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WIR2016

World Investment Report

Investor Nationality: Policy Challenges

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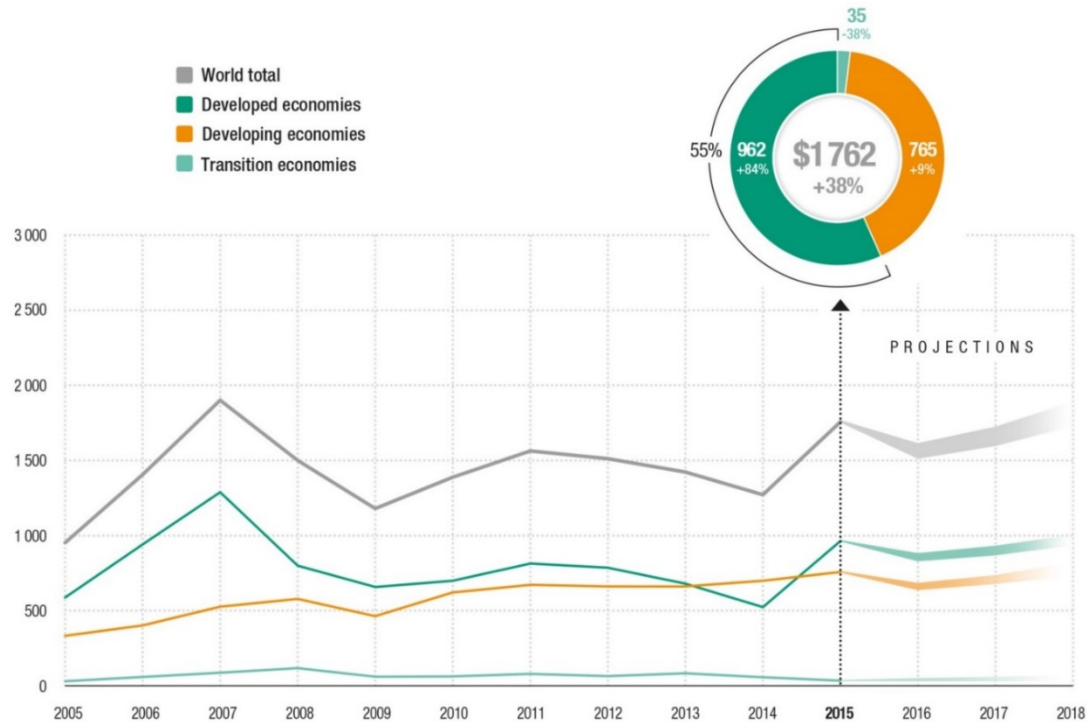


GLOBAL AND REGIONAL INVESTMENT TRENDS

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FDI recovery was strong in 2015, but lacked productive impact

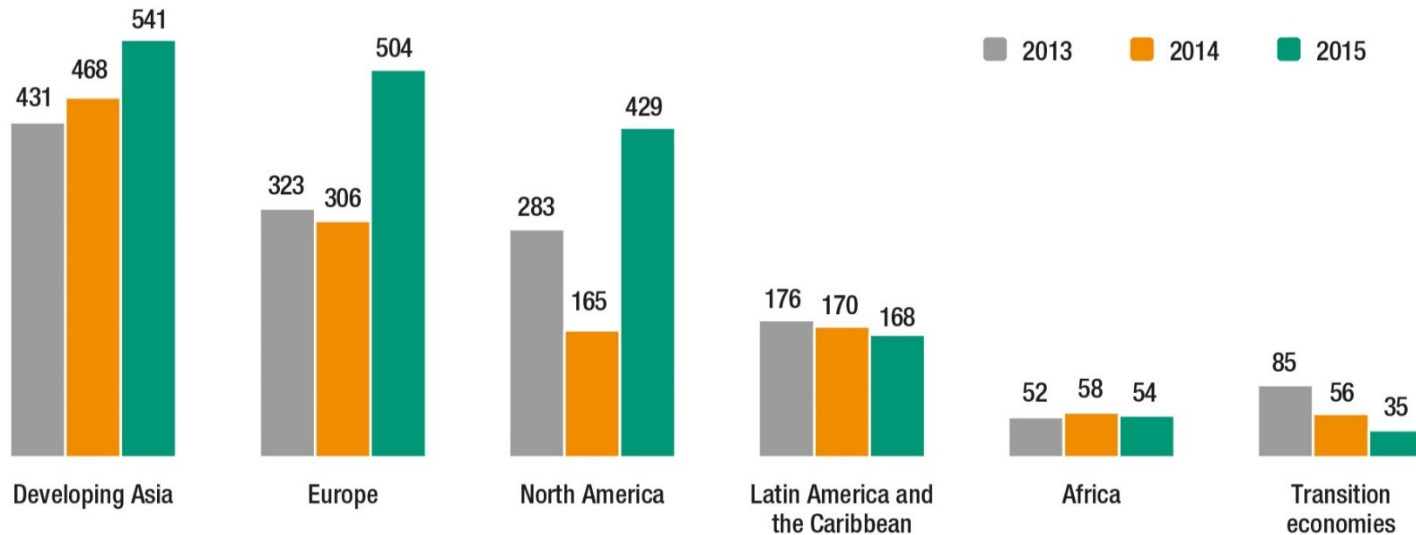
Global FDI inflows by group of economies, 2005–2015, and projections, 2016–2018
(Billions of dollars and per cent)



Source: ©UNCTAD.

