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Report of the Commission on Investment, Technology and Related Financial Issues on its third session

held at the Palais des Nations, Geneva,
from 14 to 18 September 1998

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Annexes

INTRODUCTION

1. The third session of the Commission on Investment, Technology and Related Financial Issues was held at the Palais des Nations, Geneva, from 14 to 18 September 1998. In the course of the session, the Commission held four meetings (16th to 19th meetings) and a number of informal meetings.

2. Also in the course of the session, a panel discussion was held on "Why do TNCs invest where they invest?".

Chapter I

AGREED CONCLUSIONS OF THE COMMISSION AT ITS THIRD SESSION

(Agenda items 3 and 4)

Item 3: Recent developments in foreign direct investment trends and policies

3. The Commission recognizes that investment policy today is a fundamental element of national development strategies, and also recognizes the role that FDI plays in integrating countries into the world economy. Against this background, the Commission stresses the importance of technical assistance in national capacity-building for the design and implementation of such policies, as well as an exchange of experiences and policy reviews in this regard. The Commission also recognizes that nearly all countries are pursuing policies to attract FDI. Efforts should be made to help build capacities and create mechanisms in developing countries and especially LDCs so that they can effectively realize their investment potentials, including through negotiating and promotion techniques.

4. The Commission recognizes that many countries in Africa have made considerable efforts to attract FDI through improvements in their investment climate. The Commission underlines that there is potential on the African continent to attract additional FDI and that consistent policies in this respect help, as would a change in the undifferentiated negative image of the continent. In this respect, the Commission requests that the fact sheet prepared by the secretariat, entitled "Foreign direct investment in Africa: performance and potential", be updated and be made widely available, including by posting it on the Internet and translating it into other languages. The Commission calls on the international community to assist African countries in their efforts to create a sound investment climate, including through continued technical assistance activities in this area and other appropriate measures.

5. The Commission notes the resilience of FDI flows to Asia so far, in spite of the financial instability in this region, in which the volatility of short-term capital flows played a role. The Commission also notes the increase in FDI flows during 1997 into Latin American and the Caribbean countries. At the same time, the Commission notes that financial instability creates greater uncertainty in the investment environment. Therefore, it requests UNCTAD to continue to pay regard to the impact of financial instability on FDI flows, including the factors affecting these flows. It also requests UNCTAD to prepare and disseminate fact sheets on FDI in Asian developing countries, as well as Latin American and the Caribbean countries.

6. The Commission reaffirms the important role of FDI, recognizing the complex interrelationship between various types of capital flows, especially between foreign portfolio flows and FDI flows, and requests that further study be made of their characteristics, similarities, complementarities and differences, as well as of the development impact and policy implications arising therefrom. The results should be made available in a comprehensive study covering all regions. In this context, it is important that UNCTAD cooperate with international banking and financial institutions and other appropriate organizations so as to benefit from greater synergy effects.

7. The Commission recognizes the need for stable and well-supervised financial markets and institutions and financial transparency, including appropriate reporting and accounting rules, in the context of broader appropriate macroeconomic policies to attract stable investment flows into developing countries, and particularly into development-priority areas. An effective mobilization of domestic savings can play an important role in reducing the vulnerability to external movements of capital. In this connection, the

Commission invites UNCTAD to continue its technical assistance activities geared towards capacity-building in developing countries in policies related to the area of private capital flows.

8. The Commission examined the Report of the Expert Meeting on the Growth of Domestic Capital Markets, particularly in Developing Countries, and its Relationship with Foreign Portfolio Investments, and accepted those of its recommendations such as contained in these agreed conclusions.

9. The Commission further requests that the materials, documents and summaries of publications prepared by the secretariat, including materials prepared for the Commission and its Expert Meetings, be made available on the Internet in a timely and effective manner, in accordance with existing rules and regulations.

10. UNCTAD's technical assistance activities in this area should be undertaken within existing resources and in accordance with the agreed plans on technical assistance. At the same time, UNCTAD invites potential donor countries to provide contributions in order to further strengthen these activities.

Item 4: Examining and reviewing existing agreements on investment to identify their implications for development, as called for in paragraph 89(b) of "A Partnership for Growth and Development"

11. The Commission recognizes the importance of the issues related to FDI and development, in particular those related to international investment agreements at all levels, and the need to pay attention to how these agreements can help to increase the FDI flows and further the objective of development.

12. The Commission stresses the complexity of the issues involved in international investment agreements, in particular as they relate to promotion of investment, economic growth and the development dimension.

13. In this context, the Commission takes note of the Report of the Expert Meeting on Existing Regional and Multilateral Investment Agreements and their Development Dimensions, commends the work being carried out by the secretariat in identifying and analysing implications for development of issues relevant to a possible multilateral framework on investment, taking into account the interests of developing countries and bearing in mind the work undertaken by other organizations, in pursuance of the Midrand mandate, and expresses its gratitude for the voluntary contributions made by countries to the trust fund on a possible MFI, which have made the implementation of this work programme possible.

14. The Commission further recognizes that UNCTAD can contribute to a better understanding of the development implications of international investment agreements and that this task requires further analytical and capacity-building work. In this context, the Commission looks forward to, among other things, the series of issues papers being prepared by the secretariat in the framework of its programme on a possible multilateral investment framework.

Action by the Commission

15. At its 19th (closing) plenary meeting, on 18 September 1998, the Commission adopted its draft agreed conclusions on agenda items 3 and 4.

Chapter II

OPENING STATEMENTS

16. The **Deputy Secretary-General of UNCTAD**, on behalf of the Secretary-General, welcomed all participants in the third session of the Commission. He noted that despite global economic and financial turmoil in several regions in the world, foreign direct investment (FDI) had continued to grow in 1997 and early 1998, surpassing the growth of other aggregates such as GDP, exports and domestic investment. He added that recent trends confirmed that FDI was not only one of the driving forces of globalization, but also a factor of relative stability with regard to foreign capital flows. However, concerns about potential loss of national control over domestic enterprises, resulting from the increasing number of mergers and acquisitions, should be taken seriously. The liberalization of FDI laws, as well as bilateral investment treaties and double-taxation treaties, had all contributed to the strong growth of FDI. Referring to international investment agreements in place or those still under discussion, such as the Multilateral Agreement on Investment, he stressed that issues related to them had become prominent on the international agenda. In that connection, he said that UNCTAD's goal was to help put developing countries in the best possible position to participate in international discussions and negotiations on FDI. More specifically, UNCTAD was exploring a broad range of issues related to FDI; deepening the understanding of how international investment agreements affected a host country's economy; identifying development-related issues of interest to host countries; and helping build consensus by offering a forum for intergovernmental discussions on FDI, but only in order to facilitate the decision-making process and not to substitute for it. In conclusion, he said that the principal outcome of the Commission's work could be to achieve further insights into the development dimensions of international investment agreements, in preparation for UNCTAD X.

