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**DRAFT REPORT OF THE COMMISSION ON INVESTMENT,
TECHNOLOGY AND RELATED FINANCIAL ISSUES ON
ITS ELEVENTH SESSION**

Held at the Palais des Nations
from 8 to 14 March 2007

Rapporteur: Mr. Edward Brown (United Kingdom)

Speakers:

Director of DITE
Honduras for the Group of 77 and China
Thailand for the Asian Group
Brazil for the Latin America and
Caribbean Group
Angola for the African Group
Benin for the least developed countries

Germany for the European Union
Belarus for Group D
Argentina
Indonesia
Russian Federation
China
Peru

I. OPENING STATEMENTS

1. In his introductory remarks, the **Director of the Division on Investment, Technology and Enterprise Development** highlighted the central role of investment, particularly foreign direct investment (FDI), in the development process. He noted that the Expert Meeting on Building Productive Capacities had recommended that the Aid for Trade initiative seek to integrate investment as an important component. The *World Investment Report 2006* had identified an emerging trend, namely FDI from developing and transition economies, an important feature being that South–South FDI had some advantages over North–South FDI, since multinationals from developing countries were bringing a host of technologies, business models and systems, which were both innovative and grounded in the environment and institutions of the South. A number of trends were identified as particularly relevant for the Commission to consider. First, in spite of the increase in South–South investment cooperation, there was still scope for policymakers to share experiences on strengthening South–South cooperation. Secondly, there was a need to ensure, through the sharing of experiences on development-friendly policies and appropriate regulatory regimes, that the global surge of FDI in extractive industries would benefit recipient countries. Thirdly, there were growing signs of protectionism, especially in industries deemed to be significant from a national security perspective, which needed to be monitored.

2. The speaker also stressed the increasing number and complexity of international investment agreements (IIAs). They resulted in a complicated, multilayered and multifaceted structure. He noted that in accordance with the Commission's mandate, UNCTAD served as the de facto secretariat and forum for understanding that structure, and its potential to evolve into a beneficial system encouraging and facilitating international investment. In that regard, a key element of success could lie in the provision of a standing discussion forum to exchange views and advance the understanding of IIAs. A model could be provided by the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), a body which testified to the role that a standing committee could play in UNCTAD.

3. With regard to support for national policy formulation and capacity-building, UNCTAD had stepped up its technical assistance and advisory activities. One of the best examples was the programme of Investment Policy Reviews (IPRs).

4. The representative of **Honduras**, speaking on behalf of the **Group of 77 and China**, said that there was a need for further analytical research on the development impact arising from the increasing role of developing countries as sources of FDI, and how that role could strengthen South–South cooperation. UNCTAD was encouraged to disseminate as widely as possible the findings of the World Investment Report, including through regional seminars involving policymakers. It was also requested to enhance its technical assistance to developing countries, particularly the least developed countries, in order to help them improve their FDI data collection and reporting systems.

5. The Group of 77 and China noted the increasing complexity of international investment agreements (IIAs), while recognizing their usefulness for promoting foreign investment and the opportunities they provided for furthering the implementation of development goals. They highlighted the risks associated with an inconsistent and often non-transparent IIA network, including inconsistency of key obligations, conflicts with national laws and an increasing number of investment disputes. The Group of 77 and China also

stressed that the difficulties involved in managing that complex network threatened to undermine the stability and credibility of the entire investment system. Therefore, they called on the secretariat to continue its recognized efforts in capacity-building and welcomed the proposal that an UNCTAD Standing Expert Group on IIAs and Development be established to exchange views and endeavour to advance international consensus-building.

6. The speaker expressed support for work on Investment Policy Reviews, which were undertaken at the national level and were tailored to individual countries' needs in line with their stated development goals. Those reviews provided a strategic perspective and policy recommendations for developing countries to attract high-quality FDI that contributed to sustainable economic and human development. The importance of follow-up technical assistance to countries for the implementation of recommendations in order to create a positive impact was highlighted, and a request was made both for the preparation of more reviews and for a strengthening of follow-up initiatives. The Group of 77 and China called upon the donor community to provide funding support to address the requests for Investment Policy Reviews and follow-up. It was emphasized that the Aid for Trade initiative should include an investment component that embraced policies to promote technology transfer, enterprise development and the consolidation of productive chains.

7. The representative of **Thailand**, speaking on behalf of the **Asian Group**, said that it was essential for UNCTAD to maintain its research capacity to analyse transnational corporations (TNCs) from developing countries and associated policies for investment promotion, and encouraged analysis of TNCs in extractive industries and the identification of best practices to nurture a sound investment environment. He also called for technical assistance with the collection of FDI statistics.

8. Noting the proliferation of IIAs in the Asian region, and considering the growing significance of investment rule-making, the speaker urged UNCTAD to enhance its research work on IIAs and welcomed capacity-building efforts in that area. He also called for a more frequent and systematic exchange of views on IIAs.

