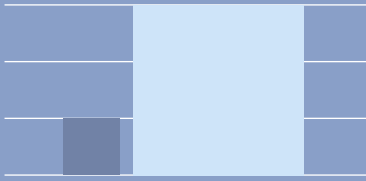


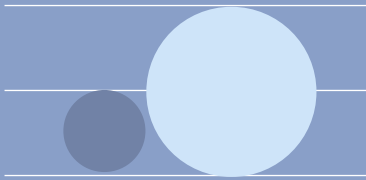
OECD INVESTMENT COMMITTEE

*PROMOTING INVESTMENT
FOR GROWTH AND
SUSTAINABLE DEVELOPMENT
WORLDWIDE*





International investment flows have tripled in the last 10 years.



International capital stocks are now twice the size of global GDP.

“PRIVATE INTERNATIONAL CAPITAL FLOWS, PARTICULARLY FOREIGN DIRECT INVESTMENT, ALONG WITH INTERNATIONAL FINANCIAL STABILITY, ARE VITAL COMPLEMENTS TO NATIONAL AND INTERNATIONAL DEVELOPMENT EFFORTS”

2002 UN MONTERREY CONSENSUS

About the OECD

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and governance challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as effective governance and the information economy. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.



*Promoting investment
for growth and sustainable
development worldwide
is a core mission
of the OECD.*

*This mission has been
entrusted to the
Investment Committee.*

A FORUM FOR INTERNATIONAL CO-OPERATION, POLICY ANALYSIS AND ADVICE TO GOVERNMENTS



The OECD Investment Committee is a leading forum for international co-operation, policy analysis and advice to governments on how best to enhance the positive contribution of investment worldwide.

International investment includes foreign direct investment, other capital movements and the operations of multinational enterprises.

More investment for development

Harnessing the benefits of investment is essential to global prosperity and stability. The Committee seeks to increase the capacity of non-members to attract more investment by engaging in dialogue and sharing "best practices" for promoting a favourable environment for both foreign and domestic investment.

A positive role for multinational enterprises

The *OECD Guidelines for Multinational Enterprises* are recommendations to international business for conduct in all the major areas of business ethics. Recognised as one of world's foremost corporate responsibility instruments, they aim to promote the positive contributions multinational enterprises can make to economic, environmental and social progress.

Making the most of international investment agreements

International investment agreements reinforce domestic liberalisation gains and legal security for investment. A new body of state practice and jurisprudence is expanding rapidly. The Committee aims to enhance the understanding of emerging legal and policy issues relating to international investment agreements and, ultimately, improve their outcomes for governments and investors.

Reliable investment statistics

Reliable and up-to-date statistics are essential for a meaningful interpretation of investment trends and informed policy-making. Internationally comparable data makes it possible to measure the degree of economic integration and competitiveness of markets. The Committee seeks to contribute to better informed decision-making by gathering and improving statistics on international direct investment.

OECD investment instruments

The Committee has long been at the forefront in efforts to develop international "rules of the game" relating to capital movements, international investment and trade in services. The Committee promotes transparent and non-discriminatory treatment of investment through observance of the *OECD Codes of Liberalisation* and the *Declaration on International Investment and Multinational Enterprises*.



The Committee represents the investment policy community from countries which are the source of 90 per cent of global investment flows and the home of most multinational enterprises.

THE COMMITTEE OFFERS:

- **OPEN DIALOGUE**
- **PEER REVIEW**
- **ANALYSIS**
- **BEST PRACTICE ADVICE**
- **SHARING INFORMATION**
- **DEVELOPING STANDARDS**

The Committee is composed of senior officials in treasuries, economics, trade and industry, and foreign affairs ministries and central banks. It is responsible for the effective implementation of all OECD investment instruments and at the forefront in efforts to develop internationally acceptable best practices based on OECD unique peer learning methods. Nine non-members participate in the work of the Committee.

In the pursuit of its mandate, the Committee works with other OECD committees and in close consultation with business, labour and other non-governmental organisations. The Committee has established partnerships with the World Bank, IMF, WTO, UNCTAD and other organisations.

