OECD FDI Regulatory Restrictiveness Index

Key findings and trends

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OECD FDI Regulatory Restiveness Index: Key finding and trends

This policy paper presents key findings from the new OECD FDI Regulatory Restrictiveness Index (FDIRRI) series released in 2024, which now covers statutory restrictions on foreign direct investment (FDI) in more than 100 countries. The paper provides an overview of the updated FDIRRI framework and analyses the current state of statutory restrictions on FDI across countries, regions, policy areas and economic sectors as of end-December 2023. It also examines recent trends in FDI regulatory restrictiveness, with a focus on specific foreign investment rules that were either relaxed or tightened between 2018 and 2023.

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Executive summary

Key findings

Foreign direct investment restrictions have eased over time, but the pace of liberalisation has slowed down

Over the past few decades, foreign direct investment (FDI) regulations have generally become less restrictive worldwide, though the pace of liberalisation has slowed down in recent years, partly because there are fewer restrictions left to be lifted and the low-hanging fruit has already been picked in many economies. Since 1997, the most significant reforms have occurred in Asia, where barriers were high to begin with. Between 2018 and 2023, countries in the Middle East and North Africa (MENA) region also made notable strides in FDI liberalisation.

There is a wide variability in FDI restrictiveness across countries and regions

In 2023, regulatory restrictiveness towards FDI continued to differ significantly between countries. The most restrictive quartile of countries in the *OECD FDI Regulatory Restrictiveness Index* (FDIRRI) had FDI regulations that were, on average, 23 times more restrictive than those in the least restrictive quartile, with OECD countries being about 3.2 times less restrictive than non-OECD countries.

Economies in Asia, the Middle East and Africa show greater potential for FDI reforms

Despite a few ambitious FDI policy reforms in recent years, countries in Asia, the Middle East and Africa remain relatively more restrictive to FDI, indicating greater potential for further liberalisation. In 2023, over half (52%) of the economies from these regions, included in the FDIRRI, featured in the most restrictive quartile of the indicator, making up 96% of the economies in this group.

Foreign equity restrictions account for most of FDI restrictiveness across countries

In 2023, foreign equity restrictions accounted for approximately 62% of overall FDI restrictiveness as measured by the FDIRRI worldwide, being frequently observed in strategic industries such as transport, media, telecommunications, distribution, and electricity. In non-OECD countries, foreign equity limits are more widespread, affecting a broader range of industries. While outright prohibitions on FDI are relatively rare, these are also more frequently seen in non-OECD economies.

Other burdensome restrictions to foreign investors, such as reciprocity conditions and limitations on foreign investors' access to land or real estate for business purposes, among others, were the second most significant policy barrier to FDI, contributing to 26% of the overall FDI restrictiveness across countries. These measures were typically more prominent among non-OECD economies. In OECD countries, they were generally limited to few specific sectors.

Foreign investment screening policies, requiring evaluation of a project's economic impact, accounted for an additional 10% on average and were mostly applied by a few OECD economies, often across multiple sectors. Historically, these policies were commonly used in OECD countries during the 1960s–70s to align FDI with development objectives, such as promoting local content and technology transfer. However, most discriminatory screening practices were dismantled during the 1980s. Today, most OECD economies have screening mechanisms that are specifically focused on national security concerns. While not considered as a restriction in the FDIRRI, these measures are a growing part of the regulatory landscape for FDI in OECD countries. In non-OECD economies, the screening of FDI projects on economic or national security grounds is less widespread and typically applied on a sectoral rather than an economy-wide basis.

Restrictions on the employment of foreigners in executive roles had the least impact, making up just 2% of overall scores. The most common restrictions in this category involve nationality requirements for ship captains or top executives in the water transport sector.

The real estate, transport and agriculture sectors experience the highest restrictions

Globally, restrictions on FDI are most prevalent in real estate, transport services, and agriculture, while restrictions in manufacturing have been widely lifted. Services like distribution and construction also face considerable barriers, notably among non-OECD economies, while media and professional services are commonly restricted in both OECD and non-OECD regions.[1] In OECD countries, horizontal restrictions—those that apply across several sectors—make up 15% of the average FDIRRI, compared to nearly one-third in non-OECD countries. In OECD economies, these restrictions typically involve screening measures or limitations on foreign investors' access to land or real estate. In contrast, horizontal restrictions in non-OECD countries are more diverse, affecting all four policy categories covered by the FDIRRI.

Policy changes in 2018–2023 were mainly related to investment screening, the lifting of sector-specific foreign equity limits and the introduction of new FDI restrictions

Between 2018 and 2023, most policy changes focused on new or revised foreign investment screening mechanisms, especially those addressing national security concerns in OECD countries, but these are not accounted for as restrictions in the FDIRRI.[2] Other types of policy changes have been minimal in these countries over this period. Meanwhile, many non-OECD economies partially or fully lifted foreign equity restrictions. The removal of horizontal foreign equity caps in Algeria, Palestine Authority and Saudi Arabia, and revisions of so-called negative lists in Indonesia and the Philippines significantly lowered these countries' FDIRRI scores. However, new sector-specific restrictions emerged in some non-OECD countries as well, counterbalancing the overall trend of FDI liberalisation.

Main policy considerations

- Easing barriers to FDI may provide additional means for sustaining economic growth and achieving sustainable development goals. Evidence shows that less restrictive FDI policies are generally associated with higher FDI levels.[3]
- There remains room for further FDI liberalisation, especially in Asia, the Middle East and Africa. Such reforms could complement global and regional efforts to promote investment and regional integration (e.g. the African Continental Free Trade Area Agreement Protocol on Investment, and the potential WTO Investment Facilitation for Development Agreement, should it be concluded).
- Liberalising FDI in services sectors could yield substantial benefits, given their growing importance in the global economy and their direct and indirect role in boosting economy-wide productivity.
- To reduce potential unintended effects of FDI restrictions, countries could consider adopting non-discriminatory policies, relaxing foreign equity rules or limiting barriers to few key strategic sectors.

1 The OECD FDI Regulatory Restrictiveness Index

Under the right conditions, foreign direct investment (FDI) can bring a range of benefits to a host country. Beyond providing a source of financing and jobs, FDI can support productivity growth, innovation and domestic firms' integration in global value chains. Foreign firms can also contribute to achieving sustainable development goals, for instance through paying higher wages and training workers, promoting gender equality in the workplace, and diffusing greener technologies (OECD, 2022[1]). Not surprisingly, many governments around the world attempt to attract FDI to boost sustainable economic development.

An open and non-discriminatory regime to foreign investment is essential for attracting FDI and realising its full benefits. While a government's right to regulate in the public interest is paramount, any policy that discriminates against certain investors over others carries a cost. Measures discriminating against foreign investment will typically involve economic costs for the people, the government and the domestic private sector, as a result of forgone potential investment, taxes and efficiency gains. These costs may not always be immediately evident to policymakers.

Statutory restrictions to FDI — such as caps on foreign equity ownership, screening of foreign investment projects based on economic factors and other policies that discriminate against foreign investors — are found to significantly deter foreign investment (Mistura and Roulet, 2019[2]). Beyond missed investment opportunities in restricted sectors, barriers to FDI also imply foregoing on potential associated benefits, such as additional tax income, learning and knowledge transfer opportunities and other potential efficiency gains stemming from greater competition and domestic capital reallocation. With increased productive fragmentation and linkages across sectors, the effects of FDI restrictions are also found to increasingly spill over to other economic activities beyond the restricted ones. Evidence suggests, for instance, that higher degrees of FDI regulatory restrictiveness in services sectors is associated with lower FDI and labour productivity levels in downstream manufacturing industries (OECD, 2023[3]; Mistura and Roulet, 2019[2]).

The extent of discrimination shielding domestic investors from foreign competition is not the only nor necessarily the most critical building block of an attractive investment climate. But it is a policy lever that governments can directly influence and adjust relatively quickly, in contrast to other structural factors like market size, workforce capabilities, infrastructure quality etc. While some FDI restrictions may serve the public interest, non-discriminatory policies may at times be just as suitable for achieving the goals.

1.1. A tool for monitoring FDI policy barriers

First created in 2003 and last revised in 2022, the OECD *FDI Regulatory Restrictiveness Index (hereafter FDIRRI)* measures discriminatory restrictions on FDI across countries and over time. It is a useful indicator for benchmarking market access and other statutory barriers to FDI and for monitoring and showcasing FDI policy reform efforts. As a policy-based indicator, the FDIRRI can also be used to empirically assess and simulate the potential impacts of FDI regulatory reforms.

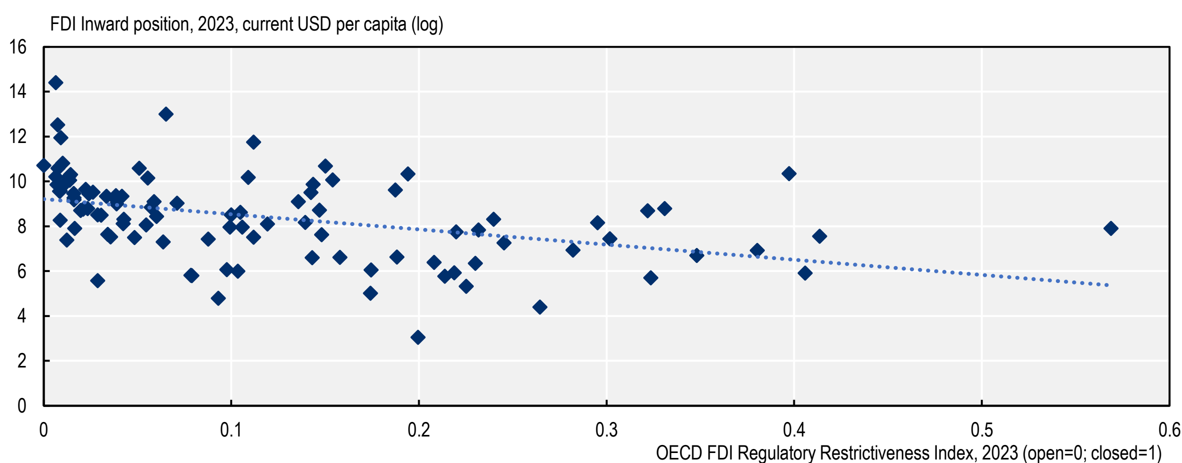
104 jurisdictions across almost all regions are now covered in the FDIRRI, including all G20 members, OECD members and adherents to the OECD Declaration on International Investment and Multinational Enterprises. Altogether, these countries represent over 90% of global inward FDI position in 2023.[4]

This note presents the key findings from latest FDIRRI results, incorporating the recent methodological revision adopted by the OECD Investment Committee in 2022 (Box 1). It describes the extent of FDI restrictiveness and the composition of FDI barriers in these countries and discusses recent trends in FDI policy. It reflects regulatory information collected from about 2 850 regulatory measures involving over 2 100 unique pieces of legislation.

This new FDIRRI series is currently available for 2018 and 2021–2023. Due to technical methodological modifications, comparing the new series scores with the old FDIRRI series scores, available for the 1997–2020 period, is not strictly appropriate. Having said that, the revised FDIRRI framework retains large resemblance with the previous framework, capturing the same types of underlying measures and having a similar sectoral coverage, albeit with additional breakdowns. Not surprisingly, a strong correlation is observed between the revised and previous methodology results. With caution, therefore, the two series can still be used to draw broader comparisons and analysis over a longer time frame, such as on overall trends of liberalisation.

The new FDIRRI framework continues to capture FDI discrimination in a meaningful way, remaining negatively associated with countries' inward FDI positions. In general, countries with a higher degree of FDI regulatory restrictiveness, as captured by the 2023 FDIRRI, receive less FDI relative to the size of their economy (Figure 1). This finding aligns with the results of the several empirical studies observing a negative impact of regulatory restrictions on FDI stocks, as measured by the previous FDIRRI framework.[5]

Figure 1. Countries with less restrictive regulatory frameworks tend to receive relatively more FDI



Note: Excludes South Sudan and Kosovo[6] due to missing data.
Source: OECD FDI in Figures and UNCTAD Foreign Direct Investment and Total Population databases; OECD FDI Regulatory Restrictiveness Index database, 2023.

