UNITED
NATIONS

TD

United Nations
Conference
on Trade and
Development

Distr.
GENERAL

TD/B/COM.2/27
TD/B/COM.2/EM.8/3
7 December 2000

Original : ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Investment, Technology
and Related Financial Issues
Fifth session
Geneva, 12-16 February 2001

REPORT OF THE EXPERT MEETING ON HOME COUNTRY MEASURES

Held at the Palais des Nations, Geneva
from 8 to 10 November 2000

CONTENTS

I. OUTCOME [1]

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).* 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.

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

---

[1] As adopted by the Expert Meeting at its closing plenary meeting on 10 November 2000.

* 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

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;

developing countries, in particular least developed 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.

II. CHAIRPERSON'S SUMMARY

8. The discussions of the Expert Meeting on agenda item 3 were structured in accordance with the following four themes:

(a) information provision and technical assistance measures;
(b) financial support, fiscal incentives and investment insurance measures;
(c) investment-related trade measures; and
(d) measures related to technology transfer.

For each theme, the discussions focused on stocktaking, rationale, analysis, effectiveness and possible improvements in the light of identified best practices.

9. In his opening address, the Deputy Secretary-General of UNCTAD stressed the importance of the guiding principles set out in the Plan of Action and the Bangkok Declaration aimed at the promotion of a "true partnership" between all countries based on inclusiveness, transparency and participation for all. He noted that the issue of home country measures (HCMs) had grown beyond the traditional development divide between North and South, since both developed and developing countries were now home countries for an increasing number of transnational corporations (TNCs) and were actively pursuing measures to encourage their firms to venture abroad. He reiterated that the deliberations of the Expert Meeting, in pursuit of a "true partnership", should aim at building consensus with regard to ensuring that the development dimension was adequately addressed in and through these measures, and to improving the development benefits that could be derived from HCMs.

10. In his introduction to agenda item 3, the Chief of the Investment Policies and Capacity-building Branch of the UNCTAD Division on Investment, Technology and Enterprise Development placed the issue of HCMs in the overall context of outward foreign direct investment (FDI). He stressed that an FDI transaction involved a triangular relationship comprising three main actors (an investor, usually a TNC, that made the investment; the capital-importing host or recipient country; and the capital-exporting home or source country). Source countries took measures to support outward FDI because they considered it to be in the interest of firms headquartered in their territories to acquire a portfolio of locational assets abroad. Noting the importance of the enabling environment, he pointed to the fact that receiving countries welcomed such measures as a complement to their own actions to attract FDI in the interest of promoting their development. By helping their firms to invest in developing countries, home country Governments could therefore promote development, although HCMs were only one element that played a role in increasing the attractiveness of developing host country investment locations and enhancing the quality of the FDI received by developing countries. Athough a review of the impact of HCMs could encompass issues relating to how such measures restricted outward FDI, the focus of the Expert Meeting was on proactive measures. In addition, he stressed that the issue of HCMs involved both developed and developing countries. Developing countries

and economies in transition had become home countries for TNCs themselves: some $66 billion in FDI flows originated in developing countries (i.e. 8.3 per cent of global flows), and some $3 billion was invested abroad by companies headquartered in economies in transition. Finally, he introduced the six different measures identified in the document prepared by the secretariat and noted their international dimension.

11. The debate began with a presentation by the Swiss Organisation for Facilitating Investments (SOFI) on Switzerland's instruments for facilitating investments and technology transfer. These included a funding facility for pre-investment studies, the Swiss Development Finance Corporation, a technology venture capital fund called Swiss TecFund, the Swiss Organisation for Facilitating Investments and the Swiss Import Promotion Programme.

12. In the discussions that followed, experts from China, France, Japan, Malaysia, the Philippines, Thailand and the United Kingdom presented their national expert papers, focusing on HCMs undertaken by their respective Governments and/or the benefits which their countries had received through the application of such measures. In addition, Bangladesh, Benin, Cameroon, Chile, Cuba, the Dominican Republic, Ethiopia, Guinea, Niger, Nigeria, Sierra Leone, Venezuela, Viet Nam and Zambia provided national expert papers on the improvements made in the enabling legal and administrative environment of their countries.