FDI flows to developed countries nearly doubled. Developing Asia remains largest FDI host region

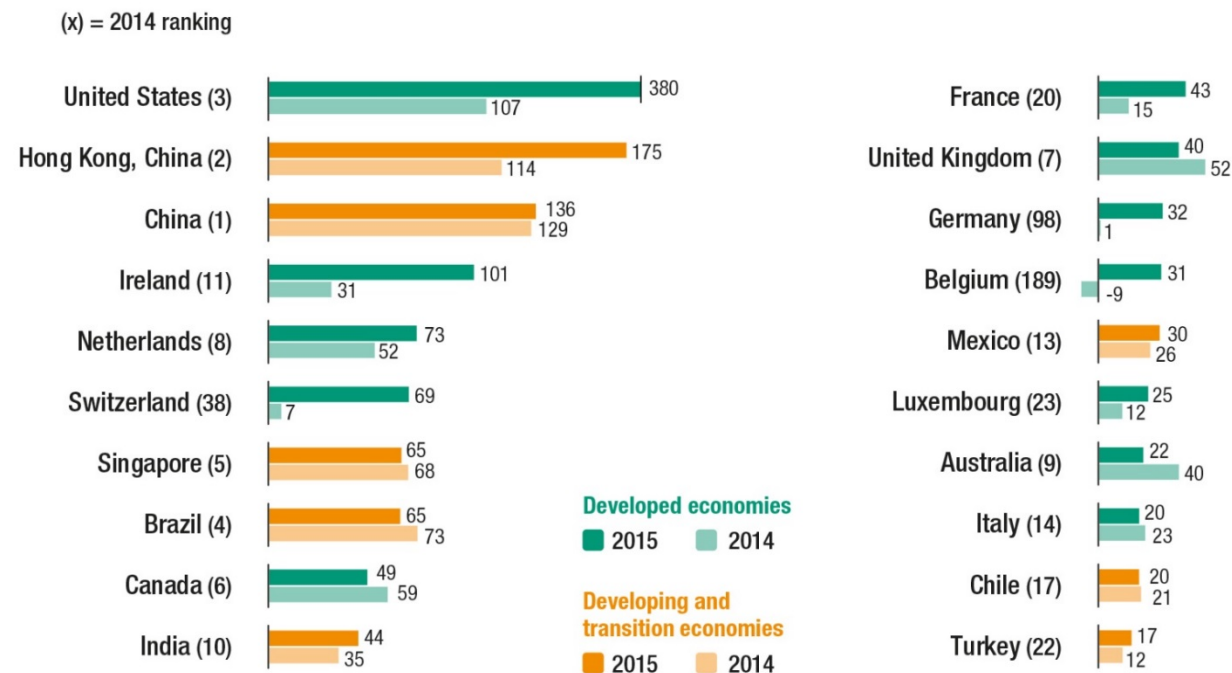
FDI inflows, by region, 2013–2015 (Billions of dollars)



Source: ©UNCTAD.

Half of top 10 FDI hosts are developing economies

FDI inflows, top 20 host economies, 2014 and 2015 (Billions of dollars)

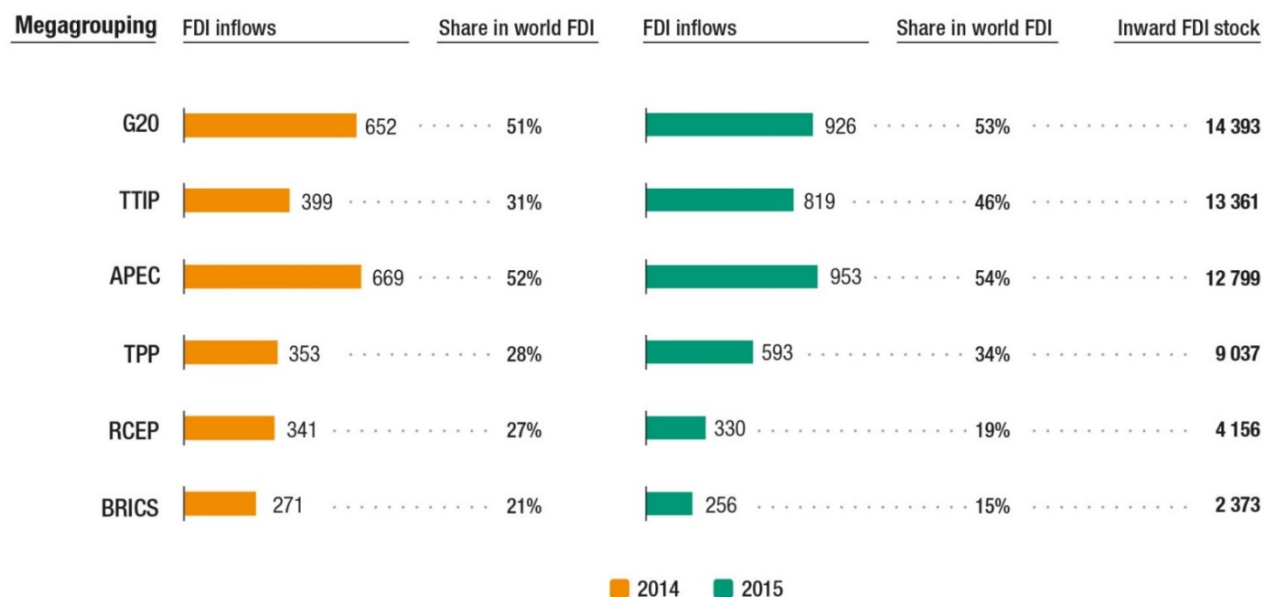


Source: ©UNCTAD.