Box 1. Calculating the OECD FDI Regulatory Restrictiveness Index

The *OECD FDI Regulatory Restrictiveness Index* measures statutory restrictions on foreign direct investment across countries and sectors, and over time. The FDIRRI currently covers 22 economic sectors, including all primary sectors (agriculture, forestry, fishing and mining), manufacturing, electricity, and main services sectors (construction; distribution; transport; hotels and restaurants; media; telecommunications; financial services; professional services; real estate).

The FDIRRI captures FDI restrictions across four policy categories: i) foreign equity limits; ii) screening and approval of foreign investment; iii) restrictions on key foreign personnel; and iv) other operational restrictions, such as restrictions on the acquisition of land and real estate for business purposes by foreigners and preferential treatment offered to locally-owned firms in public procurement.

The discriminatory nature of a policy (i.e., it applies only to foreign investors) is the central criterion for scoring it as restrictive under the FDIRRI. Nonetheless, certain non-discriminatory measures are also covered when they are considered more burdensome for foreign investors, such as rules regarding the nationality of board of directors. Any non-statutory discrimination that may occur during implementation and enforcement of FDI policies is not taken into account. Preferential treatment accorded to some investors over others as a result of more favourable treatment under international agreements or as a result of location and activity-based policies, such as for investments in special economic zones and export-oriented investors, are equally not considered.

Individual measures are evaluated on a 0 (fully open to FDI) to 1 (fully closed) scale based on a scoring framework that captures the varying degrees of restrictiveness of the covered FDI policies. For example, foreign equity restrictions are generally assigned a higher score than restrictions on foreign key personnel. The sectoral scores reflect the sum of scores across all four policy categories, capped at 1.

The new economy-wide FDIRRI reflects the weighted-average score of all 22 sectors. Common sector weights across countries and over time are used to ensure that any variance in countries' scores is due to policy differences, not differences in sectoral weights. Sector weights are measured as the average share in total value added over the years 1995, 2000, 2005, 2010 and 2015 for all 64 economies included in the OECD Input-Output Tables. This approach deviates from the previous FDIRRI series, which assumed equal weights across sectors. Despite the difference in approach, results remain largely consistent, being mostly driven by the prevalence of restrictions in similar activities across countries. The new economic-based weights correct somewhat for the overrepresentation of small/smaller sectors, such as fisheries, electricity, media, other financial services, among restricted activities, but, in turn, restrictions in real estate gain prominence in the new scoring framework.

The FDIRRI is based on statutory restrictions recorded in official legal sources. All regulatory measures underlying the FDIRRI, including extracts of key legislation, explanatory comments, sources and links, can be found at the FDIRRI – Regulatory Database. Annual updates are performed by the OECD Secretariat on the basis of (i) information on investment policy changes reported and published in the OECD's yearly monitoring reports, in the case of countries participating at the OECD Freedom of Investment Roundtable; and (ii) country-specific regulatory research, involving the monitoring of modifications to previously recorded legislation and the checking for relevant policy information in different specialised online portals and databases, e.g., the OECD Services Trade Restrictiveness Index, the World Bank-WTO Services Trade Policy Database, the Global Trade Alert database, UNCTAD's Investment Policy Monitor portal, global legal information platforms, such as Lexology and Mondaq, and legal guides, insights and reports by law firms.

Note: For further information about the current FDIRRI methodology, the full list of measures covered and the scores, please refer to: (OECD, 2024[3]), the FDIRRI – Regulatory Database and the FDIRRI – Scores database. For details on the previous methodological framework, please refer to Kalinova, Palerm and Thomsen (2010[4]).

2 State of play in 2023

This section describes the current global landscape of FDI restrictions for 104 economies included in the 2023 edition of the *OECD FDI Regulatory Restrictiveness Index (FDIRRI)*. It discusses variations in statutory restrictions faced by foreign investors across different regions and sectors of the economy and highlights the types of restrictions driving these results. The findings reflect regulation in force as of 31 December 2023.

2.1. FDI restrictiveness varies widely across countries and regions

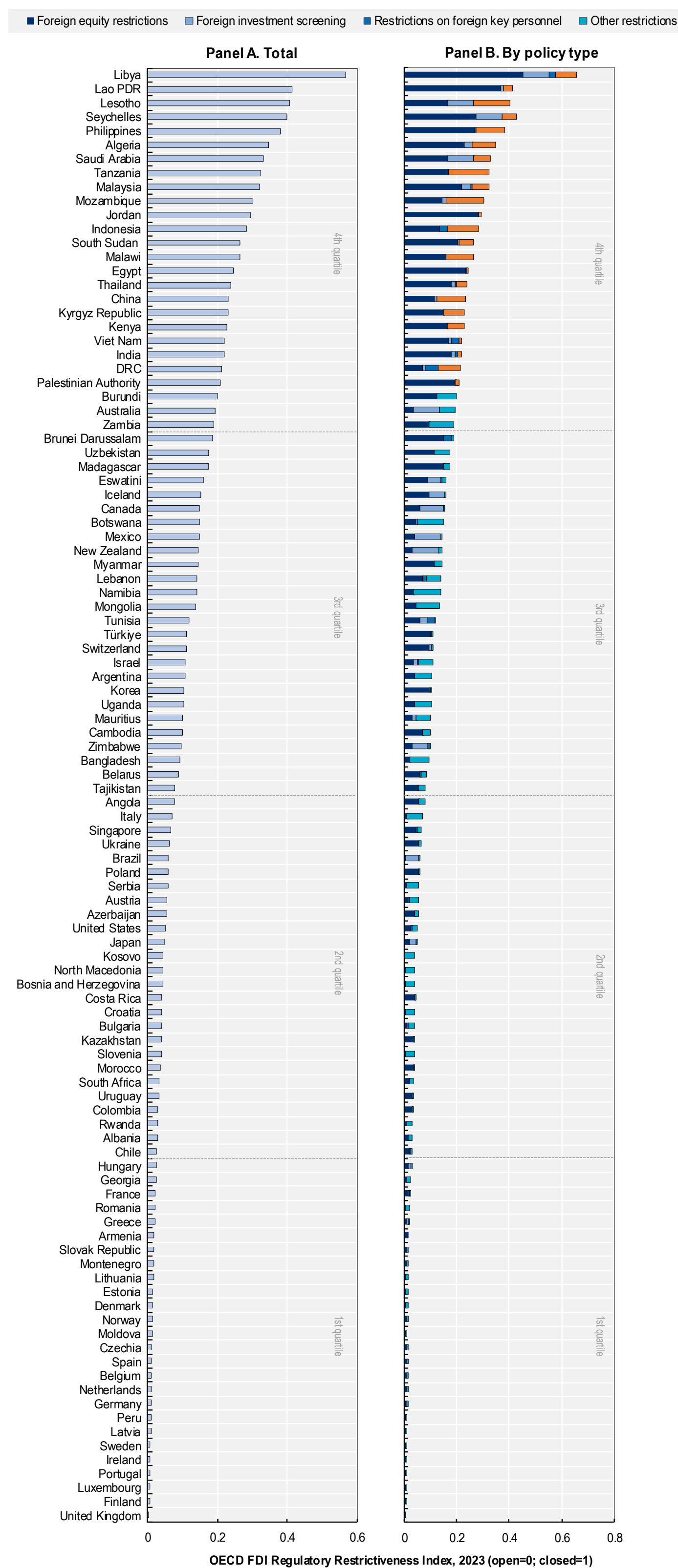
Despite an overall trend towards less restrictive regulatory environments for FDI, foreign investors continue to face barriers in host countries across the globe. In 2023, all countries covered by the FDIRRI maintained at least one statutory measure that either discriminated against or placed a particularly heavier burden on foreign investors. On average, about 20 restrictive measures were applied in a given country at the end of 2023. Attesting their existence and scope of application required navigating roughly 20 different pieces of legislation, from laws to implementing decrees and other regulatory instruments and official documents.

The degree of restrictiveness of FDI regulatory regimes still varies significantly across countries. As shown in Figure 1, countries in the most restrictive quartile of the FDIRRI sample present a degree of FDI restrictiveness that is, on average, 23 times greater than those in the least restrictive quartile. Overall, 40% of the countries covered are more open than the OECD average, while 72% are more open than the non-OECD average. These findings suggest that relatively few countries continue to impose particularly more significant restrictions on foreign direct investment.

The landscape of FDI regulatory restrictiveness remains heterogeneous across regions and income groups (Figure 2). The substantial FDI liberalisation undertaken by advanced economies since the 1970s is reflected in the results (see section 3.1 below). On average, regulatory frameworks of OECD countries, for instance, are 3.2 times less restrictive toward foreign investors than in non-OECD countries.

When segmented by income groups, barriers to FDI, as captured by the FDIRRI, are found to be 3.1 times greater in low- and lower-middle income countries than in high-income countries. Regional differences in FDI restrictiveness are also pronounced. Europe and Central Asia exhibit the least restrictive environment for FDI, followed closely by Latin America, with an average score of 0.042 and 0.057 on the FDIRRI scale ranging from 0 (fully open) to 1 (fully closed), while the Middle East and North Africa have the highest average score at 0.240.

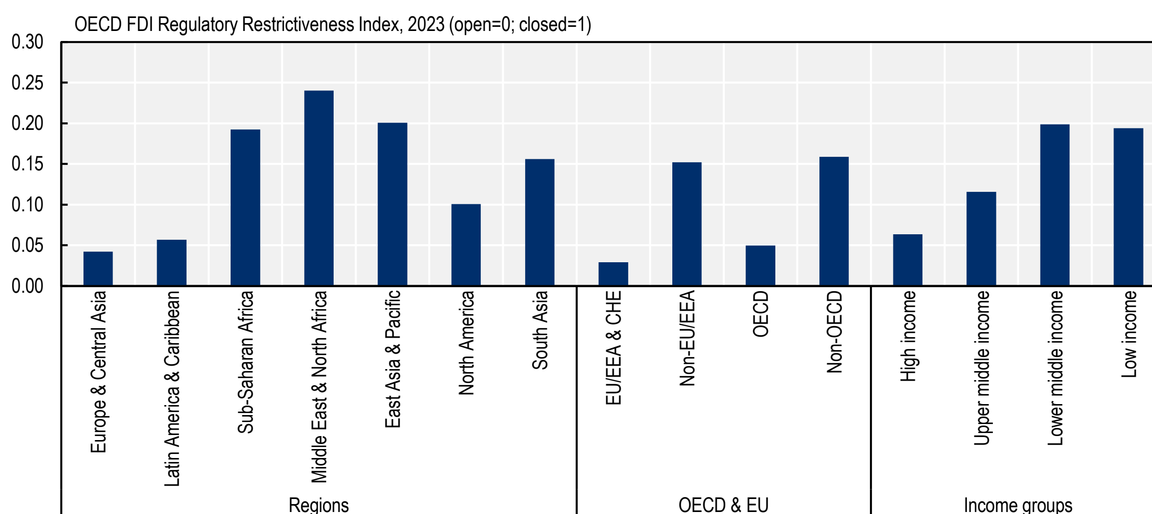
Figure 2. The restrictiveness of FDI regulatory regimes varies widely across countries



Note: The indices reflect regulation in force on 31 December 2023. See Box 1 for further methodological information.
Source: OECD FDI Regulatory Restrictiveness Index database, 2023.

European Union (EU) member states are also significantly more open to FDI than non-EU countries, which reveals both the limited backtracking in investment liberalisation reforms over time in the region and the role of the Single Market in promoting the free movement of capital and other flows among member states, allowing intra-EU investments to circumvent many of the restrictions that external investors encounter.[7] In 2023, the average FDIRRI score for EU member states stood at 0.029, while non-EU countries reported a more restrictive average score of 0.152.

