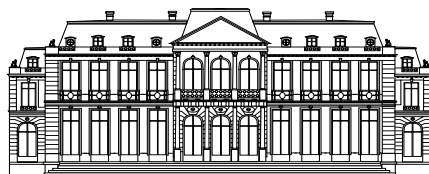


Organisation for Economic Co-operation and Development



Organisation de Coopération et de Développement Économiques

Hosted by

**The Government of Estonia
Conference on FDI Policy and Private Sector Development
in the Baltic States**



CONFERENCE CONCLUSIONS

***Tallinn, Estonia
17 November, 1999***

*Hotel Olimpija, Tallinn
Liivalaia str.33*

**Conference on FDI Policy and Private Sector Development in the Baltic States
Tallinn, 17 November 1999**

Conclusions

- *Foreign direct investment has played a determinant role in the remarkable progress of the Baltic States towards market-based economies.*
- *Liberalisation of the trade and investment regimes encourages FDI. Liberalisation is more effective than any investment incentives that can be provided to foreign investors.*
- *FDI has multiplier and upgrading effects on the domestic private sector and contributes to robust economic growth. It has also made a crucial contribution to the Baltic States' competitiveness in the global market place.*
- *In the future, openness to FDI as well as efforts to remove regulatory and administrative bottlenecks and constraints, should continue to be pursued to achieve a "de facto" as well as a "de jure" friendly business environment.*
- *International foreign investment is subject to widespread competition, which requires individual countries to develop a vision for FDI and the economy, to aspire to the highest possible standards of policy-making and to benefit from multinational policy guidelines and benchmarks.*
- *The OECD will continue to work with the Baltic countries in a number of specific areas related to FDI policies and private sector development.*

These are the principal conclusions reached by participants of a Conference "FDI Policy and Private Sector Development in the Baltic States" organised by the OECD with the support of the Estonian Investment Agency on the 17th of November 1999, in Tallinn. The Conference was preceded by a two-day workshop on FDI Statistics which highlighted the need for high quality data on FDI for policy makers and investment analysts.

These events were held under the auspices of the OECD Committee on Multinational Investment and Multinational Enterprises and the OECD Centre for Co-operation with non-Members and formed part of the OECD Baltic Regional Programme.

The Conference "FDI Policy and Private Sector Development in the Baltic States" brought together some 150 participants involving senior government officials and experts from the Baltic Sea region and OECD member countries, representatives of business and labour communities, and academic circles.

Following the opening remarks of Mr. Siim Kallas, the Finance Minister of Estonia, the first session was devoted to the strategic role of FDI in the Baltic States. This session featured presentations from high level officials from the Baltic States under the chairmanship of Mr. Vytas E. Gruodis, Director General of the Lithuanian Development Agency. The discussion traced the evolution of FDI activities in the Baltic States and their contribution to economic growth and structural change. FDI into the region has grown rapidly, and inward stock reaching 1 822 in Estonia, 1 488 in Latvia and 1 625 million US dollars in Lithuania in 1988, with impressive contributions to GDP, employment and export performance.

Foreign companies have also provided core competencies, flexible production methods and the use of more advanced technology. There also remains, however, a need to strengthen backward and forward linkages with domestic companies and support spreading technology and know-how.

Rapid changes in a relatively short period of time have inevitably posed new challenges and problems for the Baltic States' authorities. Remaining deficiencies in the Baltic States' regulatory frameworks, aspects of infrastructure, the risk of shortages in skilled labour, and efforts to establish a true dialogue with the private sector were discussed in the second session under the chairmanship of Mr. Maris Elerts, Director General of the Latvian Development Agency. The discussion benefited from the participation of government officials from the Baltic countries, representatives from the Latvian and Lithuanian Development Agencies, and the business community. This session underscored the need for a comprehensive approach to build on the mutually enhancing effects of interrelated policy efforts at the macro- and micro-economic levels and remove remaining barriers to business activity.

The third session focussed on future challenges, prospects and opportunities related to FDI under the chairmanship of Ms. Signe Ratso, Deputy Under Secretary, Ministry of Economic Affairs, Estonia. With privatisation and the implementation of market reforms approaching completion, the Baltic States are increasingly becoming confronted with many of the same problems as those encountered by OECD countries. Special attention was accorded to the issues of regional co-operation, integration into the global economy, fierce competition for foreign direct investment, and the costs and benefits of investment incentives. Accession to the WTO and to the EU was considered a positive means for addressing these challenges. Mr. Lauri Korpinen, Deputy Director General, Ministry of Foreign Affairs, Finland, highlighted the importance of the Nordic dimension of the European Union. Mr. Manfred Schekulin, Ministry of Economic Affairs, Austria and Vice-chair of the OECD Committee on International Investment and Multinational Enterprises (CIME), described the changing nature of FDI and MNEs and introduced the work of the Committee in this area.

The conference was closed with remarks made by Mr. Clyde Kull, Deputy Under Secretary, Ministry of Foreign Affairs, Estonia and Mr. Rolf Alter, Advisor to the OECD Directorate for Finance, Fiscal and Enterprises Affairs. It was concluded that FDI remains a key component of the Baltic Regional Co-operation programme. Particular interest was expressed in follow-up work on the merits of fiscal investment incentives for the region.

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