Chapter I

International investment trends

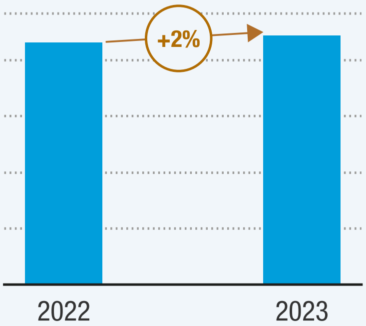
Income groups

	Developed	Developing	LDCs
FDI value	464	867	31
Growth rates			
FDI	+9%	-7%	+17%
Greenfield projects (mostly industry)	-6%	+15%	+51%
International project finance (mostly infrastructure)	-21%	-26%	-32%

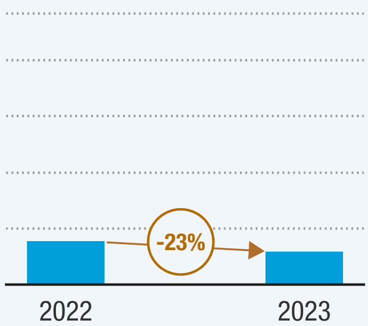
Regions

	FDI value (Billions of dollars)	**Growth rates** FDI	Greenfield projects	International project finance
Europe	16	..	-8%	-25%
North America	361	-5%	0	-6%
Africa	53	-3%	+7%	-26%
Developing Asia	621	-8	+22%	-25%
Latin America and the Caribbean	193	-1%	-4%	-30%

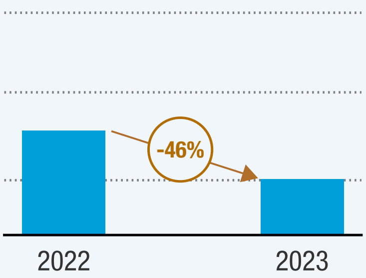
Greenfield projects
(Number)



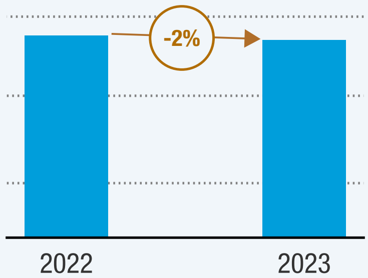
International project finance
(Number)



Cross-border M&As
(Value)



FDI
(Value)



Industries
(Project numbers)

Infrastructure	0%
GVC-intensive industries	+27%
Semiconductors	-1%
Digital economy	-46%
Extractives	-9%

SDG sectors
(Developing economies, project numbers)

Infrastructure	+8%
Renewable energy	-5%
WASH	-17%
Agrifood systems	+13%
Health and education	+6%

A. Foreign direct investment

Global foreign direct investment (FDI) flows declined in 2023. Investor uncertainty about the state of the economy and the potential impact of economic fracturing trends affected flows in both developed and developing economies. Tighter financial conditions depressed international project finance deals and cross-border mergers and acquisitions (M&As). Greenfield project announcements increased, potentially signalling better prospects going forward. Combining these trends with stabilizing costs of finance makes expectations for 2024 moderately positive.

1. Global trends

FDI flows in 2023 amounted to $1.33 trillion, 2 per cent less than in 2022. The headline number was affected by wild swings in a small number of European conduit economies. Excluding the effect of these conduits, global inflows declined by more than 10 per cent.

FDI inflows to developing economies, which have been robust over the past few years, declined by 7 per cent in 2023. Flows to developed economies, net of conduits, fell by 15 per cent. They were affected by corporate financial reconfigurations – driven in part by moves to introduce a global minimum tax for large multinational enterprises (MNEs) – and by a big drop in the value of cross-border M&As.

M&As, which especially affect FDI in developed countries, ended 2023 at just over half the value seen in 2022. International project finance was also weak, with both the number and the value of deals down by about a quarter. Tighter financing conditions, investor uncertainty, volatility in financial markets and – for M&As – greater regulatory scrutiny were the principal causes of the decline.

Conversely, greenfield project announcements increased marginally, in both number and value terms. The growth was largely due to increased announcements in manufacturing industries, in a break with a decade-long trend of gradual decline in the sector. Manufacturing project announcements by Chinese firms were a big contributing factor. The gains in greenfield investment occurred only in developing countries, where the number of projects announced was up by 15 per cent (table I.1). In developed countries, in contrast, new project announcements were down 6 per cent.

Diverging movements in greenfield projects and international project finance deals reflect the different drivers of investment in international production and industry (greenfield), on the one hand, and infrastructure industries (project finance) on the other. They also reflect the sensitivity of different investor pools to current financial conditions. MNEs have realized large profits over the past few years (figure I.1), boosting their capacity to finance asset expansions, which also explains the rising greenfield numbers. Project finance is

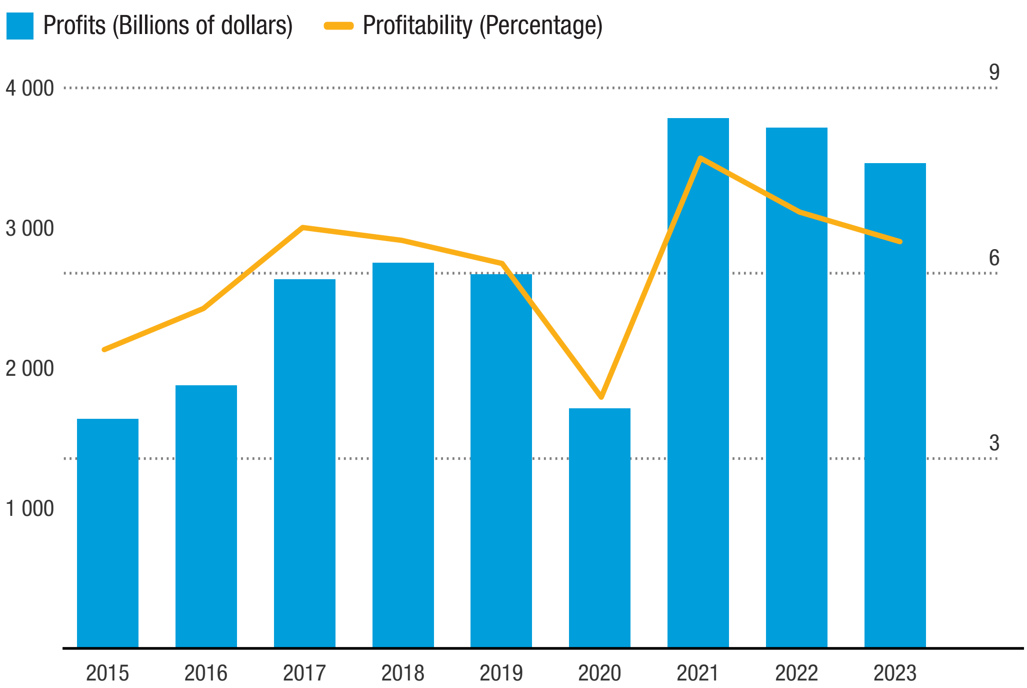
Table I.1
Announced greenfield projects, international project finance deals and cross-border M&As

Economic grouping	Type of investment	Value (Billions of dollars) 2022	Value (Billions of dollars) 2023	Growth (%)	Number 2022	Number 2023	Growth (%)
Developed economies	Greenfield projects	687	631	-8	11 112	10 435	-6
	International project finance	728	562	-23	1 720	1 357	-21
	Cross-border M&As	599	302	-50	6 710	5 862	-13
Developing economies	Greenfield projects	622	749	20	6 949	8 007	15
	International project finance	573	396	-31	1 138	839	-26
	Cross-border M&As	107	76	-29	1 053	855	-19

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

Abbreviations: M&As = mergers and acquisitions.

Figure I.1
The profits of the largest multinational enterprises remain high
Profits and profitability level of the largest firms



Source: UNCTAD, based on data from Refinitiv.

Notes: Covers 4,388 MNEs for which data were available for every year in the range. Profitability calculated as the ratio of net income to total sales.

more dependent on institutional investors and on debt financing, both of which are more sensitive to capital costs and financial market trends. Higher interest rates may also lead governments to delay large projects as they wait for more favourable terms.

The global environment for international business and cross-border investment remains challenging in 2024. Economic growth is expected to slow (table I.2). Global economic fracturing trends, trade and geopolitical tensions, industrial policies affecting strategic and manufacturing sectors, and moves by corporates to diversify supply chains are reshaping international production and FDI patterns. These trends are causing some MNEs to adopt a cautious approach to overseas expansion.

