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World Investment Report 1999
Foreign Direct Investment
and the Challenge of Development

United Nations
New York and Geneva, 1999

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Preface

In 1945 our founders enshrined the promotion of economic development and the improvement of the quality of life for people in all countries as fundamental objectives of the United Nations. Since then, countries have worked together to achieve these objectives and many of them have made great progress. Even so, the gap between developing and developed countries, and between rich and poor within many countries, remains as wide as ever. In some respects, it is growing even larger. Achieving sustainable and equitable development thus remains the unfinished task of the twentieth century.

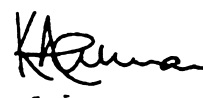
The central role in fulfilling this task must be played by the people of each country, through private enterprise and public organization at the local and national levels. But a very important role can also be played by foreign direct investment (FDI) – increasingly so, as the world economy becomes more global and new technology is ever more essential to economic growth.

Each year, the *World Investment Report* examines issues related to foreign direct investment. This year's edition looks specifically at the impact of such investment on key aspects of economic development – increasing financial resources, enhancing technological capabilities, boosting export competitiveness, generating and upgrading employment, and protecting the environment. The first message that emerges is that, while FDI can indeed contribute to economic growth and development, it is not a panacea. It can complement and catalyse economic activities and the performance of domestic enterprises, but in some circumstances it may also hinder them.

Another message of the report is, therefore, that public policy does matter, at the national and the international levels. It is important in creating the conditions that attract foreign direct investment. And it is important for enhancing its benefits. To promote the development of their own countries, Governments need to maximize the positive contribution that foreign direct investment can make to development, and to minimize any negative effects it may have.

While the primary responsibility for development rests with national Governments, corporations also have a responsibility, not only to their shareholders but to society at large. One of the challenges for the future is precisely to encourage firms to assume this responsibility more forcefully.

The report's focus on foreign direct investment and development is particularly timely, as it comes shortly before several important events in the year 2000 intended to advance the cause of development: UNCTAD X in February in Bangkok, the South Summit of the Group of 77 in Havana in April, and the United Nations Millennium Summit and Assembly in New York in the autumn. I hope the report will contribute to the deliberations at these events, and help to bring about an improved understanding of development-related processes and policies that are essential if the twenty-first century is to complete – as it must – the unfinished task of the twentieth.



Kofi A. Annan
Secretary-General of the United Nations

New York, July 1999

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