



# JETRO Global Trade and Investment Report 2025

Signs of Fragmentation in Multilateralism –  
Global Business' Resilience Under Scrutiny

**Japan External Trade  
Organization (JETRO)**  
**July 2025**



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# Key Points

## 1. Supply and demand shocks caused by US tariff measures

The global trade landscape is undergoing a major transformation. Cost increases and shrinking demand are driving the restructuring of procurement and supply chains.

## 2. Industrial policies and geopolitics disrupt corporate investment strategies

Direct investment is becoming more selective. Competition among multinational corporations is intensifying in the Global South.

## 3. The fraying of the international trade order and the significance of alliance among like-minded countries

The world confronts the rising tide of protectionist trade policies. Japan and like-minded countries explore ways to strengthen cooperation.

## 4. Sustainability strategies enter a new phase

Amid U.S. reversal and Europe's shift toward a pragmatic approach, companies seek adaptation strategies.

# 1 | Global economy is pushed downward by policy uncertainty

- **Major global organizations revised their global economic outlooks downward for April-June 2025, all lower than their initial forecasts at the beginning of the year.** Further downturn risks remain high, affected by U.S. tariff policies, retaliatory measures, and the extent to which uncertainty spreads.
- The IMF has pointed out that additional U.S. tariffs could disrupt global trade, investment, and supply chains, negatively impacting economies worldwide. It described the situation as **“Trade-related developments are evolving and uncertainty remains high,** due to shifts in policy direction.”

## World Economic Outlook Growth Projections

(%, percentage points)

	2024	2025 Difference from previous outlook	2026	Release date (Previous)
IMF	3.3	2.8 (-0.5)	3.0 (-0.3)	April 2025 (January 2025)
United Nations	2.9	2.4 (-0.4)	2.5 (-0.4)	May 2025 (January 2025)
OECD	3.3	2.9 (-0.2)	2.9 (-0.1)	June 2025 (March 2025)
World Bank	2.8	2.3 (-0.4)	2.4 (-0.3)	June 2025 (January 2025)

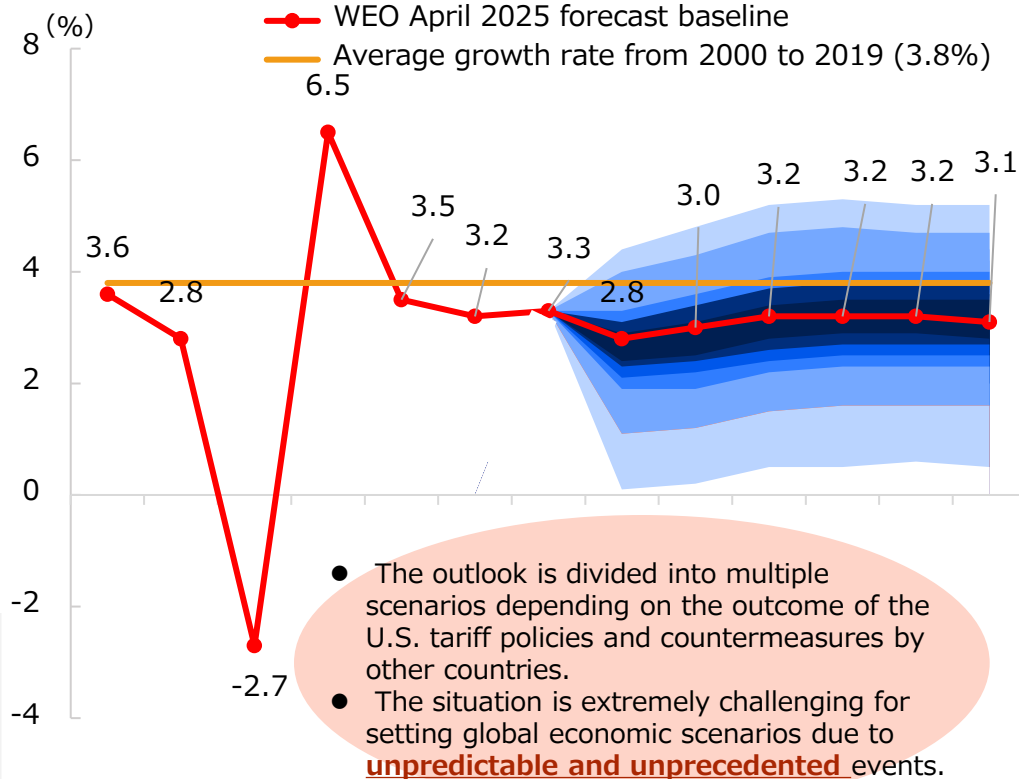
(Note) 2024 is an estimate, 2025 and 2026 are forecasts.

(Source) Compiled from IMF, World Bank, OECD, and UN reports

- IMF's April outlook applies the reciprocal tariff rates announced by the U.S. on April 2. For China, Mexico, and Canada, the tariff rates are applied on the same date. An additional 25% tariff is applied to steel, aluminum and automobiles and parts.

- IMF noted the projections could vary significantly depending on the implementation of tariff policies and presented multiple alternative scenarios to supplement its single forecast.

## Trends in Global Economic Growth Rates and the Distribution of Uncertainty

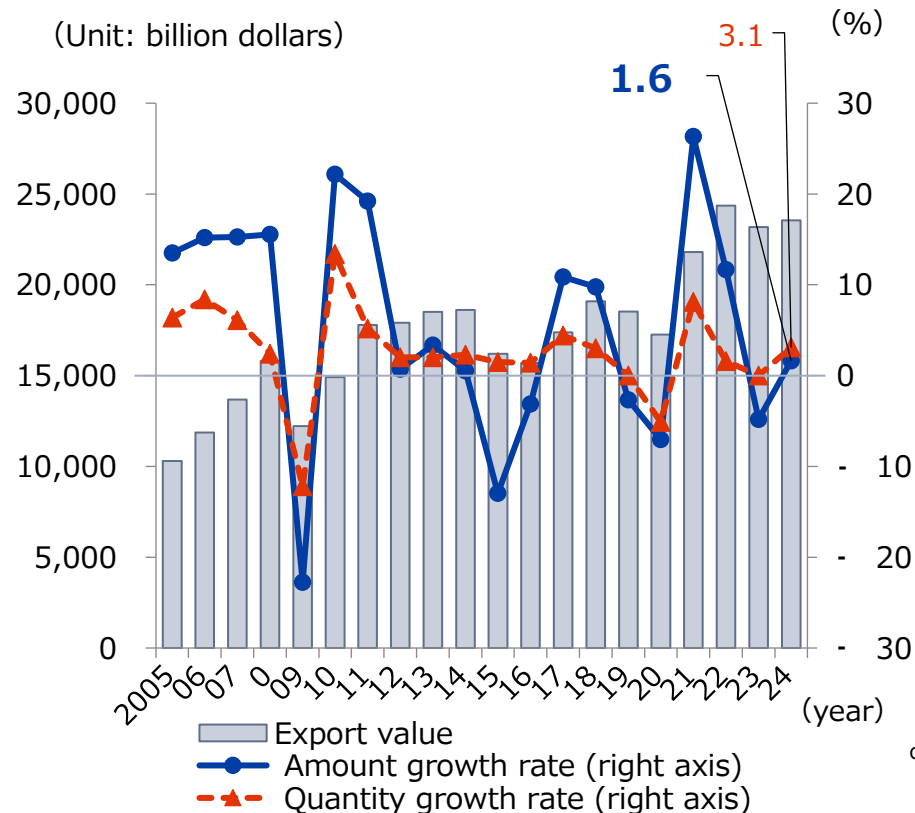


(Source) IMF, World Economic Outlook (April 2025)

## 2 | Global trade saw modest growth in 2024, but uncertainty persists

- Global goods trade (JETRO estimates) were projected to rise by **1.6% year-on-year in 2024, reaching \$23.5547 trillion**, surpassing the \$20 trillion mark for the fourth consecutive year. However, the growth in value was expected to lag behind the growth in volume due to falling energy prices.
- In the first quarter of 2025, the effects of inventory buildup and front-loaded demand ahead of new U.S. tariff measures were likely to become more apparent. U.S. imports were forecasted to surge by 25.6% year-on-year to \$948.1 billion, marking the highest quarterly import value on record

Trends in Global Goods Trade (Export-based)



(Source) JETRO estimates (based on Global Trade Atlas), compiled by the WTO

Trade Performance of Major Countries and Regions in Q1 2025

and Year-on-Year Growth Rates (Unit: billion dollars, %)




	Exports		Imports	
	Amount	Growth rate	Amount	Growth rate
Total of 34 major countries and regions	46,670	4.7	47,423	6.4
United States	5,226	3.1	<b>9,481</b>	<b>25.6</b>
China	8,539	5.7	5,807	- 6.9
Germany	4,165	- 3.5	3,589	0.2
ASEAN5	3,798	8.2	3,603	6.6
Netherlands	2,317	2.9	2,012	2.8
Japan	1,770	5.1	1,869	3.5
United Kingdom	1,535	17.6	2,083	11.0
Hong Kong	1,676	11.9	1,801	9.1
France	1,567	- 3.1	1,845	- 2.2
Italy	1,687	0.2	1,593	3.1
South Korea	1,595	- 2.3	1,526	- 1.4

(Note) (1) Top 10 countries/regions by trade volume (exports + imports) in the first quarter of 2025 and ASEAN-5 (Indonesia, the Philippines, Malaysia, Singapore, and Thailand).

(2) Calculated using data available for 34 countries and regions in the first quarter of 2025.

(Source) Compiled from Global Trade Atlas (S&P Global)

# 3 | List of additional tariff measures imposed by the second Trump Administration

Target Product	Effective date	February	March	April	May	June
For products originated in the countries targeted in reciprocal tariffs *Excluding China		The uniform 10% baseline tariff and reciprocal tariffs are not applied on top of existing steel and aluminum, automobiles and parts tariffs, nor on items that are not subject to the U.S. government's restrictions.		April 5 A flat 10% base tariff imposed	April 9 Reciprocal tariff rates set by country/region	April 10 90-days reprieve of reciprocal tariffs
For products originated in the countries not targeted in reciprocal tariff						
Products of 	February 4	March 4	April 5	April 12	May 2	May 14
	10% tariff added	10% tariff added	Baseline 10% tariff surcharge	125% reciprocal tariffs added *Including 10% baseline tariff	De minimis treatment suspended	Reciprocal tariffs reduced to 34% *Including 10% baseline tariff
						May 14 90-day reprieve of implementing 24% out of 34%
Products of  		March 4	March 7	April 29		May 3
		25% tariffs added *Canadian energy products are subject to 10% tariffs	Products that meet the USMCA rules of origin are exempted from the additional tariff	※Retroactive effect from March 4		Add. 25% on automotive parts *Automotive parts that meet the USMCA rules of origin are exempted
Automobiles and parts		For automobiles assembled in the U.S. on or after April 3, import adjustment offset amount equivalent to 3.75% of the suggested retail price (SRP) may be applied, if additional tariffs are imposed on parts accounting for 15% of SRP.			April 3 Add 25% on automotives	
Steel and aluminum products		March 12		Effective April 4		June 4 Tariff increase to 50%
		Additional tariff on aluminum products increased from 10% to 25% & added on steel and aluminum derivative products as targeted items		Addition of aluminum cans and canned beer as targeted items		June 23 Consumer electronics added



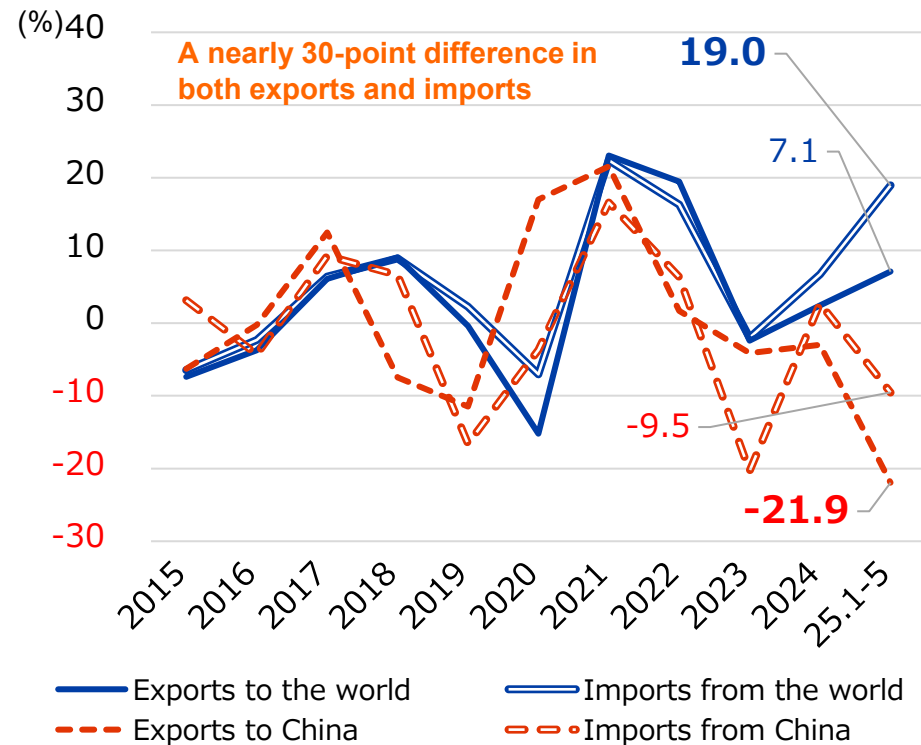
# 4 | Ever changing U.S. tariffs, unclear impact on trade

- WTO projected global trade volume in goods decrease by 0.2% in 2025 (taking into account the additional U.S. tariffs imposed as of April 14). **The report suggests a possibility of 1.5% decrease due to the expansion of policy uncertainty.**
- Current U.S. trade shows a 19.0% Y-on-Y increase in import values from the rest of the world excluding China. On the other hand, imports from China decreased by 9.5%. Amid repeated changes in U.S. tariffs, this reflects a rush to import before the resumption of tariffs.

**Growth Rate of Global Trade in Goods (year-on-year)**

Item		2024	2025			2026		
			Before adjustment	After adjustment	Difference	Before adjustment	After adjustment	Difference
<b>World Trade Volume of Goods</b>		2.9	2.7	- 0.2	- 2.9	2.9	2.5	- 0.4
<b>Exports</b>	North America	2.3	2.2	-	-	2.9	- 1.2	- 4.1
	Latin America	6.2	1.4	0.6	- 0.8	1.2	0.9	- 0.2
	Europe	- 1.7	1.4	1.0	- 0.3	2.3	2.5	0.2
	CIS	2.3	4.0	4.4	0.4	-0.1	0.1	0.1
	Africa	1.3	0.5	0.6	0.1	1.6	1.7	0.1
	Middle East	3.7	5.2	5.3	0.1	5.0	5.1	0.0
	Asia	8.0	3.3	1.6	- 1.7	3.3	3.5	0.1
<b>Imports</b>	North America	4.7	2.8	- 9.6	- 12.5	1.6	- 0.8	- 2.4
	Latin America	6.7	6.0	5.0	- 1.0	1.0	0.5	- 0.5
	Europe	- 2.2	2.1	1.9	- 0.3	2.7	2.7	0.0
	CIS	5.0	0.1	0.5	0.3	2.1	2.1	0.0
	Africa	1.8	6.2	6.5	0.3	5.4	5.3	0.0
	Middle East	15.0	6.3	6.3	0.1	6.8	6.7	- 0.1
	Asia	4.4	3.2	1.6	- 1.6	3.8	3.8	0.0

**Trend in the U.S. Trade Growth Rate**

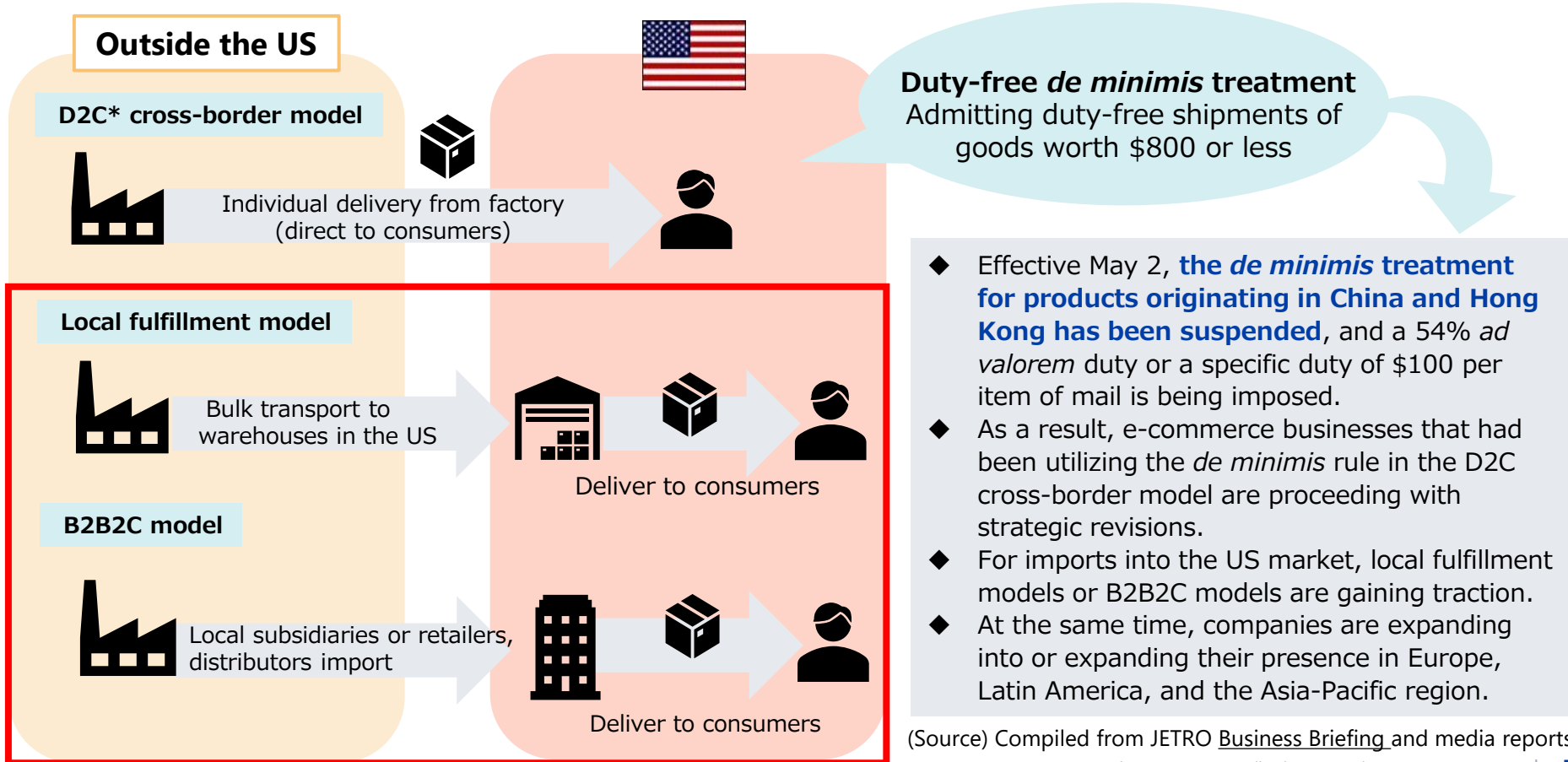


(Note) (1) Exports and imports to and from the world exclude China.  
 (2) January–May 2025 figures represent Y-on-Y growth rates.  
 (3) Growth rates are based on value.  
 (Source) Compiled from Global Trade Atlas (S&P Global)