Nevertheless, profit levels of the largest MNEs remain high, which will continue to be reflected in reinvested earnings – a significant component of FDI. Furthermore, financing conditions are easing after a period of high interest rates, which could support renewed growth of international project finance. The market for M&As is expected to recover, although cross-border transactions may take longer to react. The growth in greenfield project announcements in 2023 will also affect FDI flows as projects are realized over time. Overall, although early indicators for the first quarter of 2024 are still weak, modest growth for the full year appears possible.

Table I.2

Growth rates of global gross domestic product, gross fixed capital formation, trade and foreign direct investment
(Percentage)

Variable	2021	2022	2023	2024[a]
Gross domestic product	6.2	3.0	2.7	2.6
Trade in goods	10.0	3.8	-0.6	2.0
Gross fixed capital formation	7.4	-2.9	1.3	2.8
Foreign direct investment	64.7	-16.4	-1.8	
Memorandum:				
Foreign direct investment value (Trillions of dollars)	1.6	1.4	1.3	

Sources: UNCTAD for foreign direct investment, gross domestic product and trade, and IMF for gross fixed capital formation.

[a] Forecast.

2. Trends by geography

a. FDI inflows

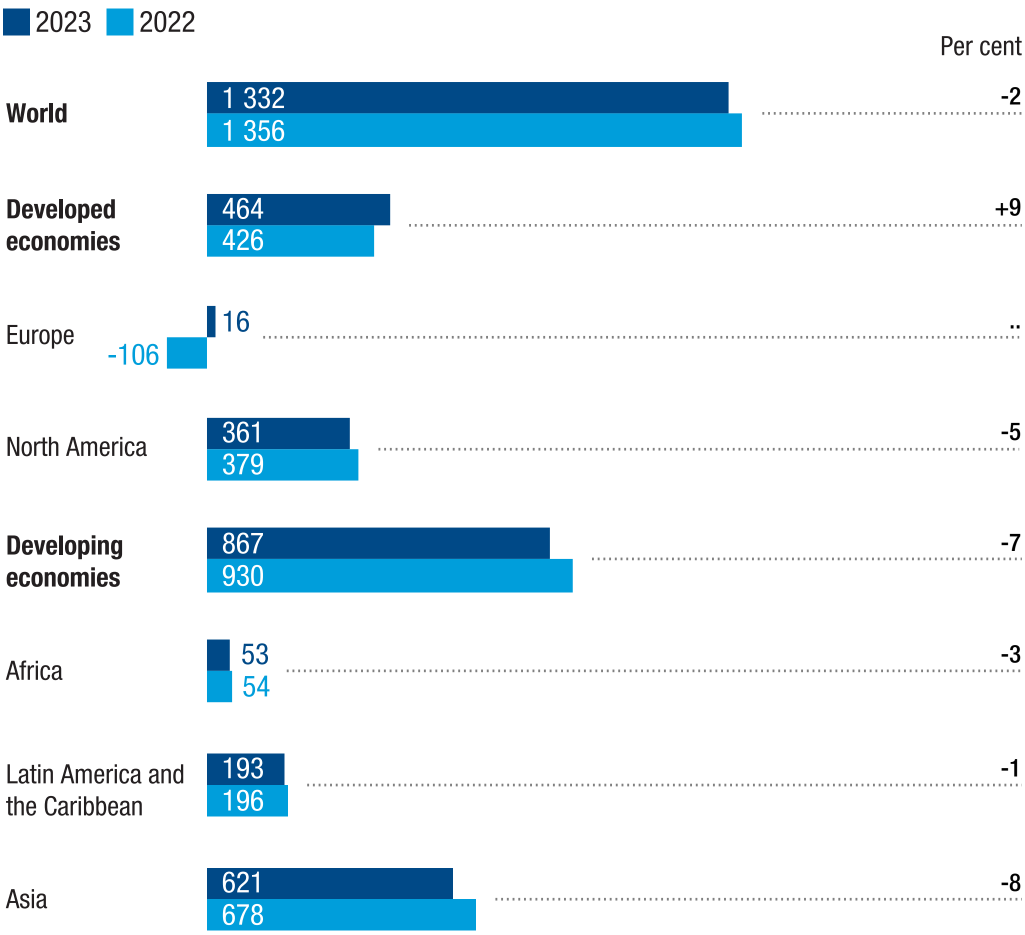
In developed economies, financial transactions by MNEs led to volatility in FDI. Including the effect of conduit flows, the headline number for FDI inflows shows an increase of 9 per cent (net of conduits, FDI declined by 15 per cent) (figure I.2).

Developed countries accounted for 35 per cent of global FDI flows. Their share has been in gradual decline. The first time that they registered less than half of global flows was as recent as 2019. Nevertheless, developed economies still attract the majority of greenfield projects and international project finance deals.

Figure I.2

Foreign direct investment declined in most regions

Inflows by economic grouping and region
(Billions of dollars and percentage change)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Inflows to Europe shifted dramatically, from -$106 billion in 2022 to $16 billion in 2023. Several economies, including Ireland, Luxembourg, the Netherlands, Switzerland and the United Kingdom of Great Britain and Northern Ireland, reported large negative numbers when the 2022 and 2023 inflows are taken into consideration together. Lower negative flows in 2023 had a net positive effect on FDI flows of about $180 billion. Excluding these countries, inflows to the rest of Europe declined by 14 per cent.

FDI inflows to North America fell, as did those to most other developed countries. All developed regions experienced a sharp downturn in M&A activity, with the value of cross-border M&As dropping by $300 billion in 2023. The number of greenfield project announcements decreased by 6 per cent in developed economies and the number of project finance deals fell by 21 per cent (table I.3).

FDI flows to developing economies decreased by 7 per cent, to $867 billion, or 65 per cent of global flows. Developing Asia, the largest FDI recipient, experienced an 8 per cent decline in inflows, driving the overall result. Inflows to Africa dropped by 3 per cent, while in Latin America and the Caribbean they remained flat.

In contrast, inflows to least developed countries (LDCs) increased; their share in global FDI grew from 2 to 2.4 per cent.

Greenfield investment in developing countries was a bright spot in 2023, with the number of announcements increasing by 15 per cent and values climbing by 20 per cent. This partially offset declines in international project finance deals, which fell by 26 per cent in number and 31 per cent in value.

The overall number of greenfield projects increased by 2 per cent (table I.3). Among developed regions, the number of greenfield projects held only in North America, which was less affected by the downturn in project finance deals as well. In other developed regions, greenfield project numbers were lower. In contrast, almost all developing regions saw growth in greenfield projects.

Table I.3

Number of announced greenfield projects and international project finance deals, by economic grouping and region

(Number and percentage)

	Announced greenfield projects				International project finance deals			
Region/economic grouping	2021	2022	2023	Growth, 2022–2023 (%)	2021	2022	2023	Growth, 2022–2023 (%)
World	15 514	18 061	18 442	2	2 500	2 858	2 196	-23
Developed economies	10 438	11 112	10 435	-6	1 496	1 720	1 357	-21
Europe	7 545	7 676	7 041	-8	899	1 121	840	-25
European Union	5 913	5 990	5 419	-10	637	833	671	-19
Other Europe	1 632	1 686	1 622	-4	262	288	169	-41
North America	2 084	2 491	2 499	0	372	398	376	-6
Other developed countries	809	945	895	-5	225	201	141	-30
Developing economies	5 076	6 949	8 007	15	1 004	1 138	839	-26
Africa	558	775	830	7	138	178	132	-26
Asia	3 275	4 749	5 798	22	489	624	469	-25
Central Asia	53	49	158	222	24	19	18	-5
East Asia	713	597	703	18	90	95	42	-56
South-East Asia	861	1 103	1 568	42	157	237	135	-43
South Asia	512	1 093	1 167	7	150	223	180	-19
West Asia	1 136	1 907	2 202	15	68	50	94	88
Latin America and the Caribbean	1 241	1 417	1 366	-4	370	334	235	-30
Oceania	2	8	13	63	7	2	3	50

