United Nations Conference on Trade and Development

World Investment Report 1999

Foreign Direct Investment and the Challenge of Development

United Nations
New York and Geneva, 1999

Note

UNCTAD serves as the focal point within the United Nations Secretariat for all matters related to foreign direct investment and transnational corporations. In the past, the Programme on Transnational Corporations was carried out by the United Nations Centre on Transnational Corporations (1975-1992) and the Transnational Corporations and Management Division of the United Nations Department of Economic and Social Development (1992-1993). In 1993, the Programme was transferred to the United Nations Conference on Trade and Development. UNCTAD seeks to further the understanding of the nature of transnational corporations and their contribution to development and to create an enabling environment for international investment and enterprise development. UNCTAD's work is carried out through intergovernmental deliberations, technical assistance activities, seminars, workshops and conferences.

The term “country” as used in this study also refers, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

The following symbols have been used in the tables:

Two dots (..) indicate that data are not available or are not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row;

A dash (-) indicates that the item is equal to zero or its value is negligible;

A blank in a table indicates that the item is not applicable, unless otherwise indicated.

A slash (/) between dates representing years, e.g., 1994/95, indicates a financial year;

Use of a hyphen (-) between dates representing years, e.g., 1994-1995, signifies the full period involved, including the beginning and end years.

Reference to “dollars” ($) means United States dollars, unless otherwise indicated.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.

Details and percentages in tables do not necessarily add to totals because of rounding.

The material contained in this study may be freely quoted with appropriate acknowledgement.

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Preface

In 1945 our founders enshrined the promotion of economic development and the improvement of the quality of life for people in all countries as fundamental objectives of the United Nations. Since then, countries have worked together to achieve these objectives and many of them have made great progress. Even so, the gap between developing and developed countries, and between rich and poor within many countries, remains as wide as ever. In some respects, it is growing even larger. Achieving sustainable and equitable development thus remains the unfinished task of the twentieth century.

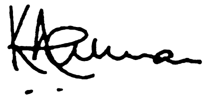
The central role in fulfilling this task must be played by the people of each country, through private enterprise and public organization at the local and national levels. But a very important role can also be played by foreign direct investment (FDI) – increasingly so, as the world economy becomes more global and new technology is ever more essential to economic growth.

Each year, the *World Investment Report* examines issues related to foreign direct investment. This year's edition looks specifically at the impact of such investment on key aspects of economic development – increasing financial resources, enhancing technological capabilities, boosting export competitiveness, generating and upgrading employment, and protecting the environment. The first message that emerges is that, while FDI can indeed contribute to economic growth and development, it is not a panacea. It can complement and catalyse economic activities and the performance of domestic enterprises, but in some circumstances it may also hinder them.

Another message of the report is, therefore, that public policy does matter, at the national and the international levels. It is important in creating the conditions that attract foreign direct investment. And it is important for enhancing its benefits. To promote the development of their own countries, Governments need to maximize the positive contribution that foreign direct investment can make to development, and to minimize any negative effects it may have.

While the primary responsibility for development rests with national Governments, corporations also have a responsibility, not only to their shareholders but to society at large. One of the challenges for the future is precisely to encourage firms to assume this responsibility more forcefully.

The report's focus on foreign direct investment and development is particularly timely, as it comes shortly before several important events in the year 2000 intended to advance the cause of development: UNCTAD X in February in Bangkok, the South Summit of the Group of 77 in Havana in April, and the United Nations Millennium Summit and Assembly in New York in the autumn. I hope the report will contribute to the deliberations at these events, and help to bring about an improved understanding of development-related processes and policies that are essential if the twenty-first century is to complete – as it must – the unfinished task of the twentieth.



Kofi A. Annan
Secretary-General of the United Nations

New York, July 1999

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