



23rd WAIPA World Investment Conference 2018

7-9 September 2018
Xiamen, China

Executive Summary

The 23rd annual WAIPA World Investment Conference (#WIC18) was held in Xiamen, China, from 7-9 September 2018. This annual meeting brought together Investment Promotion Agencies (IPAs) from all around the world; other government officials, development sector leaders, private sector representatives and academics relevant to FDI policy and strategy.

At last year's WIC in Dubai (2017), it was emphasized that Foreign direct investments are vital to maintain and strengthen economic growth. That is why WAIPA continues to put full effort on empowerment of IPAs and their corporate development with the support of other international bodies and global community and created this year together with its Consultative Committee Members programs and projects to enhance IPAs capacities to enter a new era in FDI, our overarching theme for this conference. It guided the discussions in the different sessions of #WIC18.

WAIPA #WIC18 Xiamen debate sessions focused on the following topics:

- Increasing Domestic Value Addition (DVA) through FDI: How to link local enterprises with FDI companies in the country
- Business impacts through technology and partnerships
- The rise of subnational IPAs. What does the future bring?

The conference included a best practices workshop with presentations by WAIPA Consultative Committee members UNCTAD, UNIDO, ILO, OECD and the World Bank; as well as IPA presentations by API Mali, Invest in Sharjah and Enterprise Greece.

Furthermore, MoUs with the World Bank and the International Solar Alliance, as well as a LoI with the International Trade Center (ITC) was signed during the WIC18.

Conference Opening

The conference opening accented on the rationale of the event. FDI boost technological innovation, know-how transfer, contributes to job creation and adds productive capacity to the global economy. In recent years, we witnessed an ever-growing flow of FDI from developed into developing countries. However, also FDI from developing economies to developing ones grows steadily, creating thus beneficial spillovers through FDI all around the world contributing directly to welfare and prosperity.

Investment Promotion Agencies have an important role not only to facilitate investments, but they also may function as idea provider how to improve their investment climates as they are in direct contact with investors. However, in a rapidly evolving field technology becomes increasingly important and IPAs need to be able to adapt quickly. Technological advancements and the 4th industrial revolution offer enormous chances to reach this, IPAs can be, if they have a clear focus and strategy and are flexible to adapt, the ideal partners for investors.

WAIPA believes in cooperation and partnership. With its extensive ties WAIPA, as an active voice for IPAs around the world, aims to bring together government officials, and representatives from the private sector and academia to contribute collectively and continuously towards a common FDI policy and strategy. Closely working together with international organizations enables WAIPA to be able to create even more linkages and be an active voice for investment promotion with a focus on sustainable development.

Fahad Al Gergawi, Vice-President of WAIPA and CEO of Dubai FDI welcomed the participants on behalf of WAIPA and delivered opening remarks. He stated that during the WAIPA conference held in Dubai last year there was a growing realization among investment promotion agencies about the need to redefine the role and strategies to attract investment into sectors that are critical to achievement of sustainable

development. The remarkable outcome of the conference for him personally was the fact that while government, industry and business all have their share of difficulties and uncertainties, IPAs understand the new realities better, especially when it comes to sustainable investment and fundamental way of thinking about impact of capital, technology and talent and shaping the future of our world. In this context WAIPA is crucial, not only as a form of working on exchange of information for investment promotion agencies worldwide but is also a platform that host regional and global cooperation and partnership to achieve sustainable and inclusive economic growth.

The welcome words of Vice-President Al Gergawi were followed by the keynote speeches. The first of the key note speech was given by Wang Shouwen, Vice Minister of Commerce of PRC and Deputy China International Trade Representative, who stressed that in the past 40 years of reform and open-up China's GDP per capita has raised from less than 300 USD to more than 8000 USD today. In the middle-income group there are over 300 million people and 700 million people have been lifted from poverty. Important aspect of China's development is attracting FDI and making investment abroad. By the end of July this year China had achieved about 2,1 trillion USD worth of foreign direct investment.