Figure 3. FDI restrictiveness by regions, income groups and selected country groupings



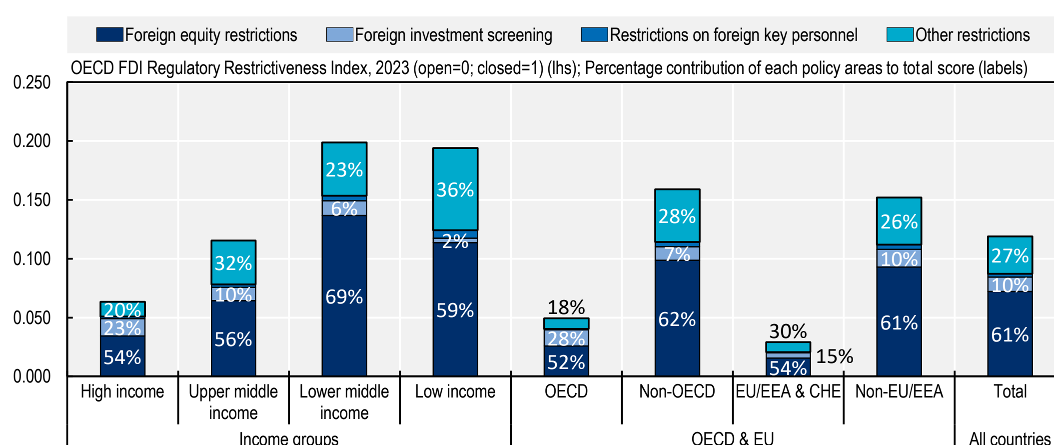
Note: The indices reflect regulation in force on 31 December 2023; regions and income groups according to the World Bank's classification in the current 2025 fiscal year (FY); EU/EAA=25 European Union member states (except Malta and Cyprus which are not covered in the FDIRRI) plus Iceland and Norway; CHE=Switzerland. See Box 1 for further methodological information.
Source: OECD FDI Regulatory Restrictiveness Index database, 2023.

2.2. Foreign equity restrictions contribute the most to overall FDI restrictiveness

The FDIRRI captures FDI regulatory restrictions across four policy categories: i) foreign equity restrictions, ii) foreign investment screening, iii) restrictions on key foreign personnel, and iv) other restrictions. Foreign equity restrictions and 'other restrictions' on foreign investment activity — including, for instance, reciprocity requirements for the admission of foreign investors, restrictions on foreign investor's access to land and real estate for business purposes, preferential treatment to locally-owned firms in public procurement — account, on average, for 61% and 27% of overall FDI restrictiveness observed across all the countries in the sample (Figure 4). Foreign investment screening accounts for another 10%, and restrictions on the employment of foreigners in key corporate executive positions responds for the remaining 2%.

Foreign equity restrictions and (to a lesser extent) foreign investment screening measures are policy categories showing some of the strongest deterring effects on FDI in previous studies using the old FDIRRI series (Mistura and Roulet, 2019[2]). Eliminating restrictions in these areas could thus have particularly strong potential for attracting new investment.

Figure 4. FDI restrictiveness by type of restrictions across income groups and selected country groupings



Note: The indices reflect regulation in force on 31 December 2023; income groups according to the World Bank's classification for the FY2025; EU/EAA=25 European Union member states (except Malta and Cyprus which are not covered in the FDIRRI) plus Iceland and Norway; CHE=Switzerland. See Box 1 for further methodological information.
Source: OECD FDI Regulatory Restrictiveness Index database, 2023.

2.2.1. Foreign equity limits are the most prominent barrier to FDI across economies irrespective of income level and geographical location

Foreign equity restrictions limit the extent of foreign ownership that is permitted in companies or in the aggregate of companies in a given sector. Restrictions in this policy category can take different forms. When they are applied, some degree of foreign equity participation is typically allowed, albeit with varying degrees of minority and majority equity stakes. However, in some cases foreign participation is fully prohibited. Although foreign equity restrictions usually apply to all foreign investments (i.e. both greenfield investment and mergers and acquisitions), sometimes their scope is limited to only acquisitions of domestic companies by foreign investors. Under this policy category, the FDIRRI also captures obligations to divest foreign shareholding after a certain time, as well as those rare occasions where foreign equity restrictions apply only to listed companies or investment in a specific company or asset, typically a former incumbent state monopoly holder.[8]

Among the four policy categories included in the FDIRRI, foreign equity restrictions represent the most prominent limits to foreign investment in both advanced and emerging and development economies and across the different regions (Figure 4 and Figure 5). This partly reflects the greater weight assigned to these measures in the FDIRRI scoring framework compared to other categories of measures due to their relatively higher degree of barrier to FDI. However, foreign equity restrictions are also very common across the board, with all but two economies in the sample, the United Kingdom and Kosovo, maintaining some form of limit on foreign equity participation affecting at least one sector of the economy in 2023. In the United Kingdom, the absence of foreign equity limitations is a recent phenomenon resulting reforms liberalising foreign participation in the transport sector as of 2021. In addition to their prevalence, foreign equity limits are often quite stringent, allowing for only a minority foreign participation or fully prohibiting foreign investment in companies operating in some specific sectors, e.g. media or professional services.

The sectoral distribution of these restrictions is rather similar across regions, with limits most commonly applying to strategic network sectors such as transport, distribution, media, telecommunications and electricity. In many countries, nationality is a pre-condition to obtain a license to fully practice a profession, such as lawyer or accountant, and consequently to hold an ownership interest in a professional services

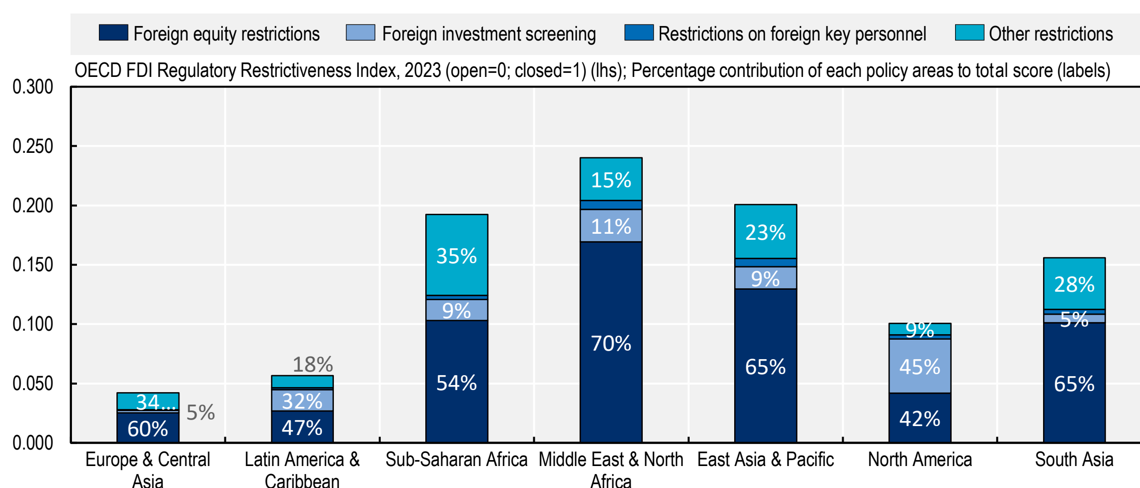
firm. Foreign equity restrictions related to the acquisition and ownership of real estate for investment purposes are also relatively common.[9]

In OECD countries, restrictions in this policy category tend to concern a handful of sectors at most in each jurisdiction. Where restrictions apply, foreign participation is nonetheless typically allowed up to 49%, rather than fully prohibited. Air transport is the sector most commonly subject to foreign equity limits, partially due to European-level regulatory harmonisation that requires European Union (EU) member countries to cap foreign, non-EU participation in national airlines at 49%.[10] Foreign investment in air transport remains limited in nearly all OECD countries.

In non-OECD countries, foreign equity restrictions are comparatively more prominent, typically affecting foreign investors in a wider range of sectors. In addition to the sectors that are commonly restricted across the full sample, many non-OECD countries maintain foreign equity limits in sectors that have been largely liberalised in OECD countries, such as construction, financial services, mining, and various manufacturing sub-sectors. As in OECD countries, even where restrictions apply, foreign equity is typically allowed up to 49%. However, provisions completely prohibiting foreign participation in a given sector, as well as provisions allowing more than 67% but less than 100% foreign equity (i.e., requiring at least a small minority stake to be in domestic hands), are relatively more common in non-OECD countries. Sectors that are fully closed to foreign equity in some of these countries include professional services, real estate, media, retail distribution, and various manufacturing and transport sectors.

Foreign equity restrictions are also generally more pervasive in the most restrictive regions to FDI, accounting for about 70% of the average FDI restrictiveness in the MENA region and 65% in the East & Pacific region (Figure 5). European and Central Asian economies, as well as Latin America & Caribbean and North America countries are those presenting the least restrictive environments in terms of foreign equity restrictions.

Figure 5. FDI restrictiveness by type of restrictions and regional groupings



Note: The indices reflect regulation in force on 31 December 2023; regional groups according to the World Bank's classification for the FY2025.
Source: OECD FDI Regulatory Restrictiveness Index database, 2023.

2.2.2. Foreign investment screening measures are common across the board, but particularly in OECD countries

The policy category of foreign investment screening measures covers government approval requirements of varying scope that discriminate against foreign investors. Often the discriminatory element is that

approval is required only of foreign investment projects. Discrimination against foreigners may also appear in the form of approval conditions that go beyond licensing or permit requirements applicable to domestic investors, with criteria that explicitly favours domestic investment projects over foreign-owned ones.

For instance, in one country, trading licenses in various commercial activities, including manufacturing, construction, wholesale and retail distribution, accommodation, food services, and other touristic activities, are subject to approval and shall only be granted to a foreign person or a foreign-owned company where (i) there are no available citizen-owned entity to provide the service; or (ii) citizens cannot meet the demand. Similarly, in an EU member state, foreign persons and companies where the majority of the capital belongs to foreigners need authorisation to operate an agricultural business. These measures explicitly favour domestic investors over foreign-owned ones by imposing additional approval requirements and /or conditions on foreign investment projects.

Only those foreign investment screening measures that explicitly mandate decisions to take into account economic considerations, in the spirit of an economic needs test or net benefit test — such as the investment project's impact on domestic employment, technology development, or productivity — are considered restrictive under the FDIRRI scoring framework and add to a country's overall index.[11] Mechanisms that are in place exclusively for safeguarding public order and essential security interests are therefore not scored.[12] These measures are, however, recorded in the new FDIRRI regulatory database as a memorandum item for transparency purposes.

Overall, foreign investment screening measures are relatively common across the sample. In 2023, 44 out 104 countries maintained screening measures based on economic considerations at least in one sector of the economy, and 46 countries had measures to review foreign investment on national security grounds.

In OECD countries, screening measures are largely based on a national security rationale, with 34 out of 38 OECD countries having this type of investment screening in place at the end of 2023, typically in the form of horizontally applicable legislation that impinges on investors across several if not all sectors of the economy. Foreign investment screening based on economic considerations is less common in this group (13 countries only) and, where it exists, it often applies to only one or two selected sectors, such as agriculture, electricity, transports, media, telecommunications, or real estate investment. Nonetheless, a handful of OECD countries maintain horizontally applicable screening measures that mandate the consideration of economic interests. As these measures apply horizontally across several sectors, they naturally represent a significant share of the overall FDIRRI for these countries. The economic aspects considered as part of the screening process under these horizontal measures typically include, e.g., the proposed investment project's effect on employment, productivity, tax, technological development, utilisation of local goods and services, and competitiveness of the domestic industry.

In the group of non-OECD countries, screening measures based on economic considerations are typically sector specific. In 2023, 31 out 66 non-OECD countries in the FDIRRI sample maintained at least one screening measure in place. These measures often cover some of the same sectors that are also typically subject to screening in OECD countries (such as media, transports, real estate or telecommunications), but their scope also often includes sectors that are rarely under scrutiny in OECD countries, such as mining, hotels and restaurants, and some manufacturing activities, reflecting the importance attached to maintaining these sectors under domestic control in many non-OECD countries. Six countries in the group of non-OECD countries have a horizontally applicable screening measure based on economic considerations, but in two of them the impact of the policy on foreign investors is relatively limited because only branches of foreign companies are subject to screening.

