

NEWSLETTER



WAIPA Tenth Annual World Investment Conference 2005



The tenth WAIPA World Investment Conference will be held in Geneva - Switzerland, Palais des Nations, from 9 to 11 March 2005, back-to-back with the United Nations Conference on Trade and Development (UNCTAD) Commission on Investment, Technology and Related Financial Issues.

The theme of the conference is: "Investment in Services". Four sessions will take the form of interactive debates between panelists and the audience and moderate by a media person. The third of these sessions - a joint high-level session with the UNCTAD Commission - will examine the issue of: "Attracting FDI in Service Clusters" and will be co-chaired by Mr. Kai Hammerich, President of WAIPA and Director General of the Invest in Sweden Agency and the Chairperson of the Commission.

Following the official opening session chaired by Mr. Kai Hammerich and addressed by Mr. Carlos Fortin, Officer-in-Charge of UNCTAD, other plenary sessions will discuss: "FDI Trends in Services", "FDI in Business Support Services" and "Developing Health Services through FDI".

A new IBM-Plant Location International Workshop will precede the conference. The first World Association of Investment Promotion Agencies (WAIPA) workshop

in 2005—"Strategic Marketing and Image Building for IPAs" will take place from 7 to 8 March 2005 in Geneva. The workshop, sponsored by IBM-Plant Location International (Belgium), will be hosted by United Nations Conference on Trade and Development (UNCTAD), at Palais des Nations, the seat of the United Nations' European office. The workshop will feature international best practice sessions on Investor Location Decision Making, Designing and Implementing an Effective Marketing Strategy, Image Building, and Investor Development or After Care Services, among others. To reinforce the presented material, the workshop will utilize interactive exercises and case studies, focusing in particular on China and more generally on Asia.

Further workshops will be organized on the second day of the Conference with topics such as "Strategies to Attract and Retain Foreign Investment Projects", sponsored by Buck Consultants International, "Geneva Economic Development - developing a diversified and high added value investment. A historical perspective", sponsored by the Department of Economy, Labour and Foreign Affairs of Geneva - Switzerland, "Competing for FDI Best Practices and IPA Benchmarking of Investor Servicing", a MIGA workshop, "E-Government Tools for IPAs Investment Promotion", and "Exchange of Best Practices in IPA Policy Advocacy", two UNCTAD workshops.

For more information and registration, please contact Mrs. Isa-Beatrice Abel at WAIPA Secretariat, Palais des Nations, Room E-10083, 1210 Geneva Switzerland, Tel.: +41 22 907 17 30, Fax: +41 22 907 01 97, e-mail: Isa-Beatrice.Abel@unctad.org

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Brief News

WAIPA Reaches 177 IPAs in March 2005

WAIPA Membership keeps increasing as new members join WAIPA's global network. The most recent IPAs to join are the Afghan Investment Support Agency - AISA (Afghanistan), Invest Victoria (Australia), the Banco do Nordeste do Brazil S.A (Brazil), the Linden Economic Advancement Programme - LEAP (Guyana), the India Brand Equity Foundation (India), the Kurdistan Board of Promoting Investment in Iraq - KBPI (Iraq), the Japan External Trade Organization - JETRO (Japan), the Industrial Development Commission of Mexicali (Mexico), Rwanda Investment and Export Promotion Agency (Rwanda) and the Turks and Caicos Islands Investment Agency (The United Kingdom). The Association now covers 146 countries worldwide.

Deadline for registration for the WAIPA World Investment Conference 2005 is Tuesday 8 March 2005. Security proceedings will be tight, therefore we advise you to register as soon as possible.

For the preliminary programme, registrations please visit: <http://www.waipa.org>

For hotel bookings, we encourage you to register as soon as possible, as this year the WAIPA Conference takes place on the week of a major convention in Geneva.

Hotel registration forms have been sent to you with the electronic invitation letter. We strongly advise you to choose one of the hotels proposed, as fee arrangements with them have been organized.

WAIPA will be awarding in the World Investment Conference the best three IPAs in *E-Facilitation of Investment*.



Interview with WAIPA President, Mr. Kai Hammerich

WAIPA President, Kai Hammerich answers questions regarding his first half-year term

Kai ten



Q. What measures have you focused on since your election as President in June, 2004?

A. In the fall of 2004, I focused on issues such as: discussing with our members how we can strengthen WAIPA in order to make it still more useful to its members, producing a business plan for WAIPA and developing our cooperation with other international organizations.

