24 May 2011

# Fifth Report on G20 Investment Measures[1]

1. At their Summits in London, Pittsburgh, Toronto, and Seoul, G20 Leaders committed to forgo protectionism and requested public reports on their adherence to this undertaking. The present document is the fifth report on investment and investment-related measures in response to this mandate.[2] It has been prepared jointly by the OECD and UNCTAD Secretariats and covers investment policy and investment-related measures taken between 16 October 2010 and 28 April 2011.

## I. Investment developments

2. The policy developments covered by the present report took place against the backdrop of a recovery and marginal increase of global foreign direct investment (FDI) inflows in 2010, following steep declines in 2008 and 2009.[3] FDI flows to G20 countries continued to increase in the last quarter of 2010, resulting in a 3% rise in 2010 as a whole compared to 2009. However, global FDI inflows remain some 25% below the pre-crisis average 2005-2007 and nearly 50% below the 2007 peak. FDI flows are expected to recover further in 2011, reflecting improvements in macroeconomic conditions and rebounding corporate earnings. However, tightened fiscal policy, fluctuations of commodity prices, regional political instability and uncertainty over sovereign debt may reverse this upward trend in the near to medium term.

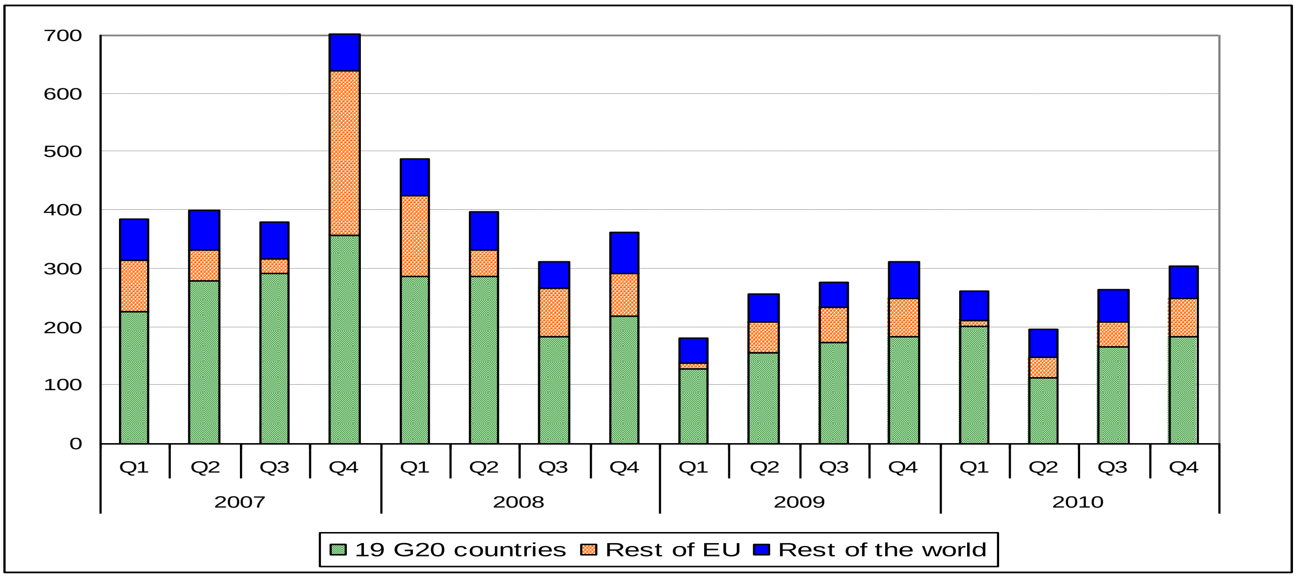
---

1 Information provided by OECD and UNCTAD Secretariats.

2 Earlier reports by WTO, OECD and UNCTAD to G20 Leaders are available on the websites of the OECD and UNCTAD.

3 For further information and analysis of recent trends on FDI inflows, see UNCTAD's "Global Investment Trends Monitor", Issues No. 5 (January 2011) and No. 6 (April 2011) (www.unctad.org/en/docs/webdiaeia20111_en.pdf), OECD Investment News, Issue 14, November 2011 (www.oecd.org/investment) and OECD "*FDI in Figures*", May 2011. Final data on global FDI flows for 2010 will be in UNCTAD's World Investment Report 2011, and regularly updated data is available on OECD's FDI statistics portal www.oecd.org/investment/statistics.

**Figure 1: FDI inflows by group of countries, 2007/Q1-2010/Q4 (USD billion).***




* Global FDI data are only for 87 countries for which quarterly data are available, accounting for roughly 90% of global FDI flows. Source: UNCTAD.

## II. Investment policy measures

3. During the 16 October 2010 to 28 April 2011 reporting period, 15 G20 members took some sort of investment policy action such as investment-specific measures, investment measures relating to national security, emergency and related measures with potential impacts on international investment, or concluded international investment agreements (Table 1).[4]

**Table 1: Investment and investment-related measures taken or implemented between 16 October 2010 and 28 April 2011**

| | Investment-specific measures | Investment measures related to national security | Emergency and related measures with potential impacts on international investment* | International Investment Agreements (IIAs) |
|---|---|---|---|---|
| Argentina | | | | |
| Australia | | | | • |
| Brazil | • | | | • |
| Canada | | | • | |
| China | • | • | | |
| France | | | • | |
| Germany | | | • | • |
| India | • | | | • |
| Indonesia | | | | |
| Italy | • | | • | |
| Japan | | | • | • |
| Korea | | | • | • |
| Mexico | | | | |
| Russian Federation | • | | • | |
| Saudi Arabia | | | | |
| South Africa | • | | • | |
| Turkey | • | | | • |
| United Kingdom | | | • | |
| United States | | | | • |
| European Union | | | | |

* Emergency and related measures include ongoing implementation of existing measures and introduction of new measures that were implemented at some point in the reporting period.

4 The Annex contains detailed information on the coverage, definitions and sources of the information in this report.

### *(1) Investment-specific measures*

4. Seven countries amended investment-specific policies (those not designed to address national security or emergency concerns) during the reporting period. Investment-specific policy changes were more common in emerging markets than in mature markets.

5. Measures include the following:

- Brazil further increased the rate of the Tax on Financial Transactions (IOF) levied on non-residents' investment in fixed-income securities in two steps to 6%, up from 2% at the beginning of the reporting period, and broadened the scope of application of the tax, with a view to avoiding the inflow of short-term speculative capital that can impact the exchange rate.

- China clarified the rules applicable to resident offices of foreign enterprises. The country clarified the extent to which foreign investors may acquire residential or commercial real estate. China further opened parts of the medical services sector to foreign capital and allowed foreign investors to establish fully owned hospitals. It also passed rules designed to facilitate settling outward direct investment transactions in RMB. China also announced additional measures towards further capital account liberalisation. Finally, the country also launched a pilot scheme for foreign private equity investment by foreigners in Shanghai.

- India's new consolidated FDI policy, which entered into force on 1 April 2011 facilitates the expansion of established foreign owned enterprises, allows the conversion of non-cash items into equity (with approval from the government) and permits FDI in certain agricultural activities.

- Italy prepared the operation of a fund that would enable a State-owned company to acquire equity investments in companies of major national interest.

- The Russian Federation reintroduced differential rates of reserve requirements for liabilities of resident and non-resident companies and progressively widened the difference between these rates in the reporting period. Russia also prepared a bill that liberalises foreign investment in the financial sector and in some of the "strategic" sectors that were subject to foreign investment restrictions introduced in 2008.

- South Africa increased the share of foreign assets that South African institutional investors may hold in their portfolios. South Africa allowed international headquarters to raise and deploy capital offshore without undergoing exchange control approvals and reduced the administrative burden for export-related foreign exchange revenue remittance.

- Turkey clarified and simplified the rules applicable for acquisitions of real estate by foreign-owned Turkish companies. It also liberalised its regulations on the registration of public offerings and sales of foreign capital market instruments and depository receipts in Turkey. Turkey's new media law, which entered into force in the reporting period, raises the foreign ownership limits in media companies.

6. Overall, these measures show continued moves toward eliminating restrictions to international capital flows and improving clarity for investors (China, India, the Russian Federation, South Africa and Turkey) as well as some steps towards restricting international investment (Brazil, China, Italy and the Russian Federation).

### *(2) Investment measures related to national security*

7. China changed its investment review policies related to national security by introducing a new broadly framed review procedure for inward investment proposals.

*(3) Emergency and related measures with potential impacts on international investment*

8. More than two and a half years after the financial crisis broke in late 2008, nine G20 members continue to implement emergency measures to assist individual enterprises in the financial or non-financial sectors (Table 1). Some governments still hold considerable assets from bail-out operations, have substantial outstanding loans to individual firms, or continue to provide emergency support to the financial and non-financial sectors (Table 2).

**Table 2: Evolution of emergency schemes in financial and non-financial sectors during the reporting period**

| | Financial sector | | | | Non-financial sectors | | | |
|---|---|---|---|---|---|---|---|---|
| | At least one new scheme was introduced in the reporting period | At least one emergency scheme continued to be open for new entrants on 28 April 2011 | At least one emergency scheme was closed for new entry of firms in the reporting period | Legacy assets and liabilities still held by government on 28 April 2011 | At least one new scheme was introduced in the reporting period | At least one emergency scheme continued to be open for new entrants on 28 April 2011 | At least one emergency scheme was closed for new entry of firms in the reporting period | Legacy assets and liabilities still held by government on 28 April 2011 |
| Argentina | | | | | | | | |
| Australia | | | | • | | | | |
| Brazil | | | | | | | | |
| Canada | | | | • | | • | | • |
| China | | | | | | | | |
| France | | | | | | • | • | • |
| Germany | | | • | • | | • | • | |
| India | | | | | | | | |
| Indonesia | | | | | | | | |
| Italy | | | • | | | • | • | |
| Japan | | • | • | • | | • | | • |
| Korea | | | | | • | • | | |
| Mexico | | | | | | | | |
| Russian Federation | | | | | | • | | |
| Saudi Arabia | | | | | | | | |
| South Africa | | | | | | • | | |
| Turkey | | | | | | | | |
| United Kingdom | | | | • | | • | • | |
| United States | | | | • | | | | • |
| European Union | | | | | | | | |

9. Most emergency measures have been in place for around two years now, and only one small scheme for non-financial sectors has been introduced in the reporting period.

10. Concerning the financial sector, almost all G20 members have ceased to accept applications from financial firms to public assistance schemes. Most countries had introduced assistance schemes for the financial sectors in October 2008, and phasing out began about a year later, from November 2009 onwards. Also, a number of assistance schemes for the non-financial sector have been closed by the end of 2010, when schemes in the four European Union G20 members came to an end; these schemes included sunset clauses set by the European Commission.

11. The closure of aid schemes reflects an uneven but occasionally limited demand by businesses for this aid,[5] which has been further weakened by the gradual tightening of the conditions of State support by governments.

12. With the closure of support schemes for new entrants, the main outstanding issue for the investment policy community relates to the unwinding of assets and liabilities that remain on government books as a legacy of emergency measures. Previous reports already indicated that the dismantling and unwinding of emergency schemes may take years and the risk of protectionism may arise in this process.

[5] Cf. e.g. the assessment by the European Commission: "*Communication of the Commission: Temporary Union framework for State aid measures to support access to finance in the current financial and economic crisis*", OJ of 11 January 2011, and, for individual countries, Part 2 of the present report.

13. So far, the process of unwinding assets and liabilities resulting from emergency measures advances slowly. At the end of the reporting period, at least 6 countries – Australia, Germany, Italy, Japan, the United Kingdom and the United States – held legacy assets and liabilities in several hundred financial firms, exceeding USD 1.5 trillion for the financial sector alone. Less than a fifth of the financial firms that had received crisis-related support have fully reimbursed loans, repurchased equity or relinquished public guarantees.

14. In the non-financial sectors, amounts of legacy assets and liabilities are much lower, but the number of companies that benefitted from crisis-related government support is much greater. The unwinding of emergency aid to the non-financial sector has started, albeit slowly. For instance, in the automotive industry – one of the main industries on which aid was targeted – companies in Canada, France and the United States have partly paid back loans, and a part of the government equity holdings in the companies has been sold to private investors.

15. This and earlier reports have found that for the most part emergency measures as well as unwinding of assets and liabilities did not overtly discriminate against foreign investors. For instance, the United States has sold its holdings in financial institutions and an automotive company through auctions executed by private banks; parts of the assets were sold to foreign competitors.[6] A study by the European Commission shows that several EU Member States, including Germany, France, and the United Kingdom, considered that emergency schemes for the non-financial sectors implemented in other countries have not harmed domestic companies.[7]

### *(4) International investment agreements*

16. During the reporting period, G20 members continued to negotiate or pass new international investment agreements (IIAs) to further enhance the openness and predictability of their policy frameworks governing international investment. Between 16 October 2010 and 28 April 2011, G20 members concluded six bilateral investment treaties[8] and six other agreements with investment provisions ("other IIAs", Tables 1 and 3).[9]

17. These "other IIAs" differ in terms of content, but all of them contain substantive investment protection disciplines. They include for instance the *Brazil-United States Agreement on Trade and Economic Cooperation* that establishes a commission with the objective of promoting economic cooperation,[10] including in the area of investment; the *Japan-Peru Free Trade Agreement (FTA)*; the *India-Japan Comprehensive Economic Partnership Agreement (CEPA)*; the investment protocol to the *Australia-New Zealand Closer Economic Relations Agreement* (ANZCERTA); the *India-Malaysia FTA*; and the *Republic of Korea-Peru FTA.*

6 E.g. British bank Bradford&Bingley was sold to a Spanish bank, United States automaker GM, then majority-controlled by the United States Government, sold subsidiary Saab to a Dutch/Austrian company, and United States government co-owned Chrysler was partly sold to Italian FIAT).

7 "*Questionnaire on the application of the Temporary Framework*"; survey carried out from 18 March 2010 to 26 April 2010, European Commission website.