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

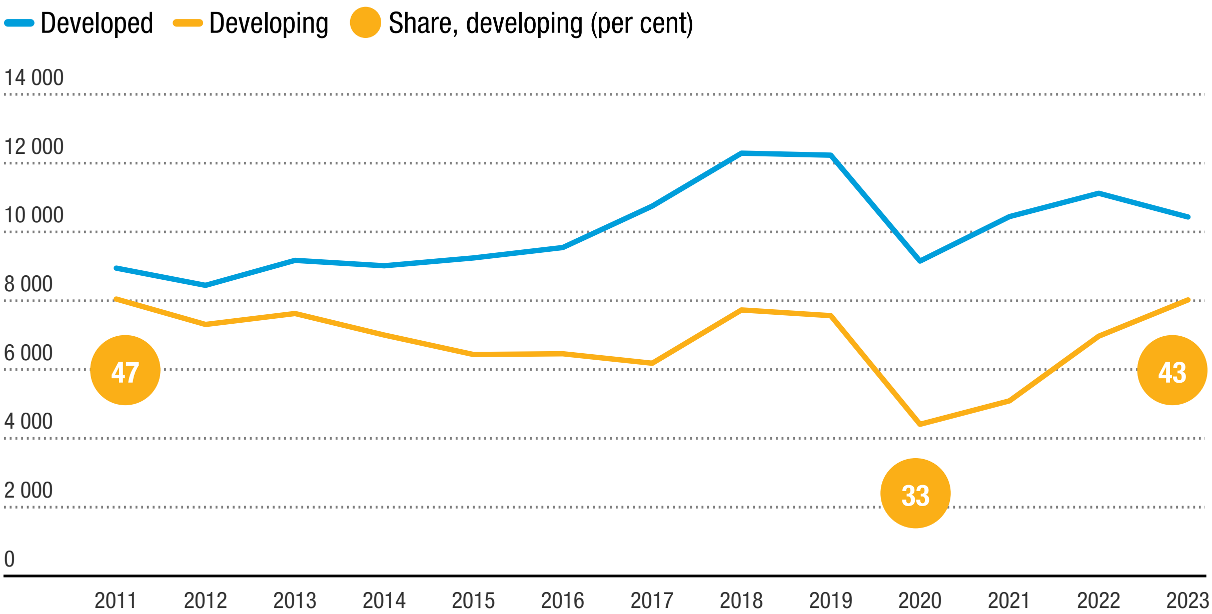
The recent pickup in greenfield announcements in developing countries follows a long period of sluggishness and signals a potential recovery (figure I.3). Developing countries accounted for almost half of all announcements at the start of the last decade, but their share had gradually fallen to one third by 2020. However, developing regions have regained momentum over the past few years and the number of projects has grown rapidly following the pandemic, almost doubling from their recent nadir. Developing countries now account for 43 per cent of greenfield project announcements.

FDI inflows declined for most reporting economies. About two thirds of developed economies saw declines and about half of developing ones. The United States of America remained the largest FDI recipient, accounting for almost a quarter of the global total (figure I.4). China and Hong Kong, China account for a further 21 per cent. Among the top 20 host economies, the largest absolute drops were registered in France, Australia, China, the United States and India, in that order. Only Singapore registered a significant gain. The United States was the top destination for both greenfield projects and international project finance deals. India and the United Kingdom also appear in the top five destinations for both kinds of FDI. The United Arab Emirates gained two places in the ranking of top destinations for greenfield projects, after entering the top five in 2022.

Figure I.3

Greenfield projects in developing economies are regaining lost ground

Announcements by economic grouping
(Number and percentage)

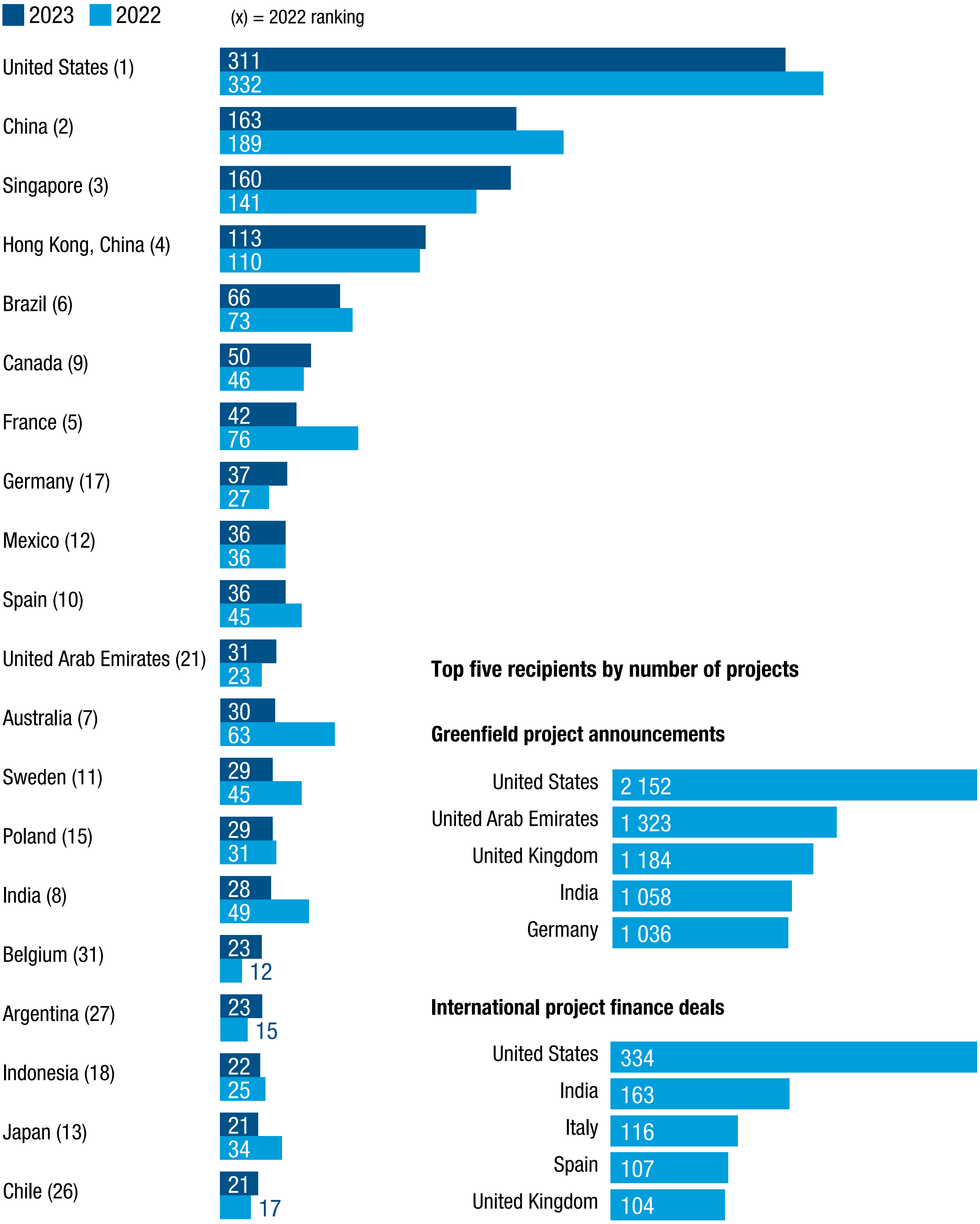


Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com).

Figure I.4

Inflows declined in more than half of the top 20 recipients

Foreign direct investment inflows, top 20 host economies
(Billions of dollars)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) and based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

i. Developed economies

FDI flows to developed countries increased by 9 per cent in 2023, to $464 billion. However, large fluctuations and negative FDI realizations in several European countries with significant conduit FDI flows over the past two years complicate the picture (figure I.5). Moves to implement a minimum tax on large MNEs in 2024 coincided with a wave of corporate financial restructurings and divestments. Net of the effect of conduit flows, FDI in developed countries was down by about 15 per cent.

In the United States, FDI inflows declined by 6 per cent to $311 billion, with a sharp reduction in cross-border M&As, which fell by 40 per cent to $81 billion – half of the average over the past 10 years. Lower deal values in the information and communication technology (ICT) sector explained much of the decline.

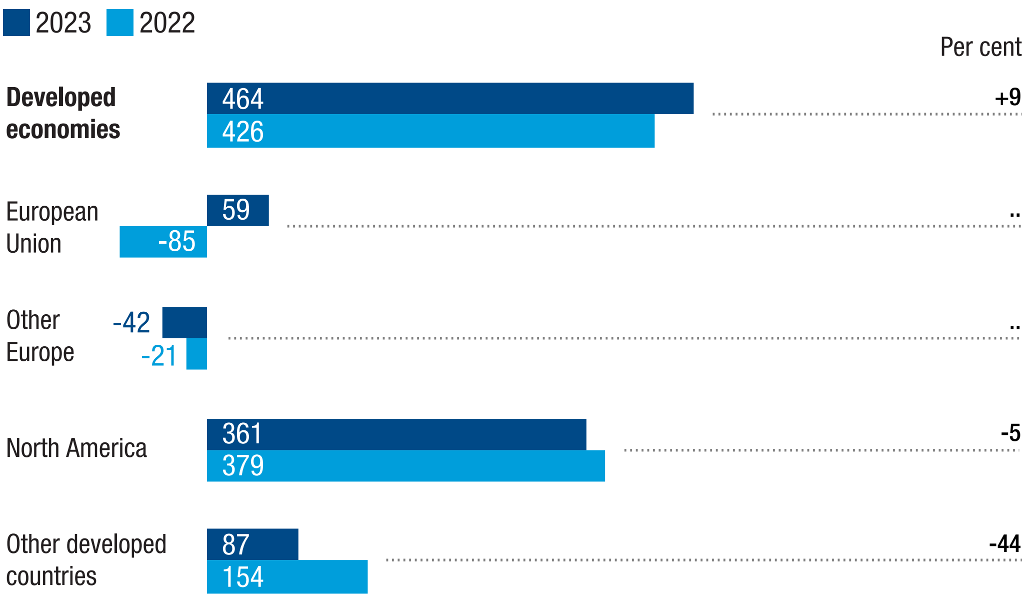
FDI in Canada increased by 9 per cent to $50 billion, but FDI in other developed countries, including Australia, Japan and the Republic of Korea, dropped sharply.