9. Greater attention was required in monitoring and evaluating the implementation of the recommendations of UNCTAD's Investment Policy Reviews. He noted with appreciation UNCTAD's technical assistance aimed at strengthening countries' ability to formulate sound investment policies, improve the investment climate and attract more FDI. In conclusion, he encouraged UNCTAD to continue its work on International Standards of Accounting and Reporting and to collaborate further with the World Association of Investment Promotion Agencies on investment promotion and other joint activities.

10. The representative of **Brazil**, speaking on behalf of the **Latin America and Caribbean Group (GRULAC)**, expressed appreciation for UNCTAD's *World Investment Report 2006* and the analysis it contained, which was useful for his region. He welcomed the report's focus on extractive industries and the importance of keeping the South–South dimension at the centre of the debate.

11. The IPRs remained an important development instrument for the region, in particular through the dissemination of experiences that the IPR process allowed, and the speaker welcomed the work that UNCTAD had done for the IPR of the Dominican Republic. He stressed the importance of the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting and the insights provided by the Guidance on Good Practices in Corporate Governance Disclosure.

12. He also noted the importance of UNCTAD's work in cooperation with the World Association of Investment Promotion Agencies for strengthening the Latin American and Caribbean region's capacity and ability to attract FDI. He drew attention to the work carried out in the area of local productive capacities and enterprise competitiveness, especially through EMPRETEC and the business linkages projects in Brazil and Argentina, calling for regional dissemination of the established methodologies. In conclusion, he stressed the usefulness of discussing IIA issues in a standing committee of experts.

13. The representative of **Angola**, speaking on behalf of the **African Group**, acknowledged the activities carried out by the Division on Investment, Technology and Enterprise Development in 2006 for the benefit of African countries. Although inward FDI in Africa was increasing, the region's share of global FDI was still only three per cent, the bulk of which was in mining and oil exploitation. Noting that the topic covered by the *World Investment Report 2007* — namely, TNCs and extractive industries — was timely, he commended UNCTAD for its work on FDI statistics. Since it was important for African countries to improve their FDI data collection and reporting systems, he called on UNCTAD to strengthen its technical assistance in that area.

14. African countries had been very active in 2006 in concluding bilateral investment treaties and other international agreements with investment provisions, and he thanked the secretariat for its continuous support. He hoped that UNCTAD would continue its analytical work in that area and further disseminate information on investment agreements through its dedicated databases. Furthermore, he welcomed the idea of establishing a Standing Expert Group on International Investment Agreements that could enable African countries to better integrate into the global IIA network.

15. He noted with appreciation that 16 African countries had benefited from IPRs, and concluded by acknowledging UNCTAD's capacity-building programmes in the areas of investment and enterprise development.

16. The representative of **Benin**, speaking on behalf of the **least developed countries (LDCs)**, noted that although LDCs were attracting more FDI than in the past, the volume of foreign assets invested in those countries remained insignificant. That further delayed the integration of LDCs into the global economy. The bulk of those investments were concentrated in a few LDCs, which were rich in natural resources, and he warned that they would not have a positive impact on the socio-economic life of those countries. Thus, there was a need for adequate technical assistance, enabling FDI in extractive industries to benefit recipient countries. The Expert Group Meeting on FDI in Natural Resources had made interesting recommendations in that respect. A global and multifaceted approach was necessary in order to provide a better business environment in LDCs. The LDCs acknowledged the UNCTAD project aimed at helping developing countries mobilize their internal resources and would like to see a greater boost given to South–South investment flows.

17. The speaker highlighted the proliferation of IIAs, which now constituted the instruments most used to protect FDI. However, LDCs often lacked the capacities to negotiate such agreements, which looked more and more like accession contracts and thus did not provide the room for manoeuvre that would allow for development. He therefore called for more technical assistance and analytical work on the evolution of IIAs, in order to address the issues stemming from their systemic incoherence and to help achieve consensus at an international level.

18. The LDCs acknowledged the organization of the joint high-level session with WAIPA, and noted the high level of participation in the session by investment promotion agencies from LDCs. They also acknowledged the IPR process, but stressed the importance of setting up adequate financial mechanisms to ensure that follow-up activities were carried out. Lastly, the peer review process could be reinforced through greater participation by the private sector, and the preparation for LDCs of investment guides should be part of the follow-up to IPRs.

19. The representative of **Germany**, speaking on behalf of the **European Union (EU)**, stressed that UNCTAD had become a focal point for investment and technology issues in the United Nations system as a result of its successful work over the years. Its role was increasingly important in improving the collective understanding of the complex aspects of FDI, enabling developing countries to attract FDI. He underscored the quality of UNCTAD's *World Investment Report 2006*, noting the analysis of the activities of developing country TNCs and their impact on both home and host economies. He recommended the holding of sessions devoted to the presentation of the WIR to Geneva-based delegates, welcomed the theme of the WIR 2007 and urged caution with regard to rising investment protectionism. He acknowledged UNCTAD's work in the area of investment promotion, especially in relation to investment promotion agencies (IPAs) and linkages between host economies and TNCs.

