

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**

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UNITED NATIONS PUBLICATION

Sales No. E.99.II.D.3

ISBN 92-1-112440-9

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Manufactured in Switzerland

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.

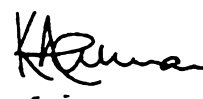
The central role in fulfilling this task must be played by the people of each country, through private enterprise and public organization at the local and national levels. But a very important role can also be played by foreign direct investment (FDI) – increasingly so, as the world economy becomes more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

Acknowledgements

The *World Investment Report 1999* was prepared by a team led by Karl P. Sauvant and comprising Victoria Aranda, Bijit Bora, Persephone Economou, Masataka Fujita, Boubacar Hassane, Kálmán Kalotay, Gabriele Köhler, Padma Mallampally, Anne Miroux, Ludger Odenthal, Juan Pizarro, Marko Stanovic, James Xiaoning Zhan and Zbigniew Zimny. Specific inputs were received from Mehmet Arda, Matteo Bushehri, John Gara, Khalil Hamdani, Mongi Hamdi, Anna Joubin-Bret, Assad Omer, Olle Östensson, Pedro Roffe, Taffere Tesfachew and Katja Weigl. The work was carried out under the overall direction of Lynn K. Mytelka.

Principal research assistance was provided by Mohamed Chiraz Baly, Lizanne Martinez, Bradley Boicourt and Janvier Usanase. Research assistance was provided by Nelly Berthault and John Bolmer. A number of interns assisted with the *WIR99* at various stages: Skadi Falatik, Carlijn Lahaye and Makamona Didier Nsasa. The production of the *WIR99* was carried out by Jenifer Tacardon, Irenila Droz, Mary McGee, Florence Hudry, Bartolomeo D'Addario and Atsedeweyn Abate. Graphics were done by Diego Oyarzun-Reyes. It was desktop-published by Teresita Sabico. The *Report* was edited by Peter Sutcliffe.

Sanjaya Lall was the principal consultant and adviser to Part Two of *WIR99*. Experts from within and outside the United Nations provided inputs for *WIR99*. Major inputs were received from Manuel R. Agosin, Douglas van den Berghe, Roland Brown, Jaime Crispi, Michel Delapierre, John M. Kline, Donald J. Lecraw, Robert E. Lipsey and Peter Nunnenkamp. Inputs were also received from Thomas G. Aquino, Peter Brimble, Jenny Cargill, Daniel Chudnovsky, Edward Dommen, Peter Eigen, Magnus Ericsson, Torbjörn Fredriksson, Roger Frost, Adrian Henriques, Aurret van Heerden, Brent Herbert-Copley, Joachim Karl, Georg Kell, Nagesh Kumar, Raymond J. Mataloni Jr., Jacques Morisset, Sarianna Lundan, Sandro Orlando, Terutomo Ozawa, Jason Praetorius, Stephen Pursey, Shahra Razavi, Hans Schenk, Prakash Sethi, Peter de Simone, Devinda R. Subasinghe, Carrie Smith, Meg Voorhes, Alyson Warhurst, Gerald T. West, Obie G. Whichard, Adrian Wood and Guoming Xian.

A number of experts were consulted on various chapters. Comments were received during various stages of preparation (including during expert group meetings) from Abebe Abate, Lahcen Aboutahir, Teresa Andaya, Rasheed Amjad, Charles Arden-Clarke, Marino Baldi, Christian J. Bellak, Emmanuel Boon, Eduardo Borensztein, David Boys, Steven Canner, John A. Cantwell, Andrew Cornford, Janelle Diller, William A. Dymond, Dieter Ernst, John Evans, Kimberly Evans, Anna Faeth, Arghyrios A. Fatouros, Jarko Fidrmuc, Marlies Filbri, Al Frey, Rainer Geiger, Murray Gibbs, Harris Gleckman, Brewster Grace, Edward M. Graham, Alicia Greenidge, Stephanie Hanford, Michael Hansen, Hans Havermann, Katharina Helmstedt, Amy Holman, Kirk F. Hudig, Jan Huner, Gábor Hunya, Wee Kee Hwee, Veena Jha, Patrick Juillard, Dwight Justice, Hisao Kawabata, Mike Kelly, Stephen J. Kobrin, Gloria-Veronica Koch, Ans Kolk, Mark Koulen, Christopher Lewis, Klaus M. Leisinger, Klaus Lingner, Nick Mabey, Robert Madelin, Chris Marsden, Antonio Martins da Cunha Filho, Mina Mashayekhi, Jerry Matthews, Toshiko Matsuki, Thomas McCarthy, Eduardo J. Michel, Peter Muchlinski, Victor Ognivtsev, Sven Östberg, Aurelio Parisotto, Sol Picciotto, Eric D. Ramstetter, Mansur Raza, Prasada Reddy, Maryse Robert, Daniel Rodriguez, Miguel Rodriguez Mendoza, Pierre Sauvé, Mitsuharu Sawaji, Rupert Schlegelmilch, Marinus Sikkels, Anthony G. Sims, John M. Stopford, Anh Nga Tran-Nguyen, Ann Trebilcock, Rob van Tulder, Peter Utting, René Vossenaar, Douglas C. Worth, Mike Wright, Simonetta Zarrilli and Michael Zammit-Cutajar.

Numerous officials of central banks, statistical offices, investment promotion agencies and other government offices, and officials of international organizations and non-governmental organizations, as well as executives of a number of companies, also contributed to *WIR99*, especially through the provision of data and other information.

The *Report* benefited from overall advice from John H. Dunning, Senior Economic Advisor.

The financial support of the Governments of the Netherlands and Norway is gratefully acknowledged.

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