17. The **Chairperson** expressed his satisfaction with the quantity and quality of work undertaken between the second and third sessions of the Commission. He said that the Commission should devote special attention to the recommendations of its Expert Meetings. There was much to be discussed with respect to the instruments to be used by countries to get the most out of FDI. In that connection, he found the conclusions of the Expert Meeting on foreign portfolio and direct investment on how to maximize the benefits of all types of investment flows particularly interesting. He called for a wider presence of experts from developing countries at those meetings. Furthermore, he emphasized the importance of various activities undertaken by the secretariat in the area of investment, including the science and technology policy reviews, the investment policy reviews, work on the interrelationship between competition and investment, work on issues related to a possible multilateral framework on investment, and assistance to least developed countries. In conclusion, on behalf of the Commission, he thanked the European Commission for covering the travel expenses of two LDC participants in the session.

18. The **Director of the Division on Investment, Technology and Enterprise Development** briefly described the programme and the documentation of the third session of the Commission, which would focus on two main issues: first, experiences in attracting FDI and improving locational advantages; and second, the interrelationship between portfolio and FDI flows, capital movements volatility and policy implications. She went on to give a brief summary of the wide range of activities undertaken by the UNCTAD secretariat in the area of investment. In this respect, she underlined the complementary and integrated nature of research, policy analysis and technical assistance. It was this integrated approach that had facilitated the effective implementation of the Commission's recommendations and contributed to the quality of both research and technical assistance through feedback between the two. In implementing the

Commission's recommendations, the secretariat had been particularly active in the areas of international discussions related to a possible multilateral framework on investment, international accounting, competition policies, international capital flows, and issues related to the role of science and technology in development. The technical assistance activities undertaken in these areas had benefited more than 50 countries, including over 20 least developed countries. In this connection, the speaker expressed her gratitude to the increasing number of donors, whose contributions had been critical to the successful implementation of these activities.

19. The spokesperson for the **Latin American and Caribbean Group** (Uruguay) emphasized the timeliness and importance of the third session of the Commission. He said that UNCTAD, because of its universal and development-oriented nature, was a relevant forum to look at the reasons for and effects of current financial crises, and the lessons to be learned from them. The Latin American and Caribbean Group considered that UNCTAD and its Commission on Investment, Technology and Related Financial Issues had major competencies and responsibilities in this respect. For example, development finance needed to be re-evaluated and given more attention in UNCTAD's activities. UNCTAD's technical capacity to analyse global financial management needed to be further strengthened. He called on the UNCTAD secretariat to continue its analytical work on issues such as a possible multilateral framework on investment and portfolio investment. Referring more specifically to portfolio investment, he expressed concern about the volatility of this source of finance for development. Hence, the Latin American and Caribbean Group was of the opinion that the secretariat should continue examination of measures which would help developing countries formulate policies aimed at attracting stable FDI flows. This activity should involve a better follow-up of the implementation of these policies. As to the question of a possible framework for investment, he recalled that there seemed to be consensus on the need to analyse the implications for development of such a framework. His Group considered that foreign direct investment was an essential component of their development strategies, and noted with satisfaction that in 1997 Latin America had become the foremost destination of inward foreign direct investment in the developing world. He noted in that respect the role played by intraregional investment, as well as by medium-size enterprises.

20. Referring to the present financial crisis, he hoped that the current session of the Commission would be in a position to examine the impact of this crisis on development strategies. In conclusion, he underlined the challenge of how to orient FDI towards those activities that were the most relevant for national development strategies. He considered that UNCTAD was best placed to address this issue.

21. The representative of **Austria**, speaking on behalf of the **European Union**, said that international capital flows and foreign direct investment could play an increasingly important role in world economic growth. He noted that current developments in Asia and the Russian Federation illustrated the importance of UNCTAD's work in adding to a favourable and stable investment climate, and expressed his appreciation for the work of the Commission. While many countries had been successful in attracting FDI, some had been less fortunate, especially the LDCs. In that respect, it was important to create a favourable investment climate through international instruments encouraging investment, especially by small and medium-sized enterprises. Among obstacles to investment flows to LDCs, he pointed to problems in the political, economic and institutional environment and uncertainties with respect to investment policies in host countries. He stressed that enhancing the investment attractiveness of LDCs was a challenging task, but said that UNCTAD could help in a number of ways. While FDI was determined primarily by the fundamental macroeconomic factors prevailing in the host country, developing countries would certainly benefit overall from more open and predictable international rules on investment. He expressed the EU's belief that the development dimensions of investment should be adequately reflected in any consideration of trade and development. As regards discussions on major

investment issues, he believed that the involvement of selected non-governmental actors with appropriate expertise could enhance their quality.

22. He went on to emphasize the importance the EU attached to close cooperation between the WTO and UNCTAD on issues related to trade and investment, and to the fact that the work on these issues in UNCTAD and the WTO, or in any other international organizations, should be mutually reinforcing and complementary. He said that the *World Investment Report* was a very helpful source of reference for FDI research worldwide, although it would be more beneficial if it could be issued earlier in the year. He added that UNCTAD provided the ideal forum for in-depth discussions on investment-related questions and that this should not be underestimated, since such discussions might advance negotiations in other forums. He commended UNCTAD's educative efforts aimed at assisting LDCs through training, e.g. by organizing regional symposia such as those on international investment arrangements and their implications for developing countries. He added that the EU attached importance to the development of sound competition legislation and policy in all countries and welcomed the holding of the seminars and courses organized by the secretariat on these topics. Finally, he said that the EU also welcomed the "Partners for Development" summit to be held in Lyon in November 1998, and particularly the segment on investment.

23. The spokesperson for the **African Group** (Mauritius) praised the implementation of the UNCTAD mandate related to the analysis of trends and policies, FDI databases, issues related to a possible multilateral investment framework, qualitative aspects of TNCs' activities and technology-related issues. He then referred to other activities, which were practically member-driven, such as those undertaken in the context of the interregional project on the "Expansion of foreign direct investment and trade in services" (EFDITS), case studies for the interregional project on "Transnational corporations and industrial restructuring in developing countries", specific projects on innovation and technology issues and a project on "Investment guides for LDCs", which was expected to be a tool for promoting a policy dialogue between governments and the private sector, and would include a capacity-building component to assist developing countries in enhancing their attractiveness to foreign investors. He also mentioned two reports on, respectively, "Foreign direct investment in ACP countries" and "Asian foreign direct investment in Africa", which suggested *inter alia* measures to enhance investment in Africa. In view of the poor results achieved since the completion of the reports, he strongly recommended follow-up mechanisms. He expressed disappointment with the level of FDI flows to Africa and attributed this to the unduly wrong perceptions and unfortunate misconceptions about the region. He stressed that much still remained to be done, and that while it was true that UNCTAD's achievements were commendable as regards analyses, diagnoses, predictions and so forth, it was time for the organization to help provide practical solutions and tangible results. He stressed the call by countries for mechanisms in UNCTAD that would effectively translate theory into practice.

