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Understanding Canada's performance on the OECD's FDI regulatory restrictiveness index

Paul Blais-Morisset
Sheila Rao

June 2023

Highlights

- Over the years, Canada has consistently ranked poorly relative to its peers on the Organisation for Economic Co-operation and Development (OECD) foreign direct investment (FDI) regulatory restrictiveness index, a metric used to capture countries' openness to FDI. The most recent data for 2020 shows that Canada's index is over three times higher than the average of its G7 peers.
- Canada's poor performance on this measure is primarily due to:
  1. The restrictions imposed on foreign equity in the media, fisheries, and communications industries;
  2. The screening and approval process resulting from the Investment Canada Act.
- There is a **weak negative correlation** between the stock of FDI in a country and the OECD restrictiveness index.
- As noted by the OECD, the index assesses the restrictiveness of FDI policies in an economy, not the overall attractiveness of a country as an FDI destination. Canada does well in terms of investor confidence as per the Kearney FDI Confidence Index.
- The OECD is currently updating the index methodology and will publish results for 2021, 2022 and 2023 in late 2023/early 2024.

FDI restrictiveness index methodology

The FDI Regulatory Restrictiveness Index was developed by the OECD in 2003 and has data dating back to 1997. It measures statutory restrictions on foreign direct investment for 85 countries. The index ranges from 0, or not restrictive (i.e. open), to 1, or fully restrictive (i.e. closed).

The index gages restrictiveness for 22 sectors (see Appendix A). For each country, a restrictiveness score is assigned to each of the 22 sectors. The overall country FDI restrictiveness index is calculated by taking a simple average of the sector scores.

For some of the sectors, the overall score is calculated as the average for multiple subsectors. For example, the restrictiveness index for the transportation sector is computed as the average of the indices for the maritime, air, and ground transport subsectors.

For each of the sectors, sub-index scores are provided for four types of restrictions on FDI (see details in Appendix B):

- **Foreign equity limitations**: measures the restrictions on the level of foreign ownership allowed by a company in the sector. The score is lowered if the equity limit does not apply to every industry in the sector.[1]
- **Screening and approval:** reflects the application of a formal screening/approval process for investments above a certain threshold, with the exclusion of review for national security considerations.
- **Restrictions on the employment of foreigners as key personnel:** assesses the restrictions that apply on the nationality and residency of key personnel in a company.
- **Other restrictions (also referred to as operational restrictions):** measures restrictions that apply to foreign investors that aren't covered by the other three categories. These include:

[1] The OECD's FDI Restrictiveness Index: 2010 Update methodology (2010) guide does not provide information on the method used to scale down scores when equity restrictions do not apply to every industry in a given sector.

restrictions on the establishment of branches, restrictions on capital repatriation, and restrictions on land ownership.

The 4 sub-indices are summed to arrive at each sector-specific FDI restriction index, with the constraint that their sum is capped at a value of 1. In addition, 4 overall sub-index scores are computed for each country by taking the unweighted average of the sector scores. Scores are adjusted when the restriction in a given country is not adequately captured by the scoring grid (e.g. when the threshold to engage the screening and approval process is above the one in the scoring grid).

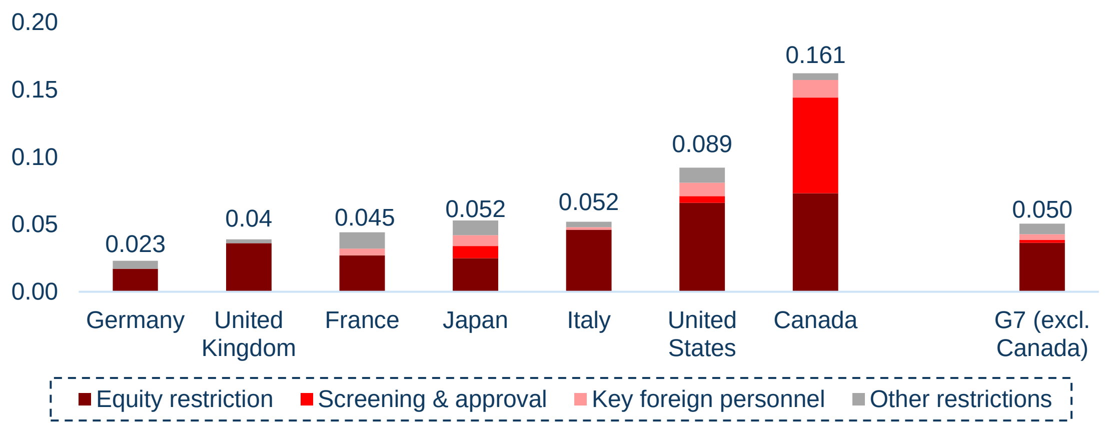
Restrictions only add to a country's score if they are discriminatory to or burdensome for foreign investors. The index seeks to assess the restrictiveness of countries' policies specifically towards foreign investors.