Megagroupings now account for a significant share of global FDI

FDI inflows in selected megagroupings, 2014 and 2015

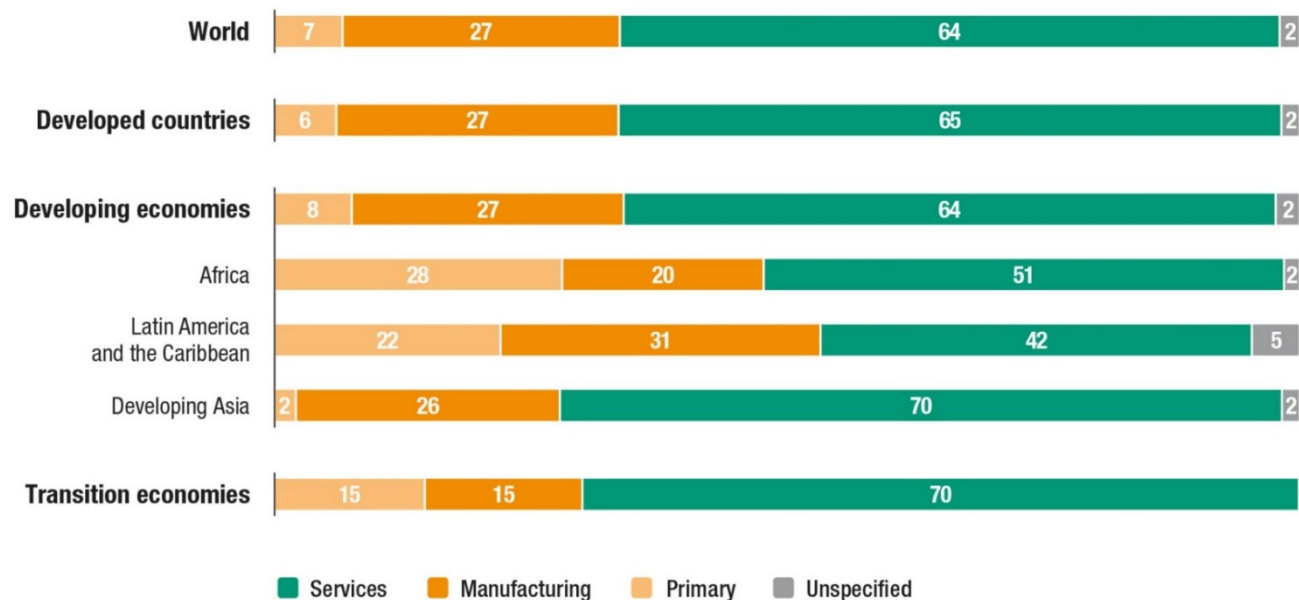
(Billions of dollars and per cent)



Source: ©UNCTAD.

The services sector accounts for almost two thirds of global FDI stock in both developed and developing economies

Global inward FDI stock, sectoral distribution by grouping and region, 2014
(Per cent)



Source: ©UNCTAD.

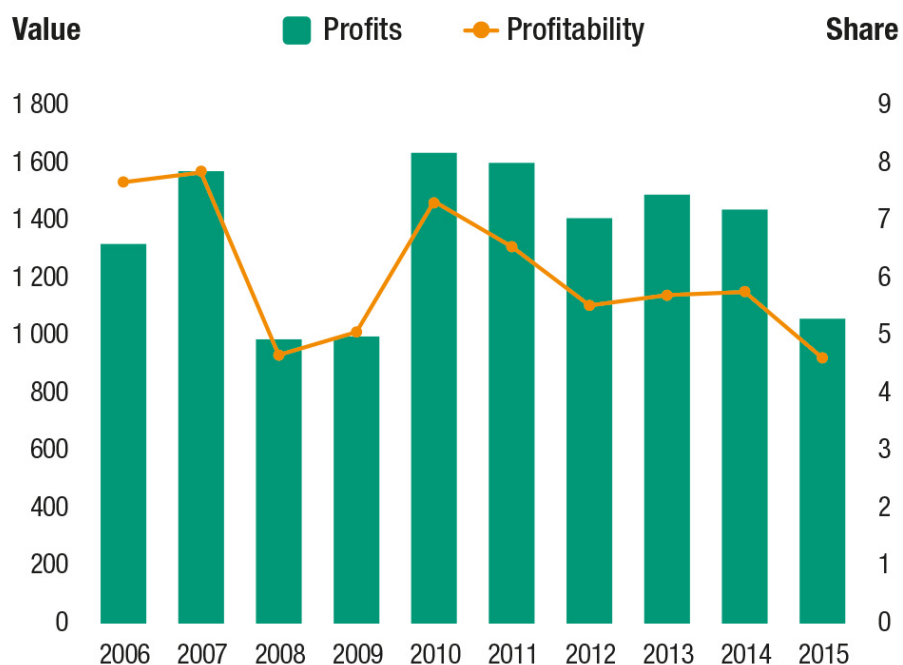
Prospects: FDI flows are expected to decline by 10–15 per cent in 2016

- **Fragility of the global economy**
- **Persistent weakness of aggregate demand**
- **Sluggish growth in some commodity exporting countries**
- **Effective policy measures to curb tax inversion deals**
- **A slump in MNE profits**

The global economic outlook and lower commodity prices directly effected the profits and profitability of MNEs

Profitability and profit levels of MNEs, 2006–2015

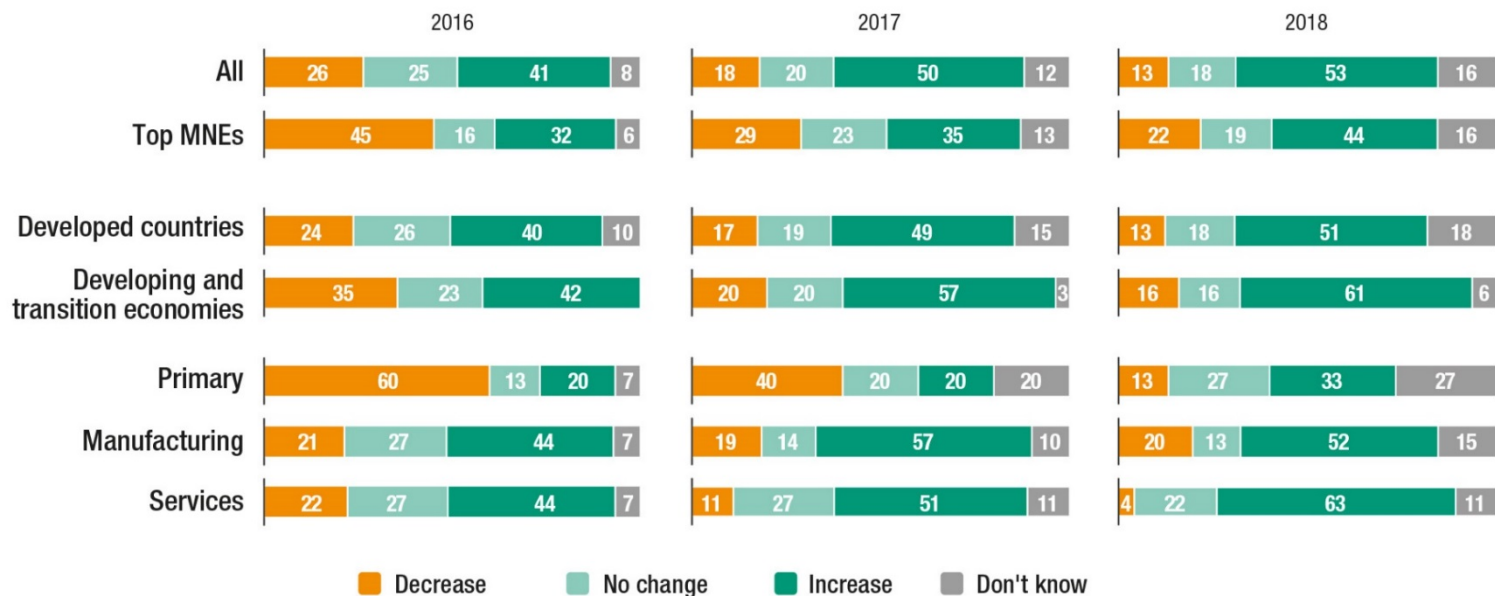
(Billions of dollars and per cent)