24. In view of the recent economic and financial crisis, a number of concepts and fundamental issues that had become the paraphernalia of globalization had now been called into question. Referring to the efforts made by African countries, he said that they had been trying hard to provide an enabling climate for investment - they had, for example, entered into investment agreements and joined the WTO - and it was difficult to do much more. He added that the creation of a still more favourable climate for hosting FDI could not be the responsibility of Africa alone. In that respect, there was still a crucial need for development assistance (as the President of the United States had acknowledged during his recent African tour) since the current levels of FDI and trade were not sufficient to meet the essential needs of African nations. He referred to the debt burden of a number of African countries, which was also a deterrent to foreign investment. There was, he said, a role for FDI to play in Africa, and there were indeed opportunities on that continent. He praised UNCTAD for its role in propounding the concept of "investment preference" in the case of small island and landlocked economies. He added that this new dimension should be

strengthened by the follow-up mechanism yet to be determined. Finally, he called upon UNCTAD to assist African countries in building domestic capacity through assistance particularly in investment negotiations and promotion.

25. The spokesperson for the **Asian Group and China** (India) noted that the East Asian crisis affected growth prospects in developing and developed countries, albeit to varying degrees. This crisis raised questions about the optimistic assumption that globalization would actually generate convergence between the rich and the poor. He recognized that most of the damage had been caused by short-term flows, such as bank lending and portfolio investment. In contrast, FDI remained resilient, and new flows continued to add to capacities built up before the crisis. He noted that, for more than a decade, Asia had been a front runner among developing countries in attracting foreign direct investment. The Asian Group and China were particularly interested in the analysis of how the crisis would affect foreign direct investment inflows into Asia in the short, medium and long run. Some Asian economies, he noted, were also home countries of large transnational corporations making major investments in the region, particularly in least developed countries, which raised the question of the impact of the crisis on FDI outflows as well. The Asian Group and China found the fact sheet on Africa prepared by the UNCTAD secretariat very useful. They asked the secretariat to prepare a similar fact sheet on FDI in developing countries in South, South-East, East and Central Asia. The Asian Group and China also called upon the secretariat to continue its analysis of the impact of the crisis on FDI. The speaker believed that the crisis further highlighted the need for country-specific responses. He added that policy response to the crisis had to keep in mind the basic difference between direct and portfolio investment. Based on a better understanding of investor behaviour, it should aim at adopting the best measures to deal with volatility. This country-specific approach should be complemented by international action dealing with the global consequences of the crisis.

26. The representative of the **United States of America** commended the activities report presented by the Division on Investment, Technology and Enterprise Development and hoped that other divisions would follow this model and that the information would be incorporated in UNCTAD’s first annual report. She expressed strong support for UNCTAD’s work on investment policy reviews. Referring to the Mid-term Review outcome, which specified that UNCTAD’s work on a possible multilateral framework on investment should be primarily analytical and examine development-friendly issues, she requested information on the progress made in the preparation of the issues papers on a possible multilateral framework on investment to be provided to the Commission. Finally, she suggested that the topics of the Expert Meetings over the past three years be reviewed (on the basis of a list of those meetings to be prepared by the secretariat) in order to derive topics from the Midrand Declaration not yet adequately covered by previous Expert Meetings, such as promoting investment among developing countries.

27. The representative of **Japan** looked forward to the third session of the Commission on Investment, Technology and Related Financial Issues focusing particularly on issues related to a possible multilateral framework on investment. He considered that the current patchwork of bilateral investment treaties did not facilitate foreign investment. In his opinion, a multilateral framework on investment would constitute a stable, predictable and transparent basis for continued investment flows, particularly those directed to developing countries. He called on the UNCTAD secretariat to continue working on the interrelated issues of trade and investment, competition and development.

28. The representative of **Morocco** agreed with the spokesperson for the African Group that despite major macroeconomic reforms in a growing number of African developing countries and changes in their legal and regulatory framework with respect to investment, Africa’s share in global foreign direct investment flows was well below its needs and potentials. He considered that the bad and undifferentiated image of Africa, inherited from the past, was a major cause of

this disappointing performance. Such a misconception hindered the true growth potential of African countries. In this context, he welcomed the fact sheet on foreign direct investment in Africa prepared by the UNCTAD secretariat, which contributed to the effort to rectify this image and highlight success cases in Africa. He found this document balanced and objective. He suggested that it be distributed widely in a more attractive format/presentation, including to investors and other private sector actors. He supported the request of the Asian Group and China for a similar fact sheet on foreign direct investment in developing countries in Asia, and considered it appropriate to prepare fact sheets on all developing regions in the future.

29. The representative of **Poland** said that foreign direct investment had a vital contribution to make to the transformation of the economic system, adaptation to international market competition and Poland’s increasing readiness to join the European Union. He highlighted a wide range of advantages the Polish economy derived from the growing investment of foreign capital. He noted that the bulk of foreign direct investment had taken place in the manufacturing of final products, and in the most developed regions of Poland. In Poland, as in other countries, the ability to absorb foreign direct investment and new technologies was limited mainly by the quantity and quality of human capital. He described in detail all the major steps the Government of Poland had taken to improve the legal environment surrounding foreign direct investment. He also gave a detailed account of the flows, which had made Poland the main recipient of foreign direct investment in Central and Eastern Europe. He said that it was necessary to support foreign investors and encourage them to establish businesses in Poland, as well as to influence the sectoral and locational structure of foreign direct investment. Crucial for improving the investment climate in Poland were the liberalization of regulations, the modernization of local economic infrastructure, the easing of the tax burden, price and exchange rate stability, and further measures to increase security of investment.

Chapter III

RECENT DEVELOPMENTS IN FOREIGN DIRECT INVESTMENT TRENDS AND POLICIES

(Agenda item 3)

30. For its consideration of this item, the Commission had before it the following documentation:

"Report of the Expert Meeting on the Growth of Domestic Capital Markets, Particularly in Developing Countries, and its Relationship with Foreign Portfolio Investment" (TD/B/COM.2/12-TD/B/COM.2/EM.4/3);

"Background note on recent development in foreign investment trends and work undertaken in this area" (TD/B/COM.2/CRP.1);

"The growth of domestic capital markets, particularly in developing countries, and its relationship with foreign portfolio investment" (TD/B/COM.2/EM.4/2) (background document);

The World Investment Report 1997 (chapter III) (UNCTAD/ITE/IIT/5) (background document);

"Foreign portfolio investment: Implication for the growth of emerging markets" (UNCTAD/GDS/GFSB/4) (background document).