8 BITs between Germany and Congo (22 November 2010); Germany and Iraq (4 December 2010); Turkey and Nigeria (2 February 2011); India and Lithuania (18 March 2011); Turkey and the United Republic of Tanzania (12 March 2011); and Japan and Papua New Guinea (24 April). Several BITs that were signed and reported earlier entered into force during the reporting period, including the Turkey-Yemen BIT (31 March 2011); Mexico-Singapore BIT (3 April 2011); and the Turkey-Libyan Arab Jamahiriya BIT (22 April 2011).

9 During the reporting period G20 members also signed 21 double taxation treaties (DTTs). As of 28 April 2011, globally there were over 2815 BITs, 2981 DTTs and approximately 314 "other IIAs", making a total of 6110 IIAs.

10 By initialling a labour side agreement, the United States took steps towards the ratification of its FTA with Colombia, signed in November 2006.

**Table 3: G20 members' International Investment Agreements***

| | Bilateral Investment Treaties (BITs) | | Other IIAs | | Total IIAs as of 28 April 2011 |
|---|---|---|---|---|---|
| | Concluded 16 Oct.2010- 28 April 2011 | Total as of 28 April 2011 | Concluded 16 Oct.2010- 28 April 2011 | Total as of 28 April 2011 | |
| Argentina | | 58 | | 16 | 74 |
| Australia | | 22 | 1 | 17 | 39 |
| Brazil | | 14 | 1 | 17 | 31 |
| Canada | | 29 | | 22 | 51 |
| China | | 127 | | 14 | 141 |
| France | | 102 | | 65 | 167 |
| Germany | 2 | 136 | | 65 | 201 |
| India | 1 | 80 | 2 | 13 | 93 |
| Indonesia | | 62 | | 21 | 83 |
| Italy | | 94 | | 65 | 159 |
| Japan | 1 | 16 | 2 | 20 | 36 |
| Korea, Republic of | | 91 | 1 | 18 | 109 |
| Mexico | | 28 | | 16 | 44 |
| Russian Federation | | 69 | | 3 | 72 |
| Saudi Arabia | | 22 | | 10 | 32 |
| South Africa | | 46 | | 9 | 55 |
| Turkey | 2 | 84 | | 19 | 103 |
| United Kingdom | | 104 | | 65 | 169 |
| United States | | 47 | 1 | 60 | 107 |
| European Union | | | | 62 | 62 |

18. A number of developments also occurred in the EU, where the 2009 entry into force of the Lisbon Treaty had shifted responsibilities in the field of FDI from the member States to the EU. Following the July 2010 Commission Communication and draft Resolution, outlining the main direction of future EU investment policy making, the *Council* of the EU adopted its Conclusions on a Comprehensive European International Investment Policy on 25 October 2010.[11]

## III. Overall policy implications

19. On the whole, G20 members have continued to honour their pledge not to retreat into investment protectionism. The majority of investment policy measures taken during the reporting period show continued moves towards eliminating restrictions to international capital flows and improving clarity for investors. However, there have also been a few instances of new restrictions. These measures consisted, in one instance, of a tightening of existing capital controls. One country took measures relating to security-related reviews of foreign investment proposals.

20. With respect to emergency measures, the dismantling of support schemes and the unwinding of assets and liabilities continued. In line with earlier findings, this report shows that most emergency measures and their dismantling did not overtly discriminate against foreign investors. They nevertheless pose concerns for investment policy makers because they involve government interventions that influence global investment patterns in sectors such as finance and automobiles.

21. G20 members continue to conclude international investment agreements (IIAs) to attract foreign investment, and work towards greater predictability and sophistication of these IIAs and related areas such as investor-State dispute settlement systems.[12]

11 "*Towards a comprehensive European international investment policy*", 25 October 2010.

12 See the proceedings of the meeting of the OECD Investment Committee on investor-State dispute settlement on 21 March 2011 in Paris.

22. The parallel efforts to liberalise and regulate foreign investment at the national and international levels show that policy makers in G20 countries are aware of the role of international investment in supporting sustainable development and prosperity. Activities in the framework of the G20 "Multi-Year Action Plan on Development" also contribute to harnessing investment for these objectives.[13]

23. While the broad picture presented in this report gives few grounds for concern over the short run, the longer term picture is less reassuring. Continued severe macroeconomic imbalances in the global economy, related weaknesses in governments' fiscal positions, commodity price volatility and regional political instability may undermine governments' commitments to openness to international investment.

13 This includes the contributions by UNCTAD, OECD and other Organisations to the pillar on "private investment and job creation" and the inputs by OECD, UNCTAD, FAO and World Bank the pillar on "food security".

