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.

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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

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