



**GLOBAL FORUMS ON INTERNATIONAL INVESTMENT: FROM MEXICO AND  
SHANGHAI TO JOHANNESBURG AND NEW DELHI**

*September 2005*

*The UN 2002 Monterrey Consensus, and since then, the OECD Ministerial, the New Partnership for Africa's Development (NEPAD) and the Johannesburg World Summit have all underscored the need to make international investment a priority area so that poor countries are not further left behind. A key challenge, therefore, is how to frame investment policies in a way that supports and reinforces economic development. The annual OECD Global Forum on International Investment (GFII) is one of the main OECD Investment Committee's programmes aimed at addressing this challenge.*

The OECD Global Forums seek to deepen and extend relations with a large number of non-OECD members and other stake holders by sharing OECD expertise in investment policy, particularly in those domains that require multilateral co-operation and solutions.<sup>1</sup> Their openness incites the international investment community to come together to exchange views and ideas on emerging issues in a receptive and inclusive context. This peer learning and consensual approach to gaining a deep understanding of best practices across a wide range of policy domains is indeed the well-tested *modus operandi* of the OECD and is a unique strength of the Organisation. It is especially apt for investment policy, since many policy domains bear directly or indirectly on the investment climate. The OECD Investment Committee through the Global Forums on International Investment is thus taking an active role in helping to achieve the Millennium Development Goals (MDG) by sharing its expertise in establishing and organising platforms so that all stakeholders and players can work towards maximising the potential benefits of investment from a development perspective.

### **Mexico, 2001**

The inaugural Forum took place in Mexico City in November 2001 in the context of a global economic slowdown and falling foreign direct investment. However, the meeting was distinctly forward-looking, as reflected in the title of the conference: *New Horizons and Policy Challenges for Foreign Direct Investment*. Three main messages emerged from the Mexico Forum. First, foreign direct investment is needed more than ever to achieve sustained development and poverty reduction, especially in those parts of Africa and Asia where FDI inflows have been virtually absent. Second, attracting higher levels of FDI needs to move beyond the traditional policy of liberalising FDI. A more holistic approach is needed. One that embraces a broader set of policies and institutions, which serve to establish a favourable context for investment. Competition, trade, tax, governance and human resource development are some of the policy domains relevant for building an enabling environment for investment. The third message is to fully recognise and elevate the importance that needs to be given to building the capacity to formulate and implement coherent and effective policies in these domains. This is largely a shared responsibility of governments in both developing and developed countries, of businesses and of international organisations. Further, the Forum background papers and discussion provided input to the UN International Conference on Financing for Development which took place in Mexico in March 2002 and fed into the investment work in other multilateral organisations.

### **Shanghai, 2002**

In 2002 China, one of the fastest growing and highest profile destinations for foreign investment inflows hosted the GFII. China is easily the largest non-OECD recipient of inward FDI, but if these inflows are expressed as a share of GDP, or to population, their relative scale is small given China's huge potential. More generally, the distribution of inward FDI inflows among non-OECD developing countries is very unequal. This means that the benefits from international investment, in terms of increased production capacity and enhanced productivity through intensified competition, technology transfer, human resource development and better management systems can be concentrated in a small number of countries and in the hands of a few. Nor do the benefits accrue automatically. It was therefore opportune that the December 2002 GFII held in Shanghai focussed on how to tap a developing economies full potential to attract FDI for development.

Participants to the China GFII concluded that the three principal players in international investment: the host and home countries and businesses all have a role to take in order to realise the full benefits from FDI. The national investment climate in the host country plays a big part in business decisions on where

to locate international investment spending. In this respect, the Forum identified transparency and the rule of law, notably regarding efforts to stamp out corruption, protect intellectual property and enforce competition policies as pre-requisites for the attraction of foreign corporations. Transparency, together with a stable macroeconomic environment, an effective and non-discriminatory regulatory framework for investment and quality infrastructure and education systems are also important to ensure the benefits from international investment in terms of economic and social development. The Forum examined how the experiences and priorities among these policies and best practices differ across regions and countries. Concerning the role of the 'home country', the Forum examined the linkages between development aid and trade policies and FDI, and how non-OECD countries can better integrate into rules-based international frameworks for investment. Finally, multinational enterprises (MNE) can contribute to local development through technology diffusion, other knowledge transfers and ethical business practices. A full session of the Forum was devoted to how best this can be done and the tools available to assist MNEs in this endeavour. Stakeholders, however, cannot act in isolation. Above all, stronger partnerships between governments, businesses, multilateral organisations and civil society are needed in order to translate good intentions into tangible actions and results. The Global Forum also launched the OECD-Asia Investment Initiative (see Chapter 3).