Source: ©UNCTAD.

UNCTAD Business survey reveal muted overall FDI spending intentions in 2016, but improving over the medium term

Executives' global FDI spending intentions, 2016–2018, with respect to 2015 levels
(Per cent of responding executives, based in each region and sector)



Source: ©UNCTAD.

The top prospective destinations remained unchanged

MNEs' top prospective host economies for 2016–2018 (Per cent of executives responding)



Source: ©UNCTAD.

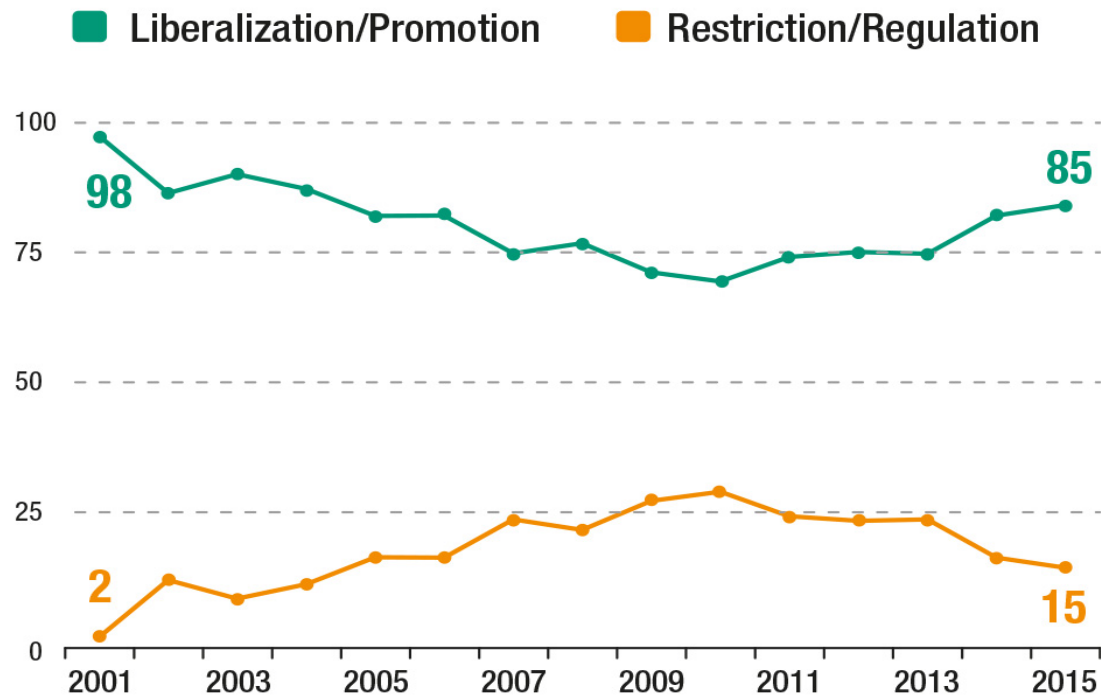
A faint, light-colored world map is visible in the background, centered on the Atlantic Ocean. The map shows the outlines of continents and major landmasses.

RECENT POLICY DEVELOPMENTS

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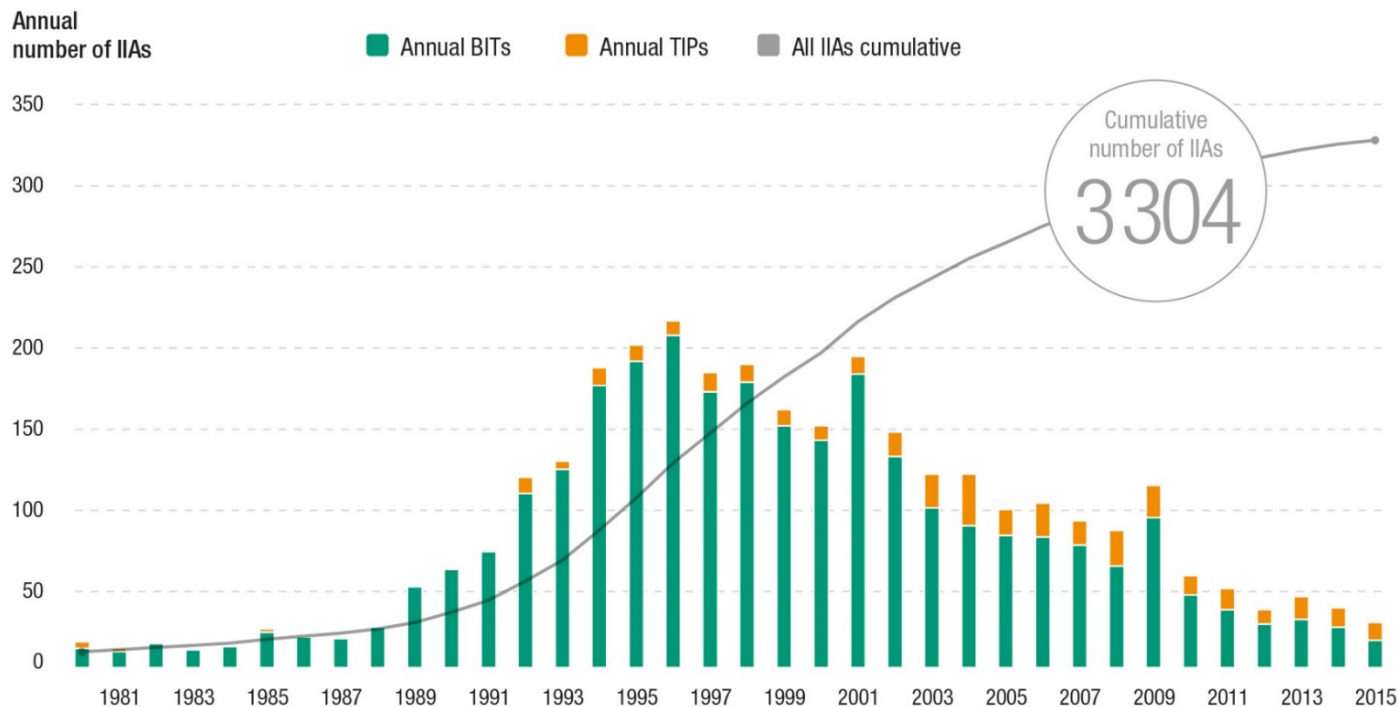
Most new investment policy measures continue to be geared towards investment liberalization and promotion

