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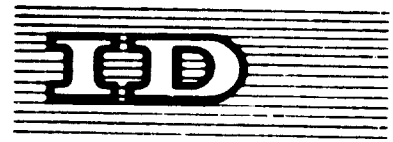
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STRUCTURE AND SCOPE OF INVESTMENT
PROMOTION AGENCIES FOR DEVELOPING COUNTRIES^{1/}

by

Joseph P. Bourdrez
New York

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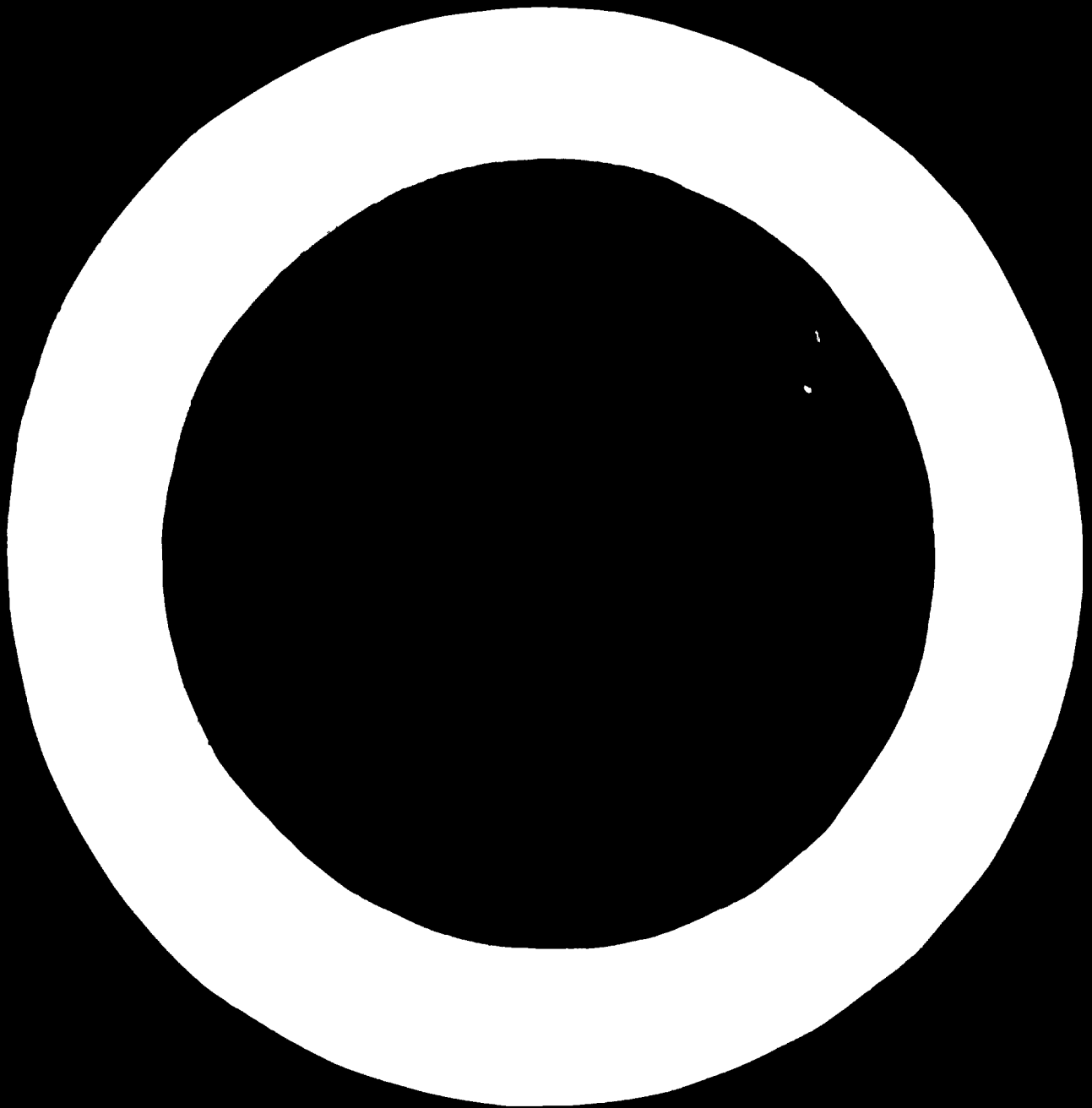


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STRUCTURE AND SCOPE
OF INVESTMENT PROMOTION AGENCIES
FOR DEVELOPING COUNTRIES

I. INTRODUCTION

"A program for attracting (foreign) investors should be very similar to one for marketing a new industrial product. It necessitates a carefully planned and well-balanced marketing strategy, based on the 'consumer's point of view.'"

This statement, taken from The Foreign Investment Decision Process written by Yair Aharoni and published in 1966 by Harvard University, is an accurate, succinct description of the activities required for attracting foreign investment in developing countries.

The study which follows is based on the premise, enunciated but not originated by Aharoni, that a developing country should have a well-defined and effectively carried-out marketing program if it wishes to sell itself to foreign investors as a suitable location for employment of their capital.

The parallel between a company's marketing of a new product and a developing country's promoting of its investment advantages becomes clear-

ly apparent in this study, which points out the need for identifying the product (in this case, the developing country), recognizing its advantages, formulating a marketing plan for it, and executing the marketing plan through direct selling, public relations, and sales promotion.

II. NATIONAL POLICY ON INDUSTRIALIZATION AND FOREIGN INVESTMENTS.

A. DETERMINATION OF POLICY GOALS :

For the purpose of this study it is assumed that the country wishing to set up an investment promotion program has taken all measures necessary to make its investment climate attractive to foreign industrial investors.

The country should have a national policy of welcoming private investment and establishing a favorable investment climate through a legal frame-work. In implementing this policy the country should seek enterprises that strengthen the national economy in any of the following ways:

1. developing natural raw-material resources;
2. broadening the economic base by attracting industrial manufacturing activities;
3. providing increased employment;
4. improving foreign-exchange earnings by reducing imports and expanding exports.

B. FORMULATING AN EFFECTIVE INVESTMENT PROGRAM:

All of this means that at least the following fundamental pre-requisites for rapid industrial development have been provided by the government:

1. A well-defined industrial investment program, setting forth the terms under which foreign direct investors can participate in the country's industrialization. These terms should include as many

incentives to attract foreign investments as are compatible with the long-term national interest. It is most important that these "incentives" be considered in a much broader sense than mere tax holidays. Tax abatement for new enterprises is admittedly important, but the businessman considers other factors more important. He can operate profitably under any equitable tax system, but he may not choose to operate in a country that discriminates between domestic and foreign ownership, or that does not permit relatively free repatriation of capital and profits, or that imposes burdensome regulations on his organization and his management of it.

2. Clear identification of the types of industries in which foreign investment is preferred. This will necessarily be determined by the reasons for the country's foreign-investment policy, as noted above.

3. Clear identification of and data about the country's natural resources and industrial infrastructure, including the available labor force.

This set of requirements, formidable as it appears, must nevertheless be implemented before any effective and efficient promotion activity can be undertaken. It would be utterly futile for a country to try to attract investment before -- to use the industrial parallel -- it had defined the advantages of the product, i. e., its own investment climate.

An impartially applied, rational and intelligible system for the treatment of foreign direct investments is indispensable for any government desiring to obtain maximum results from an organized "acquisition drive" for such investments. Once this framework exists, there is then a solid basis on which an investment-development organization can operate.

III. ORGANIZING FOR PROMOTION OF FOREIGN INVESTMENTS

A. AT HOME:

Systematic and effective promotion of foreign direct investment in a country requires a specialized organization. Given proper support by the government, and staffed with qualified personnel, such an agency can accomplish substantial results in a relatively short time, and at comparatively modest cost.

The type of organization under discussion can have a variety of names: investment promotion center, economic development agency, national development organization, investment development board, etc.

In this paper, the term "economic development agency" (or, in shorter form, simply "agency") refers to the industrial development organization in the country seeking foreign capital. The term "investment promotion center" (or "center" for brevity) is used in reference to "branch offices" set up in the capital-exporting countries by the host country's economic development agency.

The purpose of the development agency is to encourage and promote the flow of private industrial capital into the country by:

1. disseminating wider knowledge and understanding about the host country in the capital-exporting nations of the world, particularly as regards conditions, laws, policies, procedures and opportunities for foreign investment.

2. **advising and assisting local businessmen and home government in all matters involving the attracting and holding of foreign private capital and industrial know-how.**
3. **informing and advising foreign businessmen, industrialists and financial institutions about the country's investment climate and the profit opportunities it offers to foreign capital.**
4. **guiding the national government in establishing an atmosphere conducive to foreign private investment.**

What type of organization will most effectively accomplish these goals? Should it be governmental or private?

Experience has shown that a quasi-governmental agency is normally most effective. This means a government-backed and government-financed agency that operates autonomously outside of the regular government departments.

The Board of Directors that coordinates and directs the work of the development agency should be a broadly based group, with members chosen from each area of the public or private sector that has an interest in or can contribute to the country's rapid, effective development. The Board should, therefore, include representatives of government, business, industry, finance, labor, as well as others from specific areas of economic importance to the country.

The chairman of this coordinating body should be an individual who is either successfully engaged in business or at least one who has

developed a broad acquaintance with his country's business community. He should be widely respected and influential, not only among his fellow businessmen, but among government officials as well. This type of person, whose recommendations will receive favorable consideration, can be a major factor in the success of his country's industrialization program .

The most efficient way to attract the interest of foreign industrialists to a country's investment opportunities is to approach them on a purely factual and objective basis. This can be done only by an organization whose sole objective is to sell the foreign investor on the country's investment potential, and to service him with professional advice and assistance in arranging for the expeditious establishment of his new enterprise in the host country.

A governmental organization is not suitable for this task because public servants generally are not trained in industrial operations and are not well equipped to speak authoritatively on business practices. The private businessman prefers to discuss his confidential investment plans with knowledgeable people who understand the language of business. Furthermore, some countries have found that government officials occasionally make premature commitments, which are difficult or embarrassing to retract.

Neither is a financial institution such as a bank an appropriate party for this type of work. Businessmen find it difficult at times to be confident

about the objectivity of a financial institution that is given the job of promoting foreign investment. The industrialist feels that a bank or other institution might be naturally inclined to pay more attention to projects that would also seek its financial assistance. Such an arrangement can also create unseemly rivalry with other banking institutions.

ADVANTAGES OF SEMI-GOVERNMENTAL ORGANIZATION

The absence of any direct link between the development agency and "special interests," either private or governmental, has a number of advantages:

1. It inspires the confidence of the foreign businessman in the objective, service-oriented nature of the agency.
2. It enables the agency to formulate and carry out its own promotional policies for the acquisition of new foreign investments in the most effective way, within the framework of its own budget and, of course, under the conditions of the government's national investment policy.
3. It makes possible the uninhibited and confidential discussion of investment proposals on a professional basis, without commitment on either side.
4. It permits the development agency to act freely in its contacts with other organizations in the business community to assist in the completion of investment proposals with market research, technical expertise, financing and other specialized services.

5. It puts the agency in an ideal intermediary position for contributing to the solution of controversial questions or misunderstandings before such matters become "frozen positions" between the government on the one hand and the private enterprise on the other.