Foreign investment screening as a tool to manage the national security implications that may be associated with certain investment projects is much less widespread in this group compared to OECD countries. Among the non-OECD countries covered, 10 countries have a horizontally applicable screening mechanism that is based on essential security considerations, and four countries have sectoral rules in

place to assess the security implications of foreign investment in specific sectors of the economy, such as mining, media or telecommunications.

2.2.3. Foreign investors also face a variety of 'other restrictions'

Measures captured under the category of "Other restrictions" in the FDIRRI cover a range of operational restrictions not covered in the other three policy categories that are typically more burdensome for foreign investors, such as reciprocity conditions for foreign investment, restrictions on profit or capital repatriation, restrictions on foreign investors' access to local finance, preferences accorded to locally-owned firms in public procurement, and restrictions or prohibitions for foreign investors to access land or real estate for business purposes.

Restrictions in this policy category are relatively more prominent in non-OECD countries, contributing, on average, to 28% of the overall scores against 18% in OECD countries (Figure 4). In OECD countries, the restrictions identified in this category are largely sector-specific in nature and thus have a more limited scope of application, whereas horizontally applicable restrictions are somewhat common in the non-OECD sample, particularly with regard to public procurement processes, access to land and real estate, profit or capital repatriation, and local content requirements. Some of the measures in this category, such as discriminatory local content requirements, preferences to locally-owned firms in public procurement, discriminatory minimum capital requirements, and restrictions on profit or capital repatriation, are nearly non-existent in OECD countries. In contrast, all these types of restrictions are present, and some even commonly applied in the non-OECD sample, notably in the Sub-Saharan African countries (Figure 5).

Globally, local incorporation requirements are the most common restriction in this policy category, even though the new FDIRRI series only captures this type of restriction in financial services, where direct branching is a traditional mode of entry, and real estate investment, where commercial presence can be particularly more burdensome for individual foreign investors. In both OECD and non-OECD countries, local incorporation requirements are most common in the sub-sector of 'other financial services' (excluding banking and insurance), for instance with regard to portfolio managers and depositories. Due to EU-level harmonisation of rules regarding Alternative Investment Fund managers and the depositories of undertakings for collective investment in transferable securities (UCITS), the FDIRRI captures local incorporation requirements affecting non-EU based investors in these activities in most EU countries.[13]

Reciprocity conditions for foreign investment are also common across the sample. Such conditions are in almost all cases based on sector-specific regulation and tend to focus on professional services (particularly legal, accounting and auditing services) and financial services in both OECD and non-OECD groups.

Foreign investors also continue to face limitations regarding access to land or real estate for business purposes in many countries. In this area, the FDIRRI distinguishes between two types of restrictive policies: (1) foreign investors are not allowed to own land or real estate, but leases are possible, and (2) foreign investors' access to land or real estate is subject to a discriminatory restriction, such as prior approval requirements, discriminatory taxes or charges, reciprocity conditions or quantitative/size limits.[14] In non-OECD countries, the first type of policy is more common than the latter, with 42 countries applying some form of prohibition of land or real estate ownership by foreign investors but allowing them to lease land or real estate. In most cases, these measures apply horizontally across the different sectors of the economy and lease is permitted on a medium (between 30 and 70 years) or long-term basis (more than 70 years). Additionally, 22 non-OECD countries impose other discriminatory restrictions on foreign investors' access to land or real estate. In OECD countries, however, discriminatory restrictions, typically in the form of prior approval requirements, are more common than complete prohibitions on land or real estate ownership.

Among the other measures in this policy category, local content requirements, preferential treatment accorded to locally owned firms in public procurement, and discriminatory minimum capital requirements are only observed in non-OECD countries. The discriminatory local content requirements recorded in the

FDIRRI are nearly always sector-specific in nature, mandating the sourcing of inputs from locally-owned firms in sectors such as mining, particularly in Sub-Saharan African economies, or media. In contrast, preferential treatment of locally-owned firms in public procurement processes is typically accorded horizontally across different sectors of the economy and can take the form of e.g., price preferences, reciprocity conditions or even fully excluding foreign-owned firms from certain public procurement markets.

2.2.4. Restrictions on appointing foreign directors and executives contribute only marginally to scores

The policy category of ‘restrictions on key foreign personnel’ captures rules that prohibit the appointment of foreign top-level executives or impose nationality requirements for the board of directors of companies. Nationality requirements for high-ranking seafarer’s professions (e.g., master of a merchant vessel) are also recorded under this policy category in the fisheries and water transport sectors.

Although these restrictions are observed in most of the countries covered in the FDIRRI, they contribute only marginally to the overall scores in both OECD and non-OECD groups (Figure 4). This is mainly due to the typically very limited sectoral scope of application of such restrictions. Additionally, due to the rules of the EU’s Single Market, nationals from other EU or EEA countries are exempted from nationality requirements, which is reflected in the scoring.

In OECD countries, the typical restriction recorded by the FDIRRI in this policy area is a nationality requirement for the ship captain and/or the top executives in the water transport (usually sea or coastal rather than inland transport) and/or fisheries sector. Some countries also require that a majority of the board of directors must be composed of nationals in these sectors. Similar requirements for top executives and/or the majority of the board of directors are sometimes imposed with regard to air transport, media (particularly broadcasting) and professional services (particularly legal services).

Nationality requirements in the water transport sector are also the most common restriction in this policy area in non-OECD countries. However, foreign investors in fisheries are comparatively less often affected than in OECD countries, while restrictions are relatively more common in media and air transport. In some non-OECD countries, restrictions also apply to sectors such as financial services, distribution, or manufacturing. Six countries in this group maintain horizontally applicable bans on foreign key personnel or require at least one member of the board of directors to be a national in all sectors of the economy, contributing more to the overall FDIRRI of these countries.

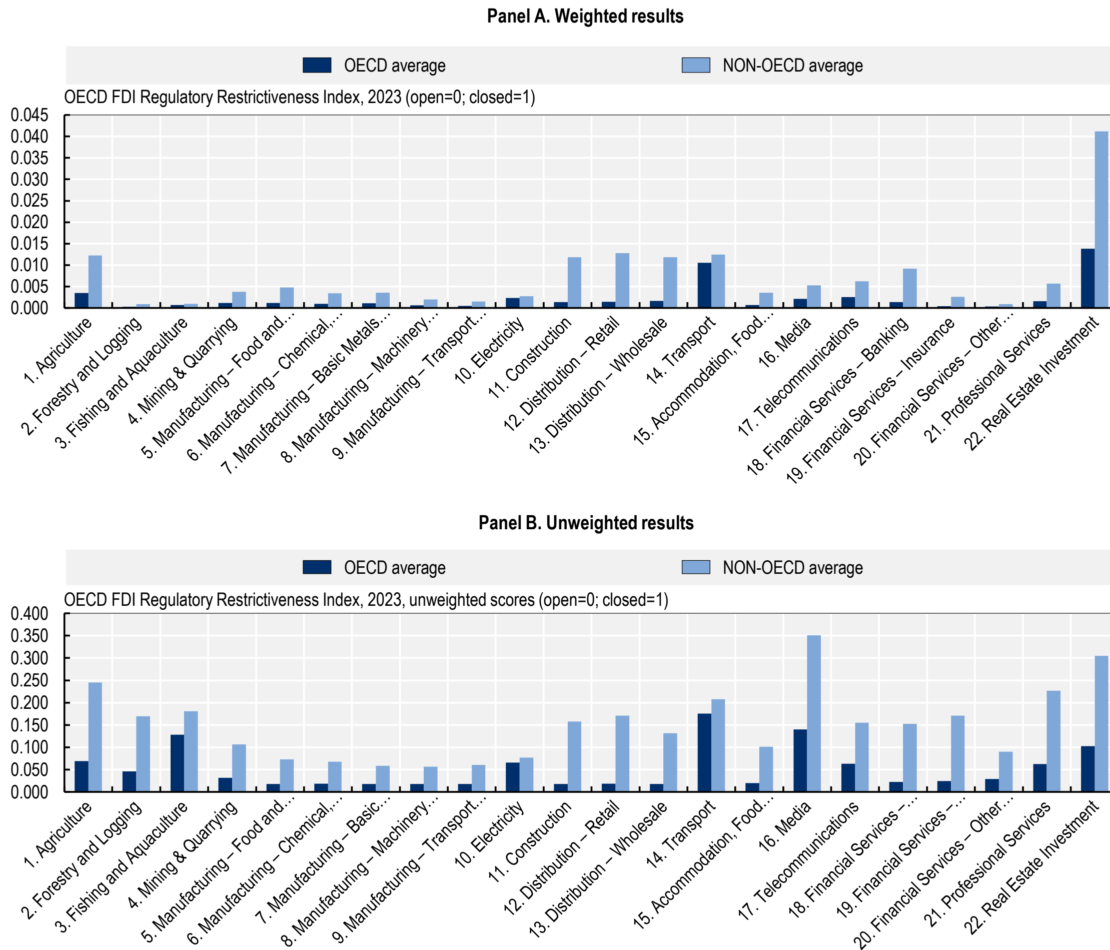
2.3. FDI restrictions remain particularly important in primary and services sectors

The FDIRRI distinguishes between so-called horizontal restrictions, which apply in a cross-cutting manner across all or most sectors of the economy, and sector-specific restrictions affecting foreign investors only in defined sectors or activities. The sectoral results, discussed below, reflect the combined effect of such measures in each sector. In non-OECD countries, however, the contribution of horizontal restrictions to the overall level of restrictiveness is relatively higher, with horizontal measures responding on average for nearly a third of the economy-wide FDIRRI in these countries, compared to only 15% in the non-OECD sample. In OECD countries, horizontal restrictions typically consist of foreign investment screening or measures limiting foreign investors’ access to land or real estate for business purposes, but their incidence is limited to only 10 countries out of 38 (or 26%). In non-OECD countries, horizontal restrictions are present in 80% of the 66 countries in the sample and more varied in type, spanning across all four policy categories included in the FDIRRI. Preferences to locally-owned firms in public procurement constitute the most common horizontally applicable restriction in non-OECD economies.

Globally, foreign investment restrictions are, to a large extent, concentrated in primary and services sectors, and especially in agriculture, transport and real estate when one accounts for differences in

economic relevance of the various sectors in the global economy (Figure 6, Panels A and B). In contrast, restrictions in manufacturing sectors have been largely lifted worldwide and the remaining degree of restrictiveness observed in these sectors is typically due to horizontal regulations. FDI restrictions on fisheries and media activities are equally relevant in OECD and non-OECD countries, but they affect sectors with relatively lower economic representation.

Figure 6. The sectoral distribution of FDI restrictions is similar between OECD and non-OECD countries, but the extent of restrictiveness varies



Note: Panel B: unweighted results do not account for differences in sectors' economic relevance, and therefore represent the sectoral distribution of FDI restrictions simply due to the incidence of a statutory restriction in a given sector and the degree of restrictiveness of the policy measure applied. Weighted scores (Panel A) account in addition for the economic importance of the restricted sector (sectoral weights are measured as the sector average share in total value added across countries and time); see Box 1 for more information on the FDIRRI methodology.
Source: OECD FDI Regulatory Restrictiveness Index database, 2023.

Two factors contribute to this sectoral distribution of restrictions in the FDIRRI: firstly, the incidence of sector-specific restrictions in the most restrictive sectors is high across countries. Out of 104 economies, 102 maintain at least one sector-specific restriction on transport activities, 78 on real estate, and 57 on agriculture. Secondly, more severe restrictions, such as strict foreign equity limits, are also quite common in these sectors compared to others. In a few sectors where restrictions on FDI can be quite prevalent too across both OECD and non-OECD countries, such as other financial services and to a lesser extent mining, relatively less stringent measures tend to apply.

The notable degree of restrictiveness observed in real estate investment is largely due to the prevalence of rules limiting land or real estate ownership by foreign investors not used in support of other business activities, which the FDIRRI captures as foreign equity restrictions in this sector. Measures such as local incorporation requirements and foreign investment screening are also relatively common in real estate investment.