The index methodology was revised in 2006 and in 2010. The 2010 revision enhanced coverage by adding key sectors such as: agriculture, forestry, fishing and mining and real estate. Many subsectors were also added to existing sectors. For example, TV and radio broadcasting media services, as well as printed and other media were added as subsectors under media services.[2] Finally, the OECD revised the scoring for each of the 4 restriction groupings to provide simpler, more precise definitions, and increase transparency. This paper focuses on Canada's performance on the index to date, as per the existing 2010 methodology. A revised methodology and updated country indices are forthcoming.

Canada's performance on the FDI Restrictiveness Index

Canada has consistently ranked poorly on the index relative to its G7 peers. In 2020, Canada's index was 0.161, which is the highest among the G7 by a significant margin. Canada's score on FDI restrictiveness is over 3 times greater than the average score of its G7 peers (0.050).

Figure 1: Canada has the poorest performance on the FDI restrictiveness index relative to its G7 peers
(FDI restrictiveness index; 0=open, 1= closed; 2020)



Source: OECD.

[2] The average of the two subsectors for the 4 sub-index scores is taken to arrive at the overall sector score, and the index for this sector is no longer evaluated as a single category.

Foreign equity restrictions and the screening and approval process have historically driven up Canada's restrictiveness index. In 2020, the foreign equity restrictions sub-index stood at 0.073, representing 45% of Canada's overall score. This is two times higher than its peers' scores on this single measure.

Similarly, the OECD index records Canada's screening and approval mechanism, as per its legislation governing foreign investment called the Investment Canada Act (ICA), as an additional burden to foreign investors. In 2020, Canada's score on the screening and approval sub-index stood at 0.071. Sixteen of the 22 sectors had a screening and approval process score of 0.085, while the Media industry's score stood at 0.200. The remaining industries are exempt of approval under the ICA, thus scoring a 0 on the sub-index. Overall, the screening and approval sub-index adds 0.071 to Canada's overall index,[3] representing 44% of the total score on the index. On its own, Canada's score on the screening and approval sub-index places the country above the total restrictiveness index of five of its G7 peers (see Figure 1). Note that Canada's score on this sub-index reflects the requirement that large investors show that their investment will benefit Canadians. Thus, it excludes review under national security considerations.

Another noteworthy difference is Canada's restrictiveness score on key foreign personnel (0.013) relative to that of its peers (average score of 0.004). This can be explained by the 25% Canadian-residency restriction on the composition of corporations' boards of directors as per Canada's Business Corporations Act. Recent bills were adopted by some provinces to remove key personnel restrictions, bringing the total number of provinces not having the requirement of Canadian-residency up to seven.[4]

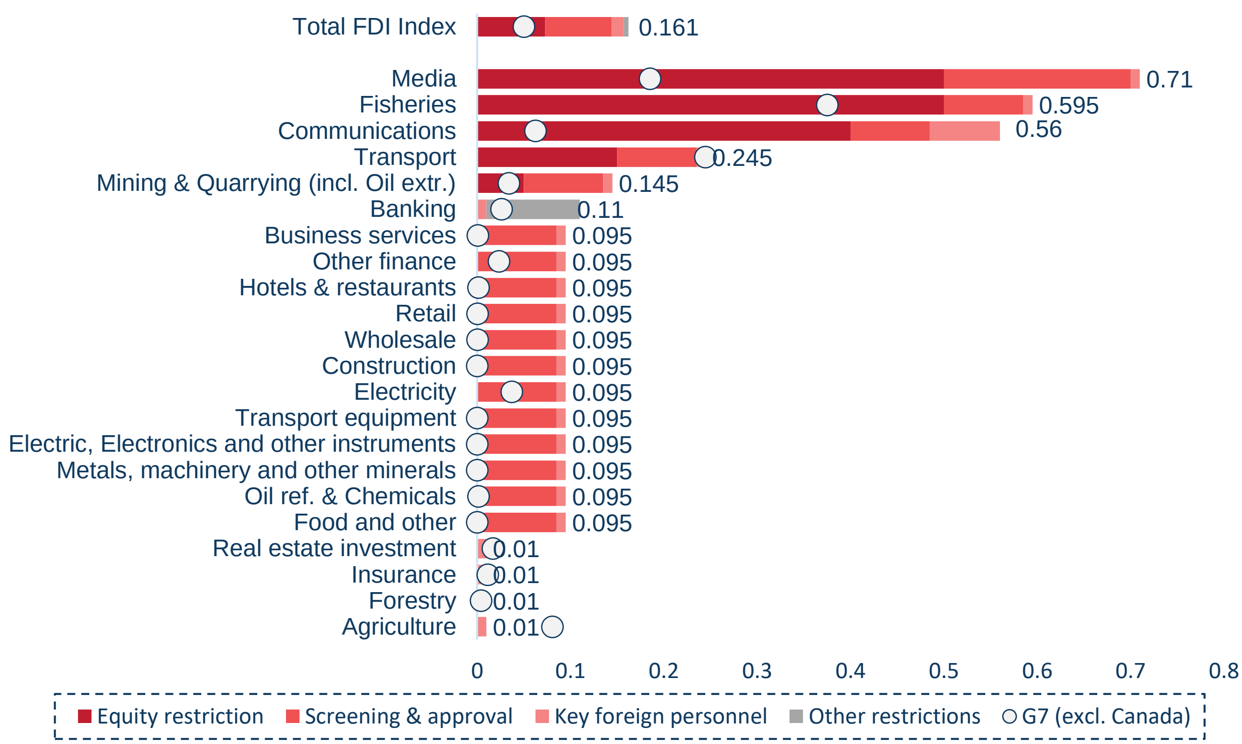
Overall, few sectors in Canada are considered to be notably restrictive. The media, fisheries, and communications sectors have the highest restrictiveness scores, driven up by high equity restrictions. Fish processing companies with more than 49% foreign ownership are prohibited from holding Canadian commercial fishing licences. The media sector is covered by the Broadcasting Act. According to the Act, broadcasting licenses may not be issued to non-Canadians or to companies that are effectively owned or controlled, directly or indirectly, by non-Canadians. The telecommunication sector is covered by the Telecommunications Act. This Act restricts foreign ownership and control to 20% of the voting share of a telecommunications common carrier. These 3 sectors greatly impact Canada's overall index (see Figure 2).

