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DAFFE/IME(2000)27



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

OLIS : 29-Nov-2000
Dist. : 30-Nov-2000

Or. Eng.

DIRECTORATE FOR FINANCIAL, FISCAL AND ENTERPRISE AFFAIRS
COMMITTEE ON INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES

PARIS

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THE OECD GLOBAL FORUM ON INTERNATIONAL INVESTMENT

(Note by the Secretariat)

This note is submitted for discussion under item 9b of the agenda at the CIME meeting on 14-15 December 2000.

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The OECD Global Forum on International Investment

1. This note is meant to inform the Committee on the Global Forum on International Investment. The establishment of this Forum, together with seven others, is envisaged as part of the new architecture of the work programme of the Centre for Co-operation with Non-Members (CCNM). In this note, the reasons for creating these Global Forums will be explained, as will the intended organisation of the Global Forum on International Investment will be organised. Furthermore, the Committee will be asked for its views on the Forum's medium-term objectives and activities.

The reasons for creating the Global Forum

2. The creation of the Global Forums is part of the new architecture of the CCNM work programme with which the Committee on Co-operation with Non-Members (CCN) has endorsed. This architecture will consist of two pillars: a global one, made up of a number of Global Forums, and a regional one, comprising the CCNM's regional and country programmes¹.

3. Until this year, the CCNM's multi-country programmes have been the Transition Economies Programme (TEP) and the Emerging Market Economies Forum (EMEF). Both programmes have incorporated regional elements. For example, until now, the regional activities in South America have been part of the EMEF.

4. Hence, the new architecture will provide a more transparent distinction between the global and regional programmes. It will also imply a greater weight for the Global Forums in the overall CCNM programme of work. This stronger emphasis on global programmes responds to the following considerations.

- *A global approach is necessary in dealing with issues which defy solution in individual countries or regions and where the relevance of OECD work is dependent on (or can be enhanced by) interaction and policy dialogue with a wide range of relevant non-Member actors from various regions of the world.*
- *The Global Forums will also help to generate a stronger involvement of specialised Committees (such as the CIME) in the CCNM work programme. This involvement will provide a necessary check on the quality of the work undertaken and foster the involvement of specialists from Member countries which is vital for ensuring the quality of the dialogue between Members and non-Members, as well as its continuity.*
- *Finally, the Global Forums will facilitate the development of networks among experts from Members and non-Members in different world regions, driven by a shared interest in the subjects discussed.*

¹ As of 2001, the following regional programmes will exist: Common Programme for Transition Economies of Europe and Central Asia, Baltic Regional Programme, South-Eastern European Regional Programme, Programme for Emerging Asian Economies, Programme for Emerging South American Economies. There will be country programmes for Russia, China and Brazil Programme. Some exploratory work is envisaged in other areas; examples could include the Middle East, or the Mediterranean Basin, and Southern Africa, provided that voluntary contributions or grants can be mobilised.

The link between the Global Forum and the CIME

5. The Global Forum on International Investment (GFII) will be part of the CCNM work programme². The Forum will have a horizontal nature, meaning that several OECD Committees can and will be invited to participate in its activities, according to the subject. However, by its very nature, the CIME will take the lead in the Forum's activities. The CIME or its Secretariat will take the initiative to propose activities and it will monitor their implication, with the assistance of the CIME's Ad Hoc Advisory Group on non-Member investment activities. As with all programmes involving non-Members, the CCN will oversee the Global Forum with due regard to: (i) the Organisation's overall priorities, (ii) evaluation of the quality of the Forum's product, (iii) the generic guidelines the CCN has set forth for the design and implementation of the activities with non-Members (reprinted in Annex 1 to this note).

6. In its note to Council C(2000)107, the CIME has proposed a number of instruments to engage in dialogue with non-Members, in particular on the OECD's investment-related instruments:

- *Meetings with the non-Member adherents to the Declaration on International Investment and Multinational Enterprises in the context of the CIME's Declaration-related work -- this will be a Committee-driven activity outside the CCNM's programme of work and budget;*
- *Special sessions and other outreach events with a wider circle of targeted non-Members;*
- *Regional events with non-Members, addressing issues of particular concern to these regions.*

7. The second category will coincide with the GFII. The regional events will be part of the CCNM's various regional programmes.