13. In the discussion on ***information provisions and technical assistance measures***, it was recognized that HCMs in this area were an important element for promoting FDI in developing countries. These measures could be found at the national, regional and multilateral levels. They were of a general nature, such as missions in home and/or host countries, and also took the form of specific programmes such as financial assistance and provision of information. In this connection, all participants saw a need for accurate and readily available information for companies on investment opportunities, supplied in the appropriate languages and by modern methods, including the Internet, particularly for small and medium-sized enterprises (SMEs).

14. It was acknowledged that the interactive linking of home and host country information sources was an important measure requiring accurate and up-to-date information. Furthermore, regular home–host country contacts and exchanges of information, including through interregional exchange forums and the presence of home country personnel in investment and business support institutions in host countries, could play a crucial role in promoting FDI in developing countries. It was noted that appropriate measures should be taken to overcome cultural and linguistic gaps in this area.

15. With regard to maximizing HCMs' utilization by interested countries, experts agreed on the need for more transparency, less bureaucracy, and simplification and standardization of application and implementation procedures. It was emphasized that these measures played an important role in assisting LDCs that lacked the capacity to take full advantage of available HCMs.

16. In the discussions on technical assistance measures it was suggested that support could be provided for the establishment of industrial infrastructure in host countries through, for example, the establishment of consortia involving firms from several home countries to invest in major infrastructure projects in developing countries.

17. In the discussion on ***financial support, fiscal incentives and investment insurance***, the following measures that influence the quality and quantity of FDI were highlighted: (i) financial measures such as financial aid, particularly for SMEs, and support for feasibility studies and specific projects; (ii) fiscal advantages such as tax incentives and subsidies; and (iii) investment insurance measures against political, country and commercial risk, which were also found in bilateral investment treaties as well as in regional agreements (for example, the Lomé IV Convention). Experts indicated that there was a need for a better understanding of how to identify measures taken by countries, how they functioned, and how to identify best practices as well as their influence on the decisions of potential investors. Again, experts noted the importance of greater transparency, less bureaucracy and simplified application and implementation procedures.

18. Other points raised by experts included the question of transfer pricing and how to address it in double taxation treaties, the role of tax sparing in double taxation treaties, and effective coordination between home and host countries so as to avoid competition on tax incentives between home countries. Some experts were of the view that the regulatory framework in host countries played a much greater role in promoting FDI than did fiscal incentives.

19. The importance of "after-care" support services for outward investors, such as bridging loans to foreign affiliates facing unexpected crises in host countries, was also recognized by experts. It was suggested that HCMs and national, regional and international financial assistance programmes (official development assistance) should be mutually supportive.

20. On the issue of ***investment-related trade measures***, experts discussed a number of trade-related measures influencing the volume, sectoral composition and geographical distribution of FDI in host countries. Among these were market access measures, measures enhancing the host country's attractiveness for export-oriented FDI, including quotas or duty preferences granted to imports from developing host countries, and export promotion devices.

21. Experts also discussed the development impact of a number of other investment-related trade measures (IRTMs) (such as voluntary export constraints, rules of origin and anti-dumping provisions) and trade-related investment measures (TRIMs) (such as the ones prohibited under the WTO TRIMs Agreement, i.e. local content requirements, trade balancing requirements and export/import restrictions.). They noted the importance of controlling the negative aspects of IRTMs and TRIMs. For example, provisions on rules of origin should be formulated in such a manner as to promote high-quality FDI without being too restrictive so as to nullify the advantages for developing countries arising out of this FDI.

22. It was noted that several regional groupings, such as the Association of South-East Asian Nations (ASEAN), the Andean Community and the Southern Common Market (MERCOSUR), had adopted schemes that facilitated intraregional trade and promoted investment flows among member countries. One such example was the industrial cooperation scheme adopted in ASEAN.

23. Experts noted that market access in home countries was improved through schemes such as the Generalized System of Preferences (GSP) schemes, the Africa Growth and Opportunity Act of the United States and the European Commission's recent proposals concerning market access for LDCs. It was also noted that the creation of export processing zones could support the supply capacity of a host country for export to a home country.

24. In the discussion on measures related to ***technology transfer***, it was pointed out that such transfer could take place within and outside FDI, for example through licensing agreements, imports of capital goods and training. Experts noted that, at the international level, a number of agreements incorporated commitments concerning HCMs affecting technology transfer to developing countries. These agreements contained specific clauses on transfer of technology to developing countries. Transfers might be, *inter alia*, in the areas of processing technologies, research and infrastructure, including in the establishment of national regulatory bodies, and might take the form of advice, credits, donations and grants, including for the purpose of seeking technical expertise, training and equipment to allow such countries to adjust to and comply with international commitments.

