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SUBJECT FILES

Development Committee - Task Force on
Private Foreign Direct Investment
1980-1983

Archives



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Development Committee - Task Force on Private Foreign Direct Investment -
Correspondence

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OFFICE MEMORANDUM

9419
8/25/83

DATE: August 24, 1983

TO: Mr. A. W. Clausen

FROM: Timothy T. Thahane *AT*

EXTENSION: 72185

SUBJECT: Study of Investment Incentives and Performance Requirements

Attached for your approval is a Board Memorandum on the above report. The Memorandum responds to Mr. Qureshi's suggestion and your agreement that the report be circulated to the Board and later to the Development Committee. The Memorandum incorporates Mr. Qureshi's and Mr. Richardson's comments.

Attachment

cc: Mr. Qureshi
Mr. Benjenk

DRAFT
JBergsman/RRichardson/TThahane
August 24, 1983

MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: STUDY OF INVESTMENT INCENTIVES AND PERFORMANCE REQUIREMENTS

1. Attached is the Report of a study on investment incentives and performance requirements. The idea for this study originated with the Development Committee Task Force on Private Foreign Direct Investment which met between June 1979 and July 1980 with a mandate to examine those national policies that would most likely maximize the benefits of international direct private investment.
2. The Task Force considered a wide range of home and host country policies, but focused most of its attention on investment incentives and performance requirements used by host countries to influence the amount and character of direct investment. The Task Force concluded that not enough was known about the impact of these policies to make a judgment as to their desirability. It therefore recommended to the Bank that a study of these matters be undertaken. In September 1981, the Bank asked IFC to assume responsibility for the study, and the Development Department of IFC undertook to design, organize and supervise the work. It did so through an international team of research consultants led by Prof. Stephen Guisinger of the University of Texas.
3. The terms of reference of the study and the approach which were approved by the Board focused on three factual questions:
 - i. Do nations compete with one another in granting investment incentives to foreign direct investors?

- ii. Do investment incentives and performance requirements together significantly affect the location of private foreign direct investment?
- iii. Do incentives and performance requirements significantly affect the patterns of international trade carried on by foreign direct private investors?

To address these questions the study compared both country policies and industry experience. Both developed and developing countries were included in the country analysis, and intensive interviewing was done in ten (Brazil, France, India, Indonesia, Ireland, Kenya, Mexico, Philippines, Singapore, and the United Kingdom). Four industries, each likely to react differently to incentives and performance requirements, were studied (automobiles, computers, food products, and petrochemicals).

4. The researchers benefitted from the suggestions of an Advisory Committee composed of representatives from the governments of India, Peru, the Philippines, Switzerland, the United Kingdom and the United States. The Advisory Committee met in the spring of 1982 to review the methodology of the study and again in March 1983 to review the draft of the final report. The report reflects recommendations for changes to an earlier draft made by the Advisory Group in its March meeting, as well as internal reviews within IFC and the World Bank.

5. The main conclusion of the study is that competition among countries for foreign private investment does exist and that different incentives offered by different countries do influence many location designs by foreign investors. The finding that incentives do make a difference is in contrast

with much of the existing literature on the subject, which often fails to find much impact of investment incentives.

6. As envisioned by the Task Force on Private Foreign Investment, the findings of this study may be used by governments as background for discussions of possible modifications to their procedures, including the desirability of international rules to limit the use of investment incentives and performance requirements. One or more meetings of selected Government officials responsible for incentive policies to discuss the findings of the study is contemplated. IFC and the World Bank staff also may use the results and analysis of the study in their operational policy dialogue with the countries. The study provides a useful framework for analyzing policies and strategies of countries toward private foreign direct investment. IFC is already using the findings of the study in advising its members on issues relating to direct private foreign investment.

7. As the study was requested by the Development Committee, I propose that it should be transmitted to the Committee for consideration at one of its future meetings.

A. W. Clausen

OFFICE MEMORANDUM

DATE: August 17, 1983

TO: Mr. A. W. Clausen

FROM: Moeen A. Qureshi *MQ*

EXTENSION: 73665

SUBJECT: Study of Investment Incentives and Performance Requirements

The Development Committee recommended in 1981 that the Bank do a study of the policies of both capital importing and capital exporting countries that are most likely to maximize the benefits of direct foreign private investment.

After considerable discussion, the Bank agreed to do this study, mainly at the urging of the United States.

I was given the responsibility by Bob McNamara to have this study done and I asked IFC to undertake the study on the understanding that the Bank would finance it. A report is now available and is attached.

I suggest that we circulate this study to the Board and obtain their agreement to circulating it to the Development Committee for information.

cc: Mr. Thahane
Mr. Benjenk
Mr. Burki

Mr. Parmar
Mr. Richardson

OFFICE MEMORANDUM

9315
8/12/83

DATE August 11, 1983

TO Mr. Moeen A. Qureshi, SVPFI

FROM Richard W. Richardson, CDD

EXTENSION x60400

SUBJECT Study of Investment Incentives and Performance Requirements.

1. I here transmit to you the Summary Report of a study on Investment Incentives and Performance Requirements. Background studies on four industries are also available on request. This study was commissioned by the IBRD Board in September 1981, and the Development Department of IFC was designated to design, organize, and supervise it. To undertake the research, the Department recruited an international team of consultants led by Prof. Stephen Guisinger of the University of Texas.

2. The aims, methodology, and results of the study are well described in its "Summary and Conclusions" section, and need not be detailed here. The main findings are that competition for foreign private investment does exist among countries, and that incentives do affect many decisions about the location of investments. The study did not try to assess any costs or benefits of this competition. The finding that incentives do make a difference contrasts with much of the existing literature on the subject, which often fails to find much impact of incentives. The main reasons for the different findings are that the present study used a broader definition of incentives, made a sharper distinction between the actual situation and the hypothetical one to which the actual is contrasted, and compared the actions of many countries rather than studying only one.

Origin of the Study

3. The proposal for the study originated with the Development Committee Task Force on Private Foreign Direct Investment, and was referred to the Board by the Development Committee at its meeting in September 1980. The Task Force had met from June 1979 to July 1980, with a mandate from the Development Committee to examine the policies of both home and host countries which would most likely maximize the benefits of international private direct investment.

4. The Task Force considered a wide range of home and host country policies, but focused most of its attention on the impact of investment incentives and performance requirements that are used by host countries to influence the amount and character of direct investment. The motivation for such a focus was the feeling on the part of some countries that investment incentives and performance requirements were being used to influence patterns of international investment and trade, to the detriment of international welfare. It was felt that incentives may have lured investments to higher cost countries, and that incentives and performance requirements together may have altered trade patterns contrary to the dictates of comparative advantage. At the same time it also was felt that competition among countries in granting incentives may have unnecessarily transferred resources from governments to investing firms.

5. The Task Force felt that not enough was known about the impact of investment incentives and performance requirements to make a judgment as to their desirability. Therefore, it recommended that a study of these policies be undertaken in the World Bank Group. As outlined in the Task Force request, the objectives of the study were very broad, including collection of comprehensive information; analysis of impacts of investment incentives on location of investment, technology choice and management, and international trading patterns; and assessment of financial and economic costs and benefits. The study that was proposed by IFC, and approved by the Board, was more modest than that recommended by the Task Force. It did not include collection of comprehensive data on investment incentives and performance requirements. Neither did it include an assessment of cost and benefits to the host countries of such policies, a subject which would have substantially extended the length of the inquiry. Rather, it focuses on three questions:

- (a) Do nations compete with one another in granting investment incentives to foreign direct investors?
- (b) Do investment incentives and performance requirements together significantly affect the location of private foreign direct investment?
- (c) Do incentives and performance requirements significantly affect the patterns of international trade carried on by private foreign direct investors?

6. The study had the benefit of an Advisory Committee composed of representatives from the governments of India, Peru, the Philippines, Switzerland, the United Kingdom and the United States. The Advisory Committee met in the spring of 1982 to review the methodology of the study and again in March 1983 to review the draft of the final report. Members of the Advisory Committee also provided ad hoc assistance to members of the study team during the course of the field work, which was conducted mainly in the spring and summer of 1982. The draft of the report that is being distributed now reflects recommendations for changes to an earlier draft made by the Advisory Group in its March meeting, as well as internal reviews within IFC and the World Bank. IFC Development Department staff also provided considerable advice and assistance to the study team.

Uses of the Study

7. As envisioned by the Task Force on Private Foreign Investment, the findings of this study may be used by governments as background for discussions of possible modifications to their procedures, including the desirability of international rules to limit the use of investment incentives and performance requirements. IFC and the World Bank also may use the results and analysis of the study directly in policy advisory work. The study provides a useful framework for analyzing policies and strategies of countries toward private foreign direct investment. It sets out dimensions on which a strategy may be specified, and gives information on the impact of various policies in different country and industry circumstances.

Thus, the study may be used to help developing countries devise a strategy with regard to foreign investment, taking into account their objectives, their characteristics (size, income level, skills) and the nature of competition for investment. IFC already has put the findings of the study to use in advising Egypt on its policies and organization dealing with direct private foreign investment.

cc: Messrs. Parmar, CAEVP
Weigel, FPA
Guisinger, Cons.

JBergsman/jhp
IFC/CDD

OFFICE MEMORANDUM

TO: Mr. Moeen A. Qureshi, SVPFI
FROM: Dale R. Weigel, FPAFA *Dale Weigel*
SUBJECT: Steve Guisinger Work

DATE: June 2, 1983

1. I have looked into the alternative locations for Steve Guisinger to extend his work on foreign investment policy. IFC (Richardson) feels that EDI is a good location because the results can be fed into policy seminars organized by EDI. EDI (Leslie Helmer) is also enthusiastic, although they do not think that the seminar of officials mentioned by Steve in his letter can be organized in August for reasons of both time and budget.

2. The main alternative is the Development Research Department, which is also willing to house the effort. My view, however, is that the EDI alternative gives more promise of disseminating the results. I will tell Heinz, therefore, that the remaining funds should be transferred to EDI.

OFFICE MEMORANDUM

DATE: May 25, 1983

TO: Mr. Dale R. Weigel

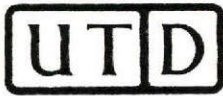
FROM: Moeen A. Qureshi *MAQ*

EXTENSION: 73665

SUBJECT: The Foreign Investment Incentive Study

I have received the attached letter from Stephen Guisinger. I believe I had earlier mentioned to Dick Richardson that I would be prepared, for my part, to release the approximately \$26,000 remaining for completing the work on the study -- in particular, to extract some of the policy implications of the study which should be of great use to developing country governments.

Stephen Guisinger now seems to suggest that he would like this amount to be released to EDI. What do you advise? My first reaction was that since IFC had been given the responsibility to execute the study, I would like IFC to take it to the point of completion, but I would be guided by you in this matter. If you feel that we should let EDI and Stephen Guisinger take up this matter, then please talk to Heinz Vergin and mention to him that I feel that the remaining amount in the study should be released for this purpose. If you feel that Stephen's suggestion is not a good one and that we ought to go back to IFC and let him work under IFC's auspices, then I would suggest that you first discuss this with me.



THE UNIVERSITY OF TEXAS AT DALLAS

BOX 688 RICHARDSON, TEXAS 75080 (214) 690-2033

INTERNATIONAL MANAGEMENT STUDIES

May 18, 1983

Mr. Moeen A. Qureshi
Senior Vice President
The World Bank
Room E-1241
1818 H Street, N.W.
Washington, D.C. 20433

Dear Moeen:

The project on investment incentives and performance requirements is now complete. I understand from Dale Weigel that the four industry studies and the summary report have been forwarded to you.

I feel that the summary report answers the three principal questions we were asked to examine--questions relating to the degree of competition among host countries to attract foreign investment, the effectiveness of incentives and the impact of performance requirements. I, obviously, hope that it gets widely read, both within the Bank and outside.

My question is where do we go from here? In our meeting in April, I expressed an interest in continuing to work on this topic. Specifically, I would like to expand the summary report in essentially two ways. First, references to the body of existing empirical research on protection and incentives were omitted from the summary report in the interest of brevity. Second, the advisory board to the study requested that we include no policy recommendations in the report to the Board. I feel there are a number of policy recommendations that can be distilled from our work. These are for the most part suggestions on approaches host governments could use to make foreign investment policies more efficient and effective.

The Economic Development Institute has expressed an interest in the study. Leslie Helmers and Jack Upper would like to organize a two week seminar on the topic of foreign investment incentives in August, using the incentives study as the principal basis of discussion. Representatives from boards of investment and related agencies in developing countries would be invited to attend. Helmers and Upper also wish to develop training materials relating to guidelines for investment policies.

The budget of \$300,000 originally set aside to conduct the incentives study has approximately \$26,000 remaining. Now that the study is complete and IFC's role has ended, would it be possible to redirect the remaining funds to EDI so that follow-up work on the project could begin this summer?

1983 MAY 18 10 50 AM



Mr. Moeen Qureshi
May 18, 1983
Page Two

I would be glad to come to Washington at any time to discuss the study and further work. It would be good to see you again and to make good on my commitment to Lilo to pay you an informal visit, as well.

Sincerely yours,



Stephen E. Guisinger
Program Director
International Management Studies

SEG:blb

8435
5/23

May 20, 1983

Prof. Steven Guisinger
University of Texas at Dallas
Richardson, Texas

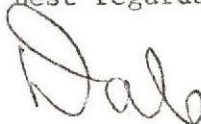
Dear Steve,

I wanted you to know that I have signed the last payment under your consulting contract, and you should receive payment as soon as the Bank processes the disbursement.

I want to take this opportunity to thank you for the diligence and imagination with which you organized and conducted the research. I also want to record, as I have said to you in person, that I believe the research was well done, and that the final report, with the back-up studies, is a good piece of work. The findings, while not earth shattering, are significant, and are as well supported as is possible in this field.

As you know, now that I have changed jobs the final processing and submission of the report to the Board is in the hands of Mr. Richardson. I, of course, retain a keen interest in the study as a result of my past involvement. If I can be of any further assistance, please feel free to call on me (202) 477-4751.

Best regards,



Dale R. Weigel
Chief

Financial Analysis Division
Financial Policy & Analysis Department

cc: Mr. Qureshi
Mr. Richardson (IFC)

OFFICE MEMORANDUM

8258
5/3

DATE April 29, 1983

TO Mr. Richard W. Richardson

FROM Dale R. Weigel *Dalo*

EXTENSION 60411

SUBJECT Pending Matters on the Guisinger Study

There are several matters that are still pending with regard to the Guisinger study:

- The first, of course, is to get the study into a shape that can be sent to the Board. Steve is sending in a final version that should be here by the end of the week. Although I have not yet seen it, Steve tells me that the revisions are mainly to beef-up the material on performance requirements in Section V. I will get the revised draft to you before the weekend. When you have gotten the final draft in an acceptable form, I suggest that it be sent to the Board with the proviso that it will be sent to the Development Committee unless there is an objection from a Board member. I would also propose that the study be sent to the OECD Committee on International Investment and Multinational Enterprises (CIME). I have attached a draft of a cover note that may be used in transmitting the study to the Board.

Mr. Richardson:

Dick:

I think it well worth--
while to move in this
direction.

