



OECD GLOBAL FORUM ON INTERNATIONAL INVESTMENT

ATTRACTING FOREIGN DIRECT INVESTMENT FOR DEVELOPMENT

Hosted by Ministry of Foreign Trade and Economic Co-operation
and Shanghai People's Government, People's Republic of China
5-6 December, 2002, Shanghai, China
at



88, Henan Central Road Hotel Phone: 00-86-21-63351888 Fax: 00-86-21-63352888

Overview

Foreign direct investment (FDI) is a major catalyst for development and the integration of developing countries in the global economy. The Doha Development Agenda, the Monterrey Summit on Financing for Development, the OECD Ministerial 2002, the African Initiative of the G8 Summit and the World Summit on Sustainable Development in Johannesburg have all recognised private investment as a powerful engine to bring major benefits to countries and regions, in terms of enhanced financing, export capacity, growth, employment, skills and technology transfer.

At a time when the unprecedented increase in FDI observed in the last decade is slowing down, FDI has to be competed for and won. In addition, its benefits do not accrue automatically and evenly across countries, sectors and local communities: FDI will contribute most fully to sustainable development when the underlying economic, social and environmental governance policies in place are adequate.

Developed countries have remained the prime destination of FDI. Many developing countries have been left behind in the global investment surge of the 1990s, with their share in world FDI flows declining from a peak of 41 per cent in 1994 to 19 per cent in 2000. However, there are growing opportunities for business in developing countries, provided the framework conditions are right. Many developing countries have made increased efforts to improve both the conditions they offer to investors and their own capacity to absorb FDI in a fruitful manner.

National policies matter. Host country policies toward attracting FDI and benefiting from foreign corporate presence are largely equivalent to policies for mobilising domestic resources for productive investment. They include improvements of the general macroeconomic and institutional frameworks; creation of a regulatory environment that is transparent and non-

discriminatory and, hence, conducive to inward FDI; and upgrading of infrastructure, technology and human competencies to the level where the full potential benefits of foreign corporate presence can be realised.

While the brunt of the policy adjustment needed to attract and maximise the benefits of FDI for development needs to be undertaken by investment host countries, home countries also share a responsibility in helping developing countries improve the investment environment, build capacities and maximise the benefits of FDI for development. This can be achieved, for instance, by pursuing policies of openness to trade, exploiting synergies between FDI and official development assistance, promoting the goal of sustainable development in international business operations, encouraging public-private partnership particularly for infrastructure investments, curbing the supply side of bribery and corruption in international business operations, supporting institutional and human capacity building, and supporting participation of developing countries in multilateral fora.

Business governance also matters. The business sector is part of the solution – and has the potential to be a strong partner – in an investment strategy for growth and sustainable development.

Objectives

The OECD Global Forum on International Investment (GFII) serves as an open and inclusive forum for dialogue on emerging issues among the international investment policy community and other main stakeholders. It provides a platform for exchanging best practices and exploring new ways of approaching the challenges and opportunities created by FDI. The Shanghai GFII will build on the earlier activities of the GFII, launched in November 2001 in Mexico by a major conference on “New Horizons and Policy Challenges for FDI in the 21st Century” and followed by “FDI and Environment: Lessons from the Mining Sector” (see for documentation for both events at www.oecd.org/daf/investment), held in Paris in February 2002.

The conference aims to respond to the calls made at recent important international events, which have all acknowledged the central importance of international investment for global development. It will draw on OECD Committee analytical and policy development work, as well as co-operation with key investment actors. Its objective is to achieve progress in three distinct fields, which OECD committees are currently exploring:

- the development of good practices in creating an enabling environment for investment including in the area of investment incentives;
- maximising positive linkages with local enterprise development; including the developmental benefits of responsible supply chain management; and
- improved insight on official development assistance and FDI linkages, and the extent to which the liberalisation of FDI and that of other financial flows are mutually supportive.

Participation

The conference will bring together senior government officials from OECD and non-OECD economies in charge of investment policy, promotion, finance and development issues. Attendance is only by invitation.

Multilateral and regional institutions invited include, *inter alia*, the World Bank, the International Monetary Fund, the United Nations Conference on Trade and Development, the World Trade Organisation, the World Association of Investment Promotion Agencies, the Asian Development Bank, the Association of South-East Asian Nations, the Asia-Pacific Economic Co-operation, the European Commission, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the African Development Bank, and the Black Sea Economic Co-operation.

