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Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

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II. ANNOTATIONS TO THE PROVISIONAL AGENDA

Introduction

1. As mandated by UNCTAD IX, the Commission on Investment, Technology and Related Financial Issues will deal with the areas identified in paragraphs 89 (a)-(g); 91 (iii); 89 (k)-(m); and 87 (i) of "A Partnership for Growth and Development" (TD/377). The Commission will perform integrated policy work in its areas of competence. It has specific mandates and greater delegation of decision-making on matters of substance. It should consider the findings of its expert meetings and discuss their policy implications.

Item 1 - Election of officers

2. In accordance with rule 18 of the rules of procedure of the main Committees of the Trade and Development Board, the Commission shall elect a Chairman, five Vice-Chairmen and a Rapporteur from among the representatives of its members, taking into account the need to ensure equitable geographical distribution. Moreover, rule 19 of the same rules of procedure states that the Bureau of the Commission shall consist of seven members (i.e. four members from Lists A and C combined, two members from List B and one member from List D, referred to in the annex to General Assembly resolution 1995 (XIX) as amended).

3. Accordingly, following the cycle of rotation established after UNCTAD IX, the bureau for the second session of the Commission shall be as follows: Chairman from List C; Rapporteur from List D; and five Vice-Chairmen (three from Lists A and C and two from List B).

Item 2 - Adoption of the agenda and organization of work

4. The provisional agenda for the third session of the Commission, as reproduced in section I above, was approved by the Commission at the final plenary meeting of its second session on 3 October 1997 (cf. TD/B/44/14, annex V).

Documentation

TD/B/COM.2/14 Provisional agenda and annotations

5. Concerning the organization of the work of the session, the Commission has five days available to it. It is suggested that the agenda items be taken up sequentially, with the first plenary meeting, on Monday 14 September, being devoted to procedural matters, introductory statements and the commencement of the discussion under item 3. That discussion is expected to continue until the close of the afternoon meeting on Tuesday, 15 September. Item 4 would be taken up on Wednesday, 16 September, and items 5 and 6 on Thursday, 17 September. The last plenary meeting, on Friday 18 September, would be devoted to the adoption of any formal action and to items 7 and 8.

6. The secretariat will prepare a detailed programme, which will be available on the first day of the session.

Item 3 - Recent developments in foreign direct investment trends and policies

7. The 1990s represent a new era of capital mobility in which private capital flows assume a significant role as a source of finance for developing countries. Foreign direct investment continues to be one of the driving forces of the globalization process that characterizes the modern world economy. A noticeable feature of the new pattern of private financial transfers is that capital flows are increasingly channelled through securities markets, and portfolio investment has become an important component of private flows. How to maximize the contribution of foreign investment to economic development poses a number of challenges, in particular with regard to nurturing certain determinants for desirable types of foreign investment and the relationship between portfolio investment and FDI. The policy agenda should address the question of the extent to which capital flows need to be facilitated and/or managed - a matter of interest to a wide range of developing countries and countries in transition.

8. To deepen the understanding of recent developments in foreign investment trends and policies, item 3 will focus on two important aspects: (i) successful experiences in attracting FDI and improving locational determinants of investment flows; (ii) the interrelationship between portfolio and FDI flows, the volatility of capital movement and the policy implications arising therefrom.

9. To facilitate the deliberations on (i), the secretariat will prepare a brief background note on recent developments in foreign investment trends and work undertaken in this area (including technical cooperation and progress on the implementation of agreed conclusions and recommendations of the Commission). Due to the timing of the availability of data for 1997, the background note will only be ready at the beginning of September 1998 and in the form of a conference room paper (CRP). It will also contain "Fact Sheets on Africa", further to a request made by the Commission at its second session.

10. As regards (ii), the Commission decided to convene an Expert Meeting on the Growth of Domestic Capital Markets, Particularly in Developing Countries, and its Relationship with Foreign Portfolio Investment. The Expert Meeting was held from 27 to 29 May 1998. The issues considered were: portfolio investment in the context of structural changes in international financial markets; capital market development and portfolio investment; and markets and fundamentals - policy issues. The report of the Meeting will be before the Commission at its third session. The views of the experts, as reflected in the report of the Meeting, will serve as a basis for the Commission to examine the difference between the two kinds of investment flows and its policy implications. One issue that could be raised in this connection relates to the definition of investment, which would provide a link to the discussions under agenda item 4.

11. The Commission will also have, as background documents, "The growth of domestic capital markets, particularly in developing countries, and its relationship with foreign portfolio investment (TD/B/COM.2/EM.4/2) *The World Investment Report 1997* (chapter III) and "Foreign portfolio investment: implication for the growth of emerging markets" (UNCTAD/GDS/GFSB/4).