**Reports on individual economies:**
**Recent investment measures (16 October 2010 – 28 April 2011)**

| | Description of Measure | Date | Source |
|---|---|---|---|
| **Argentina** | | | |
| *Investment policy measures* | None during reporting period. | | |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | None during reporting period. | | |
| **Australia** | | | |
| *Investment policy measures* | On 16 February 2011, Australia and New Zealand signed the *Australia-New Zealand Closer Economic Relations Trade Agreement* (ANZCERTA) *Investment Protocol*. Among other issues, the protocol reduces barriers to investment flows by raising the thresholds at which investment is screened in Australia and New Zealand (AUD 1.005 billion for New Zealand investments in Australia, up from AUD 231 million). It also provides for the liberalisation and protection of investments between Australia and New Zealand through imposing a range of obligations (e.g. the obligation to offer national treatment and to not impose performance requirements). The Investment Protocol is expected to enter into force in 2012. | 16 February 2011 | |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | Australia's guarantee scheme, announced on 12 October 2008 and formally commenced on 28 November 2008. It closed to new issuance on 31 March 2010. Outstanding guaranteed debt will be recovered until maturity for a maximum of five years from the date of issue. The guarantee scheme provided eligible authorised deposit-taking institutions with access to an Australian government guarantee on wholesale debt and large deposit obligations. Overall, guarantees covered approximately AUD 160 billion in wholesale debt. | | "*The Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding*", Australian Government website. |
| **Brazil** | | | |
| *Investment policy measures* | On 18 October 2010, Brazil further increased the rate of the Tax on Financial Transactions (IOF) levied on non-residents' investment in fixed-income securities to 6%, up from 4% to prevent strong capital inflows that could lead to asset price bubbles and to ease upward pressure on the Real. The second increase to 6% came shortly after a first increase to 4% on 5 October 2010. The initial levy at a rate of 2% had been introduced on 19 October 2009. The 2% levy on investments in the capital markets remained unchanged. | 18 October 2010 | Decree No. 7.330 of 18 October 2010; Decree No. 7.412 of 30 December 2010; Decree No. 7.323 of 4 October 2010. |
| | Three further measures extended the scope of application of the 6% IOF tax: | | |
| | – Government Decree No. 7,456 subjects short-term overseas loans and bond issues to the 6% IOF, with effect for transactions carried out from 28 April 2011 onwards. The tax concerns foreign exchange transactions on the inflow of funds for external loans with a maturity of less than 360 days. | 28 April 2011 | Decree No. 7.456 of 28 March 2011. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | – On 5 April 2011, the Brazilian central bank Resolution 3967/2011 of 4 April 2011 entered into effect. The resolution extends the application of the IOF tax at a rate of 6% to renewed, renegotiated, or transferred loans of companies. Hitherto, the tax only applied to new loans. | 5 April 2011 | Resolucao 3.967/2011, 4 April 2011.<br>"*CMN determina obrigatoriedade de câmbio simultâneo nas renovações, repactuações e assunções de empréstimos externos*", Banco Central do Brasil release, 4 April 2011. |
| | – On 7 April 2011, the Brazilian government Decree No. 7,457 entered into effect. For the purpose of the application of the abovementioned Central Bank Resolution 3967/2011, the Decree increases the scope of what are deemed short-term overseas loans and bond issues. They now include loans and bonds for up to two years (720 days), up from one year (360 days) previously. | 7 April 2011 | Decree No. 7.457 of 6 April 2011. |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | None during reporting period. | | |
| **Canada** | | | |
| *Investment policy measures* | On 3 November 2010, the Canadian Minister of Industry informed the Australian mining company BHP Billiton that its proposed acquisition of Potash Corp., a Canadian fertilizer mining company, would not meet the criteria of Canada's longstanding investment screening mechanism to go forward. BHP withdrew its takeover bid shortly afterwards.<br>Following the announcement that the proposed takeover of Potash Corp, by BHP Billiton was not deemed to meet the criteria of the net-benefit test under the Investment Canada Act, the Canadian Prime Minister alluded that the Act may be reviewed. At the end of the reporting period, no specific steps in this regard had been made public. | 3 November 2010 | "*Minister of Industry Confirms Notice Sent to BHP Billiton Regarding Proposed Acquisition of Potash Corporation*", Industry Canada press release, 3 November 2010;<br>"*Industry Minister Clement Confirms BHP Billiton's Withdrawal of its Application for Review under the Investment Canada Act*", Industry Canada press release, 14 November 2010;<br>40th Parliament, 3rd Session, No. 94 of 4 November 2010. |
| | In 2009, the Canadian telecoms regulator ruled that Globalive, a partly and indirectly foreign-owned company, did not comply with Canadian ownership and control requirements under the Telecommunications Act (the "Act"). The Governor in Council, acting under the authority of the Act, varied this decision thus allowing the company to offer telecommunications services in Canada. Other providers challenged the government's actions in the Federal Court, which on 4 February 2011 overturned this decision. The Canadian Government appealed the Federal Court's judgment on 15 February 2011 and a hearing in the case is scheduled for 18 May 2011. If upheld, the decision would require the company to restructure to comply with the Act, to cease operations or to appeal further. While a future liberalisation of these requirements has been announced in the Throne Speech on 3 March 2010, public consultations on the subject are continuing. | | "*Minister Clement and MP Blaney Announce Government to Appeal Federal Court Ruling on Globalive*", Industry-Canada media release, 15 February 2011;<br>"*Opening Canada's Doors to Foreign Investment in Telecommunications: Options for Reform*", Consultation Paper, Industry Canada, June 2010;<br>"*Canada's Foreign Ownership Rules And Regulations In The Telecommunications Sector*", Report of the Standing Committee on Industry, Science and Technology, House of Commons, June 2010. |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | Canada continued to implement some of the components of the Economic Action Plan, the country's framework for response measures to the crisis, which was initially announced on 27 January 2009. The plan consists of components of support to financial and non-financial sectors.<br>While most of the support programmes for the financial | | "*Canada's Economic Action Plan – Seventh report to Canadians*", Government of Canada, 31 January 2011. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | sector, provided under the CAD 200 billion Extraordinary Financing Framework, were phased out on 31 March 2010, Canada continues to hold assets and liabilities that result from the implementation of the components of this programme. | | |
| | – Under the *Insured Mortgage Purchase Program*, Canadian financial institutions could access stable long-term government financing in exchange for high-quality mortgage assets. The overall budget limit was set at CAD 125 billion. Over CAD 69 billion have been provided to banks and other lenders through reverse auctions until the programme's expiry on 31 March 2010. | | "*The insured Mortgage Purchase Program*", Parliamentary Information and Research Service, 13 March 2009. |
| | – The *Canadian Secured Credit Facility*, which was designed to support the financing of vehicles and equipment and to stimulate private lending to these sectors, also expired on 31 March 2010. Under the facility that was operated by the Business Development Bank of Canada (BDC) the Government had committed to purchase up to CAD 12 billion of newly issued term asset-backed securities backed by loans and leases on vehicles and equipment and dealer floor plan loans. Approximately CAD 3.4 billion has been utilized. Mainly multinational financial corporations used the programme. | | |
| | At the end of the reporting period in end-April 2011, some components of the Economic Action Plan that provide support to the non-financial sectors were still open for new entrants: | | |
| | – Canada continued to implement the *Business Credit Availability Program* that seeks to improve access to financing for Canadian businesses. The programme, which is operated by Export Development Canada (EDC) and the Business Development Bank of Canada (BDC), offers direct lending and other types of support and facilitation at market rates to businesses with viable business models whose access to financing would otherwise be restricted. Between February 2009 and 30 November 2010, over 10,000 companies across the country and in all sectors of the economy received support of a gross volume of about CAD 9.5 billion under the programme. | Ongoing | "*Canada's Economic Action Plan – Seventh report to Canadians*", Government of Canada, 31 January 2011, p. 140. |
| | – Canada continued to operate the *Vehicle and Equipment Financing Partnership*, which had been introduced as part of the Business Credit Availability Program in Budget 2010 with an initial allocation of CAD 500 million in funding. The partnership expands financing options for small and medium-sized finance and leasing companies to ensure access to financing to acquire vehicles and equipment. | | "*Canada's Economic Action Plan – Seventh report to Canadians*", Government of Canada, 31 January 2011, p. 140;<br>Business Credit Availability Program website, Department of Finance. |
| | – Through the Economic Action Plan, temporary support continued to be provided to various industry sectors including access to financing for firms operating in forestry, agriculture, as well as to SMEs. | Ongoing | "*Canada's Economic Action Plan – Seventh report to Canadians*", Government of Canada, 31 January 2011. |
| | At the end of the reporting period, Canada and Ontario had holdings in General Motors (8.98%) and Chrysler (2.15%), arising from earlier loans and debtor-in-possession financing of CAD 14.58 billion combined. By 20 April 2010, GM had repaid its entire CAD 1.5 billion loan provided by Canada and Ontario, and in mid-November 2010, as part of GM's Initial Public Offering, Canada sold 20% of its shares, reducing its stake form the original level of 11.7%. The governments of Canada and Ontario also continue to hold USD 403 million preferred shares in New GM. | Ongoing | "*Canada's Economic Action Plan – Seventh report to Canadians*", Government of Canada, 31 January 2011, p. 118. |
| | Canada continued to implement the Automotive Partnership Canada (APC), a five-year, CAD 145 million initiative co-sponsored by Industry-Canada. The programme provides financial support to collaborative research and development to strengthen innovation in the Canadian automotive industry. APC was announced under Canada's Economic Action Plan in April 2009. | Ongoing | "*Automotive Partnership Canada – Getting You from A to B*", undated Industry Canada brochure. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | The budget of the Strategic Aerospace and Defence Initiative (SADI), established in 2007 with an allocation of CAD 900 million, was expanded by CAD 200 million, and, under the Economic Action Plan, another CAD 200 million were allocated to the National Research Council Canada's Industrial Research Assistance Program. SADI provides to individual companies public funds to support private sector industrial research and pre-competitive development in Canada's aerospace, defence, security and space industries through repayable investments. In the reporting period, a number of such government investments in individual companies were made. SADI is managed by a special operating agency of Industry Canada that has a mandate to advance leading-edge R&D by Canadian industries. | Ongoing | "*Canada's Economic Action Plan – Seventh report to Canadians*", Government of Canada, 31 January 2011, p.119. |
| **China** | | | |
| *Investment policy measures* | On 10 November 2010, new rules issued by the Ministry of Housing and Urban-Rural Development (MHURD) and State Administration of Foreign Exchange (SAFE) clarified the policy on purchase of real estate by foreign institutions and nationals. Foreign nationals living and working in China can acquire only one home in mainland China. Overseas institutions can buy only non-residential properties in cities where they are registered. Unlike past local rules, this new rule is implemented nationwide. | 10 November 2010 | *Ministry of Housing and Urban-Rural Development (MHURD) JianFang No. 186 of 2010, Circular on Further Standardizing the Regulation on Housing Purchase by Overseas Institutions and Individuals* (in Chinese). |
| | On 19 November 2010, the State Council issued the *Regulations on Administration of Registration of Resident Offices of Foreign Enterprises*, effective on 1 March 2011. The 1983 *Measures for Administration of Registration of Resident Offices of Foreign Enterprises* were abolished at the same time. The regulation provides for allowable scope of activities of resident offices of foreign enterprises, conditions for application for their registration, registration process and liability. The regulation also does away with the previous provisions that the validity of the registration certificate for a resident office is one year, and extension registration is necessary in case of overdue. | 19 November 2010 | *Regulations on Administration of Registration of Resident Offices of Foreign Enterprises*, Decree of the State Council of the People's Republic of China no. 584, 19 November 2010. |
| | A circular dated 26 November 2010 further opens up China's medical institutions for foreign capital. The circular classified foreign investment in medical institutions as the "permitted" category, and provided for pilot programs for qualified foreign investors to establish wholly foreign owned medical institutions. Prior to that, foreign medical service providers were only allowed to participate in the form of joint venture with equity up to 70%. The circular further stated that approval authority of joint venture medical institutions is designated to the local level, and foreign investment in medical institutions in Mid- and West China is encouraged. | 26 November 2010 | *Opinions on Further Encouraging and Guiding Social Capital to Establish Medical Institutions,* GuoBanFa No. 58 of 2010, 26 November 2010. |
| | On 2 January 2011 China authorised domestic companies to hold their foreign-currency earnings rather than exchanging them into RMB. The step extends a pilot programme by the State Administration of Foreign Exchange (SAFE) that was started on 1 October 2010 and allowed 60 exporters in four cities and provinces to keep foreign currency resulting from export earnings. | 2 January 2011 | |
| | On 18 January 2011, the State Administration of Foreign Exchange (SAFE) and the People's Bank of China announced a series of measures towards capital account convertibility. China endeavours to establish full capital account convertibility during the 12th Five-Year Plan for China's Economic and Social Development (2011-2015). Planned steps include:<br>– the development of the foreign exchange market to include exchange rate hedging instruments;<br>– the establishment of currency swaps and local currency settlement arrangements with foreign monetary authorities;<br>– the issuance by domestic financial institutions of RMB bonds in Hong Kong, China; | 18 January 2011 | "*Promote Financial Reform and Innovation, and Support Balanced and Sustainable Development of National Economy*", POB Assistant Governor speech, 14 January 2011. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | – expanding the settlement of outward direct investment by individuals;<br>– and by broadening the range of institutions that qualify as domestic institutional investors.<br>Measures implemented in the reporting period include the following: | | |
| | – On 6 January 2011, the People's Bank of China (PBOC) issued the "*Administrative Measures for the Pilot RMB Settlement of Outward Direct Investment*" that entered into effect on the same day. The measure seeks to facilitate settling outward direct investment and to expand the use of RMB in cross-border investment and financing. It complements an existing pilot programme for RMB settlement of cross-border trade transactions, which was launched in July 2009 in Shanghai and four cities in Guangdong province and was expanded in June 2010 to cover twenty provinces with a view to apply it nationwide. Only companies registered in an area participating in the pilot RMB settlement in cross-border trade can participate in the new scheme. The PBOC and the State Administration of Foreign Exchange (SAFE) administer the measure. | 6 January 2011 | "*Administrative Rules on pilot program of RMB settlement of Outward Direct Investment*", People's Bank of China Announcement 1/2011, 6 January 2011;<br>"*Promote Financial Reform and Innovation, and Support Balanced and Sustainable Development of National Economy*", POB Assistant Governor speech, 14 January 2011. |
| | – Bank of China began to trade in RMB in the US on 12 January 2011, following the RMB trading in Hong Kong, China in July 2010. | 12 January 2011 | |
| | On 24 December 2010, relevant authorities in the Shanghai Municipality issued *Measures on Implementing the Pilot Program of Foreign Investment in Equity Investment Enterprises*. According to the rule, foreign partners in a sino-foreign equity investment enterprise shall be foreign sovereign wealth funds, pension funds, endowment funds, charity funds, funds of funds (FOF), insurance companies, banks, securities firms and other foreign institutional investors recognized by the relevant authorities in the Shanghai Municipality. | 24 December 2010 | |
| | A circular dated 25 February 2011 clarifies the application of the *Decision concerning Items (V) with respect to Which Administrative Examination and Approval Are Cancelled or Adjusted* (Guo Fa [2010] No.21) and *Some Opinions on Better Utilization of Foreign Investment* (Guo Fa [2010] No.9) promulgated by the State Council. | 25 February 2011 | "*Circular of the Ministry of Commerce on Issues concerning Foreign Investment Administration*", Shang Zi Han [2011] No.72. |
| | A pilot programme that was planned to allow residents of Wenzhou invest directly overseas was postponed *sine die* in late January 2011. According to the announcement made by the Wenzhou Foreign Trade and Economic Cooperation Bureau on 10 January 2011, direct investments by Wenzhou residents would have been allowed up to USD 200 million a year with a cap at USD 3 million for a single project; investment in overseas property or equities markets was also excluded from the programme's scope. | | |
| *Investment measures relating to national security* | On 3 March 2011, a State Council General Office circular dated 3 February 2011 entered into effect. The circular establishes a joint ministerial committee to review foreign acquisitions or mergers with domestic firms. The committee, co-chaired by the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) with the participation of other competent authorities and overseen by the State Council, will carry out national security reviews of foreign acquisitions of or mergers with domestic firms to assess the impact of the acquisition or merger on national defence, national economic stability, basic order in social life, and research and development capacities in key technologies related to national security.<br>In terms of scope, the review covers mergers and acquisitions of domestic military and affiliate enterprises, facilities located near major and sensitive military facilities, as well as other entities related to national security. Also subject to the review are foreign mergers and acquisitions of enterprises in sectors such as major agricultural products, major energy and resources, key infrastructure, major transportation services, key technologies and equipment | 3 February 2011 | "*Circular of the General Office of the State Council on Launching the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*", Guo Ban Fa [2011] No. 6 |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | manufacturing where actual control may be assumed by foreign investors.<br><br>If the merger or acquisition has or may have substantial impact on national security, MOFCOM may, according to the decision made by the joint ministerial committee, suspend the transaction or take other measures including transfer of equity or assets, to eliminate the impact on national security.<br><br>*The Several Opinions of the State Council on Further Utilizing Foreign Capital* issued on 6 April 2010 preceded the introduction of the review mechanism. | | |
| *Emergency and related measures with potential impacts on international investment* | None during reporting period. | | |
| **France** | | | |
| *Investment policy measures* | France's Strategic Investment Fund (Fonds Stratégique d'Investissement, FSI), endowed with EUR 20 billion when established on 19 December 2008, continued to acquire stakes in companies in the pursuit of its objective to support the development of SMEs and stabilise the capital of "strategic companies" in order to prevent the departure of these companies from France. Repeatedly, the intervention of the FSI was suggested when foreign companies announced their interest in taking over individual French companies. According to a statement contained in the FSI's activity report 2010, the FSI is the starting point of an emerging long-term industrial strategy of the country. Still according to the quoted statement, the fund's main role was to dissuade operations that could touch companies considered "strategic" for France and to maintain major centres of economic decision-making in France.<br><br>In 2010 alone, the FSI made 21 investments for a total EUR 1.7 billion. Two thirds of these companies were not listed. The vast majority of the investments were made in the context of capital increases of the concerned firms. At least one acquisition was realised through the acquisition of shares on the market.<br><br>All companies but one – Alcan EP –, in which the FSI invested were under French control at the time of the investment. Alcan EP, in which the FSI now holds a 10% stake, used to be part of French consortium Péchiney until its sale to Rio Tinto in 2003.<br><br>According to the Fund's annual report on 2009, the investment sought to accelerate the development of these enterprises by means of capital increases – or to support companies in temporary difficulties. The acquisition of the stake in Alcan EP, in turn, seeks to anchor the company in France, according to an FSI executive board member.<br><br>The FSI also invested in or considered investing in some companies that were in financial difficulties at the time of the investment. In December 2009, for instance, the FSI acquired 30% in the holding company of Mecachrome International, then under bankruptcy protection. In early 2010 the FSI also considered an investment of EUR 10 million in Heuliez Véhicule Electrique, a new subsidiary of the automotive company Heuliez, which encountered financial difficulties, and eventually entered bankruptcy proceedings on 18 May 2010; nevertheless, due to the difficulties encountered by the company for raising its financing (mainly the EUR 16 million pledged by BKC) and implementing its business plan, the FSI decided not to invest in the company.<br><br>On 6 October 2010, the FSI carried out a significant divestment of one of its positions, the time divestment since its establishment; the FSI sold its entire 6.8% stake in the company through a sales agent for around EUR 227 million. | Ongoing | "*Rapport général n° 101 (2009-2010) de M. Jean-Pierre Fourcade, fait au nom de la commission des finances, déposé le 19 novembre 2009*" parliamentary report, 19 November 2010;<br><br>"*Projet de loi de finances pour 2011 : Compte d'affectation spéciale : participations financières de l'Etat*", *Avis n° 115 (2010-2011) de M. François Patriat* ", parliamentary report, 18 November 2010;<br><br>**"**Rapport d'activité 2010**"**, FSI release;<br><br>"*Résultats 2009 du FSI*", FSI press release, 19 April 2010;<br><br>"*Les orientations stratégiques du Fonds stratégique d'investissement*", undated strategy statement of the FSI;<br><br>"*Augustin de Romanet: 'Nous n'abandonnerons pas nos entreprises aux prédateurs'*", Figaro Magazine, 9 January 2009. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | According to its strategic orientations, the FSI intends to be involved in the governance of the enterprises in which it has holdings. As of mid-February 2011, the FSI held stakes of or exceeding 20% in 5 companies, and two holdings exceeded 33%. These major holdings were for the most part contributions of capital by the French state and were transferred from direct state ownership to the FSI. | | |