In 2023, the value of M&A sales in developed countries declined by 50 per cent to $302 billion. Most transactions were concentrated in a small group of countries. Almost half of the M&A targets were based in the United States and the United Kingdom. Germany, Canada, Switzerland and France accounted for an additional 30 per cent of deal values. Among the top 10 cross-border M&A transactions, 6 involved acquisitions by investor groups, either with the intent to list companies publicly through special-purpose acquisition company (SPAC) transactions or as part of private equity deals. The financial nature of these deals illustrates the importance that financing conditions have for cross-border M&A trends.

Figure I.5

Foreign direct investment inflows turned negative in parts of Europe due to financial restructurings

Inflows to developed economies
(Billions of dollars and percentage change)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

The value of greenfield announcements in developed economies fell by 8 per cent. Notably, after a period of very high investment, ICT saw a significant drop in project numbers. Conversely, project numbers in most other sectors increased, particularly in energy and gas supply, which rose by more than half. The largest greenfield projects are illustrative of major trends in international investment. Five projects of the top ten relate to semiconductor and electronics production, reflecting efforts to diversify or de-risk supply chains and to promote domestic production; firms based in Taiwan Province of China were the main investors in three of these projects. Four projects pertained to renewable energy, three of them in battery production. Canada and Japan emerged as top destinations for the largest projects, accounting for 5 of the 10 largest.

The downturn in international project finance deals was widespread across most developed economies and industries. However, about 80 per cent of the total drop in deal values was attributed to just three sectors: industrial real estate, power and telecommunication. Renewable energy, typically the largest sector, registered a small gain of 2 per cent, with deal values reaching nearly $250 billion out of a total of $562 billion. The 10 largest international project finance deals in developed economies accounted for more than 20 per cent of the total value of all deals. Most of these were in the energy sector, which is capital-intensive. The top three deals related to renewable energy production, but deals for oil and gas projects were also significant, constituting another 3 of the top 10. Australia emerged as the second largest destination for project finance deals, by value, after the United States.

ii. Developing economies

FDI inflows to developing economies decreased by 7 per cent in 2023, mainly owing to a rare downturn in Asia. Despite this decline, FDI remained the leading source of external financing for developing economies, accounting for 44 per cent of total financial inflows in 2023, with remittances, development assistance and portfolio investment flows making up the rest.

Although the number and value of announced greenfield projects increased, these gains were offset by a sharp drop in project finance deals, with their value falling by almost $200 billion compared with 2022. Cross-border M&A sales typically represent a much smaller share of FDI in developing countries than in developed ones. Still, the value of M&A sales in developing economies in 2023 dropped by $31 billion (to $76 billion), which explains about half of the overall decline in FDI inflows. Despite the drop, several large transactions took place. The largest M&A sale in 2023 was a $23 billion stock swap between a Vietnamese electric vehicle maker and a United States-based SPAC. Singapore also registered several multibillion-dollar M&A sales, including SPAC transactions.

Most of the growth in greenfield projects in developing economies was in manufacturing, in terms of both project values and numbers. Over the past two decades, project numbers in the manufacturing sector have gradually declined and the services sector has become more prominent. The increase in 2023 was a welcome break in the trend, given the importance of manufacturing projects for economic growth, industrial development and the participation of developing countries in global value chains (GVCs). In particular, the automotive sector registered strong growth. Notable projects included a $10 billion expansion of Malaysian automaker Proton (foreign owned in part by Geely (China)), a $9 billion joint venture to establish a battery supply chain in Indonesia and a $6.4 billion electric vehicle production facility in Morocco. While most investment was in Asia, the value and number of manufacturing project announcements in Africa and in Latin America and the Caribbean also grew.

Regional trends and factsheets on developing regions available online

The downturn in international project finance deals was widespread across most regions and industries. Renewable energy projects continued to account for a large share of deals in developing economies, comprising almost 45 per cent of all projects announced. Still, as in developed economies, there was a notable decline in such deals in developing economies, with a 24 per cent drop in the number and a 31 per cent drop in value. The downturn also affected megaprojects. In 2022, five renewable energy projects valued at more than $5 billion were announced; in 2023, there were no deals of this magnitude.

(a) Africa

FDI inflows to Africa declined by 3 per cent in 2023, to $53 billion (figure I.6). The number and value of project finance deals fell, while outcomes for greenfield announcements were mixed across countries. Cross-border M&A sales, which accounted for about 15 per cent of FDI inflows to Africa in recent years, remained flat at $8.5 billion. European investors remain the largest holders of FDI stock in Africa, holding three of the top four spots (the Netherlands at $109 billion, France at $58 billion, the United States at $46 billion and the United Kingdom at $46 billion).

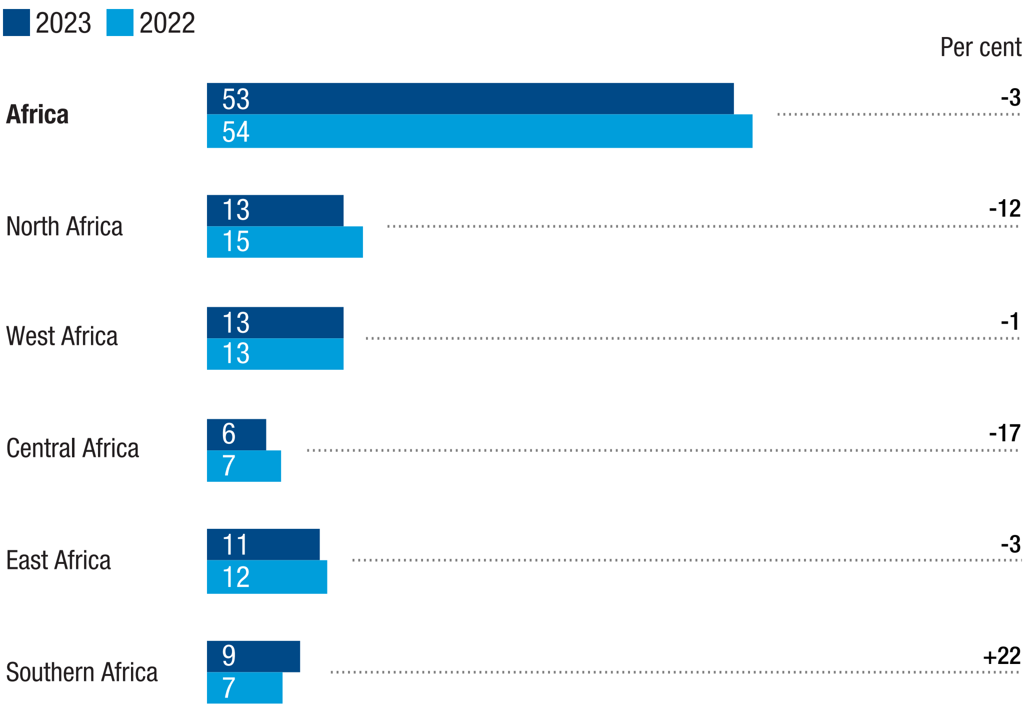
The value of greenfield projects announced in Africa fell to $175 billion, from $196 billion in 2022. However, most countries registered increases in project numbers, with the overall number of project announcements in the region rising by 7 per cent to more than 800. If executed, these projects could generate an additional 200,000 jobs in the region. The largest year-to-year increases in project value were in chemicals (to $13 billion) and electronics (to $7.6 billion), while

Figure I.6

Foreign direct investment to most regions in Africa declined

Inflows to Africa

(Billions of dollars and percentage change)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

project values for electricity and gas supply projects dropped by $33 billion compared with 2022. This drop alone explains much of the overall decline in greenfield values.

