Transcript of the statement by Mr. Habib Ouane, UNCTAD

High Level Investment Forum: “Investing in Landlocked Developing Countries: trends, experiences and the way forward”, 1 October 2008, United Nations

Mr. Diarra, High Representative,
Madam Deputy Secretary General,
Honourable Ministers,
Excellencies,
Ladies and Gentlemen,

It is a great pleasure for me to be here, and participate in this important High Level Investment Forum, which takes place in the run up to the Midterm Review of the Almaty Programme of Action for the LLDCs. Let me take this opportunity to express a deep appreciation to you, Mr. Diarra, for the leadership you have provided in coordinating the Midterm Review preparatory process.

Mr. Chairman,

As you are well aware, UNCTAD has been associated with the cause of LLDCs since its inception in 1964. When the particular needs of these countries were recognized in the agenda of our first conference, a long involvement with these countries has made us the key observer of their changing needs and problems. The primary goal of our analytical work, as well as technical assistance activities in favour of LLDCs, has been the improvement of social and economic conditions of the four hundred million people living in these countries.

Particular attention has been given to policy measures, practical solutions in reducing the high transaction costs that the LLDCs incur in international trade because of geographical isolation, remoteness from major markets, lack of territorial access to the sea, as well as the additional cost related to transit transport operation in general.

However, as important as the facilitation of transit trade is for LLDCs, our efforts must go beyond that issue. Empirical evidence, as well as our in depth analysis of the policies of those countries that have successfully overcome the geographical constraints of being landlocked, have shown the need for economic policies and measures that can reach beyond transit transport issues. Specifically, what is needed are our stronger efforts for the modernization of the economic base of the LLDCs, as well as a better integration of these countries in regional trading schemes.

We have come here together to deliberate on the role of FDI in this process, as you are well aware, many LLDCs have initiated economic liberalization policies and opened up new economic sectors for private sector activities with the view to attracting FDI. LLDCs’ governments are also increasingly prepared to cooperate with foreign investors, sometimes in Public Private Partnerships. Indeed, FDI flowing to LLDCs can contribute to poverty reduction and development by creating new employment opportunities,
stimulating the host countries’ economy, fostering local entrepreneurship, as well as by advancing economic restructuring and the modernization of productive capacities.

However, we also would like to cushion against unrealistic expectations about the contribution of FDI to the development process of LLDCs. Foreign investors will only be attracted to LLDCs when adequate returns for commensurate risk can be achieved. This has been proven difficult for countries with small economies and weak institutional capacities. Although FDI flows to LLDCs have more than tripled, from 3.9 billion to 14 billion during the period 2000-2007, it is still very small in absolute terms. Despite the adoption of policies that ought to make these countries more attractive to FDI, including investment guarantees and fiscal incentives, as well as national treatment provisions, easy profit repatriation and simplified administrative procedures, the combined share of all LLDCs in global inward FDI was near 0.8% in 2007.

Moreover, most FDI activity is concentrated in only a small number of LLDCs. A few more advanced LLDCs today account for the bulk of all FDI in terms of stocks and inflows. In contrast, FDI flows to LLDCs with small economies and low per capita income remain insignificant.

Ladies and Gentlemen

In the context of the current financial crisis, attracting FDI for development will be more than ever a formidable challenge for most LLDCs. Capital will be relatively scarce and success in attracting FDI will depend on appropriate policies and measures, as well as institutional innovations, such as reliance on ICTs to generate economic results.

Moreover, continued institutional and policy reforms will be needed in LLDCs in order to improve the domestic investment climate in these countries. In addition, a second set of policy measures should aim at attracting FDI for the development of productive capacities needed for the production of tradables that are less affected by transport cost and distance. Of particular importance in this context is the promotion of FDI in service sectors, such as tourism, back-office operations, information centres, and others. The promotion of FDI for the production of knowledge intensive and innovative high value export goods could also help to reduce the share of transaction costs in total market value of exports.

The Almaty Programme of Action highlights the opportunities for LLDCs that emanate from stronger regional cooperation and integration. The creation of larger economic areas in which LLDCs are integrated addresses the issues of market size and enables investors to capitalize on the advantages of the region as a whole. But regional cooperation and integration also promote transit transport cooperation between LLDCs and their transit neighbours. It may even lead to situations where LLDCs become regional trading hubs and act as transit countries in the region. Some countries in the southern African area are familiar with this situation.
It is therefore vital to generate arrangements for Public Private Partnerships on the sub regional basis in the area of infrastructure development, for example. I would like to take this opportunity to draw your attention to the fact that the topic of infrastructure development through FDI has been the subject of the last report of UNCTAD on the World Investment Report. UNCTAD XII, which was held in Accra this year, gave us a broad based mandate to provide specific advisory services, analytical work and capacity building programs in the field of investment promotion for LLDCs. We are fully committed to the implementation of this mandate and we will continue to accord the priority to this group of countries in our relevant work programs.

Events like this High Level Investment Forum provide an excellent platform to take stock and to deliberate on future activities. We see this forum as an important part of our joint efforts to design and implement policies and measures that will reduce the adverse impact of geography on the development of LLDCs. It is in this spirit, Ladies and Gentlemen, that I wish you every success in your deliberations.

Thank you