# 5 | Suspension of duty-free *de minimis* treatment to affect cross-border e-commerce

- Chinese cross-border e-commerce operators such as Temu and SHEIN have leveraged duty-free *de minimis* treatment to maintain price advantages and expand their customer base in the US.
- Effective May 2, the US ceased applying duty-free *de minimis* treatment to products originating from China and Hong Kong. **The application of the treatment will also be suspended for other countries and regions after August 29, 2025.**

## Overview of Cross-Border e-Commerce Models and Duty-Free *De Minimis* Treatment



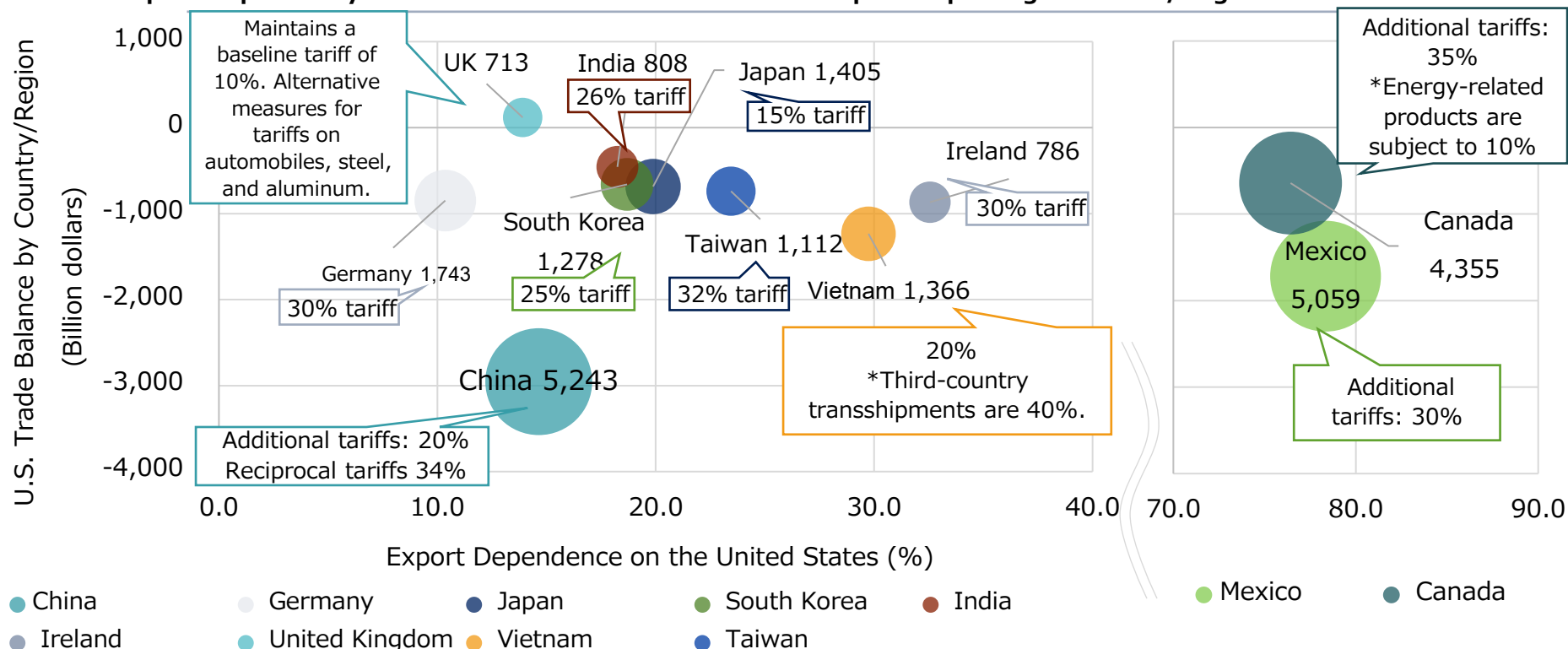
(Source) Compiled from JETRO Business Briefing and media reports.

(Note) D2C stands for Direct-to-Consumer.

# 6 | Larger impact on high dependence on exports to the US and large trade deficits

- A chart showing the relationship between the trade balance with the U.S. (vertical axis), export dependency on the U.S. (horizontal axis), and export amounts to the U.S. (bubble size) for the top 10 countries and regions in terms of export amounts to the U.S. in 2024, as well as the United Kingdom.
- The impact of additional U.S. tariffs** is expected to be **greater on countries with high dependence on exports to the U.S., such as Mexico, Canada, Ireland, and Vietnam**, as **well as on China, which has a large trade deficit with the U.S.** Japan and South Korea exports to the U.S. are similar in size and items.

Export Dependency Ratio and the U.S. Trade Balance of Top 10 Exporting Countries/Regions to the U.S. and the U.K.



(Note) (1) The top 10 countries and regions with the largest exports to the U.S. in 2024 and the UK. (2) Bubble size represents exports to the U.S. amount (unit: billion dollars). (3) The text in the bubbles lists additional tariffs and reciprocal tariffs imposed under the International Emergency Economic Powers Act (IEEPA) (as of July 23, 2025, including suspended rates). (4) Additional tariffs imposed under Section 232 are not included. (Source) Created using data from Global Trade Atlas (S&P Global)

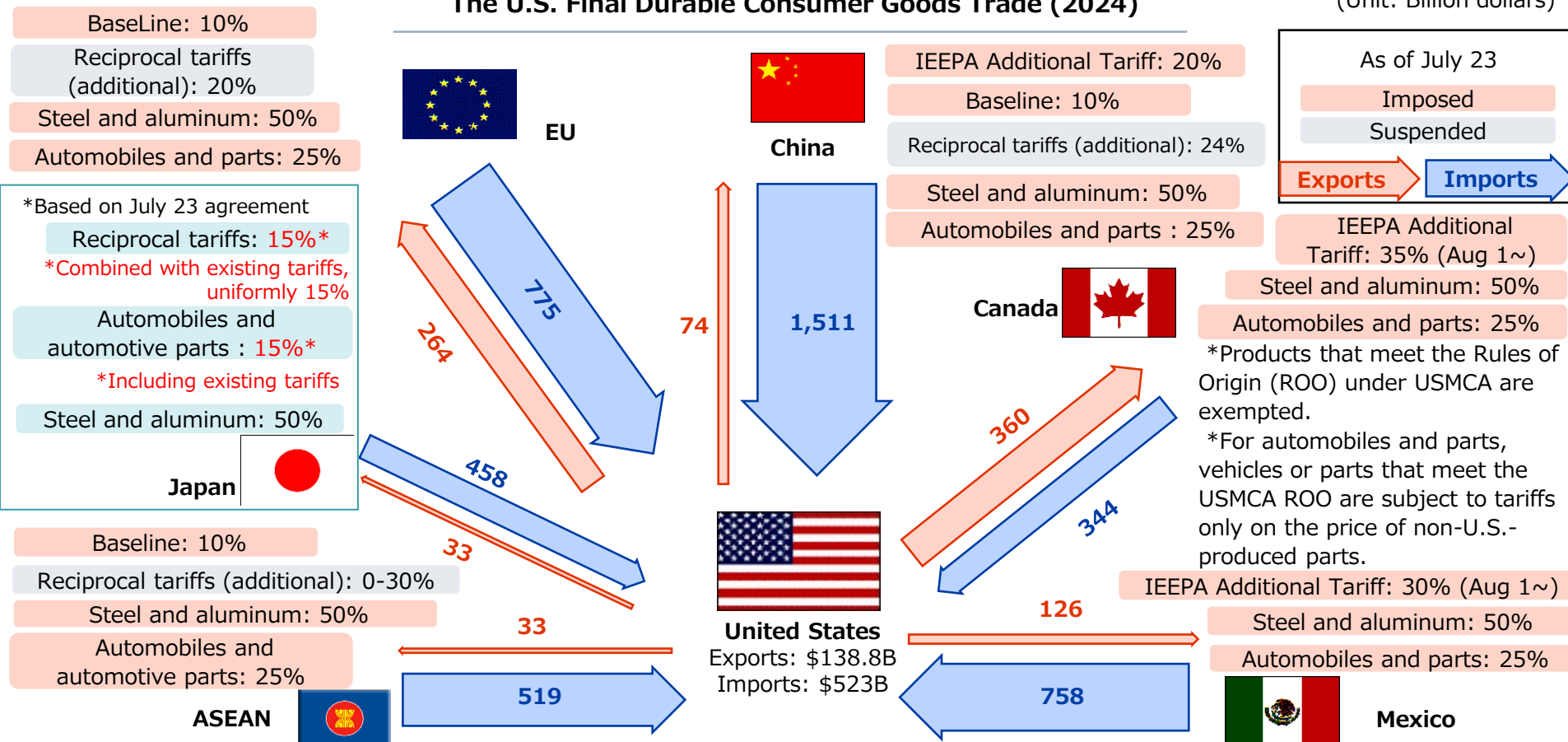


# 7 | The US is heavily dependent on China for durable consumer goods

- In 2024, the United States' imports of processed final durable consumer goods from China amounted to \$151.1 billion, far exceeding those from other major countries and regions. **China accounts for approximately 30% of the United States' total imports of this product category.** In contrast, imports from the United States to China are only about one-twentieth of exports. Other major countries and regions also show a significant trade deficit with the United States, except for Canada.

The U.S. Final Durable Consumer Goods Trade (2024)

(Unit: Billion dollars)

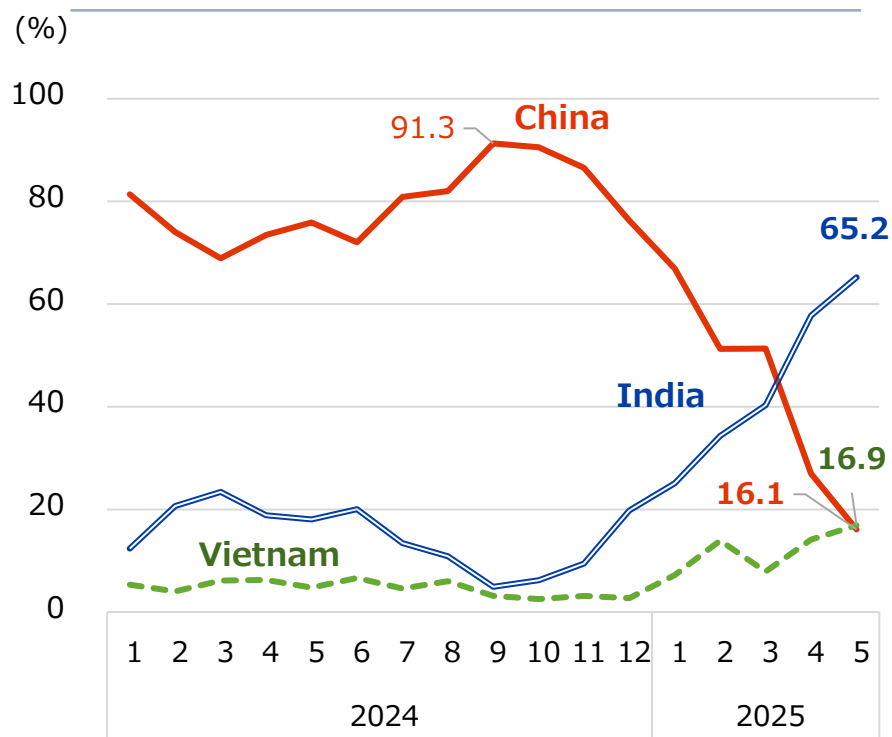


(Note) (1) Calculated based on the total of the 6-digit HS codes (403 codes) corresponding to the final durable consumer goods processing products in the UN BEC 5th edition. (2) The tariff rates listed for each country are those announced by the United States for each country or region on or after 2025 (as of July 23, 2025). (3) Export values are FOB prices, and import values are CIF prices. (Source) United Nations, Global Trade Atlas

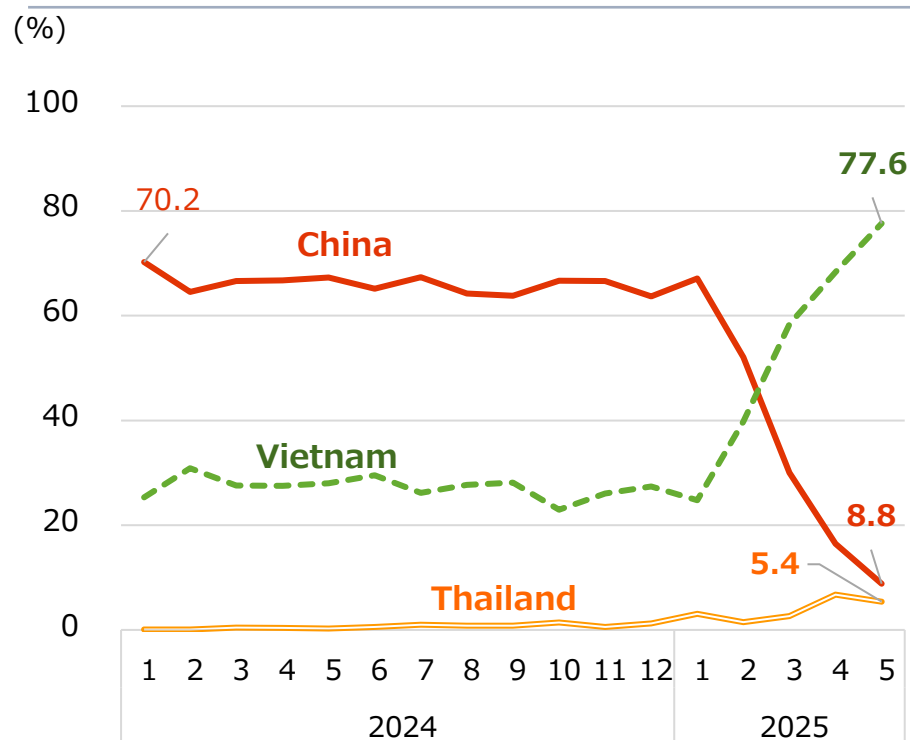
# 8 | Smartphones and laptop PCs: The US shifts focus to Asia outside China

- **Since April 2025, U.S. imports of smartphones and laptop PCs from China have sharply declined.** Smartphone imports have shifted to India, while laptop PC imports have shifted to Vietnam, replacing China. For laptop PCs, Taiwanese manufacturers have expanded exports from Thailand, where production has been shifted.
- Looking at exports from China, **the share destined for Hong Kong, the EU, and ASEAN has expanded to replace the reduced share to the U.S.** Products originally intended for the U.S. market have been redirected to other markets. In these countries and regions, intensified competition with Chinese products is a concern.

