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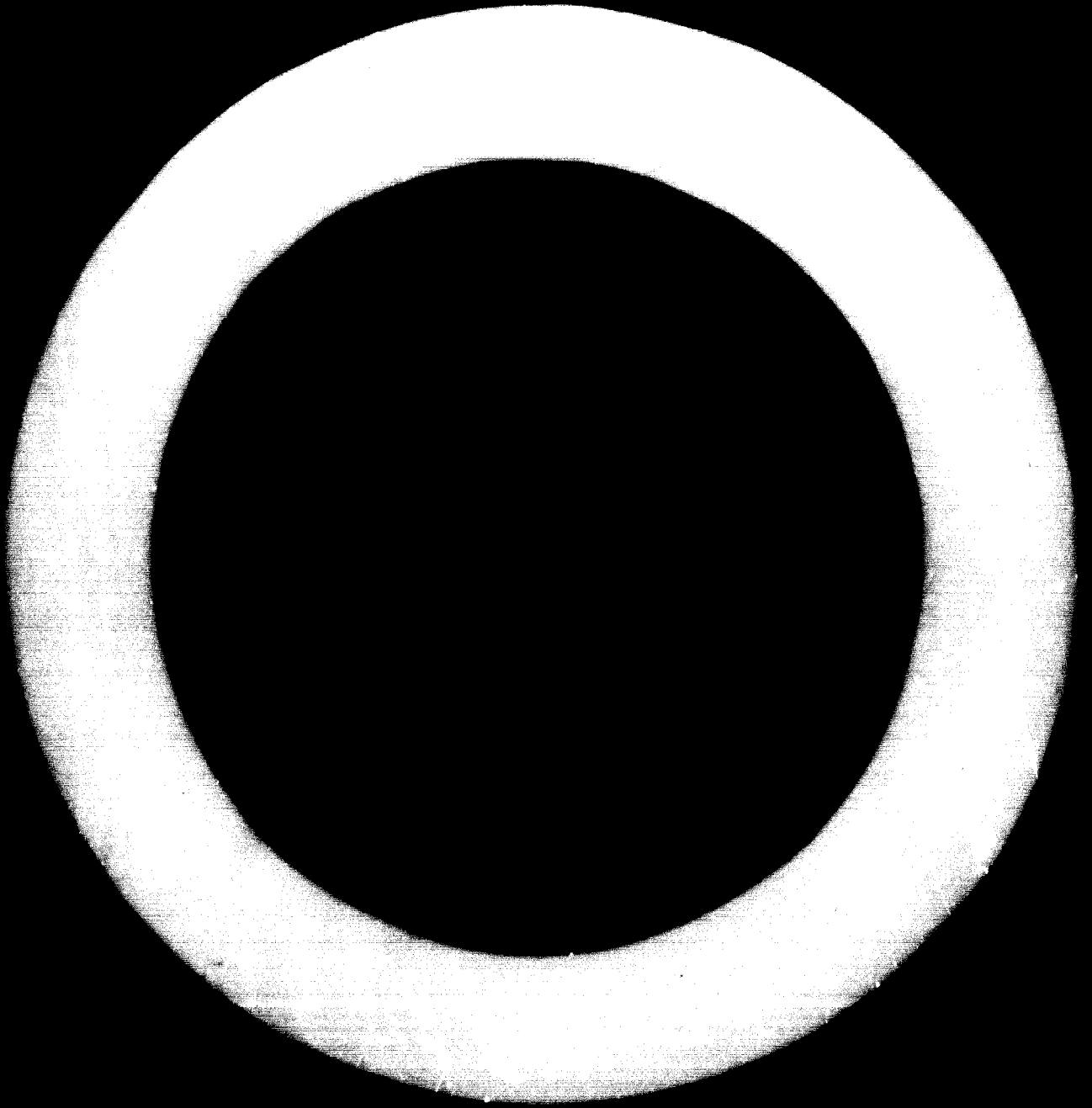
Ottawa, Canada, 14 - 20 September 1972

THE PROMOTION OF FOREIGN INVESTMENT WITHIN THE CONTEXT
OF THE ACTIVITIES OF THE UNITED NATIONS

prepared by

The Department of Economic and Social Affairs
United Nations

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.



The subject of foreign private investment, especially the relationship between developing countries and private investors, is an area that has pre-occupied the United Nations for some time.

Article 50 of the International Development Strategy, which was unanimously adopted by the 25th Session of the General Assembly (General Assembly Resolution 2626 (XXV)) to guide the Second United Nations Development Decade, stresses the need for a creative partnership between developing countries and foreign investors to enhance the development process in the world.