The restrictions on foreign equity imposed on the air transport subsector significantly increase Canada's overall transport sector restrictiveness average. The Canadian maritime and the ground transport subsectors are considered open to foreign enterprises. The equity restrictions on Canada's air transport (score of 0.045) are, however, consistent with the restrictions imposed, on average by our G7 peers on their own air transport subsectors, with all of them having foreign equity ownership restrictions (average score of 0.037).

[3] As the 22 sectors are equally weighted, the impact on the overall index is computed as follows: 16 / 22 x 0.085 + 1 / 22 x 0.200.

[4] In 2021, Ontario's Better for People, Smarter for Business (Bill 213) mostly came into force. Among other things, it amended Ontario's Business Corporations Act to remove restriction on directors' residency (https://tinyurl.com/5n7nrutz). In July 2020, Alberta approved the Red Tape Reduction Implementation Act bill, which will amend the Albertan's Business Corporations Act in the same manner (https://tinyurl.com/yn2933nk). This places the two provinces in line other Canadian provinces such as Québec, British Columbia, Nova Scotia, New Brunswick and Prince Edward Island which no longer have Canadian residency requirements.

Figure 2: The media, fisheries, and communications sectors have the highest FDI restrictiveness in Canada
(FDI restrictiveness index by sector; 0=open, 1=closed, 2020)



Source: OECD.

Are screening and approval mechanisms restrictive?

The importance of the screening mechanism sub-index in Canada's overall score, as well as the maximum score of 0.200 associated with this restriction (see Appendix A), raises questions as to whether screening mechanisms in Canada are in fact restrictive to FDI.

Investment screening is a tool used by governments to review foreign investments and filter out those deemed unacceptable. Investments may be blocked on grounds of national interest, national security or a combination of both (Bauerle Danzman & Meunier, 2021; OECD, 2022b). Under national interest investment screening, host country authorities approve foreign investments that present net benefits to their economies. Investment screening reviews performed on national security grounds investigate whether foreign investments are potential risks to national security interests. According to the OECD (2022b), screening measures for security interests are different in nature to "'traditional' investment restrictions designed primarily to shield domestic investors from foreign competition." Under various international trade agreements, security-related interests are included as an exception to the agreement. This exception justifies government actions to safeguard national security, such as screening FDI, that would otherwise be inconsistent with the obligations that are included in the agreement. Hence, the OECD's decision to exclude reviews of foreign investment based solely on national security grounds in the scoring of the FDI Regulatory Restrictiveness Index (OECD, 2010; OECD, 2022).

The ICA, in place since 1985, includes both net benefit and national security screening mechanisms on foreign investment. Under the net benefit review, foreign investors have to demonstrate how their prospective investment presents a net benefit to Canada. Only the net benefits review is scored on the FDI Regulatory Restrictiveness Index. Canada is one of the few countries that kept a formal systematic screening process of investments under national interest consideration in place; and the only one in the G7. Though, since the mid-2010s, many countries have been reintroducing screening mechanisms under national security consideration in response to the rapid growth of Sovereign-owned enterprises, the growing consideration of intangible assets and their protection, and, more recently, the Covid pandemic, the Russian invasion of Ukraine, and other global economic threats (OECD, 2022b; UNCTAD, 2023). For example, in October 2020, the European Union introduced a framework to review FDI to assess and mitigate potential risks for security.

Regardless of whether or not a screening mechanism is due to national security considerations, foreign investors' perceived burden of the review processes is likely the same. Having a formal screening mechanism has traditionally been seen as negatively impacting the ability of a country to attract FDI. Any blocked investments would tautologically decrease the amount of FDI received by the country imposing the review. Furthermore, the perceived burden of the extra paperwork could act as a disincentive to foreign investors (OECD, 2017), which may, in part, explain the low number of investments extensively reviewed and blocked.