Documentation

TD/B/COM.2/12	"Report of Expert Meeting on the Growth of Domestic Capital Markets, Particularly in Developing Countries, and its Relationship with Foreign Portfolio Investment"
TD/B/COM.2/EM.4/3	
TD/B/COM.2/CRP.1	Background note on recent development in foreign investment trends and work undertaken in this area.

Item 4 - Examining and reviewing existing agreements on investment to identify their implications for development, as called for in paragraph 89 (b) of "A Partnership for Growth and Development"

12. The Commission, at its second session, decided to convene a second expert meeting focusing on "examination and review of existing regional and multilateral investment agreements and their development dimensions in pursuance of the mandate of paragraph 89 (b) of 'A Partnership for Growth and Development'" (TD/B/44/14, para. 51).

13. The first Expert Meeting had been held from 28 to 30 May 1997. As a step towards a broader discussion of issues relevant to a possible multilateral framework on investment, that Meeting had focused on bilateral investment treaties (BITs). The Meeting had had a broad and useful discussion on five sets of questions, i.e. reasons for concluding BITs, issues addressed by BITs, experience with the application of BITs, role of BITs in the development of national law and standards of international law, and the development dimension. (For the report of the Expert Meeting, see document TD/B/COM.2/5.)

14. The second Expert Meeting was held from 1 to 3 April 1998. It pursued the discussion on existing agreements on investment and their implications for development, focusing on existing regional and multilateral agreements. Regional and multilateral instruments dealing with investment address a wider range of issues, interests and needs of countries than do bilateral investment treaties. Given the complex mix of investment instruments and issues at the regional and multilateral levels - and as a second step towards a broader discussion of issues relevant to a possible multilateral investment framework and especially its development dimension - the second Expert Meeting gave special attention to the main objectives pursued by regional and multilateral investment instruments, as well as the scope of and key definitions in regional and multilateral investment instruments.

15. In order to help developing countries participate as effectively as possible in international discussions and negotiations on investment agreements - be they at the bilateral, regional, plurilateral or multilateral level - the Commission will further debate the development dimension of international investment agreements with a view towards capacity- and consensus-building. The Commission will have before it the report of the second Expert Meeting as its main document to facilitate its discussion of the policy implications of the findings and conclusions of the Expert Meeting on this issue. This report will be supplemented, as background documentation, by an issues paper on approaches to the development dimension and "Existing

regional and multilateral investment agreements and their relevance to a possible multilateral framework on investment: issues and questions" (TD/B/COM.2/EM.3/2). An in-depth study on "Bilateral Investment Treaties in the 1990s" will also be made available upon request.

Documentation

TD/B/COM.2/11 "Report of the Expert Meeting on Existing Regional
TD/B/COM.2/EM.3/3 and Multilateral Investment Agreements and their
Development Dimensions"

Item 5 - Reports of the subsidiary bodies of the Commission

16. The Commission decided, at its second session, to convene meetings on competition law and policy and international standards of accounting and reporting. The reports of the bodies concerned will be available for consideration of the Commission.

Documentation

TD/B/COM.2/10 "Report of the Intergovernmental Working
TD/B/COM.2/ISAR/3 Group of Experts on International Standards of
Accounting and Reporting, fifteenth session,
11-13 February 1998"

TD/B/COM.2/9 "Report of the Expert Meeting on Competition Law
TD/B/COM.2/EM/12 and Policy, 24-26 November 1997"

TD/B/COM.2/13 "Report of the Intergovernmental Group of Experts
TD/B/COM.2/CLP/4 on Competition Law and Policy, 29-31 July 1998"

Item 6 - Provisional agenda for the fourth session of the Commission

17. In accordance with rule 8 of the rules of procedure of the main Committees, the secretariat will submit during the session a draft provisional agenda for the fourth session of the Commission on Investment, Technology and Related Financial Issues.

18. Furthermore, in accordance with the decision at UNCTAD IX (para. 114 of "A Partnership for Growth and Development"), the Commission may convene expert meetings of short duration, not exceeding three days, in order to benefit from a higher level of technical expertise. Expert meetings should receive from the parent Commission precise terms of reference. In the light of the provisional agenda for the fourth session, the Commission is expected to decide on the expert meetings to be convened during 1999.

Item 7 - Other business

Item 8 - Adoption of the report of the Commission

19. The report of the Commission will be adopted at its final plenary meeting and submitted to the Trade and Development Board for consideration.