Article 50, International Development Strategy

"Developing countries will adopt appropriate measures for inviting, stimulating and making effective use of foreign private capital, taking into account the areas in which such capital should be sought and bearing in mind the importance for its attraction of conditions conducive to sustained investment. Developed countries, on their part, will consider adopting further measures to encourage the flow of private capital to developing countries. Foreign private investment in developing countries should be undertaken in a manner consistent with the developing objectives and priorities established in their national plans. Foreign private investors in developing countries should endeavour to provide for an increase in the local share in management and administration, employment and training of local labour, including personnel at the managerial and technical levels, participation of local capital and reinvestment of profits. Efforts will be made to foster better understanding of the rights and obligations of both host and capital-exporting countries, as well as of individual investors."

The desirability of attracting to developing countries private foreign investment in fields and on terms that are politically acceptable as well as economically and socially beneficial to those countries has been frequently affirmed in the resolutions of the General Assembly and the Economic and Social Council.

In the preambular part of its resolution 1359(XLV) of 2 August 1968, the Economic and Social Council expressed the belief "that a dialogue between representatives of the developing countries and foreign investors to review the various aspects of the question of promoting private investment in developing

countries would provide useful information on the aims and interests of the parties concerned and might make it possible to establish a basis of reconciliation and to formulate new protection measures to be put before the developing and developed countries.

In the context of the search for appropriate means for dealing with the problem, the United Nations sponsored three panels on foreign investment:

The First Panel on Foreign Investment met in Amsterdam^{1/} at the invitation of the Netherlands' government from 16-20 February 1969. Organized on a world-wide level, it brought together high-ranking government officials from developing countries, prominent international businessmen and representatives of international organizations.

A Second Panel which dealt with foreign investment in Latin America^{2/} was convened in Medellin from 8-11 June 1970 at the invitation of the government of Columbia and co-sponsored by the Organization of American States and the Inter-American Development Bank and attended by participants from the three categories, as at the First Panel, as well as by leading businessmen from Latin American countries.

The Tokyo Panel,^{3/} the third of a series, met on a world-wide basis from 29 November - 2 December 1971 in Tokyo at the invitation of the Japanese Government. It was attended by ministers and other high-ranking officials from developing countries, prominent businessmen from developed and developing countries, and representatives of international organizations. Participants attended the Panels in their personal capacity.

1/ U.N. Publication No. E.69 II D.12

2/ U.N. Publication No. E.71 II A.14

3/ U.N. Publication No. E.72 II A.9

The discussions of the Tokyo Panel were grouped under three headings: The Impact of Foreign Investment on Developing Countries in the context of National Development Priorities; Forms of Foreign Investment, including Contractual Agreements; and The Transfer of Technology through Private Foreign Investment.

The Panels' discussions were based on the recognition that accelerated flows of capitals across frontiers, particularly when combined with the transfer of technology, of the spirit of enterprise and managerial ability were essential to the progress of the developing countries as well as to the establishment of a more satisfactory international economic order. The Panel considered that the foreign investment could increase output and incomes, boost employment and productivity, help transfer management and production techniques, and help expand exports and tax revenues. The discussions also reflected the assumption that the carryingout of private foreign investment is a co-operative effort involving both the private foreign investors and the host country. It was therefore necessary to seek a middle-of-the-road approach which enabled foreign investment to be used within the framework of a country's development programme while respecting its sovereignty and national interest.

The Panel agreed it was the developing countries' aim to obtain, effectively absorb and diffuse into their economies the necessary know-how and managerial capability in their most appropriate forms. It emphasized, therefore, the need for further research and development to suit local needs. And, because this is an important area where close relationships exist between private industry, the scientific establishment and the government, the Panel recommended that appropriate arrangements should be made at the national and sub-regional level to facilitate the exchange of information and smooth the bringing-in and implantation of foreign technology to developing countries.

The Panel was of the opinion that increased regional co-operation would create new investment opportunities and strengthen the institutional framework. The point was emphasised especially in connection with the need to establish regional markets. These would be an additional incentive to private investment, due to the economies of scale they would make possible.

It was observed that many of the problems which arose between foreign investors and host governments, and sometimes between foreign investors and local businessmen, had stemmed from a mutual unawareness of the difficulties faced by each of the parties. A basis for harmonious and fruitful co-operation could, therefore, be provided by a body which would provide a forum for exchange of views, information and ideas on the principal questions concerning relations among the government, foreign investors and local businessmen.

The panel furthermore suggested that the United Nations could assist the developing countries by continuing and intensifying its technical assistance in this field - with particular emphasis on strengthening developing countries bargaining positions in their negotiations with foreign investors, and on preparing appropriate investment legislation.

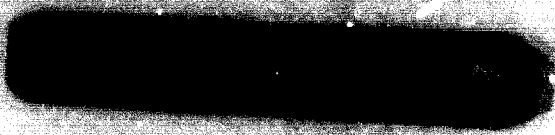
In summary, the Panels' findings and suggestions indicated that many developing countries wished to undertake a critical review of their laws, regulations, policies and practices concerning foreign investment, to attract foreign investors on terms which are politically acceptable and economically and socially advantageous and to strengthen their bargaining position in their dealings with foreign investors.