In Canada, the investment level thresholds to initiate the net benefit review are high;[5] thus, only a small number of investments are required to undergo the review process. In the 2021-22 fiscal year (ICA, 2022), only 8 of the 1,255 applications and notifications received were subject to a net benefit review, or less than 1%. Over the past five years, a total of 38 investments out of 4,826 were subject to the ICA review process. Furthermore, the application for review process is not arduous. General information is requested on the investment project;[6] much of which is typically found in the business plans of large investors. Thus, the review process for the small number of investments is not particularly burdensome. While a notification of investment is required for the acquisition or the establishment of a new business below the net benefit review threshold, the paperwork is limited and consists of three pages of general information on the company and its stakeholders. Since the ICA came into force in 1985 there has only been one formal block of an investment on net benefit grounds.[7]

According to a recent OECD paper (2019), foreign investment screening policies negatively impact FDI to a much lesser extent than other types of restrictions. Meanwhile, Albori et al. (2022) found that of the four different types of restrictions included in the FDI restrictiveness index, the negative impact on FDI is driven by equity restrictions, while constraints on the employment of foreigners as key personnel and screening mechanisms do not affect FDI inflows. Recognizing the lower impact of screening and approval mechanism on FDI attraction, the OECD (2017) had proposed to decrease the weight associated with "screening and approval" in the overall index. This proposal, however, was ultimately not approved by the OECD Investment Committee and won't be incorporated in the forthcoming methodology update (OECD, 2022). As a result, countries with national interest screening mechanisms in place will continue to be scored as more restrictive than they truly are.

[5] In 2023, the ICA's net benefit review thresholds were increased to $1.287 billion in enterprise value for direct acquisitions of control of a Canadian business by private sector investors from WTO member countries and $1.931 billion for private investors from countries with which Canada has a free trade agreement; unless it's a state-owned enterprise.

[6] It is suggested that investors subject to ICA's net benefit review provide information on any of the following, if relevant: employment; additional investment (e.g. expansion); resource processing (e.g. value-added); utilization of parts, components and services (e.g. opportunity for Canadian businesses as supply them); exports; Canadian participation (e.g. number of Canadian employees); productivity/efficiency; technological development; product innovation/variety; and international competitiveness. The application form is available online: https://ised-isde.canada.ca/site/investment-canada-act/sites/default/files/attachments/ised-isde3675e.pdf

[7] In 2008, the Industry Minister Jim Prentice blocked the acquisition of the Information Systems Business of MDA by Alliant Techsystems Inc., an American company: https://www.canada.ca/en/news/archive/2008/05/minister-industry-confirms-initial-decision-proposed-sale-macdonald-dettwiler-associates-ltd-alliant-techsystems-inc-.html

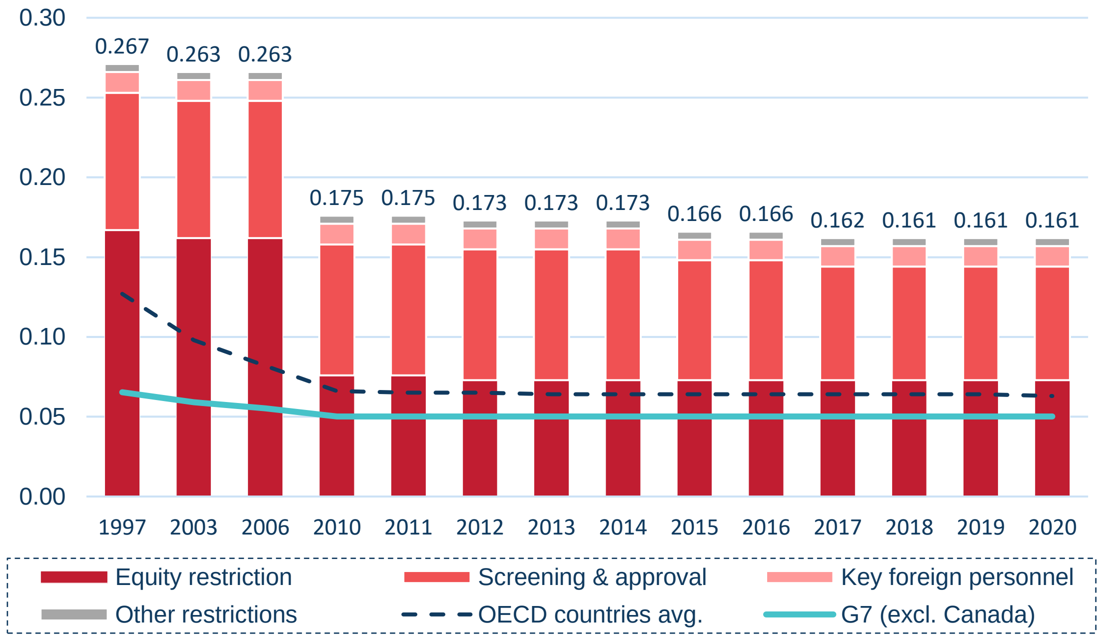
Historical performance on the FDI restrictiveness index

Canada's FDI restrictiveness, as measured by the index, has always been greater than that of its peers despite a notable drop between 2006 and 2010 (-33%) (see Figure 3). This drop was mostly due to a significant decrease (0.086 points or -53%) in Canada's foreign equity restrictions score.