The region attracts a growing share of global megaprojects, with six valued at more than $5 billion. The largest greenfield announcement for any country in 2023 was a green hydrogen project in Mauritania, expected to generate $34 billion in investment (several multiples of the country's gross domestic product). Several other large hydrogen projects were also announced: The Suez Canal Economic Zone completed agreements for green ammonia and green hydrogen projects in Egypt totalling $10.8 billion. Three energy producers separately announced green hydrogen projects in South Africa totalling $7.1 billion, and there was substantial investment in Morocco as well. Value chains for electric vehicles have also prompted investment in Africa. Among the largest deals, a Chinese manufacturer announced plans to establish a $6.4 billion electric vehicle battery manufacturing facility in Morocco.

The estimated value of international project finance deals in Africa declined by 50 per cent in 2023, to $64 billion, following a 20 per cent drop in 2022. Industries related to renewable energy and power generation registered large drops in both values and numbers. However, momentum continued in some parts of the sector. Along with the green energy projects mentioned earlier, an investor group announced a deal for green hydrogen production totalling $4 billion in Egypt, and another group is planning a $2 billion hydrogen project in Morocco. Africa also attracted $10.8 billion in project finance for wind and solar electricity production, with the largest projects located in Egypt, South Africa and Zimbabwe.

The African Continental Free Trade Agreement (AfCFTA) Investment Protocol adopted in 2023 is expected to contribute to growing intraregional FDI. The share of intraregional projects, though still relatively low, is higher in services and selected manufacturing industries (with 20 per cent of projects by investors from Africa) than in resource-based processing industries (with only 13 per cent of projects originating from the region). This indicates the pool of investors undertaking projects within the region is large for some sectors. Also, there is an opportunity to expand intraregional investment in processing industries as part of the general drive to increase value addition.

(b) Developing Asia

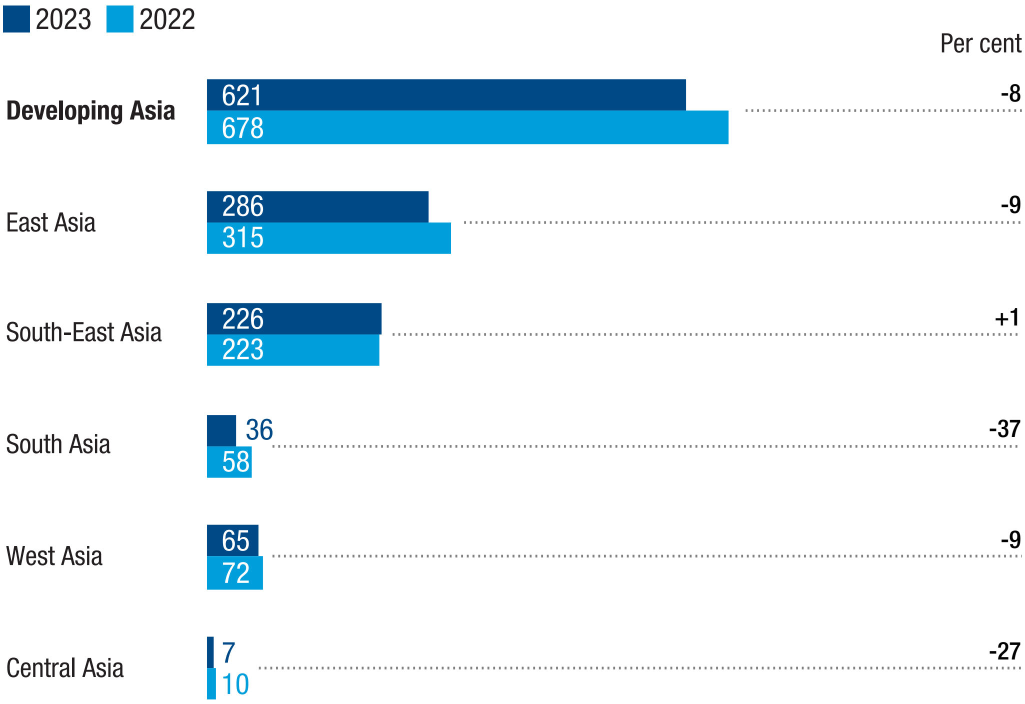
FDI flows to developing Asia receded in 2023 but remained elevated, at $621 billion (figure I.7). The region was by far the largest recipient of FDI, accounting for nearly one half of global inflows. East and South-East Asia were the main recipients. Flows declined in East Asia, with a significant drop in China breaking a decade-long growth trend. In South-East Asia, inflows remained stable as a result of robust economic growth and extensive GVC linkages. The decline in flows to West Asia was moderate, whereas South and Central Asia registered sizeable declines, especially in India and Kazakhstan. M&A sales, which usually constitute 10 to 15 per cent of FDI in developing Asia, declined by almost $30 billion in 2023 to $57 billion, representing about half of the total drop in FDI inflows to the region.

The overall value and the number of greenfield project announcements in developing Asia increased significantly in 2023, by 44 per cent and 22 per cent, respectively. South-East Asia saw a 42 per cent increase in announcements, particularly in electronics and vehicle production. Projects in these sectors are expected to create nearly 145,000 jobs in the region (out of an estimated 1.4 million jobs expected to be created in developing Asia as a whole). Asia continued to attract megaprojects, with 6 of the 10 largest projects worldwide located in developing Asia, including 4 in South-East Asia. Indonesia was a top destination for announced greenfield projects by value. Notable projects included upstream investments

Figure I.7

Foreign direct investment inflows declined across most of Asia

Inflows to developing Asia
(Billions of dollars and percentage change)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

by Chinese glass and solar manufacturer Xinyi Group totalling $11 billion. In addition, a consortium of European and Indonesian companies is developing a $9 billion battery supply chain for electric vehicles.

The number of international project finance deals in developing Asia declined by 25 per cent. West Asia was the only exception; total deals there increased to 94 in 2023 from 50 in 2022, with values growing by 32 per cent to $57 billion. Saudi Arabia, Türkiye and the United Arab Emirates all saw higher numbers of deals. Elsewhere in Asia, most countries registered lower numbers. An important trend in the region as a whole was the decline in international project finance in renewable energy (along with most industrial sectors) and the increase in petrochemicals.

(c) Latin America and the Caribbean

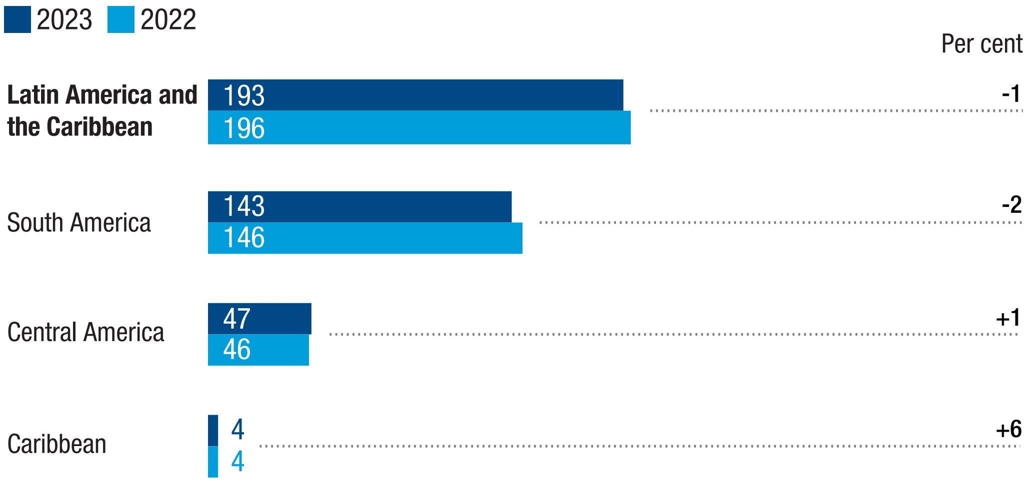
In 2023, FDI in Latin America and the Caribbean remained stable, totalling $193 billion (figure I.8). There was considerable heterogeneity across countries. In South America, FDI in Argentina, Chile and Guyana accelerated. This offset lower values in Brazil and Peru. Brazil remains the largest recipient in South America. In Central America, Mexico accounted for the bulk of foreign investment, with stable FDI inflows. In the Caribbean, the Dominican Republic continued its growth trend, with inflows rising 7 per cent year on year. M&A sales, which typically account for only a small share of FDI in Latin America and the Caribbean, declined by $4 billion in 2023, to $11 billion.

