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Reproduced here is the text of the paper by **Richard Eglin** (above).

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SINGAPORE ISSUE…

Case for WTO Rules on Investment Laws

Richard Eglin

MAKING the case for extending the WTO system to regulations on foreign direct investment (FDI) required a stance to be taken first on the purpose and shape of the Doha Round negotiations as a whole. If, as one school of thought had it, the first WTO round was to be a short and sharply focused event, aimed at reducing barriers to market access to trade in agricultural products, industrial goods and services as quickly as possible, proposals to make room also for rule-making on FDI tended to be greeted skeptically, even by those who favored such rules in principle. Rule-making in the WTO requires consensus and seeking consensus can be time-consuming. So why take the risk of making the best the enemy of the good by holding up, for the sake of agreements on "new issues", trade liberalization that can be agreed relatively quickly?

Admittedly there has been that risk, although the kind of agreement on foreign direct investment that is suggested in this chapter (one based heavily on the GATS architecture) ought not to pose the kind of technical complications that would be impossible to overcome in the space of a negotiation of three years – as agreed at the Doha ministerial meeting.

But that has not been the main consideration. The argument for including rule-making on foreign direct investment in the Doha Round negotiations was that a principal WTO occupation should be strengthening, developing and extending the rules-based multilateral trading system, not just squeezing more liberalization out of the current system. That is not to say further trade liberalization no longer matters; it matters very much. But leading with it when the WTO system is adrift is to miss the bigger picture of the part that the system ought to be playing in the world economy.

In the 1990s, many WTO member countries showed their willingness to continue to liberalize their economies autonomously, going

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Committee on Trade and Environment was first established.

After obtaining his PhD from the University of Cambridge, in England, he was on the staff of the International Monetary Fund in Washington, DC, for five years before moving to the Economic Research and Analysis Division at the GATT Secretariat, Geneva, in 1985.

Trade Policy Roundtable

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beyond their Uruguay Round commitments.[1] Global markets are vastly more open, integrated and competitive today than they were when the Uruguay Round negotiations began in 1986; and national economies are increasingly tied together, not only through trade in goods and services but also through foreign direct investment and international capital markets. As economic interdependence (globalization) increases, governments have more need of clear and consistent multilateral rules to help them work out ways to achieve national policy objectives cooperatively.

At present, the only rules on foreign direct investment they have at their disposal are those scattered through various WTO agreements, particularly the rules relating to "commercial presence" in the GATS. But these fall far short of being comprehensive or even, in certain respects, coherent.

What is Already in the WTO System?

What are the provisions on investment in existing WTO agreements? Set out below are brief descriptions of them:

General Agreement on Trade in Services

The integration of investment and cross-border trade in the WTO system is most evident in the General Agreement on Trade in Services (GATS). Although the GATS is not an investment agreement as such, it counts investment as one of several different ways of gaining access to a market, to wit through the "commercial presence" of a service supplier in the territory of another WTO member country. The GATS addresses not only the terms and conditions on which an investor may enter a market but also the conditions of operation in the post-establishment phase.

(a) With regard to "establishment", an MFN commitment applies, but beyond that the GATS market-access concept (Article XVI) permits governments to condition the extent to which (non-discriminatory) entry by foreign suppliers will be permitted.

(b) With regard to post-establishment, by defining "national treatment" as an obligation that relates only to scheduled commitments and not as a principle of general application, the GATS is different from a number of other intergovernmental investment agreements in which national treatment has the same status as most-favored-nation (MFN) treatment. Moreover, the GATS provides for national treatment to be granted only partially, or subject to specified conditions.

The GATS does not contain the kind of investment-protection provisions commonly found in many bilateral and regional investment agreements. Nor does it include such features as a mechanism for investor-state dispute settlement. (It does provide, however, for state-to-state dispute settlement).

Agreement on Intellectual Property Rights

The definition of "investment" in many other inter-governmental investment agreements expressly covers intellectual property rights. Although the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS Agreement) does not address foreign investment directly, its provisions on minimum standards for the protection of intellectual property rights, domestic enforcement procedures and international dispute settlement are directly relevant to the legal environment for foreign direct investment.

