

APEC-OECD Seminar
“Working Together on Investment for Development”

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Opening Remarks of Satoru Sato, Deputy Director-General, Economic
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(draft)

Mr. Cho Hwan Eik, Minister of the Korean Ministry of Commerce,
Industry and Energy,
Distinguished Guests,
Ladies and Gentlemen

First of all, I would like to sincerely thank the Korean Government, and more particularly the Ministry of Commerce, Industry and Energy as well as APEC for organizing this seminar in partnership with the OECD. I usually serve as a representative of Japan’s APEC-SOM. But today, it is my great pleasure to have this opportunity to speak on behalf of the OECD.

The OECD is in the process of completing one of its most ambitious undertakings to date, namely the development of a “Policy Framework for Investment (PFI)” under “the OECD Strategy of Investment for Development”. This initiative began as a result of the proposal made by Japan at the OECD Ministerial Council Meeting in 2003. From that point on, Japan and Chile became co-chairs of the Task Force responsible for carrying out this work. These are the reasons why I was given this honorable opportunity to speak today.

1. Circumstances to propose the “Investment for Development”

Japan, utilizing united efforts between government and business, made great efforts to promote industries and subsequently achieved the reconstruction after the war with support from a robust growth of private investment activities. The recent development in the East Asia and South-East Asia region has also been supported by private investments. Japan has been consistently asserting within the development community

the importance of private investment for development and has put its argument into practice through ODA by supporting the efforts of developing countries to promote private activities and industries.

I feel that the debate regarding the importance of private investment was gradually put into motion in the 1990s. Then, in 2002, the Monterrey Consensus attributed a central role to private investment in the achievement of the Millennium Development Goals. This was a clear turning point in recognizing the importance of private investment for development.

Japan welcomed this situation in which the view of the development community had become consistent with Japan's view and the experiences of Asian development. Subsequently, in keeping with the trends of that time, Japan proposed "the initiative of Investment for Development" at the OECD Ministerial Council Meeting in 2003.

2. Introduction of PFI

I would like to take advantage of this opportunity to introduce the OECD's "Policy Framework for Investment (PFI)".

The PFI is intended as a comprehensive tool to foster a whole-of-government approach to policy formulation and implementation for the sake of greater coherence, consistency and effectiveness of pro-investment policies.

It is quite remarkable indeed that the PFI does not propose policy prescriptions. Rather it is intended as a reference point which governments will be able to use to guide the formulation of policy standards in all areas bearing on the investment climate. This comes in the form of a checklist of probing questions for self-evaluation or peer dialogue with a view to identifying and implementing regulatory improvements that duly take into account the particular circumstances and the level of development of the countries undertaking policy reforms.

I am happy to see that the seminar will discuss at length three core policy chapters of the PFI, namely investment promotion, the interface between investment policy and trade policy and corporate governance.

This discussion is very timely. APEC has just completed a major stocktaking of the implementation of the Bogor goals which highlights the need for more robust interaction between relevant policy areas, including those that influence investment. There are striking similarities among the objectives, principles and working methods pursued by APEC and the OECD in the investment field and I see great value in joining forces. I am sure this seminar will provide inspiration for how this can be done.

3. Co-operation between APEC and the OECD

In reviewing the FDI outflow in 2004, 60% of it was invested from the economies of APEC and the OECD. And in taking this into consideration, in fact 50% of FDI outflow was from the OECD member countries. On the other hand, 70% of the total FDI inflow was brought about by the economies of APEC and the OECD member countries. Only the economies of APEC received 50% of total FDI inflow.

Each country and each international organization should make efforts to promote further investments. In order to do that, they should lead the sound investment activities of the multinational enterprises, and at the same time encourage the improvement of the investment climate by host countries. APEC, where the OECD member countries and non-member countries are working together in a framework of the Pacific Rim, is indeed the point of contact between FDI outflows and inflows and the place of interaction. Accordingly, it is important to put the outcome of research or discussion in the OECD to practical use in the drive of APEC. It is also essential to apply the knowledge derived from APEC's experiences to the activities of the OECD.

4. Conclusion

"The Policy Framework for Investment (PFI)" has no compelling force. Nevertheless, I believe that it will be an investment promotion tool through the proposal of ideal investment policies and with the understanding, support and co-operation for implementation provided by the host governments. In order to make the PFI such a fundamental tool, we should work on improving it. Much more exchange of views between stakeholders on many more occasions is needed to achieve such an

improvement. With that in mind, I hope that the co-operation between APEC and the OECD will be further strengthened.

Finally, let me express my deepest thanks to all of the speakers and participants brought together here today from the government, from international organizations, business, labor and academic circles. This gathering is truly impressive and I wish it all the success it deserves.

Thank you very much.