25. Reference was also made to the TRIPS Agreement, which recognizes the technological objectives of developing countries and LDCs' special need to create a sound and viable technological base. The Agreement requires developed countries to provide incentives to their enterprises and institutions for the purpose of transferring technology to LDCs in order to enhance their technological base.

26. Experts agreed that measures should be taken to encourage technology transfer and support host countries' absorptive capacity. They were of the view that effective implementation of international commitments relating to technology and its transfer, including the TRIPS Agreement, by host and home countries could contribute to the increased effectiveness of HCMs in this area.

27. In their closing remarks, experts referred to the role of civil society in both home and host countries in the formulation, application and implementation of HCMs, as well as the need to address the disequilibrium in the worldwide availability of traditional knowledge and information. All were agreed on the importance of continuing to use HCMs to encourage larger investment flows, particularly to developing countries.

III. ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

28. In accordance with the decision of the Trade and Development Board at its twenty-fourth session, on 12 May 2000,[2] the Expert Meeting on Home Country Measures was held at the Palais des Nations, Geneva, from 8 to 10 November 2000. The meeting was opened on 8 November 2000 by Mr. Karl Sauvant, Officer-in-Charge, Division on Investment, Technology and Enterprise Development.

B. Election of officers
(Agenda item 1)

29. At its opening meeting, the Expert Meeting elected the following officers to serve on its Bureau:

Chairperson:	Ms. Elaine Drage (United Kingdom)
Vice-Chairperson-cum-Rapporteur:	Ms. Ofelia Bulaong (Philippines)

C. Adoption of the agenda
(Agenda item 2)

30. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in TD/B/COM.2/EM.8/1. Accordingly, the agenda for the Meeting was as follows:

1. Election of officers
2. Adoption of the agenda
3. Home country measures
4. Adoption of the outcome of the meeting

D. Documentation

31. For its consideration of the substantive agenda item (item 3) the Expert Meeting had before it a note by the UNCTAD secretariat entitled “Home country measures” (TD/B/COM.2/EM.8/2).

[2] See Report of the Trade and Development Board on its twenty-fourth session (TD/B/EX(24)/3), paragraph 46 and annex III.

E. Adoption of the report

(Agenda item 4)

32. At its closing meeting, on 10 November 2000, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting, under the authority of the Chairperson, to include the outcome adopted by the Meeting (see chapter I) and the Chairperson’s summary (see chapter II).

Annex

ATTENDANCE *

1. Experts from the following States members of UNCTAD attended the Meeting:

Albania
Angola
Antigua and Barbuda
Argentina
Bangladesh
Benin
Bolivia
Burkina Faso
Cameroon
Canada
Chad
Chile
China
Comores
Congo
Cuba
Dominican Republic
Egypt
Ethiopia
France
Gabon
Germany
Ghana
Guatemala
Guinea
Haiti
Indonesia
Iraq
Italy
Japan
Jordan
Latvia
Madagascar
Malawi
Malaysia
Mali
Mexico
Morocco
Nepal
Netherlands
Niger
Nigeria
Norway
Pakistan
Panama
Paraguay
Peru
Philippines
Poland
Rwanda
Saint Lucia
Samoa
Sao Tome and Principe
Sierra Leone
Sudan
Switzerland
Tajikistan
Thailand
Togo
Tunisia
Turkey
Uganda
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Venezuela
Viet Nam
Zambia
Zimbabwe

---

* For the list of participants, see TD/B/COM.2/EM.8/INF.1.

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

European Community
League of Arab States
Mano River Union
South Centre

3. The following specialized agency was represented at the Meeting:

United Nations Industrial Development Organization

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

General Category

Engineers of the World
World Federation of United Nations Associations

5. The following institution attended the Meeting:

Centre for Applied Studies in International Negotiations

6. The following individuals attended the Meeting:

Mr. Carlos Correa, Universidad de Estudios Avanzados, Argentina
Mr. Arvind Mayaram, Secretary of Industry, State of Rajasthan, India
Mr. Klaus M. Leisinger, Novartis Foundation
Mr. Henri Bonpun, ICC, African Initiative
Mr. J.-L. Le Bideau