31. The **Chief of the International Investment, Transnationals and Technology Flows Branch of the Division on Investment, Technology and Enterprise Development** said that for the seventh consecutive year global FDI had been increasing. The main reason for this persistent trend had been strong competitive pressure on the TNCs combined with good economic performance by many host countries. This trend had not been, on balance, significantly influenced by economic difficulties in some regions, at least not so far. He stressed that the increase in FDI over the past year had been experienced by all major groups of countries, i.e. developed countries, developing countries and economies in transition. In that process, developing countries continued to increase their share of FDI stock and flows. All developing regions had actually experienced increased FDI flows, except for Africa, where FDI had stabilized at around its 1996 level. Even so, there were signs of positive developments in Africa, as demonstrated in the background note prepared by the UNCTAD secretariat on "Foreign direct investment in Africa: Performance and potential". This note indicated that while the traditional locations such as North Africa and natural-resource-rich countries were still the most prominent, the dynamism in attracting FDI had spread to a growing number of countries in sub-Saharan Africa. In that respect, he noted that there were some misconceptions about investing in Africa and said that investment opportunities should be evaluated on the basis of the merits of individual countries and/or their industries. He also referred to the report prepared for the forthcoming session of the Trade and Development Board on "The financial crisis in Asia and foreign direct investment: An assessment". On the basis of the analysis in that report, he concluded that while FDI flows to the five most affected countries in the region (and even to the region as a whole) might decline somewhat in 1998, prospects beyond that time depended very much on the extent to which the financial crisis spilt over into the real sector. He added that given that the basic FDI determinants - regulatory frameworks, business facilitation and economic determinants - remained attractive in the crisis-affected countries, there was room for cautious optimism with respect to FDI inflows in the short to medium term. In the longer term, FDI prospects for the affected countries - and for the region as a whole - remained positive.

Summary of the informal discussions under agenda item 3[1/]

A. Foreign direct investment and improving locational determinants of investment flows

32. The discussions on agenda item 3 began with a discussion on why transnational corporations invest where they invest, which was launched by introductory presentations by a panel of invited experts offering the points of view of the investor community as well as those of developing countries.

33. It was stated during the panel presentations that TNCs, and more particularly those producing for local markets, were usually operating in host countries with a long-term perspective. It was in their long-term interest to create local value. This took place in four main areas: local labour force training; technology transfer to both local affiliates and local suppliers; local rooting of the foreign firm's brands; and establishment of a local distribution network. These priority areas, in turn, defined the factors that firms were looking at when deciding on an investment location. Besides the existence of a local market, high on the list of factors conducive to investment decision were the possibility for investors to freely acquire all sorts of assets, the quality of intellectual property (and other intangible assets) protection, and the free transfer of proceeds and profits. Equally important for the stability of long-term investment were the effectiveness of government and the coherence and implementation of government measures. It was also stated that, from a private sector perspective, the adoption of a global framework on investment would strengthen the stability that investors were looking for and would thus further enable worldwide investment activities.

34. It was stated during one of the presentations that, with respect to the decision to invest, it was important to differentiate between primary and secondary reasons. Primary reasons for investment included cost-effectiveness, market access or access to natural resources. Besides these dominant motives, secondary factors such as proximity to an industry cluster, competition, access to skills, and availability of physical and economic infrastructures played an additional role. On this basis, each country had to assess its own strengths and weaknesses. In that respect, investment promotion agencies had an important role to play, not only through promotional activities, but also by helping in the development of appropriate tax and non-tax incentives, and through the provision of services facilitating investors' establishment and activities.

[1/] Prepared by the UNCTAD secretariat.

35. Issues related to the legal framework were also considered in the discussion/presentation on why TNCs invest where they invest. It was stated in that respect that, in order to be conducive to foreign investment, the legal framework should be stable, transparent, with clearly spelt out laws, and equitable. Expropriation, if any, should be specified for a minimum number of cases and combined with the right to fair, adequate and timely compensation. Particular attention should be paid to issues such as dispute settlement mechanisms and profit repatriation guarantee. At the same time, it was stressed that one should avoid trying to solve all investment-related problems through investment legislation, and that although an appropriate legal framework on investment was very important, there were other crucial factors involved in creating an FDI-favourable environment.

36. The open discussion that followed dealt *inter alia* with some of the main determinants of foreign direct investment and the role of investment promotion in changing investors' perceptions. It was generally agreed that, for FDI to take place, basic conditions had to be met by host countries. In that respect, a number of speakers stressed that investors looked first for political and social stability and economic performance.

37. Some participants were of the opinion that investment liberalization was another cornerstone of an environment conducive to foreign direct investment. Others, however, argued that investment deregulation had to be tempered by policies which considered the interest of other stakeholders such as the host government or local business community. Some delegates believed that total liberalization would be in contradiction with the aim of directing foreign direct investment into priority industries and locations.

38. The point was also made that a conducive environment would not automatically lead to increasing foreign direct investment inflows unless host countries carried out vigorous promotional campaigns. These campaigns should focus on building a positive international image for the host country and on differentiating it from others. The need for differentiation seemed to be particularly relevant for successful African countries, which were held back by a widespread negative perception about Africa as a whole. A promotional campaign was particularly successful if a host country had very clear ideas about the type of investment it wished to promote and followed strategies aimed at creating the assets required to attract that specific type of investment. Job creation and technology transfer should not be overlooked when selecting targeted sectors and activities. The issue of the host countries' capacity to orient FDI to specific sectors in accordance with their development strategies was also mentioned. Furthermore, it was stated that host countries should be warned against trying to attract investments in activities where they did not yet have the capacity to absorb the technology required for such investments.

39. There seemed to be agreement that good coordination and communication between the investment promotion agencies and other government bodies were essential for successful investment promotion. But some delegates were of the opinion that in many developing countries, promotional activities were doomed to fail because of the lack of adequate resources. Others, while admitting that promotional activities, if carried out properly, might prove to be costly, thought that there was always a way to find funding and sponsors for these activities. Among the potential sponsors of and collaborators in promotional activities, participants mentioned those firms, including in particular foreign banks, already operating in the host country. Participants generally believed that the international business community tended to value highly a message delivered directly by a foreign investor or a foreign bank. International organizations, including UNCTAD itself, could also help in various ways.

40. While it was recognized that the prime responsibility for investment attractiveness lay with host countries, the question was raised as to what home countries, as well as international organizations, could do to promote FDI in developing countries, especially LDCs. In that respect, some speakers said that

while many developing countries were doing their best to create a good environment, there was only so much that could be done. Particular reference was made to the external debt burden of some countries, which was a strong deterrent to foreign capital flows. A number of African countries in particular needed the assistance of the international community to deal with that problem. It was also stated that for a number of developing countries there was still a crucial need for continued ODA flows since the current levels of trade and foreign investment could not provide for their essential needs, including basic infrastructure.