BROAD SCOPE OF DEVELOPMENT ACTIVITIES

Most countries seeking to attract foreign investment have chosen this type of semi-governmental organization for the purpose. Among its usual functions are these:

1. Creation of a reference library and collateral services relating to foreign investment, including
 - a. current data on production, trade, markets, labor, resources, utilities, etc.;
 - b. economic, financial, social policies of the government;
 - c. data on domestic industrial and banking facilities and institutions;
 - d. laws and regulations bearing on foreign investment;
 - e. information on firms operating in the country.
2. Surveys of current possibilities for foreign investment and brief case studies on feasibility of particular industries.
3. Advice to domestic businessmen on attracting foreign capital and the techniques for doing so, through:
 - a. assistance in preparing prospectuses of their plans;

- b. contacting potential foreign investors on their behalf.
4. Assistance to potential foreign investors by:
 - a. informing them about policies, programs and current news pertaining to foreign investment;
 - b. arranging contacts for them with business and government;
 - c. acting on their behalf with government agencies;
 - d. clarifying and mediating differences in the investor's and government's approach to a particular project;
 - e. helping them to obtain necessary permits and licenses.
 5. Extensive publicity abroad regarding investment opportunities and on general political and economic conditions in the country.
 6. Approaches to particular business groups and businessmen abroad, with a view to getting them to invest in the country.
 7. Creation of a climate conducive to foreign investment by
 - a. calling the government's attention to obstacles hindering a flow of investment funds;
 - b. suggesting ways of simplifying procedures.
 8. Maintenance of close contact with government officials concerned with foreign investment.

This list of functions is by no means exhaustive but rather represents the minimum scope of a national development agency's efforts.

Obviously the implementation of these functions requires strong cooperation between the agency's management and the government departments

concerned.

COOPERATION WITH GOVERNMENTAL DEPARTMENTS

The development agency is a tool for carrying out one aspect of its country's economic policy and its success will depend in part on the constant liaison it maintains with government ministries that also have roles in implementing economic policy.

Many of its recommendations and much of its promotional and informational literature will have to be approved by one ministry or another. Continuing contact between agency and government can facilitate these approvals and can also assure the agency that it is operating within the framework of national policy.

Co-ordination between the agency and government is important for two additional reasons:

1. it helps to reduce or eliminate the red tape often characteristic of government departments;
2. it provides the logical mechanism for handling investment inquiries that may be made directly to the government by foreign businessmen unaware that the country provides a specialized agency dealing with investment activities.

STAFFING

In staffing the economic development agency one factor should be

given prime consideration: the agency is a business organization whose business is to sell its country's investment climate. Therefore, its chief executive should have business experience or industrial background. Preferably, he should come from the private sector of his country's economy or, at least, have had a close association with it during his career.

Academic economists usually are not ideal candidates for this position since they are not normally as performance-oriented as business executives.

FUNCTIONAL ORGANIZATION FOR DEVELOPMENT

To achieve the purposes discussed on pages 9 and 10, the development agency's staff must be capable of handling a number of functions.

A typical staff organization is outlined below. The executives or officers of each department would, naturally, be experienced specialists in the function assigned to their department.

These are the basic departments and their primary responsibilities:

1. **Financial:** develops investment policy, co-ordinates investment programs, maintains liaison with local banking institutions, knows the sources and extent of the capital available for joint ventures with foreign investors.
2. **Technical:** evaluates broad industrial areas and their potential

contribution to the national development policy, determines the suitability and feasibility of specific proposals, prepares prospectuses or models of industries whose development has been given priority under the country's investment policy.

3. **Promotion:** disseminates general information about the country's investment climate and opportunities, prepares brochures and other documentation, maintains contact with foreign investors, supervises branch office contact, circulates the studies prepared by the technical department to appropriate foreign investors. This department is, in effect, the public-relations and sales arm of the country's investment development program.
4. **Branch-office liaison:** provides rapid and complete communication between the agency's headquarters at home and its branch offices abroad. It can be set up as an integral part of the promotion department but its role is so vital that we mention it here as a distinct function.
5. **Industrial services:** supervises government-financed training programs in essential industries, assists investors in site selection and plant construction, advises on employment and labor availability, furnishes other types of support in the early stages of a new project to insure its expeditious start and eventual success.

CONSULTANTS

There is a divergence of opinion in the investment-promotion field

about the effectiveness of outside consultants in supplementing the work done by the development agency's own staff.

Many countries find consultants useful in an advisory capacity but question whether the detailed reports and feasibility studies prepared by consulting firms are fully utilized. Such studies rapidly become outdated, even when well prepared, and most substantial investors prefer to have their own evaluation specialists perform these duties.

Consultants, especially those available through international organizations such as UNIDO or IESC, can be extremely valuable in advising a country on the formulation of its investment policy, on the best means of implementing that policy, and on the type of organization optimally suited for carrying it out effectively.

It will be interesting to watch the progress of a new type of consulting arrangement in which the consultant not only advises on the type of developments to be encouraged but is also charged with the responsibility of carrying them out.

The Greek Government has entered into such an arrangement with a large American industrial firm, which could ultimately play a major role in the country's economic development.

PROMOTIONAL LITERATURE

One of the most basic and essential tools for the promotion of

industrial development is informative, clearly written and attractively prepared literature about the country, its economy, and the general and particular opportunities it holds out to industry. This literature--in the form of handbooks, brochures, newsletters, fact sheets, prospectuses, case histories, or short feasibility studies--should be distributed as broadly as possible to investors in the industrial fields of primary interest to the country.

The principal types of printed material include:

1. A comprehensive, detailed handbook (in either bound or loose-leaf form) setting out as much factual and statistical information as possible for the foreign investor. This would include labor availability, wage costs, fringe benefits, tax system, organizational requirements, markets, economic advantages, communications, availability and cost of utilities, transportation net, freight and shipping charges, etc. A usable investment handbook may take a year or more to prepare and its preparation should begin as soon as the development agency is organized. The information it contains should be updated constantly. This handbook is not for general distribution, like to be enclosed with a mailing campaign, etc., but only to be handed to foreign investors who show a positive interest in locating an operation in the country.

A table of contents for this book is given in Annex I.

- 2. A shorter, more general brochure about the country (history, geography, government and politics, population, education) and its economy, including a statement on the national investment policy and the advantages of investing under its provisions.**
- 3. Fact sheets or "feasibility indications" on specific industrial areas that the country is most interested in developing.**
- 4. Public-relations materials also should be included here, especially newsletters, news releases, photo-caption releases, motion pictures and exhibits.**
- 5. Checklists should be issued to local manufacturers who might be interested in joint ventures with foreign investors. The answers to questionnaires of this type can be used effectively in contacting potential investment partners.**

Information that might be included in a typical checklist is outlined below:

- a. Name of company interested in a joint venture, address and telephone numbers of its main office, addresses and telephone numbers of its manufacturing plants;**
- b. Product lines, processes or technical knowhow in which the company is interested;**
- c. Brief history of the company;**
- d. Present product lines and technical skills;**
- e. Name and address of the chief executive officer, with a brief**

resume of his background and experience;

f. Names, qualifications and experience of technical and supervisory staff to be employed on the project at the operating level;

g. Names and addresses of the company's attorneys, consultants, bankers, and auditors;

h. Audited balance sheet and profit-and-loss statements for the past three years;

i. Description of the company's physical facilities:

Land

Buildings

Equipment and machinery;

j. Type or arrangement desired with foreign company (license, equity participation, loan, technical assistance);

k. Extent of any financing required;

l. Report or analysis of the markets being considered under the proposed arrangement, including previous experience in these markets or an evaluation of their future potential.

Annex II shows the complete text of a typical checklist.

B. ABROAD:

The headquarters of the national development agency will operate in many ways like the headquarters of a large industrial corporation,

except that the "product" it is selling is the favorable economic climate of its country. And, as in any international marketing effort, the agency will want to have branch offices (investment promotion centers) abroad, staffed to promote the country's advantages to industrialists in the capital-exporting nations.

OPERATIONS OF OVERSEAS OFFICES

The primary function of these branch offices and their executives is to initiate and maintain contacts with a broad range of potential investors and with business groups and financial institutions with interests in the foreign-investment field.

The investment promotion center supplies these "target audiences" with a steady flow of information on the host country's economy and its investment opportunities. Part of this primary function, of course, is to suggest studies of investment potentials in specific fields.

In carrying out its basic sales functions, the center will maintain current information on markets, materials, labor supply, utilities, transportation, economic and financial policies, taxation, licensing regulations and procedures and other matters of interest to potential investors.

It should become, in effect, an information bureau for businessmen

in the capital-exporting country.

The center's director and staff officers should be prepared to do a certain amount of traveling to visit out-of-town companies that indicate an interest in the developing country, if the size and type of the potential investment warrants this type of expenditure.

The investment promotion center will assist businessmen from the host country on their visits abroad by arranging contacts, itineraries, etc.

The most logical countries in which to locate investment promotion centers are those with a potential for exporting capital and industrial know-how. Once specific countries are chosen, branches can be established in the city or cities from which the center's staff can most effectively cover the regions with the heaviest concentrations of industry and capital.

PROMOTION CENTER STAFFING

1. DIRECTOR:

All things being equal, a native of the developing country is probably a more suitable choice for director of an overseas investment-promotion center than would be a native of the capital-exporting country in which this office is set up. He could speak with greater authority about his own country and the businessmen he will be contacting will recognize this

greater authority.

He is able to convey immediately to executives the characteristics of his own people--with whom, hopefully, the executives will soon be doing business on a regular basis. Even the manner in which the center's director goes about his job enables others to form positive impressions of the people and attitudes in the developing country.

There is also a psychological advantage to placing a qualified native in this position. Most executives are more responsive to dealing with principals. When a native of the country seeking his investment approaches an executive, the executive considers him as an equal party to the negotiations, not as a third-party advocate bringing together two principals (foreign company and local government).

This does not rule out a citizen of the capital-exporting country as director of the investment center. An energetic, dynamic man--regardless of nationality--can accomplish a good many things.

Whether the director is a citizen of the host (developing) country or of the country where the investment center is located, he should be fully conversant with the host nation's economic and political conditions and with its national development policies.

He must keep himself currently informed on these matters so as to be able to answer inquiries quickly and effectively.

The director should be oriented toward business and industry. The executives with whom he will be in contact prefer to listen to someone who understands and talks knowledgeably about their problems--the difficulties of operating a business profitably. Business experience and an appreciation of the profit motive are basic requisites in an investment-center director.

Finally, the director must project confidence at a high level. This is an intangible quality and, as such, is somewhat difficult to define. The "ideal" director should have the stature that will cause businessmen to give him the respect required for the successful execution of his assignment. He should be a high-level salesman, well organized and highly motivated. He must believe in his mission--not only in what it can do for his country but also in what it can do for the businessmen whom he is persuading to invest there.

2. OTHER PERSONNEL:

Depending on budget available, the promotion center staff includes a secretary, one or more assistants and, for a large operation, specialists in finance, engineering or specific industries.

Regardless of the composition of the center's staff, it should always be kept in mind that the center is essentially a sales organization, whose ultimate success will be in direct proportion to the number and continuity of the contacts it maintains with potential investors.

3. PROBLEMS FACED BY A LIGHTLY STAFFED CENTER:

A one or two-person investment center in a capital-exporting country has an enormous job. Sheer lack of time will prevent a one-man office from carrying out many of the tasks that a larger office would do quickly and easily. This is not to say that a small office cannot attract investment for its country. It can. But it will probably have to work harder to achieve success.

One basic job, that must be done regardless of staff, is compilation and maintenance of accurate up to date mailing lists. This job in itself can consume a great amount of time, like weeks, months of an officer's time that might be better spent in meeting with prospective investors. Accurate, efficient, responsible clerical personnel can be hired, on a temporary basis, to do this type of work.

