

OECD BREAKFAST SERIES: OECD looks at China's evolving Foreign Direct Investment

Ken Davies of the Directorate of Financial, Fiscal and Enterprise Affairs, OECD presented the highlights of the forthcoming: *OECD Investment Policy Reviews* China: Progress and Reform Challenges -- ISBN: 9264101950 to be released 09/07/2003-- to a Washington audience on June 19.

Contact: <mailto:kenneth.davies@oecd.org>

Key points of the presentation:

- 1) China has succeeded in attracting a large quantity of FDI (becoming the largest recipient in 2002 with over USD50 billion)
- 2) But it could do better in terms of both quantity and quality (it is outperformed in FDI per head by other developing countries and still mainly gets low-tech investment)
- 3) China needs to attract "high quality" FDI:
 - long-term projects
 - high technology
 - capital-intensive instead of labour-intensive
 - from the OECD countries (which supply over 90 per cent of global FDI) rather than disproportionately from Hong Kong and Overseas Chinese, as at present
- 4) The best way to do this is by developing a rules-based business environment:
 - simple, clear, well-publicized rules for FDI project application and approval
 - transparency in other matters, such as taxation relating to FDI
 - rule of law (a well-staffed, professional and independent court system together with impartial means of enforcing court decisions)
 - respect for intellectual property rights (dealing seriously with counterfeiters)
 - tackling corruption
- 5) The result will be a business environment characterized by transparency and non-discrimination, a genuine "level playing field" that benefits domestic as well as foreign investors.