### The U.S.'s Smartphone Import Share by Country



### The U.S. Share of Laptop PC Imports by Country

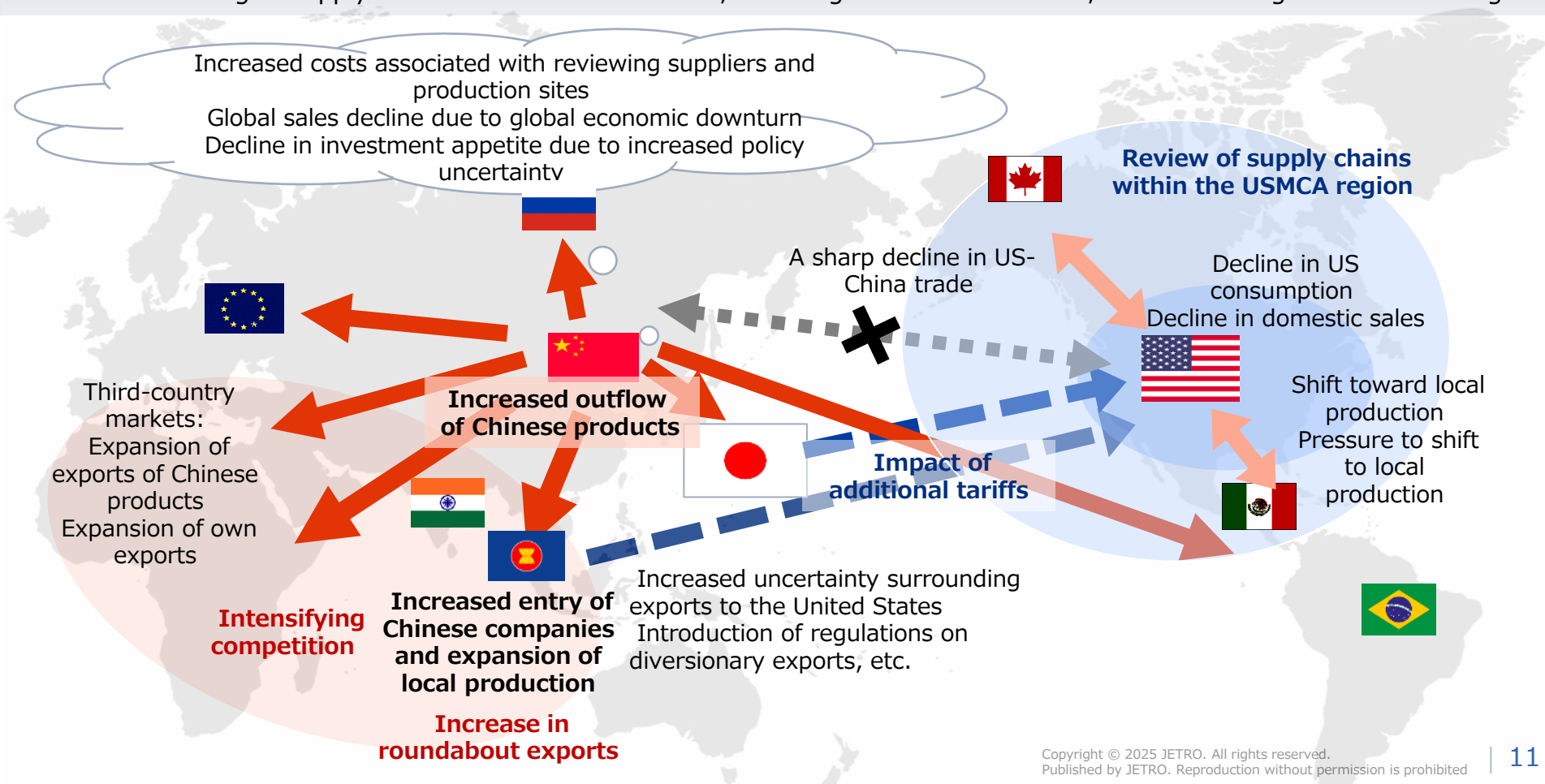


(Note) (1) Smartphones and laptops (including tablets) were the top two import categories from China to the U.S. in 2024 (HS 6-digit codes). (2) Both charts show the percentage of each country/region's total imports of each product category to the U.S. (3) For both smartphones and laptops, the top three countries by export value to the U.S. in January–May 2025.

(Source) Global Trade Atlas (S&P Global)

## 9 | The impact of changes in U.S. trade policy on Japanese companies

- The impact of U.S. tariff measures extends beyond Japan's direct exports, broadly affecting the global supply chains of Japanese companies. A global economic downturn is expected to lead to reduced demand, increased costs due to revisions in sales and procurement strategies, and a decline in investment sentiment.
- Intensified competition with Chinese products shifting from the U.S. market to other countries and regions, as well as accelerated expansion of Chinese companies into third countries leading to competition for local markets and talent, and the restructuring of supply chains within North America, including Mexico and Canada, will also emerge as new challenges.



# 10 | Geopolitical risks surrounding global maritime transport

Major ports, canals, straits, and shipping routes worldwide, along with the current situation surrounding transportation (as of July 2025)

- This strategic waterway accounts for approximately 12% of global trade volume and one-third of container shipping between Asia and Europe. However, since the Houthis armed group in Yemen began attacking ships in the Red Sea, the number of vessels passing through the strait has sharply decreased.
- Amid the escalating tensions in the Middle East in June 2025, efforts to avoid the Red Sea route are expected to persist for an extended period.

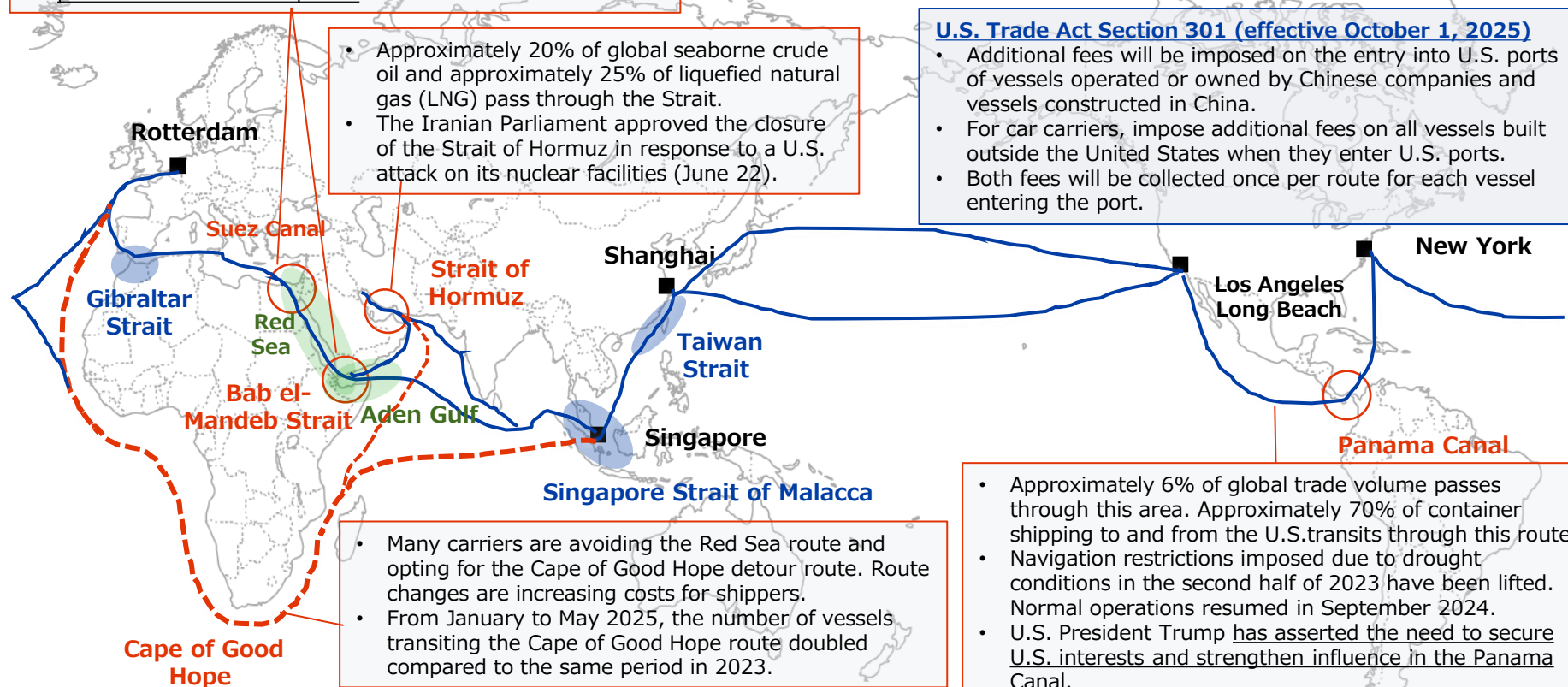
## U.S. Federal Maritime Commission (FMC)

- In March 2025, the FMC began an investigation into key maritime shipping routes worldwide, followed by an investigation into registration systems and operations for foreign-flagged vessels in May.
- This is part of the U.S.'s efforts to regain control over maritime transportation. New regulations targeting foreign shipping companies are also under consideration.

## U.S. Trade Act Section 301 (effective October 1, 2025)

- Additional fees will be imposed on the entry into U.S. ports of vessels operated or owned by Chinese companies and vessels constructed in China.
- For car carriers, impose additional fees on all vessels built outside the United States when they enter U.S. ports.
- Both fees will be collected once per route for each vessel entering the port.

- Approximately 20% of global seaborne crude oil and approximately 25% of liquefied natural gas (LNG) pass through the Strait.
- The Iranian Parliament approved the closure of the Strait of Hormuz in response to a U.S. attack on its nuclear facilities (June 22).



(Note) The shipping routes shown are partial and simplified for illustrative purposes.  
 (Source) Compiled from shipping company websites, various news reports, WTO, etc.

# Key Points

## 1. Supply and demand shocks caused by US tariff measures

The global trade landscape is undergoing a major transformation. Cost increases and shrinking demand are driving the restructuring of procurement and supply chains

## 2. Industrial policies and geopolitics disrupt corporate investment strategies

Direct investment is becoming more selective. Competition among multinational corporations is intensifying in the Global South

## 3. The fraying international trade order and the significance of alliance among like-minded countries

The world confronts the rising tide of self-centered trade policies. Japan and like-minded countries explore ways to strengthen cooperation

## 4. Sustainability strategies enter a new phase

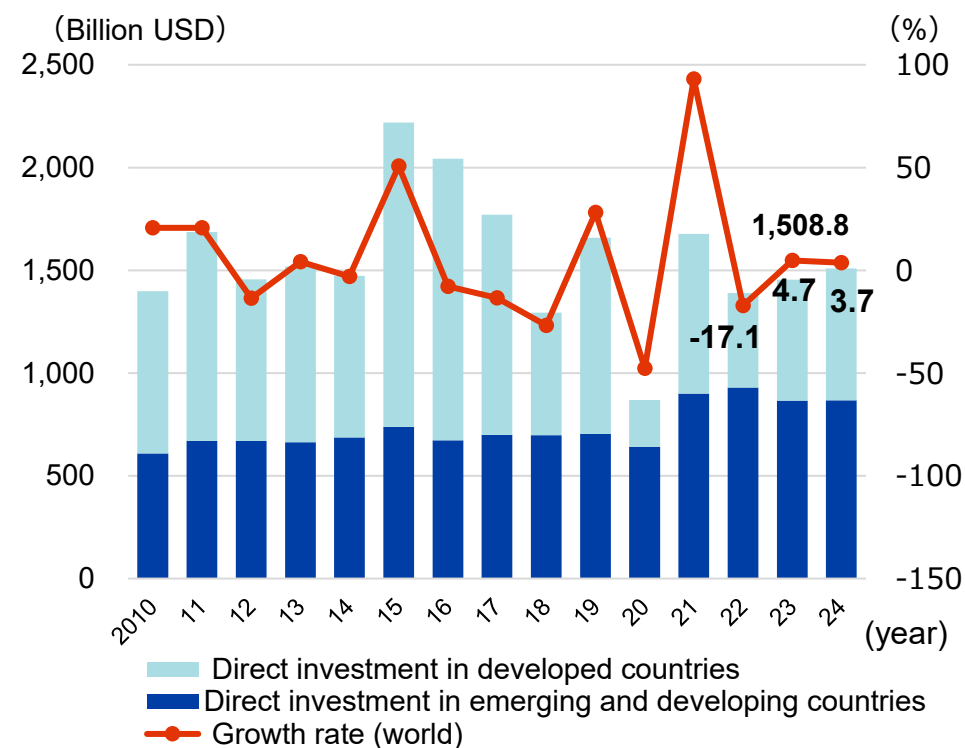
Amid U.S. reversal and Europe's shift toward a pragmatic approach, companies seek adaptation strategies



# 1 | Global FDI Remains Flat

- Global foreign direct investment (FDI) increased **by 3.7% year-on-year** in 2024. However, excluding European conduit countries and regions, **FDI decreased by 11%**. This was due to increased caution **among investors** amid **rising uncertainty**.
- Investment in emerging countries and regions increased by 0.2%. While investment in advanced countries and regions increased by 8.8%, it decreased by 22% elsewhere, except for conduit countries and regions.

Global Inward FDI (Net and Flows)



(For both chart and table)

Note: Definitions of developed countries/regions and emerging/developing countries/regions are based on UNCTAD classifications.

Source: UNCTAD

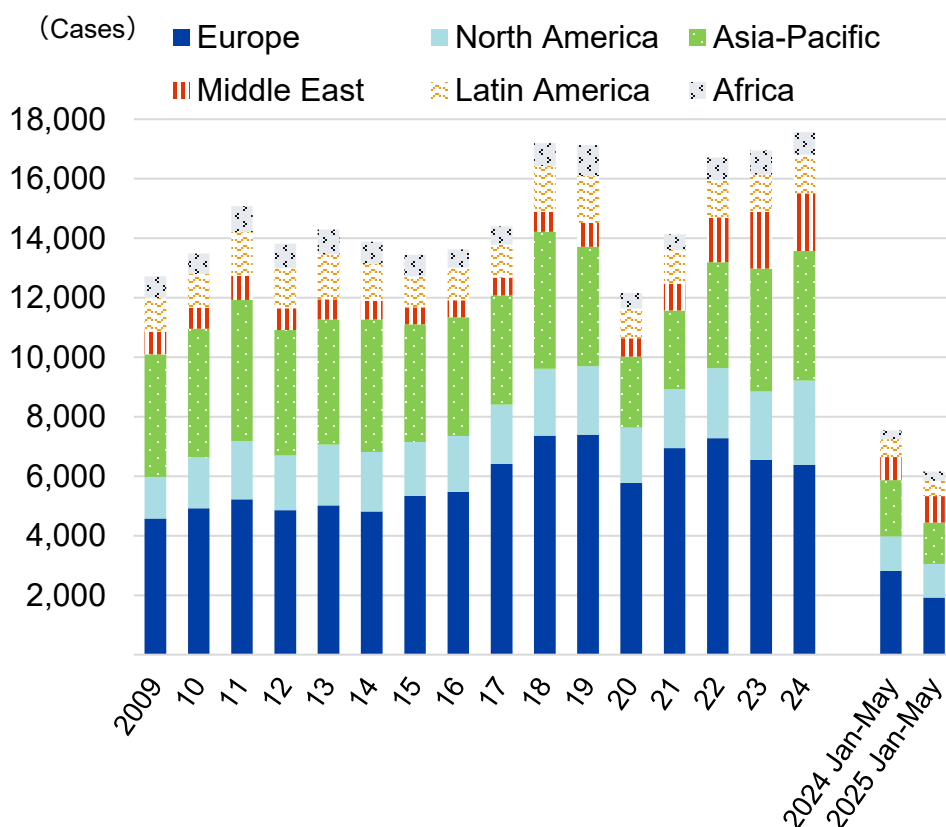
Inward Direct Investment (Net and Flows) of Major Countries and Regions (Million USD, %)

Country/Region	Amount	Growth Rate	Composition ratio	Contribution
World	1,508,803	3.7	100.0	3.7
<b>Developed countries</b>	641,642	8.8	42.5	3.6
United States	278,848	19.6	18.5	3.1
EU	267,772	81.5	17.7	8.3
Luxembourg	105,987	-	7.0	7.9
France	33,736	-20.2	2.2	-0.6
Netherlands	9,275	-	0.6	13.3
United Kingdom	-40,003	-	-	-6.3
Switzerland	-60,708	-	-	-2.7
Australia	53,454	74.8	3.5	1.6
Japan	13,357	-35.9	0.9	-0.5
<b>Emerging / developing countries</b>	867,162	0.2	57.5	0.1
China	116,238	-28.8	7.7	-3.2
ASEAN	225,016	9.7	14.9	1.4
Singapore	143,352	6.1	9.5	0.6
India	27,556	-1.9	1.8	-0.0
Latin America	164,265	-12.0	10.9	-1.5
Middle East	82,082	4.7	5.4	0.3
UAE	45,632	48.7	3.0	1.0
Saudi Arabia	15,737	-31.0	1.0	-0.5
Africa	97,032	75.1	6.4	2.9

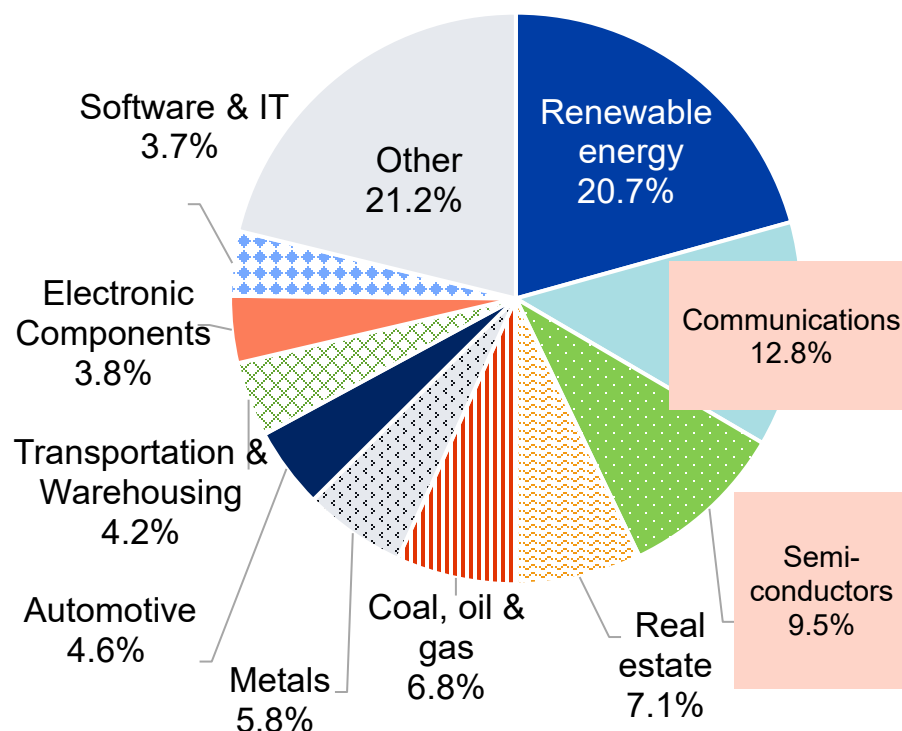
## 2 | Greenfield investment deals hit record high

- **The number of global greenfield investments in 2024 (based on announcements) reached a record high of 17,573, increasing by 3.7% from the previous year.** North America (+22.5%) drove the overall increase. The number of deals **in the first five months of 2025 decreased by 18.3% compared to the same period last year.**
- In value terms, renewable energy accounted for 20.7% of the total. **Industrial support measures** served as a catalyst, driving increased investment in sectors such as **communications (data centers), and semiconductors.**

Number of Global Greenfield Investments by Recipient



Global Greenfield Investment Amounts in 2024  
(% of Total by industry)

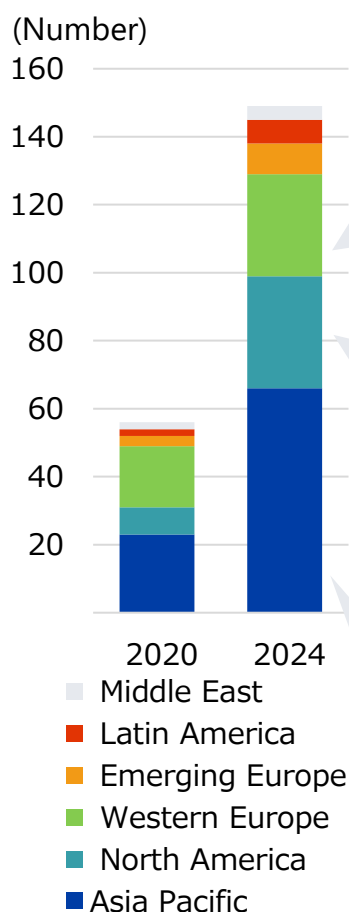


(For both chart and pie chart)  
Source: fDi Markets (Financial Times)

### 3 | Semiconductors: Investments supported by government measures move into implementation phase

- **The number of greenfield investments in the global semiconductor sector in 2024 (based on announcements) was approximately 2.7 times that of 2020.** Support measures by countries and regions to strengthen domestic manufacturing capacity are attracting investment from foreign and local companies.

