United Nations Conference on Trade and Development

World Investment Report

2004 The Shift Towards Services

United Nations
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PREFACE

After three years of decline in global investment flows, there are signs of revival. With global economic growth improving in 2004, prospects for global investment look bright. This is particularly the case in services, which make up the largest economic sector in many countries, and which dominate foreign direct investment. The *World Investment Report 2004* looks at the shift towards services and examines the challenges and opportunities that arise for development.

In the knowledge-based economy, services are critical to the competitiveness of firms in all sectors. Foreign direct investment is a key source of financing for telecommunications, energy and financial services, as well as for other important industries. New information and communication technologies make it possible to trade in services, making their production increasingly subject to the international division of labour. The offshoring that results can lead to new opportunities for developing countries to become better integrated into global markets. The importance of services is therefore increasingly reflected in the policy agenda – ranging from liberalization to promotional efforts to regulation at national and international levels.

Foreign direct investment in services can offer important benefits. It can provide the capital, skills and technology required to make services more efficient, and thus improve the competitiveness of host countries. But there are risks, too – and these must be addressed through appropriate policies. Since many services are embedded in the social, cultural and political fabric of societies, the right balance must be struck between economic efficiency and broader developmental objectives. The overriding challenge is to create an environment that will help countries strike such a balance, so that the benefits of the new international division of labour in services can be reaped by all.

Kofi A. Annan
Secretary-General of the United Nations

New York, July 2004

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