41. Some delegates noted that valid international comparisons were hampered by the great diversity of statistical methods applied in quantifying foreign direct investment inflows. While it was felt legitimate that each country should design its methodology according to its specific needs, it was suggested that, in a parallel exercise, data be collected using an internationally accepted standard. Some delegates expressed the view that the UNCTAD secretariat could play a role in working out the details of an international methodology.

Portfolio investment

42. The representative of UNCTAD introduced this topic and said that since the adoption of the conclusions of the Expert Meeting on the Growth of Domestic Capital Markets, particularly in Developing Countries, and its Relationship with Foreign Portfolio Investment, the financial crisis which had originated in East Asia and which had formed the background to the discussions at the Expert Meeting had spread rapidly to other regions. Some governments had imposed controls on short-term capital flows, and others had intervened strongly in the stock market in an attempt to check speculative attacks on their currencies. Given this great uncertainty in the world economy, the work of the Expert Meeting had been of some interest, since it provided some policy lessons for emerging market countries to cope with volatile capital flows.

43. The Chairperson of the Expert Meeting introduced its report and highlighted the major conclusions reached. It was recognized that portfolio investment was an important source of finance for developing countries and countries in transition, as well as industrialized countries. However, inasmuch as it brought benefits by broadening the pool of finance and reducing the cost of capital, it also carried risks resulting from volatility, speculative motives and herd behaviour. The distinction between FDI and foreign portfolio investment (FPI) could sometimes be blurred, especially in a sophisticated financial system which allowed more liquid forms of financing FDI. Measures to cope with the volatility of portfolio investment were suggested in the agreed conclusions of the Expert Meeting, as well as in the Chairperson's summary of discussions, including regional cooperation, use of closed-end funds and depository receipts, strong mobilization of domestic savings, establishing a genuine dialogue with fund managers, reserve requirements on short-term investment flows, a minimum period holding of portfolio investment, and an appropriate level of real exchange rates. But first and foremost a strong and healthy domestic financial system was an important factor for securing financial stability. Furthermore, a prudent and well-sequenced financial liberalization process adapted to the specific circumstances of each country was preferable.

44. The keynote speaker on this topic emphasized that the challenge resulting from the liberalization of capital flows was to create conditions to attract stable investment flows and to neutralize the negative impact resulting from the volatility of capital. In this respect, there were three important areas of work in which UNCTAD could make a useful contribution. First, more analysis would need to be undertaken on the role of different types of portfolio investment in the financing of development and on the measures to cope with the volatility. Second, there needed to be a dissemination and an exchange of experiences among countries on the best supervisory framework for the financial sector, on best practices for restructuring this sector in times of crisis and on bankruptcy laws, etc., with a view to providing more stability in this sector. Third, monetary stability should be achieved at the national and regional level.

45. While there was a general endorsement of the conclusions of the Expert Meeting, discussion centred on the difficulty in controlling the volatility of capital flows. Some countries had adopted market-based measures, while others had taken more interventionist measures. However, it was noted that success stories were scarce and that, at the international level, no measure was applicable for coping with the volatility of capital flows. Since developing countries needed more stable flows directed to productive sectors, efforts should be made to achieve more stability in investment flows through international cooperation.

46. On the question of the interrelationship between FDI and FPI, the representative of the UNCTAD secretariat suggested four criteria for a comparative analysis of these two types of investment. First, with respect to the contribution to development, FDI generally brought technology, management skills and access to markets, while FPI broadened the pool of finance available to domestic companies of host countries and reduced the cost of capital. Second, the time horizon could be different: foreign direct investors were believed to make a longer-term commitment in the enterprises they established in recipient countries, while portfolio investors had a shorter time horizon, although some forms of portfolio investment could be long-term. Third, the motivation for investment by portfolio investors was their participation in the earnings of local enterprises through capital gains and dividends or by profiting from high bond yields; it was more important for them that capital be more easily transferable and that disclosure standards be high. Transnational companies tended to be more interested in accessing markets and resources and, more generally, in the contribution that the investment could make to the competitiveness of the transnational corporate system as a whole. Fourth, FDI and FPI could differ as regards the degree of their volatility: in general, FDI was more stable than FPI, as it would be difficult to dissolve FDI production lines in a short time, while portfolio investment could be easily sold off on financial markets. However, FDI as financial flows could vary with changes in financial factors such as variability in exchange and interest rates, as well as boom-bust cycles of investment and the contagious impact of financial crisis, as much as FPI. From this comparative analysis, three broad questions emerged. First, was it always possible in practice to have a clear distinction between FDI and portfolio equity flows? Second, were these types of investment complementary or substitutable? Third, what measures could be adopted to mitigate the volatility of capital flows, and especially of portfolio flows?

47. A brief discussion ensued, focusing on control measures for short-term capital flows implemented by Chile and Malaysia. The lack of international measures to tackle the problems of herd behaviour and investor panic, as well as currency speculation, was noted.

Action by the Commission

48. The Commission agreed to incorporate the "Summary of the informal discussions under agenda item 3" in its report.

Chapter IV

EXAMINING AND REVIEWING EXISTING AGREEMENTS ON INVESTMENT TO IDENTIFY THEIR IMPLICATIONS FOR DEVELOPMENT, AS CALLED FOR IN PARAGRAPH 89 (b) OF "A PARTNERSHIP FOR GROWTH AND DEVELOPMENT"

(Agenda item 4)

49. For its consideration of this item, the Commission had before it the following documentation:

"Report of the Expert Meeting on Existing Regional and Multilateral Investment Agreements and their Development Dimensions" (TD/B/COM.2/11-TD/B/COM.2/EM.3/3);

"Issues related to the development dimension of international investment agreements" (TD/B/COM.2/CRP.2) (background document);

"Existing regional and multilateral investment agreements and their relevance to a possible multilateral framework on investment: Issues and questions" (TD/B/COM.2/EM.3/2) (background document);

"Report of the Regional Symposium for Asia on International Investment Arrangements and their Implications for Developing Countries" (DITE/PMFI/DELHI/1998/1-7) (background document).

50. The **Director of the Division on Investment, Technology and Enterprise Development**, addressing several inquiries from delegations regarding the status of work on the MFI Issues Papers Series, explained that these papers had first been proposed by the secretariat in early 1997. The funds needed to undertake the necessary research and analysis had been raised by the secretariat during the course of the second half of 1997 and the trust fund for UNCTAD's work on a possible multilateral framework on investment had become operational at the end of 1997. At that time, the hiring of additional expert staff to work full-time on the series had been initiated and they were now beginning to join the secretariat. Given the urgency of the matter, however, the preparation of the series had been started in early 1998. Currently, one paper had already been completed and six were at the advance draft stage. The secretariat expected to make these papers available this year. Because of the complexity and sensitivity of the issues involved, the secretariat had been particularly careful in the preparation of the series and had introduced a systematic peer review. The speaker concluded by expressing her appreciation for the interest of delegates in the series.

