1
Global Trends in Inward FDI

While global economic stagnation, rising geopolitical tensions,
and rising interest rates restrain inward FDI,
greenfield investment in emerging countries and regions remains strong.

Section 1: Global Inward FDI Flow in 2023

■ Global economic stagnation and heightened geopolitical tensions discourages inward FDI

According to the United Nations Conference on Trade and Development (UNCTAD), global inward FDI in 2023 declined for the second consecutive year, down 1.8% from the previous year to 1,331.8 billion US dollars (based on the directional principle). The global economic slowdown, rising geopolitical tensions, and rising interest rates, among other factors, may have contributed to the restraints. In particular, the U.K. experienced a significant decrease from the previous year, resulting in a net withdrawal. Europe as a whole, including EU member states, saw a turnaround from the significant withdrawal in the previous year to an inflow surplus. Japan ranked 21st in the world, with 21.4 billion US dollars, down 37.3% from the previous year.

Chart 1-1: Trends in Global Inward FDI Flow

(Million US dollars、%)

	2021	2022	2023	
				Growth rate (YoY)
World	1,621,808	1,355,749	1,331,813	-1.8
Developed Economies	731,843	426,198	464,397	9.0
Japan	34,294	34,194	21,433	-37.3
Israel	18,950	23,031	16,422	-28.7
Korea	22,060	25,045	15,178	-39.4
Europe	178,748	-105,878	16,493	*
European Union	266,502	-84,831	58,645	*
France	34,109	75,979	42,032	-44.7
Germany	51,218	27,411	36,698	33.9
United Kingdom	-71,174	14,912	-89,247	*
Russia	38,639	-15,205	8,364	*
North America	449,818	378,527	361,271	-4.6
United States	389,436	332,352	310,947	-6.4
Developing Economies	889,965	929,551	867,417	-6.7
East Asia	334,030	315,115	286,214	-9.2
China	180,957	189,132	163,253	-13.7
Hong Kong	140,186	109,685	112,676	2.7
Southeast Asia	208,447	223,134	226,317	1.4
Singapore	126,674	141,118	159,670	13.1

Note: The figure for "Japan" in the table is calculated by UNCTAD using the directional principle.
The data do not correspond to those in Chart 2-1 (asset and liability principle).
Items marked with * in the table are not shown as one of the comparative data is negative.
Classification is as defined by UNCTAD.
Source: Based on UNCTAD data.

Chart 1-2: Top 10 Countries/Regions Receiving Inward FDI in 2023

(Million US dollars、%)

		2023	
			Growth rate (YoY)
1	United States	310,947	-6.4
2	China	163,253	-13.7
3	Singapore	159,670	13.1
4	Hong Kong	112,676	2.7
5	Brazil	65,897	-10.2
6	Canada	50,324	9.0
7	France	42,032	-44.7
8	Germany	36,698	33.9
9	Mexico	36,058	-0.7
10	Spain	35,914	-20.0
⋮			
21	Japan	21,433	-37.3

Note: "Japan" in the table is calculated by UNCTAD using the directional principle. The data do not correspond to those in Chart 2-1 (asset and liability principle).
Source: Based on UNCTAD data.

Section 2: Global Greenfield Investment in 2023

■ Strong investment in emerging countries/regions, particularly in Asia

According to the UNCTAD, the amount of greenfield investment announced for 2023 was 1,380.4 billion US dollars (up 5.4% year on year), roughly maintaining the previous year's level. Investment in developed countries and regions declined 8.2% year on year, but investment in emerging countries and regions was strong, mainly in Asia with a 20.5% increase year on year. Among them, East Asia (excluding Japan and South Korea) recovered to the level prior to the previous year's decline with 46.3 billion US dollars (up 64.9% year on year). Investment in Africa also remains solidly strong with 174.7 billion US dollars in 2023, albeit at a 10.8% decrease. Japan saw a remarkable increase, more than tripling from the previous year, in response to the significant decline in the previous year. It ranked 17th in the world.

