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Statement by H.E. Ambassador Jorge Iván Mora Godoy, Ambassador, Permanent Representative of Cuba, on behalf of the Group of 77 and China, at the Commission on Investment, Technology and Enterprise Development, on agenda item 4 - Home Country Measures

Distinguished delegates,

FDI transaction establishes a triangular relationship involving three main actors: firms investing its assets; host country receiving FDI; and the home country. The latter can -- through their laws, regulations and policies, and practical measures -- exert a significant influence on the flow of FDI and technology.

The question of home country measures (HCMs) involve mainly developed countries, but also a number of developing countries as home countries to an increasing number of firms. HCMs are part of various measures to encourage firms to invest abroad. Home countries take measures to support outward FDI as they see it in the interest of firms headquartered in their territories to acquire a portfolio of locational assets abroad. Host countries welcome such measures as a complement to their own actions to attract FDI in the interest of promoting their development.

The issue is how to improve the development benefits that can be derived from these measures. Concerning developing countries, it is recognized that HCMs are one element, although important one, that plays a role in increasing the attractiveness of developing host country investment locations. HCMs can also enhance the quality of the FDI that developing countries receive.

The application of such measures remains largely within the unilateral discretion of home countries. HCMs can, however, also be found in international arrangements providing a framework for cooperation between home and host countries. For example, a number of international agreements (such as TRIPS Agreement) contain specific clauses on transfer of technology to developing countries. Such transfers, within and outside FDI, may be, inter alia, in the areas of processing technologies, research and infrastructure and may 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.

The main question is how to improve effectiveness of HCMs and make them more stable, transparent and predictable? Expert Meeting of last November identified factors that could contribute to an increased effectiveness of these measures. We would like to highlight the following:

- * co-ordination 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;
- * collaboration between home and host country institutions, such as investment promotion agencies and industry associations, including co-operative training;
- * supporting the establishment of industrial infrastructure in host countries (for example, the establishment of consortia involving firms from several home countries to invest in major infrastructure projects in developing countries);
- * a facilitating role by home country governments to build capacity in host countries to receive and benefit from investment;
- * ensuring that HCMs and national, regional and international financial assistance programmes (ODA) are mutually supportive; and

* implementation of international commitments relating to technology and its transfer, by host and home countries.

In light of Expert Meeting findings, home countries should develop further their efforts to encourage FDI flows and technology to developing countries, and especially to the least developed countries. For developing countries to take full advantage of such efforts, it will be useful to know what measures home countries are taking to encourage FDI and technology, including, in particular, information on what measures governments are taking to implement the provisions of international agreements on transfer of technology. This information should be provided to the secretariat and presented to the Commission on Investment, Technology and Related Financial Issues.