According to Steve's memo of April 19, EDI would like to hold a two-week seminar in Washington during August for developing country officials dealing with private foreign investment. The seminar would deal with methods of analyzing investment proposals and with policies to promote investment. EDI has the funds needed for the seminar, but needs a note from you or Mr. Qureshi supporting the seminar in order to commit the funds.

- There should be \$20-25,000 of project funds remaining. These can either be decommitted and returned to Mr. Qureshi, or used for further work. Mr. Qureshi was amenable, in a meeting several weeks ago, to using the funds to support further work by Steve on normative aspects of investment policies. If you agree to this proposal, some commitments will have to be made soon so that Steve can plan his time this summer.

It is desired by all of the consultants that the final report together with the industry studies and the study of alternative approaches to investment policy administration be published by the Bank in book form. The Publication

Mr. Richardson
Dick:
I think it
well worth
while to move in
this direction
OK, AD
5/6

Committee meets on May 9. If you agree, we could send copies of the studies to the Publication Committee for their consideration, contingent, of course, on approval of publication by the Board. Publication of the study would give some useful publicity to IFC interest in foreign investment policy.

Even though I am moving to another job, I retain an obvious interest in seeing this project brought to a successful conclusion. I therefore will make time available to do whatever is necessary to achieve that end.

DRWeigel:o

Att.

cc: Messrs. Qureshi
Bergsman
Guisinger

MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: THE STUDY OF INVESTMENT INCENTIVES AND
PERFORMANCE REQUIREMENTS

The Board approved a study of private foreign direct investment incentives and performance requirements in September 1981. The proposal for the study had originated with the Development Committee Task Force on Private Foreign Direct Investment, and had been referred to the Board by the Development Committee at its meeting in September 1980. The Task Force met from June 1979 to July 1980 with a mandate from the Development Committee to examine the policies of both home and host countries which would most likely maximize the benefits of international private direct investment.

The Task Force considered a wide range of home and host country policies, but focused most of its attention on the impact of investment incentives and performance requirements that are used by host countries to influence the amount and character of direct investment. The motivation for such a focus was the feeling on the part of some countries that investment incentives and performance requirements were being used to influence patterns of international investment and trade, to the detriment of international welfare. It was felt that incentives may have lured investments to higher cost countries, and that incentives and performance requirements together may have altered trade patterns contrary to the dictates of comparative advantage. At the same time it also was felt that

competition among countries in granting incentives may have unnecessarily transferred resources from governments to investing firms.

The Task Force felt that not enough was known about the impact of investment incentives and performance requirements on trade and investment flows to make judgment as to their desirability. Therefore, it recommended that a study of these policies be undertaken in the World Bank Group. As outlined in the Task Force request, the objectives of the study were to include the following:

- (a) Collection of comprehensive information on actual investment incentives and performance requirements
- (b) Analysis of the impact of investment incentives on
 - the level and pattern of investment
 - technology choice and management
 - international trading patterns
- (c) Assessment of financial and economic costs and benefits of incentive and performance requirement policies.

The study that was proposed by IFC to the Board for its approval was less comprehensive than that recommended by the Task Force. The proposed study did not include collection of comprehensive data on investment incentives and performance requirements. Neither did it include an assessment of cost and benefits to the host countries of such policies. Rather, it proposed to focus on answering three questions:

- (a) Do nations compete with one another in granting investment incentives to foreign direct investors?
- (b) Do investment incentives and performance requirements together significantly affect the location of private foreign direct investment?

- (c) Do incentives and performance requirements significantly affect the patterns of international trade carried on by private foreign direct investors?

METHODOLOGY

The study proposed to the Board included two major components. The first was an investigation of the impact of investment incentives and performance requirements in industries which have experienced significant foreign direct investment. The four industries that were chosen for study were automobiles, computers, food processing and petrochemicals. In each of these industries a number of investment decisions were identified together with the alternatives that were considered (if any). Through interviews with the companies involved, the study team members attempted to learn what incentives were offered and performance requirements proposed for each alternative investment site. They also attempted to assess in discussions with company management the importance incentives and performance requirements had in relation to other economic and strategic considerations in influencing choice among various investment and production alternatives.

A series of country studies was also undertaken to complement the industry studies. Policies of four countries in Asia, two in Latin America one in Africa, and three in Europe, were analyzed to identify:

- (a) The objectives of foreign investment policies
- (b) The dimensions of the strategies employed by countries to deal with foreign private direct investment
- (c) Factors affecting the choice of strategies employed, and

- (d) The type of organization used by countries to administer policies.

The study was organized and supervised by the Development Department of IFC and was carried out by an international group of consultants led by Professor Stephen Guisinger of the University of Texas. The study had the benefit of an Advisory Committee composed of representatives from the governments of India, Peru, the Philippines, Switzerland, the United Kingdom and the United States. The Advisory Committee met in the spring of 1982 to review the methodology of the study and again in March 1983 to review the draft of the final report. Members of the Advisory Committee also provided ad hoc assistance to members of the study team during the course of the field work, which was conducted mainly in the spring and summer of 1982. The draft of the report that is being distributed now reflects recommendations for changes to an earlier draft made by the Advisory Group in its March meeting, as well as internal reviews within IFC and the World Bank.

RESULTS

In attempting to answer the questions posed by the study, it was found that foreign private direct investment may be usefully divided into three main types: investment in facilities to produce mainly for local markets; to produce for a common market; or, finally, to produce for the world export market. It was found that there is a market of sorts for each type of direct investment with buyers (countries) and sellers (firms). The extent and character of competition is different for each type of investment, as is the nature and impact of host country policies.

The study found that there is competition among countries for direct investment, particularly for the types that involve exports--either within common markets, or to the larger world market. Competition tends to be greatest for investment to serve a common market, and least for that to serve a local market. Competition tends to be stronger for investment in the high technology industries (e.g., computers) and is weaker in those industries with a larger number of alternative investors. The study identified 10 different dimensions along which countries vary their competitive strategy toward foreign direct investment. These include the type of incentives available and their magnitude, as well as the type and extent of performance requirements. Elements of strategy also include the amount of promotion done by the host country, their selectivity with respect to investing firms, services rendered to investors, and the type of organization employed to deal with investors.

The study found that investment incentives and performance requirements do have an impact on investment location and trade decisions. Incentives (broadly defined to include protection of the local market as well as subsidies to factors of production), influenced the country location of two-thirds of the investments surveyed in four industries. About half of these investments influenced by incentives (i.e. one-third of the total) were induced by protection of the local market or subsidies on commodity inputs (i.e. commodity protection). On the other hand, incentives given to labor and capital (i.e. factor protection) were responsible for influencing location decisions in the remaining cases, and were particularly important in influencing the choice of location within common market areas. The location of investments producing for world export markets was mainly influenced by

economic factors, but incentives still influenced country choice in 40% of such investments.

There are several reasons why this study found a greater impact of incentives on investment decisions than had been the case in earlier studies. Incentives were defined more broadly in the IFC study to include protection of the local market. Moreover, this study asked respondents whether elimination of incentives by the country selected would have caused them to locate in a different country. Most other studies had asked investors to rank the importance of incentives in relation to other factors, and incentives were inevitably given less weight when they were approximately the same in most countries. Finally, the impact of incentives registered in the study was often on where to invest in a region or a common market, and not on whether to invest.

The impact of performance requirements on trade and investment is difficult to assess in isolation, since performance requirements usually are imposed in conjunction with incentives, and host countries impose implicit performance requirements through their investment screening mechanisms. Nevertheless, the study showed that over half of the investments identified were subject to explicit trade-related performance requirements (domestic content requirements or foreign exchange balance requirements). In four of the cases studied, policies requiring firms to achieve foreign currency balance in their existing operations led them to make new export-oriented investments. These investments had an impact on trade flows, although it is not known what other measures might have been taken to improve the foreign exchange balance in these cases if the performance requirements had not been

imposed. There also is some evidence from food and petrochemical industries that performance requirements led investing firms to increase their exports. There is not a sense, however, that performance requirements have had a pervasive effect on exports in any of the four industries surveyed.

USES OF THE STUDY

As envisioned by the Task Force on Private Foreign Investment, the findings of this study may be used by governments as background for discussions of the desirability of international rules to limit the use of investment incentives and performance requirements. The value of such discussions has to be evaluated in light of the impact of incentives and performance requirements on trade and investment decisions as indicated in this and other studies. It is also recommended that it be sent to the OECD Committee on International Investment and Multi-national Enterprises.

The IFC and the World Bank also may use the results and analysis of the study directly in policy advisory work. The study provides a rather comprehensive framework for analyzing policies and strategies of countries toward private foreign direct investment. It sets out dimensions on which a strategy may be specified, and gives information on the impact of various policies in different country and industry circumstances. Thus, the study may be used to help developing countries devise a strategy with regard to foreign investment, taking into account their objectives, their characteristics (size, income level, skills) and the nature of competition for investment. IFC already has put the findings of the study to use in helping Egypt revise its policies, and reshape its organization dealing with private foreign direct investment.

Policy formulation by developing countries must take into account costs and benefits of alternative approaches. The study has provided information on the sensitivity of investment decisions to host country policies under different circumstances, and has identified alternative country strategies. As has been noted, the costs and benefits of different approaches to policy have not been investigated in this study. The next steps, thus, may include some further work within the Bank and IFC along these lines.

Recommendations

I recommend that in the absence of objection from members of the Board that this study be sent to the Development Committee. I also recommend that the report be sent to the OECD Committee on International Investment and Multinational Enterprises for use in their work. Finally, I recommend that the study be submitted to the World Bank Publication Committee to be considered for publication.

IFC - Development Department
April 29, 1983

THE WORLD BANK/INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

7960
3/25

DATE: March 22, 1983
TO: Mr. Richard W. Richardson
FROM: Dale R. Weigel *Dale Weigel*
EXTENSION: 60411
SUBJECT: Meeting with Advisory Group of Study of Investment Incentives
and Performance Requirements, Monday, March 21, 1983

We had a meeting on March 21 with the governmental advisers to the study on foreign direct investment incentives and performance requirements. Five countries were represented including India, the Philippines, Switzerland, United Kingdom and the United States. At this meeting Mr. Romualdez (Executive Director in the Bank) represented the Philippines. There was also a substitute representative from the UK, Mr. Frank Herron, who replaced Alan Whiting.

The reaction of the advisers to the proposed report was quite favorable. The meeting followed a three-part agenda: first, a discussion of substance, then a discussion of format of presentation, and finally, procedures and next steps. Out of the first two agenda items, we got several suggestions for changes and additions to the report including:

- Presenting more discussion on the ways in which developing countries are participating in, and affected by, competition for foreign direct investment;
- A discussion of the extent to which country strategies described in Section IV are specific to foreign investment, or merely reflect policies designed to increase investment in general;
- Additional material on performance requirements, if possible;
- Making it more clear that the impact of the various incentive policies are viewed from the perspective of the investing firm rather than the country;
- There was the desire to contrast the findings of this study with those of other studies, so that the broader definition of incentives used in this study could be made more clear;
- There was a suggestion to move a figure from the summary at the end to an executive summary in the beginning.

We received agreement from the advisers that we would send the report as amended to the Board, with the suggestion that the Board should send it on to the Development Committee. We also discussed with the advisers whether the industry studies which will be made available on request to the Board should contain country names. I indicated that I had removed the country names from the versions that were given to them, but asked them to advise me by the middle of April as to whether they thought it would be alright to re-insert country names in those documents for distribution to governments.

In general, I think this was a successful meeting, although it went so well that I am beginning to worry about it!

DRWeigel:o

cc: Messrs. Qureshi
Guisinger (Consultant)

001
9/29

Original: Mr. Weigel
cc: Mr. Qureshi

Le Président Directeur Général

Mr Moeen A. Qureshi,
Senior Vice President, Finance

The World Bank

Washington, D.C. 20433

September, the 21th 1982

Dear Mr Qureshi,

I read with interest that the World Bank has decided to conduct a study of the effects of investment incentives and performance requirements on the development of trade and of the international economy.

We are greatly honored that you wish the REGIE NATIONALE des USINES RENAULT to participate in this study, and fully understand that it covers numerous factors that enter into the foreign investment location decision.

Naturally, we would also much appreciate receiving the conclusions of the study.

I have taken note that Professors Neil Hood and Stephen Young of the University of Strathclyde will be working on this study and have asked Paul PERCIE du SERT in Paris, in liaison with David Smith who, based in New-York, is responsible for RENAULT's relationships with the Bank, to make themselves available to these two persons.

In light of the subjects to be discussed, Mr PERCIE du SERT will decide which other RENAULT collaborators may be concerned by the questions raised.

Sincerely,


Bernard HANON

9/21 To Mr. Weigel

6817
9/21

DR. PETER FRERK
VORSTANDSMITGLIED
DER VOLKSWAGENWERK AKTIENGESSELLSCHAFT

WOLFSBURG Sept. 10, 82
Telefon (05361) 90

Mr. Moeen A. Qureshi
Senior Vice President, Finance
THE WORLD BANK
Washington D.C. 20433

U S A

Dear Mr. Qureshi,

Mr. Münzner, Deputy Chairman of our Executive Board, forwarded your letter of August 18, 1982, to me.

We would be glad to be able to help the World Bank and the IMF in their study which you describe in your letter, and I would be at the disposal of your study-team here in Wolfsburg together with some leading members of our staff to discuss the aspects of your planned study. Messrs. Hood and Young thus are kindly invited to contact my office, telephone Germany 0049-5361-924760 (Mrs. Fäsecke) in order to establish a date for a meeting.

Since I will probably be in Washington on Wednesday October 27 for other reasons I would try to contact your office to find out wheather I could come there and meet you and discuss this subject further for half an hour or so.

→ Weigel to
meet
(Mrs. Samms
484-6096)

Kindest regards

Peter Frerk

6797
9/17

VOLVO

AKTIEBOLAGET VOLVO · GÖTEBORG, SWEDEN
EXECUTIVE COMMITTEE

Mr Moeen A Qureshi
Senior Vice President
The World Bank
WASHINGTON DC 20433
U S A

September 10, 1982

Dear Mr Qureshi,

Thank you very much for your letter of August 18 to Mr Gyllenhammar concerning your study of effects of investment incentives.

In principle we would be positive to participate in the study. A decision could, however, first be made after receiving more information of what such a commitment would comprise. I would therefore welcome a meeting with members of the study team.

Sincerely,



Bo Ekman
Senior Vice President

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

August 24, 1982

Mr. Bernard Hanon
Director General
Regie Nationale des Usines Renault (RNUR)
34 Quai DuPoint DuJour
BP 103
92109 Billancourt
France

Dear Mr. Hanon:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Regie Nationale des Usines Renault in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Neil Hood and Professor Stephen Young of the University of Strathclyde, U.K., who are members of the study team, will be in a position to provide additional explanation of the project. I have asked them to contact your office and I shall be grateful if you could designate some appropriate persons with whom they might arrange a meeting.

I very much hope that Regie Nationale des Usines Renault will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

August 18, 1982

Mr. Horst Munzer
Deputy Chairman
Volkswagenwerk AG
P. O. Box 3180
Wolfsburg 1
Federal Republic of Germany

Dear Mr. Munzer:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Volkswagenwerk AG in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Neil Hood and Professor Stephen Young of the University of Strathclyde, U.K., who are members of the study team, will be in a position to provide additional explanation of the project. I have asked them to contact your office and I shall be grateful if you could designate some appropriate persons with whom they might arrange a meeting.