**Number of greenfield FDI projects in the semiconductor sector (left bar)**  
**Support measures and major investment projects by major countries and regions (right bar)**



#### **European Chips Act** (enacted in September 2023)

Seven national subsidy projects have been approved. Public and private investments totaling over 31.5 billion euros have been committed.

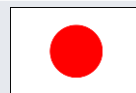
- Major GF investments include projects by STMicroelectronics of Switzerland (SiC wafer and power semiconductor manufacturing done in Italy) and Silicon Box of Singapore (advanced packaging and testing in Italy). ESMC, a joint venture between Taiwan's TSMC, Germany's Robert Bosch and Infineon Technologies, and Netherland's NXP Semiconductors, is also moving forward with factory construction in Germany.
- Projects by Intel (factory construction in Germany and Poland) has been withdrawn, and a project by Wolfspeed (factory construction in Germany) has been temporarily suspended.



#### **CHIPS and Science Act** (enacted in August 2022)

Has already allocated up to \$33.7 billion for semiconductor manufacturing and approximately \$8.3 billion for research and development. As of January 31, 2025

- Major GF investments include projects by TSMC (advanced semiconductor manufacturing and advanced packaging in Arizona), Samsung Electronics of South Korea (expansion of its Texas facility), and SK Hynix of South Korea (advanced packaging and R&D in Indiana).
- Local companies including Intel, Texas Instruments, and Micron Technology are also investing.
- Construction of Intel's Ohio plant and Samsung Electronics' Texas plant are experiencing significant delays.



#### **Support for AI and Semiconductor Industry (AI・半導体産業基盤強化フレーム)**

(established in November 2024)

Aiming to implement over 10 trillion yen (≈ \$6.8 billion) in public support by fiscal year 2030.

- Major GF investments include projects by Western Digital (in collaboration with Kioxia) in Mie and Iwate for advanced memory semiconductor manufacturing, and JASM (a subsidiary of TSMC) in Kumamoto for advanced semiconductor manufacturing. Rapidus is developing next-generation semiconductors in Hokkaido.



#### **Modified Programme for Semiconductors and Display Fab Ecosystem**

(implemented in June 2023)

The central government has approved six projects, providing subsidies of up to 50% of project costs.

- The largest investment amount is from local Tata Electronics and Taiwan's PSMC.

(Note) The right bar focuses on major projects announced in 2024. Domestic investments by U.S. companies are not included in the left bar.

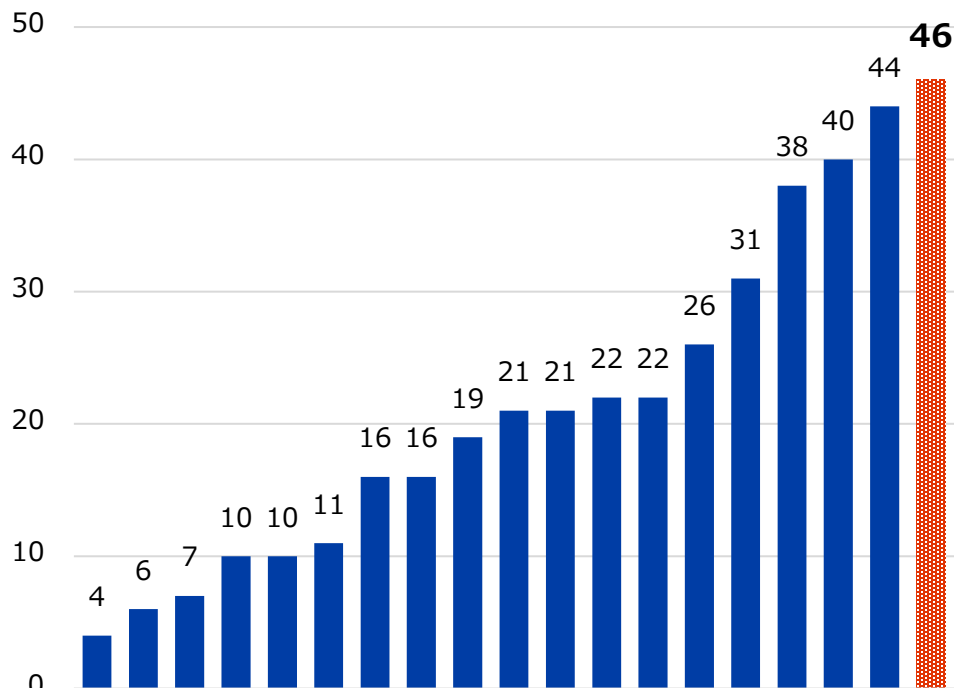
(Source) Compiled from fDi Markets (Financial Times), government announcements, and company press releases

# 4 | The number of countries and regions that have introduced investment screening systems has reached 46

- Due to security concerns, the number of countries introducing investment screening systems has been increasing annually. As of 2024, at least 46 countries and regions (including Japan) have implemented such systems. These countries and regions **account for approximately 80% of the world's total foreign direct investment (FDI) stock**.
- President Trump **announced the "America First Investment Policy"** in February 2025. The policy introduces a fast-track review system for investments from allied countries to promote inward investment. Meanwhile, it aims to strengthen regulations on inward and outward direct investment related to "foreign adversaries" such as China.

## Countries and Regions Implementing Investment Screening Systems

(Number of countries and regions)



(Source) UNCTAD "World Investment Report 2025"



## Overview of the "America First Investment Policy"

1. Promoting investment from allied and partner countries

- Establishment of a swift "fast-track" process
- Streamlining environmental impact assessments for investments of \$1 billion or more in the US

2. Strengthening regulations on inbound investment from China and other countries

- Restrictions on Chinese entities' access to US technology, critical infrastructure, medical, agricultural, energy, raw materials, and other strategic sectors
- Strengthening the authority of the Committee on Foreign Investment in the United States (CFIUS) regarding greenfield investments

3. Regulations on U.S. companies' investments in China

- Semiconductors, AI, quantum, biotechnology, hypersonic, aerospace, advanced manufacturing, directed energy, and other sectors

# 5 | Regional shifts in medium-term investment

- A comparison of announced investment flows before and after the COVID-19 pandemic reveals notable shifts among major countries and regions.
- The United States, ranking first, saw a 7.7% increase in investment compared to 2015–2019. Investment in the UAE and Saudi Arabia surged by 2.7x and 2.8x, respectively. India recorded a 6.1% rise in investment. In Europe, investment in Spain and Poland was robust. Conversely, investment in China declined by half. Notably, investment from the US and Japan to China dropped by 60%.

**Global Greenfield Investment Matrix (by Number, 2020–24 Total, Growth Rate over 2015–19)** (%)

Investment destination Investment source	U.S.	Germany	U.K.	UAE	India	Spain	France	Poland	China	Mexico	Canada	Saudi Arabia	Vietnam	Japan	World	
															Growth rate	Investments N#
U.S.		- 16.9	- 25.0	87.9	28.5	35.7	- 25.2	37.8	- 61.6	- 4.1	9.9	108.9	- 10.4	- 17.7	- 4.9	15,166
U.K.	12.8	1.2		168.1	13.0	24.5	- 15.0	38.9	- 49.7	20.9	48.9	237.8	- 6.3	7.8	15.6	7,880
Germany	- 18.0		0.2	48.4	- 9.8	35.8	- 20.8	32.8	- 38.6	- 24.0	- 9.2	169.2	46.9	- 11.6	- 7.4	6,178
France	- 20.2	5.1	3.7	96.2	- 18.3	6.7		12.7	- 25.3	- 12.1	- 8.1	340.0	- 17.1	- 28.6	- 1.6	4,015
Switzerland	114.7	- 13.3	14.9	175.9	18.2	29.9	25.3	- 18.6	3.5	6.9	116.3	136.8	- 27.5	- 34.3	23.7	4,003
Japan	- 19.8	- 27.4	- 35.6	13.0	- 13.3	- 27.7	- 46.2	- 15.1	- 59.9	- 51.4	16.7	35.0	- 52.6		- 34.7	2,872
China	- 28.8	1.1	- 57.6	105.5	- 82.8	93.9	- 33.9	- 6.5		54.2	- 16.3	375.0	76.7	- 35.3	- 19.6	2,726
Netherlands	8.0	30.6	- 3.3	106.8	4.4	13.5	12.1	5.3	- 28.9	- 2.8	152.9	150.0	66.7	25.0	12.8	2,388
India	23.0	- 38.5	1.0	428.2		**	- 21.2	109.1	**	0.0	95.5	321.4	**	**	46.9	2,320
Canada	5.1	- 23.0	- 15.9	358.8	23.2	16.7	- 19.1	**	- 31.1	- 17.8		**	**	- 34.4	4.5	2,030
Spain	20.9	36.7	- 18.2	31.1	9.1		- 7.3	10.6	- 54.5	- 53.2	122.2	1,400.0	**	**	- 10.1	1,844
Singapore	47.2	69.7	- 3.0	336.7	- 11.8	166.7	77.8	181.8	- 51.6	300.0	**	**	10.0	75.6	32.2	1,594
UAE	27.8	77.8	25.5		47.2	130.8	**	**	- 4.5	**	**	155.4	**	**	51.5	1,291
World	Growth rate	7.7	- 5.2	- 17.5	166.3	6.1	38.6	- 15.3	36.4	- 48.1	- 10.4	30.4	176.7	- 18.9	- 7.0	
	Investments N#	9,369	5,148	5,027	4,418	3,842	3,178	2,763	2,149	2,032	2,009	1,936	1,151	1,032	982	75,775

Note: (1) Targeted projects are those in the top 100 countries and regions in terms of investment destination and source for the period 2020–2024 (75,775 projects). The ratio to the total number of investments (77,118) for the same period is 98.3%. (2) If the number of investments is less than 20, the rate is indicated with \*\*. (3) Investment destinations include the top 11 countries and regions, plus Saudi Arabia, Vietnam, and Japan, while investment sources include the top 12 countries and regions, plus the UAE.

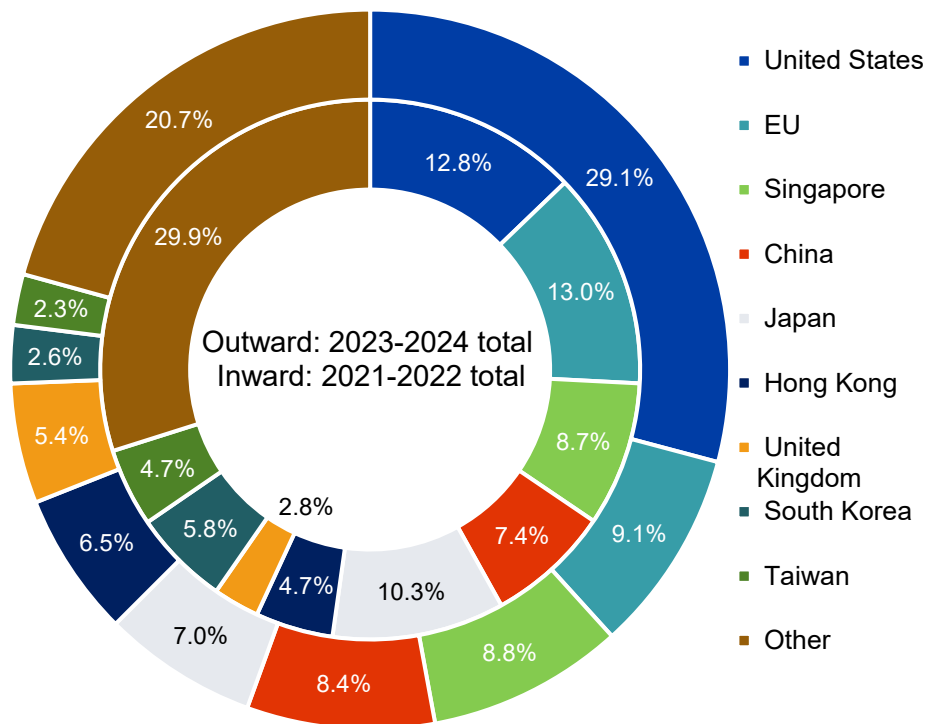
Source: fDi Markets (Financial Times)



# 6 | U.S. and Chinese companies rise in ASEAN, European and U.S. companies rise in India

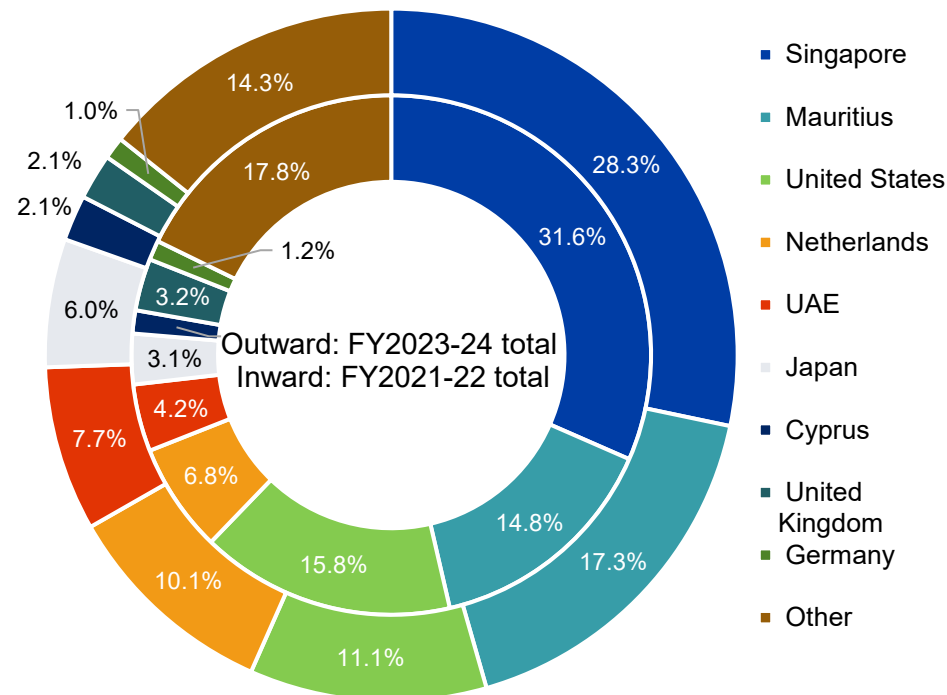
- **In 2023-24, the U.S. contributed to nearly 30% of FDI in ASEAN**, representing **the largest share**. This marks a notable rise from 12.8% in FY2021-22. **China's share also saw an upward trend**. Conversely, Japan's share declined from 10.3% to 7.0%.
- Over the same period, the US ranked third in FDI to India, accounting for 11.1%. Japan's share doubled. The Netherlands and the UAE also expanded their respective shares. Meanwhile, China's investment presence in India remains minimal.

**Share of FDI in ASEAN by Major Investor Countries/Regions**  
(By implementation, Comparison of Totals for 2021-22, 2023-24)



Source: ASEAN stats

**Share of FDI in India by Major Investor Countries/Regions**  
(By Implementation, Comparison of Totals for FY2021-22, FY2023-24)



Note: Fiscal years are from April to March of the following year.

