

Chapter 7: Investment

Glossary

Calvo Doctrine: narrow form: that claim that foreigners are not entitled to more favorable treatment than domestic nationals; broad form: claim that sovereign equality allows all states to set their own economic policies without interference by other states

Collaboration problem: a situation in which states jointly benefit from choosing the same action, but each state is tempted to unilaterally deviate to a different action

Commitment problem: a situation in which sequential decision-making ensures that the plan of action that is initially optimal becomes sub-optimal as time passes

Direct expropriation: government actions that deprive a firm of the full value of its investment

Fair and equitable treatment: the requirement that host governments treat foreign investors fairly and equitably

Foreign direct investment: the investment of capital from a firm in one state into business activities in another state; requires a long time-horizon and the direct involvement of the investor in the management of the business activities abroad

Full protection and security: the requirement that host governments refrain from military attacks against foreign firms and their property

Good faith: the principle that parties to an agreement must act fairly and honestly towards one another

Group of 77: political coalition of developing states within the United Nations

Hull Doctrine: claim that states must provide prompt, adequate, and effective compensation if they expropriate property from foreign firms

Immobile asset: asset that cannot be easily moved or redeployed for other activities

Import substitution industrialization: economic policies that promote manufacturing goods that are sold within the home state (thus reducing imported goods)

Indirect expropriation: government actions that violate pre-existing contracts or laws, and substantially reduce the value of a foreign firm's property

International Center for the Settlement of Investor Disputes: international organization created under the World Bank in 1966 to oversee foreign investment disputes

Investor-State Dispute Settlement: system of legalized dispute settlement that allows foreign investors to directly sue their host states using international arbitration

Mobile asset: asset that can be easily moved or redeployed for other activities

Most-favored nation treatment: under investment law, the requirement that a foreign firm must receive treatment that is at least as favorable as the treatment received by a foreign national from another state

National treatment: under investment law, the requirement that a foreign investor must receive treatment that is at least as favorable as the treatment received by a similar domestic investor

New International Economic Order: a set of trade, investment, development, and assistance policies to promote the interests of developing states in the 1970s

Performance requirements: requirements on production and sales

Police powers doctrine: the principle that a state has an inherent right to protect the public interest

Right to diplomatic protection: the doctrine that states have the right to protect their nationals at the international level

Washington Consensus: a set of economic policies promoted by the International Monetary Fund in the 1980s to prevent economic crises in developing states