Time to move ahead with investment facilitation

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FOREIGN VIEWS

WORLD foreign direct investment (FDI) flows dropped by 23 percent last year. This is cause for concern, considering that such investment can make an important contribution to economic growth and development and reaching the Sustainable Development Goals.

In this situation, investment facilitation takes on new urgency. Hence, the structured discussions that have started in the WTO — and driven by Brazil and China — on "Investment Facilitation for Development" are to be welcomed.

These discussions have focused so far largely on what host countries can do to help foreign investors start and operate in their economies. The emphasis is therefore on removing ground-level obstacles to FDI in host countries by improving the transparency and predictability of investment measures and streamlining and speeding up administrative procedures and requirements. These are no doubt important practical issues that require attention, and they are rightly at the core of the structured discussions aimed at identifying possible elements of a multilateral approach to investment facilitation.

However, home countries, too, can do a number of things to facilitate investment flows. In fact, virtually all developed countries have various measures in place to help their outward investors, such as the provision of information and other support services, numerous financial measures, various fiscal measures, investment insurance programs, and various treaties. A number of developing countries, too, have begun to support their outward investors, most prominently among them China's well articulated "going out" strategy.

A good case can be made that any agreement dealing with investment facilitation should also address what home countries can do in the area of investment facilitation. In particular, home countries could provide information on the various measures they have in place to facilitate their firms' locational investment decisions. Perhaps this could be done through a national focal point. This would not only make sense in the interest of actually assisting investors, but also in terms of giving balance to an agreement by complementing host country commitments with home country commitments.

As the structured discussions in the WTO are carried out under the title "Investment Facilitation for Development," their purpose is clear: Investment facilitation is not being undertaken for its own sake, but for the purpose of advancing development.

This purpose of the structured discussions draws attention to the need to safeguard the ability of host countries to benefit from FDI as much as possible. In particular, multinational enterprises should be encouraged to engage in sustainable FDI, that is, commercially viable investment that makes a maximum contribution to the economic, social and environmental development of host countries and takes place in the context of fair governance mechanisms. In other words: sustainable FDI for sustainable development.

In this context, it needs to be recognized that many developing countries, and especially the least developed among them, will require technical assistance to carry out any commitments that might be enshrined in an Investment Facilitation Agreement.

Beyond what governments can do, one could also create opportunities for multinational enterprises to draw attention to their Corporate Social Responsibility practices.

In other words, structured discussions that are being carried out under the title "Investment Facilitation for Development" should pay full attention not only to the "investment facilitation" part of the title, but also to the "development" part of the title.

Ideally, therefore, an Investment Facilitation Agreement that helps to catalyze reforms at the national level aimed at facilitating the flow of sustainable investment; that contains commitments for both host and home countries; that encourages multinational enterprises to make their corporate social responsibility policies transparent; and that provides for technical assistance especially for the least developed countries would be a very desirable and balanced achievement.

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