UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

WORLD INVESTMENT REPORT 2016

INVESTOR NATIONALITY: POLICY CHALLENGES

UNITED NATIONS

NOTE

The Division on Investment and Enterprise of UNCTAD serves as the focal point for all matters related to foreign direct investment and multinational enterprises in the United Nations System. It builds on more than four decades of experience and international expertise in research and policy analysis on investment and enterprise development, fosters intergovernmental consensus-building, and provides technical assistance to over 150 countries.

UNITED NATIONS PUBLICATION
Sales No. E.16.II.D.4
ISBN 978-92-1-112902-1
eISBN 978-92-1-058162-2

Printed at United Nations, Geneva

PREFACE

In 2015, global flows of foreign direct investment rose by about 40 per cent, to $1.8 trillion, the highest level since the global economic and financial crisis began in 2008. However, this growth did not translate into an equivalent expansion in productive capacity in all countries. This is a troubling development in light of the investment needs associated with the newly adopted Sustainable Development Goals and the ambitious action envisaged in the landmark Paris Agreement on climate change. This latest *World Investment Report* presents an Investment Facilitation Action Package to further enhance the enabling environment for investment in sustainable development.

The Addis Ababa Action Agenda calls for reorienting the national and international investment regime towards sustainable development. UNCTAD plays an important role within the United Nations system in supporting these endeavours. Its Investment Policy Framework and the Road Map for International Investment Agreements Reform have been used by more than 100 countries in reviewing their investment treaty networks and formulating a new generation of international investment policies.

Regulations on the ownership and control of companies are essential in the investment regime of most countries. But in an era of complex multinational ownership structures, the rationale and effectiveness of this policy instrument needs a comprehensive re-assessment. This Report provides insights on the ownership structures of multinational enterprises (MNEs), and maps the global network of corporate entities using data on millions of parents and affiliates. It analyses national and international investment policy practices worldwide, and proposes a new framework for handling ownership issues.

This latest edition of the *World Investment Report* is being issued as the world embarks on the crucial work of implementing the landmark 2030 Agenda for Sustainable Development and the Paris Agreement on climate change. The key findings and policy recommendations of the Report are far reaching and can contribute to our efforts to uphold the promise to leave no one behind and build a world of dignity for all. I therefore commend this Report to a wide global audience.

BAN Ki-moon

Secretary-General of the United Nations

ABBREVIATIONS

AGOA	African Growth and Opportunity Act
APEC	Asia-Pacific Economic Cooperation
BEPS	base erosion and profit shifting
BIT	bilateral investment treaty
BRICS	Brazil, Russian Federation, India, China, South Africa
CETA	Comprehensive Economic and Trade Agreement
CFIA	Cooperative and Facilitation Investment Agreement
CFC	controlled foreign company
CFTA	African Continental Free Trade Agreement
CIS	Commonwealth of Independent States
COMESA	Common Market for Eastern and Southern Africa
CSR	corporate social responsibility
DOB	denial of benefits
DTT	double-taxation treaty
EAC	East African Community
EPA	economic partnership agreement
FET	fair and equitable treatment
FTA	free trade agreement
GATS	General Agreement on Trade in Services
GFCF	gross fixed capital formation
GUO	global ultimate owner
GVC	global value chain
ICS	Investment Court System
IIA	international investment agreement
IPA	investment promotion agency
IPFSD	Investment Policy Framework for Sustainable Development
ISDS	investor–State dispute settlement
JV	joint venture
LDC	least developed country
LLDC	landlocked developing country
M&As	mergers and acquisitions
MFN	most favoured nation
MNE	multinational enterprise
NAFTA	North American Free Trade Agreement
OFC	offshore financial centre
OIA	outward investment agency
PAIC	Pan-African Investment Code
RCEP	Regional Comprehensive Economic Partnership
RTIA	regional trade and investment agreements
SADC	Southern African Development Community
SBA	substantial business activities
SDGs	Sustainable Development Goals
SEZ	special economic zone
SIDS	small island developing States
SPE	special purpose entity
TIFA	trade and investment framework agreement
TIP	treaty with investment provision
TISA	Trade in Services Agreement
TPP	Trans-Pacific Partnership Agreement
TTIP	Transatlantic Trade and Investment Partnership
UNCITRAL	United Nations Commission on International Trade Law
WIPS	World Investment Prospects Survey
WTO	World Trade Organization

ACKNOWLEDGEMENTS

The *World Investment Report 2016 (WIR16)* was prepared by a team led by James X. Zhan. The team members included Richard Bolwijn, Bruno Casella, Joseph Clements, Hamed El Kady, Kumi Endo, Michael Hanni, Joachim Karl, Hee Jae Kim, Ventzislav Kotetzov, Guoyong Liang, Hafiz Mirza, Shin Ohinata, Diana Rosert, Astrit Sulstarova, Claudia Trentini, Elisabeth Tuerk, Joerg Weber and Kee Hwee Wee.

Research support and inputs were provided by Eleonora Alabrese, Dafina Atanasova, Jorun Baumgartner, Giannakopoulos Charalampos, Malvika Monga, Francesco Tenuta and Linli Yu. Contributions were also made by Thomas van Giffen, Natalia Guerra, Isya Kresnadi, Kálmán Kalotay, Abraham Negash, Elizabeth Odunlami, Jacqueline Salguero Huaman, Ilan Strauss, Tadelle Taye and Paul Wessendorp.

Statistical assistance was provided by Bradley Boicourt, Mohamed Chiraz Baly and Lizanne Martinez.

The manuscript was edited with the assistance of Caroline Lambert and copy-edited by Lise Lingo; it was typeset by Laurence Duchemin and Teresita Ventura. Pablo Cortizo was responsible for the overall design of the report, including charts, tables, maps and infographics, as well as DTP. Sophie Combette and Nadège Hadjemian designed the cover. Production and dissemination of WIR16 were supported by Elisabeth Anodeau-Mareschal, Anne Bouchet, Rosalina Goyena, Peter Navarette and Katia Vieu.

At various stages of preparation, in particular during the experts meetings organized to discuss drafts of *WIR16*, the team benefited from comments and inputs received from these experts: Rolf Adlung, Carlo Altomonte, Paul Beamish, Nathalie Bernasconi, Martin Brauch, Jansen Calamita, Jeremy Clegg, Davide Del Prete, Henrik Dellestrand, Chantal Dupasquier, Xiaolan Fu, Masataka Fujita, Thomas Jost, Markus Krajewski, John Lee, Hemant Merchant, Loukas Mistelis, Premila Nazareth, Sheila Page, Svein Parnas, Markus Perkams, Sergey Ripinsky, Leslie Robinson, Armando Rungi, Pierre Sauvé, Boštjan Skalar, Roger Strange and Jan van den Tooren. The report also benefitted from the discussions of the G20 Trade and Investment Working Group and the UNCTAD Expert Meeting "Taking Stock of IIA Reform", as well as comments received from the WAIPA Secretariat.

Also acknowledged are comments received from other UNCTAD divisions as part of the internal peer review process, as well as comments from the Office of the Secretary-General as part of the clearance process. The United Nations Cartographic Section provided advice for the regional maps.

Numerous officials of central banks, government agencies, international organizations and non-governmental organizations also contributed to *WIR16*. In addition, UNCTAD appreciates the support of all the MNE and IPA executives who responded to its 2016 World Investment Prospects and Investment Promotion Agencies surveys. The financial support of the Governments of Finland, Sweden and Switzerland is gratefully acknowledged.

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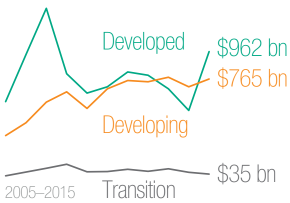
GLOBAL INVESTMENT TRENDS

Recovery in FDI was strong in 2015. Global foreign direct investment (FDI) flows jumped by 38 per cent to $1.76 trillion, their highest level since the global economic and financial crisis of 2008–2009. A surge in cross-border mergers and acquisitions (M&As) to $721 billion, from $432 billion in 2014, was the principal factor behind the global rebound. The value of announced greenfield investment remained at a high level, at $766 billion.

Part of the growth in FDI was due to corporate reconfigurations. These transactions often involve large movements in the balance of payments but little change in actual operations. Discounting these large-scale corporate reconfigurations implies a more moderate increase of around 15 per cent in global FDI flows.

Developed economies
took largest share of global FDI



Inward FDI flows to developed economies almost doubled to $962 billion. As a result, developed economies tipped the balance back in their favour with 55 per cent of global FDI, up from 41 per cent in 2014. Strong growth in inflows was reported in Europe. In the United States FDI almost quadrupled, albeit from a historically low level in 2014.

Developing economies saw their FDI inflows reach a new high of $765 billion, 9 per cent higher than in 2014. Developing Asia, with FDI inflows surpassing half a trillion dollars, remained the largest FDI recipient region in the world. Flows to Africa and Latin America and the Caribbean faltered. Developing economies continue to comprise half of the top 10 host economies for FDI flows.

Outward FDI flows from developed economies jumped by 33 per cent to $1.1 trillion. The increase notwithstanding, their outward FDI remained 40 per cent short of its 2007 peak. With flows of $576 billion, Europe became the world's largest investing region. FDI by MNEs from North America stayed close to their 2014 levels.

Primary sector FDI activity decreased, manufacturing increased. A flurry of deals raised the share of manufacturing in cross-border M&As above 50 per cent in 2015. FDI in the primary sector declined because of reductions in planned capital expenditures in response to declining commodity prices, as well as a sharp fall in reinvested earnings as profit margins shrank. Services continue to hold over 60 per cent of global FDI stock.

Looking ahead, FDI flows are expected to decline by 10-15 per cent in 2016, reflecting the 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 and a slump in MNE profits. Over the medium term, global FDI flows are projected to resume growth in 2017 and to surpass $1.8 trillion in 2018, reflecting an expected pick up in global growth.

REGIONAL INVESTMENT TRENDS

FDI flows to Africa fell to $54 billion in 2015, a decrease of 7 per cent over the previous year. An upturn in FDI into North Africa was more than offset by decreasing flows into Sub-Saharan Africa, especially to West and Central Africa. Low commodity prices depressed FDI inflows in natural-resource-based economies. FDI inflows to Africa are expected to increase moderately in 2016 due to liberalization measures and planned privatizations of state-owned enterprises.

Developing Asia saw FDI inflows increase by 16 per cent to $541 billion – a new record. The significant growth was driven by the strong performance of East and South Asian economies. FDI inflows are expected to slow down in 2016 and revert to their 2014 level. Outflows from the region dropped by about 17 per cent to $332 billion – the first decline since 2012.

FDI flows to Latin America and the Caribbean – excluding offshore financial centres – remained flat in 2015 at $168 billion. Slowing domestic demand and worsening terms of trade caused by falling commodity prices hampered FDI mainly in South America. In contrast, flows to Central America made gains in 2015 due to FDI in manufacturing. FDI flows to the region may slow down in 2016 as challenging macroeconomic conditions persist.

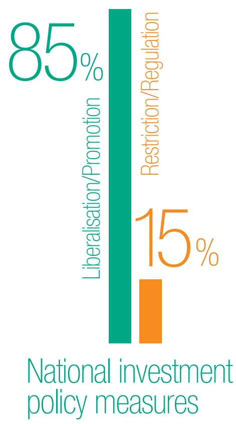
FDI flows to transition economies declined further, to levels last seen almost 10 years ago owing to a combination of low commodity prices, weakening domestic markets and the impact of restrictive measures/geopolitical tensions. Outward FDI from the region also slowed down, hindered by the reduced access to international capital markets. After the slump of 2015, FDI flows to transition economies are expected to increase modestly.

After three successive years of contraction, FDI inflows to developed countries bounced back sharply to the highest level since 2007. Exceptionally high cross-border M&A values among developed economies were the principal factor. Announced greenfield investment also remained high. Outward FDI from the group jumped. Barring another wave of cross-border M&A deals and corporate reconfigurations, the recovery of FDI activity is unlikely to be sustained in 2016 as the growth momentum in some large developed economies weakened towards the end of 2015.

FDI flows to structurally weak and vulnerable economies as a group increased moderately by 2 per cent to $56 billion. Developing economies are now major sources of investments in all of these groupings. Flows to least developed countries (LDCs) jumped by one third to $35 billion; landlocked developing countries (LLDCs) and small island developing States (SIDS) saw a decrease in their FDI inflows of 18 per cent and 32 per cent respectively. Divergent trends are also reflected in their FDI prospects for 2016. While LLDCs are expected to see increased inflows, overall FDI prospects for LDCs and SIDS are subdued.

INVESTMENT POLICY TRENDS

Most new investment policy measures continue to be geared towards investment liberalization and promotion. In 2015, 85 per cent of measures were favourable to investors. Emerging economies in Asia were most active in investment liberalization, across a broad range of industries. Where new investment restrictions or regulations were introduced, these mainly reflected concerns about foreign ownership in strategic industries. A noteworthy feature in new measures was also the adoption or revision of investment laws, mainly in some African countries.



National security considerations are an increasingly important factor in investment policies. Countries use different concepts of national security, allowing them to take into account key economic interests in the investment screening process. Governments' space for applying national security regulations needs to be balanced with investors' need for transparent and predictable procedures.

+31
in 2015
Total IIAs
3,304

The universe of international investment agreements (IIAs) continues to grow. In 2015, 31 new IIAs were concluded, bringing the universe to 3,304 treaties by year-end. Although the annual number of new IIAs continues to decrease, some IIAs involve a large number of parties and carry significant economic and political weight. Recent IIAs follow different treaty models and regional agreements often leave existing bilateral treaties between the parties in force, increasing complexity. By the end of May 2016, close to 150 economies were engaged in negotiating at least 57 new IIAs.

With 70 cases initiated in 2015, the number of new treaty-based investor-State arbitrations set a new annual high. Following the recent trend, a high share of cases (40 per cent) was brought against developed countries. Publicly available arbitral decisions in 2015 had a variety of outcomes, with States often prevailing at the jurisdictional stage of proceedings, and investors winning more of the cases that reached the merits stage.

70 New
ISDS cases
annual record

IIA reform is intensifying and yielding the first concrete results. A new generation of investment treaties is emerging. UNCTAD's Investment Policy Framework and its Road Map for IIA Reform are shaping key reform activities at all levels of policymaking. About 100 countries have used these policy instruments to review their IIA networks and about 60 have used them to design treaty clauses. During this first phase of IIA reform, countries have built consensus on the need for reform, identified reform areas and approaches, reviewed their IIA networks, developed new model treaties and started to negotiate new, more modern IIAs.

Despite significant progress, much remains to be done. Phase two of IIA reform will require countries to focus more on the existing stock of treaties. Unlike the first phase of IIA reform, where most activities took place at the national level, phase two of IIA reform will require enhanced collaboration and coordination between treaty partners to address the systemic risks and incoherence of the large body of old treaties. The 2016 World Investment Forum offers the opportunity to discuss how to carry IIA reform to the next phase.

Investment facilitation: a policy gap that needs to be closed. Promoting and facilitating investment is crucial for the post-2015 development agenda. At the national level, many countries have set up schemes to promote and facilitate investment, but most efforts relate to promotion (marketing a location and providing incentives) rather than facilitation (making it easier to invest). In IIAs, concrete facilitation measures are rare.

UNCTAD's Global Action Menu for Investment Facilitation provides policy options to improve transparency and information available to investors, ensure efficient and effective administrative procedures, and enhance predictability of the policy environment, among others. The Action Menu consists of 10 action lines and over 40 policy options. It includes measures that countries can implement unilaterally, and options that can guide international collaboration or that can be incorporated in IIAs.

INVESTOR NATIONALITY: POLICY CHALLENGES

More than 40 per cent of foreign affiliates worldwide have multiple "passports". These affiliates are part of complex ownership chains with multiple cross-border links involving on average three jurisdictions. The nationality of investors in and owners of foreign affiliates is becoming increasingly blurred.

"Multiple passport affiliates" are the result of indirect foreign ownership, transit investment through third countries, and round-tripping. About 30 per cent of foreign affiliates are indirectly foreign owned through a domestic entity; more than 10 per cent are owned through an intermediate entity in a third country; about 1 per cent are ultimately owned by a domestic entity. These types of affiliates are much more common in the largest MNEs: 60 per cent of their foreign affiliates have multiple cross-border ownership links to the parent company.

The larger the MNEs, the greater is the complexity of their internal ownership structures. The top 100 MNEs in UNCTAD's Transnationality Index have on average more than 500 affiliates each, across more than 50 countries. They have 7 hierarchical levels in their ownership structure (i.e. ownership links to affiliates could potentially cross 6 borders), they have about 20 holding companies owning affiliates across multiple jurisdictions, and they have almost 70 entities in offshore investment hubs.

40%
of foreign affiliates:
direct &
ultimate owners
have different passports

Rules on foreign ownership are ubiquitous: 80 per cent of countries restrict majority foreign ownership in at least one industry. The trend in ownership-related measures is towards liberalization, through the lifting of restrictions, increases in allowed foreign shareholdings, or easing of approvals and admission procedures for foreign investors. However, many ownership restrictions remain in place in both developing and developed countries.

The blurring of investor nationality has made the application of rules and regulations on foreign ownership more challenging. Policymakers in some countries have developed a range of mechanisms to safeguard the effectiveness of foreign ownership rules, including anti-dummy laws, general anti-abuse rules to prevent foreign control, and disclosure requirements.

Indirect ownership structures and mailbox companies have the potential to significantly expand the reach of IIAs. About one third of ISDS claims are filed by claimant entities that are ultimately owned by a parent in a third country (not party to the treaty on which the claim is based). Some recent IIAs try to address the challenges posed by complex ownership structures through more restrictive definitions, denial of benefits clauses and substantial business activity requirements, but the vast majority of existing treaties does not have such devices.

Complex ownership:
100 MNEs
500 affiliates
50 countries

Policymakers should be aware of the de facto multilateralizing effect of complex ownership on IIAs. For example, up to a third of apparently intra-regional foreign affiliates in major (prospective) megaregional treaty areas, such as the Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), and the Regional Comprehensive Economic Partnership (RCEP), are ultimately owned by parents outside the region, raising questions about the ultimate beneficiaries of these treaties and negotiations. Policymakers should aim to avoid uncertainty for both States and investors about the coverage of the international investment regime.

Rethinking ownership-based investment policies means safeguarding the effectiveness of ownership rules and considering alternatives. On the one hand, policymakers should test the "fit-for-purpose" of ownership rules compared to mechanisms in investment-related policy areas such as competition, tax, and industrial development. On the other, policymakers can strengthen the assessment of ownership chains and ultimate ownership and improve disclosure requirements. However, they should be aware of the administrative burden this can impose on public institutions and on investors. Overall, it is important to find a balance between liberalization and regulation in pursuing the ultimate objective of promoting investment for sustainable development.

80%
of countries restrict
majority foreign
ownership in at
least one industry

Mukhisa Kituyi
Secretary-General of the UNCTAD

CHAPTER I

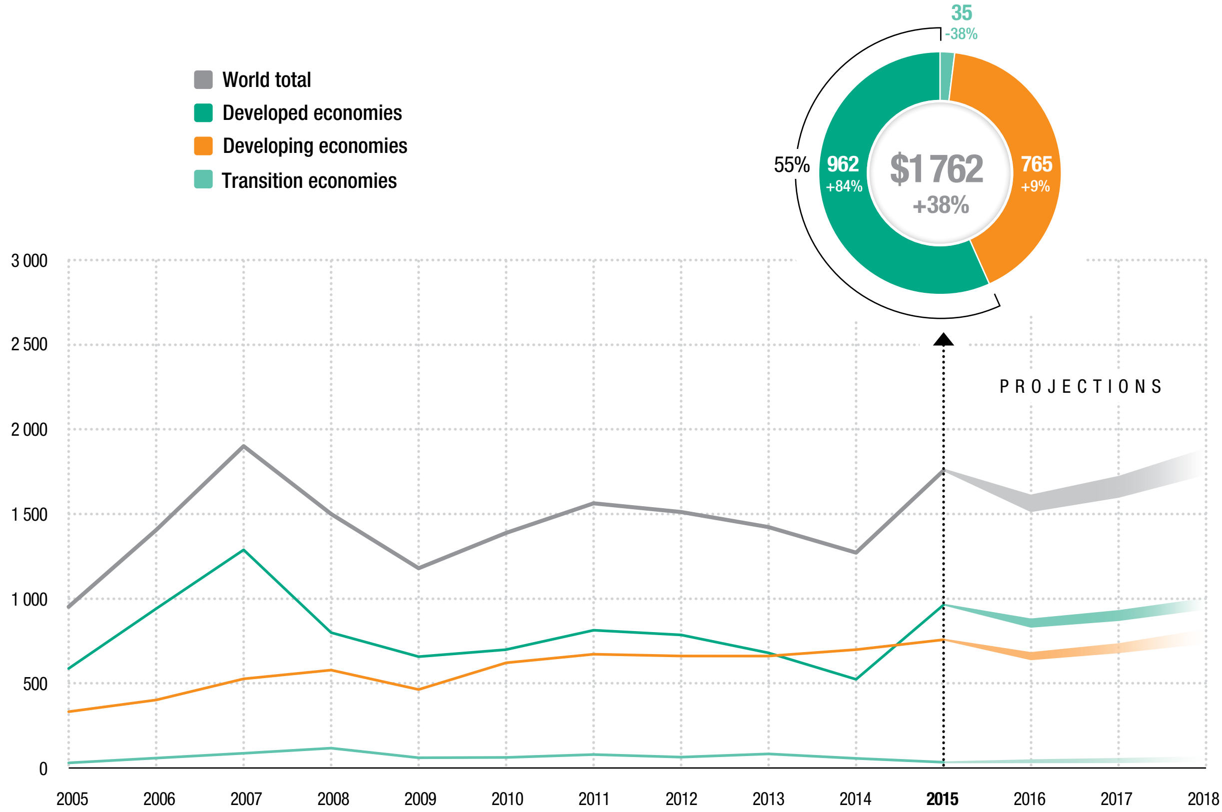
GLOBAL INVESTMENT TRENDS

A. CURRENT TRENDS

Global FDI flows rose by 38 per cent to $1.76 trillion in 2015,[1] their highest level since the global economic and financial crisis of 2008–2009 (figure I.1). However, they still remain some 10 per cent short of the 2007 peak. A surge in cross-border mergers and acquisitions (M&As) to $721 billion, from $432 billion in 2014, was the principal factor behind the global rebound. These acquisitions were partly driven by corporate reconfigurations (i.e. changes in legal or ownership structures of multinational enterprises (MNEs), including tax inversions). Discounting these large-scale corporate reconfigurations implies a more moderate increase of about 15 per cent in global FDI flows. The value of announced greenfield investment projects[2] remained at a high level, at $766 billion.

Looking ahead, FDI flows are expected to decline by 10–15 per cent in 2016, reflecting the fragility of the global economy, persistent weakness of aggregate demand, effective policy measures to curb tax inversion deals and a slump in MNE profits. Elevated geopolitical risks and regional tensions could further amplify the expected downturn. FDI flows are likely to decline in both developed and developing economies, barring another wave of cross-border M&A deals and corporate reconfigurations. Over the medium term, global FDI flows are projected to resume growth in 2017 and to surpass $1.8 trillion in 2018 (see figure I.1).

Figure I.1. **Global FDI inflows by group of economies, 2005–2015, and projections, 2016–2018**
(Billions of dollars and per cent)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

1. FDI by geography

a. FDI inflows

FDI recovery was strong in 2015, but lacked productive impact. Global FDI flows jumped by 38 per cent to $1,762 billion. The rise in FDI was somewhat at odds with the global macroeconomic environment, which was dominated by slowing growth in emerging markets and a sharp decline in commodity prices. The principal explanation for this seeming inconsistency was a surge in cross-border M&As, especially in developed economies.

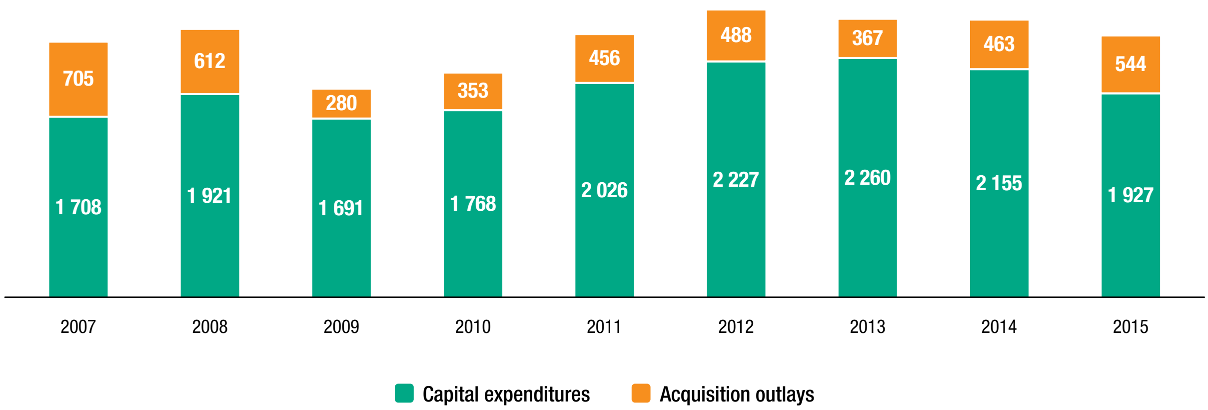
Although FDI through cross-border M&As can boost productive investments, a number of deals concluded in 2015 can be attributed to corporate reconfiguration, including tax inversions. Such reconfigurations often involve large movements in the balance of payments but little change in actual MNE operations. This trend was especially apparent in the United States and Europe, but was also noticeable in the developing world. In Hong Kong (China), a part of the sharp uptick in inward FDI can be attributed to the restructuring of two large conglomerates (chapter II).

Discounting these deals implies, however, a more moderate increase of about 15 per cent in global FDI flows. In 2015, announced greenfield investments reached $766 billion – an 8 per cent rise from the previous year. The rise was more pronounced in developed economies (up 12 per cent), signalling a potential rebound in FDI in productive assets as macroeconomic and financial conditions improve.

In this context, a concern is the apparent pullback in productive investments by MNEs. During 2015, capital expenditures by the 5,000 largest MNEs declined further (down 11 per cent) after posting a drop in 2014 (down 5 per cent) (figure I.2).

To some extent, these trends are a reflection of the current global macroeconomic situation. A large number of MNEs in the extractive sector, for example, reduced their capital expenditures and have announced significant reductions in their medium-term investment plans. Likewise, MNEs in other sectors are reviewing their capital expenditure needs and trade in light of slowing global growth and weakening aggregate demand. In 2015, the volume of world trade in goods and services failed to keep pace with real GDP growth, expanding just 2.6 per cent as compared with an average rate of 7.2 per cent between 2000 and 2007, before the financial crisis.

Figure I.2. Top 5,000 MNEs: capital expenditures and acquisition outlays, 2007–2015 (Billions of dollars)



Source: ©UNCTAD, based on data from Thomson ONE.

The meagre growth in trade volumes after the financial crisis, while in part explained by weaker economic growth and fixed capital formation, has also been partly attributed to a significant slowdown in the pace of international vertical specialization.

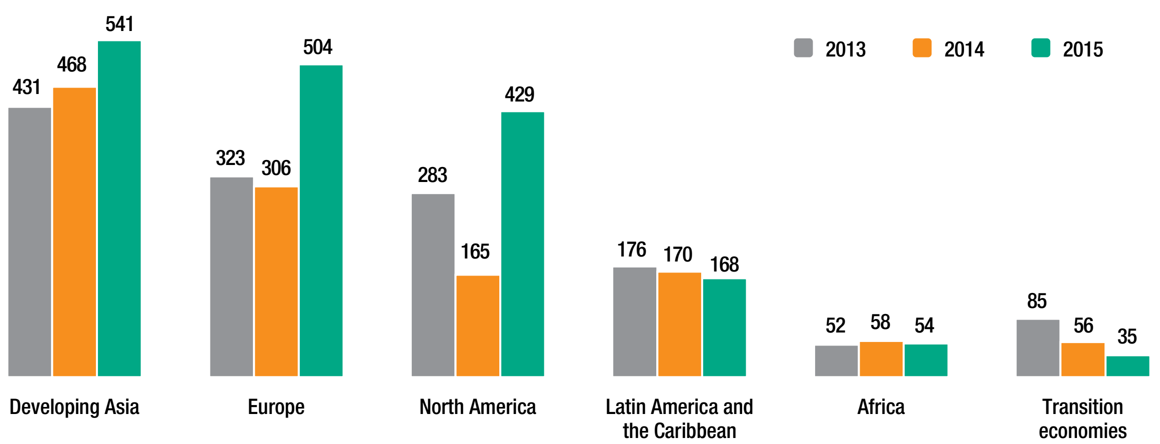
The geographic pattern tilted in favour of developed economies in 2015, although developing Asia remained the largest recipient of FDI flows. Flows to developed economies nearly doubled (up 84 per cent) rising from $522 billion in 2014 to $962 billion. FDI to developing economies – excluding Caribbean financial centres – increased to $765 billion, a rise of 9 per cent, while those to transition economies fell by 38 per cent to $35 billion (figure I.3). The net result was that the share of developed economies in world FDI inflows leapt from 41 per cent in 2014 to 55 per cent in 2015 (see figure I.1), reverting a five-year trend that had seen developing and transition economies emerge as majority recipients of these flows.

FDI flows to North America and Europe registered particularly large increases during the year (see figure I.3). In North America the increase in foreign investment, which rose 160 per cent to $429 billion, was driven by a more than 250 per cent increase in flows to the United States. Although the comparison with 2014 is skewed due to the exceptionally low level of that year, the $380 billion FDI inflows to the country in 2015 represent the highest level since 2000. FDI flows to Europe were also up sharply (65 per cent, to $504 billion) as a result of a 50 per cent increase in FDI to the European Union and a large upturn in Switzerland (from $7 billion to $69 billion).

A surge in cross-border M&As during the year was the primary driver of the increase in FDI flows to developed economies. The value of the deals rose by 109 per cent to $631 billion, reaching their highest level since 2007. Activity was particularly pronounced in the United States, where net sales rose from $17 billion in 2014 to $299 billion. Deal making in Europe was also up significantly (36 per cent).

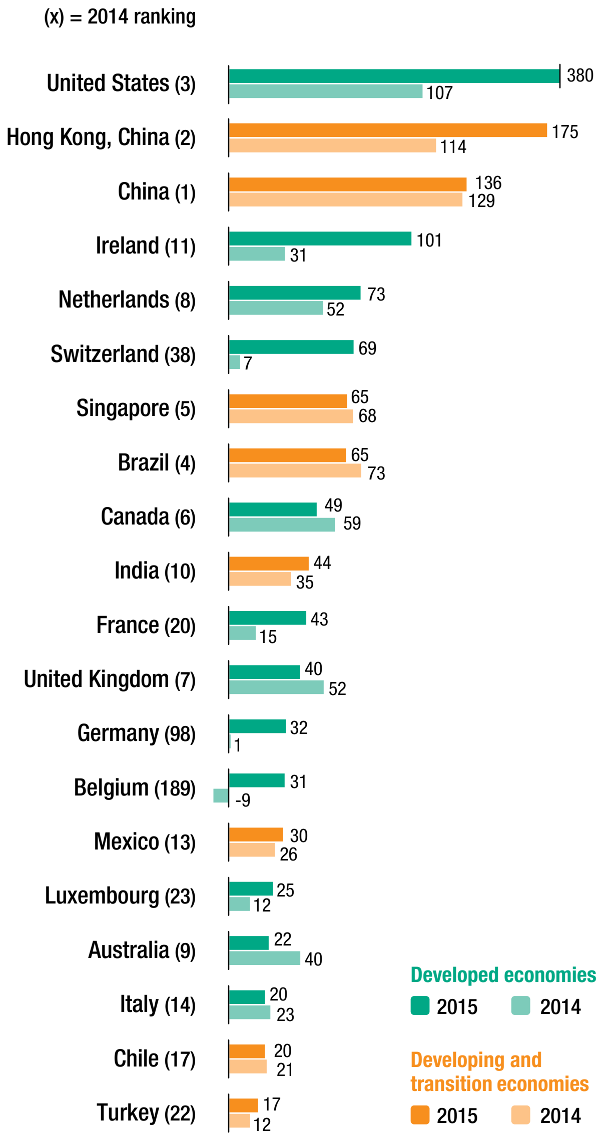
A large-scale increase in FDI flows to Asia contrasted with a more modest performance in other developing regions. Overall FDI flows to developing and transition economies registered a modest rise (6 per cent). This increase, however, belies a much more complex picture, as a large increase in FDI to some Asian economies offset significant declines in nearly every developing region and in transition economies. Investment flows fell in Africa (down 7 per cent to $54 billion), Latin America and the Caribbean (down 2 per cent to $168 billion) and in transition economies (down 38 per cent to $35 billion). These trends notwithstanding, half of the top 10 largest recipients of FDI were from developing economies (figure I.4).

Figure I.3. FDI inflows, by region, 2013–2015 (Billions of dollars)



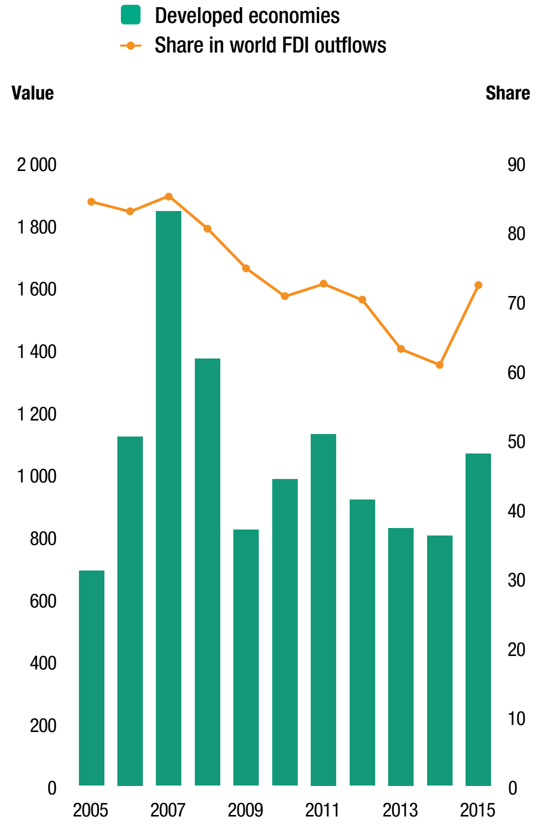
Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Figure I.4. **FDI inflows, top 20 host economies, 2014 and 2015** (Billions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Figure I.5. **Developed economies: FDI outflows and their share in total world outflows, 2005–2015** (Billions of dollars and per cent)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

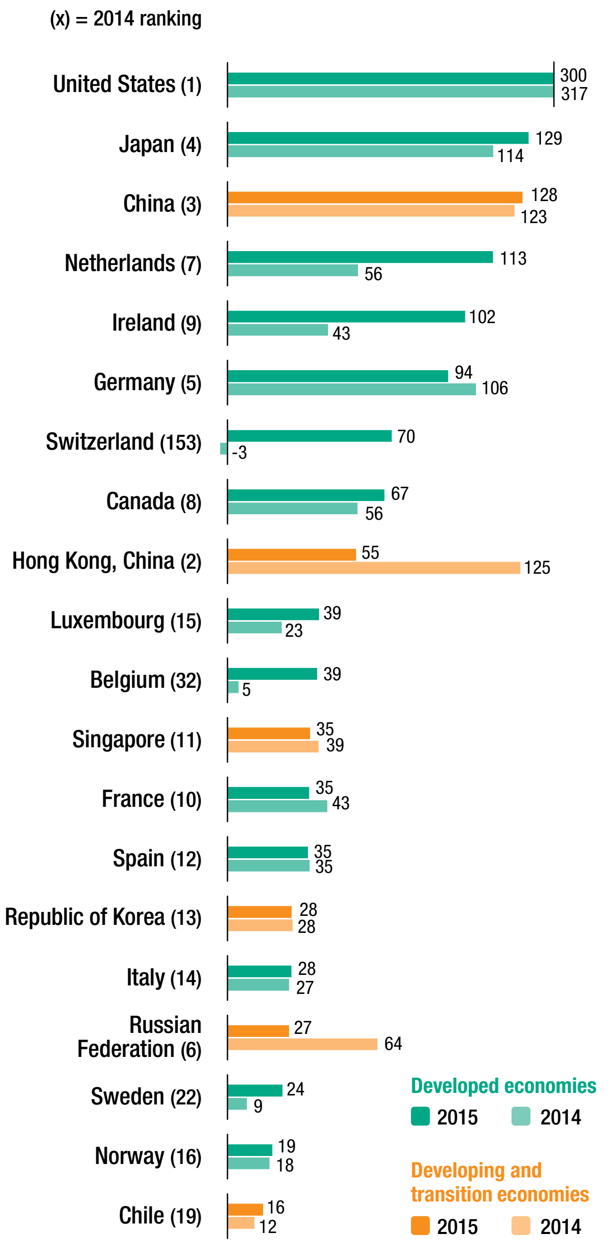
A primary catalyst of decreasing inflows in developing and transition economies was the continued decline in commodity prices, especially for crude oil and for metals and minerals. The precipitous fall in oil prices that occurred in the second half of 2014 weighed heavily on FDI flows to oil-exporting countries in Africa, South America and transition economies. FDI to oil-producing economies was affected not only by reductions in planned capital expenditures in response to declining prices, but also by a sharp reduction in reinvested earnings as profit margins shrank. Economies in which mining plays a predominant role in FDI also registered declines.

An associated factor was the relatively slow growth of emerging markets as a whole, which dampened investment activity. Among BRICS economies, which represented roughly a third of FDI flows to developing and transition economies, Brazil and the Russian Federation were in recession. Growth was slow in South Africa, slowing in China and relatively stable in India. In turn, depreciating national currencies weighed on profits when expressed in dollars, which put downward pressure on reinvested earnings.

b. FDI outflows

Investments by MNEs from developed economies surged. Europe became the world's largest investing region. In 2015, MNEs from developed economies invested abroad $1.1 trillion – a 33 per cent increase from the previous year, with MNEs from Europe and Japan contributing to the growth.[3] This increase notwithstanding, their level of FDI remained 40 per cent short of its 2007 peak. MNEs from developing and transition economies, in contrast, reduced their investment. These trends resulted in a significant shift in the overall share of developed countries in world FDI outflows, which rose from 61 per cent in 2014 to 72 per cent in 2015 (figure I.5).

Figure I.6. **FDI outflows, top 20 home economies, 2014 and 2015** (Billions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

The reemergence of European MNEs as major investors, after experiencing four consecutive years of declining investment, was the major driver of this surge. Their outward FDI rose 85 per cent in 2015 to $576 billion, accounting for almost 40 per cent of global FDI outflows. Behind this result was a strong rebound in their cross-border M&A purchases, the net value of which rose to $318 billion in 2015, up more than five times from $57 billion in 2014, a year that was abnormally low due to the divestment of Vodafone's (United Kingdom) stake in Verizon Wireless (United States) for $130 billion. Excluding the effect of this deal, the value of their net purchases still jumped 70 per cent.

The upturn in cross-border M&As was due in part to more favourable financial conditions, as the European Central Bank undertook stimulus measures. Competition also created its own dynamics for deal making in industries such as pharmaceuticals, where tax considerations were often a key motivator. For example, the acquisitions of Allergan (United States) by Actavis (Ireland) for $68 billion, of Sigma (United States) by Merck AG (Germany) for $17 billion, and of the Oncology Business of GlaxoSmithKline PLC (United States) by Novartis (Switzerland) for $16 billion.

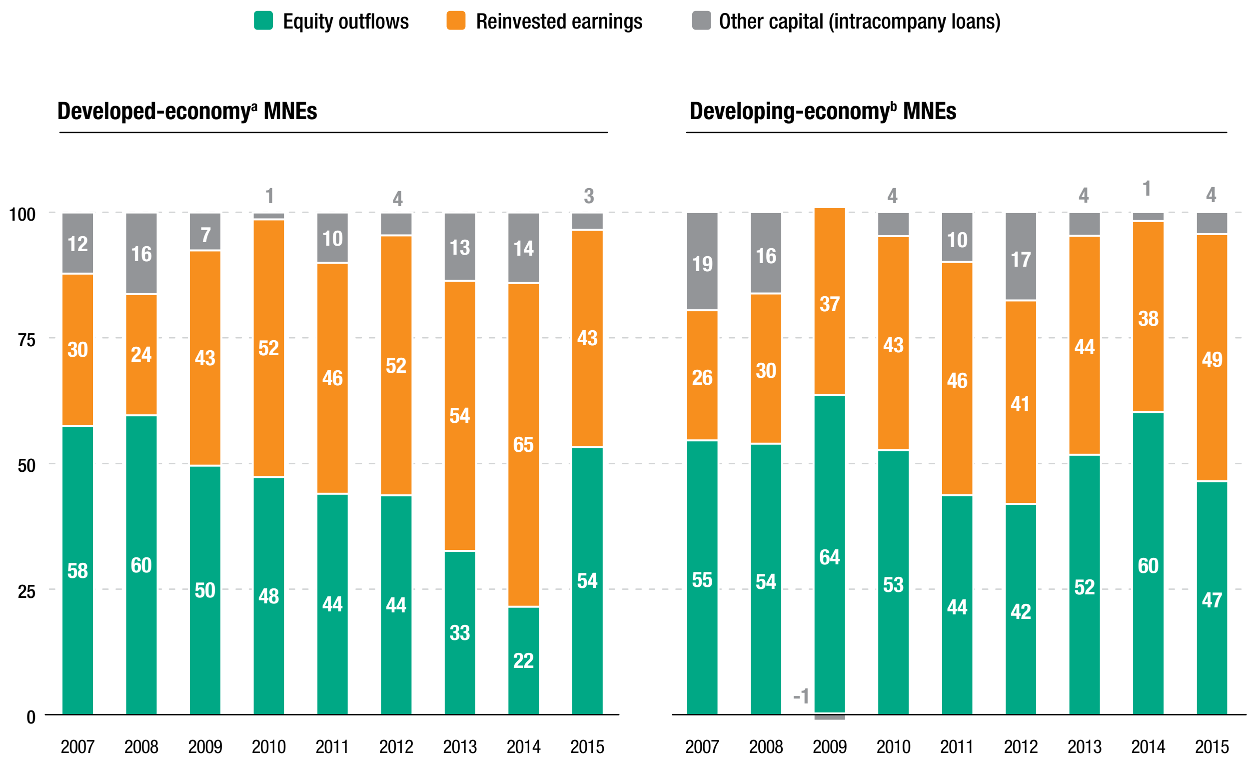
Rising investment by European MNEs, boosted by a number of megadeals, also served to reshuffle the make-up of the top 20 investors in 2015. In particular, Switzerland (from the 153 spot in 2014 to 7th), Belgium (32nd to 11th) and Ireland (9th to 5th) rose markedly in this ranking (figure I.6). Foreign investment by MNEs from North America posted a 1 per cent decrease, with a significant gain in Canada (21 per cent) being offset by a moderate decline in the United States (down 5 per cent). Nevertheless, both countries retained their 2014 rankings, with the United States as the largest outward investor and Canada as the eighth largest. Japanese MNEs continued to seek growth opportunities abroad, investing more than $100 billion for the fifth consecutive year, making the country the second largest investor in 2015.

By contrast, almost all developing and transition regions saw their FDI outflows decline. In developing Asia, which had emerged as the largest investing region in 2014, MNEs cut their foreign investments by 17 per cent to $332 billion. This decline, which amounted to roughly $70 billion, was driven principally by a 56 per cent fall in outward FDI from Hong Kong (China) (chapter II).

Weakening aggregate demand and declining commodity prices, accompanied by depreciating national currencies, weighed on outward investment from many developing and transition economies. In addition, in a number of cases regulatory as well as geopolitical considerations shaped outward investment flows. FDI by Russian MNEs slumped, reflecting, in part, the effect of their reduced access to international capital markets and new policy measures that sought to reduce "round-tripping" investments (chapter II). Regional conflict has also dampened the confidence of some West Asian MNEs.

Against this general downward trend, a limited number of developing economies registered an increase in their outward FDI. Examples include China (rising from $123 billion to $128 billion), which remained the third largest investor in the world after the United States and Japan. The country has become a major investor in some developed countries, especially through cross-border M&As (chapter II). Other countries that saw a rise of FDI abroad include Kuwait (from –$10.5 billion to $5.4 billion) and Thailand (from $4.4 billion to $7.8 billion). Latin America also saw its FDI outflows rise by 5 per cent, mainly due to changes in intracompany loans (chapter II).

Figure I.7. FDI outflows by component, by group of economies, 2007–2015 (Per cent)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

[a] Economies included are Australia, Austria, Belgium, Bermuda, Bulgaria, Canada, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, the United Kingdom and the United States.

[b] Economies included are Algeria, Angola, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Bahrain, Bangladesh, Barbados, Belize, Benin, the Plurinational State of Bolivia, Botswana, Brazil, Burkina Faso, Cabo Verde, Cambodia, Chile, Colombia, Costa Rica, Côte d'Ivoire, Dominica, El Salvador, Fiji, the Gambia, Grenada, Guatemala, Guinea-Bissau, Honduras, Hong Kong (China), India, Indonesia, Iraq, the Republic of Korea, Kuwait, Lebanon, Libya, Mali, Mexico, Mongolia, Montserrat, Morocco, Mozambique, Namibia, Nicaragua, the Niger, Nigeria, Pakistan, Panama, Papua New Guinea, the Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Senegal, Seychelles, Singapore, Solomon Islands, South Africa, Sri Lanka, the State of Palestine, Suriname, Taiwan Province of China, Thailand, Togo, Turkey, Uganda, Uruguay, Vanuatu, the Bolivarian Republic of Venezuela and Viet Nam.

The shift in outward FDI trends of MNEs from developed economies relative to that of their peers in developing economies was also apparent in the composition of flows. In 2015, over half of FDI outflows by developed-country MNEs came in the form of new equity investments, reflecting the surge in cross-border acquisitions (figure I.7). For MNEs from developing economies, in contrast, the share of new equity investments slumped – falling from 60 per cent to 47 per cent – in line with lower cross-border acquisitions and limited openings of new affiliates abroad. The vast majority of their outward FDI for the year was in the form of reinvested earnings, with the exception of Chinese MNEs.

c. FDI in major economic groups

The G20, Transatlantic Trade and Investment Partnership, Asia-Pacific Economic Cooperation, Trans-Pacific Partnership, Regional Comprehensive Economic Partnership and the BRICS account for a significant share of global FDI (figure I.8). Intragroup investment is significant, with some 30 per cent to 63 per cent of these inflows originating from within the group. There is significant cross-membership among these existing and prospective major groups (figure I.9).

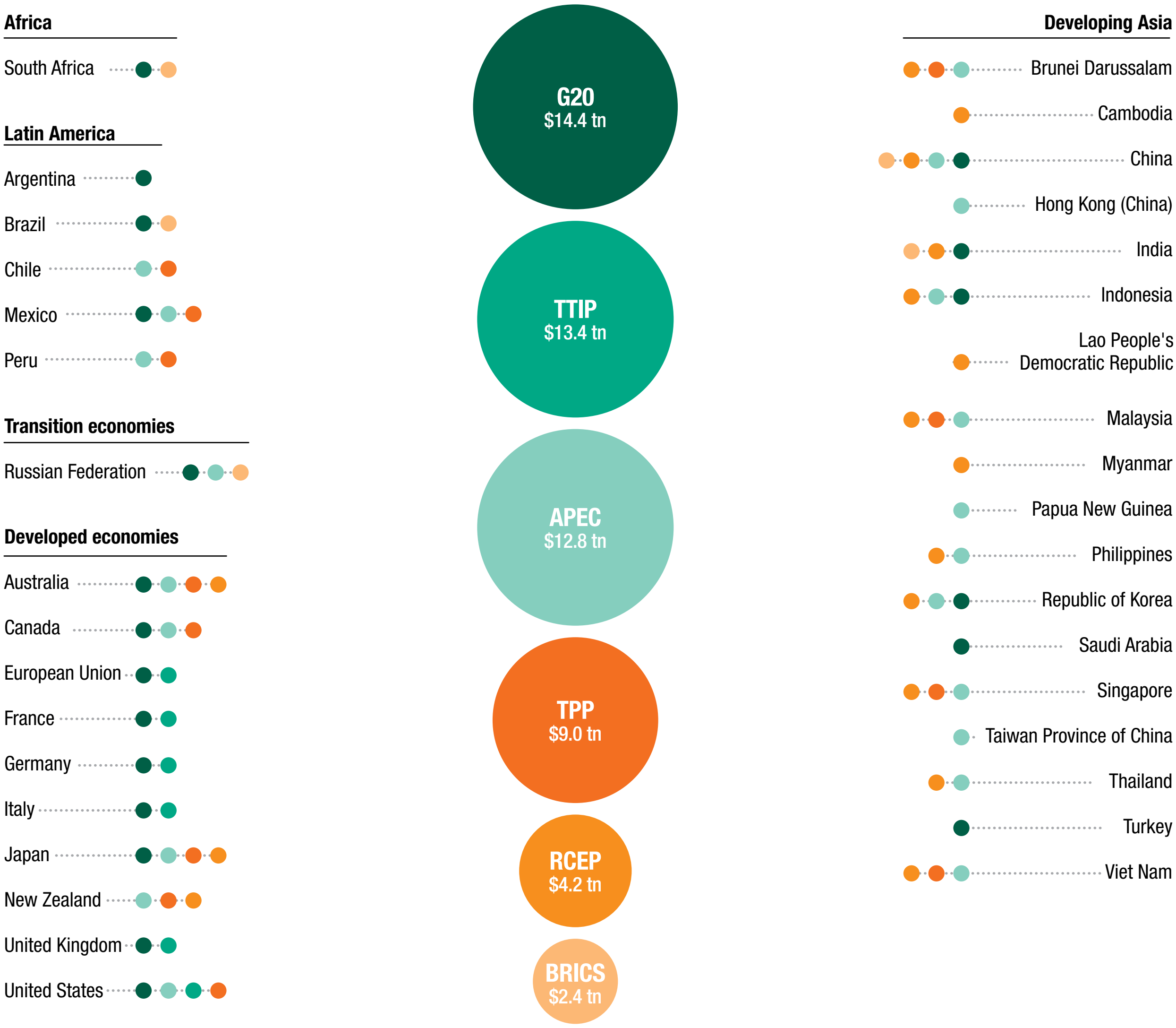
Most of these groups' objectives include fostering more investment-friendly environments to further encourage FDI flows into and within the group in 2015. The actual impact of these partnerships on FDI, however, is likely to vary, depending on a number of factors, including specific provisions of the agreements among members, transaction costs, the scale and distribution of existing MNE operations within a grouping, and corporate strategy.[4] Nevertheless, 61 per cent of executives participating in the 2016 UNCTAD World Investment Prospect Survey (WIPS) expect the emergence of these economic megagroups to influence their companies' investment decisions over the next few years.

Figure I.8. FDI inflows in selected megagroupings, 2014 and 2015 (Billions of dollars and per cent)

Megagrouping	FDI inflows (2014)	Share in world FDI (2014)	FDI inflows (2015)	Share in world FDI (2015)	Inward FDI stock
G20	652	51%	926	53%	14 393
TTIP	399	31%	819	46%	13 361
APEC	669	52%	953	54%	12 799
TPP	353	28%	593	34%	9 037
RCEP	341	27%	330	19%	4 156
BRICS	271	21%	256	15%	2 373

Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: In descending order of 2015 inward FDI stock. G20 = includes only the 19 member countries (excludes the European Union); TTIP = Transatlantic Trade and Investment Partnership (under negotiation); APEC = Asia-Pacific Economic Cooperation; TPP = Trans-Pacific Partnership; RCEP = Regional Comprehensive Economic Partnership (under negotiation); BRICS = Brazil, Russian Federation, India, China and South Africa.

Figure I.9. Membership in selected mega-groupings and inward FDI stock, 2015 (Trillions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: Presented in descending order of 2015 inward FDI stock.

G20

The G20[5] members generated over three quarters of global GDP but attracted half of global world FDI flows in 2015. Overall FDI flows to the group increased by 42 per cent in 2015, with foreign investment increasing in most members. Yet nearly two thirds of the total inflows to the G20 were concentrated in only three countries – the United States, China and Brazil.

Some 58 per cent of global FDI stock is invested in the G20 ($14.4 trillion) (figure I.9). The G20 member economies are home to more than 95 per cent of the Fortune Global 500 companies. Intra-G20 investment is a significant source of FDI within the group, accounting for an annual average of 42 per cent of inflows in 2010–2014 (figure I.10). Intra-G20 M&As in 2015 rose by 187 per cent, from $92 billion in 2014 to $265 billion, and are contributing to stronger intragroup investment and corporate connectivity. About half of cross-border M&A sales in the group in 2015 are intra-G20 transactions, mainly driven by sales in the United States (chapter II). Indeed, 18 per cent of the intra-G20 M&A sales in 2015 were in the United States; Canada, Japan and the United Kingdom led asset acquisition within the group last year. As a result, total M&A sales in the G20 increased by 96 per cent, to $519 billion.

Transatlantic Trade and Investment Partnership (TTIP)

With $13.4 trillion in FDI stock in 2015, the TTIP initiative is the second largest holder of FDI stock after the G20, and received 46 per cent of worldwide FDI flows (figure I.8). Yet the group generated a much smaller proportion of global GDP than the G20. FDI flows to members of this proposed group rose by 106 per cent in 2015 to $819 billion, due to a significant rise in inflows to the United States and selected EU countries (Belgium, France, Germany, Ireland and the Netherlands) (chapter II). Negotiations for a TTIP agreement are still under way.

The proposed partnership – home to about half of the Fortune Global 500 companies, as well as smaller MNEs – already exhibits strong corporate connectivity. Intra-TTIP FDI flows accounted for 63 per cent of total inflows to the group in 2010–2014, by far the largest proportion among all major partnerships and forums (figure I.10). Cross-border M&A transactions within the TTIP rose to $331 billion in 2015 – 46 per cent of the world total – driven by several very large transatlantic deals (chapter II). The proposed transatlantic partnership, depending on the scope and depth of the arrangement, will impact corporate connectivity, FDI flows and cross-border M&As to and within the group (section A.1.a).[6]

Asia Pacific Economic Cooperation (APEC)

In 2015, APEC[7] was the largest recipient of global FDI flows, attracting 54 per cent of the total (figure I.8), which was roughly in line with its share of world GDP. APEC economies held about $12.8 trillion FDI stock in 2015, the third largest among major existing and prospective groupings. FDI flows to APEC, which rose by 42 per cent to $953 billion in 2015, are also highly concentrated: almost 80 per cent went to the United States, China, Hong Kong (China) and Singapore. Intragroup investment is significant in APEC, accounting for 47 per cent of the total in 2010–2014 (figure I.10) and reflecting increasingly connected economies.

MNEs headquartered in APEC member economies have been actively investing within the group. MNEs from Japan, the Republic of Korea, ASEAN member economies, China, Hong Kong (China) and Taiwan Province of China have a significant presence in other Asian APEC members, while United States[8] and Canadian MNEs are heavily invested in the NAFTA subregion. Taken together, these MNEs are contributing to a wide production network and to inter- and intraregional value chains across the Pacific.

Trans-Pacific Partnership (TPP)

The TPP[9] receives a significant share of global FDI inflows (34 per cent) (figure I.8), largely in line with its weight in world GDP. In 2015, FDI to the partnership rose by 68 per cent to $593 billion, reflecting a significant rebound of investment to the United States from an atypical low point of $107 billion in 2014 to $380 billion in 2015 (chapter II). Within the group, NAFTA, which accounted for 75 per cent of the TPP's GDP in 2015, remains the largest recipient subgroup, attracting about 80 per cent of FDI flows to the TPP. The partnership's FDI stock in 2015 was $9 trillion, about the size of the economies of Australia, Belgium, Canada, France, Germany and Sweden combined.

Intra-TPP investment accounted for an average 36 per cent of total inflows to the group between 2010 and 2014 (figure I.10). Unlike in other major groups, however, intra-TPP cross-border M&A sales in 2015 increased by 7 per cent to $113 billion. TPP partner countries acquired 46 per cent more assets in the United States than in 2014. FDI into and within TPP continues to be highly concentrated, with the United States and Singapore both the main recipients and sources.

Although the TPP agreement has not yet entered into force, its conclusion and signing on 4 February 2016 may impact on FDI flows into the group, which offers a large combined market, prospects of further liberalization, easier movement of goods and services, and complementary locational advantages among member economies (chapter III). As the TPP agreement gets implemented, some MNE production networks could be reconfigured and consolidated, as parts and components become easier and cheaper to source through intrafirm and interfirm arrangements.[10] Yet it remains difficult to quantify the impact on FDI, which will vary according to industries and value chain segments, and specific tariff reductions.

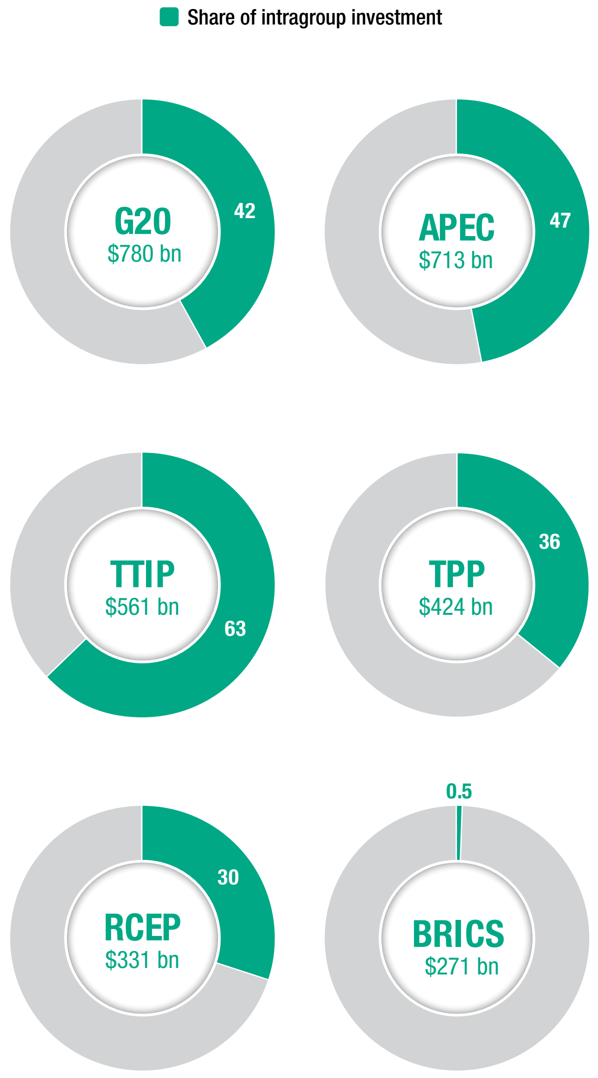
Regional Comprehensive Economic Partnership (RCEP)

The RCEP is a proposed free trade agreement involving the 10 members of ASEAN[11] and six other partner countries.[12] FDI flows to the RCEP declined by 3 per cent to $330 billion in 2015, reflecting a fall in inflows to a majority of partner countries. Negotiations to establish the RCEP are still under way. Together, the RCEP countries generated about 31 per cent of world GDP in 2015 but accounted for a much lower 19 per cent share of global FDI inflows (figure I.8). FDI in the RCEP partners is dominated by ASEAN and China – the two largest recipients in the developing world (chapter II) – which together held 70 per cent of the group's FDI stock in 2015.

Intra-RCEP investment accounts for about 30 per cent of FDI flows to the prospective group (figure I.10) and is expected to remain a major source of FDI. Intra-RCEP M&As (sales) have been significant – at $18 billion in 2015, representing 43 per cent of total RCEP cross-border M&A sales. The strong level of intra-RCEP M&As is also contributing to a greater interconnection of corporate activities in the proposed partnership.

The prospective RCEP member countries are increasingly interconnected through trade, investment and regional production networks: many Japanese, Korean, ASEAN and Chinese MNEs, for instance, have already established a strong presence in other RCEP partner countries. These connections could become stronger when a negotiated RCEP agreement is signed and implemented. ASEAN is a key player in the RCEP, as the largest recipient of intragroup investment; it also established the ASEAN Economic Community on 31 December 2015 as a single market and production base. The rise in intra-ASEAN investment and regional value chains is further strengthening the connectivity of firms and countries within this subgroup and with other RCEP countries (ASEAN Secretariat and UNCTAD, 2014).

Figure I.10. **Major groups: total and intragroup FDI flows, annual average, 2010–2014** (Billions of dollars and per cent)



Source: ©UNCTAD.
Note: Latest period in which intragroup investment data are available.

BRICS

FDI flows to BRICS[13] countries declined by 6 per cent in 2015, to $256 billion (figure I.8). Increasing investment to China and India could not fully compensate for the decline in FDI flows in the other countries in the group. The five BRICS countries are home to 41 per cent of the world population and account for 23 per cent of world GDP between them but received 15 per cent of global FDI flows in 2015. They held $2.4 trillion FDI stock in 2015 – 9 per cent of the world total.

FDI in BRICS is highly concentrated, with China alone receiving more than 50 per cent of the group's total FDI inflows in 2015. Unlike other economic groups, BRICS members are not active investors in each other's economies (figure I.10): the share of intra-BRICS investment in total FDI flows to the group was less than 1 per cent between 2010 and 2014, and intra-BRICS cross-border M&A sales have also been low, averaging $2 billion in 2014–2015. This reflects the minimal intra-BRICS corporate connectivity.

Yet BRICS countries are a growing source of investment in other developing economies, contributing to strengthening South–South cooperation. A significant percentage of outward FDI from BRICS countries is in neighbouring economies. China, India and South Africa also have significant and growing investment further afield in Africa and other parts of Asia. For instance, 14 per cent of Brazil's outward FDI stock in 2014 was in Latin America, 35 per cent of Indian outward FDI stock is in Asia, and 50 per cent of South African outward FDI stock is in Asia and Africa. Seventy-five per cent of Chinese FDI stock abroad is invested in Asian developing economies. Unlike the other partner countries in this group, more than 80 per cent of the Russian Federation's outward FDI stock is in developed countries (table I.1).

Table I.1. Outward FDI stock from BRICS, 2014 (Billions of dollars)

Destination	Brazil	Russian Federation	India	China	South Africa
World	186	258	88	789	144
Developed countries	155	222	39	135	66
Developing and transition economies	30	31	48	654	78
Unspecified	1	5	-	-	-
Top developing and transition regions	Latin America (26)	Transition economies (17)	ASEAN (22)	East Asia (522)	East Asia (47)
		West Asia (8)	Africa (15)	ASEAN (48)	Africa (26)
		ASEAN (5)	West Asia (10)		
Top 5 developing and transition economies	Argentina (6)	Turkey (7)	Singapore (21)	Hong Kong (China) (510)	China (46)
	Uruguay (4)	Belarus (5)	United Arab Emirates (5)	Singapore (21)	Mozambique (2)
	Panama (4)	Kazakhstan (3)	Bahrain (5)	Russian Federation (9)	Zimbabwe (2)
	Peru (3)	Singapore (3)	Russian Federation (1)	Kazakhstan (8)	Botswana (1)
	Venezuela (3)	Viet Nam (2)	Colombia (1)	Indonesia (7)	Namibia (1)

Source: ©UNCTAD.
Note: Totals exclude the Caribbean financial centres. Offshore financial centres are significant FDI destinations for the BRICS. For instance, some $43 billion of Russian OFDI stock is in the British Virgin Islands. About $56 billion of OFDI stock from Brazil is in the Cayman Islands and $28 billion in the British Virgin Islands.

2. FDI by sector and industry

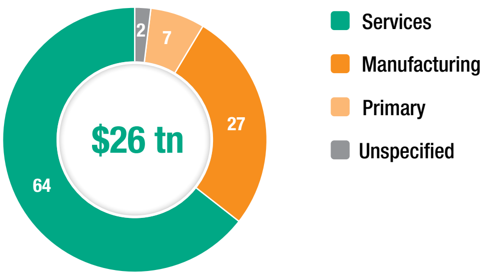
a. The sectoral distribution of global FDI

The services sector accounts for almost two thirds of global FDI stock. In 2014, the latest year for which sectoral breakdown estimates are available, services accounted for 64 per cent of global FDI stock, followed by manufacturing (27 per cent) and the primary sector (7 per cent), with 2 per cent unspecified (figure I.11).

The overall sectoral patterns of inward investment are similar in developed and developing economies, but variations among developing regions are pronounced (figure I.12). The share of the primary sector in FDI to Africa and to Latin America and the Caribbean – 28 and 22 per cent, respectively – was much higher than the 2 per cent recorded in developing Asia, largely reflecting the weight of extractive industries. In developing Asia, in contrast, services accounted for a considerable share of FDI, mainly owing to their predominance in Hong Kong (China).[14] The recent collapse of commodity prices has started to significantly affect the structural pattern of FDI flows to the developing world in general, and to Africa and Latin America and the Caribbean in particular.

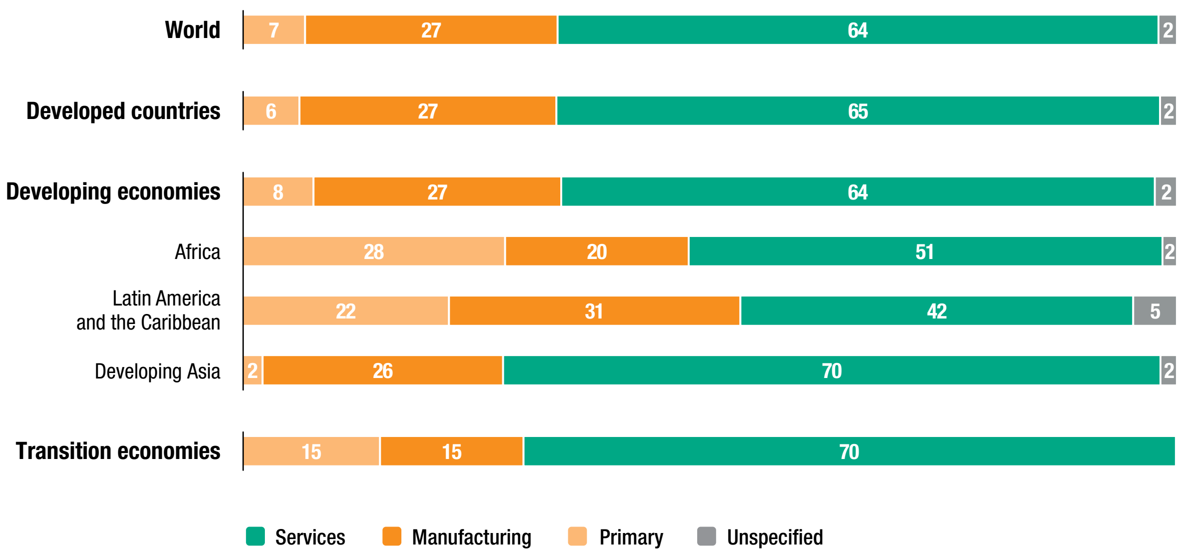
In 2015, cross-border M&As in manufacturing soared, with developed and developing economies exhibiting different industrial patterns. The total value of cross-border M&As, as well as their sectoral breakdown, has changed significantly over the past few years (figure I.13). Although the combined amount of cross-border M&As in services increased by $95 billion in 2015, the balance tilted in favour of manufacturing, which accounted for 54 per cent of all cross-border M&As, compared with 41 per cent in 2012, and 28 per cent in 2009.

Figure I.11. Global inward FDI stock, by sector, 2014 (Trillions of dollars and per cent)



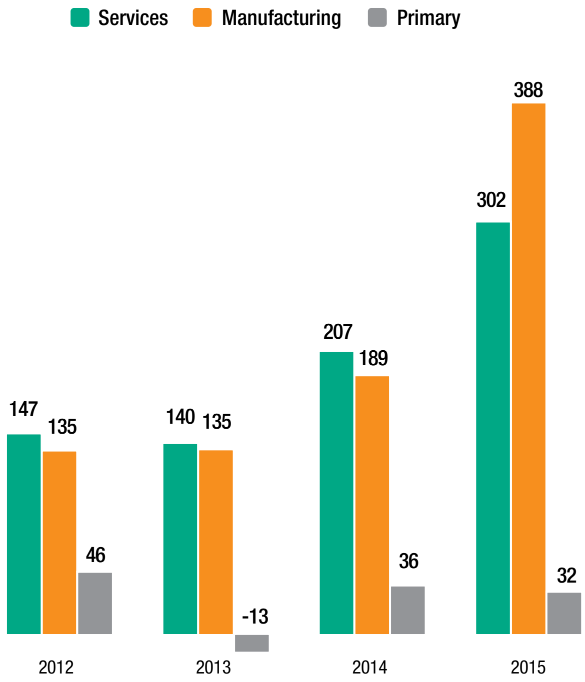
Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Figure I.12. Global inward FDI stock, sectoral distribution by grouping and region, 2014 (Per cent)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Figure I.13. Value of cross-border M&A sales, by sector, 2012–2015 (Billions of dollars)



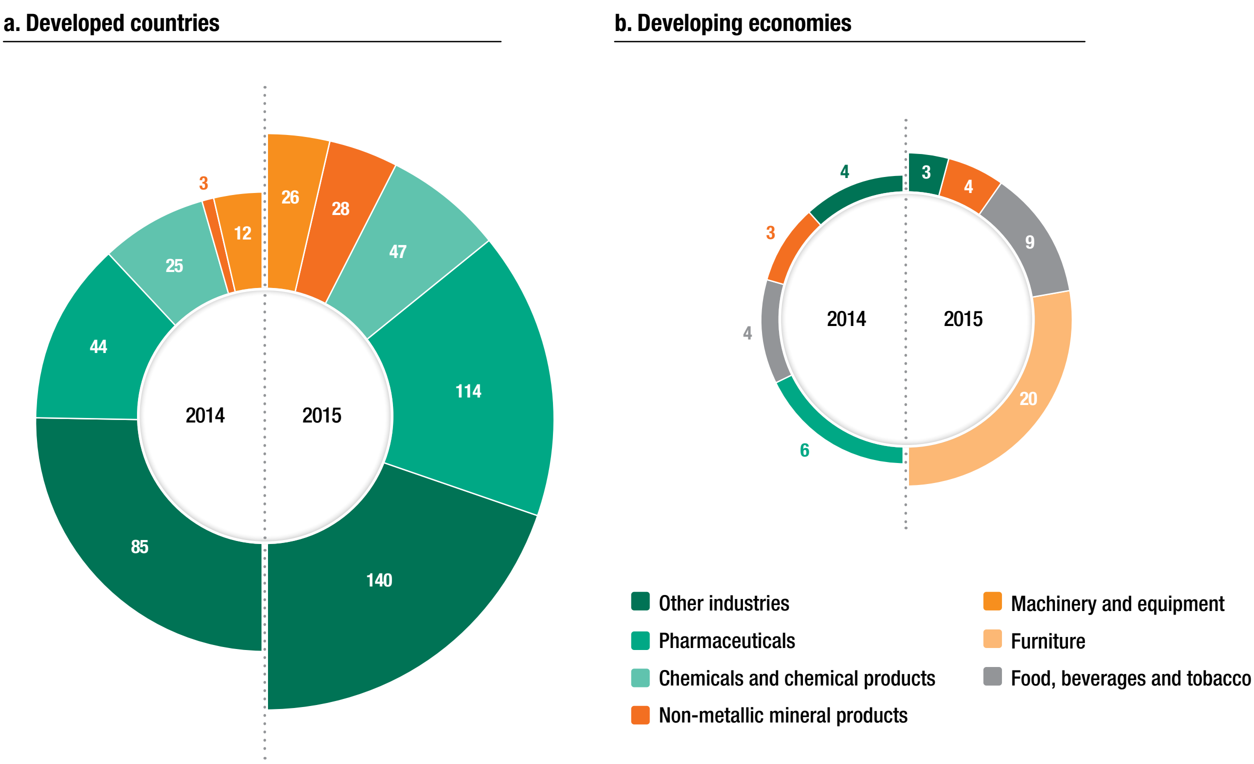
Source: ©UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).

Sales of cross-border M&As in manufacturing reached a historical high in absolute terms ($388 billion in 2015), surpassing the previous record set in 2007.

At the global level, increases in cross-border M&As were particularly significant in pharmaceuticals (up $61 billion), non-metallic mineral products (up $26 billion), furniture (up $21 billion) and chemicals and chemical products (up $16 billion).

Differences exist between the developed and developing economies, however, in the sectoral distribution of cross-border M&As in manufacturing. In developed economies, the increase in cross-border M&As was mainly in pharmaceuticals and chemicals and chemical products, non-metallic mineral products, and machinery and equipment (figure I.14.a), but also in industries such as rubber and plastics products, basic metal and metal products, and motor vehicles and other transport equipment. The high level of M&A sales in the manufacture of pharmaceuticals and medicinal chemical products in 2014 and 2015 partly reflects some megadeals previously mentioned.

Figure I.14. Value of cross-border M&A sales in manufacturing industries, by grouping, 2014 and 2015 (Billions of dollars)



Source: ©UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).

In developing economies, in contrast, the increase in cross-border manufacturing M&As was driven by large acquisitions in a limited number of industries, such as furniture, food and beverages, and non-metallic mineral products (figure I.14.b). At the same time, large-scale divestments were recorded in pharmaceuticals and in machinery and equipment. A major divestment in pharmaceuticals involved Daiichi Sankyo (Japan) selling its stake in for example, Ranbaxy Laboratories (India) to Sun Pharmaceutical Industries (India) for $3 billion.

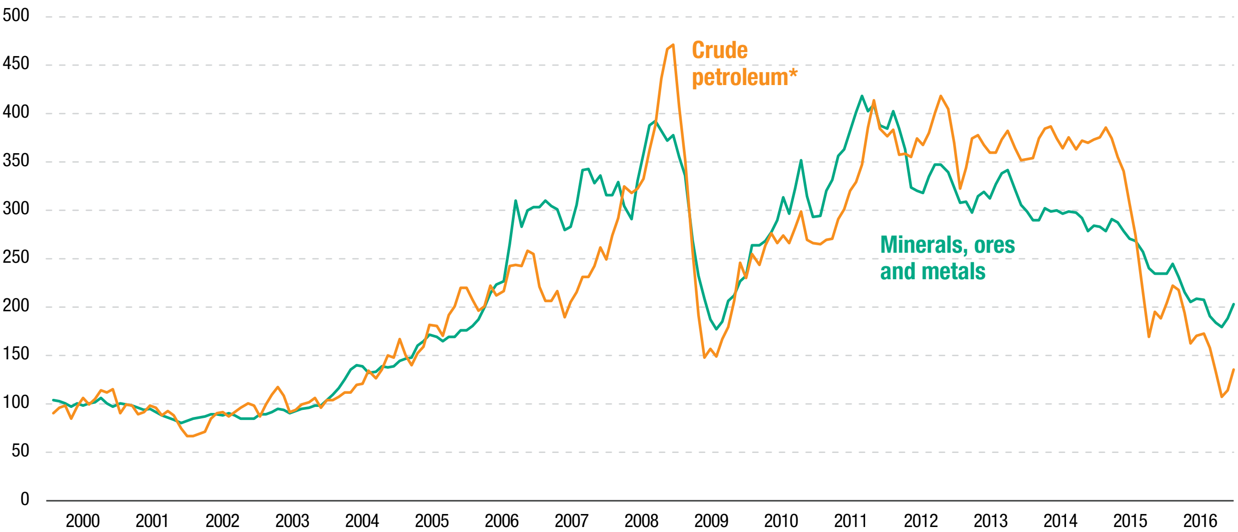
b. The impact of commodity prices on FDI in the primary sector

Collapsing commodity prices have resulted in a sharp decline of FDI flows to extractive industries. The "commodity supercycle" that emerged in the late 1990s and early 2000s, which pushed oil and metal prices steadily to historically high levels, was interrupted in 2008 by the global financial crisis. Although the supercycle later regained strength, it has entered its downward phase (UNCTAD, 2015a). The price index of minerals, ores and metals has declined steadily since the end of 2012, and oil prices have been dropping precipitously since mid-2014 (figure I.15).

The sharp decline in commodity prices has affected corporate profitability, especially in the oil and gas industry. For example, BP Plc (United Kingdom) reported a net loss of $6.5 billion in 2015, its largest in at least 30 years.[15] In addition, lower prices have dampened capital expenditures in extractive industries, which in turn have reduced the amount of international investment in the sector. For instance, major oil companies such as Chevron and ExxonMobil (United States) cut their work force, operation expenditures and capital spending in 2015. With commodity prices expected to remain relatively low over the next few years, MNEs' capital expenditures in extractive industries are likely to remain subdued. Chevron announced further spending cuts for 2017 and 2018.[16]

Data on cross-border M&As and announced greenfield projects highlight the impact of global commodity prices on equity investment in extractive industries. The share of the primary sector (mainly extractive industries, including oil and gas) in cross-border M&As sales declined from 8 per cent in 2014 to 4 per cent in 2015, compared with more than 20 per cent in 2010–2011

Figure I.15. Global commodity price indices, January 2000–March 2016 (Price indices, 2000 = 100)

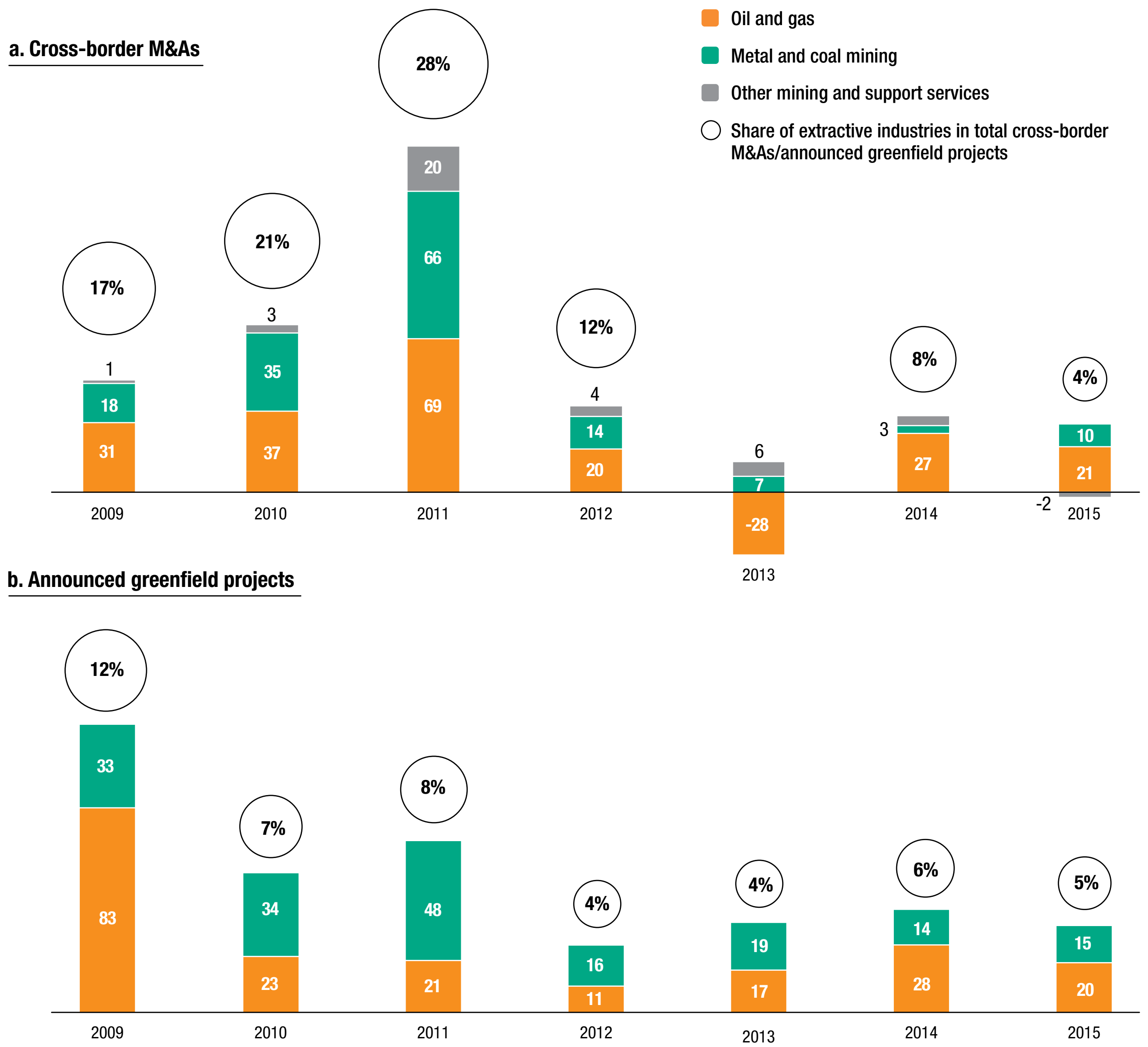


Source: ©UNCTAD.
* Simple average of Brent (light), Dubai (medium) and Texas (heavy).

(figure I.16.a). The same contraction is apparent in announced greenfield investment: the share of the primary sector fell to an average 5 per cent during 2013–2015, nearly half of the average level recorded over the 2009–2011 period (figure I.16.b).

At the global level, the prolonged weak cycle will continue to affect the structure of FDI in the medium and long run. This is due not only to the negative impact of lower commodity prices on FDI inflows to extractive industries, but also to a potentially positive impact on activity and FDI in other sectors, as input costs decrease. Indeed, lower commodity prices are supporting the global economy by stimulating or maintaining economic growth in the largest importing economies, including China, the European Union, India and Japan. The decline in oil prices is expected to add 0.3–0.5 per cent to global GDP in 2015 (IMF, 2015a). As the manufacturing and services industries benefit, so does international investment in those industries. At the regional and national levels, the impact of lower commodity prices on FDI inflows varies according to the economic weight of extractive industries versus energy-dependent industries, as well as trading positions when it comes to minerals and hydrocarbons.

Figure I.16. **FDI projects in extractive industries, value and share in total, 2009–2015**
(Billions of dollars and per cent)



Source: ©UNCTAD, cross-border M&A database and information from Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield projects.

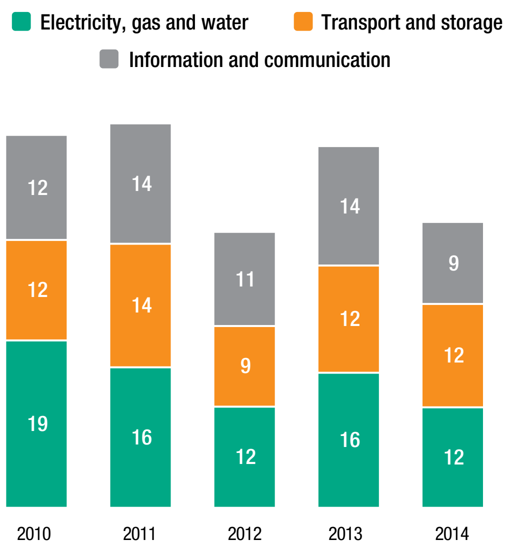
FDI inflows to commodity-exporting countries in Africa, Latin America and the Caribbean, and West Asia have been strongly and adversely affected (chapter II). Economies whose exports and FDI inflows rely heavily on oil and metals are in a particularly challenging situation. In Latin America and the Caribbean, for instance, FDI inflows to the oil and gas industry in Colombia and Ecuador declined by 66 per cent and 50 per cent, respectively, in 2015. In Africa, FDI inflows to the metal mining industry decreased significantly in major metal exporting countries, such as Guinea and Zambia. In Asian economies relying heavily on extractive industries, the situation is similar. FDI flows to Mongolia, which depends heavily on mining, dropped from 50 per cent of GDP to less than 5 per cent, which had a considerable impact on job creation and economic growth.

c. FDI in infrastructure industries in the wake of the Sustainable Development Goals

The United Nations Summit for the adoption of the post-2015 development agenda was held in New York in September 2015. At the high-level plenary meeting of the General Assembly, countries adopted the 2030 Agenda for Sustainable Development together with the set of Sustainable Development Goals (SDGs) to be achieved over the next 15 years. The SDGs carry significant implications for resources worldwide, including for public and private investment in infrastructure. UNCTAD has estimated that achieving the SDGs by 2030 in developing countries alone will require investment in the range of $3.3–$4.5 trillion annually (or about $2.5 trillion over and above the amount currently being invested), mainly in basic infrastructure (power, telecommunications, transport, and water and sanitation) and infrastructure related to specific goals (e.g. food security, climate change mitigation and adaptation, health and education) *(WIR14).*

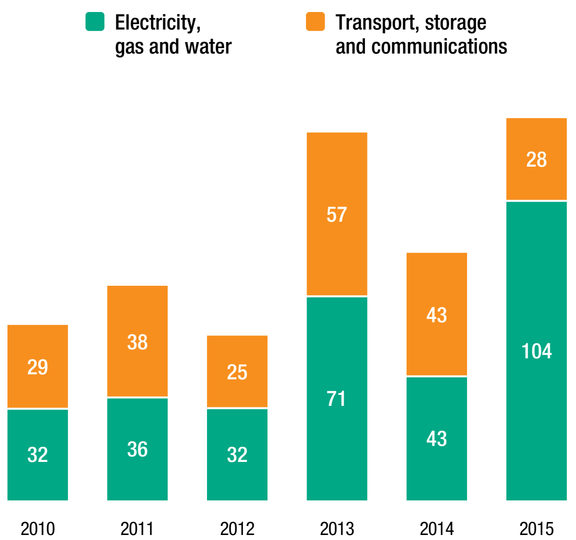
The scale of the necessary resources, even allowing for a significant increase in public and domestic private investment, requires a much larger contribution by MNEs in infrastructure FDI. At the moment, social infrastructure (education and health) and other SDG sectors attract little FDI. Even in areas such as power, telecommunications, transport and water, FDI in developing countries remains consistently small (figure I.17). However, FDI numbers underestimate MNE participation in developing-country infrastructure, as much of it occurs through non-equity modes such as build-own-operate and other concession arrangements *(WIR08, WIR10).* In addition, greenfield announcements

Figure I.17. **Developing economies: FDI inflows in infrastructure industries, 2010–2014** (Billions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Figure I.18. **Developing economies: announced greenfield investment projects in infrastructure industries, 2010–2015** (Billions of dollars)



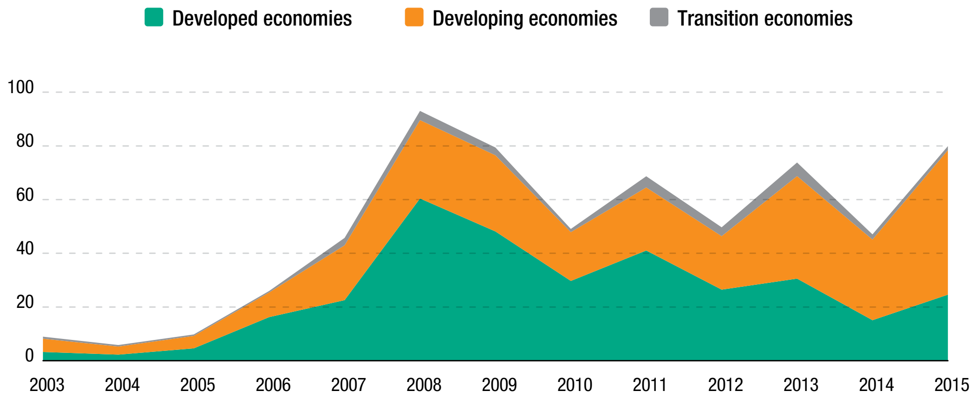
Source: ©UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).

suggest that FDI in infrastructure is picking up (figure I.18). Yet existing investment still accounts for only a small fraction of the resources needed to meet the SDGs.

With the SDG targets and indicators agreed only in 2015, policies and processes to encourage further investment are not yet fully in place; and businesses, including MNEs, are just beginning to take on board the implications of the post-2015 development agenda. Several developments suggest that an increase in infrastructure FDI may be forthcoming. For instance, there is some evidence of MNEs' contribution to low-carbon activities related to climate change through greenfield investment projects, although this has partly stalled since the onset of the financial and economic crisis (figure I.19). Moreover, infrastructure financing is increasingly becoming available. Lenders are also increasingly applying sustainability measures when considering projects in these industries. This is the case for private banks, existing multilateral banks and emerging new ones, such as the New Development Bank and the Asian Infrastructure Investment Bank *(WIR14)*. Nevertheless, achieving the post-2015 development goals will require far more significant commitments from MNEs from developed economies as well as from developing and transition economies, and a corresponding expansion in large-scale investment in SDG sectors, including infrastructure.

In the follow-up to the SDG adoption, the international community is trying to establish monitoring mechanisms (including the related data requirements) to measure and monitor progress towards the goals, and UNCTAD is playing its part (Inter-Agency Task Force, 2016).

Figure I.19. **Announced greenfield projects in selected low-carbon business areas, by group of host economies, 2003–2015** (Billions of dollars)



Source: ©UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).
Note: Low-carbon business areas include alternative/renewable energy, recycling and manufacturing of environmental technology.

3. Investment flows through offshore financial hubs

Investment flows to offshore financial hubs declined but remain significant. The volatility of investment flows to offshore financial hubs – including those to offshore financial centres and special purpose entities (SPEs)[17] – increased in 2015. These flows, which UNCTAD excludes from its FDI data, remain high.

Offshore financial hubs offer low tax rates or beneficial fiscal treatment of cross-border financial transactions, extensive bilateral investment and double taxation treaty networks, and access to international financial markets, which make them attractive to companies large and small. Flows through these hubs are frequently associated with intrafirm financial operations – including the raising of capital in international markets – as well as holding activities, including of intangible assets such as brands and patents.

Investment flows through SPEs surged in volume in 2015. Investment flows to SPEs, which represent the majority of offshore investment flows, registered significant volatility in 2015. Financial flows through SPEs surged in volume during much of the year. The magnitude of quarterly flows through SPEs, in terms of absolute value, rose sharply compared with 2014, reaching the levels registered in 2012–2013. Pronounced volatility, with flows swinging from large-scale net investment during the first three quarters to a huge net divestment during the last quarter, tempered the annual 2015 results (figure I.20).

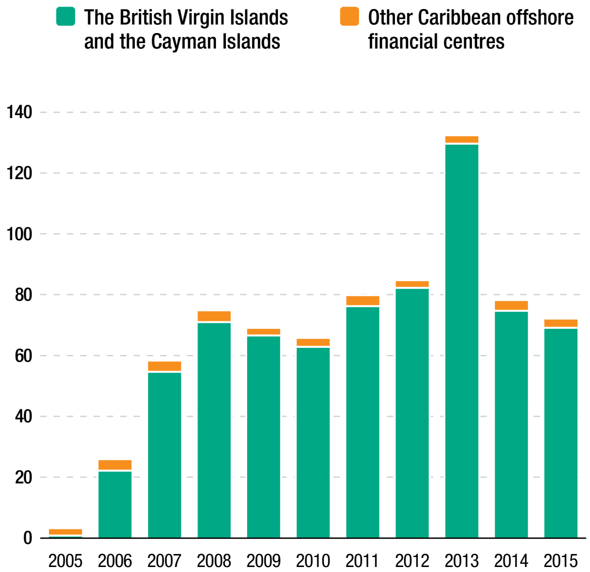
The primary recipient of SPE-related investment flows in 2015 was Luxembourg. Flows to SPEs located in Luxembourg were associated with funds' financing investments in the United States. This was especially apparent in the first quarter of the year, when SPE inflows rose to $129 billion. SPE outflows in the same quarter reached $155 billion, which in turn was reflected in data from the United States, where inward FDI from Luxembourg topped $153 billion (77 per cent of total inflows). After surging for three quarters, more than tripling their 2014 levels for the same period, SPE inflows turned negative in the last three months of the year, recording a net divestment of roughly $115 billion, as SPEs in the country paid down intracompany loans to the tune of $207 billion.

Figure I.20. Investment flows to and from SPEs, 2006 Q1–2015 Q4 (Billions of dollars)

Source: ©UNCTAD.
Note: SPEs include all countries that publish SPE data.

After registering a sharp decline in 2014, SPE-related inflows in the Netherlands initially showed signs of a rebound in 2015, rising from $2 billion in the first quarter to $148 billion in the third quarter (their highest quarterly level since the third quarter of 2007). As in Luxembourg, these flows retreated sharply in the fourth quarter, with a net divestment of equity capital and reinvested earnings of roughly $200 billion. An analysis of the geographical breakdown of total investment flows suggests that this trend was driven by investors from Luxembourg and the United Kingdom. Reflecting the pass-through nature of these flows, outward investment flows by SPEs also tumbled in the fourth quarter, led by declines in overall investments targeting Luxembourg and the United Kingdom. The tight interrelation between SPE flows in Luxembourg and the Netherlands highlights the existence of dense and complex networks of these entities in both countries, with capital flowing rapidly among them in response to financing needs and tax planning considerations.

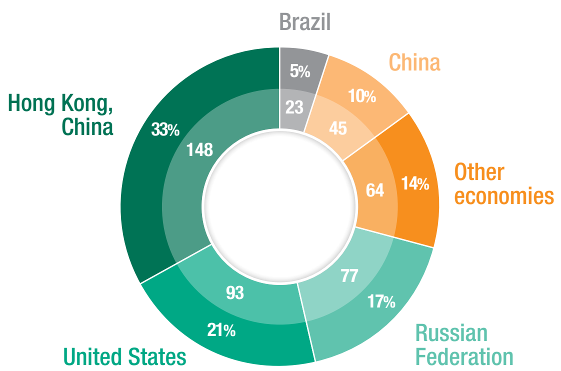
Figure I.21. **Investment flows to Caribbean offshore financial centres, 2005–2015** (Billions of dollars)



Source: ©UNCTAD.

Recent policy changes may be responsible for the most recent decline in investment flows to SPEs. The Netherlands, for instance, adopted new substance requirements for group financing and licensing companies; these requirements also allowed for the automatic exchange of information about entities that have little or no substance in the country with tax treaty partners and other EU countries. In Luxembourg, the authorities enacted a number of changes in their tax framework, including greater substance requirements, a revision of transfer pricing rules and a reform of the process and substance of tax rulings. In addition, in late 2015 both countries enacted general anti-abuse rules, as required by the amended EU Parent Subsidiary Directive, which seeks to eliminate abuse of the benefits of the directive for purposes of obtaining a tax advantage.[18] Given the volatile nature of offshore financial flows, the actual impact of these policy changes will become clearer over the next few years.

Figure I.22. **Geographical origin of investment flows to the British Virgin Islands and the Cayman Islands, sum of 2010–2014 values** (Billions of dollars and per cent)



Source: ©UNCTAD.

Investment flows to Caribbean financial centres slowed but remain at a high level. Flows to Caribbean offshore financial centres continued to decline from their 2013 record levels, when a single large cross-border M&A had caused them to surge markedly. Compared with that year, inflows in these economies were down 45 per cent, to an estimated $72 billion in 2015, in line with the average for 2008–2012 (figure I.21).

Although MNEs from developed economies, in particular from the United States, traditionally have dominated flows to these jurisdictions, in recent years rising investment flows from developing and transition economies have played an important role. Between 2010 and 2014, Hong Kong (China), the Russian Federation, China and Brazil accounted for 65 per cent of investment flows to the two largest Caribbean financial centres, the British Virgin Islands and the Cayman Islands (figure I.22).

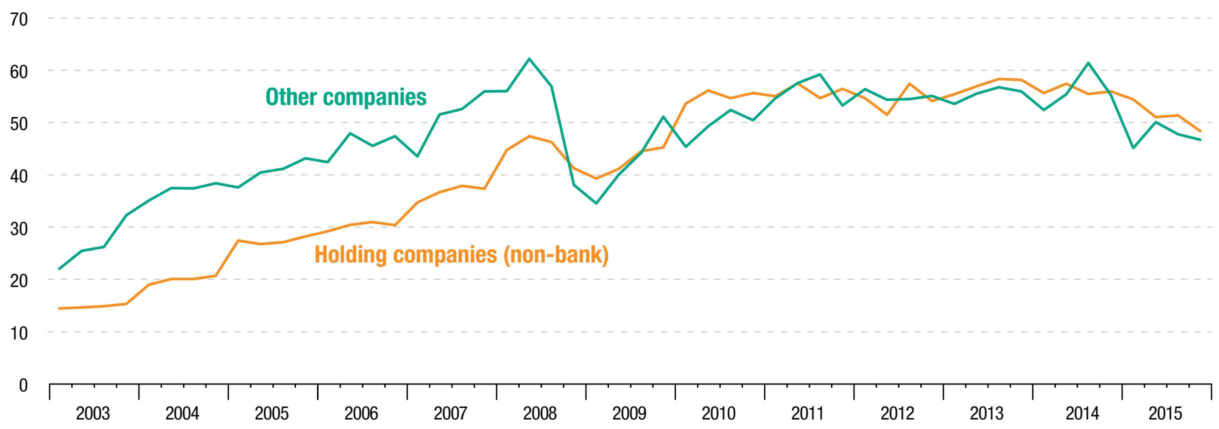
High concentration of FDI income in low-tax, often offshore, jurisdictions. A key concern for policymakers globally is the potential for a substantial disconnect between productive investments and income generation by MNEs with implications for sustainable development in their economies. As UNCTAD's work for *WIR15* found, fiscal losses due to MNEs' tax practices are sizable. The significant share of MNEs' total FDI income booked in low-tax, often offshore, jurisdictions remains therefore problematic.

The ratios of income attributed to the foreign affiliates of outward-investing countries to the GDP of the economy where those affiliates are resident reveal profits that are out of line with economic fundamentals. For example, MNEs from a sample of 25 developed countries registered more profits in Bermuda ($44 billion) than in China ($36 billion) in 2014 (table I.2). Unsurprisingly, the share of their profits relative to the size of Bermuda's economy is an impressive 779.4 per cent of GDP, compared with less than 1 per cent of GDP in a number of countries. Elevated ratios of FDI income to GDP can also be observed in other countries. For example, the FDI income of foreign affiliates (as reported by their home countries) in the Netherlands, Luxembourg, Ireland and Singapore relative to the GDPs of those countries all exceed the weighted world average by a substantial margin.

High ratios of FDI income to GDP reflect the emergence of holding companies as major aggregators of MNEs' foreign profits. In the case of Bermuda, the outsized profits of foreign affiliates in the country largely reflect income attributed to investors from the United States. According to statistics from the United States, the majority of the outward direct investment position in Bermuda is in holding companies, which likely serve to channel investment to other countries as well as aggregate income – in line with the controlled foreign corporation (CFC) rules of the income tax code of the United States – from these investments for tax purposes.

Taking a longer term view, data from the United States highlights a significant shift in the sources of overall FDI income since the global economic and financial crisis (figure I.23). Before the crisis, most FDI income was generated from entities other than holding companies, the latter accounting for an average 4 per cent of total quarterly income between 2003 and 2008. In the aftermath of the crisis, however, the share of FDI income attributed to holding companies has steadily risen to a quarterly average of 52 per cent in 2015. The growing importance of holding companies is due to a number of factors, including the greater reliance on regional centres to coordinate activities in host countries, but their frequent location in jurisdictions with low tax rates or favourable fiscal regimes suggests that tax motivations play a key role.

Figure I.23. | United States: FDI income on outward investment, 2003 Q1–2015 Q4 (Billions of dollars)



Source: ©UNCTAD, based on data from the United States Bureau of Economic Analysis (BEA).

This shift towards holding companies as the principal aggregators of earnings has also increased the geographical concentration of where FDI income is ultimately booked. The economies that each accounted for 5 per cent or more of the United States' outward FDI stock in holding companies in 2014 – Bermuda, Ireland, Luxembourg, the Netherlands, the United Kingdom, and the United Kingdom Islands, Caribbean[19] – generated an average 40 per cent of FDI outward income between 2005 and 2008. In 2015, this share had risen to a quarterly average of 59 per cent, an increase of nearly 20 percentage points in the span of less than a decade.

The urgent need for international tax and investment policy coordination. Efforts to stem offshore financial flows have been under way at both the national and international levels. Besides the policy reforms in the Netherlands and Luxembourg mentioned above, and the European Commission anti-tax avoidance package, the United States has been gradually implementing the Foreign Account Tax Compliance Act (FATCA), which largely classifies as foreign financial institutions (FFIs) the affiliates of non-financial MNEs from the United States that are involved in group financing or holdings and thus triggers new compliance obligations. There has also been momentum towards tighter international cooperation in tax affairs, such as the Base Erosion Profit Shifting (BEPS) initiative launched by the G20 and the Organization for Economic Cooperation and Development (OECD) in 2013.

Revelations that firms large and small have been using offshore financial centres and jurisdictions to evade or avoid taxes have provided additional impetus to policy reforms in these areas. More efforts are indeed necessary, and the persistence of investment flows routed through offshore finance centres, as well as the level of profits booked in these jurisdictions, highlight the pressing need to create greater coherence among tax and investment policies at the global level. A lack of coordination between these two crucial policy areas will limit positive spillovers from one to the other, limiting potential gains in tax compliance as well as productive investment.

In *WIR15*, UNCTAD proposed a set of guidelines for coherent international tax and investment policies that could help realize the synergies between investment policy and initiatives to counter tax avoidance. Key objectives include removing aggressive tax planning opportunities as investment promotion levers; considering the potential impact of anti-avoidance measures on investment; taking a partnership approach in recognition of shared responsibilities between host, home and conduit countries; managing the interaction between international investment and tax agreements; and strengthening the role of both investment and fiscal revenues in sustainable development as well as the capabilities of developing countries to address tax avoidance issues.

Table I.2. Income booked in foreign affiliates, 2014 (Billions of dollars)

Partner economy	Outward FDI income (25 economies)		
	Value	Share of total	Relative to GDP
Netherlands	155	12.3	17.6
United States	114	9.1	0.7
United Kingdom	98	7.8	3.3
Luxembourg	74	5.9	114.4
Switzerland	62	5.0	8.9
Ireland	61	4.9	24.3
Singapore	57	4.6	18.6
Bermuda	44	3.5	779.4
Canada	41	3.3	2.3
China	36	2.9	0.3
Germany	32	2.6	0.8
Brazil	32	2.5	1.3
Cayman Islands	30	2.4	874.9
Belgium	26	2.1	4.9
Australia	24	1.9	1.7
Hong Kong, China	23	1.9	8.0
Spain	21	1.7	1.5
Japan	18	1.4	0.4
Russian Federation	18	1.4	1.0
France	17	1.4	0.6
Sweden	15	1.2	2.7
Mexico	15	1.2	1.2
Norway	13	1.0	2.6
Qatar	12	1.0	5.9
Austria	12	1.0	2.8
Memorandum			
208 economies	1 258	100.0	1.6

Source: ©UNCTAD, based on data from OECD and the United Nations Statistics Division.