| | France continued to operate a series of other state-owned or state co-owned funds established under or in cooperation with the FSI. These funds are also mandated to assist companies to cope with the crisis and the financial difficulties that it triggered and to support "strategic" sectors such as biotechnology (*Innobio*, EUR 140 million), timber (*Fonds Bois*, EUR 5 million) and automotive parts (*Fonds de modernisation des équipementiers automobiles* – FMEA, EUR 400 million, of which EUR 200 million were provided by FSI). A subordinate FMEA has also been created to support automotive part suppliers further up in the supply chain.<br>An additional FSI-run programme for SMEs ("FSI-PME") came into effect on 1 October 2009 with an allocation of EUR 1 billion. Parts of these funds are used for *France-Investissement*, others for "direct investments" for SMEs, notably to increase the rapidity of the mechanism in urgent cases, and the remainder is allocated to two additional state-operated investment structures: *OC+* and the *Fonds de consolidation et de développement des entreprises* (FCDE).<br>This latter fund, endowed with EUR 200 million of which EUR 95 million are contributed by the FSI and the remainder by a consortium of private banks, invests in SMEs that are in financial difficulties due to the crisis, did not succeed in obtaining sufficient investment from private investors, but have potential for development. Individual investments may not exceed EUR 15 million. The fund only takes minority stakes in SMEs that are not listed on a stock market.<br>Overall, these subsidiary funds of the FSI made investments of EUR 200 million in 65 enterprises in 2010. | Ongoing | "*Le FSI lance le programme FSI-PME, destiné à renforcer les fonds propres des PME ayant des projets de croissance*", FSI press release, 5 October 2009;<br>"*Lancement du Fond de consolidation et de développement des entreprises*", press release, Médiateur du crédit, 1 October 2009;<br>FCDE website;<br>"*Un fonds de 200 millions d'euros pour "redonner de l'oxygène" aux PME compétitives mais fragilisées par la crise*", Prime Minister press release, 1 October 2009;<br>"*Aides d'Etat: L'investissement du FMEA français dans le groupe Trèves ne constitue pas une aide d'État*", European Commission press release, 20 April 2011. |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | The last bank in which France continued to hold equity – BPCE – resulting from its participation in France's recapitalisation scheme repaid the last outstanding equity on 23 March 2011. Under the scheme, the *Société de prise de participation de l'État* (SPPE), a wholly state-owned investment company, bought securities from eligible banks. BPCE, which had received a capital injection of EUR 7.05 billion, reimbursed parts of SPPE's holdings in March, August, October and December 2010 and March 2011<br>Six French banks had initially participated in the scheme until late 2009, when five of the banks reimbursed the capital. The scheme includes obligations for beneficiary banks with regard to financing the real economy the observance of which are monitored locally and nationally. A mediation system is also planned to ensure compliance with the obligations. The programme had a budget ceiling of EUR 21 billion. | | European Commission decisions N613/2008, N29/2009, N164/2009 and N249/2009;<br>"*Faits marquants BPCE : juillet 2009- août 2010*", BPCE press information, 5 August 2010 ;<br>"*Nouvelle composition du conseil de surveillance de BPCE*", BPCE press release, 6 October 2010 ;<br>"*BPCE finalise la cession de la Société Marseillaise de Crédit*", BPCE press release, 22 September 2010;<br>"*BPCE reimburses the French state in full*", BPCE press release, 24 March 2011. |
| | France continued its support to the Dexia Group, jointly granted with Belgium and Luxembourg, through three main measures:<br>– As a result of a capital injection undertaken in September 2008, France directly holds equity of Dexia for a nominal amount of EUR 1 billion while the CDC holds EUR 1.7 billion;<br>– France continued to guarantee 36.5% of approximately EUR 43 billion debt of Dexia (Belgium and Luxembourg guarantee the remaining 60.5% and 3% of Dexia's debt, respectively; the aggregate commitment by | | European Commission decisions NN49/2008, N583/2009 and C9/2009;<br>"*Guarantee Agreement between the Belgian State, the French State, the Luxembourg State and Dexia SA/NV*", undated archive of the total outstanding amount of Dexia's "Guaranteed Liabilities" made available by the National Bank of Belgium; |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | the three States may not exceed a maximum amount of EUR 100 billion); debt issued since 30 June 2010 is no longer covered by a State guarantee;<br>– France guarantees, jointly with Belgium, a sale option concluded by Dexia on a portfolio of impaired assets amounting to USD 17 billion; France guarantees 37.6% of the nominal value of the assets while Belgium guarantees 62.4%. | | "*Positive outcome from European Commission negotiations*", Dexia press release, 6 February 2010;<br>"*Renewal of States guarantee on Dexia's funding for one year*", Dexia press release, 18 September 2009;<br>"*Deuxième Avenant à la Convention de Garantie Autonome*"; 17 March 2010. |
| | While France had discontinued its scheme for refinancing credit institutions on 30 November 2009, it continued to guarantee loans of financial institutions that had participated in the scheme. In May 2009, these guarantees covered loans of approximately EUR 50 billion, of which around EUR 10 billion had maturities of over 3 years. Overall, 13 French financial institutions, including two banks of French car companies Renault and PSA, participate in the support scheme. The scheme, which came into effect on 30 October 2008 and was extended in May 2009, established the wholly state-owned *Société de Financement de l'Economie Française* (SFEF, previously known as Société de refinancement des activités des établissements de crédits – SRAEC). The scheme authorised SFEF to provide medium and long-term financing to any bank authorised in France, including the subsidiaries of foreign groups. SFEF benefitted from a state guarantee and was allowed to extend lending up to EUR 265 billion. Credit institutions that benefitted from the scheme had to pay a premium over and above the normal market price and had to make commitments regarding their conduct, including the extension of loans to the real economy. | | European Commission decisions N548/2008 and N251/2009. |
| | The French government also continued to provide loans to three French automakers, Renault, Renault Trucks and PSA/Peugeot-Citroën. PSA et Renault Group had each received EUR 3 billion in early 2009 in return for a commitment not to shut any plants in France for 5 years, corresponding to the duration of a loan of a combined EUR 6.5 billion to the three companies. Then, France provided a commitment to the European Commission that the loan agreements "will not contain any condition concerning either the location of their activities or the requirement to prioritise France-based suppliers". In September 2010 and late February 2011, Renault and PSA/Peugeot-Citroën reimbursed in two tranches EUR 2 billion each, and in November 2010, Renault Trucks reimbursed EUR 250 million. The companies announced further early reimbursements in April 2011. | | Response of the Minister for Industry to a question at the National Assembly, question no. 1837, Journal Officiel,13 January 2010, p.6;<br>Comptes rendus de la Commission de l'économie, 17 February 2010;<br>"Questions/Réponses—Le Pacte Automobile", government note, 6 March 2009. |
| | The French government also continued to extend a EUR 100 million loan to Renault for the production of the firm's electric car *Zoé* in France. The French government had provided this loan on 17 February 2010, but it was not yet disbursed at the end of the reporting period. A formal agreement between the government and the company, in which France holds a 15% stake, also foresees that 70% of the components for the car be sourced in France, up from the planned 40%, after two years of production.<br>The requirement to source French-made components is an expression of the broader Government policy to require car companies in France to increase the share of French-made components in their automobile manufacturing. | | Response of the Minister for Industry to a question at the National Assembly, question no. 1837, Journal Officiel,13 January 2010, p.6;<br>Comptes rendus de la Commission des finances, 17 February 2010. |
| | France prolonged until 31 December 2010 and continued to implement four out of its five temporary framework schemes that it had established to support the real economy manage the consequences of the crisis. These prolonged schemes include: | | |
| | – France prolonged until 31 December 2011 its scheme for small amounts of aid of up to EUR 500 000 per undertaking in 2009-2011 combined. The scheme had come into effect on 19 January 2009. Over 1,000 enterprises were expected to benefit from the scheme. | Ongoing | European Commission decisions N7/2009, N188/2009, N278/2009 and SA.32140. |
| | – France prolonged until 31 December 2011 its scheme for aid in form of subsidised interest rates for loans | Ongoing | European Commission decisions N15/2009 and SA.32182. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | contracted no later than 31 December 2011; the subsidy may only remain in place on interest payments before 31 December 2012. The scheme came into effect on 4 February 2009, and was expected to assist more than 1000 enterprises. | | |
| | – France prolonged until 31 December 2011 its scheme concerning subsidized guarantees to companies for investment and working capital loans. The scheme came into effect on 27 February 2009. In 2009 alone, over 3000 enterprises benefited from the scheme, of which 80% were SMEs that obtained an aggregate 30% of the guarantees. | Ongoing | European Commission decisions N23/2009 and SA.32183. |
| | – Finally, France also prolonged until 31 December 2011 and continued to implement a temporary aid scheme to support access to finance for the agriculture sector. This framework scheme, which was introduced 2 December 2009, allows federal, regional and local authorities to provide until 31 December 2010 direct grants, interest rate subsidies, and subsidised loans and guarantees. The overall budget of the scheme is limited to EUR 700 million, and the French authorities expect up to 1,000 companies to benefit directly from the scheme. | Ongoing | European Commission decisions N609/2009 and SA.32173. |
| | On 31 December 200, France discontinued a framework scheme, which had come into effect on 3 February 2009, allowed to grant loans with a reduced interest rate for up to two years to businesses investing in the production of "green" products (i.e. products that comply with or overachieve EU environmental product standards that have been adopted but are not yet in force). The scheme was open for companies of any size and in any sector, and the expected beneficiaries included in particular the automotive industry. At the inception of the scheme, the French government estimated that about 500 enterprises would benefit from this scheme. | Until 31 December 2010 | European Commission decision N11/2009. |
| **Germany** | | | |
| *Investment policy measures* | None during reporting period. | | |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | Germany closed its last programme for support to the financial sectors to new entrants. Between 1 October 2008 and 1 October 2010, Germany provided banks with EUR 454 billion according to European Commission calculations. Of the EUR 262 billion provided in 2009 alone, EUR 212 billion were given as guarantees on bank liabilities, EUR 40 billion in capital injections, and EUR 10 billion for the relief of impaired assets. | | Speech by Joaquín Almunia, delivered on 2 February 2011. |
| | On 31 December 2010, the Financial Market Stabilisation Fund (SoFFin) closed for new entrants. SoFFin served as Germany's vehicle to provide state assistance to financial institutions in response to the crisis. Financial institutions, including subsidiaries of foreign institutions established in Germany, could apply for assistance.<br>SoFFin also assumed risk positions and provided the umbrella for the establishment by banks of liquidation institutions ("bad banks").<br>Despite the closure for new entrants, the Fund continues to hold guarantees underwritten and capital acquired during its operation since its establishment on 17 October 2008. As of 31 December 2010, SoFFin provided guarantees to 9 banks for a total EUR 63.63 billion, and held EUR 29.3 billion of capital in 4 banks resulting from recapitalisation measures. SoFFin had also established two liquidation institutions ("bad banks") for WestLB and Hypo Real Estate Holding AG (HRE). Transfer of assets and liabilities to these liquidation institutions significantly reduced guarantees previously provided by the SoFFin: In early October 2010, SoFFin guarantees still covered | | European Commission decisions N512/2008, N625/2008, N330/2009 and N665/2009, N222/2010;<br>"*Stabilisierungsmaßnahmen des SoFFin*", SoFFin website;<br>Law of 17 October 2008 (Finanzmarktstabilisierungsfondsgesetz—FMStFG);<br>"*Law on the development of financial market stabilisation/Gesetz zur Fortentwicklung der Finanzmarktstabilisierung*", in force since 23 July 2009.<br>*"Zwischenbilanz der Bundesanstalt für Finanzmarktstabilisierung – Deutsche Bankenrettung im internationalen Vergleich erfolgreich*", SoFFin Press release, 28 January 2011 |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | EUR 174.58 billion. By 30 September 2010, SoFFin had received applications from 25 institutions with a gross volume of EUR 261.3 billion. | | |
| | At the end of the reporting period, only a very small fraction of the positions that SoFFin has taken in financial institutions since its inception have been unwound. 99% of the overall equity holdings that SoFFin had acquired at its peak remain with the Fund. On 16 July 2010, Aareal Bank became the first financial institution to begin repayment of SoFFin's silent participation of EUR 525 million that the bank had received in early 2009. Aareal Bank reimbursed EUR 150 million in 2010 and another EUR 75 million on 28 April 2011. | 16 July 2010 | "*Aareal Bank starts repayment of the SoFFin silent participation ahead of plan, enhances funding flexibility through a precautionary measure*", Aareal Bank Group press release, 28 June 2010. |
| | No specific policy or schedule has been published for the unwinding of assets resulting from capital injections.<br>On 25 January 2011, Commerzbank, which has benefited from a SoFFin guarantee, a silent participation of EUR 16.4 billion and a recapitalisation leading to a government equity holding of 25% plus one share, increased its capital. SoFFin kept its quota of 25% plus one share through conversion of EUR 221 million of its silent participation to shares. Commerzbank indicated that it intends to reduce the silent participation by EUR 14.3 billion until June 2011. Thereby, part of the Government's silent participation could be changed to shares. A law on restructuring, which came into effect on 1 January 2011, facilitates such further steps towards unwinding SoFFin's positions. | | „*Commerzbank: Aktienanzahl nach Kapitalmaßnahmen auf rund 1,34 Mrd Aktien erhöht*", Commerzbank press release, 28 January 2011;<br>„*Commerzbank will Stille Einlagen des SoFFin weitgehend zurückführen*", Commerzbank press release, 6 April 2011;<br>Restrukturierungsfondsgesetz, 9 December 2010, BGBl. I S. 1900, 1921. |
| | The Restructuring Act sets up a new restructuring fund to finance the prospective measures under the restructuring law, e.g. restructuring and reorganisation of distressed systemically important banks. The restructuring fund will be funded through a bank levy. | | |
| | Guarantees are unwound at a quicker pace, as the establishment of bad banks and the transfer of illiquid assets made a large share of these guarantees redundant. HRE for instance has returned guarantees covering EUR 109 billion. Other guarantees will take longer to unwind, as some of the guaranteed debt has maturities of up to three years, and guarantees are unconditional and irrevocable. Commerzbank for instance has issued three-year bonds guaranteed by SoFFin with a nominal value of EUR 5 billion, maturing on 13 January 2012. | | |
| | SoFFin also continues to host two liquidation institutions ("*bad banks*") for WestLB and Hypo Real Estate Holding AG (HRE). Both these liquidation institutions are legally entitled to take over additional assets from WestLB and HRE should this become necessary. | | |
| | The liquidation institution for WestLB, established under SoFFin on 11 December 2009, held a portfolio of non-strategic, illiquid assets with a nominal value of EUR 77.5 billion. In addition to hosting the "bad bank", SoFFin also continues to hold capital in WestLB resulting from a EUR 3 billion capital injection that can be turned into shares at a later stage, whereby a 49% stake in the bank may not be exceeded. On 4 November 2010, the European Commission requested that a new restructuring plan for WestLB be developed until 15 February 2011 to set off the competitive distortions of an additional estimated EUR 3.4 billion in state aid granted in the process of transferring its portfolio of impaired assets to the bad bank. The options proposed on 15 February 2011 imply a further downsizing of WestLB but are yet to be accepted by the European Commission. | | European Commission decisions C43/2008, N531/2009, C40/2009 and N249/2010;<br>"*Bundesanstalt für Finanzmarktstabilisierung errichtet Abwicklungsanstalt der WestLB*", SoFFin press release, 14 December 2009;<br>"*SoFFin unterstützt WestLB*", SoFFin press release, 26 November 2009. |
| | Germany submitted an enhanced proposal to the European Commission on 15 April 2011, of which details are still being discussed. The European Commission has requested a final proposal until June 2011. | | |
| | The liquidation institution for Hypo Real Estate Holding AG (HRE) was established under SoFFin on 8 July 2010, and holds impaired assets of a nominal value of EUR 173 billion since 30 September 2010. As part of this | 30 September 2010, 8 July 2010 | European Commission decisions C15/2009, N557/2009; N161/2010; N694/2009; and N380/2010.<br>"*SoFFin löst Liquiditätsfazilität ab –* |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | transfer, bonds guaranteed by SoFFin – and issued by HRE for its funding – in the amount of approximately EUR 124 billion were also transferred to the liquidation institution. The remaining SoFFin-guaranteed bonds of EUR 15 billion in 2011 were phased out on 16 March 2011.<br><br>The establishment of the liquidation institution for HRE follows a series of earlier interventions, including two capital increases by EUR 3 billion and EUR 1.85 billion, respectively to a total amount of EUR 8.15 billion, following a squeeze-out of remaining shareholders on 13 October 2009 that left SoFFin the sole owner of HRE. SoFFin also provided the fully state-owned bank a series of guarantees: a SoFFin guarantee of EUR 43 billion replaced an earlier guarantee of the same amount provided by the Federal Government and a consortium of financial institutions on 21 December 2009; an additional guarantee of EUR 10 billion was reactivated on 28 May 2010, and a further guarantee of EUR 40 billion was granted on 10 September 2010 to cover a possible temporary liquidity shortfall before and during the transfer of assets to the bad bank.<br><br>Three additional financial institutions, which are all state-controlled, continue to benefit from state guarantees and capital as a result of earlier measures that were taken outside the SoFFin scheme: | | *Restrukturierung der HRE schreitet voran"*, SoFFin press release, 21 December 2009;<br><br>"*FMS Wertmanagement – Abwicklungsanstalt der Hypo Real Estate Gruppe (HRE) gegründet*", SoFFin press release, 8 July 2010;<br><br>"*Garantierahmen der HRE temporär um bis zu 40 Mrd. Euro aufgestockt*", SoFFin press release, 10 September 2010;<br><br>„*Befüllung der FMS Wertmanagement zum 30. September 2010 beschlossen*", SoFFin press release, 22 September 2010;<br><br>„*HRE – Abspaltung auf die FMS Wertmanagement erfolgreich verlaufen*", SoFFin press release, 3 October 2010. |
| | – The state-controlled Nord/LB had obtained a guarantee for placing securities with a maturity of not more than five years of up to a total of EUR 20 billion. | | European Commission decisions N655/2008 and N412/2009. |
| | – LBBW, another state-controlled bank, had received a capital injection of EUR 5 billion and a public guarantee of EUR 12.7 billion for a period of 5 years. The bank undergoes restructuring following a restructuring plan that became effective on 15 December 2009. LBBW plans to start repaying the capital resulting from the capital injection from 2014 onwards. | 15 December 2009 | European Commission decisions N365/2009 and C17/2009. |
| | – BayernLB had received State emergency aid in form of a risk shield of EUR 4.8 billion and a capital injection of EUR 10 billion, leading to a 94% ownership stake of Bayern. BayernLB also continues to benefit from a guarantee of currently EUR 4.73 billion, down from EUR 15 billion, under the SoFFin scheme. | | European Commission decisions N615/2008, N254/2009 and C16/2009. |
| | On 31 December 2010, Germany closed the by far largest aid programme for the non-financial sectors, the *Wirtschaftsfonds Deutschland* and one smaller scheme: | | |
| | – On 31 December 2010, Germany discontinued its loan and guarantee programme "*Wirtschaftsfonds Deutschland*", which had begun operations on 5 November 2008. With a gross volume of up to EUR 115 billion, the Fonds was Germany's largest support programme for the non-financial sectors, both in terms of financial volume and number of beneficiaries. Over the lifespan of the fund, around EUR 14 billion, only about 13% of the available volume, were disbursed to about 21,000 companies. Around 95% of beneficiaries were SMEs, but around 40% of the aid by volume was provided to large companies. The scheme consisted of a loan component (capped at EUR 40 billion) administered by the State-owned development bank (KfW) and a loan guarantee component (capped at EUR 75 billion). | Until 31 December 2010 | European Commission decision N661/2008.<br><br>„*Verabschiedung des Lenkungsrates Unternehmensfinanzierung*", press statement of the Federal Minister of Economics and Technology, 25 January 2011. |
| | – Germany also discontinued its scheme that allowed, since its inception on 3 February 2009, authorities at federal, regional and local levels to grant aid in various forms: subsidized guarantees for investment and working capital loans concluded by 31 December 2010, loans at reduced interest rates and granting of risk capital. | Until 31 December 2010 | European Commission decision N39/2009. |
| | Germany extended or requested the extension until 31 December 2011 of five aid schemes for the non-financial sectors: | | |
| | – Germany notified an extension of its scheme under | Until | European Commission decisions |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | which businesses investing in the production of "green" products can obtain reduced interest rates on loans. The scheme, which entered into effect on 5 August 2009 is open for companies of any size and any sector, and the expected beneficiaries include in particular the automotive industry and products related to Ecodesign measures. At the inception of the scheme, the German authorities estimated that over 1,000 companies would benefit from the schemes, but as of April 2010, the scheme had not been used. At the end of the reporting period European Commission had not authorised the extension for 2011. | 31 December 2010 | N426/2009 and SA.32029. |
| | – Germany extended its framework scheme for small amounts of aid until 31 December 2011 and continued to implement the scheme. The scheme, which came into effect on 30 December 2008, authorises the government to provide businesses with aid in various forms up to a total value of EUR 500 000 each. At the inception of the scheme, the German authorities expected the scheme to benefit more than 1,000 enterprises. | Ongoing | European Commission decisions N668/2008, N299/2009, N411/2009, N255/2010 and SA.32031. |
| | – Germany extended until 31 December 2011 and continued to implement its low interest loans scheme. The scheme had initially come into effect on 26 January 2009 and provides for loans with a reduced interest rates; the reduction of the interest rate may be applied for interest payments until 31 December 2013 only. At the prolongation in late December 2010, the German authorities estimated that the number of beneficiaries in 2011 will be between 500 and 1000 and that the aid volume available during 2011 would not exceed EUR 2.5 billion. | | European Commission decisions N38/2009 and SA.32030; |
| | – Germany extended until 31 December 2011 and continued to implement its guarantee scheme under the Temporary Framework. The scheme is open for SMEs and large companies alike, but since 1 January 2011, new guarantees to large companies may relate to investment loans only, while SMEs can also obtain guarantees on working capital loans. | | European Commission decisions N27/2009 and SA.32032; |
| | – Finally, Germany prolonged until 31 December 2011 and continued to implement a temporary aid scheme to support access to finance for the agriculture sector. The framework scheme, which came into effect on 23 November 2009, allows federal, regional and local authorities to provide until 31 December 2011 direct grants, interest rate subsidies, and subsidised loans and guarantees. | Ongoing | European Commission decisions N597/2009 and SA.32170. |
| **India** | | | |
| *Investment policy measures* | With the entry into force of the new Consolidated FDI Policy on 1 April 2011, India introduced a number of liberalisation steps for foreign investment. Among other changes, foreign companies operating through existing joint ventures or technical agreements may henceforth set up new units in the same business without prior government approval. Also, foreign companies that have an existing joint venture in India will not need the permission of the local partner if they want to set up a wholly-owned subsidiary in the same field of business. The policy announced in the new Circular also allows the conversion of non-cash items such as the import of capital goods, machinery and pre-operative or pre-incorporation expenses into equity with approval from the government. Also permitted is foreign direct investment in the development and production of seeds and planting materials, which were only allowed under 'controlled conditions'. | 1 April 2011 | "*Consolidated FDI Policy*", Circular 1 of 2011, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry;<br>Press release, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry. |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures* | None during reporting period. | | |

