

LESS THEORY AND MORE PRACTICE IN INTERNATIONAL INVESTMENT, RICARD FORNESA RIBÓ

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The goal of multinational development institutions may be praiseworthy but often the application of their policies leaves much to be desired, says Ricard Fornesa Ribó, President of La Caixa.

While multilateral organisations such as the International Monetary Fund (IMF), The World Bank, Inter-American Development Bank, and the International Finance Corporation, have undoubtedly made a positive impact in promoting economic stability, development and in eradicating poverty, I am less than convinced with some aspects of their approach.

Too often, I believe, these bodies have made generalisations and applied rigid criteria limiting the extent to which local businessmen can adapt programmes to their own reality. Through such actions these organisations fail to take into account the inevitable facets, factors, features and rights that flow from diversity and sovereign autonomy.

Los objetivos de instituciones multilaterales como el Fondo Monetario Internacional y el Banco Mundial son admirables pero a menudo sus criterios en cuanto a inversiones y a la aplicación de sus programas pueden resultar rígidos, afirma Ricard Fornesa Ribó, Presidente de Criteria CaixaCorp. Considera que se requiere más pragmatismo, incremento del diálogo y mayor flexibilidad. Además, estas instituciones tienen que suprimir el dogmatismo que con frecuencia puede obstaculizar la posibilidad de conseguir éxitos.

The goals of such institutions are theoretically correct but their application has consistently proved inadequate. Their political and economic world maps have often been more concerned with removing outdated political approaches than tackling issues such as corruption or a lack of technical expertise. As a result, policies cannot be reconciled with the prevailing economic practicalities or even accept that political modernisation may occur given more time.

The outcome, which is often no more than a reflex action, has undone the benefits of their programmes, causing ills to those they sought to assist.

Also an inability to adapt generic investment criteria reveals not an objective world view but an openly selfish, if not hypocritical, approach by the developed countries that ultimately control these institutions.

The United States and the European Union, through their finance ministers, and through the World Trade Organization (WTO), have developed programmes, and activity, which while claiming direct benefit have merely protected the interests of the states which dominate them.

As highlighted by US economist Josep Stiglitz, notorious cases of failure have been seen in Thailand, Malaysia, Korea, Ethiopia and in Russia, bringing widespread distrust of the very institutions that sought to assist them. Remarkably the same processes are now in operation in China.

Considerations could be made about erroneous approaches and the irrelevance of a sustained dogmatism that has long been the thesis of the advocates of liberalisation. Likewise, this could promote economic stability in countries without forewarning of the cyclical nature of capital flows.

It is not enough to simply impose processes that bring only short-term economic fixes. In my opinion, and in order to avoid such dangers, there are several options that are therefore worth considering.

Among them is an analysis of the ability of rating agencies to adequately report countries' economic, social and political situations, and to allow investment and development programmes to sufficiently adapt to local peculiarities.

This would be logically useful for multilateral institutions, which could then articulate their agendas in an appropriate manner, while recipient countries would see a benefit in improving their ranking. The IMF already has extraordinary and sufficient information and knowledge, more than is required to produce a full and proper qualification.

It would also be desirable for The World Bank and other institutions to better target their investment focus, and to openly operate alongside other funding, towards the aim of addressing countries' priority infrastructure and transport, training and health needs. Another goal must surely be that these same institutions reduce their enormous costs and bureaucracy, and make their decision-making processes more objective and transparent. Institutions must also remove the dogmatism and authoritarianism that surround their operations.

A "one-size fits all" approach must be abandoned so that countries can be dealt with through free and open dialogue in order to reach a "best-fit" solution. More patience may therefore be required in the implementation of programmes but it is only at the point of origin that many errors can be rectified.

It is right to require debtor countries to adopt economic discipline and to agree to a realistic timetable but tolerance and understanding are also necessary. Multilateral institutions are valid and their overall results positive, but the negative aspects that exist should be avoidable. Different circumstances require different solutions and real success, I believe, only comes through sustainable development.

Ricard Fornesa Ribó is President of La Caixa and Chairman of Criteria CaixaCorp. This is a summary of the presentation he made on accepting the title of Honorary Doctorate at the Universitat Ramon Llull / ESADE Business School.