I very much hope that Volkswagenwerk AG will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

August 18, 1982

Mr. Cesare Romiti
Managing Director
Fiat SpA
10 Corso Marconi
Turin,
Italy

Dear Mr. Romiti:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Fiat SpA in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Neil Hood and Professor Stephen Young of the University of Strathclyde, U.K., who are members of the study team, will be in a position to provide additional explanation of the project. I have asked them to contact your office and I shall be grateful if you could designate some appropriate persons with whom they might arrange a meeting.

I very much hope that Fiat SpA will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

August 18, 1982

Mr. Pehr G. Gyllenhammer
Managing Director & Chief Executive Officer
Volvo AB
S-40508
Goteborg,
Sweden

Dear Mr. Gyllenhammer:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Volvo AB in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Neil Hood and Professor Stephen Young of the University of Strathclyde, U.K., who are members of the study team, will be in a position to provide additional explanation of the project. I have asked them to contact your office and I shall be grateful if you could designate some appropriate persons with whom they might arrange a meeting.

I very much hope that Volvo AB will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

File

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

July 8, 1982

Mr. Joe M. Henson
President
Prime Computer Corporation
Prime Park
Natick, Massachusetts 01760

Dear Mr. Henson:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Prime Computer Corporation in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Robert Miller of the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Prime Computer Corporation will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi

Moeen A. Qureshi
Senior Vice President, Finance

File

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

July 8, 1982

Mr. E.D. de Castro
President
Data General Corporation
4400 Computer Drive
Westboro, Massachusetts 01580

Dear Mr. de Castro:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Data General Corporation in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Robert Miller of the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Data General Corporation will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi

Moeen A. Qureshi
Senior Vice President, Finance

July 2, 1982

Mr. Bill Frederick
Fantus, Inc.
75 Main Street
Millburn, New Jersey 07041

Dear Mr. Frederick:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Fantus, Inc. in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor H. Peter Gray of Rutgers University, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Fantus, Inc. will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

June 23, 1982

Mr. John W. Day
Executive Vice President
Corporate Staff International
Chrysler Corporation
P. O. Box 1919
Detroit, Michigan 48288

Dear Mr. Day:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Chrysler Corporation in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Stephen Young, currently visiting at the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Chrysler Corporation will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

14 June 1982

Mr. Moeen A. Qureshi
Senior Vice President, Finance
The World Bank
Washington, D.C. 20433

Dear Mr. Qureshi:

Mr. Olsen has passed on to me your letter of 24 May regarding
The World Bank's study on the effects of investment incentives.

I am pleased to inform you that we are willing to participate
in this study.

Mr. Edward A. Schwartz, Vice President and General Counsel, and
the signer of this letter are available for an interview by
Professor Miller or other members of the study team.

Very truly yours,



Horst K. Mehlfeldt
Manager
International Treasury Planning

HKM/jdd

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

June 15, 1982

Dr. Marina v. N. Whitman
Vice President and Chief Economist
General Motors Corporation
767 Fifth Avenue
New York, New York 10153

Dear Dr. Whitman:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of General Motors Corporation in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Stephen Young, currently visiting at the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that General Motors Corporation will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,



Moeen A. Qureshi
Senior Vice President, Finance

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

June 15, 1982

Mr. John McDougall
Executive Vice President
Ford International Automotive Operations
The American Road
Dearborne, Michigan 48121

Dear Mr. McDougall:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

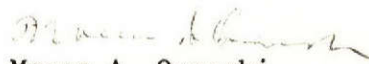
We would greatly appreciate the participation of Ford International Automotive Operations in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Stephen Young, currently visiting at the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Ford International Automotive Operations will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,


Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Mr. W. M. Blumenthal
Chairman and Chief Executive Officer
Burroughs Corporation
Burroughs Place
Detroit, Michigan 48232

Dear Mr. Blumenthal:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Burroughs Corporation in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Robert Miller of the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Burroughs Corporation will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Mr. An Wang
Chairman and President
Wang Laboratories, Inc.
One Industrial Avenue
Lowell, Ma. 01851

Dear Mr. Wang:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Wang Laboratories, Inc. in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Robert Miller of the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Wang Laboratories, Inc. will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Mr. A. C. Markkula, Jr.
President and Chief Executive Officer
Apple Computer, Inc.
10260 Bandley Drive
Cupertino, Calif. 95014

Dear Mr. Markkula:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Apple Computer, Inc. in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Robert Miller of the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Apple Computer, Inc. will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Mr. Paul C. Ely, Jr.
Executive Vice President
Hewlett-Packard Company
1501 Page Mill Road
Palo Alto, Calif. 94304

Dear Mr. Ely:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Hewlett-Packard Company in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Robert Miller of the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Hewlett-Packard Company will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Mr. K. H. Olsen
President
Digital Equipment Corporation
146 Main Street
Maynard, Ma. 01754

Dear Mr. Olsen:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Digital Equipment Corporation in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Robert Miller of the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Digital Equipment Corporation will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Mr. Henry J. Heinz, II
Chairman of the Board
H. J. Heinz Company
1062 Progress St.
Pittsburgh, Pennsylvania 15212

Dear Mr. Heinz:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of H. J. Heinz Company in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor R. Hal Mason of the University of California, Los Angeles, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that H. J. Heinz Company will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Mr. John M. Richman
Chairman and Chief Executive Officer
Dart & Kraft, Inc.
2211 Sanders Road
Northbrook, Illinois 60062

Dear Mr. Richman:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Dart & Kraft, Inc. in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor R. Hal Mason of the University of California, Los Angeles, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Dart & Kraft, Inc. will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Mr. H. E. Olson
Chairman and Chief Executive Officer
Carnation Company
5045 Wilshire Blvd.
Los Angeles, California 90036

Dear Mr. Olson:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Carnation Company in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor R. Hal Mason of the University of California, Los Angeles, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Carnation Company will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Sir David Orr
Chairman of the Board
Unilever Ltd.
Unilever House
London, England EC4P 4BQ

Dear Sir David:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Unilever Ltd. in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor R. Hal Mason of the University of California, Los Angeles, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Unilever Ltd. will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President. Finance

May 24, 1982

Mr. James L. Ferguson
Chairman and Chief Executive Officer
General Foods Corporation
250 North Street
White Plains, New York 10625

Dear Mr. Ferguson:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of General Foods Corporation in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor R. Hal Mason of the University of California, Los Angeles, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that General Foods Corporation will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Mr. James W. McKee, Jr.
Chairman of the Board
and Chief Executive Officer
CPO International
International Plaza
Englewood Cliffs, New Jersey 07632

Dear Mr. McKee:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of CPO International in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor R. Hal Mason of the University of California, Los Angeles, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that CPO International will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi
Senior Vice President, Finance

May 24, 1982

Mr. Arthur Furer
Managing Director
Nestle S.A.
Vevey, Switzerland

Dear Mr. Furer:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of Nestle S.A. in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor R. Hal Mason of the University of California, Los Angeles, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that Nestle S.A. will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

Moeen A. Qureshi

May 24, 1982

Mr. J. R. Opel
President and Chief Executive Officer
International Business Machines
Armonk, N.Y. 10504

Dear Mr. Opel:

The World Bank is conducting a study to examine the effects of investment incentives and performance requirements on the patterns of trade and investment in the international economy. The study was recommended by the Development Committee of the World Bank and the International Monetary Fund. The results of this study will be valuable in assisting the Bank in its effort to create an appropriate climate for private investment that serves the objectives of both investors and host countries.

We would greatly appreciate the participation of International Business Machines in this study. A principal focus of the project is the identification of the importance of the various factors that affect the foreign investment location decision. These factors can best be identified and their importance evaluated through frank and thorough discussions between members of the study team and representatives of firms which have been extensively involved in international operations. We believe therefore that the cooperation of an important international enterprise such as yours could make a very valuable contribution to the study.

The results of the study that pertain to your industry will be sent to your company upon completion. All data supplied by firms to the study team will be kept confidential, and your firm will not be identified by name in the final report.

Professor Robert Miller of the University of Texas at Dallas, who is a member of the study team, will be in a position to provide additional explanation of the project. I have asked him to contact your office and I shall be grateful if you could designate some appropriate persons with whom he might arrange a meeting.

I very much hope that International Business Machines will be able to cooperate with this study which should help in improving the environment for foreign private investment.

Sincerely,

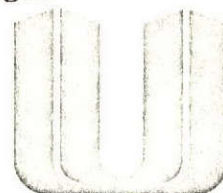
Moeen A. Qureshi
Senior Vice President, Finance

Unilever PLC

PO Box 68
Unilever House
Blackfriars
London EC4P 4BQ

Telephone
Operator 01-822 5252
Personal 01-822
Telex 28395

cc: Mr. Weigel



Mr. Moeen A. Qureshi,
Senior Vice President, Finance,
The World Bank,
Washington, D.C. 20433,
U.S.A.

10th June 1982

Dear Mr. Qureshi,

Your letter to Sir David Orr of the 24th May has been passed on to me. Sir David has now in fact retired as Chairman and his place has been taken by Mr. Kenneth Durham. However, for the purpose of your study, I shall be the person who would deal with any information that is required by Professor Mason.

Yours sincerely,

G. W. Leahy
Treasurer



Office of the President and Chief Executive Officer

Armonk, New York 10504

June 8, 1982

Mr. Moeen A. Qureshi
Senior Vice President, Finance
The World Bank
Washington, D.C. 20433

Dear Mr. Qureshi:

Thank you for your letter describing the World Bank's study on investment incentives. This is obviously an important subject and one worthy of the business community's attention.

We have been in touch with Professor Robert Miller of the University of Texas. Mr. J. A. De Rose, program director, public affairs, of our Washington office, will arrange a meeting with him.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. Opel", is written over a horizontal line.

John R. Opel

JRO:jm

cc: Mr. J. A. De Rose

RECEIVED
1982 JUN 10 PM 9:52
INCOMING MAIL UNIT

OFFICE MEMORANDUM

5647
4/5

TO: Mr. Moeen A. Qureshi, SVPFI
FROM: Dale R. Weigel, CCP *Dale Weigel*
SUBJECT: Introductory Letters for the
Study of Direct Investment

DATE: April 5, 1982

Several of the researchers involved in our direct investment research project have suggested that cooperation by companies would be facilitated by a letter from a senior World Bank official indicating support for the study. The letter could take either of two forms: a general "to whom it may concern" letter that the researcher could send to the company; or a more direct letter addressed to specific contacts in the company. The second type would be more effective. I wonder, therefore, if you would be willing to sign such letters prepared by Steve Guisinger and me?

DRWeigel:o

*yes I would, gladly.
mfb.*

ROUTING SLIP

DATE: September 29, 1981

OFFICE OF THE
SENIOR VICE PRESIDENT, FINANCE

NAME

ROOM NO.

Mr. Wood

D-1326

Mr. Gabriel/Mr. Vergin

D-1330

	APPROPRIATE DISPOSITION	NOTE AND RETURN
	APPROVAL	NOTE AND SEND ON
	CLEARANCE	PER OUR CONVERSATION
	COMMENT	PER YOUR REQUEST
	FOR ACTION	PREPARE REPLY
XX	INFORMATION	RECOMMENDATION
	INITIAL	SIGNATURE
	NOTE AND FILE	URGENT

REMARKS:

FROM:

Moeen A. Qureshi

ROOM NO.:

E-1241

EXTENSION:

73665

THE WORLD BANK

ROUTING SLIP		DATE: 9/24/81	
NAME		ROOM NO.	
Mr. Qureshi		E-1241	
	APPROPRIATE DISPOSITION	NOTE AND RETURN	
	APPROVAL	NOTE AND SEND ON	
	CLEARANCE	PER OUR CONVERSATION	
	COMMENT	PER YOUR REQUEST	
	FOR ACTION	PREPARE REPLY	
<input checked="" type="checkbox"/>	INFORMATION	RECOMMENDATION	
	INITIAL	SIGNATURE	
	NOTE AND FILE	URGENT	
REMARKS:			
<p style="text-align: center;"><i>Pls. app. to Mr. Ward + P+B</i></p>			
FROM: S.H. Choi, <i>Sec'y</i>		ROOM NO.: B1202	EXTENSION: 74571

RPA
Sept 24/81

International Bank for Reconstruction and Development

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WBG ARCHIVES

R81-129/3

FROM: Vice President and Secretary

September 22, 1981

STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE

TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

1. The Secretary's memorandum dated June 15, 1981 (R81-129/2), reported that in compliance with a request from an Executive Director received on June 12, 1981, the President's memorandum entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" was to be included in the agenda for a meeting of the Executive Directors on a date to be determined.
2. The Executive Director who had asked for a discussion by the Executive Directors on the subject has now withdrawn his request.
3. In the absence of objection (to be communicated to the Vice President and Secretary or Deputy Secretary by the close of business on September 24, 1981), the recommendation contained in the President's memorandum (R81-129) will be deemed approved, to be so recorded in the minutes of a subsequent meeting.

Distribution:

Executive Directors and Alternates
President
Senior Vice Presidents
President's Council
Vice Presidents, IFC
Directors and Department Heads, Bank and IFC



Record Removal Notice

File Title Development Committee - Task Force on Private Foreign Direct Investment - Correspondence		Barcode No. 1660425	
Document Date 21 September, 1981	Document Type Memorandum		
Correspondents / Participants From: Derek F Smith To: Mrs Serena Han Clarke			
Subject / Title Task Force on Private Foreign Direct Investment			
Exception(s)			
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by A.May	Date April 28, 2025

OFFICE MEMORANDUM

TO: Mrs. Serena Han Clarke, SEC

DATE: September 21, 1981

FROM: Dale R. Weigel, CCPD *Dale Weigel*SUBJECT: Study on Investment Incentives and Performance Requirements

As a result of discussions between Mr. Qureshi and Mr. Smith, the following are revised understandings with regard to the Study on Investment Incentives and Performance Requirements. Note that the main change is to delete the last sentence of Item (c) in my memo of September 3 and add a phrase to Item (d).

- a. The first paragraph of the memo is not meant to preclude any industries from the study.
- b. The intent of the study of incentives is to focus on competition for investment by developing countries, and by developed with developing countries. The study is not meant to focus on competition among developed countries, although such data will probably be produced by the proposed methodology.
- c. No individual government advisor will have a veto over any part of the study. At the same time, the study team will accept a course of action supported by all or most of the advisors.
- d. An information memo on the progress of the study will be submitted to the Board, including a report on any differences of views on issues of substance and policy.
- e. Once the study is begun, there is a commitment to complete it, unless both the study team (including IFC Management) and the advisors think otherwise, or exceptionally, the Board decides otherwise.

cc: Mr. Qureshi
Mr. Smith
Mr. Richardson

DRWeigel:lrd


OFFICE MEMORANDUM

TO: Mrs. Serena Han Clarke, SEC

DATE: September 3, 1981

FROM: Dale R. Weigel, CCPD SUBJECT: Study on Investment Incentives and
Performance Requirements

I met with Mr. Derek Smith on August 31 to review his draft memo on the Study of Investment Incentives and Performance Requirements. We agreed on the following points:

- a. The first paragraph of the memo is not meant to preclude any industries from the study.
- b. The intent of the study of incentives is to focus on competition for investment by developing countries and by developed with developing countries. The study is not meant to focus on competition among developed countries, although such data will probably be produced by the proposed methodology.
- c. No individual government advisor will have a veto over any part of the study. At the same time, the study team will accept a course of action supported by all or most of the advisors. In the event of disputes among the advisors, the Management and study team will have to make their own decisions, unless the issue is referred to and resolved by the Board of Executive Directors.
- d. An information memo on the progress of the study will be submitted to the Board.
- e.  Once the study is begun, there is a commitment to complete it, unless both the study team (including IFC Management) and the advisors think otherwise, or exceptionally, the Board decides otherwise.