| | Description of Measure | Date | Source |
|---|---|---|---|
| *with potential impacts on international investment* | | | |
| **Indonesia** | | | |
| *Investment policy measures* | None during reporting period. | | |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | None during reporting period. | | |
| **Italy** | | | |
| *Investment policy measures* | In March and April 2011, Italy took a series of steps to set up a mechanism that would enable a state-owned company to acquire equity investments in companies of major national interest provided they have a stable financial position and performance, adequate profit-generating prospects and that meet the requirements established by the Minister for the Economy and Finance decree adopted on 3 May 2011. These equity investments may be acquired through corporate vehicles or investment funds. | March and April 2011 | Decreto-Legge of 25 March 2011, n. 26 "*Misure urgenti per garantire l'ordinato svolgimento delle assemblee societarie annuali*." Official Gazette No. 70 of 26 March 2011.<br>"*Assemblea Straordinaria: approvate modifiche statutarie*", Cassa Depositi e Prestiti press release No.14/2011, 11 April 2011. |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | Italy discontinued its bank recapitalisation scheme on 31 December 2010. The scheme had run between 23 December 2008 and 31 December 2009 and was reintroduced on 1 October 2010 before it expired anew at the end of 2010. The scheme authorised the injection of capital by acquisition of undated special financial instruments from banks incorporated under Italian law, including subsidiaries of foreign banks. The Ministry of Economy and Finance administered the scheme and the Bank of Italy was involved in the evaluation of applicant institutions. During the first implementation period, four institutions had been recapitalised under the scheme and retain capital at the end of the reporting period: *Gruppo Banco Popolare* (EUR 1.45 billon, 31 July 2009); *Gruppo Banca Popolare di Milano* (EUR 500 million, 4 December 2009); *Gruppo Credito Valtellinese* (EUR 200 million, 30 December 2009); and *Gruppo Monte Paschi di Siena* (EUR 1.9 billion, 30 December 2009). | Until 31 December 2010 | Article 12 of Decree-Law No 185 of 28 November 2008 and implementing decree; Article 2.1 of Decree Law No. 125 of 5 August 2010. European Commission decisions N648/2008, N97/2009, N466/2009 and N425/2010. |
| | Italy prolonged until 31 December 2011 and continued to implement three of its four support schemes for the non-financial sectors: | | |
| | – A scheme for granting guarantees for investment and working capital loans to companies, which entered into effect on 28 May 2009. Both SMEs and large firms can access the guarantees, and the Italian authorities estimated at the inception of the scheme that more than 1000 firms would benefit from the measure. | Ongoing | European Commission decisions N266/2009 and SA.32035. |
| | – An aid scheme for granting subsidised interest rates on loans; the subsidy applies to interest payments due before 31 December 2012. Both SMEs and large firms can benefit from the scheme, and the Italian authorities estimated at the inception of the scheme that more than 1000 firms would benefit from the measure. This scheme entered into effect on 29 May 2009. | Ongoing | European Commission decisions N268/2009 and SA.32039. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | – A scheme that allows authorities at national, regional and local levels to provide businesses with aid in various forms up to a total value of EUR 500 000 each. The measures came into effect on 11 May 2009 and was amended twice to take into account revisions of the temporary framework (in February 2010 to include the agricultural sector into the scope of application and in December 2010 to align it to the amended temporary framework. At the inception of the scheme, the Italian authorities estimated that more than 1000 companies would benefit from aid granted under the scheme. In April 2010, Italy reported that only 8% of the budget allocated for this scheme had been used.<br>A later modification of the scheme added the possibility to grant state support of up to EUR 15,000 to individual firms in the agriculture sector. This addition came into effect on 1 February 2010.<br>The extension of the scheme until 31 December 2011 left the overall ceiling for aid per enterprise unchanged. | Ongoing | European Commission decisions N248/2009, N706/2009 and SA.32036. |
| | On 31 December 2010, Italy discontinued a scheme that allowed subsidies on interest rates for investment loans for the production of "green" products (i.e. products that comply with or overachieve EU environmental product standards that have been adopted but are not yet in force). The scheme was open for companies of any size and any sector, and the automotive industry was a particular target of the aid. The scheme, budgeted of up to EUR 300 million, and introduced on 26 October 2009, was open to companies of all sizes, and over 1,000 undertakings were expected to benefit directly from the scheme. The scheme was administered by the Ministry for Economic Development. | Until 31 December 2010 | "Decreto del Presidente del Consiglio dei Ministri del 3 giugno 2009" and "Dettagli operativi";<br>European Commission decision N542/2009. |