The speech by the Vice-Minister was followed by WAIPA's Strategic Advisor James Zhan, Senior Director of Investment and Enterprise - United Nations Conference on Trade and Development (UNCTAD), Consultative Committee Member of WAIPA, who referred in his key note speech to the fact that the WIC is an important gathering of WAIPA and investment promotion agencies and international organization to discuss investment environment and also limitations of investment promotion. He furthermore highlighted the trends of global FDI, flows and implications for investment promotion agencies.

Bernardo Calzadilla-Sarmiento, Director, Department of Trade, Investment and Innovation - United Nations Industrial Development Organization (UNIDO), Consultative Committee Member of WAIPA, reflected in his speech that the world is certainly facing the emerging of 4.0 revolution which is based on digitalization which also has as such important effects on investment flows, MNE operations and strategic decisions for the reformation of global value chain.

This speech was followed by the one of Celestin Monga, Vice President and Chief Economist, African Development Bank who stated that Xiamen has bettered itself many times because it understood that it needs to go beyond itself. It needed to attract foreign capital and to develop industries which would help its people while also helping the world. It was done by very pragmatic strategies, focusing all the time to comparative advantage of the city, of the region, of the province, of the country which is something we all need to keep in mind.

First Plenary Session

"Increasing Domestic Value Addition (DVA) through FDI: How to link local enterprises with FDI companies in the country"

Moderator:

- Cristian Rodriguez-Chiffelle, Head of Trade and Investment Policy - World Economic Forum (WEF)

Panelists:

- James Zhan, Senior Director of Investment and Enterprise - United Nations Conference on Trade and Development (UNCTAD)
- Githa Roelans, Head of the Multinational Enterprises and Enterprise Engagement Unit - International Labour Organization (ILO)
- Stefan Kratzsch, Industrial Development Officer - United Nations Industrial Development Organization (UNIDO)

- Andrea Goldstein, Senior Economist, OECD
- Liu Dianxun, Director General of the Investment Promotion Agency of Commerce of PRC (CIPA)

Led by moderator Cristian Rodriguez-Chiffelle, Head of Trade and Investment Policy - World Economic Forum (WEF) the panel discussed the following rationale: that both developed and developing countries are encouraging flows of FDI due to their positive effects, e.g. job creation, export increase, capital accumulation, knowledge and technology spillovers, economic diversification, etc., contributing directly to their welfare and prosperity. Moreover, FDI can spur enterprise development in host countries. From synergies between MNE and local enterprises, to raising efficiencies and reducing costs, to spillovers in technology and human capital, this panel will aim to closer look at the crucial link between local enterprises and FDI companies in a country, how to better connect them and what benefits these links can have.

James Zhan Senior Director of Investment and Enterprise - United Nations Conference on Trade and Development (UNCTAD), highlighted the global interaction between new investment policies and investment promotion. Githa Roelans, Head of the Multinational Enterprises and Enterprise Engagement Unit - International Labour Organization (ILO), referred to the fact on how we make sure that investment actually generate positive social-economic development effects that many of the countries are looking for. When we talk about the sustainable development there is a strong commitment of leaving no one behind. Improving working conditions and having opportunities for skills development are the key components of what FDI should bring to the host countries. What are the overall strategies? Working with governments, putting in place of course right legal and policy framework to protect workers in the context of ILO standards in the areas of child labor, discrimination, occupation, safety and health, etc.; but also being sure that when these frameworks are there that you are also applying it in the country.

Stefan Kratzsch, Industrial Development Officer, United Nations Industrial Development Organization (UNIDO) spoke about the concept of spillovers, mentioning backward linkages, forward linkages, as well as labor mobility. In the good narrative in the spillovers would be that workers, employees have been exposed to know-how of foreign MNEs which would eventually spill off and harness this know-how to create their own enterprises.

Andrea Goldstein, Senior Economist, OECD, mentioned their research on determinants of investment vs. trade and decisions in different sectors. The first determinant is that decisions are not continuous. There are some very clear differences in terms of sectors and in terms of market where decision is taken. OECD has also done research on investment decisions; whether the decisions on investment is taken by the same criteria, the same metrics. On average they found that there are huge differences in terms of timing, especially during recession, international investors tended to invest much more rapidly from market than to domestic firms.