Agreement on Trade-related Investment Measures

One of the objectives of the Agreement on Trade-related Investment Measures (TRIMs) is to facilitate investment across international frontiers. It clarifies that certain investment measures contained in an illustrative list (mainly local-content and trade-balancing requirements) are inconsistent with the GATT and requires that they be eliminated. The TRIMs Agreement provides for a review – it was actually due before the end of 1999 – in the context of which consideration is to be given to whether its provisions should be complemented by provisions on investment and competition policy.

Agreement on Subsidies and Countervailing Measures

Certain fiscal, financial and indirect investment incentives that are used to attract foreign direct investment could fall under the definition of a "subsidy" under the WTO Agreement on Subsidies and Countervailing Measures: for example, tax credits, grant loans, equity infusion and the provision of land and infrastructure at less than market prices. These measures are prohibited if granted contingent on the export of goods produced by an investor, or on the use of domestic over imported goods, and could otherwise be actionable.

Agreement on Government Procurement

In respect of signatories and covered procurement operations, the plurilateral Agreement on Government Procurement (GPA) requires no discrimination against foreign suppliers nor against locally established suppliers on the basis of their degree of foreign affiliation or ownership. These provisions date back to the Agreement on Government Procurement that was reached in the Tokyo Round negotiations of 1973-79.

WHY NEGOTIATE FDI RULES?

In one sense at least, times have probably never been better to make the case for negotiating multilateral rules on foreign direct investment. Huge opportunities for FDI to expand appeared in the 1990s in the wake of worldwide trade liberalization and the growth and integration of global markets for goods and services. Annual flows of FDI are growing faster than world trade and exceeded $850 billion in 1999.[2] Enthusiasm to attract FDI is manifest world-wide. This contrasts with the often hostile attitude that prevailed in many developing countries in the 1970s and 1980s. The East Asian financial crisis of 1997-98 did not put a dent in the euphoria – the fact that FDI by and large stayed put in emerging-market economies while foreign capital fled the scene added to its luster.

Foreign direct investment has become the instrument of choice of many developing countries and economies in transition to try to integrate faster and further into the world economy. And established host countries (and sub-national states and provinces) dig ever deeper into their pockets for investment incentives to make sure they can continue to attract more than their fair share of FDI as demand outstrips supply.

Yet the collapse of the OECD's attempt to conclude a multilateral investment agreement (MAI), only lukewarm support from international business, stiff opposition from a few influential developing countries and intense hostility from environmental and development NGOs, suggest that bringing foreign direct investment into the WTO may be an uphill battle. Is it, as Jagdish Bhagwati has suggested, "a bridge too far"?

If there is to be a negotiation on this issue in the Doha Round discussions, one of the lessons to be learned from the OECD's experience is that the purpose of creating multilateral rules for FDI must be made crystal clear from the start and, moreover, it must appeal to the full range of WTO member countries.[3] Otherwise, negotiations risk losing direction, becoming a target for criticism.

It is not enough to suggest that the purpose is to promote the growth of foreign direct investment. One would surely expect that to be an important result, but, with FDI currently thriving in the absence of any multilateral rules, that argument is not compelling.

Nor is it enough to point to the gains in efficiency of replacing hundreds of bilateral investment treaties (BITs) by one standardized multilateral agreement. Many host governments seem to consider the costs of negotiating and implementing BITs less significant than the flexibility BITs offer to suit individual circumstances and preferences. For one thing, in times of keen competition among host countries to attract FDI, being able to offer more favorable, discriminatory treatment to some investors than to others can pay dividends.

Most damaging of all would be to lead with the argument that the aim is to increase the confidence of foreign investors by making the world a safer place for them to do business. Whether to include investor's rights[4] in a WTO agreement is certainly something to consider. Apart from anything else, though, this argument infuriates those who believe the sovereignty of most developing countries is already under threat without subjugating it further to the interests of multinational enterprises. But it is of little immediate interest to the vast majority of WTO member countries who are at present only host (not home) countries to FDI and are likely to remain so for the foreseeable future.

In each of these areas, one would expect benefits from a WTO agreement on foreign direct investment, but the basic case stands or falls on two much broader propositions:

- One, a WTO agreement on foreign direct investment would contribute to achieving the WTO's core trade-related objectives.
- Two, it is important for WTO member countries to continue developing the "architecture" of the multilateral trading system, in a forward-looking way, in order to ensure it is up to the task of helping them coordinate their domestic economic policies effectively.