8. As mentioned in the generic guidelines, evaluation will be an important element of the Global Forums, as much as the other programmes. Evaluations require benchmarks, which will be developed in the form of medium-term objectives. As much as possible, these objectives should be defined in terms of concrete achievements rather than means (e.g. conferences, publications). Accordingly, Members will look beyond the one or two-year programmes by mapping out a longer-term direction for each programme for which they share responsibility.

Non-Member participation

9. The term "Global" should be understood to mean "without geographic boundaries." The intention is not to create a new structure with near-universal participation. Rather, the Global Forum will provide a platform for Members and non-Members from all regions, but participants will be selected in a manner consistent with the criteria set by the CCN and according to the subjects under consideration.

10. Note CCN(2000)5/ADD1 spells out criteria for selecting non-Member participants for the GFII. Participation by the following categories of non-Members is envisaged:

- *Those whose policies indicate that they may be interested in adherence to the Declaration in the future;*

² It should be noted here that the substantive work under the CCNM programme tends to be carried out by the CCNM staff located in Directorates outside the General Secretariat. The CCNM's 2001 budget includes a proposal for the creation of a permanent staff position (at A4-level) for the Global Forum on International Investment, which will be located at the DAFPE Directorate.

- *Other non-Members with important two-way direct investment flows;*
- *Opinion leaders on international investment policy in international fora.*

The latter two categories can be invited if this is likely to promote widespread consensus on investment issues and to extend the influence of the Declaration.

Financing

11. The activities of the Global Investment Forum are supported and financed by the CCNM. Additional activities with non members under the auspices of the Global Forum may be financed by voluntary contributions.

Orientations for the programme of work

12. In implementing the GFII work programme, the emphasis will be upon continuity of activities over the medium term, focus and sustained results with appropriate monitoring and evaluation of the activities. As much as possible, the objective is to develop stable networks of policy makers in both Member and non-Member economies and to engage more actively the non-Members concerned. The Committee is invited to present its ideas on the longer-term orientation of the GFII, taking into account the CCN's generic guidelines, as well as the outline of the Forum presented to the CCN, earlier this year (reproduced in Annex 2).

13. The medium term objectives for the Global Investment Forum might therefore be:

- to establish an ongoing policy dialogue with non members on core issues on the CIME agenda, and on multidisciplinary "international investment and..." issues (*e.g.* international investment and the environment);
- to establish a network of policy makers in the investment field, including representatives of member and eligible non member economies;
- to draw lessons for good practice approaches to maximise the benefits of international investment and the activity of multinational enterprises in the interest of economic growth and sustainable development;
- to help build consensus on the underlying principles of effective international co-operation; and
- to broaden adherence to the OECD investment instruments including the Guidelines for Multinational Enterprises.

Activities for 2001

14. The benefits of foreign direct investment are now widely recognised among both Members and non-Members, but views differ on how best to maximise those benefits in the interests of economic growth and sustainable development. The Global Forum will provide a platform to engage non-Members in an ongoing dialogue and to build consensus on open policies, good practices and policy frameworks for international investment and multinational enterprises. The Forum will build stable relationships with officials from non-Members, especially those with important two-way international investment flows, opinion leaders and those interested in adhering to the OECD investment instruments. It will give priority to issues on the policy agenda of the Committee on International Investment and Multinational Enterprises.

15. In 2001, attention will focus on the relationship between FDI and the environment, especially in the mining and forestry sectors; corporate responsibility and the OECD Guidelines for Multinational Enterprises; and other topics high on the evolving international policy agenda such as harmful policy competition for investment. A workshop is also envisaged on experiences in the liberalisation of capital transactions more generally, in co-operation with the Committee on Capital Movements and International Transactions. Other activities might be co-financed by voluntary contributions.

Questions

The Delegations are invited to comment on this note and, in particular, on the proposed medium-term objectives (paragraph 13) and the activities for 2001 (paragraphs 14-15).

ANNEX 1: GENERIC PROGRAMME GUIDELINES

The following generic guidelines for the design and implementation of activities with non-Members were agreed by the CCN at its meeting on 13 April 2000 [CCN/M(2000)2].