Chart 1-3: Global Greenfield Investment (announced basis)

(Million US dollars、%)

	2021	2022	2023	
				Growth rate (YoY)
World	829,693	1,309,067	1,380,401	5.4
Developed economies	536,858	687,018	630,989	-8.2
Europe	321,247	391,326	358,482	-8.4
European Union	227,166	265,275	262,327	-1.1
Germany	62,937	47,432	56,723	19.6
France	14,658	22,241	31,428	41.3
United kingdom	65,807	107,133	65,224	-39.1
Russia	14,928	299	1,197	300.3
North America	133,780	198,607	178,076	-10.3
United States	109,279	175,127	141,793	-19.0
Other developed economies	81,831	97,086	94,431	-2.7
Australis	14,475	70,111	44,121	-37.1
Japan	24,785	9,042	30,831	241.0
Developing economies	292,835	622,048	749,412	20.5
Asia (including Middle east)	170,863	312,643	451,328	44.4
East Asia	44,926	28,103	46,340	64.9
China	35,807	21,855	37,538	71.8
Hong Kong	3,921	2,996	4,260	42.2
Southeast Asia	67,874	112,964	175,217	55.1
Singapore	13,306	18,279	11,355	-37.9
Indonesia	9,234	24,292	60,604	149.5
South Asia	21,064	83,859	108,580	29.5
India	16,684	81,030	83,364	2.9
Latin America and the Caribbean	69,706	112,057	122,308	9.1
Brazil	23,541	21,423	36,195	69.0
Africa	52,211	195,957	174,745	-10.8

Note: Japan and Korea are classified as "Other developed economies," not as "East Asia."
Data refers to estimated value of capital investment. Data does not include those through financial center in Caribbean countries/region.
Classification is as defined by UNCTAD.
Source: Based on UNCTAD data.

Chart 1-4: Top 10 Countries/Regions Receiving Green Investment in 2023

(Million US dollars、%)

		2023	
			Growth rate (YoY)
1	United States	141,793	-19.0
2	India	83,364	2.9
3	United Kingdom	65,224	-39.1
4	Indonesia	60,604	149.5
5	Gremany	56,723	19.6
6	Australia	44,121	-37.1
7	Egypt	41,904	-61.2
8	China	37,538	71.8
9	Malaysia	36,844	56.5
10	Canada	36,283	54.5
⋮			
17	Japan	30,831	241.0

Source: Based on UNCTAD data.

Section 3: Impact of Structural Changes in Global Value Chains (GVCs)

■ Unstable international situation changes GVC structure

In recent years, global companies have been required to strengthen and restructure their supply chains in a timely manner in order to deal with various international challenges and a competitive business environment that is necessary to use of the latest technologies, and this has led to changes in the structure of global value chains (GVCs). As a specific background, for instance, those are caused by the disruption of the existing economic structure due to the Covid-19 pandemic, the high demand for measures to deal with climate change, and the impact on procurement and distribution channels due to friction and disputes among nations.

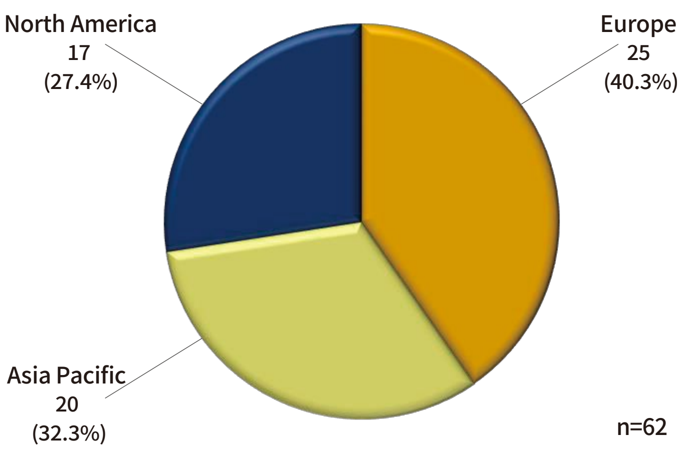
JETRO has implemented a survey "Impact of Structural Changes in Global Value Chains (GVCs)" to reveal the responses of global companies to these highly volatile events and how they perceive the Japanese market. Based on the result of this survey, the factors that determine Foreign investment by global companies are considered in this section and in Section 6 of Chapter 2.