51. In his introductory remarks, the **Chief of the International Investment, Transnationals and Technology Flows Branch of the Division on Investment, Technology and Enterprise Development** briefly reviewed the main aspects of the work that had been carried out so far by UNCTAD with respect to existing agreements on investment and noted that the secretariat now faced a central challenge, namely how to promote, in operational terms, the development objectives through international investment agreements. Indeed, the question of the extent to which and how those objectives could be served by international investment agreements was a matter that required further attention. If international agreements could be helpful, the concerns of the principal actors, i.e. host countries, home countries and investors, needed to be addressed in a mutually beneficial manner. He suggested a number of approaches that could be adopted in this respect. One approach was to establish a catalogue of development-friendly elements that needed to be taken into account when negotiating international investment agreements. A second approach could be to identify a set of development objectives that international investment agreements

should serve. A third approach could be to ensure that not only the contents but also the structure and subsequent implementation of such agreements reflected the development objectives. Finally, he called on the Commission to consider this question at the policy level and guide the secretariat as to what issues, elements and approaches would be considered most useful and relevant for governments so that the secretariat's future work on the development dimension of international investment agreements could proceed on a defined path.

52. The **Chairperson of the Expert Meeting on Existing Regional and Multilateral Investment Agreements and their Development Dimensions** introduced the report of the Meeting. He outlined the views expressed in its agreed conclusions, which noted that further work could be undertaken to elucidate development dimensions that needed to be taken into consideration when formulating international investment agreements. He then referred to his summary of the Meeting and emphasized that a stable, transparent and predictable framework that also provided security for investments helped to attract investment flows that could contribute to strengthening domestic capabilities. Those objectives could be further served by progressive, development-friendly liberalization, with appropriate timing and pace and proper flexibility, such as allowing for special and differential treatment for developing countries. He elaborated on a number of points, stating in particular that although the objective of international investment agreements was to increase investment flows, they by themselves did not increase FDI, while a stable political environment was the key to attracting investment; that all international investment agreements should strive to create a win-win situation and investment flows should not be a zero-sum game; and that liberalization should be combined with sound and coherent domestic economic policies.

53. He further observed that there was a need to bridge the gap between the legitimate concern of the home countries that there should be fair treatment and security for their investors, and the legitimate fear of the host countries that the process of liberalization could negatively affect domestic investors. Furthermore, there was a heightened awareness that the distinction between home countries and host countries was becoming increasingly blurred, as many countries played the dual role of home and host. Finally, he underlined the need to ensure not only transparency of laws but also, and more importantly, transparency of motives, in particular the motives of the stakeholders in the investment process, namely the foreign investor, the home country, the host country and the domestic investor. In this respect, he hoped that UNCTAD would consider developing a matrix of stakeholder interests.

54. **The Joint Secretary, Ministry of Commerce, India**, introduced the Report of the Regional Symposium on International Investment Arrangements and their Implications for Developing Countries, held jointly by UNCTAD and the Government of India on 15 and 16 July 1998 in New Delhi. The symposium had reviewed the present international legal framework for FDI and key issues relevant to international investment agreements. The discussions had also focused on WTO and OECD initiatives. He noted that most of the participants in the symposium were of the view that host countries should be able to regulate FDI so that they could choose their own particular mix of policies and conditions relating to FDI, keeping in mind their developmental needs. The participants recognized the complexity and variety of issues involved in a possible multilateral agreement on investment, and various views were expressed as to whether such an agreement could be reached or was even desirable, and whether its existence would encourage the flow of FDI to countries and sectors which could not attract investment FDI under the existing framework. He then read out the MESSAGE from New Delhi@, which stressed that developing countries should draw lessons from previous multilateral discussions and negotiations and be fully prepared to take coherent initiatives as far as any future discussions were concerned, with a view to reflecting their specific needs. The educational value of these types of symposiums was also recognized, as it would help participants to better understand the issues and their specific implications. UNCTAD was encouraged to continue helping developing countries to participate as effectively as possible

in international investment arrangements, including by organizing further regional symposiums on this subject.

55. The spokesperson for the **Asian Group and China** (India) underlined the importance of the need to pay attention to the ways in which international investment agreements, at whatever level they were concluded, could serve the development objective. This objective had to be made operational in and through investment agreements. The Asian Group and China would be pleased if work on the development dimension could be pursued vigorously and if concrete options in this regard could be developed. The Asian financial crisis had showed that international cooperation in the area of capital flows was important for the pursuance of national as well as international development objectives. The crisis had also had a profound impact on the industrialized world, reflecting the increased interdependence that the process of globalization had brought about. While the volatility of short-term capital flows had had a serious impact on some of the most successful Asian developing economies, it had had less impact on the flow of FDI to these countries. This difference had to be taken into account in national and international investment rule-making. He added that national policies aimed at curtailing the free flow of short-term capital flows had to avoid constituting barriers to direct investments. In contrast, international policies aimed at creating a transparent, stable and predictable framework for FDI had to avoid interfering with a national government's sovereign rights to pursue its development objectives. Because of these complex and complicated interrelationships between short-term and long-term capital flows, it was essential to study further their similarities and differences as well as their impact, and to continue to build capacity in developing countries to deal with these issues.

56. He stressed that UNCTAD's analytical work on the multilateral framework on investment should not be based on the assumption that there was widespread support regarding the need for a multilateral framework. UNCTAD's mandate referred to the "implication for development", not merely "development-friendly aspects". This distinction was important to bear in mind. The mandate was neutral and did not prejudge or predefine the results of the analysis. Nor was the analysis confined to merely identifying the development-friendly aspects. If there were any development-unfriendly aspects, they should be identified and analysed as well.

Summary of the informal discussions under agenda item 4[2/]

57. Delegations expressed their appreciation for the results of the Expert Meeting on Existing Regional and Multilateral Investment Agreements and their Development Dimensions, the Report of the Regional Symposium for Asia on International Investment Arrangements and their Implications for Developing Countries, the secretariat's note on "Issues related to the development dimension of international investment agreements" and the information provided by the secretariat on the status of the Issues Papers Series. The importance of the issues discussed under this item was emphasized from the outset. It was noted that treaty-making activity in the area of investment had intensified during the 1990s in all parts of the world, as demonstrated by the information shared by delegations on their own activities in this respect. In fact, it was observed that international investment agreements constituted one of the most important items on the international economic agenda, not only because of the scope of the issue and its possible interactions with other issues, such as international trade and financial flows, but also because of the intrusive nature of investment issues, which touch on the entire range of issues relating to production and the production process. They therefore involve complex issues of national policy in

[2/] Prepared by the UNCTAD secretariat.

developed and developing countries alike. Countries therefore needed to be well equipped to participate fully in international investment discussions at whatever level.