■ **INTERNATIONAL INVESTMENT PERSPECTIVES**

Published in September, this annual publication provides an update of recent trends and prospects in international direct investment and provides analyses of investment policy questions of topical interest.

MORE INVESTMENT FOR DEVELOPMENT



RECENT OECD INVESTMENT POLICY REVIEWS

■ RUSSIAN FEDERATION

Russia has made significant improvements in its business environment since the last decade. Russia has also signed investment and double-taxation treaties with OECD members and other countries. This review evaluates reforms made to date and offers policy options designed to improve the investment environment further. It proposes ways of phasing out remaining restrictions to FDI while meeting legitimate public interest objectives.

■ CHINA

China has become one of the world's leading destinations for FDI since the Chinese government opted to reform the economy and open it to foreign trade and investment. This review records and evaluates the development so far of an enabling environment for FDI and outlines a range of policy options aimed at attracting more and higher-quality FDI to China by developing a rules-based business environment.

Harnessing the benefits of investment worldwide is essential to global prosperity and stability. The Investment Committee seeks to increase the capacity of developing countries to attract more investment, both domestic and foreign.

INVESTMENT IS KEY TO SUSTAINABLE GROWTH AND POVERTY REDUCTION

While countries – OECD and non-OECD alike – have been intensifying efforts to promote investment, more and more developing country governments look to OECD co-operation for help in upgrading their investment policy standards.

Strengthening implementation capacities has become a priority on this agenda and challenges OECD countries to provide better assistance in this area.

The Committee is responding to these challenges by:

- strengthening its partnership with key non-member economies and co-operation with other OECD policy communities and organisations;
- promoting a broad applicability of the principles and best practices it has developed in the area of investment transparency, non-discrimination and protection; and
- demonstrating the positive effects of its work on corporate responsibility.

The *OECD Global Forum on International Investment* has been established as an effective vehicle for the continuing policy dialogue with non-members. Investment policy co-operation programmes with Russia, China and other major players have been implemented and regional investment initiatives with NEPAD, MENA countries and other regions have been launched.



The Policy Framework for Investment

The Committee and its partners have initiated work on a *Policy Framework for Investment*, covering policy areas such as trade, competition, tax, corporate and public governance. At the core of the *Framework* is a non-prescriptive and coherent checklist of issues for consideration by any interested governments engaged in domestic reform, regional co-operation or multilateral policy dialogue aimed at creating an environment that is attractive to domestic and foreign investors and that enhances the benefits of investment to society.

The *Framework* will also serve as a reference point for investment promotion agencies, donors as they assist recipient country partners in improving the investment climate, and businesses, trade unions, and NGOs in their dialogue with governments.

The *OECD Initiative on Investment for Development* was launched in 2003 and is intended as a contribution to the effective implementation of the Monterrey Consensus. It serves as a vehicle for organising the Committee's co-operation with developing countries.

A Role for ODA

The Investment Committee is working with the Development Assistance Committee on enhancing the role of official development assistance (ODA) in mobilising investment for development. As the business sector is the main source of economic growth, private investment and entrepreneurship is needed to provide jobs and incomes for the poor.

ODA can facilitate this process by correcting market failures and tackling structural impediments to investment. In order to stimulate genuinely additional investment, ODA needs to focus on shortcomings in the investment climate and be co-ordinated among donors.

MENA Investment Programme

This Programme (www.oecd.org/mena/investment) seeks to mobilise investment – foreign, regional and domestic – as a driving force for growth, stability and prosperity throughout the Middle East and North Africa (MENA) region. This programme is part of the MENA Initiative on Governance and Investment for Development supported by the OECD.

Africa Investment Initiative

Launched with the New Partnership for Africa's Development (NEPAD) in Johannesburg in 2003, this Initiative uses peer dialogue and experience with policy best practices to assist African countries' efforts to create a sound investment climate. It considers ways of raising transparency and relaxing regulatory obstacles to investment, of enhancing the role of ODA in support of investment, and of increasing regional capabilities with public-private partnership in utilities.