B. PROSPECTS

Global FDI flows are expected to decline by 10–15 per cent in 2016. Over the medium term, flows are projected to resume growth in 2017 and surpass $1.8 trillion in 2018. These expectations are based on the current forecast for a number of macroeconomic indicators and firm level factors, the findings of UNCTAD's survey of investment prospects of MNEs and investment promotion agencies (IPAs), UNCTAD's econometric forecasting model for FDI inflows and preliminary 2016 data for cross-border M&As and announced greenfield projects.

The expected decline of FDI flows in 2016 reflects the fragility of the global economy, persistent weakness of aggregate demand, effective policy measures to curb tax inversion deals and a slump in MNE profits. Barring another wave of cross-border M&A deals and corporate reconfigurations, FDI flows are likely to decline in both developed and developing economies.

1. Key factors influencing future FDI flows

The world economy continues to face major headwinds, which are unlikely to ease in the near term. Global GDP is expected to expand by only 2.4 per cent, the same relatively low rate as in 2015 (table I.3). A tumultuous start to 2016 in global commodity and financial markets, added to the continuing drop in oil prices, have increased economic risks in many parts of the world. The momentum of growth slowed significantly in some large developed economies towards the end of 2015. In developing economies, sluggish aggregate demand, low commodity prices, mounting fiscal and current account imbalances and policy tightening have further dampened the growth prospects of many commodity-exporting economies. Elevated geopolitical risks, regional tensions and weather-related shocks could further amplify the expected downturn.

The global economic outlook and lower commodity prices has had a direct effect on the profits and profitability of MNEs, especially in extractive industries. After two years of increase, profits of the largest 5,000 MNEs slumped in 2015 to the lowest level since the global economic and financial crisis of 2008–2009 (figure I.24).

Table I.3. Real growth rates of GDP and gross fixed capital formation (GFCF), 2014–2017
(Per cent)

Variable	Region	2014	2015	2016	2017
GDP growth rate	World	2.6	2.4	2.4	2.8
	Developed economies	1.7	1.9	1.8	1.9
	Developing economies	4.4	3.8	3.8	4.4
	Transition economies	0.9	-2.8	-1.2	1.1
GFCF growth rate	World	3.8	2.2	3.2	4.2
	Advanced economies[a]	2.8	2.5	2.5	3.2
	Emerging and developing economies[a]	4.5	2.0	3.8	4.8

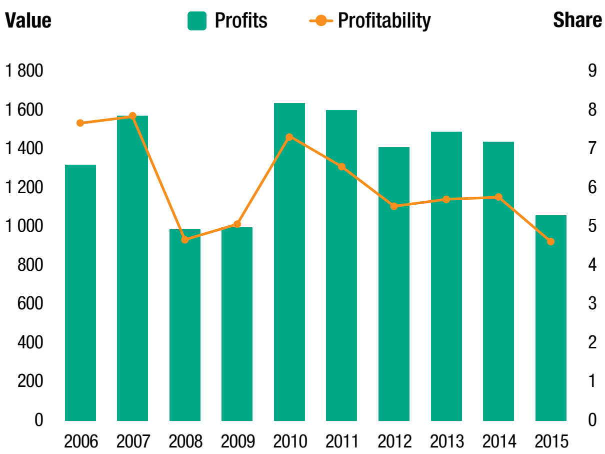
Source: ©UNCTAD, based on United Nations (2016) for GDP and IMF (2016) for GFCF.
[a] IMF's classifications of advanced, emerging and developing economies are not the same as the United Nations' classifications of developed and developing economies.

A decrease of FDI flows in 2016 was also apparent in the value of cross-border M&A announced in the beginning of 2016. For the first four months, the value of cross-border M&A announcements (including divestments) was about $350 billion, or 32 per cent lower than the same period in 2015. However, some industries such as agribusiness might see further consolidation in 2016 following megadeals announced by ChemChina (China) for Syngenta (Switzerland) for $46 billion and by Bayer AG (Germany) for Monsanto (United States) for $62 billion.

The value of announced cross-border deals would have been larger if the United States Treasury Department had not imposed new measures to rein in corporate inversions in April 2016. The new rules, the Government's third wave of administrative action against inversions, make it harder for companies to move their tax domiciles out of the United States and then shift profits to low-tax countries. As a result, the $160 billion merger of pharmaceutical company Pfizer (United States) with Ireland-based Allergan Plc was cancelled[20] (chapter II).

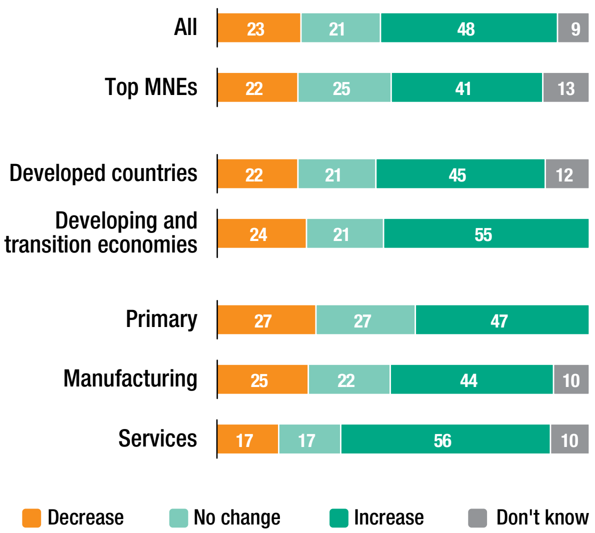
Over the medium term, FDI flows are projected to resume growth at 5–10 per cent in 2017 and surpass $1.8 trillion in 2018, reflecting the projected increase in global growth.

Figure I.24. **Profitability and profit levels of MNEs, 2006–2015**
(Billions of dollars and per cent)



Source: ©UNCTAD, based on data from Thomson ONE.
Note: Profitability is calculated as the ratio of net income to total sales.

Figure I.25. **Executives' expectations for global FDI activity level, 2016–2018**
(Per cent of executives based in each region and sector)



Source: ©UNCTAD business survey.
Note: The top MNEs are the respondents from among the 100 largest non-financial MNEs worldwide, ranked by foreign assets.

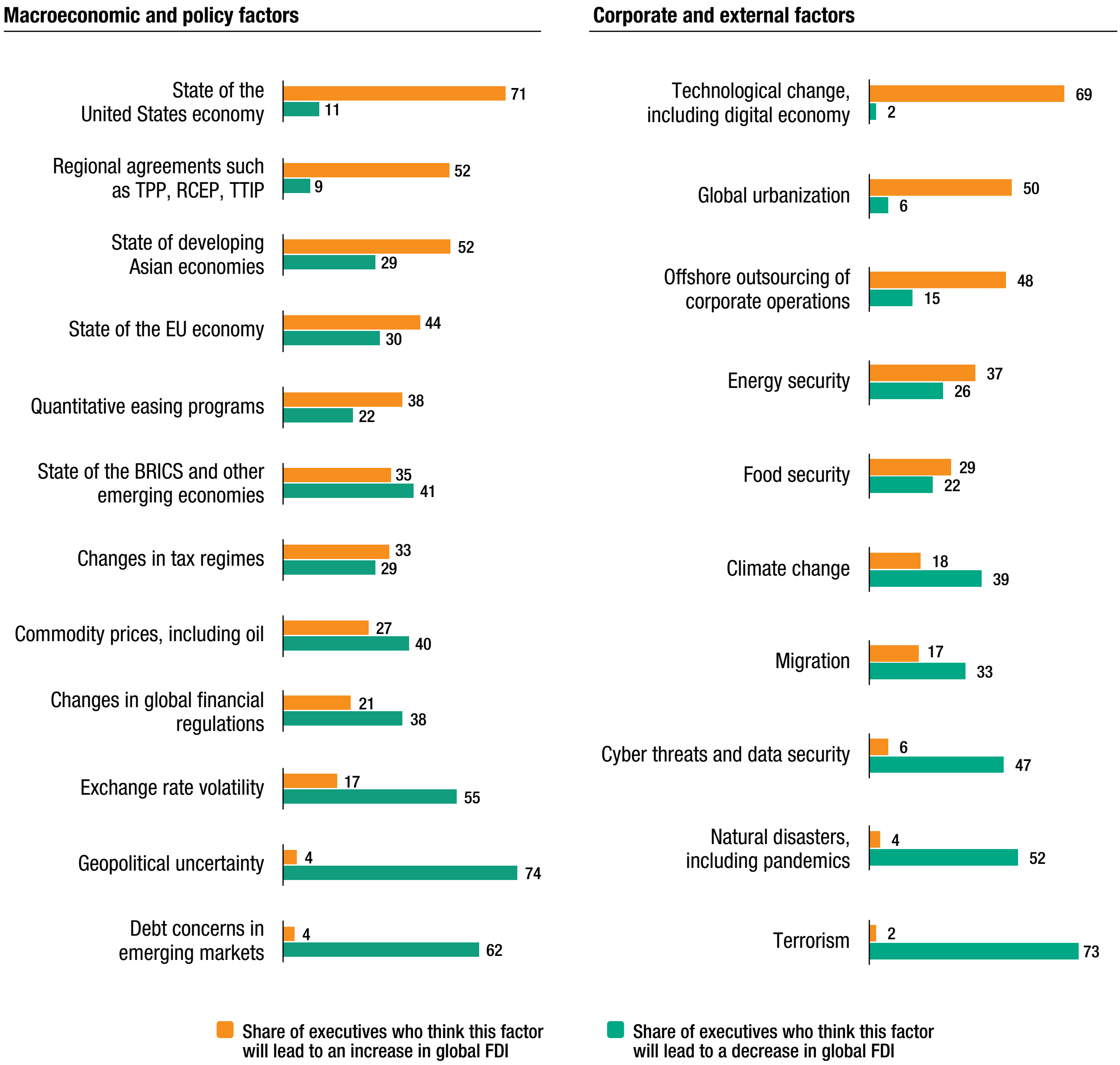
2. UNCTAD business survey

Global FDI activity outlook. This year's survey results reveal muted overall expectations for FDI prospects over the next three years, with less than half of all MNEs anticipating FDI increases to 2018; moreover, only 40 per cent of executives at top MNEs expect an increase (figure I.25). Macroeconomic factors, such as geopolitical uncertainty, exchange rate volatility and debt concerns in emerging markets, as well as other concerns such as terrorism and cyberthreats, are among the factors cited as influencing future global FDI activity (figure I.26). However, there are differences across sectors and between economic groupings. Executives from developing and transition economies are more optimistic than those at MNEs headquartered in developed countries; and not unexpectedly, given the decline in commodity prices, MNEs from the primary sector are more pessimistic than those in the manufacturing and, especially, services sectors (see figure I.25).

Factors influencing FDI activity. MNE executives do not universally agree on the likely impact – positive or negative – of potential factors on future global FDI activity; in some cases, it is a matter of perceptions (impressions of "the state of the EU economy", for instance, depend on the origin of the investor, the industry or the motive behind an investment) and in others, categories are complex (e.g. some BRICS are doing better than others). However, executives overwhelmingly considered factors such as the state of the United States economy; agreements such as the TPP, the RCEP and the TTIP; ongoing technological change and the digital economy; global urbanization; and offshoring as likely to boost FDI between now and 2018 (figure I.26). Clearly, MNEs have their eyes on longer-term trends such as rising urbanization in developing as well as developed countries (and hence, for instance, potential consumer markets), the digital economy and prospective megagroups. Geopolitical uncertainty, debt concerns, terrorism and cyberthreats are almost universally considered in a negative light and as likely to dampen FDI activity.

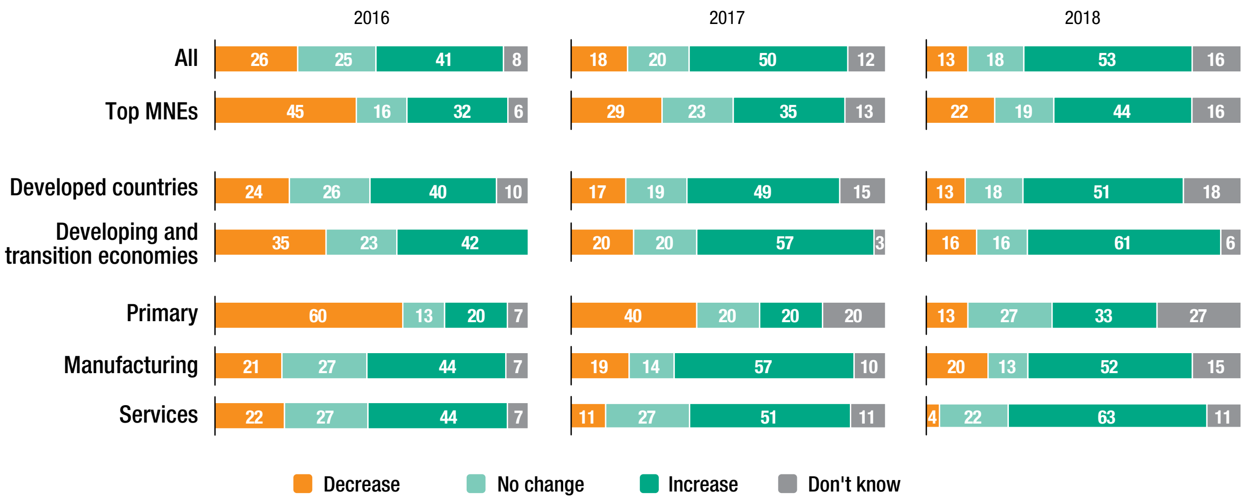
FDI spending intentions. The mix of factors influencing FDI activity, combined with uncertainty in the near term, translates into a mildly gloomy picture for FDI spending over the next three years. Overall about 40 per cent of executives expect their companies to increase FDI spending

Figure I.26. Factors influencing future global FDI activity (Per cent of all executives)



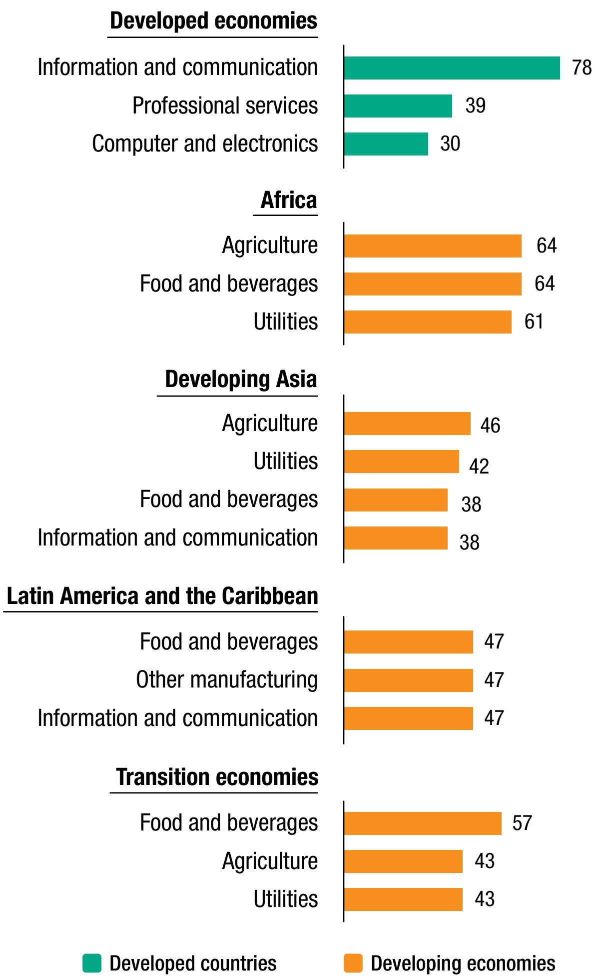
Source: ©UNCTAD business survey.

Figure I.27. **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 business survey.

Figure I.28. **IPAs' selection of most promising industries for attracting FDI in their own economy, by region**
(Per cent of IPAs responding)



Source: ©UNCTAD IPA survey.

in 2016, rising to 53 per cent by 2018; while 26 per cent expect a fall this year, declining to 13 per cent by 2018 (figure I.27). Top MNEs, which invest the most, are far more pessimistic. Only 32 per cent expect to spend more this year, while 45 per cent expect less FDI spending; and this marked difference with MNEs as a whole persists to 2018.

While developing- and transition-economy MNEs are more optimistic than those from developed countries overall (figure I.25), a bigger proportion are expecting to spend less (35 to 24 per cent) in 2016 (figure I.27). This reflects the difficult investment environment currently faced by MNEs from emerging economies. The biggest difference in spending, however, is between different sectors. Sixty per cent of MNEs in the primary sector – mainly oil, gas and mining – anticipate lower FDI expenditures this year, with only a fifth expecting an increase. This compares with MNEs in manufacturing and services, where a little over 20 per cent expect a fall and over 40 per cent an increase in both sectors. Moreover, the slump in prices and activity in the primary sector is expected to persist. By 2018 still only 33 per cent of MNEs in the primary sector expect to be spending more. The equivalent proportion for MNEs in manufacturing and services is much higher, at 52 and 63 per cent respectively.

Most attractive industries in host economies. IPAs surveyed this year identified the most promising industries for attracting FDI to their country. There are differences between regions and – mirroring the MNE survey – extractive industries do not appear among the most promising in any region. Information and communication is identified as one of the top promising industries in three regions – developed countries, developing Asia and Latin America and the Caribbean (figure I.28).

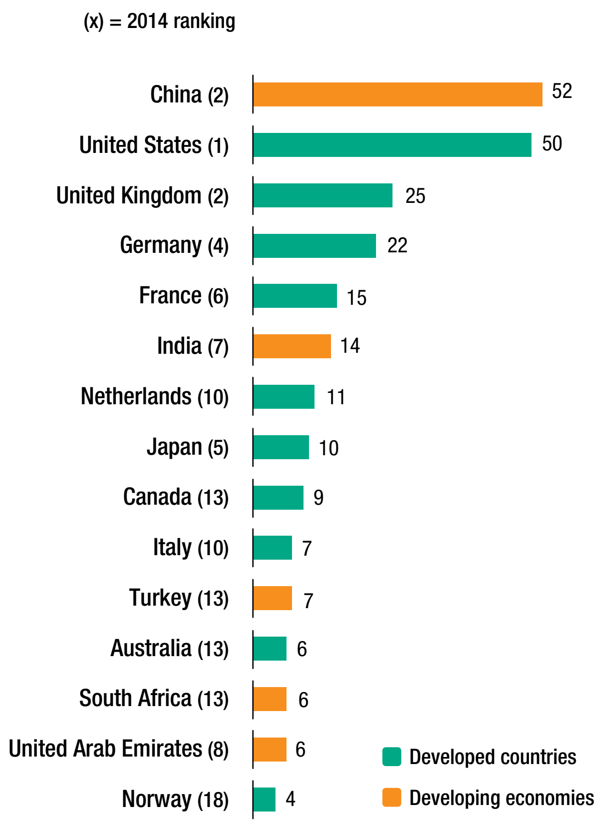
The industries regarded as most promising by IPAs in each region reflect the regional level of development, economic endowments and specialization. Thus, in addition to information and communication, IPAs in developed countries also select professional services and computers and electronics as being among the most promising for attracting FDI, while for developing and transition regions, industries most commonly chosen by IPAs are agriculture, food and beverages, and utilities.

For a large, middle-income region such as Latin America and the Caribbean, it is not surprising that food and beverages are deemed a promising industry; but the selection of “other manufacturing” by local IPAs, which includes everything from jewellery to medical equipment, indicates that there is a degree of niche specialization in the region. Developing Asia includes a very large number of countries, with vastly different endowments, from least developed countries to highly advanced, rich economies. The most promising industries in this region reflect this diversity: agriculture (a major endowment in some countries), utilities (necessary for the region's development goals), food and beverages (as a whole, a burgeoning, urbanizing consumer market) and information and communication (both for development per se, but also because of major pockets of sophisticated specialization).

Prospective top investing economies. The most promising sources of investment, from the perspective of IPAs, is little changed from previous years, e.g. compared with 2015 India has moved up, as has Canada, while Japan has moved down and Spain has dropped out of the list. A number of potential investors, especially from developing economies, are perhaps magnified in terms of expectations, compared with their actual investments (figure I.29), but this probably reflects IPAs awareness of South–South and regional proximity and trends. Thus, three quarters of African agencies have identified China as their most promising investor, despite its slowing economy and decreasing demand for oil and minerals. Similarly, increased investment by India and Turkey (including in transition economies and landlocked countries in both cases; chapter II) has been observed; and although South Africa is investing less than in the past, it remains a big source in Southern Africa.

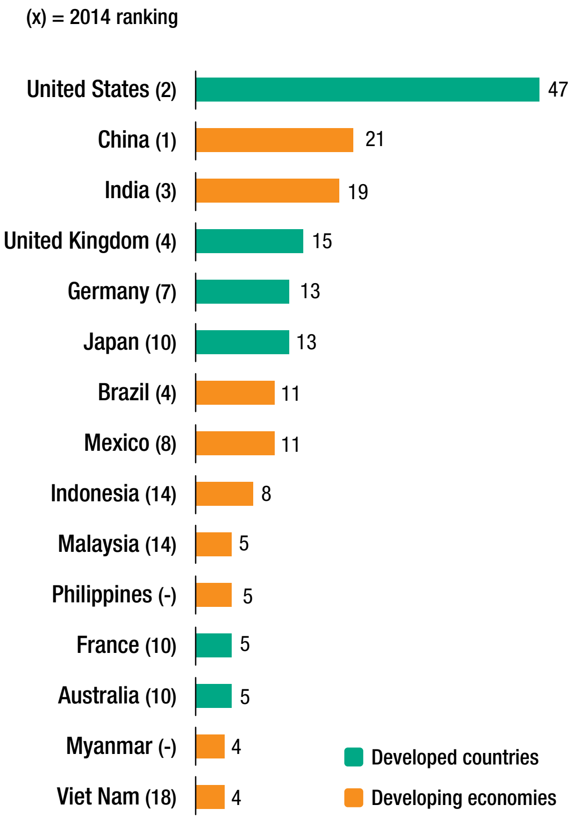
Prospective top destinations. MNEs' three top prospective host countries – China, India and the United States – remain unchanged in this year's survey compared with recent years, though the order has changed since last year (figure I.30). However, lower down in the ranking there has been some change. In particular Hong Kong (China) and Singapore do not rank in the top 14, while the Philippines and Myanmar

Figure I.29. **IPAs' selection of most promising home economies for 2016–2018**
(Per cent of IPA respondents selecting economy as a top source of FDI)



Source: ©UNCTAD IPA survey.

Figure I.30. **MNEs' top prospective host economies for 2016–2018**
(Per cent of executives responding)



Source: ©UNCTAD business survey.
Note: Percentage of respondents selecting a country (each executive was asked to select the three most promising prospective host countries).

have entered the list. Eight of the top prospective host countries are developing economies in Asia and in Latin America and the Caribbean, which reflects the longer-term prospects of these two regions. Interestingly, the list does not include major destinations of inward investment in 2015 (and recent years), including Belgium, Canada, Ireland, Luxembourg and the Netherlands (as well as Hong Kong (China) and Singapore) (section A.1).

C. INTERNATIONAL PRODUCTION

International production continues to expand. Sales and value added of MNEs' foreign affiliates rose in 2015 by 7.4 per cent and 6.5 per cent, respectively. Employment of foreign affiliates reached 79.5 million (table I.4). However, the return on FDI of foreign affiliates in host economies worsened, falling from 6.7 per cent in 2014 to 6.0 per cent in 2015.

The foreign operations of the top 100 MNEs retreated in the wake of falling commodity prices, although employment increased. Virtually all MNEs in extractive industries such as oil, gas and mining, which make up over a fifth of the top global ranking, reduced their operations abroad in terms of assets and sales; for instance, in the case of oil companies, lower prices reduced sales revenues by more than 10 per cent. Moreover, a number of global factors, including currency volatility and weaker demand, have unfavourably affected some companies'

Table I.4. Selected indicators of FDI and international production, 2015 and selected years

Item	Value at current prices (Billions of dollars)				
	1990	2005–2007 (pre-crisis average)	2013	2014	2015
FDI inflows	207	1 418	1 427	1 277	1 762
FDI outflows	242	1 445	1 311	1 318	1 474
FDI inward stock	2 077	14 500	24 533	25 113	24 983
FDI outward stock	2 091	15 104	24 665	24 810	25 045
Income on inward FDI[a]	75	1 025	1 526	1 595	1 404
Rate of return on inward FDI[b]	*4.4*	*7.3*	*6.5*	*6.7*	*6.0*
Income on outward FDI[a]	122	1 101	1 447	1 509	1 351
Rate of return on outward FDI[b]	*5.9*	*7.5*	*6.1*	*6.3*	*5.6*
Cross-border M&As	98	729	263	432	721
Sales of foreign affiliates	5 101	20 355	31 865	34 149[c]	36 668[c]
Value added (product) of foreign affiliates	1 074	4 720	7 030	7 419[c]	7 903[c]
Total assets of foreign affiliates	4 595	40 924	95 671	101 254[c]	105 778[c]
Exports of foreign affiliates	1 444	4 976	7 469	7 688[d]	7 803[d]
Employment by foreign affiliates (thousands)	21 454	49 565	72 239	76 821[c]	79 505[c]
Memorandum					
GDP[e]	22 327	51 288	75 887	77 807	73 152
Gross fixed capital formation[e]	5 072	11 801	18 753	19 429	18 200
Royalties and licence fee receipts	29	172	298	311	299
Exports of goods and services[e]	4 107	15 034	23 158	23 441	20 861

Source: ©UNCTAD.

Note: Not included in this table are the value of worldwide sales by foreign affiliates associated with their parent firms through non-equity relationships and of the sales of the parent firms themselves. Worldwide sales, gross product, total assets, exports and employment of foreign affiliates are estimated by extrapolating the worldwide data of foreign affiliates of MNEs from Australia, Austria, Belgium, Canada, the Czech Republic, Finland, France, Germany, Greece, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Portugal, Slovenia, Sweden and the United States for sales; those from the Czech Republic, France, Israel, Japan, Portugal, Slovenia, Sweden and the United States for value added (product); those from Austria, Germany, Japan and the United States for assets; those from the Czech Republic, Japan, Portugal, Slovenia, Sweden and the United States for exports; and those from Australia, Austria, Belgium, Canada, the Czech Republic, Finland, France, Germany, Italy, Japan, Latvia, Lithuania, Luxembourg, Macao (China), Portugal, Slovenia, Sweden, Switzerland and the United States for employment, on the basis of the share of those countries in worldwide outward FDI stock.

[a] Based on data from 174 countries for income on inward FDI and 143 countries for income on outward FDI in 2015, in both cases representing more than 90 per cent of global inward and outward stocks.

[b] Calculated only for countries with both FDI income and stock data.

[c] Data for 2014 and 2015 are estimated based on a fixed-effects panel regression of each variable against outward stock and a lagged dependent variable for the period 1980–2012.

[d] For 1998–2015, the share of exports of foreign affiliates in world exports in 1998 (33.3 per cent) was applied to obtain values. Data for 1995–1997 are based on a linear regression of exports of foreign affiliates against inward FDI stock for the period 1982–1994.

[e] Data from IMF (2016).

business, especially firms in consumer goods. These adverse effects on the top MNEs were only partly offset by the impact of the digital economy and active corporate consolidation in 2015.[21]

The top 100 largest non-financial MNEs' foreign operations fell in terms of foreign assets (down 4.9 per cent in 2015 over 2014), sales (down 14.9 per cent), while employment increased by 6.4 per cent (table I.5). With their domestic operations performing better, the foreign share of MNEs' total assets, sales and employment fell between 1.4 and 1.7 per cent (table I.5).

Weaker revenues have prompted other companies to refocus on their core business and domestic market, which has led to some divestments. A notable example is General Electric (United States) divesting from its finance businesses during 2015 (Antares, GE Capital, GE Capital Fleet, GE Commercial Lending and Synchrony), resulting in a reduction of the company's total assets of more than $250 billion (almost a quarter of its 2014 value) and of its foreign assets by 15 per cent.

MNEs from developing and transition economies displayed different characteristics. They are more dynamic, with a higher number of new entrants each year and, consequently, more exits. With fewer oil MNEs in their ranking, foreign activities of top MNEs from developing and transition economies have been expanding, with assets, sales and employment up by 11.2, 6.6 and 2.2 per cent respectively. However, these data cover only 2014, and data for 2015 may well display a trend similar to that observed for top MNEs worldwide.

Digital-economy companies increasingly feature among the top 100 MNEs, led by United States software giants and Asian equipment manufacturers. The growing impact of the digital economy is becoming evident, driven by innovation; consumers' hunger for new devices and life styles linked to the digital economy; and companies' rapid uptake of new technologies. This is apparent in the rankings: 10 digital-economy MNEs – including two from developing economies – were part of the list of top MNEs by foreign assets in 2015, double the number in 2006 (figure I.31).

Yet rankings based on foreign assets may underestimate the significance of companies in the digital economy. Apart from companies involved in hardware production, the MNEs most active in the digital economy – which includes e-commerce and e-business, as well as supporting infrastructure (equipment/hardware, software and telecommunications) – are typically "asset light". Ranking companies by foreign sales is therefore more representative. On this basis, digital-economy MNEs account for 14 of the top 100, with technology giants such as Alphabet (United States) and Amazon (United States) appearing in the list. Furthermore, using foreign sales instead of assets also emphasizes the technological advance of emerging economies in recent years. The top "digital" companies includes five MNEs from developing and transition economies, including Samsung Electronics (Republic of Korea), Hon Hai Precision Industries (Taiwan Province of China) and Huawei Technologies (China).

Figure I.31. **Number of MNEs in the digital economy among the top 100 MNEs, by foreign assets and sales, 2006 and 2015**

Source: ©UNCTAD, based on data from Thomson ONE.
Note: The digital economy includes computer, electronic components and communication equipment production, computer and data processing services and e-retailing.

Developing- and transition-economy MNEs are closing the productivity gap. The involvement of MNEs from developing and transition countries in the digital economy and related equipment manufacture is resulting in the narrowing of the productivity gap with developed-country MNEs. Improving labour productivity is especially evident in industries such as computers, electronics, electrical equipment, textiles and apparel, construction and trade (figure I.32).

Such industries are connected to internationally oriented, technologically more advanced segments of value chains and thus have greater potential to raise productivity at both the company and country level (*WIR13*). Exposure to trade, FDI and non-equity mode relationships with developed-country MNEs (and other firms) encourages flows of knowledge and best organizational practices to developing country MNEs, including through competition, demonstration effects, both technology transfer and technological spillovers, as well as acquisition by developing country MNEs of firms in developed countries[22] (*WIR06, WIR11, WIR13*). In contrast, developing-country MNEs still lag farther behind in industries that are more traditional, mature or less internationalized – such as wood and wood products – or that are more oriented towards local markets, such as many services.

MNEs are central to global innovation patterns, and pivotal in the global value chains at the heart of the international trade and investment nexus. This makes them potential sources of technology, know-how and good practices to support productivity growth in local companies and economies. Just as MNEs from developing and transition economies from the top 100 rankings have gained from competition and collaboration with global MNEs, other companies in developing economies can do the same, including through South–South FDI.

The challenge is to effectively diffuse knowledge and productivity gains to a greater number of developing countries and, within countries, to wider sectors of the economy. Evidence suggests

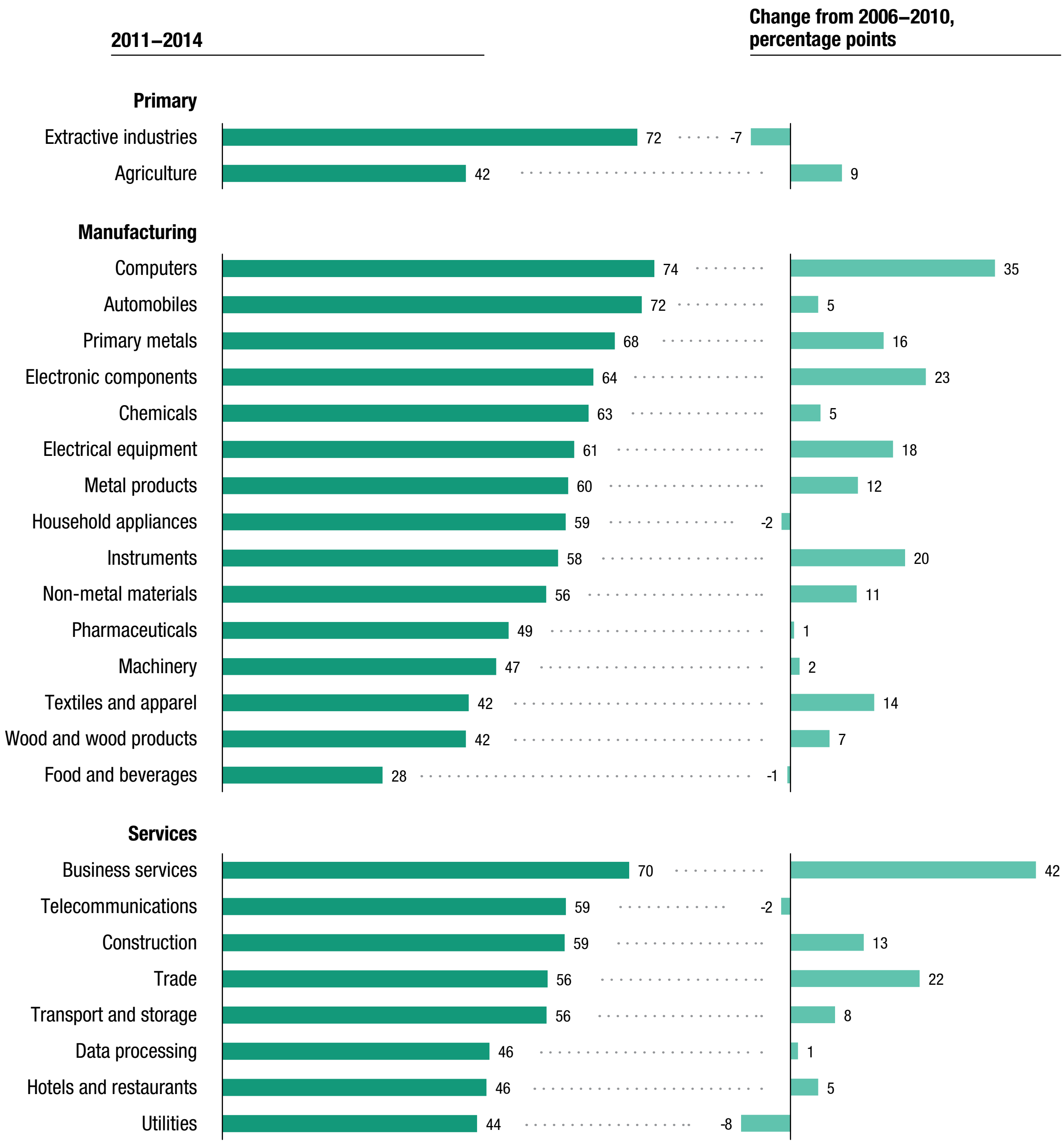
Table I.5. Internationalization statistics of the 100 largest non-financial MNEs worldwide and from developing and transition economies
(Billions of dollars, thousands of employees and per cent)

Variable	100 largest MNEs worldwide					100 largest MNEs from developing and transition economies		
	2013[a]	2014[a]	2013–2014 % change	2015[b]	2014–2015 % change	2013[a]	2014	% change
Assets								
Foreign	8 198	8 341	1.8	7 933	-4.9	1 556	1 731	11.2
Domestic	5 185	4 890	-5.7	4 921	0.6	3 983	4 217	5.9
Total	13 382	13 231	-1.1	12 854	-2.8	5 540	5 948	7.4
Foreign as % of total	61	63	1.8[c]	62	-1.3[c]	28	29	1.0[c]
Sales								
Foreign	6 078	6 011	-1.1	5 115	-14.9	2 003	2 135	6.6
Domestic	3 214	3 031	-5.7	2 748	-9.3	2 167	2 160	-0.3
Total	9 292	9 042	-2.7	7 863	-13.0	4 170	4 295	3.0
Foreign as % of total	65	66	1.1[c]	65	-1.4[c]	48	50	1.7[c]
Employment								
Foreign	9 555	9 375	-1.9	9 973	6.4	4 083	4 173	2.2
Domestic	6 906	6 441	-6.7	7 332	13.8	7 364	7 361	0.0
Total	16 461	15 816	-3.9	17 304	9.4	11 447	11 534	0.8
Foreign as % of total	58	59	1.2[c]	58	-1.6[c]	36	36	0.5[c]

Source: ©UNCTAD.
Note: From 2009 onwards, data refer to fiscal year results reported between 1 April of the base year and 31 March of the following year. Complete 2015 data for the 100 largest MNEs from developing and transition economies are not yet available.
[a] Revised results.
[b] Preliminary results.
[c] In percentage points.

that a coordination of trade and investment policies is an effective tool to facilitate technological upgrading and development (*WIR13*; OECD, 2015a). Policies that are essential to promote such diffusion include supporting investment in human capital and infrastructure, as well as sectoral restructuring seeking to release resources from unproductive industries to more competitive ones. Also important is to support domestic R&D, innovation and other activities to build capabilities and absorptive capacity at both the economy and the enterprise levels.

Figure I.32. **Labour productivity of developing- and transition-economy MNEs as a ratio to that of developing-economy MNEs, selected industries, average 2011–2014** (Per cent)



Source: ©UNCTAD, based on data from Thomson ONE.

NOTES

[1] FDI data may differ from one *WIR* issue to another as data are continually revised, updated and corrected by the responsible authorities, such as central banks and statistical offices, that provide FDI data to UNCTAD.

[2] Greenfield investment projects data refer to announced projects. The value of such a project indicates the capital expenditure planned by the investor at the time of the announcement. Data can differ substantially from the official FDI data as companies can raise capital locally and phase their investments over time, and a project may be cancelled or may not start in the year when it is announced.

[3] There are differences in value between global FDI inflows and global FDI outflows, and these flows do not necessarily move in parallel. This is mainly because home and host economies may use different methods to collect data and different times for recording FDI transactions. For this year, the difference is more pronounced because of different methodologies used for recording transactions related to tax inversion deals.

[4] Tariff reductions may or may not affect FDI decisions. Much depends on their extent and the net effect on the overall transaction costs of investing and operating in a group. If most-favoured-nation (MFN) tariffs are already low, further reductions are unlikely to have a significant impact on FDI. Deep tariff cuts on high starting rates, by contrast, are more likely to encourage "FDI diversion" as well as "FDI creation" effects.

[5] Member economies are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, the Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States and the European Union.

[6] The negotiation of the proposed TTIP agreement is already influencing corporate plans. More than 25 per cent of companies surveyed by A.T. Kearney (2014) said they had already changed their investment plans because of the prospective TTIP, and more than 50 per cent plan to do so once the agreement is finalized and ratified.

[7] Consists of 21 Pacific Rim economies: Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong (China), Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, the Russian Federation, Singapore, Taiwan Province of China, Thailand, the United States and Viet Nam.

[8] MNEs from the United States also have a significant presence in the Asian partner economies.

[9] Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Viet Nam.

[10] A few studies indicate that some investors have begun taking into account the expected establishment of the TPP trade agreement in their investment decisions. For instance, Japanese companies in the United States and Canada plan to use the TPP to conduct their import-export activities in the rest of the group (JETRO, 2015a, 2015b). About 22 per cent of the 300 executives surveyed by AT Kearney (2014) indicated that the prospect of the TPP had already affected their corporate FDI decisions in favour of the 12 Pacific Rim member countries, while over 50 per cent suggested that the agreement, if implemented, will influence their investment decisions.

[11] Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.

[12] Australia, China, India, Japan, the Republic of Korea and New Zealand.

[13] Brazil, the Russian Federation, India, China and South Africa.

[14] Hong Kong (China) accounted for 38 per cent of investment in services in developing economies and 12 per cent of the world total in 2014.

[15] See e.g. Rakteem Katakey, "BP profit tumbles 91 per cent amid oil slump, falling short of estimates", Bloomberg, 2 February 2016.

[16] Dan Molinski, "Offshore drillers' problem: few oil firms need their rigs", Wall Street Journal, 28 April 2015.

[17] Although there is no specific definition of an SPE, they are characterized by little or no real connection to the economy in which they are resident but serve an important role within an MNE's web of affiliates by holding assets or liabilities or by raising capital.

[18] Council Directive (EU) 2015/121 of 27 January 2015, amending Directive 2011/96/EU, on the common system of taxation applicable in the case of parent companies and subsidiaries of member States.

[19] The "United Kingdom Islands, Caribbean" includes the British Virgin Islands, the Cayman Islands, Montserrat, and the Turks and Caicos Islands.

[20] "Pfizer Walks Away From Allergan Deal", Wall Street Journal, 6 April 2016.

[21] For example, the inclusion in the top rankings of the pharmaceutical company Allergan (Ireland) after the inversion deal with Actavis, and of the software provider SAP SE (Germany) after its acquisition at the end of 2014 of Concur Technologies Inc. (United States).

[22] Such investments seek to access, obtain or create technology assets to enhance innovation capabilities. Technology assets are strategic assets critical to firms' long-term competitiveness (Dunning and Narula,1995; *WIR06*; *WIR14*; Lyles, Li and Yan, 2014).

CHAPTER II

REGIONAL INVESTMENT TRENDS

INTRODUCTION

Global foreign direct investment (FDI) inflows rose by 38 per cent overall in 2015 to $1,762 billion, up from $1,277 billion in 2014, but with considerable variance between country groups and regions (table II.1).

FDI flows to *developed economies* jumped by 84 per cent to reach their second highest level, at $962 billion. Strong growth in flows was reported in Europe (up 65 per cent to $504 billion). In the United States FDI flows almost quadrupled, although from a historically low level in 2014. *Developing economies* saw inward FDI reach a new high of $765 billion, 9 per cent above the level in 2014. Developing Asia, with inward FDI surpassing half a trillion dollars, remained the largest FDI recipient in the world. FDI flows to Latin America and the Caribbean – excluding Caribbean offshore financial centres – remained flat at $168 billion.

Table II.1. FDI flows, by region, 2013–2015 (Billions of dollars and per cent)

Region	FDI inflows			FDI outflows		
	2013	2014	2015	2013	2014	2015
World	**1 427**	**1 277**	**1 762**	**1 311**	**1 318**	**1 474**
Developed economies	680	522	962	826	801	1 065
Europe	323	306	504	320	311	576
North America	283	165	429	363	372	367
Developing economies	662	698	765	409	446	378
Africa	52	58	54	16	15	11
Asia	431	468	541	359	398	332
East and South-East Asia	350	383	448	312	365	293
South Asia	36	41	50	2	12	8
West Asia	46	43	42	45	20	31
Latin America and the Caribbean	176	170	168	32	31	33
Oceania	3	2	2	2	1	2
Transition economies	85	56	35	76	72	31
Structurally weak, vulnerable and small economies[a]	**52**	**55**	**56**	**14**	**14**	**8**
LDCs	21	26	35	8	5	3
LLDCs	30	30	24	4	7	4
SIDS	6	7	5	3	2	1
***Memorandum*: percentage share in world FDI flows**						
Developed economies	47.7	40.9	54.6	63.0	60.7	72.3
Europe	22.7	24.0	28.6	24.4	23.6	39.1
North America	19.8	12.9	24.3	27.7	28.2	24.9
Developing economies	46.4	54.7	43.4	31.2	33.8	25.6
Africa	3.7	4.6	3.1	1.2	1.2	0.8
Asia	30.2	36.6	30.7	27.4	30.2	22.5
East and South-East Asia	24.5	30.0	25.4	23.8	27.7	19.9
South Asia	2.5	3.2	2.9	0.2	0.9	0.5
West Asia	3.2	3.4	2.4	3.4	1.5	2.1
Latin America and the Caribbean	12.3	13.3	9.5	2.5	2.4	2.2
Oceania	0.2	0.2	0.1	0.2	0.1	0.1
Transition economies	5.9	4.4	2.0	5.8	5.5	2.1
Structurally weak, vulnerable and small economies[a]	**3.6**	**4.3**	**3.2**	**1.1**	**1.1**	**0.5**
LDCs	1.5	2.1	2.0	0.6	0.4	0.2
LLDCs	2.1	2.3	1.4	0.3	0.5	0.2
SIDS	0.4	0.6	0.3	0.2	0.1	0.1

Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: LDCs = least developed countries, LLDCs = landlocked developing countries, SIDS = small island developing States.
[a] Without double-counting countries that are part of multiple groups.

With overall inflows declining by 7 per cent to $54 billion, Africa's share in global FDI fell to 3.1 per cent (down from 4.6 per cent in 2014). Flows to *transition economies* fell further, by 38 per cent, to $35 billion.

Outward FDI outflows from *developed economies* increased by 33 per cent to $1,065 billion, accounting for almost three quarters of global FDI. Driven mainly by cross-border mergers and acquisitions (M&As), outward FDI from Europe surged by 85 per cent to $576 billion. Investments by North American MNEs remained almost flat at $367 billion. By contrast, developing economies saw their FDI outflows decline by 15 per cent to $378 billion. After emerging as the largest investing region in 2014, developing Asia saw investments by its MNEs fall 17 per cent to $332 billion. Outward FDI from *transition economies* also slowed to $31 billion, as acquisitions by Russian MNEs were hampered by reduced access to international capital markets.

FDI flows to *structurally weak, vulnerable and small economies* increased moderately, by 2 per cent to $56 billion, but with divergent trends: flows to least developed countries (LDCs) jumped by one third, to $35 billion, mainly due to large increases in Angola; flows to landlocked developing countries (LLDCs) and small island developing States (SIDS) decreased by 18 per cent and 32 per cent, respectively.

DEVELOPING ECONOMIES

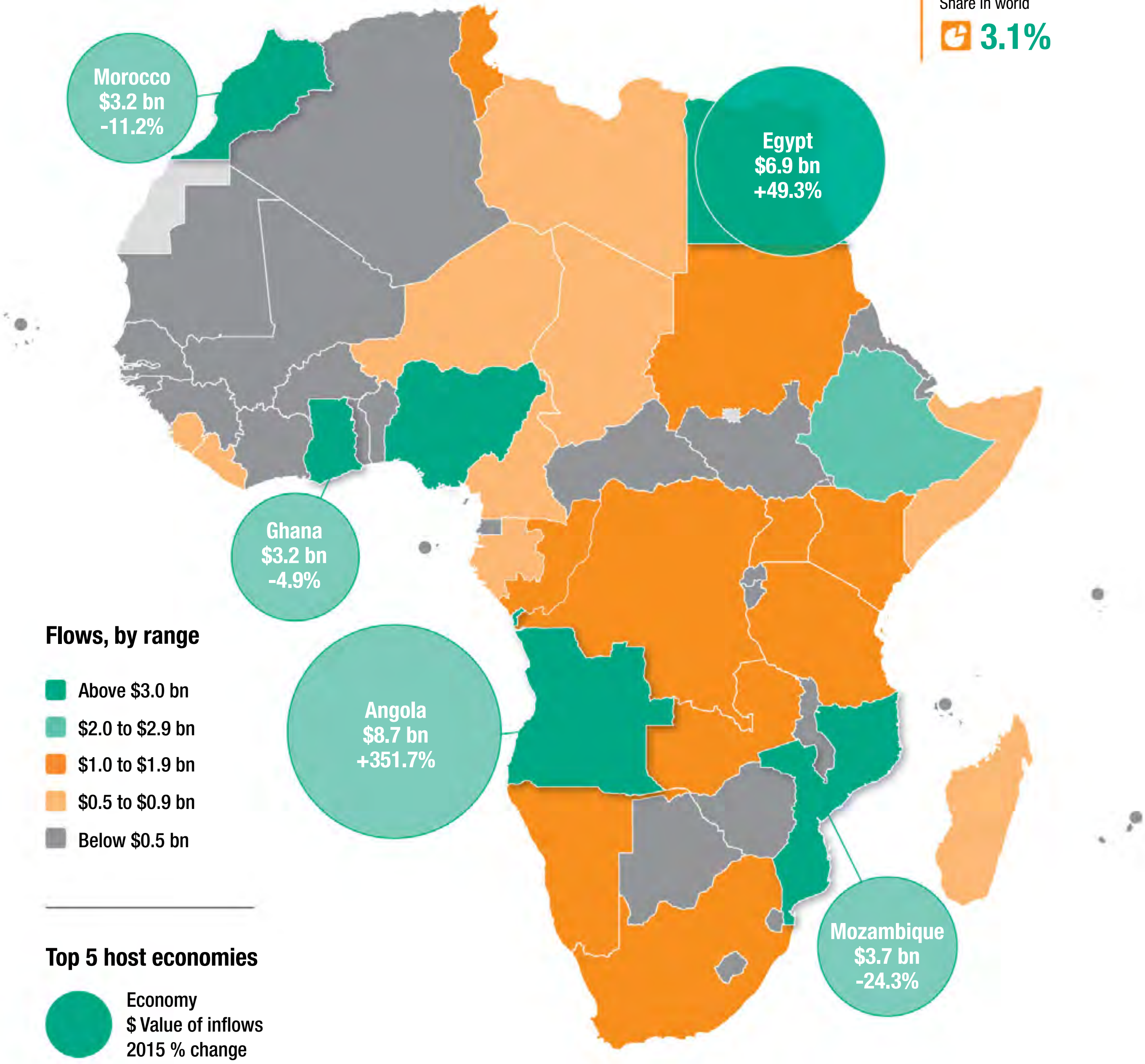
AFRICA

FDI flows, top 5 host economies, 2015 (Value and change)

2015 Inflows
54.1 bn

2015 Decrease
-7.2%

Share in world
3.1%



Outflows: top 5 home economies

(Billions of dollars, and 2015 growth)

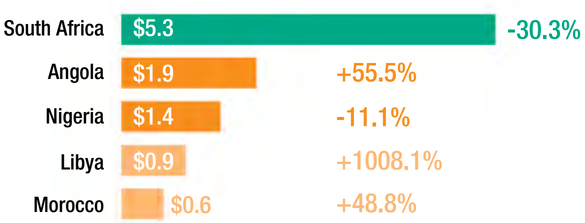
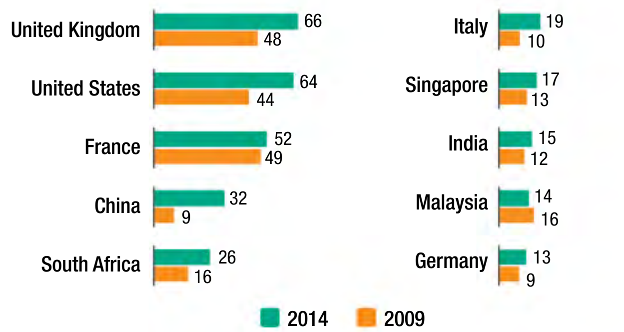


Figure A. **Top 10 investor economies, by FDI stock, 2009 and 2014** (Billions of dollars)



Source: ©UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined.

HIGHLIGHTS

- Weak commodity prices held back FDI to Sub-Saharan Africa
- Investor confidence returned to North Africa
- FDI is likely to increase modestly in 2016

Figure B. FDI inflows, 2009–2015
(Billions of dollars and per cent)

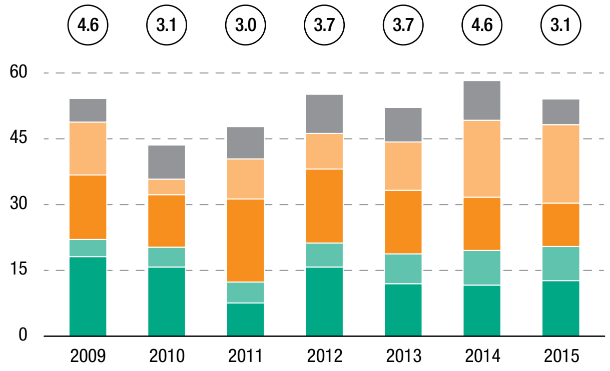


Figure C. FDI outflows, 2009–2015
(Billions of dollars and per cent)

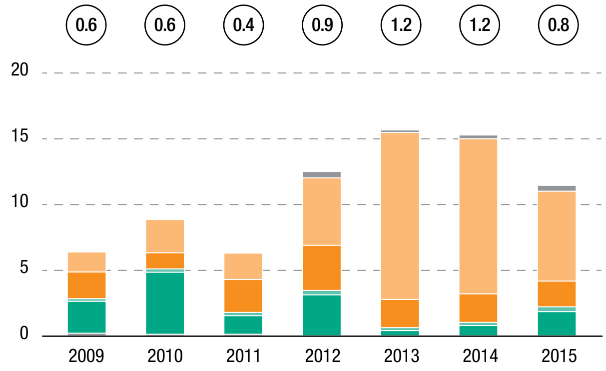


Table A. Cross-border M&As by industry, 2014–2015 (Millions of dollars)

Sector/industry	Sales		Purchases	
	2014	2015	2014	2015
Total	**5 152**	**20 414**	**5 449**	**3 358**
Primary	**2 566**	**1 011**	**1 595**	**-438**
Mining, quarrying and petroleum	2 556	1 011	1 595	-820
Manufacturing	**330**	**20 937**	**209**	**-391**
Food, beverages and tobacco	22	289	35	9
Pharmaceuticals, medicinal chemicals and botanical products	55	182	-51	-192
Furniture	-	20 433	-	-
Services	**2 256**	**-1 534**	**3 644**	**4 187**
Electricity, gas, water and waste management	144	-	1 176	-
Trade	92	22	1 919	212
Information and communication	116	-2 578	81	938
Financial and insurance activities	1 419	639	233	2 227
Business activities	15	309	129	802

Table B. Cross-border M&As by region/economy, 2014–2015 (Millions of dollars)

Region/economy	Sales		Purchases	
	2014	2015	2014	2015
World	**5 152**	**20 414**	**5 449**	**3 358**
Developed economies	**-8 231**	**21 574**	**1 675**	**-162**
European Union	-6 800	18 631	154	506
France	-5 648	684	246	-180
Netherlands	-61	17 788	58	99
United States	-1 801	1 384	21	-396
Developing economies	**13 339**	**-1 219**	**3 781**	**2 320**
Africa	2 424	149	2 424	149
Asia	10 515	-1 367	262	2 221
India	2 730	-1 114	137	347
Singapore	1 293	118	-	-
United Arab Emirates	5 685	-616	-	1 543
Transition economies	**-**	**-**	**-6**	**1 200**

Table C. Announced greenfield FDI projects by industry, 2014–2015 (Millions of dollars)

Sector/industry	Africa as destination		Africa as investor	
	2014	2015	2014	2015
Total	**89 134**	**71 348**	**13 517**	**12 548**
Primary	**21 974**	**15 841**	**48**	**285**
Mining, quarrying and petroleum	21 974	15 841	48	285
Manufacturing	**29 270**	**18 819**	**3 929**	**2 581**
Food, beverages and tobacco	2 099	2 623	1 214	64
Coke, petroleum products and nuclear fuel	11 845	4 053	22	29
Chemicals and chemical products	6 705	2 698	120	700
Motor vehicles and other transport equipment	2 050	3 069	15	22
Services	**37 890**	**36 687**	**9 541**	**9 682**
Electricity, gas and water	10 648	15 523	125	2 139
Construction	9 229	8 353	462	2 595
Transport, storage and communications	6 341	5 309	2 305	1 295
Business services	6 177	3 926	4 950	2 471

Table D. Announced greenfield FDI projects by region/economy, 2014–2015 (Millions of dollars)

Partner region/economy	Africa as destination		Africa as investor	
	2014	2015	2014	2015
World	**89 134**	**71 348**	**13 517**	**12 548**
Developed economies	**63 866**	**39 039**	**1 153**	**699**
European Union	47 896	27 774	980	570
France	19 519	5 830	130	-
Italy	323	7 444	61	-
United Kingdom	2 563	4 935	133	30
United States	7 904	6 902	39	63
Developing economies	**25 178**	**28 036**	**12 327**	**11 788**
Africa	10 220	10 889	10 220	10 889
Morocco	820	3 403	16	16
Bahrain	-	3 672	-	-
United Arab Emirates	5 153	4 310	76	250
Transition economies	**90**	**4 273**	**37**	**60**

FDI flows to Africa fell to $54 billion in 2015, a decrease of 7 per cent over the previous year. An upturn in investment into North African economies such as Egypt was offset by decreasing flows into Sub-Saharan Africa, especially in natural-resource-based economies in West and Central Africa. Lacklustre economic performance pushed FDI to a low level in South Africa, traditionally one of the top recipients in the region. Despite the depressed global economic environment, FDI inflows to Africa are expected to rise in 2016, due to liberalization measures in the region and some privatization of State-owned enterprises.

Inflows

Dynamic investment into Egypt boosted FDI inflows to North Africa. A degree of investor confidence appears to have returned to *North Africa* as FDI flows rose by 9 per cent to $12.6 billion in 2015. Much of the growth was due to investments in Egypt, where FDI flows increased by 49 per cent to $6.9 billion, driven mainly by the expansion of foreign affiliates in the financial industry (CIB Bank and Citadel Capital) and pharmaceuticals (Pfizer). Egypt's inward FDI also benefitted from sizable investments in telecommunications, such as the purchase of Mobile Towers Services by Eaton Towers (United Kingdom) and continuing investment in the gas industry by Eni (Italy). FDI flows to Morocco remained sizable at $3.2 billion in 2015. The country continues to serve as a major manufacturing base for foreign investors in Africa: in 2015 it attracted large amounts of FDI in the automotive industry, especially from France. Real estate developments in the country also attracted FDI from West Asia. FDI flows to Sudan increased by 39 per cent to $1.7 billion, thanks to continued investment from Chinese oil major CNPC.

Weak commodity prices weighed on FDI to Sub-Saharan Africa. In contrast to North Africa, FDI inflows to *West Africa* declined by 18 per cent to $9.9 billion, largely because of a slump in investment to Nigeria, the largest economy in the continent. Weighed down by lower commodity prices, a faltering local currency and some delays in major projects (such as Royal Dutch Shell's multibillion-dollar offshore oil operations), FDI flows to the country fell from $4.7 billion in 2014 to $3.1 billion in 2015. Yet despite bleak economic conditions, consumer spending remained strong, which attracted FDI inflows. The German pharmaceutical company Merck, for example, opened its first office in Nigeria as part of a broader African expansion. Outside Nigeria, high cocoa prices drove FDI inflows to the region's major exporters, such as Ghana and Côte d'Ivoire. French chocolatier Cémoi established its first chocolate processing factory in Côte d'Ivoire.

FDI flows to *Central Africa* fell by 36 per cent to $5.8 billion, as flows to the two commodity-rich countries declined significantly. In the Congo, flows dropped to $1.5 billion after the unusually high $5.5 billion value recorded in 2014. In the Democratic Republic of the Congo, flows declined by 9 per cent to $1.7 billion, and large investors such as Glencore (Switzerland) suspended their operations.

East Africa received $7.8 billion in FDI in 2015 – a 2 per cent decrease from 2014. Textile and garments firms from Bangladesh, China and Turkey seeking alternative production bases for export to the European Union (EU) and North America invested $2.2 billion in Ethiopia last year, especially because of its privileged exports under the African Growth and Opportunity Act (AGOA) and economic partnership agreements (EPAs) (chapter III). Shaoxing Mina Textile (China), for example, announced the establishment of a textile and garment factory there to supply African and international markets. FDI flows to Kenya reached a record level of $1.4 billion in 2015, resulting from renewed investor interest and confidence in the country's business climate and booming domestic consumer market. Kenya is becoming a favoured business hub, not only for oil and gas exploration but also for manufacturing exports, as well as consumer goods and services. For instance, the upmarket hotel group Carlson Rezidor (United States) expanded its presence in Nairobi. In contrast, flows to the United Republic of Tanzania decreased by 25 per cent to $1.5 billion. In an effort to attract more foreign investors, both the United Republic of Tanzania and Kenya now allow 100 per cent foreign ownership of companies listed on their stock exchanges.

In *Southern Africa,* FDI flows increased by 2 per cent to $17.9 billion, mainly driven by large inflows in Angola. After several years of negative flows, that country attracted a record $8.7 billion of FDI in 2015, becoming the largest recipient in Africa. This jump was largely due to loans provided to local affiliates by their foreign parents. Declining oil prices – oil accounts for roughly 52 per cent of government revenues and 95 per cent of export earnings – as well as the depreciating national currency and rising inflation have severely affected Angola's economy. Consequently, foreign affiliates in the country increased their borrowing from their parent companies to strengthen their balance sheets. Nevertheless, expansion in energy-related infrastructure continued to occur: Puma Energy (Singapore) opened one of the world's largest conventional buoy mooring systems in Luanda Bay.

FDI into South Africa, by contrast, decreased markedly by 69 per cent to $1.8 billion – the lowest level in 10 years – owing to factors such as lacklustre economic performance, lower commodity prices and higher electricity costs. Divestments during the first quarter from non-core assets in manufacturing, mining, consulting services and telecommunications contributed to the decline in FDI. Even excluding divestments, however, inflows were considerably lower than in 2014, owing to the economy's continued reliance on mineral-based exports.[1]

After years of record inflows, FDI to Mozambique declined in 2015. Yet the country attracted a still considerable $3.7 billion, which – though 24 per cent lower than 2014 inflows – still made it the third largest FDI recipient in Africa. The decline was due primarily to uncertainty related to the 2015 elections and low gas prices. In addition, the mining giant Anglo-American (United Kingdom) closed its office in Mozambique in 2015, 18 months after cancelling the $380 million purchase of a majority stake in a coal asset in the country. Intra-African FDI, however, helped support investment to the country: for example, Sasol (South Africa) announced it would build a second loop line to move gas from Mozambique to industrial customers in South Africa. FDI flows in Zambia declined by 48 per cent to $1.7 billion, as electricity shortages and uncertainties related to the mining tax regime continued to constrain FDI into the mining sector. Lower prices for copper (which accounts for over 80 per cent of Zambia's exports), the collapse of the national currency and surging inflation all affected reinvested earnings.

MNEs from developing economies were increasingly active in Africa, but those from developed countries remained major players. Reflecting recent global trends of rising FDI flows from emerging markets observed in developing countries, half of the top 10 investors in Africa were from developing economies, including three BRICS countries: China, South Africa and India (figure A). China's FDI stock increased more than threefold from 2009 to 2014, as China overtook South Africa as the largest investor from a developing country in the region. Developed economies, led by the United Kingdom, the United States and France, remain the largest investors in the continent.

Outflows

FDI outflows from Africa fell by 25 per cent to $11.3 billion. Investors from South Africa, Nigeria and Angola reduced their investment abroad largely because of lower commodity prices, weaker demand from main trading partners and depreciating national currencies. South Africa, which continues to be the continent's largest investor, reduced its FDI outflows by 30 per cent to $5.3 billion. Similarly, investors from Angola reduced their investment abroad by 56 per cent to $1.9 billion, down from $4.3 billion in 2014. In both countries, there was a marked decline in intracompany loans, as parent firms withdrew funds or their foreign affiliates paid back loans to strengthen corporate balance sheets at home. Equity investment from South Africa continued to be high, however, reflecting large acquisitions abroad, such as Naspers' (South Africa) purchase of the Russian company Kekh eKommerts for $1.2 billion.

North African firms are playing an active role in outward FDI. Outward investment increased from Libya and Morocco. In Algeria, State-owned Sonatrach, the largest oil-and-gas company in Africa with operations in Mali, Niger, Libya and Egypt, as well as in Europe, was mostly responsible for outward FDI from that country. The increased outward FDI from Morocco is largely intra-African and reflects the increasing capabilities of Moroccan firms in financial services, telecommunications and manufacturing.

Prospects

FDI inflows to Africa could return to a growth path in 2016, increasing by an average of 6 per cent to $55–60 billion. This bounce-back is already becoming visible in announced greenfield projects in Africa. In the first quarter of 2016, their value was $29 billion, 25 per cent higher than the same period in 2015. The biggest rise in prospective investments are in North African economies such as Egypt and Morocco, but a more optimistic scenario also prevails more widely, for example in Mozambique, Ethiopia, Rwanda and the United Republic of Tanzania.

Depressed conditions in oil and gas and in mining continue to weigh significantly on GDP growth and investment across Africa. The rise in FDI inflows, judging by 2015 announcements, will mostly occur in services (electricity, gas and water, construction, and transport primarily), followed by manufacturing industries, such as food and beverages and motor vehicles (table C). MNEs are indeed showing great interest in the African auto industry, with announced greenfield capital expenditure into the industry amounting to $3.1 billion in 2015. Investment into Africa's auto industry is driven by industrial policies in countries such as Morocco, growing urban consumer markets, improved infrastructure, and favourable trade agreements. Major automotive firms are expected to continue to expand into Africa: PSA Peugeot-Citroen and Renault (France) and Ford (United States) have all announced investments in Morocco; Volkswagen and BMW (Germany) in South Africa; Honda (Japan) in Nigeria; Toyota (Japan) in Kenya; and Nissan (Japan) in Egypt.

To reduce the vulnerability of Africa to commodity price developments, countries are reviewing policies to support FDI into the manufacturing sector. East Africa has already become more attractive in this sector as a source and investment location, especially in light manufacturing. MNEs are therefore investing across Africa for market-seeking and efficiency-seeking reasons. Proximity can be beneficial, so Bahrain, France, Italy, the United Arab Emirates and the United Kingdom remain prominent as investors (table D); but closeness to major markets in Europe and West Asia is also attracting export-oriented investors from East, South and South-East Asia, which are focusing on locations in North and East Africa such as Ethiopia.

Liberalization of investment regimes and privatization of State-owned commodity assets should also provide a boost to inflows. In Algeria, for example, Sonatrach SPA, the State-owned oil and gas company, intends to sell its interest in 20 oil and gas fields located in the country. Similarly in Zambia, the Government is bundling State-owned businesses into a holding company and trying to attract foreign buyers.

Other liberalization measures include the removal of further restrictions on foreign investments in most African countries (chapter III). Kenya has moved to abolish restrictions on foreign shareholding in listed companies as competition for capital heats up among Africa's top capital markets. The move comes just a year after the United Republic of Tanzania lifted a 60 per cent restriction on foreign ownership of listed companies, permitting full foreign control.

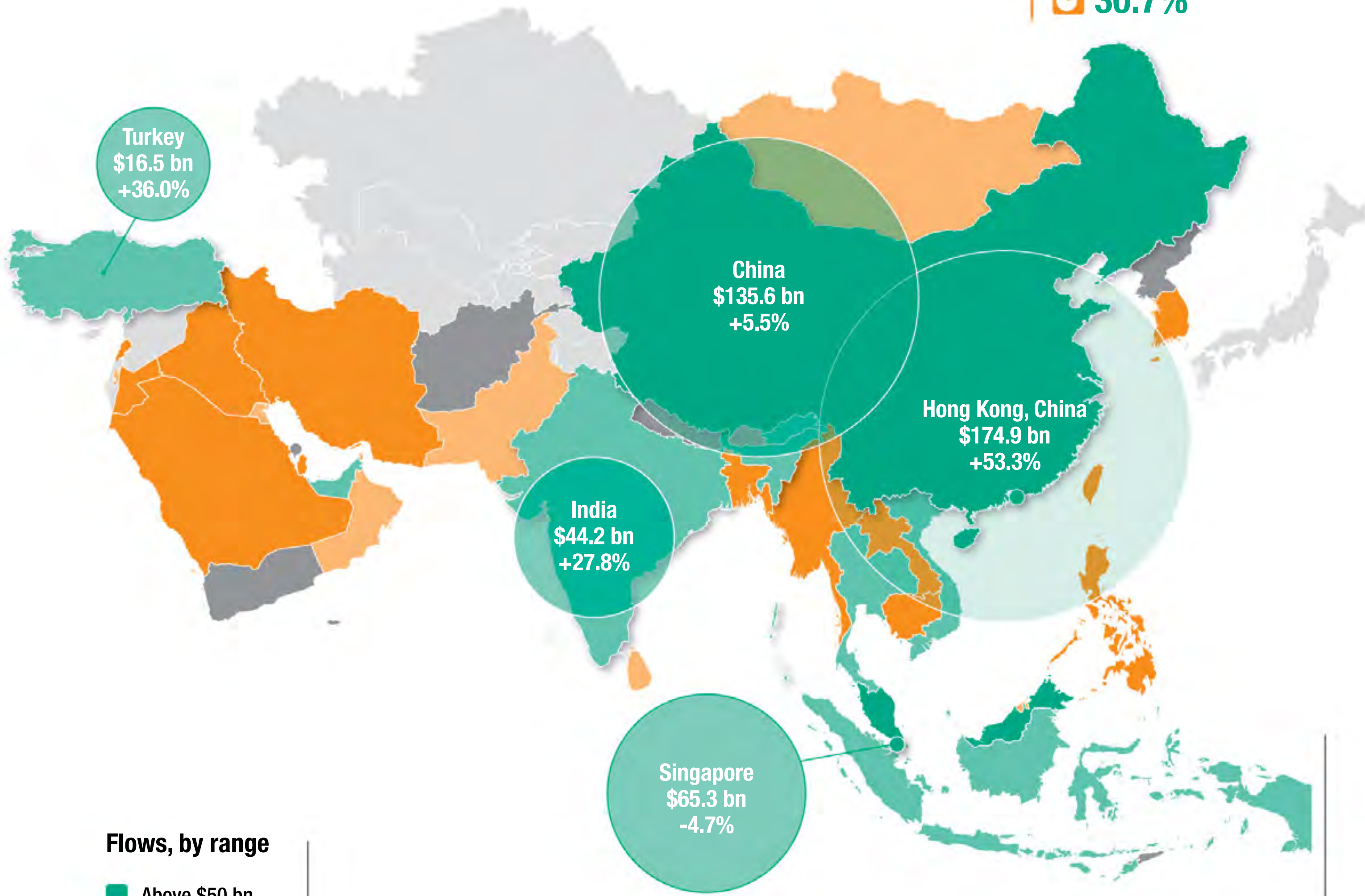
DEVELOPING ASIA

FDI flows, top 5 host economies, 2015 (Value and change)

2015 Inflows
540.7 bn

2015 Increase
+15.6%

Share in world
30.7%



Flows, by range

- Above $50 bn
- $10 to $49 bn
- $1.0 to $9.9 bn
- $0.1 to $0.9 bn
- Below $0.1 bn

Top 5 host economies

Economy
$ Value of inflows
2015 % change

Outflows: top 5 home economies
(Billions of dollars, and 2015 growth)

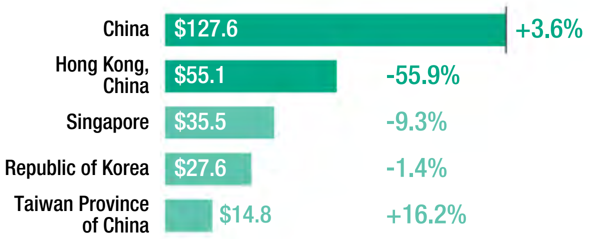
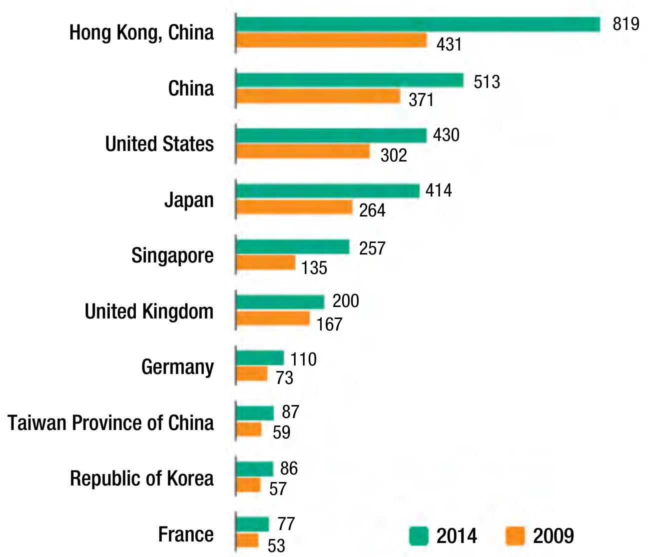


Figure A. **Top 10 investor economies, by FDI stock, 2009 and 2014** (Billions of dollars)



Source: ©UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Dotted line represents approximately the Line of Control in Jammu and Kashmir agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- Developing Asia remains the world's largest FDI recipient
- Outflows declined, but remain at their third highest level ever
- FDI inflows are expected to fall in 2016

Figure B. FDI inflows, 2009–2015 (Billions of dollars and per cent)

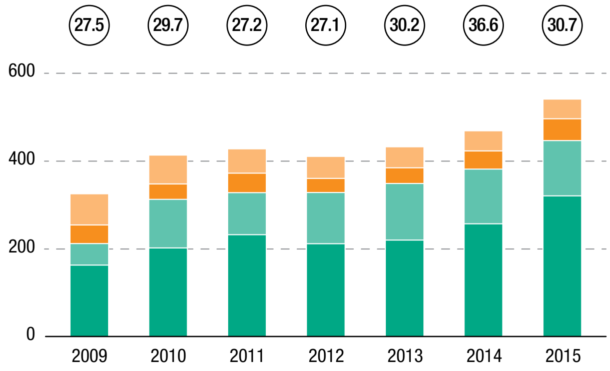


Figure C. FDI outflows, 2009–2015 (Billions of dollars and per cent)

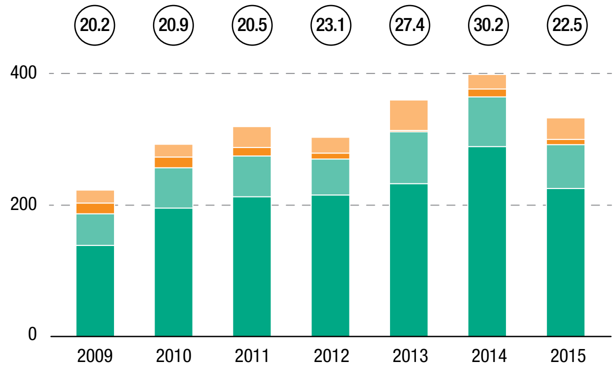


Table A. Cross-border M&As by industry, 2014–2015 (Millions of dollars)

Sector/industry	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
Total	**96 188**	**46 398**	**140 880**	**110 342**
Primary	**173**	**6 287**	**14 702**	**13 032**
Mining, quarrying and petroleum	-154	4 694	15 017	7 828
Manufacturing	**14 599**	**1 962**	**47 104**	**1 504**
Food, beverages and tobacco	4 030	2 249	-2 491	1 307
Pharmaceuticals, medicinal chemicals and botanical products	2 790	-2 371	2 232	4 771
Computer, electronic, optical products and electrical equipment	976	1 168	1 539	4 775
Machinery and equipment	63	-3 052	1 181	-726
Services	**81 417**	**38 149**	**79 075**	**95 805**
Transportation and storage	3 693	3 504	775	4 136
Information and communication	2 946	-7 061	9 040	-8 732
Financial and insurance activities	54 103	19 793	57 183	81 870
Business activities	10 553	18 219	6 392	10 700

Table B. Cross-border M&As by region/economy, 2014–2015 (Millions of dollars)

Region/economy	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
World	**96 188**	**46 398**	**140 880**	**110 342**
Developed economies	**19 505**	**10 460**	**48 581**	**71 789**
European Union	15 033	-2 995	19 294	29 840
United Kingdom	7 259	-6 586	7 380	16 094
United States	24	1 456	13 175	27 195
Japan	6 772	10 030	2 110	1 286
Developing economies	**74 966**	**35 594**	**90 929**	**35 346**
Asia	74 421	33 425	74 421	33 425
China	10 305	14 051	52 575	6 454
Hong Kong, China	53 323	8 297	16 603	12 287
Malaysia	-850	87	91	2 192
Singapore	10 711	3 164	1 724	1 528
Transition economies	**256**	**-1 305**	**1 369**	**3 206**

Table C. Announced greenfield FDI projects by industry, 2014–2015 (Millions of dollars)

Sector/industry	Developing Asia as destination 2014	Developing Asia as destination 2015	Developing Asia as investor 2014	Developing Asia as investor 2015
Total	**268 776**	**323 271**	**190 622**	**243 389**
Primary	**6 270**	**8 598**	**5 846**	**2 349**
Mining, quarrying and petroleum	6 270	8 598	5 824	2 349
Manufacturing	**135 231**	**135 054**	**86 854**	**94 507**
Chemicals and chemical products	16 029	17 813	7 293	10 081
Electrical and electronic equipment	22 236	34 394	18 069	23 161
Motor vehicles and other transport equipment	35 319	16 959	21 606	11 078
Services	**127 274**	**179 618**	**97 922**	**146 534**
Electricity, gas and water	20 405	72 215	15 431	60 121
Construction	31 440	43 080	38 162	50 132
Transport, storage and communications	18 054	14 294	10 511	9 442
Finance	18 499	14 776	11 117	8 862
Business services	23 633	16 574	12 752	6 541

Table D. Announced greenfield FDI projects by region/economy, 2014–2015 (Millions of dollars)

Partner region/economy	Developing Asia as destination 2014	Developing Asia as destination 2015	Developing Asia as investor 2014	Developing Asia as investor 2015
World	**268 776**	**323 271**	**190 622**	**243 389**
Developed economies	**152 583**	**147 187**	**39 291**	**30 677**
European Union	57 204	59 476	17 512	15 469
United States	40 926	41 952	13 904	7 792
Japan	34 817	32 187	2 601	2 030
Developing economies	**114 079**	**171 542**	**140 440**	**194 709**
Asia	111 803	170 013	111 803	170 013
China	21 073	39 879	28 965	25 422
India	8 913	6 100	6 890	27 960
Korea, Republic of	17 942	18 863	6 730	6 584
Singapore	12 483	22 370	1 431	985
United Arab Emirates	10 030	10 303	8 768	3 881
Transition economies	**2 114**	**4 542**	**10 891**	**18 003**

Developing Asia, with its FDI inflows surpassing half a trillion dollars, remained the largest FDI recipient region in the world. The 16 per cent growth was pulled by the strong performance of East and South Asian economies. Flows remained flat in South-East Asia while declining further in West Asia. Hong Kong (China) saw its FDI inflows jump by 53 per cent to $175 billion, partly due to corporate reconfiguration. FDI to India and Turkey increased by more than a quarter in 2015, while flows to China reached $136 billion – a 6 per cent increase. After the unusually high jump in values recorded in 2015, FDI inflows are expected to revert to their previous level of 2014. Despite the decline of outflows from developing Asia by 17 per cent to $332 billion, they remain the third highest recorded in the region.

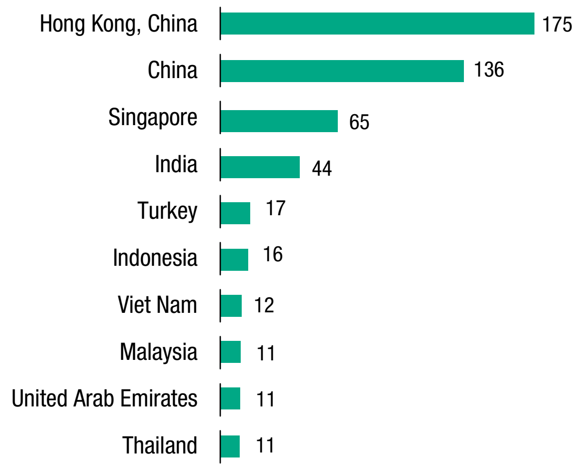
Inflows

Developing Asia is the largest recipient region of FDI inflows in the world, but a major part of FDI inflows are in relatively high-income and/or large economies in the region. In 2015, the four largest recipients – namely Hong Kong (China), China, Singapore and India – received more than three quarters of total inflows to developing Asia. However, inward FDI into other Asian economies is not small compared with the levels prevailing in other developing and transition regions, with countries such as Turkey, Indonesia and Viet Nam also receiving significant levels of FDI (figure II.1).

East Asia: huge inflows into Hong Kong (China) and China drove up FDI. Total inflows to the subregion rose by 25 per cent to $322 billion (figure II.2). With $175 billion in inflows in 2015, a 53 per cent increase over 2014, Hong Kong (China) became the second largest FDI recipient in the world after the United States. This increase was mainly due to a rise in equity investment, which resulted in part from a major corporate restructuring involving Cheung Kong Holdings and Hutchison Whampoa, under the control of the Li family (box II.1).

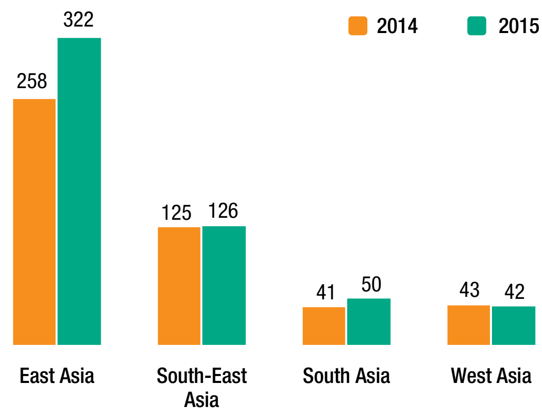
In China, inflows rose by 6 per cent to $136 billion and continued to shift towards services, which accounted for a new record of 61 per cent of FDI. Inflows to the sector expanded by 17 per cent, while FDI into manufacturing stagnated, resulting in its share of FDI flows dropping to 31 per cent. Rising wages and production costs, particularly in the coastal region, have put an end to the significant edge that China once held in manufacturing in general and labour-intensive production in particular. In some highly competitive manufacturing industries, however, Chinese companies have grown their market shares and moved up along the value chain. In 2015, domestic brands accounted for nearly four fifths of the production of smartphones in China, for instance. At the same time, market-seeking investment has become more important for foreign MNEs, as exemplified by

Figure II.1. **Developing Asia: FDI inflows, top 10 host economies, 2015**
(Billions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Figure II.2. **Developing Asia: FDI inflows, by subregion, 2014 and 2015**
(Billions of dollars)



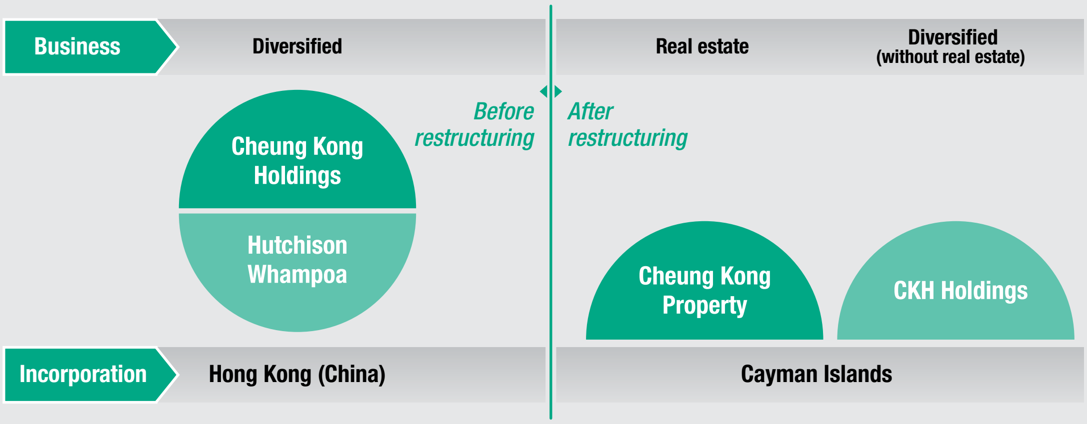
Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Box II.1. Restructuring of Cheung Kong Holdings and Hutchison Whampoa in Hong Kong, China

Through a sweeping restructuring in 2015, the conglomerate under the control of Li Ka-shing and his family has reshuffled its main businesses and switched its base of incorporation from Hong Kong (China) to the Cayman Islands. The restructuring involved previous Cheung Kong Holdings and Hutchison Whampoa, the two flagship companies, which had a total market capitalization of HK$660 billion.

According to the restructuring plan, all real estate businesses of the two companies were injected into a new entity, Cheung Kong Property Holdings, to be listed separately in the Hong Kong Stock Exchange. All other businesses, including energy, ports, retail and telecommunications, were put into the newly formed CK Hutchison Holdings (CKH Holdings), incorporated in the Cayman Islands (box figure II.1.1).

Box figure II.1.1. **Restructuring of Cheung Kong Holdings and Hutchison Whampoa, structures before and after transactions**



Source: ©UNCTAD, based on company press releases and media accounts.

A number of M&A transactions were involved in this process. For instance, Cheung Kong Holdings paid $24 billion in stock to buy out Hutchison Whampoa and spun off its property assets. Investors had to swap their shares in Cheung Kong Holdings for stakes in CKH Holdings.

Through this reconfiguration, the "layered holding structure" has been removed. More important, the conglomerate has been separated into a property business in Hong Kong (China) and a diversified business with a growing portfolio of assets located in more than 50 countries. As both companies became incorporated in the Cayman Islands, this restructuring led to a significant increase in FDI inflows into Hong Kong (China) in statistical terms in 2015.

Source: ©UNCTAD.

the automotive industry, in which MNEs continue to invest heavily, as the Chinese car market – already the largest in the world – becomes increasingly central to their global strategy. In this industry, foreign automakers' investments are increasingly targeting populous inland regions.[2]

FDI inflows to the Republic of Korea, another major recipient, declined by 46 per cent to $5 billion, due to a major divestment by Tesco (United Kingdom). To consolidate its global operation and focus more on the home market, the foreign supermarket chain sold its Korean affiliate to a group of investors led by the local private equity firm MBK Partners for $6 billion in August 2015.[3]

South-East Asia: FDI to low-income economies soared but was offset by the lacklustre performance of higher-income countries. FDI inflows to South-East Asia (10 ASEAN member States and Timor-Leste) increased slightly, by 1 per cent, to $126 billion in 2015. Inflows to Singapore, the leading recipient country in ASEAN, dropped by 5 per cent to $65 billion, and the total amount of announced greenfield investments by MNEs in the country decreased from $12 billion in 2014 to $8 billion in 2015. Short-term economic uncertainties led to a decline of FDI inflows to Indonesia by 29 per cent to $16 billion. In contrast, inflows to Thailand tripled, reaching $11 billion, although that amount is still much lower than those recorded in 2012 and 2013.

Low-income countries in ASEAN continued to perform well. In particular, FDI inflows to Myanmar soared by almost 200 per cent, to about $3 billion. In August 2015, the Governments of Myanmar and Thailand signed an agreement to develop the Dawei Special Economic Zone in the former, for a total investment of $8.6 billion, to be implemented in two phases. FDI flows to Myanmar are therefore set to continue performing well, as the construction of such foreign-invested industrial zones will help boost FDI into both infrastructure and manufacturing. FDI flows to Viet Nam remained on an upward trend, as leading MNEs in the electronics industries continued to expand their production facilities in the country. After establishing a $1.4 billion production facility in the Saigon Hi-Tech Park in Ho Chi Minh City, Samsung – already the largest investor in Viet Nam – announced a $600 million expansion plan in late 2015.[4] As a result of such investment in recent years, Samsung already produces more mobile phones in Viet Nam than in China.

South Asia: an increase of FDI thanks to an upswing of flows to India. As a result of rising FDI in India, total inflows to South Asia increased by about 22 per cent to $50 billion – surpassing FDI into West Asia. India became the fourth largest recipient of FDI in developing Asia and the tenth largest in the world, with inflows reaching $44 billion. New liberalization steps enacted since the inauguration of the new Government have contributed to attracting FDI from all quarters. In 2015, the top sources of equity investment (equivalent to 88 per cent of FDI in 2015) were Singapore, Mauritius, the United States, the Netherlands, Japan, Germany, the United Kingdom, China, Hong Kong (China) and the United Arab Emirates, in that order. Singapore and Mauritius alone accounted for nearly three fifths of total foreign equity investment in India, including rising connections with MNE affiliates located in the former and round-tripping FDI through the latter.[5] At the same time, India is maintaining FDI inflows from developed-country sources, especially Europe and the United States.

Thanks to rising FDI in labour-intensive manufacturing, inflows to Bangladesh jumped by 44 per cent to $2.2 billion, a historically high level. However, inflows to Pakistan and Sri Lanka declined, to $865 million and $681 million, respectively. In the Islamic Republic of Iran, FDI inflows have declined for three consecutive years, to $2 billion in 2015; but the lifting of sanctions should prove an impetus for further FDI flows. In Nepal, FDI inflows rose by 74 per cent to $51 million in 2015.

West Asia: rising inflows to Turkey partly offset the impact of commodity prices on oil-producing economies. Overall FDI to West Asia decreased by 2 per cent to $42 billion. Inflows to Turkey, the largest recipient in the subregion, rose by 36 per cent to $17 billion. The significant increase, boosted by a surge in cross-border M&As, has made Turkey the fifth largest FDI recipient in developing Asia as a whole. Financial services became a major industry target, as highlighted by a $2.5 billion acquisition of Turkiye Garanti Bankasi AS by Banco Bilbao Vizcaya (Spain). Investors from Qatar accounted for a high share of cross-border M&A sales: Mayhoola bought a 31 per cent stake in Boyner Perakende (a Turkish retailer) for $330 million; Bein Media Group acquired Digiturk (Turkey's biggest pay-television network) for an undisclosed amount.

Depressed oil prices and geopolitical uncertainty continued to affect FDI to oil-producing West Asian countries, with inflows remaining at low levels in Qatar and Saudi Arabia. In Bahrain, inflows declined from $1.5 billion in 2014 to a negative $1.5 billion in 2015, reflecting major foreign divestments. FDI flows to the United Arab Emirates were stable at $11 billion.

Outflows

Combined FDI outflows from developing Asia dropped by about 17 per cent to $332 billion in 2015. Despite declining overall outflows across the four subregions, FDI expanded from a number of Asian economies, including China and Thailand. In 2015, the largest investing economies – China, Hong Kong (China), Singapore and the Republic of Korea (in that order) – accounted for three quarters of total outflows from developing Asia (figure II.3).

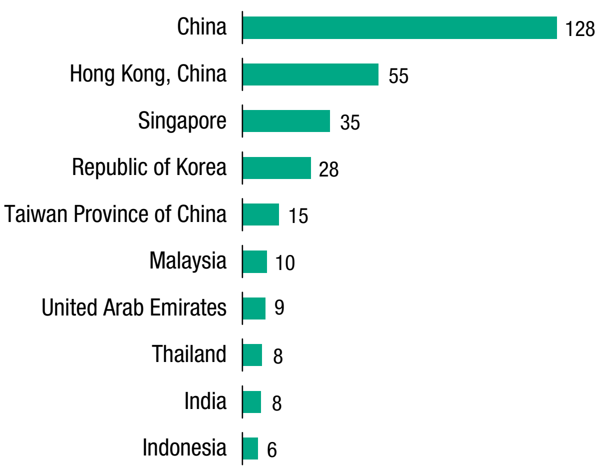
East Asia: China's foreign investment broke new records, while divestments weigh on FDI from Hong Kong (China). FDI outflows from East Asia dropped by 22 per cent to $226 billion in 2015 (figure II.4). Outward investment from China rose by about 4 per cent to $128 billion. As a result, China remained the third-largest investing country worldwide, after the United States and Japan. It has emerged as a leading investor in developed economies, undertaking a number of cross-border M&A megadeals (box II.2). In the developing world, China has become a leading investor in African countries: in the United Republic of Tanzania, for example, it has become the second largest foreign investor, with Chinese MNEs having invested $2.5 billion in about 500 projects, 70 per cent of which are in manufacturing.

After a surge of outward FDI in 2014, investment from Hong Kong (China) more than halved, to $55 billion. Over the past few years, FDI by conglomerates in Hong Kong (China) has become a major source of investment in the United Kingdom, particularly in infrastructure industries such as electricity, water and telecommunications. The Li family's conglomerate alone owns about $45 billion in assets in the United Kingdom. The conglomerate, however, has divested an estimated $13 billion from real estate in China, partly associated with its strategic corporate restructuring (see box II.2). This operation contributed to the sharp decline of outflows from Hong Kong (China) in 2015, as divestment is normally recorded as negative outflows in FDI statistics.

Outflows from the Republic of Korea remained at $28 billion. The global expansion of major Korean MNEs, such as Samsung, continues to translate into significant outflows, increasingly to low-income economies within the region, especially in Viet Nam. Meanwhile, FDI flows from Taiwan Province of China rose significantly, by 16 per cent to $15 billion, reflecting further expansion by its advanced manufacturing MNEs in mainland China.

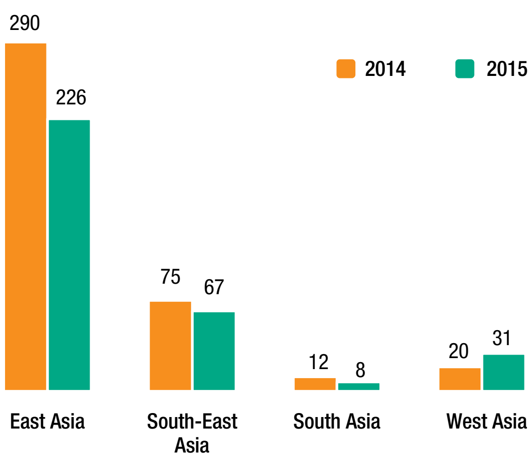
South-East Asia: outward investment was mainly concentrated in Asia. FDI outflows from South-East Asia decreased by 11 per cent to $67 billion. After a large increase in FDI outflows in 2014, investments from Singapore, the leading outward investing economy in the subregion, declined by 9 per cent to $35 billion – still the third highest on record.

Figure II.3. **Developing Asia: FDI outflows, top 10 home economies, 2015**
(Billions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Figure II.4. **Developing Asia: FDI outflows, by subregion, 2014 and 2015**
(Billions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Box II.2. Chinese companies are proactively pursuing M&As in developed countries

China has become one of the largest investing countries in some developed countries. This position was further consolidated as Chinese companies undertook a number of megadeals in 2015 and early 2016:

- **Haier's acquisition of GE Appliances (United States).** The largest home appliance maker in China, privately owned Haier generated $30 billion in global revenues in 2015. The company has been active in the United States for 18 years, but its sales there stood at $500 million, only 2 per cent of the market. To enlarge its market share in the United States, Haier acquired GE Appliances – which generated $6 billion in revenues in 2014 – for $5.4 billion. This was significantly higher than the price offered by Electrolux (Sweden) in 2014.
- **Wanda's purchases in the United States.** Privately owned Wanda Group has undertaken a series of large acquisitions in the entertainment industry in the United States. After the purchase of AMC Theaters for $2.6 billion in 2012, Wanda acquired Legendary Entertainment for $3.5 billion in January 2016. Two months later, the newly acquired AMC announced that it would buy Carmike Cinemas for $1.1 billion, further strengthening Wanda's market position in the United States.
- **ChemChina's purchases in Europe.** Chinese companies have become more and more active in Europe as well. For instance, ChemChina bought into Pirelli PECI.MI (Italy) in a €7 billion transaction in late 2015. The State-owned company also agreed a deal to buy Syngenta (Switzerland) for $44 billion in February 2016.
- **COSCO's deal for Piraeus Port.** In 2016, shipping company COSCO bought a stake in Piraeus Port, the largest harbour in Greece. Under the agreement, COSCO will acquire 67 per cent of the listed Piraeus Port Authority, invest €350 million over the next decade and pay an annual fee to the Greek Government to run the port.

Source: ©UNCTAD.

In addition to major destinations such as China, Indonesia, Malaysia and Thailand, Singaporean investors increasingly targetted lower-income countries: between April 2015 and March 2016, approved FDI projects by Singaporean investors in Myanmar amounted to more than $4.3 billion.

Thailand's outward investment soared by 76 per cent to $8 billion, driven by large greenfield investments in infrastructure and industrial zones in neighbouring countries. Announcements of planned investments suggest this trend is likely to continue. Large cross-border M&As also contributed to the growth.

South Asia: after a boom in 2014, FDI outflows declined sharply. Outward FDI from India, the dominant investor in the subregion, dropped by more than one third to $7.5 billion – which resulted in an overall 36 per cent decline of outflows from South Asia to $8 billion. The decline in commodity prices and problems of overcapacity in industries such as steel have negatively affected some of the largest Indian conglomerates' motivation and ability to invest abroad.

FDI outflows from Bangladesh rose slightly to $46 million, while those from the Islamic Republic of Iran jumped from $89 million in 2014 to $139 million in 2015. For the latter country, the end of sanctions means access to more than $50 billion in frozen assets and rising oil incomes, which could help boost outward FDI.

West Asia: outward FDI resumed an upward trend. Outflows from West Asia soared by 54 per cent to $31 billion, mainly due to the turnaround by Kuwait, a major investor in the subregion. Outflows from the United Arab Emirates rose by 3 per cent to $9.3 billion, while those from Saudi Arabia increased by 2 per cent, remaining above $5 billion. Regional tensions may have hampered outward FDI flows from Turkish MNEs, which fell by 28 per cent to $4.8 billion.

Prospects

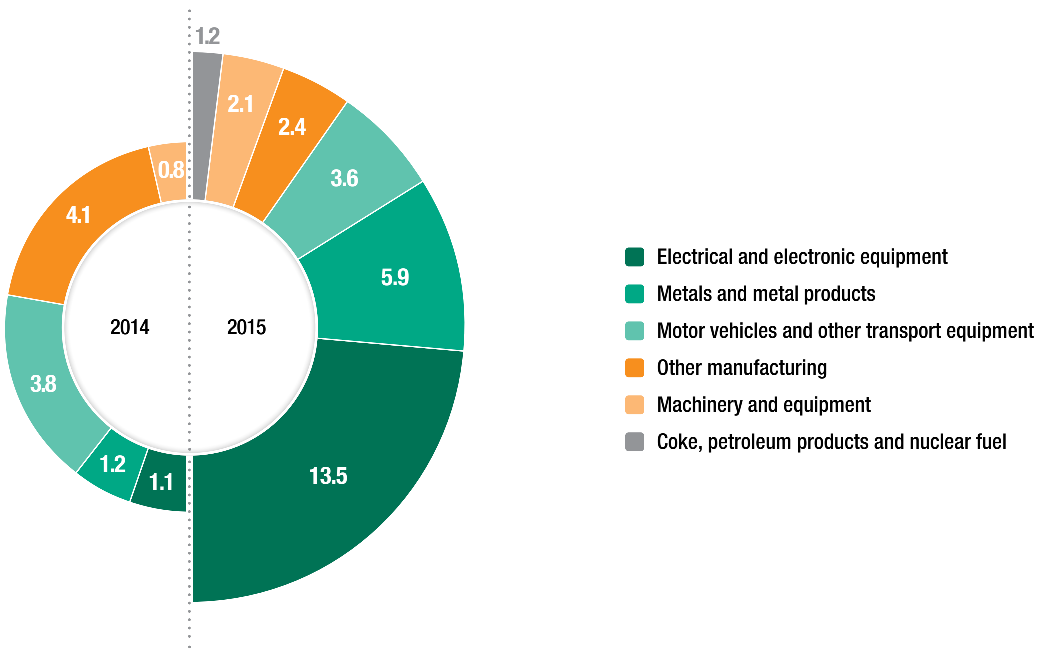
Hindered by the current global and regional economic slowdown, FDI inflows to Asia are expected to decline in 2016 by about 15 per cent, reverting to their 2014 level. Data on cross-border M&A sales and announced greenfield investment projects support the expected decline. For instance, cross-border M&As in the region announced in the first quarter of 2016 were $5 billion, only 40 per cent of the same period in 2015. In addition, the number of greenfield projects announced in 2015 was 5 per cent lower than in 2014.

There are indications that intraregional investments are rising: 53 per cent of announced greenfield projects in developing Asia by value in 2015 were intraregional, especially from China, India, the Republic of Korea and Singapore (table D). Among the most important industries driving this intraregional development are infrastructure and electronics (table C). The rise of investments from Singapore to India exemplify this trend.

FDI flows to some Asian economies such as China, India, Myanmar and Viet Nam are likely to see a moderate increase in inflows in 2016. During the first four months of 2016, FDI inflows in non-financial sectors in China amounted to $45 billion, 5 per cent up from the same period in 2015. In India, the large increase of announced greenfield investments in manufacturing industries (figure II.5) may provide further impetus to FDI into the country.

Viet Nam is expected to continue strengthening its position in regional production networks in industries such as electronics, while Myanmar is likely to receive increasing levels of FDI inflows in infrastructure, labour-intensive manufacturing and extractive industries. Announced greenfield projects in Myanmar totalled $11 billion in 2015 and $2 billion in the first quarter of 2016, pointing to sustained FDI inflows in the near future.[6] In addition, on the basis of greenfield announcements in 2015, a number of other economies may perform better, including Bhutan, the Islamic Republic of Iran and Pakistan.

Figure II.5. **India: industry distribution of announced greenfield investments in manufacturing, 2014 and 2015** (Billions of dollars)



Source: ©UNCTAD, based on information from Financial Times Ltd, fDi Markets (www.fDimarkets.com).