## Japan

| | | | |
|---|---|---|---|
| *Investment policy measures* | None during reporting period. | | |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | While Japan had discontinued its Stock Purchasing Program on 30 April 2010, the Bank of Japan continued to hold assets resulting from the scheme's operation. Since the Bank resumed the Program on 23 February 2009, it had purchased JPY 387.8 billion stocks held by banks. Under the Program, the Bank of Japan bought eligible listed stocks (e.g., those with a rating of at least BBB-) at market price from eligible banks of those holding current accounts with the Bank of Japan, up to a limit of JPY 250 billion per bank and up to an overall cap of JPY 1 trillion. This stocks-purchasing was implemented to support financial institutions' efforts to reduce market risk associated with stockholdings, to ensure the stability of the financial system. | | "*Termination of the Stock Purchasing Program*", Bank of Japan release, 30 April 2010;<br>"*The Bank of Japan to Resume Stock Purchases Held by Financial Institutions*", Bank of Japan release, 3 February 2009. |
| | Japan continued to implement its capital injection programme. Under the programme, which is based on the Act on Special Measures for Strengthening Financial Functions, the Japanese government injects capital into deposit-taking institutions to help them properly and fully exercise their financial intermediary functions to SMEs. The programme is scheduled to expire on 31 March 2012. The overall budget for capital injections is capped at JPY 12 trillion. | Ongoing | "*Financial Assistance and Capital Injection by Deposit Insurance Corporation of Japan*", FSA website.<br>www.fsa.go.jp/common/diet/170/index.html.<br>www.fsa.go.jp/news/20/20081216-3.html. |
| | Japan also continued to operate the share purchase programme of the Banks Shareholding Purchase Corporation (BSPC). Japan had reactivated this programme in March 2009. The programme originally expired on 31 September 2006 but it was extended to March 2012. The BSPC is an authorised corporation which can purchase shares issued and/or owned by member banks, upon request from the member banks. Currently all members are Japanese banks, but local branches of foreign banks are | Ongoing | www.bspc.jp/pdf/saikai.pdf. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | eligible to become members as well. The amended Act on Special Measures for Strengthening Financial Functions which was enacted in March 2009 provides a government guarantee up to JPY 20 trillion for the BSPC's operations. | | |
| | On 30 September 2010, Japan discontinued a programme under which the government-owned Japan Finance Corporation (JFC) covered parts of losses that designated financial institutions had suffered as a result of providing financing to business operators that implemented an authorized business restructuring plan. The measure had come into force under an amendment to the Act on Special Measures for Industrial Revitalisation and a related cabinet ordinance on 30 April 2009. On 19 March 2010, the government had extended the duration of the measure until the end of September 2010. | Until 30 September 2010. | Ministry of Economy, Trade and Industry press release (in Japanese);<br>"*Cabinet Ordinance to Partially Amend the Enforcement Order for the Act on Special Measures for Industrial Revitalization*", Ministry of Economy, Trade and Industry press release, 24 April 2009;<br>"*Emergency Economic Countermeasures for Future Growth and Security*", Cabinet Decision, 8 December 2009. |
| | The government extended the period of crisis response operations in which the Development Bank of Japan and Shoko Chukin Bank provide two-step loans and purchase Commercial Paper from the end of March 2010 to the end of March 2011. | | "*Emergency Economic Countermeasures for Future Growth and Security*", Cabinet Decision, 8 December 2009. |
| | Japan also continued to implement measures to enhance credit supply to firms: It increased the funds available for emergency credits for SMEs from JPY 30 trillion to JPY 36 trillion and increases the volume of safety-net loans by government-affiliated financial institutions from JPY 17 trillion to JPY 21 trillion. | | "*Emergency Economic Countermeasures for Future Growth and Security*", Cabinet Decision, 8 December 2009. |
| | The state-backed Japan Bank for International Cooperation (JBIC) implemented temporary measures that provide Japanese companies with loans and guarantees to finance their investment projects in developing and advanced economies. The support is provided by JBIC or through domestic financial institutions that receive two-step five-year loans from JBIC with a total volume of up to USD 3 billion. These financial institutions are required to on-lend these funds to Japanese firms operating overseas, including to SMEs, mid-tier firms and second-tier large corporations to further support firms governed by Japanese law by financing their overseas subsidiaries' business activities.<br>Eligible for support under the schemes are: (1) Japanese companies and their overseas subsidiaries and affiliates conducting business operations in industrial countries; and (2) major Japanese companies having equity stakes in projects in developing countries (overseas investment loans). The measure, which was initially scheduled to expire at the end of March 2010, was extended on 15 February 2010 by one year until the end of March 2011. By 31 March 2011, 140 financing operations – loans and guarantees – had been carried out with an overall amount of over JPY 2 trillion. | | "*Overseas Investment Finance for Japanese Firms to Finance Their Business Operations in Industrial Countries*", JBIC release, 15 January 2009;<br>"*JBIC's Response to Global Financial Turmoil*", JBIC release, 15 January 2009;<br>"*JBIC's Response to Global Financial Turmoil No. 2*", JBIC release, 2 April 2009;<br>"*Public Invitation to Domestic Financial Institutions to Apply for Two-Step Loans Based on 'Countermeasures to Address the Economic Crisis'*", JBIC news release NR/2009-10, 26 May 2009;<br>"*JBIC Extends Emergency Measures Intended to Respond to Global Financial Turmoil*", JBIC release, 26 February 2010;<br>"*JBIC's Emergency Measures in Response to Global Financial Turmoil*", JBIC News Release NR/2010-4, 13 April 2010. |
| **Korea** | | | |
| *Investment policy measures* | None during reporting period. | | |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | The Republic of Korea continued to operate its Corporate Restructuring Fund. The fund, which is administered by Korea Asset Management Corporation (KAMCO), is to purchase until 2014 non-performing loans from financial institutions as well as assets of the companies that undergo restructuring. The fund will purchase above-mentioned loans and assets within the amount of KRW 10 trillion in 2010. The Fund disposes of up to KRW 40 trillion (USD 27 billion) through government-guaranteed bonds. | Ongoing | |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | KAMCO continued to implement the ship purchase scheme and continued to purchase vessels from shipping companies to help them cope with short-term liquidity problems. The scheme was expanded in November 2009. The shipping fund, which has a volume of KRW 4 trillion, has been established through contributions from private investors and financial institutions as well as from the Restructuring Fund managed by KAMCO. The fund was initially established on 13 May 2009 as part of efforts to facilitate restructuring of the shipping industry and began purchasing ships in July 2009. | Ongoing | "*Restructuring Initiatives for Shipping Industry*", Financial Services Commission Press release, 23 April 2009. |
| | Korea Eximbank continued to implement its "Korean Hidden Champions Initiative." Under this seven-year-programme, which was launched in November 2009, Korea Eximbank provides financial support for selected Korean SMEs (so called 'candidates for hidden champion'; 111 such hidden champions have been identified as of April 2011) that stand out for their high growth potential and advanced technology of their products. In order to provide the candidates with a variety of financing services, Korea Eximbank developed innovative financial products such as Export Credits for R&D, Export Credits for Overseas Market Development and packaged facility which customises several financial services based on individual firm's long-term business plans. | Ongoing | Korea Eximbank annual report 2010. |
| | On 17 November 2010, Korea Eximbank announced the launch of the "Green Pioneer Program". The programme is planned to support 200 selected green enterprises with USD 20 billion annually until 2020. Korea Eximbank expects that around 50 enterprises become new players in the market under this program. | 17 November 2010 | "*Launch of a "Green Pioneer Program"*", Korea Eximbank press release, 25 November 2010. |
| | Under its Overseas Investment Credit programme, Korea Eximbank continued to provide credit to Korean companies for equity participation in foreign companies. On 25 October 2010, for instance, Korea Eximbank provided USD 500 million – 70% of the total acquisition price – to SK Networks Corp. to support the SK's takeover of 15% of Brazilian iron ore mining company MMX. On 6 October 2010, the Bank provided financing of USD 750 million for the takeover of the British oil and gas explorer, Dana Petroleum Plc. by Korea National Oil Corporation, corresponding to 25% of the total takeover price. On 26 July 2010, Korea Eximbank announced to support the acquisition of an Australian iron ore mine by POSCO with USD 250 million, 42% of the purchase price. | Ongoing | "*Overseas Investment Credit*", Korea Eximbank website. |
| **Mexico** | | | |
| *Investment policy measures* | None during reporting period. | | |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | None during reporting period. | | |
| **Russian Federation** | | | |
| *Investment policy measures* | On 1 February 2011, the Central Bank of Russia introduced a differential rate for mandatory reserve requirements for liabilities of resident and non-resident companies. In the reporting period, it increased the rate twice – on 1 March 2011 and 1 April 2011 –, each time widening the difference between rates for resident and non-resident companies further. On 1 April 2011, the rate for non-resident companies rose to 5.5%, up from 4.5%, while domestic companies had to set aside 4%, up from 3.5%. Russia had | 1 February 2011, 1 March 2011, 1 April 2011. | "*Required Reserve Ratios Set for Credit Institutions*", Bank Rossii website;<br>"*Monetary Policy Measures*", Bank Rossii website. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | abolished different rates of reserve requirements of resident and non-resident banks on 15 October 2008. | | |
| | On 15 February 2011, a bill that would amend to the Federal Law "*On Procedures of Foreign Investments in Business Entities of Strategic importance for National Defence and State Security*" (No.57-FZ) was tabled before the State Duma after passing the Commission of the Government of the Russian Federation on Legislative Drafting and by the Presidium of the Government of the Russian Federation. The State Duma has since expressed an initial approval of the Bill. Once entered into effect, the amendments would relax the limits on foreign investments in strategic industries and simplify the related procedures for investors that were introduced in Law No.57-FZ in 2008. In particular, the amendments would exclude certain banking from the list of strategic industries and eliminate control over transactions regarding the use of subsoil resources exercised as part of an additional equity issue unless such issue increases the share of a foreign investor in the authorised capital of the use of subsoil resources. Strategic sectors under Law No.57-FZ include oil, gas, and the nuclear industry, arms production, fisheries, aerospace, the media, and also food companies dealing with infectious agents and radioactive sources. The bill is part of a liberalisation measures announced by the Prime Minister of Russia in late December 2010.<br><br>A second liberalisation of the Law on Foreign Investment in Strategic Industries was being prepared in late March 2011 upon proposal by the Federal Anti-Monopoly Service. Once into force, this amendment would raise the limit of authorised foreign investment in strategic oil, gas and metals producers to 25%, up from currently 10%. | 15 February 2011 | "*The first package of amendments" to the Law "On Foreign Investments…" is introduced to the State Duma of the Russian Federation*", Federal Antimonopoly Service of the Russian Federation announcement, 18 February 2011. |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | Russia continued to implement policies and programmes announced under the Anti-Crisis guidelines for 2010, which the Russian Government had issued on 30 December 2009. The guidelines stipulate that certain anti-crisis measures adopted in the Russian Government's Anti-Crisis Programme for 2009 will continue to be implemented throughout 2010 and new measures will be approved as necessary. The 2010 Anti-Crisis guidelines allocated RUB 195 billion to the implementation of the measures. The measures that Russia continues to implement include the following:<br><br>– Russia supports "backbone" organisations, i.e. companies that have important impacts on the Russian economy and that are eligible for state support measures. An Interdepartmental Working Group allocates support in the form of capital injections, direct state support and state guarantees of loans to the 295 enterprises designated by the Government Commission on Sustained Economic Development as backbone organisations.<br><br>– Russia provides financial support to some large domestic companies, including car maker AvtoVAZ, United Aircraft Building Corporation, railway wagon producer Uralvagonzavod and Oboronprom industrial corporation. In late December 2009 the Government allocated RUB 28 billion to AvtoVAZ. An additional RUB 10 billion have been reserved for disbursement once the restructuring programme developed with and approved by shareholders for AvtoVAZ has been completed. This support to the company follows earlier allocations of RUB 37 billion to service the company's debts and RUB 5 billion to implement programmes to support and re-train workers. United Aircraft-Building Corporation will receive, in 2010, RUB 11 billion; Uralvagonzavod will receive RUB 10 billion.<br><br>– Russia also allocated, for the whole of 2010, guarantees of RUB 80 billion to small businesses. In addition, | Until 31 December 2010 | "The Anti-Crisis Guidelines of the Government of the Russian Federation for 2010", Protocol No. 42 of Russian Government meeting dated 30 December 2009;<br><br>"Russian Government's Anti-Crisis Programme for 2009", 9 June 2009;<br><br>Cabinet meeting record, 30 December 2009.<br><br>"*Priority Measures of the Russian Government – List of Anti-Crisis Measures Being Implemented by the Russian Government and the Central Bank of Russia*", Permanent Representation of the RF to the International Organisations in Geneva, Press bulletin N5, 10 February 2009. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | RUB 100 billion have been allocated for loans for SMEs; this programme is implemented by the Russian Development Bank's partner banks. Productive and innovative companies are priority recipients of these support measures. | | |
| **Saudi Arabia** | | | |
| *Investment policy measures* | None during reporting period. | | |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | None during reporting period. | | |
| **South Africa** | | | |
| *Investment policy measures* | The Exchange Control Circular No. 37/2010, issued by the South African Reserve Bank on 27 October 2010, announces a number of steps that reform the foreign exchange control framework towards liberalisation that were first made public in the 2010/2011 Medium Term Budget Policy Statements.<br>As part of the measures, international headquarter companies are allowed, since 1 January 2011, to raise and deploy capital offshore without undergoing exchange control approval. Publication of more details by the Reserve Bank on the measure was still pending on 15 February 2011. | 27 October 2010 | Exchange Control Circular No. 37/2010, South African Reserve Bank, 17 February 2010;<br>2010 Medium Term Budget Policy Statements, 27 October 2010. |
| | On 13 December 2010, the South African National Treasury announced an increase of the share of assets that South African institutional investors can hold abroad. The increase is 5 percentage points up from the percentage set in 2008. This change was already alluded to in Exchange Control Circular No. 37/2010, issued by the South African Reserve Bank on 27 October 2010. | 13 December 2010 | Exchange Control Circular No. 44/2010, South African Reserve Bank, 14 December 2010, containing the National Treasury press release "*New Prudential limits and discussion document*", dated 13 December 2010. |
| | An exchange control circular issued on 20 December 2010 introduces an electronic rather than a paper-based monitoring system for export control and related foreign exchange revenue remittance to reduce the administrative burden of such transactions. | 20 December 2010 | Exchange Control Circular No. 46/2010, South African Reserve Bank, 20 December 2010. |
| | In February 2011, the Treasury published three discussion documents for public consultation, concerning: the regulatory framework for foreign direct investment; prudential regulation of foreign exposure for South African institutional investors; and a safer financial sector to serve South Africa better. | | "*A review framework for cross-border direct investment in South Africa*", National Treasury, February 2011;<br>"*Prudential regulation of foreign exposure for South Africa institutional investors*" National Treasury, February 2011;<br>"*A safer financial sector to serve South Africa better*", National Treasury, 23 February 2011. |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | South Africa continued to provide assistance to companies in distress through the Industrial Development Corporation (IDC), a state-owned development finance institution. Over two years, ZAR 6.1 billion is available to address the challenges of access to credit and working capital for firms in distress due directly to the crisis; companies that do not offer the prospect of long-term viability are not eligible. At the end of September 2009, IDC had received 33 | Ongoing | IDC Presentation to Parliamentary Committee on Economic Development, dated 13 October 2009.<br>Address by Mr Ebrahim Patel, Minister of Economic Development, 23 March 2010. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | applications to the total value of ZAR 2.3 billion; about ZAR 1.5 billion concerned a few large applications in the automotive industry. By end-March 2010, applications to the value of ZAR 1.1 billion had been approved. | | |
| | South Africa's Industrial Development Corporation (IDC) and the Unemployment Insurance Fund (UIF) continued to operate a ZAR 2 billion fund from which companies promising to expand employment can borrow up to ZAR 100 million. The fund was established on 14 April 2010. Successful applicants receive debt funding at fixed preferential rates. The Fund specifically targets start-ups and companies that require working capital for expansions or acquisitions. | Ongoing | "*IDC and UIF announce R2 Billion fund to create employment*", IDC media release, 14 April 2010.<br>"*UIF Fact Sheet*", undated. |
| **Turkey** | | | |
| *Investment policy measures* | On 6 October 2010, Turkey clarified and simplified the rules applicable for acquisitions of real estate by foreign-owned Turkish companies. The new "*Regulation on Acquisition of Real Estate Ownership and Limited Rights in rem by Foreign-Owned Companies*", which abolished rules passed in 2008. | 6 October 2010 | Regulation on Acquisition of Real Estate Ownership and Limited Rights in rem by Foreign-Owned Companies, Official Gazette No. 27721 dated 6 October 2010. |
| | On 23 October 2010, Turkey issued rules on the registration of public offerings and sales of foreign capital market instruments and depository receipts in Turkey. Among other issues, the *Communiqué Regarding the Sale and Registration with the Capital Markets Board of Foreign Capital Market Instruments and Depository Receipts* abolishes the requirement to conduct public offerings of foreign stocks in Turkey through depository receipts. | 23 October 2010 | Communiqué Regarding the Sale and Registration with the Capital Markets Board of Foreign Capital Market Instruments and Depository Receipts Serial: III, No: 44, Official Gazette No. 27738 dated 23 October 2010. |
| | On 3 March 2011, a new media law came into effect. Among other provisions, the law increases the allowed foreign ownership limit to 50% in up to two media companies. Indirect holdings are not covered by these limits. The previous, now repealed law No. 3984 only allowed foreigners to own up to 25% in only one media company. | 3 March 2011 | Law No. 6112 on the Establishment of Radio and Television Enterprises and Their Broadcasts of 15 February 2011, Official Gazette of 3 March 2011, Nr. 27863,. |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | None during reporting period. | | |
| **United Kingdom** | | | |
| *Investment policy measures* | None during reporting period. | | |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | The UK continued to hold positions resulting from the implementation of the Government Credit Guarantee Scheme (CGS) as well as the recapitalisation scheme; both schemes were introduced in October 2008 and were discontinued on 28 February 2010. UK-incorporated financial institutions, including subsidiaries of foreign institutions with substantial business in the UK, were eligible for the scheme. The limit on guarantees was set to GBP 250 billion, and GBP 50 billion were initially set aside for recapitalisation. As of December 2010, the implementation of the schemes had led to government guarantees of debt to an amount of GBP 115 billion under the CGS. | | European Commission decisions, N507/2008, N650/2008, N193/2009, N537/2009 and N677/2009. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | The British Government continued to extend guarantees to banks resulting from the implementation of the Working Capital Guarantee Scheme. This scheme, which had come into effect on 24 March 2009 and was superseded in November 2009 by the broader Asset Protection Scheme, provided public guarantees on up to 50% of participating banks' portfolios of working capital loans with less than 12 months to maturity. All UK banks were offered guarantees up to a total of GBP 10 billion, but only two banks – Royal Bank of Scotland Group (RBS) and Lloyds Banking Group (LBG) – participated in the scheme and obtained guarantees to cover GBP 2.2 billion of loans totalling GBP 4.4 billion. Through lending agreements related to the Asset Protection Scheme, participating banks were required to increase lending on commercial terms to SMEs and mid-sized corporate UK businesses. Existing Working Capital Scheme guarantees expired on 31 March 2011. | | European Commission decision N111/2009. |