The outline of JETRO's survey "Impact of Structural Changes in Global Value Chains (GVCs)"

Target	Target companies	・Foreign companies mainly active in the following 10 sectors and related industries. Companies that do not fit into this category are classified as "Others". "Bio-Pharmaceutical", "Storage battery", "AI/Sensors, etc. (Industrial Robots/Automation)", "Autonomous driving (Automobiles)", "AI/Sensors and other ICT (Special vehicles)", "Metaverse/Digital twin (industrial purpose)", "Semiconductors", "Biomaterial", "Hydrogen fuel (Mobility)", and "Wind power (offshore)". ・62 companies in total (The target companies include those that JETRO supported or is supporting for investment in Japan).
	Target persons	・Authorized persons to decide investment plans (manager class or higher)
Survey method		・Interviews (online/ in person) based on the questionnaire
Period		・December 18, 2023 to February 16, 2024

Industry classification of respondents	Number of valid responses
Bio-Pharmaceutical	6
Storage battery	5
AI/Sensors, etc. (Industrial Robots/Automation)	8
Autonomous driving (Automobiles)	4
AI/Sensors and other ICT (Special vehicles)	1
Metaverse/Digital twin (industrial purpose)	6
Semiconductors	6
Biomaterial	2
Hydrogen fuel (Mobility)	4
Wind power (offshore)	6
Others	14
Total	62