General industrial directories, such as Poor's Register and Thomas' Register in the U. S. are almost indispensable for obtaining

mailing list information, also helpful are directories published by many trade associations that list the firms active in a particular industry.

An investment center staffed by only one officer should be provided with a secretary, who can handle administrative work and take care of many of the day-to-day details that are part of any office routine.

COOPERATION WITH DIPLOMATIC MISSIONS

While the investment promotion center is an arm of a quasi-governmental agency, its director should maintain liaison with the host country's diplomatic missions in the capital-exporting country in which he is operating.

This is important in providing a two-way flow of information between the government (through its diplomatic missions) and the promotion center. It is also important for the host country's ambassador and its investment-promotion director to cooperate in the latter's efforts to encourage an inflow of capital to the country. As his country's highest official in the capital-exporting nation, the ambassador is an effective spokesman at press conferences or at regularly scheduled meetings with groups of businessmen or bankers.

By maintaining contact with diplomatic missions, the center will be assured of receiving any investment inquiries made at the embassy, consulates or UN mission.

Some countries have experimented with a promotion-center organization headed by an economic attache of its embassy in the capital-exporting nation. This approach has met with some success, although it seems that its effectiveness has been due not so much to the type of organization as to the countries' outstanding advantages for industrial investors. An organizational separation of investment center and diplomatic missions still seems preferable, paralleling as it does the separation of the development agency at home from the regular governmental departments.

TWO FUNCTIONING DEVELOPMENT AGENCIES

A. One developing country organized its investment-promotion agency as a foundation financed 90 per cent by government grant and 10 per cent by banks and large industrial companies.

Participation by private financing is particularly noteworthy in this organization.

Staff for this agency originally consisted of a managing director, two officers, and two secretaries. This organization's primary functions were in the areas of promotion and liaison. Screening and approval of foreign-investment proposals were handled by a special department of the Ministry of Economic Affairs.

A major advantage realized from the size and expertise of this small staff was its ability to make quick decisions and eliminate red tape.

The agency had one promotion center overseas, in New York, with another, smaller branch in Chicago. U.S. staff consisted of a general manager, two officers, and two secretaries. A substantial number of personal contacts were developed through a continuing advertising program in Fortune magazine. Each advertisement centered on a case history, reporting the favorable results of a U. S. company that has successfully invested in the subject country. The advertisements were run quarterly, and were reprinted and sent to the center's mailing list.

B. The development organization of another country has a more elaborate staffing arrangement which, contrary to expectation, seems to impede rather than facilitate its work. This development agency is actually a government-appointed foundation which, however, operates autonomously. It is fully staffed for all the functions listed on pages 15, 16, and 17, although final screening and approval of projects is handled by government departments. The vitally needed coordinating link between development agency and government departments either was never provided or simply does not function efficiently.

This has caused delays in a number of projects because of red tape.

Abroad, this agency maintains a promotion center in New York,

staffed with two officers and two secretaries. Its major promotion efforts consist of mailings of fact sheets to specific selected companies and of businessmen's meetings in key industrial cities around the U.S. These meetings produce a number of promising contacts because they take place under the auspices of local advisory councils to the New York promotion center. The local councils, composed of executives from U.S. companies with investments in the subject country, are an ingenious and effective way of establishing contacts with industrialists.

IV. IMPLEMENTATION TECHNIQUES

A. AT HOME:

Once the development agency is organized, and even during the process of organization, it will begin implementation of the varied and interconnected programs that will induce foreign investors to make capital commitments in the country.

The outlines of activities and functions noted in the preceding sections of this study indicate the scope of the job to be done. In implementing the development program, priorities will have to be assigned to the various functions, based on budget and staff available. All the activities are necessary and all should be started as soon as possible.

Cooperation from the head of Government and relevant ministers is essential when they visit foreign countries--even for diplomatic or political purposes. Assuming that economic development is a national goal (and if it weren't the country would not have set up a development agency in the first place), it is not out of place even for the country's highest officials to discuss investment programs with ministers, diplomats and businessmen in the country they happen to be visiting. It is a simple matter, for example, for a minister on an official visit to a capital-exporting country to mention his own nation's economic goals in every speech he makes and in every press conference he holds.

CONTACTS WITH LOCAL BUSINESSMEN AND VISITING INVESTORS

One of the first tasks to be undertaken is contact with local businessmen as individuals and with their representative groups (chambers of commerce, manufacturers associations, bankers associations, etc.). This includes personal discussions between officers of the development agency and businessmen, as well as submission of checklists or questionnaires to determine the extent of joint-venture participation that can be offered to foreign businessmen and the amount of capital that could be made available for such projects.

As the efforts of the development agency and its promotion centers abroad become effective, growing numbers of potential foreign investors will be visiting the country. It is extremely important for the agency to do all it can to make these visits as pleasant, trouble-free and productive as possible for the foreign businessman. Hotel reservations, travel arrangements, meetings with government officials and local businessmen, interpreters if there is a language problem -- all are services that should be provided willingly and efficiently by the agency.

PROMPT INFORMATION A MUST

One thing above all else that the foreign businessman expects is prompt, accurate and frank answers to the many questions he will have.

If an answer cannot be obtained immediately, it should be made available to the questioner as soon as possible, preferably before he leaves the country.

The branch office whose efforts resulted in the businessman's visit should be informed in some detail about his reactions, questions, and any indications he has given about the status of the project under consideration. In this way the branch office is enabled to perform efficient and prompt follow-up.

This is only one form of servicing that the development agency at home must provide to its branches overseas. Each branch must be kept fully and currently informed about every aspect of the country's economic progress and its industrialization program.

Nowhere is this backstopping of overseas investment centers more urgent than in the matter of answering questions or providing requested information as quickly as possible. Countries have lost major investment projects because an industrialist considering an investment became disenchanted with the slow, painful process of waiting weeks or months for information that should arrive almost by return mail (or even by cable, telex or telephone depending on the size of a project and the time element involved in its actuation).

Slipshod servicing of overseas branches gives the foreign investor the impression that all work in the potential host country is inefficient and lackadaisical. In today's competitive market for foreign-investment

resources no country can afford to have its business performance judged in these terms. This is why many development agencies assign a specific individual in the home office to the responsibility of expeditiously handling inquiries and requests from each of the overseas branches.

It goes without saying that projects established through a country's investment-development program must be allowed to establish themselves and operate in accordance with the agreements and understandings reached with their managements before their capital was committed. Any breach of faith, "misunderstandings," or unilateral changing of investment rules can do irreparable harm to a country's industrialization effort. The confidence of foreign investors in any country is developed only over a long period in which the country actually lives up to the image it seeks to create abroad; if that image is tarnished by poor performance of any kind, investor confidence can be lost almost overnight -- and its restoration will be doubly difficult, if not impossible.

B. ABROAD:

The investment promotion center set up in a foreign country has a single responsibility: to persuade investors to commit a portion of their capital resources to an industrial project in the host country.

In carrying out this responsibility, the center constantly seeks to pinpoint its promotional and communications efforts to the decision-making businessmen who can recommend and approve an investment project.

TARGETING ON DECISION-MAKERS

In the beginning, these efforts must necessarily be aimed at the broadest industrial spectrum possible. Certain industries will be eliminated from consideration immediately, others will gradually be winnowed out, companies in the remaining target industries will be approached, interested companies will receive concentrated attention, the decision-making individuals in these companies will be identified, and steady contacts will be maintained with them.

The whole process can be likened to pouring grain through a funnel: hundreds of kernels may flow at the top only a few trickle through the narrow spout at the bottom.

COMMUNICATIONS PROGRAM

The investment center accomplishes this winnowing process through increasingly selective methods of communication:

1. MAILINGS:

a. Large-scale mailings to many companies in a number of suitable industries are a key means of acquainting businessmen in the capital-exporting country with the advantages of investing in the developing country.

Starting point for any effective mail campaign is the compilation

of complete and accurate mailing lists. Commercial registers, industrial directories, trade-association membership lists, business and trade magazines, daily newspapers, and personal contacts can all provide raw material for the center's mailing list.

A complete and accurate mailing list consists of:

Two different sets of cards, (index cards). One set alphabetically stating the name of the company, its president or chairman, the complete address and telephone number. If the company has an international department or foreign division, another card should be made with the same company name and the name of the head of this department. The other set of cards, will be alphabetically for the executives of the companies, stating their names, position and of course the name of the company. The purpose of these two sets of cards is that it is easier and faster to check the executive's name instead of going through the company's file, where perhaps there may be several other executives' names as well for the same company. These cards must be updated every two months or so, for the sake of accuracy. It will be embarrassing to receive a letter or any other kind of mailing back from a company informing that the executive died or retired, etc.

Establishment of the initial list is only the first step. It must be constantly, as we said before, kept up to date--a never--ending process. Unless additions or deletions are made on a current basis, even the best list can become hopelessly out of date--and ineffective.

b. The first general mailing would normally consist of a brochure about the subject country and a personal letter from the director of the investment center to the presidents or chairmans of the companies on the mailing list. It is very important that this first letter be made both interesting, not too long and personal. The responses to this letter, offering to discuss the investment situation and prospects in the developing country, will lead to the first contacts made by the newly established center.

c. As activity increases, it's a must to replace this general type of letter by a more restrictive and detailed mailing or mailings about specific industrial potentials to presidents of companies in selected manufacturing areas (electronics, food processing, textiles, metal fabrication, etc.). The companies on these specific-industry lists are chosen from membership lists of trade associations, Poor's Register and Thomas' Register.

State and regional industrial directories also can be helpful.

d. A newsletter can be published regularly as part of the center's continuing mailing campaign.

This newsletter should be sent to companies known to be interested in international operations and to those executives who have expressed an interest in the country's investment potentials.

A newsletter should be brief (two to four single-spaced pages) and should aim to mention as many items as possible rather than seek to discuss any single subject in great detail. One effective format consists of a page-long feature on a major area of interest, followed by a page or two of brief items (two or three sentences).

Where does the material for a monthly or bi-monthly newsletter come from?

Generally from daily newspapers and business and industrial magazines published in the developing country.

Nonconfidential correspondence and reports from the promotion center's "home office" also contain a good deal of suitable material.

In choosing news items, remember that the newsletter must create

awareness on the part of its readers that the subject country is attracting investment and that it is becoming an operating location for a number of international companies.

Plant openings, export contracts, shipping news, construction of new facilities, expansion of established industries are all valid news subjects.

2. REGULAR MEETINGS-BUSINESS MEETINGS

Regular business meetings should be scheduled with groups of businessmen and bankers in different cities of the capital-exporting country.

In most industrial cities the international division of the local Chamber of Commerce or a separately organized World Affairs Center are usually cooperative in organizing such meetings for their members.

The host country's ambassador should be the principal speaker at these meetings, followed by the director of the investment center. If such meetings can be scheduled for the itinerary of a visiting minister or head of government they will be even more effective.

Literature should be made available and motion pictures or slide presentations can be useful in providing the audience

with a realistic look at the country under discussion.

The ambassador, as his nation's highest representative in the capital--exporting country, almost automatically is his nation's best spokesman in that country.

His position commands respect and attention--he, more than any other permanent representative of his government, will be heard. He not only is in a position to communicate in the name of his country more effectively, but he is assured of an audience for his communications efforts.

The impact of ambassadorial participation in the industrialization effort is highly positive vis-a-vis business executives. No one is better placed to communicate the favorable business climate that awaits industrial investment in his country.

