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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

WORLD INVESTMENT REPORT

Transnational Corporations,
Extractive Industries and Development



UNITED NATIONS



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WORLD
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REPORT
2007

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Extractive Industries and Development**



UNITED NATIONS
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PREFACE

Foreign direct investment represents the largest share of external capital flows to developing countries. Just as transnational corporations can bring with them new technology, management know-how and improved market access, foreign direct investment can be a significant force for development. In 2006, developing countries attracted \$380 billion in foreign direct investment — more than ever before. While two thirds of these flows went to rapidly growing markets in Asia, virtually all developing regions participated in the increase. Investments rose particularly fast in many countries that are richly endowed with natural resources.

As highlighted in this year's *World Investment Report*, recent years have seen a revival of foreign direct investment in extractive industries, reflecting higher commodity prices. This commodity boom, partly fuelled by rising Asian demand for various natural resources, should open a window of opportunity for mineral-rich countries to accelerate their development. This is especially important as we reach the midpoint in our efforts to reach the Millennium Development Goals.

The *World Investment Report 2007* focuses on the role of transnational corporations in extractive industries, and documents their presence in many of the world's poorest economies. Transnational corporations can bring in the finance and management skills these economies need to transform their resources into products that can be used locally or exported. The rise of new transnational corporations from the South, not least Asia, has given mineral-rich countries a wider spectrum of potential sources of investment.

But as we know, the extraction of natural resources involves considerable economic, environmental and social challenges. The objective is to ensure it is done in the most efficient and environmentally friendly manner possible, while at the same time contributing to poverty alleviation and accelerated development. For that, we need institutional and regulatory frameworks promoted by accountable Governments, as well as responsible investors. All relevant stakeholders need to join forces in a concerted effort. This year's *World Investment Report* offers useful insights to that end.

New York, July 2007

Ban Ki-moon
Secretary-General of the United Nations

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ABBREVIATIONS

AGOA	African Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
bbd	billion barrels per day
BIT	bilateral investment treaty
CIS	Commonwealth of Independent States
DTT	double taxation treaty
DR-CAFTA	Dominican Republic-Central American Free Trade Agreement (with the United States)
ECA	United Nations Economic Commission for Africa
ECB	European Central Bank
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
ECT	Energy Charter Treaty
EITI	Extractive Industries Transparency Initiative
EIU	Economist Intelligence Unit
FDI	foreign direct investment
FTA	free trade agreement
GCC	Gulf Cooperation Council
GDP	gross domestic product
GFCF	gross fixed capital formation
GSI	Geographical Spread Index
ICEM	International Federation of Chemical, Energy, Mine and General Workers' Unions
ICMM	International Council on Mining and Metals
ICSID	International Centre for Settlement of Investment Disputes
ICT	information and communication technology
IEA	International Energy Agency
II	Internationalization Index
IIA	international investment agreement
ILO	International Labour Organization
IMF	International Monetary Fund
IPA	investment promotion agency
IPO	initial public offering
IT	information technology
KPCS	Kimberley Process Certification Scheme
LDC	least developed country
LNG	liquefied natural gas
M&A	merger and acquisition
mbd	million barrels per day
MFA	Multi Fibre Arrangement
NAFTA	North American Free Trade Agreement
NGO	non-governmental organization
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PGM	platinum group metal
PSA	production-sharing agreement
R&D	research and development
SEE	South-East Europe
SME	small and medium-sized enterprise
SOE	State-owned enterprise
TNC	transnational corporation
TNI	Transnationality Index
UNCTAD	United Nations Conference on Trade and Development
UNCTC	United Nations Centre on Transnational Corporations (1974-1992)
UNDP	United Nations Development Programme
WAIPA	World Association of Investment Promotion Agencies
WTO	World Trade Organization