Investment Compact for South East Europe

The Investment Compact (www.investmentcompact.org) is a vital part of the Stability Pact for South Eastern Europe. Set up in February 2000, it seeks to support the improvement of the business environment in South East European countries through sharing of policy experience, peer review and dialogue.

An independent evaluation by A.T. Kearney found that the Investment Compact has significantly contributed to increasing private investment and employment in the South East Europe region.

A POSITIVE ROLE FOR MULTINATIONAL ENTERPRISES



ANNUAL REPORT ON THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

Each year the NCPs and the Investment Committee publish a report which provides an account of the adhering governments' activities to enhance the contribution of the Guidelines to the improved functioning of the global economy. Each report also has a special focus section: corporate responsibility in developing countries (2005); the contribution of business to the environment (2004); the role of business in the fight against corruption (2003); responsible supply chain management (2002) and global instruments for corporate responsibility (2001).

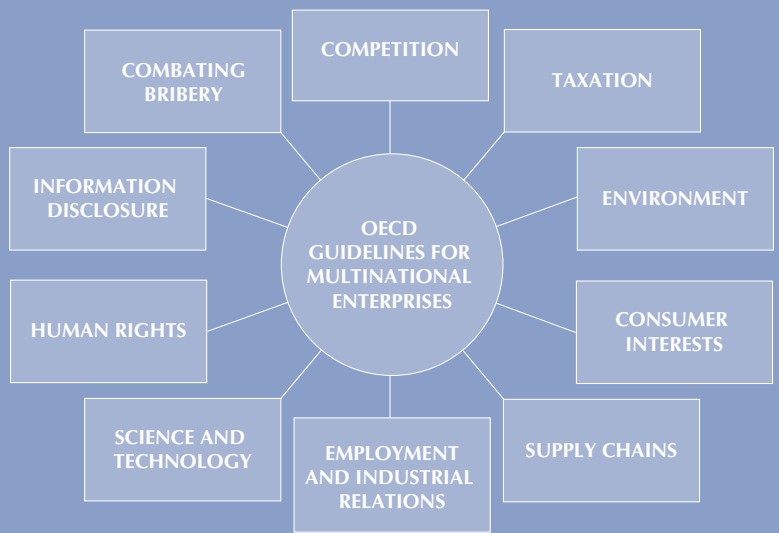
The OECD Guidelines for Multinational Enterprises – part of the broader Declaration on International Investment and Multinational Enterprises – are one of the foremost global instruments for corporate responsibility. They constitute a set of voluntary recommendations addressed by governments to multinational enterprises in all the major areas of business ethics, including employment and industrial relations, human rights, environment, information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation. Adhering governments have committed to promote them among multinational enterprises operating in or from their territories.

The instrument's distinctive implementation mechanisms include the operations of National Contact Points (NCP), which are government offices charged with promoting the *Guidelines* and handling enquiries in the national context. Adherents comprise all 30 OECD member

A LEADING GLOBAL INSTRUMENT FOR CORPORATE RESPONSIBILITY

countries, and nine non-member countries (Argentina, Brazil, Chile, Estonia, Israel, Latvia, Lithuania, Romania and Slovenia).

The *Guidelines* are complemented by commentaries which provide information on and explanation of the *Guidelines* text and implementation procedures. Clarifications by the Committee provide interpretations of how certain provisions of the *Guidelines* should be understood.



Corporate responsibility and the developing world

The Committee is focusing on developing a shared understanding between adhering governments and non-adhering actors on the concepts and principles expressed in the *Guidelines*. Government officials from non-adhering economies, non-adhering businesses, trade unions and NGOs are regularly invited to share their views on corporate responsibility, the *Guidelines* and the role of host governments in promoting appropriate business conduct.

Helping multinational enterprises to meet the challenges of weak governance zones

Investing in conflict and other weak governance zones raises difficult challenges for business. While recognising the primary responsibility of public policy in host countries and of the international community in improving institutions in such zones, the Committee is helping companies to meet these challenges by developing a checklist of non-prescriptive considerations that they might wish to take into account as they assess their relationships with host country governments and state-owned enterprises and manage reputational risks.