The ambassador speaks for his government; the director of the country's investment center speaks always as one paid to "sell" companies on the merits of investing in the developing country.

3. GOVERNMENT LIAISON:

The investment center should maintain regular liaison

with appropriate government officials in the capital-exporting country. These will be the officials in the foreign ministry and economic affairs ministry whose task is to help domestic industrialists and bankers with information on the developing country.

4. PRESS CONFERENCES:

Receptions and luncheons for the press and press attendance at open meetings of businessmen is very helpful in getting the country's story across to businessmen. If a formal press conference is scheduled, it is important that the investment center have meaningful news to announce.

5. PUBLICITY:

A. News stories or feature articles should be serviced to daily newspapers, and to business and financial media to create a general awareness of the country and its investment program.

B. Feature articles in the industrial or trade press can be a major source of inquiries. Such articles can describe a specific industry in the host country and indicate that the country seeks additional investment in the industry discussed.

6. FOLLOWUP:

All inquiries resulting from any of the above mentioned methods must be followed up immediately, either by letter or telephone, with a request for a personal interview to discuss investment possibilities in more detail.

7. SOCIAL FUNCTIONS AND INFORMAL GATHERINGS:

These functions also play an important part in the promotion center's efforts to communicate with the businessman.

These functions are usually receptions, held in conjunction with annual or special meetings of foreign-trade association, foreign-policy groups, etc.

Such receptions also can be sponsored during visits to the capital-exporting country of the developing nation's ministers and other high officials.

PUBLIC RELATIONS ASSISTANCE

Because its activities are primarily in the marketing and communications fields, and its staff is usually small, the promotion center should consider the retaining of public relations and advertising counsel.

A continuing, major-media advertising program is normally too burdensome and expensive for the center's budget. Such a program is effective only on a repetitive basis and only when reprints of the advertisements are mailed regularly to potential investors. The center should consider advertising only if it can afford the expense involved in a significant, on-going program.

Public-relations counsel, on the other hand, is almost indispensable if the promotion center hopes to get its message across to the many companies and individuals who are potential investors.

A reputable public-relations firm can provide advice in formulating and assistance in carrying out an effective communications program at many levels of expenditure.

Retention of public-relations counsel is distinctly advantageous in light of the limited staffing of most investment centers and the fact that much of the center's work is of a public-relations nature.

CONSIDERATIONS FOR A PUBLIC-RELATIONS PROGRAM

The communications activities described on pages 31 through 38 constitute a minimal program that probably can be implemented by personnel of the promotion investment center.

However, a developing country often finds that outside public-relations counsel can advise its branch offices on the most appropriate type of communications program, can assist in preparing objectives and budgets, and can carry out the approved program efficiently.

In recommending a program, regardless of budget involved, public-relations counsel will generally be concerned about:

1. Purpose of the program
2. Communications objectives
3. Basic activities to attain the communications objectives
4. Special projects, usually predicated on supplementary budgets
5. Advertising, if this is felt necessary and if a budget is available for it.

The following outline discusses in capsule form these five aspects of public-relations programming for an investment promotion center.

Obviously, a program prepared for a specific center will show variations from this outline, depending on the communications job to be done. Every program, however, should be built around a general, over-all purpose; a set of communications objectives; a plan of action to achieve the stated objectives.

1. Purpose of the program:

The investment center's public-relations program has one basic purpose: to assist the development agency and its overseas branches in achieving their primary objective of promoting industrial investment.

2. Communications objectives:

Public-relations counsel will render such assistance by determining and accomplishing a set of communications objectives.

The communications objectives are not intended in themselves to produce new industrial investments in the developing country. This is the job of the investment

center staff.

As the term implies, the communications objectives are goals that can reasonably be expected to be accomplished through the media and techniques of communication. This generally means a change of attitude, adoption of an attitude (where none existed before), formulation of favorable opinion, or simply the imparting of information to the uninformed.

Communications objectives should be linked to specific audiences (e. g., government officials, businessmen) and to specific investment advantages of the developing country (stability, incentives, support of private capital, quality of labor force, etc.)

3. Methods for achieving the objectives:

A broad range of communications methods is available for communicating with the target audiences that can make or influence the decision to commit an investment in a developing country. Some of these have already been discussed. See pages 31 through 38.

The techniques outlined below are among those that are normally used by public-relations firms in achieving

communications objectives of the type previously described.

The frequency and intensity with which these techniques are put to work on behalf of a client are, quite naturally, related to the budgetary resources that can be committed to public-relations programming. (Effective campaigns can be carried out for retainer fees of \$18,000 a year, on a minimal basis, and for fees of \$150,000 or more for active, multi-media saturation programs.

A typical public relations presentation is given in Annex III.

Some of the tools available are:

- a. research---to learn investor attitudes toward the developing country and to serve as bench-marks in determining if the program has changed these attitudes.
- b. publicity---often handled through a news bureau set up by the public-relations counsel to service media with a steady flow of information through news releases, newsletters, statistical background, photographs, and interview material.

Media receiving this information will include **business newspapers and magazines, wire services, newsmagazines, journals of opinion, industrial (trade) publications, professional journals, columnists, editorial writers, and free-lance writers.**

c. publications--can include some or all of the following:

general and special newsletters, brochures on various aspects of a country's investment climate, case history studies on individual companies operating successfully in the country, an annual report on industrial progress, detailed investment handbook, and newspaper supplements.

d. photographs--a photo library prepared and maintained by public-relations counsel is a prime source of good publicity (through photo-and-caption releases) and of illustrative material for publications.

e. meetings--public-relations counsel can be of assistance in arranging the types of meetings discussed before and can also develop additional publicity benefits from them.

4. Special projects:

These are normally outside the scope of the basic program and usually require funds over and above those

appropriated for the regular program.

Examples would be trips to the developing country for selected members of the press and business community from the capital-exporting country, displays and exhibits, tours of government and business leaders from the developing country to hold day-long seminars with businessmen in the capital-exporting country, etc.

Then, too, a minimally budgeted basic public-relations program would consider as a "special project" some of the items described above (photo library, or case-history studies, or even an unbudgeted but suddenly necessary press conference).

5. Advertising:

Public-relations counsel may suggest an advertising campaign if funds are available and if an effective communications job is already being done in the basic public-relations areas.

An effective yet economical program is described on page 25.

It should be pointed out, however, that advertising

is most effective when it is carried out on a continuing broad basis, over a long period of time. This type of program can be expensive and should be considered only if it can be adequately financed for at least two or three years.

Additional impact can be generated from advertisements if they are reprinted and sent, with a personal note from the promotion center's director, to the presidents of companies that are potential investors in the developing country.

INFORMATION FLOW WITH HOME OFFICE

The importance of continual two-way communication between the development agency at home and its branches abroad was discussed above.

However, one essential form of such communication should be mentioned here--call reports.

These summarize discussions with or pending actions of potential investors and serve to keep the home office steadily informed of progress in the promotion effort, of investor reaction to conditions in the host country, and of questions being raised

by foreign businessmen. Ideally, call reports should be air-mailed to the home office immediately after a meeting takes place.

It is also advisable for the center to submit a monthly report on its activities to the development agency.

This report can include a brief summary of economic trends in the foreign country and their possible effects on the investment promotion program.

CONCLUSIONS

Promotion of foreign investment is, in essence, a marketing effort and is best carried out by a specialized, quasi-governmental agency for industrial development.

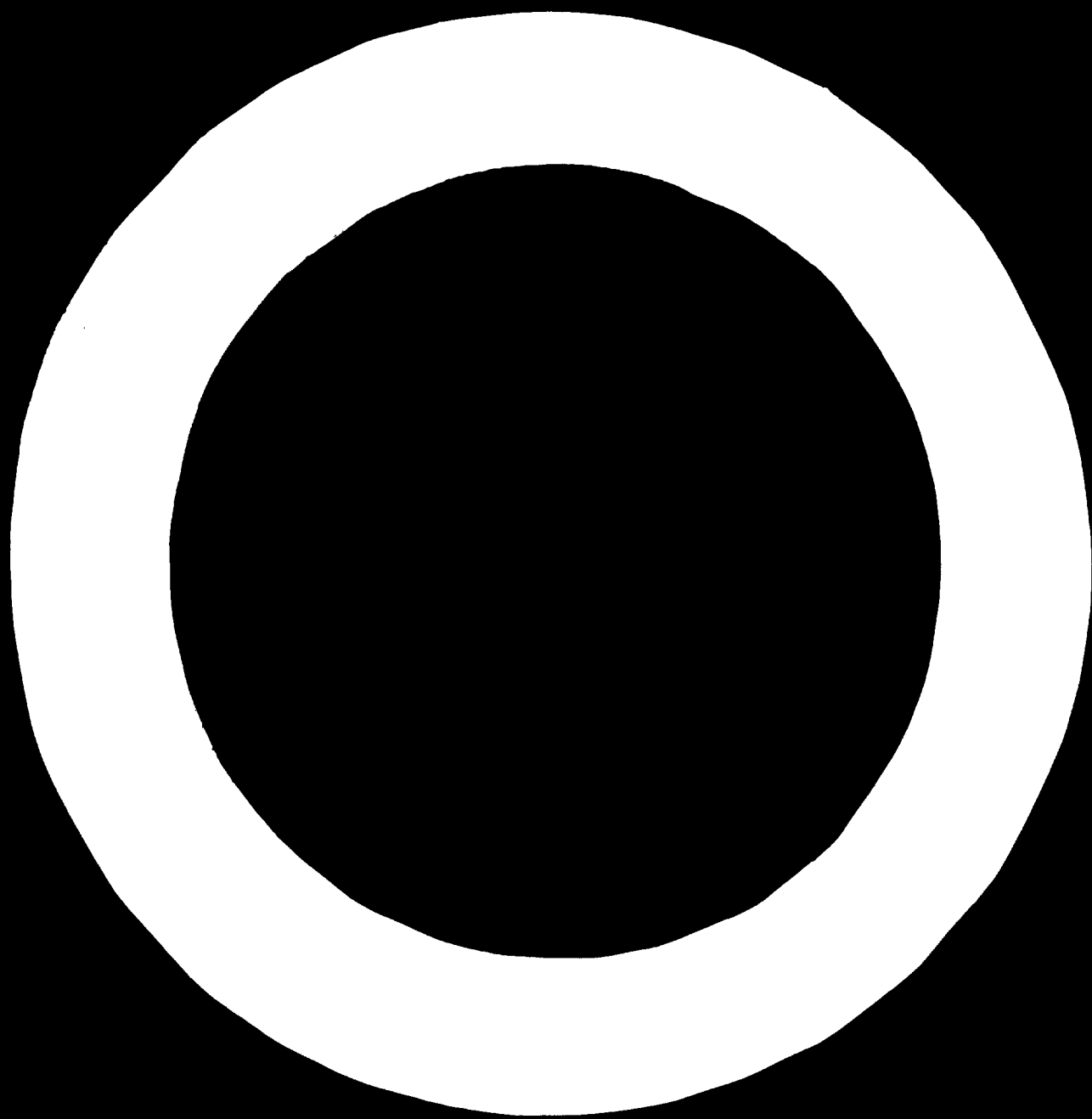
This agency and its staff should be business oriented and proficient in a variety of informational and promotional methods for achieving the country's economic goals. These goals should be carefully thought out, and formulated in a legal framework.

In carrying out its marketing function, the industrial development agency will establish branches in capital-exporting countries. The heads of these investment promotion centers are marketing managers and salesmen whose job is to persuade foreign investors to establish industrial operations in the host country.