The number of announced greenfield projects decreased by 4 per cent in 2023, and the number of project finance deals dropped by 30 per cent. However, the estimated value of announced greenfield projects increased, primarily driven by large projects in Brazil and Chile. Demand for commodities and critical minerals

Figure I.8

Foreign direct investment to Latin America and the Caribbean remained stable

Inflows to Latin America and the Caribbean
(Billions of dollars and percentage change)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

continues to drive a large share of greenfield investment in the region. The primary sector accounted for 23 per cent of project values over the past two years, compared with less than 10 per cent in other developing regions. Investment in these industries can be sensitive to swings in commodity prices. Investment in renewable energy was prominent, with 4 of the top 10 announced projects (by value) in production of green hydrogen or green ammonia. Overall, greenfield projects are expected to create more than 300,000 jobs in the region. Most large projects are undertaken by investors from outside the region. Only 2 of 19 megaprojects valued at more than $1 billion were undertaken by MNEs based in the region.

The global slowdown in international project finance deals affected most subregions and countries in Latin America and the Caribbean. Among major FDI recipients, only Chile posted higher project numbers than in 2022. The downturn affected several industries, with renewable energy among the worst affected: there were 40 per cent fewer deals and a $16 billion drop in the value of announced projects in renewables compared with 2022.

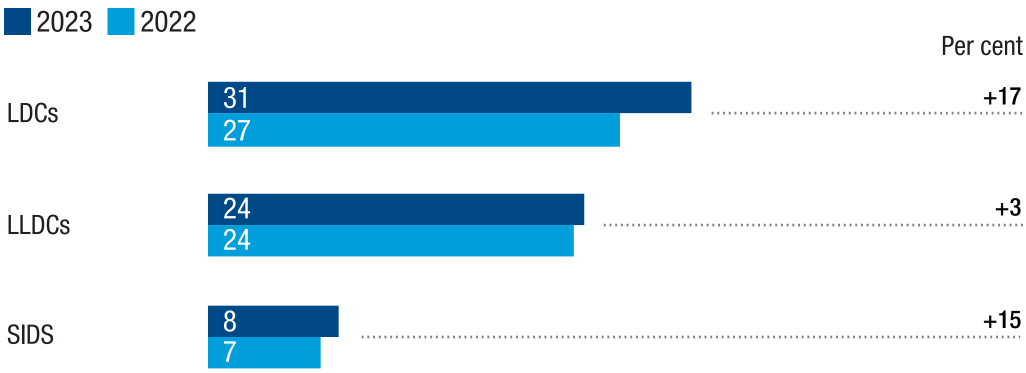
(d) Structurally weak, vulnerable and small economies

While FDI to middle-income developing countries has been robust, low-income countries and vulnerable groups receive a comparatively small share of global FDI inflows. They face pressing infrastructure needs, so mobilizing external investors could help these countries make faster progress towards achieving the Sustainable Development Goals. In 2023, FDI inflows to LDCs increased to $31 billion, or 2.4 per cent of global FDI flows (figure I.9). Comparing that with the LDC share in the world population of 14 per cent implies large disparities in per capita terms. The same is true of landlocked developing countries (LLDCs), which accounted for 7 per cent of the global population but only 1.8 per cent of FDI.

Figure I.9

Inflows in structurally weak, vulnerable and small economies increased

Inflows to least developed countries, landlocked developing countries and small island developing States
(Billions of dollars and percentage change)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Abbreviations: LDCs = least developed countries, LLDCs = landlocked developed countries, SIDS = small island developing States.

Although project finance deals are a small share of all FDI, the typical project financed is large. An analysis comparing the relative contribution of greenfield projects, M&As and project finance deals to total announcement values over the past 10 years shows that LDCs and LLDCs are relatively more dependent on international project finance than are other developing economies, in terms of both numbers and values. For this reason, they are more exposed to the recent downturn in project finance deals.

(e) Least developed countries

FDI to the 45 LDCs increased 17 per cent in 2023, to $31 billion. Flows remained concentrated, with the top five recipients (Cambodia, Ethiopia, Bangladesh, Uganda and Senegal, in that order) accounting for about 50 per cent of the total. The growth of FDI in LDCs has lagged that of other sources of external finance over the last decade, and the shares of official development assistance and remittances are significantly higher than in developing economies overall (figure I.10). Nonetheless, FDI is an important source of finance for LDCs, as it is often more directly targeted to productive capacity creation, infrastructure assets and economic activities that can support industrial transformation and greater participation in GVCs.

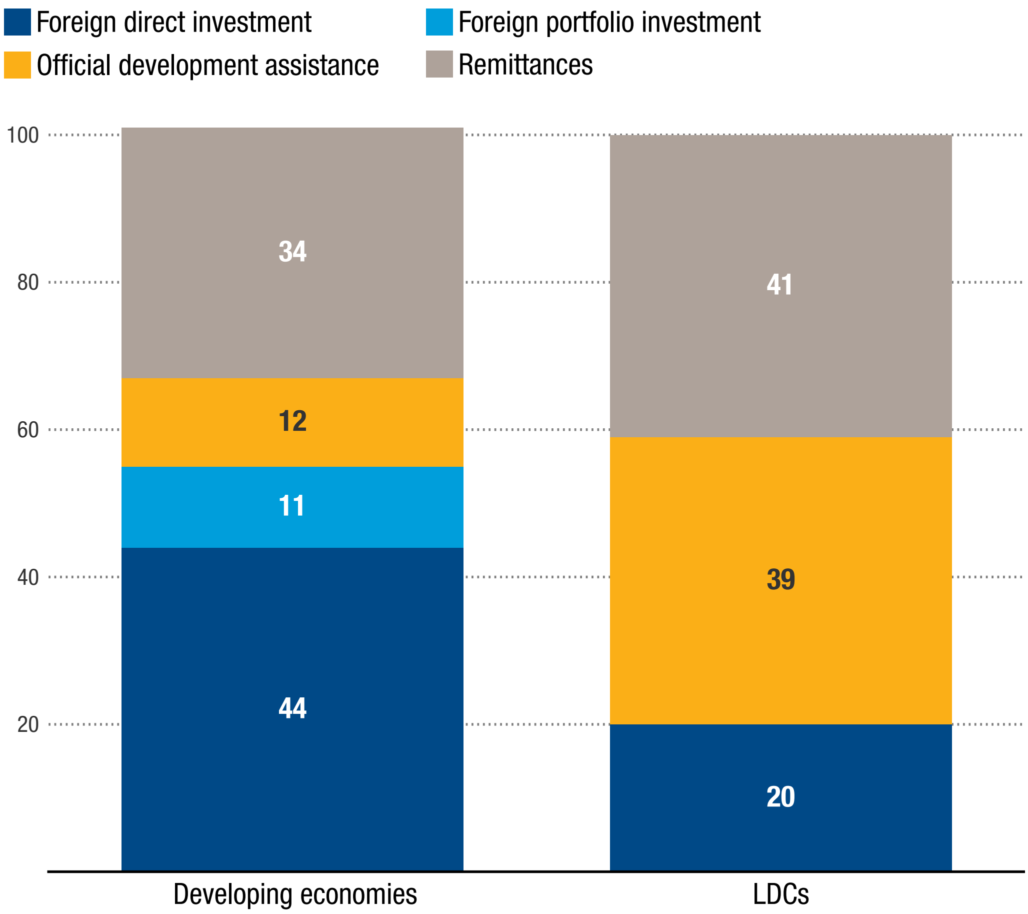
The number and value of greenfield project announcements in LDCs increased substantially in 2023 (by 51 per cent and almost 300 per cent, respectively). A large part of the jump in values is explained by the $34 billion green hydrogen project in Mauritania. Excluding this outlier, announced greenfield project values rose by 51 per cent, to $42 billion. As with FDI, just a few countries explain the bulk of greenfield project announcements and expenditures. Guinea, the Democratic Republic of the Congo, Ethiopia, Mozambique and Bangladesh (in that order) were the leading destinations in terms of project values. Combined, these countries accounted for about 60 per cent of the total project values for LDCs in 2023 (excluding the outlier deal in Mauritania).

The primary sector has accounted for about one fourth of greenfield project values in LDCs over recent years. For developing countries overall, its share is

Figure I.10

The composition of financial flows to least developed countries differs from that of flows to other developing economies

Shares across categories of external financial flows, 2023
(Percentage)



Sources: UNCTAD FDI/MNE database (www.unctad.org/fdistatistics), IMF balance-of-payments statistics, World Bank KNOMAD (Global Knowledge Partnership on Migration and Development) database and OECD.