The case now for rule-making on foreign direct investment in the WTO is therefore based, in essence, on anticipating continued global economic integration, with FDI playing an increasingly important role, and on believing that multilateral disciplines to guarantee non-discrimination, transparency and a liberal policy environment for FDI will enhance the political, economic and social benefits of that process in much the same way they have done over the past fifty years for international trade.

One final word of introduction is that making a case for multilateral rules on foreign direct investment should not be confused with making a case for FDI *per se*. In conditions of imperfect competetion on domestic and international markets, views differ on how FDI may affect the development of individual economies. Notwithstanding the fact that most studies find that, on balance, the impact is strongly positive, some WTO member countries are still persuaded that the costs will outweigh the benefits (or at least that the risks are not worth taking) without a tight corset of discriminatory regulations to control which investors are given market access and how they behave once established. The position of these member countries has to be taken as given and respected. Equally, however, they should not stand in the way of others that are interested in exploring whether multilateral rules can assist them in attracting more FDI on more favorable terms than at present and putting it to better use for their economic growth and development.

This is not a veiled threat to the WTO's consensus principle. It points rather to the kind of agreement that should probably be in mind from the start – one that provides opportunities for collective gain from a rules-based system, coupled with opt-out room for those that, for the time being, do not wish to liberalize their FDI regimes. It would be something along the lines, in other words, of the GATS.

TRADE AND INVESTMENT

The starting-point for building a persuasive case to bring foreign direct investment into the WTO system is that it would contribute to achieving the WTO's objectives. It would increase trade opportunities through an improved allocation and use of resources and deepening the international division of labor. And it would broaden and strengthen support for the open, non-discriminatory trading system.

In this respect, foreign direct investment is a very attractive candidate for inclusion in the multilateral trading system.

(a) It has been recognized to represent not only the reallocation of long-term capital but also, and more importantly, a bundle of intangible assets such as entrepreneurship, technology and managerial and marketing know-how that are often highly immobile internationally when unbundled into their constituent parts.

(b) The capital infusion is attractive for host countries, since it is comparatively stable, has no fixed interest payments associated with it, nor capital repayment, and contributes directly to productive investment rather than consumption.

(c) To a large extent, however, it is the intangible assets of FDI that primarily interests host countries, for it is them that can make the biggest contribution to increasing the productivity of endowed factors of production. These assets are in short supply in many developing countries and transition economies. FDI often represents the most economical way, and sometimes the only way, of acquiring them.

It is well established empirically that a host country's trade-policy stance has a lot to do with the quality of intangible assets that it can hope to secure from foreign direct investment. The more restrictive the trade policy is, the more likely it is that FDI, if it comes at all, will focus on supplying the domestic market where it will be protected against competition from imported goods and services and will only have to compete with local firms that fall below world standards of efficiency. In these circumstances, a second-rate bundle of intangible assets (obsolete technology, no export- marketing capacity *et cetera*) is likely to suffice from the foreign investor's point of view and domestic market saturation will set a limit on the volume of FDI that can be accommodated.

By contrast, host countries with open trade policies can hope to attract foreign direct investment, both to supply the domestic market (if that can be done more efficiently than by exporting to it) and to export, building on existing comparative advantage. In a competitive environment such as this, a first-rate bundle of intangible assets (state-of-the-art technology and know-how) is likely to be the natural choice for the foreign investor, with a strong presumption that this will be kept up-to-date and that it will be in the foreign investor's interest to encourage its diffusion within the host economy through backward and forward linkages so as to reinforce its own competitive position. The more the host country offers free (non-discriminatory) access to FDI in conjunction with an open trade policy, the more it can expect to acquire the best FDI available.

Once established, foreign direct investment can be expected to play an important role in trade-policy formulation, particularly in small host countries where the threat of closure or withdrawal even from individual foreign investors can be meaningful. FDI that has been attracted by a restrictive trade-policy environment may easily develop into a local protectionist force, arguing for the maintenance of trade restrictions to protect its operations from foreign competition. FDI that has been attracted by a liberal trade-policy environment is more likely to press to keep markets open and competitive and, too, for further liberalization to enhance its competitiveness on export markets and generate more dynamic growth opportunities in the host-economy market.

It seems reasonable to expect that export-oriented FDI will press to keep markets open abroad as well, in its home country and elsewhere. It can create a valuable and powerful constituency in this regard, particularly given the importance of intra-company trade in industries that have diversified their production base globally. In this way one may be able to count on some moderating influence brought to bear against pressures on home governments to use reliant protection measures, restrictive rules of origin, local-content requirements and the like against overseas competition.