Among the other services sectors, transport and media are still subject to significant restrictions on FDI in both OECD and non-OECD economies, whereas distribution activities remain essentially restricted in non-OECD countries. The barriers that foreign investors face in transport sectors mostly consist of foreign equity limits, particularly in the air transport sub-sector. Restrictions on foreign key personnel also contribute to the results, proportionally more in water transport than the other transport activities. Similarly, foreign equity restrictions followed by restrictions on key foreign personnel are the most common barriers to FDI in the media sector, in both OECD and non-OECD countries. Foreign equity limits also make up the majority of restrictions in distribution in non-OECD economies, with screening measures applicable to retail distribution also adding to the scores in some countries.

In construction, the relatively high overall sectoral index is mainly due to foreign equity limits applied in non-OECD countries, whereas in OECD countries, only horizontal measures contribute to the scores in this sector. Sector-specific barriers to FDI in construction are fairly spread across the two construction sub-sectors identified in the database — civil engineering works and buildings and other specialised activities — but slightly more prevalent in the latter.

In agriculture, the scores are mainly driven by foreign equity restrictions and rules prohibiting foreign investors from owning agricultural land while allowing them to lease it. These measures pose significant restrictions in OECD and non-OECD economies but are especially prominent in the non-OECD sample. In turn, FDI restrictions impinging on fishing and aquaculture activities are relatively more stringent in OECD economies and are typically driven by restrictions on key foreign personnel, notably nationality requirements for the capital of fishing vessels, and minority foreign equity limits.

The pattern of the more and less restricted sectors is rather similar across OECD and non-OECD countries, but the degree of restrictiveness varies considerably between these groups. Real estate investment accounts for the highest FDI barriers among both groups, but the rules applicable to foreign investors in non-OECD economies in this sector are roughly 3 times more restrictive than those maintained by OECD economies. These is generally the case with a few exceptions, such as fisheries, transport, and electricity.

The concentration of FDI restrictions in services sectors, combined with evidence that their negative influence on FDI extends beyond their sectoral realm (Mistura and Roulet, 2019[2]), underscore the potential that further liberalising reforms in services could have for host economies.

3 Trends in FDI regulatory restrictiveness over 2018–2023

This section examines trends in FDI restrictiveness over time across countries and highlights the types of reforms that have reshaped the FDI regulatory landscape in recent years (2018–2023).

3.1. FDI regulation has become less restrictive over time, but the pace of liberalisation has been slow in this millennium

Foreign investors today face a significantly lower degree of discriminatory regulation than they did a few decades back. Broadly speaking, the rules governing FDI have become less restrictive over the past decades across the globe, albeit not without occasional backtracking. However, the pace at which governments have engaged in liberalising reforms and the extent to which FDI restrictions have been removed have varied across regions, and the level of barriers faced by foreign investors remains very heterogeneous across different parts of the world (see Section 2.1).

OECD economies engaged in substantial FDI liberalisation efforts in the 1970s and early 1980s (OECD, 1987[5]; 1987[6]). Ever since, the pace of reforms has naturally slowed down in these countries, as many important restrictions have already been removed. To a large extent, this is also the case in Latin America, where economies implemented significant liberalising FDI policy reforms later in the 1980s and 1990s (Safarian, 1993[7]; Wint, 1992[8]; Wells and Wint, 1991[9]). As a result, on average, OECD and Latin American countries' regulatory frameworks for FDI remain less restrictive than those of non-OECD countries (Figure 3), despite the important steps taken to remove FDI restrictions in many emerging economies in recent years.

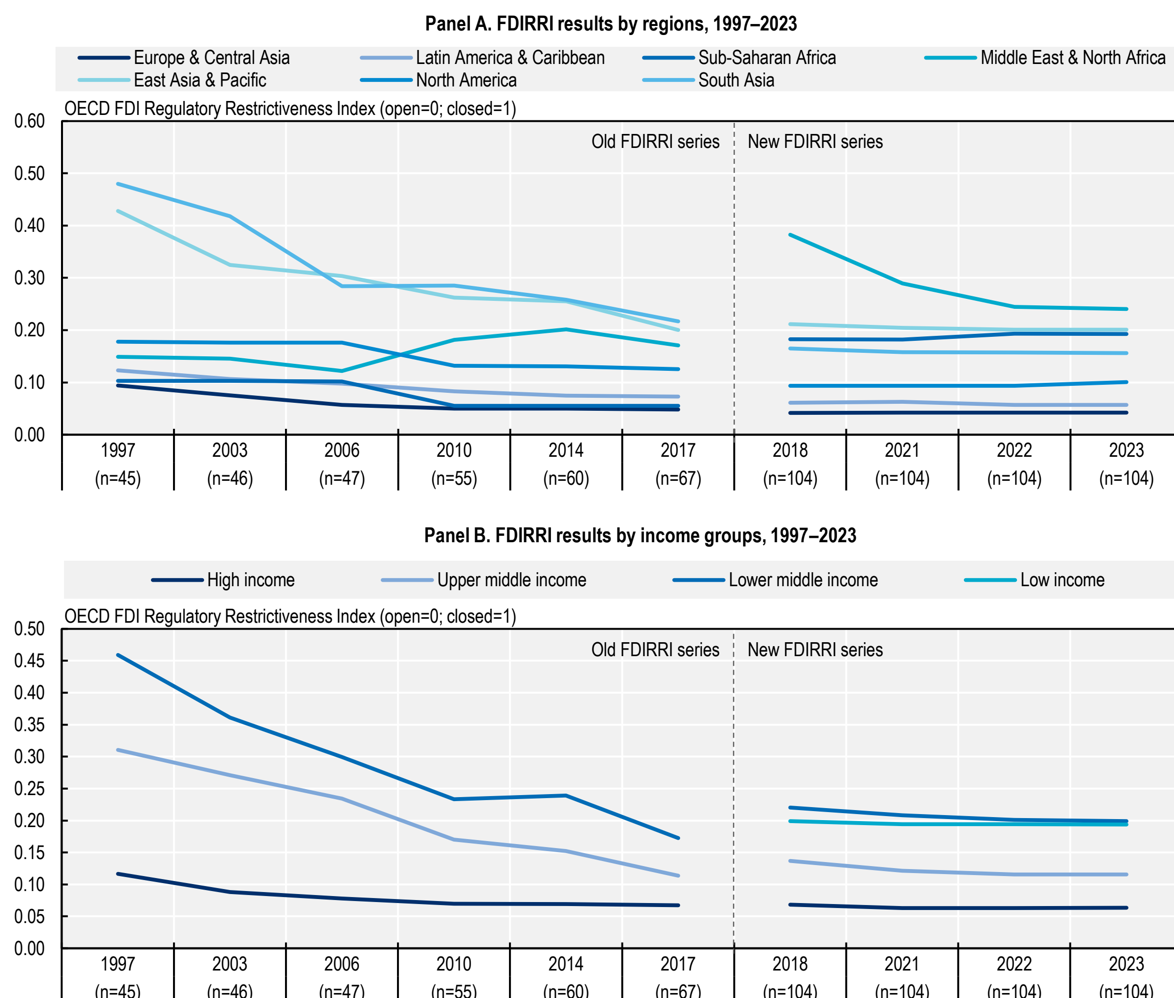
Since the beginning of the FDIRRI time series in 1997, the most significant liberalisation of foreign investment policies has taken place in Asian emerging economies (Figure 7, Panel A). This trend is largely attributed to the active removal of restrictions in a number of Asian emerging economies, such as Viet Nam, Korea, People's Republic of China (hereafter China), Malaysia, India and Indonesia (Figure 8, Panel A). These countries demonstrate comparatively important reductions in FDIRRI scores over the period considered, partly because they initiated reforming their investment policy frameworks at a later stage and started from a position of a comparatively high degree of restrictiveness.

FDI liberalisation has often occurred on governments' own unilateral initiative to open markets to foreign players in order to compete for FDI, such as for instance in Malaysia, Indonesia, and Myanmar in the last decade. Reforms have also sometimes been driven and/or pushed by external factors, such as economic crises, OECD or WTO accession processes, or commitments in regional trade agreements (Mistura and Thomsen, 2017[10]).

More recently, FDI liberalisation has picked up in the MENA region, with substantial reforms taking place in Algeria, Lebanon, Saudi Arabia and Libya between 2018 and 2022 (Figure 8, Panel B). This is largely due to the lifting of horizontal foreign shareholding and key foreign personnel restrictions previously affecting FDI across most sectors of the economy (see Annex A for a description of key reforms). Overall,

among non-OECD economies, reforms efforts to liberalise FDI in the period 2018–2023 contributed to reducing these countries' scores on the FDIRRI by 18% on average. In the OECD countries that eased barriers to FDI in the period, reforms implied a 2% reduction in the FDIRRI on average. Key recent reforms implemented by countries are discussed in section 3.2 below.

Figure 7. Evolution of FDI restrictiveness across regions over time

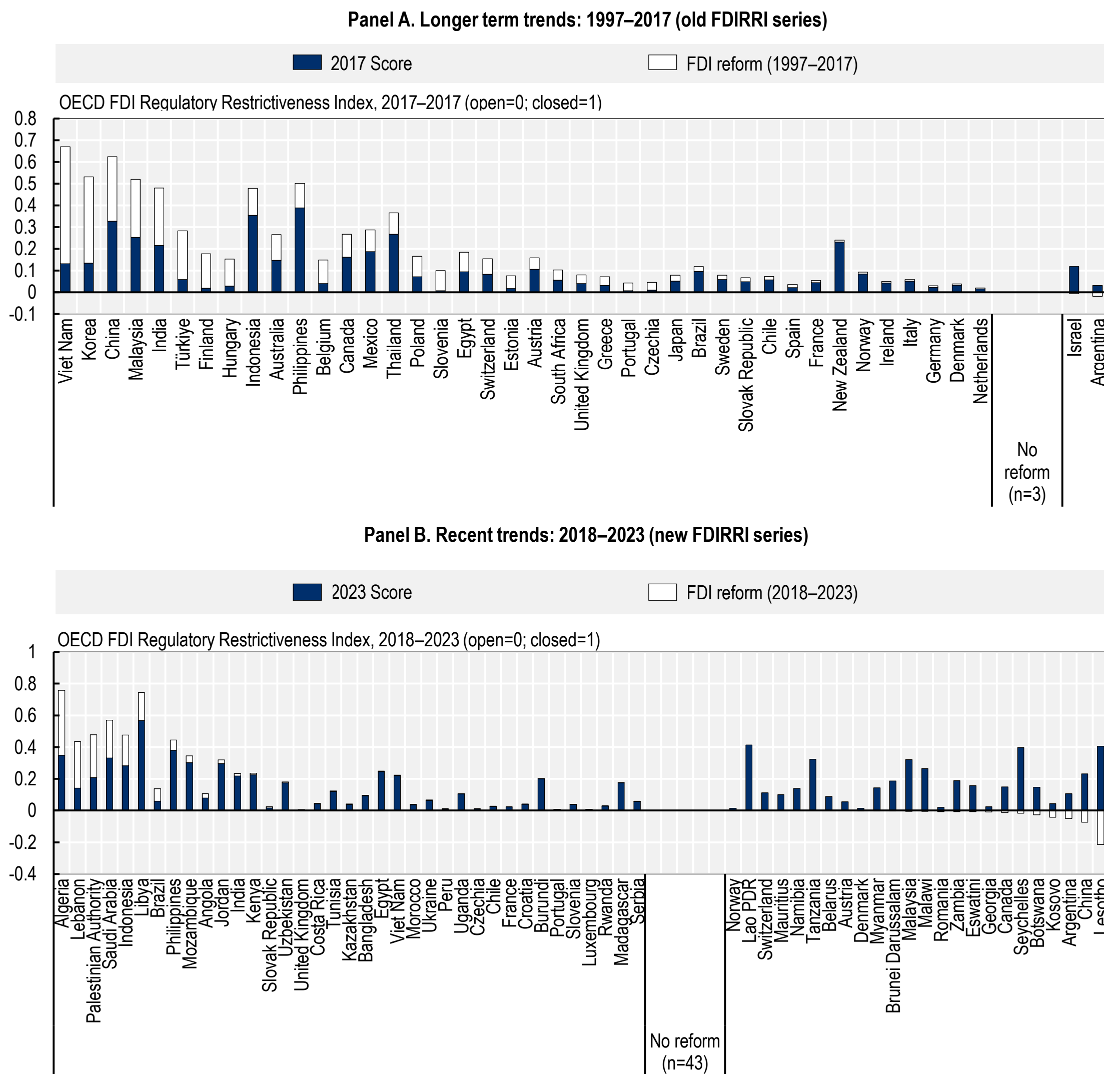


Note: caution is need interpreting the above trends as the sample of countries included in FDIRRI has expanded over time. The sharp increase in FDI restrictiveness in MENA economies during the 1997–2017 period and between 2017 and 2017, in the case of Sub-Saharan African economies, is mostly due to the inclusion of particularly more restrictive countries from these regions in the sample. See Box 1 for more information on the FDIRRI methodology.
Source: OECD FDI Regulatory Restrictiveness Index database, 2023; and the former OECD FDI Regulatory Restrictiveness Index 1997–2020 (archived).

