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

Held at the Palais des Nations
from 7 to 11 March 2005

Rapporteur: Mr. Ricardo Cisneros (El Salvador)

Speakers:

Officer-in-Charge of UNCTAD
Democratic Republic of the Congo
for the G77 and China
Philippines for the Asian Group
Egypt for the African Group

Costa Rica for GRULAC
Benin for the LDCs
Luxembourg for the European Union
Cuba
Thailand

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments to statements by individual delegations should be communicated by **Wednesday, 9 March 2005**, at the latest, to:

UNCTAD Editorial Section, Room E.8102, Fax No. 917 0056, Tel. No. 917 5654

Chapter I

OPENING STATEMENTS

1. The **Officer-in-Charge of UNCTAD**, referring to the São Paulo Consensus, said that an enabling international environment was essential for building greater productive capabilities in order for countries to benefit from and participate in a globalizing world economy. Investment, including foreign direct investment (FDI), played a central role in this connection, since it provided a crucial link between creation of productive capacity and international competitiveness. It could transfer not only financial resources but also knowledge and technology, provide access to new markets and supply, and stimulate the upgrading of the enterprise sector. However, it required an appropriate policy response from all the actors involved: host countries, home countries, the international community as a whole and investors.
2. The recent trends in FDI, which gave rise to optimism and to concern, needed to be seen in the context of both domestic policies and international investment agreements. He stressed the importance of examining the actual and potential effects of South–South cooperation from the perspective of developing countries as recipients as well as sources of FDI, and noted the need to identify the links between investment cooperation and trade. He also expressed concern about recent developments, which illustrated the need to clarify key issues and to review experiences as regards meeting international commitments. In this context, investor-State arbitration was a critical issue in view of the increase in the number of disputes since the mid-1990s.
3. In conclusion, he informed the Commission about several interesting events that were due to take place during its session. One of these was the panel discussion on the Millennium Development Goals, which would be of particular interest to the Commission.
4. The representative of the **Democratic Republic of the Congo**, speaking on behalf of the **Group of 77 and China**, noted the substantial increase in FDI flows in 2004 and in the share received by developing countries. This share, however, remained concentrated in a handful of countries, with many others attracting only small amounts. This situation, combined with marginal bank lending and low levels of official development assistance, undermined the efforts to meet the Millennium Development Goals.
5. Since some developing countries had recently emerged as significant sources of FDI, the G77 and China were interested in more analysis of issues such as the role of developing countries' transnational corporations in furthering competitiveness, regional integration among developing countries, South–South cooperation and the impact of FDI on host economies. In that connection, UNCTAD's assistance with data collection and reporting remained vital.
6. The G77 and China were concerned about the impact of investment disputes. These increasingly involved developing countries, which were frequently ill equipped to deal with such matters and were often faced with the prospect of high costs. The present meeting and further work in this area were thus welcome. Technical assistance and capacity building remained necessary in this connection. The G77 and China attached great importance to the Investment Policy Reviews and support for the implementation of their recommendations.

The support of the United Nations Development Programme and a number of donor countries was noted with appreciation, and should continue. The work of the World Association of Investment Promotion Agencies (WAIPA) was important in assisting developing countries in the definition of their investment promotion policies and in the creation of related agencies. Further collaboration between UNCTAD and WAIPA was called for.

7. The representative of the **Philippines**, speaking on behalf of the **Asian Group**, stressed the importance of fully exploring how developing countries could benefit from the new trends in FDI, such as FDI based on research and development (R&D). Although globalization of R&D had provided new opportunities for Asian economies, there were worrying signs that not all countries were benefiting because of the selective approach of transnational corporations, a limited technology base and a shortage of skilled human resources. The Asian Group called for further work in this area, as well as — more generally — on how to increase the attractiveness of those countries in the region that had so far been marginalized in the overall distribution of FDI flows. The need to improve the collection of FDI data was emphasized, a successful example of this work being that carried out by UNCTAD in collaboration with the secretariat of the Association of South-East Asian Nations. His Group called on UNCTAD to intensify its technical cooperation in this area. The Asian Group also stressed its interest in the work on investor–State dispute settlement and the activities of WAIPA and UNCTAD in the area of investment promotion.

