OECD GLOBAL FORUM ON INTERNATIONAL INVESTMENT

NEW HORIZONS AND POLICY CHALLENGES FOR FOREIGN DIRECT INVESTMENT IN THE 21ST CENTURY

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OPENING REMARKS

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Organisation for Economic Co-operation and Development

Minister Derbez
Ladies and Gentlemen

Introduction

On behalf of the OECD let me warmly welcome all of you to the inaugural conference of the OECD Global Forum on International Investment. I wish to thank our gracious hosts, in particular Minister Derbez, Vice Minister de la Calle and Vice-Minister García Villa, who have contributed to making this event today possible. Our thanks also go to all chairs, speakers, panelists and participants from all over the world, who have come a long way to take part in this gathering.

Many of us in the international investment community feel the need to come together to exchange information, views and ideas on emerging issues in an open and inclusive dialogue. This Forum, which I hope you will consider to be yours, does provide such a platform for all stakeholders and players in the field of international investment.

Objectives

This OECD Global Forum and seven others, created this year, aim at deepening and extending relations with non-OECD members and other dialogue partners in fields where the OECD has particular expertise. Our aim in doing so has been to create venues for discussing issues that require global solutions. Today's conference represents an important step in this direction.

It is also our hope that the discussions and conclusions of this conference will contribute to the forthcoming UN International Conference on Financing for Development, scheduled to take place in Mexico, next March.

Mexico provides a positive contrast

The growth of international private financial flows, including FDI, in recent decades, has been exceptional, both absolutely and relative to official development aid. This year, however, for the first time in a decade, global FDI flows are expected to shrink. Yet, I believe that, if the right conditions remain in place, the forces that have driven foreign direct investments in the past will soon reassert themselves.

Listening to Minister Derbez's remarks, I could not help but take note of an interesting contrast that Mexico offers. Whereas the worldwide FDI flows are likely to decline this year, Mexico has so far escaped this decline. The preliminary figures for early 2001 show an upbeat trend. This certainly reflects Mexico's efforts to improve its foreign investment regulatory framework and to advance reform in other areas.

The outcome: between 1994 – the first year of NAFTA and the year Mexico acceded to the OECD - and 2000, Mexico received about 85 billion dollars in FDI. This has made Mexico one of the largest recipient countries of FDI in the world.

FDI is needed more than ever

Like Mexico, many other countries are making efforts to attract more FDI. Increasingly, FDI have been recognised as a powerful engine and a major catalyst for achieving development, poverty-reducing growth and global integration process.

Unfortunately, many low-income countries have not benefited from the international investment surge. They have lagged behind in terms of pursuing policies and institutions conducive to their integration in the world economy. Indeed, some areas of the world have been excluded from any of the benefits of globalisation. Intensified efforts are hence needed to foster FDI worldwide. This is especially important for countries and continents such as Africa, which so far have attracted little FDI.

The new technologies, managerial practices and financing techniques of business operations have considerably changed the environment and decision-making process for international investment. At the same time, larger FDI flows also create new challenges to policy makers in host countries, in particular to preserve the capacity to pursue — in a non-protectionist and non-discriminatory way — its own social and environmental objectives.

But we believe that, in general, the best response to this challenge lies in strengthening the environmental and social safeguards, rather than in limiting FDI flows and foregoing the economic benefits that these carry with them. Ensuring that foreign and domestic investment policies, and national environmental and other relevant policies remain mutually supportive raises new challenges for governments. A rethinking of some traditional approaches to FDI is underway.

Governments need to go beyond traditional FDI policies

Today, the vast majority of countries welcomes FDI and have liberalised considerably their rules and regulations. Efforts towards traditional liberal policies (i.e. National Treatment, Most Favoured Nation, investment protection treaties, and market access) are now almost taken for granted. However, while open FDI policies are a necessary pre-condition to attract and maximise the benefits of FDI, they are no longer a sufficient condition. We need to go beyond them.