In general, however, the pace of FDI liberalisation has been slowing down since 1997, possibly because there are fewer restrictions left to be lifted and the low-hanging fruit has already been picked. The new FDIRRI series corroborates this trend in 2018–2023, showing a slightly decreasing overall level of FDI restrictiveness across the sample in the last 6 years, albeit with a small reversal in the liberalisation process in few economies. The recent period is also marked by a relatively large number of countries that

introduced more stringent rules on FDI as compared to the number of countries becoming more restrictive in the 20 years period included in the former FDIRRI series (Figure 8, Panels A and B).

Figure 8. Top FDI reformers: 1997–2023



Note: Only those economies featuring in the FDIRRI throughout the entire period of analysis are included.
Source: OECD FDI Regulatory Restrictiveness Index database, 2023; and the former OECD FDI Regulatory Restrictiveness Index 1997–2020 (archived).

While there have been fewer ambitious FDI policy reforms in recent years as compared to the past, FDI regulatory restrictiveness remains important in many countries and regions, with ample scope for further reforms particularly in Asia, Middle East and Africa. The timing can be opportune for these regions to deepen FDI reforms to support their sustainable development objectives. Such reforms could complement and help to amplify the potential benefits of current global initiatives to promote investment, such as the WTO Investment Facilitation for Development Agreement, which aims to streamline FDI flows among its parties, especially to developing and least-developed country, should it be concluded.[15]

In Africa, ongoing regional integration efforts can help to build momentum for accelerating FDI reforms in support of the African Continental Free Trade Area (AfCFTA) Agreement and its Protocol on Investment,

which aim to promote sustainable investment in the region. The World Bank estimates that the AfCFTA could boost both intra-Africa FDI and investment from the rest of the world, but domestic policy reforms are needed for the full benefits to materialise (Echandi, Maliszewska and Steenbergen, 2022[11]). In Asia, many ASEAN member states have been successful in attracting foreign investment in recent years, and FDI flows to ASEAN reached an all-time high in 2022 (ASEAN Secretariat and UNCTAD, 2023[12]). Yet, barriers to FDI still remain comparatively high in some countries across the region. Further reform efforts to reduce FDI restrictions in broad sectors of the economy could help to sustain ASEAN economies' momentum and contribute to further accelerating sustainability objectives in the region (OECD, 2023[13]).

3.2. Reforms to foreign investment screening regimes, removal of foreign equity limits, and new restrictions have reshaped the FDI regulatory landscape

Foreign equity restrictions and foreign investment screening measures have been the focus of some of the most notable policy changes in recent years. In OECD economies, reform activity has concentrated on introducing or revising existing foreign investment screening regimes, especially for national security purposes. Other types of policy changes have been minimal in OECD countries in the period. Among non-OECD countries, many have taken steps to fully or partially lift limits on foreign ownership either in the economy as a whole or in specific sectors that used to be closed to foreign investment. Annex A below highlights some concrete examples of these policy reforms alleviating statutory barriers on FDI in recent years. At the same time, new restrictions have also emerged in some countries, outweighing to a certain extent the effect of FDI liberalisation. The following sub-sections outline these key recent policy changes.

3.2.1. Essential security concerns related to international investment have increased in a time of rising geopolitical tensions, especially among OECD economies

Recent years have witnessed a steep increase in government concerns with potential essential security risks arising from international investment (OECD, 2024[14]). Shifts in global economic power, rising geopolitical tensions and technological developments, and the accentuated sense of vulnerability following the shocks caused by the COVID-19 pandemic, have led many governments, especially in advanced economies, to adjust their FDI policies for fear that foreign investments could be exploited by rival nations to *inter alia* cause economic and political disruption, or to undermine the security capabilities of the host economy (Moran, 2009[15]; Evenett, 2021[16]; OECD, 2024[14]; 2021[17]).

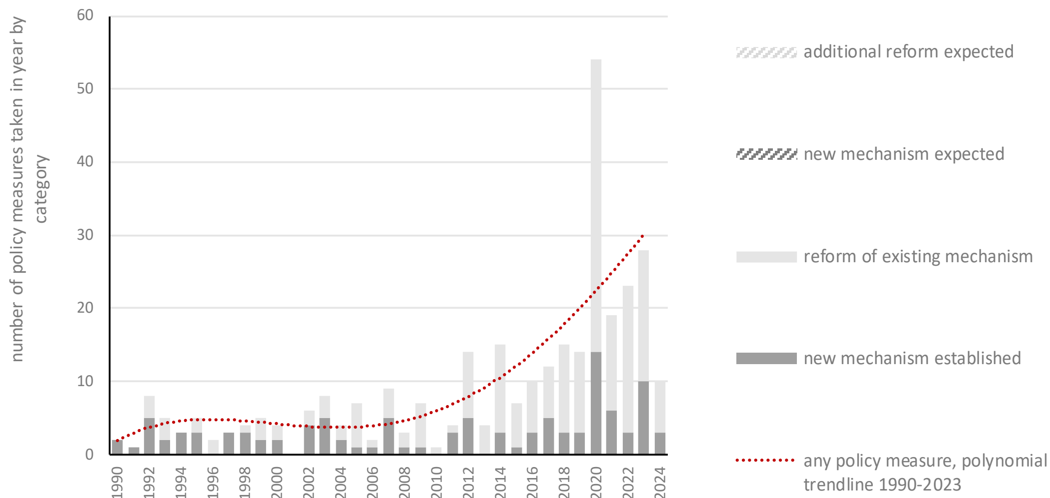
As formerly the case, the new FDIRRI does not consider measures based exclusively on essential security concerns as restrictions on FDI, but now reports them as a memorandum item for transparency purposes in the FDIRRI Regulatory Database.[16]

The monitoring and sharing of information on investment measures introduced to safeguard essential security interests has become increasingly important in recent years, as many countries sought to introduce and revise investment screening mechanisms for managing potential security risks, allowing them to reject or modify individual investment proposals (Figure 9). By OECD estimates, between 50% and 60% of global FDI-inflows in recent years have gone to countries that apply cross-sectoral FDI review processes – roughly twice the share of global FDI inflows that were potentially subject to security-motivated screening in the 1990s (OECD, 2021[17]).

Among the countries included in the FDIRRI, 28 countries introduced new foreign investment screening measures based exclusively on considerations of national security and public order throughout 2018–2023. The vast majority (24) of these were OECD member states. Several countries (27 OECD economies and 6 non-OECD countries) have also modified existing screening mechanisms during the same timeframe. Most national security-based screening mechanisms introduced recently had a cross-sectoral scope, impinging on investments across different sectors of the economy. Among non-OECD countries, the

Philippines adopted a completely new screening mechanism based on national security considerations in 2022, introducing a review of FDI in strategic industries, i.e. military, cyber infrastructure, and critical geopolitical areas.[17] Among OECD countries, Belgium, Estonia, and Luxembourg introduced new, horizontally applicable screening measures based on national security considerations in 2023.[18] Many of the recent new mechanisms and amendments were introduced to address security concerns arising from the COVID-19 pandemic and/or the shifting global geopolitical landscape (OECD, 2024[14]).

Figure 9. The number of new or revised investment screening mechanisms is on the rise



Note: Sample includes 61 economies that participate in the Freedom of Investment Roundtable. Columns show aggregate numbers of distinct policy changes each year in any of the 61 economies in the sample. More than one measure may be counted for a given country in a year.
Source: OECD (2024[8]), Managing security implications of international investment: Policy developments in a changing world, https://www.oecd.org/investment/investment-policy/OECD-natsec-conference-2024-background-note.pdf.

These measures respond to countries' legitimate concerns over protecting the public order and security and are grounded in well-recognised international legal principles. Several international investment agreements include explicit exceptions for actions taken to protect security-related interests (OECD, 2009[18]). At the same time, the proliferation and expanded scope of such measures, extending beyond traditional security-related activities and technologies — such as defence sectors, dual-use technology, and sensitive land areas — has significantly reshaped the regulatory landscape for foreign investors. This has raised concerns about whether these measures are appropriately designed and implemented to avoid unintended or disproportionate burdens on investments that pose no security threat. There are also concerns that, despite being well-intentioned, these measures could deepen global political divides, which may hinder efforts to address collective global challenges like climate change and poverty. Like with trade flows, the current geopolitical divides are increasingly fragmenting global FDI patterns, with investment flows concentrating more among geopolitically aligned countries (IMF, 2023[19]; UNCTAD, 2024[20]).

This recent shift in government risk perception of FDI has not, however, affected the more traditional, economically motivated FDI policies captured by the FDIRRI. The new index continues to show little evidence of backtracking of investment to policy reforms over time, despite the changing global investment landscape. On the contrary, as showed throughout this report — excluding national security-based measures — countries have generally moved towards more open FDI environments, and several countries that historically maintained more restrictive rules have particularly continued to liberalise in recent years.

3.2.2. Several non-OECD economies have eased foreign equity limits and other relevant barriers to FDI since 2018 …

Revisions of so-called negative lists (prohibiting or restricting foreign investment in certain economic sectors or activities) in e.g., China, Indonesia, and the Philippines have recently resulted in the removal or easing of significant foreign equity restrictions that used to affect a wide range of industries and activities. In China, foreign equity restrictions have been lifted in recent years in sectors such as railway passenger transport (2018), various financial services (banking in 2017, insurance in 2020-22, and certain other financial services in 2020), and manufacturing of automobile products (2022).[19] Indonesia, in turn, fully opened all primary sectors and electricity generation and distribution to foreign investment and lifted foreign equity restrictions in important services sectors, such as telecommunications, media (with the exception of printed media), construction, distribution, air transportation auxiliary services, road and international passenger maritime transport, as part of a 2021 reform.[20]

In the Philippines, a 2018 revision of the negative list fully opened to FDI the activities of internet access provision and power generation and the supply of electricity to the contestable market, while also increasing the maximum share of foreign investment from 20% to 40% in radio broadcasting and from 25% to 40% in certain contracts for the construction and repair of locally-funded public works.[21] Additionally, a 2022 amendment of the Public Service Act fully opened public services, such as air transport, water transport (except seaports), rail transport, and telecommunications, to foreign investment, albeit subject to reciprocity conditions.[22] Foreign equity limits in renewable energy generation were also lifted in 2021.[23]

Other recent liberalising reforms in this policy category include the lifting of horizontally applicable foreign equity restrictions in Algeria (2020), Lebanon (2019), Libya (2022), Palestinian Authority (2021), and Saudi Arabia (2019).[24] Specific sectors have been opened to foreign investment in Angola (passenger road transport, 2019), Brazil (air transport, 2019), Croatia (fishing, 2019), India (international law practice, 2023), Kenya (telecommunications and radio and TV broadcasting media, 2023), and Saudi Arabia (printed media and pharmaceutical wholesale, 2019).[25]

Additionally, countries such as Brazil, China, and Tunisia amended their existing investment screening mechanisms during the period. In Brazil, authorisation requirements for foreign investment in financial institutions were rescinded in 2020.[26] China lifted screening requirements in various sectors between 2018 and 2022 due to the removal of these sectors from the so-called negative list that limits foreign investment in certain sectors of the economy. Tunisia previously required prior authorisation when the foreign equity interest exceeded 50% of a company’s capital in specified services sectors, but as of 2018, this authorisation requirement has been removed and replaced by rules applying in a non-discriminatory manner to both foreign and domestic investors.[27]

Among OECD economies, Canada (air transport, 2018), Chile (maritime passenger transport, 2019), Costa Rica (international passenger road transport, 2019), the United Kingdom (air transport, 2021) have fully removed or eased foreign equity restrictions affecting foreign investment in specific services sectors.[28]

3.2.3. …but new adopted restrictions have weighed on this liberalisation trend

Some of the recent progress achieved in FDI liberalisation with the partial or full lifting of foreign shareholding and foreign investment screening restrictions has been partly offset by the introduction of new foreign equity caps and additional regulatory barriers. On average, these stricter rules have had a greater effect on countries' FDIRRI scores than the liberalising measures, as the former were largely introduced by countries with fewer existing restrictions. Between 2018 and 2023, new FDI restrictions raised FDIRRI scores by an average of 7% in OECD countries and 19% in non-OECD countries, while countries that liberalised saw average FDIRRI score reductions of 2% and 18%, respectively. However, in absolute terms, the new restrictions were not sufficient to reverse the overall, though modest, liberalisation trend observed during this period.