58. In particular, delegations agreed that there was a need to pay more attention to the development dimension by examining ways in which international investment agreements could serve the objective of development. However, they recognized that this involved complex issues that needed further clarification. There was a useful exchange of ideas on what a "development-friendly" investment agreement could mean. Some delegations stressed in this respect the need for flexibility for governments to pursue development goals and the desirability of steering FDI into activities that are central for development. Furthermore, it was explained that the development implications of international investment agreements could be both positive and negative, and that the issue should thus be approached from a neutral perspective, keeping in mind also the need to ensure that all stakeholders benefit from such agreements. Some delegations noted that the concept of an "investment-friendly" environment could be matched with that of a "development-friendly" environment. They suggested that while it was true that the development dimension was a sensitive issue, there should be no cause for concern since the majority of countries today were both host and home to FDI and could see both sides of the issue. In this respect, some delegations reiterated the positive role that FDI was playing in the process of economic development, contributing to the integration of developing countries into the world economy. For the supporters of this view, moreover, international rules were considered a vehicle of development policy. In order to further increase the contribution of FDI to development, there was still room for establishing greater legal certainty with respect to property ownership principles. Consensus building could be attained if it was clear that any such rules would result in a balanced win-win situation. Also, it was stressed that the idea behind the development dimension was not to develop a code of conduct for transnational corporations but to examine how international investment agreements could contribute to the growth and development of all countries. It was emphasized that the aim of international rules was to create a transparent, stable and predictable framework for FDI; and, it was noted, these rules should not interfere with a national government’s sovereign right to pursue its development objectives.

59. This rich exchange of views made it clear that the development dimension needed substantial analytical work and the contribution of ideas to ensure that the development objective could be pursued in operational terms. It also required capacity building in order to ensure that all players are in a position to participate effectively in international discussions and negotiations. In this respect, it was observed that the secretariat had already covered a substantial part of its work with the study of existing bilateral, regional and multilateral investment agreements, and delegations encouraged UNCTAD to continue its useful work on the development dimensions of international investment agreements.

Action by the Commission

60. The Commission agreed to incorporate the "Summary of the informal discussions under agenda item 4" in its report.

Chapter V

REPORTS OF THE SUBSIDIARY BODIES OF THE COMMISSION

(Agenda item 5)

61. For its consideration of this item, the Commission had before it the following documentation:

> "Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, fifteenth session, 11-13 February 1998" (TD/B/COM.2/10-TD/B/COM.2/ISAR/3);
>
> "Report of the Expert Meeting on Competition Law and Policy, 24-26 November 1997" (TD/B/COM.2/9-TD/B/COM.2/EM/12);
>
> "Report of the Intergovernmental Group of Experts on Competition Law and Policy, 29-31 July 1998" (TD/B/COM.2/13-TD/B/COM.2/CLP/4).

62. The **Chairperson of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) at its fifteenth session** presented the Working Group's report. He said that the session had been attended by 148 experts from 62 countries, 9 professional associations and 15 international organizations. He reported on the outcomes of the session, namely ISAR's conclusions on accounting and reporting for environmental costs and liabilities in financial statements. He asked that the Commission bring to the attention of governments ISAR's recommendations on environmental accounting. ISAR, he said, would like to conclude its work on a global accounting curriculum and other qualification requirements for professional accountants. The purpose of this work was to eliminate differences in accounting training and create a single global profession. Such harmonization could help close the gaps in national systems of formation, reduce the cost of mutual recognition agreements and increase transborder trade in accountancy services as envisioned in the latest guideline and disciplines being negotiated in the WTO. Work by UNCTAD in the area of professional qualification requirements would thus complement the work of the WTO and make it more effective.

63. The **Chairperson** said that ISAR wished to take up the topic of accounting for SMEs in order to determine the appropriateness of requiring SMEs to use international accounting standards which had been formulated for large enterprises. Although uniformity provided comparability, if the underlying economic entities were substantially different, this comparability was spurious, and at the same time the imposition on SMEs of detailed rules necessary for regulating large entities placed a heavy burden on a sector of the economy which was least well placed to absorb it, and constituted an obstacle to economic growth and enterprise development. Lastly, he informed the Commission that in responding to the Secretary-General's remarks on the Asian crisis, ISAR had requested UNCTAD to undertake, together with the Asian countries in the Working Group, a research project on the recent crisis from the perspective of accounting and auditing, identifying room for improvements in the accounting and auditing systems, and drawing lessons for the prevention of future crises. He invited the Commission to take note of ISAR's report on its fifteenth session and to approve the recommendations contained therein.

64. The representative of **Brazil** expressed satisfaction with the results of ISAR's fifteenth session and noted that it was the only forum on accounting standards in which all developing countries could participate on a regular basis. The interest of developing countries was reflected in the large number of experts from capitals who had attended the fifteenth session. She asked that UNCTAD make available a report on ISAR's activities during the last five years.

65. The representative of **Austria**, speaking on behalf of the **European Union**, said that she had no objections to the Chairperson's proposal that note be taken of the report on ISAR's fifteenth session and that its recommendations be approved. She welcomed the forthcoming evaluation of the Group's work.

66. The representative of **Brazil** asked that this request be formalized.

67. The spokesperson for the **Latin American and Caribbean Group** (Uruguay) endorsed the idea of reviewing the work of this interesting Group.

68. The representative of **Italy**, in commenting on the Group's future, suggested that attention be devoted to creating a team of public managers (of the Treasury Departments) with a view to harmonizing public environmental accounting.

69. The representative of the **United States of America** said she would have to check with her capital on that suggestion.

70. The **representative of the UNCTAD secretariat** read out a communication from the Chairperson of the Intergovernmental Group of Experts on Competition Law and Policy in which he placed emphasis on (i) the main results of the Group from the point of view of its members from developing countries, countries in transition and developed countries, and on (ii) the convergence, if not identity, of views among all competition experts throughout the world about the usefulness of this Group. Under the first point, he stressed that the Group was fulfilling its mandate in a completely satisfactory manner. This had been confirmed by the Group's examination of its functions and methods of work and was reflected in its agreed conclusions, namely in operative paragraphs 1 and 2, the former recommending "the continuation of the important and useful work programme being carried out ... within the UNCTAD intergovernmental machinery, which has the active support and participation of the competition law and policy authorities of member States".

