

World Economy and Investment

Minutes of the Workshop

The first session of the Workshop began with four introductory statements. Berend Diekmann from the German Federal Ministry of Economic Cooperation and Development (BMZ) described the German G8 agenda on world economy and investment. He said the goal is to create open and transparent investment frameworks and a level playing field for all investors. National restrictions on foreign investment shall be minimized. With regard to development cooperation the G8 shall commit to support the development of infrastructure in developing countries (dc), the skills of local labour force and the ability of local firms to supply inputs.

The statement of Iara Pietricovsky (INESC, Brazil) dealt with the political implications of increasing foreign investment in Latin America. She highlighted that although foreign direct investment is increasing, net resource transfers are still negative due to high debt service payments of Latin American countries. Economic growth has not transformed into well-being for the majority of the population. The shift to the left in many countries must be understood as an attempt to redesign classic democracy.

Odour Ong'wen from SEATINI (Thema) highlighted that Africa needs a multilateral framework of investment more than any other region – but a different one. This framework should promote investment that helps to add value, allow countries to be selective (to choose investment that meets the development goals and enhances their capacities), promote employment, technology transfer and the generation of foreign exchange in dc, prevent the abuse of monopoly power, enable host countries to make foreign corporations accountable, and should allow countries to support national enterprises.

Dirk Manske's (Business Advisory Committee of the OECD) speech dealt with the benefits of foreign investment for host countries. He mentioned for example technology transfer, the positive impact on human capital, increased competition, and the development of enterprises and infrastructure. Government interventions would decrease investment, make them more costly and less efficient. He said the G8 have the responsibility to promote investment for the mutual benefit of all. They shall lead by example, i.e. keep their markets open, and they shall promote private foreign and domestic investment in dc.

Discussion:

Policy space and the quality of investment were important issues in the discussion. Several participants argued that some investment is better than others for developing countries, domestic investment is better than foreign investment, and – according to the national development strategy – investment in some particular sectors is preferable. Governments need policy space to regulate investment instead of equal treatment obligations. Other participants said it is hard to assess the quality of investment in advance, especially by bureaucrats, and the free market should decide. Government interventions would create uncertainty and thus reduce investment.

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Investment regimes and global institutions were discussed. Some participants criticized the Economic Partnership Agreements between EU and ACP-countries for ignoring adequate timing and sequencing of liberalisation. It was mentioned that UNCTAD shall be strengthened, and that the UN needs a body that controls transnational corporations. The new UN committee of tax cooperation was positively recognized. The ILO's decent work agenda was highlighted, and it was asked if the G8 will implement it.

On corporate social responsibility in general, NGO representatives demanded to hold headquarters of TNCs in G8 countries responsible for crimes committed by affiliates abroad, or even to find ways to make G8 governments accountable for their TNCs. Government representatives showed a more moderate position, and advocated voluntary social and environmental reporting of TNCs. Mr. Diekmann predicted that the G8 summit will have a message on CSR, the Global Compact and on good governance.

There was consensus that corruption is harmful and reduces the benefits of investment, but it was argued which side is to blame: transnational corporations or government officials?

Expropriations were seen as justified by NGO representatives in cases when privatizations did not reap the expected benefits for the society, for instance in the water sector. Government and business representatives opposed expropriations.

Some participants argued that growth has to be balanced with sustainability, particularly in Africa, a continent which has always been a provider of national resources for the rest of the world economy.

It was also mentioned that emigrant's remittances play an important role in Africa, and the G8 should facilitate the transfer.

Some participants even criticized more fundamental issues of the current model of the world economy, saying for instance that the market economy in Africa is not suitable for families, or that the current investments do not contribute to good quality of life, equity and happiness for the people.