Changes in national investment policies, 2001-2015 (per cent)



Source: ©UNCTAD.

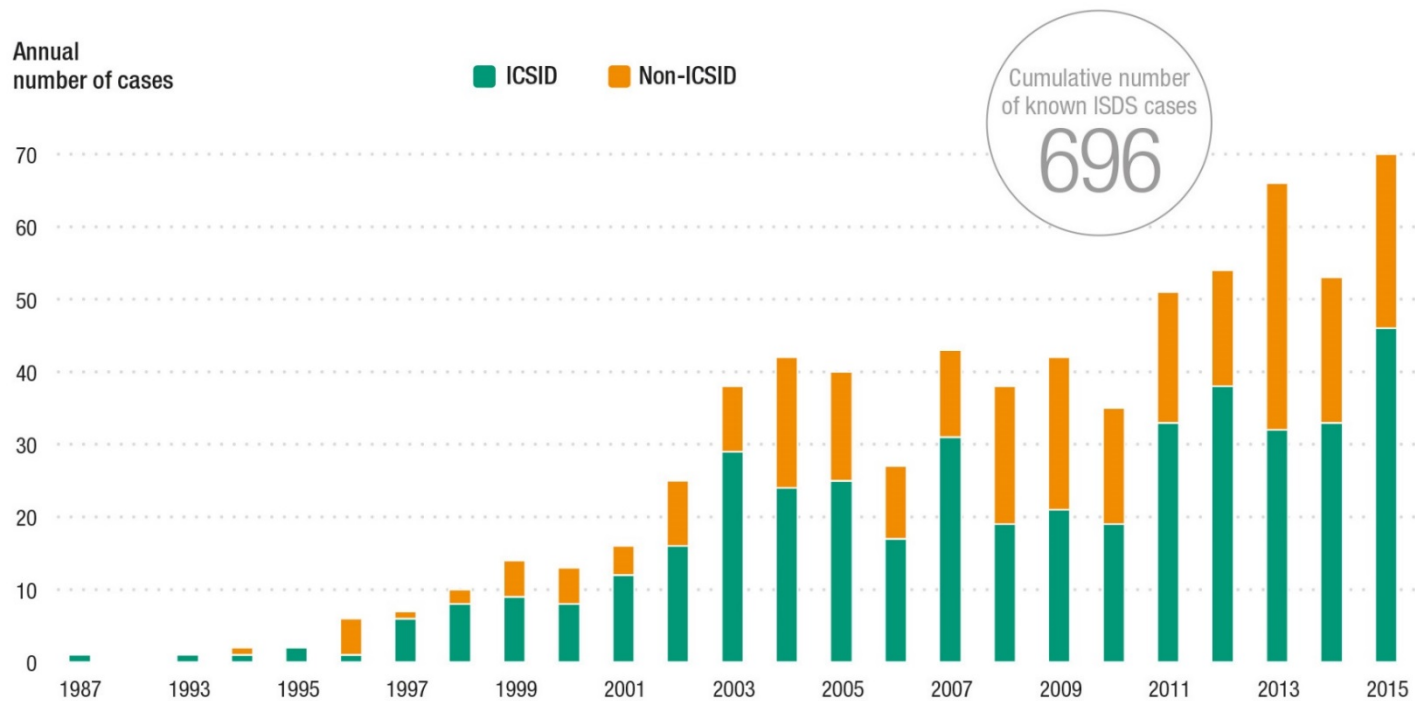
The universe of international investment agreements (IIAs) continues to grow



Source: ©UNCTAD.