- (i) Topics should in most cases be among the “front-burner” issues for the OECD, *i.e.* issues that receive a high priority in the OECD’s work programme and on which the OECD is seen as an important contributor -- if not a leader -- in the global policy dialogue. In practice this means that policy issues selected should cover grounds where the OECD has proven expertise and abilities that other international organisations are less able or willing to provide with the same effectiveness.
- (ii) There should be a strong mutual interest in a common agenda among OECD Members and participating non-Members with continuity over several years, as appropriate. On the OECD side, a relevant indicator for such interest is the willingness of the Committee concerned to provide active support, notably through the participation of its members in CCNM activities.
- (iii) Activities should take advantage of the unique features of the OECD’s working methods. They should take the form of policy dialogue (including advice concerning best practices and experiences in OECD countries) and peer review rather than technical assistance. In addition, efforts should be strengthened to promote multidisciplinary, horizontal approaches to issues in order to analyse interrelations among policies in different areas, including the impact of structural policies on macroeconomic performance. The OECD is particularly well placed to contribute to a better integration of policy making.
- (iv) Special care should be given to reducing the risk of duplication and overlaps with the work of other international organisations. The CCNM will be monitoring the development and implementation of partnerships with other institutions with a view to shared responsibility for promoting synergies and complementarities [see C(2000)15/REV1].
- (v) Within the OECD family, continuing attention should be given to develop synergies, in particular with the Development Centre.
- (vi) Evaluation instruments to assess the effectiveness of the programme should become an integral part of the implementation of activities.

ANNEX 2: GLOBAL FORUM ON INTERNATIONAL DIRECT INVESTMENT

[Extract from CCN(2000)5/ADD1]

International direct investment has spearheaded the globalisation process, strengthening and deepening the ties that bind the world's regions together. Its evolution has both reflected and reinforced broader developments within OECD economies. International investment is a channel for long-term capital flows, for diffusion of technology and managerial know-how and for the creation of high-quality jobs.

Governments, within the OECD and beyond, have implemented policy reforms to enhance these benefits of international investment and have done so without prejudice to other economic, social or environmental policy objectives. They have reviewed domestic policies in such areas as competition, regulation and taxation, often removing barriers to international market access while continuing to target basic policy goals (e.g. social and environmental protection, prudential controls). At the international level, they have co-operated to improve the policy framework in which international business is conducted.

Yet, despite the clear-cut benefits from investment and improvements in the policy framework, international investment remains a sensitive issue. In particular, the greater mobility of economic activity has sharpened public concerns that international business may be able to take undue advantage of differences among jurisdictions in economic, social and environmental policies. Conversely, fears have been expressed that efforts to create level playing fields for foreign and domestic investors might undermine the ability of governments to set their own objectives with respect to these policies.

The OECD has traditionally played a key role in promoting international co-operation to improve the policy climate for investment and to strengthen the basis of mutual confidence between multinational enterprises and the societies in which they operate. Its *Declaration on International Investment and Multinational Enterprises* contains commitments by governments to provide national treatment for foreign-controlled enterprises, to avoid conflicting requirements on enterprises and to co-operate regarding investment incentives and disincentives. The *OECD Guidelines for Multinational Enterprises* balance these instruments by expressing governments' shared views on appropriate business conduct for multinational enterprises in areas such as labour relations, environment, consumer protection, combating bribery and others. The Organisation's analyses and peer reviews in the areas of regulation, competition, taxation and public management provide an opportunity for sharing best practices and experiences in areas that are central to further improving the policy environment for international investment.

The Committee on International Investments and Multinational Enterprises has asked the Council to endorse a wider adherence by non-Members to the *Declaration* and other forms of non-Member participation in its activities. Non-Members adhering to the *Declaration* would participate in all related CIME work. In addition, there is a need to convene other non-Members to discuss investment issues at the OECD, in particular those whose policies indicate that they may be interested in adherence to the *Declaration* in the future. Other Non-Members, notably those with important two-way direct investment flows and/or opinion leaders in international fora may also be included, if this can be expected to promote widespread consensus on investment issues and to extend the influence of the *Declaration*.

The Global Forum on International Investment would thus be closely linked with and complementary to the programme of work of CIME and help the OECD consolidate its role as a prominent actor in furthering international co-operation on investment policies. It would provide a vehicle for policy dialogue with key non-Member countries on investment issues of global interest. It would also serve to promote consensus on investment-related issues and foster the creation of a global network aimed at extending the range and influence of all the elements of the Declaration. Forum participants would share experiences with liberalisation of investment regimes and the development of non-discriminatory regulation to promote economic, social and environmental goals. Development issues would be given special attention. It would be necessary to organise these meetings in a Global Forum to ensure balanced representation of non-Members from different regions. In addition to the Global Forum on Investment, activities in the context of the regional programmes will be undertaken, to address issues of a specifically regional concern.

The Global Forum on International Direct Investment would include other international organisations such as the WTO, World Bank and UNCTAD.