Cleared with and cc: Mr. Smith

cc: Mr. Qureshi
Mr. Richardson

DWeigel/rso



Record Removal Notice

File Title Development Committee - Task Force on Private Foreign Direct Investment - Correspondence		Barcode No. 1660425		
Document Date 27 August, 1981	Document Type Memorandum			
Correspondents / Participants From: Derek F Smith To: Mrs Serena Han Clarke				
Subject / Title Task Force on Private Foreign Direct Investment				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by A.May</td><td>Date April 28, 2025</td></tr></table>	Withdrawn by A.May	Date April 28, 2025
Withdrawn by A.May	Date April 28, 2025			

International Bank for Reconstruction and Development

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APR 28 2025

WBG ARCHIVES

R81-129/2

FROM: Vice President and Secretary

June 15, 1981

STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE

TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

By the President's memorandum dated May 20, 1981 entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" (R81-129), it was recommended that the proposal contained therein be approved in the absence of objection by the close of business on June 5, 1981, and be further extended to the close of business on June 12, 1981 (R81-129/1).

In compliance with a request from an Executive Director received on June 12, 1981, the President's memorandum entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" (R81-129) will now be included in the agenda for a meeting of the Executive Directors on a date to be determined.

Distribution:

Executive Directors and Alternates
President
Senior Vice Presidents
President's Council
Vice Presidents, IFC
Directors and Department Heads, Bank and IFC

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WBG ARCHIVES

R81-129

FROM: The Deputy Secretary

May 20, 1981

STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE

TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

Attached is a memorandum from the President entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" dated May 20, 1981.

In the absence of objection (to be communicated to the Vice President and Secretary or the Deputy Secretary by the close of business on June 5, 1981), the recommendation contained in the President's memorandum will be deemed approved, to be so recorded in the minutes of a subsequent meeting of the Executive Directors.

Questions on this document may be referred to Mr. Weigel (extension 60411).

Distribution:

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President
Senior Vice Presidents
President's Council
Vice Presidents, IFC
Directors and Department Heads, Bank and IFC

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APR 28 2025

FROM: The President

May 20, 1981

WBG ARCHIVES

MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE
TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

At a meeting of the Development Committee in September 1978, a Task Force was established to continue the consideration of issues relating to private foreign direct investment that had been raised earlier by the Working Group on Access to Capital Markets. The Task Force was composed of representatives from 12 governments. The specific mandate of the Task Force was to examine policies of both home and host countries with a view toward reaching a "general consensus on which of these policies are most likely to maximize international benefits of direct investment." In its deliberations over a year, the Task Force focused its attention specifically on: (a) home country policies affecting foreign direct investment; (b) host country investment incentives; and (c) host country performance requirements.

In its report to the Development Committee, the Task Force recommended that host countries eliminate disincentives to investment abroad, and provide some incentives to private direct investment in developing countries. The Task Force concluded that "the central issue with foreign investment incentives and performance requirements is how to reconcile host countries' legitimate needs to pursue their national interests through their use, with the need to ensure that investment capital is channeled to its most productive uses." Therefore, it endorsed the objectives of seeking an understanding among governments which would limit the adverse effects of foreign investment incentives, and to consider what further actions might need to be taken concerning performance requirements.

In view of the present lack of information concerning the precise impact of both incentives and performance requirements, the Task Force recommended that a first step toward reaching such an understanding should be to study and analyze existing foreign investment incentives and performance requirements, and to consider how their quantitative and qualitative impact can be assessed. The Task Force recommended that this study be carried out under the general direction of the World Bank Group, in association with an intergovernmental group of experts, and taking into account work going on elsewhere.

The terms of reference of the study recommended by the Task Force would be as follows:

- (a) Information on the actual incentives granted, and performance requirements imposed in host countries should be collected. Information collection might follow the model of the study of non-tariff barriers, conducted by GATT, wherein member countries were asked to identify both their own non-tariff barriers and those of other countries that had come to their attention.
- (b) The quantitative and qualitative impact of incentives and performance requirements should be assessed in terms of:
 - the level and country pattern of investment (geographical, sectoral);
 - technology choice and indigenization of management;
 - international trading patterns; and
 - financial and economic costs and benefits to host countries.

In reviewing the terms of reference prepared by the Task Force, it is evident that the first part of the proposed study, to collect extensive data on incentives and performance requirements, would be quite difficult for the Bank Group. The difficulties are due in part to the fact that in many countries incentives and performance requirements are not systematic, but are often specified on a case-by-case basis. Moreover, large scale data collection is something that neither the Bank nor IFC is organized to do effectively. This kind of large scale data collection might be better handled by the GATT or one of the UN agencies, such as UNCTAD, or the UN Center on Transnational Corporations.

I propose, therefore, that a more modest study be undertaken by IFC to attempt to answer the essential questions that were of concern to the Task Force. The study would focus on identifying the impact of investment incentives and performance requirements on direct investment and trade patterns. The study would rely on selected industry-country cases to identify the influence of these policies, and to suggest whether they have had sufficient disturbing effects on the flow of investment and trade to warrant consideration of international rules to limit their scope and application.

IFC would supervise the study, with most of the work being done by consultants. The study would consist of about three industry studies, together with eight to ten country studies suggested by the industry studies. The country studies would include both developing and developed countries, the latter drawing on the work being done by OECD. A small group of government experts would be invited to advise the study team. It would

be the intention to complete the study in about a year. The study would cost about US\$250-300 thousand. Details of the study proposal are contained in the attachment. The results of the study would be reviewed by the Board and then sent to the Development Committee, which may want them to be reviewed by the Task Force.

I recommend, therefore, that the IFC be authorized to contract with a group of consultants to undertake the study of investment incentives and performance requirements, as outlined in the attached terms of reference, the cost of the study not to exceed US\$300,000. It is hoped that the results of the study can be reported to the Executive Directors by September 1982.

Robert S. McNamara
President

by: Moeen A. Oureshi

A PROPOSAL FOR A STUDY OF INVESTMENT INCENTIVES
AND PERFORMANCE REQUIREMENTS

Objectives

The ultimate objective of the study would be to determine whether there is any basis for recommending international rules to govern investment incentives and performance requirements applied by host countries to private foreign direct investors. In order to answer that question, the study would focus on the following specific questions:

- (a) Do investment incentives significantly affect the location of private foreign direct investment?
- (b) Do nations compete with one another in granting investment incentives to foreign direct investors?
- (c) Do performance requirements significantly affect the pattern of international trade carried on by private foreign direct investors?
- (d) Do nations emulate one another in imposing performance requirements on private foreign direct investors?

It might appear that the inability of countries to control undesirable competitive bidding for foreign investments is inconsistent with their ability to impose restrictive measures on what a firm must export and import. Competition in granting incentives would appear to imply a weak bargaining position, while imposition of restrictive performance requirements imply a strong bargaining position. The seeming contradiction can be resolved however when the incentive and disincentive aspects of government policies vis-a-vis foreign investors are looked upon as a single system. It is the net impact of this system that needs to be examined in determining the competitive behavior of countries in attracting foreign investment. This study will examine investment incentives and trade-related performance requirements in the context of such a complete system.

The specific issues to be explored in the research include the following:

- (a) Do countries design incentive legislation with the incentive policies of other countries in mind? Do common forms and levels of incentives exist among countries that are comparable in terms of their economic attractiveness to foreign investors?

- (b) Do governments tailor the type and level of incentives to each investment? Do administrators vary the amount of incentive in response to competitive offers from other countries to prospective investors?
- (c) Do countries waive entry restrictions or performance requirements in order to lure prospective investors away from other countries?
- (d) Are special incentives (equity positions, cash supplements, support for research and development) given in addition to those provided by normal incentive legislation?
- (e) Do foreign investors use incentives proposed by one country as a basis for negotiation with other countries? Do foreign investors have self-imposed restraints on the maximum level of incentive that they will accept?
- (f) To what extent do export performance requirements actually modify the export plans of foreign investors from what they would have been in the absence of any requirement? Are export performance requirements ineffectively monitored, waived or otherwise modified to dilute their intent?
- (g) What types of policies are used to modify decisions by firms to import or purchase raw materials and intermediate products locally? Are these policies effective in the sense that they alter the firm's preferred pattern of intermediate goods imports?

Method

Answers to these questions will be based on the actual experience of a limited group of industries and countries with investment incentives and performance requirements. The countries and industries selected will have a reputation for a high incidence of incentives and performance requirements. Thus, the study will be biased towards finding significant trade and investment effects, and toward finding significant competition and emulation between governments. If, despite this bias, the findings are weak, it may be concluded that--whatever the domestic merits of investment incentives and performance requirements--their international consequences are slight. On the other hand, if the findings are strong, it may be concluded that the potential spread of investment incentives and performance requirements poses a danger to the international commercial system.

Industry Studies

The industry studies will form the core of the research. Three to five manufacturing industries will be chosen for study to ensure diversity in terms of sophistication of technology, capital intensity, market orientation (export and import substitution) and the importance of scale economies. In addition, the industries selected for the study will be those which are most subject to competitive bids. The most likely candidates for study are automobiles, some types of chemicals, electronics, food processing, and possibly apparel.

Each industry study will include:

- (a) A compilation of historical patterns of foreign investment in the industry;
- (b) A description of the critical economic and financial factors affecting investment and location decisions;
- (c) Detailed analysis of five to ten actual or proposed investments to determine
 - alternative sites considered
 - incentives offered
 - performance requirements imposed
 - net effects of incentives and performance requirements on investment decisions and patterns of trade.

Conclusions regarding the effect of incentives and performance requirements on investment decisions will be based on interviews with government officials and businessmen involved in the decision, and on measures of the net effect of incentives and performance requirements related to the actual decisions made. For the latter type of analysis to be meaningful, it is essential that at least some rejected sites for investment are known for purposes of comparison with those that were ultimately selected.

Country Studies

The review of alternative sites identified in the industry case studies will bring to light the incentive policies of a number of different countries. For the most important of these, separate country studies will be prepared. These country studies will cover both developed and developing

countries, the latter probably including about five countries in Latin America and five countries in Asia. The studies of developed countries will rely heavily on work being done by OECD. The purpose of these studies is to provide very brief descriptions of legislation establishing incentives and performance requirements, and to focus attention on the unpublished operating principles and regulations of the agencies that grant incentives and impose performance requirements. Specifically, each country study will include:

- (a) Description and quantitative measures of incentives and disincentives such as performance requirements, and indication of trend over time. These measurements will be made with particular reference to the industries being studied.
- (b) Description of the administration of incentives and performance requirements, including provisions to monitor restrictions.
- (c) Identification of attempts to coordinate incentive types and levels with other countries, particularly in the context of agreements such as ASEAN or the Andean Common Market.

These data will be used to answer some of the questions raised earlier for each country, namely: (a) do countries waive entry restrictions or performance requirements in order to lure prospective investors away from other countries; (b) are special (ad hoc) incentives given; and (c) what types of performance requirements are used to modify production and other decisions of investing firms, and how are they administered? These country data also will be used in a synthesis with industry studies to answer the main questions of the study concerning competition in incentives, and the effect of performance requirements.

Synthesis

The synthesis of the country and industry studies will include the following topics:

- (a) A summary of the industry studies identifying the conditions and characteristics of industries that influence the extent and nature of competition in incentives, and the imposition of performance requirements.
- (b) An estimate of the extent and severity of competition in granting incentives based on the industries and countries included in this study.

- (c) A summary of the country studies that focuses on the common features of incentive systems and the administrative/strategic factors that result in competitive responses to the incentive programs of other countries.
- (d) An assessment of the feasibility of cooperative arrangements to reduce the likelihood of inefficient competition.
- (e) A summary of the impact of performance requirements regarding exports and imports. An estimate will be made of the impact of these requirements on total imports and exports of each country included in the country studies.

In summary, the study will be done in two stages. The first will consist of basic data collection in industries and countries. The industry data will consist of actual investments made and alternatives considered by firms in the industry in relation to the incentives offered and performance requirements imposed. The country data will consist of incentives and performance requirements over time and across industries, and the methods used to administer these policies. The second stage of the study will be an analysis of these basic data to determine the extent of competition in granting incentives in particular industries, the impact of incentives and performance requirements on both investment and production decisions, and the net impact of these measures in a limited set of countries and industries on international trade.

Organization

The study will be done mainly by consultants. IFC has been discussing the project with two groups, both of which have submitted proposals, from which this proposal has been drawn. One group, based at the International Law Institute of Georgetown University, is headed by Dr. Gary Hufbauer, Deputy Director, and former Deputy Assistant Secretary of the U.S. Treasury. The second group is headed by Professors Stephen Guisinger and Robert Miller of the University of Texas (Dallas).

The study team would include five to six people, including one or two to work on country studies and three or four industry specialists chosen on the basis of their prior knowledge of the industries selected for the study. With recognized industry experts, the additional cost of obtaining useful insights into the relevance and importance of incentives to particular industries would be substantially reduced compared to the case of hiring generalists.

The study would begin with a two- or three-day meeting of the team, together with a select group of governmental representatives, to examine the detailed methodology of the study. The meeting would consider a methodological paper prepared by the principal investigator. The industry and country studies would then proceed and should be completed over a six-month period. The country studies would have to follow the industry studies somewhat, as the countries for study would be identified as part of the industry studies.

As the country and industry studies are completed, another meeting of the study team and the government representatives would be held to review results and begin to identify conclusions. The synthesis would then be carried out by the principal investigators over a three-month period. The final results should be available within a year of the start of the study.

Budget

The total cost of the study will be \$250,000-\$300,000. Both consulting groups have submitted estimates in that range. This total will be divided about equally as between country and industry studies. Of this total, about three-fourths will be for personnel and one-fourth will be for travel. The study budget will be administered by IFC in the context of its general supervision of the work of the study team.

International Bank for Reconstruction and Development

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APR 28 2025

WBG ARCHIVES

R81-129/1

FROM: Vice President and Secretary

June 5, 1981

STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE

TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

By the President's memorandum dated May 20, 1981 entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" (R81-129), it was recommended the proposal contained therein be approved in the absence of objection by close of business on June 5, 1981.

In compliance with a request received from an Executive Director on June 4, 1981, the absence of objection date is extended to the close of business on June 12, 1981.