Beacuse their job is essentially one of communications, the promotion centers will use a number of public-relations techniques to reach those individuals who can recommend or decide on a foreign-investment commitment.

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ANNEX I



ANNEX I

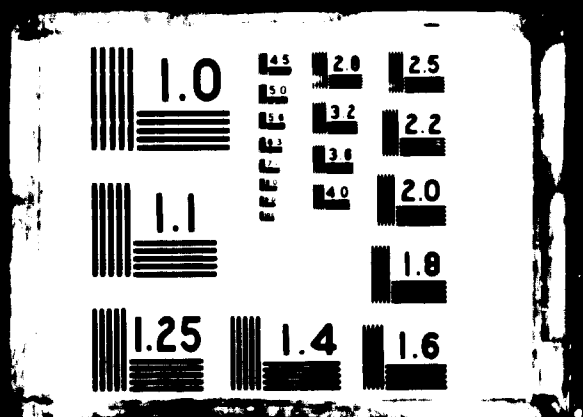
**TYPICAL TABLE OF CONTENTS
OF
INVESTOR'S GUIDEBOOK**

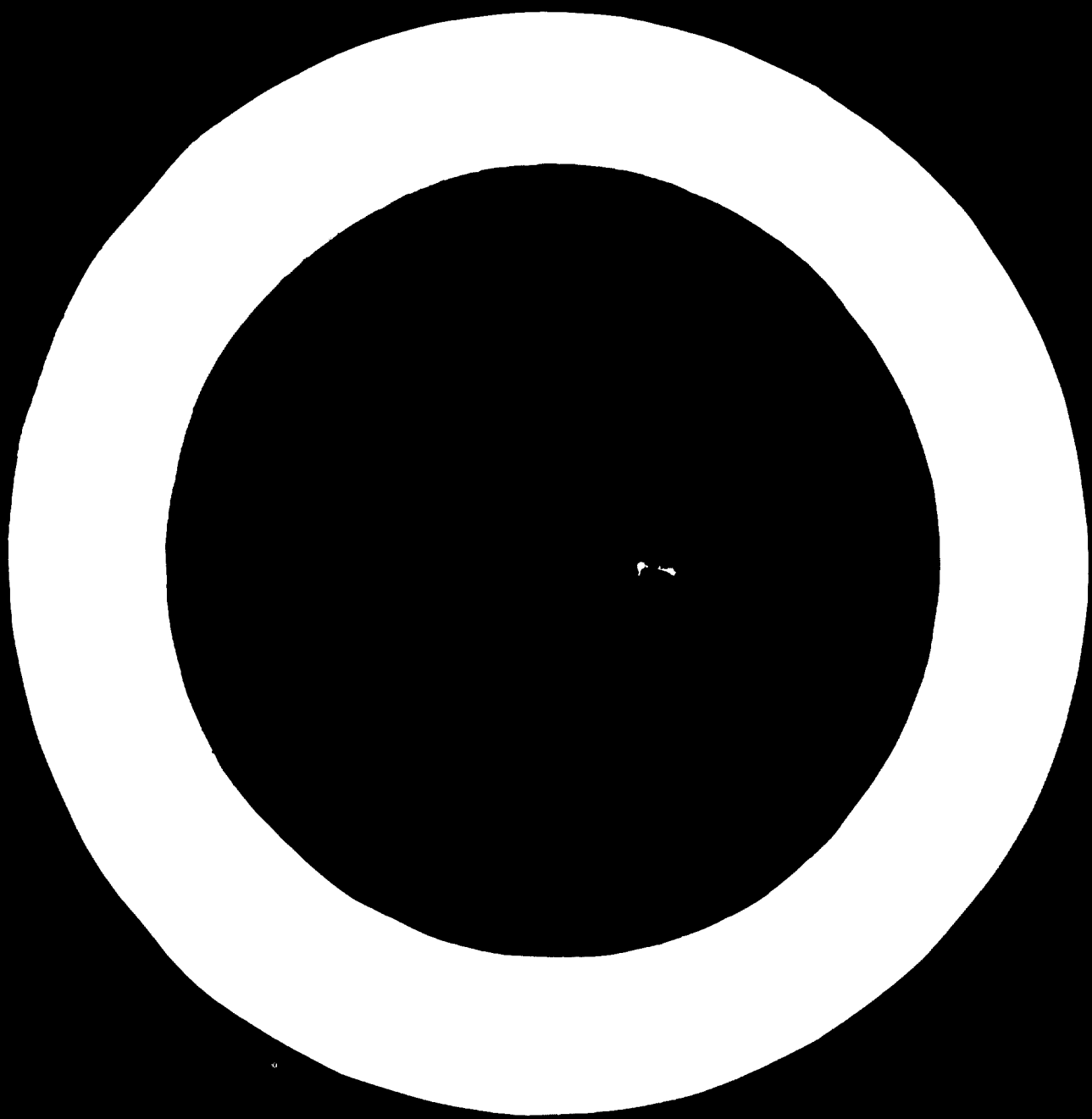


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ANNEX I

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CHAPTER I- General information:

Geography, Living conditions, Accommodation, Social Activities, Immigration Requirements.

CHAPTER II- Government and Public Services:

Constitution, Judicial System, Police, Defence Forces, Fire Service, Public Transportation, Social Services, Health Services, Education.

CHAPTER III- Economic Survey:

Economic History, Economic Situation, Government Development Plan.

CHAPTER IV- Industrial Development:

Economic Development Agency, Incentive Legislation, Loans, Development Opportunities, Industrial Estates, Factory Space.

CHAPTER V- The Tourist Industry:

General, Accommodation, Tourism Statistics, Tourist Promotion, Incentive Legislation, Hotel and Guest-house rates, souvenirs.

CHAPTER VI- Communications:

Air, Sea, Roads, Press, Radio and Television, Mails, Telephone, Cable & Wireless.

CHAPTER VII- Utilities and Fuels:

Electricity, Natural Gas, Water, Fuel Oil, Diesel Oil, Kerosene, Propane Gas.

ANNEX I

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CHAPTER VIII- Agriculture, Land and Fisheries :

Soils, Minerals, Agriculture, Animals, Fisheries

CHAPTER IX- Income Tax:

Company tax, tax incentives, personal tax.

CHAPTER X- Labour Survey:

Labor pool, Employers' Organizations, Workers'
Organizations, Legislation, Industrial Relations,
Social Security, Wage levels.

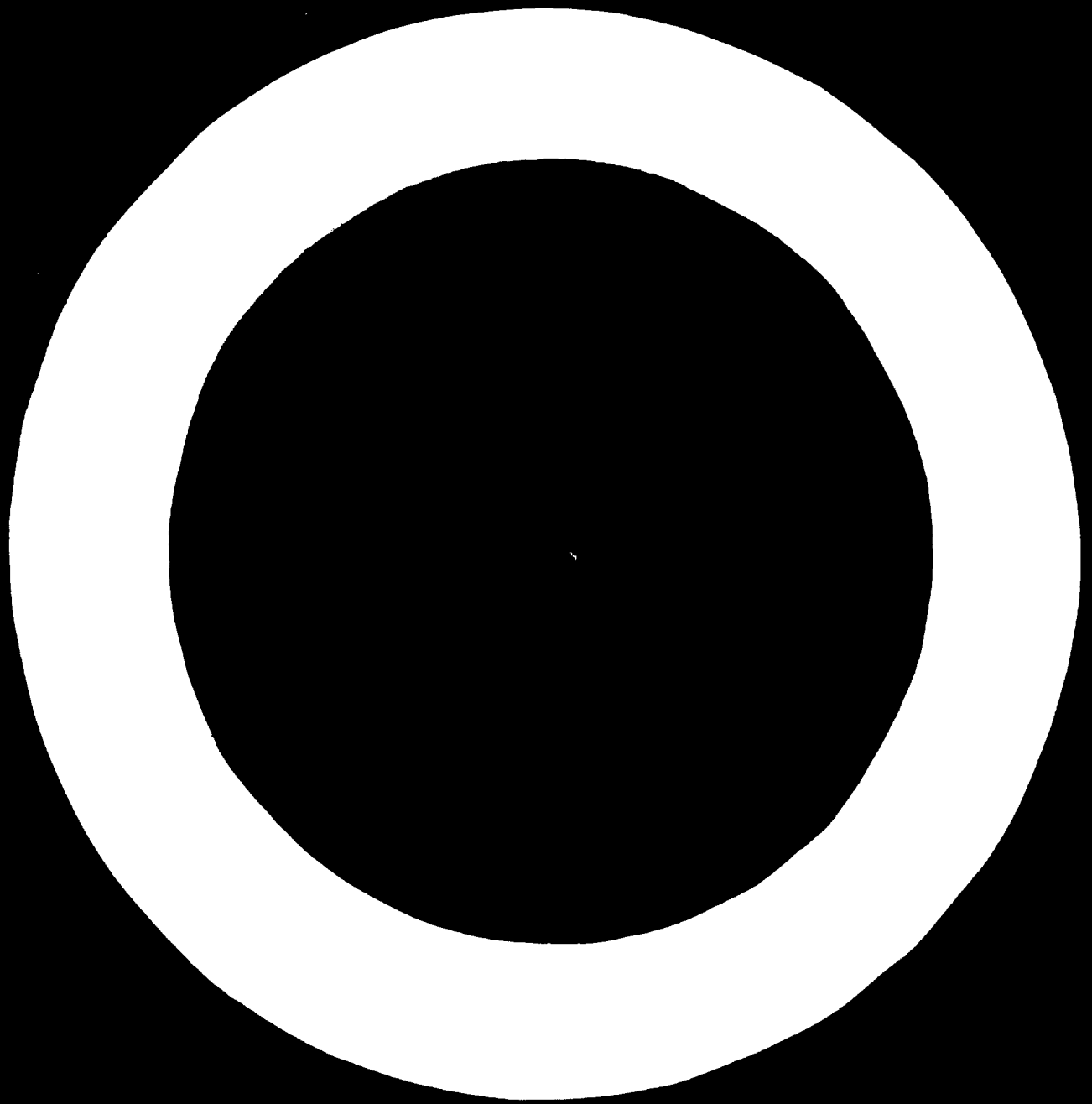
CHAPTER XI- Starting a Business :

Incorporation, Foreign Companies, Partnerships,
Sole proprietors, Import Licenses, Customs Duty,
Patents, Trade Marks, Copyrights.

CHAPTERXII- Manufacturing Industries:

Statistical Summary, Professional Services,
Commercial Directory.