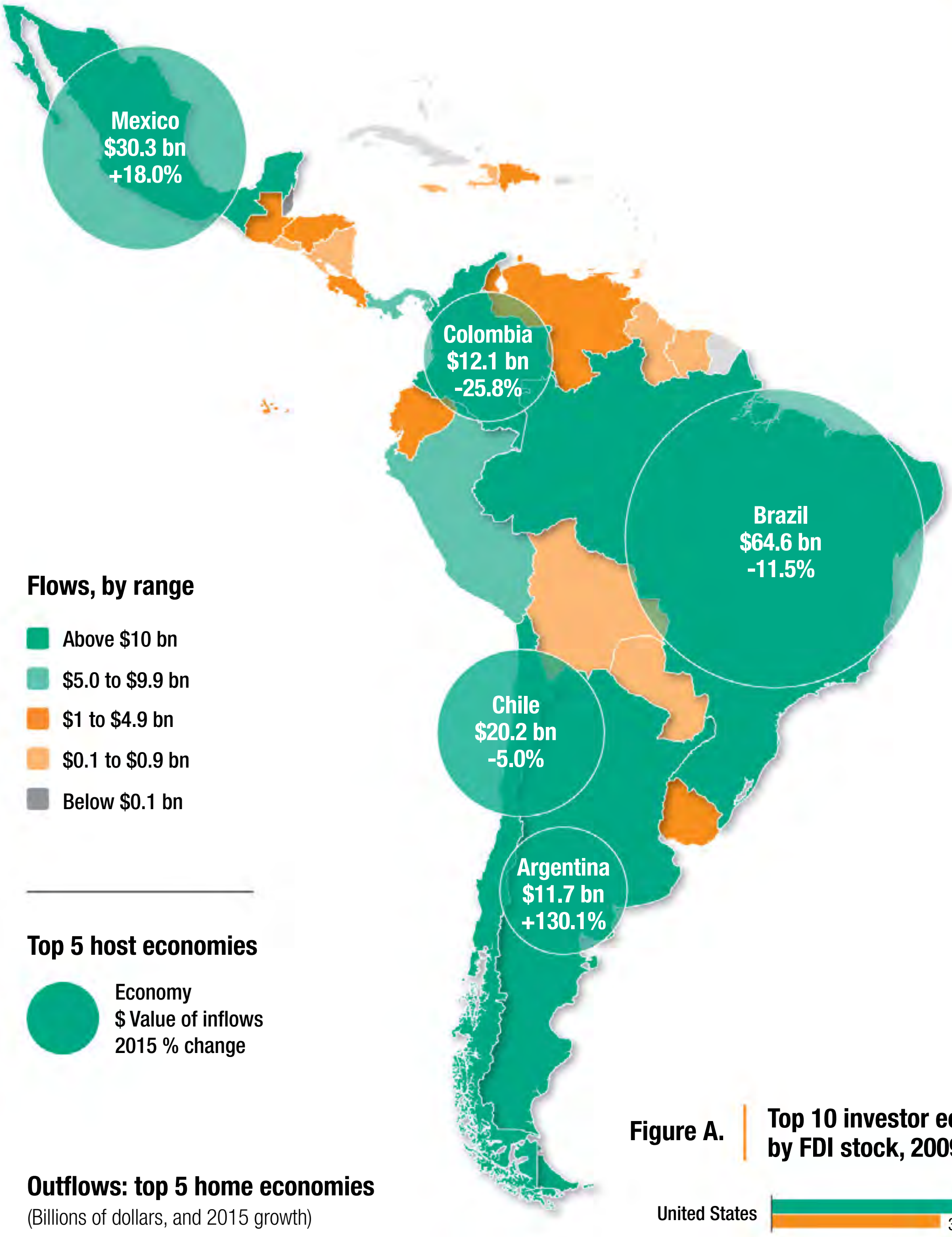
LATIN AMERICA & THE CARIBBEAN

FDI flows, top 5 host economies, 2015 (Value and change)

2015 Inflows
167.6 bn

2015 Decrease
-1.6%

Share in world
9.5%



Flows, by range

- Above $10 bn
- $5.0 to $9.9 bn
- $1 to $4.9 bn
- $0.1 to $0.9 bn
- Below $0.1 bn

Top 5 host economies

Economy
$ Value of inflows
2015 % change

Outflows: top 5 home economies
(Billions of dollars, and 2015 growth)

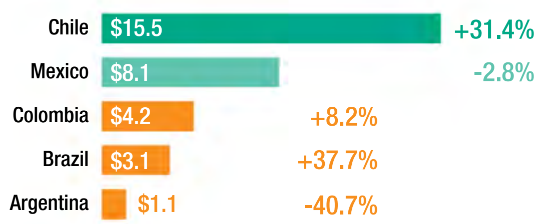
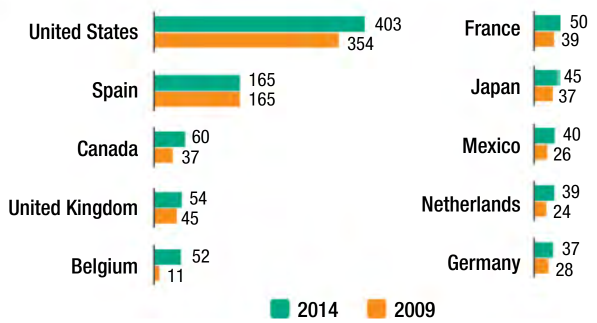


Figure A. Top 10 investor economies, by FDI stock, 2009 and 2014 (Billions of dollars)



Source: ©UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

HIGHLIGHTS

- FDI flows to South America dipped as its terms of trade further weakened
- Manufacturing FDI made gains in Central America
- Flows set to decline in 2016

Figure B. **FDI inflows, 2009–2015**
(Billions of dollars and per cent)

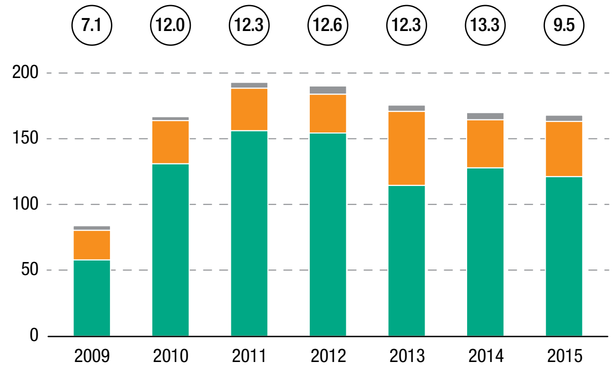
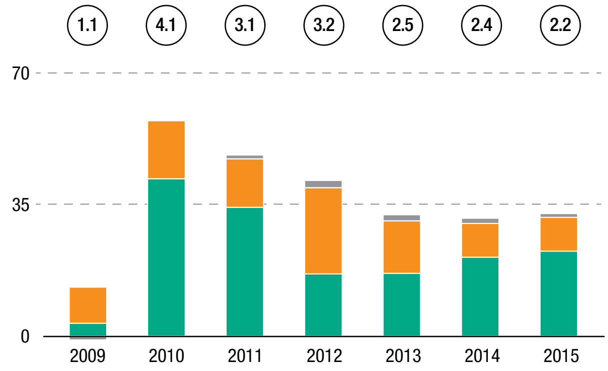


Figure C. **FDI outflows, 2009–2015**
(Billions of dollars and per cent)



Central America | South America | Caribbean, excluding financial centres | Share in world total

Table A. **Cross-border M&As by industry, 2014–2015** (Millions of dollars)

Sector/industry	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
Total	**25 565**	**12 134**	**8 490**	**5 340**
Primary	**392**	**638**	**-2 756**	**1 607**
Mining, quarrying and petroleum	188	631	-2 571	1 607
Manufacturing	**3 050**	**9 572**	**3 690**	**5 072**
Food, beverages and tobacco	-31	5 042	1 963	4 674
Coke and refined petroleum products	-5 317	-	-	-24
Basic metal and metal products	40	1 671	52	-
Non-metallic mineral products	300	2 432	1 375	-58
Services	**22 122**	**1 924**	**7 557**	**-1 339**
Electricity, gas, water and waste management	4 805	3 961	840	1 141
Transportation and storage	5 510	682	400	355
Information and communication	2 483	-6 555	219	-7 060
Financial and insurance activities	5 994	1 198	5 241	3 820

Table B. **Cross-border M&As by region/economy, 2014–2015** (Millions of dollars)

Region/economy	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
World	**25 565**	**12 134**	**8 490**	**5 340**
Developed economies	**17 987**	**6 278**	**8 131**	**733**
Europe	-1 548	-6 860	4 214	-4 331
North America	11 115	11 143	3 916	3 458
Other developed countries	8 420	1 995	-	1 606
Developing economies	**6 861**	**5 296**	**359**	**4 607**
Africa	1 094	-50	400	-
Latin America and the Caribbean	-201	4 497	-201	4 497
South America	288	3 540	-1 041	3 753
Central America	-488	922	840	666
Asia and Oceania	5 968	849	160	110
South, East and South-East Asia	4 968	849	-	110
Transition economies	**601**	**556**	**-**	**-**

Table C. **Announced greenfield FDI projects by industry, 2014–2015** (Millions of dollars)

Sector/industry	LAC as destination 2014	LAC as destination 2015	LAC as investor 2014	LAC as investor 2015
Total	**88 866**	**73 496**	**8 675**	**8 656**
Primary	**11 097**	**1 594**	**22**	**22**
Manufacturing	**33 022**	**35 048**	**3 601**	**3 710**
Food, beverages and tobacco	2 859	2 967	1 470	1 269
Coke, petroleum products and nuclear fuel	1 280	6 873	269	65
Non-metallic mineral products	464	1 419	167	1 166
Electrical and electronic equipment	2 665	2 206	86	77
Motor vehicles and other transport equipment	17 265	12 038	263	170
Services	**44 746**	**36 853**	**5 052**	**4 923**
Electricity, gas and water	11 663	16 733	453	430
Trade	2 550	2 085	1 059	853
Transport, storage and communications	18 141	8 748	2 215	1 752
Finance	4 110	3 471	962	652

Table D. **Announced greenfield FDI projects by region/economy, 2014–2015** (Millions of dollars)

Partner region/economy	LAC as destination 2014	LAC as destination 2015	LAC as investor 2014	LAC as investor 2015
World	**88 866**	**73 496**	**8 675**	**8 656**
Developed economies	**68 559**	**59 613**	**1 852**	**1 824**
Spain	9 684	9 803	80	150
United Kingdom	5 020	1 347	334	119
Canada	10 358	3 301	-	18
United States	23 856	21 061	1 257	1 244
Developing economies	**20 198**	**13 747**	**6 745**	**6 832**
China	8 072	3 700	282	179
Korea, Republic of	3 813	2 508	14	60
Latin America and the Caribbean	6 178	5 635	6 178	5 635
South America	3 250	3 417	4 294	4 462
Central America	2 648	1 992	1 120	772
Transition economies	**109**	**136**	**78**	**-**

FDI flows to Latin America and the Caribbean – excluding the Caribbean offshore financial centres – registered little change, as significant declines in the region's largest recipient – Brazil – and in Colombia were offset by increases in Mexico and Argentina. Slowing domestic demand and a worsening of the terms of trade caused by plummeting commodities prices hampered FDI flows. Net cross-border M&As sales registered a significant retreat (down 53 per cent), largely due to a sizeable telecommunications divestment in Brazil. During the year a clear gap opened between FDI in South America and in Central America, the latter performing significantly better in terms of economic growth and investment. FDI prospects remain muted in the region and may fall further in 2016.

Inflows

FDI to Latin America and the Caribbean – excluding the Caribbean offshore financial centres – stayed flat in 2015 at $168 billion.

FDI flows to Central America made gains in 2015, rising 14 per cent to $42 billion, mainly into manufacturing. Strong flows to Mexico (up 18 per cent to $30 billion) were the principal motor of FDI growth in Central America. FDI in automotive manufacturing continued to rise (up 31 per cent to $6 billion), reflecting the realization of at least some of the $26 billion in greenfield projects announced between 2012 and 2014. Cross-border M&A sales in the country rose significantly on the back of the completion of a number of megadeals, including the purchase of Grupo Lusacell SA de CV, a wireless telecommunications provider, by AT&T (United States) for $2.5 billion and the acquisition of Vitro SAB de CV, a glass and plastic bottling manufacturer, by Owens-Illinois Inc. (United States) for $2 billion. FDI flows in mining in Mexico retreated, falling from $2 billion to a net divestment of $29 million in 2015, reflecting the continued decline in minerals and metals prices (chapter I), as well as the sector's adjustment to a new fiscal framework that took effect at the beginning of the year.

Although FDI flows held steady or dipped slightly in other Central American countries, manufacturing investment proved to be resilient across the subregion, bolstered by continued growth in the United States, the primary trade partner. In El Salvador, despite a sharp decline in FDI in the information and communications industries, FDI flows rose by 38 per cent as FDI in manufacturing tripled. In Guatemala, in contrast, slowing FDI in the primary sector and a slump in FDI in retail and wholesale trade were largely responsible for the decline in inflows (down 13 per cent). Flows to Honduras rose moderately (up 5 per cent), with lower FDI across a number of sectors being offset by an increase in maquila-related manufacturing and a near doubling in financial and business services.

Elsewhere in Central America, FDI flows to Costa Rica rose slightly (by 4 per cent) as an increase in FDI in manufacturing and agriculture (from $64 million in 2014 to $467 million) was offset by a sharp reduction in FDI in real estate, which had accounted for more than a quarter of inflows in 2014. In Panama, rising reinvested earnings and greater inflows of intracompany loans to non-financial enterprises supported a 17 per cent increase in FDI inflows.

South America saw its FDI flows fall by 6 per cent to $121 billion, reflecting slowing domestic demand and worsening terms of trade caused by plummeting commodity prices. Investment in the region's extractive sector tapered in line with the deterioration of the prices of the region's principal commodities exports. To some extent, this reflected a slowdown in project execution, especially as MNEs in the sector grappled with the high levels of debt they had taken on during the boom years. However, FDI flows into the sector – and in South America more generally – were strongly affected by a decline in reinvested earnings, reflecting the impact of lower prices on profit margins. Governments in the region have taken a number of measures to bolster production and investment, reflecting the importance of the sector as a source of investment, foreign exchange and public revenues (box II.3).

FDI flows to Brazil, the region's principal recipient, fell 12 per cent to $65 billion. Overall investment activity in Brazil – measured by gross fixed capital formation – plummeted throughout the year, registering a cumulative decline of 14 per cent in real terms by the end of 2015. With the economy tipping into recession and corporate profits declining, reinvested earnings tumbled 33 per cent. FDI equity inflows were resilient, posting a modest 4 per cent gain. Despite a slump in car production, equity investment in the automotive industry rose sharply, as previously announced projects moved forward. FDI in the health care industry also surged, with equity inflows rising from $16 million to $1.3 billion, in response to the adoption of Law 13.097 in January, which created new opportunities for foreign investors. The falling value of the real also created opportunities to buy Brazilian assets at a discount. British America Tobacco Plc (United Kingdom), for example, purchased the outstanding shares that it did not own in its affiliate Souza Cruz S.A. for $2.45 billion. Nonetheless, significant declines in equity investment were registered in industries related to infrastructure.

An acceleration in the decline of minerals and metals prices significantly affected flows to Chile (down 5 per cent) and Peru (down 13 per cent). In Chile, the fall in FDI reflected a significant decline in new equity, due in part to unusually high activity in 2014 – when four acquisitions in excess of $1 billion were recorded. In Colombia, the overall decline in FDI (down 26 per cent) was driven by falling flows in the petroleum sector and in mining, which was softened by rising FDI in retail trade. Flows to the Plurinational State of Bolivia likewise retreated, falling 22 per cent, as FDI in the country's hydrocarbons sector declined in line with lower export prices.

FDI in the oil sector in Ecuador halved in 2015, but overall inflows rose 37 per cent on the back of significant flows in business services and manufacturing (principally due to a large investment from Peru). Likewise, in the Bolivarian Republic of Venezuela, despite FDI to the country's oil sector falling to a net divestment, overall inflows rose sharply led by an increase in intracompany loans to the non-oil sector.

In Argentina, FDI surged 130 per cent, although this is in part due to comparison with the abnormally low flows in 2014 when the Government compensated Repsol (Spain) for the nationalization of its majority-owned subsidiary YPF S.A. Excluding that transaction, inflows posted a more moderate increase of 15 per cent. FDI flows to Paraguay dipped 18 per cent, driven by lower equity inflows,

Box II.3. Investment promotion efforts for the extractive industry in South America

In an effort to boost production, South American governments actively stepped up their FDI attraction and retention efforts in the extractive sector during 2015. At the end of 2014, the Government of Argentina had revised tax rates for hydrocarbons exports again, adopting a new sliding scale for certain products, including crude oil, to bolster the competitiveness of domestic producers. Under the new system, exporters pay a tax rate of only 1 per cent when the price of Brent crude is below $79, compared with rates of up to 13 per cent under the regime adopted earlier in 2014. In February 2015, the Government announced the creation of the Crude Oil Production Stimulus Program (Programa de Estimulo a la Producción de Petróleo Crudo), through which it was set to pay production and export subsidies, up to $6 per barrel, during the 2015 calendar year.

In October, the Government of Ecuador presented a portfolio of 25 new mining exploration areas, as well as 17 oil blocks, as part of an effort to attract greater investment, especially foreign investment, in exploration and production during the 2016–2020 period. In December, the Government of the Plurinational State of Bolivia enacted a law for the promotion of investment in the exploration and exploitation of hydrocarbons (Ley de Promoción para Inversión en Exploración y Explotación Hidrocarburífera). The law stipulates that a portion of the revenues generated from the Direct Hydrocarbons Tax (IDH) will be deposited in a fund to finance production incentives meant to promote greater investment, and increase the country's reserves and output of hydrocarbons.

Some of these efforts have already generated substantial FDI commitments. In Argentina, for example, Chevron Corporation (United States) and Petronas (Malaysia) have initiated projects – both with FDI in excess of $1 billion over the lifetime of the projects – to further explore oil and shale gas in the country's Vaca Muerta formation. Total (France) and BG Gas (United Kingdom) have also announced plans to invest $1.1 billion to expand exploration and production of natural gas in the Plurinational State of Bolivia in the coming years.

Source: ©UNCTAD.

which more than halved. Uruguay also experienced a decline in FDI (down 25 per cent), largely due to lower investment in real estate and in the purchase of land.

FDI flows to Caribbean economies retreated 12 per cent, led by a sharp decline in Trinidad and Tobago. The decline of inflows in the country (down 35 per cent), the largest recipient of FDI in the subregion, reflected the unusually high level of FDI in 2014 owing to the sale of Methanol Holdings Trinidad Limited for $1.2 billion. Excluding this transaction, flows fell a more moderate 9 per cent. FDI in the Dominican Republic was largely unchanged (up 0.6 per cent), with a doubling of flows in tourism and real estate offsetting declining flows into electricity generation. In Jamaica the rise of inflows by 34 per cent was associated with activity in the hotel sector as well as FDI in infrastructure and business process outsourcing.

Outflows

Decelerating economic growth and depreciating currencies strongly affected the composition of outward FDI flows from the region. During the past decade, the region's MNEs internationalized significantly, in many cases thanks to cheap financing in United States dollars. Debt issuance by companies from Brazil, Chile, Colombia, Mexico and Peru jumped between 2007 and 2014 (IMF, 2015b). As regional economic growth slows and national currencies tumble relative to the dollar, debt repayments are now beginning to rise, often at the expense of capital expenditures and acquisitions. New equity investments – which encompass M&As as well as the establishment of new affiliates and projects – evaporated throughout the year, falling from $10 billion in the first quarter to just $2 billion in the last quarter of the year. Likewise, the value of cross-border M&As carried out by the region's MNEs fell 37 per cent in value to $5 billion, its lowest level since 2008.

Despite this difficult context, FDI outflows from the region rose 5 per cent to $33 billion in 2015, driven principally by changes in debt flows. In Brazil outward FDI rose a surprisingly strong 38 per cent, despite a marked decline in equity investment. This increase predominantly reflected a significant reduction in reverse investment by Brazilian foreign affiliates. In recent years, these subsidiaries raised significant debt in international markets and funnelled the proceeds to their Brazilian parents through intracompany loans (Central Bank of Brazil, 2015). These transactions, which subtract from outflows when calculated on a directional basis, totalled $24 billion in 2014, before falling to $11 billion in 2015. Given their magnitude, these flows have strongly affected the region's overall trends in outward FDI.

In Chile, outflows rose 31 per cent to $16 billion, due entirely to a large increase in the provision of intracompany loans to foreign affiliates; equity investment and reinvested earnings both fell sharply. Chilean MNEs, especially in retail, had rapidly expanded their operations in Argentina and Brazil in recent years, where the deterioration in economic and financial conditions has weighed heavily on the operations of affiliates. For example, Cencosud (Chile) loaned $350 million to its subsidiary in Brazil, where interest rates are increasing, so that the latter could pay off its domestic debts. Intracompany loans were also boosted by a strong pass-through effect in the third quarter of the year, when debt inflows spiked to $7.7 billion and debt outflows to $9.4 billion.

Prospects

UNCTAD forecasts that FDI inflows in Latin America and the Caribbean could decline by 10 per cent in 2016, falling to $140–160 billion. Macroeconomic conditions will remain challenging, with the region projected to slip further into recession in 2016 (IMF, 2016). Weak domestic demand led by softening private consumption, coupled with the potential for further currency depreciation, will weigh on investment in domestic manufacturing as well as in the services sector. A further decline in the prices of the region's principal export commodities will likely serve to delay investment projects in the extractive industry as well as crimp reinvested earnings.

The value of announced greenfield projects dropped 17 per cent from 2014, to $73 billion, led by an 86 per cent decline in the extractive sector in 2015 (table C). This largely accords with the capital expenditure plans of the region's major State-owned oil companies – Petrobras (Brazil), Ecopetrol (Colombia) and Pemex (Mexico) – which also foresee a sharp reduction in their investment outlays in the medium term. Lower project announcement values were also registered in the services sector, due principally to a significant pullback in transportation and communications as well as in retail and wholesale trade. Preliminary data for the first quarter of 2016 suggest that greenfield investments will continue to be weak, with the number of projects falling 19 per cent and their value sliding 18 per cent, compared with the same period in the previous year. M&A activity in the first part of 2016 was also well below the quarterly average in previous years.

These trends notwithstanding, a number of factors point to an uptick in FDI inflows. For example, national currency depreciation may motivate the acquisition of assets in the region. Cross-border M&As in the first quarter of 2016 were up sharply (80 per cent), thanks to higher net sales in Brazil, Chile and Colombia, though the comparison is somewhat skewed by what was an extremely weak first quarter in 2015.

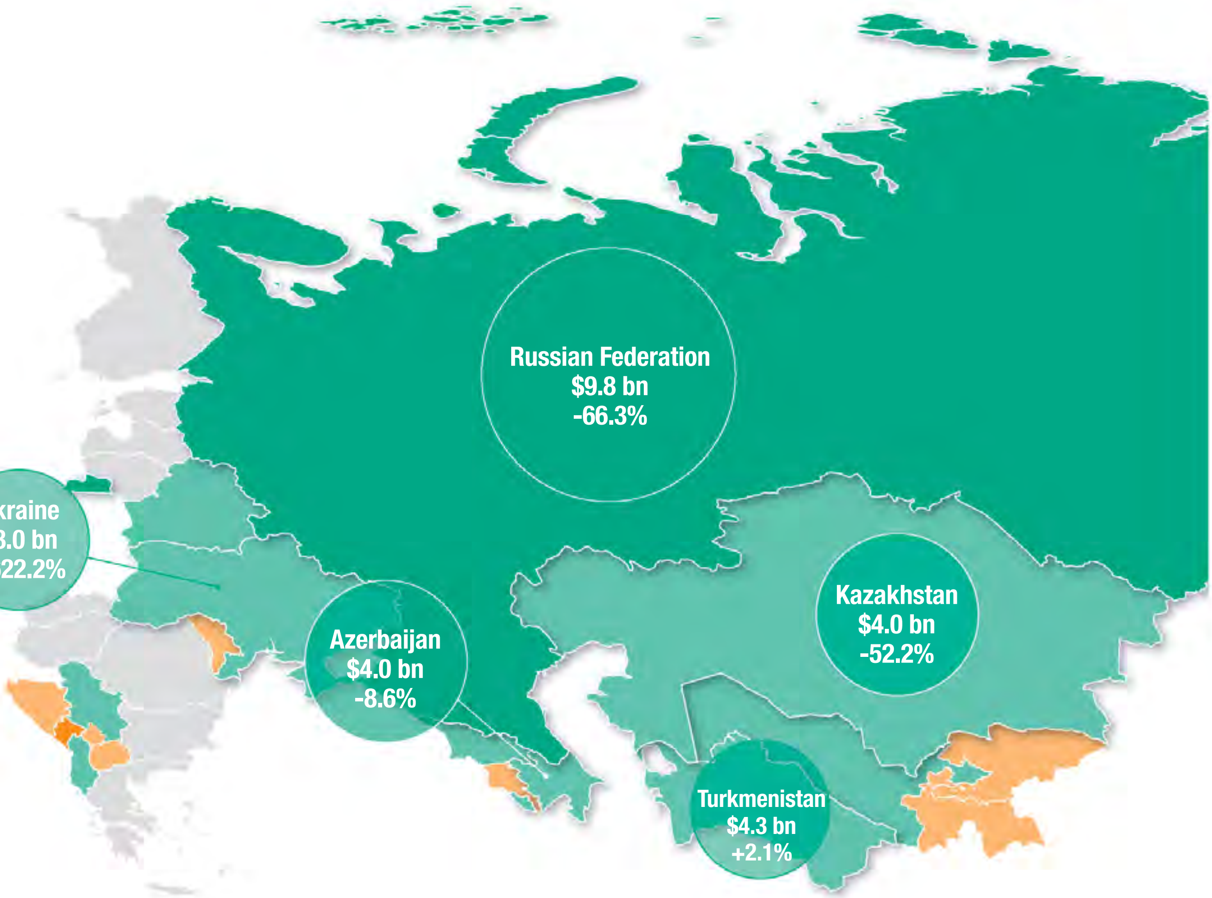
TRANSITION ECONOMIES

FDI flows, top 5 host economies, 2015 (Value and change)

2015 Inflows
35 bn

2015 Decrease
-38%

Share in world
2%



Flows, by range

- Above $5.0 bn
- $1.0 to $4.9 bn
- $0.5 to $0.9 bn
- Below $0.5 bn

Top 5 host economies

Economy
$ Value of inflows
2015 % change

Outflows: top 5 home economies
(Billions of dollars, and 2015 growth)

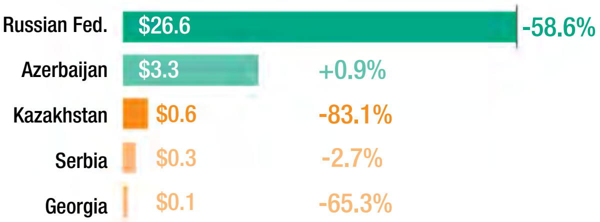
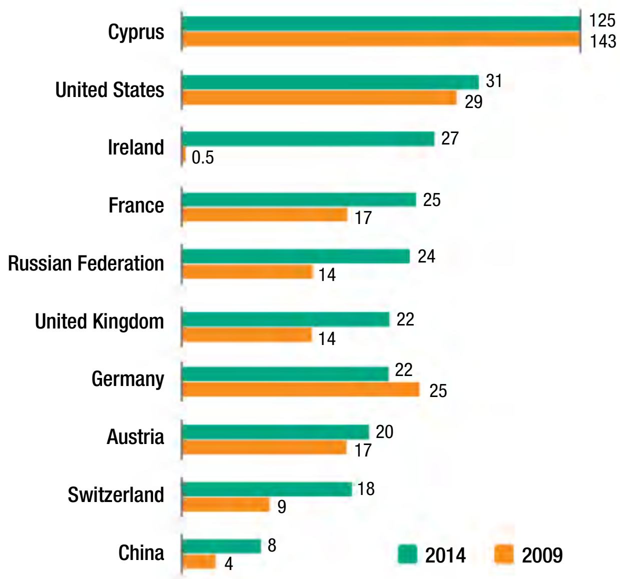


Figure A. Top 10 investor economies, by FDI stock, 2009 and 2014 (Billions of dollars)



Source: ©UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

HIGHLIGHTS

- FDI flows to transition economies fell to their lowest level since 2005
- Reduced access to international capital markets hindered outward FDI
- Inflows are expected to increase modestly in 2016

Figure B. FDI inflows, 2009–2015
(Billions of dollars and per cent)

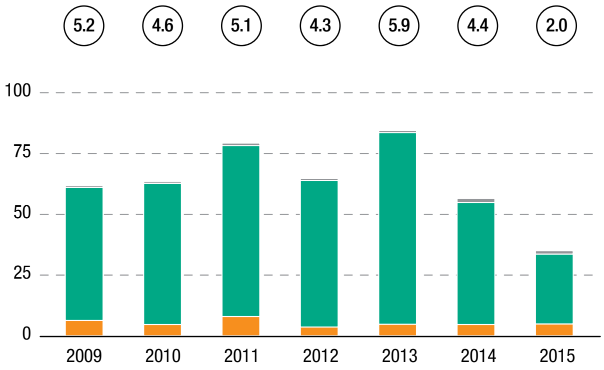
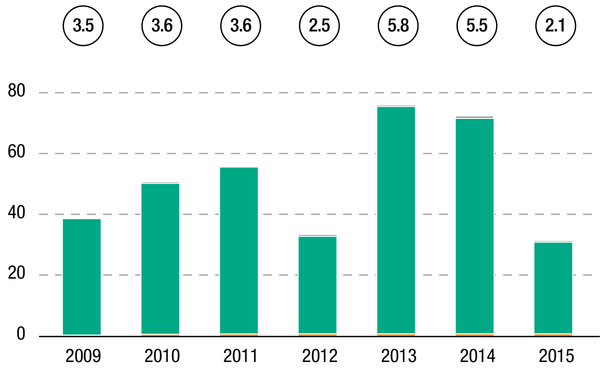


Figure C. FDI outflows, 2009–2015
(Billions of dollars and per cent)



Commonwealth of Independent States | South-East Europe | Georgia | Share in world total

Table A. Cross-border M&As by industry, 2014–2015 (Millions of dollars)

Sector/industry	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
Total	**4 125**	**9 421**	**1 558**	**4 358**
Primary	**2 907**	**7 953**	**2 526**	**3 859**
Mining, quarrying and petroleum	2 907	7 949	2 526	3 858
Manufacturing	**1 309**	**-355**	**-2 491**	**-304**
Coke and refined petroleum products	134	-300	59	-300
Pharmaceuticals, medicinal chemicals and botanical products	379	96	-	-
Basic metal and metal products	24	5	-2 406	-4
Motor vehicles and other transport equipment	750	-171	-	-
Services	**-91**	**1 822**	**1 524**	**803**
Electricity, gas, water and waste management	-1 267	244	-	281
Transportation and storage	57	159	13	3
Financial and insurance activities	-251	4	1 475	1 250
Business activities	1 361	1 201	-	-755

Table B. Cross-border M&As by region/economy, 2014–2015 (Millions of dollars)

Region/economy	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
World	**4 125**	**9 421**	**1 558**	**4 358**
Developed economies	**1 719**	**6 214**	**-251**	**6 419**
European Union	439	6 380	2 184	5 589
Cyprus	5 034	850	20	7
Netherlands	-1 284	-491	-	23
United Kingdom	-1 013	5 780	-	5 384
United States	487	-200	-2 414	-10
Developing economies	**1 363**	**4 406**	**857**	**-749**
South Africa	-6	1 200	-	-
China	1 642	1 121	-	-
Malaysia	-	2 250	-	-
Transition economies	**953**	**-1 312**	**953**	**-1 312**
Russian Federation	1 096	-1 288	-173	93

Table C. Announced greenfield FDI projects by industry, 2014–2015 (Millions of dollars)

Sector/industry	Transition economies as destination 2014	Transition economies as destination 2015	Transition economies as investor 2014	Transition economies as investor 2015
Total	**25 290**	**35 648**	**5 948**	**15 321**
Primary	**391**	**1 273**	**931**	**44**
Mining, quarrying and petroleum	391	1 273	931	44
Manufacturing	**15 215**	**21 434**	**1 719**	**9 480**
Food, beverages and tobacco	1 738	5 246	376	168
Coke, petroleum products and nuclear fuel	126	5 481	171	7 731
Metals and metal products	601	2 771	123	154
Motor vehicles and other transport equipment	4 311	1 156	319	522
Services	**9 684**	**12 941**	**3 298**	**5 797**
Electricity, gas and water	3 172	1 466	355	962
Construction	1 458	6 533	97	-
Transport, storage and communications	1 437	2 013	1 121	3 692
Finance	1 798	570	1 042	326

Table D. Announced greenfield FDI projects by region/economy, 2014–2015 (Millions of dollars)

Partner region/economy	Transition economies as destination 2014	Transition economies as destination 2015	Transition economies as investor 2014	Transition economies as investor 2015
World	**25 290**	**35 648**	**5 948**	**15 321**
Developed economies	**12 286**	**13 491**	**1 637**	**2 310**
European Union	9 562	10 933	1 473	2 005
Germany	2 044	1 622	118	142
United Kingdom	748	1 401	2	108
United States	1 747	981	34	200
Developing economies	**11 006**	**18 097**	**2 313**	**8 951**
Asia	10 891	18 003	2 114	4 542
China	8 338	4 745	805	738
United Arab Emirates	122	5 629	45	129
Viet Nam	64	3 734	7	140
Transition economies	**1 998**	**4 059**	**1 998**	**4 059**
Russian Federation	1 618	3 470	51	194

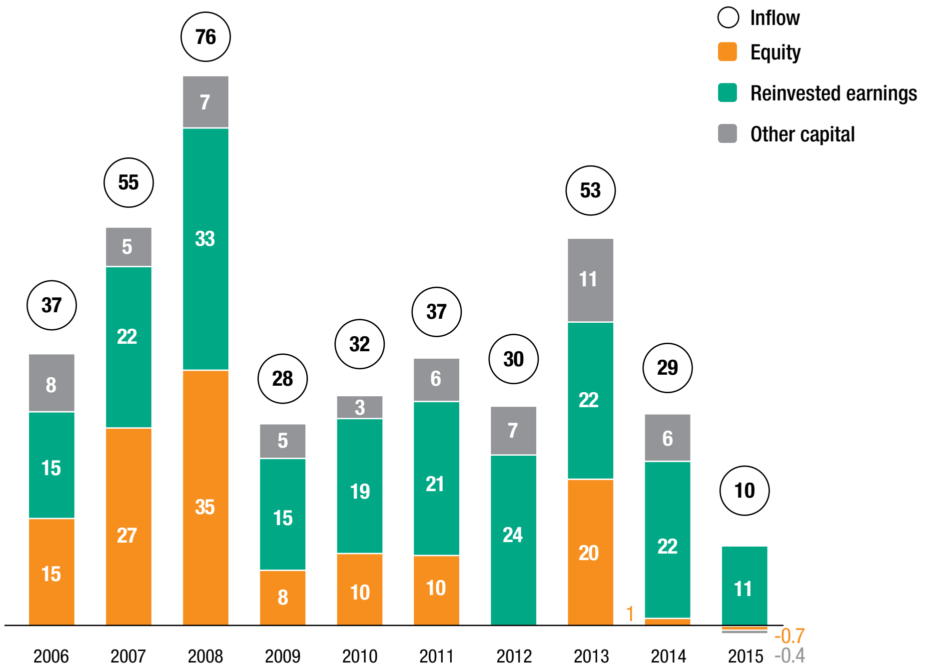
In 2015, FDI flows to and from transition economies declined further, to levels last seen almost 10 years ago. In the Commonwealth of Independent States (CIS), FDI inflows continued to contract sharply in a situation of low commodity prices, weakening domestic markets, regulatory changes, and the direct and indirect impacts of geopolitical tensions. South-East Europe recorded a modest rise of inflows, mainly in the manufacturing sector. Outward FDI from transition economies also slowed down, with acquisitions by Russian MNEs – the region's largest investors – hampered by sanctions and reduced access to international capital markets. After this slump, FDI flows to transition economies are expected to increase moderately, as large privatization plans announced in some CIS countries, if realized, will open new avenues for foreign investment.

Inflows

Reduced investment in the Russian Federation and Kazakhstan resulted in the lowest levels of FDI in transition economies in almost a decade. In 2015, FDI flows to transition economies fell by 38 per cent to $35 billion. The FDI performance of transition subgroups differed: in South-East Europe, FDI inflows increased by 6 per cent to $4.8 billion, as better macroeconomic situations and the EU accession process continued to improve investors' risk perception. In contrast, FDI flows to the CIS and Georgia declined by 42 per cent to $30 billion. The Russian Federation and Kazakhstan saw their FDI flows more than halve from their 2014 level, while flows to Belarus declined slightly. FDI to Ukraine, by contrast, increased more than seven times, to $3 billion.

The Russian Federation recorded FDI flows of $9.8 billion, a 66 per cent contraction from the previous year. FDI flows were mainly in the form of reinvested earnings, as new FDI flows almost dried up (figure II.6). Falling oil prices and geopolitical tensions continued to damage economic

Figure II.6. **Russian Federation: FDI inflows, total and by component, 2006–2015**
(Billions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

growth prospects and erode investor interest in the country. The scaling back of operations and a string of divestment deals resulted in negative equity flows. Likewise, intracompany loans declined from $6.4 billion in 2014 to –$0.4 billion in 2015 and may have also responded to currency movements. With consumer confidence weakening, some large MNEs reduced their presence in the country, especially in manufacturing (for example, General Motors (United States)) and banking (for example, Deutsche Bank (Germany) and Raiffeisen Bank (Austria)). Others completed their retreat from the country altogether (box II.4). A new law that limits FDI in all media to 20 per cent also triggered a string of divestment deals (Pearson (United Kingdom) and Dow Jones (United States), for example, sold their stakes in the Russian business newspaper Vedemosti, and the German group Axel Springer withdrew from the market).

The economic crisis and regulatory changes in the Russian Federation have also reduced the scale and scope of round-tripping FDI. Within less than two years, from 2013 to September 2015, FDI stock from Cyprus – the largest investor in, and recipient of, FDI from Russia – decreased by 50 per cent. Besides the depreciating currency, this contraction also reflects the economic difficulties affecting Russian investors that use Cyprus as an offshore base to reinvest back in the country. A new Russian anti-offshore law adopted at the end of 2014 is also biting. In addition, some of the investments in offshore centres are transhipped to third countries, rather than recycled back into the home country. This trend is the main reason for the drop in 2015 of the British Virgin Islands to eighth place in the ranking of the largest foreign investors in the Russian Federation (down from second in 2009), although the territory still remains the second largest destination of Russian outward FDI stock, according to the Bank of Russia (figure II.7).

In other resource-based economies in the CIS, the combined effects of a drop in energy prices, the deepening economic crisis in the region and economic slowdowns in major trading partners also had adverse effects. FDI flows to Kazakhstan more than halved, to $4 billion in 2015, reflecting the challenge of adjusting to a large terms-of-trade shock in a context of declining domestic and external demand. Foreign MNEs, mainly in the oil and gas industry, have shelved their spending on new projects, while low energy prices have shrunk their profits, resulting in negative reinvested earnings for the first time. FDI flows declined also in other Central Asian countries, as Russian investors reduced their presence in the region. In contrast, FDI flows to Ukraine increased from $410 million in 2014 to $3 billion in 2015, mainly owing to large recapitalization needs in the banking sector and the privatization of the 3G mobile network through licence sales.

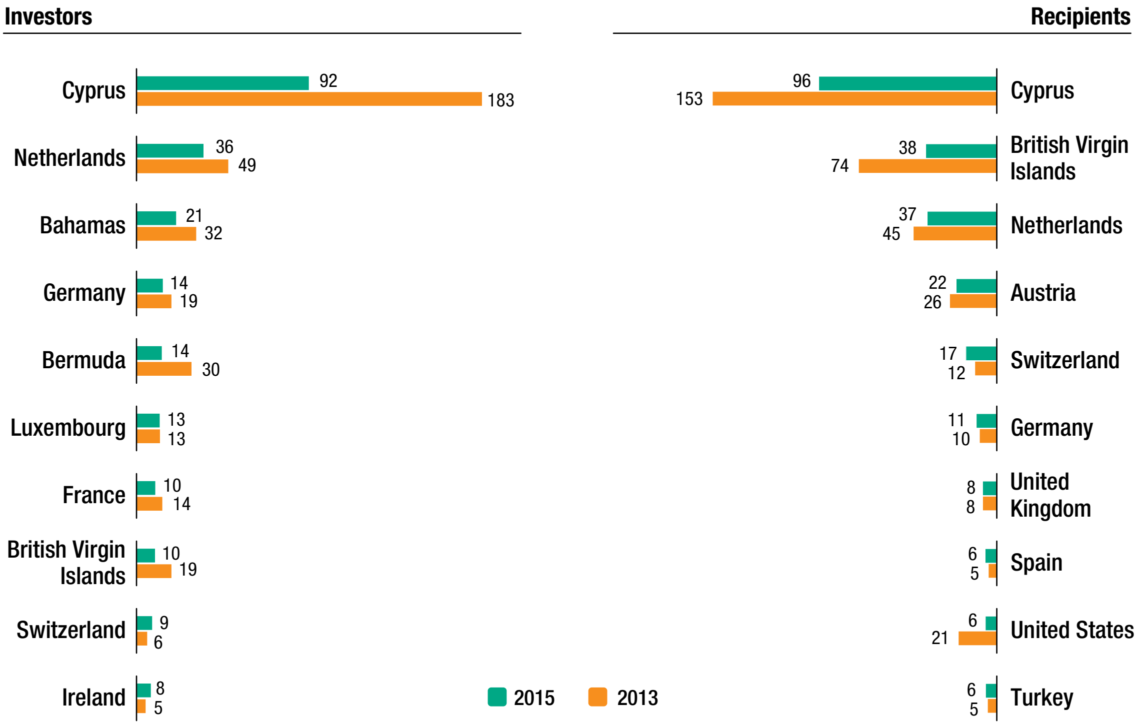
Box II.4. The divestment of ConocoPhillips from the Russian Federation

In 2015, ConocoPhillips (United States), one of the pioneers of foreign investment in the Russian oil and gas industry, completed a full divestment from the country by selling its share of the Polar Lights joint venture with Rosneft. Conoco's decision to leave the Russian Federation after more than 25 years highlights the challenges facing foreign investors in the country's energy sector, which has been hit by political tensions and a fall in oil prices.

Conoco's withdrawal was also the result of a string of disappointing investments in the country and a change of the company's strategic focus toward developed countries, and North America in particular. Before its merger with Phillips, Conoco was one of the earliest Western oil groups to invest in the Russian Federation, having started negotiations before the collapse of the Soviet Union. Its Polar Lights joint venture, registered in 1992, made it the largest foreign investor in the Russian energy sector in the early 1990s. In 2004, the company increased its commitment in the country, taking an 8 per cent stake in Lukoil, one of the country's largest oil producers, which it later raised to 20 per cent. However, the investment failed to give Conoco the access to the vast Russian oil and gas reserves that it had hoped for, and by 2011, it had sold off its stake. It also retreated from other parts of the region, selling a 30 per cent stake in a joint venture with Lukoil in 2012 and its stake in Kazakhstan's Kashagan field in 2013.

Source: ©UNCTAD, based on "Conoco quits Russia after 25 years", *Financial Times*, 22 December 2015.

Figure II.7. **Russian Federation: top 10 investors and recipients by FDI stock, 2013 and 2015**
(Billions of dollars)



Source: ©UNCTAD, based on data from the Central Bank of Russia.
Note: As of 30 September 2015. Including data for Caribbean offshore financial centres and special purpose entities.

However, some foreign investors continued to invest in the primary sector in CIS economies. For example, Gaetano Ltd. (United Kingdom), a private equity firm, acquired Kumi Oil OOO in the Russian Federation, and the Malaysian State-owned Petronas acquired a 15.5 per cent stake in Azerbaijan Gas Supply Co. for $2.25 billion. A Kazakh-Chinese investment fund was also established in 2015 with the participation of the China-Eurasia Economic Cooperation Fund (50 per cent) and Kazakhstan's National Holding Baiterek (50 per cent). The Fund, which has an initial capital of $500 million, will invest in Kazakhstan's economy to finance investments in industries such as steel, non-ferrous metals, sheet glass, oil refining, hydropower and automobiles.

FDI in the CIS also declined drastically in some manufacturing activities, such as automotive production. In the past decade, the increase of FDI inflows in the transition economies' automotive industries was fuelled by foreign manufacturers' search for low-cost, high-skilled labour and access to a growing market. An industrial assembly policy allowing zero customs duties on a long list of auto parts also encouraged many key players in the international car-manufacturing market to open production facilities in transition economies. In 2015, for the first time since 2000, the share of cars produced by foreign companies in the Russian Federation declined by four percentage points from the preceding year (from 75 per cent to 71 per cent). Much of this drop was due to the closure of the General Motors (United States) factory in Saint Petersburg, but the one-quarter contraction of the Niva SUV output also played a part. In contrast, Ford (United States) opened a new $275 million engine plant in Yelabuga to supply its Ford Sollers joint venture and its own plant in the Saint Petersburg region.

In South-East Europe, the rise of FDI flows was mainly driven by European investors, although the presence of investors from the South is growing. FDI flows in the subregion were largely directed towards manufacturing industries, such as food and tobacco, chemicals, textiles and garments, automobiles and pharmaceutical industries. FDI flows rose in Serbia and Montenegro, while those to Albania remained above $1 billion. In the former Yugoslav Republic of Macedonia, FDI flows declined. While eurozone countries (Austria, the Netherlands, Greece and Italy) remained the major investors in the subgroup, investors from developing countries such as the United Arab Emirates and China are increasingly active.

Outflows

MNEs from transition economies more than halved their investment abroad. Sanctions, sharp currency depreciation and constraints in the capital markets reduced outward FDI to $31 billion in 2015. As in previous years, Russian MNEs accounted for most of the region's outflows, followed by MNEs from Azerbaijan. Flows from the Russian Federation slumped to $27 billion in 2015, a value last recorded in 2005. Similar to inflows, investments to Cyprus, the largest destination for Russian FDI, contracted sharply ($6.6 billion in 2015, compared with $23 billion in 2014). Investments from Russian MNEs also decreased in major developed countries such as the United States, the United Kingdom, Germany and the Netherlands. However, significant acquisitions still took place in 2015: Sacturino Ltd (Russian Federation), for example, acquired the remaining shares of Polyus Gold International Ltd (United Kingdom) for $1 billion.

Prospects

After the slump in 2015, FDI flows to transition economies are expected to increase in the range of $37–47 billion in 2016, barring any further escalation of geopolitical conflicts in the region. In South-East Europe, the EU integration process and increasing regional cooperation will likely support FDI inflows. In the CIS, FDI is expected to increase, as some companies with hefty debt burdens and reduced access to the international capital market are forced to sell equity stakes; for example, Rosneft, the largest Russian oil producer, decided to sell 29.9 per cent of its Taas-Yuriakh subsidiary, which operates one of the largest oil and gas fields in eastern Siberia, to a consortium of three Indian companies: Oil India, Indian Oil and Bharat PetroResources. Furthermore, several countries, including Kazakhstan, the Russian Federation and Uzbekistan, have announced large privatization plans in response to ballooning current account deficits and depleted foreign exchange reserves, resulting from the depreciation of their currencies and low energy prices (box II.5).

Greenfield investments announced in 2015 support projections of a moderate FDI rebound over the next few years. Investment projects in the primary sector and related manufacturing industries, and in construction, as well as in food, beverages and tobacco, supported a 41 per cent increase compared with 2014, compensating the decline in the automotive industry (table C). Investors from developing countries, particularly from the United Arab Emirates and Viet Nam, were responsible for the increasing value in greenfield investment in 2015, overtaking developed-country investors (table D). For example, the TH Group, one of Viet Nam's leading milk suppliers, is expected to invest $2.7 billion in a cow breeding and dairy processing facility in Moscow.

Prospects for outward FDI will depend on the ability of Russian MNEs to improve their financial standing. The value of greenfield projects announced by MNEs from transition economies almost tripled in 2015, largely driven by energy-related manufacturing and to a lesser extent by services (see table C). Most of this investment is directed at developing and transition economies (see table D).

Box II.5. The revival of privatization plans in CIS countries

The deepening economic crisis has galvanized policymakers to revive or accelerate privatization plans in some CIS countries.

At the end of 2015, the Government of Kazakhstan announced the largest privatization of State-owned companies since the country became independent in 1991. Large industrial companies including the oil and gas group KazMunaiGas (KMG), Kazakhtelecom (the main telecommunication operator), Kazakhstan Temir Zholy (the national railway), Kazatomprom (the nuclear holding company) and Samruk Energy (an energy business), are set to sell equity stakes to foreign investors ahead of planned stock market listings. With State assets accounting for 40 per cent of Kazakhstan's GDP, privatization is expected to attract foreign investment. Also included among 60 companies planned for privatization are the Government's 40 per cent stake in Eurasian Resources Group (the miner formerly known as ENRC), Air Astana (the flag carrier part-owned by BAE), Astana airport, the Caspian Sea port of Aktau and smaller groups such as a sanatorium in Almaty and the operator of an international free trade zone by the Chinese border.

In November 2015, Uzbekistan also announced plans to privatize 68 large companies – including Kizilkumcement, the country's biggest cement maker, chemical producer Ferganaazot and electronics plant Foton – to attract strategic investors who can bring new technology and capital equipment, and introduce modern production methods and competitive products. Initially, foreign investors will be able to buy only minority stakes, which will nonetheless give them priority rights to buy out the firms completely in the future.

In the same vein, the Russian Government announced in 2016 new privatization measures of significant State-owned companies, including 50 per cent of the oil firm Bashneft, as well as a 10.9 per cent stake in both the diamond miner Alrosa and VTB bank.

Source: ©UNCTAD.

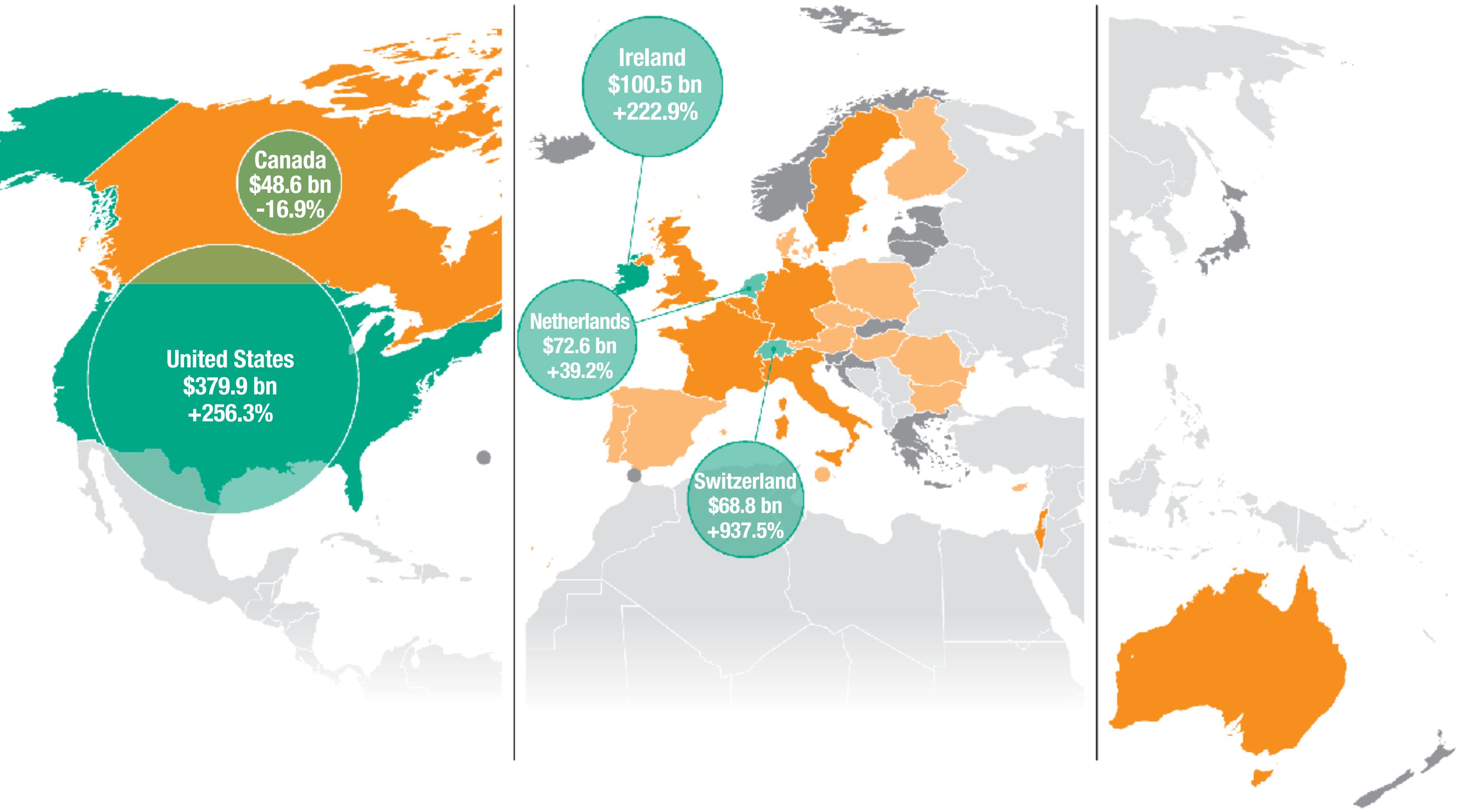
DEVELOPED COUNTRIES

FDI flows, top 5 host economies, 2015 (Value and change)

2015 Inflows
962.5 bn

2015 Increase
+84.4%

Share in world
54.6%



Flows, by range

- Above $100 bn
- $50 to $99 bn
- $10 to $ 49 bn
- $1 to $9 bn
- Below $1 bn

Top 5 host economies

Economy
$ Value of inflows
2015 % change

Outflows: top 5 home economies
(Billions of dollars, and 2015 growth)

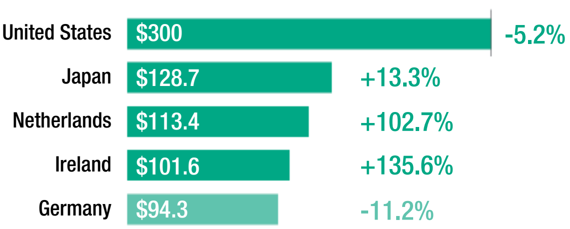
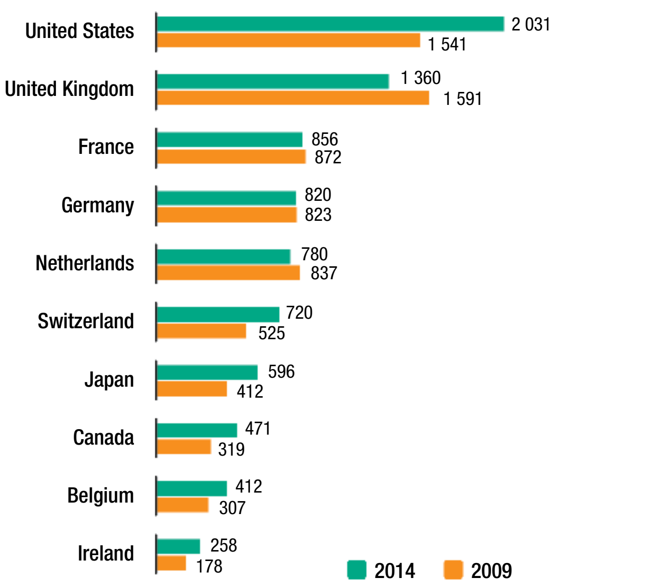


Figure A. **Top 10 investor economies, by FDI stock, 2009 and 2014** (Billions of dollars)



Source: ©UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

HIGHLIGHTS

- FDI inflows bounced back to their highest level since 2007
- Europe became the world's largest investor region
- The recovery of FDI is unlikely to be sustained in 2016

Figure B. **FDI inflows, 2009–2015**
(Billions of dollars and per cent)

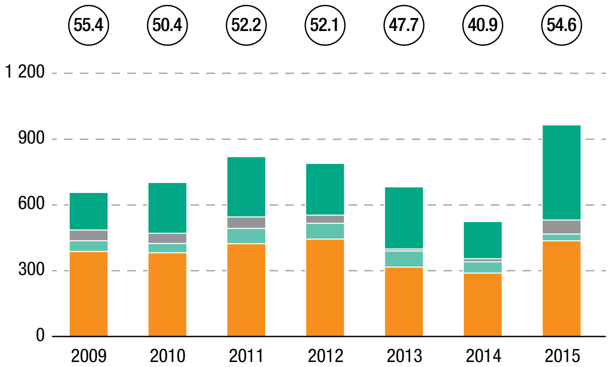
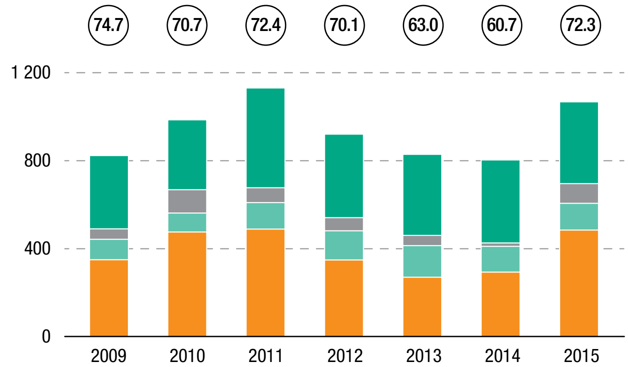


Figure C. **FDI outflows, 2009–2015**
(Billions of dollars and per cent)



North America | Other developed countries | European Union | Other developed Europe | Share in world total

Table A. **Cross-border M&As by industry, 2014–2015** (Millions of dollars)

Sector/industry	Sales		Purchases	
	2014	2015	2014	2015
Total	**301 171**	**630 853**	**256 853**	**585 860**
Primary	**30 050**	**15 661**	**-3 019**	**-15 315**
Mining, quarrying and petroleum	28 496	14 232	-3 276	-15 847
Manufacturing	**169 951**	**354 495**	**150 585**	**359 853**
Chemicals and chemical products	25 405	47 208	27 218	18 991
Pharmaceuticals, medicinal chemicals and botanical products	44 136	114 154	45 264	144 955
Computer, electronic, optical products and electrical equipment	24 199	25 135	14 841	34 642
Non-metallic mineral products	2 542	27 780	42	25 288
Services	**101 170**	**260 697**	**109 286**	**241 322**
Transportation and storage	11 960	29 038	8 336	12 661
Information and communication	-76 849	34 683	-86 774	32 738
Financial and insurance activities	30 151	79 784	100 162	172 631
Business activities	70 210	70 598	31 808	21 106

Table B. **Cross-border M&As by region/economy, 2014–2015** (Millions of dollars)

Region/economy	Sales		Purchases	
	2014	2015	2014	2015
World	**301 171**	**630 853**	**256 853**	**585 860**
Developed economies	**225 619**	**541 720**	**225 619**	**541 720**
Europe	47 113	302 135	189 176	259 136
North America	126 834	192 963	18 666	274 624
Other developed countries	51 672	46 621	17 778	7 960
Developing economies	**59 424**	**72 361**	**29 514**	**37 926**
Africa	1 675	-162	-8 231	21 574
Latin America and the Caribbean	8 131	733	17 987	6 278
Asia	48 581	71 789	19 505	10 460
China	25 444	27 387	1 909	3 035
Hong Kong, China	8 405	9 924	506	11 440
Oceania	1 037	-	253	-385
Transition economies	**-251**	**6 419**	**1 719**	**6 214**

Table C. **Announced greenfield FDI projects by industry, 2014–2015** (Millions of dollars)

Sector/industry	Developed countries as destination		Developed countries as investor	
	2014	2015	2014	2015
Total	**232 808**	**261 466**	**487 287**	**485 585**
Primary	**1 865**	**7 741**	**34 772**	**32 348**
Mining, quarrying and petroleum	1 865	7 741	34 772	32 348
Manufacturing	**104 705**	**112 080**	**221 602**	**212 205**
Textiles, clothing and leather	18 919	17 453	23 734	21 938
Chemicals and chemical products	15 246	17 596	32 652	29 627
Electrical and electronic equipment	6 482	10 665	14 560	26 034
Motor vehicles and other transport equipment	22 453	27 565	59 194	49 013
Services	**126 239**	**141 645**	**230 912**	**241 032**
Electricity, gas and water	17 332	27 950	47 635	70 236
Construction	21 385	27 784	25 267	33 990
Transport, storage and communications	19 006	14 511	46 828	28 763
Business services	37 774	44 737	56 081	59 383

Table D. **Announced greenfield FDI projects by region/economy, 2014–2015** (Millions of dollars)

Partner region/economy	Developed countries as destination		Developed countries as investor	
	2014	2015	2014	2015
World	**232 808**	**261 466**	**487 287**	**485 585**
Developed economies	**188 875**	**225 842**	**188 875**	**225 842**
Europe	112 023	142 369	106 687	133 743
North America	56 350	57 115	62 231	71 642
Other developed countries	20 502	26 357	19 957	20 458
Developing economies	**42 296**	**33 314**	**286 126**	**246 252**
Africa	1 153	699	63 866	39 039
Asia	39 291	30 677	152 583	147 187
China	20 581	9 185	46 427	32 814
India	2 844	6 997	18 387	35 345
Latin America and the Caribbean	1 852	1 824	68 559	59 613
Oceania	-	115	1 119	414
Transition economies	**1 637**	**2 310**	**12 286**	**13 491**

After three successive years of contraction, FDI inflows to developed countries bounced back sharply to $962 billion in 2015, the highest level since 2007. Buoyant cross-border M&As within developed economies, in particular acquisitions of assets in the United States by foreign MNEs, were the major contributing factor. Strategic considerations, but also tax optimization, drove acquisitions and corporate restructuring in industries such as pharmaceuticals. At the same time, sluggish commodity prices weighed on FDI in the primary sector in Australia and Canada. Outward FDI from developed countries also performed well, leaping to $1.1 trillion in 2015. Europe became the world's largest investor region, while foreign acquisition of assets by financial MNEs from Canada and Japan played a big role in FDI outflows from both countries. The recovery of FDI activity, however, is unlikely to be sustained in 2016, primarily owing to global uncertainty and lacklustre economic prospects.

Inflows

Cross-border M&As drive an FDI rebound in Europe. Regaining much of the ground lost during the three preceding years, inflows to Europe rose to $504 billion, accounting for 29 per cent of global inflows. This rebound was driven by large increases in a relatively few countries such as Ireland (a threefold increase) and Switzerland (a 10-fold increase), which more than offset declining inflows in 19 economies. These two economies and the Netherlands became the three largest recipients in Europe. Other major recipients were France and Germany, both of which recovered sharply from the low points in 2014. Inflows into the United Kingdom – the largest recipient in 2014 – fell back to $40 billion but remained among the largest in Europe.

Cross-border M&A sales in Europe rose to $295 billion, the highest level since 2007. Reflecting the overall FDI pattern in Europe, these sales were largely concentrated in a few countries and declined in the majority of European countries. In the two largest target countries in 2014, the United Kingdom and France, cross-border M&A sales increased substantially (to $71 billion in the United Kingdom and $44 billion in France). Nevertheless, Ireland became the second-largest target country in 2015 with $48 billion. In sectoral terms, cross-border M&A sales in manufacturing more than doubled, to $166 billion. Corporate inversion deals played a key part in this increase, but assets in a range of industries in France, Switzerland and the United Kingdom also became major acquisition targets. Corporate strategy to restructure asset profiles motivated many of those transactions (chapter I). In Europe's services sector, cross-border M&A sales declined by 16 per cent to $115 billion, due primarily to a $30 billion fall in telecommunications. MNEs from developed countries were the main acquirers of assets in Europe, with Europe accounting for 38 per cent and North America, 47 per cent. Among developing economies, China and Hong Kong (China) together accounted for 6.6 per cent.

In Ireland, inflows more than trebled from 2014 to $101 billion. Intracompany loans rose by $37 billion, accounting for much of the increase. M&A sales were boosted by the Medtronic-Covidien inversion megadeal (chapter I.A). In the Netherlands, inflows rose by 39 per cent to $73 billion, of which equity investments were $61 billion – more than trebling from the year before. However, cross-border M&A sales in the country increased by just $2 billion to $15.5 billion.

France's inflows almost trebled, to $43 billion, most of which was accounted for by the equity component of inflows, which rose to $37 billion. M&A sales reached a record high at $44 billion. Major transactions included the merger of the cement manufacturer Lafarge with its Swiss rival Holcim in a deal worth $21 billion, and the acquisition of Alstom's energy business by GE (United States) for $11 billion. Cross-border M&A sales in the United Kingdom almost doubled in 2015, to $71 billion, with pharmaceuticals ($17 billion) and real estate ($12 billion) being the largest target industries. Chinese investors were active in the latter. Supported by a robust economic performance, especially compared with other European economies, equity and reinvested earnings of FDI inflows made strong gains in the United Kingdom, rising by 31 per cent. Nevertheless, total FDI inflows declined by 25 per cent to $40 billion, due to a fall in intracompany loans, from $8 billion to –$19 billion.

In Germany, cross-border M&A sales fell and so did the equity component of FDI. Nevertheless, total FDI inflows rose to $32 billion (from less than $1 billion in 2014) as intracompany loans recovered by more than $42 billion. FDI inflows to Italy declined by 13 per cent to $20 billion as the sharp fall in equity FDI was partly offset by a recovery in intracompany loans. In the 11 Central and Eastern European member countries of the EU, combined inflows almost halved, to $19 billion. The decline was particularly pronounced in 2014's larger recipients such as Poland (down 40 per cent to $7.5 billion), Hungary (down 83 per cent to $1.3 billion) and the Czech Republic (down 78 per cent to $1.2 billion). Bulgaria and Romania, however, maintained their levels of inflows. In 2015, Chevron and ConocoPhillips (United States) stopped their shale gas exploration in Poland, following the lead of ExxonMobil (United States), Total (France) and Marathon Oil (United States), which had withdrawn from the country in recent years. Hopes for the potential of shale gas in Poland had been raised in 2011, but establishing commercially viable shale gas operations turned out to be more difficult than initially anticipated. In Hungary, there were a string of divestments in infrastructure businesses in 2015. Moreover, the relatively high level of inflows in 2013 and 2014 had been the result of one-off factors such as the recapitalization of foreign-owned banks that had sustained losses.

FDI inflows in North America reached a record high. In 2015, North America received inflows worth $429 billion – a quarter of global FDI flows – surpassing the record high of 2000. The United States accounted for most of this, with record inflows worth $380 billion, an increase of more than 250 per cent. This performance partly reflects the exceptionally low level of inflows to the United States in 2014, a result of the Vodafone-Verizon divestment deal, which was worth $130 billion. In addition, a sizable part of the inflows in 2015 were consequences of large corporate inversions, such as the Medtronic-Covidien and Mylan-Abbott deals. In the United States, almost 70 per cent of FDI inflows were in manufacturing; 9 per cent were in finance and insurance. Europe accounted for 77 per cent of inflows. Other developed countries such as Japan (11 per cent) and Canada (7 per cent) were also major sources.

Cross-border M&A sales in the United States amounted to $299 billion – a record high – 60 per cent of them in the manufacturing sector. In particular, the pharmaceutical industry accounted for over a quarter of total M&A sales. The largest deal completed in 2015 was the takeover of the United States pharmaceutical company Allergan by Actavis, which is incorporated in Ireland. Services accounted for 40 per cent of cross-border M&A sales, with finance and insurance receiving 17 per cent. In April 2015, the United States conglomerate GE announced its plan to sell most its financial services operations, worth about $200 billion. In the United States, this resulted in cross-border M&A sales with a combined value of $28 billion, all to Canadian investors (see discussion of outflows below). The geographical distribution of cross-border MNEs that acquired assets in North America largely reflects that of FDI inflows. However, the role of developing-economy MNEs is more visible, with a share of 11 per cent. China and Hong Kong (China) accounted for 6 per cent. Other large investor economies were Singapore (with a share of 3 per cent), Qatar (1.2 per cent) and the United Arab Emirates (0.8 per cent).

In Canada, inflows fell 17 per cent to $49 billion. Declines were more pronounced in energy and mining (down 59 per cent) as well as in manufacturing (down 47 per cent). Three quarters of inflows to Canada were from the United States.

FDI to developed countries in Asia-Pacific failed to recover. Inflows to Australia, which had been stable until 2013 despite the downturn in the commodities markets, began to recede in 2014, falling by 30 per cent to $40 billion. In 2015 the decline accelerated, with inflows being nearly halved, to $22 billion. Australia's lacklustre performance was partly due to divestment in the oil and gas industries. In addition, more resource and energy projects were delayed or deferred.[7] As foreign MNEs are extensively involved in those projects, these delays contributed to a fall in FDI. Japanese inflows fell, to a net divestment, as European MNEs withdrew funds.

Outflows

Europe became the world's largest investing region. FDI by MNEs in Europe shot up by 85 per cent to $576 billion, accounting for more than one third of the world total. The Netherlands became the largest investor country in Europe, with outflows worth $113 billion, followed by Ireland where outflows more than doubled, to $102 billion. Germany remained a top investor country, despite its outflows falling by 11 per cent to $94 billion. The increase in outflows from Switzerland was the largest among developed countries (an increase of $74 billion). Other major investor countries in Europe were Luxembourg (up 68 per cent to $39 billion), Belgium (a more than sixfold increase to $39 billion) and France (down 18 per cent to $35 billion). Outflows from the United Kingdom rose by $20 billion but remained negative at –$61 billion.

Cross-border M&A purchases by European MNEs amounted to $318 billion, of which 76 per cent were in manufacturing. This was largely driven by deals in the pharmaceutical industry, which accounted for 40 per cent of the total. The financial and insurance industry attracted another 18 per cent. At the same time, a number of industries recorded a net divestment, including some related to mining and utilities. European MNEs invested in other developed economies: of their total cross-border M&A purchases, one third went to acquisitions in Europe and two thirds to acquisitions in North America. In developing regions, European MNEs made a net divestment of assets in Asia as well as in Latin America. The share of Africa in MNEs' investments was 6 per cent.

Ireland and the Netherlands led the rise in FDI outflows from Europe. Corporate inversion deals were largely responsible for this performance, as large United States MNEs became affiliates of newly created parent companies in these economies, thereby boosting their outward FDI (box II.6). In a similar vein, the Netherlands was a preferred site of incorporation for South Africa based retailer Steinhoff, which took advantage of a reverse takeover by Genesis International Holdings, incorporated in the Netherlands, to relocate to Europe. The holding company was renamed Steinhoff International Holdings N.V. before the transaction was finalized. Steinhoff, while retaining its operational headquarters in South Africa, transferred ownership of its assets to this holding company in the Netherlands and moved its primary listing to Frankfurt.

Declining overseas earnings dented FDI outflows from the United States, but Canadian outward investment increased by 21 per cent. At $367 billion, FDI from North America remained at a level similar to 2014. A 5 per cent decline in FDI from the United States was offset by a large increase of investment by Canadian MNEs. Reinvested earnings have dominated outward FDI from the United States in recent years: they accounted for 91 per cent of outflows in 2015. Compared with 2014, reinvested earnings, though still high, declined by 16 per cent to $274 billion.

Regulatory changes enacted in September 2014 in the United States to curb tax inversions have begun to have impacts. In October 2014, AbbVie (United States) called off its $54 billion acquisition of Shire (Ireland), citing the new guidelines as a key reason. However, a number of inversion deals were announced in 2015, including the $27 billion merger of Coca-Cola Enterprises (United States) with its counterparts in Germany and Spain, to create a new company headquartered in the United Kingdom. In response, the United States Government announced additional measures to tighten loopholes in November 2015 and April 2016 (chapter III). After the last announcement, Pfizer abandoned its proposed $160 billion merger with Ireland-based Allergan (box II.6).

Box II.6. Megadeals and corporate inversions in the pharmaceuticals industry

Acquisitions in the pharmaceuticals industry over the past few years illustrate the strategic and tax considerations that have been driving the M&A surge in developed economies (chapter I).

In 2012, Actavis, a Swiss pharmaceutical group, was acquired by Watson (United States), which had grown rapidly through a series of acquisitions in the United States. The following year, the merged entity – which retained the name Actavis – acquired Ireland-based Warner Chilcott. In addition to diversifying Actavis's product range, this deal carried two advantages. First, at the time of the deal's announcement, competitors Valeant (Canada) and Mylan (United States at the time) were targeting Actavis for a takeover. Actavis was able to fend off such threats by making itself larger. Second, Actavis was able to relocate its headquarters to Ireland, thus benefiting from the country's lower tax rate. In 2014, Actavis made further acquisitions, including Forest Laboratories (United States) for $25 billion. Acting as a white knight, Actavis then acquired Allergan (United States), which was the target of a hostile bid from Valeant (Canada). After the takeover, the Ireland-based company renamed itself Allergan.

Frenetic deal making around Allergan and its competitors continued after the completion of the Actavis-Allergan deal. In November 2015, the United States pharmaceutical giant Pfizer announced a merger agreement with Allergan worth $160 billion, which would have allowed Pfizer to relocate to Ireland: however, this plan was dropped following regulatory changes in the United States in April 2016. This was Pfizer's second failed attempt in as many years to achieve inversion: in May 2014, it had abandoned its $110 billion bid for AstraZeneca (United Kingdom), owing to political pressure and changes in the United States tax inversion regulations (chapter III).

Separately, in July 2015, Teva (Israel) agreed to buy Allergan's generics unit (Actavis Generics) for $41 billion, pending approval from the regulatory authorities. Teva had previously been in pursuit of Mylan. The latter, while fending off this hostile bid, concluded a deal to purchase the assets of Abbott Laboratories outside the United States in 2015, thereby shifting its headquarters to the Netherlands.

Source: ©UNCTAD.

FDI flows from Canada rose by 21 per cent to $67 billion, driven by investment in the finance and insurance industry, which shot up fivefold. Pension funds were extensively involved in Canadian outward FDI. Of 22 overseas acquisitions worth more than $1 billion by Canadian investors, pension funds were involved in 9. Canada's 10 largest public pension funds collectively manage over $1.1 trillion in assets, of which $500 billion is thought to be invested abroad. The funds run a network of offices outside Canada to seek additional investment opportunities.[8] Their preferred approach to asset management is to invest directly (rather than in publicly traded stocks) and manage internally at low cost.[9] About one third of their assets are invested in alternative classes (e.g. infrastructure, private equity, real estate), which accounts for the pattern of their cross-border acquisitions. In the financial industry, Canada's big banks were also looking for investment opportunities abroad as the growth of the domestic banking markets slowed. Acquisitions of assets divested by GE were among the largest deals completed by Canadian investors in finance and insurance in 2015, including the acquisition of GE Antares Capital (United States) for $12 billion. A Canadian pension fund was also a joint partner in the acquisition of the 99-year lease of Australian State-owned TransGrid, an operator of an electricity transmission network, for $7.4 billion.

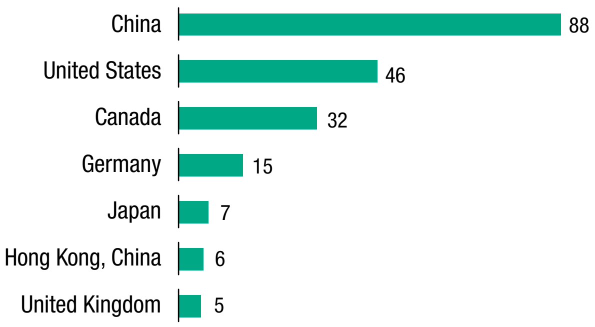
Financial MNEs led Japan's FDI expansion. In Asia-Pacific, Japanese MNEs, beset by limited prospects in their home market, continued to seek growth opportunities abroad. Outflows reached $129 billion, exceeding $100 billion for the fifth consecutive year. Two thirds of Japanese outflows targeted developed countries, with North America accounting for 35 per cent and Europe 25 per cent. The share of Asia was 24 per cent. Outflows in the finance and insurance industry doubled from 2014, to $32 billion, representing a quarter of all Japanese outflows. Insurance companies were particularly active, making acquisitions most notably in the United States but also in Asia. This illustrates the growing importance of developing Asia economies not merely as production bases but as growing consumer markets. For instance, the share of services in Japanese FDI stock in China at the end of 2014 was less than one third. In contrast, services accounted for 40 per cent of Japanese FDI flows to China both in 2014 and in 2015.

Prospects

Levels of FDI into developed countries are unlikely to be sustained. The recovery of FDI in developed countries is unlikely to be sustained in 2016. UNCTAD forecasts indicate that FDI flows to developed countries will be in the range of $830–880 billion, with the median falling by 11 per cent. Apart from continued sluggish growth and weak aggregate demand, the unusually high level of M&A activity is unlikely to be sustained in the wake of regulatory measures to reduce inversion deals and also because rising interest rates will reduce the incentive for debt-based financing of deals (chapters I and III). Uncertainty over whether the United Kingdom will exit the EU is also likely to weigh on FDI to the country in 2016 – and beyond, if a "Brexit" materializes.

The third wave of administrative action against tax inversions by the United States Treasury Department in 2016 should make it harder for companies to move their tax domiciles out of the United States and shift profits to low-tax countries. For instance, the $160 billion merger of drug maker Pfizer (United States) with Ireland-based Allergan was dropped in April 2016.

Figure II.8. **Developed economies: announced cross-border M&A sales, by major acquirer economies, January–April 2016** (Billions of dollars)



Source: ©UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).

Although announced greenfield investment projects in developed countries in 2015 were up across many industries and from a range of source countries, especially Europe (tables C and D), cross-border M&A data on deals announced over the period January–April 2016 probably provide a better indication of prospects for 2016 as a whole. In this period, $292 billion worth of M&A deals targeting assets in developed countries were announced; compared with the year before, cross-border M&A deals made a much slower start. In the same period in 2015, the value of announced deals amounted to $423 billion. The decline would have been much more pronounced had it not been for a flurry of deals announced by Chinese MNEs which were worth $93 billion, representing 32 per cent of the total (figure II.8). The largest announced deal was the proposed takeover of the agribusiness MNE Syngenta (Switzerland) by ChemChina (China) for $44 billion. Agribusiness might see further consolidation with the German pharmaceutical MNE Bayer launching a $62 billion bid for Monsanto (United States) in May 2016.

In addition to announced deals, the transactions completed in the first four months of 2016 provide some pointers. In Europe, M&As will be boosted by Royal Dutch Shell (Netherlands/United Kingdom) takeover of the gas exploration and production company BG Group (United Kingdom) for $69 billion. However, the subdued 2015 level of M&A sales in telecommunications in Europe might decline further in 2016. The merger of two mobile operators in the United Kingdom, BT and EE, resulted in divestments of stakes in EE by Orange (France) and Deutsche Telecom (Germany) amounting to –$19 billion. By contrast, foreign investors may make substantial inroads into Japan in 2016, with high-profile deals such as the acquisition of the electronics group Sharp and a concession to operate airports in Kansai.

STRUCTURALLY WEAK, VULNERABLE AND SMALL ECONOMIES

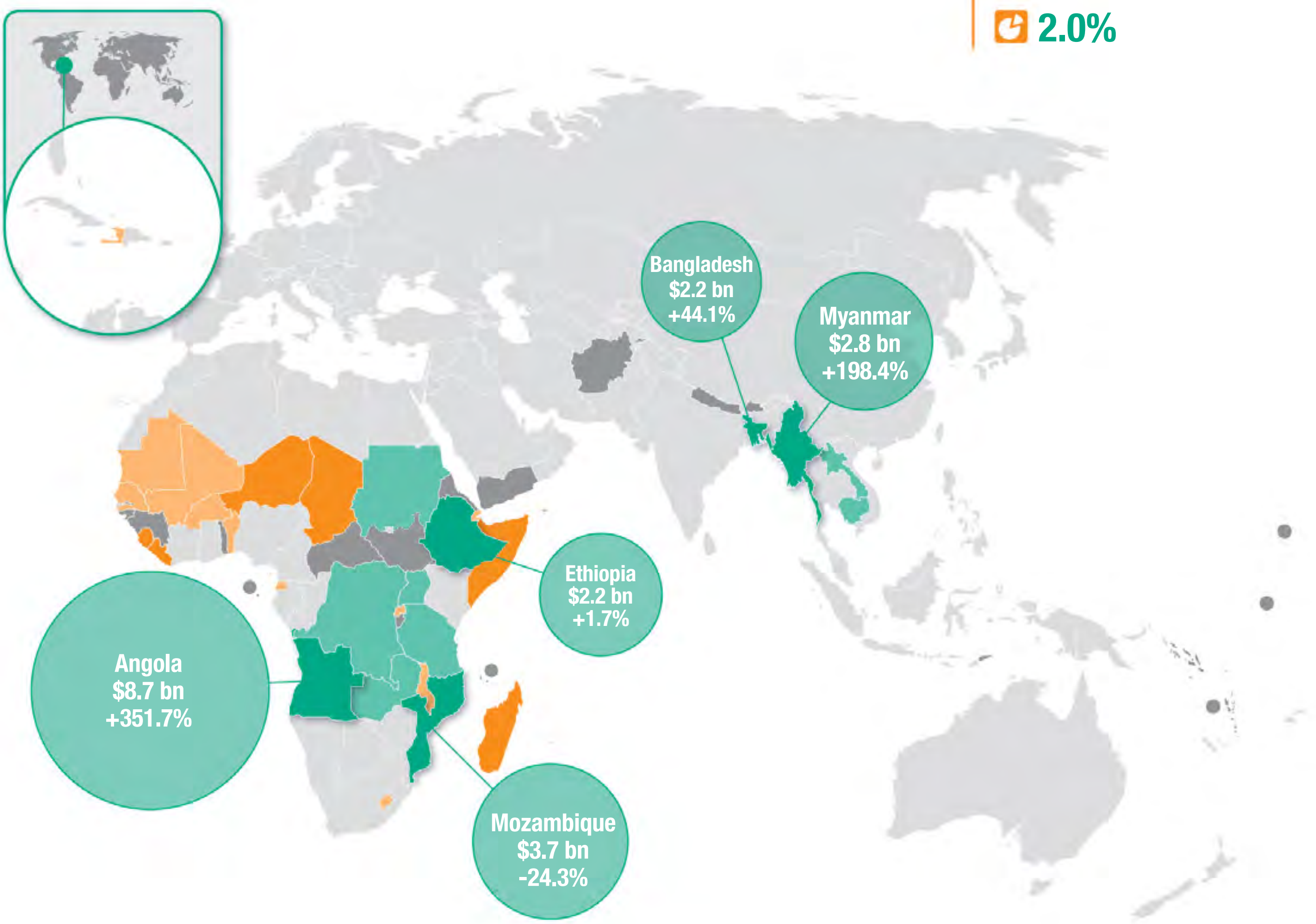
LEAST DEVELOPED COUNTRIES

FDI flows, top 5 host economies, 2015 (Value and change)

2015 Inflows
35.1 bn

2015 Increase
+33.4%

Share in world
2.0%



Flows, by range

- Above $2.0 bn
- $1.0 to $1.9 bn
- $0.5 to $0.9 bn
- $0.1 to $0.4 bn
- Below $0.1 bn

Top 5 host economies

Economy
$ Value of inflows
2015 % change

Outflows: top 5 home economies

(Billions of dollars, and 2015 growth)

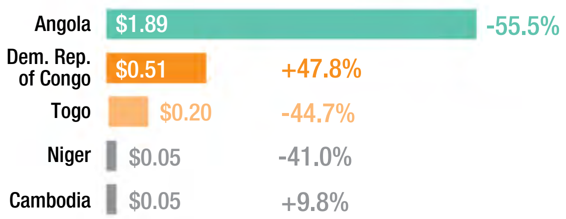
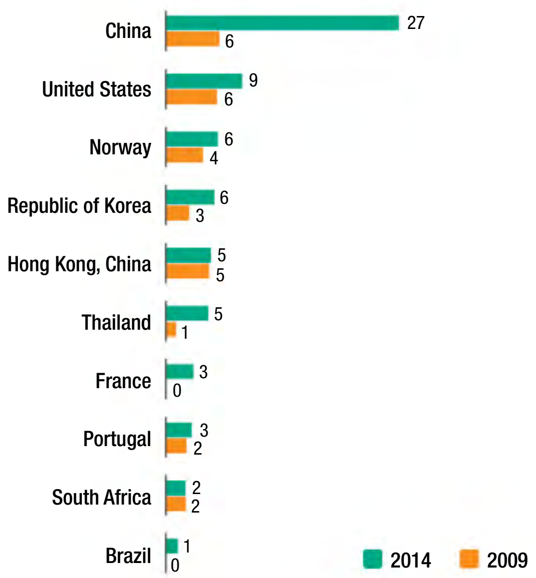


Figure A. **Top 10 investor economies, by FDI stock, 2009 and 2014** (Billions of dollars)



Source: ©UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined. Dotted line in Jammu and Kashmir represents approximately the Line of Control agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- FDI inflows jumped by one third
- China now holds the largest stock of FDI
- FDI prospects are subdued

Figure B. **FDI inflows, 2000–2015** (Billions of dollars and per cent)

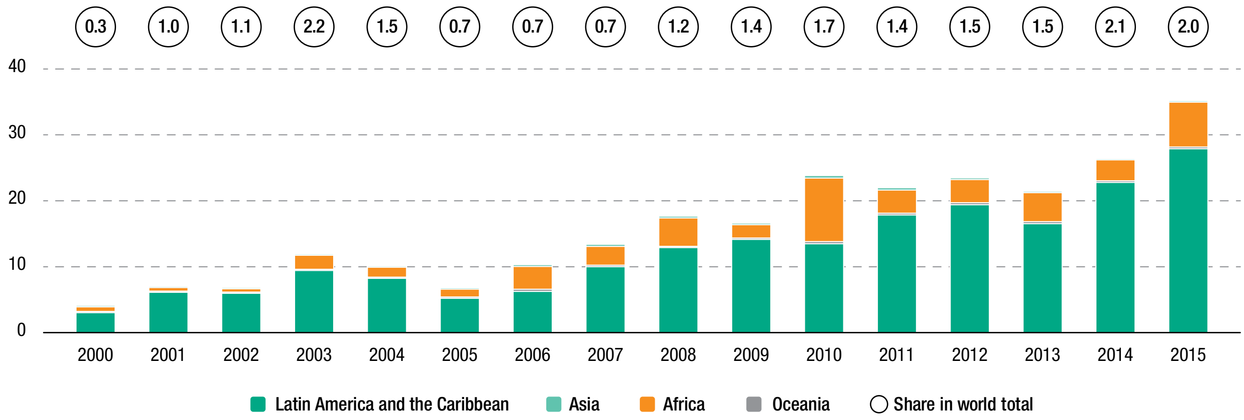


Table A. **Cross-border M&As by industry, 2014–2015** (Millions of dollars)

Sector/industry	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
Total	**3 819**	**1 016**	**23**	**-**
Primary	**2 661**	**2**	**2**	**-**
Mining, quarrying and petroleum	2 661	2	2	-
Manufacturing	**120**	**631**	**-**	**-**
Food, beverages and tobacco	12	586	-	-
Chemicals and chemical products	-	19	-	-
Pharmaceuticals, medicinal chemicals and botanical products	51	26	-	-
Services	**1 038**	**383**	**20**	**-**
Electricity, gas, water and waste management	-	19	-	-
Accommodation and food service activities	-	302	-	-
Transportation and storage	400	-	-	-
Information and communication	112	-	-	-
Financial and insurance activities	516	62	25	-

Table B. **Cross-border M&As by region/economy, 2014–2015** (Millions of dollars)

Region/economy	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
World	**3 819**	**1 016**	**23**	**-**
Developed economies	**-1 115**	**874**	**25**	**-**
European Union	-1 275	-7	25	-
Canada	-3	-447	-	-
United States	12	27	-	-
Australia	-	294	-	-
Japan	-	1 007	-	-
Developing economies	**4 869**	**142**	**-2**	**-**
Africa	-18	67	2	-
Asia	4 487	75	-4	-
India	2 702	45	-	-
Singapore	1 333	-	-	-
Sri Lanka	-	19	-4	-

Table C. **Announced greenfield FDI projects by industry, 2014–2015** (Millions of dollars)

Sector/industry	LDCs as destination 2014	LDCs as destination 2015	LDCs as investor 2014	LDCs as investor 2015
Total	**48 256**	**49 717**	**1 605**	**808**
Primary	**17 165**	**6 338**	**-**	**-**
Mining, quarrying and petroleum	17 165	6 338	-	-
Manufacturing	**9 662**	**11 780**	**294**	**31**
Food, beverages and tobacco	1 307	2 251	-	-
Coke, petroleum products and nuclear fuel	1 246	4 147	-	-
Non-metallic mineral products	1 952	2 483	-	-
Services	**21 429**	**31 600**	**1 311**	**777**
Electricity, gas and water	948	13 834	-	-
Construction	6 802	10 555	-	283
Transport, storage and communications	3 528	3 261	15	8
Finance	2 279	1 483	639	411
Business services	4 823	1 328	624	24

Table D. **Announced greenfield FDI projects by region/economy, 2014–2015** (Millions of dollars)

Partner region/economy	LDCs as destination 2014	LDCs as destination 2015	LDCs as investor 2014	LDCs as investor 2015
World	**48 256**	**49 717**	**1 605**	**808**
Developed economies	**32 483**	**17 452**	**77**	**116**
European Union	24 446	8 861	67	116
United States	4 515	3 005	10	-
Japan	1 304	3 460	-	-
Developing economies	**15 773**	**28 068**	**1 508**	**658**
Africa	6 477	4 851	1 045	168
Asia	9 228	22 871	182	490
China	1 199	2 468	81	162
India	1 153	3 511	-	-
Thailand	1 006	8 341	-	283
Transition economies	**-**	**4 197**	**21**	**34**
Russian Federation	-	4 000	21	34

Although many LDCs were hit by the commodity bust, total FDI inflows to LDCs rose by 33 per cent to $35 billion. An upturn in Angola more than compensated for the drop in FDI in other LDCs, contributing to the record high. Cross-border M&A sales in mining and quarrying were thin, and net sales value plummeted from a peak of $3.8 billion in 2014 to $1 billion in 2015. Measured by FDI stock, China has become the largest investor in LDCs, ahead of the United States. Announced greenfield FDI projects suggest that MNEs from developing economies are likely to play a greater role in the primary and services sectors in LDCs.

Inflows

Despite weak commodity prices, FDI to LDCs hit a record high, bolstered by loans to foreign affiliates based in Angola. FDI inflows reached $35 billion, representing 2 per cent of global FDI and 5 per cent of FDI in all developing economies. Yet declining commodity prices (chapter I) discouraged new energy and mining investments in the majority of LDCs, and even resulted in operations shutting down or being suspended in a number of African countries. Sluggish transactions in mining and quarrying also contributed to a slump in the net sales value of cross-border M&As in LDCs (table A). The largest fall in FDI flows was observed in a number of resource-rich LDCs in Africa, even though some continued to attract MNEs' interest in large-scale greenfield projects in hydrocarbons and mining (table II.2).

FDI flows to the LDCs remains concentrated in the extractive industries and related manufacturing activities, although the amounts received by countries have varied considerably depending on the goods and services they export (UNCTAD, 2015b) (figure II.9). Since 2011, seven mineral exporters[10] in Africa have been the largest recipients of FDI flows to LDCs, but in line with the downward pressure on mineral commodity prices, their FDI fell by more than 25 per cent; and FDI to three of them – the Democratic Republic of the Congo, Mozambique and Zambia – showed negative growth.

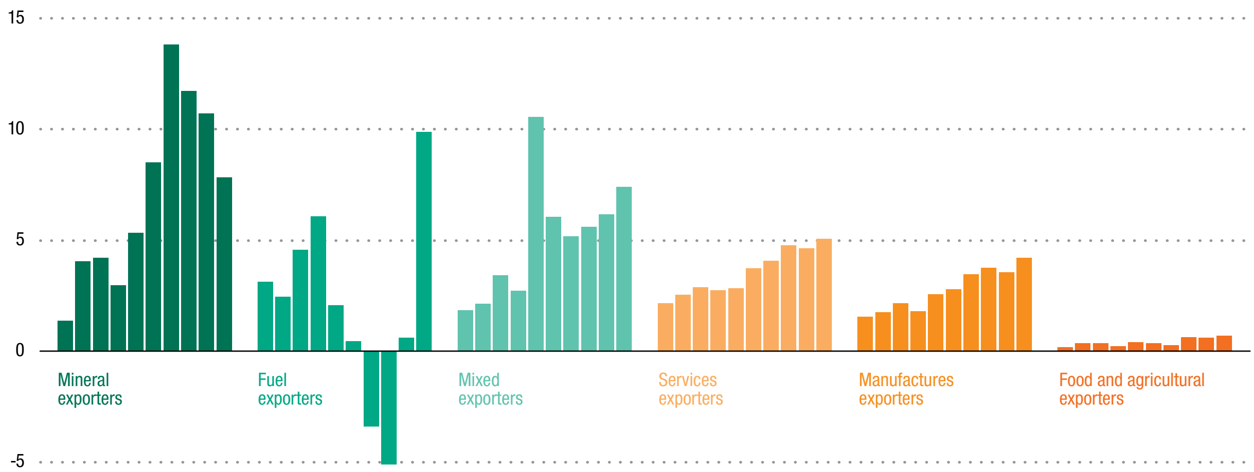
By contrast, the majority of fuel exporters[11] reported positive gains. Angola (up 352 per cent to $8.7 billion) became the largest FDI recipient among LDCs in 2015. However, its performance was largely due to an influx of loans ($6.7 billion in 2015, compared with –$1.6 billion in 2014) provided to struggling foreign affiliates in the country by their parents abroad.

Table II.2. LDCs: 10 largest greenfield projects announced in 2015

Host economy	Industry segment	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Uganda	Petroleum refineries	Russian Technologies State Corporation (Rostec)	Russian Federation	4 000
Myanmar	Fossil fuel electric power and hydroelectric power	Electricity Generating Authority of Thailand (EGAT)	Thailand	3 326[a]
Myanmar	Fossil fuel electric power	Toyo-Thai	Thailand	2 800
Angola	Oil and gas extraction	Total	France	2 236
Myanmar	Industrial building construction	Nippon Steel & Sumikin Bussan Corporation	Japan	1 600
Bangladesh	Fossil fuel electric power	Adani Enterprises Ltd.	India	1 500
Bangladesh	Fossil fuel electric power	Reliance Power	India	1 500
Mozambique	Crop production	Al-Bader Group	Kuwait	1 500
Cambodia	Residential building construction	HLH Group	Singapore	1 332[a]
Guinea	Bauxite mining	Alcoa	United States	1 000

Source: ©UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).
[a] Total of three projects.

Figure II.9. **FDI Inflows to the LDCs, by export specialization, 2006–2015** (Billions of dollars)



Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

While divestments from South Sudan and Yemen continued (but at a lower level than in 2014), FDI flows to Chad bounced back from –$676 million in 2014 to $600 million, and those to the Sudan rebounded to $1.7 billion – the highest level in three years.

Total FDI in the small group of food and agricultural exporters[12] increased by 14 per cent in 2015. Services exporters,[13] which make up nearly one third of the 48 countries in the grouping, registered growth of 9 per cent. The performance of the larger FDI hosts in this group was modest – Ethiopia (up 2 per cent to $2.2 billion, representing 43 per cent of flows to this group) and Uganda (down 0.1 per cent to $1.1 billion). The performance in others – e.g. Liberia (up 85 per cent to $512 million) and Madagascar (up 48 per cent to $517 million) – bounced back. FDI to Rwanda maintained its upward trajectory (up 3 per cent to a record high of $471 million).

Strong FDI in Asia drove inflows to manufactures and mixed exporters. Five manufactures exporters[14] reported 18 per cent growth in FDI flows, thanks to record flows to Bangladesh (up 44 per cent to over $2.2 billion). FDI in the textile and garments industries remains strong in Bangladesh, as does FDI in power generation.[15] Reinvested earnings in the country continued to rise, exceeding the value of the equity component. Bangladesh became the largest FDI host in this subgroup of exporters, as flows into Cambodia fell slightly (down 1 per cent to $1.7 billion). Although the majority of mixed exporters[16] in Africa, including the United Republic of Tanzania, reported losses, overall FDI into this group rose by 20 per cent to $7.4 billion (see figure II.9). Prospects of deeper economic integration in the ASEAN region spurred investments into two Asian LDC economies: the Lao People's Democratic Republic (up 69 per cent to a record high of $1.2 billion) and Myanmar (up 198 per cent to $2.8 billion, the highest in five years).

In cross-border M&A sales, two large deals in Cambodia ($302 million in a hotel resort complex by an Australian MNE) and Myanmar ($560 million in malt beverages by a Japanese MNE) together accounted for 85 per cent of net M&A sales in all LDCs (table B). The saturation of the domestic economy has forced many Japanese brewers to seek new markets with high-growth potential overseas.[17]

China has become the largest source of investment in LDCs. From 2009 to 2014 (the latest year available), MNEs from China more than quadrupled their FDI stock in LDCs (figure A). FDI from China in the three ASEAN LDCs grew from $2.9 billion in 2009 to $11.6 billion in

2014. In Africa, where Chinese FDI stock jumped from $3.6 billion to $13.3 billion in 2014, fuel- and mineral-exporting LDCs, primarily Zambia, the Democratic Republic of the Congo and the Sudan, took the lion's share. Likewise, more than 70 per cent of the United States' FDI stock in LDCs was concentrated in two African fuel exporters: Angola and Equatorial Guinea. Norway's FDI stock in LDCs was also focused in Africa (more than 90 per cent of the total), particularly in Angola (66 per cent in 2014). Similarly, a 281 per cent growth in investments in the three ASEAN LDCs contributed to a fivefold increase in Thai MNEs' FDI stock in the group as a whole.

Prospects

Natural resources still largely determine LDCs' FDI prospects. Although the number of greenfield projects in LDCs announced in 2015 fell by 6 per cent, the number of those targeting the mining, quarry and petroleum industries more than doubled, to a three-year high. The 10 largest greenfield projects announced in 2015 (see table II.2) highlight MNEs' intentions to pursue large-scale hydrocarbon projects in resource-rich African LDCs, despite weak energy prices and deteriorating short-term profitability.

Long-term greenfield project data suggest that LDCs are diversifying their FDI portfolios away from extractive industries towards the services sector, but many MNEs are still focused mainly on investment opportunities in untapped or underdeveloped natural resources. As a result, FDI over the next few years looks set to remain highly concentrated in the larger resource-rich economies, which have already become major FDI recipients by attracting large investments in the extractive industries, as well as in electricity, construction and other associated projects in the services sector. FDI in Myanmar, for instance, is expected to keep growing and diversifying: approved FDI projects for 2015 totalled $9.5 billion, of which more than 50 per cent was attributed to the oil and gas industry and 20 per cent to transport and communications.[18] For fiscal year 2016/2017, Myanmar aims to secure $8 billion of new FDI in agriculture, trade and infrastructure to accelerate its economic development.[19]

MNEs from the South are actively seeking investment opportunities in LDCs. For instance, during 2015, the Indian State-owned Oil and Natural Gas Corporation (ONGC), which concluded a $2.6 billion acquisition deal in oil and gas extraction in Mozambique in 2014, announced plans to double its investment in oil and gas projects in Africa (where the company has already invested $8 billion).[20] Chinese investors plan to maintain their interests in LDCs in Africa. Though about half of their capital spending plans announced in 2015 ($1.3 billion in 14 projects) targeted Asian LDCs, including Nepal, more than 40 per cent of total spending plans targeted Liberia, where Wuhan Iron and Steel announced investments valued at $865 million in construction and $179 million in metal manufacturing.

In the services sector, greenfield project data points to a strong growth in FDI from MNEs based in developing Asian economies. The estimated capital spending on greenfield projects announced by Asian investors more than doubled in 2015 (table D). Thai investors increased their capital spending plans in LDCs by eight times from 2014 to 2015 to $8 billion (from 22 to 33 projects, of which 30 are in ASEAN LDCs). Almost all projects in Myanmar listed in table II.2 are linked to the public-private partnership for developing the Dawei SEZ (box II.6, *WIR14*), which finally got going during 2015. Capital spending plans by Indian MNEs in 2015 (in 20 projects) were boosted by two proposed large-scale electricity projects in Bangladesh but remained below the peak of $4.8 billion (in 39 projects) announced in 2011.

LDCs in Asia and East Africa will continue to benefit from FDI from Asian MNEs by attracting a larger amount of FDI, as well as public and private capital in (regional) infrastructure development. In contrast, smaller and more fragile LDCs still face challenges in attracting steady flows of FDI.