Distribution:

Executive Directors and Alternates
President
Senior Vice Presidents
President's Council
Vice Presidents, IFC
Directors and Department Heads, Bank and IFC



SISTANT SECRETARY

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

APR 28 1981

Dear Mr. Qureshi:

The U.S. Department of the Treasury strongly supports the proposed International Finance Corporation study of investment incentives and performance requirements. In our opinion, the study would make an important contribution to countries' understanding of these issues and should complement work being done on these issues in other institutions, such as the Organization for Economic Cooperation and Development.

We would hope therefore that a recommendation that the International Finance Corporation begin the study is submitted to the World Bank Board as soon as possible.

Sincerely,

Marc E. Leland
Assistant Secretary Designate
International Affairs

Mr. Moeen A. Qureshi
Senior Vice-President, Finance
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D. C. 20433

5/4 Copies to Messrs. McNamara
Stern
Wuttke
Richardson/Weigel
Gabriel
J.Wood

Mr. Robert S. McNamara

May 15, 1981

Moeen A. Qureshi

Development Committee Task Force Recommendation for a
Study of Private Foreign Direct Investment

Attached is a memorandum to the Executive Directors on a Study recommended by a Development Committee Task Force on Private Foreign Direct Investment. You had approved this on January 15, but before issuing it to the Board we thought it appropriate to check with the U.S. to see whether they were still in support of this Study. Accordingly, I discussed this matter with Mr. Colby King, who said he would take it up with the Treasury. He had asked that we not issue this memorandum to the Board until such time as the Treasury position was clarified. After a great deal of delay, this has now been done in a letter from Mr. Leland to me. I believe we should now circulate this to the Board for their approval on a "no objection" basis.

We shall have to find the money for this purpose, but Messrs. Gabriel and Vergin advise me that it can be accommodated within the present FY82 budget for IBRD/IDA.

Att.

MAQureshi:mr

MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE
TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

At a meeting of the Development Committee in September 1978, a Task Force was established to continue the consideration of issues relating to private foreign direct investment that had been raised earlier by the Working Group on Access to Capital Markets. The Task Force was composed of representatives from 12 governments. The specific mandate of the Task Force was to examine policies of both home and host countries with a view toward reaching a "general consensus on which of these policies are most likely to maximize international benefits of direct investment." In its deliberations over a year, the Task Force focused its attention specifically on: (a) home country policies affecting foreign direct investment; (b) host country investment incentives; and (c) host country performance requirements.

In its report to the Development Committee, the Task Force recommended that host countries eliminate disincentives to investment abroad, and provide some incentives to private direct investment in developing countries. The Task Force concluded that "the central issue with foreign investment incentives and performance requirements is how to reconcile host countries' legitimate needs to pursue their national interests through their use, with the need to ensure that investment capital is channeled to its most productive uses." Therefore, it endorsed the objectives of seeking an understanding among governments which would limit the adverse effects of foreign investment incentives, and to consider what further actions might need to be taken concerning performance requirements.

In view of the present lack of information concerning the precise impact of both incentives and performance requirements, the Task Force recommended that a first step toward reaching such an understanding should be to study and analyze existing foreign investment incentives and performance requirements, and to consider how their quantitative and qualitative impact can be assessed. The Task Force recommended that this study be carried out under the general direction of the World Bank Group, in association with an intergovernmental group of experts, and taking into account work going on elsewhere.

The terms of reference of the study recommended by the Task Force would be as follows:

- (a) Information on the actual incentives granted, and performance requirements imposed in host countries should be collected. Information collection might follow the model of the study of non-tariff barriers, conducted by GATT, wherein member countries were asked to identify both their own non-tariff barriers and those of other countries that had come to their attention.
- (b) The quantitative and qualitative impact of incentives and performance requirements should be assessed in terms of:
 - the level and country pattern of investment (geographical, sectoral);
 - technology choice and indigenization of management;
 - international trading patterns; and
 - financial and economic costs and benefits to host countries.

In reviewing the terms of reference prepared by the Task Force, it is evident that the first part of the proposed study, to collect extensive data on incentives and performance requirements, would be quite difficult for the Bank Group. The difficulties are due in part to the fact that in many countries incentives and performance requirements are not systematic, but are often specified on a case-by-case basis. Moreover, large scale data collection is something that neither the Bank nor IFC is organized to do effectively. This kind of large scale data collection might be better handled by the GATT or one of the UN agencies, such as UNCTAD, or the UN Center on Transnational Corporations.

I propose, therefore, that a more modest study be undertaken by IFC to attempt to answer the essential questions that were of concern to the Task Force. The study would focus on identifying the impact of investment incentives and performance requirements on direct investment and trade patterns. The study would rely on selected industry-country cases to identify the influence of these policies, and to suggest whether they have had sufficient disturbing effects on the flow of investment and trade to warrant consideration of international rules to limit their scope and application.

IFC would supervise the study, with most of the work being done by consultants. The study would consist of about three industry studies, together with eight to ten country studies suggested by the industry studies. The country studies would include both developing and developed countries, the latter drawing on the work being done by OECD. A small group of government experts would be invited to advise the study team. It would

be the intention to complete the study in about a year. The study would cost about US\$250-300 thousand. Details of the study proposal are contained in the attachment. The results of the study would be reviewed by the Board and then sent to the Development Committee, which may want them to be reviewed by the Task Force.

I recommend, therefore, that the IFC be authorized to contract with a group of consultants to undertake the study of investment incentives and performance requirements, as outlined in the attached terms of reference, the cost of the study not to exceed US\$300,000. It is hoped that the results of the study can be reported to the Executive Directors by September 1982.

Robert S. McNamara

A PROPOSAL FOR A STUDY OF INVESTMENT INCENTIVES
AND PERFORMANCE REQUIREMENTS

Objectives

The ultimate objective of the study would be to determine whether there is any basis for recommending international rules to govern investment incentives and performance requirements applied by host countries to private foreign direct investors. In order to answer that question, the study would focus on the following specific questions:

- (a) Do investment incentives significantly affect the location of private foreign direct investment?
- (b) Do nations compete with one another in granting investment incentives to foreign direct investors?
- (c) Do performance requirements significantly affect the pattern of international trade carried on by private foreign direct investors?
- (d) Do nations emulate one another in imposing performance requirements on private foreign direct investors?

It might appear that the inability of countries to control undesirable competitive bidding for foreign investments is inconsistent with their ability to impose restrictive measures on what a firm must export and import. Competition in granting incentives would appear to imply a weak bargaining position, while imposition of restrictive performance requirements imply a strong bargaining position. The seeming contradiction can be resolved however when the incentive and disincentive aspects of government policies vis-a-vis foreign investors are looked upon as a single system. It is the net impact of this system that needs to be examined in determining the competitive behavior of countries in attracting foreign investment. This study will examine investment incentives and trade-related performance requirements in the context of such a complete system.

The specific issues to be explored in the research include the following:

- (a) Do countries design incentive legislation with the incentive policies of other countries in mind? Do common forms and levels of incentives exist among countries that are comparable in terms of their economic attractiveness to foreign investors?

- (b) Do governments tailor the type and level of incentives to each investment? Do administrators vary the amount of incentive in response to competitive offers from other countries to prospective investors?
- (c) Do countries waive entry restrictions or performance requirements in order to lure prospective investors away from other countries?
- (d) Are special incentives (equity positions, cash supplements, support for research and development) given in addition to those provided by normal incentive legislation?
- (e) Do foreign investors use incentives proposed by one country as a basis for negotiation with other countries? Do foreign investors have self-imposed restraints on the maximum level of incentive that they will accept?
- (f) To what extent do export performance requirements actually modify the export plans of foreign investors from what they would have been in the absence of any requirement? Are export performance requirements ineffectively monitored, waived or otherwise modified to dilute their intent?
- (g) What types of policies are used to modify decisions by firms to import or purchase raw materials and intermediate products locally? Are these policies effective in the sense that they alter the firm's preferred pattern of intermediate goods imports?

Method

Answers to these questions will be based on the actual experience of a limited group of industries and countries with investment incentives and performance requirements. The countries and industries selected will have a reputation for a high incidence of incentives and performance requirements. Thus, the study will be biased towards finding significant trade and investment effects, and toward finding significant competition and emulation between governments. If, despite this bias, the findings are weak, it may be concluded that--whatever the domestic merits of investment incentives and performance requirements--their international consequences are slight. On the other hand, if the findings are strong, it may be concluded that the potential spread of investment incentives and performance requirements poses a danger to the international commercial system.

Industry Studies

The industry studies will form the core of the research. Three to five manufacturing industries will be chosen for study to ensure diversity in terms of sophistication of technology, capital intensity, market orientation (export and import substitution) and the importance of scale economies. In addition, the industries selected for the study will be those which are most subject to competitive bids. The most likely candidates for study are automobiles, some types of chemicals, electronics, food processing, and possibly apparel.

Each industry study will include:

- (a) A compilation of historical patterns of foreign investment in the industry;
- (b) A description of the critical economic and financial factors affecting investment and location decisions;
- (c) Detailed analysis of five to ten actual or proposed investments to determine
 - alternative sites considered
 - incentives offered
 - performance requirements imposed
 - net effects of incentives and performance requirements on investment decisions and patterns of trade.

Conclusions regarding the effect of incentives and performance requirements on investment decisions will be based on interviews with government officials and businessmen involved in the decision, and on measures of the net effect of incentives and performance requirements related to the actual decisions made. For the latter type of analysis to be meaningful, it is essential that at least some rejected sites for investment are known for purposes of comparison with those that were ultimately selected.

Country Studies

The review of alternative sites identified in the industry case studies will bring to light the incentive policies of a number of different countries. For the most important of these, separate country studies will be prepared. These country studies will cover both developed and developing

countries, the latter probably including about five countries in Latin America and five countries in Asia. The studies of developed countries will rely heavily on work being done by OECD. The purpose of these studies is to provide very brief descriptions of legislation establishing incentives and performance requirements, and to focus attention on the unpublished operating principles and regulations of the agencies that grant incentives and impose performance requirements. Specifically, each country study will include:

- (a) Description and quantitative measures of incentives and disincentives such as performance requirements, and indication of trend over time. These measurements will be made with particular reference to the industries being studied.
- (b) Description of the administration of incentives and performance requirements, including provisions to monitor restrictions.
- (c) Identification of attempts to coordinate incentive types and levels with other countries, particularly in the context of agreements such as ASEAN or the Andean Common Market.

These data will be used to answer some of the questions raised earlier for each country, namely: (a) do countries waive entry restrictions or performance requirements in order to lure prospective investors away from other countries; (b) are special (ad hoc) incentives given; and (c) what types of performance requirements are used to modify production and other decisions of investing firms, and how are they administered? These country data also will be used in a synthesis with industry studies to answer the main questions of the study concerning competition in incentives, and the effect of performance requirements.

Synthesis

The synthesis of the country and industry studies will include the following topics:

- (a) A summary of the industry studies identifying the conditions and characteristics of industries that influence the extent and nature of competition in incentives, and the imposition of performance requirements.
- (b) An estimate of the extent and severity of competition in granting incentives based on the industries and countries included in this study.

- (c) A summary of the country studies that focuses on the common features of incentive systems and the administrative/strategic factors that result in competitive responses to the incentive programs of other countries.
- (d) An assessment of the feasibility of cooperative arrangements to reduce the likelihood of inefficient competition.
- (e) A summary of the impact of performance requirements regarding exports and imports. An estimate will be made of the impact of these requirements on total imports and exports of each country included in the country studies.

In summary, the study will be done in two stages. The first will consist of basic data collection in industries and countries. The industry data will consist of actual investments made and alternatives considered by firms in the industry in relation to the incentives offered and performance requirements imposed. The country data will consist of incentives and performance requirements over time and across industries, and the methods used to administer these policies. The second stage of the study will be an analysis of these basic data to determine the extent of competition in granting incentives in particular industries, the impact of incentives and performance requirements on both investment and production decisions, and the net impact of these measures in a limited set of countries and industries on international trade.

Organization

The study will be done mainly by consultants. IFC has been discussing the project with two groups, both of which have submitted proposals, from which this proposal has been drawn. One group, based at the International Law Institute of Georgetown University, is headed by Dr. Gary Hufbauer, Deputy Director, and former Deputy Assistant Secretary of the U.S. Treasury. The second group is headed by Professors Stephen Guisinger and Robert Miller of the University of Texas (Dallas).

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As the country and industry studies are completed, another meeting of the study team and the government representatives would be held to review results and begin to identify conclusions. The synthesis would then be carried out by the principal investigators over a three-month period. The final results should be available within a year of the start of the study.

Budget

The total cost of the study will be \$250,000-\$300,000. Both consulting groups have submitted estimates in that range. This total will be divided about equally as between country and industry studies. Of this total, about three-fourths will be for personnel and one-fourth will be for travel. The study budget will be administered by IFC in the context of its general supervision of the work of the study team.



Record Removal Notice

File Title Development Committee - Task Force on Private Foreign Direct Investment - Correspondence		Barcode No. 1660425		
Document Date 03 April, 1981	Document Type Memorandum			
Correspondents / Participants From: Wouter Lok To: M Qureshi				
Subject / Title Development Committee meeting follow up				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by A.May</td><td>Date April 28, 2025</td></tr></table>	Withdrawn by A.May	Date April 28, 2025
Withdrawn by A.May	Date April 28, 2025			



Record Removal Notice

File Title Development Committee - Task Force on Private Foreign Direct Investment - Correspondence		Barcode No. 1660425		
Document Date 23 January, 1981	Document Type Memorandum			
Correspondents / Participants To: C. King From: M Qureshi				
Subject / Title Discussion follow up				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by A.May</td><td>Date April 28, 2025</td></tr></table>	Withdrawn by A.May	Date April 28, 2025
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MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE
TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

At a meeting of the Development Committee in September 1978, a Task Force was established to continue the consideration of issues relating to private foreign direct investment that had been raised earlier by the Working Group on Access to Capital Markets. The Task Force was composed of representatives from 12 governments. The specific mandate of the Task Force was to examine policies of both home and host countries with a view toward reaching a "general consensus on which of these policies are most likely to maximize international benefits of direct investment." In its deliberations over a year, the Task Force focused its attention specifically on: (a) home country policies affecting foreign direct investment; (b) host country investment incentives; and (c) host country performance requirements.

In its report to the Development Committee, the Task Force recommended that host countries eliminate disincentives to investment abroad, and provide some incentives to private direct investment in developing countries. The Task Force concluded that "the central issue with foreign investment incentives and performance requirements is how to reconcile host countries' legitimate needs to pursue their national interests through their use, with the need to ensure that investment capital is channeled to its most productive uses." Therefore, it endorsed the objectives of seeking an understanding among governments which would limit the adverse effects of foreign investment incentives, and to consider what further actions might need to be taken concerning performance requirements.

In view of the present lack of information concerning the precise impact of both incentives and performance requirements, the Task Force recommended that a first step should be to study and analyze existing foreign investment incentives and performance requirements, and to consider how their quantitative and qualitative impact can be assessed. The Task Force recommended that this study be carried out under the general direction of the World Bank Group, in association with an intergovernmental group of experts, and taking into account work going on elsewhere.

