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The Nature and Challenges of Local- Foreign Investment Relationships

Khalid Al-Yahya
Dubai School of Government

Themes

1. Types of investors and different perspectives affecting local-foreign investor relationships
2. Knowledge-skill transfer challenge
3. Enablers and drivers for successful relationships and investment policies
4. Future policy and research directions

1. Perspectives on Interactions & Interrelations

- *How do local investors view foreign investments (FI)?*

Group A: Views FI as an opportunity:

- Countries with 49/51, cooperative relationships are must (except in free zones, but still need local service agent to expand beyond zones)
- Large, long-standing, and sophisticated businesses with experience in cross-border cooperation
- Ability to benefit from cooperating and partnering with foreign investors
- Access to policy circles and has much capacity to negotiate and integrate their interests
- Better served by govt investment authorities and investment associations and councils

1. Perspectives on Interactions & Interrelations

- *How do local investors view foreign investments (FI)? Cont.*

Group B: Views FI as a threat:

- Countries with no 49/51 rule
- Mostly small and medium enterprises (SMEs)
- Little access to credit and financing and government policy and services
- Claim that FIs don't stick to the rules
 - Shadow businesses and licenses
 - Resolving conflict is too costly and lengthy
 - Therefore, they support restrictions on foreign investment
- Women-run businesses face more constraints due to social norms, biases, and gender division of labor

2. Knowledge-Skill Transfer Challenge

Problems

- Poor local competitiveness and trading positions affected by imbalances in knowledge-skill
- The speed by which Arab countries opened up local markets and encouraged imports without supporting the development of R&D institutions and skill-building
- Ignoring the issue of knowledge-technology transfer in drafting FI laws
- The reliance on turn key culture in development and infrastructure projects

3. Requirements for successful relationships

- Identification of mutual interests and benefits
- Alignment of values and objectives
- Willingness to share important resources
- Equal standing - Negotiation skills and training in international business practices
- Trust and transparency
- Short-term vs. long-term orientations

- Government and investment authorities support for local SEMs:
 - specific attention to the needs of SEMs such as expanded access to financial services and support to participate in processes that set the strategic framework for national development
 - access to the associations and enterprises that can help them improve their competitiveness and raise their capacity to link up with larger firms
 - the high fixed business cost that weigh heavily on SEMs by introducing graduated schedules of payments (e.g., taxes, registration fees)
 - removing barriers to micro-informal enterprises joining the ranks of the SEMs

4. Future Research & Policy Directions

- Study the complexity and diversity of local investors' positions, problems, needs
- Capacity-building for the local investors capacity and local labor force and access to credit for SMEs
- Establish capable and specialized investment councils/associations to serve for all types of investors
- Integrate the knowledge-technology transfer in investment laws

Thank You

General enablers for successful investment policy

- stable and predictable investment climate
- transparent and accountable government
- rigorous enforcement of the rule of law
- information availability & statistics keeping
- skilled and productive labor force
- strong commitment to fighting bribe solicitation and corruption
- affordable and accessible infrastructure and services to both local and foreign investors
- Need-assessment and policy alternatives for different types of investors