Regional classification of countries where the respondent's head office locates

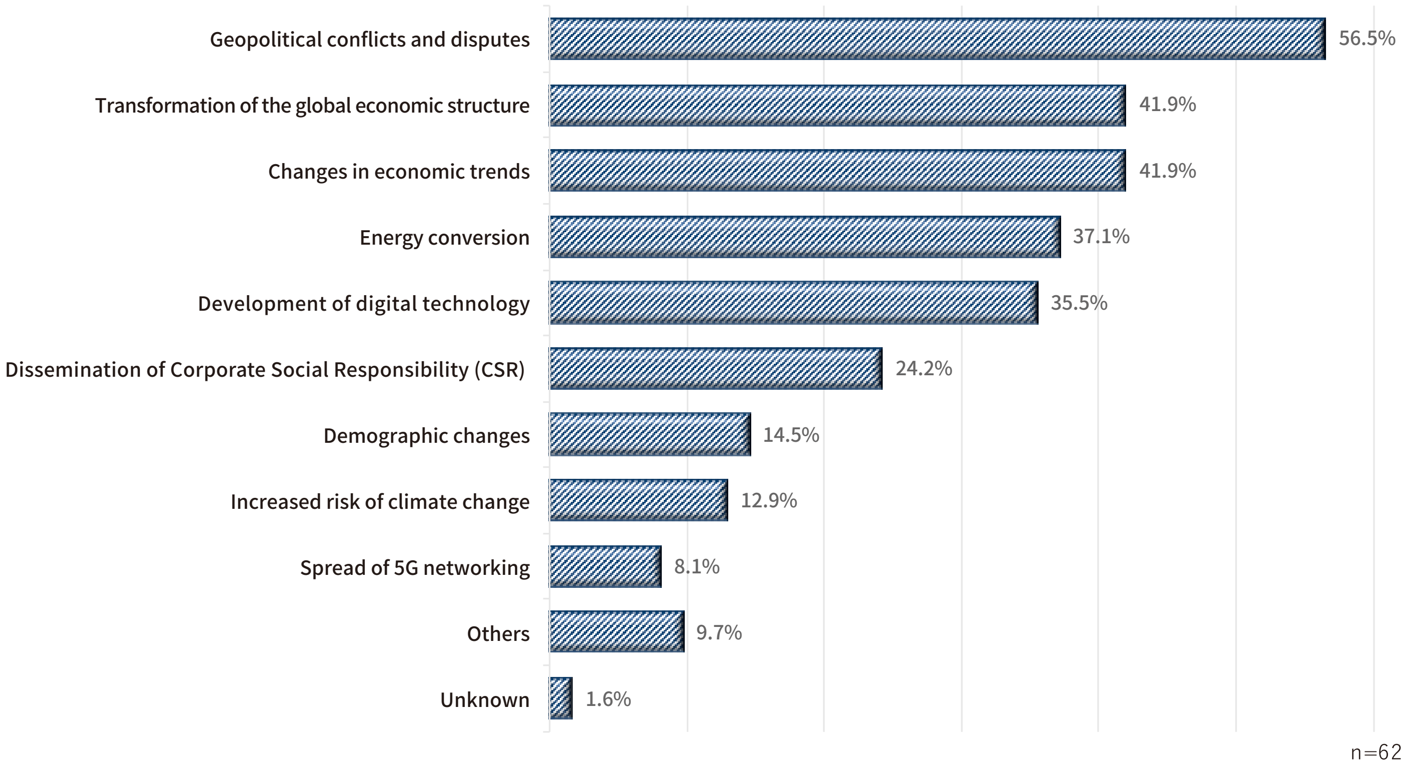


Note: The total does not necessarily equal 100% due to round off.

■ "Geopolitical conflicts and disputes" have a major impact on foreign investment strategies of global companies

The various events that lead to structural changes in GVCs can have a significant impact on the foreign investment strategies of global companies. In the survey, more than half (56.5%) of the respondent companies view "geopolitical conflicts and disputes" as one of the events that affect their business. Some companies mentioned the actual impacts, such as "business activities have been disrupted by the China-related supply chain problems and rising tensions in Southeast Asia," and "the war between Russia and Ukraine has forced us to close our offices in Russia."