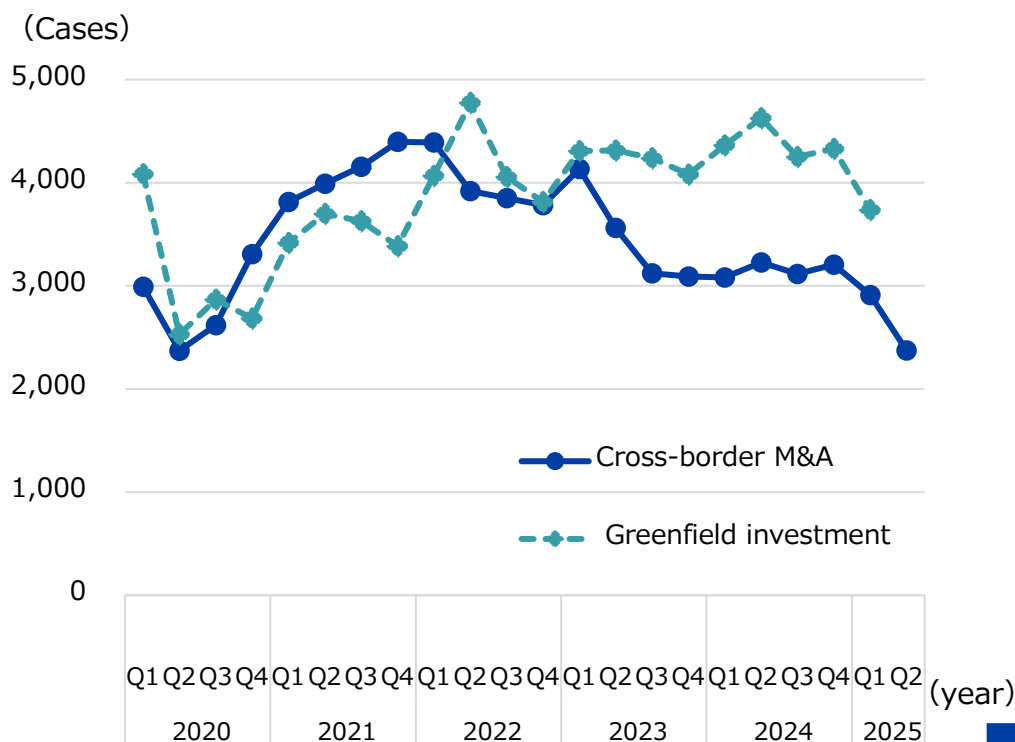
Source: Department of Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, India (DPIIT)

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# 7 | Global direct investment expected to decline in 2025

- **The number of cross-border M&A deals worldwide in the first half of 2025 is expected to drop by 16.3%, reaching a record low. The number of greenfield investment deals from January to May also saw a significant decline.** In June, UNCTAD revised its initial forecast downward, citing deteriorating investor sentiment due to the escalation of tariff measures, disruptions in the global economy and trade, and volatile exchange rates.
- The Trump administration aims to attract a total of \$12 trillion in investment during its term, but tariff measures could hinder inward investment.

## Cross-Border M&A and Greenfield Investments Worldwide



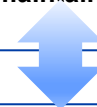
(Note) (1) Cross-border M&A data is based on completed transactions, while greenfield investment is based on announced projects.

(2) Greenfield investments are reported up to the first quarter of 2025.

(Source) Workspace (LSEG) as of July 2, 2025, and fDi Markets (Financial Times)

## Outlook for U.S. Inward Direct Investment

1. Imposing high tariffs to encourage foreign investment in the U.S.
2. President Trump's top-level sales efforts
3. U.S. First Investment Policy: Accelerating Investment from Partner Countries
4. One Big Beautiful Bill: maintaining low corporate tax rates, etc.



△ Tariff measures may reduce trade openness (the ratio of total trade to GDP) and high labor costs could negatively impact direct investment inflows. High tariffs and retaliatory tariffs could have negative effects on multinational corporations. Investment firms prefer low barriers to raw material procurement and access to overseas markets.

△ Attacks on existing systems: Criticism of visas for graduate students and workers, the WTO and FTAs, and the independence of the Federal Reserve System

**U.S. inward direct investment (flow) in 2025 is expected to remain around \$400 billion.**  
 ⇒ Significantly below the administration's investment attraction targets.

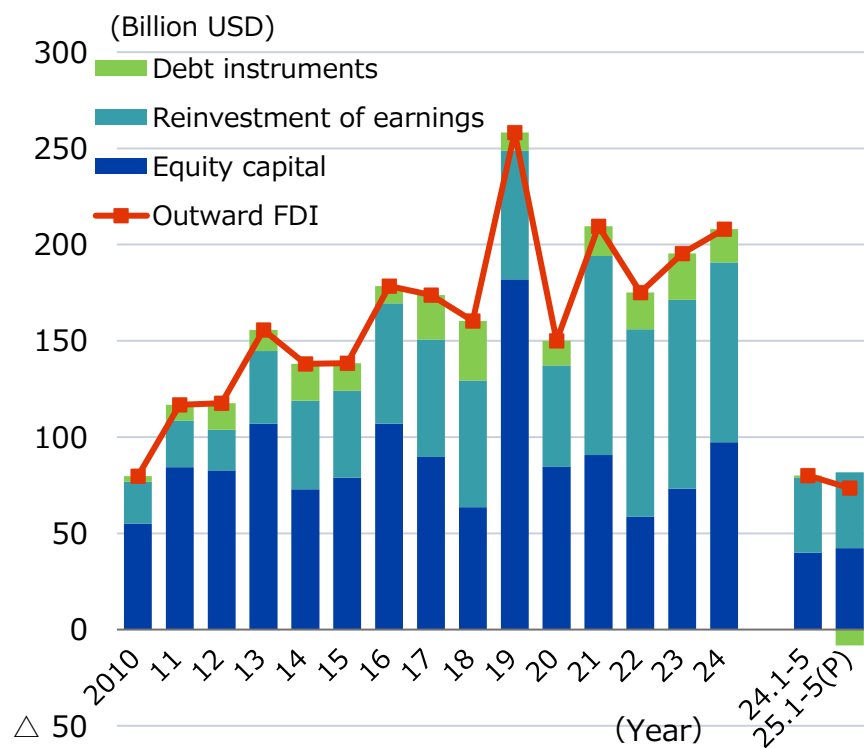
(Source) Peterson Institute for International Economics (PIIE) "Trump's quest for foreign direct investment"

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# 8 | Japan's Outward FDI in 2024 increased for the second consecutive year

- **Japan's outward FDI in 2024 increased by 6.5% from 2023 to \$208.1 billion**, marking the second consecutive year of growth. Investments in the United States accounted for 38% of the total.
- In Asia, investment in China shrank for the third consecutive year, reaching the lowest level since 2014 which compared on a similar basis. Meanwhile, investment in India is on an expanding trend, surpassing investment in China for the second consecutive year in 2024 and maintaining a high level.

Japan's Foreign Direct Investment by Form (Net, Flow)



Japan's Outward FDI by Country/Region

(Million USD, %)

	2023	2024	Growth rate	2025 Jan-May (P)	Growth rate
Asia	37,477	42,707	14	17,354	-0.2
China	3,437	3,385	- 1.5	1,597	3.3
ASEAN	25,489	28,669	12.5	11,661	- 6.9
Singapore	9,834	16,762	70.4	6,767	- 16.6
Vietnam	4,954	1,837	- 62.9	1,691	213.2
India	5,999	5,341	-11.0	2,778	20.6
North America	70,098	80,351	14.6	28,393	- 22.7
U.S.	66,061	78,605	19.0	27,538	- 23.0
Latin America	13,493	13,149	- 2.5	5,263	42.0
Oceania	15,778	16,970	7.6	4,255	- 14.0
Europe	55,581	53,027	- 4.6	18,210	6.8
Germany	5,480	6,115	11.6	2,063	12.3
U.K.	17,519	15,402	- 12.1	5,249	- 29.9
World	195,447	208,057	6.5	73,495	- 8.2

(For both chart and table)

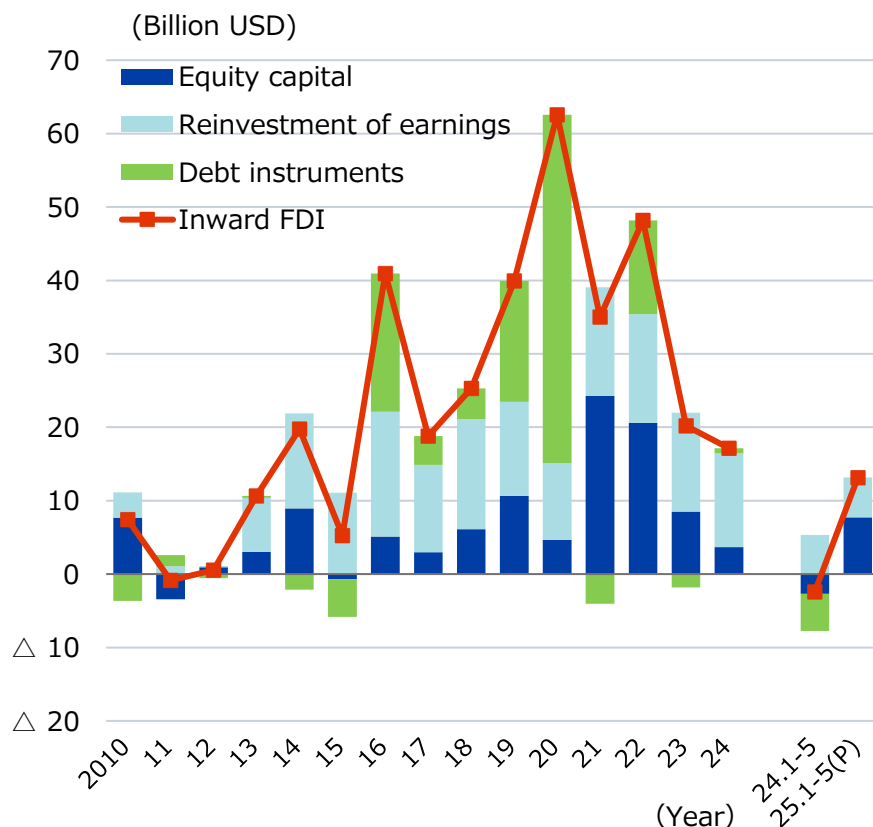
Note: (1) JETRO converted the figures disclosed in JPY into USD. (2) P is preliminary.

Source: "Balance of Payments Statistics" (Ministry of Finance, Bank of Japan)

# 9 FDI in Japan in 2024 increased in both implementation and withdrawal

- **In 2024, FDI in Japan decreased by 15.0% to \$17.2 billion.** From January to May 2025, it increased significantly from the previous year's decline to \$13.1 billion. FDI from Asia, including Hong Kong and Singapore, increased.
- Looking at recent trends in FDI in Japan on a gross basis, the amount of implementations, which indicates entry into the Japanese market, has been expanding since 2023. However, the inward divestment (amount of withdrawal) has also been expanding, resulting in only a modest increase in net direct investment in Japan.

## Direct Investment in Japan by Form (Net, Flow)

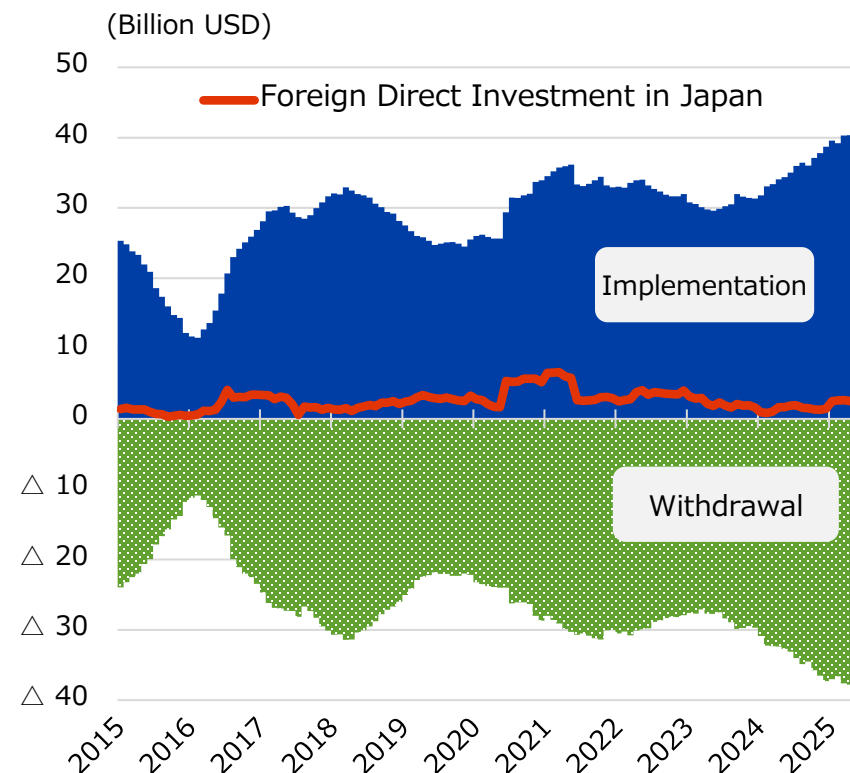


(For both charts)

Note: (1)JETRO converted the figures disclosed in JPY into USD. (2) (Left chart) P is preliminary (3) (Right chart) 12-month backward moving average.

Source: "Balance of Payments Statistics" (Ministry of Finance, Bank of Japan)

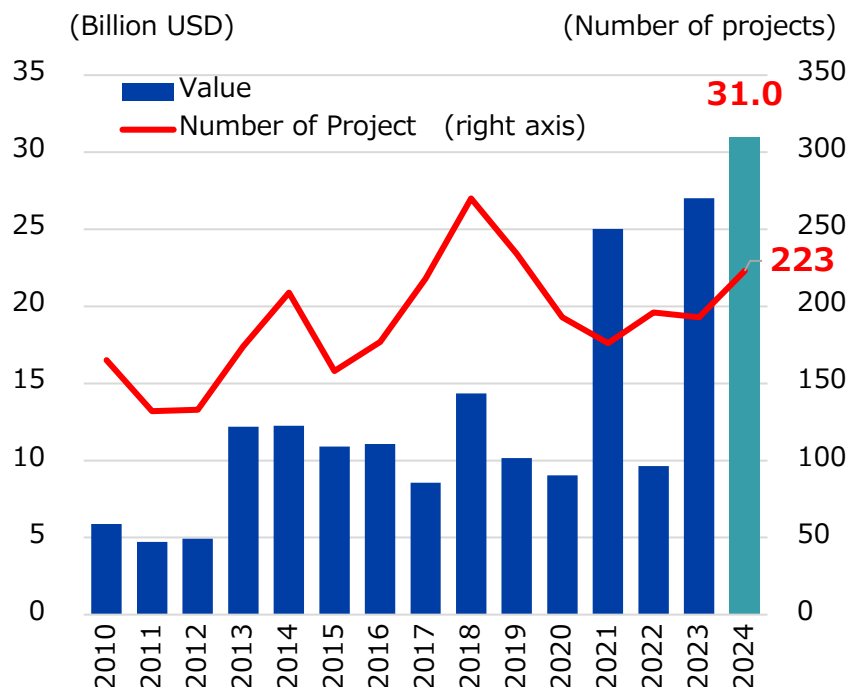
## Trends in Direct Investment in Japan (Gross) (Monthly)



# 10 | Signs of an increase in future FDI in Japan

- The amount of greenfield investment in Japan announced in 2024 reached \$31 billion, surpassing the \$30 billion mark for the first time and **setting a new record high for the second consecutive year**. In terms of the number of projects, 223 projects were announced, exceeding 200 for the first time in five years.
- Recent major greenfield projects to Japan **include semiconductor-related projects and data centers**.

**Greenfield Investment in Japan  
(based on announcements)**



(For both chart and table)

*Note:* (1) Based on announcements, project values are in million U.S. dollars, and includes estimated values. (2) (Right table only) Excerpted from projects announced from January 2024 to May 2025.

*Source:* fDi Markets (Financial Times), compiled by JETRO based on company press releases, etc.

**Recent Major Greenfield Investment Projects  
in Japan (based on announcements)**

Company Project date	Overview
ADA Infrastructure (Singapore) May 2024	ADA Infrastructure is a data center business, a member of GLP, a Singapore-based logistics and development company. ADA broke ground on second building in May 2024 at Tama city, Tokyo, and plans to build three data centers.
Global Wafers (Taiwan) Oct 2024	Produces silicon wafers for semiconductor materials. Plans to expand production facilities, including the construction of a new building at domestic sites.
Western Digital (U.S.) Feb 2024	Established new lines for advanced NAND flash memory products at two main plants in collaboration with Kioxia, a major semiconductor memory company.
Patience Capital (Singapore) Mar 2025	Promoting resort development including hotels in the Myoko area of Niigata Pref. Signed a partnership agreement with Shinano Railway to revitalize the region and promote tourism.
ESR (Hong Kong) May 2025	Data center projects are underway in Osaka, Tokyo, and Kyoto. In May, ESR announced the development of its fourth data center in Japan. In 2024, logistics facilities were scheduled to be completed in Itami City, Hyogo Pref., and Hidaka City, Saitama Pref., and a logistics facility development will be announced in Saga Pref.



# Key Points

## 1. Supply and demand shocks caused by US tariff measures

The global trade landscape is undergoing a major transformation. Cost increases and shrinking demand are driving the restructuring of procurement and supply chains

## 2. Industrial policy and geopolitics disrupt corporate investment strategies

Direct investment is becoming more selective. Competition among multinational corporations is intensifying in the Global South

## 3. The fraying of the international trade order and the significance of alliance among like-minded countries

The world confronts the rising tide of protectionist trade policies. Japan and like-minded countries explore ways to strengthen cooperation.

## 4. Sustainability strategies enter a new phase

Amid U.S. reversal and Europe's shift toward a pragmatic approach, companies seek adaptation strategies

# 1 | The international trade order faces a historic turning point

- The Ministry of Economy, Trade and Industry (METI) characterizes the current state of the global trade environment as a **"historic turning point in the international economic order,"** marking a shift from the era of neoliberalism to one where protectionism is on the rise. There are five major trends in the trade environment.
- The Trade Policy Uncertainty Index (TPU) has risen to unprecedented levels in 2025.