8. The representative of **Egypt**, speaking on behalf of the **African Group**, expressed appreciation for the 2004 Activities Report of the Division on Investment, Technology and Enterprise Development, which referred to projects implemented in 46 African countries, and thanked UNCTAD for the quality of its work and the results achieved. He noted that even though FDI inflows into Africa had increased in 2003 and 2004, most of this increase was accounted for by investment in natural resources exploitation. His Group requested UNCTAD to continue to review FDI trends and policy issues related to the impact on home and host countries of outward FDI from developing countries, particularly in the South–South context. He highlighted the importance of accurate and timely data for policy makers, and said that UNCTAD should increase its technical assistance to the African countries in respect of FDI data collection and reporting systems, so as to enable them to improve the quality of the data. The Group welcomed the proposal to establish a regional network of FDI data compilers and statisticians, which had been made at the Workshop on Capacity Building for Promoting FDI in Africa, organized jointly by UNCTAD, the Economic Commission for Africa and InWEnt Capacity Building International of Germany in Addis Ababa (Ethiopia) in November 2004.

9. African countries, particularly the least developed ones, would continue to need a significant amount of help with issues related to international investment arrangements and capacity building. In general, those countries lacked the technical capacity and expertise to participate effectively in international negotiations on investment treaties and to implement the latter. The Group therefore called on the UNCTAD secretariat to explore ways and means of helping African countries to address this problem. The investment policy reviews and investment guides produced by UNCTAD had been valuable in improving the investment policy environment in those countries. The Group was equally appreciative of UNCTAD's initiatives under the Programme on Good Governance and Investment Promotion; the Programme on Insurance; the new Kenya–UNCTAD–UNDAF project; the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and

Reporting; and training activities organized by WAIPA. On behalf of the Group, the speaker called on UNCTAD to continue assisting African countries with capacity building, and to expand its analysis of the interrelationship between trade and investment.

10. The representative of **Costa Rica**, speaking on behalf of the **Latin American and Caribbean Group (GRULAC)**, said that experience had shown that policies aimed at the creation of a favourable climate for attracting FDI, as well as at the promotion of free competition, had been useful steps to promote job creation, economic growth and modernization of economies. However, they had been insufficient for the expansion and transfer of technology, as well as for the creation of capacities for national innovation. The UNCTAD secretariat was requested to strengthen technical cooperation in this field, in conjunction with the Commission on Science and Technology for Development, in order to support developing countries in the incorporation of science and technology into their development strategy.

11. He stressed the importance of a deeper analysis to establish how regional and South–South cooperation might contribute to maximizing the benefits for development of such investments. The analytical work of UNCTAD and the Commission relied on the quality of information on FDI released by countries, and this still needed to be improved. The UNCTAD secretariat was requested to increase its technical assistance to developing countries in order to support them in improving their FDI information systems.

12. The speaker also expressed concern about the increase in the number of international investment disputes arising from investment agreements, and said that further analysis of this phenomenon and its implications for development was needed. The UNCTAD secretariat was encouraged to play an active role in this field, including in respect of technical cooperation activities.

13. Finally, the speaker stressed the importance of the value added by UNCTAD in its analysis of investment policies. He also emphasized GRULAC's support for the cooperation between UNCTAD and WAIPA.

14. The representative of **Benin**, speaking on behalf of the **least developed countries (LDCs)**, drew attention to the importance of government policies, the macroeconomic environment and the regulatory framework for the attracting FDI. Specific promotion policies were also necessary in both home and host countries, particularly LDCs. These countries had embarked on promotion activities in recent years, as they were aware of FDI's potential role as a catalyst in boosting their supply capacities. In particular, many LDCs had recently established investment promotion agencies and were entering into bilateral, regional and interregional agreements for the protection and promotion of investment. For their part, developed countries should *inter alia* support human and institutional capacity-building activities; improve market access for developing countries' products; organize investment events; offer investment insurance guarantees; and support the transfer of technology and business linkages.

