OECD Investment Week, March 2017

Business key messages

• An open international trade and investment environment is essential to generate much needed economic growth and job creation around the world. Private sector investment is also an important source of finance for developing countries and urgently needed to achieve the full potential of the Sustainable Development Goals. This underlines the need to create a pro-investment policy framework and to take the steps needed to address protectionist policies.

• While the weight of evidence, including OECD’s own evidence shows that an open economy creates jobs and improves citizens’ lives, unfortunately, an increasingly critical perception of globalization has given rise to questions about the value of open markets. Business is worried about the negative tone and lack of balance in the current debate on freedom of investment and investment protection. Misconceptions are insufficiently addressed in the public debate.

• In the light of current discussions on the value of globalization, the OECD’s role is more important than ever in making a strong case for open markets, free trade and cross-border investment, based on sound data and analysis. The OECD is the right place to push for an evidence-based dialogue and encourage fact-based communication. Unfortunately, some OECD documents and statements have become increasingly politicized, less fact-based, and distinctly unhelpful when it comes to investment issues.

• The benefits of investment, both domestic investment and foreign investment need to be further researched and highlighted. This also includes the benefits of foreign direct investment for home markets as the ability of companies to make a positive contribution in both home and host markets is enhanced, not reduced by companies’ global engagement. Additional evidence of the positive role of investment for job creation, regional development, technology transfer, human resource development would be particularly helpful to inform current discussions.

• A pro-investment environment requires among others assurance of fair and non-discriminatory treatment of foreign investors, adherence to the rule of law and effective dispute settlement. Business will continue to advocate both for overall pro-investment policies and for specific investment agreements which play a key role by strengthening the policy and legal environment for FDI. Investment protection provided by investment agreements is essential, including efficient enforcement mechanisms that investors can call
upon. High-standard bilateral and regional investment agreements that can deliver concrete results play a key role for creating an open investment environment (For further details, see BIAC paper on “why international agreements matter”).

- International investment agreements play a vital role in reducing the considerable risk private investors take when making foreign direct investments (FDI). To be effective, IIAs need to have broad coverage, high standards, and strong enforcement provisions. The Investor-State Dispute Settlement (ISDS) expert arbitration has proven to be an effective way to make sure IIA commitments are enforced on all parties.

- Most IIAs are bilateral agreements, “Bilateral Investment Treaties” or “BITs”, though some regional or sub-regional investment agreements have also proven effective. Business is open to proposals to improve IIAs, including the possibility of multilateral investment agreements. For Business, the key remains ensuring “gold standard” protections and strong enforcement provisions. We look forward to detailed explanations from those advocating multilateral investment agreements or frameworks how exactly such agreements will be able to private the high standards and strong enforcement which we consider essential.

- BIAC has for a long time argued that policies should not be considered in isolation. It is for this reason that we have been very supportive of the OECD Policy Framework for Investment (PFI), which recognizes that pro-investment policies require a whole-of-government approach. We call for effective implementation of this unique instrument to help member and non-member countries attract domestic and foreign investment and create a pro-investment policy framework for business.

- We underline the importance of domestic policies that are supportive of the investment agenda while ensuring that the benefits of investment are felt broadly. This includes issues such as infrastructure development, seizing the benefits of innovation and the digital economy and strengthening human capital to build dynamic economies.

- We also underline our strong commitment to responsible business conduct, which is demonstrated by BIAC’s active involvement in and support for the effective implementation of the OECD Guidelines for Multinational Enterprises (MNEs) and additional outreach to non-member countries. However, it should be remembered that the contribution that MNEs can make to job creation and responsible business conduct will depend on their ability to compete on a level playing field, a supportive policy environment, and a realistic understanding of the respective responsibilities of governments and of business.

- We welcome the fact that the OECD does not consider investment policies in a vacuum, but as a part of the fabric of domestic policies to ensure inclusive growth in an open markets environment. At the same time, we underline that this should not take attention away from
an ambitious, visible and focused strategy of the OECD on putting in place a pro-investment policy environment, as a fundamental prerequisite for economic growth and job creation.

- We have therefore consistently encouraged the OECD to embark on an ambitious, proactive investment program and to confirm the Organization’s leading role in ensuring that markets are kept open for foreign investment. In particular in the context of the current discussions on globalization, we call upon the OECD to help demonstrate the benefits of investment for the competitiveness of our economies with the ultimate objective to encourage entrepreneurship, boost economic growth and development and create much needed jobs.