## Current State of the Global Trade Environment — The Five Major Trends — (Ministry of Economy, Trade and Industry)



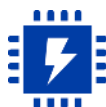
Protectionism amid widening income disparities and instability in the international economic order



Excessive supply and over-reliance threats becoming apparent



Intensifying competition in emerging markets

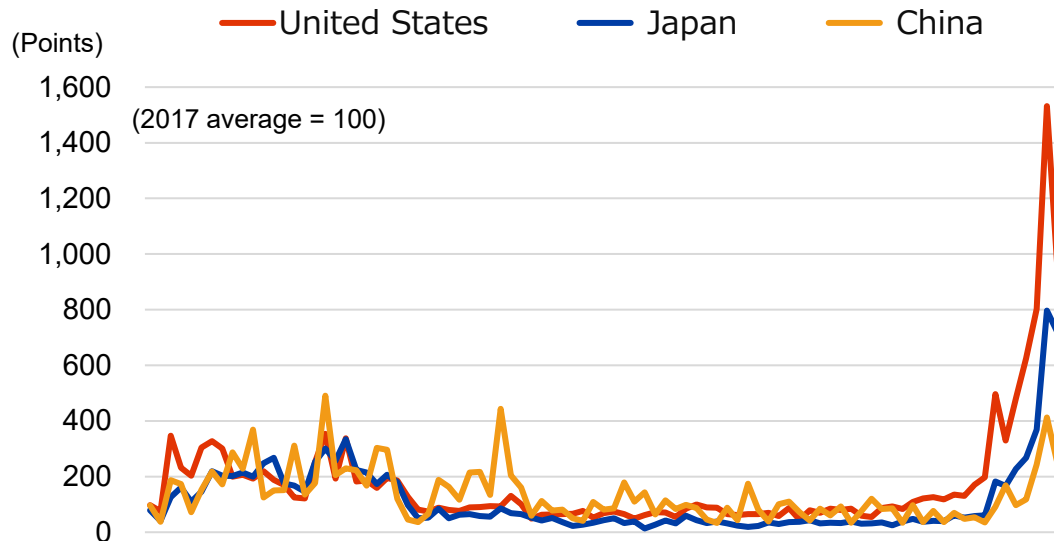


"Digital Era"  
Everything is being digitalized



Environmental and energy policies as a means of strengthening competitiveness of companies

## Trade Policy Uncertainty Index (TPU)



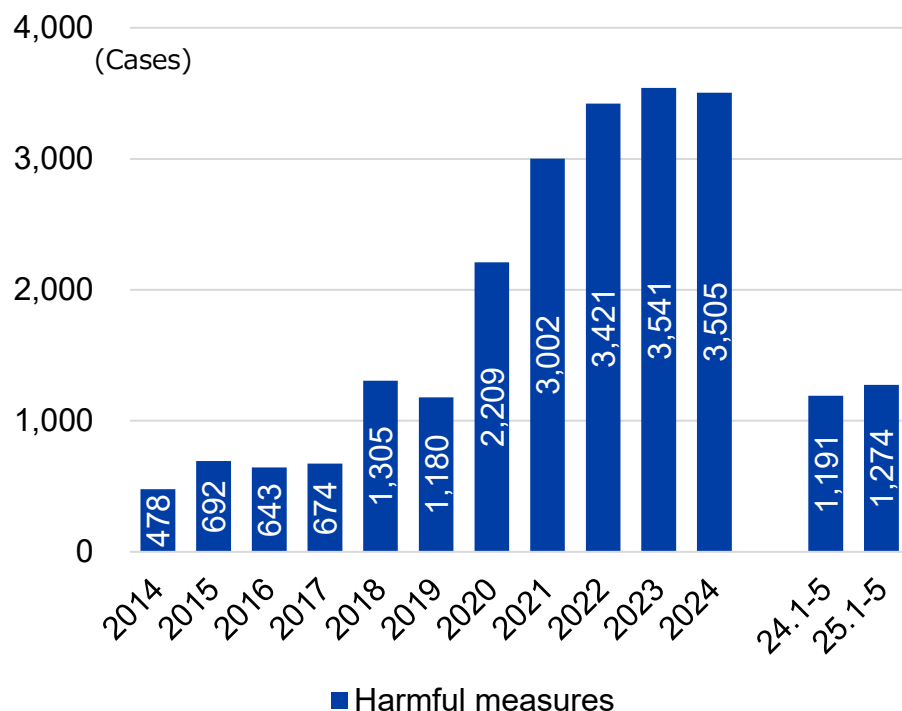
(Note) The TPU is calculated by counting the simultaneous occurrence frequency of terms related to trade policy and uncertainty in major newspapers. Higher values indicate greater uncertainty. Japan uses the Trade Policy Uncertainty Index (Economic and Industrial Research Institute), the United States uses the TPU (Caldara, Iacoviello, Molligo, Prestipino, and Raffo), and China uses the Chinese Mainland TPU (Davis, Liu, and Sheng).

(Source) Economic Policy Uncertainty

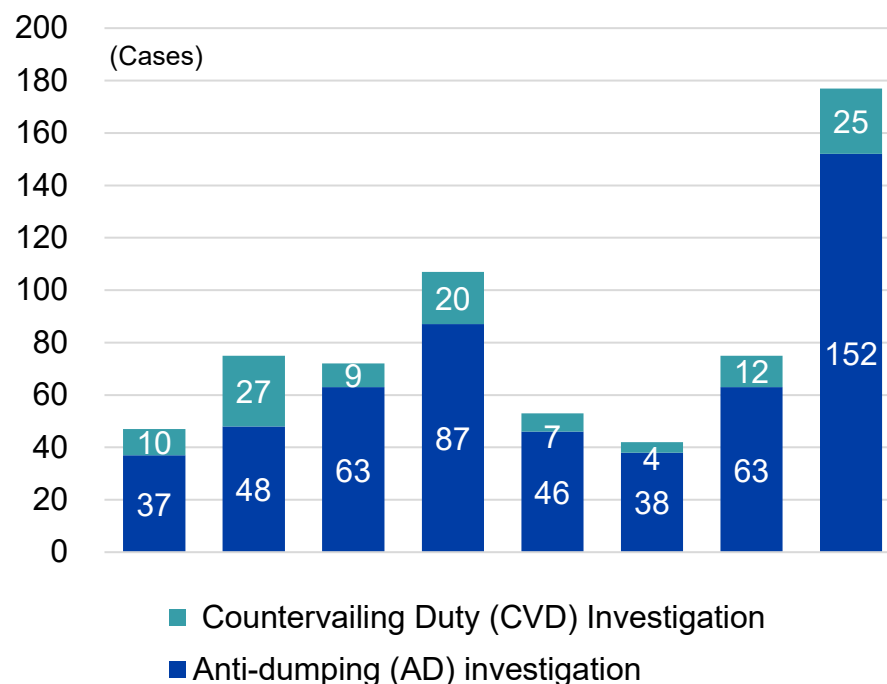
## 2 | Trade and investment barriers increase amid trade friction with China in various regions

- In 2024, the number of new policy interventions introduced worldwide to hinder trade and investment remained high at 3,505. The United States led with 716 measures introduced. **China topped the list with 1,224 measures imposed on it by other countries.**
- Countries concerned about the influx of Chinese products have initiated anti-dumping (AD) and countervailing duty (CVD) investigations against Chinese products. **The number of AD investigations targeting China** has reached a record high.

Number of New Policy Interventions Hindering Trade and Investment (Global Total)



Trend in the Number of Anti-Dumping and Countervailing Duty Investigations against China



(Note) i. Restrictive measures refer to government interventions that hinder the cross-border flow of goods, services, or capital, and have adverse effects on the target country; ii. The number counts only measures where both implementation and reporting occurred within the same year (both graphs); iii. The data is based on registered information as of June 11, 2025.

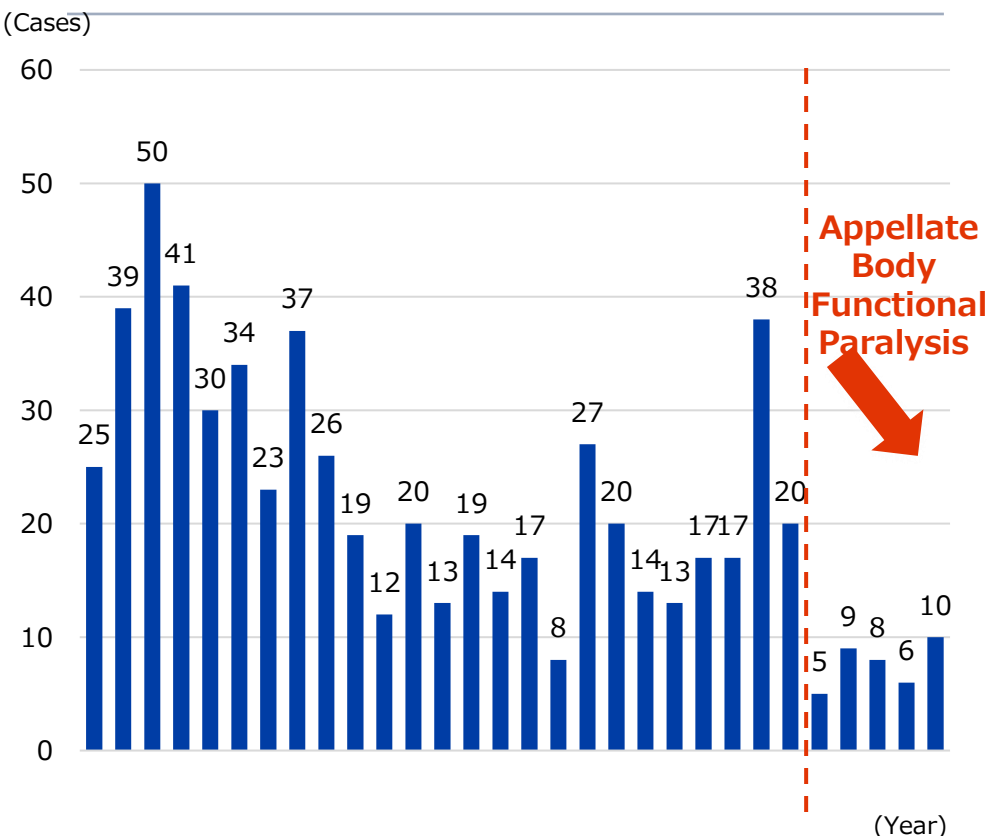
(Source) Global Trade Alert, compiled by the St. Gallen Trade Prosperity Fund

(Source) Compiled from the WTO Trade Remedies Portal.

# 3 | Stalemate in WTO Appellate Body issue, while DS against the U.S. increases

- The WTO dispute settlement system consists of a two-tier system of a panel and an Appellate Body, but the Appellate Body has been suspended since 2020. **The number of dispute cases has decreased to less than half of what it was before the suspension. Trust in the enforcement of rules is being lost.** "Empty appeals," which effectively put dispute cases on hold by appealing, have reached 25 cases (as of the end of December 2024).
- In the 2025 WTO dispute settlement (DS) consultation requests, the number of claims targeting the United States, such as additional tariffs imposed by the Trump administration, has increased.

WTO Dispute Settlements (Number of Request Cases)



Requests for WTO Dispute Settlement (DS) Consultations up to 2025

Case Name	Date of Consultation Request	Plaintiff	Defendant
China – Measures on Global Licensing Terms for Standard Essential Patents (SEP) (DS632)	January 20	EU	China
United States – Additional Import Duties on Goods from China (DS633)	February 4	China	United States
United States – Additional Import Tariffs on Goods from Canada (DS634)	March 4	Canada	United States
Additional Import Tariffs on Steel and Aluminum from Canada (DS635)	March	Canada	United States
China – Additional tariffs on certain agricultural, forestry, and fishery products from Canada (DS636)	March	Canada	China
Additional tariffs on imports of automobiles and parts from the United States and Canada (DS637)	April 3	Canada	United States
Additional tariffs on imports from China to the United States (DS638)	April 4	China	United States
EU and Member States - Carbon Border Adjustment Mechanism (DS639)	May 12	Russia	EU

# 4 | How Japanese companies should respond to the decoupling of the U.S. and China

- The second Trump administration in the United States has not only strengthened export controls and regulations related to direct investment but has **also** clearly adopted a hardline stance toward China **in areas deemed non-critical to national security**.
- There have been reports of companies **receiving instructions to avoid using Chinese products** in transactions with U.S. firms, and some companies are expressing concerns about the de facto progress of U.S.-China decoupling and the possibility of further acceleration in the future.

## Examples of Major U.S. Regulations



## Voices from Japanese companies in the U.S.

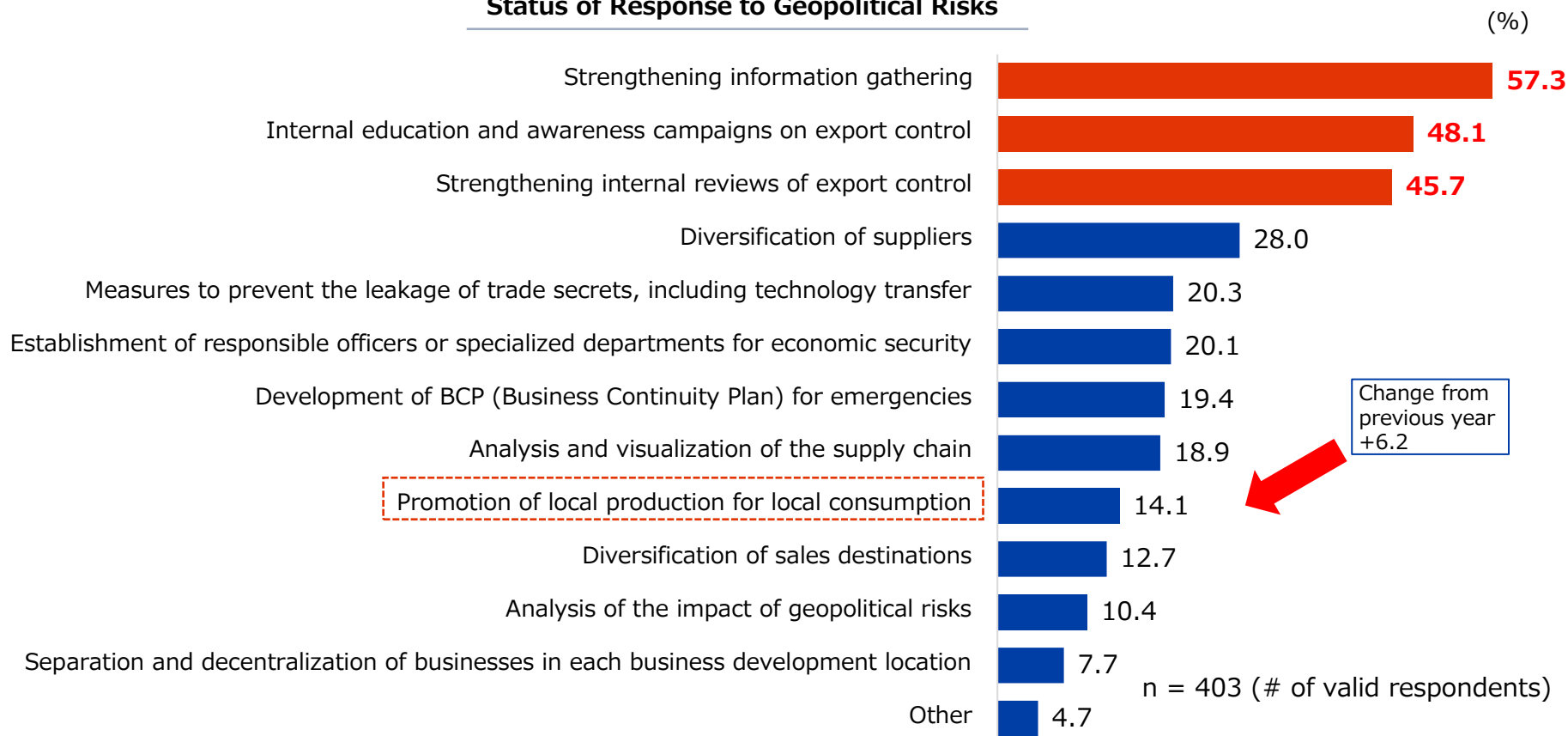
- Looking at the global supply chain, China is being treated separately, with Chinese parts being used for Chinese products and U.S.-bound products not using Chinese components, effectively decoupling the two.
- U.S. customers have explicitly instructed their suppliers not to use products manufactured in China or Taiwan. Since the inquiries are for products to be produced in 4-5 years, the so-called decoupling between the U.S. and China may become more explicit in the coming years.



## 5-1 | Geopolitical risk management for Japanese companies: Export control is a top priority

- The spread of policy interventions by major countries amid rising geopolitical risks is forcing Japanese companies to take various measures. **Information gathering, internal education, and export control reviews are the most important issues**. Diversification of suppliers is also a major issue.

Status of Response to Geopolitical Risks



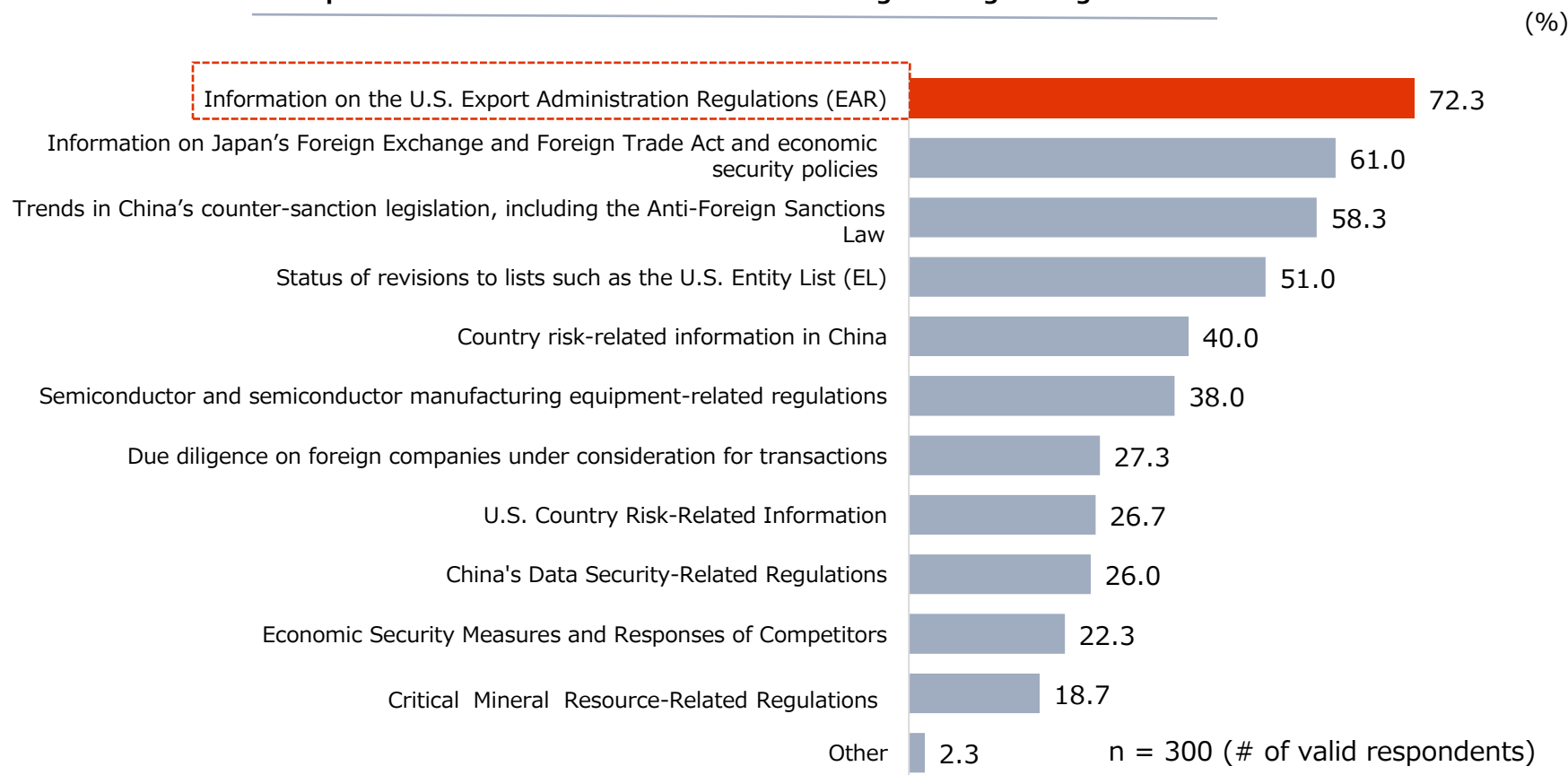
(Note) Multiple responses allowed.