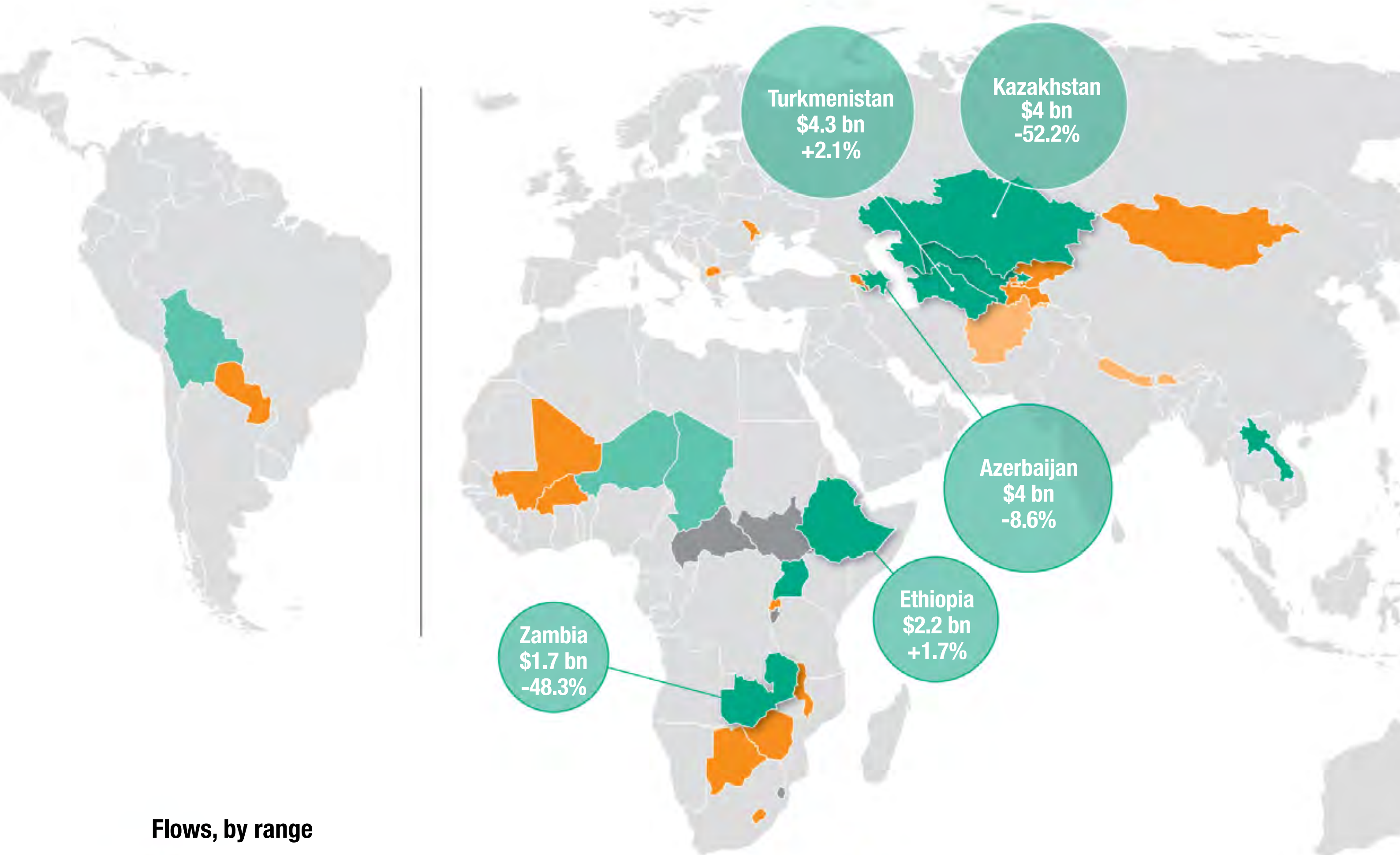
LANDLOCKED DEVELOPING COUNTRIES

FDI flows, top 5 host economies, 2015 (Value and change)

2015 Inflows
24.5 bn

2015 Decrease
-17.6%

Share in world
1.4%



Flows, by range

- Above $1 bn
- $0.5 to $0.9 bn
- $0.1 to $0.5 bn
- $10 to $99 mn
- Below $10 mn

Top 5 host economies

Economy
$ Value of inflows
2015 % change

Outflows: top 5 home economies
(Billions of dollars, and 2015 growth)

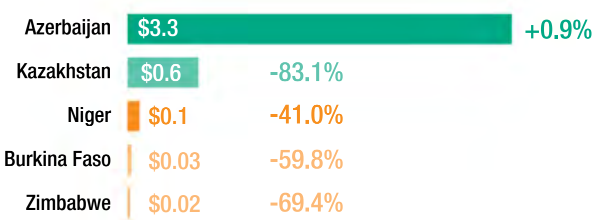
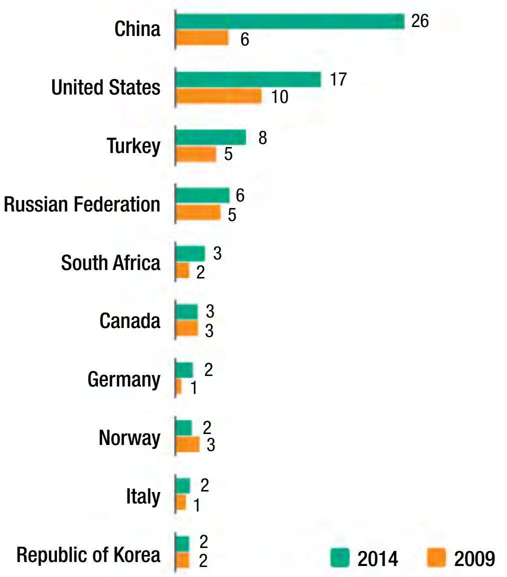


Figure A. Top 10 investor economies, by FDI stock, 2009 and 2014 (Billions of dollars)



Source: ©UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined. Dotted line in Jammu and Kashmir represents approximately the Line of Control agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- FDI flows fall for the fourth consecutive year
- Asian State-owned enterprises made some strategic investments in extractives industries
- Investment prospects are positive

Figure B. | **FDI inflows, 2000–2015** (Billions of dollars and per cent)

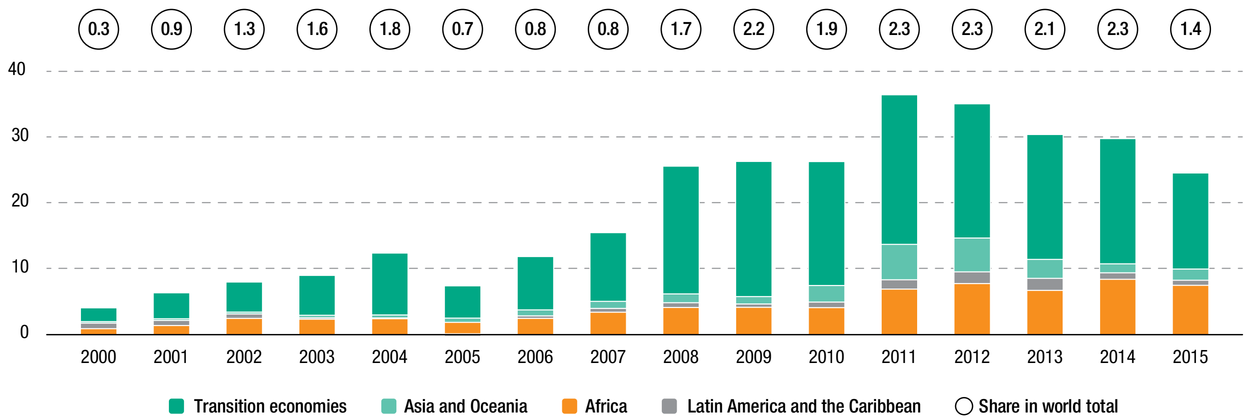


Table A. **Cross-border M&As by industry, 2014–2015** (Millions of dollars)

Sector/industry	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
Total	**-1 081**	**2 620**	**270**	**-459**
Primary	**-60**	**2 285**	**-250**	**-1 304**
Mining, quarrying and petroleum	-70	2 285	-250	-1 305
Manufacturing	**285**	**51**	**57**	**-**
Food, beverages and tobacco	12	41	-	-
Pharmaceuticals, medicinal chemicals and botanical products	51	26	-	-
Non-metallic mineral products	314	-35	-1	-
Services	**-1 305**	**284**	**463**	**845**
Electricity, gas, water and waste management	-1 193	180	-	-
Trade	8	40	-	-
Transportation and storage	30	15	13	3
Financial and insurance activities	-158	48	450	818
Business services	8	-	-	24

Table B. **Cross-border M&As by region/economy, 2014–2015** (Millions of dollars)

Region/economy	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
World	**-1 081**	**2 620**	**270**	**-459**
Developed economies	**-2 366**	**497**	**14**	**848**
Cyprus	-	500	-	-
Netherlands	-1 374	-326	-	-
United Kingdom	-1 067	-23	-	-
Canada	1	207	-	-
United States	7	206	-	-
Developing economies	**109**	**3 253**	**257**	**-1 308**
China	526	1 121	-	-
Hong Kong, China	-614	-170	-	-
Malaysia	-	2 250	-	-
Transition economies	**1 177**	**-1 219**	**-1**	**1**
Russian Federation	1 147	-1 219	-1	1

Table C. **Announced greenfield FDI projects by industry, 2014–2015** (Millions of dollars)

Sector/industry	LLDCs as destination 2014	LLDCs as destination 2015	LLDCs as investor 2014	LLDCs as investor 2015
Total	**16 517**	**34 239**	**1 220**	**880**
Primary	**402**	**8 307**	**-**	**-**
Mining, quarrying and petroleum	402	8 307	-	-
Manufacturing	**8 697**	**18 286**	**654**	**111**
Coke, petroleum products and nuclear fuel	320	11 487	44	-
Non-metallic mineral products	2 488	1 899	-	-
Metals and metal products	738	2 245	-	-
Services	**7 418**	**7 646**	**566**	**769**
Electricity, gas and water	982	2 210	-	22
Construction	407	1 864	-	283
Transport, storage and communications	1 275	1 370	399	197
Finance	1 526	617	149	77
Business services	922	832	7	51

Table D. **Announced greenfield FDI projects by region/economy, 2014–2015** (Millions of dollars)

Partner region/economy	LLDCs as destination 2014	LLDCs as destination 2015	LLDCs as investor 2014	LLDCs as investor 2015
World	**16 517**	**34 239**	**1 220**	**880**
Developed economies	**6 173**	**16 242**	**56**	**67**
European Union	2 444	13 722	34	57
France	554	2 615	-	-
United Kingdom	413	7 597	-	2
Developing economies	**8 796**	**10 438**	**1 076**	**712**
Africa	2 991	1 758	611	394
Asia	5 296	8 547	465	295
China	1 893	3 818	395	12
India	810	1 132	-	-
Thailand	444	1 286	-	283
Transition economies	**1 548**	**7 559**	**89**	**102**
Russian Federation	1 414	7 288	-	102

FDI inflows to the LLDCs fell dramatically in 2015, mainly because of reduced investor interest in Kazakhstan. Flows dropped by 18 per cent from $29.7 billion to $24.5 billion, the fourth consecutive yearly decline for this group of economies. This left Turkmenistan as the largest recipient of FDI inflows among the LLDCs; flows there increased from $4.2 billion to $4.3 billion. Asian State-owned enterprises made a number of strategic investments in extractives industries, accounting for the majority of cross-border M&As and announced greenfield investments by value. This reflects the trend of rising interest from investors based in developing and transition economies. Several Asian and African LLDCs received significant FDI flows in the manufacturing and services sectors, namely in the construction and banking industries. Although commodity prices and geopolitical considerations will continue to weigh on FDI prospects, a surge in announced greenfield investments should support higher inflows over the next few years. Extractive industries are expected to still attract the largest share of FDI, but increasing domestic demand for consumer products and services could generate investor interest.

Inflows

Among the transition economy subgroup of LLDCs, Turkmenistan was the largest recipient of inflows, followed by Azerbaijan, as the hydrocarbon sector continued to attract foreign investors in both countries. FDI flows to Kazakhstan plunged by over half, from $8.4 billion to $4 billion. FDI in the country has been negatively affected by the weakened economic performance of the Russian Federation, Kazakhstan's largest trading partner. However, most of this fall was accounted for by a reversal in reinvested earnings, from almost $5 billion in 2014 to –$200 million last year; equity inflows into the country actually increased, from –$300 million in 2014 to $2.2 billion, sounding a note of optimism for FDI in the economy. The move to a free-floating exchange rate in August immediately devalued the tenge by a third against the United States dollar and thus contributed to the reduction in the value of inward FDI stock in Kazakhstan, although this may also have the effect of accelerating investor plans.

Among the African subgroup of LLDCs, Ethiopia continued to attract foreign investments, with inflows rising slightly to almost $2.2 billion, making it the fourth largest LLDC recipient. FDI to Uganda remained the same as in 2014, mainly accounted for by a large increase in reinvested earnings (up 253 per cent) which displaced equity inflows as the largest FDI component. FDI to Zambia collapsed by almost 50 per cent, to $1.7 billion. The decline is linked to the price of copper, which fell to its lowest level since 2009.

FDI flows to the Asian subgroup of LLDCs increased by 26 per cent to $1.5 billion, mainly due to the Lao People's Democratic Republic's upward FDI trajectory, as the country continued to attract investment from Vietnamese, Thai and Chinese investors. Inflows to the country reached $1.2 billion, up 69 per cent on 2014. FDI in Mongolia dropped again, to $195 million, a shadow of its position just four years ago, despite the announcement by Rio Tinto (United Kingdom) of a $5 billion investment in the Oyu Tolgoi copper and gold mine. Equity inflows have been on the decline, and reinvested earnings have been negative for the past three years, indicating that investors are taking money out of the country.

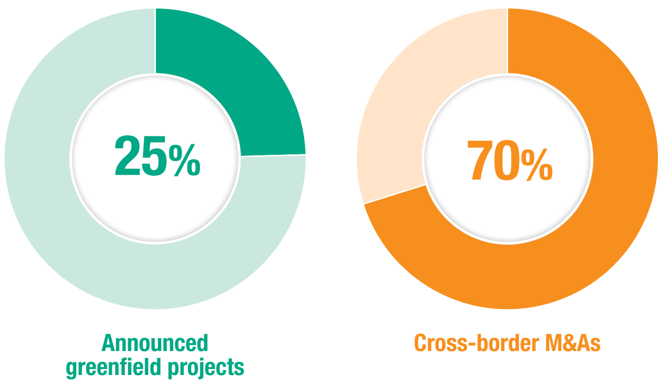
On the upside, cross-border M&As in the LLDCs rebounded in 2015. Following net negative sales (down $1 billion) in 2014, cross-border M&As in the grouping jumped to $2.6 billion last year. This was driven mainly by FDI in the primary sector, and in particular the mining industry (table A). State-owned firms from Malaysia and China continued to seek strategic investments despite the decline in commodity prices (table B). Nevertheless, the strength of the M&A rebound was offset by divestments by firms from the Russian Federation valued at $1.2 billion as well as continued divestment by firms based in the Netherlands.

Large, strategic FDI from Asian State-owned MNEs, mainly in the extractive sector, dominated M&A and greenfield activity in the LLDCs. To an extent, this trend reflects the fact that large hydrocarbon firms in Asia are State-owned. Nevertheless, as exploration of the Caspian Basin oil and gas fields continues to drive regional investment in Central Asia, State-owned foreign investors have been active in acquiring assets. State-owned Sinopec Group (China), the world's largest company by revenue, concluded a deal to buy the remaining 50 per cent stake in a joint partnership with Caspian Investments Resources Ltd., owned by the Kazakh affiliate of Lukoil OAO.[21] Simultaneous transactions by State-owned Petronas (Malaysia) to buy a 15.5 per cent stake in Shah Deniz & the South Caucasus Pipeline from Statoil ASA (Azerbaijan) and a 12.4 per cent stake in Azerbaijan Gas Supply Company from Statoil ASA (Norway) were together valued at $2.25 billion. In a deal worth $565 million, minority State-owned Tibet Summit Industrial Co. Ltd. (China) acquired 100 per cent of the shares in Tajikistan China Mining Co. Ltd. (Tajikistan), a lead and zinc ore exploration company. Although these deals do not represent new FDI (they essentially involve assets changing hands from one foreign owner to another), they do represent the largest M&As in the LLDCs by a significant margin, accounting for almost 70 per cent of gross M&As by value in 2015, and they illustrate the growing strategic presence of Asian State-owned firms in the region (figure II.10).

LLDCs were targets for greenfield investment in the construction and banking industries. The African LLDCs of Uganda, Ethiopia, Zimbabwe, Burundi, Malawi and Zambia were all targets for the expansion of banking services, mainly by Equity Bank and Diamond Trust Bank (both Kenya). Intra-African investment was also strong in the communications sector.[22] In Asia, with the exception of timber, the Lao People's Democratic Republic has few natural resources and suffers from the structural disadvantages common to other LLDCs. However, the rise in FDI last year was driven by greenfield investment in the manufacturing sector, particularly in construction and chemicals, where announced greenfield investments totalled $2.2 billion (see also LDCs, this section). Three notable deals in the cement industry accounted for almost $700 million of announced investment in Nepal, Zambia and Uganda.

Firms from developing and transition economies hold increasing shares in FDI stock in the LLDCs. They have been active in both greenfield and M&A deals in recent years and now account for half of the top 10 investors in the LLDCs. China has increased its FDI stock in the LLDCs fourfold since 2009, and Turkey's FDI stock in the grouping has risen by 70 per cent (figure A). Although the Netherlands reports holding more than $40 billion of FDI stock in the LLDCs – 90 per cent of which is invested in Kazakhstan – it does not appear in the chart: almost all the country's stock is invested by special purpose entities (SPEs), which UNCTAD excludes from its FDI data.

Figure II.10. Share of FDI projects, by value, undertaken by State-owned enterprises in LLDCs, 2015



Source: ©UNCTAD, cross-border M&A database and information from Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield projects.

Prospects

A rise in the value of announced greenfield investments in the LLDCs provides signs of optimism. More than half of announced greenfield investments by value, in 2015, was targeted at the manufacturing sector. In LLDCs, manufacturing has consistently accounted for about 50 per cent of greenfield investments since the global financial crisis, with the exception of 2013. Much of this was in the extractive sector value chain (table II.3). The other half of announced greenfield investments was split equally between the services and primary sectors (table C), which accounted for some of the largest deals in the LLDCs, heralding a potential investment recovery in countries such as Mongolia.

The impact of sanctions on the Russian Federation, combined with increasing tensions between regional powers in Central Asia and the continuing fall in the price of oil, may further affect investments in Kazakhstan, the grouping's largest FDI host country (by stock). These factors may also continue to weigh on other large hydrocarbon-based exporters, such as Turkmenistan and Azerbaijan. Kazakhstan depends on the Black Sea route through the Bosporus for most of its hydrocarbon exports but has been exploring options for rail access to a southern port in the Islamic Republic of Iran at Chabahar, following the opening of the Iran–Turkmenistan–Kazakhstan railway, as well as agreements with other countries. Abandoning a reliance on pipelines, which are used exclusively for the export of oil and gas, the country now intends to invest in a blue-water (ocean-going) fleet. Kazakhstan is betting that maritime trade (combined with extensive regional rail links) can eventually help increase its imports of consumer goods and exports of manufactures, and attract investors.[23]

Table II.3. LLDCs: 10 largest greenfield projects announced in 2015

Host economy	Industry segment	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Mongolia	Metals; copper, nickel, lead and zinc mining	Rio Tinto Group	United Kingdom	5 000
Uganda	Coal, oil and natural gas; petroleum refineries	Russian Technologies State Corporation	Russian Federation	4 000
Uzbekistan	Coal, oil and natural gas; natural, liquefied and compressed gas	Lukoil	Russian Federation	3 054
Bolivia, Plurinational State of	Coal, oil and natural gas; natural, liquefied and compressed gas	Total	France	1 200
Kazakhstan	Metals; iron and steel mills and ferroalloy	Eurasian Resources Group	Luxembourg	1 200
Kazakhstan	Coal, oil and natural gas; natural, liquefied and compressed gas	CompactGTL	United Kingdom	1 048
Turkmenistan	Metals; iron and steel mills and ferroalloy	Pohang Iron & Steel (POSCO)	Korea, Republic of	1 000
Bolivia, Plurinational State of	Coal, oil and natural gas; natural, liquefied and compressed gas	Total	France	980
Kyrgyzstan	Metals; gold ore and silver ore mining	Zijin Mining Group	China	902
Rwanda	Real estate; commercial and institutional building construction	Taaleritehdas	Finland	865

Source: ©UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).

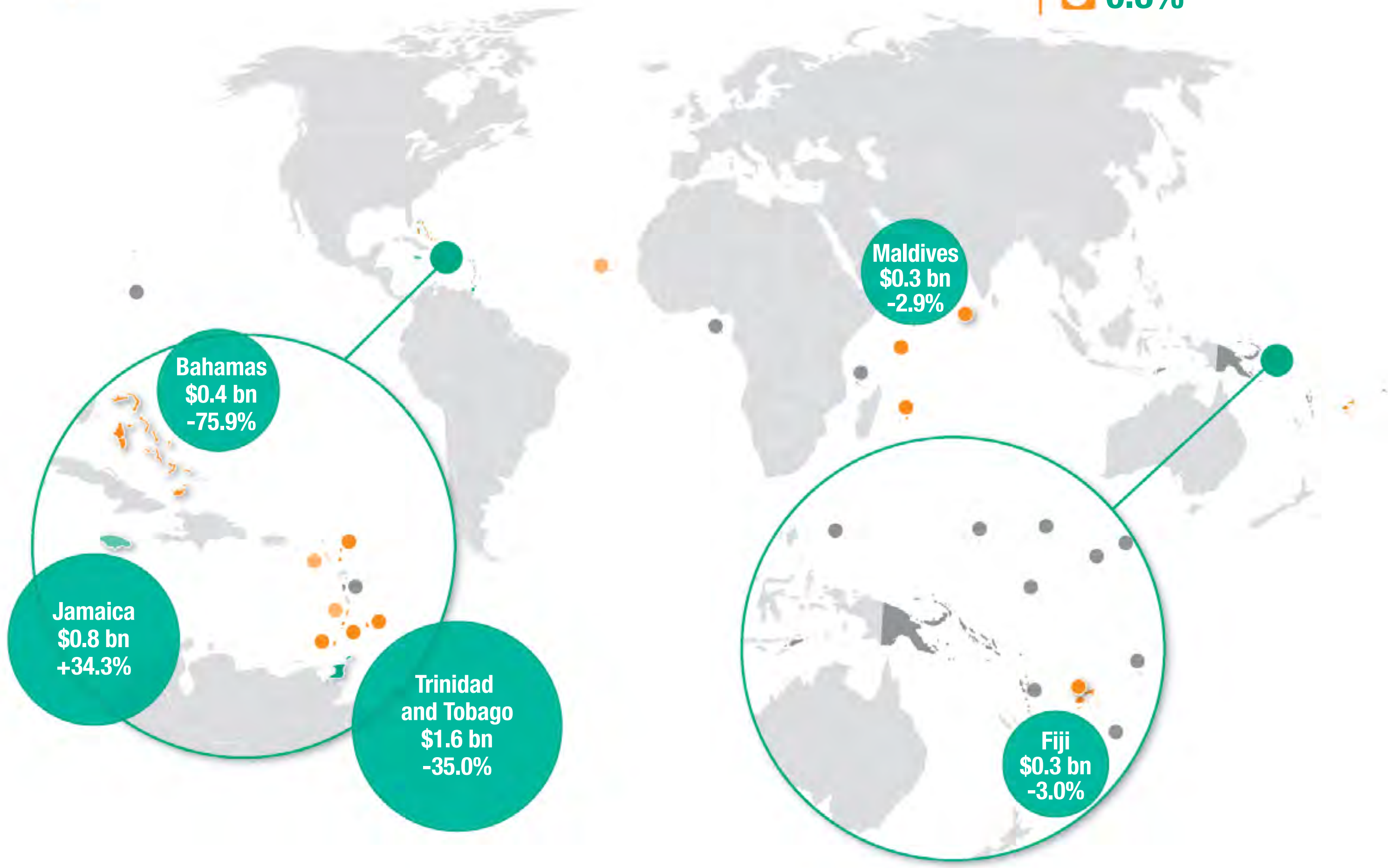
SMALL ISLAND DEVELOPING STATES

FDI flows, top 5 host economies, 2015 (Value and change)

2015 Inflows
4.8 bn

2015 Decrease
-31.7%

Share in world
0.3%



Flows, by range

- Above $1 bn
- $500 to $999 mn
- $100 to $499 mn
- $50 to $99 mn
- Below $50 mn

Top 5 host economies

Economy
$ Value of inflows
2015 % change

Outflows: top 5 home economies

(Millions of dollars, and 2015 growth)

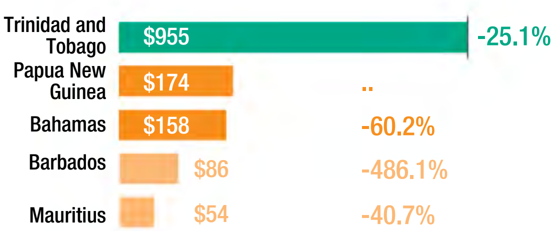
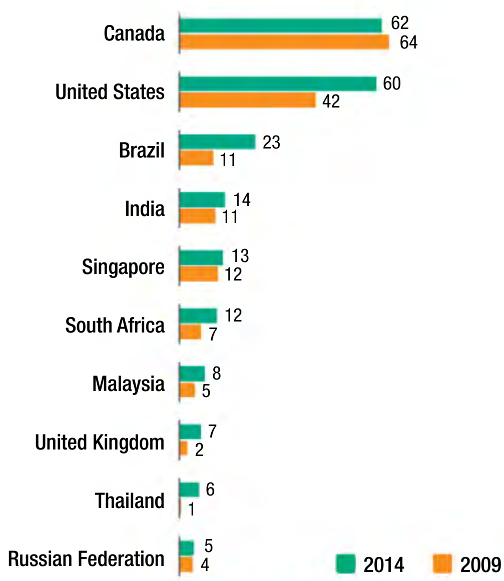


Figure A. Top 10 investor economies, by FDI stock, 2009 and 2014 (Billions of dollars)



Source: ©UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined.Dotted line in Jammu and Kashmir represents approximately the Line of Control agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- Inflows dropped to a five year low
- Developing economies account for a majority of the top 10 investors
- FDI prospects are expected to decrease in 2016

Figure B. FDI inflows, 2000–2015 (Billions of dollars and per cent)

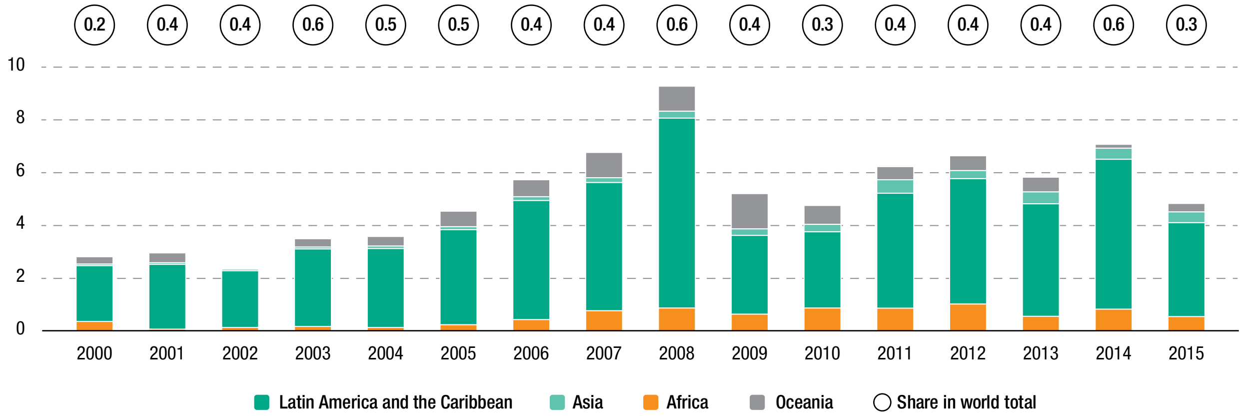


Table A. Cross-border M&As by industry, 2014–2015 (Millions of dollars)

Sector/industry	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
Total	**1 503**	**2 332**	**2 065**	**3 168**
Primary	**5**	**103**	**-**	**-**
Mining, quarrying and petroleum	5	103	-	-
Manufacturing	**1 175**	**1 708**	**-**	**-**
Food, beverages and tobacco	-	1 708	-	-
Chemicals and chemical products	1 175	-	-	-
Services	**323**	**521**	**2 065**	**3 168**
Transportation and storage	258	155	-81	-
Financial and insurance activities	68	355	-183	2 428
Business activities	-	-	12	806
Public administration and defence; compulsory social security	-	-	1 116	-
Human health and social work activities	-	-	-	-66
Arts, entertainment and recreation	-	11	-	-

Table B. Cross-border M&As by region/economy, 2014–2015 (Millions of dollars)

Region/economy	Sales 2014	Sales 2015	Purchases 2014	Purchases 2015
World	**1 503**	**2 332**	**2 065**	**3 168**
Developed economies	**74**	**-773**	**1 149**	**1 835**
European Union	3 307	-403	-328	453
Netherlands	526	781	-	-
United Kingdom	2	-1 183	2	220
Switzerland	-125	-	-	1 035
Canada	-109	-300	-	54
Developing economies	**1 428**	**3 105**	**916**	**1 333**
Africa	1 175	-	12	6
Asia	253	2 931	9	1 256
China	-	710	-10	501
India	-	-	10	683
Malaysia	-	1 593	-	-

Table C. Announced greenfield FDI projects by industry, 2014–2015 (Millions of dollars)

Sector/industry	SIDS as destination 2014	SIDS as destination 2015	SIDS as investor 2014	SIDS as investor 2015
Total	**5 377**	**3 742**	**2 021**	**2 519**
Primary	**22**	**-**	**-**	**-**
Agriculture, hunting, forestry and fisheries	22	-	-	-
Manufacturing	**477**	**494**	**262**	**19**
Food, beverages and tobacco	261	57	259	-
Textiles, clothing and leather	-	6	-	16
Metals and metal products	160	200	-	-
Services	**4 878**	**3 248**	**1 760**	**2 500**
Electricity, gas and water	1 298	148	125	-
Hotels and restaurants	234	2 049	-	-
Transport, storage and communications	808	105	1 369	559
Finance	186	68	67	241
Business services	252	574	161	1 700

Table D. Announced greenfield FDI projects by region/economy, 2014–2015 (Millions of dollars)

Partner region/economy	SIDS as destination 2014	SIDS as destination 2015	SIDS as investor 2014	SIDS as investor 2015
World	**5 377**	**3 742**	**2 021**	**2 519**
Developed economies	**2 499**	**2 689**	**81**	**121**
European Union	1 981	672	2	115
Canada	1	520	37	-
United States	464	1 355	7	-
Developing economies	**2 877**	**1 052**	**1 941**	**2 365**
Africa	59	15	1 720	2 039
Nigeria	-	-	1 148	1 298
Asia	2 773	816	-	104
China	2 429	203	-	81
Macao, China	-	277	-	-
Latin America and the Caribbean	45	221	221	221
Transition economies	**-**	**-**	**-**	**34**

Combined FDI inflows to the SIDS dipped to a five-year low of $4.8 billion – or 0.3 per cent of global FDI inflows – due to the significant retreat of foreign investment in the Bahamas and in Trinidad and Tobago, two FDI host economies in the group. Yet the net value of cross-border M&As in SIDS (excluding the Caribbean offshore centres) increased by 55 per cent to $2.3 billion, boosted by deals in food manufacturing, banking and mining from MNEs in the global South. Developing economies now account for the majority of the top 10 investors in SIDS, although developed economies still accounted for the majority of planned investments announced in 2015. Overall FDI prospects remain subdued, even though the hotel industry attracted a record-high announced greenfield investment.

Inflows

The commodity downturn hit the largest SIDS host economy, Trinidad and Tobago. The slowdown of energy MNEs' activities contributed to a 35 per cent contraction in FDI flows to Trinidad and Tobago, where more than 80 per cent of FDI stock is held in mining, quarrying and petroleum. In Jamaica, where mining and fuels generated nearly 70 per cent of merchandise exports in 2014, FDI grew by 34 per cent to $794 million, making it the second largest FDI host economy in the group in 2015. Unlike in Trinidad and Tobago, Jamaica's FDI portfolio is more diversified and depends more on the services sector, and the growing tourism industry helped the latter SIDS attract more foreign capital not only in tourism but also in other industries.[24] FDI flows into the Bahamas, the second largest FDI recipient in 2014, tumbled by 76 per cent from $1.6 billion in 2014 to $385 million in 2015, the lowest in 13 years. Intercompany loans to tourism-related construction projects, which supported FDI growth in 2013 and 2014, contracted by nearly $1 billion,[25] and equity investment fell from $325 million in 2014 to $97 million in 2015. FDI flows into Barbados fell by 48 per cent, to $254 million. As a result, FDI flows to the 10 Caribbean SIDS contracted by 37 per cent to $3.6 billion.

In all other regions, leading FDI hosts saw their FDI inflows shrink. In Africa, five SIDS reported a 35 per cent reduction in FDI flows (from $815 million in 2014 to $531 million in 2015) as they were suffering from lower investment in the tourism sector. FDI flows to Mauritius contracted by 50 per cent to $208 million, although this is likely to be only a hiatus. For instance, a record high investment of $1.9 billion (for the next five years) was recently approved.[26] In addition to weaker investment flows to hotels and restaurants,[27] a slowdown in the construction industry[28] suggests reduced foreign investments in high-end real-estate projects, where more than 40 per cent of FDI flows had been generated. Seychelles also registered negative FDI growth (down 15 per cent to $195 million).

In Asia and Oceania, where the scale of FDI flows is much smaller in relation to official development flows,[29] reductions in FDI flows were less significant (down 4 per cent to $367 million and up 124 per cent to $323 million, respectively). Maldives ($324 million) and Fiji ($332 million) both reported a decline of 3 per cent from 2014 to 2015. FDI in Papua New Guinea, where mining, quarrying and petroleum accounts for nearly 90 per cent of FDI stock, remained negative at –$28 million.

Despite the overall FDI decline, the net sales value of cross-border M&As in SIDS (excluding the Caribbean offshore centres) increased by 55 per cent. The largest deal of the year, a $3 billion acquisition of Bahamas-based Columbus International by Cable & Wireless Communications (CWC) (United Kingdom) (table II.4), was followed by a takeover offer to CWC by another major MNE, Liberty Global (United Kingdom). CWC, listed in London but headquartered in Miami (United States), has been active in the Caribbean SIDS, mainly through two brands: LIME (excluding the Bahamas) and BTC (Bahamas).[30] Large deals were recorded in the manufacturing sector for two consecutive years (table A). In 2015 Sime Darby, a Malaysian State-owned enterprise, acquired Papua New Guinea's largest agribusiness company, New Britain Palm Oil, for $1.7 billion.[31]

Table II.4.	SIDS: Five largest cross-border M&A sales in 2015				
Host economy	**Ultimate target economy**	**Target company's industry segment**	**Ultimate acquiring company**	**Home economy**	**Value** (Millions of dollars)
Bahamas	Bahamas	Telephone communications	Cable & Wireless Communications	United Kingdom	3 084
Papua New Guinea	Papua New Guinea	Vegetable oil mills	Sime Darby Bhd	Malaysia	1 708
Bahamas	Bahamas	Beauty shops	Catterton Partners Corp.	United States	834
Jamaica	United Kingdom	Malt beverages	L'Arche Green NV	Netherlands	781
Barbados	United Kingdom	Copper ores	Zijin Mining Group Co. Ltd.	China	412

Source: ©UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).
Note: Total number of deals was 40, of which half did not have the transaction value disclosed. Due to their offshore financial status, the two deals in the Bahamas are not included in tables A and B.

Driven by investments from China and Malaysia, net cross-border M&A sales involving investors from developing economies hit the highest level in a decade. In contrast, net sales to developed-economy investors became negative for the fourth time in the past five years. United Kingdom investors divested a total of $1.2 billion (in two deals) by selling assets in the Caribbean SIDS to other foreign companies. In 2011–2015, investors from the global South were responsible for $6.5 billion worth of M&A transactions, while MNEs from developed economies divested a net $2.3 billion. Over that period, Australian investors divested $2.9 billion, followed by the United States ($1.8 billion). Chinese MNEs, by contrast, led cross-border M&A transactions in SIDS with $2.6 billion in acquisitions, followed by French MNEs ($2.5 billion).

Growing presence of developing economies in the top 10 sources of FDI stock in SIDS. Cross-border M&A transactions reflect the growing FDI footprint of investors from the global South in SIDS. Although developed countries, such as Canada and the United States, still hold the highest levels of FDI stock in SIDS,[32] 6 of the top 10 investors are developing economies (figure A). Some of this FDI, however, is held in countries such as the Bahamas and Mauritius,[33] which MNEs also use for onward investment.

Although not among the top 10 investors, Chinese FDI stock in SIDS more than trebled between 2009 and 2014, to $3 billion, mostly because of a $1 billion expansion in Trinidad and Tobago's hydrocarbons sector, a $0.5 billion rise in Oceanian SIDS,[34] and another $0.5 billion in African SIDS (Cabo Verde, Mauritius and Seychelles).[35]

Prospects

Weak commodity prices and the slowdown of the Chinese economy affected capital spending in the greenfield FDI projects announced in 2015 (tables C and D).[36] Even though the number of announced projects was reduced only marginally (from 52 in 2014 – the highest in six years – to 51 in 2015), the 30 per cent decline in estimated capital spending suggests that investment prospects in SIDS remain poor in the short term. Similar to the cases in the LDCs and LLDCs, the uneven distribution of FDI among SIDS is likely to continue.

Prospects for large-scale investments in SIDS' extractive industries are weak. No new hydrocarbon project was announced in 2015 for the second year running. A $200 million metal (manufacturing) project in Trinidad and Tobago (table II.5) was the only greenfield project announced in extractive related industries in SIDS. Compared with the annual average of 2012–2014, the level of expected new investments in Trinidad and Tobago fell by 24 per cent to $423 million (in three projects) and by 85 per cent to $254 million (in six projects) in Papua New Guinea. This prospect can be easily overturned by an investment decision of a single MNE operating in or targeting one resource-rich SIDS, and it should not prevent these resource-rich SIDS from attracting FDI in other industries (see table II.5).

Jamaica, by contrast, made a huge leap by attracting 14 announced greenfield investment projects with a value of $1.4 billion (compared with the annual average of $0.6 billion in 6 projects in 2012–2014). Nearly 40 per cent of announced greenfield investment in all SIDS ($3.7 billion in 51 projects) went to this country, thanks primarily to capital investment plans by United States MNEs in hotels (table II.5) and customer contact centres. In terms of the number of announced projects attracted, Mauritius (eight projects or 16 per cent of total) and Fiji (five projects or 10 per cent of total) continued doing well by attracting diverse but small projects in the services sector and in light manufacturing (such as automotive OEM from Tata Motors (India) in Mauritius, and manufacturing of clothing and accessories in Fiji).

With prospects subdued overall, the services sector – primarily tourism – remains the focus of foreign investors' plans in SIDS (table C). A record high level of greenfield investment was announced in the hotel industry in 2015, driven by a surge in prospective capital spending by MNEs from developed countries (table II.5): the value of planned projects announced (over $2 billion in 10 projects) was almost 10 times greater than in 2014 ($234 million in four projects) (see table A). Lower fuel prices helped boost foreign investor sentiment in tourism-related projects to raise capacities in SIDS to accommodate the projected growth in tourism in the coming years. The third largest greenfield project announced by an MNE based in Macao, China (table II.5), also concerns tourism (namely, the construction of a resort and gambling complex).[37]

Business services also registered robust growth in 2015, with the number of projects hitting a record high of 15 (compared with 10 in 2014). Yet the growth in outward investment plans from this industry (including fixed-line telecommunication carriers and data processing) is noteworthy (see table C), as it has risen from an annual average of $0.6 billion in 2012–2014 to $1.7 billion in eight projects in 2015. The dominant investors in outward greenfield projects are those based in Mauritius targeting Africa, and Nigeria in particular (table D).

Securing the necessary resources and technical assistance to tackle climate change adaptation and mitigation has also been a priority for most countries within the group. Effective global action following the Paris Agreement, adopted at the Conference of the Parties to the United Nations Framework Convention on Climate Change in December 2015, is expected to improve SIDS' access to additional development finance, but this will take time. FDI by MNEs can be a major source of external private capital to SIDS and a provider of technology and skills. Implementation of already announced alternative or renewable energy projects in SIDS could be accelerated by stronger partnerships with governments and the international community, where active investment policies can maximize the development impact of private capital flows (*WIR14*).

Table II.5. SIDS: 10 largest greenfield projects announced in 2015

Host economy	Industry segment	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Jamaica	Hotels	Karisma Hotels & Resorts	United States	1 010[a]
Antigua and Barbuda	Hotels	Sunwing Travel Group	Canada	400
Cabo Verde	Gambling industries	Macau Legend Development	Macao, China	277
Trinidad and Tobago	Data processing, hosting and related services	Digicel	Jamaica	221
Trinidad and Tobago	Metals	Bosai Minerals	China	200
Maldives	Hotels	Hayleys	Sri Lanka	183
Papua New Guinea	Hotels	InterContinental Hotels Group (IHG)	United Kingdom	183
Maldives	Hotels	RIU Hotels & Resorts	Spain	152[a]
Saint Lucia	Hotels	Sunwing Travel Group	Canada	120
Samoa	Wired telecommunication carriers	Amper SA	Spain	107

Source: ©UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).
[a] Total of three projects.

NOTES

[1] Although cross-border M&A activity into South Africa leaped to nearly $21 billion, this figure reflects one very large deal involving Steinhoff International's acquisition of the entire share capital of its affiliate in South Africa for the exceptionally large amount of $20.4 billion in a stock swap transaction through a reverse takeover.

[2] For instance, Volkswagen (Germany) is investing €22 billion in order to boost its Chinese production to 5 million vehicles; most of the investment will be in inland provinces, such as Hunan.

[3] This deal dragged net M&A sales in the Republic of Korea to a negative $4 billion.

[4] Mai Nguzen, "Samsung ups investment in southern Vietnam project to $2 billion", Reuters, 29 December 2015.

[5] The level of round-tripping is likely to decrease when a protocol signed by the Indian and Mauritian Governments amending the Double Taxation Avoidance Agreement comes into effect in April 2017. Under one of its provisions the Indian Government will impose capital gains tax on investment from Mauritius.

[6] The Government of Myanmar is targeting $8 billion foreign investment in fiscal year 2016/2017, and in order to do so it has been encouraging more FDI in agriculture, infrastructure and trade. See Nay Pyi Taw, "Myanmar targets $8 billion foreign investment", Business Standard, 9 May 2016.

[7] Australia, Department of Industry, Innovation and Science (2015).

[8] "Canadian pension funds putting down roots abroad", Pension & Investments, 7 July 2014.

[9] The Boston Consulting Group, "Measuring Impact of Canadian Pension Funds", October 2015. http://files.newswire.ca/29/ENG_Top_Ten_Report.pdf.

[10] The Democratic Republic of the Congo, Eritrea, Guinea, Mali, Mauritania, Mozambique and Zambia.

[11] Angola, Chad, Equatorial Guinea, South Sudan, the Sudan and Yemen.

[12] Guinea-Bissau, Malawi, Solomon Islands and Somalia.

[13] Afghanistan, Burundi, the Comoros, Djibouti, Ethiopia, the Gambia, Liberia, Madagascar, Nepal, Rwanda, Sao Tome and Principe, Timor-Leste, Tuvalu, Uganda and Vanuatu.

[14] Bangladesh, Bhutan, Cambodia, Haiti and Lesotho.

[15] "FDI picture mixed", 26 April 2016, www.thedailystar.net.

[16] Benin, Burkina Faso, the Central African Republic, Kiribati, the Lao People's Democratic Republic, Myanmar, the Niger, Senegal, Sierra Leon, Togo and the United Republic of Tanzania.

[17] "Japan brewers buying assets abroad as home market shrinks", 20 April 2016, www.asianikkei.com.

[18] "Foreign investment in Myanmar jumps 18 per cent amid political transition", 20 April 2016, Nikkei Asian Review.

[19] "Myanmar targets $8 billion foreign investment", Business Standard, 9 May 2016.

[20] "ONGC Videsh to double Africa investments to $16 bn in 3 years", Business Standard, 28 October 2015.

[21] "Sinopec buys Kazakhstan Oil Assets from Lukoil for $1.09 Billion", Bloomberg, 20 August 2015, www.bloomberg.com.

[22] In the services sector, Orange (France) announced an investment in wireless communications in Botswana worth $150 million. Announced investments by MTN Group (South Africa) and East Africa Capital Partners (Kenya), also in wireless communications as well as data processing, were valued at $150 million each.

[23] "Land-locked Kazakhstan plans to build a blue-water commercial fleet", Jamestown Foundation, www.jamestown.org.

[24] IMF, Jamaica Country Report, No. 15/343, December 2015; "Jamaica's trailblazing tourism growth in 2015", Caribbean Journal, 29 December 2015.

[25] Central Bank of the Bahamas, The Quarterly Economic Review, 24 (4), December 2015.

[26] "Mauritius investment flows tail off despite record-high deals", Bloomberg, 12 April 2016, www.bloomberg.com.

[27] "Foreign investment in Mauritius falls 29 pct in first 9 months", Reuters, 15 December 2015, http://af.reuters.com.

[28] IMF, Mauritius Country Report, No. 16/89, 22 March 2016.

[29] See figure II.28, *WIR15*.

[30] "Columbus International Inc. closes upon its acquisition by CWC", 31 March 2015, http://finance.yahoo.com/news.

[31] "Sime Darby expansion to follow takeover of Papua New Guinea's New Britain Palm Oil", Business Advantage PNG, 4 March 2015.

[32] Both Canada and the United States report their large stock holdings in the Caribbean offshore centres. In 2014, 90 per cent of FDI stock from Canada was held in Barbados, and nearly 80 per cent of the United States' stock was held in Barbados and the Bahamas.

[33] For example, in both 2009 and 2014, almost all FDI stock from Brazil to SIDS was composed of Brazil's stock holding in the Bahamas; thus, a jump in this country's stock holding in SIDS is explained by the growth in the FDI stock in the Bahamas, from $10.5 billion in 2009 to $22.8 billion in 2014.

[34] In 2014, nearly 80 per cent of stock in the Oceanian SIDS was held in Papua New Guinea (compared with 72 per cent in 2009).

[35] Mauritius has been the largest destination of Chinese FDI stock among the African SIDS (more than 80 per cent in 2014, compared with 95 per cent in 2009).

[36] Although the number of projects announced by Chinese investors during 2015 fell only from three in 2014 to two, the value of announced greenfield projects slumped, as presented in table D, from $2.4 billion to $0.2 billion.

[37] The construction has already started and is scheduled to be complete in three years ("Macau Legend breaks ground on casino in Cape Verde", 12 February 2016, http://calvinayre.com).

CHAPTER III

RECENT POLICY DEVELOPMENTS AND KEY ISSUES

A. NATIONAL INVESTMENT POLICIES

1. Overall trends

National investment policies continue to be geared towards investment liberalization and promotion.

In 2015, 46 countries and economies adopted 96 policy measures affecting foreign investment.[1] Of these measures, 71 related to liberalization, promotion and facilitation of investment, while 13 introduced new restrictions or regulations on investment (table III.1). The share of liberalization and promotion reached 85 per cent, which is above the average between 2010 and 2014 (76 per cent) (figure III.1).

Nearly half (42 per cent) of all policy measures were undertaken by Asian developing economies. Countries in Europe, Africa and the transition economies also introduced numerous policy measures (figure III.2). Those in Africa, Asia and North America were most active in liberalizing, promoting or facilitating foreign investment. Some countries in Oceania and some in Latin America and the Caribbean were more restrictive, mainly because of concerns about foreign ownership of land and natural resources.

a. Investment liberalization predominant in 2015

In 2015, 47 policy measures were related to partial or full investment liberalization in individual economic sectors.[2]

The largest emerging economies in Asia – *China* and *India* – were most active in opening up various industries to foreign investors. For example, *China* allowed foreign companies to set up bank card clearing companies and loosened restrictions on foreign investment in the real estate market. It also allowed full ownership of e-commerce business and designated Beijing for a pilot program for opening up certain service sectors. *China* also revised its "Catalogue for the Guidance of Foreign Investment Industries", which stipulates in which of over 400 industry sectors foreign investment is "encouraged", "restricted" or "prohibited". Compared with its predecessor, the new Catalogue reduces the number of investment restrictions, in particular

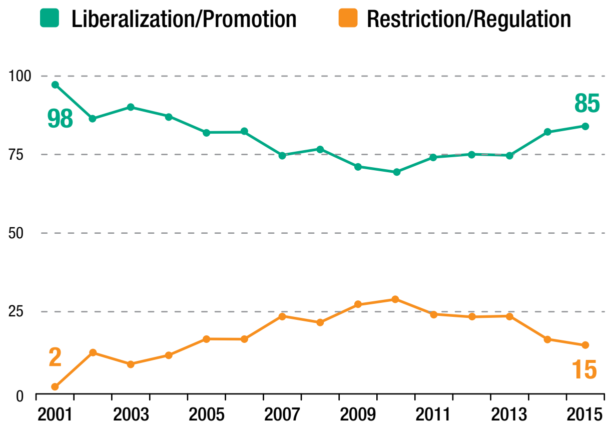
Table III.1. Changes in national investment policies, 2001–2015 (Number of measures)

Item	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of countries that introduced changes	51	43	59	79	77	70	49	40	46	54	51	57	60	41	46
Number of regulatory changes	**97**	**94**	**125**	**164**	**144**	**126**	**79**	**68**	**89**	**116**	**86**	**92**	**88**	**72**	**96**
Liberalization/promotion	85	79	113	142	118	104	58	51	61	77	62	65	64	52	71
Restriction/regulation	2	12	12	20	25	22	19	15	24	33	21	21	21	11	13
Neutral/indeterminate[a]	10	3	-	2	1	-	2	2	4	6	3	6	3	9	12

Source: ©UNCTAD, Investment Policy Monitor database.
[a] In some cases, the expected impact of the policy measures on the investment is undetermined.

in the manufacturing sector. *India* undertook various liberalization measures, such as (1) increasing the foreign direct investment (FDI) cap from 26 per cent to 49 per cent in the insurance sector and in pension funds; (2) permitting FDI up to 100 per cent under the automatic route for manufacturing of medical devices; (3) increasing the thresholds of inward FDI projects that require prior approval from Rs 20 billion to Rs 50 billion; (4) abolishing the subceilings between various forms of foreign investment such as FDI, portfolio, non-resident Indians' investments and venture capital; and (5) permitting partly paid shares and warrants as eligible capital instruments for the purpose of India's FDI policy. In November 2015, the country also introduced a comprehensive FDI liberalization strategy and relaxed FDI rules in 15 "major sectors", including agriculture, civil aviation, construction, defence, manufacturing and mining.[3]

Figure III.1. **Changes in national investment policies, 2001–2015** (Per cent)

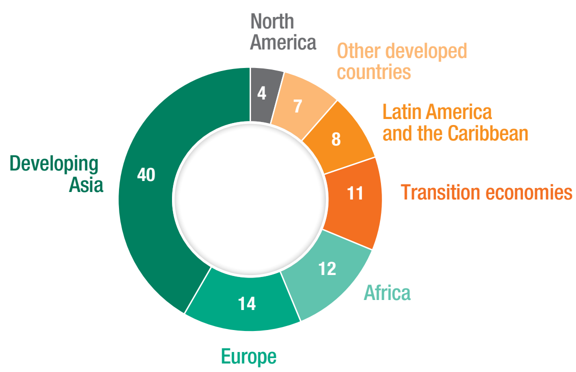


Source: ©UNCTAD, Investment Policy Monitor database.

Some noteworthy measures from other countries: *Brazil* fully liberalized foreign investment in the health care sector. *Maldives* approved a new law allowing foreign ownership of land in the country for the first time. *Myanmar* passed a new mining law that provides a more favourable environment for foreign investment. It also allowed import and trade of specific farming and medical products, provided that foreign investors engage in such activities in joint ventures with local firms. The *Philippines* removed the foreign ownership restriction on lending firms, investment houses and financing companies. The country also reduced the number of professions reserved for Filipino nationals. *Viet Nam* allowed foreign investors to purchase rights to manage airports and provide some ground services, with a cap of 30 per cent of the company's share. It also relaxed foreign ownership restrictions related to the purchase of houses. Furthermore, it removed the 49 per cent cap on foreign ownership of public companies, except in those industries governed by international treaties and industries restricted to foreign investors under the Law on Investment and other regulations.

Another investment policy feature in 2015 was privatization. Developed countries were most active, in particular with regard to some infrastructure services, such as transportation and telecommunication. For example, *France* signed a contract for the sale of its space satellite launch company (CNES). *Greece* approved concession agreements with a foreign investor relating to the privatization of 14 regional airports. It also signed a privatization agreement for a seaside resort. *Italy* undertook a partial privatization of the national postal service – Poste Italiane – selling 38.2 per cent of the company. *Japan* launched the initial public offering (IPO) for parts of Japan Post. The *Slovak Republic* decided to sell its remaining stake in Slovak Telekom to a foreign company. *Spain* privatized 49 per cent of its national airport operator, Aena. *Ukraine* developed a list of approximately 300 State-owned enterprises to be privatized, by adopting a resolution on conducting a transparent and competitive privatization process.

Figure III.2. **Regional distribution of national investment policy measures in 2015** (Number of measures)



Source: ©UNCTAD, Investment Policy Monitor database.

In 2016, *Indonesia* introduced its new "Negative Investment List". It generally permits or increases the allowed ceiling for foreign investment in various industries, including tourism, film, health care and airport services. The list also adds new restrictions to foreign investment in a number of industries. *Zimbabwe* allowed foreign investors to own up to 49 per cent – up from 40 per cent – of companies listed on the Zimbabwe Stock Exchange. The *European Union* and the *United States* lifted some economic sanctions against the Islamic Republic of Iran, allowing, inter alia, individuals and companies to invest in the oil, gas and petrochemical industries.

b. Investment promotion and facilitation continues to be prominent

Numerous countries adopted policies to promote or facilitate investment. One element of such policies was the introduction of new investment laws. *Chile* promulgated a new Framework Law for Foreign Investment. It establishes a Foreign Investment Promotion Agency and guarantees investors access to the formal foreign exchange market, the free remittance of capital and earnings, protection against discrimination, and exemption from sales and service tax on imports of capital goods that comply with certain requirements. *Egypt* amended its investment law, creating alternative out-of-court forums to amicably settle investor-State disputes and granting incentives for investment in specific sectors or regions. *Guinea* adopted a new investment code providing new tax and customs exemptions, as well as protections for investments. *Myanmar* passed a new investment law, consolidating and replacing the 2012 Foreign Investment Law and the 2013 Citizens Investment Law. One aim of the new law is to pave the way for speedier investment approvals. *Rwanda* enacted a new investment code which includes additional tax incentives. The code also includes the principles of national treatment, free transfer of funds and protection in case of expropriation. *Serbia* introduced a new investment law, which, inter alia, provides for equal treatment of foreign and domestic investors, and differentiates between investments of special importance and those of local importance. It also provides investment incentives and includes investment protection provisions. *South Africa* adopted the Promotion and Protection of Investment Act. It confirms, inter alia, commitments on national treatment, security of investments and transfer of funds while preserving the Government's right to pursue legitimate public policy objectives. It may serve as an alternative to bilateral investment treaties (BITs), unless there are compelling economic and political reasons for having them.

Meanwhile, the *Plurinational State of Bolivia* adopted a new conciliation and arbitration law, incorporating mechanisms of alternative dispute resolution for both domestic and foreign investors. At the same time, the law stipulates that investment disputes involving the State will be subject to Bolivian jurisdiction. In 2016, *Myanmar* enacted a new arbitration law, providing a comprehensive legal framework for the conduct of domestic and international arbitration.

A couple of countries improved business licensing procedures. *Angola* enacted new legislation to reduce the bureaucracy surrounding the procedures for the admission of eligible investments. *Indonesia* introduced a three-hour licensing process for certain categories of investors planning to open businesses. To be able to use the quick licensing program, investors must invest at least Rp 100 billion and/or employ at least 1,000 workers. *Ukraine* adopted a law on licensing of commercial activities which aims to simplify licensing procedures in a number of activities. In 2016, *Kazakhstan* introduced a one-stop shop, enabling investors to apply for more than 360 permits and licenses without having to visit various ministries or government agencies.

Some countries introduced special economic zones (SEZs) or revised policies related to existing SEZs. *Djibouti* established a free trade zone to attract investments and stimulate economic activities in the manufacturing and services sectors. *Kazakhstan* adopted a law on the Astana International Financial Centre, offering tax incentives and work permits, among other benefits. *Kenya* enacted a law on SEZs, providing investment incentives such as tax benefits and granting additional work permits for skilled foreign employees. The *Republic of Korea* eased employment regulations for foreign investment in the Saemangeum region. *Portugal* adopted a new regime for the International Business Centre of Madeira, which offers a reduced corporate tax rate and withholding tax exemptions on dividend payments, among other incentives. The *Russian Federation* designated the port of Vladivostok and some other municipalities as a free port zone. In addition, it approved the establishment of five areas of priority socioeconomic development in the Far Eastern Federal District. Investors in these areas will benefit from a number of incentives.

Some countries provided various kinds of other incentives. For example, *Argentina* adopted a crude oil production stimulus program providing financial subsidies for oil production and exports. *The Plurinational State of Bolivia* adopted a law on the promotion of investment in exploration and exploitation of hydrocarbons that regulates the general framework for the granting of economic incentives. The *Czech Republic* amended the Investment Incentives Act and other related acts. Inter alia, the amendment introduces an exemption from real estate tax, expands the range of supported activities and reduces the eligibility requirements for investors. *Indonesia* expanded the economic sectors designated as pioneer industries eligible for tax holidays. The *Republic of Korea* allowed small foreign companies to hire more non-Korean employees during the first two years of operations. The *Russian Federation* set up a procedure for Special Investment Contracts, covering investment in certain industries over a minimum investment amount of Rub 750 million. It provides investors with various support measures, including financial incentives. The *United States* passed a law easing tax on foreign investment in United States real estate. Under the new law, foreign pension funds receive the same tax treatment as their United States counterparts for real estate investment.

c. New investment restrictions or regulations reflect concerns about strategic industries

Almost all of the newly adopted restrictive or regulatory measures related to the entry and establishment of investments. The share of new investment restrictions or regulations among all new policy measures was higher in developed countries than in developing or transition economies.

Most of the newly adopted investment restrictions and regulations reflect concerns about foreign investment in strategic industries or national security considerations (the latter are discussed in subsection 2). For instance, *Argentina* enacted a law requiring the government to get approval in Congress to sell the State's stakes in key Argentine companies. *Australia* reformed the foreign investment screening framework significantly to provide stronger enforcement of the rules, a better resourced system and clearer rules for foreign investments. Key changes include a lowering of the agricultural and agribusiness thresholds. This means more investors are required to come to the Foreign Investment Review Board for approval for agricultural investments. However, the threshold for developed commercial land has been lifted so that acquisitions below $A 252 million generally do not require screening. As before, the framework seeks to ensure that proposed acquisitions are not contrary to the national interests. *Hungary* restricted the purchase by foreigners of privatized plots of State-owned farmland. *Poland* adopted a law requiring investors to get approval from the Government to buy a stake of 20 per cent or higher in strategic industries such as power generation, chemicals and telecommunication. In 2016, the *Russian Federation* lowered the foreign ownership cap in media companies from 50 per cent to 20 per cent.

Several countries undertook measures to counter tax evasion by investors. One policy has been to curb corporate tax inversions (chapter II). For example, the *United States* has taken a series of actions to rein in inversions and reduce the ability of companies to avoid taxes through earnings stripping. The change will make it harder for United States companies to buy a firm in another country and locate the combined entity's address there. The new rules also discourage companies from “cherry picking”, i.e. finding an address in a country with a favourable tax treaty. In a similar vein, new tax legislation entered into force in the *Russian Federation*, aiming to prevent the cash drain from Russia to offshore places and the use of various cross-border tax evasion schemes. Policy reforms to stem offshore financial flows have also been under way in the *Netherlands* and *Luxembourg*.

2. Foreign investment and national security-related policies

National security considerations are increasingly becoming part of national investment policies and may cover broader national economic interests. There is a need to balance regulatory space for governments in applying national security regulations with the interests of investors for transparent and predictable procedures.

In recent years, national security considerations and related concerns have gained more prominence in investment policies. More countries have adopted legislation in this area or have reviewed foreign investment projects on national security-related grounds. Intensified threats of terrorism have further sensitized national authorities.

It is each country’s sovereign right to screen foreign investment for national security reasons; however, recent developments raise a number of policy issues. First, countries use different concepts of “national security”; domestic policy approaches range from a relatively narrow definition of national security and security-related industries to broader interpretations that extend investment review procedures to critical infrastructure and strategic industries. Second, countries differ as regards the content and depth of the investment screening process, and the degree and amount of information that they require from prospective investors. Third, there are also substantial differences between countries with respect to the possible consequences when an investment is considered sensitive from a national security perspective. Policy approaches include outright or partial investment prohibitions, but also investment authorizations under certain conditions.

As a result, foreign investors may face significantly different entry conditions in different countries in respect of similar or even the same economic activities. Whereas they may not face any obstacles in country A, the same investments may be blocked in country B. In addition, while sector-specific foreign investment restrictions are usually clearly defined and transparent, limitations based on national security are often less predictable and may leave room for instances of investment protectionism.

The rest of this section provides an overview of existing national approaches to investment reviews for national security-related reasons and the latest policy developments in this area.

a. Investment screening procedures apply different concepts of “national security”

An UNCTAD review of FDI entry and establishment regulations among 23 developed, developing and transition economies shows that countries differ significantly in their approaches to defining national security for investment screening purposes.

No country that was surveyed has an exhaustive and clear-cut definition of “national security” in the context of foreign investment. Most countries have chosen to identify a number of sectors or industries, which – by their nature – may pose national security-related concerns in connection with foreign investment. On the basis of UNCTAD’s review findings, several types of economic activities and/or sectors can be identified in which foreign investors are likely to be subject to national security-related FDI limitations and/or review procedures. They cover defence and security-related activities, as well as investment in critical infrastructure. Also, foreign investments in strategic economic sectors may sometimes be considered a potential threat to national security (table III.2).

Table III.2.	Illustrative list of activities subject to FDI limitations and/ or review procedures, by country		
	Defence industry, land purchase in security zones	Critical infrastructure[a]	Strategic economic sectors[b]
Algeria[c]	x	x	x
Argentina	x		
Brazil	x	x	x
Canada	○	○	○
Chile	x		x
China	x	x	x
Egypt	x	x	
Ethiopia	x	x	
Finland	x	x	○
France	x	x	
Germany	x	○	○
India	x	x	
Indonesia	x	x	x
Italy	x	x	
Japan	x	x	
Korea, Rep. of	x	x	x
Mexico	x	x	x
Myanmar		x	x
Poland	x	x	
Russian Federation	x	x	x
Turkey	x	x	
United Kingdom	x	○	○
United States	○	x	○

Source: ©UNCTAD, based on Investment Policy Monitor database and web research.
[a] e.g. electricity, water and gas distribution; health and education services; transportation; communications.
[b] e.g. natural resources.
[c] Algeria has a foreign ownership restriction of 49 per cent for all domestic companies.
x = Industry-specific restriction.
○ = Country with a cross-sectoral review potentially encompassing all transactions in any industry.

The broad concept of "national security" also translates into a variety of criteria that national authorities consider in their investment screening procedures. These criteria include, inter alia, the impact of a proposed transaction on public safety, social order, plurality of the media, strategic national interests, foreign relations, disclosure of State secrets, territorial integrity, independence of the State, protection of rights and freedoms of citizens, continuity of public procurements or terrorism related concerns.

b. Foreign investment screening for national security reasons on the rise

Over the past decade there has been an increase in laws and regulations concerning investment-related national security reviews.

Since 2006, at least eight developed, developing and transition economies have enacted legislation on foreign investment reviews on national security grounds (i.e. *Canada* (2009), *China* (2011 and 2015), *Finland* (2012), *Germany* (2009), *Italy* (2012), the *Republic of Korea* (2006), *Poland* (2015), and the *Russian Federation* (2008)).

During the same period, various countries have revised their mechanisms for the national security-related review of foreign investment through the addition of new sectors, guidelines or thresholds (box III.1). The majority of these amendments tended towards adding further restrictions on investment, while some countries also clarified procedural requirements, thereby improving the overall transparency of their national security-related review mechanisms.

Box III.1. Examples of recent policy changes in existing national security-related review mechanisms

Canada

In 2015, amendments were introduced to the Investment Canada Regulations and the National Security Review of Investments Regulations. These amendments required investors to provide more information with their filings in order to assist in the review process and extended the length of certain time periods for the Government to carry out national security reviews under the Investment Canada Act.

China

On 1 July 2015, the National Security Law came into effect. As a framework law, it lays down the general principles and obligations of the State in maintaining security in the country. Article 59 of the Law allows the State to establish, inter alia, a national security review and oversight mechanism to conduct a national security review of foreign commercial investment, special items and technologies, internet services, and other major projects and activities that might affect national security. The framework for such reviews based on national security considerations had first been established in 2011. In April 2015, trial procedures for a national security review of foreign investment in the free trade zones in Shanghai, Tianjin, and the provinces of Guangdong and Fujian were published by the State Council's general office.

France

In 2014, the Minister of Economy issued a decree amending the list of activities subject to review for foreign investors equipment, services and products that are essential to safeguard national interests in public order, public security and national defence, as follows: (i) sustainability, integrity and safety of energy supply (electricity, gas, hydrocarbons or other sources of energy); (ii) sustainability, integrity and safety of water supply; (iii) sustainability, integrity and safety of transport networks and services; (iv) sustainability, integrity and safety of electronic communications networks and services; (v) operation of a building or installations of vital importance as defined in articles L. 1332-1 and L.1332-2 of the Code of Defence; and (vi) protection of public health.

Germany

In 2009, Germany amended its legislation to be able to exceptionally prohibit investments by investors from outside the European Union (EU) and the European Free Trade Association that threaten to impair public security or public order.

Italy

In 2012 (and the subsequent years), Italy established a new mechanism for government review of transactions regarding assets of companies operating in the sectors of defence or national security, as well as in strategic activities in the energy, transport and communications industries.

Japan

In 2007, Japan expanded the coverage of the prior notification requirement for foreigners acquiring a stake in companies in designated industries. Amendments of the Cabinet Order on Inward Direct Investment and other rules adjusted the list of industries covered to include those that produce sensitive products (such as arms, nuclear reactors and dual-use products), as well as industries that produce sensitive products or provide related services. The stated purpose of the amendments is to prevent the proliferation of weapons of mass destruction and damage to the defence production and technology infrastructure.

Republic of Korea

In 2008, the Ministry of Commerce, Industry and Energy made an amendment to the Enforcement Decree of the Foreign Investment Promotion Act by Presidential Decree No. 20646. The amendment aims to provide more clarity on the bases and procedures for restricting foreign investment on the basis of national security concerns and to provide legal stability to both foreign and domestic investors by allowing them to request a preliminary investigation on whether a certain investment is subject to restriction for national security reasons.

Russian Federation

In 2014 amendments were made to the Federal Law "On the Procedures of Foreign Investments in the Business Entities of Strategic Importance for National Defence and State Security" (No. 57-FZ) by adding three types of activities deemed to be of such strategic importance: (i) evaluation of the vulnerability of transport infrastructure facilities and the means of transport by specialized organizations, (ii) the protection of transport infrastructure facilities (iii) the means of transport by transport security units from acts of unlawful intervention; and (iv) the support to certification of transportation security by the certifying authorities. Other amendments that were made to Federal Law No. 57-FZ exempt certain operations from the remit of the Law on Strategic Entities, but bring property classified as production assets of a strategic company – valued at more than 25 per cent of the strategic entity's balance sheet assets – under the law's scope.

United States

In 2007, the United States adopted the Foreign Investment and National Security Act, which amends the primary vehicle for screening foreign acquisitions on the basis of national security: the Defense Production Act of 1950. The Act expands, inter alia, the membership of and senior-level accountability within the Committee on Foreign Investment in the United States (CFIUS), adds to the illustrative list of national security factors for the CFIUS and the President to consider, requires the CFIUS to monitor and enforce compliance with mitigation measures and to track withdrawn notices, and allows the CFIUS to re-open a review if the parties made a material omission or misstatement to the CFIUS, or if the parties intentionally and materially breach a mitigation agreement.

Source: Based on UNCTAD's Investment Policy Hub and web research.

Also, during this period, some countries have adopted new foreign ownership restrictions in industries that may raise national security-related concerns or otherwise affect national interests. For example, in 2014, *Mozambique* amended its petroleum law, requiring investors who apply for oil and gas exploration licenses to form partnerships with the State. In 2014, *Myanmar* prohibited FDI in electric power generation projects of less than 10 MW and required that pharmaceuticals, health and postal services be undertaken through joint ventures with the recommendation of relevant Ministries. In 2009, *the Bolivarian Republic of Venezuela* enacted legislation under which new projects of basic and intermediate petro-chemistry cannot be carried out by entities that are not mixed companies with a State participation of at least 50 per cent (previously, no limitation existed).

In addition, there has been an increase in administrative decisions on the admission (or rejection) of foreign investment in national security-related screening procedures. Box III.2 provides a sample of recent cross-border mergers and acquisitions (M&As) that have raised concerns related to national security and other national interests in host States. Where reviews focus on the protection of national interests, it has become increasingly difficult to distinguish between decisions based explicitly on national security and those based on broader economic considerations.

Finally, at least 16 national security-related investment cases have been examined by international investment arbitration tribunals. In addition, over one third (277 cases) of all known international investment arbitration cases involve investments in industries that may affect a country's national interests. These include critical infrastructure and strategic economic industries (mining of minerals, exploration of oil and gas, energy generation and transmission, water supply).

In national security-related cases, national security arguments were used by the respondent State as a justification for measures taken against the investor (i.e. expropriations of investment through the adoption of legislative acts, cancellation of licenses or state contracts, or conduct of police investigations). Most of these cases (10) involved claims filed by investors from the United States, France and the United Kingdom against Argentina in response to Government measures in the gas, sanitation and insurance industries undertaken during the 2001–2002 financial crisis. In all these cases, the issue at the heart of the dispute was whether the emergency measures taken by Argentina at a time of severe economic crisis fell within the scope of a national security exception in a BIT or if they could be justified by the customary international law defence of necessity. In three cases the tribunals held that the Government measures were justified for a certain period of time, with the consequence that Argentina could not be held responsible for losses suffered by the foreign investor during that time. In the seven other cases, tribunals did not accept Argentina's defence and held it liable for compensation.

c. Countries have different types of FDI regulations for national security and related reasons

Surveyed countries have adopted different types of investment regulations to protect their national security interests relative to foreign investment (table III.3). These include (1) prohibiting, fully or partially, foreign investment in certain sensitive sectors; (2) maintaining State monopolies in sensitive sectors; and (3) maintaining a foreign investment review mechanism for a list of pre-defined sectors or across the board. Some countries maintain two types of FDI review mechanisms – a sector-specific review procedure (e.g. in the defence industry) complemented by a separate cross-sectoral review mechanism for other foreign investments. The latter may subject all FDI proposals to entry and establishment approval procedures or may only require approval of FDI proposals that meet certain monetary thresholds. Some cross-sectoral review mechanisms do not require any prior notifications by investors and are instead initiated at the discretion of national authorities.

Full or partial foreign ownership restrictions exist in the defence industry (production of weapons and war materials); the purchase of real estate by foreigners in border areas or near other sensitive sites; air and maritime cabotage services and air traffic control. Sometimes restrictions also concern electricity power grids and exchanges, seaport or airport management, and oil and gas extraction activities.

State monopolies exist in sectors and for activities necessary to ensure basic public services and communications within a State, such as railway transport and infrastructure maintenance, landline telecommunications, oil and gas transportation, and electricity and water transmission.

Review mechanisms in pre-defined sectors or activities focus on critical infrastructure (e.g. electricity water, and gas distribution; health and education services; transportation; communications) or on specific industries such as defence industries, mineral extraction, real estate acquisition in border areas, and petroleum-related activities.

As illustrated in table III.3, many surveyed countries have elected to use more than one type of foreign investment control mechanism for national security and related reasons. These policies have their pros and cons. From a foreign investor's perspective, sector-specific investment restrictions have the advantage of clarity and transparency. From a government perspective such methods may lack flexibility. A cross-sectoral review mechanism, together with general criteria defining the concept of "national security", gives governments more discretion in the investment screening process. This, in turn, can lead to investor uncertainty as to the final outcome of the review. Governments therefore need to find a balance between these two policy approaches.

Table III.3. Illustrative list of types of FDI regulations for national security and related reasons, by country

	Full and/or partial FDI restriction in a given sector, area or activity	State monopoly	Review mechanism in pre-defined sectors and/or activities	Cross-sectoral review mechanism
Algeria	x	x		
Argentina	x		x	
Brazil	x	x	x	
Canada				x
Chile	x		x	
China	x	x	x	
Egypt	x	x		
Ethiopia	x	x	x	
Finland		x	x	x
France		x	x	
Germany		x	x	x
India	x		x	
Indonesia	x		x	
Italy		x	x	
Japan			x	
Korea, Rep. of	x	x	x	x
Mexico	x	x	x	x
Myanmar	x	x		x
Poland			x	
Russian Federation	x	x	x	
Turkey	x	x	x	
United Kingdom			x	x
United States	x			x

Source: ©UNCTAD, based on Investment Policy Monitor database and web research.
x = Existing restriction.

Box III.2. Examples of recent cross-border M&As reviews in which national security and other national interests played a role

Australia

Australia's foreign investment screening process allows the treasurer to review foreign investment proposals (that meet certain criteria) on a case-by-case basis to ensure that they are not contrary to Australia's national interest. The national interest test includes consideration of national security issues. The treasurer has the power to block foreign investment proposals or apply conditions to the way proposals are implemented to ensure they are not contrary to the national interest. It is very rare that the treasurer would block a proposal. In the past decade only a few proposals have been blocked (*China Nonferrous Metal Mining's 2009 bid for Lynas Corporation*, *Singapore Exchange Ltd's 2010 bid for ASX Ltd*, *ADM's 2013 bid for GrainCorp* and *Genius Link Asset and Shanghai Pengxin's 2015 bid for S. Kidman & Co Ltd)*.

Canada

In 2013 the Government rejected on national security grounds *Accelero Capital Holdings' bid for the Allstream division of Manitoba Telecom Services*.

France

General Electric's 2014 bid for Alstom was met with opposition from the Government, which feared job losses and transfer of the national electric power generation and supply systems. Several months later, the Government adopted a decree extending its powers to block foreign investments in strategic industries relating in particular to energy supply. It is believed that this prompted General Electric to revise its initial offer and provide certain guarantees which led to the ultimate approval of the bid.

Japan

In 2008 the Minister of Finance and the Minister of Economy, Trade and Industry jointly recommended that the *United Kingdom fund TCI drop its plan to buy up to 20 per cent of J-Power*, an electricity wholesaler, since the investment was likely to impede the stable supply of electric power and Japan's nuclear and nuclear fuel cycle policy, and to disturb the maintenance of public order.

Italy

In 2014, the president of the Council of Ministers authorized the *acquisition of Piaggio Aero* (aircraft production) *by Mubadala Development Company* (United Arab Emirates), and in 2013, the *acquisition of Avio SpA* (aviation technology) *by General Electric* but subjected both transactions to strict conditions, such as compliance with requirements imposed by the Government on the security of supply, information and technology transfer; guarantees for the continuity of production, maintenance and overhaul of logistical systems; and control over the appointment of senior representatives.

India

In 2010, *Bahrain Telecommunications' plan to raise its holdings in S. Tel Private Limited*, as well as *Etisalat DB Telecom Private Limited's proposal to increase its ownership stake in Swan Telecom* were both rejected on national security grounds by India's Foreign Investment Promotion Board.

New Zealand

In 2015, an overseas investment by *Pure 100 Ltd., a unit of Shanghai Pengxin Group CO.*, in sensitive land (farmland) was declined because the relevant ministers were not satisfied that the relevant sections in the Overseas Investment Act 2005 were met.

Russian Federation

In 2013, the Government commission on foreign investment turned down *United States group Abbott Laboratories' request to buy Russian vaccine maker Petrovax Pharm*. The decision was made in order to protect the country's national security interests. The proposed transaction has prompted the Government to consider including vaccine production in its list of so-called strategic sectors deemed to be important to national security, which would imply restrictions on foreign ownership.

Source: Based on UNCTAD's Investment Policy Hub and web research.

d. Foreign investors face different degrees of disclosure requirements in national security-related FDI reviews

Most surveyed countries that undertake a national security-related FDI review require that investors provide information at some point during the review process. However, the extent, nature and timing of these information requirements vary considerably between countries (table III.4).

Besides basic information on the identity and nationality of the investor (e.g. through the disclosure of business relationships, the structure of the group, links with foreign governments), many countries seek additional information, such as the investing company's financial statements, origin of funds, methods of financing, list of people on the board of directors, agreements to act in concert, business plans, future intentions and sometimes even the reasons for the investment.

Table III.4. Illustrative list of investor disclosure requirements in national security–related FDI reviews, by country

	Investor identity, including ultimate ownership	Financial information concerning the transaction	Links to foreign governments	Rationale of the transaction, future intentions, business plans
Canada	x	x	x	x
China	x	x	x	
Finland	x			x
France	x	x		
Japan	x	x		x
Italy	x	x		x
Korea, Rep. of				x
Mexico	x	x		x
Myanmar		x		x
Poland	x	x		x
Russian Federation	x	x	x	x
United Kingdom[a]	x	x		x
United States	x	x	x	

Source: ©UNCTAD, based on Investment Policy Monitor database and web research.
[a] Disclosures are voluntary and are part of the ordinary merger control (competition rules). No special disclosure for national security reasons.
x = Existing requirement.

e. Conclusion

In recent years, national security-related concerns have gained more prominence in the investment policies of numerous countries. Different approaches exist to reviewing and eventually restricting foreign investment on national security-related grounds. These range from formal investment restrictions to complex review mechanisms with broad definitions and broad scope of application to provide host country authorities with ample discretion in the review process. Although national security is a legitimate public policy concern, countries may wish to consider giving more clarity to the concept and scope of national security in their investment-related legislation. In addition, in cases where countries use a broad concept of national security, they may want to consider whether there is room for using alternative policy approaches (chapter IV).

B. INTERNATIONAL INVESTMENT POLICIES

1. Recent developments in the IIA regime

The IIA universe continues to grow.

a. Trends in the conclusion and termination of IIAs

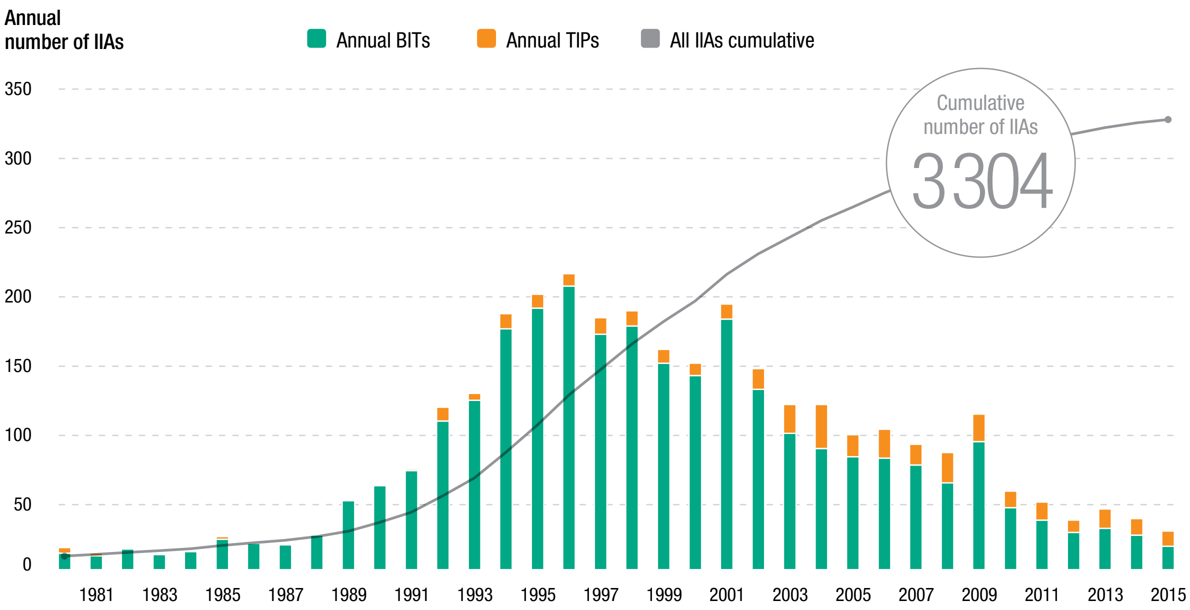
The year 2015 saw the conclusion of 31 new IIAs – 20 bilateral investment treaties (BITs) and 11 treaties with investment provisions (TIPs) (box III.3), bringing the IIA universe to 3,304 agreements (2,946 BITs and 358 TIPs) by year-end (figure III.3).

Countries most active in concluding IIAs in 2015 were Brazil with six, Japan and the Republic of Korea with four each, and China with three. Brazil is taking a new approach to BITs, focusing on investment promotion and facilitation, dispute prevention and alternatives to arbitration instead of traditional investment protection and investor-State dispute settlement (ISDS).

The first four months of 2016 saw the conclusion of nine new IIAs (seven BITs and two TIPs), including the Trans-Pacific Partnership (TPP) Agreement, which involves 12 countries.[4] By the end of May 2016, close to 150 economies were engaged in negotiating at least 57 IIAs (including megaregional treaties such as the Transatlantic Trade and Investment Partnership (TTIP) and the Regional Comprehensive Economic Partnership (RCEP)) (*WIR14*). Although the numbers of new IIAs and of countries concluding them are continuing to go down, some IIAs involve a large number of parties and carry significant economic and political weight.

Some countries terminated their IIAs in 2015. Typically, by virtue of survival clauses, however, investments made before the termination of these IIAs will remain protected for periods ranging

Figure III.3. Trends in IIAs signed, 1980–2015



Source: ©UNCTAD, IIA Navigator.
Note: For a list of IIAs as of end 2015 by economy, see the Report website (unctad/diae/wir).

from 10 to 20 years, depending on the relevant provisions of each agreement and the terms of terminations.

In 2015, the termination of 8 Indonesian BITs became effective[5] and the country sent notices of termination for 10 more BITs, to take effect in 2016.[6]

In June 2015, the European Commission initiated infringement proceedings against five EU member States (Austria, the Netherlands, Romania, Slovakia and Sweden), seeking the termination of their BITs with other EU member States. At the same time, the Commission requested information from and initiated an administrative dialogue with all other member States except Italy and Ireland, which had already terminated all of their intra-EU BITs.[7] In February 2016, Poland announced its intention to terminate its 23 BITs with other EU member States. Similarly, Denmark, which has 10 intra-EU BITs in force,[8] proposed to the other EU member States the mutual termination of their existing treaties.[9]

In April 2016, and further to an informal technical meeting of EU member States and the Commission held in October 2015, the delegations from Austria, Finland, France, Germany and the Netherlands submitted a non-paper with observations on intra-EU investment treaties to the Trade Policy Committee of the Council of the European Union. The non-paper proposes, as a possible compromise solution, the conclusion of an agreement among all EU member States in order to coordinate the phasing out of existing intra-EU BITs, to codify existing investor rights under EU law, and to provide protection to EU investors further to the termination of these BITs, including a binding and enforceable settlement mechanism for investment disputes as a last resort to mediation and domestic litigation.[10]

In December 2015, Ecuador's Citizen Audit Commission presented its preliminary conclusions on the legitimacy and legality of Ecuador's BITs,[11] recommending that Ecuador denounce its BITs and negotiate new instruments, whether State contracts or IIAs, based on a new model that is being developed. This outcome is in line with the Ecuadorian Constitutional Court judgments between 2010 and 2013 declaring 12 BITs unconstitutional.[12]

Box III.3. What are treaties with investment provisions (TIPs)?

Treaties with investment provisions (TIPs), previously referred to as "other IIAs", encompass a variety of international agreements with investment protection, promotion and/or cooperation provisions – other than BITs. TIPs include free trade agreements (FTAs), regional trade and investment agreements (RTIAs), economic partnership agreements (EPAs), cooperation agreements, association agreements, economic complementation agreements, closer economic partnership arrangements, agreements establishing free trade areas, and trade and investment framework agreements (TIFAs). Unlike BITs, TIPs may also cover plurilateral agreements involving more than two contracting parties.

The 358 TIPs in existence today differ greatly in the extent to which and the manner in which they contain investment-related commitments. Of these, there are

- *132 TIPs that include obligations commonly found in BITs, including substantive standards of investment protection and ISDS.* Among the TIPs concluded in 2015, nine belong in this category: the Australia–China FTA, the China–Republic of Korea FTA, the Eurasian Economic Union (Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation)–Viet Nam FTA,[a] the Honduras–Peru FTA, the Japan–Mongolia EPA, the Republic of Korea–New Zealand FTA, the Republic of Korea–Turkey Investment Agreement, the Republic of Korea–Viet Nam FTA, and the Singapore–Turkey FTA.
- *32 TIPs that include limited investment provisions.* Among the TIPs concluded in 2015, the EU–Kazakhstan Enhanced Partnership and Cooperation Agreement is an example of an agreement that provides limited investment-related provisions (e.g. national treatment with respect to commercial presence or free movement of capital relating to direct investments).
- *194 TIPs that establish an institutional framework between the parties to promote and cooperate on investment.* Examples include the Armenia–United States TIFA (2015).

The complete list of TIPs and their texts can be found on UNCTAD's IIA Navigator at the Investment Policy Hub (http://investmentpolicyhub.unctad.org/IIA).

Source: ©UNCTAD.
[a] Chapter 8, "Trade in Services, Investment and Movement of Natural Persons", applies only between the Russian Federation and Viet Nam.

In December 2014, Italy notified its withdrawal from the Energy Charter Treaty,[13] taking effect in January 2016.

In October 2013, Botswana, through a Presidential Directive, issued a moratorium on BITs owing to implementation challenges.

b. Other developments in international investment policymaking

In July 2015, the Third UN International Conference on Financing for Development adopted the Addis Ababa Action Agenda. The Agenda emphasizes the need for governments to establish the signals and enabling environments that can effectively catalyse and harness investment, channelling it into areas essential for achieving the Sustainable Development Goals (SDGs) and away from areas that are inconsistent with that agenda. Paragraph 91 of the Action Agenda is devoted to IIAs:

> The goal of protecting and encouraging investment should not affect our ability to pursue public policy objectives. We will endeavour to craft trade and investment agreements with appropriate safeguards so as not to constrain domestic policies and regulation in the public interest. We will implement such agreements in a transparent manner. We commit to supporting capacity-building including through bilateral and multilateral channels, in particular to least developed countries, in order to benefit from opportunities in international trade and investment agreements. We request UNCTAD to continue its existing programme of meetings and consultations with Member States on investment agreements.

The SDGs, adopted at the United Nations Sustainable Development Summit on 25 September 2015, set out a new vision for the world by outlining priorities for inclusive and sustainable growth and development. The 17 goals and 169 targets comprehensively address the economic, environmental and social dimensions of sustainable development and point to the fundamental roles of public and private capital in achieving those objectives. According to *WIR14*, developing countries alone face an annual investment gap of $2.5 trillion for meeting SDG-implied resource demands. IIAs can play a role in promoting and facilitating investment for the SDGs.

In early 2016, under the Chinese Presidency, the G20 launched a new work stream on trade and investment, and asked UNCTAD, the World Bank, the Organisation for Economic Cooperation and Development (OECD) and the World Trade Organization (WTO) to support this work. UNCTAD coordinated the interagency working group on investment. The G20 is an important player in international investment matters (see chapter I) and G20 member countries are party to 43 per cent of IIAs. UNCTAD has a long-standing role in supporting the G20's work on investment in the context of its contributions to the Development Working Group (food security, private investment and job creation) and the work streams on investment and infrastructure, as well as the work stream on green investment. UNCTAD also monitors G20 investment policymaking developments (together with the OECD).

Sixteen States[14] signed and one State, Mauritius, ratified the United Nations Convention on Transparency in Treaty-based Investor-State Arbitration. The Convention was opened for signature on 17 March 2015; it will enter into force once three ratification instruments have been deposited. The United Nations Commission for International Trade Law (UNCITRAL) Transparency Rules set out procedures for greater transparency in investor-State arbitrations conducted under the UNCITRAL Arbitration Rules[15] and provide for a "Transparency Registry", which will be a central repository for the publication of information and documents in treaty-based ISDS cases.[16] The Rules are already applicable to a number of IIAs concluded *after* 1 April 2014.[17] The Convention enables States, as well as regional economic integration organizations (REIOs), to make the UNCITRAL Transparency Rules applicable to ISDS proceedings brought under their IIAs concluded *prior* to 1 April 2014 and regardless of whether the arbitration was initiated under the UNCITRAL Arbitration Rules.[18]

In 2015, the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention) entered into force for San Marino and Iraq. Andorra, Comoros, the Democratic Republic of the Congo and the State of Palestine became parties to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention).

Negotiations for a Trade in Services Agreement (TISA) are being conducted by 23 members of the WTO. Several negotiating rounds took place in 2015 and 2016, accompanied by substantial intersession work. Negotiators worked to "stabilize" some of the most important chapters – domestic regulation, transparency in legislative processes, and financial services – and aim to have the Agreement text finalized by September 2016.

2. Investment dispute settlement

a. Latest trends in ISDS

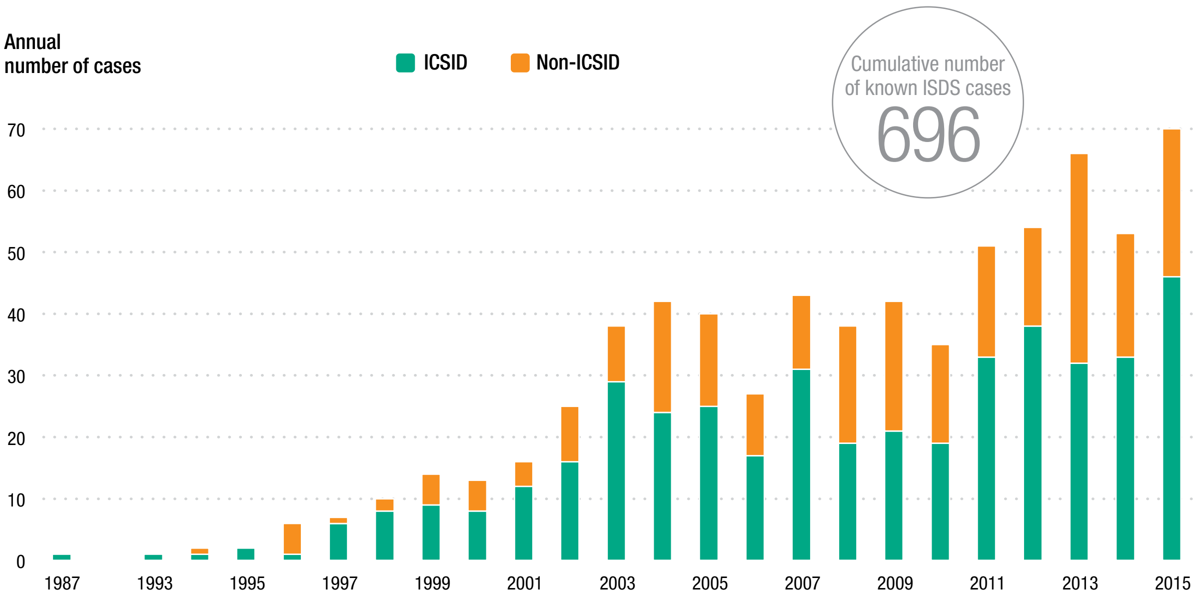
The number of new treaty-based ISDS cases reached a record high, with a continued large share of cases against developed countries.

New cases brought

In 2015, investors initiated 70 known ISDS cases pursuant to IIAs, which is the highest number of cases ever filed in a single year (figure III.4; see also UNCTAD, 2016 forthcoming). As arbitrations can be kept confidential under certain circumstances, the actual number of disputes filed for this and previous years is likely to be higher.

As of 1 January 2016, the total number of publicly known ISDS claims had reached 696. So far, 107 countries have been respondents to one or more known ISDS claims.

Figure III.4. Known ISDS cases, annual and cumulative, 1987–2015



Source: ©UNCTAD, ISDS Navigator.
Note: Information about 2015 claims has been compiled on the basis of public sources, including specialized reporting services. UNCTAD's statistics do not cover investor-State cases that are based exclusively on investment contracts (State contracts) or national investment laws, or cases in which a party has signalled its intention to submit a claim to ISDS but has not commenced the arbitration. Annual and cumulative case numbers are continuously adjusted as a result of verification and may not exactly match case numbers reported in previous years.

Respondent States

As in the two preceding years, the relative share of cases against developed countries remained at about 40 per cent. Prior to 2013, fewer cases were brought against developed countries. In all, 35 countries faced new claims last year. Spain was the most frequent respondent in 2015, followed by the Russian Federation (figure III.5). Six countries – Austria, Cameroon, Cabo Verde, Kenya, Mauritius and Uganda – faced their first (known) ISDS claims.

Home States of claimants

Developed-country investors brought most of the 70 known cases in 2015. This follows the historical trend in which developed-country investors have been the main ISDS users, accounting for over 80 per cent of all known claims. The most frequent home States in ISDS in 2015 were the United Kingdom, followed by Germany, Luxembourg and the Netherlands (figure III.6).

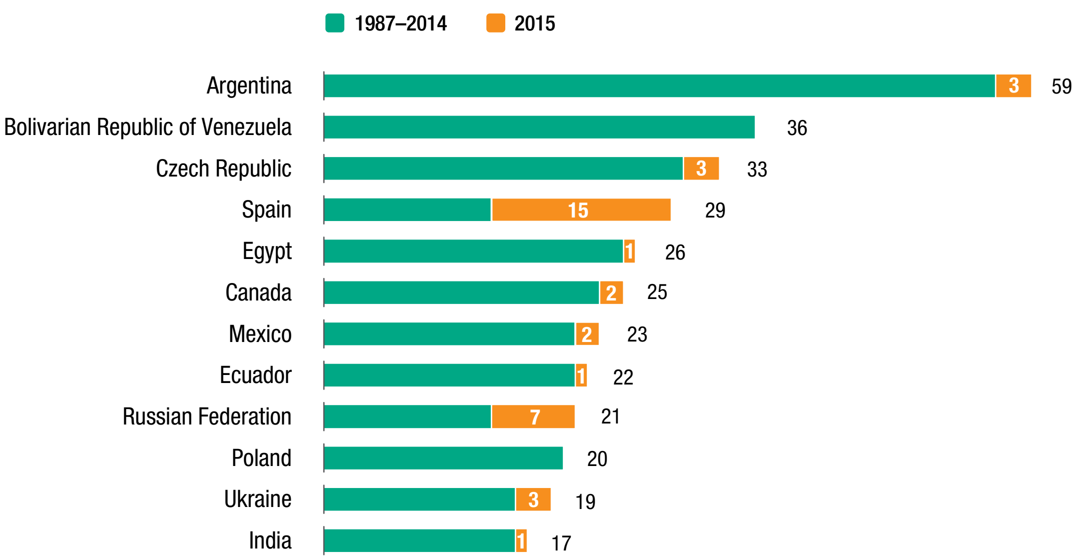
Intra-EU disputes

Similarly to the two preceding years, intra-EU cases accounted for about one third of investment arbitrations initiated in 2015. These are proceedings initiated by an investor from one EU member State against another member State. The overwhelming majority – 19 of 26 – were brought pursuant to the Energy Charter Treaty and the rest on the basis of intra-EU BITs. The overall number of known intra-EU investment arbitrations totalled 130 by the end of 2015, i.e. approximately 19 per cent of all known cases globally.

Applicable investment treaties

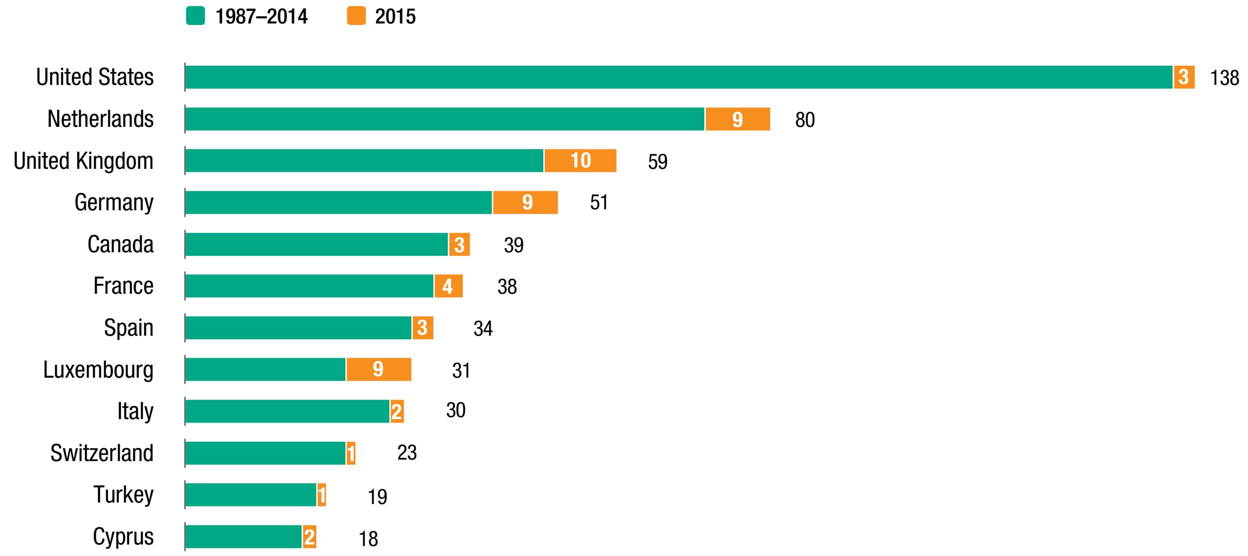
Whereas the majority of investment arbitrations in 2015 were brought under BITs, the Energy Charter Treaty was invoked in about one third of the new cases. Looking at the overall trend, the Energy Charter Treaty is by far the most frequently invoked IIA (87 cases), followed by the North American Free Trade Agreement (NAFTA) (56 cases). Among BITs, the Argentina–United States BIT (20 cases) remains the agreement most frequently relied upon by foreign investors.

Figure III.5. **Most frequent respondent States, total as of end 2015**
(Number of known cases)



Source: ©UNCTAD, ISDS Navigator.

Figure III.6. **Most frequent home States of claimants, total as of end 2015**
(Number of known cases)



Source: ©UNCTAD, ISDS Navigator.

In addition to the Energy Charter Treaty (23 new cases), three other treaties were invoked more than once in 2015:

- Russian Federation–Ukraine BIT (6 cases)
- NAFTA (3 cases)
- Czech Republic–United Kingdom BIT (2 cases)

Some TIPs invoked by claimants in 2015 included the Commonwealth of Independent States (CIS) Investor Rights Convention (1997), the Unified Agreement for the Investment of Arab Capital in the Arab States (1980) and the Investment Agreement of the Organization of the Islamic Conference (1981). In one case, the claimants relied on four legal instruments at once, including the WTO General Agreement on Trade in Services (GATS). This is the first known ISDS case invoking GATS as a basis for the tribunal's jurisdiction.[19]

Measures challenged

Investors in 2015 most frequently challenged four types of State conduct:

- Legislative reforms in the renewable energy sector (at least 20 cases)
- Alleged direct expropriations of investments (at least 6 cases)
- Alleged discriminatory treatment (at least 6 cases)
- Revocation or denial of licenses or permits (at least 5 cases)

Other challenged measures included cancellations or alleged violations of contracts or concessions, measures related to taxation and placement of enterprises under external administration, as well as bankruptcy proceedings. Some of the 2015 cases concerned environmental issues, indigenous protected areas, anti-corruption and taxation. In several cases, information about governmental measures challenged by the claimant is not publicly available.

b. ISDS outcomes

Publicly available arbitral decisions issued in 2015 had a variety of outcomes, with States often prevailing at the jurisdictional stage of the proceedings, and investors winning more of the cases that reached the merits stage.

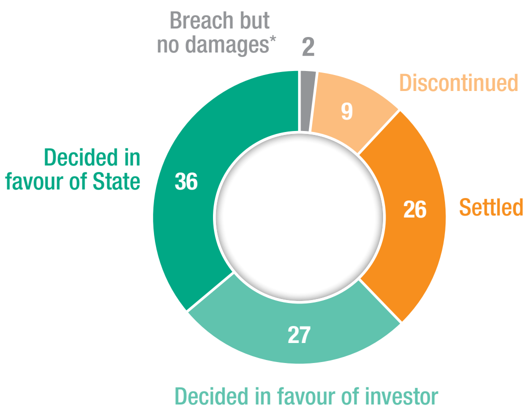
2015 decisions and outcomes

In 2015, ISDS tribunals rendered at least 51 decisions in investor-State disputes, 31 of which are in the public domain (at the time of writing).[20] Of these public decisions, most of the decisions on jurisdictional issues were decided in favour of the State, while those on merits were mostly decided in favour of the investor.

More specifically:

- Ten decisions principally addressed jurisdictional issues, with one upholding the tribunal's jurisdiction (at least in part) and nine denying jurisdiction.
- Fifteen decisions on the merits were rendered in 2015, with 12 accepting at least some of investors' claims, and 3 dismissing all of the claims. In the decisions holding the State liable, tribunals most frequently found breaches of the fair and equitable treatment (FET) provision and the expropriation provision.
- Six publicly known decisions related to annulments. ICSID ad hoc committees rejected five applications for annulment and partially annulled one award.

Figure III.7. **Results of concluded cases, total as of end 2015**
(Per cent)



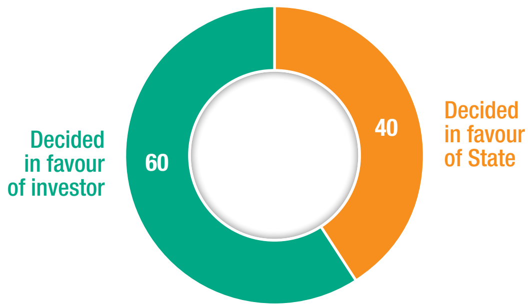
Source: ©UNCTAD, ISDS Navigator.
*Decided in favour of neither party (liability found but no damages awarded).

Overall outcomes

By the end of 2015, a total of 444 ISDS proceedings are known to have been concluded. About one third of all concluded cases were decided in favour of the State (claims dismissed either on jurisdictional grounds or on the merits) and about one quarter were decided in favour of the investor, with monetary compensation awarded. Twenty-six per cent of cases were settled; the specific terms of settlements often remain confidential (figure III.7).

Of the cases that ended in favour of the State, about half were dismissed for lack of jurisdiction.[21] Looking at the totality of decisions on the merits (i.e. where a tribunal made a determination of whether the challenged governmental measure breached any of the IIA's substantive obligations), 60 per cent were decided in favour of the investor and 40 per cent in favour of the State (figure III.8).

Figure III.8. **Results of decisions on the merits, total as of end 2015**
(Per cent)



Source: ©UNCTAD, ISDS Navigator.
Note: Excluding cases (1) dismissed by tribunals for lack of jurisdiction, (2) settled, (3) discontinued for reasons other than settlement (or for unknown reasons) and (4) decided in favour of neither party (liability found but no damages awarded).

3. IIA reform: taking stock and charting the way forward

IIA reform is intensifying and yielding the first concrete results.

a. IIA reform – addressing five reform areas and taking actions at four levels of policymaking

UNCTAD's Policy Framework and Road Map for IIA Reform are shaping reform objectives and approaches.

Reform to bring the IIA regime in line with today's sustainable development imperative is well under way. Today, the question is not about whether to reform, but about the *what*, *how* and *extent* of such reform. UNCTAD's advocacy for systemic and sustainable development-oriented investment policymaking started in 2010 (box III.4). It culminated in 2015, when the *WIR* laid out a road map for such reform, providing six guidelines for reform, addressing five areas of reform, and providing options for actions at four levels of policymaking (figure III.9). The UNCTAD Road Map sets out concrete actions that can be pursued and outcomes that can be achieved for each level of policymaking. As confirmed by a recent UNCTAD survey, both developed and developing countries consider all of these areas of reform important and are pursuing them through different types of reform actions. The following section takes stock of IIA reform efforts at the national, bilateral, regional and multilateral levels.

Box III.4. UNCTAD's policy advocacy for IIA reform

UNCTAD's advocacy for systemic and sustainable development-oriented reform of the IIA regime started in 2010. It covers all three pillars of UNCTAD's activities: research and policy analysis, technical assistance and intergovernmental consensus building.

