

APEC INVESTMENT EXPERTS GROUP (IEG)

REPORT TO THE COMMITTEE ON TRADE AND INVESTMENT (CTI)

The IEG met in Quebec City on 19-20 May 1997 and will meet again in St John's on 24-25 August. The Group also plans to meet in Hong Kong on 30-31 October 1997, following the 1997 APEC Investment Symposium.

Intensifying Work on Enhancing the Environment for Investment in APEC

2. At its meeting in Quebec City, the IEG resumed its consideration on how to intensify work on enhancing the environment for investment in APEC and respond to the recommendations relating to investment in the 1996 report to Leaders by the APEC Business Advisory Council (ABAC). In its discussion on this topic, the Group had the benefit of papers by Japan on *Generating Outcomes to Enhance the Environment for Investment*, by the United States on *Responding to APEC Leaders Regarding the ABAC Recommendations*, and by PECC on the *PECC Survey of Impediments to Trade and Investment in the APEC Region*. The meeting was attended by Ms Victoria Harmon as an observer representing Mr Robert Denham, Co-Chair of the ABAC Committee on Finance and Investment.

3. The outcome of the Group's consideration of various specific items in the ABAC recommendations and APEC Collective Action Plan (CAP) on investment are recorded separately below.

4. The Group noted that some of the ABAC recommendations on investment were matters for consideration by individual members. Members undertook to examine these recommendations, including those relating to conducting self-assessments of progress towards implementing the APEC Non-Binding Investment Principles (NBIPs) and the establishment of 'one-stop' investment agencies. In particular, members could consider the possible inclusion, in their Individual Action Plans (IAPs) for 1997, of self-assessments of their implementation of the NBIPs. In addition, the group agreed to discuss members' experiences of 'one-stop' investment agencies in the Policy Discussion Forum at its meeting in St John's. Korea has undertaken to prepare a paper to assist this discussion.

5. The Group devoted particular attention to the flagship recommendation in the ABAC report for APEC Voluntary Investment Projects (AVIPs) in the light of the concerns identified at the Group's previous meeting in Victoria. It was noted that the main thrust of the AVIPs proposal was to improve protection for investment projects including through the development of investment protection principles. It was suggested that the protection currently provided by APEC members for investment projects is better than is fully recognised, either in business or even within the IEG. Efforts to improve understanding of members' existing protection regimes may therefore be worthwhile. The US delegation, in discussing its paper on the ABAC recommendations, urged the individual member economies to consider whether they could take specific steps to improve their investment regimes. Such steps, as identified in the US paper, could involve dispute settlement, expropriation, financial transfers, and screening. The Group endorsed the objective of further improving the protection of investment in APEC and agreed that it would be desirable to consider with ABAC practical work that might be undertaken to advance this objective. It agreed to invite a representative of ABAC to its next meeting in St John's to take this discussion further.

6. In considering options for the application of measures to enhance the environment for investment, the Group considered the 'cafeteria' and 'sector-by-sector' approaches identified in the paper by Japan. The former would involve developing a comprehensive menu of options for investment liberalisation from which members could select items for inclusion in their Individual Action Plans as they are revised each year, while the latter could involve formulating a package of measures for application in specific sectors such as infrastructure. The Group invited Japan to further develop its paper, possibly including an indication of the steps that would be required in adopting these approaches and the nature of options that might be provided on the menu under the cafeteria approach, as an input to the Group's next meeting.

7. Considering that many APEC members have some form of screening arrangements for foreign investment proposals and the importance of these arrangements to investors, the Group agreed to discuss experiences on screening at a future Policy Discussion Forum, including in relation to improving the efficiency and user-friendliness of the procedures followed and minimum thresholds for screening.

Policy Discussion Forum

8. The Group held its first Policy Discussion Forum which included presentations by Papua New Guinea and Chile on their investment regimes and by Canada and Chile on the investment provisions in the Canada/Chile Free Trade Agreement. The Forum allowed extensive discussion of these topics which was useful both in developing understanding within the Group and as a form of peer review. The next forum will be held as part of the Group's meeting in St John's and will discuss [Canada's investment regime, recent developments on investment under the ASEAN Free Trade Agreement] and (as noted above) experience with 'one-stop' shops. It is proposed that Hong Kong's investment regime be discussed at the Group's subsequent meeting in Hong Kong.

Technical cooperation and training

9. The Group discussed and endorsed the following technical cooperation and training proposals for consideration by the Budget and Administrative Committee (BAC), in order of priority:

- Seminar of FDI Policy and Administration Adjustment (Thailand and People's Republic of China);
- Training Program on Strategies to Identify and Promote Investment in Specific Areas, eg SME Development, Industrial Linkages, High Tech Industries and R&D Activities (Malaysia).
- Training Program on Improving the Capabilities on Statistical Reporting and Data Collection (People's Republic of China).