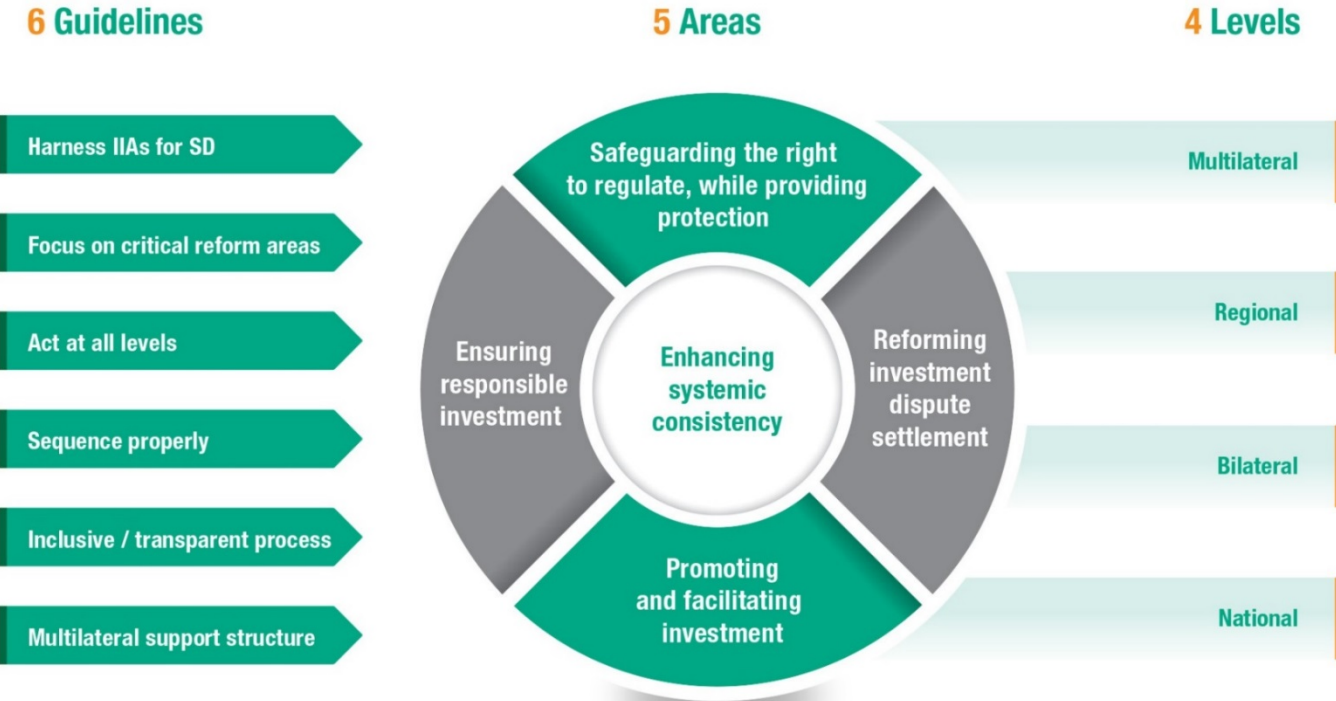
The number of new treaty-based ISDS cases reached a record high

Known ISDS cases, annual and cumulative, 1987-2015



Source: ©UNCTAD.

IIA reform is intensifying and yielding the first concrete results. UNCTAD's Roadmap for IIA Reform is shaping key reform activities



Source: ©UNCTAD.

UNCTAD's Global Action Menu for Investment facilitation

Action lines:

1. **Promote accessibility and transparency in the formulation of investment policies, regulations and procedures relevant to investors**
2. **Enhance predictability and consistency in the application of investment policies**
3. **Improve the efficiency and effectiveness of investment administrative procedures**
4. **Build constructive stakeholder relationships in investment policy practice**
5. **Designate a lead agency or investment facilitator with a specific mandate for disputes prevention and mediation**
6. **Establish monitoring and review mechanisms for investment facilitation**
7. **Enhance international cooperation for investment facilitation**
8. **Strengthen investment facilitation efforts in developing-country partners through technical assistance**
9. **Enhance investment policy and proactive investment attraction in developing-country partners**
10. **Enhance international cooperation towards investment for development, including through provisions in IIAs**

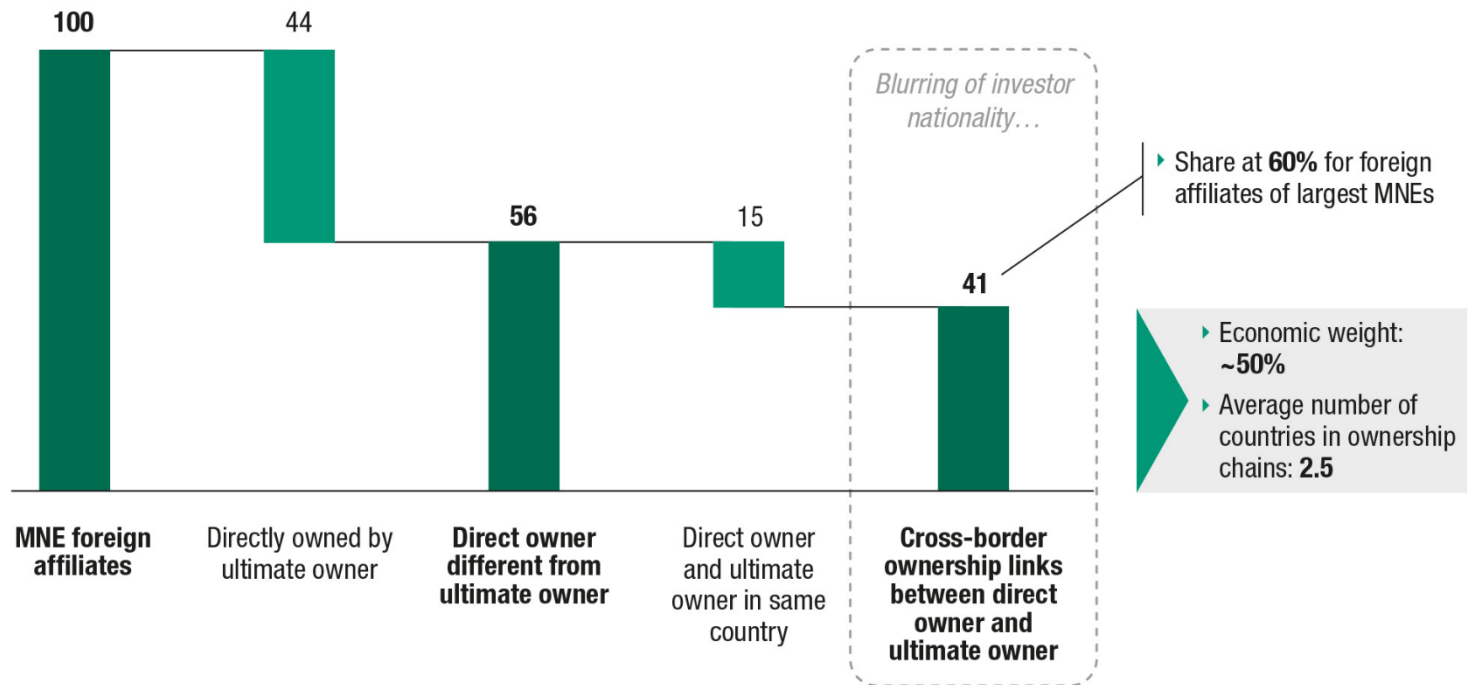
Source: ©UNCTAD.

