



CCNM GLOBAL FORUM ON  
INTERNATIONAL INVESTMENT

*FOREIGN DIRECT INVESTMENT AND THE ENVIRONMENT  
LESSONS FROM THE MINING SECTOR*

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**OPENING REMARKS**

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Ladies and Gentlemen,

1. I welcome you to this Global Forum on International Investment. I would like to thank all chairs, speakers, panelists, and participants, some of whom have come a long way to take part in this gathering.
2. This conference aims to explore policy options for making FDI and environment objectives mutually supportive in the mining sector. Mining is an important sector for the economy, particularly in many developing countries, and one where environmental concerns have frequently been voiced.
3. As you know, our conference is not the only one happening this week: the Economic Forum, usually held in Davos, is convening in New York, and a Social Forum is being organised in Puerto Allegre. Although the locations, objectives, agendas and participants are quite different, these events nevertheless share a common goal with ours: namely, how to manage the process of globalisation so as to foster sustainable development.

4. This conference is the second in a series organised under the auspices of the OECD Global Forum on International Investment. This Forum was launched last November in Mexico City as a platform to address global emerging issues among OECD and non-OECD governments, and to foster dialogue between all stakeholders in the field of investment. This conference is also a response to the call for further policy dialogue made at an earlier conference held in The Hague in January 1999 on “Foreign Direct Investment and the Environment” -- which some of you may have attended.

5. This morning I would like to briefly highlight four of the key issues to be addressed over the coming two days.

6. A first key issue is **whether FDI in the mining sector contributes to sustainable development.**

7. We have come to recognise in recent years that the flows of capital, technology and information associated with globalisation promise to spread wealth and well-being to a greater number of people around the world. Yet the levels of poverty in the world are unacceptable and represent a real threat to our security and prosperity.

8. FDI is widely recognised as a driving force of globalisation, a major catalyst for achieving development and global integration. Despite the relatively small share of mining in world investment flows, FDI within this sector represents a substantial part of capital formation and GDP in many developing and emerging economies.

9. FDI can therefore have significant impacts, positive, as well as negative. This is particularly true for the environment. Preliminary evidence suggests that under appropriate framework conditions, foreign investments in mining frequently have higher environmental performance compared to domestic operations, due to new technologies and practices they bring with them. On the other hand, when these framework conditions, such as effective environmental regulation and transparent public governance, are not in place, there is a risk that serious environmental and social damage can occur. During the conference we will have the opportunity to examine several recent mining accidents, for example in Romania and Papua New Guinea, and to analyse the regulatory and other failures that caused them.

10. A **second key issue** to address involves what **governments** can do to maximise the benefits of FDI in mining.

11. The challenge of “getting policies right” will require efforts on many fronts. In the OECD, we have been examining the range of policies and instruments that can help to integrate economic and environmental policies for more than thirty years. Last May, Environment Ministers from OECD countries adopted an *Environmental Strategy for the First Decade of the 21<sup>st</sup> Century*. At about the same time, a major three-year study of Sustainable Development, involving virtually all parts of the Organisation, was concluded. The *Strategy* and Sustainable Development work will provide good references for our discussion over the next two days.

12. Policy options for minimising environmental impacts in the mining sector include: assessing potential environmental impacts before operations begin; designing integrated packages of measures to mitigate potential impacts; monitoring the effectiveness of control measures and adapting them as needed; requiring adequate provisions for mine closure, reclamation and clean-up; taking local populations' concerns into account; and ensuring that environmental requirements are applied fairly, without discrimination, to all investors.

13. While environmental policies and institutions are important, the broader enabling economic and institutional environment for investment, whether foreign or domestic, is equally crucial. OECD experience shows that areas deserving special attention include public administration, police and judicial systems and other channels of influence on private behaviour. All these policy options have benefits but also entail costs, as governments have to build capacities to design and implement them. Cost-benefit evaluation, designing cost-effective policies, and capacity building are central issues on which this conference should shed further light.

14. **A third key issue** -- to be addressed at the last substantive session of the conference -- relates to the contributions that **multinational enterprises** can make.

15. While governments have primary responsibility for providing the right framework for business operations, mining companies, for their part, can be expected to engage as reliable and consistent partners in the development process.

16. Indeed, the mining industry has addressed concerns about its on-ground performance by implementing a range of voluntary measures to better manage environmental and social issues arising from its operations and by communicating these to the public. These measures include codes of conduct, environmental management systems and environmental reporting. In fact, the mining industry is currently conducting a major review of experience in this and related areas and we look forward to learning more about this initiative during the conference.

17. With its multi-stakeholder consultation and consensus-building procedures, the OECD Guidelines for Multinational Enterprises can usefully reinforce and complement private business initiatives undertaken by the mining industry. The OECD Guidelines are recommendations addressed by governments to companies operating in or from 36 adhering countries. They provide voluntary principles and standards for responsible business conduct in a variety of areas, including environment.

18. **A final, important point is that donors and international organisations also have a key role to play.** Clearly, there is an acute need to work together in an effective and coherent way towards FDI capacity-building in host countries.

19. Donors, international financial institutions and other international organisations can help strengthen capacity in those developing countries that lack regulatory capacity or even basic governance systems. International financial institutions and donors can play a catalytic, demonstration role in financing mining investments, even though they finance only a small share of the total. Beyond this, international organisations can assist developing countries through policy dialogue, sharing experience and identifying best practices.

## **Conclusion**

20. I would conclude by emphasising that our shared aim over the next two days should be to advance the discussion and partnerships on how to better integrate investment and environmental policy in the mining sector and more generally. The OECD for its part is prepared to assist in these efforts, in order to ensure that FDI in the mining sector is supportive of poverty reduction, environmental protection and sustainable development.

21. I believe that the organisation of this Conference is very timely. It will contribute to discussions that will be taking place in other forums: the UN International Conference on Financing for Development, which will take place in Mexico in March 2002; at the WTO, following the recent Doha Conference, which called for further work and raised the prospect of possible negotiations on investment; and at the Johannesburg Summit on Sustainable Development in August 2002.

22. My thanks go to all of you for participating in these efforts to advance this ambitious agenda. In anticipation of forward-looking messages to emerge from your discussions, I wish you all a successful meeting.