20. The EU supported the establishment of a Standing Expert Group on International Investment Agreements (IIAs), provided that further clarifications were made and that consistency with the Eminent Persons Report was ensured.

21. He highlighted the Investment Policy Reviews (IPRs) of Morocco and Zambia as useful instruments in sharing the experiences of developing countries' investment policies and regimes and praised the quality of UNCTAD's work in that respect. He also recognized the work of ISAR and associated his Group with its agreed conclusions.

22. The representative of **Belarus**, speaking on behalf of **Group D**, praised the secretariat for the value of its analytical work and expressed an interest in its wider dissemination. Although some countries in the region recorded faster rates of growth in FDI flows, the distribution of those flows was uneven. He also stressed the importance of new trends in FDI, which had led to a shift in terms of a new geography of investment, and requested UNCTAD to continue its analysis with a view to maximizing those trends' net positive effects.

23. The speaker commended the work of the secretariat in the area of IIAs and acknowledged the support provided to the region. He also expressed his Group's appreciation for the IPR process and hoped that the mechanism that had been set up to provide a timely response to follow-up requests and had been implemented for Rwanda could be replicated. Indicating that his Group supported the recommendations of the Ad Hoc Expert Meeting on advocacy for investment policies, he requested further investment promotion activities in the region.

24. In addition, he acknowledged the activities of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, in particular the support provided to the International Conference on International Financial Reporting Standards. In conclusion, he noted that the Commission offered the last opportunity to ensure implementation of the São Paulo Consensus.

25. The representative of **Argentina** expressed gratitude for UNCTAD's work in the area of investment and viewed its *World Investment Report 2006* as a significant example of the organization's solid analytical and research quality. The impact of UNCTAD's work was particularly important to IPAs and the dissemination of country experiences in a regional context, such as that of MERCOSUR. UNCTAD's activities in the field of enterprise competitiveness and the analysis of FDI's impact on domestic economies and SMEs were particularly relevant. In that regard, he praised the practical nature of the EMPRETEC and business linkages projects. Finally, he welcomed the finalization of the latest IPRs of Morocco and Zambia.

26. The representative of **Indonesia** acknowledged the *World Investment Report 2006* for its comprehensive approach and analytical research. He encouraged UNCTAD to continue its research work with a view to improving policies for investment in developing countries. In particular, a set of priorities should be established in addressing the issue of development; in that regard, access to accurate statistical information on FDI and TNCs' activities was essential. He stressed the importance of IIAs, commending UNCTAD for its analytical work and technical assistance in that area and indicating that Indonesia had recently benefited from UNCTAD's advisory services. He requested UNCTAD to establish a Standing Expert Group on IIAs focusing on systemic issues relevant to developing countries. In addition, he highlighted the benefits of IPRs and welcomed the holding of a joint high-level meeting of the Commission and WAIPA.

27. The representative of the **Russian Federation** expressed satisfaction that the *World Investment Report 2006* included a discussion of transition countries. In the past year, there had been larger inward and outward FDI flows, which reflected a greater role of developing and transition countries in the world economy. With regard to natural resources, he agreed with UNCTAD's analysis that the revenue derived from exploitation needed to be used to solve domestic problems, and added that national sovereignty remained an important issue in that respect. He expressed support for the idea of UNCTAD seeking to develop best practices and recommendations on investment policies. Given the increasingly complex web of investment regulations and the potential for investment disputes to create serious consequences for developing countries, UNCTAD's work on such disputes was important, and establishing an Expert Group on investment agreements was regarded as a good idea. In conclusion, he said that it was important to continue undertaking IPRs, but that geographical coverage should be extended.

28. The representative of **China** called for UNCTAD to intensify its work on FDI data collection for even more reliable analysis of FDI flows and impact. He praised UNCTAD's work in relation to IIAs and called for increased technical assistance in that area. He referred to the IPR process as a very valuable instrument for improving investment policies and supported UNCTAD's follow-up efforts in that regard.

29. The representative of **Peru** called for deeper analysis of the increased role of developing countries in outward FDI flows. While FDI flows had increased to all regions, the main challenge was to ensure that they contributed to host country development. The speaker stressed the importance of implementing the recommendations of the IPRs. With regard to technical assistance, she valued the collaboration with UNCTAD on the development of entrepreneurs, work on developing links between small and micro-enterprises and TNCs, efforts to assimilate and derive maximum benefit from foreign investment, and cooperation in the promotion of investment in specific sectors. In addition, she expressed an interest in

analysing transfer of technology and science and technology policy. The proliferation of investment agreements and disputes between investors and host countries meant that more analysis, together with technical assistance to train negotiators and provide advice to developing countries on investment disputes, was very important. In that regard, she requested increased donor support for projects in which UNCTAD had expertise.

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