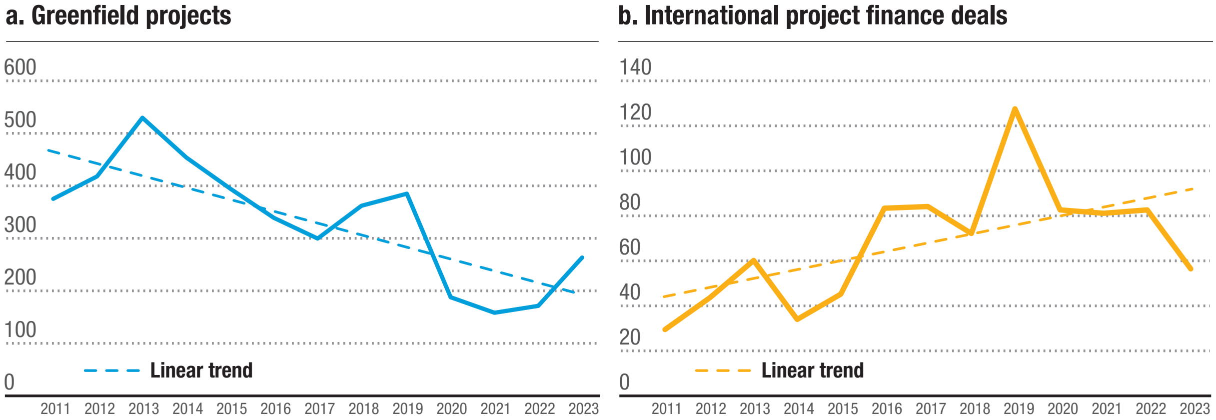
only about 10 per cent. This highlights that LDCs are significantly exposed to global commodity cycles, not only for trade but also for investment.

International project finance deals in LDCs fell by 24 per cent in value and 32 per cent in number in 2023. The lack of project financing for sectors relevant to the Sustainable Development Goals was particularly acute, with a total of just $14 billion – a significant drop compared with previous years. Over the past decade, the number of project finance deals has gradually increased, while the number of announced greenfield projects has declined (figure I.11). Some 32 per cent of international investment projects in LDCs were initiated using project finance in 2022, compared with less than 15 per cent in other developing countries. As a consequence, although the 2023 downturn in project finance affected all countries, LDCs were among the worst affected.

Figure I.11

International project finance deals have become relatively more important in least developed countries

Types of international investment in least developed countries
(Number)



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

(f) Landlocked developing countries

FDI inflows to the 32 landlocked developing countries (LLDCs) rose by 3 per cent in 2023, to $24 billion. Flows remained concentrated in a few economies, with the top five recipients (Ethiopia, Kazakhstan, Uganda, Mongolia and Uzbekistan, in that order) accounting for about 55 per cent of total FDI to the group. A large share of FDI to LLDCs originates from just a few investor countries. China was the home country of the largest investors by far in 2022, at about $20 billion (with $7 billion of FDI stock in Kazakhstan alone); it was followed by Thailand, Canada and the Netherlands.

The increase in announced greenfield project values was most pronounced in manufacturing, where the total jumped by $20 billion, in large part because of a single $7.7 billion project announced for a polyethylene production project in Kazakhstan. Overall, the gains in greenfield announcements for LLDCs outweighed the downturn in international project finance deals. Kazakhstan and Uzbekistan were the top destinations for greenfield projects in 2023, receiving together a large share of the total value (53 per cent) and number (40 per cent). In addition to the polyethylene production project, Kazakhstan entered into a power purchase agreement with TotalEnergies (France) for a $1.4 billion onshore wind farm and battery energy storage system. The Uzbekistan Government awarded contracts for several solar projects, which are expected to generate $4 billion in investment.

The global downturn in the number and value of international project finance deals affected LLDCs. Overall, the number of such deals declined by 33 per cent and values were 13 per cent lower than in 2022. There were a few exceptions. Activity picked up in Latin America, mainly in the Plurinational State of Bolivia with a string of deals for lithium extraction and processing that totalled $3.7 billion. In addition, the value of deals in renewables increased by 24 per cent to $15 billion, with projects in Kazakhstan and Uzbekistan accounting for about half of the total. The largest projects in Africa were in copper mining, with a $2 billion expansion in Zambia and a $1.9 billion acquisition in Botswana.

(g) Small island developing States

FDI inflows to the 29 small island developing States (SIDS) rose by 15 per cent to $8.3 billion in 2023 – about 0.6 per cent of global FDI. Divestments and the resulting negative inflows in several countries affected outcomes in 2022 more than in 2023. Putting these cases aside, actual growth in 2023 was about 10 per cent. The Dominican Republic accounted for more than half of FDI inflows to SIDS in 2023.

Greenfield project announcements were up for most SIDS. There were strong gains for the transportation and storage sector, with project values up by $350 million and the number of projects doubling to 10. Hospitality accounted for about 30 per cent of greenfield projects announced over recent years, but values fell by almost 50 per cent to $930 billion in 2023, with a large drop in project numbers as well (down 33 per cent). Volatility in some sectors reflects unusually high investment in 2022 as project backlogs resolved following the pandemic.

The number of international project finance deals in SIDS increased by 18 per cent in 2023, and their value also increased strongly. With the small number of deals (49 from 2021 to 2023), a few large deals caused major fluctuations. Three distinct investment streams explained most deals: renewable energy, leisure and hospitality, and oil and gas (along with petrochemicals). Maldives accounts for most projects in the hospitality sector. Other projects were more distributed.

b. FDI outflows

In 2023, FDI flows from developed economies increased by 4 per cent to $1.1 trillion. As with FDI inflows, corporate restructurings in Europe affected FDI outflows. Several investment-hub countries with significant conduit FDI reported large negative outflows, albeit less negative than in 2022 (i.e. a net positive gain). Excluding the effect of these conduits, global outflows were about 10 per cent lower.

The United States and Japan were the home countries of the largest investors. Outward FDI increased by 10 per cent from the United States and by 14 per cent from Japan, going against the overall trend for developed countries. Outward investment from European countries fell by 11 per cent (excluding five conduit countries). Germany, Sweden and Spain are home to large outward investors, and outflows declined from all three (figure I.12). Conversely, FDI outflows from France, another top home country for investors, increased by about one third. Looking at the 20 largest economies by outward FDI flows, those in Asia now account for almost half (9 total), with the relative ranks of India and Taiwan Province of China both rising in 2023.

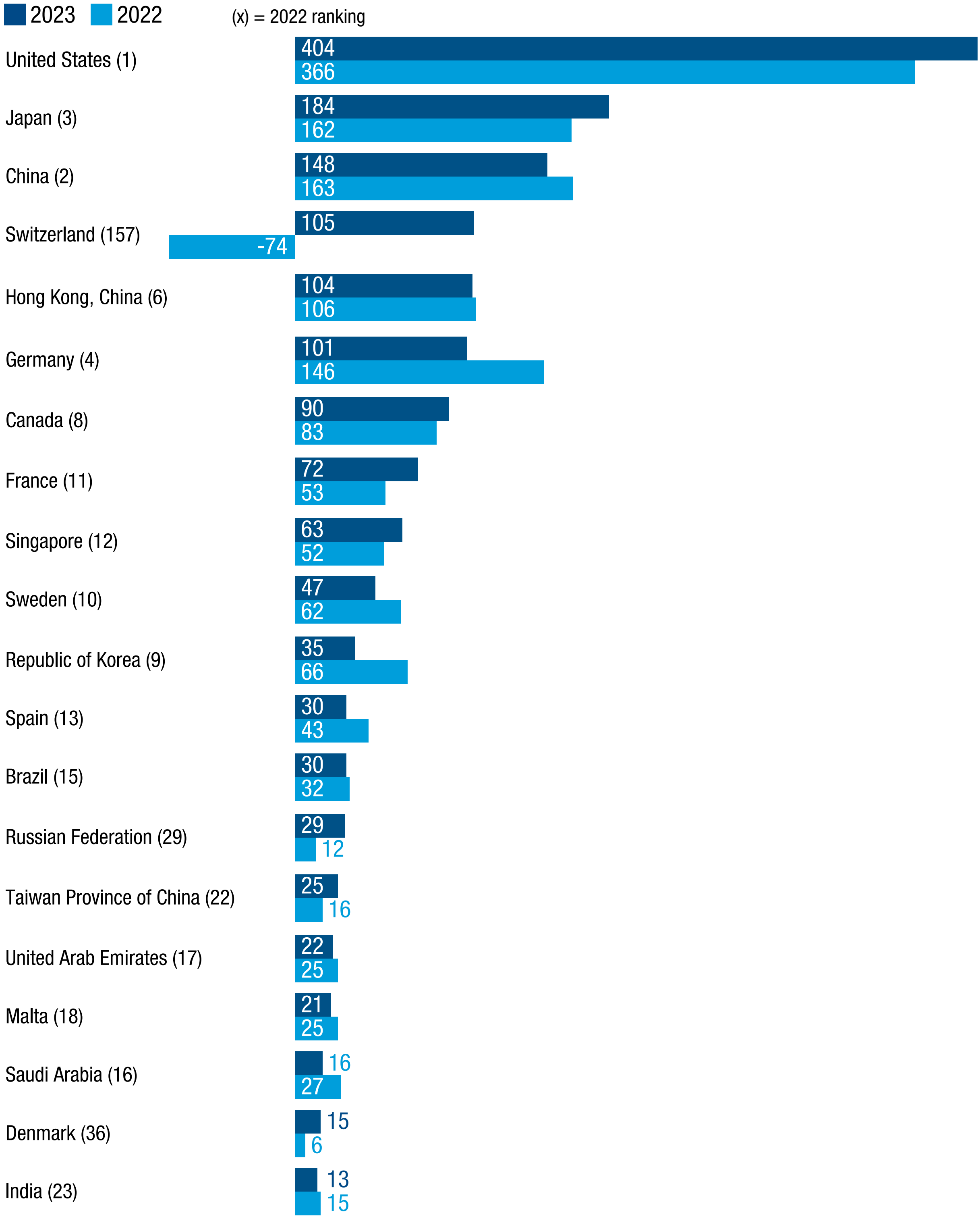
The value of cross-border M&As originating from developed countries dropped by 53 per cent in 2023 due, in part, to tighter financial conditions. The downturn was general across developed economies, including in Europe, Australia, Canada and the United States. Results for greenfield projects were more heterogeneous. MNEs based in North America reduced their number of projects by 18 per cent. Numbers were flat in Europe but increased for other developed economies.

