Permanent Mission of Pakistan to the UN
Geneva

Statement by Pakistan at the 72nd Executive Session of the Trade and Development Board

Geneva, 19 October 2022

Agenda Item 4 – Investment for development: International tax reforms and sustainable investment

Mr. President,

My delegation aligns itself with the statements delivered on behalf of G77 and China.

We commend the work of Investment and Enterprise Division, in particular Mr. James Zhan and his team for producing another useful edition of the World Investment Report 2022 titled "*International tax reforms and sustainable investment*".

We also thank the distinguished panelists for their insightful remarks.

While it is heartening to note that global FDI flows witnessed significant rebound of 64 per cent from the exceptionally low level in 2020, the resurgence of conflict, coupled with climate-related unprecedented natural disasters in climate-vulnerable countries and slow recovery from the adverse impacts of the COVID-19 pandemic are expected to have a negative impact on FDI flows in 2022 and beyond.

Despite the rebound in global FDI, industrial investments, especially in developing countries, remain weak along with insufficient SDG investment in infrastructure, food security, water and sanitation, and health. It is concerning to note that investment in climate change mitigation, especially renewables, is booming but most of it remains in developed countries and adaptation investment continues to lag well behind.

The report also points out to the unequal distribution of increased FDI flows. While 2021 FDI recovery led to growth in all regions, almost three quarters of the global increase was due to the increased FDI flows in developed countries alone, led by mergers and acquisitions and high levels of retained earnings of multinational enterprises (MNEs).

Mr. President

Investment plays a key role in economic recovery strategies in developing countries. Investment assumes an even stronger role amid the multifaceted crises faced more strongly in developing countries.

The expected downward trajectory in future FDI flows and their unequal distribution globally will have serious implications for developing countries as they struggle to navigate the triple crisis of food, energy and finance. Therefore, it is of utmost importance that the investment climate continues to display signs of recovery, particularly in the developing countries and in sectors where it is most needed.

Mr. President

My delegation thanks UNCTAD for its in-depth analysis of the impact of a global minimum tax on FDI. The report rightly points out that the new tax rules will affect how countries have traditionally promoted and often competed for international investment, through low tax rates, fiscal incentives and special economic zones. It is also true that developing countries face constraints in their responses to the reforms due to technical capacity issues as well as due to investment treaty commitments that could hinder effective fiscal policy action.

We encourage UNCTAD to continue to carry out its evidence-based cutting-edge research and analysis on this important issue with a view to help developing countries better understand and respond to the policy implications of the new rules on their respective investment regimes.

Mr. President

Finally, on sustainable finance in capital markets, we take note of positive growth in sustainable finance. However, my delegation also notes the observation that sustainable investment is available mostly for developed countries as it is targeted at assets in developed markets while developing economies are largely bypassed by the sustainable fund market. We would like to see more analysis from UNCTAD on how developing countries can address this gap

I thank you.