The adopted new foreign equity restrictions have generally a narrow sectoral scope. Foreign investment is now subject to new limitations in Egypt's real estate brokerage activities (2022), Malawi and Namibia's mining sectors (2019), Tanzania's foreign exchange activities (2023), Uzbekistan's banking sector (2019), and Zambia's insurance sector (2022).[29] The new rules limiting foreign participation in real estate brokerage in Egypt are accompanied by nationality requirements for directors and members of the management board in the sector.

Other new policies include new stringent conditions for companies to transfer profits and dividends abroad in Argentina (2019), local incorporation requirement for a bank, mortgage bank, securities trader or insurance company to operate in Denmark (2019), a discriminatory local content requirement in Tanzania's mining sector (2019), and the prohibition for foreigners, including foreign owned but locally incorporated companies, to purchase certain residential property in Canada for two years (2023).[30] Algeria, in the context of its major investment liberalisation reform, where it removed horizontal limitations on foreign shareholding, now requires prior government authorisation of foreign acquisitions of equity in Algerian entities operating in certain strategic sectors, such as electricity, distribution, and transports (2020).[31] In Lesotho, new rules in force as of 2022 subject foreign-owned companies to screening when investing in a business activity requiring a license.[32]

China has made substantial progress in strengthening its investment policy framework and making it more attractive to foreign investors over the last decade — including the lifting of several prior restrictions on FDI and the adoption of a new foreign investment law (2019), which consolidated several previous laws governing foreign investments. Furthermore, it replaced the previous horizontal FDI screening mechanism applicable to all foreign investment projects by one that applies only to a restricted number of activities listed in the 'negative list'. However, foreign investors are now subject to a reciprocity rule under the new Foreign Investment Law: without reciprocity of treatment for Chinese investors in the investor's home jurisdiction, Chinese authorities may impose more restrictive measures than those outlined in the Foreign Investment Law and subordinate acts and regulations.

4 Conclusion

Although regulatory restrictions are but one element of a country's investment climate, evidence shows that less restrictive regulatory frameworks are linked to higher levels of FDI in the economy. Monitoring regulatory discrimination against foreign investors may thus help countries concentrate efforts to create an attractive investment climate and capitalise on the potential benefits of FDI. Beyond increasing the inflow of capital, easing excessive restrictions on foreign investment may help countries reap the broader benefits of FDI in terms of its contribution to productivity, innovation, global value chain integration and the achievement of sustainable development objectives. FDI reforms can also complement global and regional efforts to promote investment and regional integration, such as the African Continental Free Trade Area Agreement Protocol on Investment, and the potential WTO Investment Facilitation for Development Agreement, should it be concluded.

Globally, the degree of FDI regulatory restrictiveness has decreased over time and, although the pace of liberalisation has slowed down in recent decades, a small liberalising trend continues to be observed in the 2018-2023 period covered by the new *OECD FDI Regulatory Restrictiveness Index*. Yet, the scope of reform efforts has varied across countries and liberalisation is to some extent counterbalanced by new FDI restrictions introduced in several countries in recent years. There remains ample room for further easing regulatory restrictions on FDI particularly in Asia, Middle East and Africa. The increasing geographical coverage of the FDIRRI makes it a helpful tool for monitoring progress in this regard.

The FDIRRI 2018–2023 results show that FDI regulatory restrictiveness remains very heterogeneous across countries and regions. The composition of restrictions by policy category also varies from one country to another, even if certain types of policies (e.g. foreign equity restrictions) tend to contribute more to the overall degree of restrictiveness than others across countries. As there is no one-size-fits-all solution to easing FDI restrictions, liberalisation efforts should have different focuses depending on the country. Yet, concentrating reforms on areas where regulatory restrictions have been most clearly linked to lower FDI stocks (e.g., foreign equity limits) could yield the biggest results. Positively, several countries have already taken steps in this direction, fully or partly lifting foreign equity restrictions in recent years.

The sectoral distribution of restrictions is consistent between OECD and non-OECD countries, with restrictions largely concentrating in primary and services sectors, especially in agriculture, transport and real estate. Efforts to continue liberalising FDI regulation in services are particularly important across the board due to the enabling role of services for other economic activities, the link between FDI regulatory restrictiveness in services and overall lower labour productivity, and the increasing dominance of services in global FDI activity (UNCTAD, 2024[20]). The FDIRRI results also show that restrictions applying in a horizontal manner across all sectors of the economy represent an important share of overall FDI restrictiveness, especially in non-OECD economies. In some situations, governments could probably consider employing alternative, non-discriminatory measures towards FDI or consider targeting specific sectors or activities to reduce unintended negative consequences for FDI.

Security concerns arising from the current geopolitical situation and in the wake of the COVID-19 pandemic have been a driving factor behind many recent policy changes, notably in the OECD area. Whether such security concerns may, in time, translate into a broader trend of backtracking in FDI liberalisation remains an open question highlighting the importance of continued monitoring of FDI regulatory restrictiveness.

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Notes

[1] For additional information on statutory barriers affecting cross-border trade in service sectors, including via FDI (commercial presence), please refer to the OECD Services Trade Restrictiveness Index (STRI).

[2] The FDIRRI does not consider measures implemented for protecting national security interests as restrictions on FDI, but now reports them as a memorandum item for transparency purposes in the FDIRRI – Regulatory Database. For additional information on investment and national security policies, please refer to the OECD Investment and National Security webpage.

[3] For a review of the empirical literature, readers may refer to: Eichenauer and Wang (2024[26]); Albori et al., (2021[25]); Mistura and Roulet (2019[2]); Kox and Rojas Romasgosa, (2019[27])Fournier (2015[21]); Ghosh, Syntetos and Wang (2012[22]); Golub et al., (2003[24]).

[4] Data from UNCTAD's Foreign direct investment: Inward and outward flows and stock database.

[5] See, for instance, Mistura and Roulet (2019[2]), who link a liberalising reform representing a 10% reduction in a country's overall index under the previous methodology to 2.1% higher bilateral FDI stocks, on average; Fournier (2015[21]); Ghosh, Syntetos and Wang (2012[22]); OECD (2011[23]); and Golub et al. (2003[24]).

[6] This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

[7] As is the case of the OECD's legal instruments on investment (e.g. the OECD Codes of Liberalisation of Capital Movements and Current Invisible Operations), the FDIRRI recognises the European Union's (EU) special custom and monetary system, which provides unique support to its regional integration process and permits EU member states to liberalise FDI more rapidly or more widely among themselves. The FDIRRI framework accommodates for this special intra-EU investment liberalisation element and scales down the scores of specific FDI restrictions of EU members states that are waived for investors benefitting from access to the EU Single Market (i.e., investors from the EU, the European Economic Area and Switzerland). An adjustment factor equal to 0.6 is applied to the score of such measures to adjust for the fact that, on average, roughly 40% of total world FDI inward stock between 2013 and 2019 was constituted by intra-European FDI benefiting from the special EU Single Market system.

[8] The scoring of each foreign equity restriction in the FDIRRI reflects the extent of foreign shareholding allowed and the scope of investments affected by the policy. For further details on scoring, please refer to *OECD FDI Regulatory Restrictiveness Index: Methodology note, 2024*.

[9] The FDIRRI makes a distinction between restrictions related to the acquisition and ownership of land and real estate for business purposes, on the one hand, and for real estate investment purposes, on the other hand. The former are scored under the policy area of “other restrictions” for the business activities concerned, whereas restrictions related to real estate investment are captured as foreign equity restrictions or screening requirements in the real estate investment sector, according to the nature of the restriction.

[10] Regulation (EC) No 1008/2008 on common rules for the operation of air services in the Community.

[11] Foreign investment screening based on economic criteria is listed as an exception to national treatment in international agreements and under the OECD *Declaration and Decisions on International Investment and Multinational Enterprises*, as well as a reservation under the OECD *Code of Liberalisation of Capital Movements*.

[12] These policies are carved out under OECD and other international legal instruments. See, for instance, Article 3 of the OECD *Code of Liberalisation of Capital Movements*, which empowers Members to take actions they consider necessary for the maintenance of public order or the protection of their essential security interests.

[13] The restrictions captured in the FDIRRI in this regard are based on the national transpositions of Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) and Directive 2011/61/EU on Alternative Investment Fund Managers in each EU Member State. Therefore, the scope of the restriction recorded in the FDIRRI may vary from one EU country to another.

[14] Restrictions based on national security grounds, such as a prohibition to acquire land in border areas, are not scored.

[15] The proposed WTO Investment Facilitation for Development Agreement foresees improved transparency of investment measures, adoption of investment facilitation measures and promoting international cooperation, with the aim of fostering sustainable development.

[16] For more detailed and analytical information on this, readers may refer to the OECD’s dedicated workstream on Investment and National Security.

[17] Republic Act 11647 of 2 March 2022 (consolidation of House Bill No. 300 and Senate Bill No. 1156) and Implementing Rules and Regulations of RA 7042 (Foreign Investments Act of 1991), as amended by Republic Act 11647.

[18] Belgium’s Cooperation agreement of 30 November 2022 aimed at establishing a mechanism for filtering of foreign direct investments (30 November 2022); Estonia’s Foreign Investment Reliability Assessment Act of 25.01.2023; and Luxembourg’s Law of 14 July 2023 establishing a national screening mechanism for foreign direct investments likely to undermine security or public order for the purposes of implementing Regulation (EU) 2019/452.

[19] Foreign Investment Law of the People's Republic of China of 15 March 2019, as amended; Special Administrative Measures for Foreign Investment Access (Negative List) (2021 Edition); China Banking and Insurance Regulatory Commission (CBIRC) Order No. 2 of 2015 (Measures of the China Banking and Insurance Regulatory Commission for the Implementation of Administrative Licensing Items for Chinese-funded Commercial Banks), as amended; CBIRC Order No. 5 of 2018 (Decision on Abolishing and

Amending Some Regulations); CBIRC Order No 2. of 2004 (Interim Provisions on the Administration of Insurance Asset Management Companies), repealed by CIRC Order No. 2 of 2022; and CBIRC Order No. 6 of 2010 (Measures for the Equity Management of Insurance Companies), abolished by CBIRC Order No. 5 of 2018.

[20] Presidential Regulation (PERPRES) No. 49 of 2021 Concerning Amendments to Presidential Regulation No. 10 of 2021 concerning Investment Business Fields.

[21] Eleventh Regular Foreign Investment Negative List (Executive Order no. 65 / 2018).

[22] Republic Act No. 11659 of 21 March 2022 amending the Public Service Act.

[23] Department Circular No. DC2022-11-0034, Prescribing Amendments to Section 19 of Department Circular No. DC2009-05-0008, Department of Energy, 15 November 2022.

