



## **G20-OECD Global Forum on International Investment 2015**

# **International investment policies in the evolving global economy**

Hosted by the Ministry of Economy of Turkey

# **Summary**

5 October 2015  
Hilton Istanbul Bosphorus Hotel  
Istanbul, Turkey



## Summary of the Global Forum on International Investment (GFII)

5 October 2015, Istanbul

Ministers and High Officials from more than ten G-20 and non-G20 countries, Heads of International Organizations, business leaders, academics and high-level representatives from labour and civil society participated in the G20-OECD Global Forum on International Investment (GFII).

The Forum took place at a critical juncture for the global economy, with the growth recovery lukewarm, trade and investment at half speed, and the social consequences of the crisis, including high income inequality, weighing down on the economic recovery. Investment – foreign direct investment in particular – still remain well below the levels prevailing before the global crisis, and the backlash of protectionism, including through new forms of ‘murky protectionism,’ is a real threat. These circumstances make it critically important to maintain open markets, and to make trade and investment work better together for the global recovery.

Against this background, the OECD Forum has provided a constructive exchange of views on evolving business realities and what they imply for policy-making, including in the G20 process. The Forum has revealed that the current regime for international investment does not allow to fully meet the challenges brought about by three realities:

- i. The scope for open trade and investment regimes, and the need to foster an investment climate that is conducive to development and recognizes new countries and actors in the investment landscape;
- ii. The fragmentation of the international regime for investment, and the need to improve linkages with trade disciplines in mega-regionals and new-generation regional trade agreements (RTAs);
- iii. The sharper inter-dependencies between trade, investment and services in global value chains (GVCs), and how these links must be better coordinated in policy-making.

### **Keeping markets open and fostering a favourable investment climate for development**

Speakers recognized the scope for further elimination of investment barriers, particularly in services, and more broadly the need to promote a good investment climate for development. The OECD Policy Framework for Investment (PFI) was mentioned as useful in this regard. Participants also underscored the need to better identify, monitor, and assess the costs associated with murkier forms of protectionism.

A common thread in these discussions was the widespread recognition that investment needs to deliver for the well-being of people, and foster more inclusive productivity, as well as durable and sustainable forms of growth meeting high standards of responsible business conduct. The OECD Guidelines for Multinational Enterprises allow for a balanced approach

meeting society expectations, and participants affirmed that their use should be encouraged, particularly in the process of shaping the post-2015 Development Agenda and achieving the Sustainable Development Goals. They also encouraged continued collaboration between OECD and other international organisations in helping developing countries implement investment reforms.

### **Promoting a coherent governance for the international investment regime**

Despite the importance of international investment as a source of economic growth and employment, there is no overarching set of rules governing this subject matter. The discussions highlighted how the current fragmented governance of FDI contributed to the confusing landscape for governments and businesses. Bilateral and regional arrangements have continued to proliferate over the past decade to fill this void: the international investment regime consists of over 3,000 international investment agreements (IIAs), most of which are bilateral investment treaties (BITs). The growing trend in RTAs signed over the past decade to include comprehensive coverage of investment underlines the importance of developing trade and investment disciplines under a joint framework. Still, participants highlighted that there is more to do to strengthen internal coherence. The Forum welcomed the contribution of the OECD-hosted dialogue on international investment disciplines gathering all G20 members, developing countries, business, civil society and international organisations, on collecting and exchanging best practices.

Participants agreed that new disciplines in emerging in 'mega-regionals' and next-generation RTAs have advanced policy thinking and provided partial solutions to pertinent issues; they are improving the links between trade and investment, and a range of related regulatory disciplines. On the other hand, there were also concerns that the co-existence of different blocs may create loopholes, overlaps and contradictions across investment regimes, which can engender costs and distort efficient patterns of investment and trade. On balance, participants agreed that it is necessary to promote dialogue on WTO-plus measures that can provide inspiration on potential good practices for constructing more coherent and comprehensive global rules in the future.

### **Addressing inter-dependencies between trade and investment**

Participants agreed that the sharper inter-dependencies between trade and investment in Global Value Chains may call for strengthened coordination in policy-making. The growing complexity in the trade-investment relationship emerges from the activities of multinational enterprises (MNEs), which account for a large share of world trade. Participants agreed that it was necessary to understand new business strategies of MNEs, including the changing trade and investment relationships between parent companies, subsidiaries and suppliers, including small and medium enterprises. When flows of not just goods (final and inputs), but also services, capital, management personnel, technology, and data cross borders, investors are subject to multiple risks that may be effectively attenuated with coordinated policy efforts. Although RTAs can continue to make strides in addressing some of these issues, the need for a more global and systematic approach was underlined.

Recognizing the importance of services competitiveness in supply chains, participants highlighted that great benefits could be reaped from various types of domestic reforms, particularly in backbone services such as telecoms, transport and logistics. Services are the cornerstone of GVCs, not only as inputs in the production process, but also in connecting different production segments. Manufacturing remains a core activity in GVCs, but is increasingly dependent on efficient services. There is also enormous potential in services value chains that remains untapped due partly to high levels of restrictions. Adequate reforms in key services markets are still not in place. Participants mentioned the OECD Services Trade Restrictiveness Index (STRI) as a key tool for prioritising and sequencing of such reforms, and strengthening the assessments of costs from remaining barriers. Participants also underscored the need to enhance participation of SMEs and LDIC in GVC to build a more inclusive and sustainable world economy. They welcome the report on this topic prepared by the OECD and the WB and encourage them to continue addressing these issues, with the view to develop a comprehensive policy analysis.

### **The way forward: enhance the dialogue on trade and investment in the G20**

Ministers, High Officials and other participants concurred that enhanced G20 involvement in trade and investment matters is critical to address such challenges. There is an opportunity to build evidence, mutual understanding and consensus on the way forward to improve the international regime for trade and investment, the twin engines for reviving the world economy. The design and implementation of better policies and disciplines cannot happen in a vacuum. It will rather proceed from a more informed debate and systematic sharing of good practices.

Finally, participants commended global efforts carried out under the outstanding chairmanship of Turkey to improve the policy environment for investment, infrastructure and long-term finance; and called on the OECD together with other international organisations to enhance its contribution on international investment and trade in 2016 under the leadership of China.





