

Foreign Direct Investment  
Income Inequality and Poverty  
Experiences and policy implications

**Conference at**  
**Overseas Development Institute**  
**28 February 2003**  
Funded by UK DFID

# FDI conference. Why now?

- **Governments around the world have repeatedly endorsed FDI as a tool for development (e.g UNFfD - Monterrey; WSSD - Jo'burg). The past decades have seen FDI liberalisation almost everywhere.**
- **FDI has increased in importance in developing countries. There is evidence linking FDI and growth, and policy plays a role. But there are successful and less successful cases of FDI. Not all countries and not all people within societies appear to benefit equally.**
- **This conference aims to highlight the effects of FDI on development, in particular on social dimensions such as poverty and inequality and to assess what policies may improve effects of FDI.**

# FDI and development: links

- Economic: FDI can bring capital, skills, employment, wages, technology, management techniques, access to markets, product variety.
- Social: Distribution of gains: does FDI reduce inequality and poverty? Perhaps not first objective of why countries attract FDI, but it is still important to examine impact to understand whether certain policy interventions will be required.
- Environmental: Not first objective, but there could be links to other modes of development.

# Transmission mechanisms of distribution effects of FDI: What are experiences?

- **Factor markets - labour.** (sectoral FDI distribution, effect on wages, bargaining and labour standards, effect on pattern of technical change, linkages to employment of different skill groups, training)
- **Product markets (product competition, product choice):** distributional impact depends on consumption patterns and degree of competition.
- **Enabling environment for development (technology, infrastructure, regulatory framework, service providers; health and safety standards):** distributional impact not straightforward.
- **Size and use of tax intake**

# Policy affecting link FDI, development and distribution: what works where?

- Attracting FDI. Method of competition for FDI; mode of entry; types of TNCs attracted.
- Domestic direct policies. Business policies, codes of conduct, partnerships, core competencies, state-TNC bargaining
- Domestic indirect policies Public policies for enabling environment: regulatory, education, infrastructure, linkage creation, macro, trade policies, fiscal policy.
- International (GATS, TRIMs, Doha mandate, WTO SCM, bilateral investment treaties, regional activities, “home country measures” and CSR/SRI initiatives)

# Presentations today: approaches

- Investment perspectives: Impact of TNC strategies on development and distribution? Impact of mode of entry? To what extent do TNCs create employment? And linkages? And social investment?
- Labour market perspectives: FDI and the role of labour market policy?
- Linking FDI to labour markets: (wages in particular): what are experiences and policy implications?
- Country experiences on FDI and development discussing various details.