(Source) JETRO Survey (March 2025, conducted among companies participating in the webinar "U.S. and China's Economic Security Policies and Japan's Technology Management")

## 5-2 | Geopolitical risk management for Japanese companies: Export control is a top priority

- The U.S. export control regulations are receiving more attention than Japanese laws and regulations as a topic for which to strengthen information gathering.

Topics and Fields where Information Gathering is being Strengthened



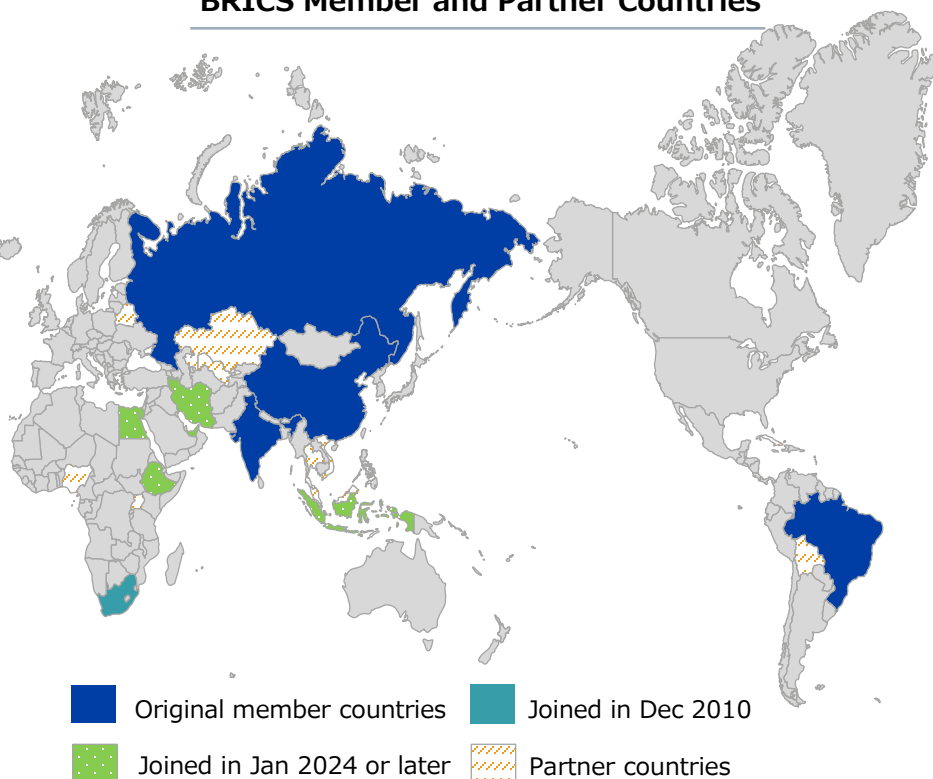
(Note) Multiple responses allowed.

(Source) JETRO Survey (March 2025, conducted among companies participating in the webinar "U.S. and China's Economic Security Policies and Japan's Technology Management")

## 6 | BRICS expansion and de-dollarization efforts

- The UAE, Iran, Egypt, and Ethiopia joined BRICS in 2024, followed by Indonesia in 2025. At the 16th BRICS Summit in October 2024, a “Partner Country” framework was introduced, with 10 countries—including Thailand, Malaysia, Nigeria, and Vietnam—joining.
- BRICS nations are advancing initiatives to reduce reliance on global financial systems and shift away from the US dollar. Efforts to promote the **mutual use of national currencies** are gaining momentum. Meanwhile, the US is seeking to counter the trend away from dollar dominance. The July 2025 Rio Declaration emphasized “strengthening multilateralism and reforming global governance”.

**BRICS Member and Partner Countries**



*Note:* BRICS original member countries are Brazil, Russia, India, and China, with the Republic of South Africa joining in 2010.

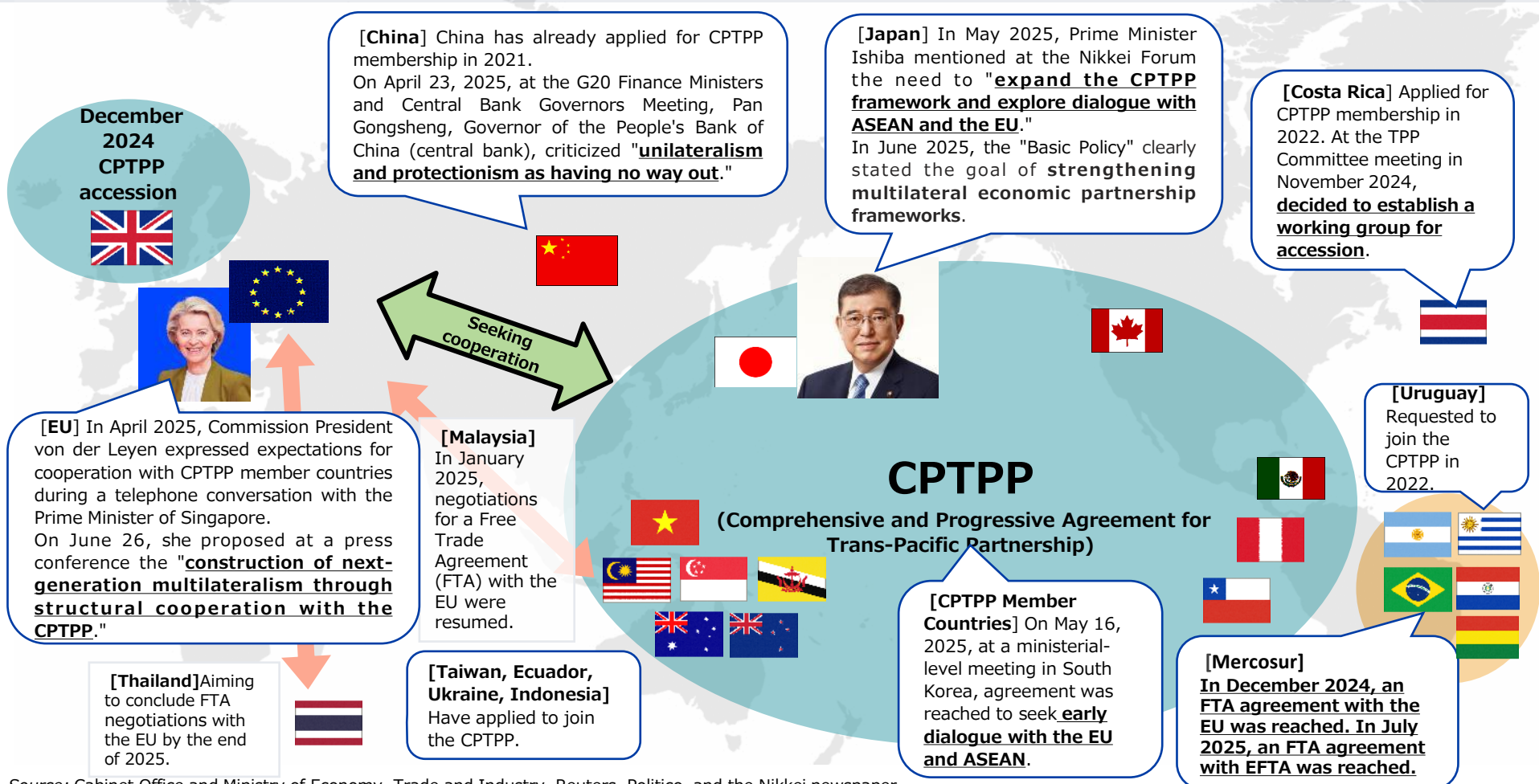
*Source:* BRICS official website and various media reports

**BRICS Financial System (Concept)**

Component	Overview	Western Equivalent
BRICS Pay	A decentralized payment system enabling direct settlements in national currencies between businesses and individuals within member countries. <b>Pilot testing began in 2022, with some companies set to start using it in 2023.</b>	VISA, Mastercard, etc.
BRICS Bridge	A payment platform available among member countries. It enables cross-border payments using each country's digital currencies. Although <u>still</u> in the conceptual stage, there have already been reports of moves to <u>connect Russia's SWIFT alternative system (SPFS) and China's renminbi payment network (CIPS)</u> .	Society for Worldwide Interbank Financial Telecommunication (SWIFT)
BRICS Clear	A decentralized international securities settlement institution (ICSD) linking the central securities depositories (CSDs) of each country. Enables BRICS investors to directly trade bonds and stocks with one another. <u>Still in the conceptual stage.</u>	Euroclear, Clearstream, etc.
New Development Bank (NDB)	Provides loans for infrastructure development and sustainable development projects in member countries. Established in 2015. In addition to the original BRICS member countries, <u>Bangladesh, the UAE, Egypt, Algeria, Colombia, and Uzbekistan have joined.</u>	IMF
Contingent Reserve Arrangement (CRA)	A mechanism for mutual foreign currency lending among BRICS countries. Established in 2015.	Same as above

# 7 | EU and CPTPP Response to U.S. Protectionist Measures

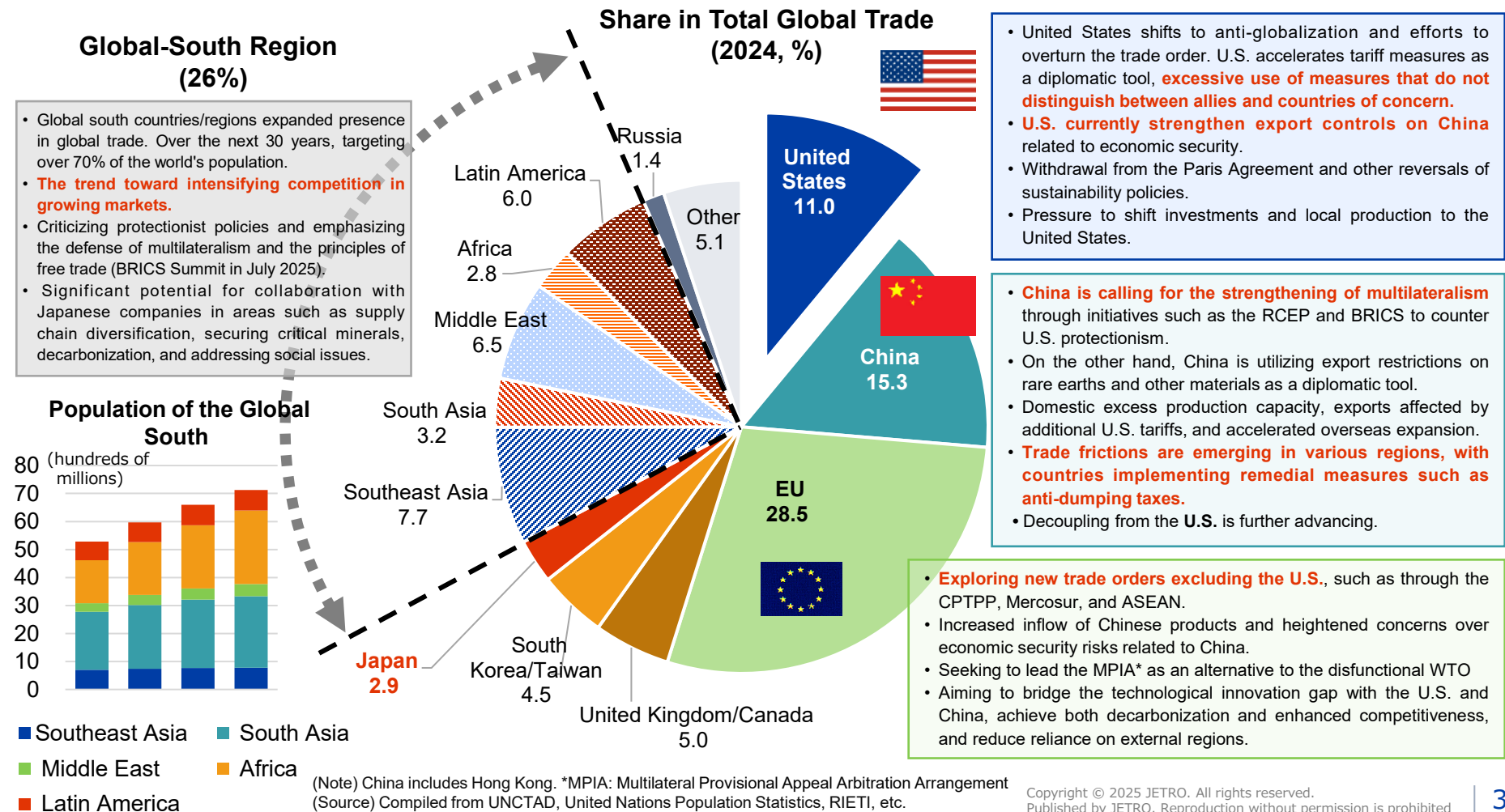
- Protectionist tariffs introduced under the second Trump administration have disrupted the traditional free trade system.
- Out of concern over U.S. tariff policies, **the EU has shifted to a more proactive stance toward cooperation with the CPTPP by 2025**. The Japanese government maintains its commitment to "free trade" and aims to strengthen multilateral economic cooperation frameworks. **China** emphasizes its role as a guardian of **the free trade system**.



Source: Cabinet Office and Ministry of Economy, Trade and Industry, Reuters, Politico, and the Nikkei newspaper  
 Photo source: © European Commission, European Union, 1995-2025; © Prime Minister's Office, "List of Cabinet Members"

# 8 Cooperation with like-minded countries and the Global South is key to maintaining order

- The United States has been criticized for disregarding multilateral international trade rules, particularly within the framework of the World Trade Organization (WTO). China's increased exports based on its excess production capacity are triggering trade friction. On the other hand, the United States accounts for about 11% of world trade, while China accounts for about 15%. There is a scenario in which the remaining three-quarters of countries/regions can maintain the trade order. **Regional cooperation with the growing Global South and like-minded countries is crucial.**



# Key Points

## 1. Supply and demand shocks caused by US tariff measures

The global trade landscape is undergoing a major transformation. Cost increases and shrinking demand are driving the restructuring of procurement and supply chains

## 2. Industrial policy and geopolitics disrupt corporate investment strategies

Direct investment is becoming more selective. Competition among multinational corporations is intensifying in the Global South

## 3. The fraying international trade order and the significance of alliance among like-minded countries

The world confronts the rising tide of self-centered trade policies. Japan and like-minded countries explore ways to strengthen cooperation

## 4. Sustainability strategies enter a new phase

Amid U.S. reversal and Europe's shift toward a pragmatic approach, companies seek adaptation strategies



# 1 | Trump administration has rescinded the "EV mandate"

- With the inauguration of the second Trump administration, the U.S. has significantly shifted its EV promotion policies. The administration has abolished the EV tax credit under the Inflation Reduction Act (IRA) implemented under the previous Biden administration. Additionally, **it has invalidated the mandate requiring new vehicle sales to be clean vehicles by 2035, which had been in effect in some states.**
- The administration remains proactive in attracting manufacturing back to the U.S. through tariff policies. The U.S. automotive market is expected to continue focusing on internal combustion engine vehicles and hybrid vehicles.

## The Trump Administration Abandoned its EV Promotion Policies

Rescinded

### Advanced Clean Cars II (ACC II) Rule

California and 11 other states plus Washington, D.C.



The rescission of **ACC II** has invalidated the requirement to achieve 100% clean vehicles (BEV, PHEV, FCV) for new vehicles sales by 2035.

These policies of the Trump administration have deepened conflicts between states and the federal government over climate change and renewable energy policies, including litigation.

Rescinded

### Inflation Reduction Act (IRA) EV Tax Credit

**Tax credits for clean vehicles [Internal Revenue Code (IRC) Sections 30D, 25E, and 45W]**  
To stimulate consumer interest in purchasing electric vehicles, a tax credit of up to \$7,500 will be available to purchasers, subject to conditions such as the vehicle being assembled in North America.



July 4, 2025

A bill containing tax cuts and spending reductions,  
**"One Big Beautiful Bill Act"**  
With the enactment of this act, the clean vehicle tax credit will be abolished by the end of September 2025.

### Investment projects announced by automakers under the second Trump administration

#### ◆Stellantis (\$5 billion)

Manufacturing on lines applied to multiple types of vehicle



#### ◆General Motors (GM) (\$888 million)

Engine plant

#### ◆Toyota Motor Corporation (\$88 million)

Hybrid vehicles

The focus of the U.S. automotive market is likely to shift from electric vehicles to internal combustion engine vehicles and hybrid vehicles.