| | The British government continued to hold financial positions it had taken in banks as the financial crisis unfolded. Restructuring of these banks – Northern Rock, Lloyds HBOS, Royal Bank of Scotland, and Bradford&Bingley – which had come under state ownership following significant state support, moved forward as these banks began divesting as mandated in their respective restructuring plans. Thus the British government held equity in the following banks, administered by UK Financial Investments Ltd (UKFI): | | "*UK Financial Investments Limited (UKFI) Annual Report and Accounts 2009/10*", UKFI, 26 July 2010. |
| | – The two entities that resulted from the split of former Northern Rock on 1 January 2010 remained in government ownership. Northern Rock entered into public ownership as it had received government support including recapitalisation measures of up to GBP 3 billion, liquidity measures of up to GBP 27 billion and guarantees covering several billion GBP. The operational part, Northern Rock plc, is planned to be returned to the private sector at a yet undetermined date. In mid-January 2011, UKFI invited expressions of interest from corporate finance advisers to evaluate the strategic options for Northern Rock for a later reprivatisation. | | European Commission press release IP/09/1600.<br>"*Expressions of interest for the provision of corporate finance advice*", UKFI public notice, 17 January 2011. |
| | – On 1 October 2010, UKFI created UK Asset Resolution Limited (UKAR) as the single holding company for Northern Rock (Asset Management) plc (NRAM) and Bradford&Bingley plc (B&B). Both Northern Rock (Asset Management) plc and Bradford & Bingley plc are fully government owned and hold illiquid assets of former Northern Rock and Bradford&Bingley, respectively. UKAR will run down past loans and eventually be liquidated. Bradford&Bingley had been split, partly sold and liquidated in September 2008.<br>On 2 November 2010, Treasury lifted the guarantees covering wholesale liabilities of Northern Rock plc, excluding certain fixed term wholesale deposits that existed on 1 January 2010 and which are guaranteed to maturity. | 1 October 2010 | "*UK Asset Resolution Limited*", UK Financial Investments press release, 1 October 2010. |
| | – While Royal Bank of Scotland (RBS) continued to divest parts of its business in the reporting period as required under the restructuring plan that the European Commission had approved on 14 December 2009, the British government continued to hold, as of June 2010, 83.18% of RBS. This equity holding results from total capital injections of over GBP 45 billion and guarantees of more than GBP 211 billion from the British Government under the Asset Protection Scheme. | Ongoing | European Commission decisions N422/2009 and N621/2009.<br>"*Royal Bank of Scotland: details of Asset Protection Scheme and launch of the Asset Protection Agency*", HM Treasury release, December 2009. |
| | – The British government continued to hold a 41% stake in Lloyds Banking Group that results from earlier financial assistance and pro-rata participation in further capital increases. In line with the restructuring plan for the bank that the European Commission accepted on 18 November 2009, Lloyds is required to divest certain assets. | Ongoing | European Commission decision N428/2009. |
| | The UK prolonged until 31 December 2011 only one of its | Ongoing | European Commission decisions |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | five temporary framework schemes for the non-financial sectors: The Framework scheme for the granting of small amount of compatible aid up to EUR 500 000 per company in the period from 2009-2011. The overall budget of the scheme, which came into effect on 4 February 2009, is set at GBP 500 million. In April 2010, the UK reported that only 1.1% of the budget allocated for this scheme had been used.<br><br>The British Government discontinued the remaining four temporary framework schemes for the non-financial sectors on 31 December 2010: | | N43/2009 and SA.32110. |
| | – a scheme for the provision of loan guarantees, which entered into effect on 27 February 2009. Guarantees could be granted until 31 December 2010. The budget allocation for this as well as the schemes notified as N72/2009 and N257/2009 shared a common budget allocation of GBP 8 billion in 2009 and 2010. | Until 31 December 2010 | European Commission decision N71/2009. |
| | – a scheme for granting subsidised public loans, loan guarantees and interest rate subsidies for investment loans for the production of "green" products (i.e. products that comply with or overachieve EU environmental product standards that have been adopted but are not yet in force). | Until 31 December 2010 | European Commission decision N72/2009. |
| | – a scheme for subsidised interest rates, which initially came into effect on 14 May 2009. At the inception of the scheme, the British authorities estimated that up to 500 enterprises would benefit from the scheme. At the inception of the scheme, the UK authorities estimated that over 1000 companies would benefit from the scheme. | Until 31 December 2010 | European Commission decisions N257/2009 and N460/2009. |
| | – a scheme, introduced on 29 March 2010, that allows the provision of small amounts of compatible aid to primary agricultural producers. At the inception of the scheme, the British authorities estimated that the budget of the present scheme will not exceed GBP 20 million but would benefit more than 1000 enterprises. | Until 31 December 2010 | European Commission decision N71/2010. |
| **United States** | | | |
| *Investment policy measures* | None during reporting period. | | |
| *Investment measures relating to national security* | None during reporting period. | | |
| *Emergency and related measures with potential impacts on international investment* | The United States continued to wind down positions that it had acquired during the implementation of the Troubled Assets Relief Program (TARP). Authority to make commitments under TARP expired on 3 October 2010. TARP had initially been established pursuant to the Emergency Economic Stabilization Act of 2008 (EESA). TARP had been extended on 9 December 2009. The overall budget of TARP had been revised to USD 475 billion, down from USD 700 billion originally authorised.<br><br>Operations related to the TARP components were as follows: | | "*Troubled Assets Relief Program (TARP), Monthly report to Congress is pursuant to Section 105(a) of the Emergency Economic Stabilization Act of 2008*" – August 2010;<br><br>"*TARP Repayments Reach $181 Billion*", Government Press Release, 5 April 2010;<br><br>"*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010;<br><br>*Daily TARP Update*, US Treasury note, 16 February 2011. |
| | – Treasury continued to receive repayments and to dispose of assets acquired under the Capital Purchase Program (CPP). The programme was designed to strengthen the capital bases of US banks as the Treasury bought stock or warrants from individual institutions ranging from USD 300,000 to USD 25 billion. The programme was open for new entrants from 14 October 2008 until 31 December 2009. The total amount of commitments under the programme was almost USD 205 billion, and 707 US financial institutions benefitted from the scheme. During the reporting period, Treasury continued to | | *TARP Transaction Report 18 April 2011 for period ending 14 April 2011;*<br><br>*Troubled Assets Relief Program (TARP), Monthly report to Congress is pursuant to Section 105(a) of the Emergency Economic Stabilization Act of 2008 – August 2010,* 10 September 2010;<br><br>"*Warrant Disposition Report, Update June 30, 2010*", Treasury |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | receive repayments on the investments. As of 14 April 2011, total outstanding investment stood at USD 33 billion, and USD 179.4 billion had been repaid. On 14 April 2011, Treasury continued to have investments in 508 financial institutions; 126 institutions had fully bought back the capital, and 28 institutions had moved from the Capital Purchase Program (CPP) to the CDCI. Remaining investments in individual institutions reach USD 300 million.<br>On 14 January 2011, Treasury announced the disposal of certain warrant positions received under the Capital Purchase Program (CPP), the Targeted Investment Program (TIP) and as part of a loss-sharing agreement through auctions. An auction agent has been designated for these auctions. | | publication;<br>"*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010, pp. 25-27 and p. 33;<br>*"Treasury Announces Intent to Sell Warrant Positions in Public Dutch Auctions"*, Treasury press release, 14 January 2011. |
| | – At the end of the reporting period on 29 April 2011, Treasury continued to hold investments of a cumulative amount of USD 570 million in 84 financial institutions under the Community Development Capital Initiative (CDCI), a component introduced under TARP on 3 February 2010. The investments had been concluded on 30 September 2010; none of the investments had been repaid as of 29 April 2011. Investments in individual banks under the programme range from USD 7000 to almost USD 80.9 million. No fixed date is set for repayment of the capital. | | "*Treasury Announces Special Financial Stabilization Initiative Investments of $570 million in 84 Community Development Financial Institutions in Underserved Areas*", Treasury press release, 30 September 2010;<br>*TARP Transaction Report 18 April 2011 for period ending 14 April 2011.* |
| | – The Treasury also continues to hold securities resulting from investments of USD 368 million under the Small Business and Community Lending Initiative (SBA 7a Program). Under the programme, Treasury purchased securities backed by SBA loans – loans to SMEs – between March and September 2010. Maturities of these securities reach until 2035. | | *TARP Transaction Report 18 April 2011 for period ending 14 April 2011.* |
| | – In early 2011, Treasury concluded the disposal of its 7.7 billion shares of Citigroup which had received government investments of USD 45 billion under TARP. The sale was made in five tranches through a sales agent and an underwritten public offering. On 30 September 2010, Treasury had also disposed of warrants it had received under the Asset Guarantee Program (AGP). | | *TARP Transaction Report 18 April 2011 for period ending 14 April 2011;*<br>*"Treasury announces further sales of Citigroup securities and cumulative return to taxpayers of $41.6 billion",* Treasury Press release, 30 September 2010. |
| | – Treasury has disposed of parts of the assets resulting from the Automotive Industry Financing Program (AIFP), in which Treasury had invested USD 81.3 billion. On 18 and 26 November 2010, the US Government reduced its former 60.8% stake in New GM to 33.3%. GM also repaid the USD 2.1 billion of preferred stock that Treasury held in the company.<br>As of 29 April 2011, Treasury also owned 9.9% of the equity in New Chrysler and had USD 7.1 billion of loans outstanding to New Chrysler. Treasury also has loans of USD 3.5 billion outstanding to CGI Holding LLC. A USD 1.9 billion Treasury loan to Old Chrysler was extinguished when Old Chrysler's liquidation plan was approved in April 2010. | | *TARP Transaction Report 18 April 2011 for period ending 14 April 2011;*<br>"*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010, p. 45;<br>"*Troubled Assets Relief Program (TARP), Monthly report to Congress is pursuant to Section 105(a) of the Emergency Economic Stabilization Act of 2008*" – August 2010. |
| | – As of 29 April 2011, Treasury continues to hold a stake of 73.8% in Ally Financial (formerly GMAC), a bank holding company providing automotive finance, mortgage operations, insurance and commercial finance. The Treasury also holds USD 5.9 billion of convertible preferred stock in Ally Financial. The holdings result from the conversion or exchange of existing government investments and an additional investment that took place on 30 December 2009, each under the Automotive Industry Financing Program (AIFP). On 2 March 2011, the Treasury disposed of around USD 2.7 billion Trust preferred securities in Ally, which it had received in connection with this conversion. | | *TARP Transaction Report 18 April 2011 for period ending 14 April 2011;*<br>"*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010, p. 28.<br>"*Treasury Announces Public Offering of Ally Financial Inc. TruPs*", Treasury department press release, 1 March 2011. |
| | The Treasury has set out principles for the exercise of its voting rights in New GM, New Chrysler, and Ally Financial. These include that Treasury does not intend to participate in the day-to-day management of any company | | *Financial Stability Oversight Board Quarterly Report to Congress for the quarter ending March 31, 2010,* p. 51. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | in which it has an investment. Treasury intends to exercise its right to vote only on four matters: board membership; amendments to the charter and bylaws; liquidations, mergers and other substantial transactions; and significant issuances of common shares. | | "*Troubled Assets Relief Program (TARP), Monthly report to Congress is pursuant to Section 105(a) of the Emergency Economic Stabilization Act of 2008*" – March 2010, p. 18;<br>"*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010. |
| | While the Term Asset-Backed Securities Loan Facility (TALF), a component of TARP, had been closed on 30 June 2010, loans of approximately USD 43 billion provided under TALF remained outstanding. TALF loans have a maturity of three years. The TALF, part of TARP's Consumer and Business Lending Initiative and operated jointly by Treasury and the FRBNY, sought to make credit available by restarting the asset-backed securities market. Under the programme, FRBNY was entitled to extend up to USD 43 billion in loans, down from USD 200 billion initially. Treasury provided a guarantee of up to 10 % of this amount, i.e. USD 4.3 billion. Eligible to participate in the programme were U.S. companies, including U.S.-organised subsidiaries of foreign-owned companies as long as the subsidiaries conducted significant operations or activities in the United States and the U.S. subsidiary was not directly or indirectly controlled by a foreign government. | | "*Troubled Asset Relief Program: Two Year Retrospective*", Department of Treasury, 5 October 2010, p. 34;<br>"*Term Asset-Backed Securities Loan Facility (TALF) Frequently Asked Questions*", Federal Reserve release, 3 March 2009. |
| | Treasury and the Federal Deposit Insurance Corporation (FDIC) retain USD 5.2 billion of trust preferred securities of Citigroup, as well as warrants. These assets result from a loss-sharing agreement between the Treasury, the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Bank of New York and Citigroup Inc. that was terminated on 23 December 2009. The agreement had originally covered a pool of USD 301 billion in assets. | | Termination Agreement, 23 December 2009. |
| | The US Government continued to prepare the unwinding of financial assistance to AIG that had, at an earlier stage of the financial crisis, exceeded USD 182 billion. By 30 September 2010, federal exposure had been brought down to USD 124.6 billion, and proceeds from subsequent IPO of AIG subsidiary AIA in late October 2010 and the sale of ALICO in November 2010 further reduced the outstanding amount. On 14 January 2011, AIG concluded the implementation of its restructuring plan, repaid outstanding debt to the Treasury, the Federal Reserve Bank of New York (FRBNY), and the AIG Credit Facility Trust, and exchanged various forms of government support into common shares. These steps resulted in Treasury owning approximately 92% of AIG. Treasury is expected to begin selling parts of its holdings in mid-2011 through four underwriting financial institutions, Bank of America Corp., JPMorgan Chase & Co., Goldman Sachs Group Inc. and Deutsche Bank AG. | | *TARP Transaction Report 18 April 2011 for period ending 14 April 2011;*<br>"*What AIG Owes the U.S. Government (Updated as of September 30, 2010)*", AIG corporate information.<br>"*Troubled Asset Relief Program – Third Quarter 2010 Update of Government Assistance Provided to AIG and Description of Recent Execution of Recapitalization Plan*", GOA, January 2011.<br>"*AIG executes Plan to Repay U.S. Government*", AIG news release, 14 January 2011. |
| | The US also continued to grant support to companies in the non-financial sectors under the American Recovery and Reinvestment Act of 2009, notably as grants for energy efficiency and renewable energy property. | Ongoing | American Recovery and Reinvestment Act, 2009;<br>"*Implementing the American Recovery and Reinvestment Act of 2009 (Recovery Act)*", Treasury website. |
| **European Union** | | | |
| *Investment policy measures* | None during reporting period. | February 2011 | |
| | The European Union institutions developed and published a series of documents that set out the policy framework it intends to apply in relation to FDI; the European Union acquired the exclusive competence of foreign direct investment under the Union's common commercial policy with the entry into force of the Lisbon Treaty on 1 December 2009. Following the Commission's Communication Towards a Comprehensive European | 25 October 2010; 6 April; 2011; 13 April 2011 | "*Towards a comprehensive European international investment policy*", 25 October 2010. |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | Investment Policy, the Foreign Affairs Council adopted "*Conclusions on a comprehensive European international investment policy*" on 25 October 2010. On 6 April 2011, the European Parliament adopted a "*Resolution on the future European international investment policy*". | | |
| *Emergency and related measures with potential impacts on international investment* | The European Commission plays a role in ensuring EU member States' compliance with the rules of the internal market, notably the freedom of capital movement, which includes a controlling role on obstacles to cross-border mergers. | | |
| | The EU limits and controls Member States' aid to industries or individual companies under the EU competition policy framework of the Common Market as set out in articles 107-109 TFEU (previously articles 87-89 of the TEC). This regime seeks to avoid distortions of competition that could result from State aid intervening in the economy.<br><br>The specific situation of the financial crisis and its impact on the real economy has led the European Commission to temporarily adapt the EU State aid policies in order to enhance Member States' flexibility for their response to the crisis. These modifications concerned first the financial sector—from autumn 2008 onwards—and, subsequently, from December 2008 on, the real economy and were set out in a series or Communications from the Commission to ensure transparency, predictability and homogenous administration of the supervisory regime.<br><br>The first series of Communications for the financial and non-financial sectors was applied, with only limited modifications throughout the first two years since the crisis broke, the Commission issued two Communications on 1 December 2010 that take account of the gradual improvement of the economic situation in European Union member states.<br><br>*Financial sector* | Ongoing | |
| | The European Commission continued to review guarantee and recapitalisation schemes that EU-member States notified or re-notified to the Commission. As set out in its earlier Communications, the Commission's approval of such schemes is limited to 6 months, requiring EU-member states to re-notify the schemes periodically if they wished to extend them. This requirement enables the Commission to ensure consistency and effectiveness; impose adjustments to the schemes, in particular in light of issues raised by Member states or other parties; and eventually withdraw approval of state aid once conditions that warranted them have abated. The regular reviews of the schemes are publicly available and include an assessment of the operation and application of the schemes.<br><br>The Communications that set the criteria on which these reviews are based do not have a sunset date with the exception of the Restructuring Communication, which was due to expire on 31 December 2010 but was extended to cover restructuring aid notified by 31 December 2011.<br><br>Based on a review of EU-member states' guarantee schemes, the European Commission adapted its practice of approval of guarantee schemes to the improved conditions on financial markets, leading to more exigent conditions for the approval of such schemes. These adjustments include notably: pricing of guarantees that are closer to market conditions in order to reduce distortion of competition resulting from government support; and the introduction of thresholds of state-guarantees that trigger a mandatory viability review. EU member States that had guarantee schemes open for new entry beyond 30 June 2010 were required to provide a mid-term review by October 2010 on the operation of these schemes with a view to prepare potential further tightening of conditions of such schemes.<br><br>The Commission carries out formal investigation procedures that involve a thorough review of the compatibility of the overall support that individual financial | Ongoing | *Communication from the Commission - The application of State aid rules to measures taken in relation to financial institutions in the context of the current global financial crisis*, OJ C270, 25 October 2008, p. 8;<br><br>*Communication from the Commission—the recapitalisation of financial institutions in the current financial crisis: limitation of aid to the minimum necessary and safeguards against undue distortions of competition*, OJ C 10, 15 January 2009, p. 2;<br><br>*Communication from the Commission on the treatment of impaired assets in the Community banking sector*, OJ C72, 26 March 2009, p. 1;<br><br>*Communication from the Commission on the return to viability and the assessment of restructuring measures in the financial sector in the current crisis under the State aid rules*, OJ C 195, 19 August 2009, p. 9;<br><br>*Communication from the Commission on the application, from 1 January 2011, of State aid rules to support measures in favour of banks in the context of the financial crisis.*<br><br>"*DG Competition's review of guarantee and recapitalisation schemes in the financial sector in the* |