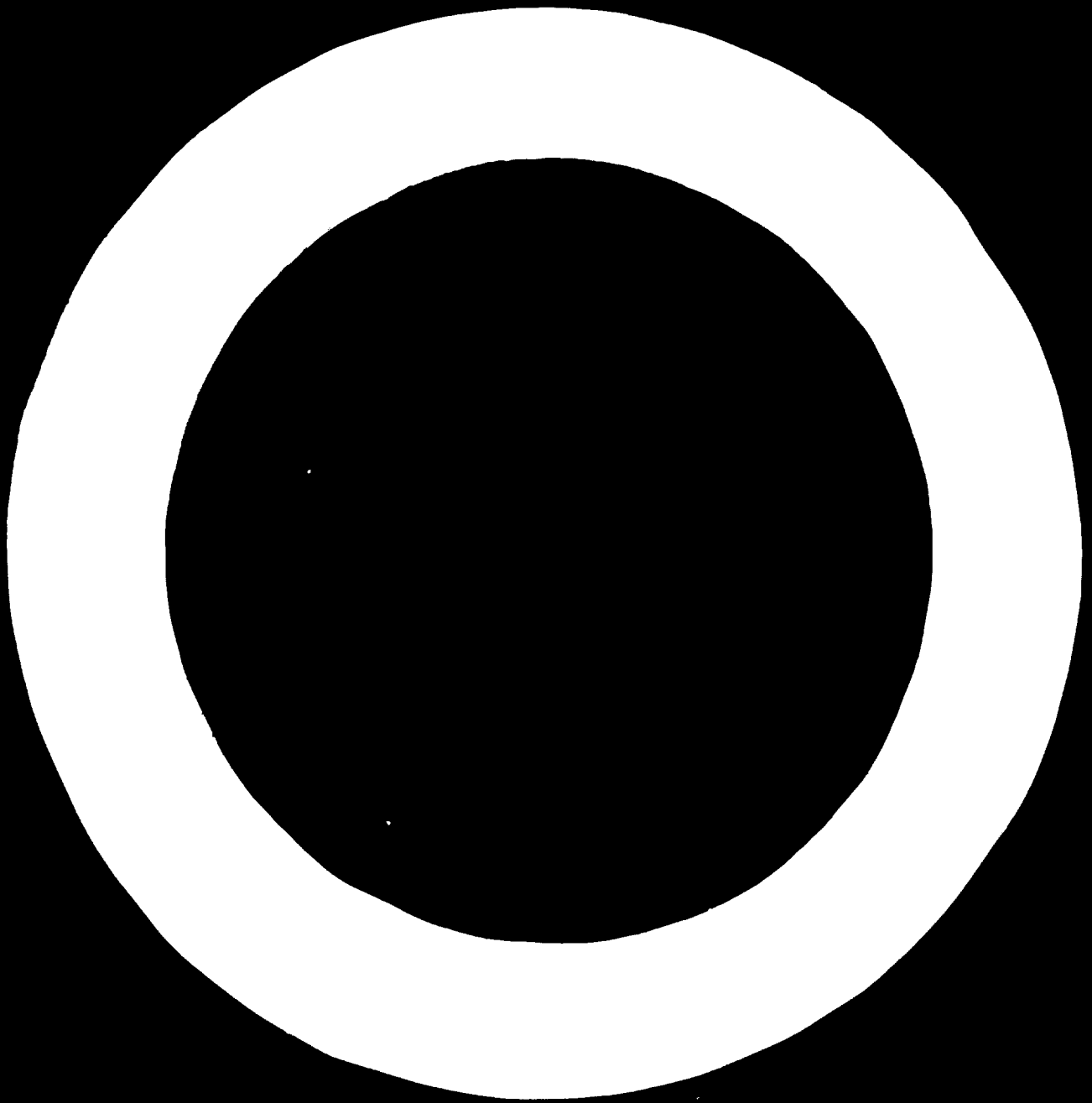
ANNEX II



INVESTMENT DEVELOPMENT AGENCY

QUESTIONNAIRE

(Joint-venture)



INVESTMENT DEVELOPMENT AGENCY

QUESTIONNAIRE

(Joint-venture)

This questionnaire should be completed in triplicate and returned to the Investment Development Agency.

Please provide the requested information as completely as possible (where the answers are based on assumption, they should be so indicated).

Be sure to read all questions through carefully before answering any of them.

ANNEX II

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PART A - GENERAL

1. (a) **Company name in full.**
- (b) **Address of office and telephone No.**
- (c) **Address of Factory and telephone No.**

2. (a) **Submit one copy of Certificate of Incorporation.**
- (b) **If the company is one of a group of affiliated companies, give a brief description of the group and the company's relation to it.**
- (c) **Give short history of the company.**
- (d) **The names and addresses of promoters and directors; their age, nationality, occupation, extent of participation in the share capital, their functions in the company, their functions in other enterprises and their previous experience.**
- (e) **The name and address of the chief executive officer, his age, nationality and citizenship, details of qualifications and experience to date.**

ANNEX II

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- (f) Names, nationality, citizenship, qualifications and past experience of the technical staff who will be assigned to any joint venture resulting from this expression of interest.**
 - (g) Names and address of company's bankers and auditors.**
 - (h) Name(s) and address(es) of guarantor(s).**
 - (i) Names and addresses of company's lawyers, and consultants.**
 - (j) Names and addresses of other references beside those mentioned above.**
- 3.1. Audited balance sheet and profit-and-loss accounts for the last three years, or at least since the incorporation of the company and a trial balance to the latest possible date, duly signed.**

ANNEX II

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- 3.2. Issued capital.
- 3.3. Subscribed capital.
 - (a) Local participation.
 - (b) Foreign participation.
- 3.4. Fully paid up capital.
 - (a) Local participation.
 - (b) Foreign participation.
- 3.5. Give details of different classes of company's issued shares (founders, management, preference, ordinary, etc.)
- 3.6. List of shareholders with their participation in the equity capital of the company.
- 3.7. Give amount and details of long-term loans (including debentures) and equipment credit negotiated, if any, together with full details of charges on such loans or credits.
- 3.8. Give brief particulars of industry and products.

ANNEX II

-5-

PART B - INVESTMENT

	<u>Existing</u>	<u>Proposed</u>
4.1. Land		
(a) Lot No.		
(b) Area in sq. ft.		
(c) Title (freehold or statutory grant or leasehold or tenancy)		
(d) Rent		
(e) Restriction on title (mortgages, charges, etc.)		
(f) Name and address of landlord, mortgagee or charges, subtenants, if any.		

Kindly attach a site
plan, if any.

ANNEX II

-6-

4.2. Buildings and Civil Works

	<u>EXISTING</u>		<u>PROPOSED</u>	
	Area Sq. ft.	Book Value \$	Area Sq. ft.	Cost \$
I. Workshops				
II. Repair-shop, test room				
III. Switch-room				
IV. Storage				
V. Offices				
VI. Quarters				
VII. Canteen, Guard-rooms				
VIII. Reservoirs, tanks, platforms				
IX. Road, siding, walls, fences, etc. (length)				
X. Miscellaneous				
XI. Temporary structures				

Kindly attach a blueprint copy of
the building layout plan, if any.

ANNEX II

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4.3. Equipment & Machinery

	<u>Existing</u>	<u>To be purchased</u>
(a) Quantity		
(b) Description		
(c) Specification		
(d) Name of manufacturer or supplier		
(e) Year of purchase or delivery time		
(f) Purchase price		
(g) Current book value		
(h) Output per single - shift operation.		

Please supply one copy of the present and/or
proposed layout plan of the factory, if available.

ANNEX II

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4.4. In case of machinery to be procured, state:

(a) F. O. B. Price

(b) C. I. F. Price

(c) Whether order has been already placed

(d) Method of procurement (tender? open or closed?)

**(e) Whether letter of credit has been opened or
how it is proposed to make payment?**

ANNEX II

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4.5. Give summary of investment & funds required:

	<u>Existing \$</u>	<u>Anticipated \$</u>
I. Land		
II. Buildings and civil works		
III. Equipment and machinery		
IV. Installation cost		
V. Running-inexpenses		
VI. Know-how and/or license fees		
VII. Others (give details)		
VIII. Contingencies		
IX. Circulating capital		
Total:		

Existing & Anticipated \$

4.6. Provided that your company concludes a joint venture, indicate in chart form the detailed time-table for new construction and installation of plant and equipment.

ANNEX II

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PART C - JOINT-VENTURE PARTICULARS

5. (a) State the amount of funds or extent of participation sought and the period for which these are required.
- (b) The specific purpose for foreign capital is required:
- I. Land (including land improvement - situation, area and cost price;
 - II. Buildings (including civil works) - size, purpose construction material to be used and estimated cost of each structure. (an estimate should be prepared by an architect);
 - III. Machinery and Equipment - maker, size or capacity, purpose and cost price of each machine; copies of quotations received from suppliers should be enclosed.
 - IV. Tools, Vehicles, Office Machines, Furniture - details and cost price;

ANNEX II

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- V. Installation Charges - cost.
- VI. Running-in-Expenses.
- VII. Know-how and Licence Fees - description
in detail and charges;
- VIII. Working Capital - give details;
- IX. Other Purpose - give details;

- (c) State company's requirement of circulating capital and indicate sources out of which it will be met.
- (d) Has the company contacted any bank or other financier for this particular project? Give full details.
- (e) A financial outline should be submitted in the form of an estimate showing:

Existing fixed assets	\$.....	Own permanent capital	\$.....
Existing other assets	\$.....	Other financial resources	\$.....

ANNEX II

Fixed assets to be procured	\$.....		
Other assets to be procured	\$.....	Assistance \$.....	
Circulating capital	\$.....	expected from foreign partner	
	_____		_____
Total	\$	Total:	\$
	_____		_____

- (f) Give estimate of company's profits and net cash proceeds expected during the next 7 years.
- (g) On the basis of 4 (f) submit a program showing the manner and period in which the repayment of the loan and interest will be made. The scheme may be drafted in the form of table with a following legend:
 - (a) Period -
 - (b) Annual cash proceeds -
 - (c) Annual cash expenditure -
 - (d) Gross surplus (b - c = d) -
 - (e) Repayment of principal -
 - (f) Payment of interest -

PART D - PRODUCTION AND SALES

6. (a) Describe in detail the product(s) now manufactured and to be manufactured and processes used.
- (b) The actual output should be given, stating quantity and quality of the product(s), shifts operated and the value for a specific period (to be indicated).
- (c) If the factory is not in production or if a particular item is not manufactured yet, give a forecast of the quantity and value of the new product and output estimate for the first six months of operation, for one year and/or for a full production.
- (d) Give quantities and value of company's annual output for each of the last three years or for the period since the factory went into production.
- (e) Give statistical figures (in a form of a table) of the market of company's products, with quantities and values for the periods of 2 years ago, last year and this year. Your company's estimate is required for the next year and for two years from now.

ANNEX II

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- (f) Compare the quality and price of your products with similar goods manufactured locally and/or imported and state how your company will be in the position to compete successfully. The names and brands of local products should also be given.
- (g) Submit statistical figures (in the form of a table) of import and/or export of competing products giving countries of origin or destination, price, quantities and brand names.
- (h) Give details of the methods your company is using or proposes to use in distributing and selling each of its products, stating what discounts are offered.
- (i) If your factory is already in production, give the date of its commencement and actual capacity.
- (j) If your factory is not in production yet, give anticipated date of the commencement of commercial operation.

ANNEX II

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- (k) State the capacity of the factory after
utilising the proceeds from a joint venture,
and give anticipated date of commencement
of commercial operation of new product(s).**

- (l) State the market price of competing products
and the price at which your company expects
to sell its product(s).**

ANNEX II

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PART E - EMPLOYMENT

**7.1. Give actual number of employees in your company
indicating separately the types in the following form:**

Designation	Local		Foreign	No. of Shifts worked	Remarks
	Male	Female			
Managerial staff					
Supervisory staff					
Technical person- nel					
Clerical staff					
Salesmen					
Skilled and semi- skilled workmen					
Unskilled workmen					
Apprentices					

**7.2. Give forecast of employees (in the same form as above)
after the financial assistance from a possible joint venture
to your Company is fully utilized.**

ANNEX II

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PART F - COST OF PRODUCTION AND PROFITS

8. (a) Give estimates of annual cost of production, ex-factory, separately for each product at full capacity by applying the following procedure:

A.