Chart1-5: Events That Affect the Company's Business Operations

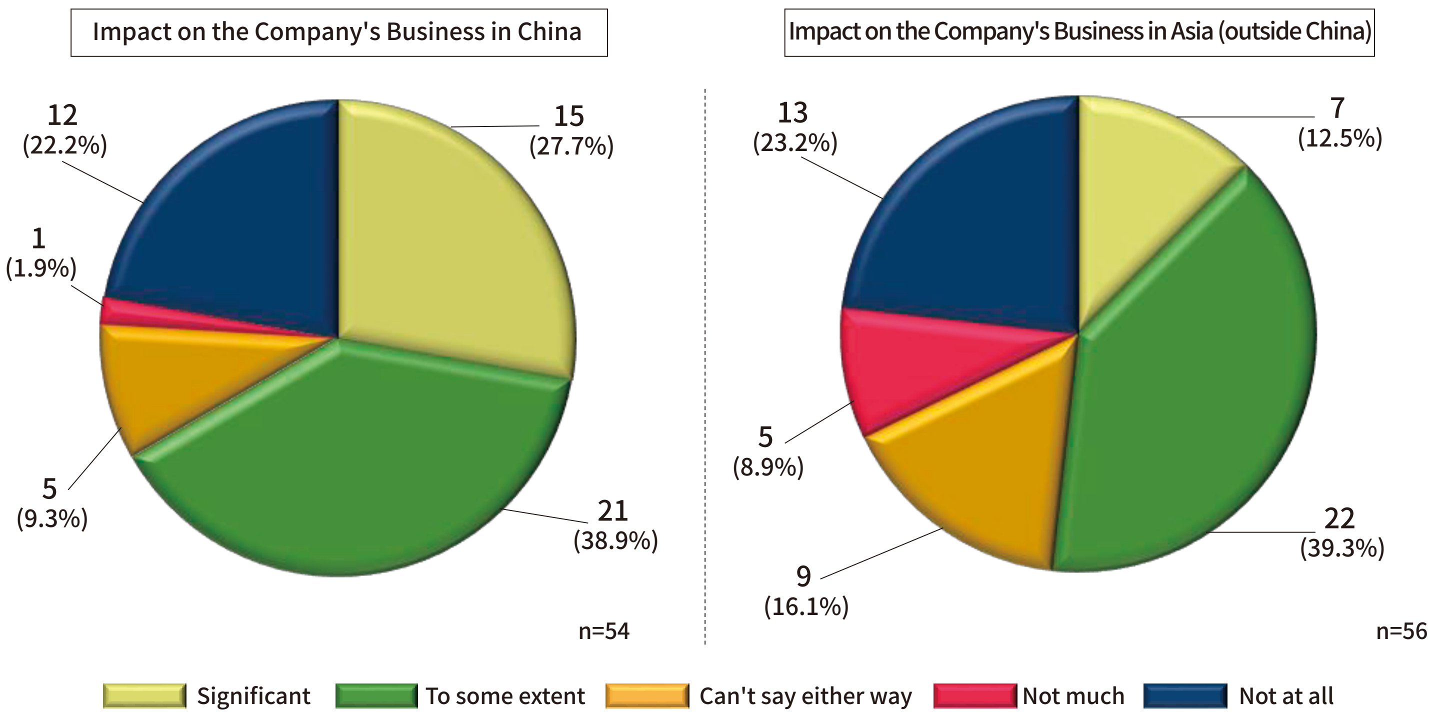


Note: In the form of prioritizing up to three choices from among the choices.
Companies that selected at least one option were considered valid.
Source: JETRO's survey "Impact of Structural Changes in Global Value Chains (GVCs)"

■ Many companies have been affected in their China/Asia operations

Recent U.S.-China conflict, as an example, which is one of the Geopolitical conflicts, and it affects global companies' operations in China/Asia. When asked whether the heightened geopolitical risk caused by the U.S.-China conflict is affecting their own businesses in China and other Asian countries, among the responded companies, about 67% of them in China and about 52% in Asia (other than China) answered "significant" or "to some extent." On the other hand, approximately 20% of the companies responded that they had had no impact.

Chart 1-6: Impact of the US-China Conflict on Business in China/Asia

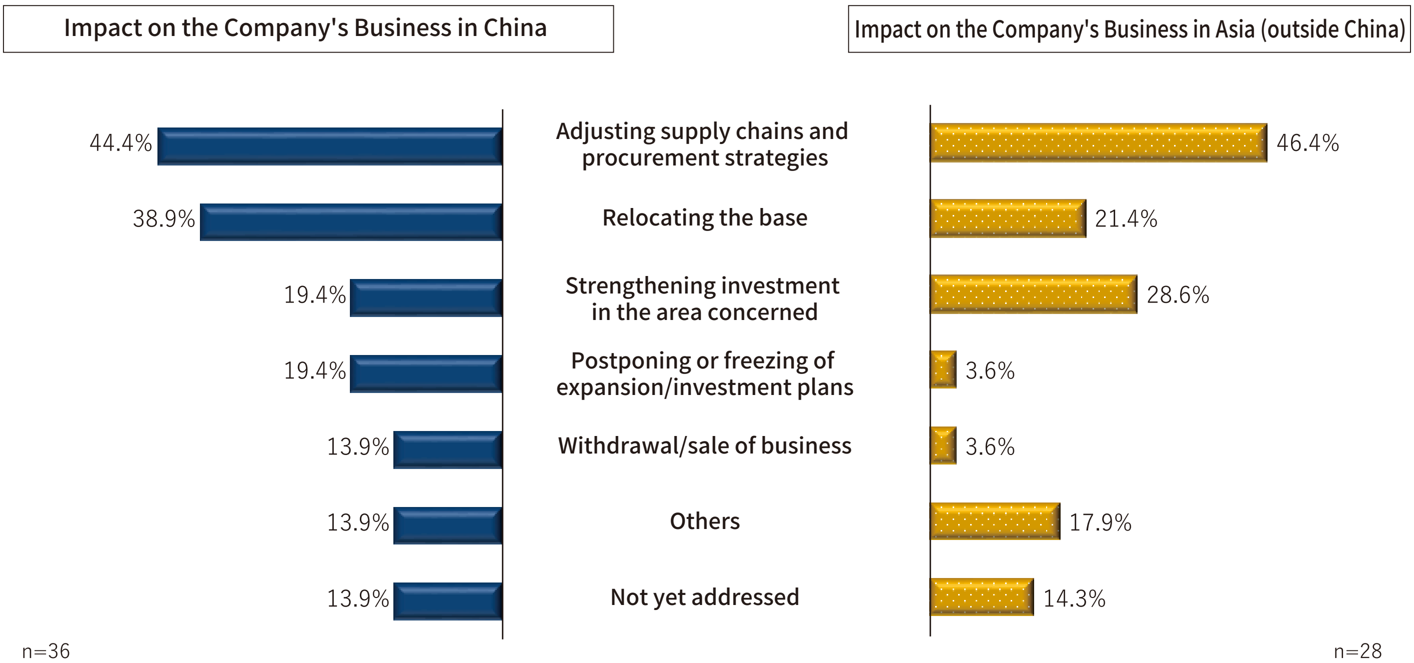


Note1: The sum does not necessarily equal 100% due to rounding to one decimal place.
Note2: Calculated excluding non-responses.
Source: JETRO's survey "Impact of Structural Changes in Global Value Chains (GVCs)"

