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An Investment Strategy for the new Millenium

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In opening this conference, I would like to thank the Government of the Dominican Republic for its hospitality and excellent organisational support. This conference is part of an ongoing dialogue on investment between the OECD and countries from Latin America and the Caribbean Rim which started in 1996. This dialogue is important as it brings together 29 OECD Members which account for a large part of foreign investment in the countries of the Western hemisphere region, which has in recent years become one of the World´s most attractive destination for investment.

Latin America and the Caribbean have experienced fundamental economic, legal reforms and market liberalisation since the mid-1980s. This has included a substantial improvement of the investment climate. Key elements in the new investment regimes are the granting of non-discriminatory treatment to foreign investors, and the elimination of most restrictions on capital movements and profit remittances.

In 1998 global FDI flows to Latin America and the Caribbean region reached a record level of US$ 75 billion. The region was the only one in the developing world to increase inward investment, placing it almost at the same level as Asia in terms of the share in total FDI. While large countries accounted for the lion´s share of investment flows, some smaller countries also showed an impressive performance, given the size of their economies. For example, measured in share of GDP per head of population, the Dominican Republic reached the same performance as China, which is known as one of the most important recipients of foreign investment. There are good prospects for this trend to continue, provided that the countries stay on course with their economic reform and develop strategies which allow them to fully benefit from globalisation.

At the turn of the Millenium, this meeting provides a unique opportunity for participating countries and representatives of the private sector and international organisations:

- to promote investment as a key factor for economic growth and sustainable development

- to discuss how investment conditions in the region can be further improved

- to exchange experience on successful investment promotion strategies

- to help build consensus on international rules for investment.

Liberalisation of markets and investment opens new possibilities to develop competitive advantages if accompanied by proper domestic policies and international co-operation. Let me just mention the enormous possibilities for both developed and developing countries which are opened by the so called new economy which is determined by the accelerating spread of information and communications technology, new ways of organising work, production and commerce, and changes in the modes of competition.

This dynamic environment which is characterised by short research cycles and a shift from traditional manufacturing to new service and high technology industries, calls for reconsideration of traditional investment strategies. Foreign investment promotion can no longer be based primarily on sectoral approaches, where investment is attracted through specific incentives and remains an enclave activity within the national economy. The fast changing economic environment requires a policy where private sector development and investment are considered an integral part of an overall strategy for sustainable development. This includes the improvement of the physical and financial infrastructure, use of new technology and above all a dramatic effort to enhance human resources through education and training.

As electronic commerce opens new avenues for competition by small and medium sized enterprises, the information driven economy provides developing countries with new opportunities to develop competitive advantage and to exploit business opportunities which are beneficial to large parts of society. In this context the recent initiative of the Dominican Republic to develop a Cyberpark where software production, research and training facilities and new prospects for foreign investment are combined is an interesting example for a dynamic and future-oriented investment strategy.

Private initiative is essential for investment, and the privatisation of those parts of the economy which are still government-owned can make an important contibution to investment. Private/public sector partnerships are useful tools to develop new projects like the Dominican Cyberpark, and governments will always retain their overall responsibility for creating and maintaining the legal and policy conditions which are essential for the efficient functioning of a market and the confidence of investors.

From the experience of OECD countries, there are two basic conditions for the promotion of investment within a strategy of sustainable development.

- Good governance

- Effective international co-operation

Good governance provides for transparency, predictability and legal certainty without which investment cannot prosper. In this context the respect of the Rule of the Law is essential. It implies effective protection of individual property rights including intellectual property, the respect of contracts, an independent judiciary, a modern and transparent regulatory system and integrity in public administration.

Good public and good private governance are two sides of the same coin. Company structures need to be transparent, and directors accountable to shareholders. Corporate governance structures should provide a framework for long term co-operation between resource providers, including capital owners and employees. Companies should follow ethical rules of behaviour, including the respect of the environment and labour standards.

In a globalised economy, international co-operation is essential to define the rules of the game for business transactions and investment, and co-operation should extend at bilateral, regional and international level. Multilateral rules, including rules on investment, are important to create business confidence and to provide a level playing field among nations. Through its Codes of Liberalisation, its national treatment instrument and the Guidelines for multinational enterprises, OECD has developed tools which can help develop a multilateral framework for investment. In addition, the OECD adopted in 1999 a set of principles on corporate governance, and is co-operating with the World Bank in a Global Corporate Governance Forum. Under OECD auspices, an international convention to fight bribery in international business transactions was signed in December 1997 and is now being implemented within the legal systems of all signatories (29 Member and 5 non-Member countries). The OECD is open to co-operate with all interested non-Member countries on the basis of these instruments.

Conclusions

To meet the challenges of a global economy, investment policies have to be integrated in global strategies for sustainable development. This means further efforts to improve framework conditions, financial sector reform, privatisation, regulatory reform, promotion of entrepreneurship and enterprise development. It also means that emphasis should be given to education and training to ensure that large parts of the population can participate in, and benefit from, private sector development. Good Governance in both the public and private sector is an essential part of this strategy. Developed and developing countries have a shared interest in developing international rules to make globalisation work and benefit to their societies. The exchange of experience and the conclusions resulting from this conference will pave the way for future co-operation investment for the New Millenium.