Distr.
RESTRICTED

TD/B/COM.2/CRP.3
8 January 2002

ENGLISH AND
SPANISH ONLY

TRADE AND DEVELOPMENT BOARD
Commission on Investment, Technology and Related
Financial Issues
Sixth session
Geneva, 21-25 January 2002

COMMENTS MADE BY MEMBER STATES[*] ON THE OUTCOME OF THE EXPERT MEETING ON THE IMPACT OF FDI POLICIES ON INDUSTRIALIZATION, LOCAL ENTREPRENEURSHIP AND THE DEVELOPMENT OF SUPPLY CAPACITY, GENEVA, 5-7 NOVEMBER 2001

[*] The texts of the comments are reproduced in the form and language in which they were received (with minor editorial changes). The comments were received after the publication of the note prepared by the secretariat (TD/B/COM.2/38) entitled "Impact of international investment flows on development: The impact of FDI policies on industrialization, local entrepreneurship and the development of supply capacity of developing countries, in particular the least developed countries".

COLOMBIA

La presente comunicación tiene por objeto realizar comentarios a los resultados de la Reunión de Expertos sobre las repercusiones de las políticas en materia de inversión extranjera directa en la industrialización llevada a cabo del 5 al 7 de noviembre de 2001.

Además del consenso existente sobre los beneficios de la Inversión Extranjera Directa IED, en el documento se encuentran dos aspectos de gran relevancia para los países en transición como Colombia, y a los cuales quisiera referirme en esta comunicación.

Se trata en primer lugar de la necesidad de que los Gobiernos creen las condiciones apropiadas para que los beneficios potenciales de las IED se hagan realidad; y en segundo lugar, de la necesidad de examinar la posibilidad de implementar un programa de vinculación de la IED con las políticas y empresas de los países receptores de esos flujos de inversión.

Así mismo, el documento establece unas recomendaciones para los Gobiernos de los países desarrollados, las instituciones internacionales en general y la UNCTAD en particular.

Respecto a estos aspectos, es importante mencionar que compartimos plenamente que sólo mediante una adecuada vinculación entre el IED y todos los agentes e instancias de los países receptores de la inversión, se puede hacer más efectiva la transferencia de tecnología, la mejora en el conocimiento de los mercados internacionales, la creación de empleo en los países receptores de la inversión, y la mejoría en la generación de producto. Sin embargo, es necesario tener en cuenta que la implementación de este tipo de políticas requiere de asistencia técnica y recursos.

Por tal motivo, y tal como queda claro en el documento, las instituciones internacionales podrían destinar fondos para ayudar a los países receptores en el diseño e implementación de políticas que mejoren la vinculación de la IED al desarrollo.

En particular para el caso de la UNCTAD, es conveniente que emprenda el análisis de las políticas y casos exitosos, asuma su divulgación y establezca un mecanismo para que las recomendaciones puedan ser implementadas en otros países con su asistencia técnica y financiera.

Consideramos que el documento Resumen de la Reunión de Expertos constituye un avance en la identificación de la problemática. Sin embargo, es un documento general que salvo en las recomendaciones para la UNCTAD, no identifica medidas concretas que nos permitan sugerir medidas de seguimiento ni un programa de trabajo.

Espero que estos comentarios sean de utilidad para la Comisión de la Inversión, la Tecnología y las Cuestiones Financieras Conexas. Para cualquier inquietud particular, no dude en contactarnos.

INDIA

The Expert Meeting correctly stressed the need for a well-defined FDI policy framework and the importance of political stability and a favourable environment for attracting foreign investment. The idea of a targeted FDI promotion approach focusing on sectors and industries of interest, along with a country focus, appears to be in order. The idea of clusters, public-private partnerships, alliances and after-care for investors should rightly form an essential part of government policy framework to promote linkages.

However, it is not clear if the recommendation of the Expert Group is that Governments in the developing countries may confine themselves to promotion of investment and to making the environment convenient for investors and expect linkages to materialize. On the other hand, there is also the view that Governments in developing countries should play a proactive role and use their discretion to influence the flow of investment into their respective territories and also to influence maximization of linkages. In this regard, it may be noted that while the recommendations by the Expert Group recognize the role of incentives, including tax incentives, there is no mention of performance requirements (PRs), which also could have an important role to play in the achievement of certain development policy objectives of host countries. It is not clear if, without any mandatory requirements by developing country Governments in the form of performance requirements for example, linkages could be established to the desired extent and in the desirable lines of activities that aid the development of process of developing countries. Detailed and in-depth studies may need to be undertaken to analyse the role that PRs played in the process of development of the present-day developed countries and the so-called newly industrialized countries (NICs), when they were at similar stages of development. It may, therefore, be useful and important to analyse the impact of PRs on promotion of backward and forward linkages and UNCTAD could consider coming out with a comprehensive compilation of results of research available in this regard, based on in-depth empirical studies. In fact, at present UNCTAD is involved in a joint study with WTO on PRs in the context of the review of the TRIMS Agreement. The theme of the Expert Meeting was “Impact of FDI policies on industrialization, local entrepreneurship and development of local supply capacity”, and the recommendations may seem to border on the theoretical and conceptual, in the absence of adequate substantiation, aided by empirical evidence.

An important point that was brought out in the background note by the UNCTAD secretariat related to the low level of linkages to the host economy in respect of investment in new economy sectors and in respect of units in Export Processing Zones, on which many developing countries depended for export growth in the last two decades or so. It is important to consider how such linkages could be developed.

JORDAN

- Are we trying to attract FDI through the creation of backward linkages? Thus, preparing development of the critical mass of suppliers to cater for the needs of manufacturers?

- Are we trying to attract FDI depending on a local advantage in natural resources, human power, etc.? Then, creating linkages between those foreign companies and local suppliers, thus enabling the foreign companies to become more cost-effective, which will also help local suppliers?

- What about creating linkages not only between local and foreign manufacturers but also upgrading the level of local service providers such as IT service providers for example?

- Page 2, paragraph 4: In a lot of developing countries enhancing and amending existing laws and regulations could be easier than presenting new laws. This gradual procedure will decrease the resistance to change and will serve as a tool for motivating creativity. Note that introducing new laws is important in many cases.

- Page 2, paragraph 5: A targeted FDI promotion approach would imply:
  Taking appropriate steps to fight corruption and support transparency;
  Encouraging joint ventures between local and foreign companies.

- Page 3, paragraph 8: Promoting success stories could also serve as an effective method to promote FDI.

- Page 4, paragraph 12: We believe that the private sector should also participate in creating the vision.

- Page 4, paragraph 15: Add at the end: “and the local workforce”.

- Page 5, B, section “international community”: Add the following:
  25. “Assist developing countries in setting up monitoring agencies responsible for quality control”.