Q. Would you say your activities have been people-oriented?

A. To a large extent, yes. Listening and coming together with your collaborators, colleagues and partners is extremely important.

Q. Can you give me some examples?

A. Drafting the business plan with members of the WAIPA Steering Committee helped us to get to know each other better. This is very useful when we are to deal with other questions.

As far as pursuing better ties with other organizations, in October I visited representatives of the World Bank in Washington (MIGA and FIAS), OECD in Paris, UNIDO in Vienna, Pro-Invest and AI-Invest of the EU in Brussels, and of course UNCTAD in Geneva. Finding out your partners' goals and views is most valuable when aiming for better cooperation.

And lastly, I would say that another people-oriented activity centered around gaining contacts with

colleagues of other agencies - from developing and developed countries. This has been very rewarding both on a personal and business level.

Q. What are your top priorities for WAIPA?

A. It is my hope that the General Assembly of WAIPA will adopt the business plan in March. Having a solid business plan should facilitate several tasks: recruiting new members, developing cooperation with

international organizations and raising funds in order to strengthen WAIPA's finances.

Q. Would you say that the business plan is just a starting point?

A. Yes, the work is just beginning. Now, we have to "walk the talk". And if we are going to get things done, then we must improve our finances, which will allow us to strengthen our Secretariat, and thus further improve our services to our members.

Q. What do you mean by wanting closer cooperation with international organizations? What do you hope to achieve?

A. Another way of strengthening our resources and improving our services is to have closer cooperation with other international organizations. Most of these organizations are devoted to facilitating foreign direct investment. They have both knowledge and resources, and they want to assist investment promotion agencies.

Although we have good cooperation today, I believe it could be better planned and more long-term so we are able to influence programmes and activities. Such a development would make our operations more demand-driven, which is in the interest of IPAs.

Q. What do you consider are the main benefits of membership for a prospective member?

A. There are many benefits. Gaining business intelligence is one important benefit, for example, being informed at an early stage about trends and facts and figures – in the world of FDI. Other benefits include learning from best practices among IPA's, participating in benchmarking studies, and getting input in the process of capacity building.

Competence building within an agency is also growing in importance. Investment promotion has become a business in its own right – a very professional business with tough competition.

Another important benefit is that a member of WAIPA is part of a very valuable network of committed people. It is quite a benefit to being able to exchange views with colleagues.

Q. Would you like to see some new developments within WAIPA?

A. I would like to see the WAIPA World Investment Conference develop into the global investment forum where WAIPA members meet with industry, government and academia. And I would also welcome the strengthening of regional groupings and initiatives within WAIPA as well as closer cooperation between IPAs from developed and developing countries – both at a regional, national and sub-national level.

Q. Which sectors do you think are going to be the most dynamic in terms of FDI in the coming years?

A. That varies from country to country. The nature and scope of dynamic sectors is dependent upon many variables, such as economic development etc. However, as UNCTAD has shown in its last World Investment Report, the services sector is getting more and more important in an economy that is

global, knowledge-based and competence driven.

Q. And how important is policy advocacy?

A. Very. Increasing flows of FDI have a substantial impact on economic growth. In this process an IPA can constitute an important instrument for promoting FDI and thus facilitating economic development.



Facilitating Transfer of Technology to Developing Countries: A Survey of Home-Country Measures

Many developed countries have adopted measures that directly or indirectly facilitate technology transfer to developing countries. These measures include financing support, training, matching services, partnerships and alliances and support for equipment purchase or licensing. UNCTAD has surveyed 41 agencies in 23 developed countries that offer home-country measures (HCMs), in one way or another, facilitating technology transfer.

Nineteen of the agencies surveyed provide support for training programmes. Of these, four provide support to enable affiliates of home-country firms in developing countries train their workers, three provide training as part of matching services and five run independent skills development programmes.

Fifteen of the agencies surveyed provide FDI-related technology transfer incentives to their enterprises. Of these 15, five require their firms to seek partnership with local firms, four include training of local partners or workers as a requirement and three require a demonstration that transfer of technology does take place. Similarly, 10 of the agencies provide technology transfer related matchmaking services.

For instance, the Private Sector Development Programme (for

Denmark) provides incentives to Danish firms entering into binding and long-term cooperation with partners in developing countries and requires firms to demonstrate that technology transfer does take place.