There will also be strong representation from business, labour, academia, media and civil society organisations.

Documentation

Background papers, presentations and further updates on the conference will be posted on <http://www.oecd.org/daf/investment> as they become available. The OECD plans to publish selected papers from the conference in an edited compendium.

For further information

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DRAFT AGENDA

NB: Asterisks indicate that speakers have confirmed their participation.

Thursday, 5 December 2002

9:00-9:45 am

Opening Remarks

- China's Ministry of Foreign Trade and Economic Co-operation*
- OECD Deputy Secretary-General Richard Hecklinger*
- Vice-Mayor of Shanghai*

Session 1

SECURING AN ENABLING ENVIRONMENT AND REMOVING IMPEDIMENTS

At a time when the benefits of FDI for economic development are increasingly recognised and the prospect for maintaining international investment at the high levels observed in the previous decade is uncertain, countries have intensified efforts to attract new, and retain the existing, investment. Removing obstacles to investment and creating an enabling environment have become a key priority.

Addressing policies and practices that heighten rather than reduce investor costs and perceived risks should be at the forefront of any action plan towards encouraging FDI. Clearly, broad-based transparent, non-discriminatory and predictable regulatory frameworks are among the best long-lasting incentives for foreign investors, as documented by numerous investor surveys. Special measures specifically designed to attract foreign investors, such as tax relief, financial inducements and other incentives, play a role. However, their cost-effectiveness needs to be assessed depending on the circumstances, as well as their level of transparency.

This session will discuss specific country experiences, which could provide an assessment of the policies in their own context. Discussants are expected to comment on the main messages that may emerge from these presented experiences and to raise other relevant issues. The discussions may focus, *inter alia*, on the following questions:

- Is the pursuance of appropriate policies toward a more enabling environment – e.g. political and macroeconomic stability, transparency, infrastructure and human capital development – sufficient to attract FDI?
- What have been national and regional experiences with regard to competition for FDI?
- What are the factors to be taken into account in assessing the usefulness of FDI incentives for development?

Co-Chairs: Mr. Marinus Sikkel, *Head of Investment Policy & International Organisations, Netherlands Ministry of Economic Affairs (Chairman, OECD Committee on International Investment and Multinational Enterprises)** and Mr. Samuel Sitta, *Executive Director, Tanzania Investment Center*

Rapporteur:

9:45-12:30

Presentations

- Foreign direct investment for development: Results of the 2002 OECD report, *Mr. Mehmet Ögütçü, Head, Non-Members Liaison Group and Global Forum on International Investment, OECD Secretariat**
- The Shifting Paradigm of FDI Policy and Promotion in Thailand, *Mr. Somphong Wanapha, Secretary-General of the Board of Investment of Thailand**
- How has Chile succeeded in attracting greater inflows of FDI?, *Ms. Daisy Kohan, Foreign Investment Committee, Chile**

Coffee Break

Panel Discussion

- Asian Development Bank perspective on importance of enabling environment for investment and development, *Mr. John Lintjer, Vice-President, ADB**
- Making sure that the business strategies contribute to sustainable development, *Business and Industry Advisory Committee (BIAC) to the OECD**
- Chinese perspective on maximising benefits of FDI for development, *Mr. Hu Jingyan, Director-General, Foreign Investment Administration, MOFTEC**

Open Forum

Session 2

MAXIMISING DEVELOPMENT BENEFITS: LINKAGES WITH LOCAL ENTERPRISES AND SUPPLY CHAIN MANAGEMENT

Multinational enterprises contribute to local development in host countries, notably through technology dissemination, human capital formation and environment protection, both directly and through their supply chain.

Maximising multinational enterprises' contributions can also present important challenges depending on the sectors concerned, the types of business relationship with local suppliers and sub-contractors, and the regulatory environment.

This session could explore, *inter alia*, the following questions:

- How can the positive effects of FDI on local enterprise development be maximised?

- What tools may companies use to influence positive economic impacts of their supply chain management decisions, including SMEs? What are their limitations?
- What can be the role and benefits of initiatives for corporate responsibility, such as the OECD Guidelines for Multinational Enterprises?

Co-Chairs: Mr. Rainer Geiger, *OECD Directorate for Fiscal, Financial and Enterprise Affairs** and South Africa (to be confirmed)

Rapporteur:

14:30-18:00

Presentations

- An OECD member country perspective, including on the OECD Guidelines for Multinational Enterprises, *Ms. Anna Maj Hultgard, Deputy Director, Department for International Trade Policy, Ministry for Foreign Affairs, Sweden**
- Positive linkages of international investment, corporate responsibility and SME development, *Mr. Robert Madelin, Director, Trade and Investment, Directorate General Trade, European Commission**.