In sum, strong synergies exist between trade and investment. Good trade policies produce good FDI practices; and good FDI policies produce good trade practices. The interests of the multilateral trading system are well served by open markets for foreign direct investment and by making foreign investors major stakeholders in the system. Individual member countries can capitalize on the benefits they derive from open trade by opening up to foreign direct investment.

That said, to make the case for constructing multilateral rules for foreign direct investment it still has to be shown that leaving things simply to the market will not suffice. It also has to be shown that multilateral rules would be superior to bilateral or regional investment agreements.

Why Not Leave it to the Market?

Foreign direct investment is thriving today in the absence of multilateral rules. Many governments have been liberalizing their restrictions on access for FDI for the past decade or more. Why not leave it to the market, and to "policy competition" between host countries, to drive things to an efficient solution?

Most foreign direct investment is trade-related, much of it very trade-intensive, either in substituting for imports or in generating exports. WTO member countries have a collective, systemic interest in ensuring that FDI complements and reinforces the advantages of an open, market-based trading system. One reason why it may not be satisfactory to leave it to the market to do that is the existence of market failures and imperfections. FDI operates typically in imperfect market conditions. Given this situation, certain coordinated policy interventions can be expected to be global welfare enhancing.[5]

Foreign investors appear, on the face of things, to be comfortable with letting the market sort things out. Judging from business surveys, they have an interest in rules that would guarantee open and non-discriminatory access to host countries and, second, that would reduce or better still eliminate performance requirements and the like. However, their support seems to be lukewarm at best. The reason is probably that foreign investors are often

- big enough individually to work things out for themselves with host-country governments,
- and/or flexible enough to adapt to or work their way around most policies that affect their activities,
- or, in the final analysis, free not to invest at all and go elsewhere.

It is the first of these points that gives rise to most concerns from the point of view of the functioning of the trading system. Individual investors that set about using their proprietary assets to increase barriers to entry, coupled with host-country policies that discriminate in their favor and reinforce their market domination, makes for a potent cocktail of trade restriction and distortion.

It is easy, however, to overlook the fact that there are now some 45,000 foreign direct investors in the world, many of them small and medium-size enterprises that do not have the bargaining power to overcome barriers to entry or adapt to discriminatory treatment. Potentially, this can form an influential constituency through home-country governments in favor of multilateral rules to guarantee more equal treatment to compete for investment opportunities abroad.

A second reason for doubting the power of the market to produce an efficient solution is that policy competition is not a one-way street leading to undistorted markets. Many FDI policies are inherently discriminatory and distorting, both to the market for FDI itself and to markets for goods and services in which FDI operates. They can be packaged, nonetheless, in ways that are acceptable to individual foreign investors. Host countries have been reluctant to leave things entirely up to market forces. Many apply restrictions on access, incentives and post-establishment policies, such as performance requirements, to FDI to try to maximize national welfare. Providing certain foreign investors with preferential rights to establish locally, subsidizing their investments and distorting their post-establishment behavior all undercut the value of market-access commitments for other trading partners.

Of the many specific objectives that host countries seek to achieve through their policy interventions, some are common to a large number of host countries and would need to be accommodated in multilateral rules. Concerns that foreign investors operate typically in imperfect markets with a competitive advantage derived from their proprietary assets, for example, coincide with similar concerns about the effect of this on global welfare and should be addressed through provisions on competition policy. This could probably take care also of concerns about the "largeness" of foreign investors relative to domestic firms, particularly in developing countries, but where necessary it could be augmented by providing leeway for restrictions on access in certain sectors or industries, as long as these are applied on a non-discriminatory basis. Similarly, the "foreignness" of FDI prompts host countries to worry about national security and cultural issues, but this could again be addressed through non-discriminatory restrictions on access.

FDI policies with potentially the most significant trade restrictive and distorting effects, that warrant being brought under multilateral disciplines, are measures applied by host countries to secure a share of the proprietary assets FDI brings with it (e.g., entrepreneurship, technology) or, failing that, to secure a share of the rent.

(a) Investment incentives are used to attract these assets to the host country in larger quantities than would otherwise be the case, where FDI is the most economical way of procuring them and/or in times of excess demand to lure investors away from competing host countries.

