalization was fair and inclusive. Dialogue partners also noted that the number of bilateral investment treaties and other international investment agreements might raise questions concerning the coherence of the system, and therefore considered that there was value in exploring the contribution that a multilateral framework could make. In that context, countries reported on their experiences with international investment agreements and the extent to which such agreements helped attract FDI or helped stem protectionist tendencies, including in the current crisis.

Attendees also emphasized the role of South–South cooperation in diffusing better FDI strategies among developing countries. Some delegates presented plans to work with neighbouring countries to develop positive perceptions of investment attractiveness in the region, and several invitations were extended to delegates to visit various FDI success stories.

Participants appreciated UNCTAD’s efforts to help countries improve their institutional environment to attract FDI and make it work better for development. Numerous participants commended UNCTAD for its technical assistance and advisory work in the area of investment policies, and expressed their commitment at the highest policymaking level to such processes. The meeting greatly valued UNCTAD’s efforts to encourage collective learning through its FDI Best Practices series, including in the context of that particular meeting. UNCTAD’s role in helping devise policies to cope with the current situation was seen as crucial, and collaboration between UNCTAD and the World Association of Investment Promotion Agencies in organizing the session was cited as a promising development.

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