The terms of reference of the study recommended by the Task Force would be as follows:

- (a) Information on the actual incentives granted, and performance requirements imposed in host countries should be collected; Information collection might follow the model of the study of non-tariff barriers, conducted by GATT, wherein member countries were asked to identify both their own non-tariff barriers and those of other countries that had come to their attention.
- (b) The quantitative and qualitative impact of incentives and performance requirements should be assessed in terms of:
 - the level and country pattern of investment (geographical, sectoral);
 - technology choice and indigenization of management;
 - international trading patterns; and
 - financial and economic costs and benefits to host countries.

In reviewing the terms of reference prepared by the Task Force, it is evident that the first part of the proposed study, to collect extensive data on incentives and performance requirements, would be quite difficult for the Bank Group. The difficulties are due in part to the fact that in many countries incentives and performance requirements are not systematic, but are often specified on a case-by-case basis. Moreover, large scale data collection is something that neither the Bank nor IFC is organized to do effectively. This kind of large scale data collection might be better handled by the GATT or one of the UN agencies, such as UNCTAD, or the UN Center on Transnational Corporations.

I propose, therefore, that a more modest study be undertaken under the supervision of IFC to attempt to answer the essential questions that were of concern to the Task Force. The study would focus on identifying the impact of investment incentives and performance requirements on direct investment and trade patterns. The study would rely on selected industry-country cases to identify the influence of these policies, and to suggest whether they have had sufficient disturbing effects on the flow of investment and trade to warrant consideration of international rules to limit their scope and application.

IFC would supervise the study, with most of the work being done by consultants. The study would consist of about three industry studies, together with eight to ten country studies suggested by the industry studies. The country studies would include both developing and developed countries, the latter drawing on the work being done in OECD. A small group of government experts would be invited to advise the study team. It would be the intention to complete the study in about a year. The study would cost

about US\$250-300 thousand. Details of the study proposal are contained in the attachment. The results of the study would be reviewed by the Board and then sent to the Development Committee, which may want them to be reviewed by the Task Force.

I recommend, therefore, that the IFC be authorized to contract with a group of consultants to undertake the study of investment incentives and performance requirements, as outlined in the attached terms of reference, the cost of the study not to exceed US\$300,000. The funds for the study would be included as part of the Development Committee budget for FY82. It is hoped that the results of the study could be reported to the Executive Directors by March 1982.

(SGD) Robert S. McNamara



Record Removal Notice

File Title Development Committee - Task Force on Private Foreign Direct Investment - Correspondence		Barcode No. 1660425		
Document Date 07 January, 1981	Document Type Memorandum			
Correspondents / Participants To: Hans-Dieter Hanfland, EDS From: M.M. Ahmad				
Subject / Title Discussion follow up on recommendation of task force				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by A.May</td><td>Date April 28, 2025</td></tr></table>	Withdrawn by A.May	Date April 28, 2025
Withdrawn by A.May	Date April 28, 2025			

OFFICE MEMORANDUM

TO: Mr. Moeen A. Qureshi, SVPFI

FROM: D. Joseph Wood, ^{DEPT} Director, FPA

SUBJECT: Development Committee Task Force Recommendation
for Study of Private Foreign Direct Investment

DATE: January 16, 1981

1. The Task Force recommended that a study of incentives and performance requirements be carried out. This recommendation found only lukewarm support in the Development Committee; this reflected in the substantial changes made to the language of the original draft communique presented to the Ministers (see attached note by Mr. M.M. Ahmad). The final version of the communique merely "suggested that the Board of the Bank consider the recommendation of the Task Force on Private Foreign Investment for a study of incentives and performance requirements."

2. There is evidence that some governments do not regard the study as a high priority use of funds. Therefore, the proposal may run into objections in the Board.

Attachment

KIkram:pb



Record Removal Notice

File Title Development Committee - Task Force on Private Foreign Direct Investment - Correspondence		Barcode No. 1660425		
Document Date 07 January, 1981	Document Type Memorandum			
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OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Moeen A. Qureshi *MAQ*

SUBJECT: Development Committee Task Force Recommendation for a Study of Private Foreign Direct Investment

DATE: January 14, 1981

You will recall that a Task Force of the Development Committee, chaired by Mr. C. Fred Bergsten of the U.S. Treasury, recommended to the Committee that a study of foreign direct investment incentives and performance requirements be undertaken by the Bank Group. The Development Committee referred that recommendation to the Board of Executive Directors of the Bank for their consideration.

Following our discussion of this matter at the Finance Committee, I raised this matter with Fred and outlined to him a more modest approach to this study which could provide answers to questions which particularly interested him and, at the same time, would not cost more than about \$250,000-\$300,000. I also asked Fred to explore the possibility that GATT might undertake that part of the study (i.e., a worldwide survey of incentives and performance requirements) which would not be fully covered under the Bank study. This Fred has done, and he appeared confident that GATT might be prevailed upon to take on the rest of the study.

IFC has now prepared a terms of reference for the study and has identified alternative groups of outside consultants who could do it. I also attach a draft memorandum for you to send to the Board recommending that a study be approved by the Board at a cost not to exceed US\$300,000.

My own views about this study remain basically unchanged, even in its present modified form. I do not believe that it touches on issues that are of very high priority in the area of foreign investment and therefore I do not see this as the most productive use of funds. Nevertheless, I recognize that the Task Force on Direct Investment, and Bergsten in particular, believe otherwise.

With the forthcoming change in the U.S. Administration, the pressure to do this study might diminish, although I understand that Bergsten and Colby remain interested that we proceed with this matter. However, since we have given them a positive signal that we shall do something, my own inclination would be that we should go ahead with this more limited version of the study. If you feel that in the changed situation we need no longer proceed with this matter, I would, of course, have no objection.

Attachment

MAQureshi:mr

1/15

Approved (if we are complying with a request the Task Force)

RMcN

MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE
TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

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 - technology choice and indigenization of management;
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In reviewing the terms of reference prepared by the Task Force, it is evident that the first part of the proposed study, to collect extensive data on incentives and performance requirements, would be quite difficult for the Bank Group. The difficulties are due in part to the fact that in many countries incentives and performance requirements are not systematic, but are often specified on a case-by-case basis. Moreover, large scale data collection is something that neither the Bank nor IFC is organized to do effectively. This kind of large scale data collection might be better handled by the GATT or one of the UN agencies, such as UNCTAD, or the UN Center on Transnational Corporations.

I propose, therefore, that a more modest study be undertaken under the supervision of IFC to attempt to answer the essential questions that were of concern to the Task Force. The study would focus on identifying the impact of investment incentives and performance requirements on direct investment and trade patterns. The study would rely on selected industry-country cases to identify the influence of these policies, and to suggest whether they have had sufficient disturbing effects on the flow of investment and trade to warrant consideration of international rules to limit their scope and application.

IFC would supervise the study, with most of the work being done by consultants. The study would consist of about three industry studies, together with eight to ten country studies suggested by the industry studies. The country studies would include both developed and developing countries, the latter drawing on the work being done in OECD. A small group of government experts would be invited to advise the study team. It would be the intention to complete the study in about a year. The study would cost

about US\$250-300 thousand. Details of the study proposal are contained in the attachment. The results of the study would be reviewed by the Board and then sent to the Development Committee, which may want them to be reviewed by the Task Force.

I recommend, therefore, that the IFC be authorized to contract with a group of consultants to undertake the study of investment incentives and performance requirements, as outlined in the attached terms of reference, the cost of the study not to exceed US\$300,000. The funds for the study would be included as part of the Development Committee budget for FY82. ^{stashed} _^ The results of the study would be reported to the Executive Directors by March 1982.

/It is hoped
that

(SGD) Robert S. McNamara

A PROPOSAL FOR A STUDY OF INVESTMENT INCENTIVES
AND PERFORMANCE REQUIREMENTS

Objectives

The ultimate objective of the study would be to determine whether there is any basis for recommending international rules to govern investment incentives and performance requirements applied by host countries to private foreign direct investors. In order to answer that question, the study would focus on the following specific questions.

- (a) Do investment incentives significantly affect the location of private foreign direct investment?
- (b) Do nations compete with one another in granting investment incentives to foreign direct investors?
- (c) Do performance requirements significantly affect the pattern of international trade carried on by private foreign direct investors?
- (d) Do nations emulate one another in imposing performance requirements on private foreign direct investors?

It might appear that the inability of countries to control undesirable competitive bidding for foreign investments is inconsistent with their ability to impose restrictive measures on what a firm must export and import. Competition in granting incentives would appear to imply a weak bargaining position, while imposition of restrictive performance requirements imply a strong bargaining position. The seeming contradiction can be resolved however when the incentive and disincentive aspects of government policies vis-a-vis foreign investors are looked upon as a single system. It is the net impact of this system that needs to be examined in determining the competi-

tive behavior of countries in attracting foreign investment. This study will examine investment incentives and trade-related performance requirements in the context of such a complete system.

The specific issues to be explored in the research include the following:

- (a) Do countries design incentive legislation with the incentive policies of other countries in mind? Do common forms and levels of incentives exist among countries that are comparable in terms of their economic attractiveness to foreign investors?
- (b) Do governments tailor the type and level of incentives to each investment? Do administrators vary the amount of incentive in response to competitive offers from other countries to prospective investors?
- (c) Do countries waive entry restrictions or performance requirements in order to lure prospective investors away from other countries?
- (d) Are special incentives (equity positions, cash supplements, support for research and development) given in addition to those provided by normal incentive legislation.
- (e) Do foreign investors use incentives proposed by one country as a basis for negotiation with other countries? Do foreign investors have self-imposed restraints on the maximum level of incentive that they will accept?
- (f) To what extent do export performance requirements actually modify the export plans of foreign investors from what they

would have been in the absence of any requirement? Are export performance requirements ineffectively monitored, waived or otherwise modified to dilute their intent?

- (g) What types of policies are used to modify decisions by firms to import or purchase raw materials and intermediate products locally? Are these policies effective in the sense that they alter the firm's preferred pattern of intermediate goods imports?

Method

Answers to these questions will be based on the actual experience of a limited group of industries and countries with investment incentives and performance requirements. The countries and industries selected will have a reputation for a high incidence of incentives and performance requirements. Thus, the study will be biased towards finding significant trade and investment effects, and toward finding significant competition and emulation between governments. If, despite this bias, the findings are weak, it may be concluded that--whatever the domestic merits of investment incentives and performance requirements--their international consequences are slight. On the other hand, if the findings are strong, it may be concluded that the potential spread of investment incentives and performance requirements poses a danger to the international commercial system.

Industry Studies

The industry studies will form the core of the research. Three to five manufacturing industries will be chosen for study to ensure diversity

in terms of sophistication of technology, capital intensity, market orientation (export and import substitution) and the importance of scale economies. In addition, the industries selected for the study will focus particularly on those which are most subject to competitive bids. The most likely candidates for study are automobiles, some types of chemicals, electronics, food processing, and possibly apparel.

Each industry study will include:

- (a) A compilation of historical patterns of foreign investment in the industry;
- (b) A description of the critical economic and financial factors affecting investment and location decisions
- (c) Detailed analysis of five to ten actual or proposed investments to determine
 - alternative sites considered
 - incentives offered
 - performance requirements imposed
 - net effects of incentives and performance requirements on investment decisions and patterns of trade.

Conclusions regarding the effect of incentives and performance requirements on investment decisions will be based on interviews with government officials and businessmen involved in the decision, and on measures of the net effect of incentives and performance requirements related to the actual decisions made. For the latter type of analysis to be meaningful, it is essential that at least some rejected sites for investment are known for purposes of comparison with those that were ultimately selected.

Country Studies

The review of alternative sites identified in the industry case studies will bring to light the incentive policies of a number of different countries. For the most important of these, separate country studies will be prepared. These country studies will cover both developed and developing countries, the latter probably including about five countries in Latin America and five countries in Asia. The studies of developed countries will rely heavily on work being done by OECD. The purpose of these studies is to provide very brief descriptions of legislation establishing incentives and performance requirements, and to focus attention on the unpublished operating principles and regulations of the agencies that grant incentives and impose performance requirements. Specifically, each country study will include:

- (a) Description and quantitative measures of incentives and disincentives such as performance requirements, and indication of trend over time. These measurements will be made with particular reference to the industries being studied.
- (b) Description of the administration of incentives and performance requirements, including provisions to monitor restrictions.
- (c) Identification of attempts to coordinate incentive types and levels with other countries, particularly in the context of agreements such as ASEAN or the Andean Common Market.

These data will be used to answer some of the questions raised earlier for each country, namely: (a) do countries waive entry restrictions or performance requirements in order to lure prospective investors away from other countries; (b) are special (ad hoc) incentives given; and

(c) what types of performance requirements are used to modify production and other decisions of investing firms, and how are they administered?

These country data also will be used in a synthesis with industry studies to answer the main questions of the study concerning competition in incentives, and the effect of performance requirements.

Synthesis

The synthesis of the country and industry studies will include the following topics:

- (a) A summary of the industry studies identifying the conditions and characteristics of industries that influence the extent and nature of competition in incentives, and the imposition of performance requirements.
- (b) An estimate of the extent and severity of competition in granting incentives based on the industries and countries included in this study.
- (c) A summary of the country studies that focuses on the common features of incentive systems and the administrative/strategic factors that result in competitive responses to the incentive programs of other countries.
- (d) An assessment of the feasibility of cooperative arrangements to reduce the likelihood of inefficient competition.
- (e) A summary of the impact of performance requirements regarding exports and imports. An estimate will be made of the impact of these requirements on total imports and exports of each country included in the country studies.

In summary, the study will be done in two stages. The first will consist of basic data collection in industries and countries. The industry data will consist of actual investments made and alternatives considered by firms in the industry in relation to the incentives offered and performance requirements imposed. The country data will consist of incentives and performance requirements over time and across industries, and the methods used to administer these policies. The second stage of the study will be an analysis of these basic data to determine the extent of competition in granting incentives in particular industries, the impact of incentives and performance requirements on both investment and production decisions, and the net impact of these measures in a limited set of countries and industries on international trade.

Organization

The study will be done mainly by consultants. IFC has been discussing the project with two groups, both of which have submitted proposals, from which this proposal has been drawn. One group, based at the International Law Institute of Georgetown University, is headed by Dr. Gary Hufbauer, Deputy Director, and former Deputy Assistant Secretary of the U.S. Treasury. The second group is headed by Professors Stephen Guisinger and Robert Miller of the University of Texas (Dallas).

The study team would include five to six people, including one or two to work on country studies and three or four industry specialists chosen on the basis of their prior knowledge of the industries selected for the study, not for their previous work in incentives or foreign investment in general. With recognized industry experts, the additional cost of obtaining useful insights

into the relevance and importance of incentives to particular industries would be substantially reduced compared to the case of hiring generalists.

The study would begin with a two or three-day meeting of the team, together with a select group of governmental representatives, to examine the detailed methodology of the study. The meeting would consider a methodological paper prepared by the principal investigator. If the study were approved and funded by March 1, 1981, this meeting probably could be held by the end of May.

The industry and country studies would then proceed and should be completed over a six-month period. The country studies would have to follow the industry studies somewhat, as the countries for study would be identified as part of the industry studies.

As the country and industry studies are completed, another meeting of the study team and the government representatives would be held to review results and begin to identify conclusions. The synthesis would then be carried out by the principal investigators over a three-month period. The final study should be available by the first part of 1982.