In terms of policy research and policy development:

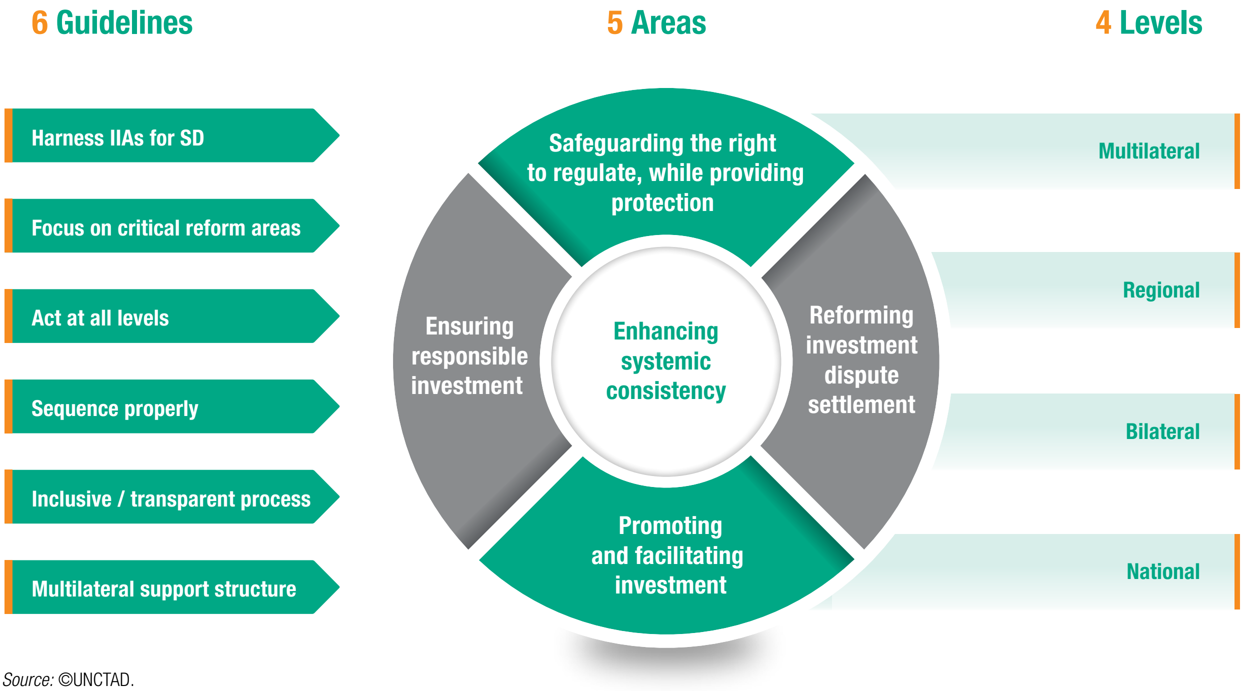
- *WIR10* built on UNCTAD's long-standing experience with its Work Programme on IIAs and highlights the need to reflect broader policy considerations in IIAs, with a view to formulating new generation investment policies.
- *WIR12* launched UNCTAD's Investment Policy Framework for Sustainable Development, which offers guidance and options for modernizing investment policies at national and international levels.
- *WIR13* responded to concerns about the ISDS system and proposes five paths of reform for investor-State arbitration, building on UNCTAD's longstanding human and institutional capacity building work on managing ISDS in developing countries. In fact, as early as 2009 UNCTAD spearheaded the possibility of establishing an Advisory Facility on International Investment Law and ISDS for Latin America.
- *WIR14* presented four pathways of reform for the IIA regime that were emerging from State practice. *WIR14* linked these pathways to the overall objective of mobilizing foreign investment and channelling it to key SDG sectors.
- *WIR15* laid out a comprehensive Road Map for IIA Reform.
- In July 2015, an update of the Investment Policy Framework was launched at the Third UN Conference on Financing for Development, in Addis Ababa (UNCTAD, 2015c).
- In 2016, UNCTAD launched its Action Menu for Investment Facilitation, based on its 2012 Policy Framework and its 2008 study on investment promotion provisions in IIAs. The Action Menu also draws on UNCTAD's rich experiences and lessons learned in investment promotion and facilitation efforts worldwide over the past decades.

The catalytic role of UNCTAD's work on IIA reform is evident from a stakeholder survey conducted at the end of 2015:

- Roughly half of the respondents confirmed that the UNCTAD Policy Framework had triggered policy change or reform actions in their countries.
- More than 60 per cent of respondents noted that UNCTAD's work on investment policymaking for sustainable development is reflected in their country's investment policymaking (e.g. a model IIA or recently concluded treaties).
- About 85 per cent of respondents considered UNCTAD's Road Map for IIA Reform to be highly relevant.

Source: ©UNCTAD.

Figure III.9. | UNCTAD's Road Map for IIA Reform



Source: ©UNCTAD.

b. National level

Numerous countries are reviewing their IIA network and/or developing a new treaty model. Frequently, their actions are based on UNCTAD policy guidance.

National-level reform options include national IIA reviews and action plans resulting, among others, in new model treaties. A large number of countries are engaged in national-level reform activities (box III.5).

About 100 countries, including those that undertook a review as part of the REIO they are a member of, have used the UNCTAD Policy Framework when reviewing their IIA networks. About 60 of these have used the UNCTAD Policy Framework when designing their treaty clauses.

National-level IIA reform covering different areas has produced modernized content in recent model treaties. A review of recent models shows that most of them strive to safeguard the right to regulate while ensuring protection of investors, as well as to improve investment dispute settlement. For example, all recent models reviewed refine the definition of investment, include exceptions to the free transfer of funds obligation and limit access to ISDS. Nine of the 10 models reviewed include a clarification of what does and does not constitute an indirect expropriation, and 8 models include clauses to ensure responsible investment (e.g. a CSR clause or a "not lowering of standards" clause), while only 2 models have specific proactive provisions on investment promotion and/or facilitation (table III.5). The inclusion of specific reform-oriented clauses in model IIAs – as shown in the table – is not fully indicative of the scope and depth of the reform aspect in the relevant provision (which can vary from one model to another) or of the overall extent of reform in the model in question.

Box III.5. IIA reform – actions and outcomes at the national level, selected examples

Brazil developed a new BIT model focusing on investment promotion and facilitation. The new model has been used in Cooperation and Facilitation Investment Agreements (CFIAs) concluded with Angola, Chile, Colombia, Malawi, Mexico and Mozambique, and is the basis for the country's negotiations with Peru.

Canada continuously updates its IIA policy on the basis of emerging issues and arbitral decisions. Most recent changes (set out in the legal review of the Canada-EU Comprehensive Economic and Trade Agreement (CETA)) include stronger provisions on the right to regulate and the creation of a new Investment Court System (ICS) (box III.6).

Colombia is reviewing its 2011 model BIT. The review is expected to continue the earlier trend of strengthening the right to regulate and ensuring responsible investment.

Egypt's updated model BIT is awaiting release after a comprehensive review that involved all concerned stakeholders. The update aims to balance investment protection and the State's right to regulate and includes provisions on combating corruption, SDG consideration, investors' responsibilities and a refined ISDS mechanism.

India approved a new model BIT which includes a chapter on investor obligations, requiring investors to comply with host State legislation and voluntarily adhere to internationally recognized standards of corporate social responsibility (CSR). In addition, it includes an ISDS mechanism that provides, amongst others, for exhaustion of local remedies prior to commencing arbitration and strict timeframes for the submission of a dispute to arbitration.

Indonesia's draft model BIT is being finalized. The draft version is characterized by carve-outs, safeguards and clarifications aimed at striking a balance between the right of the State to regulate and the rights of investors, while maintaining its policy space.

The Netherlands has recently reviewed its international investment policy engagement. This resulted in a decision to revise the current portfolio of Dutch IIAs, subject to consultations with concerned stakeholders and the authorization of the European Commission.

Mongolia established a working committee in January 2016 to develop a new BIT model that aligns its IIA policy with its national laws and development strategy. Mongolia will then embark on amending or renegotiating its previous BITs with partner countries to align them with the model.

Norway's draft model BIT was presented for public consultation in May 2015. With more than 900 inputs received, the review is ongoing. The draft model contains a clause on the right to regulate and a section with exceptions, including general exceptions and exceptions for essential security interests, cultural policy, prudential regulations and taxation.

South Africa is reshaping its investment policy in accordance with its objectives of sustainable development and inclusive economic growth. The country adopted a new Promotion and Protection of Investment Act (see also section III.1).

Slovakia's new model BIT, adopted in 2014 and currently available in its draft 2016 version, introduced a number of provisions aimed at balancing investment protection while maintaining the right to regulate. It is a "living document" based on the country's experience with investment arbitrations and follows the EU's new investment approach.

Switzerland regularly updates its model BIT provisions (most recently in 2012). In February 2015 an interdepartmental working group took up its work to review provisions where necessary.

The United States' 2012 model BIT builds on the country's earlier model from 2004 and benefited from inputs from Congress, private sector, business associations, labour and environmental groups and academics (ongoing review).

Source: ©UNCTAD, based on UNCTAD (2016).

c. Bilateral level

The most prominent bilateral reform action is the negotiation of new IIAs. Most of the recently concluded treaties include sustainable-development-friendly clauses.

Newly concluded IIAs display important reform-oriented provisions and represent the most prominent reform action at the bilateral level. Other bilateral-level reform actions include joint IIA consultations and plans for a joint course of action. Another action, a joint IIA review, aims to take stock of the situation and assess the impact and the risks of the bilateral IIA relationship, and to identify reform needs. The review is undertaken bilaterally and can result in joint interpretations by the contracting parties of a treaty, as well as renegotiations, amendments and the conclusion of new IIAs.

Reform actions aimed at changing the stock of treaties are undertaken comparatively less frequently than, for example, efforts to update a country's model BIT. A recent survey indicated that relatively few countries are renegotiating, amending or interpreting existing IIAs. Little information is available in general or on the specifics of these reform activities. Yet, engagement in renegotiation, amendment or interpretation of IIAs is the most pressing issue when pursuing comprehensive IIA reform and dealing with the stock of existing IIA commitments.

The most visible results of bilateral-level reform actions are the modernized treaty provisions found in newly concluded IIAs. A review of the 21 bilateral IIAs concluded in 2015 for which texts are available shows that most include elements addressing the reform areas. These elements mirror and are in line with the content of the new model IIAs described in the preceding section.

For example, most of the IIAs that include key traditional protection standards have refined them with a view to circumscribing their scope and clarifying their meaning and/or have

Table III.5. Reform-oriented provisions in selected model IIAs

	1	2	3	4	5	6	7	8	9	10	11
Austria Model BIT (2008)	Yes	Yes	No	Yes	Yes	No	No	Yes	Yes	Yes	No
Azerbaijan Model BIT (2016)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No
Brazil Model CFIA (2015)	Yes	Yes	Not applicable	Not applicable	Yes	Yes	No	Yes	Yes	Yes	Yes
Canada Model BIT (2014)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Egypt draft Model BIT (2015)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
India Model BIT (2015)	Yes	Yes	Not applicable	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Serbia Model BIT (2014)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Slovakia draft Model BIT (2016)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Turkey draft Model BIT (2016)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No
United States Model BIT (2012)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No

The scope and depth of commitments in each provision varies from one IIA to another.

Yes No Not applicable

Selected aspects of IIAs

1 References to the protection of health and safety, labour rights, environment or sustainable development in the treaty preamble

2 Refined definition of investment (e.g. reference to characteristics of investment; exclusion of portfolio investment, sovereign debt obligations or claims to money arising solely from commercial contracts)

3 Circumscribed fair and equitable treatment (equated to the minimum standard of treatment of aliens under customary international law and/or clarification with a list of State obligations)

4 Clarification of what does and does not constitute an indirect expropriation

5 Detailed exceptions from the free-transfer-of-funds obligation, including balance-of-payments difficulties and/or enforcement of national laws

6 Omission of the so-called "umbrella" clause

7 General exceptions, e.g. for the protection of human, animal or plant life or health; or the conservation of exhaustible natural resources

8 Explicit recognition that parties should not relax health, safety or environmental standards to attract investment

9 Promotion of Corporate and Social Responsibility standards by incorporating a separate provision into the IIA or as a general reference in the treaty preamble

10 Limiting access to ISDS (e.g. limiting treaty provisions subject to ISDS, excluding policy areas from ISDS, limiting time period to submit claims, no ISDS mechanism)

11 Specific proactive provisions on investment promotion and/or facilitation

Source: ©UNCTAD. "Draft" model means that the model has not been adopted by the country yet or that it is continually being updated.

complemented them with provisions that cater to other public policy objectives. Several new IIAs include clauses aimed at fixing the ISDS system; several others omit ISDS. Many new IIAs also omit the so-called umbrella clause. Several of the recent IIAs include provisions that promote responsible investment, through the inclusion of CSR clauses and/or the "not lowering of standards" clauses. About half have specific proactive provisions on investment promotion and/or facilitation (table III.6). The inclusion of specific reform-oriented clauses in IIAs – as shown in the table – is not fully indicative of the scope and depth of the reform aspect in the relevant provision or of the overall extent of reform in the treaty on question.

Evidence of IIA reform is particularly pronounced when comparing treaties over time. Table III.7 shows the prevalence of modern treaty clauses, focusing on some of those IIA clauses that are particularly relevant for the reform area of preserving the right to regulate, while maintaining protection of foreign investors.

d. Regional level

Regional-level IIA reform actions can have significant impacts. They can expand the use of modern IIA clauses and help consolidate the existing treaty network.

Regional-level IIA reform actions include collective treaty reviews and IIA action plans, which can result in common IIA models, joint interpretations, renegotiations, and/or the consolidation of treaties. A regional IIA model can significantly contribute to IIA reform by guiding a block of countries (instead of a single one) and regional organizations, and by influencing negotiations of megaregional agreements. Megaregional agreements could consolidate and streamline the IIA regime and help enhance the systemic consistency of the IIA regime, provided they replace prior bilateral IIAs between the parties (*WIR14*).

Regional reform-oriented action is prevalent in Africa, Europe and South-East Asia.

In *Africa* the African Union (AU) is working on the development of a Pan-African Investment Code (PAIC), which is expected to include innovative provisions aimed at balancing the rights and obligations of African host States and investors.

Modern IIA elements are also expected to be included in the second phase of negotiations of the African Continental Free Trade Agreement (CFTA)[22] as well as in the revision of the Common Market for Eastern and Southern Africa (COMESA) Investment Treaty (2007).

A draft regional model for the East African Community (EAC) was submitted to the Sectoral Council on Trade, Industry, Finance and Investment for adoption and guidance in autumn 2015. The model includes carefully drafted national treatment and most-favoured-nation provisions, and replaces FET with a provision focusing on administrative, legislative and judicial processes.

The Southern African Development Community (SADC) member States are reviewing the 2012 Model Bilateral Investment Treaty Template, as contemplated when the model was completed. The model, launched shortly after the UNCTAD Policy Framework, contains numerous reform-oriented features. SADC is also revising Annex 1 of its Protocol on Finance and Investment with refinements to the definition of investment, clarifications to FET and a provision on the right to regulate. In addition, SADC is in the final stages of developing a Regional Investment Policy Framework (IPF).

In *Asia,* between 2008 and 2014, the Association of Southeast Asian Nations (ASEAN) concluded five TIPs with third parties (India, China, the Republic of Korea, Australia and New Zealand, and Japan, in chronological order) that include reform-oriented provisions. Reform aspects relate, for instance, to the granting of special and differential treatment to ASEAN member States, in recognition of their different levels of economic development, through technical assistance and

Table III.6. Selected aspects of IIAs signed in 2015

	1	2	3	4	5	6	7	8	9	10	11
Angola–Brazil CFIA	Yes	Not applicable	Not applicable	Not applicable	Yes	No	No	No	Yes	Yes	Yes
Australia–China FTA	No	Yes	Not applicable	Not applicable	Not applicable	Yes	Yes	No	No	Yes	Yes
Azerbaijan–San Marino BIT	Yes	No	No	No	Yes	Yes	No	No	No	No	No
Brazil–Chile CFIA	Yes	Yes	Not applicable	Not applicable	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Brazil–Colombia CFIA	Yes	Yes	Not applicable	Not applicable	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Brazil–Malawi CFIA	Yes	Yes	Not applicable	Not applicable	Yes	Yes	No	No	Yes	Yes	Yes
Brazil–Mexico CFIA	Yes	Yes	Not applicable	Not applicable	Yes	Yes	No	No	Yes	Yes	Yes
Brazil–Mozambique CFIA	Yes	No	Not applicable	Not applicable	Yes	Yes	No	No	Yes	Yes	Yes
Burkina Faso–Canada BIT	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cambodia–Russian Federation BIT	No	No	No	No	No	Yes	No	No	No	No	No
China–Republic of Korea FTA	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes
Denmark–Macedonia FYRO BIT	No	No	No	No	No	Yes	No	No	No	No	No
Guinea-Bissau–Morocco BIT	No	Yes	No	No	Yes	Yes	Yes	No	No	No	No
Honduras–Peru FTA	No	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	No
Japan–Mongolia EPA	Yes	No	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Japan–Oman BIT	Yes	Yes	No	No	Yes	No	No	Yes	No	Yes	No
Japan–Ukraine BIT	Yes	Yes	No	No	Yes	No	No	Yes	No	Yes	Yes
Japan–Uruguay BIT	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No	Yes	Yes
New Zealand–Republic of Korea FTA	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No
Republic of Korea–Turkey Investment Agreement	No	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	No
Republic of Korea–Viet Nam FTA	No	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No

The scope and depth of commitments in each provision varies from one IIA to another.

Yes No Not applicable

Selected aspects of IIAs

1 References to the protection of health and safety, labour rights, environment or sustainable development in the treaty preamble

2 Refined definition of investment (e.g. reference to characteristics of investment; exclusion of portfolio investment, sovereign debt obligations or claims to money arising solely from commercial contracts)

3 Circumscribed fair and equitable treatment (equated to the minimum standard of treatment of aliens under customary international law and/or clarification with a list of State obligations)

4 Clarification of what does and does not constitute an indirect expropriation

5 Detailed exceptions from the free-transfer-of-funds obligation, including balance-of-payments difficulties and/or enforcement of national laws

6 Omission of the so-called "umbrella" clause

7 General exceptions, e.g. for the protection of human, animal or plant life or health; or the conservation of exhaustible natural resources

8 Explicit recognition that parties should not relax health, safety or environmental standards to attract investment

9 Promotion of Corporate and Social Responsibility standards by incorporating a separate provision into the IIA or as a general reference in the treaty preamble

10 Limiting access to ISDS (e.g. limiting treaty provisions subject to ISDS, excluding policy areas from ISDS, limiting time period to submit claims, no ISDS mechanism)

11 Specific proactive provisions on investment promotion and/or facilitation

Source: ©UNCTAD.
Note: Based on bilateral IIAs concluded in 2015 for which the text is available; does not include "framework agreements" without substantive investment provisions. Available IIA texts can be accessed at UNCTAD's IIA Navigator at http://investmentpolicyhub.unctad.org/IIA.

Table III.7.	Evidence of reform in recent IIAs: preserving the right to regulate, while maintaining protection		

Treaty provisions Options for IIA Reform	**UNCTAD Policy Framework**	**Earlier BITs** (1962–2011) (1,372)	**Recent BITs** (2012–2014) (40)
Preamble Refer to the protection of health and safety, labour rights, environment or sustainable development	1.1.2	11%	63%
Definition of covered investment Expressly exclude portfolio investment, sovereign debt obligations or claims to money arising solely from commercial contracts	2.1.1	6%	45%
Definition of covered investor Include "denial of benefits" clause	2.2.2	7%	58%
Most-favoured-nation treatment Specify that such treatment is not applicable to other IIAs' ISDS provisions	4.2.2	3%	33%
Fair and equitable treatment Refer to minimum standard of treatment under customary international law	4.3.1	2%	35%
Indirect expropriation Clarify what does and does not constitute an indirect expropriation	4.5.1	20%	53%
Free transfer of funds Include exceptions for balance-of-payments difficulties and/or enforcement of national laws	4.7.2 4.7.3	20%	83%
Public policy exceptions Include general exceptions, e.g. for the protection of human, animal or plant life, or health; or the conservation of exhaustible natural resources	5.1.1	12%	58%

Source: ©UNCTAD.
Note: The numbering refers to the policy options set out in table III.1. "Policy Options for IIAs: Part A", in the 2015 Version of UNCTAD's Investment Policy Framework for Sustainable Development. Data derived from UNCTAD's IIA Mapping Project. The Mapping Project is an UNCTAD-led collaboration of more than 25 universities around the globe. Over 1,400 IIAs have been mapped to date, for over 100 features each. The Project's results will be available at http://investmentpolicyhub.unctad.org/IIA/.

capacity building or to the promotion and facilitation of investment through specific and well-defined activities.

In *Europe*, much policy attention has been given by the European Commission to developing a new approach to investment protection, with a particular emphasis on the right to regulate and the establishment of a permanent investment court (box III.6). This new approach was implemented in the EU–Viet Nam FTA (negotiations concluded in December 2015) and the Canada–EU CETA (legal review concluded in February 2016).

In the *trans-Pacific* context, the investment chapter of the 12-party TPP, which builds on the 2012 United States model BIT, contains a number of reform-oriented features. For example, it includes provisions to ensure the right of governments to regulate in the public interest, including on health, safety and environmental protection; and an ISDS mechanism with safeguards to prevent abusive and frivolous claims. In addition, several contracting parties have made use of side letters to clarify, reserve or carve out certain issues, including with respect to ISDS.

Finally, regional agreements have the potential to consolidate the IIA regime if the parties opt to phase out the BITs between them (*WIR14*). Conversely, the parallel existence of existing BITs and any subsequent regional agreements poses a number of systemic legal and policy questions, adds to the "spaghetti bowl" of intertwined treaties and complicates countries' abilities to pursue coherent, focused international engagement on investment policy issues (*WIR13*). The EU–Viet Nam FTA overlaps with 21 BITs (between EU member States and Viet Nam), while the CETA overlaps with 7 BITs (between EU member States and Canada), respectively. The TPP overlaps with 39 bilateral or regional IIAs among TPP parties. Although the new EU FTAs are expected to

Box III.6. **A new Investment Court System (ICS)**

In 2015, the EU set out its new approach to substantive IIA clauses and ISDS. A key feature of this new approach is the establishment in all EU trade and investment agreements of a new Investment Court System (ICS), consisting of a first instance tribunal and an appeal tribunal, both composed of individuals appointed as "judges" by the contracting parties and subject to strict ethical standards.

This new approach has since been implemented with some slight variations, in the EU–Viet Nam FTA (for which negotiations were concluded in December 2015), and in the CETA (February 2016 text emanating from the legal review, following the conclusion of negotiations in 2014). The proposal has also been submitted by the EU to the negotiations for the TTIP (November 2015) and is part of ongoing EU negotiations with a number of other countries.

The ICS proposal is designed to

- Improve legitimacy and impartiality, by establishing in each EU trade and investment agreement an institutionalized dispute settlement system with independent and permanent judges
- Enhance the consistency and predictability of law, including by introducing an appeals facility, with the power to review with an eye to annul and/or correct a first-instance decision, on the basis of errors in the application or interpretation of applicable law, manifest errors in the appreciation of the facts, or ICSID grounds for annulment

Some critics note, however, that the ICS maintains a number of aspects of the current ISDS system and does not go far enough in addressing ISDS-related concerns. Others point to a number of potential challenges:

- Procedural challenges, such as those relating to efficiency, ease of access, and choice, appointment and remuneration of judges
- Systemic challenges, such as those relating to interpretative coherence
- Development challenges, e.g. how to ensure that "rule-taking" States are not overburdened by multiple coexisting dispute settlement mechanisms such as ICS and ISDS in their IIAs

The ICS is an important ISDS reform option that represents a critical step towards improving the dispute settlement system. Although it addresses a number of key concerns about ISDS, for the ICS to become fully operational and effective, a number of procedural and systemic challenges will need to be overcome.

Moreover, as part of its overall policy approach, the EU has also proposed to pursue with interested countries the establishment of a future Multilateral Investment Court to replace the existing ISDS mechanisms in current and future IIAs. The objective would be to address systemic challenges resulting from the current coexistence of multiple dispute settlement systems, such as interpretative coherence across IIAs, issues of cost efficiency and the legitimacy of the investment dispute settlement system.

Source: ©UNCTAD, based on UNCTAD (2016) as well as the September 2015 EU Internal Proposal, the November 2015 EU TTIP Proposal to the United States, the February 2016 EU–Viet Nam FTA text and the February 2016 CETA (revised) text.

replace existing IIAs between EU member States and the other parties, the TPP does not include provisions on the termination of existing IIAs between the 12 parties.[23]

e. Multilateral level

Stepping up multilateral reform activities can help avoid fragmentation and ensure that reform efforts deliver benefits to all stakeholders.

Multilateral IIA reform is the most challenging reform dimension. The UNCTAD Road Map identifies several possible options for multilateral IIA reform with different levels of intensity, depth and character of engagement. Extensive and in-depth discussions have been conducted at UNCTAD, and certain reform actions are being undertaken in UNCITRAL and the UN Human Rights framework. In addition, international organizations traditionally less focused on international investment policymaking (e.g. the United Nations Environment Programme, the World Health Organization Framework Convention on Tobacco Control) have started to look at IIA reform within their respective areas of competence.

The importance of multilateral consultations on IIAs in the pursuit of today's sustainable development agenda has been recognized in the Addis Ababa Action Agenda, the outcome document of the Third UN Conference on Financing for Development, held in July 2015. In the

Agenda, Member States mandated UNCTAD "to continue its existing programme of meetings and consultations with Member States on investment agreements".

f. Concluding remarks

UNCTAD's 2016 World Investment Forum offers the opportunity to discuss how to carry IIA reform to the next level.

The overview suggests that sustainable development-oriented IIA reform has entered the mainstream of international investment policymaking:

- Numerous countries are engaging in national-level reform actions and implementing the results in bilateral negotiations and new treaties.
- Most of today's new IIAs include refined language that aims to preserve the right to regulate while maintaining protection of investors, as well as at improving the existing ISDS mechanism (with several treaties omitting the international arbitration option altogether).
- Innovative ideas for improving investment dispute settlement define today's discourse on IIA reform and are making their way into new IIA negotiations.

During this first phase of IIA reform, countries have built consensus on the need for reform, identified reform areas and approaches, reviewed their IIA networks, developed new model treaties and started to negotiate new, more modern IIAs. Despite significant progress, much remains to be done.

First, comprehensive reform requires a two-pronged approach: modernizing existing treaties and formulating new ones. Although new treaty design is yielding important results for IIA regime reform, dealing with the existing stock of IIAs remains the key challenge. This holds especially true for developing countries and least developed countries.

Second, reform has to address the challenge of increasing fragmentation. Although the continuing experimentation in treaty making is beneficial, ultimately only coordinated activity at all levels (national, bilateral and regional, as well as multilateral) will deliver an IIA regime in which stability, clarity and predictability serve the objectives of all stakeholders: effectively harnessing international investment relations for the pursuit of sustainable development. In the absence of such a coordinated approach, the risk is that IIA reform efforts will become fragmented and incoherent.

Unlike the first phase of IIA reform, in which most activities took place at the national level, phase two of IIA reform will require countries to intensify collaboration and coordination between treaty partners to address the systemic risks and incoherence of the large body of old treaties. UNCTAD stands ready to provide the investment and development community with the necessary backstopping in this regard. UNCTAD's Road Map for IIA Reform and its Action Menu on Investment are key guidance for reform. UNCTAD's 2016 World Investment Forum offers the opportunity to discuss how to carry IIA reform to the next level.

C. INVESTMENT FACILITATION: FILLING A SYSTEMIC GAP

Facilitating investment is crucial for the post-2015 development agenda. To date, national and international investment policies have paid relatively little attention to investment facilitation. UNCTAD's Global Action Menu for Investment Facilitation provides options to adapt and adopt for national and international policy needs. Any investment facilitation initiative cannot be considered in isolation from the broader investment for development agenda.

Facilitating investment is crucial for the post-2015 development agenda, with developing countries facing an annual SDG-financing gap of $2.5 trillion *(WIR14)*. Facilitating investment is also one of the five areas of reform outlined in the UNCTAD Road Map.

Investment promotion and facilitation work hand in hand. However, they are two different types of activities. One is about promoting a location as an investment destination (and is therefore often country-specific and competitive in nature), while the other is about making it easy for investors to establish or expand their investments, as well as to conduct their day-to-day business in host countries.

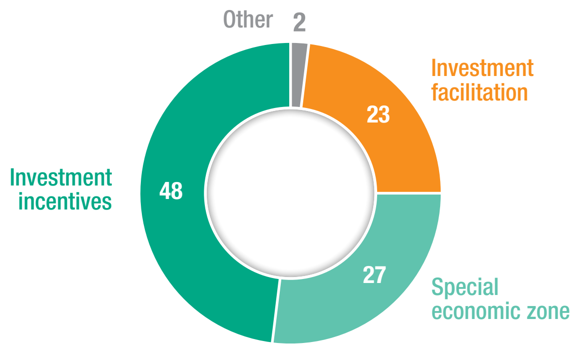
Investment facilitation covers a wide range of areas, all with the ultimate objective of attracting investment, allowing investment to flow efficiently, and enabling host countries to benefit effectively. Transparency, investor services, simplicity and efficiency of procedures, coordination and cooperation, and capacity building are among the important principles. It interacts at all stages of investment, from the pre-establishment phase (such as facilitating regulatory feasibility studies), through investment installation, to services throughout the lifespan of an investment project. To date, however, national and international investment policies have paid relatively little attention to investment facilitation.

At the national level, many countries have set up policy schemes to promote foreign investment. Between 2010 and 2015, at least 173 new investment promotion and facilitation policies were introduced around the world. Almost half of these measures related to investment incentives.[24] followed by special economic zones[25] and only 23 per cent related to investment facilitation specifically[26] (figure III.10).

Overall, the number of investment facilitation measures adopted by countries over the past six years remains relatively low compared with the numbers of other investment promotion measures. In addition, only about 20 per cent of the 111 investment laws analyzed by UNCTAD deal with specific aspects of investment facilitation, such as one-stop shops.

At the international level, in the most common international instruments for investment, relatively little attention is being paid to ground-level obstacles to investment, such as a lack of transparency on legal or administrative requirements faced by investors, lack of efficiency in the operating environment and other factors causing high costs of doing business.

Figure III.10. **Categories of promotion and facilitation policies, 2010–2015** (Per cent)



Source: ©UNCTAD, Investment Policy Monitor Database.

In the overwhelming majority of the existing 3,304 IIAs, concrete investment facilitation actions are either absent or weak.[27] A review of a sample of recent model IIAs and IIAs concluded in 2015 (see tables III.5 and III.6) show that investment facilitation provisions are not as prevalent as other major provisions. Even those agreements that explicitly deal with investment facilitation issues use general treaty language. Brazil's new CFIAs are an exception (see table III.6).

It is therefore crucial to expand the investment facilitation dimension of IIAs together with national policy tools, and to target them towards foreign investment that is capable of promoting sustainable development.

To respond to this systemic gap, in January 2016 UNCTAD launched an Action Menu on Investment Facilitation.[28] The Action Menu aims to help countries address ground-level obstacles to investment such as a lack of transparency on legal or administrative requirements faced by investors, a lack of efficiency in the operating environment and other factors causing high costs of doing business. By focusing on these obstacles, the Action Menu aims to complement existing investment policies. It therefore excludes policy measures aimed at the protection of investment, which are well-established in the existing national regulatory frameworks and IIAs. Similarly, the Action Menu does not propose direct investment support measures such as fiscal or financial investment incentives.

The Action Menu consists of actions to support investment facilitation for development in low-income countries. Its 10 action lines provide a series of options for investment policymakers to adapt and adopt for national and international policy needs: the package includes actions that countries can choose to implement unilaterally and options that can guide international collaboration or that can be incorporated in IIAs.

Action line 1 proposes promoting accessibility and transparency in the formulation of investment policies and regulations and procedures relevant to investors, with the following actions:

- Provide clear and up-to-date information on the investment regime.
- Adopt a centralized registry of laws and regulations and make this available electronically.
- Establish a single window or special enquiry point for all enquiries concerning investment policies and applications to invest.
- Maintain a mechanism for providing timely and relevant notice of changes in procedures, applicable standards, technical regulations and conformance requirements.
- Make widely available screening guidelines and clear definitions of criteria for assessing investment proposals.
- Publicize outcomes of periodic reviews of the investment regime.

Action line 2 suggests enhancing predictability and consistency in the application of investment policies, as follows:

- Systematize and institutionalize common application of investment regulations.
- Give equal treatment in the operation of laws and regulations on investment, and avoid discriminatory use of bureaucratic discretion.
- Establish clear criteria and transparent procedures for administrative decisions including with respect to investment project screening, appraisal and approval mechanisms.
- Establish amicable dispute settlement mechanisms, including mediation, to facilitate investment dispute prevention and resolution.

Action line 3 proposes improving the efficiency and effectiveness of investment administrative procedures through the following actions:

- Shorten the processing time and simplify procedures for investment and license applications, investor registration and tax-related procedures.
- Promote the use of time-bound approval processes or no objections within defined time limits to speed up processing times, where appropriate.

- Provide timely and relevant administrative advice; keep applicants informed about the status of their applications.
- Encourage and foster institutional cooperation and coordination. Where appropriate, establish online one-stop approval authority; clarify roles and accountabilities between different levels of government or where more than one agency screens or authorizes investment proposals.
- Keep the costs to the investor in the investment approval process to a minimum.
- Facilitate entry and sojourn of investment project personnel (facilitating visas, dismantling bureaucratic obstacles).
- Simplify the process for connecting to essential services infrastructure.
- Conduct periodic reviews of investment procedures, ensuring they are simple, transparent and low-cost.
- Establish mechanisms to expand good administrative practices applied or piloted in special economic zones to the wider economy.

Action line 4 advocates building constructive stakeholder relationships in investment policy practice, as follows:

- Maintain mechanisms for regular consultation and effective dialogue with investment stakeholders throughout the life cycle of investments, including approval and impact assessment stages and post-establishment stages, to identify and address issues encountered by investors and affected stakeholders.
- To the extent possible, establish a mechanism to provide interested parties (including the business community and investment stakeholders) with an opportunity to comment on proposed new laws, regulations and policies or changes to existing ones prior to their implementation.
- Promote improved standards of corporate governance and responsible business conduct.

Action line 5 proposes designating a lead agency or investment facilitator with a mandate to, e.g.:

- Address suggestions or complaints by investors and their home states.
- Track and take timely action to prevent, manage and resolve disputes.
- Provide information on relevant legislative and regulatory issues.
- Promote greater awareness of and transparency in investment legislation and procedures. Inform relevant government institutions about recurrent problems faced by investors which may require changes in investment legislation or procedures.

Action line 6 suggests establishing monitoring and review mechanisms for investment facilitation:

- Adopt diagnostic tools and indicators on the effectiveness and efficiency of administrative procedures for investors to identify priority areas for investment facilitation interventions.
- Benchmark and measure performance of institutions involved in facilitating investment or in providing administrative services to investors, including in line with international good practices.

Action line 7 advocates enhancing international cooperation for investment facilitation. Possible mechanisms include the following:

- Establish regular consultations between relevant authorities, or investment facilitation partnerships, to
    - Monitor the implementation of specific facilitation measures (e.g. related to dismantling bureaucratic obstacles).
    - Address specific concerns of investors.
    - Design, implement and monitor progress on investment facilitation work plans.
- Collaborate on anti-corruption in the investment process.
- Arrange for regulatory and institutional exchanges of expertise.

Action line 8 proposes strengthening investment facilitation efforts in developing-country partners, through support and technical assistance to:

- Bolster efforts towards transparent, effective and efficient administrative processes for business and investors, including tools and techniques for the documentation and simplification of procedures (e.g. UNCTAD's eRegulations, eRegistration and Business Facilitation Services).
- Increase capacity in IPAs and relevant authorities on business and investor facilitation services, including support in administrative and compliance processes.
- Build capacity for the preparation or facilitation of regulatory feasibility studies for potential investment projects (including environmental and social impact assessments and regulatory and administrative requirements).
- Maintain mechanisms for regular consultation and effective dialogue with the private sector and investment stakeholders throughout the investment life cycle, including with a view to preventing the escalation of investment disputes.
- Enhance the role of policy advocacy within IPAs or investment authorities as a means of supporting investment climate reforms and of addressing specific problems raised by investors.

Action line 9 suggests enhancing investment policy and proactive investment attraction in developing-country partners, through the following actions:

- Build expertise in IPAs (or relevant agencies) for investment project proposal development and project appraisal, and for the development of pipelines of directly investable projects.
- Build expertise in IPAs (or relevant agencies) for the promotion of sustainable-development-focused investments such as green investments and social impact investments.
- Build capacity to provide post-investment or aftercare services, including for the expansion of existing operations.
- Strengthen capacities to maximize positive impacts of investment, e.g. to
    - Facilitate linkages between foreign affiliates and local enterprises.
    - Promote and support programs for certification and compliance with standards relating to, e.g. product quality or safety, to enable firms to engage in linkages with foreign affiliates.
    - Adopt frameworks to promote responsible business conduct by international investors.

Action line 10 advocates enhancing international cooperation for investment promotion for development, including through provisions in IIAs. Possible mechanisms include the following:

- Encourage home countries to provide outward investment support, e.g. political risk coverage, investment insurance and guarantees, or facilitation services.
- Encourage high standards of corporate governance and responsible business conduct by outward investors.
- Establish regular consultations between relevant authorities, or formal collaboration between outward investment agencies (OIAs) and IPAs.

The Action Menu is based on UNCTAD's Investment Policy Framework – which proposed action on investment facilitation in its first edition in 2012 – and the rich experiences and practices of investment promotion and facilitation efforts worldwide over the past decades.

An investment facilitation package could form the basis for formulating a legal instrument, or serve as an informative or guidance instrument, reflecting a collaborative spirit and best endeavour. Importantly, any investment facilitation initiative cannot be considered in isolation from the broader investment for development agenda. Effective investment facilitation efforts should support the mobilization and channelling of investment towards sustainable development, including the build-up of productive capacities and critical infrastructure. It should be an integral part of the overall investment policy framework, aimed at maximizing the benefits of investment and minimizing negative side effects or externalities.

NOTES

[1] The sources for the following investment measures can be found in UNCTAD's Investment Policy Hub (see http://investmentpolicyhub.unctad.org).

[2] Some of these measures were also of a promoting nature.

[3] In addition to these measures, India has raised the investment ceiling in the primary market and stock exchanges to a certain degree for at least 30 individual companies.

[4] Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Viet Nam.

[5] BITs with Bulgaria, China, France, Italy, the Lao People's Democratic Republic, Malaysia, the Netherlands and Slovakia.

[6] BITs with Argentina, Cambodia, Hungary, India, Pakistan, Romania, Singapore, Switzerland, Turkey and Viet Nam.

[7] http://europa.eu/rapid/press-release_IP-15-5198_en.htm.

[8] BITs with Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

[9] For more information, see https://www.iareporter.com/.

[10] http://www.bmwi.de/BMWi/Redaktion/PDF/I/intra-eu-investment-treaties,property=pdf,bereich=bmwi2012, sprache=de,rwb=true.pdf.

[11] Those with Argentina, the Bolivarian Republic of Venezuela, Bolivia, Canada, Chile, China, Italy, the Netherlands, Peru, Spain, Switzerland and the United States. See http://unctad-worldinvestmentforum.org/wp-content/uploads/2016/03/Statement-Ecuador.pdf.

[12] https://issuu.com/periodicodiagonal/docs/recomendaciones_caitisa/1?e=6636556/33004953.

[13] http://www.energycharter.org/who-we-are/members-observers/countries/italy/.

[14] Belgium, Canada, the Democratic Republic of the Congo, Finland, France, Gabon, Germany, Italy, Luxembourg, Madagascar, Mauritius, Sweden, Switzerland, the Syrian Arab Republic, the United Kingdom and the United States.

[15] The Transparency Rules came into effect on 1 April 2014 and are incorporated into the latest version of the UNCITRAL Arbitration Rules.

[16] The Transparency Rules foresee the UN Secretary-General performing the repository function of published information. Information is to be published on the 'Transparency Registry', hosted by UNCITRAL (see http://www.uncitral.org/transparency-registry/registry/index.jspx).

[17] For example, the Canada–Côte d'Ivoire BIT (2014), Canada–Mali BIT (2014), Canada–Nigeria BIT (2014), Canada–Senegal BIT (2014), Canada–Serbia BIT (2014) (entered into force), Canada–Republic of Korea FTA (2014) (entered into force), Colombia–France BIT (2014), Colombia–Turkey BIT (2014), Egypt–Mauritius BIT (2014), Republic of Korea–Australia FTA (2014) (entered into force), Japan–Kazakhstan BIT (2014), Japan–Uruguay BIT (2015) and Japan–Ukraine BIT (2015). See also http://www.uncitral.org/uncitral/en/uncitral_texts/arbitration/2014Transparency_Rules_status.html.

[18] In the absence of reservations by the signatories, the Convention will apply to disputes where (i) both the respondent State and the home State of the claimant investor are parties to the Convention; and (ii) only the respondent State is party to the Convention but the claimant investor agrees to the application of the Rules.

[19] *Menzies Middle East and Africa S.A. and Aviation Handling Services International Ltd. v. Republic of Senegal* (ICSID Case No. ARB/15/21). The claimants invoked two BITs, a national investment law of the host State and the WTO GATS. One of the two claimants is a company incorporated in Luxembourg, which does not have an IIA with the respondent State (Senegal). This claimant argues, however, that it qualifies as a "service supplier" under the GATS, and that the GATS' MFN clause entitles it to benefit from the Netherlands–Senegal BIT, including the right to bring ISDS proceedings. In other words, the claimant does not allege any breaches of the GATS itself, but uses the GATS as a bridge to a BIT that would otherwise be unavailable to it.

[20] This number includes decisions (awards) on jurisdiction and awards on liability and damages (partial and final) as well as follow-on decisions such as decisions rendered in ICSID annulment proceedings and ICSID resubmission proceedings. It does not include decisions on provisional measures, disqualification of arbitrators, procedural orders, discontinuance orders, settlement agreements or decisions of domestic courts.

[21] These are cases in which a tribunal found, for example, that the asset/transaction did not constitute a "covered investment", that the claimant was not a "covered investor", that the dispute arose before the treaty entered into force or fell outside the scope of the ISDS clause, that the investor had failed to comply with certain IIA-imposed conditions (e.g. the mandatory local litigation requirement) or other reasons that deprived the tribunal of the competence to decide the case on the merits.

[22] http://www.au.int/en/sites/default/files/newsevents/workingdocuments/12582-wd-update_on_the_report_on_the_continental_free_trade_en.pdf.

[23] Australia and Peru agreed that their existing BIT (dated 7 December 1995) will be terminated upon entry into force of the TPP.

[24] There is no uniform definition of what constitutes an investment incentive. Investment incentives are typically the form of financial incentives, such as outright grants and loans at concessionary rates, fiscal incentives such as tax holidays and reduced tax rates or other incentives, including subsidized infrastructure or services, market preferences and regulatory concessions, including exemptions from labour or environmental standards (UNCTAD, 2004).

[25] A special economic zone (SEZ) is a geographically demarcated region where investors receive specific privileges, such as duty-free enclaves, tax privileges or access to high-quality infrastructure.

[26] Investment facilitation are mechanisms that expedite or accelerate investment. Common mechanisms that are the reduction of red tape or the establishment of one-stop shops designed to help investors through all necessary administrative, regulatory and legal steps to start or expand a business and accelerate the granting of permits and licences. This allows investors to save both time and money.

[27] Based on a representative sample of over 1,400 IIAs for which UNCTAD's IIA Mapping Project has mapped treaty content, as well as specific research on investment promotion provisions in IIAs.

[28] http://investmentpolicyhub.unctad.org/Blog/Index/51.

CHAPTER IV

INVESTOR NATIONALITY: POLICY CHALLENGES

A. INTRODUCTION: THE INVESTOR NATIONALITY CONUNDRUM

1. Complex ownership and investor nationality

Firms, and especially affiliates of multinational enterprises (MNEs), are often controlled through hierarchical webs of ownership involving a multitude of entities. More than 40 per cent of foreign affiliates are owned through complex vertical chains with multiple cross-border links involving on average three jurisdictions. Corporate nationality, and with it the nationality of investors in and owners of foreign affiliates, is becoming increasingly blurred.

Complex corporate structures have become increasingly notorious in recent years. They feature prominently in the debate on tax avoidance by MNEs, because investment schemes involving offshore financial centres, special purpose entities and transit FDI have proved to be an important tool in MNE tax minimization efforts (*WIR15*). They are also central to the discussion on illicit financial flows because they enable, channel or launder the proceeds of tax evasion, corruption or criminal activities. As a result, complex ownership structures are at times portrayed as suspect and contrary to good corporate governance practices.

At the same time, with the increasing integration of the world economy and the growth of global value chains (GVCs, see *WIR13*) the international production networks of MNEs have become more and more complex. This growing complexity is inevitably reflected in corporate structures.

- MNEs see continued *growth*. They exploit economies of scale and scope and competitive advantages over smaller rivals to expand, enter new markets, and add new businesses, often at a rapid pace.
- The increasing *fragmentation* of production in GVCs leads MNEs governing such chains to break up their business in smaller parts in order to place each part in the most advantageous location, or to dispose of certain parts deemed non-core and focus on others.
- Modern production methods require component parts of production networks to be nimble and to engage with third parties in non-equity relationships, joint ventures, or other forms of *partnership*.
- The dynamics of global markets are further causing MNEs to frequently reassess their portfolio of activities and engage in *mergers and acquisitions* (M&As), often causing affiliates to change hands, moving from one corporate structure to form part of another.

The result is ever “deeper” corporate structures (with affiliates ever further removed from corporate headquarters in chains of ownership), dispersed shareholdings of affiliates (with individual affiliates being owned indirectly through multiple shareholders), cross-shareholdings (with affiliates owning shares in each other), and shared ownerships (e.g. in joint ventures).

It follows that complexity in corporate structures is often the result of growth, fragmentation, partnerships, and M&As, and not necessarily in and of itself a sign of corporate malfeasance. Nonetheless, MNEs will endeavour to affect any change in ownership structures in the most advantageous manner possible, especially from a fiscal and risk management perspective. They may thus add further elements of complexity to any transaction. Thus, business- and non-business-driven elements of complexity in corporate structures often go hand in hand and can be difficult to separate.

Whether elements of complexity in corporate structures are motivated by legitimate business considerations or are rather a sign of excessive tax planning, of deliberate attempts to obfuscate beneficial ownership, of opaque governance or of any other not strictly business-driven consideration is not the primary concern of this chapter. Whatever the reasons for the increasing complexity in the internal ownership structures of MNEs, it is undeniably the case that more and more entities residing in more and more countries are ultimately involved in owning and controlling more and more foreign affiliates.

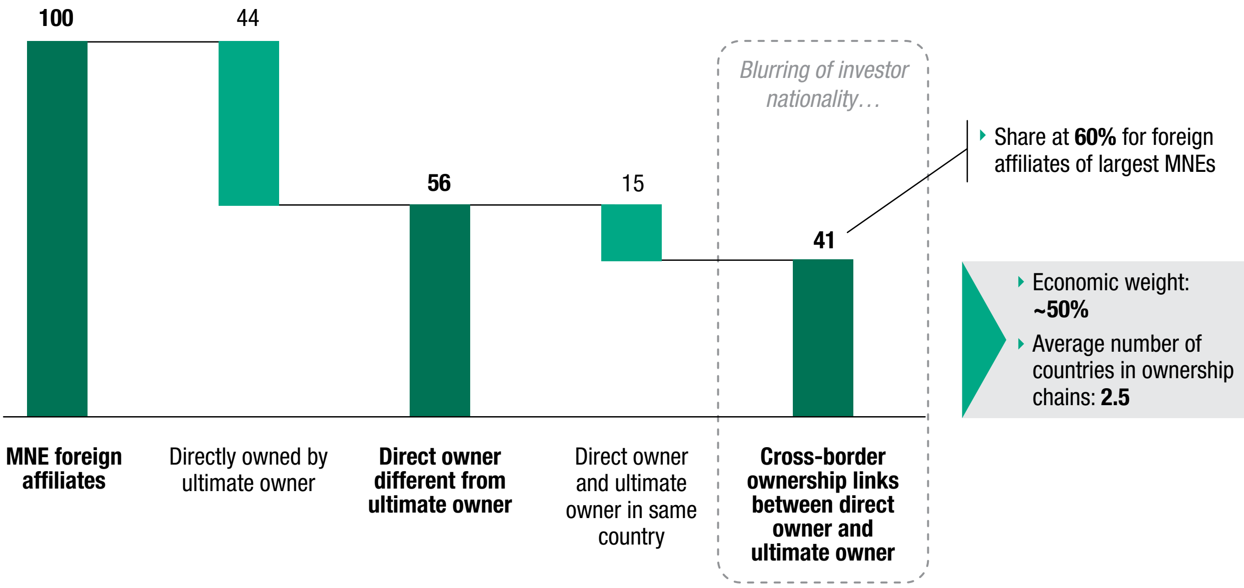
To illustrate the point, figure IV.1 shows how about 41 per cent of foreign affiliates worldwide are ultimately owned by their corporate parent through an ownership chain with at least one intermediate affiliate based in a country different from that of the ultimate owner. Moreover, these affiliates tend to be larger than directly owned affiliates (which are often part of smaller MNEs) and account for almost 50 per cent in revenue terms. On average, the same foreign affiliates are owned by entities located in three jurisdictions. Corporate nationality, and with it the nationality of investors in and owners of foreign affiliates, is becoming increasingly blurred.

2. The importance of ownership and nationality in investment policy

The blurring of investor nationality has important implications for national and international investment policies. Most countries have investment rules and promotion tools that are conditional on ownership and nationality. Almost 80 per cent of countries worldwide prohibit majority foreign ownership in at least one industry. Bilateral and regional investment agreements aim to provide benefits only to investors originating in the jurisdictions of treaty partners.

Investment policy deals with the attraction and retention of foreign investors through promotion and facilitation, with degrees of openness to foreign investment and the regulation of investor behaviour, and with standards of protection and treatment of foreign investors. Each of these aspects, in national investment policies and in international investment agreements (IIAs), is premised on policymakers and their agents being able to establish clearly and unequivocally

Figure IV.1. **Complex ownership of MNE foreign affiliates**
(Share of foreign affiliates, per cent)

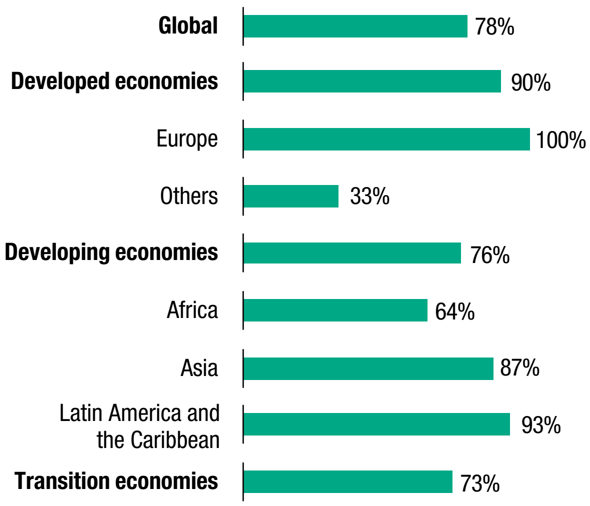


Source: ©UNCTAD analysis based on Orbis data (November 2015).
Note: Analysis based on a global sample of 720,000 foreign affiliates. The economic weight is computed using reported revenues. The share at 60 per cent for the largest MNEs is calculated based on foreign affiliates of UNCTAD's Top 100 MNEs (the largest MNEs ranked by transnationality, i.e. foreign assets, foreign sales and foreign employment).

the "*foreignness*" of an investment, in the context of national policy rules that discriminate between foreign and domestic investors (positively or negatively), and the specific *nationality* of the investor, in the context of eligibility for treaty benefits.

Moreover, in considering the foreign origin of investors, investment policy tends to focus on the direct owners of an affiliate, (a) because a perspective on ownership at this level has traditionally been sufficient in light of its primary concern with the attraction of foreign capital, and (b) because concrete investment policy measures – e.g. ownership restrictions, joint venture requirements, or eligibility criteria for facilitation – tend to operate at the direct ownership level.

Figure IV.2. **Foreign ownership restrictions**
Share of countries with foreign equity limitations below 50 per cent in at least one industry, by region



Source: ©UNCTAD analysis based on the World Bank's Investing Across Borders database, covering 104 countries.

Investment policies "triggered" by nationality and ownership are ubiquitous. Looking at national investment policies, for example, almost 80 per cent of countries worldwide prohibit majority foreign ownership in at least one industry (figure IV.2). In international investment agreements, 90 per cent of the more than 3,000 existing treaties are bilateral, and the remainder regional, with treaty benefits clearly reserved to investors originating in the jurisdictions of treaty partners.

The fact that corporate structures are complex and that consequently investor nationality is becoming less and less clear in practice has important implications for national and international investment policies. The effectiveness of foreign ownership restrictions, for example, is called into question if a domestic majority owner is itself owned by other foreign investors; international agreements negotiated based on one bilateral dimension lose focus if treaty benefits de facto accrue to many nationalities.

3. A new perspective on MNE ownership structures for investment policymakers

In designing national investment policies and in negotiating investment agreements, policymakers need to consider carefully the effectiveness and suitability of ownership-based measures, as well as the practical implications for their application and enforcement.

This chapter aims to provide insights on the global "map" of ownership and control in the international production networks of MNEs, and to distil relevant implications for national and international investment policy. The key questions the chapter aims to answer are as follows: What types of "complex" cross-border ownership structures do MNEs employ? Why do MNEs create complexity in ownership structures, and what trends does this imply for the coming years? How widespread are complex ownership structures, and what are the implications for the global map of investments by investor origin or nationality? How do the concepts of ownership and control feature in national and international investment policies today? What are the implications of increased complexity in MNE corporate structures for investment policymaking?

The following points delimit the scope of the analysis and discussion in this chapter:

- The chapter focuses on the internal ownership structures of MNEs, i.e. the ownership links between the parent or headquarters of the MNE and its subsidiaries and affiliates. It does not consider so-called ultimate beneficial ownership, i.e. the ownership by individuals, financial institutions or funds "above" the MNE parent entity.[1]

Box IV.1.	Ownership and control in MNEs and the governance of international production

Past editions of *WIR* have dealt with various aspects of governance in international production by MNEs, including integrated international production networks (*WIR93*) and GVCs (*WIR13*), and with governance modalities, including numerous non-equity modes (*WIR11*). Governance in international production refers to the ability of MNEs to coordinate activities, flows of goods and services, and access to tangible and intangible assets across disparate networks of firms, including their own affiliates as well as partners, suppliers and service providers.

A common approach to studying control in such networks revolves around the question of what to own (and what not to own). Which tangible and intangible assets should be held strictly under MNE control through ownership, and which can be shared. Which activities should be done in-house, which can be outsourced (make or buy). These questions are at the heart of the concepts of ownership and internalization advantages in the economic theory of international production.

Different governance levers (including non-ownership levers) in international production and GVCs, such as contracts, licenses and technology, access to markets, bargaining power, and the like have important implications for investment and development policy. However, the focus in this chapter is not on the question of *what* to own, but *how* to own it. Given the affiliates that an MNE owns, how do MNEs structure the ownership of affiliates, i.e. through direct shareholding by the parent company, through indirect shareholdings and intermediate subsidiaries, through multiple ownership links, or through joint or cross-shareholdings.

The chapter thus examines ownership and imputed control as concepts in investment rules and in IIAs, focusing on formal shareholdings and control as a corporate governance concept, i.e. the legal rights to an asset and the income derived from it, the right to make strategic and capital allocation decisions, and the right to dispose of the asset.

Source: ©UNCTAD.

- The chapter distinguishes ownership and control to indicate the difference between direct shareholdings in foreign affiliates and ultimate ownership or control within MNE corporate structures, taking into account indirect ownership links and chains, and joint and cross-shareholdings. The focus is therefore on control within the boundaries of MNEs. Clearly, looking more broadly at the concepts of ownership and control in international production networks there are other, non-equity levers of control, which have been the subject of past *WIRs* (see box IV.1, as well as *WIR11* and *WIR13*). The common theme of these past research efforts concerns the governance of international production and the separation of ownership and control. This chapter focuses on formal equity ownership links and refers to past *WIRs* for policy implications regarding the governance of international production.
- The chapter focuses specifically on those aspects of ownership and control in MNEs that are relevant from an investment policy perspective, i.e. on elements of complexity in corporate structures that alter perspectives on the origin of investors (or that make it more difficult to establish origin), and the attendant consequences. It does not aim to provide an exhaustive account of the implications of different types of ownership structures for tax, illicit financial flows or competition policies (although some investment-related policy areas are discussed).

The structure of the remainder of the chapter is as follows:

Section B provides a glossary of ownership complexity and insights on ownership structures in MNEs taking a “top-down” perspective, looking at entire corporate structures from the parent company down. This section also aims to identify the drivers and determinants of MNE ownership structures, i.e. the key factors behind management decisions regarding shareholding structures within corporate groups. The determinants of ownership structures also allow some inferences about the likely future evolution of MNE ownership complexity.

Section C changes the perspective and takes a “bottom-up” approach, looking at ownership chains from foreign affiliates up to their ultimate owners or parents, in order to show how investor nationality can become blurred if complex ownership of investments is taken into account. This section contains the key analytical results from a detailed study of firm-level data on some 4.5 million companies and more than 700,000 foreign affiliates, using Bureau van Dijk's Orbis database. It presents indicators of complexity in MNE structures, a "mismatch index" of complex investor origin, and facts and figures for various geographical areas and industries.

Section D discusses current investment policies for which investor nationality and ownership and control issues are important. It provides an overview of ownership-conditioned national investment policies, such as foreign equity restrictions, joint venture requirements, operational restrictions or requirements applicable only to foreign investors, and incentives or facilitation schemes accessible only to foreign investors. It includes examples of how investment authorities apply such rules, and how they determine the ownership structure of investors. The section also discusses how ownership and control issues feature in IIAs, what impact they have in investor-State dispute settlement (ISDS), and what approaches have been adopted by IIA negotiators to tackling the challenges posed by complex ownership structures.

Section E assesses the wider systemic implications of complex corporate structures for investment policymaking. Policy recommendations revisit the overall purpose and objectives of national rules and regulations on foreign ownership. They also point at the multilateralizing effect of ownership complexity on IIAs, highlight the need for greater predictability for States and investors about the coverage of IIAs, and indicate scope for greater international collaboration.

B. COMPLEXITY IN MNE OWNERSHIP STRUCTURES

1. Mapping MNE ownership structures

Common types of complexity in internal MNE ownership structures are lengthy ownership chains with multiple cross-border links, ownership hubs and shared ownership structures. Ownership of affiliates is expressed in shareholdings, which provide cash flow rights and voting rights. Control is the ability to exercise voting rights to affect strategic management decisions. In the internal ownership structure of MNEs, control generally coincides with (direct or indirect) majority ownership. However, MNEs can exercise control over affiliates even when they have a minority stake.

MNE ownership structures are made up of a parent entity and its affiliate companies, which can be in the MNE home country or in host countries, and ownership links with varying levels of equity ownership that determine the degree of control that the parent entity can ultimately exercise over each affiliate. Figure IV.3 shows a hypothetical ownership structure of an MNE that illustrates the most important building blocks that are referred to throughout the analysis in this chapter.

The parent company A in the example is the ultimate owner of affiliates B through M. The jurisdiction of incorporation of the parent company determines the nationality of the corporate group. All affiliates in the example can, of course, be located in different jurisdictions, which is what defines the group as an MNE (i.e. at least one of the affiliates must be outside the home country of the parent).

At the first hierarchical level in the example, the parent company directly owns affiliates B, C, D and E. The affiliates are fully owned by the parent, i.e. the parent owns 100 per cent of their equity. (For simplicity and to maintain consistency in terminology, this chapter uses the term affiliate rather than subsidiary; the latter applies to majority-owned affiliates and could therefore be substituted here.)

Affiliate B is a straightforward example of an affiliate directly and fully owned by its parent company, with no further ownership links. This simple structure is by far the most common type across the universe of MNEs and characterizes most small and medium-sized MNEs.

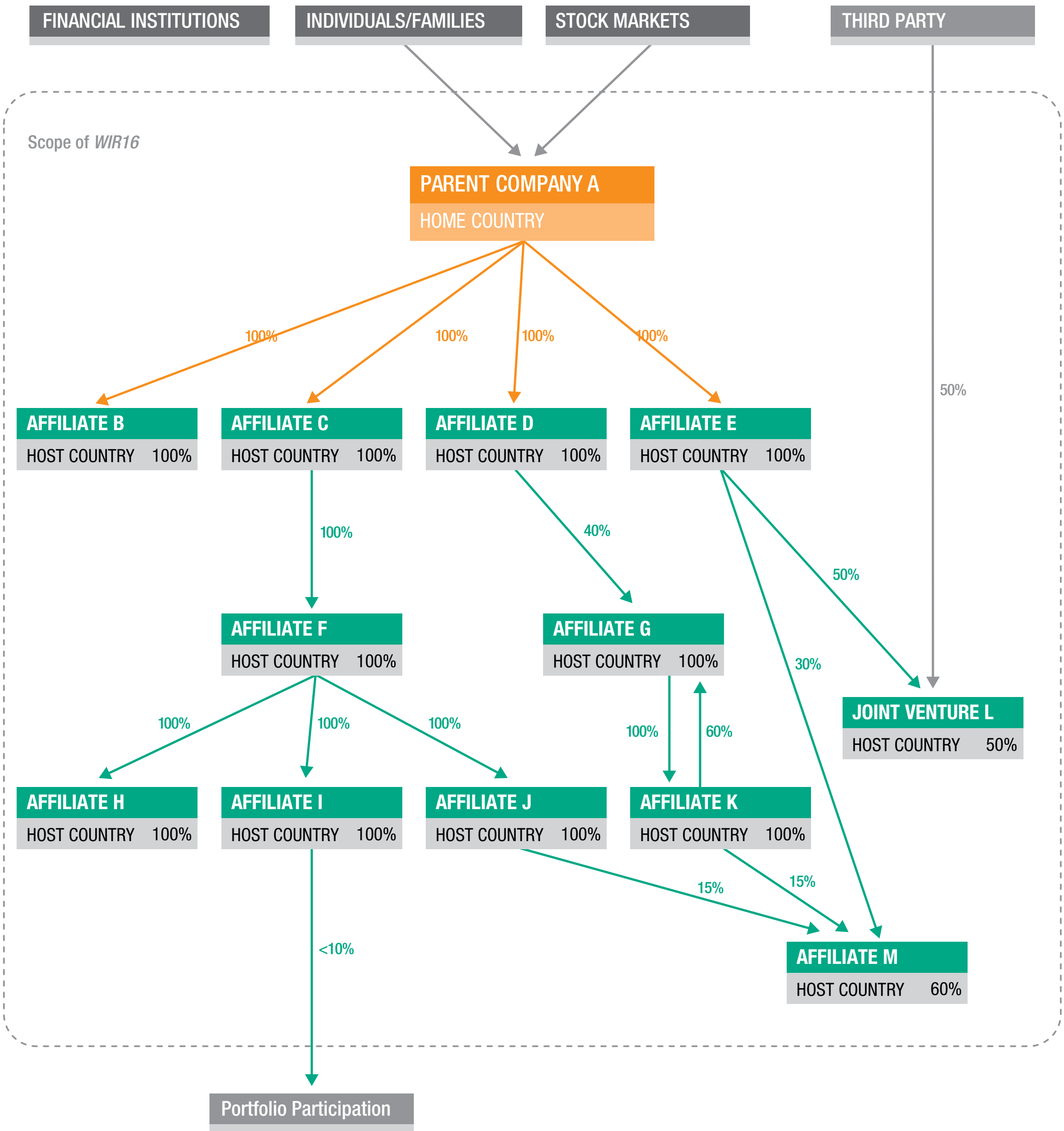
Elements of complexity in MNE ownership structures

Vertical complexity and cross-border ownership chains. At lower levels in the hierarchy, company A owns affiliates F through M. The *hierarchical depth* of the group (or the maximum *hierarchical distance* between affiliates and parent) in this example is three levels, as in the case of C-F-H or D-G-K (affiliate M is owned through affiliate E, which is the shorter ownership chain). This allows for a critical element of complexity in the stylized example – particularly relevant from an FDI and investment policy perspective – which is multiple cross-border ownership links between affiliate and parent, and thus different locations of the direct owner of an affiliate and its ultimate owner.

Horizontal complexity or multiple direct ownership links. Affiliate M is an example of a company that is controlled through multiple ownership links at the direct shareholder level. Through the equity shares held by E, J and K the parent company ultimately owns a majority stake in affiliate M of 60 per cent and thus fully controls it. (The remaining equity in M is held by outside investors.)

Shared ownership or joint ventures (JVs). Affiliate L is an example of a partnership with an independent outside company. It is not fully controlled by parent company A in this example, as both partners hold 50 per cent of the shares. JVs do not necessarily have an equal division of shares (one partner can be the controlling partner), and they can involve more than two partners.

Figure IV.3. A stylized example of an MNE ownership structure



Source: ©UNCTAD, based on the T-Rank visualization methodology.
Note: The percentages with the arrows show equity shares. The percentages inside the affiliate boxes show the extent to which the affiliate is controlled by the subject of analysis (the parent company A in this example).

Ownership hubs. Affiliate F in the example is an "ownership hub", or an affiliate that controls several other affiliates. Such a hub can be a holding company in a host country controlling several operating companies in the same host country; it can be a regional headquarters controlling companies in neighbouring countries; it can be a divisional headquarters controlling companies in the same line of business; or it can be an intermediate entity performing specific functions for its controlled entities, often financing functions in offshore financial centres (OFCs).

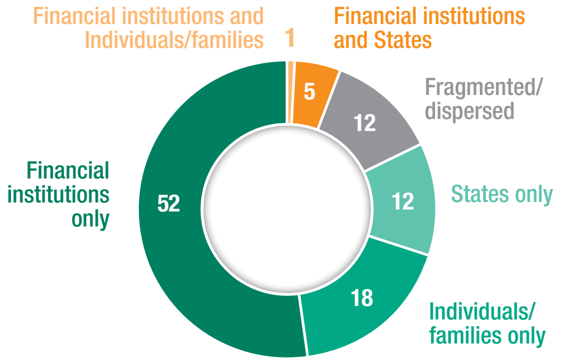
Cross-shareholdings. Affiliates D, G and K show an example of cross- or circular shareholdings, where G owns a stake in K, and K owns a stake in G. As a result, although D nominally owns only 40 per cent of the equity in G, it fully controls both G and K. Cross-shareholdings can also be found among more than two companies in highly complex networks.

Table IV.1 summarizes the key elements of complexity in the internal ownership structures of MNEs. Vertical complexity stands out as the most common type. It is also the most relevant type of complexity from an investment policy perspective, as it often results in multiple cross-border ownership links between affiliate and parent, and thus in different locations of the direct owner of an affiliate and its ultimate owner. For these reasons, while this section provides a general overview of all types of complexity in MNE ownership structures, section C focuses entirely on vertical complexity and cross-border ownership chains.

In the example, affiliate I owns a non-controlling stake of less than 10 per cent in an outside company, which must be considered a portfolio investment. For the purpose of the discussion here, in line with definitions commonly adopted for FDI, all stakes below 10 per cent are considered portfolio investments and fall outside the scope of the analysis.

As parent company A is a legal and not a natural person it must, in turn, be owned. Publicly listed MNEs have relatively dispersed shareholdings with shares traded on stock markets. Most MNEs will have large blocs of shares held by financial institutions, institutional investors and governments. And many MNEs are partly owned by individuals or families, often founders who maintain a stake in the business. Individual and family shareholders, governments and institutional investors are the so-called ultimate beneficial owners, the owners to whom the income generated by the MNE ultimately accrues in the form of dividends and capital gains. Figure IV.4 shows the predominant ultimate beneficial owners in UNCTAD's Top 100 MNEs (the largest MNEs ranked by transnationality, i.e. foreign assets, foreign sales and foreign employment). However, for the purpose of this chapter the analysis stops at the parent company or corporate headquarters; ultimate beneficial ownership is not considered.

Figure IV.4. **Predominant ultimate beneficial owners in UNCTAD's Top 100 MNEs**
(Per cent)



Source: ©UNCTAD analysis based on Orbis data and various sources.

Mapping ownership versus control

Section A narrowed the scope of analysis to ownership and ownership-based control (excluding non-equity forms of control). Control does not always map directly to ownership. Ownership of affiliates is expressed in shareholdings, which provide not only the rights to the dividends distributed by the affiliate (cash flow rights), but also voting rights. Control is the ability to exercise the voting rights associated with the shares to affect strategic management decisions. The degree to which companies higher up in the ownership hierarchy, including the ultimate

Table IV.1. Elements of complexity in internal MNE ownership structures

Types of complex structures		Description	Impact	Relevance: *Overall*	Relevance: *Large MNEs*
Vertical complexity	**Ownership chains**	Long ownership chains; multiple steps between affiliate and ultimate owner (hierarchical distance >1)	Direct owner differs from ultimate owner	55% of FAs are not directly owned by their ultimate owner; 40% of FAs have direct owners and ultimate owners in different jurisdictions	75% of FAs of large MNEs are not directly owned by their ultimate owner; 60% of FAs have direct owners and ultimate owners in different jurisdictions
Vertical complexity	**Cross-border ownership chains**	Long ownership chains with multiple cross-border steps and entities in multiple jurisdictions	Jurisdiction of the direct owner differs from that of ultimate owner: nationality mismatch		
Horizontal complexity	**Multiple ownership within MNE**	Affiliate is controlled through multiple stakes held by other group entities that add up to a majority stake	MNE parent control over affiliates based on complex network relationships between affiliates	90% of FAs have a single majority shareholder	75% of affiliates of large MNEs have a single majority shareholder; 25% are controlled through multiple entities within the group
Horizontal complexity	**Joint ventures with external partners**	Two or more shareholders from different groups jointly own all or a majority of shares of an entity	Definition of a unique controller is challenging; control can be achieved through dominant stakes or voting coalitions		
Other elements of complexity	**Ownership hubs**	One entity in the MNE structure directly owns multiple affiliates	Ownership hubs create nodes within ownership structures or networks	65% of MNEs have only one FA; almost 90% of MNEs have fewer than 5 FAs	The largest MNEs have on average more than 500 affiliates, including 20 holding companies (hubs); cross-shareholdings limited even in the largest MNEs (fewer than 1% of affiliates)
Other elements of complexity	**Cross-shareholdings**	One entity is participated by the same entity in which it owns a stake	Presence of loops makes it difficult to define a unique control path; control can be exerted through very limited stakes		

High relevance   Low relevance

Source: ©UNCTAD.
Note: The estimates in the right-hand columns anticipate some key results of the empirical analysis showing the relevance of the various complexity elements. The estimates are not directly comparable as they employ different analytical approaches that will be elaborated in the rest of this chapter, but at this stage they are useful to provide a first prioritization of the complexity elements (percentages rounded to 5 percentage points). FA = foreign affiliate.

owner, actually control affiliates can be higher or lower than the number of shares held. In the stylized example above, nominal ownership percentages differ from actual control of voting rights only in one case (D, G, K) owing to a relatively simple cross-shareholding structure. However in extreme cases, complex cross-shareholding links may confer control even with very limited nominal stakes, as shown in figure IV.5.

Beyond cross-shareholdings, there are principally two other cases in which ownership-based control can differ from nominal equity stakes:

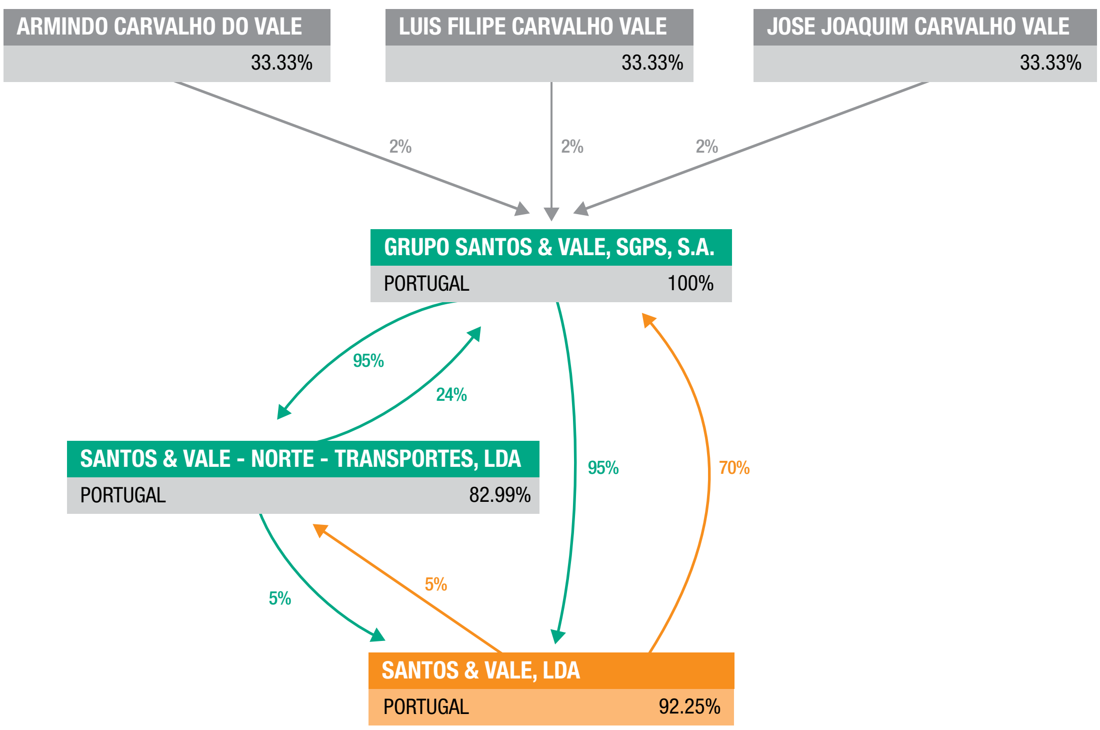
- Departures from the one-share-one-vote principle. Actual degrees of control can be made completely independent of the distribution of shareholdings through the use of nonvoting shares, preferential or dual classes of shares, multiple voting rights, golden shares, voting-right ceilings and similar constructions.[2] This phenomenon is difficult to include in the analysis in this chapter, as data on preferential shares is not systematically available.

However, studies have shown that the use of preferential shares is mostly restricted to the level of beneficial ownership (e.g. with individuals or families aiming to maintain management influence disproportionate to their actual shareholdings) and is relatively rare inside MNE ownership structures.[3]

- Coalition-dependent majorities or dominant shareholdings. MNEs can exercise a degree of control in affiliates in which they own a minority of the shares through the use of voting blocs or coalitions that may depend on the structure and level of concentration of remaining shareholders. If, for example, an MNE owns a dominant minority stake that cannot be excluded from any viable coalition of voting shares in order to come to a decision, it exercises de facto control. Conversely, if an MNE owns 40 per cent of a company that has two other shareholders each with 30 per cent, its de facto level of control is only one third, i.e. lower than its equity stake. (This finds a specific application in the next subsection.)

Combinations of cross-shareholdings, preferential shares and the use of voting blocs are not common inside most MNEs (i.e. below the parent company level).[4] They are used relatively more in MNEs where founding individuals or families are actively engaged in management, as an instrument to increase their voting power. They are also more common in conglomerates or business groups, such as the keiretsu in Japan, the chaebol in Korea or the grupos economicos in Latin America.[5] These are networks of companies maintaining long-term business relationships, usually including a web of cross-shareholdings around a financial institution. However, the phenomenon of asymmetrical ownership and control is generally restricted to the beneficial ownership level and higher levels in ownership hierarchies. In practice, within MNE ownership structures, lines of control map directly to ownership links in the vast majority of cases.

Figure IV.5. Control with minority stakes through cross-shareholding loops



Source: Orbis, T-Rank visualization (March 2016).
Note: The percentages with the arrows show equity shares. The percentages inside the boxes show the accumulated (direct and indirect) stake that each entity owns in the target company (Santos & Vale, LDA). Santos & Vale, LDA indirectly owns 92.25 per cent of itself. Each of the three individuals at the top indirectly controls 33.33 per cent of Santos & Vale LDA (collectively they fully control it), through a mere 2 per cent direct stake in Grupo Santos & Vale, SGPS, S.A.

2. Characteristics of highly complex MNEs

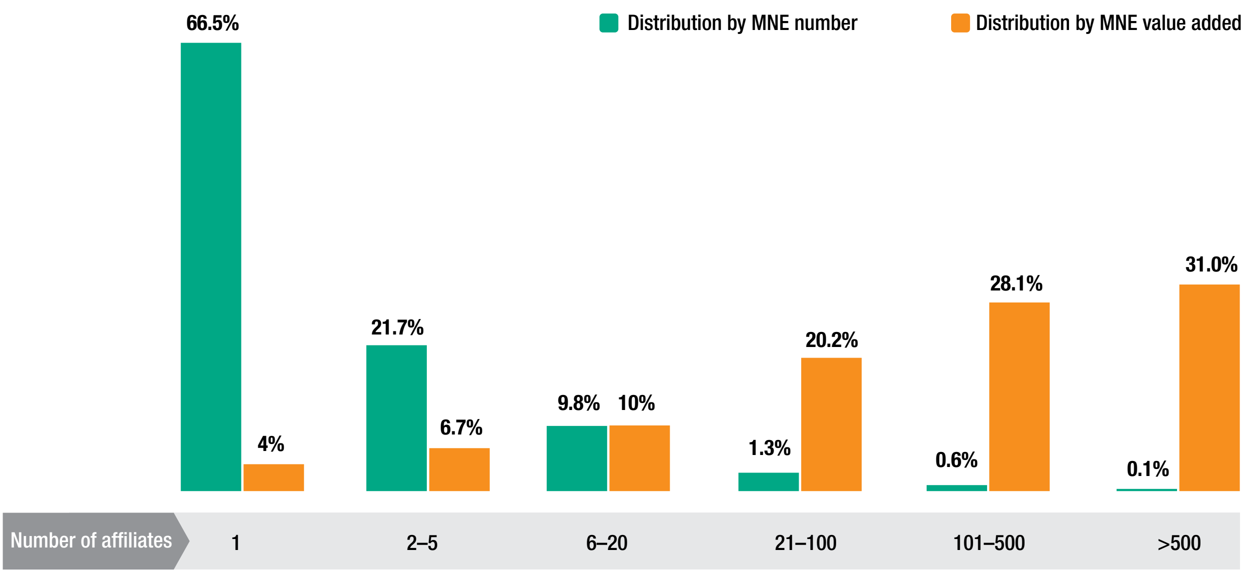
The universe of MNEs is highly skewed: a very large group of MNEs is simple, with few affiliates directly and fully owned by the parent company. A very small group of MNEs accounts for a large share of foreign affiliates. Less than one per cent of MNEs have more than 100 affiliates, but these account for more than 30 per cent of all foreign affiliates and almost 60 per cent of global MNE value added. The top 100 MNEs in UNCTAD's Transnationality Index have on average more than 500 affiliates across more than 50 countries.

The public attention to convoluted and often opaque corporate structures in the media leaves the impression that all MNEs employ complex ownership schemes. This is not the case. Most MNEs are simple, with direct full or majority ownership links between parents and affiliates. This is especially true for the vast majority of MNEs, in number, which have only very few foreign affiliates. Empirical analysis performed on a very large sample of MNEs shows that almost 70 per cent of MNEs have only one foreign affiliate, and almost 90 per cent of MNEs have fewer than 5 affiliates (figure IV.6).

Clearly, the scope for complexity in MNE ownership structures increases exponentially with the number of affiliates. The larger MNEs with more affiliates where complex ownership structures play out in full are relatively few in number. However, they account for an important share of foreign affiliates, and an even more disproportionate share in value terms, as each individual affiliate is on average larger (in value added terms) than those of smaller MNEs. Less than 1 per cent of MNEs have more than 100 affiliates, but this group accounts for more than 30 per cent of the total number of foreign affiliates, and more than 60 per cent of total MNE value added.

Figure IV.6 suggests that, for the purpose of studying complex internal MNE ownership structures, a focus on the largest MNEs is justified. The UNCTAD Top 100 MNEs is thus a relevant sample of MNEs, representing a category that accounts for a significant share of international production. Table IV.2 provides key complexity indicators for this group.

Figure IV.6. Distribution of MNEs by size class (Per cent)



Source: ©UNCTAD analysis based on Orbis data (November 2015); adapted and updated from Altomonte and Rungi (2013).

Note: Based on a sample of 320,000 MNEs with at least one affiliate abroad: total affiliates are 1,116,000, of which 774,000 foreign. Estimates for value added are based on 220,000 affiliates and unconsolidated financial accounts. The perimeter of 320,000 MNEs is a globally representative universe resulting from a massive extraction of firm-level information from Orbis (based on an initial sample of 22 million firms reporting ownership information) after several computational and cleaning steps. The identification of the MNE corporate boundaries, and the computational effort of mapping a total of nearly 40 million ownership links, uses the algorithmic approach developed in Rungi et al. (2016).

On average, the Top 100 have more than 500 affiliates, more than two thirds of which are overseas. The average hierarchical depth of the largest MNEs is 7 levels, with peaks for some MNEs up to 15 levels. This does not imply that all affiliates of the Top 100 MNEs are at such extreme hierarchical distances from their parents. The average hierarchical distance for affiliates is at three steps from the parent.

The number of countries in which MNEs in the Top 100 are physically present ranges from fewer than 10 to more than 130, with an average of more than 50 countries; the Top 100 MNEs tend to be truly global MNEs. Among these, about 50 jurisdictions are OFCs, including tax havens and investment hubs that route FDI flows from their origin to a third destination country (see *WIR15* for a full analysis of investment hubs and transit FDI). On average, 70 of the more than 370 foreign affiliates of these MNEs (or about one fifth) are located in OFCs.

The use of ownership hubs is also common. The average MNE in the Top 100 list has almost 20 holding companies that perform investment-related activities on behalf of the group. Holding companies are often used to create international ownership structures, in which case they tend to be located in jurisdictions that provide certain fiscal benefits to investors or that offer other regulatory or institutional advantages. Holding companies are also used as bridgeheads in large economies to create local networks of foreign affiliates.

The total number of some 55,000 affiliates for the Top 100 MNEs that can be derived from table IV.2 includes all affiliates that are either directly or indirectly majority owned (i.e. with an equity stake above 50 per cent) by the 100 parent companies. About 75 per cent of these affiliates can be identified following a direct ownership chain (with a majority owner at each step) from the affiliate to the parent. The other 25 per cent are ultimately controlled through a majority stake that is the result of multiple ownership links where the aggregate shareholding exceeds 50 per cent (figure IV.7).[6]

It is possible to identify an additional set of affiliates that is theoretically controlled by parents in the Top 100, through dominant shareholdings or voting blocs. In an expansive interpretation of corporate boundaries, a further 3,000 companies could be considered as within the control perimeter of the Top 100 MNEs, because one of these MNEs owns a dominant stake and the remaining shareholdings in these companies are fragmented in such a way that it would be unlikely that any viable voting coalition could be formed without the participation of the MNE parent.[7]

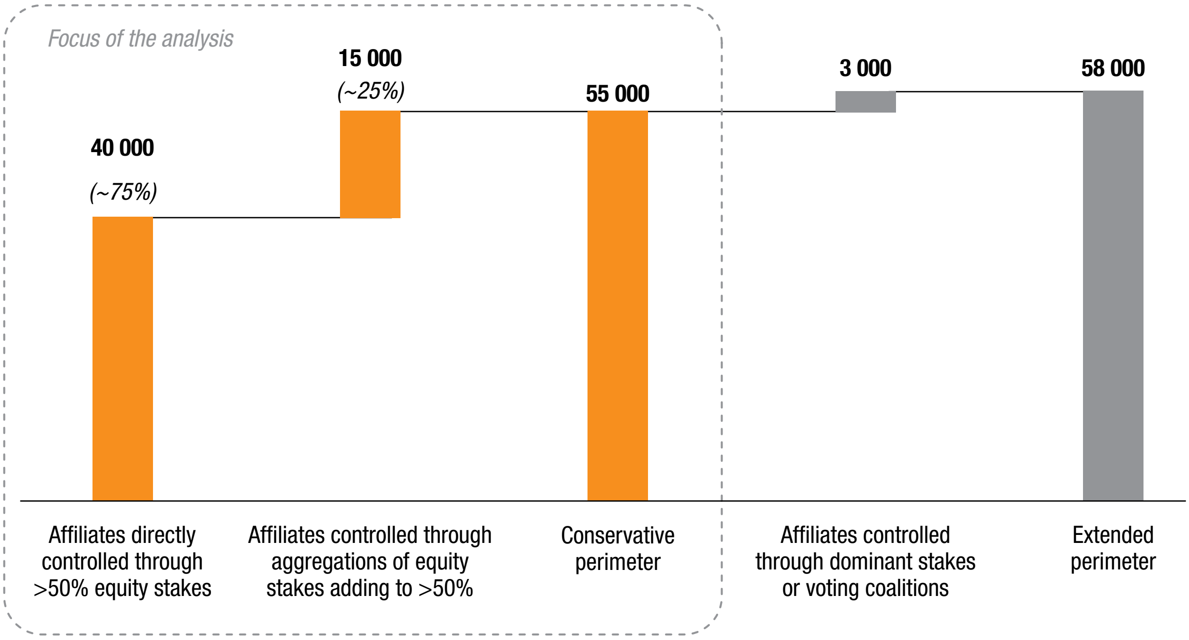
These figures are a first indication that complexity in the ownership structures of the largest MNEs is generated mostly by vertical depth, i.e. multiple steps, often across multiple borders, from the parent to the affiliate, but through relatively straightforward full or majority ownership links. Multiple ownership "paths" from affiliates to parents, where the aggregate ownership adds up to a controlling stake, are a minority, albeit a sizeable one.

Table IV.2. Ownership complexity in the UNCTAD Top 100 MNEs
Key indicators

Indicators at the group level	Average	Minimum	Median	Maximum
Number of affiliates				
- all	549	118	451	2 082
- foreign affiliates	370	41	321	1 454
Hierarchical depth (number of hierarchical levels)	7	3	6	15
Number of countries in the network	56	8	54	133
Number of affiliates in OFCs	68	7	55	329
Number of holding companies	19	0	15	155

Source: ©UNCTAD analysis based on Orbis data (November 2015).
Note: The identification of the corporate boundaries of the 100 MNEs, and the computational effort, uses the algorithmic approach developed in Rungi et al. (2016). The perimeter of jurisdictions qualifying as OFCs includes tax havens and major offshore investment hubs (see *WIR15* on OFCs and offshore investment hubs).

Figure IV.7. Ownership-based control types in the UNCTAD Top 100 MNEs (Number of affiliates and per cent)



Source: ©UNCTAD analysis based on Orbis data (November 2015).
Note: Figures rounded.

Because the scope for complexity is highest in the largest MNEs with the most affiliates, it can be assumed that the level of complexity found in the Top 100 represents the extreme end of the scale.

3. Determinants of complexity in MNE ownership structures

MNE ownership structures are often the result of historical accident or haphazard growth patterns. Where MNEs deliberately incorporate elements of complexity (e.g. lengthy ownership chains, multiple owners at the direct shareholder level, or different locations of direct versus ultimate owners), these are most often dictated by governance rules and risk management, financing, tax, and other institutional or policy-related considerations. Investment policy is one of several policy drivers behind complex ownership structures.

Section A distinguished MNE decisions on what to own in their international production networks from decisions regarding how to own it; it explained that this chapter concerns itself with the study of complex ownership structures of MNE assets, not with the choice of assets or the way they are managed and deployed.

Similarly, the study of MNE ownership structures should be clearly distinguished from that of organizational structures. The use of the term *hierarchies* in this chapter to denote layers of ownership does not imply that mid-level affiliates in ownership chains necessarily direct the affiliates they own at the next level, with those in turn directing the level immediately below. There may be logic to this, as each level will consolidate financial accounts of the level below, and for reasons of governance, accounting simplicity and the incentivization of managers involved at each level it may make sense for MNEs to establish direct lines of management along ownership paths. But there is no inherent reason why this should be so; a manager at a higher hierarchical level can choose directly to instruct managers of affiliates several levels down; a manager of a large and strategically important affiliate at the bottom rung ranks higher than a manager of a functional financing hub that formally owns his company. The difference between formal ownership structures and operational logic is one of the reasons for the parallel existence of financial and management reporting.

That is not to say that operational logic does not play a role at all in ownership structures as they are found in MNEs. However, even where they do, ownership structures can be changed, if there is a compelling reason to do so, without significant impact on operational structures. (Box IV.2 illustrates a special case of opportunistic adaptations of an MNE ownership structure in anticipation of restrictive measures.)

Table IV.3 provides an overview of the determinants of complexity in MNE ownership structures. The table distinguishes two groups of determinants. First, it lists "endogenous" determinants that are specific to MNEs and the implicit result of MNE growth patterns, either because they are underpinned by operational logic or because they are based on governance or risk management decisions. Second, it lists "exogenous" and location-specific determinants that are ultimately based on policy or institutional factors, such as fiscal and financial governance rules and investment policies. Whereas the former group of determinants drives, for the most part, elements of complexity that are the natural or necessary result of the development of a business, the latter group is mostly responsible for complex ownership structures that are purposely created to incorporate entities in specific jurisdictions in the ownership chain between affiliates and parents.

The two sets of determinants cannot be seen in isolation. Different determinants tend to operate simultaneously. For example, when MNEs create affiliates or engage in mergers or acquisitions to expand their operations, they consider options to structure such transactions in the most favourable manner from a fiscal and financial perspective. Similarly, when an MNE needs to set up an entity as a vehicle to attract outside financing or as an umbrella entity to house a JV with a third party, where possible, it will aim to do so in a jurisdiction that provides an attractive institutional environment.

Table IV.3. Determinants of complexity in MNE ownership structures

Determinants		Mechanism	Elements of complexity affected
MNE-specific drivers	Growth patterns and historical accident	Ownership links resulting from older affiliates setting up or acquiring new affiliates at the next hierarchical level, and from cumulative "administrative heritage"	Mainly affects vertical complexity
	Operational logic	Ownership links between affiliates that transact with each other in supply chains and/or that are part of regional or industry sub-groups within MNE structures	Mainly drives vertical complexity and hubs; can affect shared ownership of affiliates
	Governance	Ownership structures created as levers of control, to manage business combinations (mergers) or JVs, or structures aimed at limiting MNE liability	Drives all types of complexity, including cross-shareholdings
Location-specific drivers: *policies and institutions*	Financial rules and institutions	Entities and ownership links created to facilitate or enable outside financing, often in jurisdictions that provide better access to finance	Drives all types of complexity
	Tax and tax treaties	Ownership links created to incorporate an entity in a jurisdiction to benefit from favourable tax treatment or a tax treaty	Drives all types of complexity
	National investment policy and IIAs	Shared ownership of affiliates as a result of foreign ownership restrictions, or incorporation of entities in the ownership chain to gain access to an IIA	Mostly drives vertical complexity and shared ownership structures

Source: ©UNCTAD; see also Lewellen and Robinson (2013).
Note: Elements of complexity refer to the elements discussed in section IV.B.1.

Box IV.2. Changes in ownership structure in response to restrictive measures: the Sogaz case

In reaction to the Russian Federation's policy on the Ukraine, the EU, the United States and other countries adopted restrictive measures against several Russian individuals and entities in order to restrict investment and business owned or controlled by blacklisted Russian persons (individuals/entities).

Bank Rossiya (Russian Federation) was put on the list of those companies to which the restrictive measures would apply on 20 March 2014. Before March 2014, 51 per cent of the insurance company Sogaz belonged to Rossiya through a wholly owned subsidiary called Abros. Therefore, under the rules, Sogaz would have fallen under the restrictive measure as an entity that is majority-owned by an affected party. But Rossiya transferred a 2.5 per cent stake to Sogaz Realty, a subsidiary of Sogaz itself, the week before the restrictive measures were imposed. With Rossiya's stake now below 50 per cent, Sogaz announced that it was not subject to restrictive measures. The transaction let Sogaz avoid restrictive measures because a firm controlled by several affected entities was not itself subject to restrictive measures if none of them individually owned 50 per cent of it.

Subsequently, the United States issued a new rule on 13 August 2014, which provides among other things that a firm is blacklisted if the stakes of affected individuals add up to 50 per cent or more. The EU has a similar rule. Under the new rules, Sogaz should have been subject to restrictive measures because of its links to both Bank Rossiya and Kordeks, a 12.5 per cent shareholder reportedly controlled by another person, whom the United States had blacklisted several months earlier. However, Rossiya cut its stake two days before the issuance of the new rules, to the effect that Sogaz avoided restrictive measures once more.

Sogaz announced in late August 2014 that Abros held only 32.3 per cent of its stake, following a transaction which had taken place on 6 August and been registered on 11 August, just before the issuance of the new rules on 13 August. Gazprom, on its part, offloaded 16.2 per cent of its stake in its subsidiary. This brought Sogaz's total stake in the affected parties to 44.8 per cent (Abros 32.3 per cent, Kordeks 12.5 per cent), well below the threshold.

Source: The Economist, 14 February 2015.

MNE-specific drivers

Many MNEs grow haphazardly and opportunistically. Early in the development of an MNE, affiliates are more likely to be established in the home and neighbouring countries. Affiliates in those neighbouring countries might grow and, being familiar with their surrounding markets, might capture opportunities in those markets. The MNE might spread at a regional level, before spreading its wings in other regions in the world. At each level, it is likely to be nearby affiliates that play a role in identifying opportunities for growth (whether through greenfield investment or by acquisition), in setting up the new operation, in arranging financing and legal status, and in supplying initial-phase directors. As a result, a series of pictures taken over time of an MNE's ownership structure might resemble the growth of mushrooms, first in a nearby circle, and then expanding in intersecting circles. (The same logic of geographical expansion might be applied to business lines in divisional structures.)

Despite the fact that ownership structures, especially at the affiliate level, can be changed over time – and as MNEs grow larger and more complex, they do change them – growth patterns and historic coincidence do appear to explain a significant part of the ownership complexity story. For example, the median age of affiliates of the Top 100 MNEs decreases at each rung of the hierarchy ladder.[8] This is most likely explained by the fact that affiliates at each level are involved in setting up affiliates at the next level. Therefore, hierarchical levels are not generally constructed artificially with new affiliates being inserted mid-way, or multiple affiliates being created simultaneously according to a pre-planned scheme.

Administrative heritage is a well-researched phenomenon that can explain the gradual "sedimentation" of layers of ownership in MNEs.[9] Systematic restructuring and rationalization of the ownership structure of an MNE can be costly, mostly because changes in ownership structures would normally require actual transactions (the sale and purchase of shares) to take place, potentially triggering capital gains taxes in addition to other taxes and transactions costs.

Such restructurings are thus carried out only if there are significant financial benefits to be gained. Complexity caused by M&A transactions can often not be unwound at all because of legal and tax constraints, and arrangements with banks and financiers. Thus, even where MNEs attempt so-called "entity reduction programmes", they are rarely successful in simplifying complex ownership structures.

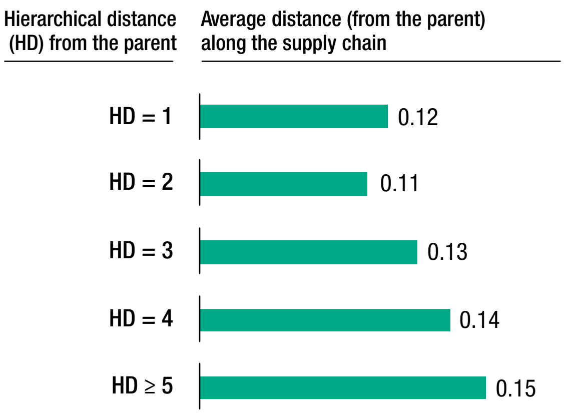
Where ownership chains are deliberately created to correspond to organizational and management structures or operational logic, it must be the case that the hierarchical structure *itself* confers a benefit to the MNE. Any consideration of operational logic as a driver for ownership structures is therefore, again, largely correlated with vertical ownership chains, and in some (far fewer) cases with shared ownership structures where the parent wishes to push formal collaboration between affiliates or with outside partners. It is unlikely to find reflection in more intricate complexities such as cross-shareholdings or fragmented shareholdings with small stakes shared among many affiliates.

As determinants of ownership complexity, historical growth patterns and operational logic are closely related. Affiliates that transact with each other in supply chains, with one affiliate supplying intermediate products to be incorporated by another in final goods, might grow as the natural result of the gradual fragmentation of production processes. The same process that explains the rapid growth of GVCs (see *WIR13*) also explains how MNE affiliates in certain industries may set up or buy their own suppliers when they consider it convenient to own that supplier rather than outsource the process, or to spin out a part of their production process into a separate company in which they maintain ownership. This process would naturally lead to vertical ownership chains mirroring the supply chain.

As stated above, nothing obliges an MNE to maintain the ownership structure resulting from such a process. Ownership of all affiliates could be put directly in the hands of the ultimate parent, or of any holding or financing company, without affecting the supply relationship between the respective affiliates. However, there is some evidence that supply chains are reflected in vertical ownership chains. Figure IV.8 shows a relationship between hierarchies in vertical ownership and position along the supply chain for affiliates of the UNCTAD Top 100 MNEs; affiliates closer to the parents in the vertical structure (lower hierarchical distance) tend to perform activities closer to the parent in the supply chain.

Growth patterns of MNEs naturally require raising financial resources from third parties or on the market, engaging in partnerships and joint ventures, and entering new markets with varying degrees of risk. These factors often lead MNEs to create ownership structures tailored to solving specific governance issues where, for example, cross-shareholdings are used to achieve levels of control disproportionate to nominal shareholding levels or as levers of control in partnerships with minority shareholdings. They might tailor structures to financing needs, for example, where shared ownership and minority shareholdings are accepted to enable financing structures supported by outside investors – this is often the case in structures

Figure IV.8. **Vertical ownership hierarchies and supply chains in the UNCTAD Top 100 MNEs**



Source: ©UNCTAD analysis, based on the approach developed in Del Prete and Rungi (2015).

Note: The distance along the supply chain between parents and affiliates is calculated as the difference in absolute value between the "downstreamness" of the affiliate's economic activity and its parent's activity; the downstreamness indicator measures the relative distance of an economic activity or industry from the final consumer (Antràs and Chor, 2013).

resulting from M&As. And they might create legal entities for risk management purposes where the desire to limit legal and financial liabilities might induce an MNE to insert intermediate "firewall" companies.

Whereas business development and operational logic are determinants that are generally decided by the strategy and operations part of MNE management structures, governance issues are for the most part the domain of legal and finance departments. Thus, where vertical ownership chains may have some bearing on operational management, other complexities in ownership structures tend to be decided separately. Often, the optimal structures recommended by finance departments and legal counsel depend on location-specific institutions, rules and regulations.

Location-specific drivers: policies and institutions

Whatever the business driver for the setting up of new affiliates or the creation of new ownership links as a result of M&As, partnerships and joint ventures, these operations take place against the backdrop of country-specific institutional and policy environments. These environments by themselves often determine the shape of ownership structures, as MNEs will aim to design such structures in such a way as to incorporate specific jurisdictions and their associated advantages in ownership chains.

When MNEs set up financing vehicles or financial holding companies in ownership chains, they tend to place such activities in jurisdictions with strong institutions, highly developed financial systems and investor friendly legislation. Analysis of the affiliates of the Top 100 MNEs shows that 65 per cent of financial holding companies are placed in jurisdictions that rank in the top decile of the World Bank's Rule of Law Index; 92 per cent of holding companies are located within the first quartile of the Index. This compares with an overall distribution of affiliates of 37 and 86 per cent, respectively.

Fiscal advantages offered in individual jurisdictions are among the most important determinants of complex ownership structures. Table IV.2 showed that large MNEs, on average, own almost 70 affiliates in OFCs. A number of studies have shown that MNEs with affiliates in OFCs pay lower effective corporate tax rates at the group level than other MNEs.[10] *WIR15* detailed how certain well-known tax avoidance schemes (for example the notorious "Double Irish-Dutch Sandwich") operate through ownership structures that are tailored around OFCs. These jurisdictions act as major investment hubs, typically featuring as intermediate locations in ownership structures and acting as investment conduits. A significant part of profit shifting by MNEs takes place by means of direct investment links, including equity participation, to and from OFCs.

In cross-border mergers, decisions on the ownership structure of the resulting entity often depend on tax considerations; for example, the choice of which of the merging firms becomes the parent company of the combined entity may depend on the approach to taxation of foreign dividends in the countries involved.[11] Tax has even become a driving force of M&A transactions per se (in addition to the resulting ownership structures), as witnessed by inversion deals in which United States MNEs redomicile through a transaction with a foreign company, making the foreign company the new parent entity. Such inversions – of which there have been 23 since 2012 according to the United States Congressional Research Service – can provide access to significantly lower corporate taxes than the United States rate, and allow utilization of retained earnings held outside the United States. The recent cancellation of pharmaceutical firm Pfizer's $160 billion merger with Allergan (based in Ireland), after the introduction of new rules designed to undercut tax inversion deals, is proof of the fundamental role of fiscal policy in driving ownership structures.

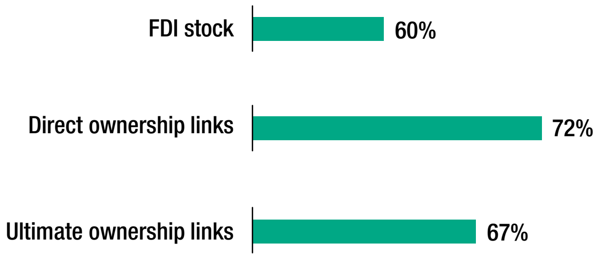
Tax treaties are also important factors behind ownership links between affiliates. More than 80 per cent of ownership links (both direct and ultimate ownership) are covered by double-taxation treaties (DTTs). Investments in countries with relatively high withholding tax rates are often structured through intermediate entities in jurisdictions that have a DTT in place with the intended host country (see *WIR15* for a detailed discussion).

Finally, investment policies, at both the national and international levels, also play a role in determining ownership structures. National investment policy may dictate certain structures through ownership limitations or JV requirements, making shared ownership of foreign affiliates with domestic shareholders a necessity.

Similarly, the coverage of investment treaties can drive ownership structures. Figure IV.9 shows that IIAs cover 60 per cent of FDI stocks, but more than 70 per cent of direct ownership links. This can be explained by the fact that countries where MNEs deem IIA coverage more important tend to be less developed countries that receive lower absolute amounts of investment. Interestingly, the coverage of ultimate ownership links is somewhat lower (at 67 per cent) than the coverage of direct ownership links, suggesting that MNEs gain in coverage through the use of indirect ownership links, often through major investment hubs, such as the Netherlands, Luxembourg, Singapore or Hong Kong, China, which have extensive networks of BITs.[12]

The relationship between MNE ownership structures and national and international investment policies is examined in detail in section D.

Figure IV.9. **Coverage by IIAs of FDI stock, direct ownership links, ultimate ownership links** (Per cent)



Source: ©UNCTAD analysis; UNCTAD bilateral FDI database; Orbis data (November 2015); IIA database.

