

**Statement by Brazil on behalf of the Group of Latin America and the Caribbean at the
Sixty-third Session of the Trade and Development Board**

Geneva, 6 December 2016

Item 3 – Investment for development

Tuesday, 6 December 2016 (morning session)

Mr. President, H.E. Mr. Christopher Onyanga Aparr (Uganda)
Mr. Mukhisa Kituyi, Secretary-General of UNCTAD,
Mr. James Zhan, Director, Division on Investment and Enterprise
Excellencies,
Distinguished Colleagues,

1. At the outset, let me congratulate the Secretariat, on behalf of GRULAC, for the background documents for this agenda item, namely the *World Investment Report 2016* and the *Global Action Menu for Investment Facilitation*. The data, analysis and policy recommendations contained in these documents are of great importance and relevance for Latin American and Caribbean countries and for the investment policy community as a whole.

Mr. President,

2. The latest edition of the *World Investment Report* and UNCTAD's latest estimates highlight that global foreign direct investment (FDI) flows could decline by up to 15% in 2016. Although they are expected to resume growth in the next years, they are likely to remain below pre-crisis level at least until 2018.

3. GRULAC stresses its concerns that the underlying factors which have restrained FDI flows, in particular the sluggish growth of global demand and international trade, will likely continue. Increased uncertainty regarding the short-term prospects of the world economy can further dampen prospects for FDI at the global level.

4. Moreover, UNCTAD projections for FDI flows over the next two years show a possible widening of the gap between developed and developing countries, indicating that the latter might face increased difficulties in tapping sources to finance their development needs.

5. In this challenging context, FDI flows to the Latin America and the Caribbean region as a whole remain at low levels. In 2015, FDI to the region did not present a significant recovery from the 2014 fall, remaining at US\$ 168 billion. Within the region, Central-America registered the biggest gains in 2015, with FDI flows rising 14%, mainly into manufacturing. In 2016, FDI flows to the region could drop by 10%, reflecting persistent weaker domestic activity and the performance of commodity prices. Although currency depreciation might provide some impulse to mergers and acquisitions in the short-term, it is worrisome that modalities of investments more closely associated with the expansion of productive capacity are lagging behind. In particular, greenfield investments in the region are expected to fall by 18% this year.

Mr. President,

6. Even though the prospects for global investments are challenging at the international and at the regional level, GRULAC countries are actively engaged in pursuing and presenting policy responses towards more and better investments for development.

7. To face current challenges, including those arising from reforming international investment agreements (IIAs) in view of the concerns they have raised about their lack of consistency with national development priorities and restrictive impact on policy space, countries in our Group are developing policies at the domestic and other levels aiming at promoting and facilitating investments. Such measures include, among others, strengthening the right to regulate, devising alternative dispute resolution processes, fostering structural transformation, promoting responsible investments and tackling health, human rights and environmental concerns.

8. At a time in which fostering investments for sustainable development is high in the global agenda, the diversity of experiences in the region can inform and stimulate our discussions here in UNCTAD.

9. With regards to UNCTAD's cooperation with the region, the Group acknowledges and appreciates the recent support to the Dominican Republic with the review of its IIAs, as well as the comments to the CARICOM Secretariat on the CARICOM draft Template Investment Chapter. We also appreciate support in the form of the regional training on international investment agreements that took place in Bogota, Colombia in November last year. In the area of investment promotion, the Group would like to acknowledge the work of UNCTAD with the Caribbean Association of Investment Promotion Agencies (CAIPA) and the recognition the Association received from UNCTAD during the last World Investment Forum.

Mr. President,

10. GRULAC commends the Secretariat for continuing to provide relevant policy recommendations, practical frameworks and tools to inform members and to help shape consensus in the area of investments for development. For instance, the databases on international investments agreements and on investment dispute settlement have become invaluable tools for negotiators, and the Investment Policy Framework for Sustainable Development (IPFSD) has become an important model towards the promotion of more responsible and sustainable investments.

11. The recently published Global Action Menu for Investment Facilitation is another example of how UNCTAD research analysis and consensus-building discussions generate relevant outcomes which contribute to shaping the global agenda. This is an area which received little attention until now and the Group applauds UNCTAD for filling this gap. Furthermore, GRULAC recognizes the value of this initiative and of the measures it aims to foster, such as maximizing the positive impacts of investment through linkages with local enterprises and the promotion of responsible business conduct by international investors.

12. The Group would also like to highlight important elements from the last *World Investment Report*, in particular the light it shed on complex ownership structures in multinational enterprises (MNEs) and the challenges it poses to policy makers. Among other important points, the report stresses the potential for a substantial disconnect between productive investments and income generation and the need to better understand the links between tax and investments policies at the global level. In fact, the Nairobi Maaikiano calls for the continuation of UNCTAD's work on taxation as it relates to investment policy.

Mr. President,

13. Let me conclude by reiterating that, for GRULAC, investments, including the important role of public investments, are critical to unlocking growth, increasing value-addition and improving competitiveness in the region. Moreover, beyond increasing the level of investments, it is important to design policies that increase the impact of such flows on development, resulting, among others, in more quality jobs and infrastructure and technological development.

14. The Group, therefore, further emphasizes the usefulness of UNCTAD's work in the areas of responsible investment, investment facilitation and the promotion of investments for sustainable development, and reaffirms its continued commitment to support UNCTAD in its work.

15. Before I conclude, I would like to remark that the members of GRULAC who are part of the Group of 77 and China associate ourselves with the statement made by the G77 and China.

Thank you.