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UNCTAD has got it right again. On the cusp of the new century, the special topic of WIR 99: Foreign Direct Investment and the Challenge of Development, brings us squarely to the fundamental issue of the twenty-first century. More specifically, how can we apply all that we now know and have learned over the course of the last half century and more to achieving actionable policies that will result in poverty reduction and real development for the world’s population. In the case of WIR99, these policies relate to foreign direct investment (FDI).

The role of international capital flows, particularly FDI, are inextricably a part of this discussion. For example, in the decade 1987-1998, FDI has played a role in many countries; efforts to lift their populations out of poverty. Over this period the poorest of the poor in East Asia (including China), even allowing for the Asian crisis, fell by some 220 million—a record amount in historical terms and a good indication for future prospects. FDI undoubtedly played a role in this, as documented in previous WIRs, but sadly the picture is not universally sanguine. As WIR99 reports, FDI and other capital flows are noticeable by their absence in the least developed countries. Even in countries receiving considerable numbers of transitional corporations (TNCs), they can produce negative as well as positive effects for the local economy and populations. The latter point should encourage policy markers to pause for thought and heed the reports advice.

The policy challenge for countries is two-fold: ...to guard themselves ...against engaging in a financial incentives-competition race towards the sky ...and to pursue policies ...[to] attract Fdi and especially benefit from it as much as possible.

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1 Population living below $1 per day. The poverty figures presented here are mostly derived from table 1.8 in the World Bank (1999), Global Economic Prospects and the Developing Countries, Washington, D.C.

2 Despite the decline of utmost poverty in East Asia, the total number of the poorest remains at about 40 per cent of the populations of developing and transitional economies because of the rise in the absolute numbers of the poor in all other regions. The proportion increases to about 55 per cent if the poor are defined in terms of populations living below $2 per day.
A considerable proportion of the volume is therefore given over to mapping the current empirical and conceptual knowledge on the impact of FDI, as a precursor to determining viable policies, given the specific circumstances of a particular country.\(^3\) Lest the reader of this review think that \textit{WIR99} has simply returned to the agenda of the 1960s and 1970s, it is worth mentioning that, at the outset, thereport underlines that the world has moved on and that in an era of globalisation we need to recognise the changing context of development in the twenty-first century. In this respect, apart from globalisation per se (covered in \textit{WIR94}), three issues are highlighted: the changing nature and pace of knowledge, especially in the merger of communications and information processing technologies; shrinking economic space and changing competitive conditions (from transportation and communications to networking and organisational forms); and the shift to market-oriented, private sector led economies in developing and transitional economies.

Having established the context, \textit{WIR99} examines how TNCs can complement domestic efforts to meet development objectives. The discussion is split into five (inter-linked) core areas of economic development, each receiving its own chapter:

- Increasing financial resources and investment;
- Enhancing technological capabilities;
- Boosting export competitiveness;
- Generating employment and strengthening the skills base; and
- Protecting the environment.

These chapters are a state of the art as they draw together clearly through ongoing debate with leading researchers in the field of what is known about the issues and what the implications might be. Concrete examples, from Mumbai to Sao Paulo are presented, many relevant to least developed countries. Analyses are not confined to manufacturing investments, but take on board the international activity and consequences of service and utility TNCs. As a whole, the chapters offer, in accessible form, valuable knowledge and insight for scholars and policy makers alike. There is also a useful chapter on the social responsibility of TNCs which, ideally, will be taken up as a full theme in a later issue of the \textit{World Investment Report}. The weakest chapter is chapter XI (Assessing FDI and development) which tries to pull together the preceding discussion, an almost impossible task in the space allowed. Apart from this understandable weakness, \textit{WIR99} will prove indispensable as a starting point for investigation \textit{Foreign Direct Investment and the Challenge of Development} for many years to come.

Finally, mention has to be made of the rest of the report! As usual, there are useful and improving analyses of ongoing trends in FDI and TNC activities. Apart from the tables and graphics in the main report, there are some 130 pages of detailed tables, data and information on FDI. These are highly useful and a continuing testimony of the invaluable service UNCTAD provides to the intellectual and policy communities on a continuing basis.

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\(^3\) Much of the discussion in this review is couched in terms of impact and implications for developing countries, but \textit{WIR99} also assesses these issues from the viewpoint of transitional and developed economies.