



**United Nations
Conference
on Trade and
Development**

Distr.
LIMITED

TD/B/COM.2/L.8
22 September 1998

Original : ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Investment, Technology
and Related Financial Issues
Third session
Geneva, 14 September 1998
Agenda items 3 and 4

RECENT DEVELOPMENTS IN FOREIGN DIRECT INVESTMENT TRENDS AND POLICIES

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"

Agreed conclusions*

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

1. 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.

* As agreed at its fourth (closing) plenary on Friday, 18 September 1998.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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"

9. 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.

10. 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.

11. 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.

12. 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.