15. The representative of **Luxembourg**, speaking on behalf of the **European Union (EU)**, with the support of **Bulgaria, Croatia, Romania and Turkey**, referred to the role of UNCTAD in disseminating knowledge regarding good practices necessary for establishing an enabling regulatory environment for firms' operation abroad. He stressed that it was the

responsibility of Governments to define good governance norms. The EU emphasized the importance of studying further the policies and regional agreements that could foster South–South investment flows. The involvement of the private sector, as well as the collaboration with WAIPA, was noted with appreciation. In addition, the EU stressed the interest it attached to the peer review approach adopted in the Investment Policy Reviews.

16. The representative of **Cuba** drew attention to the importance of safeguarding national policy space, which could allow developing countries to steer FDI in the direction best suited to meeting their development needs. The commitment of developed countries in this area, the making available of the resources needed to pursue technical assistance and capacity building, and the requisite social responsibility of individual firms were also stressed.

17. The representative of **Thailand** emphasized his delegation's interest in the work related to R&D-based FDI and in the activities related to data collection. He said that Thailand was currently engaged in a number of trade negotiations involving investment issues. UNCTAD support in defining the development aspects of such negotiations was required.

Chapter II

ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

18. The ninth session of the Commission on Investment, Technology and Related Financial Issues was held at the Palais des Nations, Geneva, from 7 to 11 March 2005. In the course of the session, the Commission held ___ plenary meetings and ___ informal meetings. The session was opened on 7 March 2005 by Mr. Andreas Pfaffernoschke (Germany), Vice-Chairperson.

B. Election of officers

(Agenda item 1)

19. At its plenary meeting, on 7 March 2005, the Commission elected its Bureau as follows:

Chairperson:	H.E. Mr. Love Mtesa (Zambia)
Vice-Chairperson:	Mr. Frederik Artur (Norway)
	Mr. Mehdi Fakheri (Islamic Republic of Iran)
	Ms. Crista Gonzalez (Mexico)
	Mr. Ivan Gospodinov (Bulgaria)
	Mr. Andreas Pfaffernoschke (Germany)
Rapporteur:	Mr. Ricardo Cisneros (El Salvador)

C. Adoption of the agenda and organization of work

(Agenda item 2)

20. The representative of **Brazil**, referring to item 5, entitled “Investment Policy Reviews: Exchange of national experiences”, said that his Government greatly appreciated UNCTAD’s work on the Investment Policy Reviews. Brazil was actively involved in that work and found the exchange of views and sharing of experience particularly enriching. As one of the main recipients of foreign direct investment his country was aware of the need for effective investment policies in order to promote economic growth, generate employment, enhance domestic capabilities and expand export capacity. Such policies contributed to improving developing countries’ competitiveness in the global market and sustainable development. In view of the importance that Brazil attached to the activities carried out under the Investment Policy Review Programme, and the interest shown in the Investment Policy Review of Brazil, he requested that its presentation be postponed until the second half of 2005. This would allow further inter-ministerial consultations to be held and thus enhance Brazil’s contribution to the discussions of the Review.

21. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.2/61. Accordingly, the agenda for the ninth session was as follows:

1. Election of officers
2. Adoption of the agenda and organization of work

3. Policy issues related to investment and development
4. Issues related to investment arrangements
5. Investment policy reviews: Exchange of national experiences
6. Reports of the subsidiary bodies of the Commission
7. Implementation of agreed conclusions and recommendations of the Commission, including post-Doha follow-up
8. Provisional agenda for the tenth session of the Commission
9. Other business
10. Adoption of the report of the Commission

D. Other business

(Agenda item 9)

E. Adoption of the report of the Commission

(Agenda item 10)