4. Looking ahead: trends in ownership complexity

The long-term trend that causes an increasing share of international production to be concentrated in the largest MNEs is also likely to bring continued growth in MNE ownership complexity worldwide, because complexity is disproportionally present in the corporate structures, and especially the foreign operations, of the largest MNEs. The growing importance of digital-economy MNEs is likely to further accelerate this process. Policy and institutional determinants might act as a brake on growing ownership complexity.

The key determinants of MNE structures can provide some insight into the possible future evolution of ownership complexity. Section A highlighted a number of factors that have caused complexity in MNE ownership structures to increase to its current level, including the growth of international production and with it the growth of MNEs; the increasing fragmentation of production that is causing MNEs continuously to reconfigure international supply chains; and the modalities of MNE growth through mergers and acquisitions and through JVs and partnerships between firms. These factors are still at play, affecting in particular the MNE-specific determinants discussed above.

Given the finding in this section that complex ownership structures are disproportionally present in a relatively small group of very large MNEs, i.e. they concentrate at the extreme end of the MNE distribution curve, one important factor that has contributed to increasing ownership complexity in the universe of MNEs is the increase in the relative importance of the largest MNEs in that universe. This is compounded by the fact that ownership complexity, and in particular the length of ownership chains, is higher for foreign affiliates than for the domestic part of MNEs (for example, the average hierarchical distance from the parent of foreign affiliates of the Top 100 is 3.0, compared with 2.4 for their domestic affiliates). Therefore the increasing level of internationalization of MNEs and the relative size of their foreign business is an additional important factor behind the growing ownership complexity.

Basic statistics of international production for the Top 100 MNEs, published every year in the *WIR*, show how the size and level of internationalization of the largest MNEs have significantly increased over the last 20 years (table IV.4).[13] The assets of the largest MNEs have grown far more rapidly than the overall economy and stayed ahead of international production indicators, and the share of foreign assets, sales and employees has increased from less than half to about 60 per cent over the last two decades.

The growth of very large MNEs, and the level of internationalization of MNEs, does not appear to have reached saturation point. The pace of growth in internationalization of the largest MNEs is not slowing down. At most, there is a shift in balance between, on the one hand, the growth rates of international (physical) assets and employees, which may slow down earlier, and on the other hand, international sales, which will continue to grow as new technologies make it possible to reach international markets with fewer physical operations. (In fact, assets overseas include a growing share of intangible assets.) However, in most cases, this will not diminish the need to create legal entities and ownership links.

The opposite is probably true. New technologies and the growing importance of e-business pervade each of the factors behind increasing complexity highlighted above. They cause new types of MNEs to grow to international scale at faster speed than ever; they provide new opportunities to separate production from consumption and to break up value chains; and they accelerate the process of creation and renewal of enterprises that form technology partnerships and engage in deal making at unprecedented levels.

Paradoxically, digital-economy firms are often regarded as potentially flatter in their organization structures than traditional companies. Judging from an analysis of digital-economy firms in the Top 100 MNEs (e.g. Alphabet, Apple, Microsoft), this can be mostly ascribed to the fact that they are younger and have not yet developed lengthy ownership chains to the same extent as older MNEs. However, they do not obviously make less use of complex elements, especially ownership hubs, than traditional MNEs. The frequent confrontations between digital-economy companies and public authorities in numerous countries related to their indirect ownership of affiliates through entities in OFCs are an indication that, if anything, these companies have more opportunities to design fiscally and financially optimal ownership structures, almost unconstrained by physical operating structures. Alphabet's recent corporate restructuring, overlaying a holding structure on top of the Google business, is further evidence that the same forces of growth and governance apply to traditional as well as digital-economy MNEs.

Table IV.4. Evolution of internationalization statistics for the top 100 MNEs
(Index 1995 = 100)

	1995	2000	2005	2010	2015
Total assets	**100**	**151**	**212**	**291**	**314**
Foreign as % of total	41%	50%	54%	61%	62%
Total sales	**100**	**113**	**158**	**184**	**187**
Foreign as % of total	48%	50%	57%	63%	65%
Total employment	**100**	**118**	**126**	**134**	**144**
Foreign as % of total	48%	48%	53%	58%	58%
Memorandum					
World GDP	100	109	153	213	252
World Gross Fixed Capital Formation	100	108	154	213	265

Source: ©UNCTAD analysis.
Note: Trends on Top 100 MNEs are derived from UNTAD's *WIR* (different years); data on GDP and GFCF are from IMF (2015).

The institutional and policy determinants of MNE ownership structures can provide further incentives for increasing ownership complexity, but they can also slow down ownership complexity (or even push towards simplification). Looking back at the past decade, there is clear evidence of an explosion in cross-border tax planning and transit investment schemes. *WIR15* showed that the share of global FDI through tax havens doubled from 5 per cent to 10 per cent between the beginning and the end of the 2000s. The share of global investment flows through offshore hubs including special purpose entities, often used for cross-border financing structures, increased from 19 to 27 per cent over the same period. Differences in the fiscal and institutional environments between economies and specific advantages offered by individual jurisdictions can be exploited by MNEs through the incorporation in ownership chains of intermediate entities. To date, these differences and location-specific advantages have acted to vastly increase ownership complexity.

Differences between jurisdictions will not disappear any time soon. However, the extent to which they can be exploited with relative ease by MNEs is being curtailed through initiatives such as the OECD's Base Erosion and Profit Shifting (BEPS) plan, the Agreement on Exchange of Information on Tax Matters, and legislative action at national and regional levels (e.g. the European Union's amended Parent Subsidiary Directive, and other legislative initiatives such as the recently proposed anti-avoidance package).[14] The increased attention by authorities and the public to overly complex corporate structures designed solely for the purpose of obtaining certain institutional or policy benefits (especially fiscal benefits) is likely to drive further policy initiatives aiming to simplify corporate structures and to render them more transparent.

C. COMPLEX OWNERSHIP OF AFFILIATES AND THE BLURRING OF INVESTOR NATIONALITY

1. A new "bottom-up" perspective on ownership structures

Insights on the ownership structures of MNEs as a whole (top-down perspective) are useful to show overall complexity. However, for investment policymakers, a bottom-up perspective looking at the ownership chain starting from the foreign affiliate, through its direct owners, up to its ultimate owner can be more helpful. For WIR16, UNCTAD has developed a firm-level dataset based on Orbis including some 4.5 million companies that enables a bottom-up approach.

Affiliates at lower levels in ownership hierarchies can have one or more direct shareholders and numerous indirect shareholders in addition to the ultimate owner or parent company; these companies may be located in as many countries (see figure IV.1 in section A).

The distinction between the direct and the ultimate shareholder levels is important when examining ownership structures through an investment policy lens. The traditional approach to studying ownership structures is a top-down approach, looking at all possible ownership links in a given corporate group, i.e. starting from the parent company.[15] The stylized structure in figure IV.3 in the preceding section is an example of a top-down perspective on the ownership "pyramid" of an MNE.

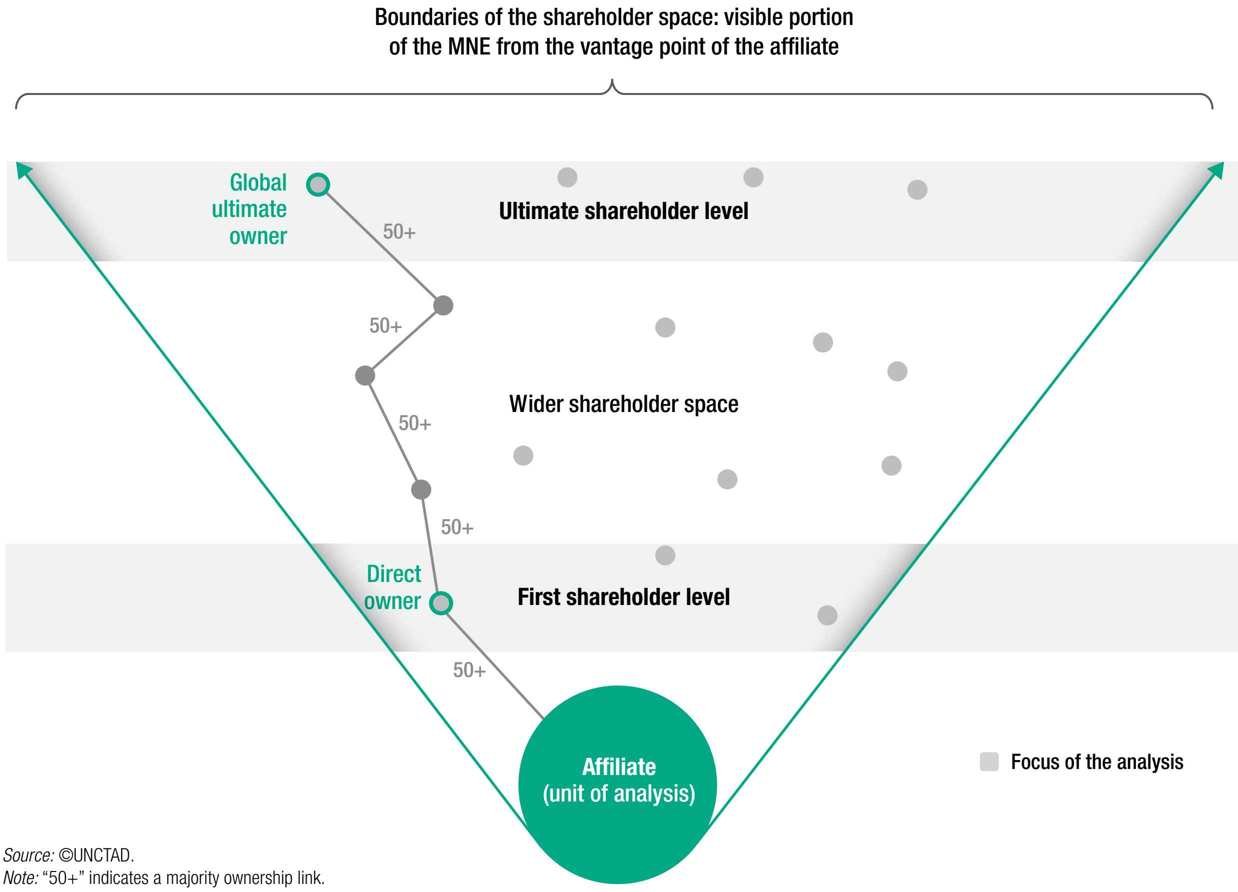
For the investment policymaker, starting from the affiliate – the foreign participated company in the host country – is a critical perspective. It is not necessary to see the full complexity of all affiliates within a corporate group; the focus is primarily on the direct owner and the ultimate owner and, for some specific purposes, the ownership chain. For that reason, this Report introduces an innovative approach to the analysis of MNE ownership structures, the "bottom-up" perspective.

The two approaches have different entry points and answer different questions. The top-down approach is helpful in describing the ownership structure of individual MNEs, in illustrating elements of complexity in corporate structures, and in exploring the drivers and determinants of ownership structures. The bottom-up approach is helpful in describing the shareholder space for individual affiliates, in mapping the ownership chain from the direct shareholder level to the ultimate owner, and in assessing the "depth", "width" and "transnationality" of ownership networks for large aggregates of companies (e.g. by country, by region, by industry). The two approaches present different analytical challenges, but both rely on detailed firm-level data.

The bottom-up approach starts from the individual affiliate and analyses its shareholder space (see figure IV.10). Unlike in the top-down (parent-driven) approach employed in section B, the perimeter of analysis is defined by the affiliate: it includes all the companies that directly or indirectly own a stake in the target affiliate. Since it is computationally unfeasible to map the wider shareholder space for a globally representative sample of firms, the bottom-up approach focuses on the analysis of the two layers that are more relevant from a policy perspective: (i) the direct shareholder level, and (ii) the ultimate shareholder level. The path that leads to the identification of the ultimate owners (grey path in the figure) is a chain of majority shares, where the first element in the chain is the direct owner and the last element is the global ultimate owner (or GUO – adopting Orbis terminology). As the analysis focuses on corporate shareholders, the GUO is a corporate entity (including corporate industrial, corporate financial, foundations/nonprofit and public entities); specifically it is defined as the highest corporate shareholder in the shareholder space of the subject company such that each link from the subject company to the GUO has a qualified share above 50 per cent.[16] Despite the focus on direct and ultimate shareholder levels, it is possible to compute some indicators of vertical complexity of the wider shareholder space, including the number of links from the affiliate to its GUO (hierarchical distance) and the number of jurisdictions transited by the majority ownership chain.

The bottom-up analysis developed for *WIR16* required a massive extraction of firm-level ownership information from Bureau van Dijk's Orbis database, followed by a number of cleaning and elaboration steps to create a workable dataset. Box IV.3 describes the construction of the database.

Figure IV.10. **A "bottom-up" perspective on MNE ownership structures: the view from the host country**



Source: ©UNCTAD.
Note: "50+" indicates a majority ownership link.

Box IV.3. The firm-level ownership database used in *WIR16*

The firm-level database constructed for the bottom-up analysis of MNE ownership structures in *WIR16* is based on Bureau van Dijk's Orbis database, the largest and most widely used database of its kind, covering 136 million active companies (at the time of extraction, in November 2015) across more than 200 countries and territories, and containing firm-level data sourced from national business registries, chambers of commerce and various other official sources.

The overall Orbis dataset was narrowed down to various subsets needed for different analytical purposes, and to a final dataset on 4.5 million companies, through a series of steps (see box figure IV.3.1).

/...

Box IV.3. The firm-level ownership database used in *WIR16* (concluded)

Step 1: Extraction of companies with ownership information. This step (the initial data extraction from Orbis) captures all companies that have at least one reported shareholder with a non-zero stake. In the process, it removes *branches* and nearly all *sole traders and proprietorships*, as well as filtering out companies for which information is missing.

Step 2: Companies with full shareholder information. This step cleans the dataset to include only companies with complete information on location and stakes of direct shareholders, and a sum of direct shares above 50 per cent (for about 80 per cent of selected companies the aggregate share is 100 per cent).

Step 3: Companies belonging to corporate groups. This step selects companies that have shareholders of the following types only: corporate industrial, corporate financial, foundations/nonprofit, and public entities. It removes companies with individual or family shareholders and any remaining self-employed and marginal groups.

Step 4: Companies with a clear corporate global ultimate owner. This step narrows the dataset down to companies that have complete and consistent information on the GUO and on the path to the GUO (controlling shareholders). The resulting database thus includes a relatively homogeneous set of companies that have (i) direct corporate shareholders and (ii) full information on direct shareholders and global ultimate owners. These conditions restrict the perimeter to affiliates of corporate groups, in line with the scope of the *WIR*. (Foreign affiliates are a subset of the 4.5 million companies, with direct or ultimate foreign ownership.)

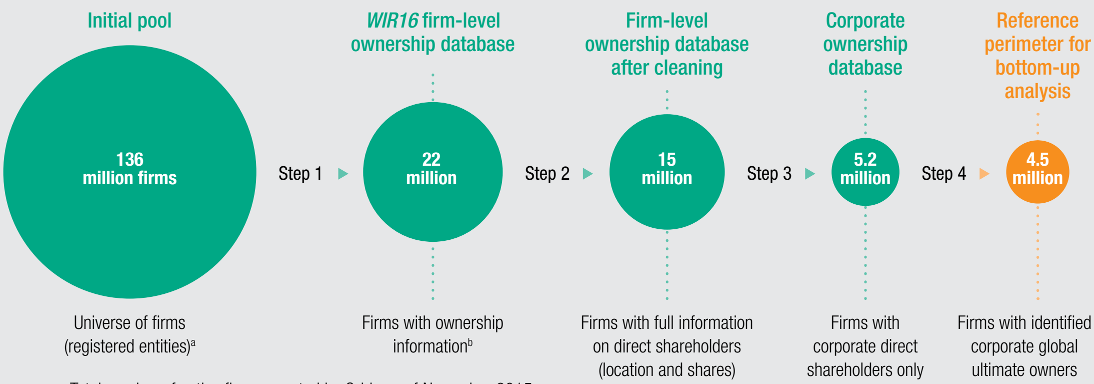
There are some objective limits to the coverage of firm-level information. Despite the fact that Orbis is acknowledged as the most comprehensive provider of global firm-level information, the coverage in some developing countries, in particular in Africa, is poor, both in terms of the number of companies reported and in terms of the information available for each company. Some features of the dataset and analyses employed in this chapter mitigate such coverage issues:

a. Unlike most firm-level studies that focus on financials or operating performance, the analysis here focuses on shareholder information, for which Orbis coverage is significantly better. For developing countries, almost 1 million companies report complete shareholder information (shares and location). Of these, only some 150,000 report all key financials (revenues, assets and employment). For Africa, the most problematic region for data availability, about 40,000 companies report complete shareholder information, only 5,000 of which report any information on financials.

b. Coverage of shareholder information is much better for companies with corporate shareholders than those with individual and/or family shareholders. Almost 95 per cent of the corporate-owned companies (with known shareholders) also report information on shares and location of the shareholders. The share decreases to 60 per cent for family-owned companies.

c. Coverage of companies with foreign shareholders is relatively higher for developing countries than for developed countries (about 50 per cent of the sample against a global average of 15 per cent). Foreign affiliates are more prominent in the sample of reporting firms in developing countries because they are generally larger, and because thresholds for reporting tend to be higher (i.e. relatively fewer domestic companies report). This suggests that the coverage of the database for the purpose of studying foreign affiliates is generally good.

Box figure IV.3.1. Construction of the *WIR16* firm-level ownership database based on Orbis



[a] Total number of active firms reported by Orbis as of November 2015.
[b] For each company the following information was collected: name, location, type, key financials (assets, revenues, employees, value added), shareholders (SHs) names, SHs stakes, SHs types, SHs location. Availability of data subject to Orbis coverage limitations.

To fully exploit these advantages, the descriptive statistics in this chapter are based mainly on numbers of firms, and carefully calibrated to avoid interpretations influenced or biased by coverage. For the key results, a revenue-weighted version is also provided, based on the subsample of companies that report revenues (about 940,000 firms out of the 4.5 million firms in the perimeter of analysis). Revenue figures used for calculations are in general unconsolidated; consolidated figures are employed only for those firms where unconsolidated ones are not reported.

Source: ©UNCTAD.

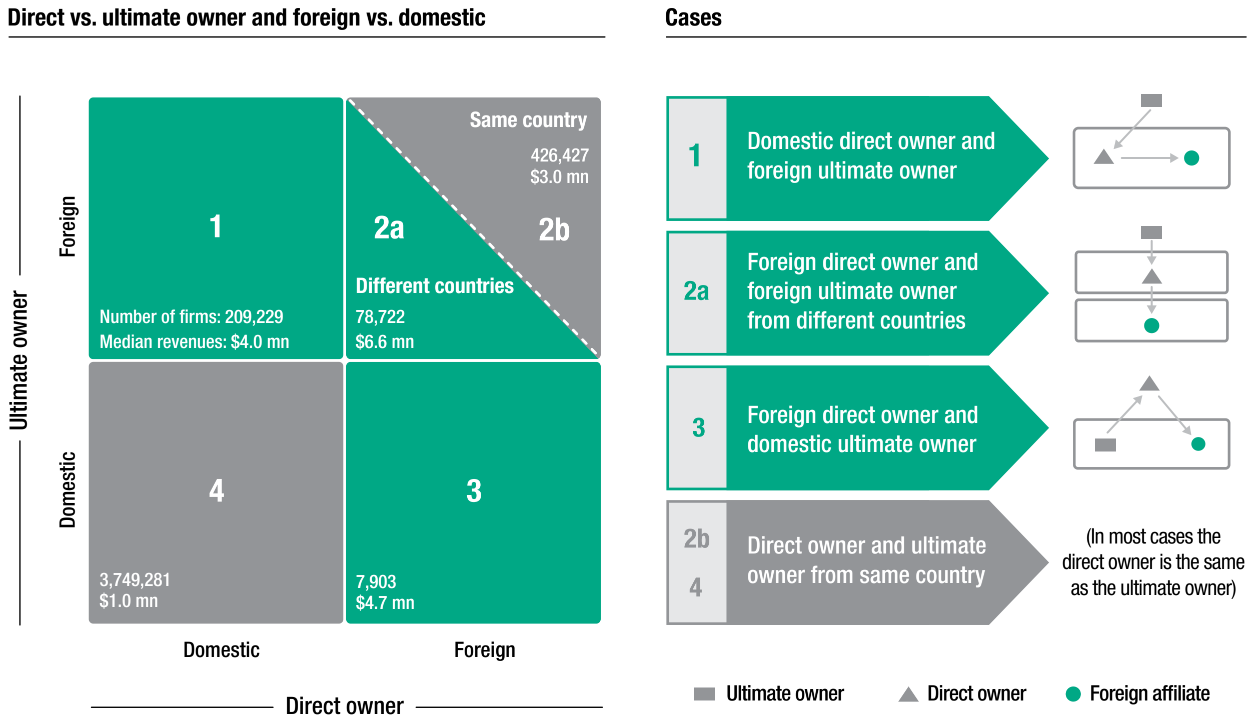
2. The ownership matrix and the investor nationality mismatch index

Comparing domestic and foreign direct owners and ultimate owners (in a two-by-two ownership matrix) leads to the identification of ownership scenarios relevant to investment policy in which the direct owners and ultimate owners of an affiliate are based in different jurisdictions. These nationality "mismatch" cases account for 41 per cent of all foreign affiliates, and 50 per cent when measured by revenues. About 29 per cent of foreign affiliates are indirectly foreign owned (through a domestic entity); 11 per cent are owned through an intermediate entity in a third country; about 1 per cent are ultimately owned by a domestic entity (round-tripping investment). The investor nationality "mismatch index" is considerably higher for the largest MNEs: 60 per cent of their foreign affiliates have multiple cross-border ownership links to the parent company.

The focus on direct versus ultimate ownership, facilitated by the bottom-up analytical approach, is a helpful simplification tool to illustrate the "investor nationality conundrum" facing investment policymakers. Comparing the location of the direct and the ultimate owners for all companies (i.e. including domestic ones) yields a two-by-two matrix that contains all possible investor-nationality scenarios (figure IV.11).

In the figure, the bottom-left quadrant (4) contains purely domestic companies. Although all companies can be plotted in the matrix, making the sample very large (4.5 million), and although the *WIR16* dataset specifically focuses on the relevant perimeter of corporations (excluding companies owned by individuals, sole proprietors, etc.), the distribution across the quadrants may still be influenced by the relative coverage of different types of firms in the sample.

Figure IV.11. The ownership matrix



Source: ©UNCTAD analysis based on Orbis data (November 2015).
Note: All the firms mapped in the matrix report one direct shareholder with a majority stake above 50 per cent (the *direct owner* on the x-axis). The *ultimate owner* on the y-axis coincides with the direct owner when the direct owner does not report a majority direct shareholder (hierarchical distance 1). Otherwise the ultimate owner is the last corporate entity of the *majority ownership chain*, i.e. the chain of majority shareholders with the direct owner as first node. mn = millions.

This affects in particular the large number of purely domestic firms. The remainder of the analysis here focuses on foreign affiliates. For the purpose of this chapter, the companies in the remaining three quadrants of the matrix (1, 2 and 3), i.e. with either a foreign direct owner or a foreign ultimate owner, are considered foreign affiliates.[17]

Within the group of foreign affiliates, a distinction should be made between the companies labelled 1, 2a and 3, on the one hand, and 2b on the other. The 2b companies either are directly owned by their ultimate owner (the majority of cases), or have a direct owner that is located in the same country as the ultimate owner. This case is less interesting, from an investment policy perspective, than the others, where there is a "mismatch" between the nationality of the direct owner and the ultimate owner. (In the matrix, the mismatch cases are contained in the green sections.)

The top left quadrant of the matrix (1) contains companies that are directly owned by another affiliate in the same host country, which is ultimately owned by an MNE parent in another country. This group contains many companies that are part of host-country corporate structures in which the foreign investor owns a holding company which in turn owns various operating companies in that market. It also contains cases in which a foreign investor may have acquired a host-country firm with its own (pre-established or subsequently created) affiliates.

The half-quadrant 2a includes companies that are part of vertical ownership chains in MNEs, with intermediate and ultimate owners in different countries. As observed above, this structure is very common, for example, where MNEs make use of ownership hubs.

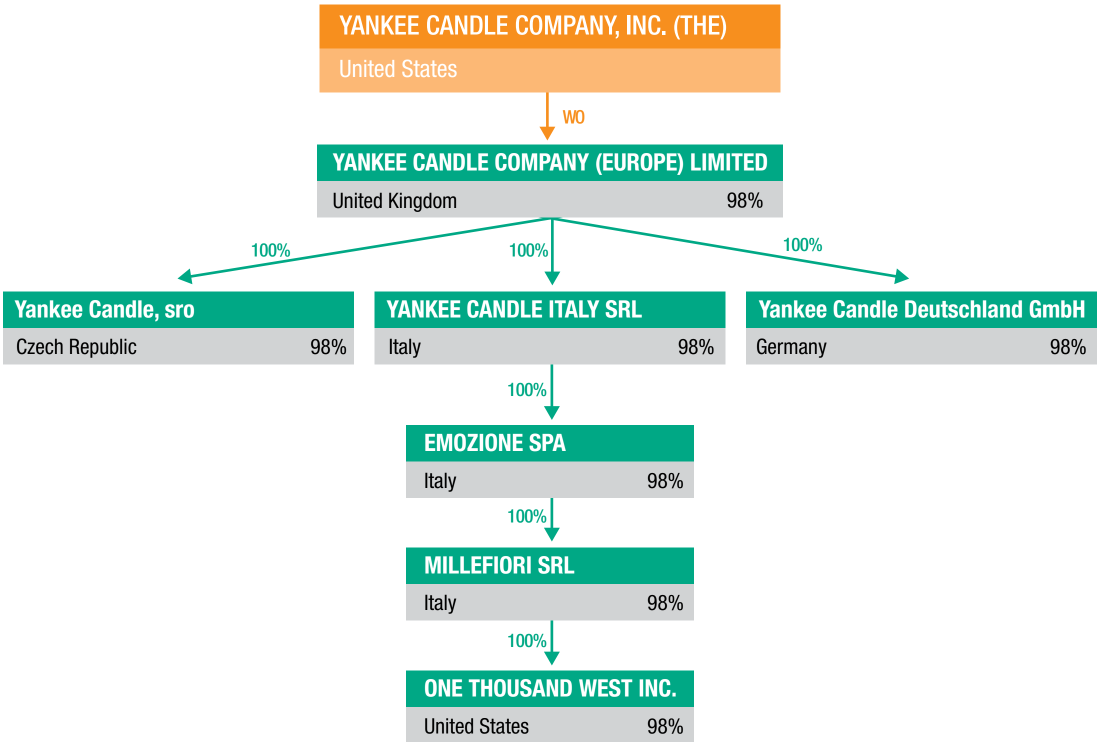
The bottom-right quadrant contains cases of round-tripping. It may occur where MNEs acquire or merge with another MNE based overseas that itself already owned affiliates in the home country of the acquirer (see figure IV.12). Or it may occur where MNEs deploy ownership structures organized on a divisional basis, with a divisional headquarters based outside the home country owning companies belonging to its line of business inside the home country. Or it may be driven by non-business reasons, e.g. where domestic companies use offshore locations to channel investments back to their own country.

The policy-relevant cases (1, 2a and 3) can often be found in the same MNE, as shown in the example in figure IV.13. Whereas in a traditional top-down approach all affiliates in the example belong to the same analytical object (the business group as defined by the parent), in the bottom-up approach each affiliates defines a shareholder space that can result in a different positioning in the ownership matrix. From the point of view of the host countries where each affiliate operates this is, in general, the perspective with more relevant policy implications.

The shared characteristics of cases 1, 2a and 3 are an ownership chain containing at least two steps (i.e. hierarchical distance equal to or greater than 2), and multiple countries (and in the case of 2a and 3, multiple border crossings) between the affiliate and its ultimate owner. Affiliates at hierarchical level one, i.e. directly owned by the parent company, cannot manifest situations of divergence between the direct owner and the ultimate owner (and their respective jurisdictions), that present a challenge for nationality-based investment policies. Figure IV.1 already illustrated the relative importance of these complex cases. They represent about 41 per cent of the universe of MNE foreign affiliates, but about 50 per cent of the revenues generated by foreign affiliates (figure IV.14).

The relative weight of the three cases varies significantly. The most common case is 1, about 29 per cent of all foreign affiliates, particularly relevant in large, developed countries where MNEs tend to create in-country ownership networks. Case 2a involving at least two foreign countries corresponds to 11 per cent of foreign affiliates, whereas case 3 (round-tripping) is confined to only 1 per cent of foreign affiliates. The relative importance of the cases does not change significantly if weighted by revenues.

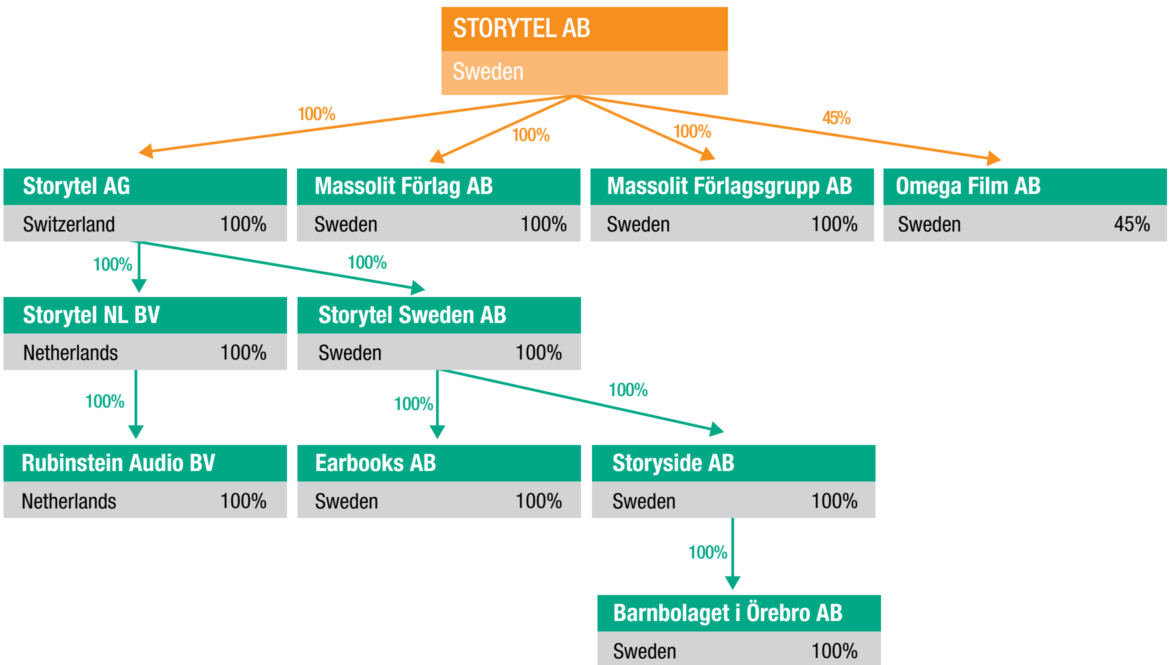
Figure IV.12. Round-tripping through M&A growth



Source: Orbis, T-Rank visualization (March 2016).

Note: The example shows a case of round-tripping by means of an M&A operation. In 2014, YANKEE CANDLE ITALY srl, subsidiary of US YANKEE CANDLE COMPANY, INC, and part of United States consumer good giant Jarden corporation, bought from private equity APE sgr the Italian candle company MILLEFIORI spa through its holding Emozione srl. As part of the acquisition Yankee Candle absorbed One Thousand West Inc, United States subsidiary of Millefiori srl, giving rise to a United States–United States round-tripping case through Italy. This example shows a case of round-tripping through (inorganic) growth, very different in nature from round-tripping motivated by financial and tax planning reasons. WO = wholly owned.

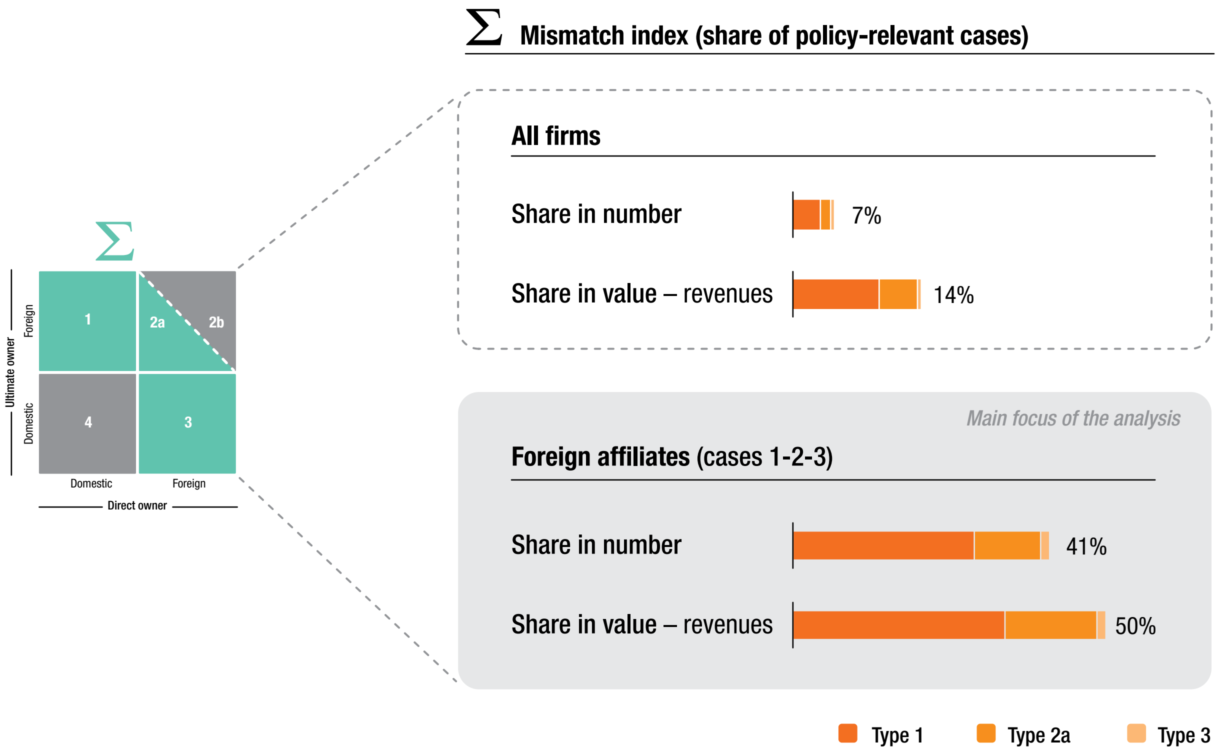
Figure IV.13. Combination of all mismatch cases in one MNE



Source: Orbis, T-Rank visualization (March 2016).

Note: The example shows a common MNE ownership structure that combines all three relevant cases (1, 2a and 3) of figure IV.11. *Case 1.* Rubinstein Audio B.V. is incorporated in the Netherlands with a domestic direct owner (Storytel NL BV) but a foreign ultimate owner (STORYTELL AB) from Sweden. *Case 2a.* Storytell NL B.V. has foreign direct owner (Storytell AG) and a foreign ultimate owner (STORYTELL AB) from different countries, Switzerland and Sweden respectively. *Case 3.* Storytell Sweden AB has a foreign direct owner from Switzerland (Storytel AG) and a domestic ultimate owner (STORYTELL AB). Note that all four affiliates at the first hierarchical level in the ownership structure (at hierarchical distance 1 from the parent) belong to the cases that are less relevant from a policy perspective (either 2b or 4).

Figure IV.14. The investor nationality mismatch index



Source: ©UNCTAD analysis based on Orbis data (November 2015).
Note: Shares in number are based on 4,471,562 companies for the main sample and on 722,281 companies for the group of foreign affiliates, corresponding to cases 1, 2 and 3. Shares in value are based on the subset of companies that report revenues (or sales if revenues unavailable); this includes 937,812 of which 257,242 are foreign affiliates.

Clearly, complex structures are more frequently found in larger MNEs, and their affiliates on average are larger. The fact that complex structures are a phenomenon of larger MNEs, with larger affiliates, is clearly illustrated in figure IV.15.

This figure further breaks down the complex cases (1, 2a and 3) in groups ranked by hierarchical distance from the ultimate owner. The longer the ownership chain from each company to its ultimate owner, the larger the incidence of complex cases. By definition, the 41 per cent of complex cases are all found in foreign affiliates with a hierarchical distance higher than 1. As expected, while the number of companies decreases rapidly with hierarchical distance, the share of complex cases increases, from an average 74 per cent for foreign affiliates with a hierarchical distance higher than 1 to 93 per cent of cases for foreign affiliates with a hierarchical distance above 5. At the same time, the average revenues increase significantly, which explains why the revenues-weighted average share of complex cases in figure IV.14 is higher. This appears to belie the notion that the bottom of MNE ownership pyramids would be populated mostly by smaller companies; the effect (in the data) of belonging to a large corporate group is evidently stronger than the effect of being placed low in the hierarchy.

The distribution of companies by hierarchical distance indicates that the universe of affiliates is highly skewed. There is a large number of affiliates with simple ownership links to their parents. There is an exceedingly small number of affiliates with highly complex ownership paths to their ultimate owner, with hierarchical depths of more than five levels, but these affiliates account for a disproportionate share of economic value. This is a general feature of the distribution of complexity in business groups observed also in other analysis (see for example the distribution of MNEs by number of affiliates in figure IV.6).

The number of countries transited in the ownership chain is not particularly sensitive to increases in the hierarchical distance. The average number of countries passed through from affiliate to ultimate owner is 2.5 on average and, with exceptions, it does not tend to increase much beyond that even as the space for additional intermediate countries grows at the same pace as the hierarchical distance. This indicates that even within complex chains, multiple ownership links often take place within a single country, be it the host country, a conduit jurisdiction or the home country of the parent. The case examples above (figures IV.12 and IV.13) clearly show how the number of countries crossed from the bottom to the top is often significantly lower than the number of steps.

Figure IV.15 also contains the same data for foreign affiliates of the largest MNEs (UNCTAD's Top 100 MNEs). The share of foreign affiliates with a nationality mismatch between direct and ultimate owners increases from 41 per cent in the overall sample to 60 per cent. This is mostly driven by a different distribution of the affiliates by hierarchical distance; for larger MNEs the distribution is smoother and less skewed toward simple cases. The share of foreign affiliates with multiple links to the ultimate owner is higher (at 75 per cent against 56), and this remains the case systematically at all levels of hierarchical distance. Interestingly, the incidence of complex cases by level of hierarchical distance is substantially the same for the two samples. However, the revenue data show the opposite of the picture for all foreign affiliates. As the hierarchical distance increases the average size of affiliates decreases, in line with the idea that *within* each group companies at the bottom of the hierarchy tend to be smaller; in the context of the largest MNEs, the effect of belonging to a large group observed in the main sample, does not play a role. Finally, also for the largest MNEs, the average number of countries transited along the ownership chain does not change significantly with hierarchical distance; for each level of hierarchical distance it is substantially the same as for the average group.

Figure IV.15. Breakdown of MNE foreign affiliates by hierarchical distance

	All foreign affiliates				**Foreign affiliates of the largest MNEs** (UNCTAD Top 100)			
	Share of FAs	*Mismatch index*	*Average number of countries*	*Average revenues (indexed to 100)*	*Share of FAs*	*Mismatch index*	*Average number of countries*	*Average revenues (indexed to 100)*
All	100	41%	2.5	100	100	60%	2.5	100
HD >1	56	74%	2.5	114	75	77%	2.5	83
HD >2	30	82%	2.6	125	53	82%	2.6	69
HD >3	16	88%	2.8	136	33	87%	2.8	56
HD >4	9	91%	2.9	152	18	93%	2.9	51
HD >5	5	93%	3.1	157	9	96%	3.1	60

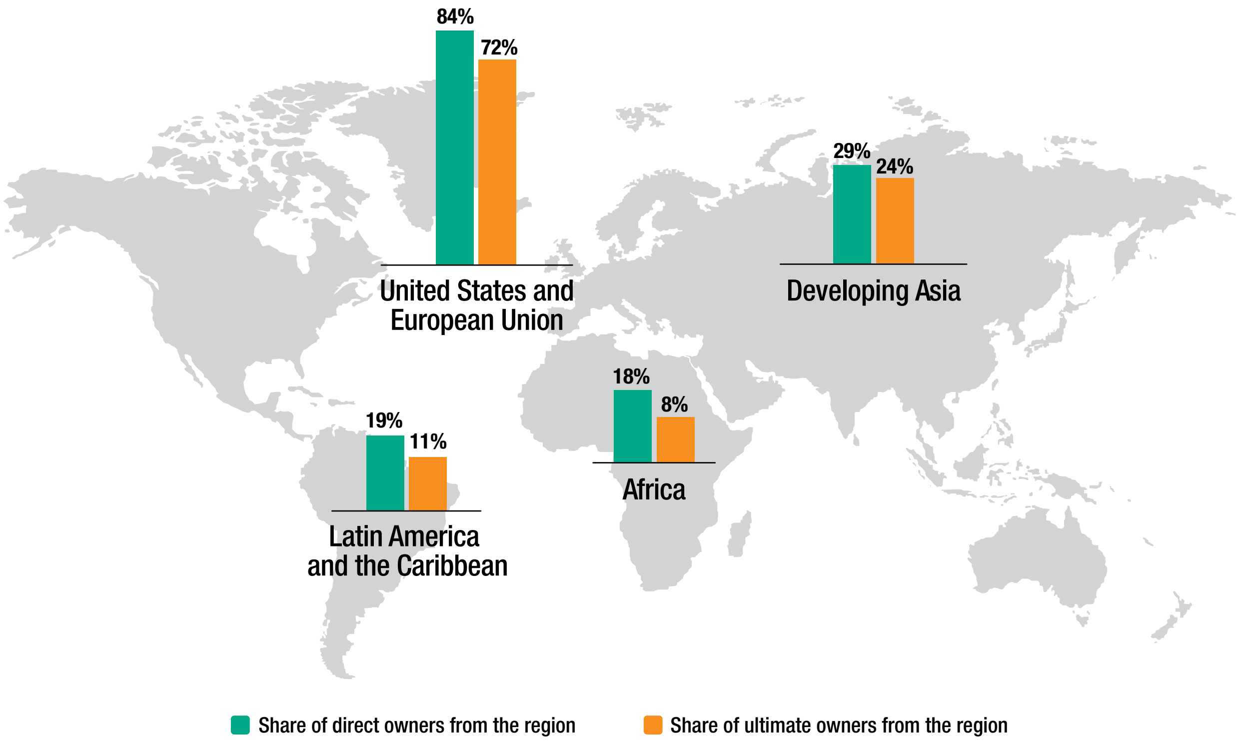
Source: ©UNCTAD analysis based on Orbis data (November 2015).
Note: The calculation of the average number of countries crossed is based on the sub-set of affiliates corresponding to the mismatch cases (direct and ultimate owners from different countries). HD = hierarchical distance from affiliate to the parent.

The blurring of investor nationality does not only impact investment policies at the firm-level; it also affects global patterns of corporate ownership. Figure IV.16 shows how intraregional ownership figures may change depending on the perspective adopted, from the direct owner or from the ultimate owner. This is particularly true for African and Latin American foreign affiliates, where the share of direct owners from the region (at 18 and 19 per cent, respectively) is much higher than the share of ultimate owners (8 and 11 per cent). This divergence between the direct ownership and ultimate ownership of foreign affiliates in developing regions may have important development implications. The picture of intraregional FDI and South-South FDI that emerges at first sight from macro data, which focuses on direct links, may be overstated when taking into account ultimate ownership.

The complexity indicators reported in figure IV.15 (the mismatch index and other related complexity indicators) are conservative. Their purpose is to illustrate the relevance of the issue of the blurring of investor nationality by setting a lower bound. Actual MNE ownership complexity is likely to be higher, for two main reasons:

- *The role of OFCs.* It is well known that OFCs usually play a conduit role in complex MNE structures (see also *WIR15*). However in the bottom-up analysis they often feature as GUO jurisdictions. This is because many of them do not report shareholder information, thus breaking the ownership information flow along the chain. This de facto excludes a portion of the relevant shareholder space (above the OFCs) from the ownership analysis, returning an overly simplified picture.
- *The role of individual and/or family GUOs.* The bottom-up exploration of the shareholder space stops at the corporate GUOs. This is due to a methodological choice to focus on corporate headquarters of MNEs as ultimate owners or parents. However there may be further levels of complexity at the beneficial shareholder level and through individual or family owners.

Figure IV.16. Direct versus ultimate ownership of foreign affiliates by region (Per cent)



Source: ©UNCTAD analysis based on Orbis data (November 2015).

The phenomenon of round-tripping provides an example of how the bottom-up approach may underestimate ownership complexity. Round-tripping typically involves setting up companies in offshore jurisdictions to channel domestic capital back labelled as foreign investment. In the majority of cases, this capital consists of private wealth or is directly controlled by individuals (rather than companies). Such practices are often used to conceal the ultimate beneficial ownership of assets and to benefit from fiscal and other types of advantages. Many of the schemes exposed by the recent revelation of the Panama Papers fall in the category of round-tripping of private wealth.

Because of both limitations indicated above – the lack of transparency on ownership in OFCs, and the methodological choice to focus on corporate groups rather than individuals – the complexity of these cases is not captured by the bottom-up approach. This explains the marginal weight of round-tripping in the ownership matrix and its limited contribution to the mismatch index (at about 1 per cent for foreign affiliates). However, the relatively low significance of round-tripping in this picture is probably an accurate reflection of reality within MNE ownership structures.

3. A bottom-up map of affiliate ownership

At the direct shareholder level, 90 per cent of foreign affiliates are simply majority or fully owned by a direct owner. About 7 per cent of affiliates are mixed domestic-foreign joint ventures. Such partnerships are more common in countries with foreign ownership restrictions. Given the relative simplicity of the ownership structures of individual affiliates, most nationality mismatch cases are generated by vertical ownership chains. Mismatches involve almost half of foreign affiliates in developed economies, and more than a quarter in developing economies. Whereas in developed countries most mismatches are caused by multi-layered ownership structures within host countries, in developing countries they are more often the result of investments transiting through third countries.

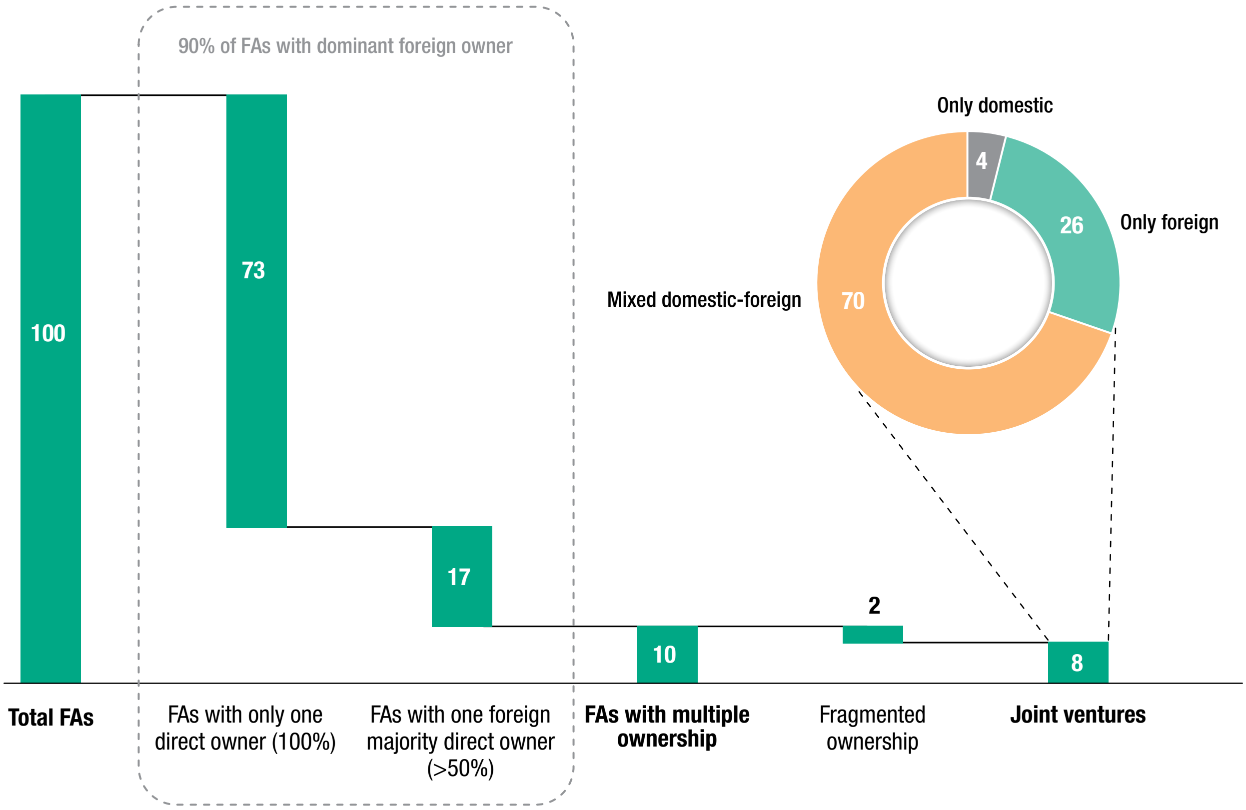
As discussed above, the focus of the bottom-up approach is the direct shareholder level, the ultimate shareholder level, and the comparison between the two. This section focuses on insights that can be distilled from the bottom-up analysis that are particularly relevant for the blurring of investor nationality: (i) dispersed ownership at the direct shareholder level and (ii) nationality mismatches between direct and ultimate owners.

Mapping the direct shareholder level

The total number of countries involved in the ownership structure of foreign affiliates does not depend solely on the vertical ownership chain leading to the ultimate owner. The number can increase where affiliates have multiple direct shareholders or even multiple ownership chains leading to the ultimate owner. The "horizontal complexity" of the direct shareholder space of foreign affiliates is thus potentially interesting. The analysis in this subsection is part of the bottom-up approach; it stops at the first level and explores it in all its "width" (as opposed to following the ownership path up to the ultimate shareholder level).[18]

The structure of the direct shareholder level appears exceedingly simple. Fully 73 per cent of foreign affiliates have an ownership structure with one direct shareholder owning 100 per cent of the affiliate (figure IV.17). Another 17 per cent have a direct majority (foreign) shareholder owning more than 50 per cent of shares. Only about 10 per cent of foreign affiliates have more complex direct shareholding structures. It appears that, for the vast majority of foreign affiliates, the complexity in ownership structures derives from the vertical ownership chain up to the parent, not from horizontal complexity.

Figure IV.17. **Mapping the direct shareholder level of foreign affiliates** (Per cent)



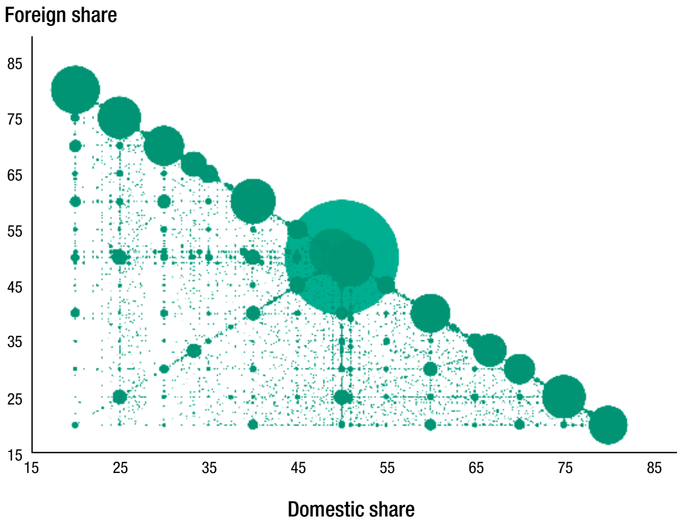
Source: ©UNCTAD analysis based on Orbis data (November 2015).
Note: Joint ventures: companies with at least two direct shareholders with a share of 20 per cent or higher. By this definition, some joint ventures (about 25,000 firms) can be found also in the subset of foreign affiliates with one foreign majority owner (second component in the waterfall). Adding this group, the total number of joint ventures is some 80,000 companies, or just over 10 per cent of the total number of foreign affiliates. FA = foreign affiliate.

Among the foreign affiliates with fragmented ownership at the direct shareholder level, the majority would conform to a definition of JVs as at least two partners, each owning a minimum equity stake of 20 per cent.[19] Some 70 per cent of the JVs identified in this manner are partnerships between host-country firms and foreign investors.

Figure IV.18 maps the group of domestic-foreign JVs according to the shareholding distribution. By far the largest category of these JVs are 50-50 partnerships between foreign investors and domestic firms. The 49-51 combinations are the next most relevant, likely driven by either partner insisting on a controlling stake or by foreign equity limitations in investment policy rules. Other combinations also occur frequently, especially at round numbers.

Figure IV.19 shows the countries with the highest shares of mixed domestic-foreign JVs in the set of foreign affiliates, by economic grouping. The penetration of mixed JVs is highest in transition economies, while it is relatively limited in developing economies. Among developing economies, countries with a heavier presence of mixed JVs are concentrated in West Asia and in South-East Asia, and are often characterized by a significant numbers of investment policy restrictions and JV requirements.

Figure IV.18. Mapping mixed domestic-foreign joint ventures (Per cent)

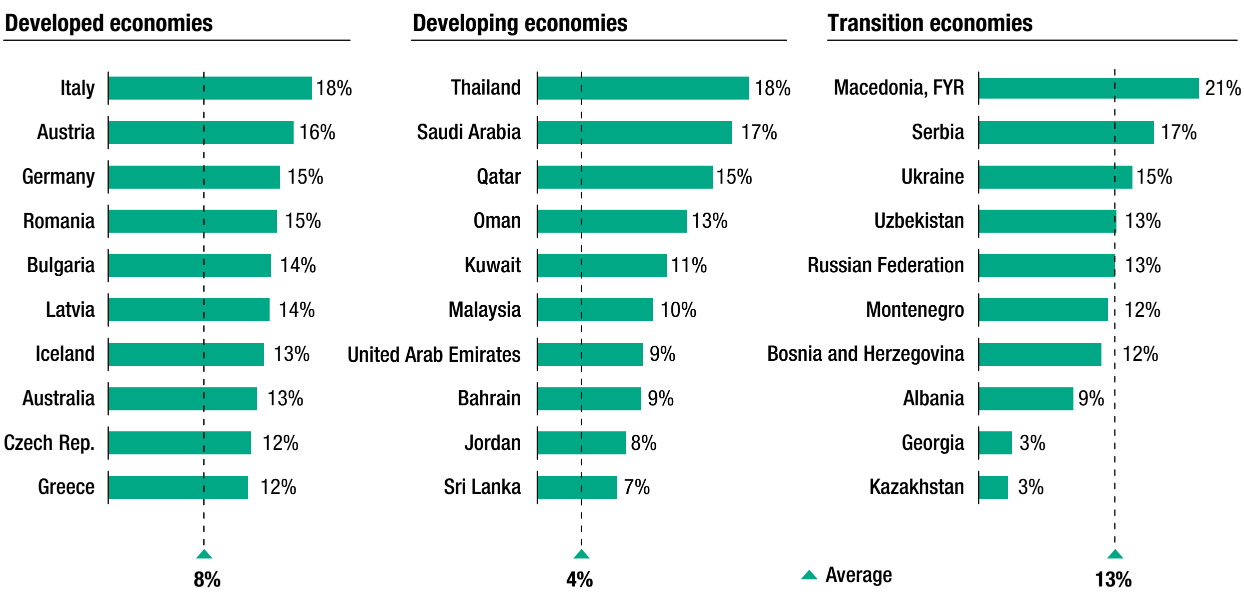


Top 10 combinations

Domestic share	*Foreign share*	*Share of mixed JVs*
50	50	20%
20	80	4%
49	51	3%
51	49	3%
40	60	3%
75	25	3%
25	75	3%
30	70	3%
60	40	2%
80	20	2%

Source: ©UNCTAD analysis based on Orbis data (November 2015).
Note: Analysis based on some 52,000 foreign affiliates, corresponding to the mixed domestic-foreign joint ventures in the sample.

Figure IV.19. Countries with the highest share of mixed joint ventures
Top 10 countries by economic grouping, share of domestic-foreign JVs in total number of FAs (Per cent)



Source: ©UNCTAD analysis based on Orbis data (November 2015).
Note: FA = foreign affiliate.

Mapping direct shareholders to ultimate owners

The largest group of global ultimate owners consists of industrial companies (86 per cent of GUOs). Financial companies (companies engaged in financing activities) correspond to 9 per cent, while banks and institutional investors cover 4 per cent of foreign affiliates. The remaining marginal part is shared between public authorities and foundations.[20]

For the sample of 720,000 foreign affiliates there are 173,000 GUOs, corresponding to an average number of foreign affiliates per GUO slightly above 4. However, the size of GUOs varies significantly by type, from an average of 3.7 foreign affiliates per GUO for industrial companies to 45 for public authorities, States or governments, for which the ratio is influenced by few very large global State-owned MNEs.[21]

The geographic distribution of GUOs roughly reflects the macro picture of global investment patterns. The vast majority of GUOs are in developed economies, about 80 per cent, which corresponds almost exactly to the share of developed countries in global outward FDI stock. GUOs from developing economies (19 per cent) are prevalent in Asia (8 per cent). GUOs from developed countries are also larger, controlling on average 4.3 foreign affiliates against 3.7 controlled by GUOs in developing countries. In particular the size of GUOs from Japan and the United States stands out, with an average number of controlled foreign affiliates of 11 and 6, respectively.

Mismatch cases with different nationalities between direct owner and GUO concern almost half of the foreign affiliates in developed economies and more than a quarter in developing economies (figure IV.20). The composition is different. Developed economies see a strong predominance of cases with a domestic direct owner and foreign GUO (case 1 in the ownership matrix, figure IV.11), accounting for more than 75 per cent of mismatch cases. This type implies the establishment of a local network of affiliates and it is more common in mature and large economies, such as those of the larger EU members and in particular the United States. It can also emerge as the result of M&A operations whereby local affiliates of an MNE acquire companies operating in the host country.

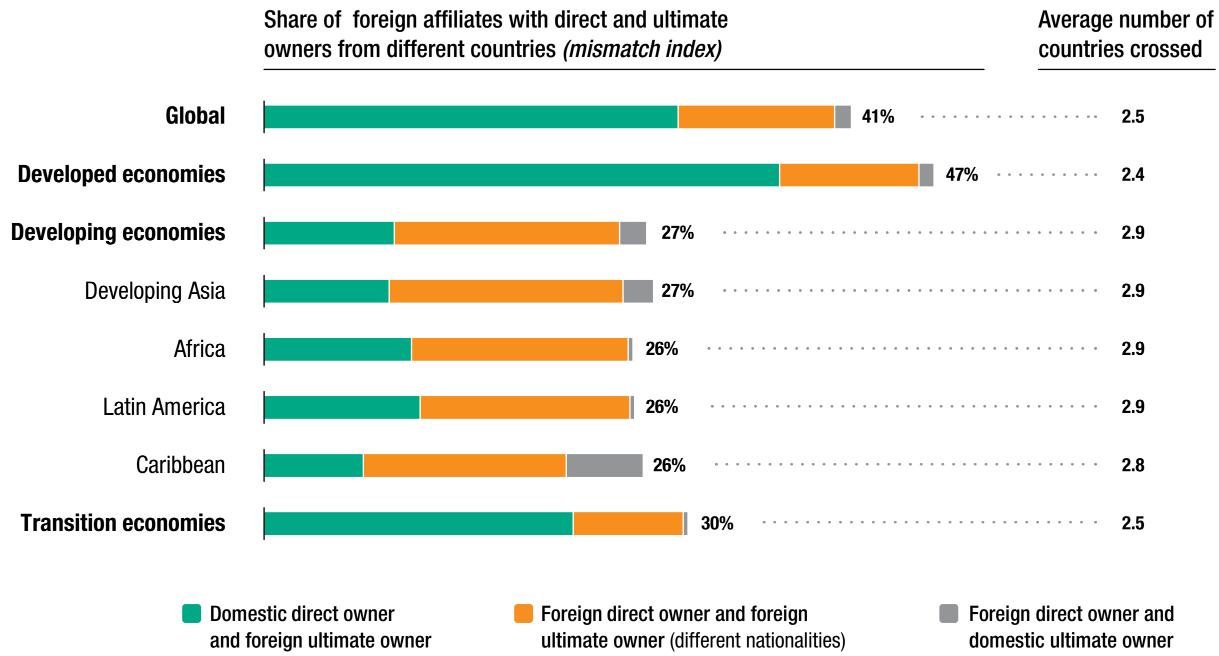
In developing economies, mismatch cases mainly involve foreign direct owners and foreign ultimate owners from different countries (case 2a in the ownership matrix; almost 60 per cent of cases). This situation arises as a result of transit investments, e.g. when an MNE establishes a presence in a developing country through a global financial hub, often for tax reasons; foreign direct investment in Africa through the regional hub of Mauritius is an example. M&A operations are also relatively less common in developing countries, which have a higher incidence of greenfield investment.

On average, the cases with foreign direct owners and foreign GUOs from different countries involve a larger number of countries along the controlling chain (at least three). Instead, cases with domestic direct owners and foreign GUOs may be simple, with only two countries involved: the country of the GUO and the host country of the foreign affiliate (where the direct owner also operates). As a consequence, the average number of countries involved in complex cases is higher in developing economies (2.9) than in developed economies (2.4). Finally, as already observed at the aggregate level, the weight of cases of round-tripping (case 3 in the ownership matrix) is very limited, at 3 per cent of the total number of mismatch cases. As expected, the Caribbean represents an exception, with the share of round-tripping at 20 per cent; this share could be larger if entities in OFCs consistently reported shareholder information.

The analysis of the mismatch index for G-20 countries confirms the pattern observed at the regional level (figure IV.21). Developed economies are relatively more affected by cases of domestic direct owners and foreign ultimate owners, while developing economies are more exposed to investment involving an intermediate third country. In the comparison of the G-20 economies, a few countries, in particular Australia and the United States, stand out for high shares of mismatch cases (more than 70 per cent), almost all falling in case 1 of the ownership matrix (domestic direct owner and foreign ultimate owner).

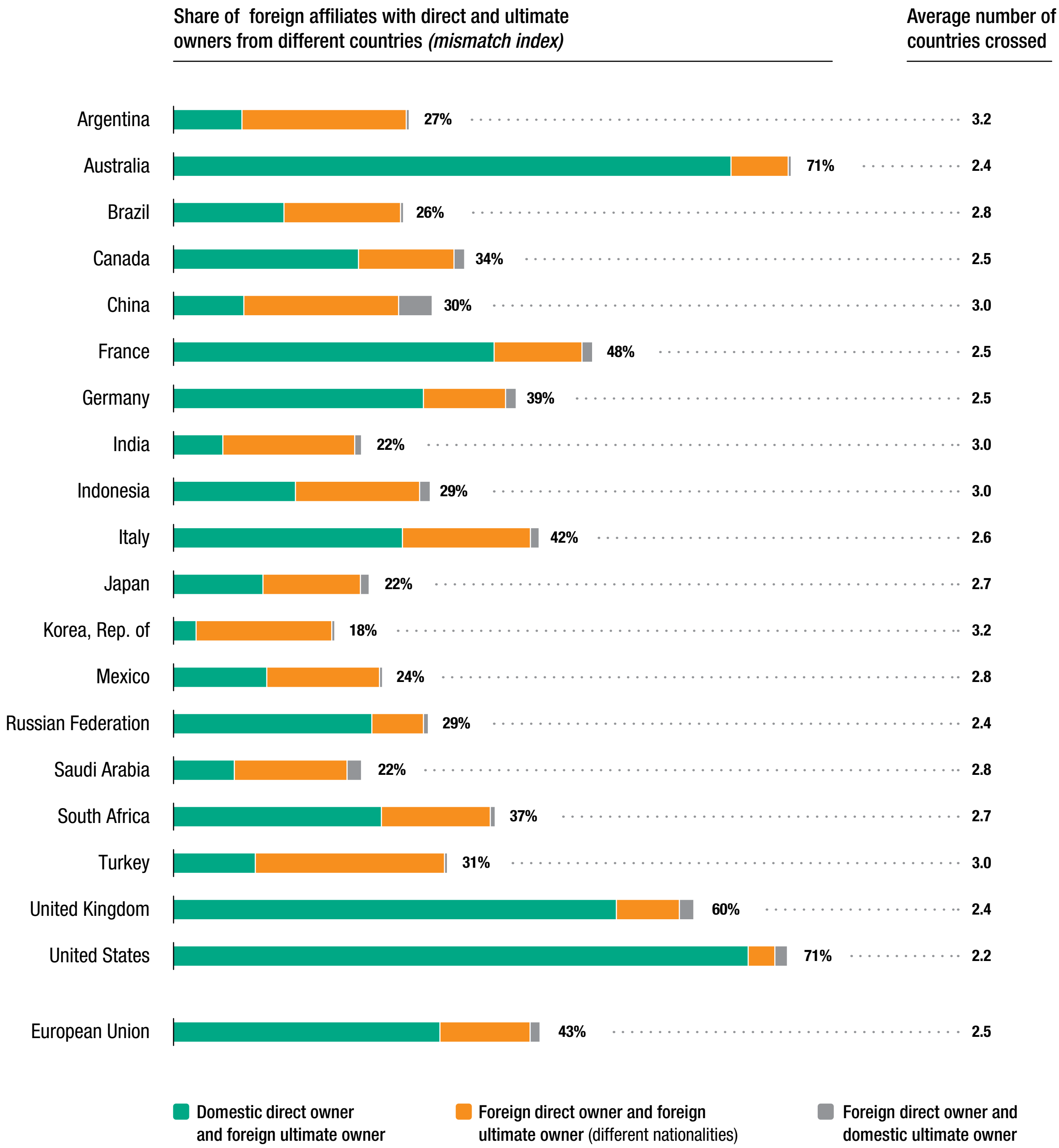
The mismatch index at the industry level reveals significant variability. The industry with the highest share is mining, where 57 per cent of foreign affiliates exhibit a mismatch between the nationality of the direct owner and that of the ultimate owner. At 47 per cent the manufacturing sector is slightly above the average (44 per cent) while the share of the services sector varies with the specific industry; it is high in accommodation and food services (55 per cent), electricity (54 per cent) and financial services (49 per cent), and low in information and communication (40 per cent), construction (40 per cent) and wholesale and retail (34 per cent).

Figure IV.20. The investor nationality mismatch index by region



Source: ©UNCTAD analysis based on Orbis data (November 2015).

Figure IV.21. **The investor nationality mismatch index by country, G20**



Source: ©UNCTAD analysis based on Orbis data (November 2015).

D. COMPLEX OWNERSHIP: INVESTMENT POLICY IMPLICATIONS

1. Complex ownership and investor nationality: policy implications

a. The role of ownership and control in investment policy

National and international investment policy measures that differentiate between domestic and foreign companies or between foreign investors of different nationality include entry restrictions and ownership caps, operating restrictions or performance requirements, investment facilitation and incentives, and investment protection. These measures are most often driven by national security concerns; protection of national and strategic assets; industrial development and competition policies; social, cultural or political concerns; and regional integration policies.

Ownership and control matter in investment policymaking because they are an instrument for the assessment of investor nationality. What matters in investment policy is

- *Foreign* ownership (of a company or investment project) – for national investment policy measures that discriminate, positively or negatively, between domestic and foreign investors
- *Nationality* of the investor – where legal consequences or benefits are applicable only to investors from specific jurisdictions, as in the case of investment treaties and regional economic integration agreements (or economic sanctions on specific countries)

Investment policy measures that differentiate between domestic and foreign investors, or between foreign investors of different nationality, include the following:

- Entry restrictions and ownership caps that limit the amount of equity that foreign investors can hold in domestic companies, often applying to specific industries or assets
- Operating restrictions, levies or performance requirements applying specifically to foreigners
- Investment facilitation and financial, fiscal or regulatory incentives applying specifically to foreign investors
- Investment protection, as set out in national law or in international treaties, conferring rights and allowing access to a dispute settlement mechanism for foreign investors (or foreign investors of certain nationalities) only.

There are different reasons or rationales for investment policy measures to differentiate between domestic and foreign companies, or between foreign investors of different nationality:

- National security concerns: e.g. limitations on foreign involvement in defence industries, in critical infrastructure or in strategic sectors
- Natural resources: e.g. limitations or restrictions applying to foreign investors with respect to land acquisitions or in extractive industries
- Industrial development: e.g. limitations on foreign investment to support the build-up of domestic productive capacity; entry restrictions for foreign investors to prevent dominant market positions of large MNEs, or crowding out of small domestic firms
- Social concerns: limitations on foreign investment in sectors with a public service responsibility (e.g. critical infrastructure, transportation, water or energy supply), or in sectors critical for livelihoods (e.g. employing large segments of the population) or food security (e.g. agriculture)

- Cultural concerns: e.g. limitations on foreign involvement in media or filmmaking
- Geopolitical reasons: limitations connected to economic sanctions or embargos against certain foreign countries
- Regional integration: e.g. liberalization for investors from member states of a region (e.g. EU, NAFTA) or parties to free trade agreements that provide for investment liberalization

These drivers of rules and regulations on foreign ownership are relevant for both national and international policies. Ownership-based rules and regulations, as well as promotion and facilitation measures, are generally in the domain of national investment policies. They translate into international investment agreements (IIAs) mostly as carve-outs or reservations through which treaty partners aim to retain the option to keep in place sector-specific measures in their national policy frameworks.

b. Complex ownership: key investment policy challenges

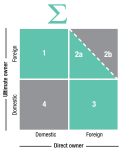
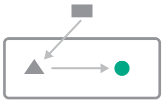
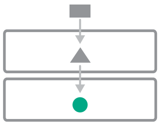
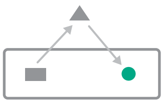
Complex ownership structures and investor nationality mismatches make the application of rules and regulations on foreign ownership more complex. They also raise important questions about the coverage of IIAs. For national investment policies, the distinction between domestic and foreign investment is important. Therefore, the most relevant nationality mismatches are investments that are indirectly foreign owned through a domestic entity, and round-tripping investments. For IIAs the distinction between different nationalities of investors is important. Therefore, the most relevant mismatch cases are transit investments through third countries and, again, round-tripping investments.

Complex ownership of investment projects or of foreign participated companies – i.e. multiple cross-border ownership links to the ultimate owner through intermediate entities – requires regulators (or arbitrators in the case of investor-State dispute settlement (ISDS) procedures) to decide where along the ownership chain to stop for the purpose of determining investor nationality. At a minimum, they make the application of rules and regulations on foreign ownership more challenging.

Table IV.5 shows the direct relevance of complex ownership structures and the investor nationality mismatches described in the preceding section for various investment policy areas that rely on the identification of investor origin. For national investment policy, the most critical nationality mismatch types (quadrants in the ownership matrix) are indirect foreign ownership through domestic companies and, to a lesser degree, round-tripping. For international investment policy the most critical quadrants are transit investments through third countries and, again, round-tripping.

The challenges arising from complex ownership structures for investment policymakers are often found at the level of practical implementation and enforcement. In national investment policies, they raise these questions:

- How to implement ownership restrictions (and rules and regulations applying specifically to foreigners) effectively, given the complexity of ownership of foreign-invested companies (investments) and investors; i.e. how to assess direct and indirect ownership links adequately?
- Where the objective of any ownership restriction is to prevent foreign control over national assets, how to avoid foreign investors exercising effective control even with minority shareholdings that might comply with foreign equity limitations, e.g. through preferential shares, company by-laws or non-equity forms of control?
- Where specific benefits are granted to foreign investors, such as incentives or certain standards of protection in investment laws, how to avoid nationals gaining access to such benefits through indirect ownership links?

Table IV.5.	Nationality mismatches: investment policy implications		
		**Investment policy implications**	
		National	***International***
1 Domestic direct owner and foreign ultimate owner		Renders the application of foreign ownership restrictions more complex; may lead to circumvention of ownership restrictions	No effect on treaty coverage or application
2A Foreign direct owner and foreign ultimate owner from different countries		Limited relevance, as the focus is on "foreignness", not nationality	Leads to important questions of treaty coverage and jurisdiction of arbitral tribunals in investor-State disputes
3 Foreign direct owner and domestic ultimate owner		Relevant only to the extent that nationals gain access to benefits (e.g. incentives) reserved for foreign investors	Leads to important questions of treaty coverage and jurisdiction of arbitral tribunals in investor-State disputes, specifically related to nationals bringing claims against their own State

High relevance **Low relevance**

Source: ©UNCTAD.

In international investment policies, the challenges for IIA negotiators include these questions:

- How to effectively define treaty coverage, or how to avoid granting treaty benefits to investors that were not intended to be covered by the treaty, including investors from the host State (in round-tripping arrangements)?
- How to avoid investors using artificial entities (mailbox companies) that legally own an investment to unduly gain access to treaty benefits?
- How to avoid MNEs, with their multitude of entities worldwide, restructuring ownership of assets solely for the purpose of gaining access to treaty benefits?

This section first provides an overview of the role of ownership and control in national investment policies and summarizes how policymakers across the world are dealing with the challenges raised by ownership complexity. It then looks at challenges for IIA negotiators.

The impact of the growing complexity in MNE ownership structures on the effectiveness of rules and regulations on foreign ownership at the national level and on the coverage of IIAs has wider, systemic implications beyond the operational level. These are discussed in section E.

2. Ownership and control in national investment policies

In national investment policy, an assessment of the relevance of ownership and control – and ownership-based policies – naturally focuses on foreign ownership restrictions, for which the ownership chains and nationality mismatches identified in the previous sections are critical. Restrictions can potentially be circumvented or made ineffective through indirect foreign ownership and domestic intermediate entities, or through mechanisms that allow foreign investors to exercise a level of control disproportionate to their nominal equity stakes in domestic companies.

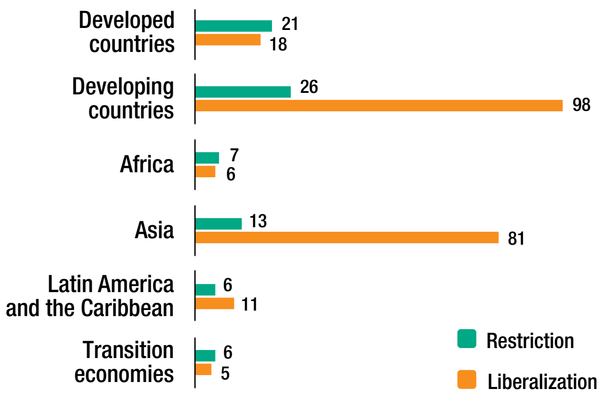
An additional issue is domestic investors round-tripping through a foreign location to obtain benefits reserved for foreign investors. The empirical findings in the preceding sections indicate that such round-tripping is relatively rare for corporates (more common for family-owned or individual-owned entities) and mostly confined to a limited number of countries. (Policy concerns related to round-tripping are examined in more depth in the section on international investment policies.)

a. Rules and regulations on foreign ownership

At the national policy level, rules and regulations on foreign ownership are widespread. Services are relatively more affected by foreign equity limitations, in particular in media, transportation, communication, utilities, and financial and business services. Extractive industries and agriculture are also frequently regulated through ownership restrictions. The trend since 2010 in ownership-related measures is towards liberalization, through the lifting of restrictions, increases in allowed foreign shareholdings, easing of approvals and admission, and greater access to land for foreign investors. However, many ownership restrictions remain in place in both developing and developed countries.

According to data from the World Bank, only about a quarter of countries around the world have few or no sector-specific restrictions on foreign ownership of companies.[22] Developing countries tend to have ownership restrictions covering a wider range of sectors compared with developed economies but, as noted in the introduction to this chapter, almost all developed economies also restrict foreign investment in a selected set of industries (see figure IV.2).

Figure IV.22. Investment policy measures related to ownership restrictions, 2010–2015 (Number of measures)



Source: ©UNCTAD National Investment Policy database.
Note: Asian measures include 41 measures in India alone (other measures distributed across more than 20 countries).

UNCTAD's monitoring of investment policy measures indicates that ownership-related policies since 2010 have moved in the direction of liberalization.[23] The majority of measures, especially in developing countries, have concerned increases of foreign ownership percentages allowed, easing of approvals or admission procedures, or greater access to land for foreign investors. UNCTAD identified 98 such measures in developing countries, compared with 26 measures in the direction of restriction or regulation (figure IV.22).

Despite the trend towards greater openness, many restrictions remain in place. By region the picture is varied, based on World Bank data:

- *Developed economies* have relatively fewer limitations on foreign equity ownership, although limitations on foreign ownership of companies in specific services industries are widespread, in particular in transportation. Foreign ownership of airlines is capped below 50 per cent in most developed countries (see box IV.4). Utilities and media also have restrictions in a number of developed economies.
- *Developing countries* have more foreign ownership restrictions, across a broader range of sectors. However, many limitations on foreign equity participation do allow majority foreign ownership and foreign control, effectively translating into JV requirements. East and South-East Asian economies have the highest number of limitations.
- *Transition economies* tend to be relatively open to foreign equity ownership. Many countries in the group allow full foreign ownership of companies even in sectors considered sensitive elsewhere, such as banking, health care, retail, tourism and waste management. Media ownership is relatively more restricted.

Box IV.4. Ownership restrictions in in the Air Transport sector: United States and EU

In the United States, an authorization from the Department of Transportation is needed to provide air transport services. The applicant must establish that it is owned and controlled by United States citizens. Qualifying as United States citizens are corporations of which the president and at least two thirds of the board of directors and other managing officers are citizens of the United States, which are under the actual control of citizens of the United States and in which at least 75 per cent of the voting interest is owned and controlled by persons who are citizens of the United States.

When filing for an authorization, applicants must list all persons who own or control at least 10 per cent of the company's stock, indicating for each the number of voting shares and the corresponding percentage of the total shares outstanding that are held, along with address, citizenship, and principal business. If there are several layers of ownership (e.g. holding or parent companies), information must be provided for each layer until the ultimate individual shareholders are reached. If the applicant's stock is held for the benefit or account of a third party, the name, address, and principal business of that person must be provided.

In evaluating the degree of foreign involvement, the Department of Transportation considers the total amount of voting stock and equity interest in the air transport company. In some instances, up to 49 per cent of total foreign equity ownership has been approved, provided that, by statute, foreigners cannot own, individually or in the aggregate, more than 25 per cent of the voting stock. The Department also examines to what extent the foreign interests have power to veto or control the management structure, or if there is a United States citizen's interest that can vitiate the foreign control. The Department also considers whether the foreign investor has the right to name members of the board, if there are provisions in the agreements that would permit the foreigner to cause a reorganization of the carrier, and if the agreements include buy-out provisions of the United States investor and/or owner by either the carrier or the foreign investor. Finally, the Department may examine whether there are any significant business relations between the foreign investor and the air carrier (e.g. whether the foreign investor has loaned or guaranteed loans to the air carrier).

In the *European Union* (EU), regulation (EC) No. 1008/2008 governs the licensing of air carriers. In order to obtain an air transport license, all undertakings established in the Community must satisfy certain operational, corporate and financial requirements. In particular, all undertakings' principal place of business (head office or registered office within which the principal functions and operational control are exercised) must be located in the member State issuing the licence. In addition, member States and/or nationals of member States must own more than 50 per cent of the undertaking and effectively control it, whether directly or indirectly through one or more intermediate undertakings, except as provided for in an agreement with a third party to which the Community is a party. "Effective control" is defined as the ability to exercise a decisive influence on an undertaking, in particular by (1) the right to use all or part of the assets of an undertaking, or (2) rights or contracts which confer a decisive influence on the composition, voting or decisions of the bodies of an undertaking or otherwise confer a decisive influence on the running of the business of the undertaking.

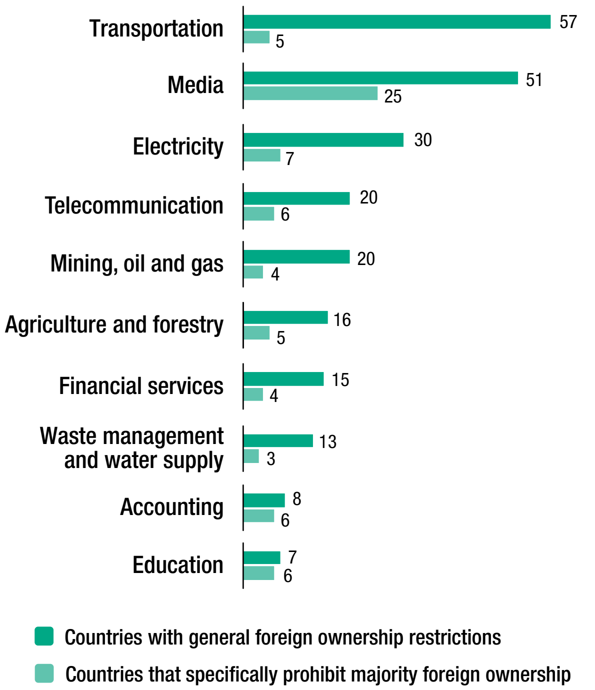
An air carrier licensing request must be submitted to the competent licensing authority of an individual member State. Investor information disclosure requirements in front of the competent licensing authority include: shareholder details (including nationality and type of shares to be held); articles of association; if the undertaking is part of a group, information on the relationship between the different entities; details of existing and projected source of finance; and internal management accounts. In addition, the Community air carrier must notify the competent licensing authority (1) in advance of any intended mergers and acquisitions; and (2) within 14 days of any change in the ownership of any single shareholding which represents 10 per cent or more of the total shareholding value of the Community air carrier or of its parent or ultimate holding company. The competent licensing authority is also authorized to suspend or revoke an operating license, if any of the operational, corporate or financial requirements are not complied with.

Source: ©UNCTAD, based on information published by the United States Department of Transportation and Regulation EC No. 1008/2008.

The use of ownership-related policies varies significantly by sector and industry. Although the services sector accounts for more than two thirds of global FDI, foreign ownership of companies is more restricted in that sector than in the primary and manufacturing sectors. Worldwide, restrictions on foreign ownership are most common and severe in the transportation, media, electricity, and telecommunications industries (see figure IV.23).

UNCTAD's monitoring of policy measures indicates that, over the 2010–2015 period, more than half the newly introduced measures in transportation, mining and oil and gas, and agriculture and forestry were in the direction of restriction. Other industries moved in the direction of liberalization; in particular wholesale and retail trade and financial services (despite the recent financial crisis) saw a significant amount of policy measures lifting or easing foreign ownership restrictions.

Figure IV.23. **Ownership restrictions by industry**
Number of countries with foreign equity limitations



Source: ©UNCTAD analysis based on the World Bank's Investing Across Borders database, covering 104 countries.

b. Ownership screening and investment approval procedures

Determination of investor nationality is part of foreign investment registration and approval procedures; sector-specific licensing (when foreign ownership restrictions apply); and national security–related foreign investment reviews. Approval procedures covering all sectors, including those without ownership restrictions, exist in many countries. Disclosure requirements for investors vary by country; not all regulators and authorities require disclosure of ultimate ownership. National security reviews tend to examine the full ownership structure of MNEs.

Ownership-based rules and regulations, in particular foreign ownership restrictions, require administrative procedures for the registration and approval of investments that can be both onerous for investors and costly to implement for governments. Approaches to determining investors' ownership structures differ significantly by country, largely depending on the general degree of openness to investment of the country involved. Broadly, three levels of intensity can be distinguished.

FDI approval processes

Many developing countries, in particular those with a significant number of sectoral restrictions, have specific laws and regulations governing administrative procedures for FDI registration and approval. They also tend to have a dedicated national authority that approves and monitors FDI. In most cases, special authorization requirements are triggered if an investment is planned in restricted sectors or above a certain threshold, sometimes followed by screening procedures that evaluate the impact of the investment and/or the compliance with sector-specific regulations.

The investment law may contain provisions covering both the establishment and the post-establishment phase of investments. Any potential modification of the investment – for example, an increase in the share of foreign participation – may require further submissions to the government authority. Some countries may require foreign companies to send a list of shareholders on a periodic basis after the initial investment (see the example of Algeria, box IV.5); others require only a description of the corporate structure of foreign investor companies at the time of applying for an authorization and subsequently when changes in the corporate structure take place.

When screening procedures are triggered in restricted sectors, investment authorities may assess not only the observance of the maximum percentage of foreign participation, but also the overall economic viability of proposed investment projects, contributions to local employment and potential technology transfers. This is then reflected in the information requested from foreign investors. In addition to the basic information (on the identity of the direct foreign investor and shareholders of the company, extracts of the articles of incorporation or association, the location of the project and a description of the foreign investor's existing economic activities), a significant number of host countries require the disclosure of detailed financial and operating information. Further information disclosure may consist of copies of JV or business cooperation contracts, trademarks and technology transfer agreements (see box IV.6 on India's FDI approval process).

Such information is generally requested to assess the economic and fiscal impact of the investment; it also provides an indication of the degree of non-ownership-based control that a foreign investor may exert over the investment project or company.

Registration and approval mechanisms for foreign investment and dedicated investment authorities are very common in developing countries. The vast majority of developing countries and transition economies also have dedicated foreign investment laws. Many require foreign investment approval across all sectors, including sectors that may not be subject to specific foreign ownership restrictions.

UNCTAD's review of 111 investment laws in 109 countries shows how nationality and ownership and control issues are principally addressed in the definition of "investor", and "investment" contained in such laws. Most laws (87) include a broad definition of "investor" or "foreign investor", in which legal persons qualify if they are registered or incorporated in the immediate home country. Some countries specify that foreign investors must have their real seat, or effective place of management, in their home country (where they are also incorporated). Another

Box IV.5. The FDI approval process in Algeria

Foreign investments in Algeria must be declared to the National Investment Development Agency. This agency is an autonomous government body tasked with promoting foreign investment; it ensures that foreign investment is undertaken through a partnership with domestic investors, who must always conserve a majority interest in the capital of the project (minimum of 51 per cent). The 51/49 rule applies to all economic activities for the production of goods or services. It must also be observed by Algerian public companies that engage in partnerships with foreign investors.

The declaration to the National Investment Development Commission includes a detailed description of the proposed investment project together with information on shareholders (identity, nationality and address) and source of finance. Any subsequent change of information in the original declaration, or any change in the commercial register, must be submitted to the Agency. Importantly, foreign investor companies that hold shares in Algerian companies must communicate, every year, the list of their shareholders as identified in the foreign trade register. In addition, when a foreign investor or a domestic partner wishes to sell its stake in the company to foreigners, its offer must first be presented to the Government of Algeria, which has three months to exercise its pre-emption rights. Finally, the Government of Algeria must also be consulted for the sale to foreigners of shares in Algerian companies that hold shares in domestic-foreign partnerships.

Source: Ordonnance n° 2001-03.

Box IV.6. The FDI approval process in India

FDI is permitted in Indian companies, partnership firms, venture capital funds and limited liability partnerships. These entities may receive FDI under the automatic route or the government route, depending on the economic activity/sector.

FDI in activities not covered under the automatic route requires prior Government approval. Investment proposals are considered by the Foreign Investment Promotion Board (FIPB), a Government body that offers single-window clearance for foreign investments in the country that are not allowed access through the automatic route.

Information disclosure requirements with the FIPB include the name and address of the Indian company, a description of the existing and proposed activities of the company and a description of the capital structure of the company, as well as its proposed borrowings, export commitments, employment opportunities, amount of foreign equity investment and foreign technology agreements. Additional documents to be submitted to the FIPB include descriptions of Indian JV partners indicating their percentage share, group companies and affiliates; information on the activities of the downstream companies; copies of the JV and/or shareholders agreement and technology transfer and/or trademark agreements; pre- and post-investment shareholding structure of the investee and the investing companies; and, in cases of indirect investment through Indian companies, details on the indirect investment and its shareholders.

The consolidated FDI Policy stipulates that in all sectors with sectoral caps, the balance equity, i.e. beyond the sectoral foreign investment cap, has to be beneficially owned by resident Indian citizens and Indian companies owned or controlled by resident Indian citizens.

Source: "Consolidated FDI Policy 2015", Department of Industrial Policy and Promotion, Ministry of Commerce and Industry.

possible limitation to the definition of investors includes a minimum level of foreign participation in the company in order for investors to be eligible for protection under the investment law. None of the laws reviewed requires that covered investors have real economic activities in their home country (i.e. so-called mailbox companies are not excluded from the coverage of the law). With respect to the definition of investments, eight laws require that the investor own or control the investment, while only one law specifies that this control can be either direct or indirect.

Sector-specific licensing

Where countries impose sector-specific licensing requirements, the process of determining investor origin is generally carried out by the sector regulator, which may require detailed information on the full ownership structure up to the ultimate beneficial owners of the investing entity.

Most developed countries, and developing countries with relatively few foreign ownership restrictions, may not have a dedicated FDI authorization procedure or an investment authority. The establishment of companies with foreign investment tends to follow the normal business registration and/or licensing process, and any subsequent modification of the value of FDI in the company through the purchase or sale of shares is treated as an ordinary commercial transaction.

The absence of a formal administrative procedure for the monitoring of FDI in such relatively open countries means that foreign investor disclosure requirements are reduced in scope and detail. Legislation tends to refer to the normal company registration process which does not seek to determine ultimate investor identity, nor does it require detailed financial analysis of the investment project. However, for sectors in which foreign ownership limitations do apply, the procedures to determine nationality and ownership links of foreign investors, as implemented by sectoral authorities, are often more demanding. In addition to basic information on the identity and nationality of the direct and ultimate owner or investor (e.g. through the disclosure of business relationships, the investing group's structure, links with foreign governments), countries seek further information, such as the origin of funds, members of the board of directors, or agreements to act in concert.

National security reviews

Countries conducting national security-related investment reviews – a cross-sectoral or sector-specific review – demand particularly detailed information from foreign investors during the screening process. The extent, nature and timing of these information requirements vary considerably between countries (for details, see the dedicated section in chapter III), but investigations tend to reconstruct the full ownership structure of investing corporations in order to assess intermediate ultimate controllers.

c. Challenges arising from complex ownership and policy responses

Ownership complexity has made the effective implementation and enforcement of ownership restrictions and ownership-based rules and regulations difficult and burdensome. Key challenges for national investment policymakers are (i) how to assess aggregate direct and indirect ownership, (ii) how to prevent de facto foreign control, and (iii) how to avoid undue access to benefits reserved for foreign investors by host State nationals. Policymakers in some countries have developed a range of mechanisms to safeguard the effectiveness of foreign ownership rules, including anti-dummy laws, general "anti-abuse" rules to prevent foreign control, and disclosure requirements aimed at monitoring ownership- and non-ownership-based control.

The importance of indirect ownership of foreign affiliates and the increasing complexity of MNE ownership structures is leading to significant challenges for national investment policymakers concerning the effective implementation and enforcement of ownership restrictions and ownership-based rules and regulations. Table IV.6 summarizes the challenges and indicates policy measures that various countries have developed in response.

Table IV.6. Complex ownership structures: national investment policy challenges and policy responses

Challenges	Policy responses
Indirect foreign ownership	Methods to assess aggregate direct and indirect ownership
De facto foreign control	Methods to prevent effective foreign control through minority stakes
Round-tripping	Methods to check ultimate ownership by host State nationals

Source: ©UNCTAD.

(i) Assessing aggregate direct and indirect ownership

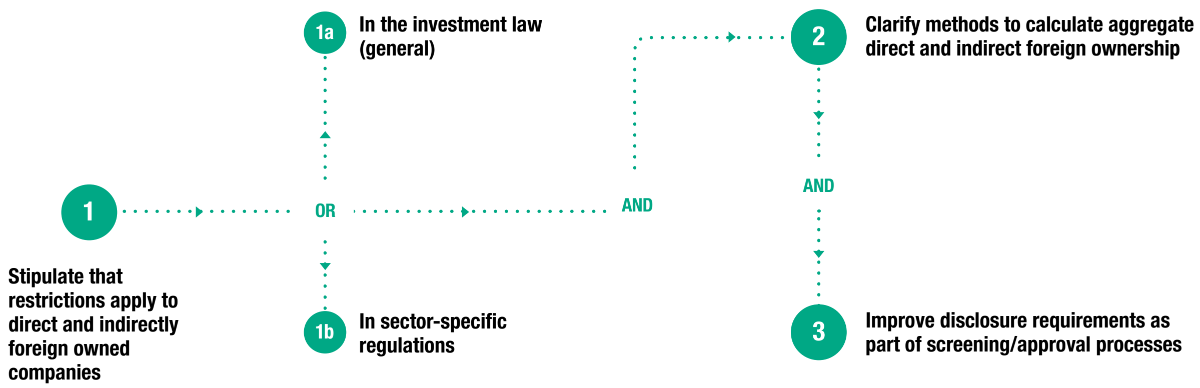
Methods to determine the ownership chain and ultimate ownership of investors differ by country, mostly depending on the specific objectives of foreign ownership restrictions.

Countries have adopted a range of mechanisms to avoid circumvention of sector-specific foreign ownership limits by foreign investors through indirect ownership structures. Most countries that maintain specific laws governing foreign investment and foreign ownership restrictions distinguish direct FDI (through a foreign entity) from indirect FDI (through a domestic entity). When screening investment proposals, these countries will equate indirect FDI to direct FDI in cases in which foreigners control the investing domestic enterprise, typically if foreigners have more than 50 per cent of voting shares. The Russian Federation explicitly prohibits any investments from domestic companies in the media sector if the investing company itself has more than 20 per cent of foreign shares. In Indonesia, resident companies with foreign participation are named, or labelled, differently from purely domestic companies, and companies with the foreign-ownership label are considered as foreign investors in any approval procedures for new investments. In Turkey, legal ownership limits in media are modified depending on whether there is only direct foreign investment (50 per cent foreign ownership allowed) or whether there is also indirect participation (less than 50 per cent foreign ownership allowed). Similar approaches are taken in general investment laws and in sector-specific regulations, as applicable (see figure IV.24 for a common approach).

As a second step, a number of countries have explicitly clarified how aggregate ownership – direct plus indirect shareholdings – is calculated for the purpose of foreign ownership restrictions and regulations. In most cases, such clarifications indicate when domestic investments are considered indirect foreign investments (when the domestic investor is itself majority foreign owned). They may also detail whether foreign shares should be considered in aggregate (for multiple foreign investors) or separate (which may involve different thresholds), and whether they should consider all equity or voting stock only.

Finally, countries generally impose disclosure requirements as part of screening and approval procedures, in the investment application. The extent to which disclosure requirements enquire into full ownership chains, ultimate ownership and ultimate beneficial ownership varies significantly. As indicated above, national security–related reviews tend to investigate full corporate ownership structures. Sectoral reviews also tend to require disclosure of full ownership structures. General FDI screening and approval procedures do so in some countries; in others they remain at the level of directly investing companies (direct owners).

Figure IV.24. Assessing direct and indirect foreign ownership: policy practices



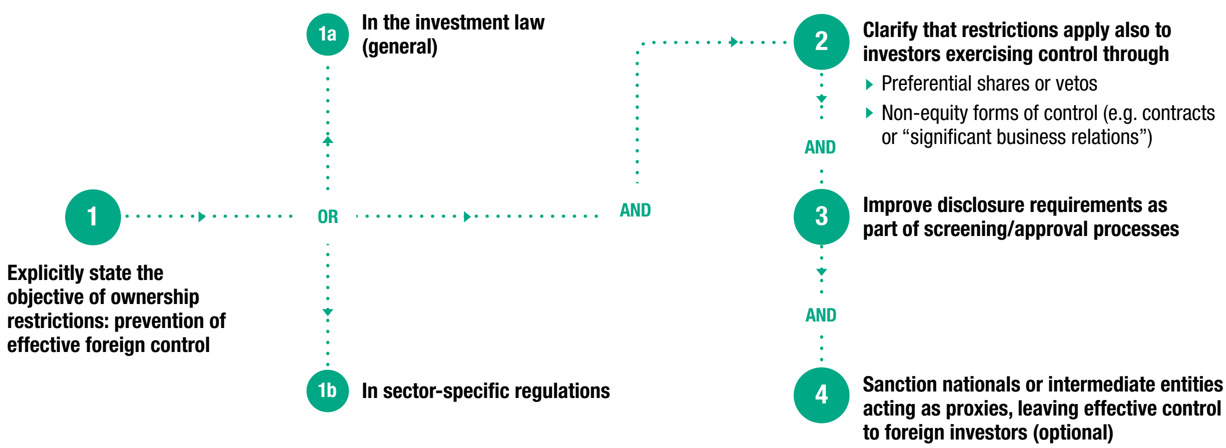
Source: ©UNCTAD.

(ii) Preventing effective foreign control through minority stakes

Where countries consider it sufficient that domestic businesses own a stake in a venture, they may impose JV requirements but allow majority foreign ownership (i.e. foreign control) to minimize the potential negative effect on foreign investment attraction. For the enforcement of rules guaranteeing a degree of domestic ownership it may be sufficient in investment approval processes to examine the direct ownership level of investment projects. For example, Oman, which has a uniform foreign ownership limitation allowing a maximum of 70 per cent foreign participation, prevents the circumvention of ownership rules through very general approval criteria for FDI proposals (e.g. "adequate" domestic participation).

Where countries aim to prevent *foreign control*, more stringent requirements are set; at a minimum, these take the form of foreign equity limitations to less than 50 per cent. Again, the specific objective of ownership limitations is set out in general investment laws as well as in sector-specific legislation (as shown in figure IV.25). However, these countries may go beyond the assessment of aggregate direct and indirect shares to verify compliance with foreign equity limitations.

Figure IV.25. Preventing effective foreign control: policy practices



Source: ©UNCTAD.

Given the many levers that international investors have to exert higher levels of control than their nominal equity stake in investment projects, as a second step some countries have clarified that restrictions or regulations also apply to investors exercising control through other means, including preferential shares and non-equity modes of control. A number of countries have included in their investment laws general "anti-abuse" provisions stipulating that foreign participation limits cannot be surpassed through mechanisms such as trusts, contracts, partnerships or by-law agreements granting higher levels of control than those established (e.g. see Mexico's investment law, box IV.7). Other countries go further and collect information to assess the capacity of domestic partners to effectively control a venture (e.g. see India's investment law, box IV.6).

Reference to non-equity modes of control is also made in a number of cases. For example, the United States air transport authorities examine "significant business relations", including loans or loan guarantees, that would give the foreign investor decisive influence over a venture. EU air transport regulations define "effective control" of a foreign investor as the ability to exercise a decisive influence on an undertaking, including through "rights or contracts which confer a decisive influence on the composition, voting or decisions of the bodies of an undertaking or otherwise confer a decisive influence on the running of the business of the undertaking".[24]

Finally, as a fourth step, additional policy measures and mechanisms can be put in place to prevent the circumvention of majority ownership limitations, such as so-called "anti-dummy laws", which prevent nationals from posing as controlling shareholders while leaving actual control to foreign investors (see box IV.8 on the Philippines anti-dummy law).

(iii) Checking ultimate ownership by host-State nationals

As demonstrated in section C, round-tripping investments are relatively rare in the internal ownership structures of MNEs; only about 1 per cent of affiliates with a direct foreign owner are ultimately owned by a parent company in the same country as the affiliate. Round-tripping is generally more relevant as a means for investors to gain access to investment and tax treaties. However, it can be an issue in national investment policy for countries that provide

Box IV.7. FDI restrictions and approval processes in Mexico

Mexico's Foreign Investment Law subjects FDI to prior approval when the foreign investor (1) aims to own or acquire a stake higher than 49 per cent in an economic activity in selected industries, or (2) aims to own or acquire (directly or indirectly) a stake higher than 49 per cent in a Mexican company in any sector when the value of the assets of that company, at the date of acquisition, exceeds a threshold set by the National Foreign Investment Commission ($262 million in 2014).

The National Foreign Investment Commission, under the Secretariat of the Economy, is the government authority that determines whether an investment in restricted sectors may move forward. It comprises various federal ministries and agencies, including the Secretariats of Internal Affairs, Finance, Social Development, Environment and Natural Resources, Energy, and Communications and Transport. The Commission has 45 business days to make a decision; otherwise the transaction is considered to be automatically approved. Information disclosure requirements for foreign investors include their name, domicile and date of incorporation; the percentage of their proposed interest; the amount of subscribed or payable capital stock; details of the investment project; and a detailed description of the existing or future corporate structure, including ultimate ownership and all affiliates.

The Foreign investment Law imposes several supplementary sectoral foreign ownership limitations (e.g. 10 per cent in cooperative companies, 25 per cent in domestic air transport, 49 per cent in arms manufacturing). These foreign investment participation limits cannot be surpassed directly nor through trusts, contracts, partnerships or by-law agreements, or other mechanisms granting any control or a higher participation than the one established. Nevertheless, the Ministry of Economy may authorize Mexican companies to issue "neutral investment instruments", which are not taken into account for the calculation of the percentage of foreign investment in the capital stock of Mexican companies. Neutral investments solely grant pecuniary or corporate rights to their holders, without granting their holders voting rights in regular shareholder meetings.

Source: Foreign Investment Law 1993, last amended in 2014.

Box IV.8. The "anti-dummy" law in the Philippines

Philippine law prohibits foreign control of public utilities, the exploitation of natural resources and the practice of a number of professions. The Anti-Dummy Law (or Commonwealth Act No. 108, as amended) prohibits Philippine nationals from participating in evading national ownership laws. It also prohibits foreigners from intervening in the management, operation, administration or control of any nationalized activity.

Dummy status is indicated by the following criteria:

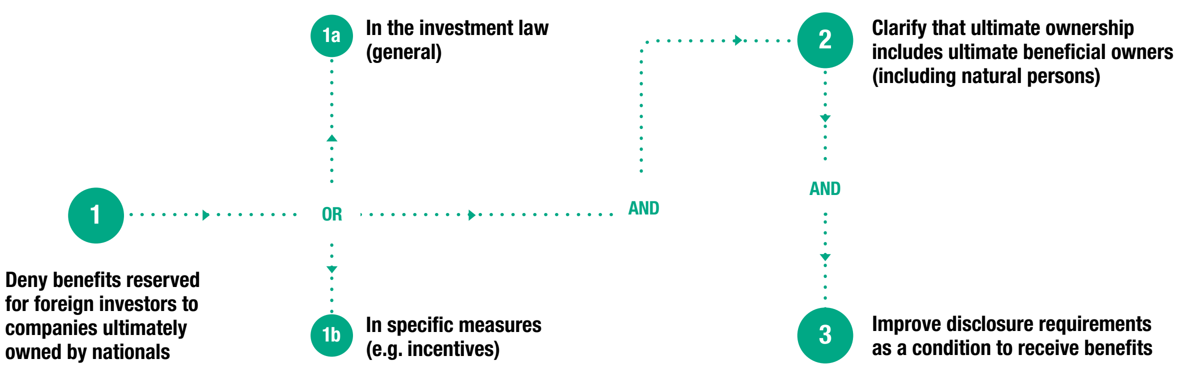
- Where the foreign investor provides practically all the funds for a joint investment undertaken with a Philippine national
- Where a foreign investor undertakes to provide practically all the technological support for the joint venture
- Where foreign investors, while minority stockholders, in practice manage the company

Source: "Understanding the Anti-Dummy Law", http://news.abs-cbn.com/.

specific treatment to foreign investors, such as protection standards under an investment law, or specific benefits reserved for foreign investors, such as fiscal incentives. In most cases, these countries experience round-tripping investment by their own nationals at the level of individuals or families, which set up entities offshore and channel investment back to their home State. (Such ownership links were excluded from calculations in section C as part of the methodological choice to focus on MNEs.)