A wide range of other policies can influence the location and benefits of investment – whether foreign or domestic: strong competition policy, transparency, good corporate governance rules, an efficient public administration, a non-distortionary tax system, adequate standards in the financial sector and in environmental protection. The relevant set of policies also includes government measures that influence institutional effectiveness, infrastructure and skill endowments, macroeconomic and political stability. These and some others are the issues that our speakers and panellists will address in greater detail.

A shared responsibility

Let me stress that the creation of such favourable conditions for maximising the benefits of FDI is largely a shared responsibility of governments in both developing and developed countries, of firms and of international organisations.

With respect to *governments*, it is not enough to preach that developing countries should adopt best policy practices with respect to FDI and improve their governance structures; they need to be assisted by developed countries to build the necessary capacities.

Nearly 80 percent of foreign private investment to the developing world goes to three regions (Asia, Latin America and Central Europe) and twelve countries. For the poorest countries and regions, OECD countries can help in a number of ways. Development assistance is one way. Last year, DAC Members of the OECD gave US$ 53 billion in ODA to developing countries. Though not adequate in current levels, ODA can contribute to raising domestic capacities, and also to leverage private investments in the expansion of essential infrastructure in developing countries.

Providing more adequate and effective level of development assistance would be in the self-interest of OECD Members. Not only is a world with billions of people condemned to poverty unsustainable in the long run, but also expanded investment opportunities for OECD Members will depend upon sustainable economic growth and social stability in every region of the globe.

Multinational enterprises have an equally crucial role to play in promoting development in host countries. Businesses today face an ever-widening circle of expectations . Not only must they satisfy their shareholders, customers and their employees, but also respond to broader environmental and social concerns.

A recent OECD Study, “Corporate Responsibility-Private Initiatives and Public Goals" shows that most large OECD-based multinational enterprises have developed codes of conduct and other voluntary initiatives for corporate responsibility. At the same time, the OECD Study identifies a number of areas where further consideration and action might be particularly useful and relevant.

30 OECD and 5 non-OECD countries have adhered to the OECD Guidelines for Multinational Enterprises. These Guidelines provide a multilaterally endorsed set of comprehensive (and often quite detailed) recommendations for responsible business conduct. The adhering countries want to use them to reinforce the effectiveness of private initiatives for corporate responsibility.

This leads me to the role of the OECD and other international organisations.

Role of OECD and Other International Organisations

International co-operation and the sharing of experience can help all our governments to learn from each other what are the “best practices” in the field of FDI.

For its part, the OECD is actively engaged in open dialogue and experience sharing beyond its membership. Since its creation, the OECD has been at the forefront in developing “rules of the game” for international investment and multinational enterprises.

Today, five non-member countries (Argentina, Brazil, Chile, Estonia and Lithuania) have adhered to the OECD Declaration on International Investment and Multinational Enterprises, a political agreement providing a framework for co-operation on a wide range of investment issues. As a counterpart to their commitments under this instrument, non-member adherents participate in related OECD.

The adherence of Israel, Latvia, Singapore, Slovenia and Venezuela is in process of being negotiated as of this date. Our 2001 Ministerial Council Meeting has called on the OECD to invite other interested non-member countries to adhere to the Declaration.

The need for co-ordination and participation of many donors and international institutions in the field of international investment is particularly important. I am pleased to note that the World Bank, UNCTAD, UNIDO, IMF, Inter-American Development Bank, European Commission are all represented here today. There is a great deal of synergies to be achieved among us in our work on foreign direct investment.

In this respect, the OECD welcomes the results of Doha and pledges its full support for follow-up work at WTO. Together with other international partners, we will contribute to deliberations on how multilateral organisations could help promote FDI in support of sustainable development.

Conclusion

In concluding, let me stress once again that FDI has an important potential to support economic growth, social development and environmental protection, but that its benefits still need to be equally shared and more fully exploited. Capacity building to establish an enabling environment for investment — whether foreign or domestic — is the key. Host countries are not alone in this endeavour. Home countries, companies, multilateral organisations and civil society groups all also share responsibility.

This conference will advance this agenda. I wish you all a fruitful meeting, expressing the hope that each of you will take home new ideas, increased mutual understanding, and even stronger commitment, all of which will benefit the global economy, our economies and our citizens.

Thank you.