MAKING THE MOST OF INTERNATIONAL INVESTMENT AGREEMENTS



Studies published to date can be accessed online as part of the OECD series of Working Papers on International Investment: www.oecd.org/investment

- RELATIONSHIPS BETWEEN INTERNATIONAL INVESTMENT AGREEMENTS
- MOST-FAVOURED-NATION TREATMENT IN INTERNATIONAL INVESTMENT LAW
- FAIR AND EQUITABLE TREATMENT STANDARD IN INTERNATIONAL INVESTMENT LAW
- “INDIRECT EXPROPRIATION” AND THE “RIGHT TO REGULATE” IN INTERNATIONAL INVESTMENT LAW
- TRANSPARENCY AND THIRD PARTY PARTICIPATION IN INVESTOR-STATE DISPUTE SETTLEMENT PROCEDURES

International investment agreements reinforce domestic liberalisation gains and legal security for investment. A new body of state practice and jurisprudence is expanding rapidly.

BETTER UNDERSTANDING MEANS BETTER OUTCOMES

The work of the Investment Committee aims to enhance the understanding of emerging legal and policy issues relating to international investment agreements and, ultimately, improve their outcomes for governments and investors. It tracks new developments in recent investment agreements and undertakes in-depth analysis of core treaty provisions.

New work underway deals with other issues for the improvement of investor-state dispute settlements.



RELIABLE INVESTMENT STATISTICS

Reliable and up-to-date statistics are essential for a meaningful interpretation of investment trends and informed policy-making. Internationally comparable data make it possible to measure the degree of economic integration and competitiveness of markets.

INDISPENSABLE FOR POLICY-MAKING

The Investment Committee sets international definitions of international direct investment, gathers statistics to assist policy-making in member and non-member countries, provides methodologies for assessing data collection and dissemination policies and publishes data on a regular basis.

The *OECD Benchmark Definition of Foreign Direct Investment* provides operational guidelines on how foreign direct investment activity should be measured according to internationally agreed standards which are revised, as appropriate to reflect the changes in economic reality, in close co-operation with the International Monetary Fund and other concerned international agencies.

INTERNATIONALLY COMPARABLE DATA

The Workshop on International Investment Statistics provides a forum for senior statisticians from member countries to share their experiences, to promote best practices for the implementation of international standards and to facilitate the availability of timely, reliable and comparable statistics. It also acts as a network of experts to exchange views and experiences with non-member economies.

INTERNATIONAL DIRECT INVESTMENT STATISTICS YEARBOOK

This annual publication gathers detailed statistics on international direct investment to and from the OECD area. Comparative tables and charts complement the information included for individual countries by geographical and sectoral breakdowns for direct investment flows and stocks. The database is also available on CD-Rom, allowing users to extract and export data, prepare customised graphs and tables, and perform their own analysis.

HANDBOOK OF ECONOMIC GLOBALISATION INDICATORS

This handbook, focusing particularly on the areas of trade, international investment and technology transfer, defines the concepts and puts forward guidelines for data collection and the fine-tuning of globalisation indicators.

OECD INVESTMENT INSTRUMENTS



The OECD has long been at the forefront in efforts to develop internationally recognised “rules of the game” relating to capital movements, international investment and trade in services. Adhering countries are committed to transparent and non-discriminatory treatment of investors and to leading by example.

POLICIES FOR TRANSPARENT AND NON-DISCRIMINATORY TREATMENT OF INVESTORS

OECD member governments have established binding disciplines for themselves and recommendations for multinational enterprises by means of legal instruments to which adhering countries commit themselves. These instruments have been regularly reviewed and strengthened over the years to keep them up-to-date and effective.

The *Code of Liberalisation of Capital Movements* and the

Code of Liberalisation of Current Invisible Operations constitute legally binding rules. They promote progressive liberalisation of capital movements, the right of establishment, and cross-border financial and other services.