In 2017, the ICA was revised, raising the threshold that triggers an automatic review of an investment for WTO member countries and Canada's trade partner countries, reducing the number of investments subject to the screening and approval mechanism. This revision resulted in a decrease in Canada's total FDI restrictiveness index by 0.004.

Figure 3: Canada's FDI restrictiveness index has decreased over time

(FDI restrictiveness index; 0= open, 1= closed)



Source: OECD.

Canada's score on equity restrictiveness has fallen from 0.167, in 1997, to 0.073 in 2020. This decrease can be explained, in large part, by the OECD's 2010 methodological revisions to the index and, likely, changes in Canada's regulatory framework for some sectors.[8] Specifically:

1. The OECD's addition of sectors where Canada has no foreign equity restrictions (i.e. agriculture and forestry) lowered the overall average, diluting the impact of sectors with higher restrictiveness scores.
2. Canada's removal of foreign ownership restrictions on key sectors:

[8] The detailed reasons behind Canada's scores are not provided by the OECD. The changes in the index levels over time suggest the impact of various policy and regulation changes.

a. The Canadian Bank Act and Canada's Insurance Companies Act were revised to no longer place distinct restrictions on foreign and domestic ownership. This revision appears to have lowered the scores for the foreign equity restriction component of the index for the following three sectors: banking, insurance and other finance. Overall, the revision of these Acts may have contributed to the reduction of the Canadian index by 0.041 points[9] or 46% of Canada's index drop between 2006 and 2010.

b. The foreign equity restriction scores on maritime and surface transportation, two of the three subsectors composing the transport sector, were lowered considerably, from, 1 and 0.5, respectively, to 0. These changes cannot be explained by any Canadian policy amendment and could simply be the due to the OECD gaining a better understanding of Canada's regulatory framework. This, along with a small reduction in the screening and approval score for theses subsectors, decreased the restrictiveness score of this sector by 0.530 points (0.024 points on the overall index[10]).

The restrictiveness index is not a measure of FDI attractiveness

The index assesses the restrictiveness of FDI policies in an economy, not the overall attractiveness of a country as an FDI destination. As noted by the OECD, the FDI index is not a full measure of a country's investment climate.

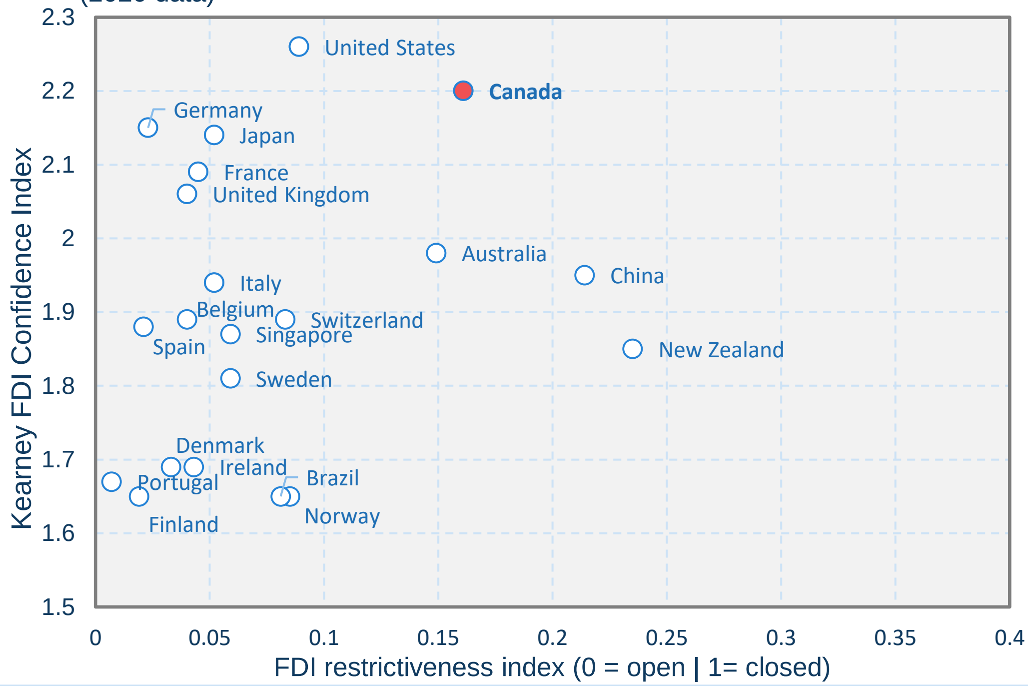
There does not appear to be a negative relationship between the FDI restrictiveness index and investor confidence in a location as an FDI destination, as measured by the Kearney FDI Confidence Index[11](see Figure 4). In other words, a higher restrictiveness score for a country does not necessarily correspond with lower investor confidence. This highlights that investors consider several factors when assessing a potential FDI location.

