Campaign on South Asian People's Solidarity

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Foreign Direct Investment:

Foreign Remittance is Not for Profit Repatriation

FDI (Foreign Direct Investment) occurs when an investor based in one country (the home country) acquires an asset in another country (the host country) with the intent to manage the asset. The management dimension is what distinguishes FDI from portfolio investment in foreign stocks, bonds and other financial instruments. FDI makes the way for rich & developed countries and Multinational Companies (MNCs) to invest in various service and productive sectors. Major objectives of FDI are to improve employment capacity, technology transfer and to increase national revenue. Though these are stated objectives of FDI, practical scenario say the other way around.

FDI is considered as very important in the development of LDCs and developing countries. Bangladesh along with other SAARC countries has adopted liberal policies to attract highest amount of FDI. For this, local entrepreneurship and national interest pushed off to MNCs/TNCs. In Bangladesh we've this kind of experience in oil-gas sector, coal mine, sea port & land port, education, health & telecommunication sector.

Global Policy Regime

IFIs (International Financial Institutions) like World Bank, International Monetary Fund & WTO always advocate for FDI. To serve the interest of wealthy nations and to channel foreign investment, these institutions push LDCs and developing countries for some agreements, such as

1. Trade Related Investment Measures (TRIMS),
2. General Agreement on Trade in Service (GATS),
3. Trade Related Intellectual Property Rights (TRIPS) and
4. Agreement on Subsidies and Countervailing Measures (ASCM).

FDI Trend

FDI is basically a phenomenon of post 2nd World War. After the 2nd world war some institutions emerged to rule out the whole world in favor of rich countries. These are generally called the 'Breton Woods' (in 19444, after the 2nd world war some institutions emerged in Breton Woods, a city of USA) institutions, i.e. World Bank, IMF, GATT (later known as WTO) and ADB. According to the nature of capital, accumulated capital needs to be invested. Otherwise, wealth & power of rich countries would collapse. So, in the name of 'development' rich countries invest their capital in poor countries to enhance capital and maximize profit only.

According to the nature, FDI rushed to that kind of countries which are enriched in natural resources such as oil, gas & coal. In UNTACD report of 2005, investment increased in Sudan, Burma & Congo compared to Bangladesh. It also indicates that investment goes to that short of country which is in favor of army. Nigeria could be a good example for this. British company Royal Dutch Shell exploited the country sucking all of its natural resources with aid of army govt. By exporting oil & gas per capita income of Nigeria reached US$ 2000, but after some years it lowered at US$ 300. (Source: Poverty, PRSP & Donors, Asjadul Kibria, February 2007).

Why FDI considered as Necessary

Overseas Development Assistance (ODA) or foreign aid is generally the most preferred mode of receiving foreign fund by the developing nations. But, because of foreign aid has decreased in recent years, there is a fierce competition among countries to attract it. In the heyday of foreign assistance, it never reached 0.7 percent of the developed countries' national income, the level most developed countries had committed to spend on assisting developing countries in early 1970s. This figure has consistently been hovering at around 0.3 percent.

There is a long debate whether FDI is necessary or not for development of Bangladesh. Because, during 2001 to 2005 total inflow of FDI to Bangladesh was US$ 218 crore 50 lac, on the other hand investor repatriated US$ 274 crore 40 lac i.e. investors took back 126% of total investment. General tendency of SAARC countries to attract FDI showing the cause of funding shortage. Bangladesh is a low income country. In 2005, per capita income was US$ 470. National savings of Bangladesh is also very low. So considering this situation Bangladesh needs FDI, but whatsoever the amount of FDI it should be qualitative and locally accountable.

FDI in South Asia

Until the mid-eighties, FDI had a bumpy ride. Many countries were very suspicious of the effects of FDI in their economies and tried hard to check its flow by taking measures like restrictions on capital and profit repatriations, performance requirements etc. But this situation no longer exists. Countries have now changed their policy frameworks in order to attract as much FDI as possible and develop a meaningful partnership with foreign firms.

This accommodating strategy has produced some results, FDI has generally been increasing. According to Human Development Report in South Asia 2001, FDI in the world was US$ 68 billion in 1960, US$ 502 billion in 1980, US$ 1948 billion in 1992 and US$ 3456 billion in 1997. The share of FDI in developing countries has also been rising, from 22 percent in 1992 to 30 percent in 1997. However, its share decreased to 19 percent in 2000, the lowest since 1991. FDI has been concentrated in few countries that are rich in natural resources and have higher per

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capita income. Total population of SAARC countries including Afghanistan is 147 crore. Another cause of increasing FDI in this region is huge population and cheap labor force.

Our Demand regarding FDI

1. State will have authority to amend the terms and conditions as and when necessary basis and it will work as owner of the investment so that either state can easily accept or reject any proposal.
2. All foreign investment should have share in local stock exchange.
3. FDI related financial and other report should be publicized in the newspaper and will have transparency and accountability to the civil society.
4. Reviewing Investment policy of South Asian countries, it is found that FDI get much access compared to National Direct Investment (NDI). Our demand NDI will be given priority and treated with the same criteria of FDI. For example, proposed investment of TATA in Bangladesh.
5. Major portion of FDI in SAARC countries including Bangladesh has come into service sector where profit margin is much higher. In 2004, out of total $660.8 million foreign investment, $237 million was invested in the telecommunication sector, a share of 35.93% of the total FDI in Bangladesh. Our demand FDI should come into heavy industry.
6. Foreign remittance of Bangladesh was Tk 500 crore in 2006. We've to devise strategy how to increase this remittance. There is a tendency to attract FDI showing the cause of national savings deficit. We need to come out from this vicious-circle and place remittance alternative to FDI. By this foreign remittance we've to establish heavy industry.
7. One of the major condition of FDI is technology transfer. Technology transfer should be in that way so that after a course of time home country become independent and capable in that technology. It is not expected to experience any technology transfer which devastates local technology. FDI in oil-gas sector of Bangladesh and devastation is correlated.
8. We don't want any sort of FDI which exploit natural resources, environment and ecology.
9. SAARC countries are lucrative place for FDI for cheap and huge amount of labor. So, FDI in this region should be labor-intensive.
10. Form SAARC development bank to overcome fund crisis. SAARC countries would be able to invest in development sectors from this bank. SAARC countries will formulate a guideline in this regard.
11. In the name of CSR (Corporate Social Responsibility) MNCs justify their FDI. MNCs took CSR just as campaign & advertisement, but the central theme of CSR to compensate to environmental damage. As for example, Uniliver Bangladesh is polluting environment & people through soap, detergent & toiletries. On the other hand, it is contributing in social sector such as musical program, women development fund and confusing people through the program of 'Sada moner manush'. Such dualism of CSR needs to open to all.

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