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INTERNATIONAL INVESTMENT

(Report to Ministers by the Secretary-General)

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International Investment

(Report to Ministers by the Secretary-General)

1. The contribution of foreign investment to economic growth and development is now widely recognised. This is certainly the case for OECD countries and increasingly so for non-member economies as well. Although reaping the full benefits of foreign investment depends on many factors including the policy environment of host countries, foreign investment brings capital and know-how, creates higher quality jobs and increases domestic productivity. Foreign direct investment (FDI) can raise social and environmental standards when accompanied by appropriate government policies and responsible behaviour by enterprises. The stability of FDI has shown its value in recent financial crises.

2. Despite the benefits and importance of foreign investment, which has been growing faster than trade and is central to countries' integration into the global economy, adequate multilateral investment rules are still lacking. International rules have much to contribute to the stability of the multilateral system and in promoting greater and more stable investment flows, higher quality investments and a better distribution of their benefits. Adherence to rules may be especially valuable to countries whose share of international investment falls short of their needs, as well as to small and medium-sized enterprises that might otherwise hesitate to invest outside familiar territory. Rules offer transparency and predictability for investors, and a vehicle for international co-operation and dispute resolution. These benefits flow to all countries, regardless of size and regardless of whether they are capital exporting or importing countries.

3. Over the past three years, OECD member countries engaged in negotiations on a Multilateral Agreement on Investment, designed as a stand-alone agreement open to non-members. Progress reports were made regularly and a draft consolidated text and commentary was made available in April 1998. A period of consultation and assessment occurred last year. Negotiations are no longer taking place.

4. At the OECD Ministerial Council meeting in 1998, the Ministers of Member countries stated that: "they support the current work programme on investment in the WTO and once the work programme has been completed will seek the support of all their partners for next steps towards creation of investment rules in the WTO".

5. Member countries continue to believe in the desirability and merit of international rules for investment as a vehicle for encouraging investment flows beneficial to economic growth, sustainable development and job creation, and as a contribution to a rules-based system for managing globalisation.

6. Member countries believe that further policy-oriented analysis and discussion are needed to support the development of investment rules by the international community. In pursuing this activity, the experience of recent negotiations and the concerns raised in public debate need to be taken into account. The OECD, by virtue of its multidisciplinary character and its long experience as a forum for co-operation on international investment matters, has an important continuing contribution to make to this effort.

7. The Review of the OECD Guidelines for Multinational Enterprises, which addresses the question of corporate responsibility, is a high priority for the Organisation.

8. The OECD work programme relating to international investment will be carried out in the Committee on International Investment and Multilateral Enterprises (CIME), in co-operation with other relevant OECD committees. It will be organised in an open and transparent manner and take into account developments in the WTO and elsewhere. Argentina; Brazil; Chile; Hong Kong, China; Estonia; Latvia; Lithuania and Slovakia will continue to participate and other interested non-members could be invited to

do so by the CIME. International organisations -- WTO, UNCTAD, World Bank and the IMF -- will also be invited to participate. Dialogue with representatives of business, labour, and other non-governmental organisations will be an important part of the process. The CIME will report on its work over the coming year to the Ministerial meeting in spring of the year 2000.

9. Member countries support work at the WTO on investment.