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World Investment Report 2001

Promoting Linkages



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Preface

Investment is of decisive importance for the developing world. The only developing countries that really are developing are those that have succeeded in attracting significant amounts of foreign direct investment (FDI), and have mobilized the savings and resources of their own citizens. Unfortunately, that is only a relative handful of countries. The rest of the developing world, and especially the least developed countries, are almost entirely missing out — in spite of the fact that many of them have put in place highly welcoming regulatory frameworks for foreign investment and are carrying out other major economic, financial and political reforms. Often, however, a country lacks the necessary infrastructure, or its market is too small and too isolated to be of interest. For many local markets trying to compete, the global market can be unforgiving.

Part One of the *World Investment Report 2001* focuses on the geography of FDI. Flows of FDI reached unprecedented levels in 2000. Policy makers in developing countries are seeking to increase this volume still further, but more importantly to improve its quality. Towards that end, a new generation of investment promotion strategies is emerging — a more targeted approach that carefully assesses location and other factors for success. These new strategies are being pursued side-by-side with traditional schemes.

The discussion in Part Two of the Report reflects the fact that international production networks span more countries than ever before. There is a need to promote links between foreign affiliates and domestic firms in developing countries, so as to strengthen the domestic enterprise sector. This is the bedrock of economic development, and would go a long way toward giving domestic firms a foothold in international production networks while embedding foreign affiliates more fully in host economies.

Helping the developing-country economies, and in particular those of the least developed countries, to derive more benefits from FDI and from the increasingly integrated global economy remains a crucial goal of the entire United Nations system. The statistics and analysis contained in this thought-provoking Report are meant to contribute to that endeavour, and merit wide readership.

New York, July 2001

Kofi A. Annan
Secretary-General of the United Nations

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