71. Moreover, the Intergovernmental Group of Experts had been able to mobilize a high level of participation of experts and practitioners from capitals, which allowed it to discuss technical and policy issues in an informal and constructive setting. So far, it was the sole forum for direct contacts between the competition authorities of all developed and developing countries, as well as transition countries. Hence, the fundamental role of this Group, which complemented fruitfully the complex network of international organizations dealing with competition policy, was underlined. He therefore invited the Commission to allow the Group to continue its important work.

72. The representative of the **United States of America** informed the Commission that she had been instructed by her capital to praise the work of the Intergovernmental Group of Experts on Competition Law and Policy.

73. The representative of **Austria**, speaking on behalf of the **European Union**, said that the functioning of this Group, as well as of ISAR, had to be reviewed.

Action by the Commission

74. The Commission took note of the reports of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (TD/B/COM.2/10-TD/B/COM.2/ISAR/3), the Expert Meeting on Competition Law and Policy (TD/B/COM.2/9-TD/B/COM.2/EM/12) and the Intergovernmental Group of Experts on Competition Law and Policy (TD/B/COM.2/13-TD/B/COM.2/CLP/4), and endorsed the recommendations and conclusions contained therein, it being understood that a review of the work of the two Intergovernmental Working Groups would be carried out within the framework of the Mid-term Review.

Chapter VI

ORGANIZATIONAL MATTERS

A. Opening of the session

75. The third session of the Commission on Investment, Technology and Related Financial Issues was opened on 14 September 1998 by Ms. Lynn Mytelka, Director of the Division on Investment, Technology and Enterprise Development.

B. Election of officers

(Agenda item 1)

76. At its 16th plenary meeting, on 14 September 1998, the Commission elected its Bureau as follows:

Chairperson:	Mr. Werner Porfirio Corrales Leal	(Venezuela)
Vice-Chairpersons:	Mr. Alvaro Montenegro Mallona	(Nicaragua)
	Mr. Mussie Delelegn	(Ethiopia)
	Mr. Terry Noade	(United Kingdom of Great Britain and Northern Ireland)
	Mr. Kazuhiro Suzuki	(Japan)
	Mr. Jalal Alavi	(Islamic Republic of Iran)
Rapporteur:	Mr. Zoran Jolevski	(The former Yugoslav Republic of Macedonia)

C. Adoption of the agenda and organization of work

(Agenda item 2)

77. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.2/14. Accordingly, the agenda for the third session was as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Recent developments in foreign direct investment trends and policies

4. Examining and reviewing existing agreements on investment to identify their implications for development, as called for in paragraph 89 (b) of "A Partnership for Growth and Development"

5. Reports of the subsidiary bodies of the Commission

6. Provisional agenda for the fourth session of the Commission

7. Other business

8. Adoption of the report

D. Provisional agenda for the fourth session of the Commission

(Agenda item 6)

78. At its 19th (closing) plenary meeting, on 18 September 1998, the Commission approved the draft provisional agenda for its fourth session. (For the provisional agenda, see annex II.) In addition, it approved the topics of Expert Meetings for 1999 (see annex I).

E. Adoption of the report of the Commission

(Agenda item 8)

79. At the same meeting, the Commission adopted the draft report on its third session (TD/B/COM.2/L.7 and Add.1), subject to any amendments by delegations to the summaries of their statements, and authorized the Rapporteur to complete the report in the light of the proceedings of the closing plenary.

ANNEXES

Annex I

EXPERT MEETINGS FOR 1999

1. Intergovernmental Group of Experts on International Standards of Accounting and Reporting

2. Intergovernmental Group of Experts on Competition Law and Policy

3. Expert Meeting on concepts - such as exceptions and other mechanisms - allowing for a certain flexibility, including in the field of technological capacity-building, in the interest of promoting growth and development - to allow countries in different stages of development to benefit from international investment agreements

4. Expert Meeting on portfolio investment flows and FDI: characteristics, similarities, complementarities and differences, policy implications and development impact

Annex II

PROVISIONAL AGENDA FOR THE FOURTH SESSION OF THE COMMISSION

1. Election of officers

2. Adoption of the agenda and organization of work

3. Trends in FDI and ways and means of enhancing FDI flows to and among developing countries, in particular LDCs and countries receiving relatively low FDI inflows, with a view to increasing the benefits they entail, and taking into account the factors which play a part in private sector firms' choices of investment locations

4. Investment policy and science, technology and innovation policy reviews: methodology and experiences

5. Report of the subsidiary bodies of the Commission

6. Progress repot on the implementation of agreed conclusions and recommendations of the Commission

7. Other business

8. Adoption of the report

Annex III

LIST OF PANELLISTS AND SPECIALLY INVITED PARTICIPANTS

Panellists

Ms. Atchaka Brimble, Director, International Affairs Division, Office of the Board of Investment, Thailand
Mr. Peter Kabatsi, Solicitor General, Ministry of Justice and Constitutional Affairs, Uganda
Mr. Herbert Oberhänsli, Assistant Vice-President, Nestlé S.A.

Specially invited

Dato J. Jegathesan, Deputy Director General, Malaysian Industrial Development Authority
Mr. Jean-Luc Le Bideau, Advisor, Ministry of Foreign Affairs, France
Mr. Franz Nauschnigg, Assistant Head, Division for Integration Matters and International Financial Organizations, Austrian National Bank

Annex IV

ATTENDANCE */

1. The following States members of UNCTAD, members of the Commission, were represented at the session:

Argentina
Austria
Bangladesh
Belarus
Belgium
Benin
Bolivia
Brazil
Bulgaria
China
Colombia
Costa Rica
Cuba
Czech Republic
Ecuador
Egypt
Ethiopia
Finland
France
Germany
Guatemala
Haiti
India
Indonesia
Iran (Islamic Republic of)
Ireland
Israel
Italy
Jamaica
Japan
Kenya
Lebanon
Madagascar
Malaysia
Malta
Mauritius
Mexico
Morocco
Myanmar
Netherlands
Nicaragua
Nigeria
Norway
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Romania
Russian Federation
Rwanda
Senegal
Singapore
Slovakia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Thailand
The former Yugoslav Republic of Macedonia
Trinidad and Tobago
Tunisia
Turkey
Uganda
Ukraine
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Viet Nam
Yemen
Zambia
Zimbabwe

2. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States
Agency for Cultural and Technical Co-operation
European Community
Latin American Economic System
League of Arab States
Organisation for Economic Co-operation and Development
Organization of African Unity
Organization of the Islamic Conference

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*/ For the list of participants, see TD/B/COM.2/INF.3.

3. The following specialized agencies and related organization were represented at the session:

International Labour Organization
International Telecommunication Union
World Trade Organization

4. The following non-governmental organizations were represented at the session:

General Category

International Confederation of Free Trade Unions
Public Services International
World Federation of United Nations Associations
Women's International League for Peace and Freedom