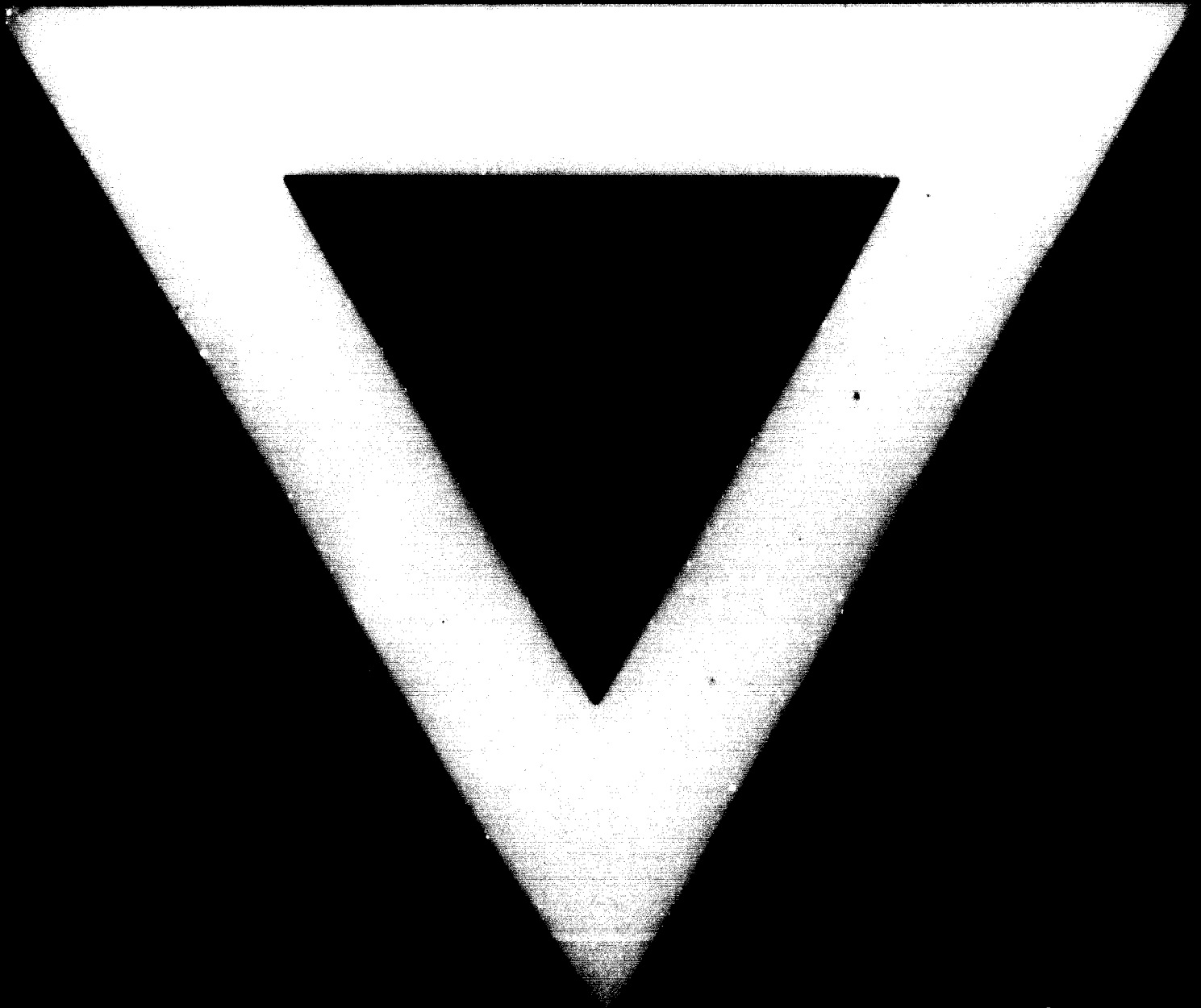
The Secretary-General, on the basis of findings and suggestions of the Panels, and on the basis of the fact that the United Nations is continuing to receive an increasing number of requests from Governments for advice in connection with national policies and measures and the related subject of

importing technology through various channels, recommended to the Economic and Social Council a more forceful and systematic U.N. approach to the matter of assistance in the field of foreign investment involving U.N. actions in tow directions:-

a) Extension and strengthening of the advisory services already undertaken to meet a larger number of governments' requests for advice in matters of legislative regulations and priorities relating to private investment.

b) Organization of training programmes and other facilities to speed the formation of negotiators, especially in the least developed countries, so as to help solve immediate problems connected with foreign investment.





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