Second Plenary Session

“Business Impacts Through Technology and Partnerships”

Moderator:

- Adrienne Klasa, Development Finance Editor - fDi Magazine and The Banker, FT Group

Panelists:

- Simon Lacey, Vice President Global Government Affairs Trade Facilitation and Market Access - HUAWEI TECHNOLOGIES CO., LTD.

- Anne Chappaz, Chief Trade and Investment Support Institutions Strengthening Section (TISI), International Trade Centre (ITC)
- Ratnakar Adhikari, Executive Director - Executive Secretariat for the Enhanced Integrated Framework (EIF) at the World Trade Organization (WTO)
- Peter Fuhrman, Chairman - China First Capital

Under the moderation of Adrienne Klasa, Development Finance Editor - fDi Magazine and The Banker, FT Group this panel explored new investment opportunities that technology is opening (AI, machine learning, block chain etc.) and the way technology is changing the day to day work of investors looking at overseas opportunities and the IPAs that work with them.

Adrienne Klasa introduced that they will be talking about interlinkage of economies and globalization and explosion of FDI. One of the consequences of the that is that in the last decades the FDI promotion in the world exploded. Next to national IPAs there is also a lot of growth in the terms of subnational and regional IPAs. At the same time we see the rise of technology and digitalization around the work. These two things are changing the way we work, way we interact. Are these ways positive create construction or are they negative leaving countries and certain people behind?

Simon Lacey, Vice President Global Government Affairs Trade Facilitation and Market Access - HUAWEI TECHNOLOGIES CO., LTD. stated that it has been 3 decades that we have seen innovation, internet revolution, digitalization, liberalization of communication. He stated that there might be the danger of rolling back the benefits that we have seen fragmented supply chains that brought massive gains to developed and developing countries due to very legitimate concerns surrounding integrity and increasing vulnerability of national infrastructure in a world where everything is digital, where everything is connected. He shared his thoughts that governments need to maintain openness of economies to trade and investment. If you look at the new technologies such as big data, the paradigm in terms of attracting and retaining investment hasn't change that fundamentally of what we see over the last 3 decades.

Anne Chappaz, Chief Trade and Investment Support Institutions Strengthening Section (TISI), International Trade Centre (ITC) shared her view on whether digitalization of developing countries opportunity or thread? We need to understand that currently 10% of developing countries have access to internet, yet we know that 10% increase in number of internet connections can increase GDP by 1,4 %. So even a small number of internet connections will make a difference. It is important to create investment and trade for good social outcomes. Research on implications of industry 4.0 on the work of trade and investment promotion agencies. This identifies four interesting outcomes, and this is how we see developing countries able to respond to digitalization challenge. First is to make sure one is valuing and bracing opportunities that data give you in your own organization. Furthermore that one understands the power digitalization brings. Moreover we see the shift from the public to the private sector in the number of key areas of digital economy, particularly in the new types of private sector platforms. The third one is about to taking the calculative risks a. Forth one is a need to create new forms of trust in country brand, in sectors IPAs work with, etc.

Ratnakar Adhikari, Executive Director - Executive Secretariat for the Enhanced Integrated Framework (EIF) at the WTO, focused on the relations to the DTS (Diagnosis Training Studies) that EIF do on a country level. These studies are updated every 3 years, so previous version of studies if you look at the 2011 of DTS one does not see any relations to innovation or technology, big data, etc. But now new technologies are coming in where the element of technology is featuring within DTS, because the DTS itself is reflection of the overall economic situation of the country.

Peter Fuhrman, Chairman - China First Capital, mentioned that some of the most important investment flows will take place in your countries by Chinese investors yet when it comes to China it is difficult to see things in isolation. It has been done in unique and coordinated way with at least 300 forces in China that worked extremely well to support the role of IPAs and economic development. He mentioned that China has been able to successfully integrate all four of these enormous forces to its benefit. With China playing increasingly aspiring role. The key issue is also south and south trade. China is trying to engage most deeply in other "south" countries, other developing countries. It is looking its future economic growth more and more back into developing world. Each country individually can develop meaningful technology trade with China.