These proposals were endorsed by the BAC on 31 July 1997.

Studies on Investment Flows

10. At their meeting on 27-28 January 1997 Senior Officials suggested that the IEG consider undertaking further studies on investment flows in the APEC region. Senior Officials were particularly

interested in disaggregated data that would enable analysis of recent trends. In considering this matter, the Group reviewed existing studies and sources of data on investment flows in the region. While there have been several studies, comprehensive data on investment flows are not available for all member economies and inter-economy comparisons are difficult to make. The IMF regularly publishes data on FDI flows as part of its Balance of Payments Statistics. The UNCTAD World Investment Report primarily uses IMF data supplemented by UNCTAD estimates for the latest period. There are no consistent and comprehensive data across economies disaggregated by industries or sectors.

11. The Group noted that the APEC Trade and Investment Data Working Group (TIDWG) is seeking to develop a consistently classified set of data on FDI stocks and flows, but this is a major task and will be completed only in the medium term. In the meantime, the APEC Economic Committee is maintaining a database as an interim measure pending completion of the TIDWG's work. The Group observed that its technical cooperation proposal for a Training Program on Improving the Capacities on Statistical Reporting and Data Collection would help improve data on APEC investment flows.

News Bulletin on Investment Regimes and Opportunities

12. In accordance with the CAP on investment, the Group considered the possibility of establishing an APEC News Bulletin on the Internet to disseminate information on changes in investment regimes. Since the drafting of the CAP, the *Guide to the Investment Regimes of the APEC Member Economies* (the Guidebook) has been made available on the Internet through the APEC Secretariat's homepage and arrangements have been made for it to be updated by the Secretariat when notified of changes by members. Rather than establish a separate bulletin, the Group agreed to enhance the electronic version of the Guidebook by adding a summary page identifying and drawing attention to recent changes to investment regimes. The Secretariat was requested to design such a page and include it in the Guidebook once changes have been notified. The Group also asked the Secretariat to ensure appropriate provision is made for a hot link to the Guidebook in the proposed development of an APEC business page.

Second Business Survey

13. In accordance with the CAP on investment, the Group considered the merits of undertaking a second business survey. Taking account of the changes that have occurred since the first APEC business investment survey was undertaken in 1993, the Group concluded that it would be desirable to undertake a second survey. Japan agreed to coordinate this task; it is looking for another member to assist it in this regard. Member economies undertook to provide comments to Japan by [] on possible themes for the survey questionnaire.

Investment Symposium

14. The Group received reports from New Zealand and Hong Kong on progress with arrangements for the 1997 APEC Investment Symposium to be held in Hong Kong on 28-29 October. The Group confirmed that planning should be based on a delegation of six from each member economy but with scope to adjust the size of delegations between members.

15. The Group welcomed an offer by Malaysia to host a 1998 Investment Symposium and endorsed a project proposal for consideration by the BAC.

Individual Action Plans (IAPs)

16. The Group considered proposed revisions to the IAP format guidelines for investment circulated by the CTI Chair. The Group expressed a strong preference for retaining the existing language and did not support the proposed changes. The revised draft caused particular difficulties for some members in going beyond existing language in specifying investment principles and in referring to academic and business analyses. It was noted that the investment regimes of member economies cover a wide range of circumstances which limit the opportunities for imposing a high degree of uniformity on the formats of their commitments on investment. There are also practical difficulties in seeking to specify in detail future policy changes on investment.

17. The Group noted that a discussion paper on *Best Practice on IAPs* had been provided to the CTI by the United States and that comments were invited from member economies prior to a revised version of the paper being circulated for consideration in St John's.

Collective Action Plan

18. The Group noted a request by the CTI Chair for CAPs to be updated and refined, and undertook to review the CAP on investment.

Contribution to the WTO Working Group on Investment

19. The Group discussed the contribution it might make to the deliberations of the Working Group established by the World Trade Organisation to examine the relationship between trade and investment. The Group decided not to provide any material for the Working Group's first meeting on 2-3 June 1997 but to consider this matter further at its next meeting.

Evaluation Reports for next BAC Meeting

20. The Group endorsed evaluation reports on the publication of the Investment Guidebook and the 1996 Investment Symposium for submission to the BAC.

Condolences

21. The Group extended its condolences to the PNG delegation on the death of one of its members during the Group's meeting in Quebec City.

N.F. Hyden
Chair, Investment Experts Group
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