Seven of the agencies surveyed provide financing for technology transfer. Of these, three have dedicated financing mechanisms to facilitate technology transfer. Further, four of the agencies surveyed provide venture capital support to firms in developing countries or in partnership with home-country firms. For example, Canadian International Development Agency has a technology transfer fund to enable interested Canadian firms provide their technology to partners in developing countries.

Home country measures play an important role in facilitating FDI flows and promoting collaborative R&D activities. Although governments cannot alter the commercial interest of enterprises, the provision of incentives plays a catalytic role in stimulating private sector interest by reducing risks.

The provision of matchmaking services and financing mechanisms to enable home country firms and/or institutions to transfer their technologies to partners in given countries could facilitate the formation of strategic alliances and joint ventures. For example, US-AEP is said to have matched 700 Asian stakeholders and successfully facilitated the transfer of \$1.4 billion worth of technologies.

The paper includes several examples that demonstrate the importance of home country measures in encouraging technology transfer.

Contacts: James Zhan, Chief, International Arrangements, DITE, UNCTAD. iaa@unctad.org



FDI Trends

World FDI flows grew at an estimated 6% in 2005, ending downturn

Global foreign direct investment (FDI) inflows in 2004 are estimated to have risen by 6% to \$612 billion, according to UNCTAD data released today (table).¹ As in 2003, however, flows to developed countries slumped, but that decline was offset by rising flows to developing countries and Central and Eastern Europe (CEE).² Not only did this put an end to the global FDI downturn that had begun in 2001, it also meant that investment flows to developing countries and CEE surpassed their respective previous records. "This increase is good news for developing countries, which now account for an estimated 42% of world FDI inflows, compared to 27% during 2001-2003", says Karl P. Sauvant, Director of UNCTAD's Investment Division.

The \$321 billion flows to developed countries marked a 16% drop from the previous year's \$380 billion. As with earlier downturns, this continued decline was due primarily to large repayments of intra-company loans by some host countries, particularly Belgium, Germany and the Netherlands. Germany had an exceptional FDI performance due to specific transactions.³ Luxembourg and Spain, both major recipients of FDI in 2003, received lower inflows last year, while flows into the UK and the US, two

¹ For a detailed discussion of FDI flows in 2003, see *World Investment Report 2004: The Shift Towards Services*, www.unctad.org/wir.

² There are 19 CEE countries referred to in this press release, including the eight countries (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic and Slovenia) that acceded to the European Union in 2004.

³ One single transaction involving an intra-company loan by a telecommunications firm reduced FDI capital in Germany by nearly \$20 billion, approximately half of the country's \$42.7 billion total recorded outflows of foreign capital in the first half of 2004.

of the largest traditional host countries, recovered. The US topped China (\$121 billion), becoming again the world's largest recipient. Overall, UNCTAD is predicting that FDI flows will expand over the medium term because the main fundamentals that drive FDI – a broad-based economic recovery, equity market valuations, and mergers and acquisitions (M&As) – are in place.

Inflows to developing countries last year are estimated to have totalled \$255 billion, up 48% from 2003 and a historic high. That increase was felt in each developing region.

- FDI inflows to Africa account for only 3% of global FDI inflows. From this low base, they mounted for the second consecutive year, to \$20 billion (table 1). A large part of this increase stems from investment in natural resource exploitation, driven by a strong rebound in global commodity prices and demand for diamonds, gold, oil, platinum and palladium. As a result, such natural-resource-rich countries as Algeria, Angola, Libya, Mauritania, Nigeria and South Africa received more FDI. The Libyan success is the consequence of the end of sanctions in 2003. UNCTAD believes that the likelihood of continuing high prices for key commodities may encourage transnational corporations (TNCs) to pursue new exploration projects in African countries, leading to sustained high levels of FDI.
- FDI flows to Asia and the Pacific reached \$166 billion, a 55% increase over 2003 (table 1). Improved economic performance, a more favourable policy environment, higher corporate profitability and a rise in M&A activities in the region are key factors behind this performance. China; India; Republic of Korea; Hong Kong, China; and Singapore all saw higher inflows. However, flows to the region remain unevenly distributed, dominated by a few countries. All subregions enjoyed an increase in flows as compared to the previous year.

North-East Asia – particularly China and Republic of Korea – still accounts for the lion's share, followed by the ASEAN countries and South Asia. Flows to Central and West Asia expanded as a result of higher oil investment, while flows to the Pacific subregion increased marginally.