Bank of America (B of A) Securities

(Source) Left: JETRO Business Briefing, California State Press Release; Center: U.S. Federal Congress DocumentsList of Domestic Investments Following the Start of the Second Trump Administration

Right: White House "A Running List of New U.S. Investment in President Trump's Second Term" (June 2, 2025), JETRO Business Briefing

## 2 | The United States will gradually abolish clean energy related credits under the IRA

- A large-scale tax cut bill titled "One Big Beautiful Bill Act (OBBA)" passed Congress and was signed into law by President Trump on July 4, 2025, including the gradual abolition of clean energy-related tax credits under the Inflation Reduction Act (IRA).
- Tax credits such as for clean vehicles and hydrogen production, which had been one of the focus of the Biden administration, will be phased out ahead of schedule.

		H <sub>2</sub>		
IRA provisions	Clean Vehicle Tax Credit (Note 1)	Clean Hydrogen Production Credit	Clean Electricity Production Credit (45Y) Clean Electricity Investment Credit (48E)	Clean Fuel Manufacturing Credit
Major Revision Under OBBA	Expires on September 30, 2025	Advance the construction deadline	Establishment of an operational deadline	Extension of the credit period
Tax credits prior to revision	Tax credit of up to \$7,500 (for new vehicles) for consumers purchasing EVs. (Certain conditions apply, such as the vehicle being assembled in North America.)	Manufacturers are eligible for a credit of \$0.6 to \$3 per kilogram of hydrogen produced, based on the lifecycle greenhouse gas (GHG) emissions of the hydrogen. Construction must begin by the end of 2032.	Available to owners of power generation facilities. (45Y) The credit amount is generally 0.3 cents per kWh. For the construction, repair, or modification of eligible facilities, the credit may increase to 1.5 cents per kWh if certain requirements (Note 2) or exceptions are met. This credit applies for 10 years from the date the eligible equipment is placed in service. (48E) The credit amount is generally 6% of eligible investment costs, increasing to 30% if the taxpayer meets certain requirements or exceptions.	Claimed by clean fuel manufacturers. The credit amount is calculated by multiplying the applicable amount per gallon by the emission factor. The applicable amount is \$0.20 per gallon for transportation fuels that are not sustainable aviation fuel (SAF) and \$0.35 per gallon for SAF. If the taxpayer meets certain requirements or exceptions, the amount is multiplied by five. This credit applies to fuel sold on or before January 1, 2028.
Notes	—	Construction must begin by the end of 2027.	For solar and wind power generation, operation is generally required by December 31, 2027. However, an exception is included that allows a four-year grace period if construction begins within one year of the bill's enactment, provided that 5% of the total project cost is spent on construction during that period.	Unlike other tax credits, the credit period is extended, and fuel manufactured by the end of 2029 is eligible. This provision applies only to fuel manufactured from raw materials sourced from the United States, Mexico, and Canada.

(Note 1) A collective term for battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), and fuel cell vehicles (FCVs).

(Note 2) Requirements related to actual wages and apprenticeship programs.

(Source) Compiled from materials of the U.S. House of

Representatives Ways and Means Committee and Senate materials.

# 3 | EU aims to reduce sustainability burdens and strengthen competitiveness

- Shifting toward an economic security-focused approach that prioritizes **strengthening the competitiveness of domestic industries with** an eye on the US and China, and aims to reduce excessive dependence on external sources. Based on the "Competitiveness Compass," a roadmap for enhancing the competitiveness of EU industries, policies are being announced one after another.
- The EU has introduced a series of sustainability policies, including regulations and reporting requirements related to the environment and human rights. **However**, since the start of 2025, EU has begun exploring ways to reduce **the burden on companies, particularly regarding sustainability-related reporting requirements**. The European Commission has proposed an omnibus bill, which is currently under review.

The keyword is "competitiveness".

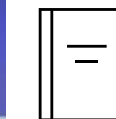
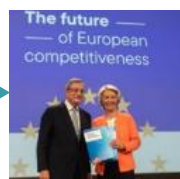


(1) **Addressing the innovation gap with the US and China**... Startup and Scale-Up Strategy, AI Utilization Strategy, etc.

(2) **Balancing decarbonization and strengthening competitiveness**... Clean Industry Deal, review of the Carbon Border Adjustment Mechanism (CBAM), industrial action plan for the automotive sector, etc.

(3) **Reducing excessive reliance on external sources and strengthening security**... Regional Security Strategy (Protect EU), White Paper on the Future of European Defense, etc.

2023  
Commission President von der Leyen asked former Italian Prime Minister and former ECB President Mario Draghi to prepare a report



September 2024  
The "Draghi Report" was published.



January 2025  
Competitiveness Compass "Draghi Report Roadmap"



February 2025  
Omnibus Proposal for Simplification of Sustainability-Related Reporting Systems



## EU Legislation

## Under Review by the Omnibus Bill (Blue text indicates draft proposals currently under consideration by the European Commission)

Carbon Border Adjustment Mechanism (CBAM)

Expanding the scope of exemptions (criterion: less than 50 tons of cumulative annual imports per importer). This reduces the scope by 90%.

Corporate Sustainability Reporting Directive (CSRD)

**Reduction of the scope of application (raising the number of employees for EU companies, raising the net turnover for non-EU companies),** and postponement of the implementation timeline (Phase 2 to 2028, Phase 3 to 2029).

Corporate Sustainability Due Diligence Directive (CSDDD)

**Reduction in the content and frequency (from annual to every five years) of due diligence (DD) to be conducted by applicable companies.** Delay in the implementation timeline for certain provisions (Phase 1 postponed to July 26, 2028, the same date as Phase 2).

# 4 | The number of projects increases, but hydrogen projects enter selection phase

- Despite growing policy uncertainty, global investment in renewable energy continues to increase steadily, centered on hydrogen, ammonia, and batteries.
- While hydrogen projects are concentrated in Europe in terms of project numbers, India, North Africa, and Latin America are gaining attention due to cost considerations and climate potential. Project implementation depends on the balance between demand and costs, securing subsidies, and technological maturity, leading to a selection phase.

## Number of Low-Emission Hydrogen Production Projects Worldwide

Numerous decarbonization-related regulations, with high expectations as a hydrogen consumer. Some projects have been canceled in Europe

Significant demand for hydrogen, including that derived from fossil fuels

Local production for local consumption is anticipated. May slow down under the Trump administration

Possesses liquefied hydrogen technology. High expectations as a hydrogen consumer

High expectations for low renewable energy costs in the Global South

As a natural resource-rich nation, it is pursuing energy transition. Some projects have been canceled.

High expectations for low-cost renewable energy. Wind power generation is thriving.



## Examples in Australia

### Cancelled projects



#### Central Queensland Hydrogen Project (CQ-H2)

A green hydrogen and ammonia production and export project led by Queensland's state-owned power company Stanwell and a consortium of Japanese and Singaporean companies.

The project had been advancing with substantial subsidies from the federal and state governments. However, following the withdrawal of participating companies and other such reasons, the state government, which had changed administration, refused to provide additional funding. The project was reported to be canceled in June 2025.

### Project led by off-takers (buyers)

#### Hunter Valley Hydrogen Hub Project (HVHH)

A green hydrogen production project in New South Wales by Origin Energy. In October 2024, the project was canceled due to both cost and technical issues. One of the off-takers, Orica (a major chemical company), had planned to replace natural gas used in nitric acid production with green hydrogen. Despite the project's cancellation, the company continues to explore the energy transition. In July 2025, the Australian government approved a 432 million Australian dollar (approximately 280 million USD or 40.8 billion yen) "Hydrogen Headstart" grant, and the company intends to proceed with its investment decisions.



(Source) (Left) IEA Hydrogen Production Project Database (October 2024)

(Right) JETRO Regional Analysis Report and company press releases

(Photo) Taken by JETRO

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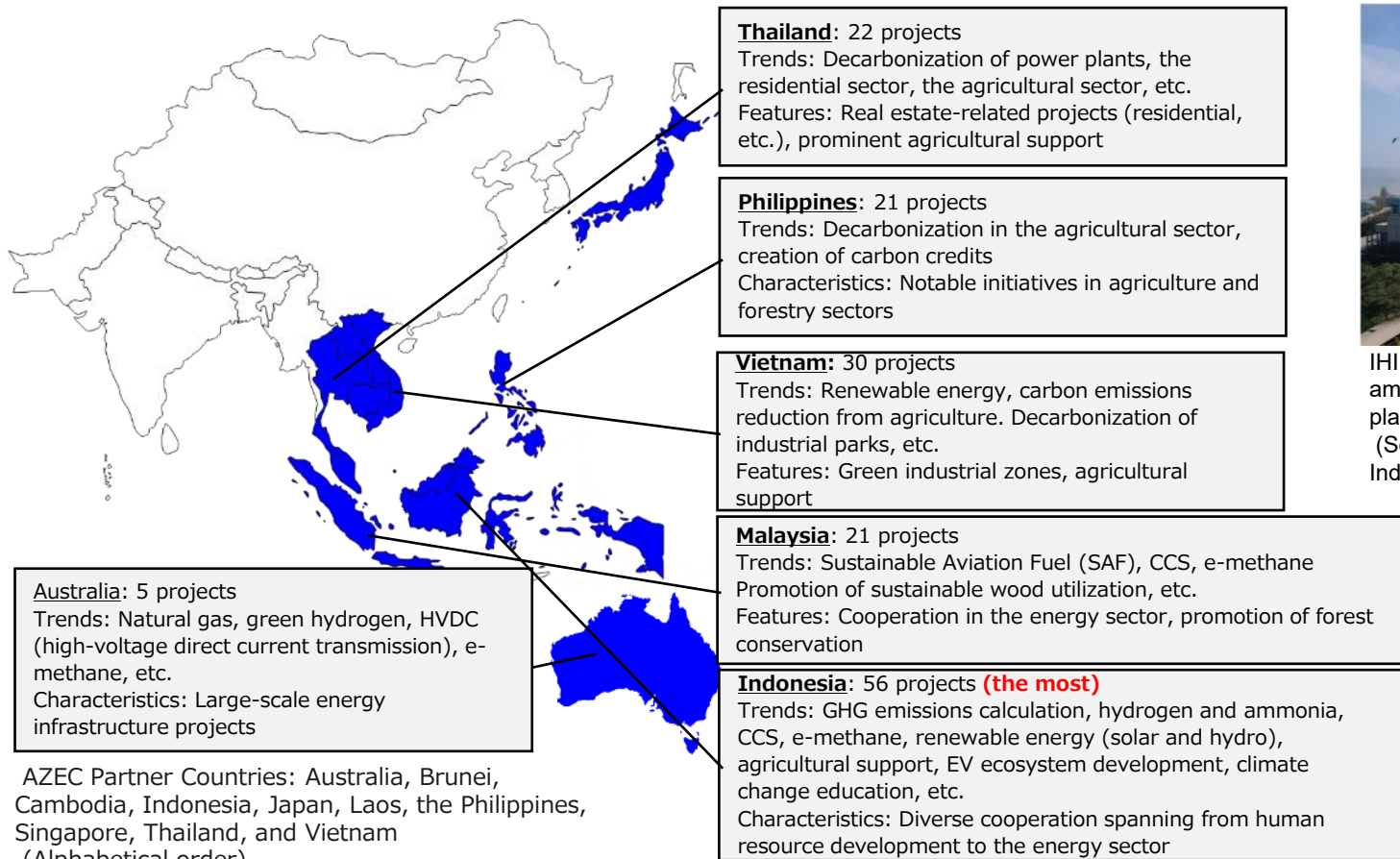
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# 5 | AZEC promotes decarbonization in Asia under Japan's Leadership.

- The Asia Zero Emission Community (AZEC), established in 2023, is now in its third year. Across the region, the estimated **funding requirement** for decarbonization is approximately **4,000 trillion** yen (around 27 trillion USD), and Japan is leading rule-making within this framework to contribute to Asia's decarbonization efforts.
- On October 11, 2024, the second AZEC Summit was held, during which an "Action Plan for the Next Decade" was adopted. Additionally, a list of 121 ongoing cooperation projects between Japanese companies/institutions and local entities was also published.

## Cooperation Project List from the 2nd AZEC Summit (Top 6 Countries)



IHI is exploring the co-firing of green ammonia at the Labuan coal-fired power plant owned by PT PLN in Indonesia (Source) Ministry of Economy, Trade and Industry (METI) documents



Second AZEC Summit Meeting (Source of charts and images) Ministry of Economy, Trade and Industry

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# 6 | From the Osaka-Kansai Expo to the world! New green technologies

- The Osaka-Kansai Expo, an international exposition returning to Osaka after more than 50 years, is showcasing a wide range of products, technologies, and cultures under the theme of "Designing Future Society for Our Lives."
- Under the concept of "Green Expo," one of the Expo's themes, new green technologies from Japan and around the world have also gathered here.

## Green Technologies from around the World on Display at the Osaka-Kansai Expo.

### Direct Air Capture (DAC)

At "RITE Future Forest," visitors can see up close Japan's largest-scale DAC device, capable of capturing **300 kilograms of CO2 per day**. DAC is one of the few negative emission technologies available.



### Perovskite Solar Cells

At the West Gate, visitors are greeted by **the world's largest** perovskite solar cells. These film-type solar cells, just 1 mm thick, are thin, lightweight, and flexible, offering endless installation possibilities.



### CO2 fixation Asphalt Paving Materials

**CO2 collected** from a "CO2-eating vending machine" **is fixed into asphalt paving material**. This initiative promotes the practical application of CO2 in everyday life.



### Germany's Circular Economy

**Germany, a pioneer in the circular economy.**

Through various exhibitions, visitors can learn about the efforts of German companies contributing to the circular economy.



### Italy's Power-Generating Kites

From Italy, startups in the renewable energy sector introduce unique power generation technologies. **These include kite-shaped generators and solar cells that fit into 20-foot containers**, aiming to contribute to power access in off-grid regions.



(Note) The Italian startup exhibition is temporary.

(Source) Based on JETRO interviews (Interview dates: June 5–6 and 9, 2025)



# Outline of JETRO World Trade and Investment Report 2025

## Chapter I: World and Japanese Economy and Trade

**Section 1: Trends in the World Economy**

**Section 2: Global Trade**

**Section 3: Current State of Japan's Economy and Trade**

[Column I] Japan's Exports of Agricultural, Fishery and Food Products

## Chapter II: Global FDI and Japan's FDI

**Section 1: Global FDI**

**Section 2: Industrial Trends in Major Countries and Regions**

**Section 3: Japan's FDI and Corporate Trends**

[Column II] Competition in the Global South: Intensifying Rivalry Between Japan and China

## Chapter III: Trends in Global Trade Rulemaking

**Section 1: Trade Policies of Major Countries and Regions**

[Column III] Controversial Method for Calculating U.S. Reciprocal Tariff Rates

**Section 2: Trends in Global Rulemaking**

**Section 3: Efforts Toward a Sustainable Society**

[Column IV] From the Osaka Expo to the World! New Green Technologies to Protect the Earth's Environment



You can find the full text, including the report available here (only in Japanese). For more information, please visit the following QR code/URL.



<https://www.jetro.go.jp/world/gtir/>

# Summary of the “JETRO World Trade and Investment Report 2025”

## I. The Global and Japanese Economy and Trade

- Global trade in 2024 increased in both value and volume. However, in 2025, uncertainty originating in the United States is likely to dampen global trade growth. Other concerns include disruptions in international transportation due to escalating tensions in the Middle East and the United States' efforts to gain control of maritime transportation.
- Starting in April 2025, U.S. imports of smartphones and notebook computers from China have sharply declined, with India and Vietnam serving as alternatives. Among China's export destinations, the share of Hong Kong, the EU, and ASEAN will expand, reflecting the spillover effects of the decline in U.S.-China trade due to additional tariffs.
- The impact of U.S. tariff measures extends beyond Japan's direct exports, broadly affecting the global supply chains of Japanese companies. New challenges include increased procurement and sales costs, intensified competition with Chinese products in markets outside the U.S., and competition for local markets and talent as Chinese companies accelerate their expansion into third countries, as well as the restructuring of supply chains within North America, including Mexico and Canada.

## II. Global and Japanese Direct Investment

- Global greenfield investment and cross-border M&A in the first half of 2025 reached record lows. Factors include deteriorating investor sentiment due to policy uncertainty and turmoil in the global economy and capital markets caused by tit-for-tat tariff hikes.
- In 2024, global greenfield investment was driven by renewable energy, communications (including data centers), semiconductor manufacturing, and electric vehicle-related manufacturing. Industrial support policies centered on subsidies served as a catalyst.
- In the five years before and after the COVID-19 pandemic, investment flows (based on announcements) between major countries and regions shifted significantly. Investment flows between the U.S., Japan, the U.K., major European countries, and China decreased significantly in both directions, and fragmentation progressed. Investment into the U.A.E. and Saudi Arabia increased sharply, by 2.7 times and 2.8 times, respectively. Competition among multinational companies intensified in emerging markets.

## III. Trends in the Development of Global Trade Rules

- The expansion of policy interventions by major countries amid rising geopolitical risks is heightening uncertainty in trade and investment, forcing Japanese companies to take various measures. Information gathering, internal education, and strengthened export control reviews are among the immediate priorities.
- The United States, which is shaking the foundations of the international trade order with its “America First” policy, and China, which is using stricter export controls as a diplomatic tool, require Japan to promote the strengthening of multilateral frameworks as a leading advocate of free trade. Cooperation with the EU, which is actively promoting cooperation with the CPTPP, and with the Global South countries, which are increasing their presence as key players in maintaining the trade order, will become more important.
- The United States has reversed the previous administration's policies, including the elimination of tax credits for clean energy. In the EU, there is a trend toward reducing the burden on companies regarding sustainability-related reporting requirements. As sustainability policies enter a new phase, global companies are exploring new strategies and countermeasures.

## JETRO Global Trade and Investment Report 2025

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[Note] The original report is available only in Japanese. Figures may not sum up to the total due to fractional units.

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