In countries where round-tripping is a concern, the focus of countermeasures is generally on tax policy measures (and revisions in tax treaties). Investment laws and regulations can contain specific measures to prevent nationals from gaining unwarranted access to benefits reserved for foreign investors. They can explicitly deny such benefits to nationals or to companies ultimately owned by nationals, either in investment laws or in the qualifying criteria for incentives. They may clarify that the exclusion specifically applies to ultimate *beneficial* owners (individuals and families), and they can improve disclosure requirements on full corporate structures and beneficial owners as part of investment or incentive application processes (figure IV.26).

Figure IV.26. Checking undue access to investor benefis by nationals: policy practices



Source: ©UNCTAD.

3. Ownership and control in international investment policies

a. Complex ownership, IIA coverage and ISDS exposure

In international investment policymaking, ownership chains have the potential to significantly expand the reach of IIAs. About one third of investor-State dispute settlement (ISDS) claims are filed by claimant entities that are ultimately owned by a parent in a third country (not party to the treaty on which the claim is based). More than a quarter of these claimants do not have substantial operations in the treaty country – this share can increase to up to 75 per cent when considering claims based on treaties concluded by major ownership hub locations.

MNE ownership structures affect the coverage and reach of IIAs, which aim to protect investments and investors from the contracting parties. Complex indirect ownership structures, combined with the broad protection of indirect investments offered in IIAs, have the potential to significantly expand coverage and provide access to treaty benefits to investors from other countries by means of indirect ownership through legal entities within the contracting parties.

Nationality mismatch cases are highly relevant in ISDS. Since 2010, about one third of claims for which relevant information is available were filed by claimant entities that are ultimately owned by a parent in a third country (i.e. not party to the treaty on which the claim is based) or in the respondent State (figure IV.27). The share of intermediate entities acting as claimants increases significantly for cases based on treaties with countries that are major ownership hubs and offshore investment hubs: in such cases, up to 75 per cent of claimant companies are ultimately foreign owned.[25]

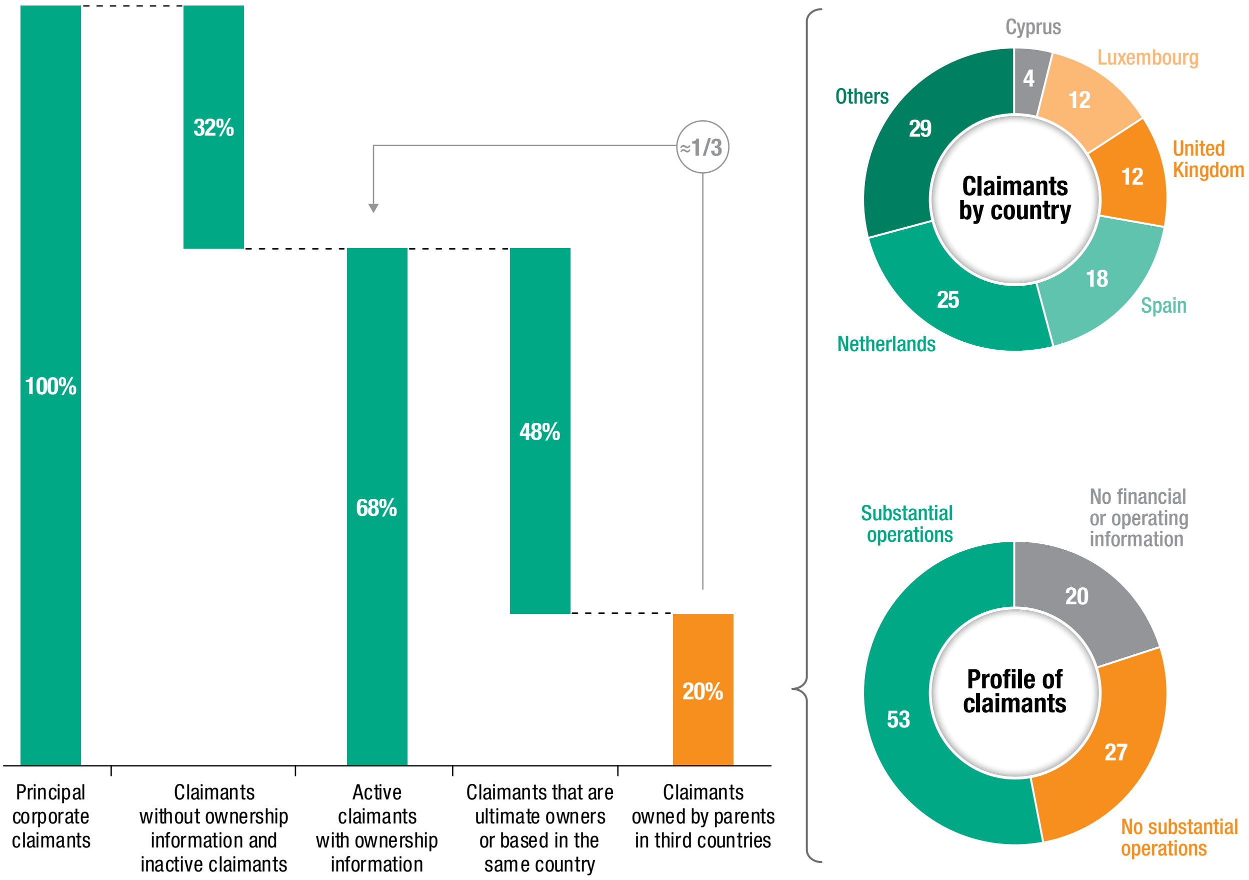
In international investment policy, the terms "ownership" and "control" take on meanings that are different from their use in the analysis of ownership complexity in the preceding sections. First, in IIAs, the meaning of the term "ownership" is usually limited to direct (legal) ownership of the investor. Where the preceding sections refer to indirect ownership, IIAs typically refer to (indirect) control. Over time, arbitral tribunals have given comparatively less attention to the question of ownership and more to control (where they have also discussed issues of indirect ownership). Second, in international investment policy, to date, relatively little attention has been paid to ultimate ownership or control.[26] Usually, for an entity to benefit from treaty coverage, direct or indirect (but not necessarily ultimate) control of the investment by a national of a contracting State is sufficient. Thus, an intermediate entity anywhere along an MNE ownership chain may well qualify for treaty protection.

Moreover, on the rare occasions that IIAs or ISDS tribunals specify the meaning of control, they stipulate conditions that can frequently be met by the direct owner (e.g. majority shareholding in the investment or the right to select directors of the foreign invested company). Even where IIAs use the concept of "effective" control, this generally does not require the ultimate controller to be based in a contracting party. ISDS tribunals address these issues in jurisdictional decisions (i.e. deciding whether they have competence to adjudicate the dispute) (box IV.9). Only a few tribunals have investigated ultimate control (see box IV.11). Conditioning treaty protection on the nationality of the ultimate controller of a qualifying investment has not been a policy priority for IIA rule-making.

Over time, complex MNE ownership structures and growing numbers of ISDS claims brought by intermediate entities in ownership chains have raised important policy questions. Policymakers have started to tackle the most pressing questions by means of issue-specific solutions. Initial policy responses are emerging, to different degrees, for (i) claims brought by nationals of the host State of the investment aiming to qualify through round-tripping, (ii) the use of mailbox companies to bring claims and (iii) occasions when investors engage in corporate restructuring specifically for the purpose of qualifying for protection under a treaty.

Figure IV.27. **ISDS claimants and their ultimate owners**

Breakdown and profiles of claimants in known treaty-based ISDS cases, 2010–2015 (Per cent)



Source: ©UNCTAD analysis based on UNCTAD's ISDS Navigator and Orbis for ownership data.

Note: Based on 254 known treaty-based ISDS cases initiated during the 2010–2015 period. Corporate claimants only; individual claimants are excluded. In cases brought by more than one claimant company, a principal claimant company was identified where possible. Non-substantial operations are defined as companies with fewer than 10 employees or with zero assets where employee numbers are not available.

b. Ownership and control in IIAs: relevant treaty clauses

IIAs typically refer to ownership and/or control (and to direct and indirect ownership) in four types of treaty provisions that determine the range of protected investments and investors ("investor standing") along a corporate ownership chain. More specifically:

(i) The "definition of investor" sets out criteria that entities must meet in order to qualify for treaty protection.

(ii) These entities must not fall within one of the categories of investors to whom benefits can be denied by means of a "denial of benefits" (DoB) clause (should the IIA have such a clause).

(iii) These entities need to have made a qualifying investment; the manner in which this should be done can be part of the IIA's "definition of investment".

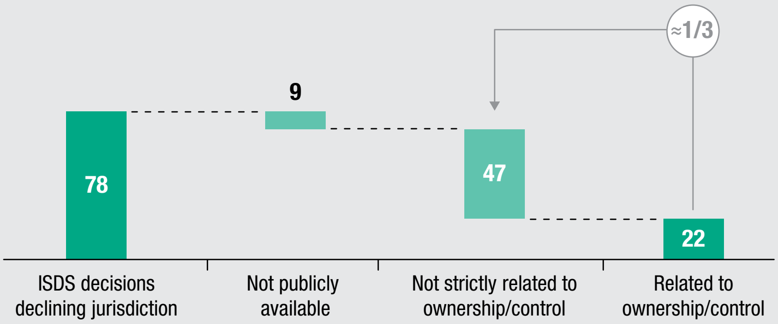
(iv) At all these stages, the meaning of the terms "ownership" and/or "control" determine whether a given entity qualifies for protection.

A treaty-specific combination of options determines whether a treaty covers a broad or narrow category of corporate entities.

Box IV.9. **Arbitral decisions related to ownership and control**

In about one third of the available decisions denying jurisdiction (rendered between 2000 and 2015), this outcome was explicitly due to issues related to ownership and control and corporate structures (box figure IV.9.1.). (Questions of ownership and control have also been addressed in a significant number of decisions in which the tribunal decided to assume jurisdiction.) In their decisions, tribunals have arrived at settled approaches to some of these questions; decisions on others remain inconsistent, creating legal uncertainty for host States and foreign investors alike. In recent IIAs, there has been a growing tendency to clarify relevant clauses and concepts with a view to circumscribing treaty coverage.

Figure IV.9.1. **Ownership and control in jurisdictional decisions**
Known treaty-based ISDS cases, decisions declining jurisdiction, 2000-2015



Source: ©UNCTAD analysis.

(i) Definition of investor

IIAs use a number of approaches to defining qualifying corporate investors (the definition of natural persons is excluded here):

- *Incorporation approach:* The treaty protects corporate entities that are legally constituted or incorporated in a contracting party. Such treaties offer a broad scope, extending protection to investors by the mere fact of incorporation. This is the most common approach in the IIA universe.
- *Control approach:* The treaty protects corporate entities, wherever established, that are controlled (directly or indirectly) by nationals of a contracting party. Such treaties provide protection to legal entities – incorporated in the host State or in a non-contracting party – whose controllers are natural or legal persons holding the nationality of the other contracting party.[27]
- *Seat approach:* The treaty protects corporate entities that have their seat in a contracting party (where they are typically also incorporated). Such treaties extend protection only to investors that have their effective place of management or principal place of business in the contracting party whose nationality they claim.

The control approach refers to controlling entities and also considers indirect ownership. However, rather than *narrowing* the scope of a treaty to grant protection only to investors whose ultimate owner is based in a contracting party, the control approach is generally used to *broaden* the scope of treaties (i) by including it *in addition* to the incorporation approach (or more rarely in addition to the seat approach), and (ii) by providing the option to arbitral tribunals to examine the full ownership chain of an investment until a qualifying controlling entity is found (i.e. the control approach does not impose the obligation to continue the enquiry into the nationality of the controller up to the level of the ultimate owner) (UNCTAD, 2011).

When understanding "seat" as the MNE's corporate headquarters, the seat approach would appear to limit treaty coverage to controlling entities and require tribunals to enquire into investor nationality up to the ultimate ownership level. In practice, however, seat is understood in the legal manner as the seat of the entity in question (including an intermediate entity). Accordingly, the seat approach merely requires intermediate entities to demonstrate significant management engagement with the foreign invested company and has not shifted the focus towards ultimate ownership. Moreover, in treaty practice this approach is becoming less common (ILA, German Branch, 2011).

Some more recent treaties add another criterion: they require the covered investor to have *substantial business activities (SBA)* (or sometimes "real economic activities") in the contracting party whose nationality it claims. This approach is typically combined with the incorporation approach or the seat approach. The SBA requirement is much more common in recent treaties (see figure IV.28).

(ii) Denial of benefits clauses

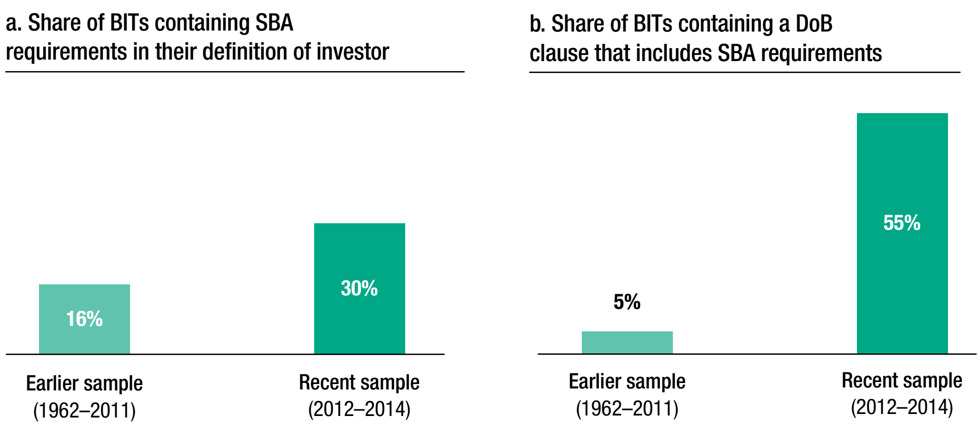
DoB clauses, which are becoming widely used in modern treaty practice, allow the host State to deny the benefits of the treaty to certain corporate entities incorporated in the other contracting party. Specifically, a DoB clause may come into play when the investor is owned or controlled by nationals of a third State or of the host State itself. In DoB clauses this is typically one of a number of cumulative requirements (e.g. the claimant must also lack substantial business activities in the contracting party, i.e. be a "mailbox" company).

(iii) Definition of investment

In addition to describing or listing assets covered, the definition of investment in IIAs typically specifies the nature of the link between the investor and the investment required to qualify for IIA protection and ISDS access (the investor is typically required to own or control the investment). IIAs take different approaches to this question:

- One approach defines investment as assets "owned or controlled, *directly* or *indirectly*, by an investor" of the other contracting party. It expressly permits indirect ownership or control of the investment through multiple or various ownership layers.
- Another approach is silent on the type of link required. Prevailing arbitral interpretation under this approach allows both direct and indirect ownership or control. This is the case in the majority of older IIAs.

Figure IV.28. SBA requirements: treaty practice over time (Per cent)



Source: ©UNCTAD analysis. Data derived from UNCTAD's IIA Mapping Project.

(iv) Definition of ownership and control

Some IIAs define ownership and control, again following different approaches:

- *Ownership*. Some treaties refer to the share of legal ownership rights and define ownership of an enterprise as requiring "more than 50 per cent of the equity interest".
- *Control*. Some treaties leave open or are ambiguous as to whether control can be *legal* (e.g. legal capacity to exercise control over the company) or must be *effective*, resulting in diverging arbitral interpretations. Other treaties provide clear guidance, noting that control must be effective.

c. Key policy challenges and responses

IIAs increasingly circumscribe their coverage in response to three specific challenges: claims brought (i) by entities controlled by a third-country or host-State entity (round-tripping), (ii) by mailbox companies, or (iii) by entities with ownership links to the investment that were purposely created in anticipation of a claim (time-sensitive restructuring). They can do so through more restrictive definitions and through denial of benefits (DoB) clauses. In addition, IIAs can clarify the meaning of effective control, if necessary urging tribunals to ascertain the ultimate owner controlling the relevant investment. To rule out claims by mailbox companies, IIAs can require that claimants have substantial business activities (SBA) and provide indicators for what might constitute SBA. Finally, IIAs can deny ISDS access to entities that have restructured at a time when a dispute had already arisen or was foreseeable. However, only half of the new IIAs (those concluded since 2012) and hardly any of the older IIAs include DoB clauses.

The broad definition of investor typically contained in IIAs, combined with the complexity of ownership and control in corporate structures and the ease of incorporation in many jurisdictions, results in a situation in which the actual coverage of a particular IIA may be far larger than initially anticipated. Table IV.7 summarizes the challenges and indicates the policy responses developed in IIAs. Some of these challenges resemble issues that have also been dealt with in the international tax community; the OECD Base Erosion and Profit Shifting (BEPS) outcome can provide useful background (box IV.10).

Table IV.7. Complex ownership structures: IIA challenges and policy responses

Challenges	Policy responses
	Excluding treaty coverage/denying access to treaty benefits for…
Indirect ownership (e.g. round-tripping)	Corporate entities effectively controlled by a host-State or third-country entity
Mailbox companies	Corporate entities without SBA ("mailbox" companies)
Time-sensitive restructuring	Corporate entities with ownership links to the investment that have resulted from restructuring in anticipation of potential disputes with the host States ("time-sensitive restructuring")

Source: ©UNCTAD.

(i) Corporate entities effectively controlled by a host-State or third-country entity

As illustrated above, about one third of ISDS claims are filed by entities that are ultimately owned by parent companies in countries that are not party to the treaty on which the claim is based. Some recent IIAs have narrowed the scope of IIA protection by explicitly excluding investors that are owned or controlled by third- or host-State nationals. IIA negotiators have a number of policy options to this end (figure IV.29).

First, IIAs can limit protection to investments and investors owned or *effectively* controlled by nationals of a contracting party, either through the definition of investment and investor clauses (e.g. Macao, Special Administrative Region (SAR)–Netherlands BIT (2008)), or by way of reserving the right to deny benefits.

Box IV.10. Complex ownership structures and BEPS: relevance for IIAs

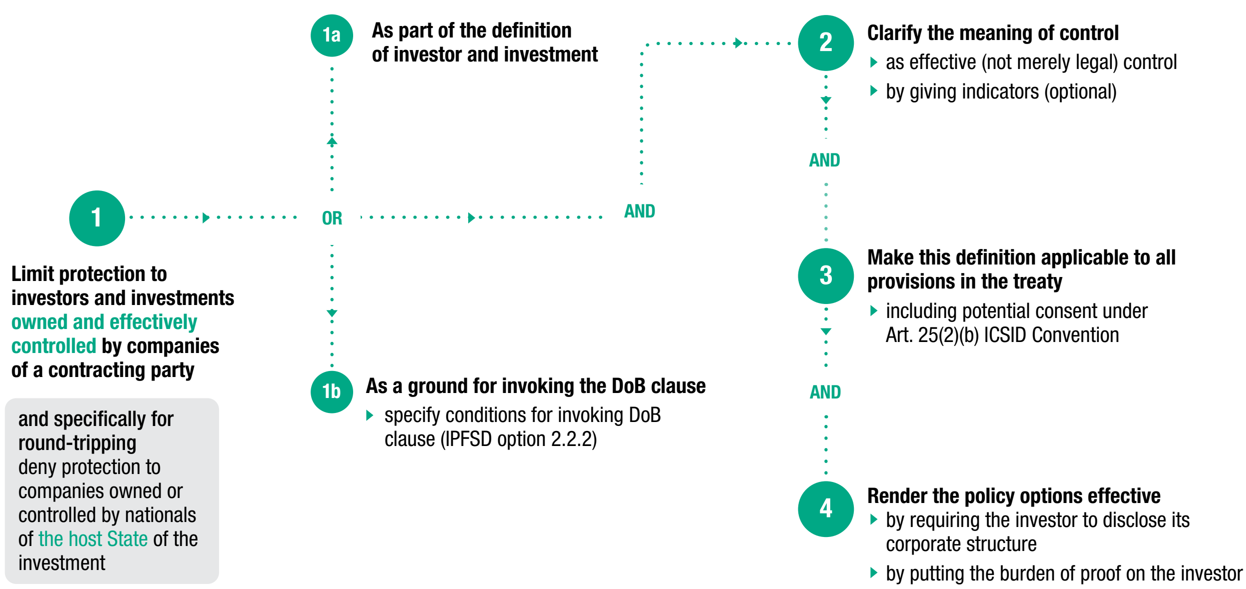
Tax policies are a major determinant of complexity in MNE ownership structures. As a result, recent efforts to improve international taxation and tackle tax avoidance by international investors, in particular the OECD Base Erosion and Profit Shifting (BEPS) project (and the BEPS Action Plan promoted by the G20) have grappled with many of the issues facing international investment policymakers today. Key elements in the final BEPS recommendations published in 2015 that are relevant for IIAs in the context of complex ownership issues fall under two actions:

- *Action 3: CFC Rules.* Controlled foreign company (CFC) rules apply to foreign companies that are controlled by shareholders in the parent jurisdiction. The BEPS recommendations set out how to determine when shareholders have sufficient influence over a foreign company for that company to be a CFC. Regarding the definition of control, the BEPS recommendations focus on two elements: (i) the type of control that is required and (ii) the level of that control. They recommend a control test that includes at least legal and economic control, and note that countries could supplement this with a de facto control test or a test based on consolidation for accounting purposes. Regarding level of control, the BEPS project recommends treating a CFC as controlled when residents (including corporate entities, individuals or others) hold more than 50 per cent of shares. The recommendations note, however, that countries may set their control threshold at a lower level. The BEPS project recommends using one of three approaches to aggregate shareholders for purposes of the control test: an "acting-in-concert" test, aggregation of related parties or a concentrated ownership test. The recommendations state that CFC rules should apply when there is either direct or indirect control.
- *Action 6: Preventing treaty abuse.* To prevent the use of mailbox companies, the BEPS project recommends including in treaties (i) a statement on the intention to avoid opportunities for non-taxation, (ii) limitations-on-benefits (LOB) rules limiting the availability of treaty benefits to entities that meet certain criteria and (iii) a general anti-abuse rule based on the principal purpose test. Regarding LOB to avoid treaty abuse, the BEPS project proposes a series of tests to determine whether an entity is eligible for treaty benefits. The tests are based on characteristics such as legal structure, ownership or activities, ensuring a link between the entity and the residence state. The LOB rules are to be included in the OECD model tax treaty. A simplified version of the LOB rule is also proposed, combined with a general "principal purpose test" to capture cases not caught by the simplified rule. The latter test states that treaty benefits can be denied when it is reasonable to conclude that obtaining treaty benefits was one of the principal purposes of any arrangement that resulted directly or indirectly in that benefit (e.g. when the principal purpose of an intermediate entity is to obtain coverage under a treaty).

Importantly, the LOB rule contains provisions dealing specifically with indirect ownership; the indirect ownership rule would require that each intermediate owner of the entity being tested be a resident of either contracting State (i.e. all intermediate entities in an ownership chain would need to be eligible for treaty benefits). The indirect ownership rules are bracketed: countries may consider this indirect ownership requirement to be unduly restrictive and prefer to omit such a rule in the treaties or treaty models.

Source: OECD (2015b and 2015c).

Figure IV.29. Indirect investments and round-tripping: IIA options



Source: ©UNCTAD analysis.

However, as indicated above, in stipulating the criteria of effective control by nationals of a contracting party, IIAs generally do not intend to limit qualifying investors to ultimate owners or parent companies only. The purpose of provisions requiring effective control is usually merely to avoid investors gaining access to treaty benefits through artificial corporate structures and entities without substance. Whereas there are specific policy options for dealing with mailbox companies (discussed separately below) a particular challenge resulting from indirect ownership structures is the case of investment round-tripping (i.e. investment effectively or ultimately owned or controlled by a *host* State beneficiary). Some ISDS claims have been filed by entities controlled by a host State national. This raises questions related to the customary international law (CIL) principle that a national cannot bring international action against its own State. Arbitral opinions diverge in their approaches to these situations.

In order to avoid coverage for round-tripping investment in particular, IIAs can require effective *foreign* ownership and/or control (i.e. by the contracting parties other than the host state) or deny benefits to entities owned or effectively controlled by *host*-State nationals.

A second step, which brings additional predictability, is to clarify the meaning of effective control (box IV.11). When choosing indicators or criteria for effective control, policymakers need to strike a balance between objectivity and sensitivity to different circumstances.

Box IV.11. Clarifying the meaning of effective control

Policymakers seeking to clarify the meaning of "effective control" can find guidance in certain IIAs and decisions by arbitral tribunals. They may also be inspired by the controlled foreign companies (CFCs) rules proposed in Action 3 of the BEPS recommendations.

Some IIAs have clarified what is meant by effective control by providing a non-exhaustive list of factors to be considered by tribunals. They include factors such as owning more than 50 per cent of the entity's capital or equity participation, voting rights that allow for a decisive position in the entity's managing bodies and the right to select or exercise substantial influence over the selection of the entity's managing bodies. In the context of the definition of effective control, legal factors (voting rights, right to select members of the entity's managing bodies) are relevant, but not necessarily sufficient for the tribunal to find the existence of control (which will depend on the circumstances of the case).

Arbitral interpretations also provide guidance on the meaning of effective control. Tribunals have considered that majority shareholdings would normally imply the existence of control (see e.g. *Aucoven v. Venezuela* (2001)).[a] Tribunals have also inquired into effective control in cases where ownership did not lead to a straightforward answer (in *Pac Rim v. El Salvador* (2012)).

When deciding on the existence of effective control, tribunals have considered a variety of factors, including:

- The ability to effectively decide and implement the key decisions of the business activity of an enterprise (e.g. initiate the investment operation, authorize expenditures, approve budget and dividend payment, decide on branding and marketing strategy, receive reports on the controlled entity's activities)
- Participation in the day-to-day management of the entity (e.g. conduct of meetings on behalf of the company; being the effective addressee of relevant correspondence – such as legal advice – regarding the company's operations); appearance of being the effective decision maker in minutes from management body meetings
- Access to know-how (e.g. access to technology, supplies and machines, selection of the suppliers, expertise regarding the expected return on the investment); access to capital (such as initial expenditures)
- Authoritative reputation

(See e.g. *Philip Morris v. Australia* (2015), *Vacuum Salt v. Ghana* (1994) (contract-based case, but relevant for the definition of foreign control under Art 25(2)(b) ICSID Convention), *Thunderbird v. Mexico* (2006), *Caratube v. Kazakhstan (I)* (2012), *CECFT v. Gabon* (2005) (contract-based case).

On occasion, tribunals have also pierced through corporate layers to ascertain the ultimate corporation or national entity controlling the relevant investor or investment (e.g. *TSA Spectrum v. Argentina* (2008), *National Gas v. Egypt* (2014)).

Source: ©UNCTAD.
[a] However, this presumption can be rebutted (as in Caratube v. Kazakhstan (I) (2012)).

Given the cross-cutting relevance of the concept of control in IIAs, any definition of control that is adopted in an IIA – whether in the scope and definition, or DoB or any other provision – should be applicable to *all* clauses contained in that IIA. This would also extend to the meaning of "foreign control" under Article 25(2)(b) of the ICSID Convention, if the IIA contains such a jurisdictional clause.

Finally, policymakers can decide to render these options more effective by requiring investors to disclose their corporate structure and/or by allocating the burden of proof of effective control to the investor. Both can help remedy the information asymmetry between the investor and the respondent State.

With respect to disclosure, no IIA has such requirements related to corporate structures. Disclosure mechanisms used in the context of BEPS (Action 12) could provide useful guidance to investment policymakers.[28] As far as the DoB clause is concerned, the general rules on burden of proof would require the party invoking the clause – i.e. the respondent (host) State – to prove the facts. However, tribunals have asked the investor to provide evidence that it is entitled to benefits (Lee, 2015). Consideration could be given to build on such practice and to include a specific reference in the DoB clauses of IIAs for claims allegedly involving mailbox companies and round-tripping investment.

(ii) Corporate entities without SBA (mailbox companies)

Of the ISDS claims filed by claimants whose ultimate owners have a different nationality, more than a quarter do not engage in SBA in the country whose nationality they claim (for cases initiated between 2010 and 2015). In other words, they are mailbox companies (figure IV.27). Arbitral tribunals mostly concur in their approach to mailbox companies acting as claimants: unless the treaty contains a SBA or similar requirement, mailbox companies incorporated in the other contracting party have been recognized as protected investors, even if they are owned or controlled by host-State or third-State nationals (unless they were inserted into the ownership chain after the dispute arose or in anticipation of such a dispute, as discussed in the next subsection).

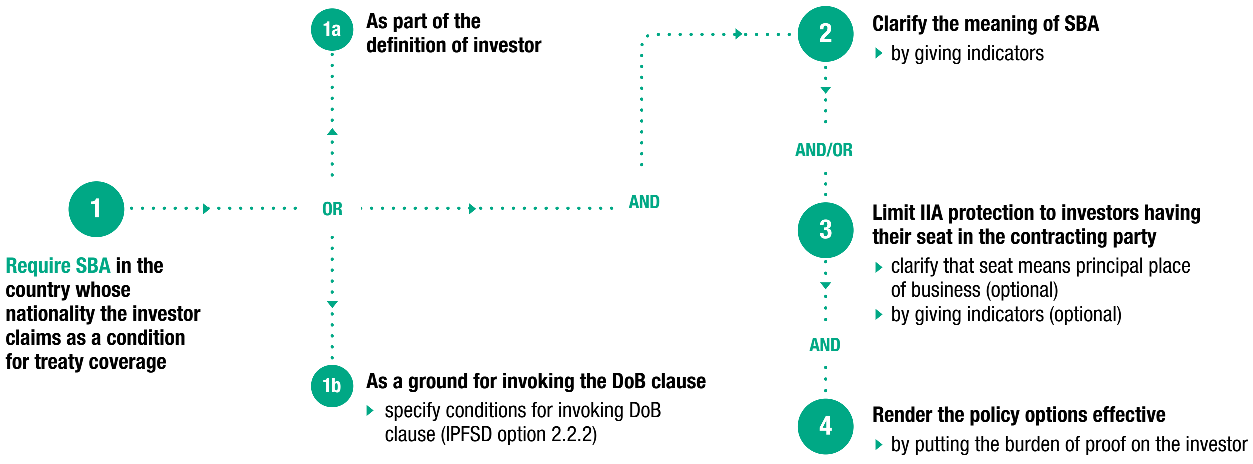
Some recent IIAs that require SBA in order to benefit from treaty protections reflect an emerging policy response. Comparing treaties over time shows that this approach is becoming more frequent: whereas earlier BITs required SBA in their definition of investor clause in only 16 per cent of analyzed treaties, the share rises to 30 per cent in the sample of recent BITs (those concluded since the launch of UNCTAD's Policy Framework, which includes this policy option; see figure IV.28). In addition, 55 per cent of recent BITs contain DoB clauses with a SBA requirement, as compared with a mere 5 per cent of earlier BITs.

In order to preclude mailbox companies from using ISDS, IIA negotiators have a number of options. Figure IV.30 summarizes the policy options, some of which can be found in recent treaty practice.

The first option, which has already made its way solidly into treaty practice, requires a company to engage in SBA in order to qualify for protection under an IIA (Feldman, 2012). If included in the "definition of investor" clause (e.g. in the Canada–EU CETA (negotiations concluded) and the Iran–Japan BIT (2016)), the SBA requirement is a necessary condition for an investor to benefit from IIA protection. If included in the DoB clause (e.g. as in the ECT (1994) and the Canada–Republic of Korea FTA (2014)), the SBA requirement becomes relevant only if the defending State invokes the DoB clause.[29]

A second step, bringing additional predictability, is to clarify the content of SBA (box IV.12). When choosing indicators or criteria for SBA, policymakers need to strike a balance between objectivity and sensitivity to different circumstances. Purely objective criteria, e.g. minimum years of establishment, bring predictability and clarity but also risk being perceived as unduly rigid.

Figure IV.30. Mailbox companies: IIA options



Source: ©UNCTAD analysis.

Another set of options builds on the fact that such mailbox companies typically would not qualify as the seat of corporate structures (a company's seat implies the location of real operations, e.g. of administrative or managerial nature). In the absence of other options, taking the "seat approach" – i.e. conditioning IIA coverage on an investor having its seat in a contracting party (as in the Afghanistan–Germany BIT (2005) and the Albania–France BIT (1995)) can help preclude coverage of mailbox companies. Defining the seat as or referring directly to the "place of management", as done in the BLEU–United Arab Emirates BIT (2004) or the ASEAN Agreement for the Promotion and Protection of Investments (1987), can help make this option effective.

Finally, policymakers may decide to render both of the above options more effective by allocating the burden of proof to the investor (i.e. in case of doubt, the investor is required to prove that it has SBA or an effective seat).

(iii) Corporate restructuring in anticipation of potential disputes ("time-sensitive restructuring")

Some investors engage in restructuring specifically for the purpose of bringing an ISDS case (sometimes in anticipation of a disadvantageous government action). Host States regularly contest the permissibility of such corporate transactions as a means to gain access to IIA rights. Arbitral tribunals have considered this issue as early as in 2005 (*Aguas del Tunari SA v. Bolivia* (2005)). Since then this issue has become increasingly common in ISDS cases. Of the 78 cases in which jurisdiction was denied (between 2000 and 2015), time-sensitive restructuring was an issue in at least 8.

The most recent and prominent example is the jurisdictional decision in *Philip Morris v. Australia* (2015). In that case, the Hong Kong–based claimant, Philip Morris Asia Ltd, had acquired all the shares in an Australian company that wholly owned another Australian company, Philip Morris Ltd (PML). PML was the holder of the allegedly expropriated rights, acquired from a Swiss-incorporated company that is part of the Philip Morris group (Switzerland does not currently have an IIA with Australia). The tribunal considered that the commencement of the arbitration shortly after the claimant's restructuring in Hong Kong (China) constituted an abuse of rights and declined jurisdiction.

Arbitral interpretations on these issues have evolved – with time – into an increasingly consolidated approach: structuring an investment in order to take advantage of IIAs concluded by the host State is generally acceptable. However, restructuring leads to a denial of jurisdiction if at that time the dispute already existed or to an abuse of rights if it was sufficiently foreseeable by the investor (Baumgartner, forthcoming).[30]

IIA negotiators have two main options to deny treaty protection in case of time-sensitive restructuring (figure IV.31). Recent IIAs and negotiating documents offer initial responses to build on.

First, IIAs can deny ISDS access to entities that have restructured themselves to gain such access at a time when a dispute had already arisen or was foreseeable (e.g. as in the EU–Viet Nam FTA (negotiations concluded) and the EU's November 2015 TTIP proposal). In distinguishing between good faith restructuring and abusive practices, focusing on the objective criterion of time is preferable to focusing on the main goal or purpose of the restructuring (as included in the EU–Viet Nam FTA (negotiations concluded), the EU's November 2015 TTIP proposal and India's December 2015 model BIT). This helps overcome the problem of establishing the purpose or goal of structuring a corporation, which is an inherently subjective enquiry (and which can be rendered moot by invoking additional, e.g. tax, reasons for the restructuring). This policy option can be pursued through a specific provision or through the DoB clause (then also specifying conditions for invoking the DoB clause; see earlier discussion).

Box IV.12. Clarifying the meaning of substantial business activities (SBA)

Policymakers seeking to clarify the meaning of SBA can find guidance in existing IIAs, model treaties and decisions by arbitral tribunals. They may also be inspired by initiatives in other policy areas grappling with similar concerns stemming from complex ownership structures, notably the OECD's BEPS plan, which in Action 6 of its recommendations suggests options for limitations on benefits.

Thus far, only a few IIAs clarify the meaning of SBA. These IIAs are typically negotiated in a specific context (e.g. the China–Hong Kong, SAR CEPA (2003), the China–Macao, SAR CEPA (2004)) and include clarifying indicators in the "rules of origin" for trade in services (covering such trade through commercial presence (Fink and Nikomborirak, 2007)). General indicators include factors related to:

- The entity's business itself (the nature and scope of business, number and type of clients and contracts, amount of sales, turnover from tax returns, payment of profit tax under local law, years of establishment or the requirement to exercise a similar activity in the home as in the host country)
- The entity's employees (the number of employees, share of employees having permanent residence in or nationality of the home country)
- The physical presence of the entity (ownership or rental of premises, costs for maintenance of physical location, phone and fax numbers offered to clients and other third parties for contact with the company)

These IIAs also include sector-specific criteria (e.g. for legal, construction, banking, insurance and other financial services: three or five years of operations; for transportation services: share of ships, calculated in tonnage, registered in the home country). A memorandum from the German Federal Ministry for Economic Affairs and Energy on a model BIT for developed countries with a functioning legal system (BMWi, 2015) provides an indicative list of factors for ascertaining the existence of SBA. They include (i) a recognizable physical presence, (ii) actual economic activities and (iii) a considerable number of employees. This model, as well as the Indian draft model BIT (July 2015 version), also expressly exclude certain activities, such as the passive holding of stock, from the definition of SBA.

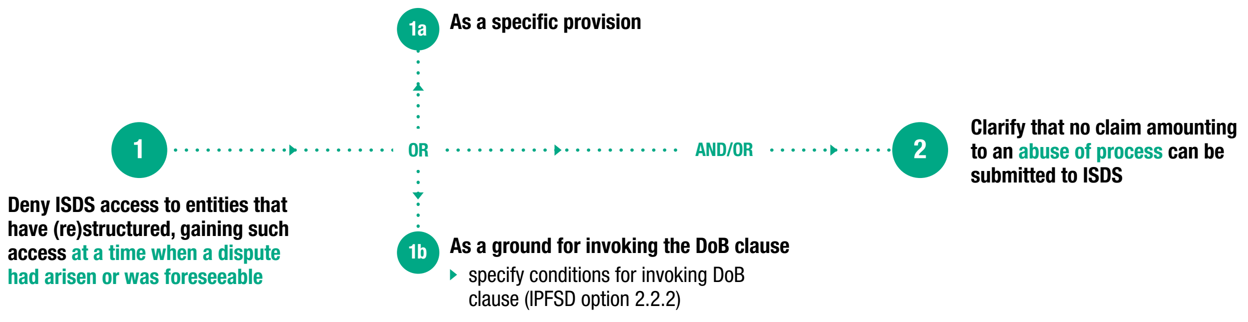
Arbitral tribunals have used indicators for ascertaining the existence of SBA. In the absence of specific treaty language, tribunals have considered:

- The place where the board of directors meets and whether the board's minutes were available (in *Pac Rim v. El Salvador* (2012))
- The existence of a continuous physical presence (in *Amto v. Ukraine* (2008) and *Pac Rim v. El Salvador*)
- The existence of permanent staff (in *Amto v. Ukraine*)
- The active holding of shares in the entity's subsidiaries (in *Pac Rim v. El Salvador*)

Source: ©UNCTAD.

Second, IIAs can explicitly refer to the legal doctrine of abuse of process (derived from the abuse of rights) (e.g. as in the CETA), which tribunals have typically used to deny ISDS access to entities that obtained protection as a result of last-minute corporate restructuring.

Figure IV.31. Time-sensitive restructuring: IIA options



Source: ©UNCTAD analysis.

E. RETHINKING OWNERSHIP-BASED INVESTMENT POLICIES

1. National investment policy: the effectiveness of ownership rules

a. Evaluate where rules and regulations on foreign ownership are fit for purpose

The increasing complexity of MNE ownership networks is largely a natural consequence of globalization. The practical difficulty of determining ultimate ownership of and control over foreign affiliates call into question the effectiveness of some ownership-based investment policies. Policymakers should evaluate the rationale for rules and regulations on foreign ownership and assess their relative effectiveness and "fit-for-purpose" compared with alternative policies (such as competition or industrial development policies), where this is feasible and appropriate. Some countries may require assistance, including by international organizations, to build the necessary regulatory and institutional capacity.

Ownership complexity challenges policy effectiveness

Ownership and control are fundamental concepts in investment policy and investment-related policy areas. They have become basic ingredients for policies aimed at building domestic productive capacity and harnessing the economic benefits of foreign investment; for policies aimed at keeping strategic resources in national hands; for policies protecting sectors with a public service responsibility and basic infrastructure industries; and for national security policies, among others.

The new data presented in this chapter on ownership structures of MNEs and their foreign affiliates, and the review of ownership and control in existing investment rules, lead to new perspectives on ownership-based investment policies. For more than 40 per cent of foreign affiliates worldwide, investor nationality is not what it seems. Affiliates are sometimes directly owned by a foreign company but actually controlled (ultimately owned) by a domestic company; they are often directly owned by a domestic company but actually controlled by a foreign company; they are frequently directly owned by a company in foreign country A but ultimately controlled by a company in foreign country B (see figure IV.11). Moreover, ownership and control are sometimes extremely dispersed – affiliates are owned by direct and indirect shareholders within the same MNE spread across on average three jurisdictions – and investor nationality has become more difficult to ascertain, affecting the practical application of nationality-based policy measures.

Furthermore, ownership is just one means to exercise control, and the relationship between nominal ownership and control is not always linear. As demonstrated in this chapter, even minority ownership stakes can be sufficient to exercise control, through the use of cross-shareholdings, preferential shares or voting blocs. And there are non-equity forms of control (such as contracts and licensing agreements, or control over key inputs, distribution channels, brands, patents, trademarks, etc.) that cannot be deduced from company shareholder registers and often remain invisible to investment authorities and regulators (see *WIR11*).

Yet, the design of many national investment policies is still largely based on a world of predominantly straightforward direct ownership relationships. Since foreign ownership limitations are not a guarantee against foreign control, policymakers have to prevent the circumvention of ownership restrictions and put in place administrative procedures to verify direct and indirect ownership links of foreign invested companies. Such procedures can be costly for States to implement and cumbersome for investors to comply with, to the point of negatively affecting a country's investment climate.

Alternative and complementary policies

The effectiveness of ownership-based investment policies is called into question not only because of the complexity and dispersion of ownership links, and the availability of alternative levers of control for MNEs, but also because ownership-based policies may not be sufficient by themselves to achieve their stated objectives.

In some policy areas, e.g. national security, there is no credible alternative to ownership restrictions (chapter III). However, in other policy areas, alternative or complementary approaches may exist. For example, if the ultimate objective of ownership restrictions is to avoid excessive market power of a foreign investor, competition policy may provide a more suitable solution. If the objective is industrial development and productive capacity building, government procurement, requirements and/or incentives to achieve economic outcomes (to the degree that they are permitted under a country's international commitments), or business linkages programmes may be an alternative. If the ultimate objective of ownership restrictions is to safeguard access to and affordability of public services, then mandatory supply rules, price caps or subsidies for the poor may be alternate solutions. If the goal is to protect domestic cultural heritage, there may be a case for rules on local media content.

Naturally, pursuing alternative policy solutions requires having the necessary regulatory and institutional capacity in place. For example, effective competition policy requires strong laws and sufficient capacity to enforce them; e.g. in order to address crowding-out concerns and prevent large MNEs from capturing a dominant position in a fragmented market. In addition, antitrust authorities must be able to prove that an investment is anti-competitive and prepared to defend their decision before the court. Foreign ownership rules, in contrast, can simply be imposed, do not require justification and must be accepted by investors. Similarly, ownership restrictions may be considered an easier way of dealing with administratively burdensome regulation of private investors providing otherwise public services. Shifting from foreign ownership restrictions to alternative policy options may require developing the necessary administrative and regulatory capacity. Some countries, in particular the least developed countries, may need assistance, including by international organizations, to build the required regulatory and institutional capacity (such as, for example, the capacity building provided by UNCTAD in the area of competition law and policy).

However, using foreign ownership restrictions as an enforcement mechanism for other public policy concerns comes at a cost, especially where foreign investors are needed to supply capital or technology or to provide access to overseas markets, and where domestic owners may lack the capacity to effectively serve or develop the market. The pros and cons of replacing ownership restrictions with alternative policy solutions should hence be evaluated on a sector-specific basis, in light of the existing regulatory framework and the available enforcement capacity.

Fit-for-purpose test

For assessing the viability of alternative policy solutions, policymakers should conduct a "fit-for-purpose test" on ownership-based national investment policy measures, asking two sets of questions:

(1) How functional are ownership-based policies for the ultimate policy objective?

- Is the prevention of foreign control per se the ultimate policy objective, or is it a tool to achieve broader policy objectives?
- To what extent are existing ownership restrictions achieving their stated objectives?
- Are there alternative, more direct policy tools available to achieve the objective? What are the relative costs and benefits of such alternatives as compared with ownership-based policies?

(2) What is my country's implementation capacity?

- What capabilities are there for the analysis of ownership chains, shareholding structures and complex control transfer arrangements or non-equity modes of control of existing investors?
- What are the capacities for administering and enforcing alternative policy approaches, such as competition laws or sector-specific regulations?
- What is my country's capacity to synergize competition, tax and other authorities?

b. Improve disclosure requirements and approval procedures

Where ownership-based policies are considered necessary, investment authorities can improve disclosure requirements to assess ownership chains and ultimate ownership. They should be aware of the administrative burden this can impose on public institutions and on investors. Synergies with other agencies in policy areas that investigate ownership chains, such as competition authorities and tax authorities, should be exploited.

Rules and regulations on foreign ownership will continue to play a significant role in national investment policies. As shown in section D, policymakers have a range of options to safeguard the effectiveness of ownership rules – to avoid circumvention of restrictions, to prevent de facto foreign control and to preclude unwarranted access to benefits exceptionally reserved for foreign investors by nationals. The examples of mechanisms that have been put in place by countries illustrate the key elements of the policy response to complex ownership:

- Clarify the objectives of ownership rules. Where the objective is the prevention of foreign control, broaden the scope of screening and approval procedures or ownership reviews beyond direct shareholdings to include complex shareholding structures and non-equity relationships.
- Strengthen procedures for discovery of ownership chains and ultimate ownership and introduce more stringent disclosure requirements, including (where relevant for round-tripping) of ultimate beneficial owners.
- Strengthen measures aimed at preventing circumvention of ownership rules, including anti-dummy laws and general anti-abuse measures.

The mechanisms described in section D also make clear that the application of rules and regulations on foreign ownership can make approval procedures increasingly onerous. Policymakers should aim to apply these procedures more selectively to minimize the administrative burden and costs for the State and the investors. They should consider, e.g.

- Rationalizing approval procedures where there are no ownership limitations. The costs and benefits of such additional procedures over and above normal business registration processes should be evaluated.
- Introducing thresholds (e.g. minimum foreign equity stake and/or investment value) for approval procedures.

It should be noted that, for MNEs, strengthened disclosure requirements on full ownership structures up to ultimate owners may constitute a relatively limited additional administrative burden. For them, the trend towards greater transparency is already a reality in some policy areas and in many jurisdictions, and is becoming part of the cost of doing business in a "new normal". The impact of increased transparency on ultimate beneficial ownership will be more strongly felt among individual owners and corporations acting as a vehicle for private wealth.

Finally, governments investigate ultimate ownership and control also in other investment-related policy areas. These include fiscal policy, competition policy and policies dealing with illicit financial flows. Tax policy looks at ownership structures to evaluate international transfers and to assess withholding taxes. Competition policy is concerned with ownership links (potentially leading to collusion) between different players in the market; and illicit financial flows need to be traced to ultimate beneficial owners to be tackled or sanctioned effectively. These policy areas have in common that, by their nature, they often examine the extended ownership structure of legal entities with foreign participation, often up to ultimate and beneficial owners. Investment authorities are not alone in dealing with the challenges associated with complex ownership of affiliates. There are potential synergies from information sharing and in the imposition of disclosure requirements. Realizing such synergies, using a single-window approach, is important in the context of global efforts to facilitate international investment in productive assets (UNCTAD's Investment Facilitation Package, chapter III).

2. International investment policy: the systemic implications of complex ownership

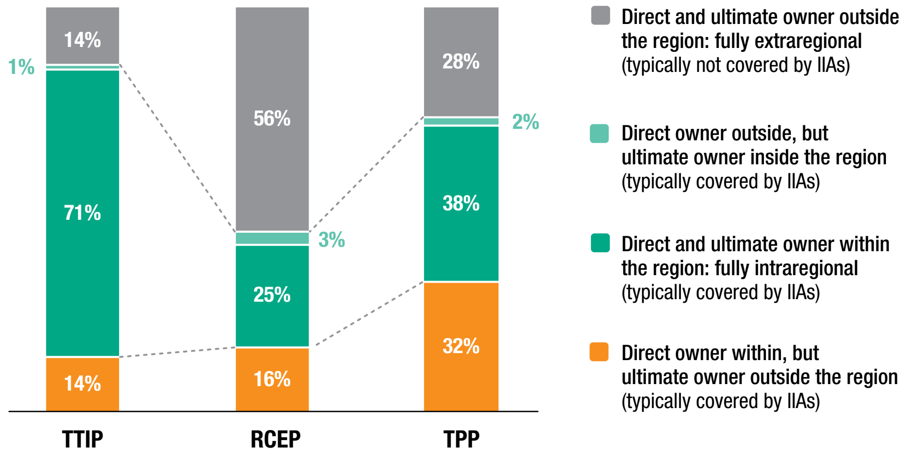
a. Anticipate the multilateralizing effect arising from ownership complexity

At the international level, policymakers should be aware of the de facto multilateralizing effect of ownership complexity. The broad definition of investors/investments in investment treaties, combined with the extensive networks of affiliates of large MNEs and the ease of establishing legal entities in many jurisdictions, significantly extend the protective coverage of IIAs. This is highly relevant also for regional treaties and treaty negotiations: between one seventh (TTIP) and one third (TPP) of apparently intraregional foreign affiliates in major megaregional treaty areas are ultimately owned by parents outside the region, raising questions as to the ultimate beneficiaries of these treaties.

The notions of ownership and control have systemic relevance for the IIA universe and its coverage of FDI. The broad investor definition typically contained in IIAs, combined with the complexity of corporate structures, the ease of incorporation in many jurisdictions and the relative ease with which ownership structures can be changed, reveal that the actual coverage of a particular IIA could be far larger than initially anticipated. Essentially, as long as a country has one (broadly worded) IIA, an investor from any country could potentially benefit from that IIA by structuring its investment into the country concerned through an entity established in the other contracting party.

Investors can engage in "treaty shopping" based on existing treaties. In addition, new treaties provide protection to existing corporate structures, thus covering existing investments that may be ultimately owned by investors in third countries. For many countries this is not a cause of concern because they consider that, independent from their ultimate ownership, these investments provide economic benefits (e.g. paying taxes, creating employment, generating exports) like any other domestic or contracting-party owned investment. However, third-party ultimate ownership may give rise to "free-riding" or strategic concerns; and such free-riding can be significant. For example, a substantial share of foreign affiliates in major megaregional treaty areas that at the direct ownership level appear to be intraregional are ultimately owned by parents outside the region, i.e. the benefits of the treaty in question accrue (or would accrue) also to third parties (figure IV.32).

Figure IV.32. **Ownership of foreign affiliates in TTIP, RCEP and TPP**
Origin of direct and ultimate owners of foreign affiliates



Source: ©UNCTAD analysis based on Orbis data (November 2015).

When negotiating new treaties, negotiators generally do not evaluate the ownership patterns of MNEs in the territories of the contracting partners. They also tend not to take explicitly into consideration the ease with which companies can be incorporated in treaty-partner jurisdictions. As a result, protection may be offered to a much larger pool of companies than anticipated. This issue becomes even more important when negotiating treaties with pre-establishment provisions.

b. Engage in international collaboration to reduce uncertainty about IIA coverage

Policymakers should aim to avoid uncertainty for both States and investors about the coverage of the international investment regime and its multitude of bilateral, regional and megaregional treaties. International collaboration could aim to build a common understanding of "effective control" and a common set of criteria for substantial business activity and for identifying the origin of investors, as a basis for a more consistent interpretation of investment rules and treaty coverage, and as an integral part of global efforts to facilitate international investment.

In the absence of a multilateral approach to investment rulemaking, the challenges arising from ownership complexity will persist. Section D described a number of options that IIA negotiators have adopted in recent treaties to address the most pressing issues stemming from complex ownership structures: round-tripping, mailbox companies and time-sensitive corporate restructuring. These options

- Limit protection to investors and investments effectively controlled by companies of a contracting party.
- Require SBA in the country whose nationality the investor claims as a condition for treaty coverage.
- Strengthen DoB clauses to deny protection to investors without SBA, investors ultimately owned by host-State nationals and investors that engaged in restructuring for the purpose of obtaining treaty coverage.

With the multitude of options available to IIA negotiators to use alone or in combination, treaties will continue to incorporate diverging practices. Adding the varying interpretations by arbitral tribunals, there is a risk of persistent uncertainty as to the coverage of treaties.

A first step towards more consistent interpretation of investment rules could be collaborative efforts at the international level, with the support of international organizations, to find a common understanding of “effective control” and a common set of criteria for SBA and for identifying the origin of investors. Such efforts would resemble recent progress made in the area of international taxation, where similar issues resulting from complex ownership structures have been addressed (see box IV.10 in section D) in work on preventing the granting of treaty benefits in inappropriate circumstances.

Such an understanding could be reflected in new treaties or form the basis of an interpretative statement for existing treaties. Both could help reduce uncertainty for States and investors as to the coverage of the IIA regime and complement efforts to improve the global investment policy environment.

* * *

In conclusion, the overarching objective of investment policy is to make investment work for sustainable development, maximizing its benefits and minimizing its negative effects. Complex ownership structures call into question the effectiveness of ownership-based policy tools widely used for this purpose, both nationally and internationally. This requires a re-evaluation of these tools for the pursuit of the common goal.

One approach is to improve the application of ownership-based regulations by enhancing disclosure requirements and procedures to identify the ultimate owner of an investment. Another approach is to replace, where feasible and appropriate, ownership-based regulations with other policies such as competition, taxation, industrial development, public services or cultural policies. It is important to find the right policy mix, effective and proportionate. Whichever approach is chosen, a balance between liberalization and regulation must be found in pursuing the ultimate objective of promoting investment for sustainable development.

To help policymakers chart a way forward, WIR16 provides insights on the global map of ownership links in MNEs, and on how national and international policymakers around the world can respond to the challenges posed by complex ownership structures. The new data, empirical analysis, and policy responses presented here can inspire further research to support better informed policy decisions. They also make a strong case for targeted technical assistance and capacity building, and for more international consensus-building. UNCTAD will continue to support these efforts.

NOTES

[1] Ownership links looking upward from corporate parents, i.e. including beneficial ownership, have been examined in other studies with different research objectives, e.g. aiming to establish the level of concentration of corporate control (La Porta et al., 1999; Glattfelder, 2010), or aiming to show relationships between business groups such as in Japanese keiretsu or in Korean chaebol groups (Prowse, 1992; Gedajlovic and Shapiro, 2002; Chang, 2003).

[2] Other common constructions used to separate legal and economic rights include foundations, which may exercise legal control and issue certificates embodying economic rights. Foundations are, again, rare in the internal ownership structure of MNEs, and more commonly used by individual/family owners.

[3] Empirical studies indicate that in most countries corporations tend not to skew voting rights, maintaining the one-share-one-vote principle which states that ownership percentages yield identical percentages of voting rights (La Porta et al., 1999; Deminor Group, 2005; Goergen et al., 2005; Glattfelder, 2010).

[4] Based on a screening of over 80,000 examples of complex MNE ownership structures, less than 1 per cent display instances of cross-shareholdings. Where cross-shareholdings exist in the internal ownership structures of MNEs they are generally not considered desirable by the MNE itself; they can be the result of unforeseen commercial or legal circumstances and past M&A transactions. There have also been instances of affiliates purchasing shares in listed parents to support the stock price or in share buy-back schemes, resulting in cross-shareholdings.

[5] There is a significant body of literature on cross-ownership relations: La Porta et al. (1999); O'Brien and Salop (1999); Claessens and Djankov (2000); Dore (2002); Chapelle (2005); Gilo et al. (2006); Almeida et al. (2007); Trivieri (2007).

[6] The first set of affiliates can be identified directly in Orbis by setting ownership thresholds at 50 per cent. The second set of affiliates cannot be derived directly in Orbis but has been generated here following the aggregation methodology developed in Rungi et al. (2016).

[7] The number of this group varies depending on an exogenously determined "probability threshold". A level of probability that an alternative voting bloc could emerge, however unlikely, has to be accepted. For the set of companies identified here the probability of control of Top 100 parents is higher than 50 per cent. This set has been excluded from the analyses in this section. The control-probabilities method for the calculation of corporate boundaries is developed in Rungi et al. (2016).

[8] Lewellen and Robinson (2013) find that historical coincidence is a statistically significant determinant of ownership complexity. With the database used for the analysis in this chapter it is not possible to fully test this hypothesis (although some observed, overly complex and chaotic ownership structures seem to support it). Unlike Lewellen and Robinson, who use data at the group level, this chapter uses data at the individual affiliate level, where the information available is the date of incorporation of each affiliate and not the date on which the affiliate was actually annexed to the group. In the context of the largest MNEs, which actively acquire affiliates through M&As, this is a critical limitation.

[9] See Bartlett and Ghoshal (1990); Bartlett and Beamish (2011).

[10] Several studies analyze the relationship between MNEs effective tax rate and presence of affiliates in OFCs (e.g. Desai et al., 2006a; Desai et al.,2006b; Maffini, 2009); for an extensive literature review, see Fuest and Riedel (2009). *WIR15* focuses on the impact of FDI through OFCs for host countries' domestic revenues.

[11] Huizinga and Voget (2009) show evidence on tax as a determining factor behind the choice of parent entity in cross-border mergers. Other studies confirm the importance of tax as a driver for corporate structures. Lewellen and Robinson (2013) find that tax motives feature prominently as determinants of ownership structures.

[12] The relevance of international investment treaties, specifically BITs, is also confirmed by Lewellen and Robinson (2013) showing that affiliates located in countries with more extensive investment treaty networks are more likely to be owners.

[13] The evidence of the increasing complexity of MNE ownership structures is confirmed by other studies. Based on a large sample of United States MNEs, Lewellen and Robinson (2013) document that the average complexity of complex MNEs has been increasing since 1994, although the share of complex MNEs has decreased (the distribution curve has become steeper). This work is particularly relevant to the discussion in this chapter as it explores complexity in the ownership structure of firms' operations abroad. "Complex" MNEs in this study are measured by cross-border links between their foreign affiliates. The analysis shows that the number of complex MNEs has declined from 52 per cent of the sample in 1994 to 45 per cent in 2009; at the same time, the share of assets organized in chains for complex MNEs has increased from 40 per cent to 60 per cent over the same period; similarly the average chain length increased, from 2 to 2.5.

[14] See http://ec.europa.eu/taxation_customs/taxation/company_tax/anti_tax_avoidance/index_en.htm for the proposed anti-avoidance package.

[15] The top-down approach is followed in many major studies of corporate groups, including some using firm-level data, e.g. La Porta et al. (1999); Altomonte and Rungi (2013); Lewellen and Robinson (2013); Altomonte et al. (2014). For a literature review, see also Khanna and Yafeh (2007).

[16] GUOs are reported by Orbis as part of the ownership information provided at the firm level. Above the corporate GUO there may be non-corporate owners, fragmented ownership or unknown shareholders due to a break in the ownership information. (The latter case is common when GUOs are in tax havens, where information on shareholders is typically not available.) In cases where no shareholder reaches a majority stake, the GUO is not defined and the company is excluded from the perimeter of analysis. A strict majority condition for ownership reflects a conservative approach: it restricts the analysis to companies with unique direct and ultimate owners. Some ownership complexities may therefore be lost. However, in the vast majority of cases (about 90 per cent) corporate ownership follows a strict majority ownership path, so the impact is limited.

[17] This approach differs conceptually from the definition of foreign affiliates normally used in FDI and foreign affiliates statistics (FATS), which is based on foreign ownership of 10 per cent or more. The standard definition, due to its low threshold, is likely to be slightly more expansive. However, given the predominance of relatively simple direct shareholding structures in practice, the results coincide almost completely.

[18] Because the objective of the analysis is different, the relevant perimeter of foreign affiliates for the analysis of the direct shareholder level differs from the one used to compute the mismatch index. In this subsection, the set of foreign affiliates is not based on the nationality of the ultimate owner but only on the characteristics of the direct shareholders; a foreign affiliate is defined as any entity with an aggregate direct foreign share above 10 per cent. This definition of foreign affiliates includes all cases 2 and 3 in the ownership matrix and does not fully exclude cases 1 and 4. The choice to depart from the 50 per cent plus threshold allows the inclusion of a larger number of relevant cases, characterized by fragmented direct shareholder structures. For the same reason, this analysis also relaxes the condition of fully corporate direct shareholders, allowing also for mixed ownership between corporate shareholders and other types of shareholders, e.g. individuals and/or families (the share of mixed cases is limited, at about 15 per cent).

[19] The 20 per cent threshold is in line with International Accounting Standard provisions related to Investments in Associates and Joint Ventures, which establish that an entity exerts significant influence on the investee if it holds directly or indirectly 20 per cent or more of the voting power. The notion of "significant influence" defines the scope of investment in associates and joint ventures: "Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies". The same 20 per cent threshold is also generally used in other studies on JVs; e.g. Dhanaraj and Beamish (2004).

[20] This picture differs notably from other studies in the field that assign a far more prominent role to banks and financial institutions in the ownership and control of international production. That is because this chapter describes the ownership relationships within MNEs, where industrial companies play a leading role, whereas others target ultimate beneficial ownership, where institutional investors and financial institutions necessarily end up with the lion's share. See Glattfelder (2010).

[21] The bottom-up approach yields a distribution of GUOs by number of foreign affiliates that is highly skewed toward the simplest one-company-one-GUO ownership structure, corresponding to almost 70 per cent of GUOs. A small share of very large GUOs (0.5 per cent with more than 100 foreign affiliates) control a significant share of foreign affiliates (30 per cent of the total). These findings are consistent with the results discussed in section B, derived through the top-down approach.

[22] See the World Bank's Investing Across Borders database.

[23] Ownership-related policies refer to all measures under "Entry and establishment" in the UNCTAD Investment Policy Monitor database. "Entry and establishment" includes the sub-categories "Ownership and control", "Access to land", "Approval and admission", and "Other". The sources can be found on UNCTAD's Investment Policy Hub (see http://investmentpolicyhub.unctad.org).

[24] In practice, however, such rules have not stopped partnerships such as those between Alitalia and Etihad, in which Etihad owns 49 per cent of the venture; without its backing the Italian venture may not have survived.

[25] See also UNCTAD (2015d).

[26] Also the World Trade Organization (WTO) General Agreement on Trade in Services (GATS), covering trade in services through commercial presence, focuses on direct ownership and does not consider ultimate ownership.

[27] The "control" approach is typical in Dutch IIAs and used in some Austrian, French, Swedish and Swiss IIAs.

[28] Certain IIAs contain transparency provisions for investors, with varying degrees of robustness or stringency. Some IIAs (e.g. NAFTA (1994), Republic of Korea-Viet Nam (2015), TPP (2016)) reserve the host State's right to request information concerning an investment, after its establishment, for informational or statistical purposes. Other IIAs (e.g. Azerbaijan–San Marino (2015); Azerbaijan–Croatia (2008)) contain more demanding provisions that reserve the host State's right to seek information from potential investors (or their home State) regarding their corporate governance history and practices.

[29] It is important to specify the time frame within which the host State can invoke the DoB clause (see option 2.2.2, UNCTAD Policy Framework, 2015).

[30] *Phoenix Action v. Czech Republic* (2009), *Mobil v. Venezuela* (2010), *Pac Rim v. El Salvador* (2012), *Philip Morris v. Australia* (2015).

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ANNEX TABLES

List of annex tables available on the UNCTAD website, www.unctad.org/wir

Annex table 1. FDI flows, by region and economy, 2010–2015 (Millions of dollars)

Region/economy	FDI inflows						FDI outflows					
	2010	2011	2012	2013	2014	2015	2010	2011	2012	2013	2014	2015
World[a]	1 388 821	1 566 839	1 510 918	1 427 181	1 276 999	1 762 155	1 391 918	1 557 640	1 308 820	1 310 618	1 318 470	1 474 242
Developed economies	699 889	817 415	787 359	680 275	522 043	962 496	983 405	1 128 047	917 783	825 948	800 727	1 065 192
Europe	431 688	478 063	483 195	323 366	305 988	503 569	585 478	558 656	411 395	319 734	311 033	576 254
European Union	384 945	425 843	446 454	319 457	292 025	439 458	478 906	491 730	351 719	272 925	296 362	487 150
Austria	2 575	10 616	3 989	5 720	9 324	3 837	9 585	21 913	13 109	15 568	5 065	12 399
Belgium	43 231	78 258	6 516	13 682	-8 703	31 029	-8 312	46 371	33 821	18 161	5 010	38 547
Bulgaria	1 549	2 945	1 697	1 837	1 777	1 774	313	316	325	187	613	86
Croatia	1 153	1 692	1 493	922	3 678	174	68	146	-56	-169	1 935	13
Cyprus	39 604	-21 419	7 341	-12 574	308	4 534	38 203	-17 096	10 869	-10 971	1 265	9 718
Czech Republic	6 141	2 318	7 984	3 639	5 492	1 223	1 167	-327	1 790	4 019	1 620	2 305
Denmark	-9 157	11 437	414	1 051	3 474	3 642	1 381	11 254	7 355	7 176	8 410	13 214
Estonia	1 509	1 005	1 565	546	507	208	167	-1 454	1 054	431	-230	306
Finland	7 359	2 550	4 154	-169	17 302	8 290[b]	10 167	5 011	7 543	-2 402	-563	-10 538[b]
France	13 890	31 642	16 979	42 892	15 191	42 883	48 155	51 415	31 639	24 997	42 869	35 069
Germany	65 642	67 514	28 181	11 671	880	31 719[c]	125 451	77 930	62 164	40 362	106 246	94 313[c]
Greece	330	1 144	1 740	2 817	1 670	-289	1 557	1 772	677	-785	905	379
Hungary	2 193	6 300	14 409	3 404	7 490	1 270	1 172	4 702	11 703	1 869	3 521	1 533
Ireland	42 804	23 545	45 259	44 899	31 134	100 542	22 348	-1 165	22 565	29 026	43 133	101 616
Italy	9 178	34 324	93	24 273	23 223	20 279	32 685	53 667	8 007	25 134	26 539	27 607
Latvia	379	1 453	1 109	903	595	643	19	61	192	411	286	16
Lithuania	800	1 446	700	469	-157	863	-6	55	392	192	59	-10
Luxembourg	39 129	8 843	143 003	15 371	12 073	24 596	23 253	10 716	89 806	25 283	23 437	39 371
Malta	5 471	22 064	14 424	12 201	11 580	9 532[b]	-410	9 700	2 592	2 651	2 366	-215[b]
Netherlands	-7 184	24 368	20 114	51 375	52 198	72 649	68 358	34 789	6 169	69 974	55 966	113 429
Poland	12 796	15 925	12 424	3 625	12 531	7 489	6 147	1 026	2 901	-451	1 974	2 901
Portugal	2 424	7 428	8 869	2 672	7 614	6 031	-9 782	13 435	-8 206	-2 043	4 108	8 167
Romania	3 041	2 363	3 199	3 601	3 211	3 389	6	-28	-114	-281	-373	310
Slovakia	1 770	3 491	2 982	-604	-331	803	946	713	8	-313	-123	-183
Slovenia	105	1 087	339	-151	1 061	993	-18	198	-259	-214	264	-65
Spain	39 873	28 379	25 696	32 935	22 891	9 243	37 844	41 164	-3 982	13 814	35 304	34 586
Sweden	140	12 923	16 334	4 858	3 561	12 579	20 349	29 861	28 952	30 071	8 564	23 717
United Kingdom	58 200	42 200	55 446	47 592	52 449	39 533	48 092	95 586	20 701	-18 771	-81 809	-61 441
Other developed Europe	46 744	52 220	36 741	3 910	13 963	64 111	106 572	66 926	59 676	46 809	14 670	89 104
Gibraltar	710[b]	7 554[b]	952[b]	-1 082[b]	-1 106[b]	-412[b]	-	-	-	-	-	-
Iceland	245	1 107	1 025	397	447	-76	-2 368	18	-3 206	460	-257	-599
Norway	17 044	15 250	18 774	3 949	7 987	-4 239	23 239	18 763	19 561	7 792	18 254	19 426
Switzerland	28 744	28 309	15 989	646	6 635	68 838	85 701	48 145	43 321	38 557	-3 327	70 277
North America	226 449	269 531	231 538	283 254	165 120	428 537	312 502	448 717	374 061	362 806	372 237	367 151
Canada	28 400	39 669	43 111	71 753	58 506	48 643	34 723	52 148	55 864	54 879	55 688	67 182
United States	198 049	229 862	188 427	211 501	106 614	379 894	277 779	396 569	318 197	307 927	316 549	299 969
Other developed economies	41 751	69 820	72 626	73 655	50 935	30 391	85 426	120 674	132 326	143 408	117 457	121 788
Australia	36 443	58 908	58 981	56 977	39 615	22 264	19 804	1 716	6 737	1 581	3	-16 739
Bermuda	287[d]	-287[d]	48[d]	93[d]	-3[d]	-204[d]	-14[d]	-337[d]	240[d]	51[d]	120[d]	-84[d]
Israel	6 335	8 728	8 468	12 449	6 739	11 566	8 657	9 166	3 256	5 502	3 667	9 743
Japan	-1 252	-1 758	1 732	2 304	2 090	-2 250	56 263	107 599	122 549	135 749	113 595	128 654
New Zealand	-62	4 229	3 397	1 832	2 495	-986	716	2 530	-456	525	73	214
Developing economies[a]	625 330	670 149	658 774	662 406	698 494	764 670	358 029	373 931	357 844	408 886	445 579	377 938
Africa	43 571	47 786	55 156	52 154	58 300	54 079	8 670	6 122	12 386	15 543	15 163	11 325
North Africa	15 746	7 548	15 759	11 961	11 625	12 647	4 781	1 490	3 098	392	770	1 831
Algeria	2 301	2 580	1 499	1 693	1 507	-587	220	534	-41	-268	-18	103
Egypt	6 386	-483	6 031	4 256	4 612	6 885	1 176	626	211	301	253	182
Libya	1 909	-	1 425	702	50[b]	726[b]	2 722	131	2 509	6	78[b]	864[b]
Morocco	1 574[d]	2 568[d]	2 728[d]	3 298[d]	3 561[d]	3 162[d]	589[d]	179[d]	406[d]	332[d]	436[d]	649[d]
South Sudan	-	-	161[b]	-793[b]	-419[b]	-277[b]	-	-	-	-	-	-
Sudan	2 064	1 734	2 311	1 688	1 251	1 737	-	-	-	-	-	-
Tunisia	1 513	1 148	1 603	1 117	1 063	1 002	74	21	13	22	22	33
Other Africa	27 826	40 238	39 397	40 193	46 675	41 432	3 889	4 631	9 287	15 151	14 392	9 493
West Africa	12 008	18 956	16 873	14 493	12 115	9 894	1 305	2 582	3 504	2 218	2 246	2 030
Benin	177	161	230	360	405	229	-18	60	19	59	17	26
Burkina Faso	35	144	329	490	357	167	-4	102	73	58	69	28
Cabo Verde	159	155	126	70	135	95	-	1	-8	-14	-9	-3
Côte d'Ivoire	339	302	330	407	439	430	25	15	14	-6	16	8
Gambia	20	66	93	38	28	11	-	58	10	48	17	19
Ghana	2 527	3 237	3 293	3 226	3 357	3 192	-	25	1	9	12	221

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Annex table 1. FDI flows, by region and economy, 2010–2015 (continued)

Region/economy	FDI inflows 2010	2011	2012	2013	2014	2015	FDI outflows 2010	2011	2012	2013	2014	2015
Guinea	101	956	605	135	68[b]	85[b]	-	1	2	-	1[b]	1[b]
Guinea-Bissau	33	25	7	20	29	18	6	1	-	-	3	-
Liberia	450	785	985	1 061	277	512[b]	369	372	1 354	698	-	-
Mali	406	556	398	308	144	153	7	4	16	3	1	1
Mauritania	131[b]	589[b]	1 389[b]	1 126[b]	500[b]	495[b]	17[b]	2[b]	1[b]	13[b]	30[b]	15[b]
Niger	940	1 066	841	719	822	525	-60	9	2	101	89	52
Nigeria	6 099	8 915	7 127	5 608	4 694	3 064	923	824	1 543	1 238	1 614	1 435
Senegal	266	338	276	311	403	345	2	47	56	33	27	27
Sierra Leone	238[b]	950[b]	722[b]	430[b]	404[b]	519[b]	-	-	-	-	-	-
Togo	86	711	122	184	54	53	37	1 060	420	-21	358	198
Central Africa	7 777	7 367	8 948	7 874	9 091	5 830	-34	-38	399	121	214	360
Burundi	1	3	-	7	47	7	-	-	-	-	-	-
Cameroon	-1[b]	355[b]	739[b]	567[b]	554[b]	620[b]	-36[b]	-110[b]	-71[b]	-138[b]	-106[b]	-105[b]
Central African Republic	62	37	70	2	3	3	-	-	-	-	-	-
Chad	313[b]	282[b]	580[b]	520[b]	-676[b]	600[b]	-	-	-	-	-	-
Congo	928	2 180	2 152	2 914	5 502	1 486[b]	4[b]	53[b]	-31[b]	-2[b]	6[b]	-9[b]
Congo, Democratic Republic of the	2 939	1 687	3 312	2 098	1 843	1 674	7	91	421	401	344	508
Equatorial Guinea	2 734[b]	1 975[b]	985[b]	731[b]	320[b]	316[b]	-	-	-	-	-	-
Gabon	499[b]	696[b]	832[b]	771[b]	1 011[b]	624[b]	-9[b]	-72[b]	79[b]	-155[b]	-36[b]	-37[b]
Rwanda	251	119	255	258	459	471	-	-	-	14	2	-
Sao Tome and Principe	51	32	23	6	27	28	-	-	-	1	4	3
East Africa	4 520	4 779	5 474	6 790	7 928	7 808	174	162	259	142	161	279
Comoros	8	23	10	4	5	5	-	-	-	-	-	-
Djibouti	37	79	110	286	153	124	-	-	-	-	-	-
Eritrea	91[b]	39[b]	41[b]	44[b]	47[b]	49[b]	-	-	-	-	-	-
Ethiopia	288[b]	627[b]	279[b]	1 281[b]	2 132[b]	2 168[b]	-	-	-	-	-	-
Kenya	178	335	259	514[b]	1 051[b]	1 437[b]	2	9	16	6[b]	28[b]	217[b]
Madagascar	808	810	812	567	351	517	-	-1	1	-	-	-
Mauritius	430	433	589	293	418	208	129	158	180	168	91	54
Seychelles	211	207	261	170	230	195	6	8	16	16	16	8
Somalia	112[b]	102[b]	107[b]	446[b]	434[b]	516[b]	-	-	-	-	-	-
Uganda	544	894	1 205	1 096	1 059	1 057	37	-12	46	-47	27	-
United Republic of Tanzania	1 813	1 229	1 800	2 087	2 049	1 532[b]	-	-	-	-	-	-
Southern Africa	3 521	9 137	8 101	11 036	17 540	17 900	2 444	1 925	5 126	12 669	11 772	6 824
Angola	-3 227	-3 024	-6 898	-7 120	1 922	8 681	1 340	2 093	2 741	6 044	4 253	1 892
Botswana	218	1 371	487	398	515	394	-1	10	-8	-85	-111	-84
Lesotho	51	149	138	123	162	169	-	-	-	-	-	-
Malawi	97	129	129	120	130	143[b]	42	50	50	-46	-50	-15[b]
Mozambique	1 018	3 559	5 629	6 175	4 902	3 711	2	3	3	-	97	2
Namibia	793	1 120	1 133	801	432	1 078	-4	-5	12	13	58	-55
South Africa	3 636[d]	4 243[d]	4 559[d]	8 300[d]	5 771[d]	1 772[d]	-76[d]	-257[d]	2 988[d]	6 649[d]	7 669[d]	5 349[d]
Swaziland	136	93	90	29	-32	-121[b]	1	-9	-6	-	-4	-3[b]
Zambia	634	1 110	2 433	1 810	3 195	1 653[b]	1 095	-2	-702	66	-212[b]	-283[b]
Zimbabwe	166	387	400	400	545	421	43	43	49	27	72	22
Asia	412 407	426 702	409 553	431 412	467 935	540 722	291 487	318 613	302 354	358 862	397 568	331 825
East and South-East Asia	314 152	329 518	329 582	350 266	383 199	447 876	257 421	275 346	270 884	312 031	365 097	292 752
East Asia	203 579	233 579	213 191	221 577	258 407	322 144	196 311	213 312	216 158	233 229	289 766	226 070
China	114 734	123 985	121 080	123 911	128 500	135 610	68 811	74 654	87 804	107 844	123 120	127 560
Hong Kong, China	72 319[c]	96 212[c]	70 841[c]	74 546[c]	114 055[c]	174 892[c]	88 025[c]	95 972[c]	84 072[c]	81 025[c]	125 109[c]	55 143[c]
Korea, Democratic People's Republic of	14[b]	126[b]	221[b]	89[b]	63[b]	83[b]	-	-	-	-	-	-
Korea, Republic of	9 497[d]	9 773[d]	9 496[d]	12 767[d]	9 274[d]	5 042[d]	28 280[d]	29 705[d]	30 632[d]	28 360[d]	28 039[d]	27 640[d]
Macao, China	2 831	726	3 894	4 527	3 294	3 907[b]	-441	120	469	1 673	681	942[b]
Mongolia	1 691	4 715	4 452	2 140	382	195	62	94	44	41	106	12
Taiwan Province of China	2 492[d]	-1 957[d]	3 207[d]	3 598[d]	2 839[d]	2 415[d]	11 574[d]	12 766[d]	13 137[d]	14 285[d]	12 711[d]	14 773[d]
South-East Asia	110 572	95 939	116 391	128 689	124 792	125 732	61 110	62 035	54 726	78 802	75 331	66 681
Brunei Darussalam	481	691	865	776	568	173	-84	71	283	859	382	508
Cambodia	1 342	1 372	1 835	1 872	1 720	1 701	21	29	36	46	43	47
Indonesia	13 771	19 241	19 138	18 817	21 866	15 508	2 664	7 713	5 422	6 647	7 077	6 250
Lao People's Democratic Republic	279	301	294	427	721	1 220[b]	-1[b]	-[b]	-[b]	1[b]	2[b]	1[b]
Malaysia	9 060	12 198	9 239	12 115	10 877	11 121	13 399	15 249	17 143	14 107	16 369	9 899
Myanmar	6 669	1 118	497	584	946	2 824	-	-	-	-	-	-
Philippines	1 298	1 852	2 449	2 430	6 813	5 234	616	339	1 692	3 647	6 754	5 602

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Annex table 1. FDI flows, by region and economy, 2010–2015 (continued)

Region/economy	FDI inflows 2010	2011	2012	2013	2014	2015	FDI outflows 2010	2011	2012	2013	2014	2015
Singapore	55 076[d]	48 329[d]	57 150[d]	66 067[d]	68 496[d]	65 262[d]	35 407[d]	31 459[d]	18 341[d]	39 592[d]	39 131[d]	35 485[d]
Thailand	14 568	3 271	16 517	16 652	3 537	10 845	8 162	6 258	10 597	11 934	4 409	7 776
Timor-Leste	29	47	39	50	49	43	26	-33	13	13	13	13
Viet Nam	8 000	7 519	8 368	8 900	9 200	11 800	900	950	1 200	1 956	1 150	1 100
South Asia	35 069	44 352	32 413	35 629	41 446	50 485	16 294	12 861	8 901	2 156	12 105	7 762
Afghanistan	211	83	94	69	54[b]	58[b]	72	70	65	-	-	-
Bangladesh	913	1 136	1 293	1 599	1 551	2 235	15	13	43	34	44	46
Bhutan	76	29	49	14	32	12	-	-	-	-	-	-
India	27 417	36 190	24 196	28 199	34 582	44 208	15 947	12 456	8 486	1 679	11 783	7 501
Iran, Islamic Republic of	3 649	4 277	4 662	3 050	2 105	2 050[b]	170[b]	226[b]	161[b]	166[b]	89[b]	139[b]
Maldives	216	424	228	361	333	324	-	-	-	-	-	-
Nepal	87	95	92	71	30	51	-	-	-	-	-	-
Pakistan	2 022	1 162	859	1 333	1 865	865	47	35	82	212	121	23
Sri Lanka	478	956	941	933	894	681	43	60	64	65	67	53
West Asia	63 186	52 832	47 558	45 517	43 290	42 362	17 772	30 406	22 569	44 675	20 366	31 311
Bahrain	156	98	1 545	3 729	1 519	-1 463	334	-920	516	532	-394	497
Iraq	1 396	1 882	3 400	5 131	4 782	3 469	125	366	490	227	242	153
Jordan	1 689	1 486	1 513	1 805	2 009	1 275	28	31	5	16	83	1
Kuwait	1 305	3 259	2 873	1 434	953	293	5 890	10 773	6 741	16 648	-10 468	5 407
Lebanon	3 748	3 177	3 159	2 701	2 906	2 341	487	958	1 012	1 965	1 213	619
Oman	1 243[d]	1 753[d]	850[d]	876[d]	739[d]	822[b]	1 498[d]	1 222[d]	884[d]	10[d]	1 670[d]	855[b]
Qatar	4 670	939	396	-840	1 040	1 071	1 863	10 109	1 840	8 021	6 748	4 023
Saudi Arabia	29 233	16 308	12 182	8 865	8 012	8 141	3 907	3 430	4 402	4 943	5 396	5 520
State of Palestine	206	349	58	176	160	120	84	-128	29	-48	188	185
Syrian Arab Republic	1 469	804	-	-	-	-	-	-	-	-	-	-
Turkey	9 086	16 142	13 284	12 284	12 134	16 508	1 469	2 330	4 105	3 527	6 658	4 778
United Arab Emirates	8 797	7 152	8 828	9 491	10 823	10 976	2 015	2 178	2 536	8 828	9 019	9 264
Yemen	189	-518	-531	-134	-1 787[b]	-1 191[b]	71[b]	58[b]	8[b]	5[b]	12[b]	8[b]
Latin America and the Caribbean[a]	167 118	193 315	190 509	176 002	170 285	167 582	57 251	48 264	41 501	32 293	31 435	32 992
South America	131 387	156 599	154 697	114 928	128 284	120 930	41 970	34 310	16 604	16 709	21 057	23 035
Argentina	11 333	10 840	15 324	9 822	5 065	11 655	965	1 488	1 055	890	1 921	1 139
Bolivia, Plurinational State of	643	859	1 060	1 750	648	503	-29	-	-	-	-	-
Brazil	83 749	96 152	76 098	53 060	73 086	64 648	22 060	11 062	-5 301	-1 180	2 230	3 072
Chile	16 583	16 674	24 977	17 878	21 231	20 176	10 534	13 617	17 040	8 388	11 803	15 513
Colombia	6 430	14 648	15 039	16 209	16 325	12 108	5 483	8 420	-606	7 652	3 899	4 218
Ecuador	165	644	567	727	773	1 060	131[b]	59[b]	41[b]	63[b]	77[b]	60[b]
Guyana	198	247	294	214	255	122	-	-	-	-	-	-
Paraguay	216	557	738	72	346	283	128[d]	-109[d]	8[d]	2[d]	-32[d]	-7[b]
Peru	8 455	7 665	11 918	9 298	7 885	6 861	266	147	78	137	96	127
Suriname	-248	70	174	188	163	276	-	3	-1	-	-	-
Uruguay	2 289	2 504	2 536	3 032	2 188	1 647	-60	-7	-3	5	39	33
Venezuela, Bolivarian Republic of	1 574	5 740	5 973	2 680	320	1 591	2 492	-370	4 294	752	1 024	-1 119
Central America	32 752	32 271	29 647	56 334	36 614	41 913	15 426	12 897	22 962	13 999	8 929	8 976
Belize	97[d]	95[d]	189[d]	95[d]	153[d]	65[d]	1[d]	1[d]	1[d]	1[d]	2[d]	-
Costa Rica	1 466	2 178	2 258	3 091	2 748	2 850	25	58	455	308	83	141
El Salvador	-230	219	482	179	311	429	-5	-	-2	3	-	-
Guatemala	806	1 026	1 245	1 296	1 389	1 208	24	17	39	34	106	93
Honduras	969	1 014	1 059	1 060	1 144	1 204	-1	2	208	68	24	91
Mexico	26 431	23 649	20 437	45 855	25 675	30 285	15 050	12 636	22 470	13 138	8 304	8 072
Nicaragua	490	936	768	816	884	835	16	8	65	116	80	51
Panama	2 723	3 153	3 211	3 943	4 309	5 039	317	176	-274	331	329	528
Caribbean[a]	2 979	4 445	6 164	4 740	5 388	4 739	-145	1 056	1 936	1 585	1 449	981
Anguilla	11	39	44	42	79	85	-	-	-	-	-	-
Antigua and Barbuda	101	68	138	101	155	154	5	3	4	6	6	6
Aruba	237	489	-316	226	247	-23	6	3	3	4	9	10
Bahamas	1 148	1 533	1 073	1 111	1 596	385	150	524	132	277	397	158
Barbados	446	362	313	-35	486	254	343	389	-129	108	-22	86
British Virgin Islands	51 226[b]	57 576[b]	74 502[b]	112 128[b]	49 986[b]	51 606[b]	53 356[b]	59 934[b]	54 110[b]	103 290[b]	81 192[b]	76 169[b]
Cayman Islands	11 948[b]	19 026[b]	8 104[b]	18 176[b]	23 731[b]	18 987[b]	9 400[b]	6 971[b]	3 222[b]	11 029[b]	8 738[b]	8 273[b]
Curaçao	89	69	57	18	69	175[b]	15	-30	12	-16	44	35[b]
Dominica	43	35	59	25	35	36	1	-	-	2	2	2
Dominican Republic	2 024	2 277	3 142	1 991	2 208	2 222	-204	-79	274	-391	177	22

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Annex table 1. FDI flows, by region and economy, 2010–2015 (concluded)

Region/economy	FDI inflows 2010	2011	2012	2013	2014	2015	FDI outflows 2010	2011	2012	2013	2014	2015
Grenada	64	45	34	114	38	61	3	3	3	1	1	1
Haiti	178	119	156	160	99	104	-	-	-	-	-	-
Jamaica	228[d]	218[d]	413[d]	595[d]	591[d]	794[d]	58[d]	75[d]	-18[d]	-86[d]	-2[d]	4[d]
Montserrat	4	2	3	4	6	4	-	-	-	-	-	-
Saint Kitts and Nevis	119	112	110	139	120	78	3	2	2	2	2	2
Saint Lucia	127	100	78	95	93	95	5	4	4	3	3	3
Saint Vincent and the Grenadines	97	86	115	160	110	121	-	-	-	-	-	-
Sint Maarten	33	-48	14	34	47	11[b]	3	1	-4	4	-1	-1[b]
Trinidad and Tobago	549	1 831	2 453	1 994	2 489	1 619[b]	-	1 060	1 681	2 061	1 275	955[b]
Oceania	2 235	2 346	3 556	2 837	1 974	2 287	621	932	1 603	2 188	1 413	1 796
Cook Islands	-	-	1[b]	3[b]	-	1[b]	540[b]	814[b]	1 307[b]	2 033[b]	1 304[b]	1 548[b]
Fiji	350	402	376	264	343	332[b]	6	1	2	4	38	-44[b]
French Polynesia	64	131	155	99	45	83[b]	38	27	43	65	30	39[b]
Kiribati	-7[d]	1[d]	-3[d]	1[d]	8[d]	2[b]	-	1[d]	-[d]	-[d]	8[d]	2[b]
Marshall Islands	89[b]	150[b]	-18[b]	156[b]	-299[b]	-54[b]	-46[b]	29[b]	31[b]	13[b]	-46[b]	-1[b]
Micronesia, Federated States of	1[b]	1[b]	1[b]	1[b]	1[b]	1[b]	-	-	-	-	-	-
New Caledonia	1 439	1 715	2 831	2 171	1 782	1 879[b]	76	40	109	61	62	64[b]
Palau	3	8	22	18	40	-9[b]	-	-	-	-	-	-
Papua New Guinea	29	-310	25	18	-30	-28	-	1	89	-	-	174
Samoa	-	15	26	14	23	16	-	1	11	-	4	2
Solomon Islands	166	120	24	53	21	21	2	4	3	3	1	5
Tonga	25[b]	44[b]	31[b]	51[b]	56[b]	13[b]	3[b]	16[b]	7[b]	7[b]	11[b]	5[b]
Tuvalu	1[b]	-	2[b]	1[b]	1[b]	1[b]	-	-	-	-	-	-
Vanuatu	60[d]	70[d]	78[d]	-19[d]	-18[d]	29[d]	1[d]	1[d]	1[d]	-[d]	1[d]	2[d]
Transition economies	63 601	79 275	64 786	84 500	56 463	34 988	50 484	55 662	33 193	75 784	72 164	31 112
South-East Europe	4 600	7 890	3 606	4 758	4 576	4 832	317	403	438	482	477	443
Albania	1 051	876	855	1 266	1 110	1 003	6	30	23	40	33	38
Bosnia and Herzegovina	406	496	395	302	502	249	46	18	62	42	15	21
Serbia	1 686	4 932	1 299	2 053	1 996	2 347	185	318	331	329	356	346
Montenegro	760	558	620	447	497	699	29	17	27	17	27	12
The former Yugoslav Republic of Macedonia	213	479	143	335	272	174	5	-	-26	30	10	-15
CIS	58 187	70 336	60 269	78 793	50 137	28 806	50 032	55 112	32 458	75 183	71 280	30 528
Armenia	529	653	497	380	404	181	8	216	16	27	16	11
Azerbaijan	563	1 465	2 005	2 632	4 430	4 048	232	533	1 192	1 490	3 230	3 260
Belarus	1 393	4 002	1 429	2 230	1 828	1 584	51	126	121	246	39	118
Kazakhstan	11 551	13 973	13 337	10 321	8 406	4 021	7 885	5 390	1 481	2 287	3 639	616
Kyrgyzstan	438	694	293	626	248	404	-	-	-	-	-	-
Moldova, Republic of	208	288	195	243	201	229	4	21	20	29	42	17
Russian Federation	31 668	36 868	30 188	53 397	29 152	9 825	41 116	48 635	28 423	70 685	64 203	26 558
Tajikistan	74	160	232	105	263	227[b]	-	-	-	-	-	-
Turkmenistan	3 632[b]	3 391[b]	3 130[b]	3 732[b]	4 170[b]	4 259[b]	-	-	-	-	-	-
Ukraine	6 495	7 207	8 401	4 499	410	2 961	736	192	1 206	420	111	-51
Uzbekistan	1 636[b]	1 635[b]	563[b]	629[b]	626[b]	1 068[b]	-	-	-	-	-	-
Georgia	814	1 048	911	949	1 750	1 350	135	147	297	120	407	141
Memorandum												
Least developed countries (LDCs)[e]	23 763	21 917	23 408	21 366	26 311	35 107	3 090	4 081	4 683	7 527	5 199	2 599
Landlocked developing countries (LLDCs)[f]	26 187	36 343	34 968	30 313	29 674	24 466	9 529	6 411	2 320	3 998	6 895	3 613
Small island developing states (SIDS)[g]	4 742	6 213	6 625	5 810	7 056	4 819	695	2 247	2 023	2 587	1 793	1 436

Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

[a] Excluding the financial centers in the Caribbean (Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Barbados, the British Virgin Islands, the Cayman Islands, Curaçao, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sint Maarten and the Turks and Caicos Islands).

[b] Estimates.

[c] Directional basis calculated from asset/liability basis.

[d] Asset/liability basis.

[e] Least developed countries include Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, the Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

[f] Landlocked developing countries include Afghanistan, Armenia, Azerbaijan, Bhutan, the Plurinational State of Bolivia, Botswana, Burkina Faso, Burundi, the Central African Republic, Chad, Ethiopia, Kazakhstan, Kyrgyzstan, the Lao People's Democratic Republic, Lesotho, the former Yugoslav Republic of Macedonia, Malawi, Mali, the Republic of Moldova, Mongolia, Nepal, the Niger, Paraguay, Rwanda, South Sudan, Swaziland, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

[g] Small island developing States include Antigua and Barbuda, the Bahamas, Barbados, Cabo Verde, the Comoros, Dominica, Fiji, Grenada, Jamaica, Kiribati, Maldives, the Marshall Islands, Mauritius, the Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Príncipe, Seychelles, Solomon Islands, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu and Vanuatu.

