***Global Regulation of Foreign Direct Investment*, by Sherif H. Seid, Ashgate Publishing Limited, Hampshire, England, Year of Publication: 2002**

Foreign Direct Investment (FDI) plays a significant role in the development process of most economies through the transfer of technology and technological spill-over, increased productive efficiency, production of exportable goods and services which generate foreign exchange, infrastructure development, increase in saving and investment, and faster growth of output and employment. Tremendous rise in national regulatory changes in favour of FDI in the last decade, globalisation and successive trade negotiations within the GATT/WTO led to a significant rise in the global FDI flow in the 1990s. This book examines the issues surrounding the theories and regulation of FDI, weaknesses of current national and international rules on FDI, strategy of key international players and finally it proposes that in the light of diversified national and international preferences and unsatisfactory current regulatory framework, there is a need for a new international regulatory regimes based on the premises of "regulated openness".

Two schools of thought on the theory of FDI are discussed in the book - neo-classical theory and dependency theory. While neoclassical gave importance to the beneficial effects of FDI, at the same time recognised the associated costs on balance of payment (BOP), but this cost of FDI does not imply that FDI is bad for the country as Dependency Theorist claim. A regime of unrestricted FDI flow may not be invariably beneficial for the host country but in the era of reduced official assistance, FDI has become the major source of funding development projects. In order to realise the full potential of FDI, government's interventionist role and adopting selective policy measures might be necessary. The challenge lies in identifying the best methods of selective intervention in the economy and deciding their limit. This book analyses these issues in detail and suggests a new framework of "*Regulated Openness*" where systematic wisdom for choosing the best methods might prosper.

This book has been divided into three parts. The first part discusses the theoretical aspects of FDI, which has major impact on the regulation on investment nationally and internationally. The current national and international regulatory framework on FDI is discussed in this part. Notably, it is pointed out that though the successful conclusion of successive trade negotiations within the GATT/WTO framework reduced trade barriers and stimulated global FDI flows, the current regulatory framework for FDI is unsatisfactory. The diversity of national and international legal regimes governing FDI introduces excessive distortions as between countries and sectors. There appears to exist an opportunity for further negotiation and the emergence of global investment rules as the host countries are increasingly realising that FDI can contribute positively to their development.

The second part of the book, comprising of four chapters, examines the strategies and positions of the key global players (OECD countries, developing countries, public interest groups and inter-government organisations) on a global investment regime. Among the OECD countries there are three major players, the United States, the European Commission, and Japan. The overall strategy of the OECD and its members has been greater liberalisation of investment rules and higher standard of treatment for foreign investors and security for their foreign investment around the world. It was expected that the Multilateral Agreement on Investment (MAI) would remove the barriers to the market access and stimulate the multilateral trading system, however, each of the three main players preferred playing their own priorities. They wanted other markets to be opened for their own investors but tried to keep their own market as close as possible in the name of national security and cultural security. The agenda of MAI, liberalisation and protection of investor's right ignored the concerns of non-OECD countries as well as other issues of regulation of FDI.

On the other hand, the developing countries were very keen for foreign capital but they were not very sure about their strategy. Their views were unclear on rationale and nature of regulatory regime. Moreover, they were not in favour of extension of MAI to non-OECD countries as they found it to be a threat to their economic and political sovereignty and the fact that the standardised investment rules would leave very little room for countries to manoeuvre their investment policies according to their developmental objectives. There is a concern that when the major interest of MNC's and host States are in conflicts, MNC's may use muscle as well as the influence of their home countries to interfere in the domestic affairs of the weaker host countries. There is also a genuine fear that many developing countries would not be in the position to defend their case in international adjustment successfully and pay the required legal and other bills. Moreover, it is felt that all types of FDI flowing in all sectors of an economy may not necessarily constitute a necessary condition for achieving rapid growth and sustainable development. It is, therefore, argued that FDI could only be beneficial to the host economies if host countries can regulate it according to their development objectives. Among the developing countries the venue and forum also had been the major point of discussion that whether they should negotiate in the framework of WTO or UNCTAD.

At the micro level, there are at least four players *viz.* Consumer Group, Labour Group, Environmental Group, and Business Group. Despite their vested interest, the majority coalitions of all four groups agree on the benefits of FDI for the host country and the need for a global investment regime. These groups not only help in forming the regulation but to disseminate the information also. Although, all the four agents favour for the international investment regime according to their own interest, while the interest of first three are social and collective in nature, the business representative are in favour of international regime to get greater market access and better predictability of the rules so that they may have more and free choice of locations for investments and operational autonomy. Consumer groups supports the regulatory power of governments, competition policy and consumer protection. They believe that the national democratic process can adopt the policy measure, which is more conducive to the consumer and the country's welfare. Labour unions believe that international investment regime is required as the growing policy competition between governments to attract more FDI may suppress the standard of labour welfare. Environmentalist also believes in the similar line and argues that some countries may get tempted to reduce environmental standard in the situation of intense competition to attract FDI. They advocate a comprehensive international investment framework, which can ensure investment supports and sustainable development.

The international organisations *viz.* the UN, the World Bank, the WTO, and regional economic blocs play a major role in framing the international regulatory regime. There has, however, not been enough success in developing a comprehensive investment regime acceptable at the global level, although some success at regional level has been achieved. The mistrust between developed and developing countries and between foreign investors and host countries resulted in failure of several attempts in the past including the recent WTO ministerial Conference at Seattle. Developing countries find themselves at loss to influence the events. In this situation some kind of coalition may help them to make the forum in their favour.

The third part of the book tries to explore and evaluates the possible strategies like more liberalisation or more regulation or the combination of these two. The author proposes a new regime of investment namely ‘‘regulated openness” at both the global and national level. Regulated openness aims at bringing development with justice. Development with justice requires both procedural justice and credible commitment to continuous improvement of investment policy, investment security, sustainable development, core labour standards, consumer protection, business ethics and good governance. Regulated openness implies a pragmatic balance between regulation and liberalisation in the major issues of investment regulation and a platform where all major stakeholder will have an input and role in the preparation and implementation of FDI rules and meaningful participation of powerless constituencies and credible dispute resolutions. The rule should be compilation of those core principles on which agreement could be reached and international regime could be formed. Each country should be empowered to use and introduce their own rules according to their priorities and situations. This kind of principle will be able to facilitate the individual country’s own affairs and the recognition of the need for economic pluralism in international economic agreement.

A.K.Jha*

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* Shri A.K. Jha is Research Officer in the Department of Economic Analysis and Policy of the Bank.