- FDI flows to Latin America and the Caribbean in 2004 rose for the first time in five years, up 37% to \$69 billion. Improvements in the economic situation and policy environment are the main reasons for this rebound. Mexico and Brazil continue to dominate flows, accounting together for half the regional total last year. The recovery is impressive in Mexico, and inflows into Brazil are picking up again as well. Flows to Chile doubled.

Following the temporary decline to \$27 billion in 2003, FDI inflows to CEE rebounded last year, reaching a record high of \$36 billion. The surge involved 15 of the region's 19 countries. The eight new CEE member countries of the European Union – the group most affected by the 2003 downturn – are experiencing the most vigorous increase. Led by Romania and Bulgaria, flows to South-East Europe grew fast as well, while Russia chalked up a record \$10 billion.

GROWTH STRATEGIES FOR THE SMALL BUSINESS

The University of Adelaide, Australia, gives a workshop enables participants to learn more about planning for the future, managing growth and change, human resource management, exporting, technology, innovation and business networks.

Information on date, location and costs on:

<http://unsw.innovationxchange.com.au>

| Host region/economy | 2001 | 2002 ^a | 2003 ^a | 2004 ^b |
|---|------------|-------------------|-------------------|-------------------|
| World | 818 | 681 | 580 | 612 |
| Developed countries | 571 | 490 | 380 | 321 |
| European Union | 357 | 374 | 308 | 165 |
| Belgium | .. | 15 | 29 | 7 |
| France | 50 | 49 | 47 | 35 |
| Germany | 21 | 36 | 13 | -49 |
| Ireland | 10 | 24 | 27 | 26 |
| Italy | 15 | 15 | 16 | 15 |
| Luxembourg | .. | 117 | 92 | 52 |
| Portugal | 6 | 2 | 1 | 6 |
| Spain | 28 | 36 | 26 | 6 |
| United Kingdom | 53 | 28 | 21 | 55 |
| Australia | 4 | 14 | 8 | 5 |
| Canada | 27 | 21 | 7 | 12 |
| Japan | 6 | 9 | 6 | 7 |
| United States | 159 | 63 | 30 | 121 |
| Developing economies | 220 | 159 | 173 | 255 |
| Africa | 20 | 12 | 15 | 20 |
| Latin America and the Caribbean | 88 | 53 | 51 | 69 |
| Brazil | 22 | 17 | 10 | 16 |
| Chile | 4 | 2 | 3 | 6 |
| Mexico | 27 | 15 | 11 | 18 |
| Asia and the Pacific | 112 | 94 | 107 | 166 |
| China | 47 | 53 | 54 | 62 |
| Hong Kong, China | 24 | 10 | 14 | 33 |
| India | 3 | 3 | 4 | 6 |
| Korea, Republic of | 4 | 3 | 4 | 9 |
| Singapore | 15 | 6 | 11 | 21 |
| Central and Eastern Europe^c | 26 | 31 | 27 | 36 |
| Czech Republic | 6 | 8 | 3 | 5 |
| Poland | 6 | 4 | 4 | 5 |
| Russian Federation | 2 | 3 | 7 | 10 |

Source: UNCTAD (www.unctad.org/fdistatistics) and UNCTAD's own estimates.

a Revised data.

b Preliminary estimates. See note below.

c The eight CEE countries that acceded to the EU in 2004 are included under this heading.

Note: World FDI inflows are projected on the basis of 101 economies for which data are available for part of 2004, as of 29 December 2004. Data for most economies are estimated by annualizing their data from the first three quarters. The proportion of inflows to these economies in total inflows to their respective region or subregion in 2003 is used to extrapolate the 2004 data for Africa, Asia and the Pacific and Central and Eastern Europe. For 2004, Latin America and the Caribbean is estimated by annualizing the data from the first three quarters for principal host economies and by replicating the 2003 data for the economies for which no data are available so far.

Table. FDI inflows, by host region and major host economy, 2001-2004
(Billions of US dollars)

The WAIPA Secretariat welcomes comments and inputs from members for the Newsletter, and in particular for the "IPAs News" section. Contributions should reach the WAIPA Secretariat at least 15 days before the month of publication of the quarterly Newsletter.