| | Description of Measure | Date | Source |
|---|---|---|---|
| | institutions had received with the restrictions imposed on state aid. The reviews constitute an element of the framework in place to control and limit discrimination of competitors and distortion of market conditions.<br>The Council of the European Union has also agreed on common principles for exit strategies for the financial sector. It formulated agreed principles for the design of exit strategies and unwinding financial support schemes by EU-member states that are planned to start in 2011 at the latest.<br>In early 2011, the European Commission estimated that all EU Member states combined provided the financial about EUR 2,3 trillion in 2008 and 2009. In 2009, the total assistance to the financial sector was EUR 1,1 trillion, consisting of EUR 827 billion in guarantees on bank liabilities, EUR 142 billion in capital injections, EUR 110 billion on the relief of impaired assets, and EUR 29 billion in liquidity and bank funding support.<br>*Non-financial sectors* | | *current crisis*", p. 2.<br>"*DG Competition staff working document: The application of state aid rules to government guarantee schemes covering bank debt to be issued after 30 June 2010*", 30 April 2010.<br>*Conclusions of the Council of the European Union* (document EUCO6/09 dated 11 December 2009), paragraphs 9-11, referring to the Conclusions of the Council of the European Union (ECOFIN) (document 17066/09 dated 3 December 2009).<br>Speech by Joaquín Almunia, delivered on 2 February 2011. |
| | The Commission also continued to assess the compliance of member governments' support to companies in non-financial sectors with the state aid and internal market rules. The benchmark for the Commission's assessment until 31 December 2010 was the Temporary Community Framework for State aid measures to support access to finance in the current financial and economic crisis. This Framework temporarily relaxes State aid restrictions based on article 107(3)(b) TFEU (formerly article 87 EU-treaty); it also seeks to ensure that emergency interventions were not made dependent on decisions regarding investment or commitments concerning the location of production within the EU.<br>The Temporary Framework was initially adopted on 17 December 2008 and slightly amended on 25 February 2009, 28 October 2009 and on 8 December 2009. As it expired on 31 December 2010, the Commission replaced it with a new Communication that will expire on 31 December 2011. This change abolishes some support schemes, reduced the scope of application of others and redefined the conditions of aid granted to companies. | | *Temporary framework for State aid measures to support access to finance in the current financial and economic crisis* (2009/C16/01), OJ of 22 January 2009.<br>A consolidated version, taking into account amendments adopted on 25 February 2009 (*Communication from the Commission—Amendment of the Temporary framework for State aid measures to support access to finance in the current financial and economic crisis, and applicable from 25 February 2009 onwards*) was published in OJ C83 of 7 April 2009.<br>"*Communication of the Commission: Temporary Union framework for State aid measures to support access to finance in the current financial and economic crisis*", (2011/C 6/05) OJ of 11 January 2011. |

## ANNEX: Methodology—Coverage, definitions and sources

*Reporting period.* The reporting period of the present document is from 16 October 2010 to 28 April 2011. An investment measure is counted as falling within the reporting period if new policies were prepared, announced, adopted, entered into force or applied during the period. That certain policies had been under development before the financial and economic crisis unfolded does not prevent it from being included in this inventory.

*Definition of investment*. For the purpose of this report, international investment is understood to include all international capital movements, including foreign direct investment.

*Definition of investment measure*. For the purpose of this report, investment measures by recipient countries consist of those measures that impose or remove differential treatment of foreign or non-resident investors compared to domestic investors. Investment measures by home countries are those that impose or remove restrictions on investments to other countries (e.g. attaching restrictions on outward investments as a condition for receiving public support).

*National security.* International investment law, including the OECD investment instruments, recognises that governments may need to take investment measures to safeguard essential security interests and public order. The investment policy community at the OECD and UNCTAD monitors these measures to help governments adopt policies that are effective in safeguarding security and to ensure that they are not disguised protectionism.

*Emergency measures with potential impacts on international capital movements.* International investment law also recognises that countries may need flexibility in designing and implementing policies that respond to crises. For example, the OECD investment instruments provide for derogations to liberalisation commitments "if its economic and financial situation justifies such a course of action" but imposes time limits on such derogations and asks members to "avoid unnecessary damage" to others.[14] The emergency measures, which in practice focus mainly on financial services and automobiles, include: *ad hoc* rescue and restructuring operations for individual firms and various schemes that give rise to capital injections and credit guarantees. Several emergency schemes that provide cross-sectoral aid to companies were adopted and these are included in the inventory.

To keep the size of the report manageable, a fairly narrow definition of emergency measure has been used. The report classifies an "*emergency or related measure with potential impacts on international investment"* as: any measure that a government has identified as having been enacted to deal with the crisis; and that may have a direct or indirect impact on foreign investment and that may differentiate between domestic and foreign or non-resident investors,[15] or that raises barriers to outward investment. This includes programs that permit rescues or restructuring of individual firms, or lending, guarantees or other aid schemes for individual companies. In addition, the measures must be expected to have an impact on international capital flows (e.g. schemes that influence the pattern of entry and exit in globalised sectors such as automobiles and financial services).

With the gradual recovery from the crisis, the designation by a government that a given measure responds to the crisis becomes an increasingly uncertain criterion. Some schemes support individual companies or companies in specific sectors to adapt to new economic conditions resulting from the crisis. For instance, some governments provide support to the automotive industry for the development of more energy-efficient vehicles to compete more successfully in global markets. In many cases, such government support makes reference to the difficulties companies face in obtaining loans in credit markets that have not fully recovered from the disruptions of the crisis. While the present inventory still attempts to provide a complete list of such measures, even reporting in this area becomes increasingly difficult.

*Measures not included*. Several types of measures are not included in this inventory:

---

14 See article 7 paragraphs a., d. and e. of the OECD Codes of Liberalisation.

15 The existence of differentiation does not itself imply discrimination against foreign or non-resident investors or investment.

- *Fiscal stimulus*. Fiscal stimulus measures were not accounted for unless these contained provisions that may differentiate between domestic and foreign or non-resident investors.
- *Local production requirements* were not included unless they apply *de jure* only to foreign firms.
- *Visas and residence permits*. The report does not cover measures that affect visa and residence permits as business visa and residency policy is not deemed likely to be a major issue in subsequent political and economic discussions.
- *Companies in financial difficulties for other reasons than the crisis*. A number of countries provided support to companies in financial difficulties – in the form of capital injections or guarantees – in particular to state-owned airlines. Where there was evidence that these companies had been in substantive financial difficulties for other reasons than the crisis, these measures are not included as "emergency measures".
- *Central Bank measures*. Many central banks adopted practices to enhance the functioning of credit markets and the stability of the financial system. These measures influence international capital movements in complex ways. In order to focus on measures that are of most relevance for investment policies, measures taken by Central Banks are not included unless they involved negotiations with specific companies or provided for different treatment of non-resident or foreign-controlled enterprises.

*Sources of information and verification*. The sources of the information presented in this report are:

- official notifications made by governments to various OECD processes (e.g. the Freedom of Investment Roundtable or as required under the OECD investment instruments);
- information contained in other international organisations' reports or otherwise made available to the OECD and UNCTAD Secretariats;
- other publicly available sources: specialised web sites, press clippings etc.