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INVESTOR NATIONALITY: POLICY CHALLENGES

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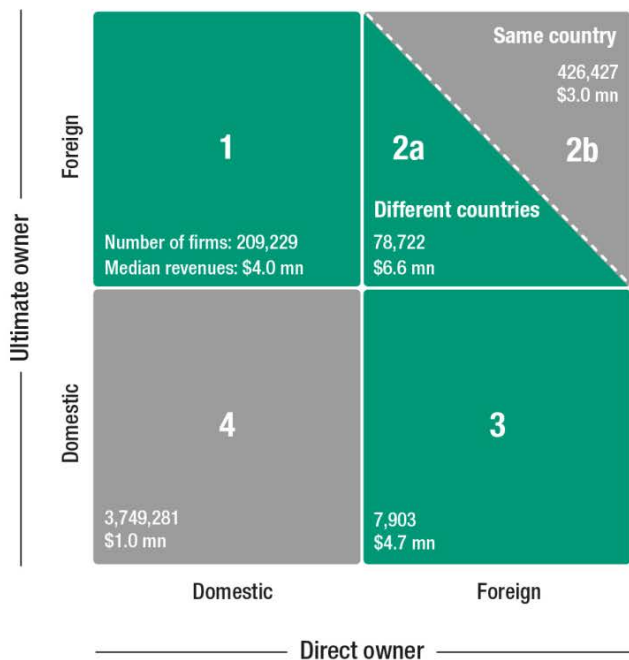
More than 40 per cent of foreign affiliates worldwide have multiple "passports"



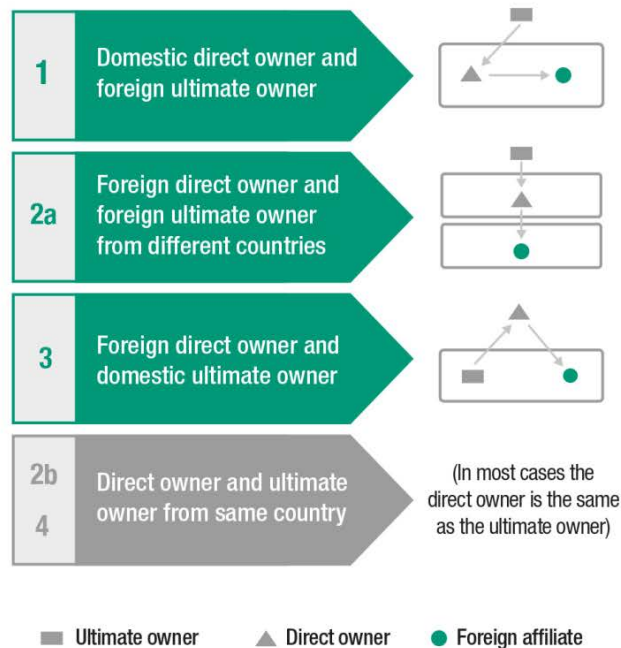
Source: ©UNCTAD.

Multiple-passport affiliates are the result of indirect foreign ownership, transit investment and round-tripping