Budget

The total cost of the study will be \$250,000-\$300,000. Both consulting groups have submitted estimates in that range. This total will be divided about equally as between country and industry studies. Of this total, about three-fourths will be for personnel and one-fourth will be for travel. The study budget will be administered by IFC in the context of its general supervision of the work of the study team.

OFFICE MEMORANDUM

TO: Mr. Moeen A. Qureshi, CEX

FROM: Dale R. Weigel, CDD *Dale Weigel*

SUBJECT: Study of Investment Incentives and Performance Requirements -
Elaboration of the Approach Outlined in Memo of October 16

DATE: October 24, 1980

The Task Force on Private Foreign Investment recommended that a study be undertaken by the Bank Group to determine:

- (a) The incentives granted to, and performance requirements imposed by host countries on, foreign direct investors;
- (b) The impact of such incentives and performance requirements on:
 - the level and pattern of investment
 - technology choice
 - international trade patterns
 - financial and economic costs and benefits.

We feel that the study as proposed would be too elaborate. Therefore, we would prefer to focus on a more modest effort that would attempt to determine: (i) the extent to which countries have been competing in granting incentives to lure foreign investors; and (ii) the extent to which performance requirements have induced foreign investors to change their production and sales in ways that have an impact on international trade patterns.

We think the study could utilize several approaches to determine whether, in fact, competition in incentives has been a problem. Incentives granted or offered by a set of countries to investors in a few industries could be compared to determine qualitative and quantitative similarities and differences. Similarity in incentives would be evidence for competition. Indications that greater incentives are given to foreign firms than to local firms also would suggest competition, as would the granting of ad hoc incentives (those that go beyond the incentive structure included, for example, in legislation). In addition, by means of interviews with the firms involved, it should be possible to determine whether specific competition for a particular investment was encountered and, in fact, whether such competition had been encouraged by the firms.

In the area of performance requirements, we want to know the extent to which performance requirements have been used, and the extent to which they have actually changed behavior. The Task Force was particularly concerned with the effect of performance requirements on the patterns of international trade (in both exports and imports of the host country). Therefore, the study will focus on identifying the impact of performance requirements on exports and local value added by foreign investors.

While it is possible to enumerate performance requirements in specific industry-country situations, it is more difficult to determine the impact they have had on actual behavior. This is so because of the difficulty in specifying what would have occurred without the performance requirement. There are several possible approaches to this problem, including industry studies to compare behavior where performance requirements are, and are not imposed; and interviews with firms. Each of these approaches has distinct problems. We have not yet really grappled with the methodological question, but I think that some approach could be worked out that would yield conclusions that could be supported.

The study will focus on specific industry-country sets for observations of ~~incentives and~~ performance requirements. We see no need to do a ~~comprehensive enumeration of~~ incentives and performance requirements in all host countries. In order to identify a set of industries and countries for analysis we could begin by searching the periodical literature to identify specific cases in which incentives have been granted, and performance requirements have been imposed.

Ultimately the study would focus on the countries and industries in which foreign investors have been most active. The developing countries include Brazil, Mexico, Venezuela, Indonesia, Nigeria, India, Malaysia and possibly the Philippines. We would also draw on the work of the OECD for evidence of incentives in developed countries. The industries should emphasize manufacturing and services, which have experienced the greatest investment activity in the seventies. With in manufacturing, U.S. investors have been most active in food processing, drugs, other chemicals (i.e. other than drugs, industrial chemicals, agricultural chemicals, and plastics), motor vehicles, and precision instruments.

Obviously the development of the study methodology is at a preliminary stage. We hope to have discussions with Gary Hufbauer and Paul Streeten in the near future about their interest in participating in this study, either at the design stage, or in actually doing the work. Steve Guisinger also has done some work for us in the past on the magnitude of investment incentives in selected countries.

cc: Messrs. Kearns
Richardson
Biraben

Mr. Robert S. McNamara

September 29, 1980

Mosien A. Qureshi

Task Force on Private Foreign Direct Investment
Report to the Development Committee

1. The Task Force on Private Foreign Investment, in its report to the Development Committee, has requested that the Bank Group undertake a study of incentives given to foreign investors, and performance requirements imposed by host countries (both developed and developing). The Task Force is concerned with the impact of such measures on the location of direct investment, and its impact on international trade.

2. In responding to this request, there are several facts of which you should be aware:

- the initiative for the study, as for the Task Force itself, came from the United States;
- several developing countries represented on the Task Force, notably Brazil and Mexico, are unenthusiastic about the study;
- the study recommended by the Committee would be quite elaborate and relatively costly. IFC, at least, is not now staffed to run such a study and, if assigned to do so, would have to rely on outside consultants.

3. We have only begun to develop the possible outlines of such a study, but there is every reason to believe that it would be very expensive, perhaps in the range of \$1 - \$1.5 million. Equally preliminary discussions in the Bank and IFC have produced no agreement on how useful such a study would turn out to be. I hope that in your response to the Committee's request, you will take into account the preliminary stage of our thinking about the study, as well as some of the doubts that have been expressed in the Bank and IFC as to the utility of the study in relation to its costs.

cc: Mr. Stern

DWeigel:gub



Record Removal Notice

File Title Development Committee - Task Force on Private Foreign Direct Investment - Correspondence		Barcode No. 1660425		
Document Date 05 September, 1980	Document Type Development Committee memorandum			
Correspondents / Participants				
Subject / Title A brief summary of discussion in the committee of the whole				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by A.May</td><td>Date April 28, 2025</td></tr></table>	Withdrawn by A.May	Date April 28, 2025
Withdrawn by A.May	Date April 28, 2025			

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WBG ARCHIVES

R81-129/3

FROM: Vice President and Secretary

September 22, 1981

STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE

TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

1. The Secretary's memorandum dated June 15, 1981 (R81-129/2), reported that in compliance with a request from an Executive Director received on June 12, 1981, the President's memorandum entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" was to be included in the agenda for a meeting of the Executive Directors on a date to be determined.
2. The Executive Director who had asked for a discussion by the Executive Directors on the subject has now withdrawn his request.
3. In the absence of objection (to be communicated to the Vice President and Secretary or Deputy Secretary by the close of business on September 24, 1981), the recommendation contained in the President's memorandum (R81-129) will be deemed approved, to be so recorded in the minutes of a subsequent meeting.

Distribution:

Executive Directors and Alternates
President
Senior Vice Presidents
President's Council
Vice Presidents, IFC
Directors and Department Heads, Bank and IFC

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WBG ARCHIVES

R81-129/2

FROM: Vice President and Secretary

June 15, 1981

STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE

TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

By the President's memorandum dated May 20, 1981 entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" (R81-129), it was recommended that the proposal contained therein be approved in the absence of objection by the close of business on June 5, 1981, and be further extended to the close of business on June 12, 1981 (R81-129/1).

In compliance with a request from an Executive Director received on June 12, 1981, the President's memorandum entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" (R81-129) will now be included in the agenda for a meeting of the Executive Directors on a date to be determined.

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Directors and Department Heads, Bank and IFC

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R81-129/1

FROM: Vice President and Secretary

June 5, 1981

STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE

TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

By the President's memorandum dated May 20, 1981 entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" (R81-129), it was recommended the proposal contained therein be approved in the absence of objection by close of business on June 5, 1981.

In compliance with a request received from an Executive Director on June 4, 1981, the absence of objection date is extended to the close of business on June 12, 1981.

Distribution:

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R81-129

FROM: The Deputy Secretary

May 20, 1981

STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE

TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

Attached is a memorandum from the President entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" dated May 20, 1981.

In the absence of objection (to be communicated to the Vice President and Secretary or the Deputy Secretary by the close of business on June 5, 1981), the recommendation contained in the President's memorandum will be deemed approved, to be so recorded in the minutes of a subsequent meeting of the Executive Directors.

Questions on this document may be referred to Mr. Weigel (extension 60411).

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FROM: The President

WBG ARCHIVES

May 20, 1981

MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE
TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

At a meeting of the Development Committee in September 1978, a Task Force was established to continue the consideration of issues relating to private foreign direct investment that had been raised earlier by the Working Group on Access to Capital Markets. The Task Force was composed of representatives from 12 governments. The specific mandate of the Task Force was to examine policies of both home and host countries with a view toward reaching a "general consensus on which of these policies are most likely to maximize international benefits of direct investment." In its deliberations over a year, the Task Force focused its attention specifically on: (a) home country policies affecting foreign direct investment; (b) host country investment incentives; and (c) host country performance requirements.

In its report to the Development Committee, the Task Force recommended that host countries eliminate disincentives to investment abroad, and provide some incentives to private direct investment in developing countries. The Task Force concluded that "the central issue with foreign investment incentives and performance requirements is how to reconcile host countries' legitimate needs to pursue their national interests through their use, with the need to ensure that investment capital is channeled to its most productive uses." Therefore, it endorsed the objectives of seeking an understanding among governments which would limit the adverse effects of foreign investment incentives, and to consider what further actions might need to be taken concerning performance requirements.

In view of the present lack of information concerning the precise impact of both incentives and performance requirements, the Task Force recommended that a first step toward reaching such an understanding should be to study and analyze existing foreign investment incentives and performance requirements, and to consider how their quantitative and qualitative impact can be assessed. The Task Force recommended that this study be carried out under the general direction of the World Bank Group, in association with an intergovernmental group of experts, and taking into account work going on elsewhere.

The terms of reference of the study recommended by the Task Force would be as follows:

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- (a) Information on the actual incentives granted, and performance requirements imposed in host countries should be collected. Information collection might follow the model of the study of non-tariff barriers, conducted by GATT, wherein member countries were asked to identify both their own non-tariff barriers and those of other countries that had come to their attention.
- (b) The quantitative and qualitative impact of incentives and performance requirements should be assessed in terms of:
 - the level and country pattern of investment (geographical, sectoral);
 - technology choice and indigenization of management;
 - international trading patterns; and
 - financial and economic costs and benefits to host countries.

In reviewing the terms of reference prepared by the Task Force, it is evident that the first part of the proposed study, to collect extensive data on incentives and performance requirements, would be quite difficult for the Bank Group. The difficulties are due in part to the fact that in many countries incentives and performance requirements are not systematic, but are often specified on a case-by-case basis. Moreover, large scale data collection is something that neither the Bank nor IFC is organized to do effectively. This kind of large scale data collection might be better handled by the GATT or one of the UN agencies, such as UNCTAD, or the UN Center on Transnational Corporations.

I propose, therefore, that a more modest study be undertaken by IFC to attempt to answer the essential questions that were of concern to the Task Force. The study would focus on identifying the impact of investment incentives and performance requirements on direct investment and trade patterns. The study would rely on selected industry-country cases to identify the influence of these policies, and to suggest whether they have had sufficient disturbing effects on the flow of investment and trade to warrant consideration of international rules to limit their scope and application.

IFC would supervise the study, with most of the work being done by consultants. The study would consist of about three industry studies, together with eight to ten country studies suggested by the industry studies. The country studies would include both developing and developed countries, the latter drawing on the work being done by OECD. A small group of government experts would be invited to advise the study team. It would

be the intention to complete the study in about a year. The study would cost about US\$250-300 thousand. Details of the study proposal are contained in the attachment. The results of the study would be reviewed by the Board and then sent to the Development Committee, which may want them to be reviewed by the Task Force.

I recommend, therefore, that the IFC be authorized to contract with a group of consultants to undertake the study of investment incentives and performance requirements, as outlined in the attached terms of reference, the cost of the study not to exceed US\$300,000. It is hoped that the results of the study can be reported to the Executive Directors by September 1982.

Robert S. McNamara
President

by: Moeen A. Oureshi

A PROPOSAL FOR A STUDY OF INVESTMENT INCENTIVES
AND PERFORMANCE REQUIREMENTS

Objectives

The ultimate objective of the study would be to determine whether there is any basis for recommending international rules to govern investment incentives and performance requirements applied by host countries to private foreign direct investors. In order to answer that question, the study would focus on the following specific questions:

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- (d) Do nations emulate one another in imposing performance requirements on private foreign direct investors?

It might appear that the inability of countries to control undesirable competitive bidding for foreign investments is inconsistent with their ability to impose restrictive measures on what a firm must export and import. Competition in granting incentives would appear to imply a weak bargaining position, while imposition of restrictive performance requirements imply a strong bargaining position. The seeming contradiction can be resolved however when the incentive and disincentive aspects of government policies vis-a-vis foreign investors are looked upon as a single system. It is the net impact of this system that needs to be examined in determining the competitive behavior of countries in attracting foreign investment. This study will examine investment incentives and trade-related performance requirements in the context of such a complete system.

The specific issues to be explored in the research include the following:

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Method

Answers to these questions will be based on the actual experience of a limited group of industries and countries with investment incentives and performance requirements. The countries and industries selected will have a reputation for a high incidence of incentives and performance requirements. Thus, the study will be biased towards finding significant trade and investment effects, and toward finding significant competition and emulation between governments. If, despite this bias, the findings are weak, it may be concluded that--whatever the domestic merits of investment incentives and performance requirements--their international consequences are slight. On the other hand, if the findings are strong, it may be concluded that the potential spread of investment incentives and performance requirements poses a danger to the international commercial system.

Industry Studies

The industry studies will form the core of the research. Three to five manufacturing industries will be chosen for study to ensure diversity in terms of sophistication of technology, capital intensity, market orientation (export and import substitution) and the importance of scale economies. In addition, the industries selected for the study will be those which are most subject to competitive bids. The most likely candidates for study are automobiles, some types of chemicals, electronics, food processing, and possibly apparel.

Each industry study will include:

- (a) A compilation of historical patterns of foreign investment in the industry;
- (b) A description of the critical economic and financial factors affecting investment and location decisions;
- (c) Detailed analysis of five to ten actual or proposed investments to determine
 - alternative sites considered
 - incentives offered
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 - net effects of incentives and performance requirements on investment decisions and patterns of trade.

Conclusions regarding the effect of incentives and performance requirements on investment decisions will be based on interviews with government officials and businessmen involved in the decision, and on measures of the net effect of incentives and performance requirements related to the actual decisions made. For the latter type of analysis to be meaningful, it is essential that at least some rejected sites for investment are known for purposes of comparison with those that were ultimately selected.

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countries, the latter probably including about five countries in Latin America and five countries in Asia. The studies of developed countries will rely heavily on work being done by OECD. The purpose of these studies is to provide very brief descriptions of legislation establishing incentives and performance requirements, and to focus attention on the unpublished operating principles and regulations of the agencies that grant incentives and impose performance requirements. Specifically, each country study will include:

- (a) Description and quantitative measures of incentives and disincentives such as performance requirements, and indication of trend over time. These measurements will be made with particular reference to the industries being studied.
- (b) Description of the administration of incentives and performance requirements, including provisions to monitor restrictions.
- (c) Identification of attempts to coordinate incentive types and levels with other countries, particularly in the context of agreements such as ASEAN or the Andean Common Market.

These data will be used to answer some of the questions raised earlier for each country, namely: (a) do countries waive entry restrictions or performance requirements in order to lure prospective investors away from other countries; (b) are special (ad hoc) incentives given; and (c) what types of performance requirements are used to modify production and other decisions of investing firms, and how are they administered? These country data also will be used in a synthesis with industry studies to answer the main questions of the study concerning competition in incentives, and the effect of performance requirements.