Specification	Unit	Cost Per Unit \$	Annual Quantity	Annual Cost \$			Remarks
				Local	*Im-ported	Total	
1. Raw material							
2. Auxiliary material							
3. Services & others							
I. treated water							
II. industrial water							
III. electricity							
IV. gas							
V. petrol, oil, naptha, oxygen, etc.							
VI. Others (Specify)							

* State country of origin

\$

ANNEX II

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B.

Specification	Unit	Cost For specific period	Annual Cost \$	Remarks
1. Packaging costs 2. Maintenance and repairs I. machinery & equipment II. buildings 3. Other costs (specify)				

M\$

ANNEX II

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C.

Specification	Number of Effective hours	Wages and Salaries \$	Other (Y) Emoluments \$	Total for 1 year \$	Remarks
1. Direct Labor I. Skilled (a) Men (b) Women II. Unskilled (a) Men (b) Women 2. Indirect labor plus technical & supervisory staff I. Local II. Foreign					

 \$

(Y) Payments for holidays, leave and sickness overtime, insurance and pension funds, free meals, clothing, transport, etc.

ANNEX II

D.

Specification	Cost \$	Book value \$	Depreciation		Remarks
			%	\$	
1. Buildings					
2. Machinery & equipment					
3. Others (specify)					
				\$	

E.

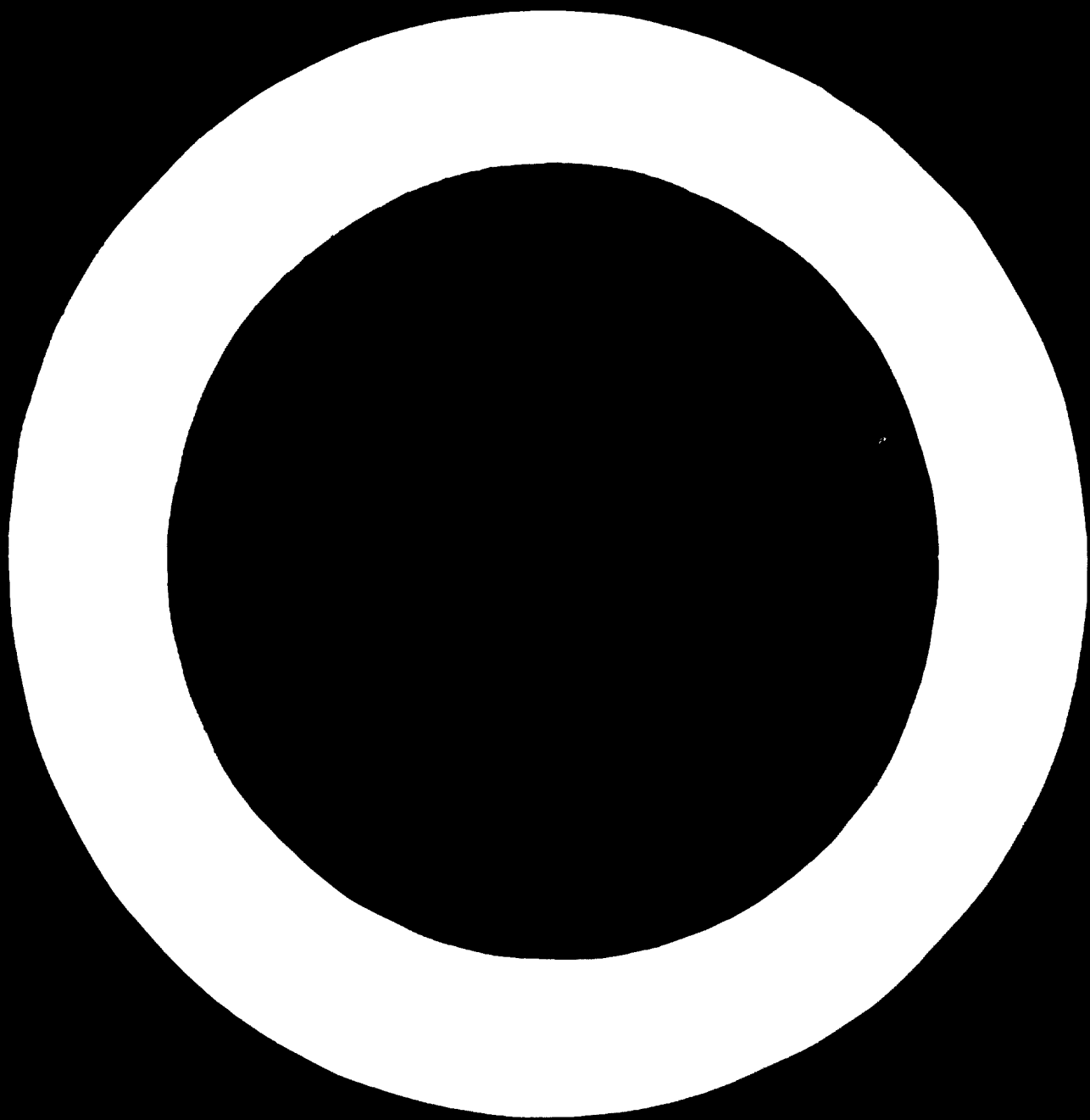
Administrative costs	Finance Cost (X)	Royalties, licenses & know-how payments	Amortization of pre-production expenses	Allowance For Unforeseen expenses	Total Annual amount	Remarks
\$						

(X) Include interest payable.

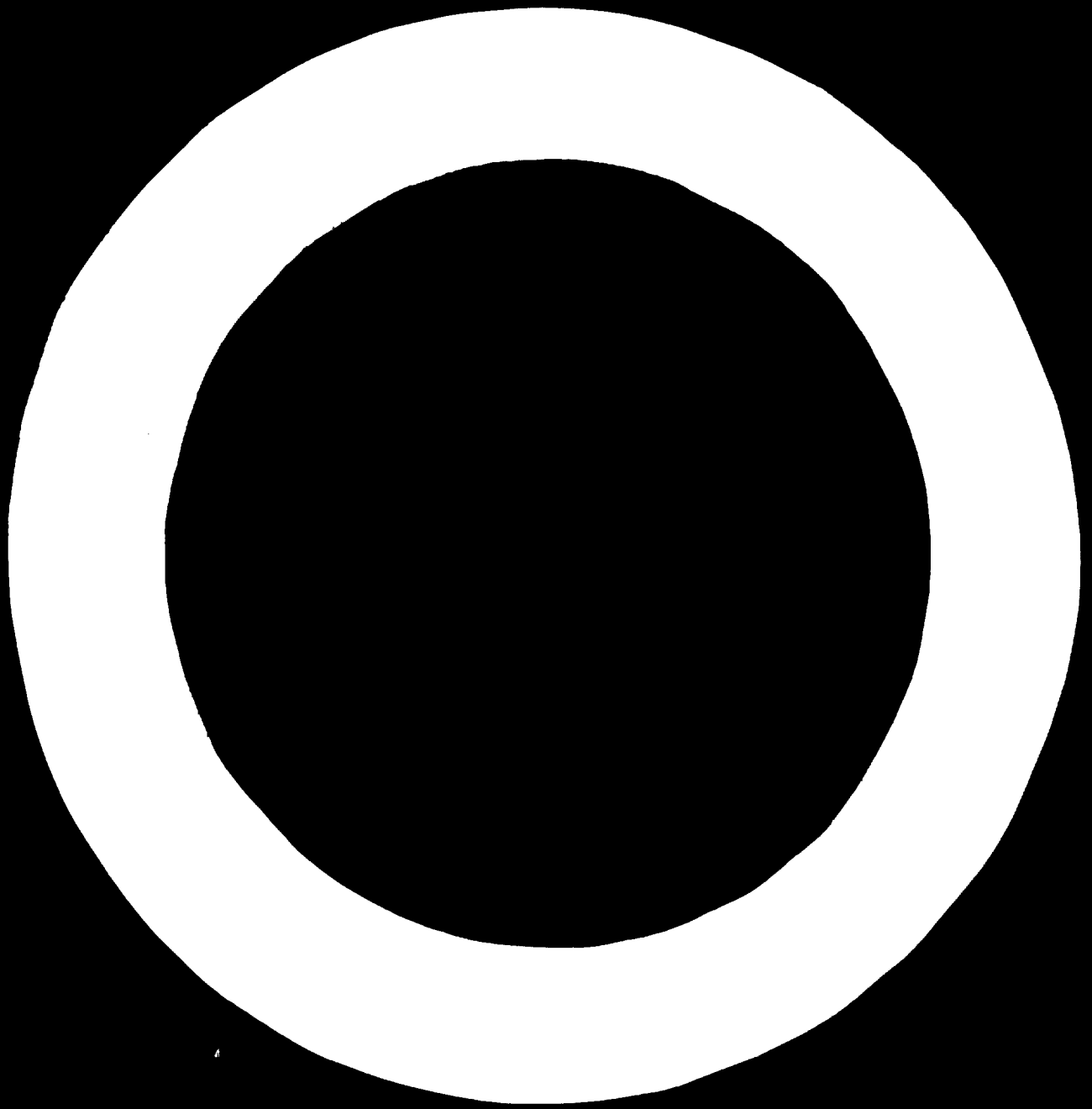
Total annual cost of production (A+B+C+D+E) = \$

8. (b) On the basis of statements mentioned above give forecast for the first year of full operation, after completion of the planned joint-venture investment:

Gross income		\$
Manufacturing cost	less	\$
Sales cost	less	\$
Gross profit		\$

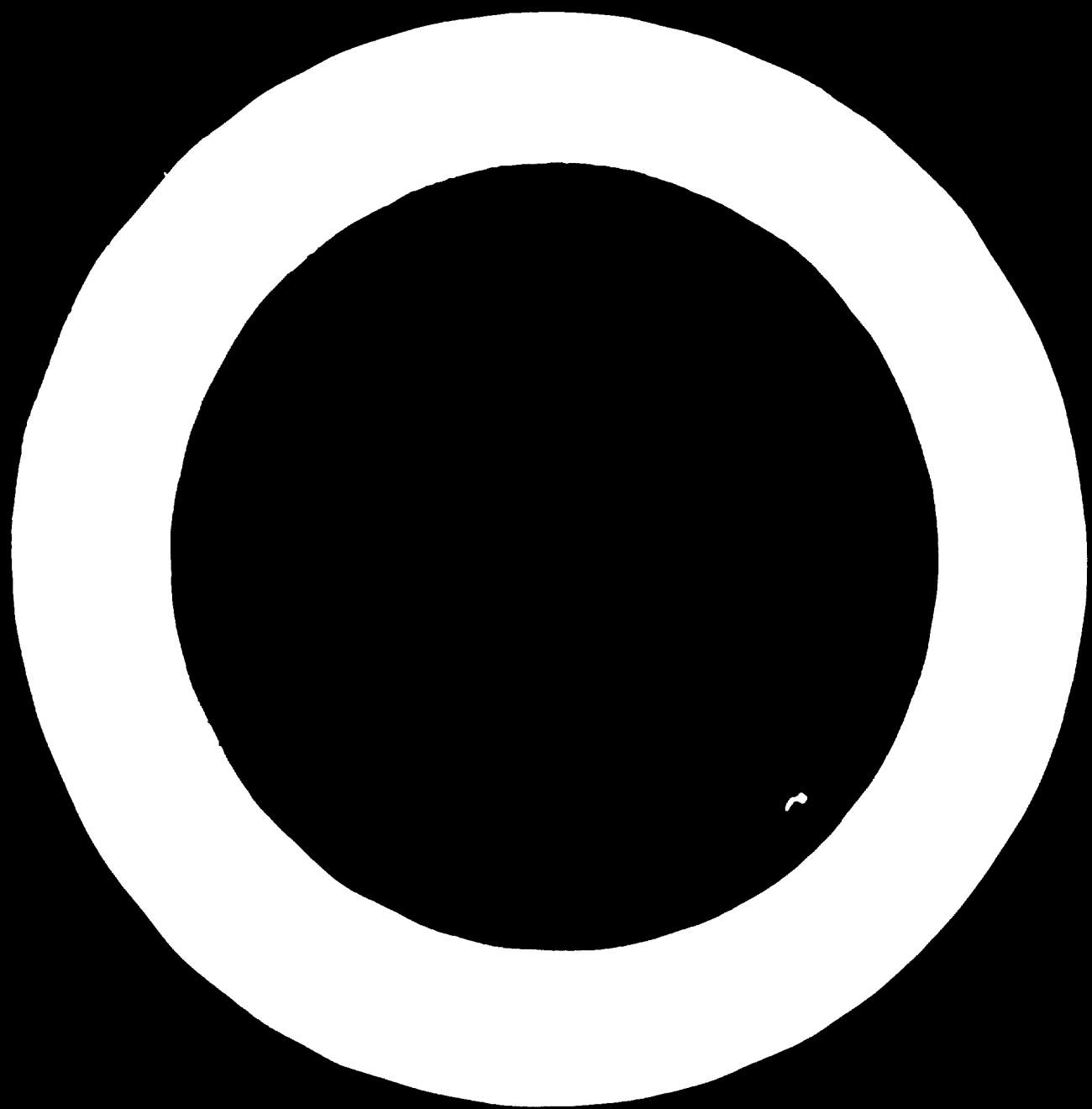


ANNEX III



ANNEX III

PUBLIC RELATIONS PROPOSAL FOR
INVESTMENT PROMOTION CENTERS



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A. **PURPOSE:** Information, Recognition, Competition

The tide of nationalism that has engulfed the world in the past decade has brought into existence numerous new sovereign and independent states. This has happened with such speed that the people of the older countries have yet to gain an understanding and an appreciation for the character and capabilities of these new nations.

This is one problem facing the country: to educate the influentials of the developed countries, the United States in particular, about itself. Americans need to know that the country: has a stable energetic government and a growing population of young, industrious gifted people.

Beyond that, the country needs to communicate those facts that will reveal it as a country that should be high on the list of anyone seeking new opportunities for expansion and diversification abroad. The country needs recognition for the extremely favorable business climate being fostered by the government through its Industrial Development Agency.

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More than ever before, competitive pressures exact the need for an aggressive communications effort. Just as each of the 50 American states is vying for industry's attention here - so are dozens of developing countries all over the world. Nations in both hemispheres, on every continent, in every clime are bombarding the major United States industrial enterprises with facts and figures designed to attract industrial investment.

Modest though it may be, the country must launch an active public relations/communications program to gain it some measure of attention from industrial management in the American business community.

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B. OBJECTIVES: Prepare the Ground/Lines of Communication

Obviously, the Investment Center can measure its success only by the number of tangible industrial investments made by American enterprises in: A public-relations program cannot be expected to "close a sale", however, a well-executed public-relations program can make a substantial contribution in supporting the direct efforts of the Investment Center in the U. S.

The following are what we believe to be realistic objectives for a pr/communications effort:

- a. Establish and develop lines of communication with key American business media so that they become fully aware of the Investment Center, are familiar with its activities and are receptive to information emanating from it
- b. Broadly publicize the new incentives being introduced by the Industrial Development Agency
- c. Work with the major newspapers, magazines and wire services to develop and have published major stories

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to educate and inform the American business community about and the advantages of doing business there

- d. Develop, produce, publicize and distribute a number of key pieces of literature (brochures, leaflets, reprints, etc.) to aid in the overall promotional effort**
- e. Help stimulate significant inquiries that can be further exploited and developed by the Investment Center.**

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C. STRATEGY: Research/Contacts/Projects

Fundamental to any soundly conceived communications program is research to help pinpoint areas of misinformation, insufficient information or lack of information. Program efforts can then be more effectively and efficiently directed and executed. Further, such research helps establish a baseline against which to measure the effectiveness of the program.

Simultaneous with the research effort, there is a need to provide such necessary basic selling tools as printed material that can be used for inquiries already developed.

While the research results can help direct the communications focussed directly at industrial prospects, developing lines of communication with the press is an independent effort. It should be started immediately to provide a base for a series of publicity projects.

Finally, plans should be made for a forum in which the Investment Center can have face-to-face discussions with groups of industrial-investment prospects. At such an occasion there would be an opportunity to present the story in depth.

D. ACTIVITIES: Programmed Efforts

To help attain the stated objectives within the strategy outlined, the following are the proposed activities that compose the public-relations program:

1. Basic Literature

Utilizing material already available and to be shortly available, prepare the text for a basic piece of literature telling the investment story.

2. Press Conference

New incentives being introduced provide a substantive basis for a press conference. We believe the news is "hard" enough to attract a good cross-section of important business press. Such an event would serve two functions: help disseminate news about the new incentives broadly; provide the initial step in establishing

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active lines of communication with news media.

3. Special Features

Public-relations counsel would undertake to arrange a series of individual interviews with key news media with the objective of having such interviews culminate in publication of major feature articles. This effort would be undertaken with the following:

BUSINESS WEEK

NEW YORK TIMES

TIME

NEWSWEEK

DUN'S REVIEW

WALL STREET JOURNAL

ASSOCIATED PRESS/Business Editor

UNITED PRESS INTERNATIONAL/Business Editor

STEEL

IRON AGE

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CHEMICAL WEEK

ELECTRONIC NEWS

WOMEN'S WEAR DAILY

METALWORKING NEWS

INTERNATIONAL BUSINESS

TODAY SHOW

WORLD JOURNAL TRIBUNE

Obviously, no public relations firm can guarantee what publications of this caliber will or will not publish. However, we are confident, based on our continuing work with these media and our evaluation of the story, that a reasonable number of such stories could be brought to a successful conclusion.

4. Publicity Exploitation

It is proposed that publicity results be exploited so as to get maximum benefits. Major features could be reprinted for use as direct-mail pieces. A similar effort could be

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made with shorter articles in the form of a press clipbook that again could be used as a direct-mail promotion piece.

5. Research Project

It is proposed that a modest research program be undertaken to get a "fix" on the degree of knowledge possessed by American management and industrialists concerning the country today. A relatively simple mail questionnaire with perhaps a limited number of depth interviews would adequately establish the "parameters of ignorance" in which the program must operate. Results of the survey would help pinpoint the emphasis and approach that should be incorporated into promotional literature and other efforts.

6. Customer Seminar

While this type of project is beyond the scope of the projected budget for the first six months, it is worth mentioning as a project for the long-range agenda. Briefly what we have

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in mind is a series of "Investing and Doing Business In" the country seminars to be sponsored by the Investment Center in New York and perhaps other major cities around the country. This would be a half-day or even full-day event that would permit a "dialogue" between potential investors, i. e., the top management representatives of major industrial enterprises with potential interest in doing business in, and Investment Center officials. It is conceivable that a modest registration fee would be charged as a means of indicating a commitment of interest in.

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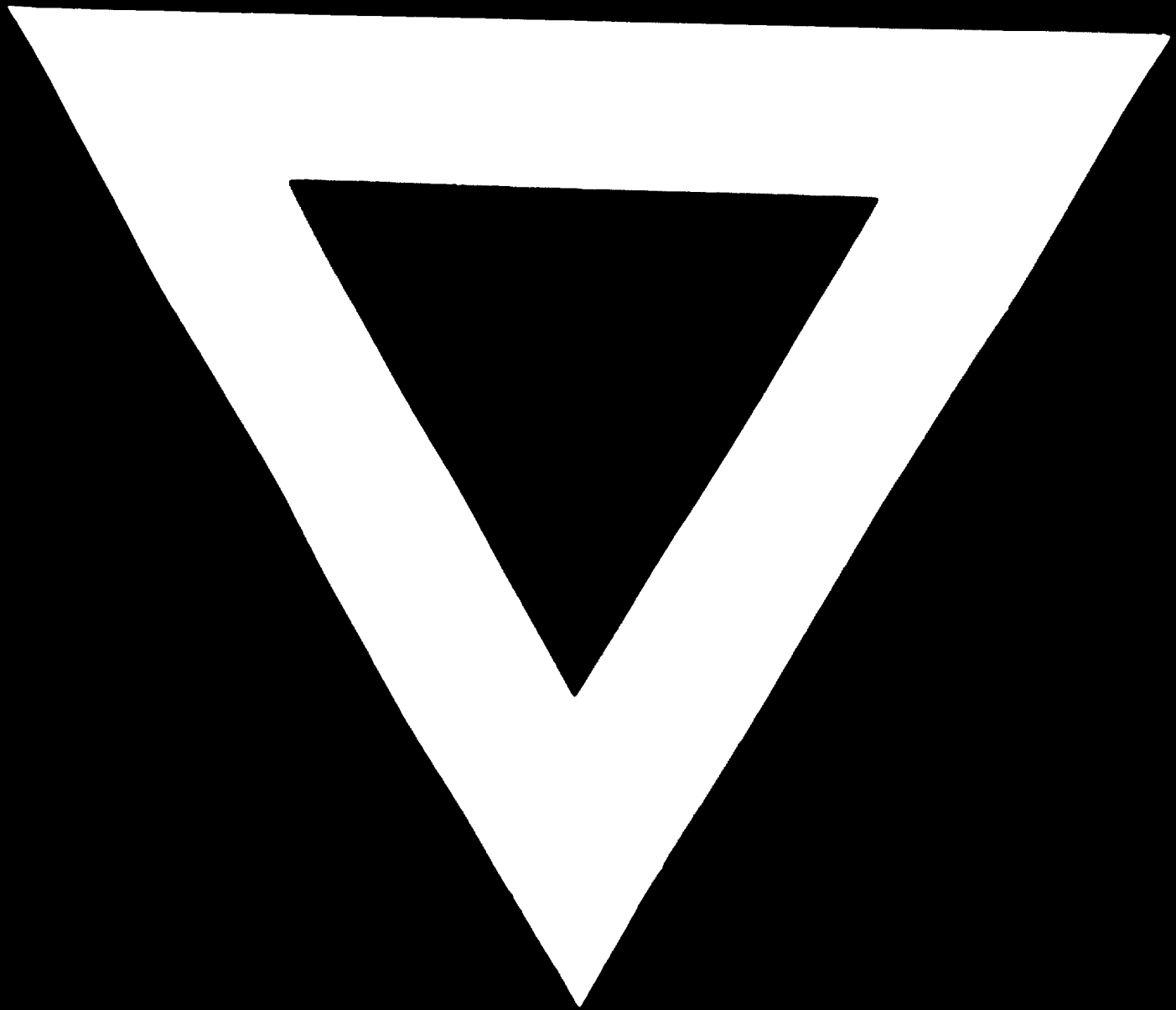
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2.	Research Project	2500
3.	Press Conference	<u>1500</u>
	TOTAL	\$15,000

RESULTS

It is expected that during the 6-month period, the Investment Center should get feature articles in a major metalworking, chemical electronics, garment and general manufacturing industry publication; at least one wire service story; at least one major newspaper story; and a major magazine story.





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