Ministerial Round Table Statement

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Balance of regulatory and institutional frameworks required in light of the benefits from investment liberalization

As to a regulatory framework, it needs to be open and non-restrictive in regards to market openness towards foreign direct investments; yet also retain the necessary provisions that enable governments to oversee and efficiently enforce it. First and foremost it is important to create a sound strategy that is both cohesive and coherent with a nation’s development goals within the legal framework that investments operate. This is where governments must find the balance of liberalization without losing control, and on the hand regulating without harnessing a nation’s investment climate.

Dominican Republic is currently amidst this same debate. We are looking to enhance our foreign investment legal framework in order to have a better understanding of the type of investment we are attracting. We are concentrating efforts in developing a legal mandate that enables us keep our market open, provide hands-on assistance to investors meanwhile controlling and registering the origin and type of foreign capitals that enter our economy. The way we achieve this will be root of our success.

Everyday it becomes more relevant for developing countries to track the provenance of their FDI inflows; this mainly due to the fact that our economies are prone to be havens for money laundering schemes. Money Laundering and other drug trafficking benefits affect greatly the real estate, construction and financial sectors, which in fact fuel in many ways these stagnant economies. These schemes are detrimental in one way because of the corruption that they bring forth, but also on the inflated income generation and financial bubble that is perceived. Hence we consider in setting forth anti money laundering mechanisms that enables us an oversight regarding incoming investments through an inter-institutional intelligence effort that tackles the source of the funds. For this we would like to call on UNCTAD to raise awareness on how important “clean FDI” is. This coined term refers to investments that come from a trustworthy, socially responsible source that generates true and sustainable development for countries, therefore preventing financial bubbles that have everlasting detrimental effects. It is through consensus building that the international community can come together and create an institutional synergy among the major government stakeholders to provide and ideal framework to maximize the effects of a regulatory liberalization.
Investment Protectionism as a response to the Financial Crisis

Investment protectionism has occurred twofold: one has been a response to national security concerns by restricting foreign investment in so called strategic/sensitive industries, but on the other hand we have seen how countries which have been traditional sources have now taken measures to restrict their outward flows in hopes of conserving jobs and capital in light of the recent financial crisis.

The latter is of particular interest to Dominican Republic since it hampers its ability to attract the investment flows it sets out to get. Nevertheless these tendencies are not part of an international and globalized market economy, and it is the transnational companies which suffer the most since their growth potentials are being limited by their home governments. Initiatives such as the recent American Jobs and Closing Tax Loopholes Act in the United States of America (already been approved by the House of Representatives and it is pending in the Senate) are the perfect example of this protectionism towards outward investment. There is really no positive outlook on these measures since it is controlling and hampering the ability of transnational corporations to efficiently and cost-effectively manage their operations. Nonetheless, developing economies take a dip on investment inflows and deepen the crisis we are weathering.

Managing the impacts of measures taken in response to the crisis still constitutes a great challenge for our recovering economies. This is a particular concern for developing countries like ours whose industries rely on foreign capital and demand. Developed countries should therefore ensure that their protectionist endeavors are reexamined and not used as a pretext to enclose themselves in a non-liberalized globalized economy.

Our focus has shifted; we seek to rebuild Haiti’s productive capacities while enhancing the investment promotion efforts that the Dominican Republic has set forth. We take this opportunity and this forum to set a call out to the international community to focus their MDG priorities towards investment in human resources and productive activities. It is time for countries to direct their ODA to support these types of initiatives which will impact all the other goals in due time.