Annex table 2. FDI stock, by region and economy, 2000, 2010 and 2015 (Millions of dollars)

Region/economy	FDI inward stock			FDI outward stock		
	2000	2010	2015	2000	2010	2015
World[a]	7 488 449	20 189 655	24 983 214	7 436 836	20 803 737	25 044 916
Developed economies	5 791 254	13 443 850	16 007 398	6 682 413	17 424 490	19 440 805
Europe	2 466 199	8 171 968	8 782 483	3 157 136	10 249 006	10 649 249
European Union	2 345 798	7 357 768	7 772 956	2 890 286	9 007 230	9 341 790
Austria	31 165	160 615	164 784	24 821	181 639	208 263
Belgium	..	873 315	468 710	..	950 885	458 794
Belgium and Luxembourg	195 219	-	-	179 773	-	-
Bulgaria	2 704	47 231	42 106	67	2 583	3 083
Croatia	2 664	31 510	26 375	760	4 472	5 448
Cyprus	2 846	212 576	138 263	557	197 433	133 134
Czech Republic	21 644	128 504	113 057	738	14 923	18 481
Denmark	73 574	96 984	100 858[b]	73 100	165 375	190 608[b]
Estonia	2 645	15 551	18 914	259	5 545	6 063
Finland	24 273	86 698	92 340[b]	52 109	137 663	94 852[b]
France	184 215	630 710	772 030[b]	365 871	1 172 994	1 314 158[b]
Germany	470 938	955 881	1 121 288[b]	483 946	1 364 565	1 812 469[b]
Greece	14 113	35 026	17 688	6 094	42 623	26 487
Hungary	22 870	90 845	92 132	1 280	22 314	38 503
Ireland	127 089	285 575	435 490	27 925	340 114	793 418
Italy	122 533	328 058	335 335	169 957	491 208	466 594
Latvia	1 691	10 935	14 549	19	895	1 230
Lithuania	2 334	13 271	14 440	29	2 086	2 235
Luxembourg	..	172 257	205 029[b]	..	187 027	169 570[b]
Malta	2 263	129 770	163 522[b]	193	60 596	67 930[b]
Netherlands	243 733	588 078	707 043	305 461	968 142	1 074 289
Poland	33 477	187 602	213 071[b]	268	16 407	27 838[b]
Portugal	34 224	114 994	114 220	19 417	62 286	63 565
Romania	6 953	68 093	69 112	136	1 511	589
Slovakia	6 970	50 328	48 163	555	3 457	2 562
Slovenia	2 389	10 667	11 847	772	8 147	5 473
Spain	156 348	628 341	533 306	129 194	653 236	472 116
Sweden	93 791	347 163	281 876	123 618	374 399	345 907
United Kingdom	463 134	1 057 188	1 457 408	923 367	1 574 707	1 538 133
Other developed Europe	120 400	814 200	1 009 528	266 850	1 241 775	1 307 458
Gibraltar	2 834[b]	14 247[b]	20 153[b]	-	-	-
Iceland	497	11 784	7 273	663	11 466	7 153
Norway	30 265	177 318	149 150	34 026	188 996	162 124
Switzerland	86 804	610 851	832 952[b]	232 161	1 041 313	1 138 182[b]
North America	3 108 255	4 406 182	6 344 007	3 136 637	5 808 053	7 061 120
Canada	325 020	983 889	756 038	442 623	998 466	1 078 333
United States	2 783 235	3 422 293	5 587 969	2 694 014	4 809 587	5 982 787
Other developed economies	216 800	865 699	880 907	388 640	1 367 431	1 730 437
Australia	121 686	527 064	537 351	92 508	449 740	396 431
Bermuda	265[b]	2 837[c]	2 432[c]	108[b]	925[c]	843[c]
Israel	20 426	61 180	104 370	9 091	68 972	89 347
Japan	50 322	214 880	170 698	278 442	831 076	1 226 554
New Zealand	24 101	59 738	66 056	8 491	16 717	17 262
Developing economies[a]	1 644 215	6 042 538	8 374 428	734 811	3 008 790	5 296 346
Africa	153 484	594 608	740 436	38 885	133 030	249 376
North Africa	45 328	201 104	244 279	3 199	25 777	34 608
Algeria	3 379[b]	19 540[b]	26 232	205[b]	1 513[b]	1 822
Egypt	19 955	73 095	94 266	655	5 448	7 731
Libya	471[b]	16 334[b]	17 762[b]	1 903[b]	16 615[b]	20 203[b]
Morocco	8 842[b]	45 082[c]	48 696[c]	402[b]	1 914[c]	4 555[c]
Sudan	1 136	15 690	24 412	-	-	-
Tunisia	11 545	31 364	32 911	33	287	297
Other Africa	108 156	393 504	496 157	35 687	107 253	214 768
West Africa	33 010	94 756	158 545	6 381	10 550	19 501
Benin	213	604	1 666	11	21	168
Burkina Faso	28	354	1 682	-	8	283
Cabo Verde	192[b]	1 252	1 486	-	1	..[d]
Côte d'Ivoire	2 483	6 978	7 318	9	94	116
Gambia	216	323	350[b]	-	-	-

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Annex table 2. FDI stock, by region and economy, 2000, 2010 and 2015 (continued)

Region/economy	FDI inward stock 2000	FDI inward stock 2010	FDI inward stock 2015	FDI outward stock 2000	FDI outward stock 2010	FDI outward stock 2015
Ghana	1 554[b]	10 080	26 397[b]	-	83	351[b]
Guinea	263[b]	486	2 171[b]	12[b]	144	69[b]
Guinea-Bissau	38	63	134	-	5	7
Liberia	3 247[b]	4 956	7 056[b]	2 188[b]	4 714	4 345[b]
Mali	132	1 964	2 893	1	18	36
Mauritania	146[b]	2 372[b]	6 470[b]	4[b]	26[b]	86[b]
Niger	45	2 251	5 161	1	9	223
Nigeria	23 786	60 327	89 735	4 144	5 041	11 694
Senegal	295	1 699	2 808	22	263	375
Sierra Leone	284[b]	482[b]	1 848[b]	-	-	-
Togo	87	565	1 367	..[d]	126	1 761
Central Africa	5 736	40 194	78 801	721	1 696	3 034
Burundi	47[b]	6[b]	70[b]	2[b]	1[b]	1[b]
Cameroon	1 600[b]	4 488[b]	7 621[b]	254[b]	679[b]	447[b]
Central African Republic	104	511	626	43	43	43
Chad	576[b]	3 595[b]	4 901[b]	70[b]	70[b]	70[b]
Congo	1 893[b]	9 262[b]	23 496[b]	40[b]	64[b]	82[b]
Congo, Democratic Republic of the	617	9 368	19 982	34	229	1 992
Equatorial Guinea	1 060[b]	9 413[b]	13 739[b]	..[b, d]	3[b]	3[b]
Gabon	..[b, d]	2 871[b]	6 805[b]	280[b]	573[b]	352[b]
Rwanda	55	422	1 183	-	13	15[b]
Sao Tome and Principe	11[b]	260[b]	376[b]	-	21[b]	29[b]
East Africa	7 202	34 688	63 966	387	1 480	2 397
Comoros	21[b]	60[b]	107[b]	-	-	-
Djibouti	40	878	1 629	-	-	-
Eritrea	337[b]	666[b]	886[b]	-	-	-
Ethiopia	941[b]	4 206[b]	10 692[b]	-	-	-
Kenya	932	2 282[b]	5 878[b]	115[b]	290[b]	566[b]
Madagascar	141	4 383	6 795[b]	9[b]	13[b]	14[b]
Mauritius	683	4 658	3 706[b]	132[b]	864	1 449[b]
Seychelles	515	1 701	2 762[b]	130	247	288[b]
Somalia	4[b]	566[b]	2 172[b]	-	-	-
Uganda	807	5 575	10 887	-	66	81
United Republic of Tanzania	2 781	9 712	18 453[b]	-	-	-
Southern Africa	62 208	223 865	194 846	28 198	93 526	189 836
Angola	7 977	16 063	9 623	..[d]	6 209	23 232
Botswana	1 827	3 351	4 760	517	1 007	802
Lesotho	330	3 625	251	-	-	-
Malawi	358	1 150	1 486[b]	..[d]	90	10[b]
Mozambique	1 249	4 605	28 768	1	3	10
Namibia	1 276	5 334	3 707	45	51	207
South Africa	43 451[c]	179 565[c]	124 940[c]	27 328[c]	83 249[c]	162 841[c]
Swaziland	536	927	799[b]	87	91	90[b]
Zambia	3 966	7 433	16 544[b]	-	2 531	2 134[b]
Zimbabwe	1 238	1 814	3 967	234	297	509
Asia	1 027 614	3 876 876	5 886 453	590 118	2 465 301	4 481 478
East and South-East Asia	927 585	3 016 308	4 794 031	572 800	2 200 209	4 028 991
East Asia	695 043	1 872 155	3 089 140	495 206	1 599 142	3 115 642
China	193 348	587 817[b]	1 220 903[b]	27 768[b]	317 211	1 010 202[b]
Hong Kong, China	435 417[e]	1 067 228[e]	1 572 606[e]	379 285[e]	943 646[e]	1 485 663[e]
Korea, Democratic People's Republic of	55[b]	82[b]	664[b]	-	-	-
Korea, Republic of	43 738[c]	135 500[c]	174 573[c]	21 497[c]	144 032[c]	278 395[c]
Macao, China	2 801[b]	13 603	31 300[b]	-	550	4 877[b]
Mongolia	182	4 949	16 753	-	2 901	377
Taiwan Province of China	19 502[c]	62 977[c]	72 341[b]	66 655[c]	190 803[c]	336 127[b]
South-East Asia	232 542	1 144 153	1 704 891	77 595	601 067	913 349
Brunei Darussalam	3 868	4 140	6 061	484[b]	543[b]	2 645[b]
Cambodia	1 580	6 162	14 739	193	340	531
Indonesia	-	160 735	224 843	-	6 672	30 171
Lao People's Democratic Republic	588[b]	1 888[b]	4 850[b]	20[b]	12[b]	16[b]
Malaysia	52 747	101 620	117 644	15 878	96 964	136 892
Myanmar	3 752[b]	14 507[b]	20 476[b]	-	-	-
Philippines	13 762[b]	25 896	59 303[c]	1 032	6 710	41 100[c]

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Annex table 2. FDI stock, by region and economy, 2000, 2010 and 2015 (continued)

Region/economy	FDI inward stock 2000	FDI inward stock 2010	FDI inward stock 2015	FDI outward stock 2000	FDI outward stock 2010	FDI outward stock 2015
Singapore	110 570[c]	632 760[c]	978 411[c]	56 755[c]	466 129[c]	625 259[c]
Thailand	30 944	139 286	175 442	3 232	21 369	68 058
Timor-Leste	-	155	332	-	94	86
Viet Nam	14 730[b]	57 004[b]	102 791[b]	-	2 234[b]	8 590[b]
South Asia	30 743	269 422	387 182	2 764	100 385	143 990
Afghanistan	17[b]	1 392[b]	1 750[b]	-	-	-
Bangladesh	2 162	6 072	12 912	68	98	188
Bhutan	4	52	215	-	-	-
India	16 339	205 580	282 273	1 733	96 901	138 967
Iran, Islamic Republic of	2 597	28 953	45 097[b]	414[b]	1 673[b]	2 455[b]
Maldives	128[b]	1 114[b]	2 784[b]	-	-	-
Nepal	72[b]	239[b]	579[b]	-	-	-
Pakistan	6 919	19 829	31 600[b]	489	1 362	1 719[b]
Sri Lanka	2 505	6 190	9 972	60	351	660
West Asia	69 286	591 146	705 240	14 553	164 707	308 497
Bahrain	5 906	15 154	27 660	1 752	7 883	14 625
Iraq	..[d]	7 965	26 630[b]	-	632	2 109[b]
Jordan	3 135	21 899	29 958	44	473	609
Kuwait	608	11 884	14 604	1 428	28 189	31 577
Lebanon	14 233	44 324	58 608	352	6 831	12 599
Oman	2 577[b]	14 987[b]	20 027[b]	-	2 796[b]	7 438[b]
Qatar	1 912[b]	30 564b	33 169[b]	74[b]	12 545[b]	43 287[b]
Saudi Arabia	17 577	176 378	224 050	5 285[b]	26 528	63 251
State of Palestine	1 418[b]	2 175[b]	2 486	-	242	352
Syrian Arab Republic	1 244	9 939[b]	10 743[b]	-	5	5
Turkey	18 812	187 151	145 471	3 668	22 509	44 656
United Arab Emirates	1 069[b]	63 869	111 139	1 938[b]	55 560	87 386[b]
Yemen	843	4 858[b]	697[b]	12[b]	513[b]	605[b]
Latin America and the Caribbean[a]	460 983	1 554 060	1 718 595	105 541	407 476	554 502
South America	308 949	1 080 750	1 111 254	95 870	278 193	383 616
Argentina	67 601	87 552	93 871[b]	21 141	30 328	37 289[b]
Bolivia, Plurinational State of	5 188	6 890	11 710	29	8	52
Brazil	122 250	640 334	485 998	51 946	149 337	181 447
Chile	45 753	154 624	207 827	11 154	51 161	87 415
Colombia	11 157	82 977	149 692	2 989	23 717	47 300
Ecuador	6 337	11 857	15 627	252[b]	561[b]	861[b]
Falkland Islands (Malvinas)	58[b]	75[b]	75[b]	-	-	-
Guyana	756	1 784	2 915	1	2	2
Paraguay	1 219	3 096	5 774	38[b]	244[b]	106[b]
Peru	11 062	42 976	86 114	505	3 319	2 815
Suriname	-	-	1 676	-	-	-
Uruguay	2 088	12 479	21 604	138	345	106
Venezuela, Bolivarian Republic of	35 480	36 107	28 370	7 676	19 171	26 223
Central America	139 668	425 493	533 182	8 598	126 242	160 664
Belize	294[c]	1 461[c]	2 055[c]	42[c]	49[c]	67[c]
Costa Rica	2 709	14 066	27 172[b]	86	650	2 094[b]
El Salvador	1 973	7 284	9 158	104	1	2
Guatemala	3 420	6 518	13 176	93	382	671
Honduras	1 392	6 951	12 431	-	49	627
Mexico	121 691	363 791	419 956[b]	8 273	121 557	151 924[b]
Nicaragua	1 414	4 681	8 919	-	181	494
Panama	6 775	20 742	40 314	-	3 374	4 784
Caribbean[a]	12 365	47 817	74 160	1 072	3 041	10 222
Anguilla	231[b]	968[b]	1 257[b]	5[b]	31[b]	31[b]
Antigua and Barbuda	619[b]	2 371[b]	2 987[b]	5[b]	92[b]	118[b]
Aruba	1 161	4 567	3 952[b]	675	682	712[b]
Bahamas	3 278[b]	13 438[b]	19 136[b]	452[b]	2 538[b]	4 026[b]
Barbados	308	4 240	6 667	41	3 623	4 020
British Virgin Islands	30 313[b]	264 934[b]	610 731[b]	69 818[b]	376 160[b]	750 855[b]
Cayman Islands	25 585[b]	136 703[b]	224 728[b]	20 377[b]	82 718[b]	120 950[b]
Curaçao	..	527	951[b]	..	32	137[b]
Dominica	275[b]	643[b]	833[b]	3[b]	33[b]	40[b]
Dominican Republic	1 673	18 906	30 978	68	743	751

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Annex table 2. FDI stock, by region and economy, 2000, 2010 and 2015 (concluded)

Region/economy	FDI inward stock 2000	FDI inward stock 2010	FDI inward stock 2015	FDI outward stock 2000	FDI outward stock 2010	FDI outward stock 2015
Grenada	348[b]	1 273[b]	1 565[b]	2[b]	45[b]	52[b]
Haiti	95	632	1 270	2[b]	2[b]	2[b]
Jamaica	3 317[c]	10 855[c]	14 102[c]	709[c]	176[c]	319[c]
Montserrat	83[b]	125[b]	144[b]	-	1[b]	1[b]
Netherlands Antilles[f]	277	-	-	6	-	-
Saint Kitts and Nevis	487[b]	1 598[b]	2 156[b]	3[b]	51[b]	62[b]
Saint Lucia	807[b]	2 161[b]	2 623[b]	4[b]	53[b]	69[b]
Saint Vincent and the Grenadines	499[b]	1 315[b]	1 906[b]	..	4[b]	6[b]
Sint Maarten	..	256	331[b]	..	10	11[b]
Trinidad and Tobago	7 280[b]	17 424[b]	27 810[b]	293[b]	2 119[b]	9 151[b]
Oceania	2 134	16 993	28 943	267	2 984	10 989
Cook Islands	66[b]	77[b]	82[b]	..[b, d]	2 029[b]	9 035[b]
Fiji	356	2 692	4 077[b]	39	47	143[b]
French Polynesia	139[b]	392[b]	905[b]	-	144[b]	349[b]
Kiribati	-	5[c]	12[b]	-	2[c]	3[b]
Marshall Islands	219[b]	2 260[b]	2 195[b]	..[b, d]	64[b]	90[b]
Nauru	..[b, d]	..[b, d]	..[b, d]	22[b]	22[b]	22[b]
New Caledonia	..[b, d]	6 047[b]	16 425[b]	2[b]	321[b]	658[b]
Niue	6[b]	..[b, d]	..[b, d]	10[b]	23[b]	22[b]
Palau	173	238	317[b]	-	-	-
Papua New Guinea	935	3 748	3 318[b]	194[b]	209[b]	473[b]
Samoa	77	220	73	-	13	14
Solomon Islands	106	552	522	-	27	50
Tonga	19[b]	220[b]	415[b]	14[b]	58[b]	106[b]
Vanuatu	61[b]	454[c]	501[c]	-	23[c]	23[c]
Transition economies	52 980	703 268	601 389	19 611	370 457	307 764
South-East Europe	2 254	43 465	52 838	16	2 899	4 148
Albania	247	3 255	4 826[b]	-	154	259[b]
Bosnia and Herzegovina	450	6 709	6 726[b]	-	195	294[b]
Serbia	1 017	22 299	28 825	-	1 960	2 870
Montenegro	-	4 231	4 344	-	375	390
The former Yugoslav Republic of Macedonia	540	4 351	4 572	16	100	119
CIS	49 965	651 452	536 026	19 477	366 710	301 960
Armenia	513	4 405	4 269	-	122	321
Azerbaijan	1 791	7 648	22 183	1	5 790	15 351
Belarus	1 306	9 904	17 972	24	205	687
Kazakhstan	10 078	82 648	119 833	16	16 212	23 852
Kyrgyzstan	432	1 698	3 887	33	2	2
Moldova, Republic of	449	2 964	3 539	23	68	196
Russian Federation	29 738	464 228	258 402	19 211	336 355	251 979
Tajikistan	136	1 164	2 112[b]	-	-	-
Turkmenistan	949[b]	13 442[b]	32 124[b]	-	-	-
Ukraine	3 875	57 985	61 817	170	7 958	9 572
Uzbekistan	698[b]	5 366[b]	9 888[b]	-	-	-
Georgia	762	8 350	12 525	118	848	1 656
Memorandum						
Least developed countries (LDCs)[g]	36 833	151 273	266 047	2 668	15 735	36 491
Landlocked developing countries (LLDCs)[h]	33 846	179 375	309 942	1 127	29 700	44 689
Small island developing states (SIDS)[i]	20 685	74 890	102 750	2 032	10 426	20 626

Source: ©UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

[a] Excluding the financial centers in the Caribbean (Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Barbados, the British Virgin Islands, the Cayman Islands, Curaçao, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sint Maarten and the Turks and Caicos Islands).

[b] Estimates.

[c] Asset/liability basis.

[d] Negative stock value. However, this value is included in the regional and global total.

[e] Directional basis calculated from asset/liability basis.

[f] This economy was dissolved on 10 October 2010.

[g] Least developed countries include Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, the Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

[h] Landlocked developing countries include Afghanistan, Armenia, Azerbaijan, Bhutan, the Plurinational State of Bolivia, Botswana, Burkina Faso, Burundi, the Central African Republic, Chad, Ethiopia, Kazakhstan, Kyrgyzstan, the Lao People's Democratic Republic, Lesotho, the former Yugoslav Republic of Macedonia, Malawi, Mali, the Republic of Moldova, Mongolia, Nepal, the Niger, Paraguay, Rwanda, South Sudan, Swaziland, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

[i] Small island developing States include Antigua and Barbuda, the Bahamas, Barbados, Cabo Verde, the Comoros, Dominica, Fiji, Grenada, Jamaica, Kiribati, Maldives, the Marshall Islands, Mauritius, the Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Seychelles, Solomon Islands, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu and Vanuatu.

Annex table 3. Value of cross-border M&As, by region/economy of seller/purchaser, 2009–2015 (Millions of dollars)

Region/economy	Net sales[a]							Net purchases[b]						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
World[c]	287 617	347 094	553 442	328 224	262 517	432 480	721 455	287 617	347 094	553 442	328 224	262 517	432 480	721 455
Developed economies	236 784	259 926	436 926	266 773	230 122	301 171	630 853	191 214	224 759	431 899	183 858	120 683	256 853	585 860
Europe	140 217	127 458	213 654	144 243	138 854	216 478	295 090	132 250	44 262	173 190	41 842	-29 363	56 688	318 047
European Union	120 323	118 187	184 582	128 270	126 585	179 679	260 467	120 347	23 108	142 022	18 998	-33 725	37 821	270 096
Austria	2 067	354	7 002	1 687	-39	3 072	849	3 309	1 525	3 733	1 835	10 721	345	4 771
Belgium	12 375	9 449	3 946	1 786	6 554	3 013	7 647	-9 804	477	7 841	-1 354	13 251	4 460	5 539
Bulgaria	191	24	-96	31	-29	265	6	2	17	-	-	-	11	-
Croatia	-	201	92	81	100	15	659	8	325	-	-	5	234	-
Cyprus	47	693	782	51	1 417	1 245	108	647	-562	5 766	8 060	3 618	3 652	1 027
Czech Republic	2 473	-530	725	37	1 617	3 211	2 256	1 573	14	25	474	3 998	1	-7
Denmark	1 270	1 319	7 958	4 759	1 363	3 903	3 824	3 337	-3 570	-133	553	293	3 009	2 198
Estonia	28	3	239	58	-79	23	-38	-	4	-1	1	-36	50	114
Finland	382	336	1 028	1 929	-35	7 862	5 348	641	1 015	2 353	4 116	1 769	-1 958	-7 855
France	609	3 573	23 161	12 013	9 479	25 571	44 104	42 175	6 180	37 090	-3 051	2 810	13 809	23 506
Germany	12 742	10 515	13 440	7 793	17 457	17 884	14 604	26 928	7 025	5 644	15 674	6 674	44 136	46 669
Greece	2 074	283	1 204	35	2 181	1 450	671	387	553	-148	-1 561	-1 015	268	-140
Hungary	1 853	223	1 714	96	-1 107	-285	36	-	799	17	-7	-	-31	38
Ireland	1 712	2 127	1 934	12 096	11 162	3 567	48 049	-664	5 124	-5 648	2 629	-3 342	10 578	97 480
Italy	2 335	6 329	15 095	5 286	5 771	14 164	14 269	17 195	-5 190	3 902	-1 633	2 861	-4 504	3 101
Latvia	109	54	1	1	4	49	184	-30	40	-3	-	-	-	-
Lithuania	23	470	386	39	30	79	27	-	-	4	-3	10	1	-
Luxembourg	444	2 138	9 495	6 461	177	3 209	13 558	24	1 558	1 110	-716	3 310	22 166	17 352
Malta	13	315	-	96	7	222	15	-	235	-16	25	22	15	2 693
Netherlands	18 114	4 162	14 041	17 637	24 159	13 118	15 540	-3 506	16 418	-4 402	-1 092	-3 142	-1 340	20 275
Poland	666	1 195	9 963	824	402	935	1 287	229	201	511	3 399	302	1 116	524
Portugal	504	2 772	911	8 225	7 557	2 464	1 706	723	-8 965	1 642	-4 735	-578	-602	-378
Romania	331	148	88	151	-45	261	119	7	24	-	-	-	-	-
Slovakia	21	-	-	126	541	-1	1 003	-	10	-18	-30	-	-14	-
Slovenia	-	332	51	330	30	495	163	251	-50	-10	-	-	-	-
Spain	31 849	10 348	17 716	4 978	5 098	22 695	9 665	-507	2 898	15 505	-1 621	-7 377	4 766	16 715
Sweden	2 158	527	7 647	5 086	-79	12 583	3 760	9 819	855	-2 381	151	-4 421	9 704	1 519
United Kingdom	25 933	60 826	46 060	36 576	32 893	38 610	71 047	27 605	-3 851	69 638	-2 118	-63 457	-72 050	34 955
Other developed Europe	19 894	9 271	29 072	15 974	12 269	36 799	34 623	11 904	21 154	31 168	22 845	4 362	18 867	47 951
Andorra	-	-	-	12	-	-	-	-	-	166	-	-	237	-
Faeroe Islands	-	85	-	-	-	-	-	-	-	-	13	35	-	-
Gibraltar	-	-	-	19	50	-	29	253	8	1 757	-527	-48	-	-22
Guernsey	1 970	168	9	1 257	17	91	8 807	4 171	10 338	-1 183	1 968	-2 515	-1 844	4 872
Iceland	-	14	-	11	-	48	483	-806	-221	-437	-2 559	126	-	-
Isle of Man	45	157	-217	44	1	4 982	-	137	852	-736	-162	-800	917	1 867
Jersey	414	81	88	133	-	2 688	326	401	1 054	5 192	3 564	2 064	4 274	-199
Liechtenstein	-	-	-	-	-	-	-	12	-	-	-	-	158	-
Monaco	-	-	30	-	-	-	3	1	100	16	-	2	-	460
Norway	1 858	7 445	9 517	5 862	7 542	8 850	7 559	133	-3 905	5 661	4 191	-82	5 557	1 002
Switzerland	15 606	1 321	19 647	8 635	4 659	20 140	17 416	7 601	12 928	20 732	16 357	5 579	9 567	39 971
North America	78 194	97 616	179 459	94 203	67 043	51 919	313 368	41 881	120 717	173 653	110 097	90 306	136 534	207 851
Canada	12 364	13 272	33 315	29 450	23 618	34 399	14 629	17 773	35 614	35 922	37 569	30 672	47 561	87 826
United States	65 830	84 344	146 144	64 752	43 424	17 520	298 739	24 108	85 104	137 731	72 528	59 633	88 973	120 024
Other developed countries	18 373	34 853	43 812	28 327	24 226	32 774	22 396	17 082	59 779	85 056	31 920	59 740	63 631	59 963
Australia	22 530	27 172	34 561	23 941	12 404	20 995	9 091	-3 471	15 629	6 453	-7 017	-5 270	6 346	11 527
Bermuda	883	-405	121	905	3 272	1 520	6 614	2 981	2 017	2 557	3 238	4 961	10 647	-1 515
Israel	1 351	1 207	3 663	1 026	3 150	2 232	3 129	183	5 929	8 720	-2 210	875	1 456	3 519
Japan	-6 336	7 114	4 671	1 791	4 423	6 637	3 203	17 632	31 271	62 263	37 795	58 275	45 645	50 381
New Zealand	-55	-235	797	664	976	1 390	359	-243	4 933	5 063	113	899	-462	-3 950
Developing countries[c]	43 899	83 072	83 551	54 626	87 239	127 184	81 181	80 445	100 378	101 277	124 198	127 824	155 979	119 057
Africa	5 903	7 493	8 634	-1 254	3 818	5 152	20 414	2 554	3 792	4 393	629	3 212	5 449	3 358
North Africa	2 520	1 066	1 353	-388	2 969	-82	-2 116	1 004	1 471	17	85	459	228	1 753
Algeria	-	-	-	-	10	-180	-2 643	-	-	-	-	312	38	-
Egypt	1 680	120	609	-705	1 837	69	442	76	1 092	-	-16	-	190	1 672
Libya	145	91	20	-	-	-	-	601	377	-	-	-	-	-
Morocco	691	846	274	296	1 092	11	76	324	-	17	101	147	-	81
Sudan	-	-	450	-	-	-13	-	-	-	-	-	-	-	-
Tunisia	4	9	-	21	31	30	9	3	2	-	-	-	-	-
Other Africa	3 383	6 426	7 281	-865	848	5 234	22 530	1 550	2 322	4 376	543	2 753	5 221	1 605
Angola	-471	1 300	-	-	-	-	-	-	-	-	69	-	25	-
Botswana	50	-	6	7	-	65	-	-	-	-14	10	3	-	-3
Burkina Faso	-	-	-	1	-	12	-	-	-	-	-	-	-	-
Cameroon	1	-	-	-	-	-	-	-	-	-	-	1	-	-
Congo	-	-	-	7	-	-	-	-	-	-	-	53	-	-
Congo, Democratic Republic of the	5	175	-	-	1	-	-	-	-	-	19	-	-	-
Côte d'Ivoire	10	-	-	-	-	-	56	-	-	-	-	20	-	-
Eritrea	-	12	-254	-54	-	-	-	-	-	-	-	-	-	-
Ethiopia	-	-	146	366	-	15	19	-	-	-	-	-	-	-
Ghana	-	-	-3	-	15	-	-1	-	1	-	-	-	-	-
Kenya	-	-	19	86	103	1	189	-	-	-3	-	-	1	167
Liberia	-	587	-	-	-	400	-	-	-	-	-	-	-	-
Malawi	-	-	-	-	20	64	-	-	-	-	-	-	-	-
Mali	-	-	-	-	-	-	-	-	-	-	-	2	-	-
Mauritius	37	176	6	13	5	75	-	16	433	-173	-418	65	1 219	1 150
Mozambique	-	35	27	3	2	2 758	2	-	-	-	-	-	-	-
Namibia	59	104	40	15	6	-	18	-	-	-	-	-	-	-

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Annex table 3. Value of cross-border M&As, by region/economy of seller/purchaser, 2009–2015 (continued)

Region/economy	Net sales[a]							Net purchases[b]						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
Niger	-	-	-	-	-1	-	25	-	-	-	-185	-	-	-
Nigeria	-197	476	539	-159	537	998	1 040	25	-	1	40	240	2 109	-336
Reunion	-	-	-	-	-	-	-	-	-	-	-	-	-	9
Rwanda	9	-	-	69	2	1	-	-	-	-	-	-	-	-
Senegal	-	-457	-	-	29	-	-	-	-	-	-	-	-	-
Seychelles	-	19	-	-	-	-	103	13	5	-78	189	1	-	68
Sierra Leone	-	13	52	-	-	-	-	-	-	-	-	-	-	-
South Africa	3 860	3 653	6 673	-968	109	379	20 969	1 497	1 619	4 291	825	2 368	1 864	549
Swaziland	-	-	-	-	-	-101	-	-	6	-	-	-	-	-
Togo	-	-	-	-	-	529	35	-	-	353	-5	-	2	-
Uganda	-	-	-	-	15	-	26	-	257	-	-	-	-	-
United Republic of Tanzania	2	60	-	36	-	18	-	-	-	-	-	-	-	-
Zambia	11	272	-	8	-	-	26	-	2	-	-	-	-	-
Zimbabwe	6	-	27	-296	5	22	24	-1	-	-	-	-	1	-
Asia	38 903	37 723	55 967	33 360	47 829	96 188	46 398	69 556	79 865	80 499	92 819	108 511	140 880	110 342
East and South-East Asia	29 197	27 128	31 714	22 320	40 772	85 826	39 432	41 135	67 218	67 641	78 440	99 183	128 854	94 278
East Asia	16 437	17 855	14 072	11 944	33 373	77 450	29 795	36 520	52 810	51 100	61 861	78 433	106 998	65 036
China	11 017	6 758	11 501	9 524	31 066	54 913	9 660	23 402	29 828	36 364	37 908	51 526	40 779	43 653
Hong Kong, China	3 530	12 684	2 125	2 912	2 247	17 158	23 832	6 217	13 318	9 916	16 009	22 804	61 378	17 916
Korea, Republic of	1 962	-2 063	2 537	-1 528	-652	5 501	-3 649	6 601	9 952	4 574	5 714	4 027	3 305	563
Macao, China	-57	33	34	30	213	-	-	-580	52	-	10	-	3	43
Mongolia	344	57	88	82	-58	-80	15	-24	-	-	-	-	-	-
Taiwan Province of China	-360	385	-2 212	925	558	-42	-63	904	-339	247	2 221	76	1 534	2 861
South-East Asia	12 759	9 273	17 642	10 376	7 399	8 376	9 636	4 615	14 407	16 541	16 579	20 750	21 856	29 242
Brunei Darussalam	3	-	-	-	-	-	-47	10	-	-	-	-	-1	-
Cambodia	-336	5	50	-100	12	31	303	-	-	-	-	-	-	-
Indonesia	747	1 384	6 828	477	1 838	802	3 083	-2 402	186	165	315	2 217	1 176	2 404
Lao People's Democratic Republic	-	110	6	-	-	-	-	-	-	-	-	-	-	-
Malaysia	354	2 837	4 429	721	-740	273	501	3 292	2 372	3 380	9 105	2 322	1 026	3 788
Myanmar	-	-	-	-	-	-	560	-	-	-	-	-	-	-
Philippines	1 476	329	2 586	411	832	955	449	57	19	479	682	71	3 211	1 479
Singapore	9 871	3 859	1 615	8 023	4 134	5 709	4 977	2 793	8 963	7 948	795	6 531	17 163	21 130
Thailand	351	461	954	-65	14	448	-892	865	2 810	4 569	5 659	9 602	-718	437
Viet Nam	293	289	1 175	908	1 310	157	702	-	57	-	21	7	-	4
South Asia	5 931	5 634	13 090	2 821	4 667	7 607	1 631	456	26 626	6 288	2 989	1 924	1 105	-805
Bangladesh	10	13	-	-	13	-	19	-	1	-	-	-	-4	-
Iran, Islamic Republic of	-	-	-	16	-	-	-	-	-	-	-	-	-	-
India	5 877	5 613	12 795	2 805	4 644	7 545	1 407	456	26 642	6 282	2 988	1 922	1 084	-862
Maldives	-	-	-	-	-	-	-	-	-3	-	-	-	-	-
Nepal	-	-	4	-	-	-	-	-	-	-	-	-	-	-
Pakistan	-	-	247	-153	8	-8	157	-	-13	-	-	2	-	12
Sri Lanka	44	9	44	153	2	70	49	-	-	6	1	-	25	45
West Asia	3 775	4 961	11 163	8 219	2 390	2 755	5 335	27 965	-13 979	6 571	11 390	7 405	10 921	16 869
Bahrain	-	452	30	-	-111	-	2	155	-3 674	-2 723	527	317	-2 131	-649
Iraq	-	11	717	1 727	324	-	-25	-	-	-	-14	8	-	-
Jordan	30	-99	183	22	-5	35	175	-	-29	37	-2	-	-	-
Kuwait	-55	460	16	2 230	414	629	868	441	-10 793	2 078	376	258	1 414	731
Lebanon	-	642	46	317	-	-	14	253	26	836	80	-	-63	7
Oman	-	388	-	-774	-	-	110	893	-530	222	354	-6	26	-1 044
Qatar	298	12	28	169	-	-	-	10 276	626	-790	7 971	3 594	3 966	8 838
Saudi Arabia	42	297	657	1 429	305	235	753	121	2 165	107	294	520	-674	3 333
State of Palestine	-	-	-	-	-	-	8	-	-	-	-	-	-	-
Syrian Arab Republic	2	66	-	-	-	-	-	-	-	-	-	1	-	-
Turkey	3 159	1 958	8 930	2 690	1 121	2 045	2 981	-	-38	908	2 012	611	398	469
United Arab Emirates	299	755	556	366	342	-188	450	15 825	-1 732	5 896	-207	2 102	7 984	5 183
Yemen	-	20	-	44	-	-	-	-	-	-	-	-	-	-
Latin America and the Caribbean[c]	-911	29 013	18 927	22 586	35 587	25 565	12 134	8 160	16 725	16 385	30 735	16 021	8 490	5 340
South America	-1 680	18 585	15 535	19 471	18 107	20 673	6 562	4 763	13 698	10 312	23 728	12 672	2 425	2 981
Argentina	97	3 457	-295	343	-53	-5 334	-363	-80	514	102	2 754	99	61	509
Bolivia, Plurinational State of	-4	-16	-	1	74	312	-	-	-	-	2	-	-	-
Brazil	84	10 115	15 107	17 316	10 826	14 208	2 719	2 518	9 030	5 541	7 401	2 956	-2 449	-1 654
Chile	1 534	826	514	-78	2 514	8 694	2 265	1 701	867	628	10 257	2 772	746	2 294
Colombia	-1 633	-1 370	-1 220	1 974	3 864	681	206	209	3 210	5 085	3 007	6 540	1 629	1 650
Ecuador	6	357	167	140	108	109	463	-	-	40	-	-	-	-
Guyana	1	-	3	-	-	-	-	-	-	-	3	-	-	-
Paraguay	-60	-1	-	-	-	6	-35	-	-	-	-	-	-	-
Peru	34	612	512	-67	617	1 890	1 307	417	71	171	319	225	1 058	178
Suriname	-	-	-	3	-	-	-	-	-	-	-	-	-	-
Uruguay	2	448	747	89	156	108	-	-	7	13	-	22	6	-
Venezuela, Bolivarian Republic of	-1 740	4 158	-	-249	-	-	-	-2	-	-1 268	-16	58	1 372	3
Central America	182	8 853	1 157	1 747	16 846	3 713	5 221	3 354	2 949	4 736	6 887	3 611	5 891	2 506
Belize	-	1	-	-	-	-	-	2	-	-	-	-	-	-
Costa Rica	-	5	17	120	192	3	6	-	-	-	354	50	-	-
El Salvador	30	43	103	-1	-	-	-	-	-	-	12	-	-	5
Guatemala	-	650	100	-213	411	15	-	-	-	-	-	-	-	-
Honduras	-	1	23	-	-	-	-	-	-	-	-	104	-	-
Mexico	129	7 989	1 143	1 116	15 896	3 653	4 765	3 187	2 896	4 274	6 504	3 847	5 372	2 393
Nicaragua	-1	-	6	-	130	-	5	-	-	-	-	-	-	-
Panama	23	164	-235	725	216	41	446	165	53	462	18	-390	519	108

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Annex table 3. Value of cross-border M&As, by region/economy of seller/purchaser, 2009–2015 (concluded)

Region/economy	Net sales[a]							Net purchases[b]						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
Caribbean[c]	588	1 575	2 235	1 368	635	1 179	351	44	78	1 337	120	-262	174	-147
Anguilla	-	-	-	-	-	-	-	-	-10	-	-	-	-	-
Bahamas	-	-	-	-	-	-	-	-254	-6	-558	-	-123	-374	1 879
Barbados	-	-	-	-	-	-	-	-	-	-	-	-	-11	-
British Virgin Islands	-	-	-	-	-	-	-	-2 882	-298	511	444	-62	-360	-692
Cayman Islands	-	-	-	-	-	-	-	-2 615	167	1 079	-174	-625	-160	1 809
Dominican Republic	-	7	39	1 264	156	-	15	-	-	-	-	-	-	34
Haiti	1	59	-	-	-	4	-	-	-	-	-	-	-	-
Jamaica	-	-	9	-	-	-	11	28	1	-	-	-	26	-
Netherlands Antilles[d]	-	-	-	-	-	-	-	-30	-156	-	-	-	-	-
Puerto Rico	587	1 037	1 214	88	1 079	-	325	22	77	202	120	-9	-20	-181
Trinidad and Tobago	-	-	973	16	-600	1 175	-	-10	-	-15	-	-653	168	-
U.S. Virgin Islands	-	473	-	-	-	-	-	4	-	1 150	-	400	-	-
Oceania	4	8 844	23	-67	5	278	2 234	174	-4	-	15	80	1 160	18
American Samoa	-	-	-	11	-	26	15	-	-	-	-29	86	123	-53
Fiji	-	1	-	-	-	-2	-	-	-	-	-	2	-	-
French Polynesia	-	-	-	-	-	-	-	1	-	-	44	-	-	-
Guam	-	-	-	-	-	-	1	-	-	-	-	-	-	-
Marshall Islands	-	-	-	-	-	258	155	-	-	-	-	3	-79	-
Micronesia, Federated States of	-	-	-	-	-	-	-	-	-	-	-	4	-	-
Nauru	-	-	-	-	-	-	-	172	-	-	-	-	-	-
Papua New Guinea	-	8 843	5	-78	5	-2	1 593	-	-4	-	-	-	1 116	71
Samoa	-	-	-	-	-	-	468	-	-	-	-	-14	-	-
Solomon Islands	-	-	19	-	-	-	-	-	-	-	-	-	-	-
Tokelau	-	-	-	-	-	-	-	1	-	-	-	-	-	-
Vanuatu	4	-	-	-	-	-	2	-	-	-	-	-	-	-
Transition economies	6 934	4 095	32 966	6 825	-54 845	4 125	9 421	7 789	5 378	13 108	9 296	3 074	1 558	4 358
South-East Europe	529	65	1 367	3	16	20	19	-174	-	51	2	-	-	16
Albania	146	-	-	-	-	-	-	-	-	-	-	-	-	-
Bosnia and Herzegovina	8	-	-	1	6	10	4	-	-	-	1	-	-	-
The former Yugoslav Republic of Macedonia	-	46	27	-	-	-	-	-	-	-	-	-	-	-
Serbia and Montenegro	3	-	-	-	-	-	-	-	-	-	-	-	-	-
Serbia	10	19	1 340	2	9	10	-	-174	-	51	1	-	-	16
Montenegro	362	-	-	-	-	-	15	-	-	-	-	-	-	-
CIS	6 391	4 001	31 599	6 822	-54 862	4 095	9 204	7 963	5 378	12 869	9 294	3 074	1 558	4 342
Armenia	-	-	26	23	-	30	233	-	-	-	-	-	-	-
Azerbaijan	-	-	-	-	-	-	2 250	-	-	2	748	-	256	-458
Belarus	-	649	10	-	13	-51	-	-	-	-	-	163	-	-
Kazakhstan	1 621	101	293	-831	331	-1 425	16	-	1 462	8 088	-32	-	-1	1
Kyrgyzstan	-	44	6	-5	-	-	23	-	-	-	-	-	-	-
Moldova, Republic of	-	-	-9	-	-	-	-	-	-	-	-	-	14	-
Russian Federation	4 620	2 882	29 859	7 201	-55 040	5 534	6 677	7 957	3 875	4 673	8 302	2 314	1 411	4 338
Tajikistan	-	-	14	-	-	-	-	-	-	-	-	-	-	-
Ukraine	145	322	1 400	434	-169	7	6	6	40	106	276	597	-122	460
Uzbekistan	4	1	-	-	3	-	-	-	-	-	-	-	-	-
Georgia	14	30	-	1	2	11	198	-	-	188	-	-	-	-
Unspecified	-	-	-	-	-	-	-	8 170	16 580	7 158	10 872	10 936	18 090	12 180
Memorandum														
Least developed countries (LDCs)[e]	-765	2 204	501	374	93	3 819	1 016	-	259	353	-102	2	23	-
Landlocked developing countries (LLDCs)[f]	1 983	615	634	-574	392	-1 081	2 620	-25	1 727	8 076	544	6	270	-459
Small island developing States (SIDS)[g]	41	9 038	1 011	-48	-590	1 503	2 332	-35	424	-824	-230	-716	2 065	3 168

Source: ©UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).

[a] Net sales by the region/economy of the immediate acquired company.

[b] Net purchases by the region/economy of the ultimate acquiring company.

[c] Excluding the financial centers in the Caribbean (Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Barbados, the British Virgin Islands, the Cayman Islands, Curaçao, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sint Maarten and the Turks and Caicos Islands).

[d] This economy was dissolved on 10 October 2010.

[e] Least developed countries include Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, the Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

[f] Landlocked developing countries include Afghanistan, Armenia, Azerbaijan, Bhutan, the Plurinational State of Bolivia, Botswana, Burkina Faso, Burundi, the Central African Republic, Chad, Ethiopia, Kazakhstan, Kyrgyzstan, the Lao People's Democratic Republic, Lesotho, the former Yugoslav Republic of Macedonia, Malawi, Mali, the Republic of Moldova, Mongolia, Nepal, the Niger, Paraguay, Rwanda, South Sudan, Swaziland, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

[g] Small island developing States include Antigua and Barbuda, the Bahamas, Barbados, Cabo Verde, the Comoros, Dominica, Fiji, Grenada, Jamaica, Kiribati, Maldives, the Marshall Islands, Mauritius, the Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Seychelles, Solomon Islands, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu and Vanuatu.

Annex table 4. Value of cross-border M&As, by sector/industry, 2009–2015 (Millions of dollars)

Sector/industry	Net sales[a]							Net purchases[b]						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
Total	287 617	347 094	553 442	328 224	262 517	432 480	721 455	287 617	347 094	553 442	328 224	262 517	432 480	721 455
Primary	51 222	79 751	156 033	46 226	-12 887	36 087	31 550	27 914	46 838	93 254	3 309	-52 580	13 047	2 746
Agriculture, hunting, forestry and fisheries	1 317	5 204	1 813	7 875	2 023	2 096	3 034	1 784	408	366	-1 423	307	-243	6 121
Mining, quarrying and petroleum	49 905	74 546	154 220	38 352	-14 910	33 991	28 516	26 130	46 430	92 888	4 732	-52 887	13 290	-3 375
Manufacturing	79 381	127 775	204 203	134 770	135 454	189 264	388 335	38 142	127 792	222 833	137 818	108 351	199 217	365 734
Food, beverages and tobacco	9 935	38 110	45 335	32 382	54 836	34 567	28 674	-467	33 620	31 541	31 671	40 207	33 873	28 019
Textiles, clothing and leather	269	856	2 740	3 802	5 071	2 314	670	546	2 963	2 449	2 508	1 883	963	-12 315
Wood and wood products	1 561	-2 326	2 406	4 610	1 433	1 656	1 805	1 425	8 388	3 748	3 589	2 754	3 012	2 021
Publishing and printing	-22	811	-25	177	25	194	425	30	906	-112	65	61	47	167
Coke, petroleum products and nuclear fuel	2 214	350	-752	-120	-2 227	-6 115	69	-844	-6 802	-2 673	-3 748	-2 049	-13 965	8 621
Chemicals and chemical products	29 584	34 238	78 487	30 801	27 936	82 975	160 528	26 416	46 874	89 702	41 485	35 584	77 253	171 326
Rubber and plastic products	277	5 881	2 241	2 766	489	-3 677	4 798	-285	127	1 367	570	381	2 476	1 694
Non-metallic mineral products	366	3 877	1 520	2 323	8 884	5 746	31 283	-567	5 198	1 663	755	3 622	1 990	25 533
Metals and metal products	-677	2 648	7 072	10 788	3 485	5 664	13 242	2 746	5 075	18 375	9 705	234	48 059	10 469
Machinery and equipment	2 232	7 921	14 905	15 121	11 394	12 543	22 627	1 814	5 910	14 564	12 836	7 754	10 512	-2 366
Electrical and electronic equipment	19 457	21 026	29 198	23 334	13 210	25 280	26 306	4 713	11 758	39 440	26 821	13 682	16 421	39 409
Motor vehicles and other transport equipment	11 498	7 504	5 392	2 585	2 282	17 461	19 860	73	6 737	10 899	4 902	1 449	11 809	22 999
Other manufacturing	2 687	6 879	15 685	6 202	8 638	10 656	78 049	2 540	7 040	11 870	6 661	2 788	6 766	70 157
Services	157 014	139 568	193 206	147 228	139 949	207 129	301 570	221 562	172 464	237 355	187 097	206 746	220 216	352 976
Electricity, gas and water	61 632	-3 568	26 820	16 610	15 220	14 465	17 129	44 246	-14 841	6 758	3 128	8 860	17 186	-2 427
Construction	10 513	7 109	1 835	648	1 852	-276	2 228	-2 561	-2 001	-1 575	2 774	4 878	1 067	3 612
Trade	5 555	12 774	19 477	14 711	3 173	37 107	15 433	3 821	6 104	6 412	23 188	5 989	28 637	487
Accommodation and food service activities	930	5 183	4 037	-129	7 405	17 644	7 978	354	867	684	-1 847	898	16 320	2 930
Transportation and storage	5 461	12 455	15 023	19 340	13 429	21 903	33 564	3 651	7 637	6 595	9 129	3 479	9 517	17 163
Information and communication	49 072	20 876	37 432	36 525	27 097	-71 280	18 615	38 880	19 306	22 954	17 417	23 641	-77 435	17 884
Finance	10 326	32 649	38 853	17 116	12 526	91 416	101 772	125 835	138 016	168 033	113 475	131 210	182 389	273 996
Business services	13 587	38 401	43 881	35 976	50 087	83 310	91 830	7 773	16 864	26 423	18 839	27 112	38 450	32 094
Public administration and defense	110	233	604	-97	40	9	98	-594	-4 303	-288	-1 165	-1 984	-5 359	-613
Education	559	2 176	597	524	637	1 259	717	51	310	112	317	-942	128	358
Health and social services	1 111	8 544	3 445	5 444	4 154	3 118	8 051	187	3 815	729	954	2 636	3 021	1 114
Arts, entertainment and recreation	-2 084	1 537	1 061	460	2 103	7 675	3 860	-77	635	526	275	647	6 026	6 455
Other service activities	242	1 198	141	99	2 226	779	295	-3	55	-9	615	321	269	-77

Source: ©UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).

Note: Cross-border M&A sales and purchases are calculated on a net basis as follows: Net cross-border M&A sales by sector/industry = Sales of companies in the industry of the acquired company to foreign MNEs (-) Sales of foreign affiliates in the industry of the acquired company; net cross-border M&A purchases by sector/industry = Purchases of companies abroad by home-based MNEs, in the industry of the ultimate acquiring company (-) Sales of foreign affiliates of home-based MNEs, in the industry of the ultimate acquiring company. The data cover only those deals that involved an acquisition of an equity stake of more than 10 per cent.

[a] Net sales in the industry of the acquired company.

[b] Net purchases by the industry of the ultimate acquiring company.

Annex table 5. Cross-border M&A deals worth over $3 billion completed in 2015

Rank	Value ($ billion)	Acquired company	Host economy[a]	Industry of the acquired company	Acquiring company	Home economy[a]	Industry of the acquiring company	Shares acquired (%)
1	68.4	Allergan Inc	United States	Pharmaceutical preparations	Actavis PLC	Ireland	Pharmaceutical preparations	100
2	42.7	Covidien PLC	Ireland	Surgical and medical instruments and apparatus	Medtronic Inc	United States	Electromedical and electrotherapeutic apparatus	100
3	20.6	Lafarge SA	France	Cement, hydraulic	Holcim Ltd	Switzerland	Cement, hydraulic	96
4	20.4	Steinhoff International Holdings Ltd	South Africa	Metal household furniture	Genesis International Holdings NV	Netherlands	Metal household furniture	100
5	16.9	Sigma-Aldrich Corp	United States	Chemicals and chemical preparations, nec	Merck KGaA	Germany	Pharmaceutical preparations	100
6	16.0	GlaxoSmithKline PLC	United Kingdom	Pharmaceutical preparations	Novartis AG	Switzerland	Pharmaceutical preparations	100
7	14.0	Ondereel Ltd, Best-Growth Resources Ltd, Havensbrook Investments Ltd, China Resources	Hong Kong, China	Grocery stores	China Resources (Holdings) Co Ltd	Hong Kong, China	Investors, nec	100
8	12.5	TRW Automotive Holdings Corp	United States	Motor vehicle parts and accessories	ZF Friedrichshafen AG	Germany	Motor vehicle parts and accessories	100
9	12.0	GE Antares Capital	United States	Misc business credit	CPPIB Credit Investments Inc	Canada	Investment advice	100
10	10.7	Alstom SA-Energy Businesses	France	Turbines and turbine generator sets	General Electric Co	United States	Power, distribution and specialty transformers	100
11	10.4	Gagfah SA	Luxembourg	Operators of apartment buildings	Deutsche Annington Immobilien SE	Germany	Real estate investment trusts	94
12	9.9	China United Network Communications Corp Ltd	China	Telephone communications, except radiotelephone	China Tower Corp Ltd	China	Telephone communications, except radiotelephone	100
13	9.8	GVT Participacoes SA	Brazil	Telephone communications, except radiotelephone	Telefonica Brasil SA	Brazil	Telephone communications, except radiotelephone	100
14	8.9	General Electric Capital Corp	United States	Personal credit institutions	Bank of Montreal,Ontario, Canada	Canada	Banks	100
15	8.7	Friends Life Group Ltd	Guernsey	Life insurance	Aviva PLC	United Kingdom	Life insurance	100
16	8.4	PetSmart Inc	United States	Retail stores, nec	PetSmart Inc SPV	United States	Investment offices, nec	100
17	8.3	Talisman Energy Inc	Canada	Crude petroleum and natural gas	Repsol SA	Spain	Petroleum refining	100
18	8.1	IndCor Properties Inc	United States	Real estate investment trusts	Investor Group	Singapore	Investors, nec	100
19	7.5	HCC Insurance Holdings Inc	United States	Life insurance	Tokio Marine & Nichido Fire Insurance Co Ltd	Japan	Fire, marine and casualty insurance	100
20	7.4	TransGrid Ltd	Australia	Electric services	Investor Group	Canada	Investors, nec	100
21	7.4	Lafarge SA & Holcim Ltd	France	Cement, hydraulic	CRH PLC	Ireland	Cement, hydraulic	100
22	7.2	GE Capital Fleet Services	United States	Passenger car leasing	Element Financial Corp	Canada	Personal credit institutions	100
23	7.2	Oi SA-PT Portugal Assets	Portugal	Telephone communications, except radiotelephone	Altice Portugal SA	Portugal	Cable and other pay television services	100
24	7.1	Novartis AG-Vaccines Business	Switzerland	Biological products, except diagnostic substances	GlaxoSmithKline PLC	United Kingdom	Pharmaceutical preparations	100
25	7.1	RWE Dea AG	Germany	Crude petroleum and natural gas	L1 Energy Ltd	United Kingdom	Investment offices, nec	100
26	7.1	Reynolds American Inc	United States	Cigarettes	Imperial Tobacco Group PLC	United Kingdom	Cigarettes	100
27	7.0	Fortum Distribution AB	Sweden	Electric services	Investor Group	Canada	Investors, nec	100
28	6.7	Dresser-Rand Group Inc	United States	Turbines and turbine generator sets	Siemens AG	Germany	Radio and TV broadcasting and communications equipment	100
29	6.6	Elster Group GmbH	Germany	Totalizing fluid meters and counting devices	Honeywell International Inc	United States	Motor vehicle parts and accessories	100
30	6.4	Tesco PLC-Homeplus Group	Korea, Republic of	Grocery stores	Investor Group	Korea, Republic of	Investors, nec	100
31	6.2	International Game Technology	United States	Manufacturing industries, nec	GTECH SpA	Italy	Amusement and recreation svcs	100
32	5.9	CITIC Ltd	Hong Kong, China	Security and commodity services, nec	Chia Tai Bright Investment Co Ltd	Hong Kong, China	Investors, nec	12
33	5.7	Abbott Laboratories	Netherlands	Pharmaceutical preparations	Mylan Inc	United States	Pharmaceutical preparations	100
34	5.7	ITR Concession Co LLC	United States	Inspection and fixed facilities for motor vehicles	Industry Funds Management Pty Ltd	Australia	Investment advice	100
35	5.7	Protective Life Corp	United States	Life insurance	The Dai-ichi Life Insurance Co Ltd	Japan	Insurance agents, brokers and service	100
36	5.5	China Overseas Land & Investment Ltd	Hong Kong, China	Land subdividers and developers, except cemeteries	China Overseas Holdings Ltd	Hong Kong, China	Residential construction, nec	17
37	5.5	Cytec Industries Inc	United States	Chemicals and chemical preparations, nec	Solvay SA	Belgium	Plastics materials and synthetic resins	100

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Annex table 5. Cross-border M&A deals worth over $3 billion completed in 2015 (concluded)

Rank	Value ($ billion)	Acquired company	Host economy[a]	Industry of the acquired company	Acquiring company	Home economy[a]	Industry of the acquiring company	Shares acquired (%)
38	5.5	Corio NV	Netherlands	Real estate investment trusts	Klepierre SA	France	Real estate investment trusts	100
39	5.5	Celestial Domain Investments Ltd	China	Land subdividers and developers, except cemeteries	Alpha Progress Global Ltd	Hong Kong, China	Investors, nec	100
40	5.4	Novartis AG	Switzerland	Pharmaceutical preparations	Eli Lilly & Co	United States	Pharmaceutical preparations	100
41	5.4	City National Corp	United States	National commercial banks	Royal Bank of Canada	Canada	Banks	100
42	5.4	Polyus Gold International Ltd	United Kingdom	Gold ores	Sacturino Ltd	Russian Federation	Gold ores	60
43	5.2	Informatica Corp	United States	Prepackaged software	Informatica Corp SPV	Canada	Investment offices, nec	100
44	5.1	NPS Pharmaceuticals Inc	United States	Biological products, except diagnostic substances	Shire PLC	Ireland	Pharmaceutical preparations	100
45	5.1	Toll Holdings Ltd	Australia	Arrangement of transportation of freight and cargo	Japan Post Co Ltd	Japan	Courier services, except by air	100
46	5.0	Komi Oil OOO	Russian Federation	Crude petroleum and natural gas	Gaetano Holdings Ltd	United Kingdom	Investors, nec	100
47	4.7	Reynolds American Inc	United States	Cigarettes	British American Tobacco PLC	United Kingdom	Cigarettes	-
48	4.7	SIG Combibloc Group AG	Switzerland	Packaging machinery	Investor Group	Canada	Investors, nec	100
49	4.6	QCLNG Pipeline Pty Ltd	Australia	Crude petroleum and natural gas	APA Group	Australia	Natural gas transmission	100
50	4.6	Industrial Income Trust Inc	United States	General warehousing and storage	Global Logistic Properties Ltd	Singapore	General warehousing and storage	100
51	4.5	Omega Pharma Invest NV	Belgium	Pharmaceutical preparations	Perrigo Co PLC	Ireland	Pharmaceutical preparations	96
52	4.5	TDF SA-Assets	France	Television broadcasting stations	Investor Group	Canada	Investors, nec	100
53	4.4	CITIC Ltd	Hong Kong, China	Security and commodity services, nec	Chia Tai Bright Investment Co Ltd	Hong Kong, China	Investors, nec	10
54	4.4	China Merchants Property Development Co Ltd	China	Land subdividers and developers, except cemeteries	China Merchants Industrial Zone Holding Co Ltd	China	Land subdividers and developers, except cemeteries	40
55	4.3	Jazztel PLC	Spain	Radiotelephone communications	Orange SA	France	Telephone communications, except radiotelephone	100
56	4.2	Mondelez International Inc	Netherlands	Roasted coffee	DE Master Blenders	Netherlands	Roasted coffee	100
57	4.1	Songbird Estates PLC	United Kingdom	Land subdividers and developers, except cemeteries	Stork Holdco LP	Bermuda	Investors, nec	100
58	3.9	iGATE Corp	United States	Computer programming services	Cap Gemini SA	France	Computer facilities management services	100
59	3.8	Catlin Group Ltd	Bermuda	Insurance agents, brokers and service	XL Group PLC	Ireland	Life insurance	100
60	3.7	Sapient Corp	United States	Computer integrated systems design	Publicis Groupe SA	France	Advertising, nec	100
61	3.7	Standard Life Financial Inc	Canada	Insurance agents, brokers and service	Manufacturers Life Insurance Co	Canada	Insurance agents, brokers and service	100
62	3.5	Amdipharm Mercury Co Ltd	United Kingdom	Pharmaceutical preparations	Concordia Healthcare Corp	Canada	Pharmaceutical preparations	100
63	3.5	Halla Visteon Climate Control Corp	Korea, Republic of	Refrigeration and heating equipment	Investor Group	Korea, Republic of	Investors, nec	70
64	3.5	Arysta Lifescience Ltd	Ireland	Pesticides and agricultural chemicals, nec	Platform Specialty Products Corp	United States	Industrial organic chemicals, nec	100
65	3.4	Avanir Pharmaceuticals Inc	United States	Pharmaceutical preparations	Otsuka America Inc	United States	Pharmaceutical preparations	100
66	3.4	Auspex Pharmaceuticals Inc	United States	Pharmaceutical preparations	Teva Pharmaceutical Industries Ltd	Israel	Pharmaceutical preparations	100
67	3.2	Ranbaxy Laboratories Ltd	India	Pharmaceutical preparations	Sun Pharmaceutical Industries Ltd	India	Pharmaceutical preparations	100
68	3.2	Verallia SA	France	Glass containers	Investor Group	United States	Investors, nec	100
69	3.2	GALERIA Kaufhof GmbH	Germany	Department stores	Hudson's Bay Co	Canada	Department stores	100
70	3.2	Exeter Property Group LLC	United States	Operators of nonresidential buildings	Henley Holding Co	United Arab Emirates	Real estate investment trusts	100
71	3.1	Douglas Holding AG	Germany	Department stores	CVC Capital Partners Ltd	United Kingdom	Investors, nec	100
72	3.1	E ON Espana SL	Spain	Electric services	Investor Group	United Kingdom	Investors, nec	100
73	3.1	Columbus International Inc	Bahamas	Telephone communications, except radiotelephone	Cable & Wireless Communications PLC	United Kingdom	Telephone communications, except radiotelephone	100
74	3.1	Nokia Oyj-HERE Business	Germany	Communications services, nec	Investor Group	Germany	Investors, nec	100
75	3.1	TE Connectivity Ltd	Switzerland	Electronic components, nec	CommScope Holding Co Inc	United States	Radio and TV broadcasting and communications equipment	100

Source: ©UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).
Note: As long as the ultimate host economy is different from the ultimate home economy, M&A deals that were undertaken within the same economy are still considered cross-border M&As. nec = not elsewhere classified.
[a] Immediate economy.

Annex table 6. Value of announced greenfield FDI projects, by source/destination, 2009–2015 (Millions of dollars)

Partner region/economy	World[a] as destination 2009	2010	2011	2012	2013	2014	2015	World[a] as investors 2009	2010	2011	2012	2013	2014	2015
	By source							By destination						
World[a]	958 130	818 974	865 269	631 003	830 771	706 049	765 729	958 130	818 974	865 269	631 003	830 771	706 049	765 729
Developed countries	707 604	593 694	607 184	432 949	547 287	487 287	485 585	321 755	289 803	291 403	238 224	263 256	232 808	261 466
Europe	419 906	359 192	333 938	242 150	303 918	266 289	277 803	198 190	159 186	160 999	139 686	142 567	127 410	152 580
European Union	387 822	328 085	308 536	224 510	273 288	247 544	251 701	192 532	153 068	157 387	136 490	138 516	124 287	149 328
Austria	9 476	8 532	7 740	5 122	6 166	5 087	5 673	1 565	2 070	3 076	1 656	1 172	1 892	1 725
Belgium	8 466	6 190	5 750	3 352	4 639	7 627	5 801	3 684	6 066	2 931	2 726	3 510	5 048	3 715
Bulgaria	25	120	119	83	259	277	306	4 231	3 201	5 313	2 642	1 472	1 299	1 999
Croatia	148	810	83	172	241	113	132	1 550	2 330	2 133	1 067	1 108	923	629
Cyprus	1 127	954	4 517	3 121	1 273	1 120	1 730	237	718	427	130	156	39	388
Czech Republic	1 137	2 640	2 002	2 174	2 438	397	974	3 957	6 214	4 546	3 528	4 330	2 345	3 353
Denmark	9 514	3 739	9 809	7 537	9 481	5 780	13 345	1 625	935	596	934	671	1 077	1 864
Estonia	138	873	387	263	973	164	337	1 150	886	783	892	814	307	518
Finland	3 823	4 300	6 225	6 474	7 608	2 592	4 689	1 191	1 364	1 951	1 884	2 821	1 524	2 093
France	61 743	48 698	43 238	30 512	35 060	48 396	39 600	14 141	8 946	10 493	8 825	11 009	7 526	9 308
Germany	70 008	70 212	68 709	51 872	59 889	53 513	45 937	17 583	15 534	16 027	11 728	12 579	10 135	12 356
Greece	1 715	908	1 064	1 445	845	10 380	183	1 842	1 124	1 979	1 474	3 492	672	212
Hungary	867	320	1 061	877	471	739	319	3 831	7 760	3 469	2 834	2 444	2 816	2 621
Ireland	13 974	3 833	3 939	7 809	4 434	3 026	5 758	4 833	4 000	7 043	4 528	5 148	5 259	5 739
Italy	25 575	19 024	21 433	18 858	26 904	17 897	20 119	10 406	11 442	4 847	3 981	4 435	6 238	6 289
Latvia	674	832	275	85	166	65	298	861	702	606	1 002	735	298	314
Lithuania	321	272	153	603	382	154	730	1 086	1 226	7 355	1 125	820	608	936
Luxembourg	5 276	4 844	8 156	5 713	4 812	6 546	12 071	738	687	303	276	439	193	150
Malta	850	8	540	66	135	127	3	413	312	185	256	199	192	55
Netherlands	33 355	21 007	17 065	9 950	15 524	16 362	10 862	9 528	8 377	5 715	4 012	11 137	6 180	6 233
Poland	1 045	1 851	833	1 353	1 155	1 455	2 095	13 659	11 107	10 819	10 837	9 637	7 549	6 136
Portugal	9 223	5 092	2 032	2 228	3 337	2 781	1 694	5 473	2 756	1 602	1 228	1 732	1 207	2 754
Romania	115	758	104	139	293	548	269	14 403	7 347	11 708	8 885	9 202	5 705	4 515
Slovakia	388	1 311	32	285	271	7	30	3 336	3 867	5 730	1 419	2 137	1 033	3 455
Slovenia	587	529	356	332	162	65	223	289	638	459	455	274	198	151
Spain	40 208	36 871	27 681	18 207	28 579	19 670	23 820	13 044	13 727	9 845	10 318	11 608	10 869	12 593
Sweden	14 593	14 862	13 975	9 025	10 771	7 965	6 586	2 706	2 001	3 010	1 686	1 267	2 347	2 277
United Kingdom	73 454	68 694	61 258	36 855	47 020	34 693	48 117	55 170	27 735	34 436	46 164	34 168	40 807	56 951
Other developed Europe	32 084	31 107	25 402	17 640	30 630	18 744	26 102	5 657	6 118	3 612	3 196	4 051	3 123	3 252
Andorra	31	133	10	168	-	-	-	31	16	-	-	16	-	-
Iceland	129	592	316	42	4 231	157	44	-	598	194	124	124	356	300
Liechtenstein	134	93	106	111	54	234	80	-	8	-	-	115	76	-
Monaco	28	63	199	-	110	78	99	65	49	113	43	18	25	70
Norway	10 921	5 524	7 046	3 806	3 561	2 727	10 343	2 370	2 280	819	565	1 572	760	540
San Marino	-	-	-	3	-	-	-	-	-	-	-	-	-	-
Switzerland	20 841	24 702	17 727	13 510	22 674	15 548	15 534	3 191	3 167	2 486	2 464	2 206	1 906	2 341
North America	195 980	160 989	179 818	127 930	159 785	151 254	134 405	92 987	83 325	106 492	73 370	91 669	78 964	81 467
Canada	30 013	20 128	26 992	21 394	21 472	27 176	18 531	16 322	19 947	30 198	12 007	19 025	19 234	13 339
Greenland	-	-	-	-	-	-	14	-	412	-	-	8	-	-
United States	165 967	140 861	152 826	106 536	138 313	124 077	115 860	76 665	62 966	76 294	61 363	72 635	59 730	68 127
Other developed countries	91 718	73 513	93 428	62 870	83 584	69 744	73 378	30 578	47 293	23 913	25 168	29 020	26 434	27 419
Australia	16 887	11 487	13 781	8 751	10 983	11 353	9 866	21 023	41 434	16 172	18 186	14 170	16 081	16 701
Bermuda	7 507	1 250	578	596	1 975	845	4 168	1	162	6	13	4	66	-
Israel	2 643	6 859	3 137	2 706	3 326	2 049	2 254	3 356	874	787	1 452	2 419	389	293
Japan	63 795	52 931	74 790	49 165	64 580	52 301	56 434	5 593	4 458	4 816	4 329	11 157	8 623	8 904
New Zealand	885	986	1 141	1 652	2 719	3 196	657	605	364	2 132	1 189	1 270	1 276	1 522
Developing economies[a]	229 977	206 625	244 617	188 261	251 906	212 814	264 823	586 990	482 934	522 796	355 687	534 183	447 951	468 614
Africa	13 235	13 294	32 984	7 151	19 604	13 517	12 548	84 389	70 449	67 551	47 640	68 725	89 134	71 348
North Africa	2 499	1 123	529	2 593	2 645	2 904	5 541	39 321	18 389	11 506	14 987	11 443	26 478	21 866
Algeria	58	-	138	200	15	-	274	2 605	1 367	1 432	2 377	4 285	536	749
Egypt	1 858	1 006	84	2 382	1 155	1 723	1 690	18 474	9 500	5 417	9 475	3 282	18 175	14 636
Libya	22	-	-	-	-	23	12	1 813	973	44	88	135	179	-
Morocco	431	62	103	11	1 247	1 102	3 505	6 840	2 445	2 892	1 485	2 939	5 182	4 513
South Sudan	-	-	-	-	-	-	-	58	171	350	341	291	161	-
Sudan	-	-	187	-	-	-	-	1 889	2 292	72	77	66	68	1 556
Tunisia	130	55	17	-	229	56	58	7 642	1 640	1 300	1 145	446	2 178	411
Other Africa	10 736	12 171	32 455	4 558	16 959	10 614	7 007	45 068	52 060	56 045	32 652	57 282	62 656	49 482
Angola	15	527	-	365	112	345	11	5 806	1 330	383	2 959	829	16 132	2 691
Benin	-	-	-	-	-	-	-	-	12	46	18	160	11	333
Botswana	12	11	140	66	36	22	57	362	461	378	146	103	236	187
Burkina Faso	-	-	137	-	22	11	22	270	460	157	1	537	72	-
Burundi	-	-	-	11	11	-	-	55	25	42	20	65	367	288
Cabo Verde	-	-	-	-	-	-	-	-	102	136	58	6	141	277
Cameroon	22	-	-	-	-	-	15	1 011	5 287	3 611	565	523	253	1 840
Central African Republic	-	-	-	-	-	-	-	-	11	-	58	-	22	15
Chad	-	-	-	-	-	-	-	57	-	142	102	150	629	8
Comoros	-	-	-	-	-	-	-	-	-	7	130	11	11	11
Congo	-	-	-	-	-	-	32	1 271	-	32	113	3 489	1 708	180
Congo, Democratic Republic of the	-	7	-	-	-	1	-	48	1 060	2 187	466	1 084	540	1 217
Côte d'Ivoire	22	22	-	46	328	150	11	124	281	828	809	2 195	495	3 540
Djibouti	-	-	-	-	-	600	-	880	891	-	22	179	284	540
Equatorial Guinea	-	-	-	-	12	-	8	1 300	10	1 800	3	12	11	160
Ethiopia	11	-	-	62	70	-	-	337	309	1 115	498	4 929	2 758	1 751
Gabon	-	-	22	-	-	11	11	709	2 493	225	259	48	195	17
Gambia	-	-	-	-	865	-	-	33	206	15	200	9	-	-
Ghana	6	18	54	61	29	-	8	6 790	2 536	5 708	1 250	2 832	4 837	1 436
Guinea	-	-	-	-	-	-	-	67	1 417	556	29	482	6	1 005

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Annex table 6. Value of announced greenfield FDI projects, by source/destination, 2009–2015 (continued)

Partner region/economy	World[a] as destination							World[a] as investors						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
	By source							By destination						
Guinea-Bissau	-	-	-	-	-	-	-	22	-	-	-	-	321	5
Kenya	326	3 596	471	532	586	421	1 036	1 315	912	2 375	1 017	3 475	2 305	2 556
Lesotho	-	-	-	-	-	-	-	26	56	512	4	-	-	-
Liberia	-	-	-	-	-	-	-	824	2 603	281	53	558	22	1 170
Madagascar	-	-	-	-	-	-	-	164	-	104	216	211	358	-
Malawi	11	-	-	2	-	-	-	710	316	206	23	559	29	11
Mali	11	22	-	-	-	22	-	58	15	45	792	36	63	327
Mauritania	-	-	-	-	-	-	-	-	46	274	350	22	1 312	-
Mauritius	754	2 534	1 577	298	3 273	1 752	2 064	108	63	1 400	140	51	341	77
Mozambique	-	-	-	58	-	-	-	785	3 200	8 928	3 207	6 597	8 801	5 166
Namibia	-	-	-	289	402	-	-	1 501	378	886	764	1 287	184	108
Niger	-	-	-	-	-	-	-	-	100	277	-	350	19	-
Nigeria	1 337	665	1 034	636	3 216	641	842	7 807	8 030	3 789	5 129	8 838	10 837	8 627
Reunion	-	-	-	-	-	-	-	-	-	-	-	-	150	162
Rwanda	15	-	-	22	-	-	-	315	1 663	591	1 202	438	496	1 197
Sao Tome and Principe	-	-	-	-	-	-	-	-	-	-	150	150	6	-
Senegal	-	-	2	6	389	14	-	532	801	114	1 159	1 491	377	1 971
Seychelles	-	-	-	-	-	-	3	1	130	11	37	156	37	-
Sierra Leone	-	-	-	-	-	-	-	260	230	218	110	611	-	463
Somalia	-	-	-	-	-	-	-	-	34	-	40	378	165	-
South Africa	7 902	4 646	28 667	1 982	7 204	5 694	2 762	5 847	5 951	10 859	4 804	7 217	3 597	4 885
Swaziland	-	-	-	-	-	-	-	11	-	439	7	150	67	-
Togo	151	48	302	55	199	80	-	15	-	-	410	370	22	29
Uganda	44	11	-	-	7	-	59	1 431	7 852	393	421	978	426	4 653
United Republic of Tanzania	55	52	51	22	158	297	37	431	837	3 123	1 064	2 551	569	1 365
Zambia	9	-	-	46	33	-	-	2 787	1 206	2 409	747	1 092	2 990	562
Zimbabwe	33	12	-	-	6	556	29	1 000	750	1 443	3 103	2 073	457	653
Asia	204 181	170 853	190 159	170 704	211 191	190 622	243 389	387 481	299 843	327 723	228 926	298 788	268 776	323 271
East and South-East Asia	117 469	122 415	124 070	106 421	151 945	148 440	179 511	236 015	197 444	210 423	146 887	201 599	191 261	200 954
East Asia	80 134	86 292	90 376	69 076	123 313	114 041	123 327	127 227	114 626	126 960	97 245	112 050	94 987	84 806
China	22 857	20 472	38 647	18 452	39 552	64 101	59 823	109 169	96 128	105 741	78 568	90 009	76 571	59 407
Hong Kong, China	16 538	7 389	10 799	12 011	55 788	12 158	17 796	7 943	6 110	6 566	7 355	7 114	5 323	4 310
Korea, Democratic People's Republic of	-	-	-	-	-	-	-	221	-	59	-	227	2	-
Korea, Republic of	28 840	30 025	27 560	29 495	20 657	25 216	26 357	4 784	3 793	9 634	6 232	10 462	10 444	9 328
Macao, China	-	-	-	-	81	-	810	490	221	483	2 356	257	888	3 802
Mongolia	-	150	-	-	-	-	-	257	1 655	356	249	1 739	165	5 318
Taiwan Province of China	11 899	28 257	13 370	9 118	7 234	12 565	18 541	4 363	6 720	4 121	2 486	2 243	1 594	2 641
South-East Asia	37 335	36 123	33 693	37 345	28 632	34 399	56 184	108 789	82 818	83 463	49 642	89 549	96 273	116 148
Brunei Darussalam	-	-	70	-	-	140	-	434	204	5 928	176	83	134	75
Cambodia	209	-	-	189	184	108	45	3 747	1 471	2 185	1 540	2 543	2 366	4 031
Indonesia	1 097	292	4 998	861	358	1 215	702	26 005	13 062	24 729	13 649	18 291	17 183	38 536
Lao People's Democratic Republic	-	-	-	-	-	81	283	2 074	261	1 289	703	902	1 051	2 322
Malaysia	13 782	20 092	3 743	17 961	4 344	9 522	8 146	11 916	15 379	12 953	6 023	9 983	19 230	13 609
Myanmar	-	-	71	-	160	-	-	1 800	435	625	1 995	15 655	4 833	10 882
Philippines	1 496	2 044	369	545	1 020	2 023	1 919	9 960	4 741	4 159	4 124	4 623	7 418	8 739
Singapore	13 656	9 524	13 042	15 086	15 348	16 560	26 374	11 541	16 548	18 321	9 064	9 267	12 118	8 261
Thailand	5 492	3 322	10 036	2 527	5 781	3 973	14 116	6 776	9 258	4 041	6 097	6 008	8 532	8 146
Timor-Leste	-	-	-	-	-	-	-	-	1 000	-	79	1 000	10	91
Viet Nam	1 605	848	1 365	175	1 437	778	4 600	34 537	20 461	9 231	6 192	21 195	23 399	21 455
South Asia	21 762	20 229	26 496	29 119	18 902	14 336	15 824	63 707	50 717	54 991	39 287	32 398	39 180	91 954
Afghanistan	-	-	37	-	13	-	33	80	303	308	227	320	-	10
Bangladesh	51	113	101	131	1	48	81	523	2 574	514	2 267	893	2 051	4 494
Bhutan	-	-	-	-	-	-	-	116	70	91	35	183	-	272
India	15 932	19 257	25 475	26 349	17 741	13 389	14 955	52 847	40 307	45 173	31 258	24 405	25 495	63 440
Iran, Islamic Republic of	5 726	638	515	1 563	-	382	322	2 771	2 743	1 744	-	80	1 671	2 473
Maldives	-	-	-	-	-	-	-	401	2 048	902	279	107	108	442
Nepal	-	3	31	151	243	-	-	356	339	95	-	615	390	760
Pakistan	22	146	245	92	739	434	105	4 389	1 359	2 325	4 153	3 614	7 558	18 898
Sri Lanka	32	72	93	832	165	84	329	2 225	973	3 839	1 068	2 182	1 906	1 167
West Asia	64 949	28 209	39 594	35 164	40 344	27 846	48 054	87 758	51 682	62 309	42 752	64 790	38 335	30 363
Bahrain	4 758	797	734	1 530	633	467	4 163	2 086	2 408	3 850	3 950	1 178	1 018	2 011
Iraq	20	-	51	-	53	-	-	7 844	4 208	8 731	978	10 227	2 274	816
Jordan	897	598	50	1 015	115	566	325	2 518	2 143	2 822	1 461	10 953	1 730	474
Kuwait	3 394	2 479	2 824	1 215	9 806	430	3 877	763	572	811	614	2 176	249	158
Lebanon	594	291	220	415	181	220	311	2 131	1 274	499	222	106	1 182	75
Oman	3 069	107	220	99	466	269	538	7 364	3 534	3 664	4 311	2 435	1 535	881
Qatar	13 536	1 583	11 508	7 514	1 507	297	676	15 033	4 089	3 796	2 089	1 625	1 219	934
Saudi Arabia	5 946	1 435	5 627	2 033	2 948	1 926	13 531	14 581	8 315	16 152	9 443	6 642	9 988	9 855
State of Palestine	-	-	-	15	-	-	-	14	15	-	-	7	20	-
Syrian Arab Republic	61	-	219	-	-	-	-	3 638	1 992	1 593	3	-	4	-
Turkey	3 883	3 106	3 053	4 139	6 598	2 956	2 542	19 619	10 836	11 294	9 116	21 928	5 633	6 198
United Arab Emirates	28 794	17 744	15 088	17 177	18 018	20 715	22 092	11 257	10 881	9 090	10 263	7 336	12 976	8 959
Yemen	-	70	-	11	21	-	-	910	1 413	6	302	178	510	-
Latin America and the Caribbean[a]	12 475	22 462	21 289	10 406	21 112	8 675	8 656	112 837	110 121	124 243	77 734	163 597	88 866	73 496
South America	9 983	19 619	10 011	6 653	14 478	4 658	5 122	76 901	86 723	88 930	55 297	74 362	40 456	39 484
Argentina	875	1 267	614	1 349	1 866	66	613	8 491	6 086	11 652	5 839	4 910	3 273	2 895
Bolivia, Plurinational State of	-	-	-	-	66	-	22	1 912	776	243	10	1 028	502	2 439
Brazil	5 896	11 703	4 321	3 130	9 357	1 638	1 994	34 992	42 325	48 397	29 966	30 492	18 324	17 948

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Annex table 6. Value of announced greenfield FDI projects, by source/destination, 2009–2015 (concluded)

Partner region/economy	World[a] as destination							World[a] as investors						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
	By source							By destination						
Chile	1 462	2 217	1 791	1 167	1 206	1 423	1 863	15 847	5 721	14 827	10 908	12 939	6 682	9 906
Colombia	109	3 384	846	812	1 073	392	109	3 167	13 048	7 024	3 258	12 543	3 316	2 736
Ecuador	368	190	81	41	-	2	117	324	108	619	488	809	611	686
Guyana	-	-	-	-	-	-	-	12	159	45	302	38	-	52
Paraguay	-	-	-	-	-	-	-	65	369	111	369	413	326	144
Peru	358	27	265	12	400	394	354	10 768	11 320	4 332	3 034	5 949	5 464	1 491
Suriname	-	-	-	-	-	-	-	-	-	160	31	88	-	257
Uruguay	45	2	5	-	11	-	-	248	724	1 027	753	1 129	1 203	817
Venezuela, Bolivarian Republic of	870	830	2 088	142	498	741	51	1 075	6 086	494	338	4 023	755	114
Central America	2 438	2 748	11 069	3 742	6 383	3 597	3 294	32 551	20 976	27 370	20 470	79 842	45 071	30 129
Belize	-	-	14	-	-	-	1	5	1	-	259	100	4	88
Costa Rica	55	119	11	3	114	133	101	1 403	1 711	2 983	677	808	1 359	524
El Salvador	264	145	20	-	55	-	49	718	252	479	230	908	515	63
Guatemala	116	71	363	205	222	7	-	1 108	892	299	384	1 058	379	293
Honduras	-	-	-	37	373	-	80	121	246	483	51	549	1 551	363
Mexico	1 923	1 701	10 594	3 490	5 552	3 316	3 057	26 217	16 122	20 593	17 729	34 115	32 776	25 579
Nicaragua	-	246	3	3	31	2	-	751	265	362	350	40 631	725	912
Panama	81	465	65	4	35	139	6	2 228	1 487	2 170	790	1 674	7 761	2 308
Caribbean[a]	55	95	209	12	251	420	240	3 385	2 422	7 943	1 968	9 392	3 338	3 882
Antigua and Barbuda	-	-	-	-	-	-	-	-	-	-	-	-	2 221	400
Aruba	-	-	-	-	-	-	-	-	6	29	65	-	84	-
Bahamas	35	-	1	8	96	37	-	6	68	483	24	16	221	-
Barbados	-	5	32	21	-	-	-	28	122	227	4	-	240	-
Cayman Islands	987	181	483	295	76	464	109	98	248	282	299	73	298	252
Cuba	-	-	31	-	-	133	4	958	1 552	446	221	195	19	728
Dominica	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Dominican Republic	39	25	-	-	-	-	-	1 336	253	5 431	603	3 324	1 375	253
Grenada	-	-	-	-	-	-	-	-	4	6	30	-	1	13
Guadeloupe	-	-	-	-	-	-	-	-	-	25	-	-	221	-
Haiti	-	8	-	-	9	-	-	49	59	350	45	434	-	364
Jamaica	13	28	168	12	237	232	222	38	37	489	12	1 363	505	1 387
Martinique	-	13	-	-	-	13	-	6	-	-	15	-	221	-
Puerto Rico	3	20	10	-	5	42	14	681	497	1 071	952	2 563	965	728
Saint Kitts and Nevis	-	-	-	-	-	-	-	-	-	-	49	-	-	-
Saint Lucia	-	-	-	-	-	-	-	1	145	65	-	134	296	120
Saint Vincent and the Grenadines	-	-	-	-	-	-	-	-	-	-	-	-	31	-
Trinidad and Tobago	-	3	-	-	-	-	-	316	24	131	118	1 513	34	423
Turks and Caicos Islands	-	-	-	-	-	1	-	-	31	-	-	221	-	-
Oceania	86	16	185	-	-	-	230	2 283	2 521	3 278	1 388	3 075	1 175	500
Fiji	70	10	-	-	-	-	-	302	35	159	36	12	48	69
French Polynesia	10	-	-	-	-	-	-	-	70	-	-	-	-	-
Micronesia, Federated States of	-	-	-	-	-	-	-	-	-	-	156	-	35	70
New Caledonia	-	-	35	-	-	-	-	18	-	10	-	-	-	-
Papua New Guinea	-	7	150	-	-	-	-	1 927	2 195	3 045	1 196	3 063	840	254
Samoa	-	-	-	-	-	-	-	-	-	-	-	-	253	107
Solomon Islands	6	-	-	-	-	-	-	36	221	65	-	-	-	-
Vanuatu	-	-	-	-	-	-	230	-	-	-	-	-	-	-
Transition economies	20 549	18 655	13 469	9 793	31 578	5 948	15 321	49 385	46 236	51 070	37 092	33 331	25 290	35 648
South-East Europe	325	498	182	75	265	153	130	5 589	4 970	6 911	7 736	6 872	5 721	8 570
Albania	-	105	-	-	3	3	-	116	58	317	288	56	53	132
Bosnia and Herzegovina	-	19	3	4	77	4	-	1 316	311	1 258	1 349	888	1 006	3 146
Montenegro	-	7	-	-	9	-	-	120	372	424	350	618	1 143	43
Serbia	316	365	146	71	78	147	130	3 262	3 775	4 059	4 633	4 731	2 552	4 820
The former Yugoslav Republic of Macedonia	9	1	33	-	99	-	-	776	454	853	1 117	579	966	429
CIS	20 195	18 149	13 105	8 951	31 282	5 794	15 156	39 960	40 219	42 465	28 827	25 167	18 709	26 448
Armenia	-	13	70	120	-	-	12	878	229	763	486	827	281	291
Azerbaijan	3 418	569	422	2 883	10 145	110	354	1 474	646	1 384	1 496	1 037	665	466
Belarus	395	2 075	109	75	544	222	249	1 143	1 783	1 012	616	950	353	787
Kazakhstan	700	693	343	137	219	419	10	1 743	2 379	6 455	1 188	2 514	2 183	5 463
Kyrgyzstan	31	-	-	-	-	-	-	45	-	277	60	49	70	1 131
Moldova, Republic of	-	-	-	-	3	-	-	487	271	346	155	294	115	506
Russian Federation	14 890	13 738	11 260	4 307	19 160	4 707	13 751	26 583	29 679	22 177	16 683	14 153	12 928	12 229
Tajikistan	8	-	-	-	-	-	-	539	2	1 060	587	159	482	330
Turkmenistan	-	-	-	-	-	-	-	1 262	300	2 219	7	-	35	1 004
Ukraine	754	1 063	901	1 429	1 211	337	780	4 463	4 062	2 869	3 061	4 876	1 102	539
Uzbekistan	-	-	-	-	-	-	-	1 344	867	3 904	4 488	308	495	3 703
Georgia	29	7	181	766	31	-	35	3 836	1 047	1 694	529	1 292	860	630
Memorandum														
Least developed countries (LDCs)[b]	589	861	918	1 131	2 509	1 605	808	28 850	35 296	29 875	22 061	47 917	48 256	49 717
Landlocked developing countries (LLDCs)[c]	4 312	1 483	1 213	3 500	10 972	1 220	880	20 883	22 315	28 253	18 640	22 716	16 517	34 239
Small island developing States (SIDS)[d]	877	2 585	1 927	339	3 605	2 021	2 519	3 163	6 194	7 125	2 499	7 582	5 377	3 742

Source: ©UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).

Note: Data refer to estimated amounts of capital investment.

[a] Excluding the financial centers in the Caribbean (Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Barbados, the British Virgin Islands, the Cayman Islands, Curaçao, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sint Maarten and the Turks and Caicos Islands).

[b] Least developed countries include Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, the Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

[c] Landlocked developing countries include Afghanistan, Armenia, Azerbaijan, Bhutan, the Plurinational State of Bolivia, Botswana, Burkina Faso, Burundi, the Central African Republic, Chad, Ethiopia, Kazakhstan, Kyrgyzstan, the Lao People's Democratic Republic, Lesotho, the former Yugoslav Republic of Macedonia, Malawi, Mali, the Republic of Moldova, Mongolia, Nepal, the Niger, Paraguay, Rwanda, South Sudan, Swaziland, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

[d] Small island developing States include Antigua and Barbuda, the Bahamas, Barbados, Cabo Verde, the Comoros, Dominica, Fiji, Grenada, Jamaica, Kiribati, Maldives, the Marshall Islands, Mauritius, the Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Seychelles, Solomon Islands, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu and Vanuatu.

Annex table 7. Number of announced greenfield FDI projects, by source/destination, 2009–2015

Partner region/economy	World[a] as destination							World[a] as investors						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
World[a]	14 755	15 425	16 783	15 107	16 523	15 022	14 381	14 755	15 425	16 783	15 107	16 523	15 022	14 381
Developed economies	12 163	12 581	13 630	12 277	13 470	12 096	11 567	6 978	7 644	7 966	7 350	8 144	7 880	7 525
Europe	7 508	7 579	7 985	7 171	8 233	7 109	6 876	4 898	5 141	5 258	4 806	5 248	4 940	4 887
European Union	6 903	6 909	7 283	6 559	7 514	6 449	6 236	4 718	4 973	5 083	4 628	5 082	4 793	4 774
Austria	210	234	218	183	203	167	131	74	87	107	78	73	70	47
Belgium	145	157	158	107	147	130	161	118	151	127	105	147	155	217
Bulgaria	4	12	6	6	18	8	9	108	127	96	65	71	53	49
Croatia	9	14	9	9	13	8	10	35	46	52	41	40	33	58
Cyprus	17	29	26	21	41	41	25	10	18	10	5	9	4	10
Czech Republic	14	40	43	60	36	30	34	130	190	174	125	151	89	113
Denmark	217	144	179	152	206	181	192	52	58	61	50	74	58	58
Estonia	15	12	22	19	16	15	19	26	27	30	33	20	31	11
Finland	137	142	152	141	178	133	124	25	46	84	115	132	111	132
France	1 013	873	888	788	992	875	909	429	389	349	394	572	480	457
Germany	1 403	1 450	1 541	1 452	1 496	1 307	1 244	713	784	878	868	878	898	712
Greece	28	28	35	30	25	27	26	43	27	37	27	37	22	9
Hungary	19	19	24	10	18	25	18	112	157	152	98	88	90	103
Ireland	173	168	202	199	136	138	107	176	189	237	175	180	194	204
Italy	460	408	374	373	514	458	445	179	206	150	127	138	152	135
Latvia	9	20	13	10	10	5	7	29	24	20	15	21	19	10
Lithuania	12	16	9	15	13	11	16	36	43	42	44	47	45	51
Luxembourg	88	103	150	124	126	158	194	16	29	20	14	27	16	14
Malta	3	4	5	2	4	8	2	17	15	14	15	10	10	5
Netherlands	429	440	451	359	400	414	363	167	165	215	172	175	194	183
Poland	38	45	39	52	67	56	53	252	323	314	309	268	234	234
Portugal	65	74	63	50	69	68	52	58	59	42	27	60	34	52
Romania	13	14	11	16	23	16	18	212	235	252	204	223	190	189
Slovakia	2	7	5	9	6	3	5	62	103	93	66	80	42	38
Slovenia	20	23	25	16	13	6	17	12	26	20	17	10	13	18
Spain	652	638	647	560	670	518	464	408	421	376	404		393	386
Sweden	329	349	338	303	389	354	313	100	72	81	64	64	56	87
United Kingdom		1 446	1 650	1 493	1 685	1 289	1 278	1 119	956	1 050	971	1 085	1 107	1 192
Other developed Europe	605	670	702	612	719	660	640	180	168	175	178	166	147	113
Andorra	1	6	1	6	-	-	-	2	1	-	-	2	-	-
Iceland	4	9	13	1	14	12	7	-	3	2	1	1	3	1
Liechtenstein	4	6	5	5	7	10	5	-	2	-	-	2	2	-
Monaco	4	3	5	-	6	3	4	3	5	6	3	3	2	4
Norway	116	104	124	103	102	121	118	33	33	31	36	47	35	23
San Marino	-	-	-	1	-	-	-	-	-	-	-	-	-	-
Switzerland	476	542	554	496	590	514	506	142	124	136	138	111	105	85
North America	3 472	3 669	4 163	3 665	3 704	3 606	3 342	1 580	1 883	2 100	1 947	2 213	2 220	2 017
Canada	345	323	467	401	430	429	329	274	338	343	323	327	430	315
Greenland	-	-	-	-	-	-	1	-	2	-	-	1	-	-
United States	3 127	3 346	3 696	3 264	3 274	3 177	3 012	1 306	1 543	1 757	1 624	1 885	1 790	1 702
Other developed countries	1 183	1 333	1 482	1 441	1 533	1 381	1 349	500	620	608	597	683	720	621
Australia	172	185	237	191	244	245	246	266	365	364	370	375	420	342
Bermuda	50	39	27	20	20	20	31	1	2	1	3	1	3	-
Israel	67	85	80	83	86	79	94	23	30	40	26	43	30	31
Japan	853	983	1 079	1 079	1 109	996	938	179	193	149	150	211	227	185
New Zealand	41	41	59	68	74	41	40	31	30	54	48	53	40	63
Developing economies[a]	2 358	2 582	2 900	2 613	2 833	2 751	2 647	6 946	6 886	7 950	7 024	7 557	6 616	6 371
Africa	201	178	254	203	316	222	221	753	694	923	827	911	727	772
North Africa	39	33	22	16	58	46	38	271	235	245	208	166	161	174
Algeria	1	-	3	1	1	-	1	32	21	27	18	16	13	13
Egypt	14	24	8	14	12	10	14	108	79	54	63	48	59	66
Libya	2	-	-	-	-	4	1	17	19	5	10	12	3	-
Morocco	14	4	6	1	29	25	19	50	55	96	66	50	70	74
South Sudan	-	-	-	-	-	-	-	6	6	15	12	18	2	-
Sudan	-	-	2	-	-	-	-	6	6	5	8	2	3	8
Tunisia	8	5	3	-	16	7	3	52	49	43	31	20	11	13
Other Africa	162	145	232	187	258	176	183	482	459	678	619	745	566	598
Angola	1	4	-	4	7	5	1	52	44	34	23	22	10	10
Benin	-	-	-	-	-	-	-	-	1	1	2	1	1	5
Botswana	2	1	13	5	1	2	4	13	8	16	12	7	7	5
Burkina Faso	-	-	7	-	2	1	2	1	3	4	1	5	3	-
Burundi	-	-	-	1	1	-	-	5	3	3	3	5	4	3
Cabo Verde	-	-	-	-	-	-	-	-	5	2	1	1	2	1
Cameroon	2	-	-	-	-	-	2	8	3	11	3	13	8	15
Central African Republic	-	-	-	-	-	-	-	-	1	-	1	-	2	1
Chad	-	-	-	-	-	-	-	2	-	3	3	1	5	1
Comoros	-	-	-	-	-	-	-	-	-	1	1	1	1	1
Congo	-	-	-	-	-	-	5	3	-	2	7	7	5	5
Congo, Democratic Republic of the	-	1	-	-	-	1	-	5	9	12	9	12	6	11
Côte d'Ivoire	2	2	-	2	6	1	1	9	9	7	11	20	15	28
Djibouti	-	-	-	-	-	4	-	2	3	-	2	3	3	5
Equatorial Guinea	-	-	-	-	1	-	2	1	2	6	1	1	1	3
Ethiopia	1	-	-	5	2	-	-	8	8	21	17	20	32	30
Gabon	-	-	2	-	-	1	1	4	6	3	5	5	5	1
Gambia	-	-	-	-	1	-	-	3	3	1	1	1	-	-
Ghana	1	2	6	6	3	-	1	33	28	50	43	61	39	41

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Annex table 7. Number of announced greenfield FDI projects, by source/destination, 2009–2015 (continued)

Partner region/economy	World[a] as destination							World[a] as investors						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
Guinea	-	-	-	-	-	-	-	2	3	5	2	5	1	2
Guinea-Bissau	-	-	-	-	-	-	-	2	-	-	-	-	3	1
Kenya	28	26	28	26	38	22	42	28	35	64	56	78	62	96
Lesotho	-	-	-	-	-	-	-	1	1	4	1	-	-	-
Liberia	-	-	-	-	-	-	-	5	5	3	4	1	2	4
Madagascar	-	-	-	-	-	-	-	3	-	2	8	5	6	-
Malawi	1	-	-	1	-	-	-	4	4	5	4	2	3	1
Mali	2	2	-	-	-	2	-	1	3	2	4	3	3	3
Mauritania	-	-	-	-	-	-	-	-	4	2	4	1	5	-
Mauritius	7	10	12	4	12	11	13	6	6	7	12	4	7	8
Mozambique	-	-	-	1	-	-	-	10	15	27	30	40	50	32
Namibia	-	-	-	3	5	-	-	11	6	16	10	15	10	8
Niger	-	-	-	-	-	-	-	-	1	3	-	1	2	-
Nigeria	30	15	20	8	25	15	19	43	34	52	61	77	50	53
Reunion	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Rwanda	1	-	-	2	-	-	-	27	6	16	9	17	11	13
Sao Tome and Principe	-	-	-	-	-	-	-	-	-	-	1	1	1	-
Senegal	-	-	1	1	3	1	-	11	9	9	7	14	6	10
Seychelles	-	-	-	-	-	-	1	1	1	1	1	2	3	-
Sierra Leone	-	-	-	-	-	-	-	1	2	2	6	8	-	2
Somalia	-	-	-	-	-	-	-	-	1	-	5	5	2	-
South Africa	61	72	120	109	120	97	79	117	109	169	162	172	120	130
Swaziland	-	-	-	-	-	-	-	1	-	9	1	1	2	-
Togo	11	4	19	5	19	5	-	1	-	-	2	7	2	3
Uganda	4	1	-	-	1	-	3	17	24	15	18	28	23	24
United Republic of Tanzania	4	3	4	3	8	6	4	11	25	44	36	29	20	23
Zambia	1	-	-	1	2	-	-	17	15	30	20	26	15	13
Zimbabwe	3	2	-	-	1	2	3	13	14	14	9	17	7	5
Asia	1 931	2 122	2 351	2 201	2 202	2 310	2 210	4 927	4 927	5 453	4 807	4 913	4 580	4 335
East and South-East Asia	1 182	1 244	1 313	1 163	1 281	1 507	1 492	3 009	3 065	3 265	2 946	3 283	3 052	2 773
East Asia	844	947	1 000	865	902	1 090	1 081	1 685	1 823	2 021	1 625	1 755	1 489	1 288
China	337	363	446	365	390	484	527	1 198	1 368	1 494	1 154	1 249	1 054	876
Hong Kong, China	143	123	139	129	172	172	176	278	228	257	252	244	201	199
Korea, Democratic People's Republic of	-	-	-	-	-	-	-	1	-	2	-	1	1	-
Korea, Republic of	224	268	244	221	233	256	220	105	120	144	118	149	140	109
Macao, China	-	-	-	-	1	-	4	9	7	9	13	11	21	32
Mongolia	-	1	-	-	-	-	-	3	9	6	7	14	6	4
Taiwan Province of China	140	192	171	150	106	178	154	91	91	109	81	87	66	68
South-East Asia	338	297	313	298	379	417	411	1 324	1 242	1 244	1 321	1 528	1 563	1 485
Brunei Darussalam	-	-	1	-	-	2	-	8	4	6	3	4	4	7
Cambodia	6	-	-	9	6	5	1	32	37	39	38	40	40	46
Indonesia	10	11	4	17	9	21	13	120	131	171	190	210	167	173
Lao People's Democratic Republic	-	-	-	-	-	1	1	16	13	16	15	20	21	17
Malaysia	101	77	82	71	76	61	75	165	193	195	191	181	211	171
Myanmar	-	-	3	-	1	-	-	5	5	13	70	126	95	87
Philippines	15	24	11	17	15	39	13	121	100	82	96	156	160	179
Singapore	126	114	124	110	171	193	207	327	362	393	402	436	444	386
Thailand	53	42	60	57	78	67	79	279	214	145	140	176	166	183
Timor-Leste	-	-	-	-	-	-	-	-	1	-	2	1	1	3
Viet Nam	27	29	28	17	23	28	22	251	182	184	174	178	254	233
South Asia	306	418	475	369	364	285	350	863	904	1 093	869	677	796	832
Afghanistan	-	-	1	-	2	-	2	5	9	3	2	5	-	1
Bangladesh	2	6	6	7	1	2	1	18	34	18	27	20	28	22
Bhutan	-	-	-	-	-	-	-	2	2	3	1	1	-	1
India	279	384	442	326	341	261	324	759	785	973	781	575	687	723
Iran, Islamic Republic of	17	13	3	4	-	4	10	14	11	6	-	3	8	9
Maldives	-	-	-	-	-	-	-	3	10	5	4	1	2	4
Nepal	-	3	2	1	8	-	-	4	5	5	-	6	4	6
Pakistan	5	9	17	11	6	11	5	35	20	31	18	27	28	40
Sri Lanka	3	3	4	20	6	7	8	23	28	49	36	39	39	26
West Asia	443	460	563	669	557	518	368	1 055	958	1 095	992	953	732	730
Bahrain	31	16	24	37	20	9	17	73	59	74	53	47	33	38
Iraq	1	-	2	-	4	-	-	24	48	35	34	53	26	15
Jordan	14	11	6	16	10	6	11	27	47	32	27	17	14	7
Kuwait	40	30	55	39	30	14	14	28	34	34	37	38	24	17
Lebanon	8	21	10	29	7	17	17	28	30	27	19	16	10	7
Oman	3	4	6	8	12	7	14	42	40	68	96	57	39	42
Qatar	22	19	43	29	51	32	14	84	68	91	84	78	53	35
Saudi Arabia	32	39	70	80	40	43	25	144	120	167	139	128	91	92
State of Palestine	-	-	-	1	-	-	-	1	1	-	-	2	1	-
Syrian Arab Republic	1	-	3	2	-	1	-	24	22	15	1	-	1	-
Turkey	63	104	75	86	92	108	65	162	151	159	155	170	115	161
United Arab Emirates	228	215	269	341	288	281	191	413	332	391	345	346	321	316
Yemen	-	1	-	1	3	-	-	5	6	2	2	1	4	-
Latin America and the Caribbean[a]	222	280	290	209	315	218	209	1 257	1 257	1 564	1 376	1 726	1 299	1 251
South America	156	186	203	158	216	146	141	705	805	1 044	907	985	713	612
Argentina	22	23	20	42	46	16	25	114	117	161	93	99	59	44
Bolivia, Plurinational State of	-	-	-	-	4	-	1	14	6	3	4	3	9	12
Brazil	62	79	95	58	82	64	58	288	372	537	491	425	344	288

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Annex table 7. Number of announced greenfield FDI projects, by source/destination, 2009–2015 (concluded)

Partner region/economy	World[a] as destination							World[a] as investors						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
Chile	37	52	49	33	35	23	32	113	60	81	90	125	68	86
Colombia	6	13	17	12	19	16	8	64	126	136	129	170	115	94
Ecuador	12	5	1	2	-	1	4	6	7	18	14	20	10	13
Guyana	-	-	-	-	-	-	-	1	2	2	3	1	-	3
Paraguay	-	-	-	-	-	-	-	3	8	4	8	9	10	6
Peru	5	2	2	3	10	15	11	77	63	66	46	80	60	45
Suriname	-	-	-	-	-	-	-	-	-	1	1	2	-	2
Uruguay	2	1	1	-	2	-	-	8	23	26	16	25	28	16
Venezuela, Bolivarian Republic of	10	11	18	8	18	11	2	17	21	9	12	26	10	3
Central America	60	83	80	50	91	62	61	504	403	456	419	651	513	535
Belize	-	-	2	-	-	-	1	1	1	-	6	3	1	1
Costa Rica	5	5	3	2	11	6	3	68	44	41	32	49	33	44
El Salvador	5	2	1	-	4	-	1	19	13	17	18	11	10	6
Guatemala	7	5	10	6	6	2	-	20	14	16	9	16	13	17
Honduras	-	-	-	2	6	-	2	7	9	12	3	15	13	9
Mexico	36	53	57	38	60	49	53	333	268	304	319	504	402	420
Nicaragua	-	8	1	1	1	1	-	8	10	16	8	17	11	7
Panama	7	10	6	1	3	4	1	48	44	50	24	36	30	31
Caribbean[a]	6	11	7	1	8	10	7	48	49	64	50	90	73	104
Antigua and Barbuda	-	-	-	-	-	-	-	-	-	-	-	-	2	1
Aruba	-	-	-	-	-	-	-	-	1	3	1	-	2	-
Bahamas	1	-	1	1	2	1	-	2	2	7	1	2	1	-
Barbados	-	1	2	1	-	-	-	1	2	3	1	-	1	-
Cayman Islands	9	9	10	8	3	4	5	4	5	3	9	2	4	7
Cuba	-	-	1	-	-	2	1	12	7	5	2	3	1	12
Dominica	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Dominican Republic	2	2	-	-	-	-	-	13	10	22	17	30	25	11
Grenada	-	-	-	-	-	-	-	-	1	2	1	2	1	1
Guadeloupe	-	-	-	-	-	-	-	-	-	2	-	-	1	-
Haiti	-	1	-	-	1	-	-	2	1	4	4	8	-	3
Jamaica	2	4	5	1	4	4	3	3	3	8	2	4	11	14
Martinique	-	1	-	-	-	1	-	1	-	-	1	-	1	-
Puerto Rico	2	2	1	-	3	3	3	16	26	20	18	39	31	61
Saint Kitts and Nevis	-	-	-	-	-	-	-	-	-	-	1	-	-	-
Saint Lucia	-	-	-	-	-	-	-	1	2	1	1	4	5	1
Saint Vincent and the Grenadines	-	-	-	-	-	-	-	-	-	-	-	-	1	-
Trinidad and Tobago	-	1	-	-	-	-	-	1	2	3	6	6	3	3
Turks and Caicos Islands	-	-	-	-	-	1	-	-	1	-	-	1	-	-
Oceania	4	2	5	-	-	1	7	9	8	10	14	7	10	13
Fiji	1	1	-	-	-	1	-	2	1	5	4	2	3	5
French Polynesia	1	-	-	-	-	-	-	-	1	-	-	-	-	-
Micronesia, Federated States of	-	-	-	-	-	-	-	-	-	-	1	-	1	1
New Caledonia	-	-	1	-	-	-	-	1	-	1	-	-	-	-
Papua New Guinea	-	1	4	-	-	-	-	5	5	3	9	5	5	6
Samoa	-	-	-	-	-	-	-	-	-	-	-	-	1	1
Solomon Islands	2	-	-	-	-	-	-	1	1	1	-	-	-	-
Vanuatu	-	-	-	-	-	-	7	-	-	-	-	-	-	-
Transition economies	234	262	253	217	220	175	167	831	895	867	733	822	526	485
South-East Europe	13	21	13	7	23	13	14	107	137	184	192	203	146	129
Albania	-	1	-	-	1	1	-	7	6	8	11	4	6	5
Bosnia and Herzegovina	-	3	2	2	5	2	-	20	23	30	29	31	21	25
Montenegro	-	1	-	-	1	-	-	1	10	6	7	9	7	4
Serbia	8	14	7	5	12	10	14	61	83	114	114	132	80	76
The former Yugoslav Republic of Macedonia	5	2	4	-	4	-	-	18	15	26	31	27	32	19
CIS	219	240	237	208	196	162	152	693	727	649	519	599	359	342
Armenia	-	2	2	4	-	-	2	24	8	25	23	24	13	5
Azerbaijan	20	17	11	11	8	5	5	44	26	25	21	39	29	19
Belarus	9	19	10	8	6	6	10	26	41	31	19	26	11	11
Kazakhstan	10	12	9	3	8	3	1	47	35	49	30	39	45	46
Kyrgyzstan	1	-	-	-	-	-	-	2	-	5	2	3	1	6
Moldova, Republic of	-	-	1	-	1	-	-	9	13	13	8	11	6	4
Russian Federation	150	162	179	154	143	131	96	409	467	398	328	328	182	201
Tajikistan	2	-	-	-	-	-	-	6	1	5	10	7	6	3
Turkmenistan	-	-	-	-	-	-	-	10	7	9	1	-	1	3
Ukraine	27	28	25	27	30	17	38	95	116	73	64	111	49	25
Uzbekistan	-	-	-	1	-	-	-	21	13	16	13	11	16	19
Georgia	2	1	3	2	1	-	1	31	31	34	22	20	21	14
Memorandum														
Least developed countries (LDCs)[b]	36	26	45	42	69	33	24	294	321	379	406	513	421	395
Landlocked developing countries (LLDCs)[c]	53	43	50	35	45	16	24	344	267	373	291	370	320	270
Small island developing States (SIDS)[d]	13	18	24	7	18	17	24	26	42	49	49	36	52	51

Source: ©UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).

[a] Excluding the financial centers in the Caribbean (Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Barbados, the British Virgin Islands, the Cayman Islands, Curaçao, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Sint Maarten and the Turks and Caicos Islands).

[b] Least developed countries include Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, the Central African Republic, Chad, the Comoros, the Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, the Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, the Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, the Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, the Sudan, Timor-Leste, Togo, Tuvalu, Uganda, the United Republic of Tanzania, Vanuatu, Yemen and Zambia.

[c] Landlocked developing countries include Afghanistan, Armenia, Azerbaijan, Bhutan, the Plurinational State of Bolivia, Botswana, Burkina Faso, Burundi, the Central African Republic, Chad, Ethiopia, Kazakhstan, Kyrgyzstan, the Lao People's Democratic Republic, Lesotho, the former Yugoslav Republic of Macedonia, Malawi, Mali, the Republic of Moldova, Mongolia, Nepal, the Niger, Paraguay, Rwanda, South Sudan, Swaziland, Tajikistan, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

[d] Small island developing States include Antigua and Barbuda, the Bahamas, Barbados, Cabo Verde, the Comoros, Dominica, Fiji, Grenada, Jamaica, Kiribati, Maldives, the Marshall Islands, Mauritius, the Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Seychelles, Solomon Islands, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu and Vanuatu.

EXPLANATORY NOTES

The terms country/economy as used in this Report also refer, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgment about the stage of development reached by a particular country or area in the development process. The major country groupings used in this Report follow the classification of the United Nations Statistical Office:

- Developed countries: the member countries of the OECD (other than Chile, Mexico, the Republic of Korea and Turkey), plus the new European Union member countries which are not OECD members (Bulgaria, Croatia, Cyprus, Latvia, Lithuania, Malta and Romania), plus Andorra, Bermuda, Liechtenstein, Monaco and San Marino.
- Transition economies: South-East Europe, the Commonwealth of Independent States and Georgia.
- Developing economies: in general, all economies not specified above. For statistical purposes, the data for China do not include those for Hong Kong Special Administrative Region (Hong Kong SAR), Macao Special Administrative Region (Macao SAR) and Taiwan Province of China.

Methodological details on FDI and MNE statistics can be found on the Report website (unctad/diae/wir).

Reference to companies and their activities should not be construed as an endorsement by UNCTAD of those companies or their activities.

The boundaries and names shown and designations used on the maps presented in this publication do not imply official endorsement or acceptance by the United Nations.

The following symbols have been used in the tables:

- Two dots (..) indicate that data are not available or are not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row.
- A dash (–) indicates that the item is equal to zero or its value is negligible.
- A blank in a table indicates that the item is not applicable, unless otherwise indicated.
- A slash (/) between dates representing years, e.g., 2010/11, indicates a financial year.
- Use of a dash (–) between dates representing years, e.g., 2010–2011, signifies the full period involved, including the beginning and end years.
- Reference to “dollars” ($) means United States dollars, unless otherwise indicated.

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.

Details and percentages in tables do not necessarily add to totals because of rounding.

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