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TRADE AND DEVELOPMENT BOARD
Commission on Investment, Technology
and Related Financial Issues
Expert Meeting on Home Country Measures
Geneva, 8 -10 November 2000
Agenda item 3

HOME COUNTRY MEASURES

Outcome of the Expert Meeting

1. The Expert Meeting on Home Country Measures discussed a range of issues for consideration by the Commission on Investment, Technology and Related Financial Issues pursuant to paragraphs 123 and 118 of the Bangkok Plan of Action (TD/386).^{1/} Experts made presentations and exchanged views on national experiences and best practices in six broad categories of major types of existing home country measures used by both developed and developing countries to promote outward foreign direct investment (FDI), including transfer of technology.
2. Experts noted that 90 per cent of all FDI originates in developed countries, but that developing countries are increasingly becoming home countries as well.

^{1/} Paragraph 123: "to study existing home country measures that could be considered in programmes to support efforts of developing countries to attract FDI and benefit from it". Paragraph 118: "identify and disseminate information concerning existing home country measures that encourage transfer of technology in various modes to developing countries, in particular least developed countries".

3. For each of the measures identified, the expert debate focused on (a) stocktaking; (b) rationale; (c) analysis; (d) best practices; and (e) effectiveness and possible improvements. Experts noted that:

- (a) Home country measures (HCMs) are all policy measures taken by the home countries of firms that choose to invest abroad designed to encourage FDI flows to other countries. Their formulation and application may involve both home and host country government and private sector organizations.

HCMs exist at the national, regional and multilateral levels and involve a broad variety of measures, ranging from information provision, technical assistance and capacity-building, to financial, fiscal and insurance measures, investment-related trade measures, and measures related to the transfer of technology. Given this variety, HCMs have to be adaptable and flexible, since “no one size fits all”.

- (b) HCMs are applied for a variety of reasons, including to allow companies to exploit better their competencies and competitive advantages; to further the mutual benefit and cooperation of home and host countries; to further the economic integration of the home country into the world economy; to overcome market access problems; to utilize better domestic exports; to overcome domestic supply-side problems (especially in the area of raw materials, labour and technology); and to strengthen regional cooperation in the promotion of outward investment.
- (c) HCMs can exert influence on the flow of FDI and technology, particularly to and between developing countries, and on the impact these flows have on development. This influence can be increased through tailor-made approaches and regional and country targeting. The effectiveness of HCMs is enhanced by an enabling environment in host countries, especially legal security.

- (d) Best practices in the area of HCMs include:
- (i) providing accurate, up-to-date and high-quality information in the appropriate languages to companies on investment opportunities, especially by modern methods, including the Internet. Experts noted that best practice in this area included the interactive linking of home and host country sources. Failure to provide the right information at the right time can have a negative impact;
 - (ii) instituting regular home–host country exchanges, including through the financing of home country personnel in investment-support and business-facilitation functions in host countries;
 - (iii) promoting creative mechanisms to overcome cultural and linguistic gaps, e.g. undertaking FDI promotion training programmes in home countries, including support service and language training and utilizing chambers of commerce and industry associations;
 - (iv) making effective use of interregional exchange forums on issues related to investment promotion, involving outward FDI institutions and investment promotion agencies;
 - (v) providing financial assistance to the investor, including equity support, particularly for small and medium-sized enterprises (SMEs) and for investment in least developed countries (LDCs);
 - (vi) providing investment insurance coverage, particularly for political and country risk;
 - (vii) agreements on investment promotion and protection, as well as on the avoidance of double taxation;

- (viii) providing “after-care” support services to outward investors, such as bridging loans to foreign affiliates facing unexpected crises in host countries;
- (ix) improving market access, such as Generalized System of Preferences (GSP) schemes, the Africa Growth and Opportunity Act of the United States and the European Commission’s proposals concerning market access for LDCs;
- (x) encouraging technology transfer and supporting host countries’ absorptive capacity.

These best practices ought to be emulated, where appropriate, and applied in a co-operative spirit. International arrangements can, and in some areas already do, provide a framework in some areas.

- (e) Factors that could contribute to increased effectiveness of HCMs include:
 - (i) effective coordination of all aspects of each home country’s efforts, especially for the benefit of their SMEs, so as to increase awareness of investment opportunities, particularly in developing countries;
 - (ii) greater transparency, minimization of bureaucracy and simplification and standardization of application and implementation procedures, so as to maximize HCMs’ utilization. This is especially important in assisting LDCs that lack the capacity to take full advantage of available HCMs;
 - (iii) collaboration, both bilaterally and multilaterally, between home and host country institutions, such as investment promotion agencies and industry associations, including cooperative training;

- (iv) supporting the establishment of industrial infrastructure in host countries, through e.g. the establishment of consortia involving firms from several home countries to invest in major infrastructure projects in developing countries;
- (v) a facilitating role for home country Governments in building capacity in host countries to receive and benefit from investment;
- (vi) ensuring that HCMs and national, regional and international financial assistance programmes (official development assistance) are mutually supportive;
- (vii) effective implementation of international commitments relating to technology and its transfer, including the Agreement on Trade-related Aspects of Intellectual Property Rights (the TRIPS Agreement), by host and home countries.

4. Experts noted that in the light of the above, home countries, including the private sector, should be invited to develop further their efforts to encourage FDI flows particularly to and between developing countries, and especially to the least developed countries.

5. Experts also noted that host countries, including their private sectors, should be invited to take advantage of the opportunities arising from HCMs and should actively seek to develop linkages between their own inward investment promotion efforts and HCMs offered by home countries. In this context, experts noted that the World Association of Investment Promotion Agencies (WAIPA) is an institution that provides for the exchange of information among investment promotion agencies.

6. UNCTAD should provide a signposting service to relevant home country reference sources on outward investment measures, including through the periodically updated *Handbook on Outward Investment Agencies and Institutions*. It should encourage countries contemplating new or updated HCMs to draw on this information, so as to help increase their effectiveness. In

the context of its assistance in improving the enabling environment, UNCTAD should help developing countries in particular in their efforts to make effective use of all HCMs.

7. Experts requested the secretariat to expand the compendium of relevant provisions in agreements pertaining to the transfer of technology to cover also regional and bilateral agreements. In addition, experts identified some issues that could be considered for further intergovernmental deliberation. In particular, research would be desirable into what measures Governments had taken to implement the provisions of international agreements on transfer of technology.

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