The *Declaration on International Investment and Multinational Enterprises* constitutes a political agreement among adhering countries for co-operation on a wide range of investment issues. It contains four related elements: the *National Treatment* instrument, the *Guidelines for Multinational Enterprises*, an instrument on incentives and disincentives to international investment, and an instrument on conflicting requirements. All 30 OECD member countries and nine non-member countries have subscribed to the *Declaration*.

IMPLEMENTATION TOOLS

In support of the objectives of the *Codes* and the *Declaration*, the Investment Committee has developed the following implementation tools for policy makers:

- **FRAMEWORK FOR INVESTMENT POLICY TRANSPARENCY**
- **CHECKLIST FOR FOREIGN DIRECT INVESTMENT INCENTIVE POLICIES**
- **OECD CODES OF LIBERALISATION OF CAPITAL MOVEMENTS AND CURRENT INVISIBLE OPERATIONS: USER'S GUIDE**
- **NATIONAL TREATMENT INSTRUMENT**
- **INVESTMENT POLICY REVIEWS**

SELECTED PUBLICATIONS



Annual Publications

International

Investment Perspectives

Recent trends and prospects in international direct investment and analyses of investment policy questions of topical interest

Annual Report on the Guidelines for Multinational Enterprises

An account of the adhering governments' activities to enhance the contribution of the Guidelines to the improved functioning of the global economy

International Direct Investment Statistics Yearbook

Detailed statistics on international direct investment to and from the OECD area. Comparative tables and charts complement the information included for individual countries by geographical and sectoral breakdowns for direct investment flows and stocks

Investment for Development

Results of co-operation programmes with non-member countries such as the *Policy Framework for Investment* and the *Global Forum on International Investment*

Monographs

International Investment Agreements - A Changing Landscape, 2005

Environment and the OECD Guidelines for Multinational Enterprises: Corporate Tools and Approaches, 2005

National Treatment for Foreign-Controlled Enterprises, 2005

OECD Handbook of Economic Globalisation Indicators, 2005

OECD Codes of Liberalisation of Capital Movements and Current Invisible Operations: User's Guide, 2003

OECD Code of Liberalisation of Capital Movements, 2003

Foreign Direct Investment Statistics: How Countries Measure FDI 2001, IMF/OECD 2003

Foreign Direct Investment for Development: Maximising benefits, Minimising costs, 2002

Forty Years' Experience with the OECD Code of Liberalisation of Capital Movements, 2002

Corporate Responsibility: Private Initiatives and Public Goals, 2001

Series

Since 1993, the OECD has published investment policy reviews of member and non-member countries. Recently published reviews include:

OECD Investment Policy Review of Romania, 2005

OECD Investment Policy Review of the Russian Federation: Progress and Reform Challenges, 2004

OECD Investment Policy Review of China: Progress and Reform Challenges, 2003

These publications can be ordered online via the OECD Bookshop: www.oecdbookshop.org

Information about investment-related work at the OECD can be accessed via the following portal on the OECD website: www.oecd.org/investment

PARTICIPANTS IN THE WORK OF THE OECD INVESTMENT COMMITTEE

All OECD member countries: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

The European Commission takes part in the Committee's work. The IMF, WTO, World Bank and UNCTAD are observers.

Argentina, Brazil and Chile have observer status and participate in all areas of the Committee's work.

As signatories to the OECD Declaration on International Investment and Multinational Enterprises, Argentina, Brazil, Chile, Estonia, Israel, Latvia, Lithuania, Romania and Slovenia participate in Committee work relating to this instrument.

These countries are represented by directors and other senior officials in treasuries, economics, trade and industry, and foreign affairs ministries and central banks.

The Committee is assisted by subsidiary working groups. The OECD Working Group on Bribery operates under the aegis of the Committee.

The Committee is supported in its mission by a team of economists and other top professionals within the Investment Division of the OECD Directorate for Financial and Enterprise Affairs. The Directorate promotes policies and best practices designed to keep markets open, competitive and sustainable while combating market abuse and economic crime through international co-operation.



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