Why OECD’s work on investment matters to business

January 2018

International investment spurs prosperity and economic development in home and recipient countries. The OECD is a key organization for enhancing the contribution of international investment to growth and sustainable development worldwide by advancing investment policy reform and improving the policy environment for both foreign and domestic investment through international cooperation. The OECD has developed a number of unique legal instruments, which have high political standing and make a major contribution to improving the international investment environment. The OECD also provides unique analysis to inform national and international policy discussions.

Through Business at OECD (BIAC), business helps shape the activities of the OECD Investment Committee and the Freedom of Investment Roundtable. Our members participate in regular consultations with the OECD Investment Committee as well as in dedicated OECD investment conferences, such as the annual Investment Treaty Conference and the Global Forum on International Investment. BIAC also raises investment issues at high-level strategic meetings and frequently provides written comments on key OECD initiatives and policy papers.
Unique OECD investment instruments

**OECD Declaration on International Investment and MNEs**

The OECD Declaration on International Investment and Multinational Enterprises (MNEs) is a high-level policy commitment made by adhering governments to promote an open and transparent environment for international investment and encourage MNEs to make a positive contribution. The Declaration consists of four elements:

- Guidelines for Multinational Enterprises
- National Treatment
- Conflicting requirements
- International investment incentives and disincentives

BIAC supports effective implementation and further adherence to the Declaration and serves as the official business voice both for the OECD investment instruments and the MNE Guidelines.

**OECD Codes of Liberalization of Capital Movements**

The OECD Code of Liberalization of Capital Movements, which was first developed in 1961, is a unique instrument for capital flow management and liberalization and the only multilateral agreement dedicated to openness and mutual accountability in capital flow policies. The Code provides a balanced framework for countries to progressively remove unnecessary barriers to the movement of capital, while providing flexibility to cope with situations of economic and financial instability.

BIAC underlines the importance of keeping high standards and supports further adherence to the Code to ensure a global level playing field.

**The Policy Framework for Investment (PFI)**

The Policy Framework for Investment (PFI) helps mobilize private investment that supports economic growth and sustainable development. Drawing on international good practices, the PFI proposes guidance in policy fields critically important for improving the quality of a country’s enabling environment for investment. It encourages policy makers to ask appropriate questions about their economy, their institutions and their policy settings to identify priorities, to develop effective policies and to evaluate progress.

BIAC was closely involved in the 2015 update of the PFI and supports an effective implementation in OECD and non-OECD countries.
Unique OECD analysis

**FDI regulatory restrictiveness index (FDI Index)**

The investment restrictiveness index is a key tool for benchmarking countries, measuring reforms and assessing their impact. It measures relative FDI restrictiveness, changes in restrictiveness over time, and the effects of FDI liberalization on FDI inflows. The OECD Index analyzes the following types of restrictions on FDI: foreign equity limitations, screening or approval mechanisms, restrictions on the employment of foreigners, and operational restrictions.

The FDI Index measures statutory restrictions on foreign direct investment in 58 countries, including all OECD and G20 countries, and provides valuable information for both business and government.

**Foreign Direct Investment in figures**

The bi-annual OECD report provides analysis on key developments and trends in global foreign direct investment flows using the most recent FDI statistics and data on mergers and acquisitions. Detailed FDI statistics by partner country and by industry are available in the OECD’s online FDI database.

**International Trade, Foreign Direct Investment and GVCs**

This new analysis, which is underpinned by statistical country notes, highlights that international trade and FDI are the key drivers of global value chains (GVCs). For the first time, detailed statistical notes provide evidence of the role played by investment in global value chains. The analysis sheds new light on the interdependencies between trade and investment in GVCs and helps countries identify where greater coherence can be achieved.

BIAC welcomes the analysis, which provides valuable information to underpin policy discussions on GVCs, trade, investment and development at the domestic and international level.
A key platform

Freedom of Investment Roundtable

The Freedom of Investment process brings together governments from around the world to exchange information and experiences on investment policies at regular roundtables. They foster common understanding of policy measures and objectives by developing standards that reflect partners’ expectations and good policy practices to promote openness, transparency and non-discrimination as well as responsible conduct by both governments and investors. The roundtables’ established independent policy monitoring provides policymakers and investors with up-to-date information on the preparation or introduction of new policies in countries that take part in the process.

A key contributor to the G20

Reports on trade and investment restrictions

G20 Leaders have committed to resisting protectionism in all its forms and have called on the WTO, the OECD, and UNCTAD to monitor and publicly report on their trade and investment policy measures. The analysis sheds light on recent developments including new barriers to trade and investment and is an important contribution to the G20 work on trade and investment. Growing attention is currently being paid to investment policies related to national security, a trend observed beyond G20 countries.

BIAC contributes to the G20 work not only through the OECD but also as an active participant of the B20 trade and investment task force. We share positions which are influential in shaping the B20 agenda across themes, and facilitate meetings with the OECD leadership and governments in Paris, for instance during our annual joint sessions.

Setting standards for good governance

The OECD investment work relates closely to other policy areas where the Organization sets standards or provides major analysis, including for example the:

- OECD Anti-Bribery Convention
- OECD/G20 Corporate Governance Principles
- OECD tax instruments
- OECD work on competitive neutrality

To contribute to OECD investment activities through BIAC, please contact Hanni Rosenbaum (rosenbaum@biac.org)