[24] Algeria's Supplementary finance law for 2020 (Official Gazette of 4 June 2020); Lebanon's Law No.126 of 29 March 2019 modifying certain provisions of the Lebanese Code of Commerce; Palestinian Authority's Decree Law No. 42 of 2021 regarding companies; and Saudi Arabia's Instructions for the Foreign Strategic Investors Ownership in Listed Companies issued by the Board of the Capital Market Authority pursuant to its Resolution Number 3-65-2019, dated 14/10/1440H [17 June 2019].

[25] Brazil's Law No. 13,842 of 17 June 2019, amending Law No. 7,565 of 19 December 1986 (Brazilian Aeronautical Code); Croatia's Freshwater Fisheries Act (NN 63/2019) of 19 June 2019; India's Bar Council of India Rules for Registration and Regulation of Foreign Lawyers and Foreign Law Firms in India, 2022, Notification 10 March 2023; and Saudi Arabia's Cabinet Resolutions No. (104 and 105) dated 2-2-1441 AH [2 October 2019], and The System of Establishments and Pharmaceuticals (Royal Decree No. M/31, dated 6/1/1425).

[26] Central Bank of Brazil Circular No. 3,977 of 24 January 2020.

[27] Investment Law, n° 2016-71 of 30 September 2016.

[28] Canada Transportation Act (S.C. 1996, c. 10), last amended on 10 June 2020; Chile's Decree-Law no. 3059 for the Promotion of the Merchant Navy (22 December 1979), last amended on 26 February 2019; Costa Rica's Executive Decree No. 41404-MOPT on Regulations for international public paid collective transport of persons (TIPC) of 19 October 2018), as amended by Executive Decree no. 42072 of 15 October 2019; United Kingdom's The Operation of Air Services (Amendment etc.) (EU Exit) Regulations 2018 (SI 2018/1392), in force 31 December 2020.

[29] Egypt's Law No. 120 of 1982 Concerning the law of organizing commercial agency and some commercial mediation businesses, as amended by Law No. 21 of 11 April 2022; Malawi's Mines and Minerals Act (No. 8 of 2019); Namibia's Minerals (Prospecting and Mining) Act No. 33 of 1992, as amended, and Public Notice, Ministry of Mines and Energy, 2 March 2021; Tanzania's Foreign Exchange (Bureau de Change) Regulations, 2023; Law of the Republic of Uzbekistan on Introducing Changes and Additions to the Law of the Republic of Uzbekistan "On Banks and Banking Activities" (No. ZRU-580 of 11 May 2019); and Zambia's Insurance Act (2021).

[30] Argentina's Law No. 24.144 on the Charter of the Central Bank of the Argentine Republic (23 September 1992), last amended by Decree 416/2018 of 8 May 2018, and Decree No. 609/19 (1 September 2019), as

amended by Decree No. 91/19 (28 December 2019); Denmark's Financial Business Act (No. 1447 of 11 September 2020), last amended by Act no. 1166 of 8 June 2021; Tanzania's Mining Act (2010), as amended; and Canada's Prohibition on the Purchase of Residential Property by Non-Canadians Act, S.C. 2022, c.10, s.235, 6 March 2023.

[31] Law No. 20-07 of Chaoual 12, 1441 corresponding to June 4, 2020, on the supplementary finance law for 2020; and Executive Decree No. 21-145 of Ramadhan 5, 1442 corresponding to April 17, 2021, setting the list of activities of a strategic nature.

[32] Business Licensing and Registration Act No 3 of 2019.

Annex A. Examples of recent FDI liberalising reforms recorded in the FDIRRI

Algeria

Foreign shareholding in any Algerian-based company was previously limited to 49%. This measure was repealed in 2020, except for distribution activities and strategic sectors in which the 49% cap on foreign ownership remains applicable.

Angola

Up until 2019, foreign shareholding in companies undertaking regular passenger transportation was limited to 50%.

Azerbaijan

The 2021 Media Law allows non-citizens to be editors-in-chief, a position previously reserved to Azerbaijani citizens.

Brazil

Since 2019, a concession or authorisation to provide public air transport services may only be granted to a legal entity incorporated under Brazilian laws, with headquarters and administration in the country. Before, foreign participation in air transport companies was limited to 20% and directors of such companies had to be exclusively Brazilian nationals.

Screening of foreign investment in financial institutions is no longer applied as of 2020. Article 52 of Transitory measures of the Constitution forbids the installation in Brazil of new branches of foreign financial institutions and the increase of percentual participation of individuals and legal entities resident or domiciled abroad in the capital of financial institutions with headquarters in Brazil, unless an authorisation results from international agreements, reciprocity, or interest of the Brazilian government. From 27 September 2019, the recognition that the envisaged foreign investment would be in line with the Brazilian government's interest can be made by the Brazilian Central Bank (Decree 10.029/2019).

On 24 January 2020, the Central Bank of Brazil Circular No. 3,977 came into effect, rescinding the authorisation requirements for foreign investment in financial institutions based in Brazil and applying the principle of national treatment to foreign investors to this sector.

Canada

Prior to 2018, foreign ownership in Canadian air carriers was limited to Canadian citizens, permanent residents, or companies, with at least 75% of voting interests owned and controlled by Canadians. In 2018, this threshold was lowered to 51%, allowing foreign ownership of up to 49%, while retaining the limit that no single foreign investor may hold more than 25% of voting rights.

Chile

Since 2019, foreign passenger ships may participate in maritime cabotage between ports, as long as their transport capacity is equal to or greater than 400 passengers, they have overnight capacity on board and

their function is to transport passengers for tourist purposes. Prior to this amendment, foreign companies faced restrictions on passenger cabotage and were required to obtain special authorisation to operate.

China

A series of revisions to the so-called negative list during 2017-22 have progressively lifted foreign equity restrictions in sectors such as railway passenger transport, various financial services, and manufacturing of automobile products. Among some of the most recent changes, the previous 51% cap on foreign shareholding in securities, fund management, and futures companies was removed in 2020, and the 25% foreign equity cap in insurance asset management companies was eliminated in 2022. As economic sectors and activities have been removed from the negative list, foreign investment in these sectors has also ceased to be subject to prior government approval, thereby narrowing the sectoral scope of investment screening based on economic considerations.

Costa Rica

Previously, permits to supply international remunerated passenger road transport services could be granted only to enterprises whose capital was at least 60% owned by Central American nationals. This restriction has been lifted as of 2019.

Croatia

Previously, commercial freshwater fishing by a domestic legal person wholly or partly owned by a foreign natural or legal person was prohibited, unless otherwise provided in an international agreement. The new Freshwater Fisheries Act of 2019 contains no such restriction regarding domestic legal persons. Foreign legal and natural persons, however, may still engage in commercial fishing in the fishing waters of the Republic of Croatia only on the basis of an international agreement.

India

Prior to 2023, foreign law firms were not permitted to establish business in India. Under the Bar Council of India Rules for Registration and Regulation of Foreign Lawyers and Foreign Law Firms in India, 2022, foreign lawyers and firms can practice foreign law, diverse international legal issues, and international arbitration matters in India as of 2023, subject to a reciprocity condition. However, foreign lawyers or foreign law firms are not permitted to appear before any courts, tribunals or other statutory or regulatory authorities, and they are only allowed to advise their clients about foreign and international laws. Therefore, domestic law counselling and court representation remain closed for foreign investment.

Indonesia

Indonesia adopted an “open by default” negative list approach to foreign investment in 2021, whereby all sectors except those listed as closed or restricted in Presidential Regulation No. 10 of 2021 are open to foreign investment. Compared to the previous FDI regime, fewer sectors are subject to foreign equity restrictions under the new Presidential Regulation. For instance, all primary sectors, electricity generation and distribution, telecommunications, media (with the exception of printed media), construction, distribution, and road and international passenger maritime transport are now fully open to FDI.

Kenya

Up to 2023, under the National Information Communications and Technology Policy Guidelines, 2020, only companies with at least 30% substantive Kenyan ownership were licensed to provide ICT services, including telecommunications and broadcasting services (up from 20% under the 2006 policy). This equity restriction was lifted by an amendment to the Guidelines, published on 22 August 2023.

Lebanon

Since 2019, board members are no longer required to be shareholders of the company. Hence, the remaining Lebanese nationality requirement for one-third (down from a majority) of the board of directors of joint-stock companies no longer represent a limitation to foreign shareholding. Investment in sectors such as insurance, banking, and air transportation is particularly affected by the liberalisation since a joint-stock company is the only form of business incorporation permitted under sectoral regulations.

Libya

Nationality requirements for chairmen of Joint-Stock Companies and managing directors of Limited Liability Companies were lifted in 2022. Partial nationality requirements remain for country managers.

In 2022, Libya also removed the previously applicable restriction on foreign investment in construction projects under LYD 30 million, allowing joint ventures with foreign participation to engage in projects of any value. However, a contract value limitation remains for branches of foreign companies, which may not contract construction projects valued under LYD 50 million.

Also, during 2022, the limit of foreign ownership in Libyan companies was raised from 49% to 75%, with the potential to reach 89% with Ministry approval.

Palestinian Authority

The new Companies Law of the Palestinian Authority, approved in October 2021 and published on December 30, 2021, introduces significant reforms, including the removal of foreign equity limits, the elimination of minimum capital requirements, and the authorisation for single-owner company registrations. Previously, foreign ownership in companies was restricted to a maximum of 49% of capital, except in the case of industrial, tourism-related, and banking service companies.

The Philippines

As part of a 2018 revision of the negative list, foreign equity restrictions applicable to internet access provision, as well as power generation and the supply of electricity to the contestable market, were lifted and these sectors became fully open to FDI. Additionally, the maximum share of foreign investment allowed in radio broadcasting was increased from 20% to 40%, and from 25% to 40% in certain contracts for the construction and repair of locally-funded public works.

Foreign investment in retail trade was previously subject to exceptionally high minimum capital requirements, recorded in the FDIRRI as a market reservation (i.e., a ban on FDI) for a segment of the sector. In 2022, amendments to the Retail Trade Liberalization Act lowered the minimum paid-up capital requirement for “foreign retail enterprises”, defined as companies that are more than 40% owned by foreign investors, and lifted the previous divestment requirement.

Until 2022, services such as air transport, water transport, rail transport, and telecommunications were considered as public utilities under the Public Service Act and therefore subject to a 40% cap on foreign ownership. Following a 2022 amendment, these services (with the exception of seaports) are no longer considered as public utilities and are open for FDI. However, sectors such as telecommunications continue to be classified as critical infrastructure in which foreign investment above 50% is subject to reciprocity conditions.

Since 2022, foreign investors can fully own small and medium-sized businesses and benefit from a decrease in minimum capital requirements, provided they employ 15 local workers and introduce advanced technology.

In 2022, the Philippines also eliminated the previous 40% cap on foreign ownership in renewable energy generation, allowing full foreign equity participation in solar, wind, hydro, and ocean energy projects.

Saudi Arabia

Under the 2019 Instructions for Foreign Strategic Investors' Ownership in Listed Companies, foreign ownership in listed companies is no longer reserved to "qualified foreign investors" (i.e., financial firms with at least USD 500 million in assets under management). So-called foreign strategic investors may now also invest in listed companies and are exempt from the 49% cap on foreign ownership in listed companies applicable under the rules governing qualified foreign investors. For the purposes of the FDIRRI, foreign equity participation in listed companies is therefore assumed to have been fully liberalised.

As of 2019, pharmaceutical wholesale and printed media are also fully open to foreign equity participation.

Tunisia

Previously, foreign investment above 50% of the share capital in companies carrying various commercial activities, including mining, manufacturing, distribution, transport, banking and some other financial services, advertising, publishing and mass media, and telecommunications services, was subject to a discriminatory administrative authorisation. As of 2018, this authorisation requirement has been removed. Instead, a prior authorisation requirement now applies in specified economic activities in a non-discriminatory manner to both foreign and domestic investors.

United Kingdom

As of 31 December 2020, following the end of the Brexit transition period, the United Kingdom removed EU-based nationality ownership and control requirements for airline operating licenses. Airlines operating in the UK are no longer subject to nationality-based restrictions, in contrast to previous regulations, which required majority ownership and effective control by EU states or nationals.

OECD