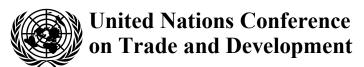
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#### **Trade and Development Board**

Fifty-ninth session Geneva, 17–28 September 2012

# **Draft report of the Trade and Development Board** on its fifty-ninth session

Held at the Palais des Nations, Geneva, from 17 to 28 September 2012

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### President's summary

## Investment for development: Towards a new generation of investment policies for inclusive growth and sustainable development

(Agenda item 9)

- 1. The session discussed recent trends in global and regional foreign direct investment (FDI) flows and the UNCTAD Investment Policy Framework for Sustainable Development, which member States recognized as a crucial tool for implementing the Doha Mandate.
- 2. Following the opening remarks by Mr. Jüri Seilenthal, President of the Trade and Development Board, Mr. James Zhan, Director of the UNCTAD Division on Investment and Enterprise, presented a summary of the *World Investment Report 2012*. Panellists spoke in the following order: Ms. Anabel González, Minister of Foreign Trade, Costa Rica; Mr. Rob Davies, Minister of Trade and Industry, South Africa; and Mr. Jeffrey Sachs, Director, The Earth Institute, Columbia University, who participated via video conference. The Secretary-General of UNCTAD, Mr. Supachai Panitchpakdi, delivered a statement. Mr. Mark Halle, Vice-President, International Institute for Sustainable Development, and Mr. Pradeep Mehta, Secretary General, Consumer Unity and Trust Society (CUTS) International, were discussants. An interactive discussion from the floor followed.
- 3. As highlighted in the *World Investment Report*, global FDI flows in 2011 surpassed the pre-crisis average, reaching \$1.5 trillion, despite turmoil in the global economy. However, they remained more than 20 per cent below their 2007 pre-crisis peak. Moreover, inflows were uneven. Flows to developing countries reached a record \$684 billion, up 11 per cent; transition economies saw flows increase by 25 per cent, and flows to developed countries grew by 21 per cent. However, this picture of a global increase in FDI contrasted with developments in parts of Africa and in the least developed countries, where the FDI recession continued.
- 4. Regarding investment policymaking, developments showed the world at a crossroads in the transition from an era of liberalization to one of regulation. At the national level, many countries continued to embrace liberalization and promote foreign investment, while introducing, at the same time, new regulatory and control measures, often in pursuit of other policy objectives, such as industrial policy. At the international level, the negotiation and conclusion of international investment agreements continued at a slower pace, and there was a shift towards regional investment treaty making. This was accompanied by a growing attention towards sustainable development considerations.
- 5. The Investment Policy Framework for Sustainable Development was designed to help policymakers in this regard and to serve as a reference point for policymakers in formulating national investment policies and in negotiating international investment agreements or revising existing ones. The Framework sets out the core principles around which national and international investment policy should be designed, as well as a policy toolkit of options for countries seeking to attract foreign investment and increase its contribution to economic and social development.
- 6. In the ensuring discussion, delegates emphasized the important role that FDI could play in economic development and in pursuing inclusiveness and sustainability. They expressed concern that FDI flows to the poorest countries of the world had continued to fall and had been concentrated in low value added sectors with high environmental costs at times. The right policies would be needed to address those shortcomings, and international cooperation was necessary.

- 7. Delegates welcomed the Framework, which placed sustainable development outcomes at the forefront of discussions on investment policies and pushed forward the sustainability dimension of the debate on the future of the international investment regime. They commended UNCTAD for the core principles of the Framework, which comprehensively encompassed all critical elements of an investment-for-development agenda. Encouraging UNCTAD to continue implementing the Doha mandate, delegates pointed to the relevance of the Framework in promoting investment and related development policies to foster economic growth for sustainable and inclusive development.
- 8. Some delegates said that full liberalization might not be optimal in specific national contexts and that proactive policies were needed to ensure that FDI delivered the expected contribution to sustainable growth, for example, by ensuring adequate technology transfer, skills development and linkages to other sectors of the economy. Entrepreneurship development was critical in this regard, and delegates noted the usefulness of the UNCTAD Entrepreneurship Policy Framework. The role of the State as regulator was pivotal in achieving sustainable development outcomes especially in regulating sensitive sectors such as the extractive industries upgrading public infrastructure, combating tax avoidance and improving corporate governance. Those were areas where stronger international cooperation was warranted and where UNCTAD would have a role to play.
- 9. The representatives of some countries and non-government organizations said that the Framework should guide future discussions to better balance the rights of States and private investors at the time of renewing or signing new international investment agreements. Industrialized countries would also benefit, especially as they were becoming investment destinations for rising FDI outflows from emerging economies.
- 10. Reform was also encouraged to improve investment dispute settlement, especially concerning transparency and equity issues but also concerning the need to minimize costs of investment dispute resolution. How to manage reforms, with a view to fostering a transition to a more sustainable development-friendly regime of international investment agreements, without unduly compromising on the security, predictability and stability required by foreign investors, was a key issue. Sharing experiences could offer a useful contribution in this regard.
- 11. Delegates encouraged UNCTAD to continue its work on investment for sustainable development in all its three pillars of expertise: policy research and analysis, technical cooperation activities and providing a platform for intergovernmental consensus-building. Regarding technical cooperation, they encouraged the secretariat, for example, to continue providing technical assistance on the collection of FDI statistics, including statistics on the impact of FDI so as to feed into UNCTAD's recently developed FDI contribution index; through its Investment Policy Reviews, which were praised as highly relevant for government officials, particularly for identifying economic sectors and promoting foreign investment in industries with potential for growth; and through its training courses and advisory work on international investment agreements.
- 12. Delegates agreed that particular attention should be given to putting the Investment Policy Framework for Sustainable Development at the core of all these activities. UNCTAD's record of work on investment and its expertise had placed it at the forefront of the global debate on investment and development. There was a general consensus that the Framework offered a strong point of departure, presenting a platform for multilateral discussions and consensus-building and giving useful guidance for a transition towards a new generation of investment policies that prioritized sustainable development outcomes.

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