### **Johannesburg, 2003**

The political, institutional and legal environment – the governance infrastructure of a country – is perhaps the single most important factor in attracting international investment. The role played and how to improve the governance infrastructure were the themes expanded upon in the November 2003 GFII, hosted by the South African Government in Johannesburg. The Forum was divided into three sessions. The first explored the case for good public governance for inciting investment and maximising its benefits to host country societies. Country case studies, OECD and other research underpinned the debate. The second session focussed on transparency and rule making as a key driver of economic performance and investors' decisions. The discussion centred on what achieving transparency means from an investment policy perspective and what can be learnt from different experiences around the world. The final session explored avenues for building capacity for policy transparency through the joint efforts of host countries, OECD countries and the international business community. It reviewed and made use of an implementation tool developed by the Investment Committee in 2003, the "Framework for Investment Policy Transparency". The Johannesburg Forum also endorsed the OECD's Initiative on Investment for Development, which identifies the specific policy approaches relevant to the investment climate, offers benchmarks in these fields so that national governments can assess their own performance and sets out a path for engaging non-member partners and other players to develop and promote the strategy. The latter includes the use of peer reviews of investment policies as an instrument for building analytical capacity and encouraging reforms where needed. The Global Forum also launched the NEPAD-OECD Africa Investment Initiative, which is discussed in further detail in the following chapter.

### **New Delhi, 2004**

Making the OECD's Initiative on Investment for Development operational was one of the themes of the 2004 GFII hosted by the Government of India in New Delhi. Other themes, also related to the Initiative on Investment for Development, covered the appropriate roles of government and business for corporate responsibility and reaping the most from foreign aid through investment development synergies. In short, the unifying thread of the Forum was investment for development through the forging of partnerships.

The New Delhi GFII resulted in a number of positive outcomes. It marked a major step forward in the development of the OECD's Policy Framework for Investment (PFI), an instrument designed to improve the investment climate and inspired by the values that underpin the Monterrey Consensus.<sup>2</sup> Specifically, the Forum discussed the broader context of international avenues to promote investment and private sector development and focussed on two of the policy areas identified by the Task Force developing the PFI: trade policy and competition policy. The deliberations at the Forum thus provided input and helped to refine earlier versions of these two important building blocks of the PFI. Discussions on the linkages between official development assistance (ODA) and investment identified a number of areas for pursuing synergies, such as using ODA to: enhance a country's investment climate; to give a fillip to public-private partnerships; and to correct market failures that interfere with commercial risk management. Concerning corporate responsibility, there was strong support for the OECD Guidelines for Multinational Enterprises and agreement that the subject should continue to figure prominently in future GFII agendas.

### **Rio de Janeiro, 2005**

Following strong support at the 2004 GFII, the PFI will be the focus of the 2005 Forum, hosted by the Brazilian Government in Rio de Janeiro in late October. The theme of the Forum will be ways of putting the PFI into action. The main issues discussed were the other building blocks of the PFI, how to strengthen developing country perspectives in the PFI and how to assist countries to implement policies favouring a sound investment environment. Particular attention will be given to the factors that make for successful private-public partnerships.

In summary, investment, both domestic and cross-border, is recognised as a powerful driver of growth and of the integration of nations at different levels of development into the world economy. It is, therefore, in the interests of everyone to nurture an investment climate that brings forth a higher level of investment and unleashes its full potential to advance development. The Global Forums on International Investment from Mexico to Brazil represent one of the effective vehicles for drawing on OECD and other expertise and within a wider development agenda to ultimately fulfil the MDG.

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<sup>1</sup> Full details on the Global Forums can be downloaded from the OECD website at: [www.oecd.org/daf/investment/development](http://www.oecd.org/daf/investment/development)

<sup>2</sup> The PFI is a non-prescriptive checklist of issues for consideration by governments engaged in domestic reform, regional co-operation or international policy dialogue aimed at creating an environment that is attractive to domestic and foreign investors and that enhances the benefits of investment to society. It embodies a flexible approach, since the needs of countries at different levels of development vary, complements other international initiatives, such as the OECD Guidelines for Multinational Enterprises and offers constructive policy guidance across a range of areas in order to maximise the contribution of investment to development. See chapter 2 for further details.