Fierce competition for FDI

Prospects for Foreign Direct Investment and the Strategies of Transnational Corporations, 2004-2007

An UNCTAD study on the future of FDI shows that, however the prospects for FDI are expected to be positive in the short (2004-2005) and the medium term (2006-2007), the competition will remain fierce in the years to come. Traditional industrial regions, such as Western Europe and North America, remain in the list of attractive regions for FDI, but top FDI recipients are expected to be Asia and Central and Eastern Europe. Countries responsible for the fuelling of the FDI flows, continue to be the industrialised countries, such as the United States, the United Kingdom, and France. Yet again, newcomers, such as China, South Africa and India, will be in the top list of main sources of FDI.

The UNCTAD survey confirms that services will be the most attractive sector for FDI, particularly in tourism, telecommunication and IT. Mergers and acquisitions are expected to resume their popularity in the developed countries, while greenfield investments will be preferred in developing countries. The study also shows that, in the competition for FDI, only a few countries will remain passive. In the most cases, sophisticated and research-intensive policy measures, like investor targeting and liberalisation, will be used to retain existing investments and attract new ones.

For the IPAs, the competition for FDI requires increased human and financial resources. In this light, the study stresses that policies and investment promotion strategies need to be planned carefully. Costly incentives are to be avoided, more attention is to be paid to the quality of the attracted FDI and efforts to help local companies to maximise the potential benefits of FDI are to be intensified. As the study says "countries need to avoid racing to the top in providing costly incentives, in particularly if the benefits of these incentives easily can be low and even diminishing."

What is WAIPA?

The World Association of Investment Promotion Agencies (WAIPA) was established in 1995 and is registered as a non-governmental organization (NGO) in Geneva, Switzerland. It currently has 177 member agencies from all over the world. WAIPA acts as a forum for investment promotion agencies (IPAs).

What are the goals of WAIPA?

WAIPA aims to improve co-operation amongst IPAs on a regional and global scale and facilitate the exchange of experiences in attracting FDI. The objectives of WAIPA, as reflected in its statutes, are to:

- Promote and develop understanding and co-operation amongst IPAs;
- Strengthen information gathering systems and information exchange amongst IPAs;
- Share country and regional experiences in attracting investment;
- Help IPAs gain access to technical assistance and training through referrals to relevant agencies;
- Assist IPAs in advising their respective governments on the formulation of appropriate investment promotion policies and strategies.

Who are WAIPA partners? Official WAIPA partners include:

- United Nations Conference on Trade and Development (UNCTAD),
- United Nations Industrial Development Organization (UNIDO),
- Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group,
- Foreign Investment Advisory Services (FIAS) of the World Bank Group,
- Organisation for Economic Co-operation and Development (OECD).

Where do WAIPA members come from?

Afghanistan, Albania, Algeria, Angola, Anguilla, Antigua and Barbuda, Armenia, Aruba, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Barbados, Belarus,

Belgium, Belize, Benin, Bolivia, Bosnia-Herzegovina, Botswana, Brazil, Bulgaria, Cameroon, Cape Verde, Chile, China, Colombia, Congo (Democratic Republic or the), Costa Rica, Côte d'Ivoire, Croatia, Cuba, Curacao (Netherlands Antilles), Cyprus, Czech Republic, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Ethiopia, Fiji, Finland, France, French Polynesia, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Guatemala, Guinea, Guyana, Haiti, Honduras, Hungary, Iceland, India, Indonesia, Iraq, Iran (Islamic Republic of), Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, Korea (Republic of), Kosovo (Serbia and Montenegro), Kuwait, Kyrgyzstan, Latvia, Lebanon, Lesotho, Libya, Lithuania, Macedonia, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mexico, Moldova (Republic of), Mongolia, Morocco, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Oman, Pakistan, Palestinian National Authority, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russian Federation, Rwanda, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Slovakia, Slovenia, Solomon Islands, South Africa, Spain, Sri Lanka, Sudan, Swaziland, Sweden, Tajikistan, Tanzania (United Republic of), Thailand, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, Uzbekistan, Vanuatu, Venezuela, Yemen (Republic of), Zambia and Zimbabwe.

For comments and submissions to WAIPA Newsletter please contact:

Ms. Karine Campanelli
WAIPA Secretariat Co-ordinator
Palais des Nations, Room E-10061
1211 Geneva 10, Switzerland

Tel: +41 22 907 46 43
Fax: +41 22 907 01 97
E-mail: karine.campanelli@unctad.org