(b) Performance requirements, sometimes linked to investment incentives, are used (i) to force the foreign investor to disseminate the benefits of the assets within the domestic economy, and share them with local producers where these do not spillover naturally, or (ii) to try to capture part of the rent (although they can easily end up reducing the size of the rent instead through forced inefficiency).

Some of these measures have been identified already as being so trade-distorting that WTO rules have been agreed to discipline them. But the current rules are limited and disjointed. Export-performance requirements, for example, are prohibited when linked to a direct subsidy, but not otherwise.

Individual host countries clearly believe they end up with a better solution than the market alone would provide in terms of national welfare as a result of applying these measures, otherwise they would not do it. On the face of things, they should have an interest in bringing investment incentives to attract FDI under multilateral rules, since the result of competing with each other is simply to bid up the price unnecessarily. One obvious result is that the vast proportion of developing countries does not have the resources to enter the bidding. Those host countries that are successful in attracting FDI this way seem to believe that the price they pay is still modest relative to the benefits FDI brings with it. Much the same could be said, however, about the use of straightforward trade subsidies, in agriculture for example, and the argument in favor of multilateral disciplines is no less compelling when applied to investment incentives.

Host countries that apply post-establishment measures such as performance requirements seem even more reluctant to contemplate bringing them under multilateral rules. They regard them as essential aspects of industrial policy, notwithstanding the weight of empirical evidence that shows these measures are not only costly but often also ineffective.[6] Even so, they can constitute the most trade-distorting FDI policies of all.

In summary, there is no compelling reason to believe that leaving things up to market forces and to policy competition will lead inexorably towards liberal and undistorted markets for FDI, any more than one might hope that individual WTO members should recognize the intrinsic good sense of liberalizing their trade policies unilaterally.

Do BITs Do it Better?

Apart from providing the principal means for home and host countries to come to an arrangement to provide legal protection for foreign investors' assets in host countries, BITs have been used by host countries to apply their post-establishment policy mix to foreign investors. They therefore lock in the current policy-induced trade and investment distortions. That is a good enough reason on its own to reject the notion that they are an acceptable substitute for multilateral rules for anyone other than those benefiting directly from the discrimination.

BITs have other weaknesses too. First, there is the cost for all concerned of dealing with so many different agreements. On current count there exist over 1,600 functioning BITs in the world economy; theoretically, it would take more than 7,500 to accommodate all WTO Members. Second, their provisions are not standardized, leading to uncertainty, potentially inconsistent rules, and legal conflicts. Third, most BITs focus only on the post-establishment phase of an investment; they are silent on access rights. They do nothing, therefore, to improve the allocation of investment in the world economy; on the contrary, they tend to distort it further.

There may be a case for BITs continuing in parallel with multilateral rules, as long as they are not inconsistent with them, on the grounds that they can be negotiated and adapted more quickly and they can go further than what might be contemplated at the multilateral level. In this regard, they may prove a useful complement to a basic set of multilateral rules centered on the non-discrimination principle.

WHAT KIND OF MULTILATERAL RULES?

Ideally, the case for multilateral rules for FDI should rest on creating a more liberal investment climate, on improving the international allocation of capital and on creating more secure and predictable conditions for governments and foreign investors in the global economy. In other words, it should be a true investment agreement.

At the turn of the century this looks like a tall order. The key protagonists have failed to reach agreement in the like-minded OECD setting. Chances seem infinitely more remote of selling anything as ambitious as the draft MAI to the one hundred WTO member countries that did not participate in the OECD negotiations and who represent, by and large, only FDI-importing countries.

The case for constructing multilateral rules on foreign direct investment in the WTO system needs to be more modest and based, first and foremost, on the contribution it would make towards improving the trade opportunities of WTO member countries and the functioning of the multilateral trading system.

First, the benefits WTO member countries derive from the steps they are taking to reform and liberalize their trade policies can be increased if they pursue a parallel course of opening up to foreign direct investment. The one complements the other. Access restrictions could be negotiated case-by-case through a positive or negative list approach, but where access is to be allowed there is a strong presumption in favor of it being non-discriminatory. Not every FDI project will contribute positively to economic welfare in a directly measurable way, but it is doubtful any government bureaucracy has the means of reliably "picking winners" and the cost of inaccurate intervention is high. Letting foreign investors compete openly to establish in the host country is the way to secure the best quality FDI on the most favorable terms.