Panel Discussion

- FDI, corporate responsibility issues and private sector development in Africa: A Tanzanian perspective, *Mr. Samuel Sitta, Executive Director, Tanzania Investment Center**
- Promoting responsible supply chain management: challenges and opportunities, *BIAC**

Coffee Break

- Trade Union perspective, *Mr. Govindasamy Rajasekaran, Secretary-General, Malaysian Trades Union Congress**
- FDI and domestic private sector development, *Ms. Liang, Dan, Director, Industrial Promotion and Technology Branch, UNIDO**

Open Forum

18:30 Dinner hosted by MOFTEC and boat trip organised by Shanghai Municipal Government

Session 3

**FDI, OFFICIAL DEVELOPMENT ASSISTANCE (ODA) AND OTHER
CAPITAL FLOWS: MAXIMISING INTERACTION FOR DEVELOPMENT**

The ongoing globalisation of international financial activities has significantly affected emerging markets, both in terms of modernisation of their financial sectors and their degree of capital account opening, aided by the establishment of foreign banks. Nowhere has the revolution in information and communication technologies had such profound effects as on the financial sector. The results are visible in the vastly intensified financial interchange, in mature economies, as well as in emerging ones, and the increasing integration of FDI, portfolio and other investment operations.

At the same time, while the benefits of FDI have been widely recognised, the merits of liberalising other categories of financial flows and services have been challenged by recent crises. Discussions are going on in WTO and other international fora on the extent to which the liberalisation of FDI and the liberalisation of other capital flows are or can be made mutually supportive. OECD Members have forty years of experience with international co-operation in this field through the OECD Code of Liberalisation of Capital Movements, which can be shared with non-Member countries.

OECD countries also consider how best to leverage ODA and FDI flows into public and private investment projects in developing countries to maximise their access to international markets and technology. The issues to be discussed include:

- What interactions amongst FDI and other potentially supporting capital flows need to be considered by developing countries in forming their overall policies to capital account opening?
- What lessons have been learned about capital account liberalisation in OECD members and non-OECD economies and their relevance?
- What flanking measures (economic, social and environmental) need to be implemented in order to ensure that FDI actually contributes to sustainable development? What considerations could be of importance regarding leverage with ODA for this purpose?

Co-Chairs: Mr. John Lintjer, *Vice-President, Asian Development Bank** and Mr. Zoltán György Szabó, *Deputy Director-General of Investment, Trade, Development in Hungary LTD**

Rapporteur: Mr. Kenneth Davies, *Principal Administrator, Directorate for Financial, Fiscal and Enterprise Affairs, OECD*
9:30-12:30

Presentations

- How control of capital flows may affect FDI: the Brazilian experience and its relevance for other countries, *Investe Brasil (or National Development Bank of Brazil)**

- Promoting FDI/ODA linkages: PPPs in the water sector as example, *Mr. William R. Nicol, Head, Policy Coherence Division, OECD Development Co-operation Directorate**

Panel Discussion

- OECD Members' Experience with Capital Account Liberalisation and their relevance to other countries, *Mr. Jan Schuijjer, Head of Unit, Center for Co-operation with Non-Members, OECD Secretariat**

Coffee Break

- What actions are needed to attract and maximise benefits of FDI for developing countries? An NGO perspective, *Mr. Rajan R. Gandhi, Consumer Unity and Trust Society, India**
- Do FDI and portfolio investment complement one another?, *Ms. Kimberly Evans, Department of Treasury, United States**

Open Forum

12:45-13.15 p.m.

Chairs' Conclusions

Press Conference

Moderators: Mr. Richard Hecklinger, Deputy Secretary-General, OECD, and Ms. Ma Xiuhong, Deputy Minister of MOFTEC

15:00-18:00

Exploratory Meeting on Emerging Asia There will be an exploratory meeting in the afternoon, restricted to representatives of OECD member countries, Emerging Asian countries and business, to discuss recent trends, challenges and prospects in the field of international investment and share ideas on a possible OECD investment initiative for the region.

18:30 Dinner reception for participants in the exploratory meeting, hosted by the OECD

7 December 2002, Saturday, Morning

Tour of Volkswagen facilities in Shanghai. Departure from the hotel.