■ Supply chain and procurement strategies need to be adjusted both inside and outside China

Of the companies which responded "affected", just under half responded that they "had adjusted their supply chains and procurement strategies in the area concerned" as one of their countermeasures. In terms of specific measures, it showed a tendency to downsize its business in China, such as "changed its investment destination from China to other Asian regions" and "adjusted each production amount to direct production in China to only the Chinese market, and for other bases in Southeast Asia to take responsibility for production for other regions." On the other hand, there was a company that responded that they "are expanding investment in China targeting specific industries and markets."

Chart 1-7: Impact of the U.S.-China Conflict on Business in China and Asia (Details)



Note 1: Multiple selections are allowed. Companies that selected at least one option were considered valid.
Note 2: This question was asked to companies that answered "significant" or "to some extent" to the question of whether the increasing geopolitical risks due to the U.S.-China conflict are affecting the business in China and other Asian countries.
Source: JETRO's survey "Impact of Structural Changes in Global Value Chains (GVCs)"

Chart 1-8: Specific measures of global companies' in light of the impact of the U.S.-China conflict.

Countermeasures in China	Specific details
Adjusting supply chains and procurement strategies	• Overcoming geopolitical risks requires strategic adaptation, including diversification, prudent investment, and proactive supply chain management. • The company tried to merge with another company in the Chinese market, but it had to cancel the plan because it could not obtain the permission.
Relocating the base	• The sales channel in China was temporarily cut off. The company is considering alternative bases in Thailand and Indonesia for establishing a sales structure in each region. • For protecting its intellectual property, the company moved its base from China to Singapore.
Strengthening investment in the area concerned	• Through a joint venture with a Chinese company, the company built a material procurement system in China. It is expanding its investment in China, targeting the Chinese automotive market, where electrification is particularly important. Focusing on local production in China, the company plans production activities tailored to local needs.
Postponing or freezing of expansion/ investment plans	• China has laws that require servers to be located in China and localized (Cybersecurity Law, Data Security Law, and Personal Information Protection Law), but the company has difficulty complying with these laws. • Currently, the company has stopped investing in its Chinese bases.
Withdrawal/sale of business	• As a result of heightened tensions between the U.S. and China, the company had been forced to withdraw or scale back its operation in China, and it began withdrawing from China as real estate risks had become more apparent since 2019.
Not yet addressed	• The company is considering relocating some of its business bases to other countries, but has not yet taken any actual steps. • Although the production capacity in China is large, no major problems have arisen so far.

Countermeasures in other Asian countries	Specific details
Adjusting supply chains and procurement strategies	• By making production in China only for the Chinese market (China for China), the Southeast Asian sitessites are required to meet the demands of the rest of the world (including digitalization and establishing new factories), so existing factories are being optimized and adjusted. • In response to the deteriorating political relations between India and China, the company is scaling back procurement and collaborations in China. • Partnerships with local players in Asia are being reorganized to avoid risk.
Strengthening investment in the area concerned	• The company has shifted its investment destination from China to other parts of Asia (Thailand). • Investment is increasing in India, and the business has been concentrated in India.
Relocating the base	• Investments in APAC region, particularly in India, Thailand, and Singapore, are increasing, so that losses incurred in one country can be offset by business in other countries.
Others	• The bases in East Asia are preparing for a slowdown in the Chinese economy, by changing supply chains and hiring personnel. In addition, it is mitigating financing risks by combining investors, financial institutions, and credit institutions.
Not yet addressed	• If geopolitical risks in Asia worsen in the future, the company will respond by withdrawing from the market, but so far no such measures have been taken.

Source: JETRO's survey "Impact of Structural Changes in Global Value Chains (GVCs)"