Third Plenary Session

"The Rise of Subnational IPAs. What does the future bring?"

Moderator:

- Christina Knutsson, Director/Partner – GDP Global

Panelists:

- Helen Hai, Founder & CEO - Made in Africa Initiative
- Armando Heilbron, Global Investment Promotion Workstream Leader - World Bank Group/IFC
- Liu Zuozhang, Executive Vice President, China Council for International Investment Promotion
- Chris Knight, Co-Founder and Chief Commercial Officer - WAVTEQ Ltd.
- Niels Maas, Founder & CEO - Forglobal

Under the moderation of Christina Knutsson, Director/Partner – GDP Global the following rationale was discussed in the last session: the number of IPAs worldwide increased substantially in the last years and all countries except one have IPAs. In addition to the national IPAs, there is increasing trend in establishing regional and city IPAs. Why subnational IPAs are created are manifold, reasons range from large territories to better targeted services. The over-contribution of cities to GDP has been explained by agglomeration and cluster theories, which point to the competitive advantage of having activities co-located in one geographic area. The importance of cities is being hastened by urbanization trends and cities particularly in developing countries will grow extraordinarily. Hence this panel discussed the importance of subnational IPAs and their importance in the upcoming decades.

Helen Hai, Founder & CEO - Made in Africa Initiative, stated that Chinese IPAs and IPAs in general have been doing a fantastic job, that is why her generation has been benefiting from this economic transformation. What's the true mandate, the strategic view as national or subnational IPA? It should serve the national mandate, a different stage of development. She furthermore did not believe there is a universal law for IPAs, so that you just take one country's model and saying it will be working for your model. From 1960's to 2008 globally there were about 200 developing economies, but in this period in all our human history, there is only 2 countries that moved from low income status to high income status, that is South Korea and Taiwan, China is likely to be the third one in 2025. And out of these 200 economies only 30 of them moved from middle income status to high income status and out of those 30, 8 of them are in Europe. She also referred to the economic transformation. The result is actually very poor, because most of the countries are still trapped in poverty. So what went wrong? They misunderstand the mandate of what the investment promotion needs to do- to serve the purpose of economic transformation.

Armando Heilbron, Global Investment Promotion Workstream Leader - World Bank Group/IFC mentioned that in the 80s of the last century there were few agencies on national level, in 90s the number of IPAs was raising tremendously and now we even do not even know how many there are, also if we count all techno parks and special economic zones and chambers, associations promoting investment. One has now also subnational IPAs that are emerging and want their share, which also can be confusing for the investors. The issue is then how we manage collaborations among subnational agencies and national agencies in our countries, for which certain frameworks might be beneficial.

Niels Maas, Founder & CEO - Forglobal stressed the fact that existing investors can be the greatest and biggest ambassadors for cities and for countries to promote to other investors to come to one's country.

Chris Knight, Co-Founder and Chief Commercial Officer - WAVTEQ Ltd. referred to the fact that subnational IPAs are not truly essential and not in every country there is a need for setting them up. In larger countries they might be essential for several reasons for facilitating investors, for aftercare and expansion projects where one needs to be much closer to the investor and for investment promotion, particularly in larger countries such as United States, but for smaller economies such as Northern Ireland it worked extremely well how one national IPA brought investments.

Closing remarks

In his conclusive remarks WAIPA Executive Director Bostjan Skalar thanked all participants and speakers for joining the event. He summed up the entire conference activities and concluded that collaborations of organizations and sharing knowledge among IPAs is the key to attract and promote our common efforts sustainably. He stressed that IPAs shall prepare sound value propositions to distinguish themselves from others. IPAs are unable to be experts in all fields of operation, so they shall focus on the ones they are best in. He invited the members and partners to feel free to approach WAIPA with their ideas to work together to achieve our global goals.