[9] Between 2006 and 2010, the banking, insurance and other finance sectors' scores decreased by 0.500, 0.200 and 0.200 points, respectively. The total impact of the reduction on the index can be computed as follows:
(0.500 + 0.200 + 0.200) / 22 = 0.041 points.

[10] As the sectors are equally weighted, the impact on the overall index is computed as follows: 1 / 22 x 0.530.

[11] Kearney does an annual survey of global executives in order to rank markets according to how likely they are to attract the most investment in the next three years. https://www.kearney.com/foreign-direct-investment-confidence-index. Although 2022 data are available for the Kearney FDI confidence index, the 2020 data are used to compare with the latest available OECD restrictiveness indices.

Figure 4: Investor confidence is not driven by the OECD restrictiveness index
(2020 data)

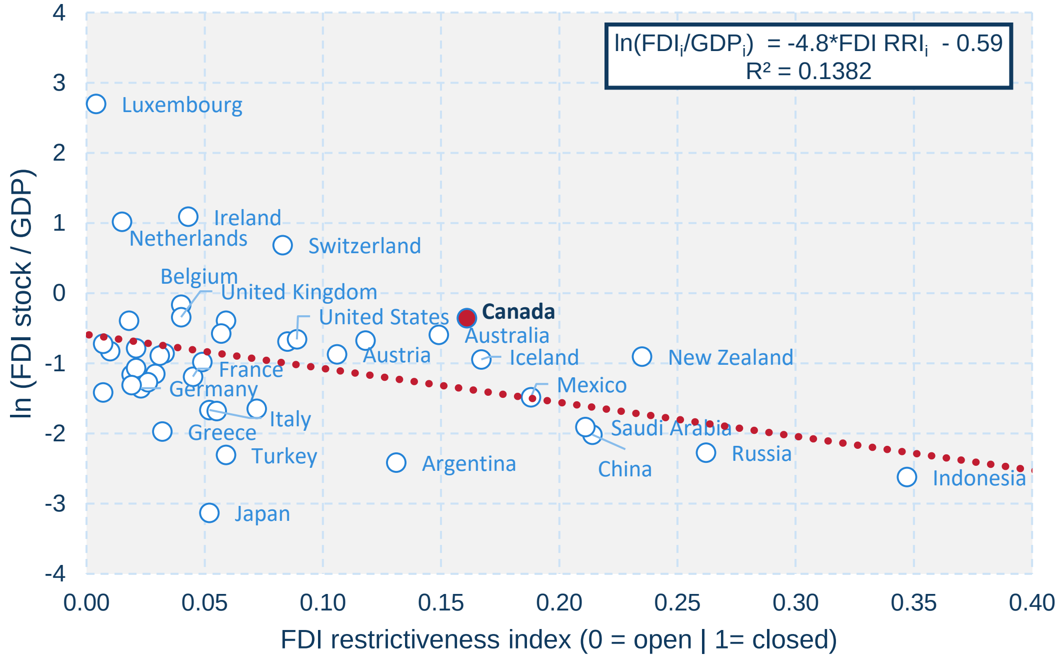


Sources: Office of the Chief Economist, Global Affairs Canada; OECD; Kearney.

According to the latest Kearney FDI Confidence Index report (2022), government regulation transparency and lack of corruption are ranked highest among the decision factors of the investors surveyed. This suggests that Canada's formal investment framework, despite being considered restrictive as per the OECD index, could in fact be an attractive factor for investors; particularly relative to countries known for having informal and less transparent FDI policies.

Looking at the FDI restrictiveness index relative to FDI stock for all countries for which data are available, it appears that the link between FDI stock and the index, measured by the coefficient of determination (i.e. R^2), is weak (see Figure 5). Furthermore, Canada appears to be an outlier -- Canada's share of FDI stock relative to its GDP is much higher than expected given its restrictiveness index. Canada's level of FDI relative to its poor performance on the restrictiveness index led the Competition Policy Review Panel (2008) to conclude that a gap exists between the perception suggested by the OECD's assessment of Canada's openness to foreign investment and the reality.

Figure 5: Weak relationship between the FDI restrictiveness index and FDI stock
(2020 data)



Sources: Office of the Chief Economist, Global Affairs Canada; OECD.

A few reasons might explain why Canada is an outlier. Firstly, Canada's FDI is concentrated in resource-intensive sectors, such as mining, quarrying, and oil and gas extraction. In resource-rich countries, FDI may be tied primarily to resource availability. Thus, if resource availability is one of the key location selection criteria, this diminishes the importance of FDI restrictions. Secondly, as noted earlier, the importance of the screening and approval mechanism in Canada's overall score, also contributes to Canada's poor ranking on the index. Similarly, to Canada, Australia, a resource-intensive economy with a formal FDI review process, has a high share of FDI stock given its estimated FDI restrictiveness.