Second, investment incentives (i.e. subsidies) applied by the host country not only distort investment flows and penalize other host countries too poor to compete for FDI in this way, they also distort comparative advantage in international trade and reduce trade opportunities for other overseas producers. They should be disciplined more fully than is currently the case under the WTO Subsidies Agreement.

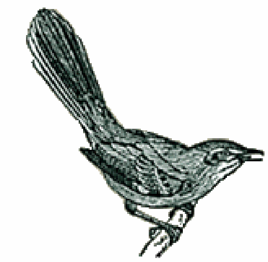
Third, post-establishment policies applied to FDI can distort goods and factor markets domestically and internationally. Some, such as local-content requirements, do this so explicitly they are prohibited already by the GATT, still a part of the WTO system. Others should be examined with a view to establishing their trade-restricting and trade-distorting effects and suitable disciplines should be created. Generally speaking, there should be a presumption in favor of applying all post-establishment policies to both foreign and domestic investors through a national-treatment provision.

Fourth, providing certain foreign investors with preferential rights to establish, subsidizing their investments and influencing their post-establishment behavior, can all undercut the value of market-access commitments to other WTO member countries. The right of these members to challenge these policies should be recognized under the WTO's dispute-settlement procedure.

Admittedly, this package is a modest one. It could never be mistaken for an MAI in disguise, but that is no bad thing. Anything less than the elements listed above would probably not be worth the effort. Nevertheless, the main point is to get a basic framework of FDI rules firmly implanted in the WTO system. Further improvement of the rules and liberalization of access for FDI can be part of the agenda of future trade Rounds. The GATS experience shows that agreement on a basic set of rules, coupled with a flexible, country-by-country, approach to liberalization, can be extremely effective, so much so that five years on from agreeing on the GATS rules in the Uruguay Round negotiations there are high expectations that deep liberalization in trade in services can be one of the main results of the next round.

The kind of agreement outlined here has two additional advantages. One is that it should be possible to negotiate and conclude it relatively quickly. That will appeal to those WTO member countries who would favor new multilateral rules on FDI in principle, but who have been concerned that finding consensus on rule-making under a "single undertaking" would risk turning into a marathon and holding up the results of negotiations on other issues.

The second advantage is that it would be possible to build in to the agreement the kind of development dimension that developing countries are seeking in a WTO round. Within a common



The **mockingbird** is the state bird of Tennessee. Cordell Hull represented a district of Tennessee in the Congress of the United States, and was elected a senator from there, before becoming U.S. Secretary of State (1933-44).

Trade Policy Analyses

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The Institute's purpose is to promote independent analysis and public discussion of issues in international economic relations.

The interpretations and conclusions in its publications are those of their respective authors framework of rules on non-discrimination and transparency, and of market guarantees, there would be scope for developing countries to take account of their financial, economic and development objectives when phasing in liberalization. At the same time, they would benefit from one of the main advantages of locking in their policy reforms under WTO rules, which is to reduce the gap between the perceived and the actual risk of their policies changing so that their liberal policy stance is taken as seriously as it warrants by foreign investors seeking out new locations to invest.

It is worth adding that creating legally-binding WTO rules on foreign direct investment can make a singular contribution from the point of view of those worrying about how to restore greater systemic stability to international capital markets.

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1. Albeit to different degrees. It is primarily the developing countries and the economies in transition that have shown most initiative in this regard. The developed countries seem completely wedded to the notion that trade liberalization makes sense only in the context of an exchange of concessions with their trading partners.

2. *World Investment Report, 2000* (Geneva: UNCTAD Secretariat, 2000).

3. For a careful analysis of the OECD negotiations, see David Henderson, *The MAI Affair: a Story and its Lessons*, Pelham Paper No. 5 (Melbourne: Melbourne Business School, 1998). The essay has been published in French by the Groupe d'Economie Mondiale, Fondation Nationale des Sciences Politiques, Paris. It has also been published by the Royal Institute of International Affairs, London, the New Zealand Business Roundtable, Wellington, and the Brookings Institution, Washington, DC.

4. Evidently, rights would need to go along with obligations.

5. Coordinating national competition policies at multilateral level is the most obvious candidate in that regard. Negotiating rules on competition policy in a WTO round would be a natural complement to FDI rule-making.

6. Theodore H. Moran, *Foreign Direct Investment and Development* (Washington, DC: Institute for International Economics, 1999).