Synthesis

The synthesis of the country and industry studies will include the following topics:

- (a) A summary of the industry studies identifying the conditions and characteristics of industries that influence the extent and nature of competition in incentives, and the imposition of performance requirements.
- (b) An estimate of the extent and severity of competition in granting incentives based on the industries and countries included in this study.

- (c) A summary of the country studies that focuses on the common features of incentive systems and the administrative/strategic factors that result in competitive responses to the incentive programs of other countries.
- (d) An assessment of the feasibility of cooperative arrangements to reduce the likelihood of inefficient competition.
- (e) A summary of the impact of performance requirements regarding exports and imports. An estimate will be made of the impact of these requirements on total imports and exports of each country included in the country studies.

In summary, the study will be done in two stages. The first will consist of basic data collection in industries and countries. The industry data will consist of actual investments made and alternatives considered by firms in the industry in relation to the incentives offered and performance requirements imposed. The country data will consist of incentives and performance requirements over time and across industries, and the methods used to administer these policies. The second stage of the study will be an analysis of these basic data to determine the extent of competition in granting incentives in particular industries, the impact of incentives and performance requirements on both investment and production decisions, and the net impact of these measures in a limited set of countries and industries on international trade.

Organization

The study will be done mainly by consultants. IFC has been discussing the project with two groups, both of which have submitted proposals, from which this proposal has been drawn. One group, based at the International Law Institute of Georgetown University, is headed by Dr. Gary Hufbauer, Deputy Director, and former Deputy Assistant Secretary of the U.S. Treasury. The second group is headed by Professors Stephen Guisinger and Robert Miller of the University of Texas (Dallas).

The study team would include five to six people, including one or two to work on country studies and three or four industry specialists chosen on the basis of their prior knowledge of the industries selected for the study. With recognized industry experts, the additional cost of obtaining useful insights into the relevance and importance of incentives to particular industries would be substantially reduced compared to the case of hiring generalists.

The study would begin with a two- or three-day meeting of the team, together with a select group of governmental representatives, to examine the detailed methodology of the study. The meeting would consider a methodological paper prepared by the principal investigator. The industry and country studies would then proceed and should be completed over a six-month period. The country studies would have to follow the industry studies somewhat, as the countries for study would be identified as part of the industry studies.

As the country and industry studies are completed, another meeting of the study team and the government representatives would be held to review results and begin to identify conclusions. The synthesis would then be carried out by the principal investigators over a three-month period. The final results should be available within a year of the start of the study.

Budget

The total cost of the study will be \$250,000-\$300,000. Both consulting groups have submitted estimates in that range. This total will be divided about equally as between country and industry studies. Of this total, about three-fourths will be for personnel and one-fourth will be for travel. The study budget will be administered by IFC in the context of its general supervision of the work of the study team.

Report to the Development
Committee - Sept. 1980



Record Removal Notice



File Title Development Committee - Task Force on Private Foreign Direct Investment - Correspondence		Barcode No. 1660425		
Document Date 02 September, 1980	Document Type Board Record			
Correspondents / Participants				
Subject / Title Task force on private foreign investment Task force on non-concessional flows				
Exception(s)				
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SecM80-612

FROM: Vice President and Secretary

August 5, 1980

TASK FORCE ON PRIVATE FOREIGN INVESTMENT

1. Attached is a communication dated July 30, 1980, from the Executive Secretary, Development Committee, on a report by the Task Force on Private Foreign Investment for submission to the Development Committee Meeting on September 29, 1980.
2. This will be considered by the Executive Directors meeting as a Committee of the Whole, on August 26, 1980.

Distribution:

Executive Directors and Alternates
President
President's Council
Vice Presidents, IFC



Record Removal Notice



File Title Development Committee - Task Force on Private Foreign Direct Investment - Correspondence		Barcode No. 1660425	
Document Date 30 July, 1980	Document Type Memoranda		
Correspondents / Participants From: Sir Richard King To: T. Thahane			
Subject / Title Report of the task force on private foreign investment			
Exception(s) Information Provided by Member Countries or Third Parties in Confidence			
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by A.May	Date April 28, 2025

International Bank for Reconstruction and Development

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R81-129

FROM: The Deputy Secretary

May 20, 1981

STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE

TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

Attached is a memorandum from the President entitled "Study Recommended by Development Committee Task Force on Private Foreign Direct Investment" dated May 20, 1981.

In the absence of objection (to be communicated to the Vice President and Secretary or the Deputy Secretary by the close of business on June 5, 1981), the recommendation contained in the President's memorandum will be deemed approved, to be so recorded in the minutes of a subsequent meeting of the Executive Directors.

Questions on this document may be referred to Mr. Weigel (extension 60411).

Distribution:

Executive Directors and Alternates
President
Senior Vice Presidents
President's Council
Vice Presidents, IFC
Directors and Department Heads, Bank and IFC

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APR 28 2025

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FROM: The President

May 20, 1981

MEMORANDUM TO THE EXECUTIVE DIRECTORS

SUBJECT: STUDY RECOMMENDED BY DEVELOPMENT COMMITTEE
TASK FORCE ON PRIVATE FOREIGN DIRECT INVESTMENT

At a meeting of the Development Committee in September 1978, a Task Force was established to continue the consideration of issues relating to private foreign direct investment that had been raised earlier by the Working Group on Access to Capital Markets. The Task Force was composed of representatives from 12 governments. The specific mandate of the Task Force was to examine policies of both home and host countries with a view toward reaching a "general consensus on which of these policies are most likely to maximize international benefits of direct investment." In its deliberations over a year, the Task Force focused its attention specifically on: (a) home country policies affecting foreign direct investment; (b) host country investment incentives; and (c) host country performance requirements.

In its report to the Development Committee, the Task Force recommended that host countries eliminate disincentives to investment abroad, and provide some incentives to private direct investment in developing countries. The Task Force concluded that "the central issue with foreign investment incentives and performance requirements is how to reconcile host countries' legitimate needs to pursue their national interests through their use, with the need to ensure that investment capital is channeled to its most productive uses." Therefore, it endorsed the objectives of seeking an understanding among governments which would limit the adverse effects of foreign investment incentives, and to consider what further actions might need to be taken concerning performance requirements.

In view of the present lack of information concerning the precise impact of both incentives and performance requirements, the Task Force recommended that a first step toward reaching such an understanding should be to study and analyze existing foreign investment incentives and performance requirements, and to consider how their quantitative and qualitative impact can be assessed. The Task Force recommended that this study be carried out under the general direction of the World Bank Group, in association with an intergovernmental group of experts, and taking into account work going on elsewhere.

The terms of reference of the study recommended by the Task Force would be as follows:

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- (a) Information on the actual incentives granted, and performance requirements imposed in host countries should be collected. Information collection might follow the model of the study of non-tariff barriers, conducted by GATT, wherein member countries were asked to identify both their own non-tariff barriers and those of other countries that had come to their attention.
- (b) The quantitative and qualitative impact of incentives and performance requirements should be assessed in terms of:
 - the level and country pattern of investment (geographical, sectoral);
 - technology choice and indigenization of management;
 - international trading patterns; and
 - financial and economic costs and benefits to host countries.

In reviewing the terms of reference prepared by the Task Force, it is evident that the first part of the proposed study, to collect extensive data on incentives and performance requirements, would be quite difficult for the Bank Group. The difficulties are due in part to the fact that in many countries incentives and performance requirements are not systematic, but are often specified on a case-by-case basis. Moreover, large scale data collection is something that neither the Bank nor IFC is organized to do effectively. This kind of large scale data collection might be better handled by the GATT or one of the UN agencies, such as UNCTAD, or the UN Center on Transnational Corporations.

I propose, therefore, that a more modest study be undertaken by IFC to attempt to answer the essential questions that were of concern to the Task Force. The study would focus on identifying the impact of investment incentives and performance requirements on direct investment and trade patterns. The study would rely on selected industry-country cases to identify the influence of these policies, and to suggest whether they have had sufficient disturbing effects on the flow of investment and trade to warrant consideration of international rules to limit their scope and application.

IFC would supervise the study, with most of the work being done by consultants. The study would consist of about three industry studies, together with eight to ten country studies suggested by the industry studies. The country studies would include both developing and developed countries, the latter drawing on the work being done by OECD. A small group of government experts would be invited to advise the study team. It would

be the intention to complete the study in about a year. The study would cost about US\$250-300 thousand. Details of the study proposal are contained in the attachment. The results of the study would be reviewed by the Board and then sent to the Development Committee, which may want them to be reviewed by the Task Force.

I recommend, therefore, that the IFC be authorized to contract with a group of consultants to undertake the study of investment incentives and performance requirements, as outlined in the attached terms of reference, the cost of the study not to exceed US\$300,000. It is hoped that the results of the study can be reported to the Executive Directors by September 1982.

Robert S. McNamara
President

by: Moeen A. Oureshi

A PROPOSAL FOR A STUDY OF INVESTMENT INCENTIVES
AND PERFORMANCE REQUIREMENTS

Objectives

The ultimate objective of the study would be to determine whether there is any basis for recommending international rules to govern investment incentives and performance requirements applied by host countries to private foreign direct investors. In order to answer that question, the study would focus on the following specific questions:

- (a) Do investment incentives significantly affect the location of private foreign direct investment?
- (b) Do nations compete with one another in granting investment incentives to foreign direct investors?
- (c) Do performance requirements significantly affect the pattern of international trade carried on by private foreign direct investors?
- (d) Do nations emulate one another in imposing performance requirements on private foreign direct investors?

It might appear that the inability of countries to control undesirable competitive bidding for foreign investments is inconsistent with their ability to impose restrictive measures on what a firm must export and import. Competition in granting incentives would appear to imply a weak bargaining position, while imposition of restrictive performance requirements imply a strong bargaining position. The seeming contradiction can be resolved however when the incentive and disincentive aspects of government policies vis-a-vis foreign investors are looked upon as a single system. It is the net impact of this system that needs to be examined in determining the competitive behavior of countries in attracting foreign investment. This study will examine investment incentives and trade-related performance requirements in the context of such a complete system.

The specific issues to be explored in the research include the following:

- (a) Do countries design incentive legislation with the incentive policies of other countries in mind? Do common forms and levels of incentives exist among countries that are comparable in terms of their economic attractiveness to foreign investors?

- (b) Do governments tailor the type and level of incentives to each investment? Do administrators vary the amount of incentive in response to competitive offers from other countries to prospective investors?
- (c) Do countries waive entry restrictions or performance requirements in order to lure prospective investors away from other countries?
- (d) Are special incentives (equity positions, cash supplements, support for research and development) given in addition to those provided by normal incentive legislation?
- (e) Do foreign investors use incentives proposed by one country as a basis for negotiation with other countries? Do foreign investors have self-imposed restraints on the maximum level of incentive that they will accept?
- (f) To what extent do export performance requirements actually modify the export plans of foreign investors from what they would have been in the absence of any requirement? Are export performance requirements ineffectively monitored, waived or otherwise modified to dilute their intent?
- (g) What types of policies are used to modify decisions by firms to import or purchase raw materials and intermediate products locally? Are these policies effective in the sense that they alter the firm's preferred pattern of intermediate goods imports?

Method

Answers to these questions will be based on the actual experience of a limited group of industries and countries with investment incentives and performance requirements. The countries and industries selected will have a reputation for a high incidence of incentives and performance requirements. Thus, the study will be biased towards finding significant trade and investment effects, and toward finding significant competition and emulation between governments. If, despite this bias, the findings are weak, it may be concluded that--whatever the domestic merits of investment incentives and performance requirements--their international consequences are slight. On the other hand, if the findings are strong, it may be concluded that the potential spread of investment incentives and performance requirements poses a danger to the international commercial system.

Industry Studies

The industry studies will form the core of the research. Three to five manufacturing industries will be chosen for study to ensure diversity in terms of sophistication of technology, capital intensity, market orientation (export and import substitution) and the importance of scale economies. In addition, the industries selected for the study will be those which are most subject to competitive bids. The most likely candidates for study are automobiles, some types of chemicals, electronics, food processing, and possibly apparel.

Each industry study will include:

- (a) A compilation of historical patterns of foreign investment in the industry;
- (b) A description of the critical economic and financial factors affecting investment and location decisions;
- (c) Detailed analysis of five to ten actual or proposed investments to determine
 - alternative sites considered
 - incentives offered
 - performance requirements imposed
 - net effects of incentives and performance requirements on investment decisions and patterns of trade.

Conclusions regarding the effect of incentives and performance requirements on investment decisions will be based on interviews with government officials and businessmen involved in the decision, and on measures of the net effect of incentives and performance requirements related to the actual decisions made. For the latter type of analysis to be meaningful, it is essential that at least some rejected sites for investment are known for purposes of comparison with those that were ultimately selected.

Country Studies

The review of alternative sites identified in the industry case studies will bring to light the incentive policies of a number of different countries. For the most important of these, separate country studies will be prepared. These country studies will cover both developed and developing

countries, the latter probably including about five countries in Latin America and five countries in Asia. The studies of developed countries will rely heavily on work being done by OECD. The purpose of these studies is to provide very brief descriptions of legislation establishing incentives and performance requirements, and to focus attention on the unpublished operating principles and regulations of the agencies that grant incentives and impose performance requirements. Specifically, each country study will include:

- (a) Description and quantitative measures of incentives and disincentives such as performance requirements, and indication of trend over time. These measurements will be made with particular reference to the industries being studied.
- (b) Description of the administration of incentives and performance requirements, including provisions to monitor restrictions.
- (c) Identification of attempts to coordinate incentive types and levels with other countries, particularly in the context of agreements such as ASEAN or the Andean Common Market.

These data will be used to answer some of the questions raised earlier for each country, namely: (a) do countries waive entry restrictions or performance requirements in order to lure prospective investors away from other countries; (b) are special (ad hoc) incentives given; and (c) what types of performance requirements are used to modify production and other decisions of investing firms, and how are they administered? These country data also will be used in a synthesis with industry studies to answer the main questions of the study concerning competition in incentives, and the effect of performance requirements.

Synthesis

The synthesis of the country and industry studies will include the following topics:

- (a) A summary of the industry studies identifying the conditions and characteristics of industries that influence the extent and nature of competition in incentives, and the imposition of performance requirements.
- (b) An estimate of the extent and severity of competition in granting incentives based on the industries and countries included in this study.

- (c) A summary of the country studies that focuses on the common features of incentive systems and the administrative/strategic factors that result in competitive responses to the incentive programs of other countries.
- (d) An assessment of the feasibility of cooperative arrangements to reduce the likelihood of inefficient competition.
- (e) A summary of the impact of performance requirements regarding exports and imports. An estimate will be made of the impact of these requirements on total imports and exports of each country included in the country studies.

In summary, the study will be done in two stages. The first will consist of basic data collection in industries and countries. The industry data will consist of actual investments made and alternatives considered by firms in the industry in relation to the incentives offered and performance requirements imposed. The country data will consist of incentives and performance requirements over time and across industries, and the methods used to administer these policies. The second stage of the study will be an analysis of these basic data to determine the extent of competition in granting incentives in particular industries, the impact of incentives and performance requirements on both investment and production decisions, and the net impact of these measures in a limited set of countries and industries on international trade.

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