Another reason for the weak relationship between FDI restrictiveness and FDI stock in Canada is the disproportionate weights placed on sectors that contribute marginally to economic value in Canada. For example the agriculture, forestry, fishing and hunting sector (NAICS 11) represents about 2 percent of all economic activities[12] and 0.2% of Canada' stock of FDI.[13] Yet, because the FDI restrictiveness index considers agriculture, fisheries and forestry as three different equally weighted sectors, together they represent a greater share of the index (13.6%[14]).

As highlighted by the revisions to the maritime and surface transportation foreign equity scores between 2006 and 2010 (see the "Historical performance on the FDI restrictiveness index" section), the OECD's understanding of the regulatory framework can potentially affect a country score. Furthermore, the methodology allows for some subjectivity in the way scores are scaled down to account for policy divergence. Both, the level of understanding of the regulatory framework and subjectivity in scoring may explain some discrepancies between a country predicted FDI level and its FDI Regulatory Restrictiveness index.

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[12] Statistics Canada. Table 36-10-0434-02 Gross domestic product (GDP) at basic prices, by industry, monthly, growth rates (x 1,000,000)
[13] Statistics Canada. Table 36-10-0009-01 International investment position, Canadian direct investment abroad and foreign direct investment in Canada, by North American Industry Classification System (NAICS) and region, annual (x 1,000,000)
[14] As the sectors are equally weighted, the weight is computed as follows: 3 / 22.

OECD's methodological update and forthcoming data

The OECD recently updated its FDI Regulatory Restrictiveness Index methodology (2022). The updated country restrictiveness indices are expected to be released in 2023. The OECD promises greater transparency by providing access to the scoring rational and points allocated for each restriction. The organization will also revise historical data using the new methodology and calculate indices for additional countries. The main changes to the index scoring methodology are as follows:

- **Change to the sector weights**: The aggregated index will represent a weighted sum of each sector's scores, rather than a simple average. The weights are based on data for 64 economies included in the OECD Input-Output table and correspond to their respective average share of total sector value-added over the periods 1995, 2000, 2005, 2010 and 2015. The same sectors weights will be used for all countries, rather than be country-specific.
- **Clearer sector categories:** Sectors and subsectors identified by the index are now defined in correspondence with the United Nation's International Standard Industrial Classification **(**ISIC Rev. 4).
- **Additional subsectors:** Additional subsectors are to be added under the 22 sectors to allow greater specificity on the restrictions by sector.
- **Enhancement to the scoring framework:**
    - The restriction score will be adjusted to account for variations in the scope of restrictions. As such, a new standardized score adjustment framework has been developed to provide an adjustment factor ranging from 0.05 (only a very small portion of a given sector/sub-sector is affected by the measure/restriction) to 1 (the measure applies to most activities within a given sector/sub-sector).
    - Revisions to the scoring grid are proposed to better reflect the various policy and regulation regimes. For example, the scoring framework for foreign equity will be expanded to account for the range of thresholds among countries.
    - The revised methodology will explicitly account for discriminatory investment policies that were ignored in the past (e.g. policies restricting foreign shareholdings in publicly listed companies), allowing for greater consistency and less subjectivity in regulation scoring.
    - The methodology will no longer record "local incorporation requirement" as a restriction.

It is yet to be seen how the methodology update will impact Canada's restrictiveness index and ranking relative to its peers. Preliminary scores shared by the OECD show an overall decrease in Canada's 2021 score to 0.123 (down 0.038 points from its 2020 score, using the 2010 methodology). It is expected that Canada's score would decrease slightly given that lower weights are to be associated with Canada's most restrictive sectors, namely fisheries, telecommunication and media (see Appendix C).

Conclusion

This paper seeks to better understand the OECD FDI restrictiveness index and Canada's historically poor performance on this measure. Examining the index methodology reveals that Canada's ranking is mostly due to how it fares on two FDI restrictiveness sub indices: foreign equity restrictions and screening and approval mechanisms. Driven up by high equity restrictions, the media, fisheries, and communications sectors have particularly high restrictiveness indices, negatively impacting Canada's overall score.

It is important to note that the restrictiveness index does not appear to be correlated with investor confidence nor to a country's attractiveness as an FDI destination. Companies consider several factors when deciding where to invest. In fact, FDI regulatory transparency and rule of law compliance may increase location attractiveness by decreasing uncertainty, thus lowering perceived risk.

FDI growth is frequently seen as a measure of success in a country's FDI attraction efforts. This traditional measure tends to favour tangible asset-intensive FDI. However, governments can use a range of mechanisms to select foreign investments that provide greater spillovers. For example, investments subject to the ICA have to demonstrate their positive economic benefits to be authorized. Further research could look at the impact of restrictive policies and regulations on attracting FDI based on other measures of success, such as FDI that is associated with sustainability and increased resilience.

While Canada's FDI restrictiveness score will be lower in the next OECD release, the impact of the new methodology on Canada's position relative to other developed economies remains to be seen. However, as long as screening mechanisms continue to have a significant weighting in the index, Canada will rank higher than its peers without a formal review of incoming FDI.