Direct vs. ultimate owner and foreign vs. domestic

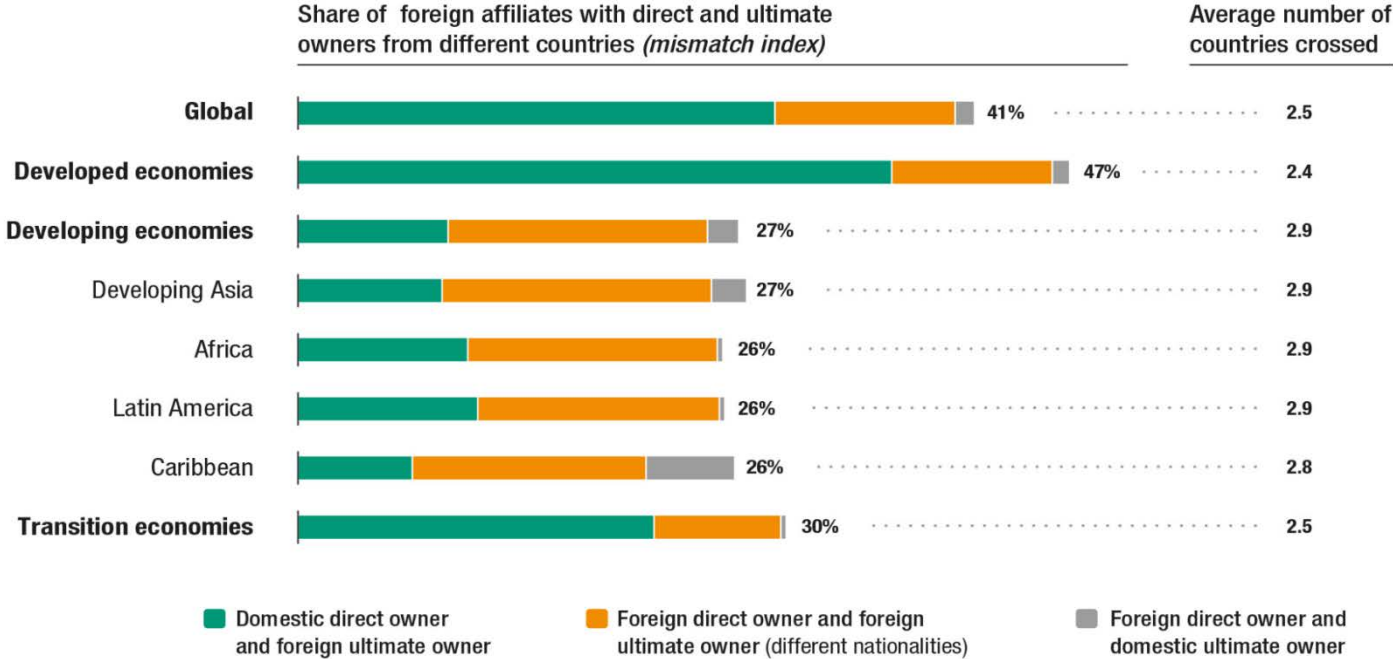


Cases



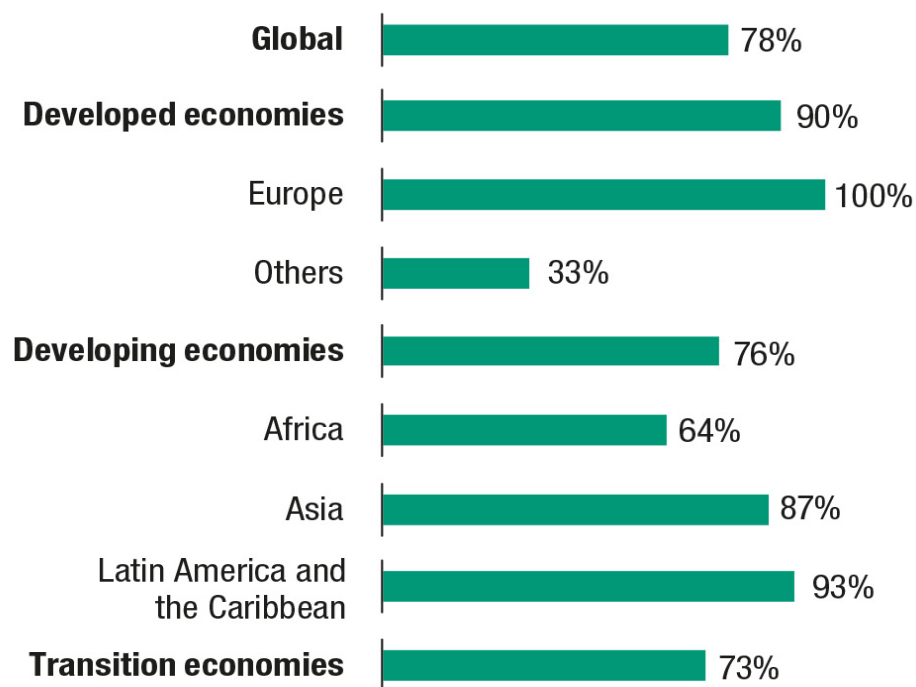
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Investor nationality “mismatches” involve half of foreign affiliates in developed economies, and more than a quarter in developing economies



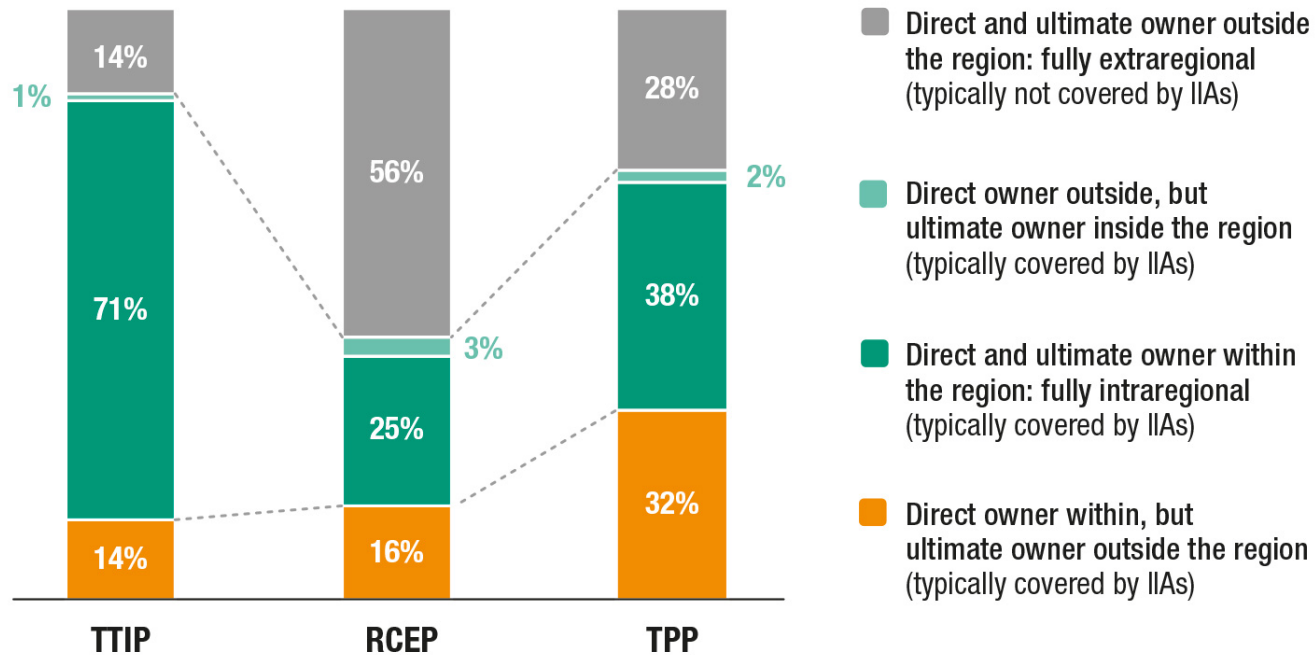
Source: ©UNCTAD.

Rules on foreign ownership are ubiquitous: 80% of countries restrict majority foreign ownership in at least one industry



Source: ©UNCTAD.

Up to 30% of companies benefit from (prospective) megaregional agreements through "double passports"



Source: ©UNCTAD.

WIR advocates a re-evaluation of ownership-based policy tools, as the nationality of investors is blurring

- At the *national* policy level, **rethinking ownership-based investment policies** means
 - **Safeguarding the effectiveness of ownership rules** – including improved disclosure requirements
 - **Considering alternatives** – including a "fit-for-purpose" test
- At the *international* level, policymakers should be aware of the **de facto multilateralizing effect** of ownership complexity:
 - Avoid uncertainty for both States and investors about the coverage of IIAs
 - Build a common understanding of “effective control”, a common set of criteria for “substantial business activity”, and a common approach to identifying the origin of investors

Source: ©UNCTAD.

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For further information on the work on foreign direct investment and multinational enterprises, please address inquiries to:

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