International Chamber of Commerce
The world business organization

Policy statement

Governments must avoid investment protectionism

Prepared by the Commission on Trade and Investment Policy and the Commission on Financial Services and Insurance

The positive contribution of foreign investment to economic growth, employment creation and raising living standards is broadly recognized by governments worldwide. Foreign investment and openness of markets to receive such investment have played an important role in the development of economies in many regions of the world.

Over the years the global economy has witnessed a sharp diminution in the barriers to foreign investment as governments have welcomed foreign investors to bring their capital, technology, and management expertise to generate economic growth and jobs. With the reduction of barriers, foreign direct investment flows trebled from some US$300 billion in the early 1990s to over US$900 billion in 2005.[1] This sharp rise in investment contributed significantly to global economic growth, which doubled in dollar terms over the same period.[2] While the geographic distribution of the investment has been widespread, Western Europe, the United States and China received the majority of this increase.

Despite the demonstrated benefits of foreign investment, world business is very troubled by a new tide of investment protectionism, i.e., deliberate actions or hints of actions by governments to deny or impede the flow of cross-border investment under the pretext of protecting "strategic sectors" or "preserving national security." Surprisingly, those countries that have long promoted and benefited from foreign investment are now raising politically-motivated barriers to block foreign investment in sectors as varied as energy, financial services (including stock exchanges and banking), steel, food, tobacco, and ports.

These actions dampen the climate for the relatively free flow of investment and reduce the benefits it brings to home and host countries. Protectionist interference with foreign investment flows drives up costs, makes countries less competitive, and generates uncertainty that forces companies to look for other, less beneficial alternatives. Additionally, there is an adverse spillover effect that chills the air for an early resumption of the WTO Doha Round negotiations to liberalize world trade.

[1] United Nations, World Investment Report 2004 and 2006.
[2] International Monetary Fund, World Economic Outlook Database

The International Chamber of Commerce (ICC) strongly believes that cross-border investment is essential to sustaining prosperity in developed and developing countries. While governments of all sovereign nations reserve the right to regulate, it is critical that they do so in a manner that does not discriminate against or impede foreign investment. Some governments have clearly gone too far. ICC deplores this trend and urges governments in developed and developing countries to avoid investment protectionism and to uphold their commitments *in word and in practice* to welcome market-driven foreign investment.

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About ICC

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world. The fundamental mission of ICC is to promote an open international trade and investment system and the market economy, and to help business corporations meet the challenges and opportunities of globalization. Business leaders and experts drawn from ICC's global membership establish the business stance on broad issues of trade and investment policy as well as on vital technical subjects. ICC was founded in 1919. Today it groups thousands of member companies and associations from 130 countries.

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