Going forward, a model to estimate the relationship between FDI determinants, such as FDI restrictiveness, on FDI levels could be developed to allow for better evaluation of the impacts of policy changes on Canada's stock of FDI. This could also support policy makers' decisions with respect to FDI openness, further advance knowledge of Canada's FDI drivers, allow for ex-ante evaluation of policy and economic shocks on FDI, and lead to a better understanding of the impacts of various types of FDI policies and regulations.

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Appendix A

Sectors covered in the FDI restrictiveness index (2010)

	Sectors	Further breakdown/detail		
1	Agriculture		Agri. & forestry (1-2)	**Primary (1-4)**
2	Forestry			
3	Fishing			
4	Mining & Quarrying	Includes oil exploration and drilling		
5	Food and other manufacturing	Includes textiles, woods, paper & publishing, other manufacturing	Manufacturing (5-9)	**Secondary (5-11)**
6	Oil refining & chemicals			
7	Metals, mach. & other minerals			
8	Electric, electronics & other instruments			
9	Transport Equipment			
10	Electricity	Generation Distribution		
11	Construction			
12	Wholesale trade		Distribution (12-13)	**Tertiary (12-21)**
13	Retail trade			
14	Transport	Land Maritime Air		
15	Hotels and restaurants			
16	Media	Radio & TV broadcasting Other (newspapers, etc.)		
17	Telecommunications	Fixed telecoms Mobile telecoms		
18	Banking		Financial services (18-20)	
19	Insurance			
20	Other finance	Includes securities & commodities brokerage, fund management, custodial services, etc.		
21	Business services	Legal services Accounting & audit Architectural services Engineering services		
22	Real Estate Investment			

Reproduced from OECD (2010).

Appendix B

Scoring of restrictions (2010) - FDI restrictiveness index

		Scores
I.	**Foreign equity limits**	
		Start-ups and acquisitions
	No foreign equity allowed	1
	Foreign equity < 50% of total equity	0.5
	Foreign equity > 50% but < 100% of total equity	0.25
		Acquisitions
	No foreign equity allowed	0.5
	Foreign equity < 50% of total equity	0.25
	Foreign equity > 50% but < 100% of total equity	0.125
II.	**Screening and approval**	
	Approval required for new FDI/acquisitions of < 100mn or if corresponding to < 50% of total equity	0.2
	Approval required for new FDI/acquisitions above 100mn or if corresponding to > 50% of total equity	0.1
	Notification with discretionary element	0.025
III.	**Restrictions on key foreign personnel/directors**	
	Foreign key personnel not permitted	0.1
	Economic needs test for employment of foreign key personnel[2]	0.05
	Time bound limit on employment of foreign key personnel[2]	0.025
	Nationality/residence requirements for board of directors	
	Majority must be nationals	0.075
	At least one must be national	0.02
IV.	**Other restrictions**	
	Establishment of branches not allowed/local incorporation required	0.05
	Reciprocity requirement	0.1
	Restriction on profit/capital repatriation	1 - 0.1
	Acquisition of land for business purpose[3]	0.1
	Land ownership not permitted but leases possible	0.05 - 0.01
	Total	Up to 1

1) Excludes reviews of foreign investment based solely on national security grounds.
2) If both restrictions apply, 0.05 is added to score.
3) Score scaled by 1/3 when the measure applies only to border and coastal areas and by a factor of 5 for agriculture and forestry.

Reproduced from OECD (2010).

Appendix C

2023 methodological update - Sectoral Weights
(sub-sectors excluded)

	Sector	Sectoral Weights	Weights against 2010*
1	Agriculture	0.0500	+0.0050
2	Forestry and Logging	0.0050	-0.0400
3	Fishing and aquaculture	0.0050	-0.0400
4	Mining & Quarrying	0.0350	-0.0100
5	Manufacturing – Food and others	0.0650	+0.0200
6	Manufacturing – Chemical, rubber, plastics, fuel products and other non-metallic mineral products	0.0500	+0.0050
7	Manufacturing – Basic metals and fabricated metal products, except machinery and equipment	0.0600	+0.0150
8	Manufacturing – Machinery and equipment	0.0350	-0.0100
9	Manufacturing – Transport Equipment	0.0250	-0.0200
10	Electricity	0.0350	-0.0100
11	Construction	0.0750	+0.0300
12	Distribution – Retail	0.0750	+0.0300
13	Distribution – Wholesale	0.0900	+0.0450
14	Transport	0.0600	+0.0150
15	Accommodation, Food Services, Arts, Entertainment and Recreation	0.0350	-0.0100
16	Media	0.0150	-0.0300
17	Telecommunications	0.0400	-0.0050
18	Financial Services – Banking	0.0600	+0.0150
19	Financial Services – Insurance	0.0150	-0.0300
20	Financial Services – Other Financial Services	0.0100	-0.0350
21	Professional Services	0.0250	-0.0200
22	Real Estate Investment	0.1350	+0.0900
		1.0000	**--**

Adapted from OECD (2022).
*: represents the sectoral weights relative to the 2010 equal-weighted methodology (all sector values equally weighted as 0.0450).