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World Leaders Investment Summit

UNCTAD XIII pre-Conference event

Summary prepared by the UNCTAD secretariat

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World Leaders Investment Summit

1. The World Leaders Investment Summit, a high-level international event between governments and business leaders, was held in Doha, Qatar on 21 April 2012. The event is designed to facilitate dialogue and action on the world's key emerging investment-related challenges. The session was organized as a three-hour panel discussion, moderated by Teymoor Nabili from Al Jazeera, Qatar.

2. The panellists were H.E. Sheikh Hamad bin Jassim bin Jaber Al Thani, Prime Minister of Qatar, represented by H.E. Ahmed Bin Abdullah Bin Zaid Al-Mahmoud, Deputy Prime Minister and Minister of State for the Council of Ministers Affairs, Qatar; H.E. Ms. Sheikh Hasina, Prime Minister of Bangladesh; H.E. Mr. Ikililou Dhoinine, President of the Comoros; H.E. Mr. Issoufou Mahamadou, President of Niger; H.E. Mr. Moncef Marzouki, President of Tunisia; H.E. Ms. Tarja Kaarina Halonen, former President of Finland and Co-chair of the United Nations Secretary-General's High-Level Panel on Global Sustainability; H.E. Mr. Abdelkader Bensalah, President of the Senate of Algeria; Mr. Dominic Barton, Managing Director, McKinsey & Company, Inc.; Mr. Peter Brabeck-Letmathe, Chairman, Nestlé S.A.; Mr. Jean-Guy Carrier, Secretary-General, International Chamber of Commerce; Mr. Christophe de Margerie, Chairman and Chief Executive Officer (CEO), Total; Mr. Steen Riisgaard, President and CEO, Novozymes; Mr. Hugo Sigman, President and CEO, Grupo Insud; and Mr. Supachai Panitchpakdi, Secretary-General of UNCTAD.

3. Seven statements were presented by Heads of State and Government, followed by responses from the panel and a video message from Mr. Bill Clinton, former President of the United States of America.

4. Participants placed the Summit in the current global context of the post-economic and financial crisis and the development challenges facing many countries, including the fact that recovery of flows of foreign direct investment (FDI) had lagged behind trade and output. Panellists focused on international investment in the real economy, in contrast with the often speculative investment in financial products that had been recently witnessed in many economies, and how FDI could contribute to resolving the global employment and growth crisis.

5. Participants discussed a number of cross-cutting themes for international investment:

(a) Job creation. Panellists agreed that unemployment was a problem of all countries – not just of developing economies – and that international investment was a key source of job creation. Panellists from the business sector observed that incentives could be helpful to attract foreign investors and support employment creation in specific regions and sectors. It was in the long-term interest of global firms to help maximize the job-creating content of FDI and help raise incomes in order to boost the level of consumption, including for products and services of transnational corporations. Entrepreneurship and the development of small and medium-sized enterprises were necessary for improving their integration into global supply chains, and governments and transnational corporations alike could support and promote these linkages;

(b) Pro-poor investment and poverty reduction. Several panellists drew attention to the issue of rural development, not least in countries such as Bangladesh and Niger. One panellist observed that a person moving from a rural to an urban environment used four times as many resources, and international investors could provide the capital and expertise to contribute to rural development and a more efficient use of resources;

(c) Responsible investment and sustainability. Panellists concluded that a long-term profitable business could only be sustainable if value was shared between shareholders and society. If it was only creating value for the former, it would not be sustainable in the long term. Panellists from the business sector observed that companies were concerned with long-term sustainability in the countries in which they were active not just for philanthropic reasons, but because the issues they addressed tended to be close to their business needs – for example, a producer requiring large quantities of water would be concerned about clean water issues;

(d) Investment promotion and attraction. Several panellists recommended the need to strengthen investment promotion and simplify procedures for investors on entering countries, in particular by establishing a single point of contact for foreign investors in host countries. Panellists from the business sector said that there was significant interest on the part of pension funds and others to invest in infrastructure projects, a key development need, but the realization of that potential was often slowed down by lack of a single liaison person in relevant host countries. Panellists provided examples from Indonesia, China, and the Republic of Korea that were making it easier for companies to channel capital into the country.

6. Panellists highlighted some priority sectors for international investment in developing countries:

(a) Infrastructure. Several panellists referred to the immense infrastructure needs of developing countries in many areas such as roads, railways, social services, and telecommunications and information technology. Public-private sector partnerships could leverage funding from international investors, although these type of contracts might also prove problematic for some government;

(b) Water. Panellists said that the climate change debate overshadowed a potentially even bigger global issue, water and access to clean water, which would require significant investment in relevant infrastructure, especially with a view to more efficient use of water;

(c) Agriculture. Discussion focused on agricultural investment in Africa especially, and the large agricultural potential of least developed and land-locked least developed countries. However, there was significant potential to work with and invest in small-scale activities. National and international agencies could set up facilities to provide seed funding to support investment in small-scale projects;

(d) Energy. Panellists observed that currently 1.5 billion people lacked access to reliable energy, and a further 3.2 billion people only had access to weak and inefficient energy supplies. International investors could provide the energy requirements needed for development. However, the sanctity of contracts was deemed particularly important in the energy sector, where sunk costs were substantial and investment horizons, long-term. Representatives of the business-sector said there was a need for international insurance policies in this regard.

The changing landscape of international investment

7. Panellists highlighted a number of features of the changing international investment landscape. Discussion focused on the rise of new investors, such as sovereign wealth funds, which offered potential opportunities for investment in pro-poor development projects. The changing global economic geography also meant that as emerging countries in the South developed, they became increasingly attractive as an investment destination. This investment need not take the form of an equity stake, and panellists referred to different kinds of investment, such as non-equity modes and the integration of host-country firms

into global supply chains. Although it accounted for 15 per cent of the world's population and enjoyed vast natural resource wealth, Africa still represented only a small fraction of global FDI inflows.

Investment-related policies at the national and international level

8. There was a need for smarter investment policies that could better facilitate international investment and contribute to sustainable and inclusive development. For example, such policies could support economic diversification and the structural transformation of economies. Panellists referred to UNCTAD's call for a new generation of investment policies that could support investment for sustainable development, especially to support job creation in countries with a burgeoning youth population. UNCTAD was also cited for its work in monitoring the investment policy environment, at both the national and international levels. At the national level, the policy trajectory continued towards liberalization, although there had been some retrenchment, and panellists from the business sector warned a return of protectionist tendencies. Continued international dialogue on investment issues was important to confront such trends.

9. Also, at the international level, there was a need to bring order and coherence to the growing number of international investment agreements, which stood at over 6,000. Panellists suggested this did not necessarily imply rulemaking, but perhaps some kind of best-practice approach. Given the changes in the investment landscape over the past 40 years, and the many investment challenges facing the world today, there should be a more coordinated global approach to address these issues.

Exploring partnerships to boost international investment

10. A number of panellists discussed the role of partnerships in boosting international investment and increasing its contribution to sustainable development. Partnerships would be important to lift countries out of difficult economic circumstances, but also to ensure that countries could attract more investment and secure greater development benefits from it. In addition to public-private partnerships, which were important in the context of infrastructure investment, for example, participants referred to the United Nations Secretary-General's High-Level Panel on Global Sustainability, which had made a number of recommendations relating to international investment. In particular, the participants cited the work of UNCTAD, in collaboration with the Food and Agriculture Organization of the United Nations, the World Bank and the International Fund for Agricultural Development, on its principles for responsible agricultural investment, voluntary standards that sought to ensure that international investment in the agricultural sector in developing countries benefitted local farmers and the host economy.