

World Summit on the Information Society
**The Coordinating Committee of Business Interlocutors
(CCBI)**

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INTERVENTION 3

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INVESTMENT

Thank you Chairman and distinguished delegates.

On behalf of the Coordinating Committee of Business Interlocutors (CCBI) for WSIS, my comments will focus on the issue of investment and provide specific comments on the draft declaration and action plan in terms how best to ensure that the language will encourage the commitments and actions that will attract foreign direct investment and local private sector investment, and also foster the digital inclusion of small and middle-sized companies.

First, as has been outlined by my colleague, the documents fail to recognize the leadership of the private sector in the information society. The role of the private sector is significant as business is the driver of innovation and owner of the majority of the infrastructure.

The pivotal roles of private investment and national public policies inviting of such investment must be accorded the utmost importance in the Declaration and Action Plan. As the documents stand now, these factors should have more weight and prioritization.

The Declaration and Action Plan must reflect the pivotal role of private investment. While the proposed Declaration is not totally silent on the subject, business feels it assigns insufficient weight and prioritization to the following:

- (1) the essential nature of private investment to the development, deployment, maintenance, and modernization of the world's communications and information networks and facilities, and
- (2) public policies that are inviting of such investment.

It is essential that the Declaration and Action Plan place high priority on a policy framework that promotes competition and private sector investment.

Business will make its investment decisions based on evaluation of such market realities. As outlined below, this policy framework is an essential ingredient to resolution of many of the policy questions that governments will confront at the Summit. The documents should reflect this fact, both in terms of general policy goals and in terms of specific issues addressed.

To highlight why the language in the declaration and action plan need to reflect the components that will promote investment in ICTs, I would like to set forth some facts and recommendations:

(1) Technology and skills are disbursed globally.

Technology enables companies to move information, skills, ideas and technology itself across national borders virtually without limits except for those imposed by national governments.

However, certain government policies may undercut the competitiveness of many of their most important companies, slow the application of technology in their countries, and ultimately disadvantage their citizens.

Business recommends that the documents that will be signed at this Summit reflect a commitment to implement effective policies to foster the development of ICTs to improve competitiveness of the companies and promote the inclusion of small and medium-sized companies.

(2) The global market is dynamic.

The quickening pace of technological change and innovation in both goods and services are shortening product cycles and the lead time companies have to meet market demands. Companies that are but a few months late in meeting a market's demand for a certain product or service lose competitive position, sometimes with devastating consequences for the company and its employees.

Governments whose regulatory environment strives to adapt to these changes will enjoy more opportunities for economic development and job creation.

There is an opportunity to ensure that these documents support companies and allow them to do what they do best-----innovate, create jobs, create wealth and ultimately allow people to earn and live better.

(3) Technology is expensive.

More and more, companies with broad product lines cannot afford to finance, by themselves, all of the research and development costs necessary to stay competitive. Therefore, R&D costs are increasingly being shared among companies, which are sometimes competitors from different countries.

Governments should encourage R&D through favourable tax treatment, albeit on a non-discriminatory basis.

The documents from this Summit should encourage favourable tax treatment for R&D.

(4) Cost counts.

The global disbursement of technology rapidly turns products into commodities subject to price pressures. It is, therefore, critical for

companies to have the flexibility to re-engineer products, materials, manufacturing methods, research and development programs, sources of supply, sources of service, and distribution networks to reduce costs. Impediments to flexibility drive up costs and prices and undercut competitiveness.

(5) The above must be considered together.

The complex interaction among these realities confront businesses around the world. The language in these documents concerning the public policy issues regarding investment should take into account these realities in order to ensure the promotion of the infrastructure needed for the Information Society.

A FEW FACTS AND RECOMMENDATIONS REGARDING THE CONTRIBUTION AND DETERMINANTS OF FOREIGN INVESTMENT TO DEVELOPMENT

Foreign investment contributes to a country's economic prosperity in many different ways:

- as a source of additional capital;
- as a contribution to a healthy external balance;
- as a means to increase competitiveness and productivity;
- as a source of employment creation;
- as an incentive to rationalize production;
- as a vehicle for the transfer of technology; and

- as a source of managerial know-how.

The basic policies and conditions which are most conducive to attracting foreign investment are by and large the same as those which encourage domestic private investment except, of course, for those policies that prohibit foreign investment!

What are the determinants of foreign investment?

They comprise a variety of public and private factors, including:

- **A stable political system** supported by a professional and accountable public service; an open and constructive attitude towards the private sector, both local and foreign; a predictable and transparent regulatory framework; and a respect for the rule of law and due process.
- **A sufficiently comprehensive, transparent and non-discriminatory legal framework** to operate modern commercial operations (including company law, bankruptcy law, competition law, protection of property rights including intellectual property), and free access to an impartial judicial system to redress wrongs and settle disputes.
- **Sound macro-economic, fiscal and monetary policies** (including currency stability and convertibility) sufficiently flexible to adapt to

market signals, and moderate levels of personal and corporate taxation.

- **A dynamic economic base** supported by an expanding domestic market, growing demand and purchasing power, a healthy local private sector of suppliers, distributors and competitors, and efficient capital markets and financial services.
- **Rising standards of education, health care and social infrastructure** to encourage human resource development, an adequately educated and trained work force, and an efficient system of physical infrastructure, in particular in the key areas of transportation and communications.

The declaration and action plan for this Summit, at this stage of the drafting process, do not reflect the importance of investment in ICTs as a critical factor in the development of the Information Society, and business urges that this change.

I WOULD LIKE TO OUTLINE SOME OF THE ELEMENTS OF A GOOD NATIONAL INVESTMENT CLIMATE

The domestic investment climate in any given country can be significantly improved by the removal of most common obstacles faced

by companies seeking to establish and maintain market access through investment. Policy initiatives that encourage foreign investment include:

- the **removal of unreasonable and extensive conditions** on foreign investment in the form of various performance requirements, such as mandatory partnering;
- **the elimination of licensing or screening of investment** to limit or prevent access to certain sectors or industries;
- the implementation of **transparent, open and non-discriminatory** rules and practices in the buying, selling and **regulatory activities** of state-sanctioned private or public monopolies and concessions;
- the removal of unreasonable policy and regulatory initiatives that discriminate against foreign companies. Foreign investors are increasingly looking to measurements of the **contestability of a local market** particularly as it relates to investment in the services sector.
- the **reform of various private practices** that exclude new market entrants or restrict access to distribution networks and other necessary business infrastructure, as well as corporate governance practices that limit or prevent participation by foreign firms.

The declaration and action plan need not include all the text detailing what I have outlined in this intervention, but business urges that the documents set forth clear declarations and actions that will lead to the actualization of the elements of good national investment climates.

Chairman, distinguished delegates, CCBI as the mobilizing vehicle for business in this Summit, looks forward to providing contributions as observers this week and we hope that this will prove to be constructive in your ongoing negotiations regarding the Summit documents.

Thank you for your time and attention.