FDI outflows from developing economies slowed by 11 per cent in 2023, to $491 billion. The decrease was general across most regions, except South-East Asia. Prospects appear stronger, as greenfield projects announced by MNEs based in developing countries increased by 23 percent in number and by 35 per cent in value. The value of cross-border M&As originating from developing countries – which amount to only about one quarter of those originating in developed countries – was resilient, increasing by 25 per cent. In large part, these results were driven by a rebound in activity by Chinese MNEs.

Figure I.12

Nine economies in Asia are among the top 20 home economies of outflows

Foreign direct investment outflows, top 20 home economies
(Billions of dollars)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

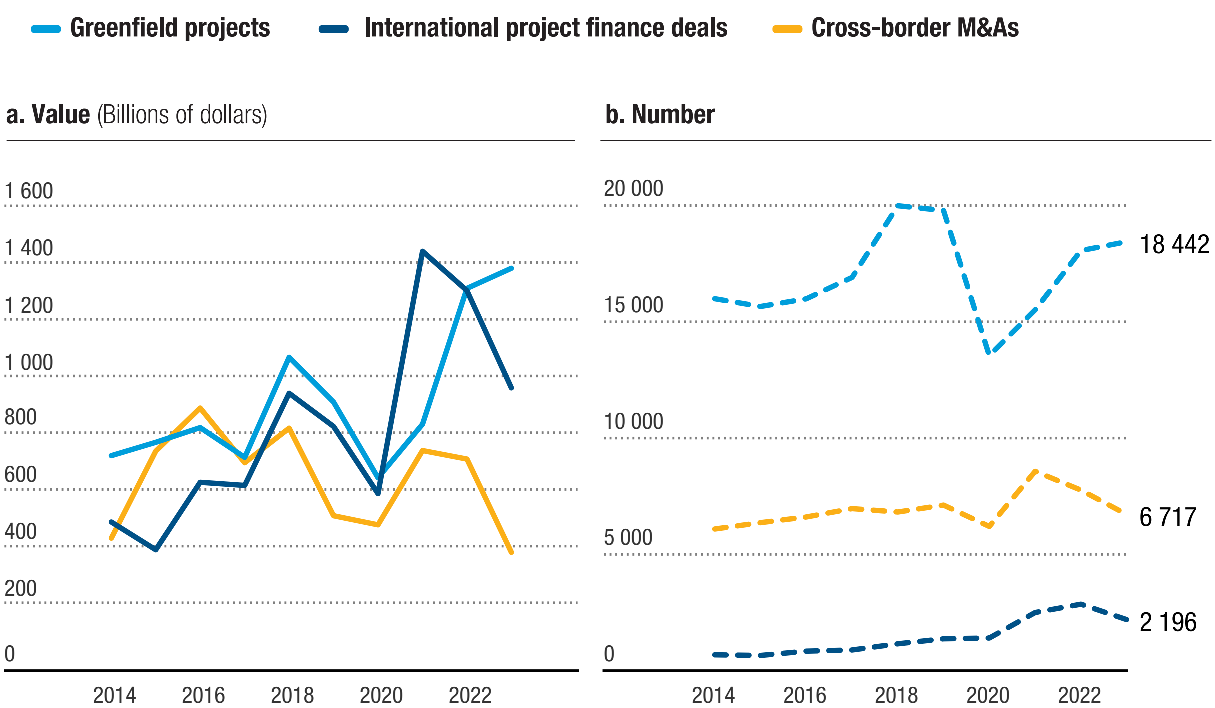
Note: Negative outflows result from divestments and the repayment of intracompany loans.

The number of greenfield projects announced by Chinese MNEs almost doubled compared with 2022, explaining half of the total increase for developing countries. In part, this doubling reflects the project backlog following the pandemic, but investment patterns also changed in 2023. Most of the increase in projects announced by Chinese MNEs were in South-East Asia and concentrated in manufacturing industries, particularly computers, electrical equipment, motor vehicles and other transport. The number of greenfield projects by Chinese MNEs in developed economies was stable, at a relatively low level compared with earlier years. Other developing countries also contributed to the rise in greenfield announcements. Greenfield project numbers increased by 21 per cent for MNEs based in Africa and by 18 per cent for those in developing Asia (excluding China). The number of greenfield projects announced by MNEs in Latin America and Caribbean fell 19 per cent.

3. Trends by project type and sector

Greenfield project announcements – mostly concentrated in industrial sectors – increased in both value and number in 2023 (figure I.13). The increase in value followed already strong growth in 2022, fuelled by a few very large announcements, including in renewable energy projects. Values in both years ended well above the average for the last decade. Project finance – mostly in infrastructure sectors – declined.

Figure I.13
Announced greenfield projects have regained momentum in recent years
Types of investment projects



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

Abbreviations: M&As = mergers and acquisitions.

Infrastructure projects have a significant debt component and are thus more sensitive to interest rate changes. Total values remained high compared with the average before 2021, when international project finance took off. Fewer deals in services, particularly in the ICT sector, explain a large part of the drop in cross-border M&A values.

a. Project types

i. Greenfield investment

The overall increase in greenfield announcements was powered by a significant rise in the number of manufacturing projects (table I.4). This marked a notable departure from the long-term decline in manufacturing share. Supply chain diversification pressures explained much of the increase, with most GVC-intensive sectors registering growth. Announcements of manufacturing projects by Chinese investors in South-East Asia accounted for one third of the total increase.

The announced value of greenfield projects rose by 5 per cent to $1.4 trillion – the highest level ever recorded – again mostly due to the expansion of manufacturing projects among developing economies. The automotive, metals, petroleum, and chemicals sectors all expanded. Only the ICT sector registered lower project numbers and values, after a period of unusually rapid growth between 2020 and 2022.

ii. International project finance

In 2023, the number of international project finance deals declined by 26 per cent to $958 billion (table I.5). Nevertheless, project finance deals have grown over the past 10

Table I.4
Announced greenfield projects by sector and top industries

	Value (Billions of dollars)			Number		
Sector/industry	2022	2023	Growth (%)	2022	2023	Growth (%)
Total	**1 309**	**1 380**	**5**	**18 061**	**18 442**	**2**
Primary	108	66	-39	128	149	16
Manufacturing	485	611	26	6 142	7 521	22
Services	715	703	-2	11 791	10 772	-9
Top 10 industries in value terms						
Energy and gas supply	381	365	-4	586	879	50
Electronics and electrical equipment	215	183	-15	1 200	1 408	17
Information and communication	129	110	-14	5 131	3 339	-35
Automotive	61	91	50	729	977	34
Construction	69	72	4	218	358	64
Basic metal and metal products	49	70	42	241	336	39
Transportation and storage	57	69	20	997	1 306	31
Extractive industries	107	65	-40	97	117	21
Coke and refined petroleum	18	58	216	41	78	90
Chemicals	27	57	111	488	590	21

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com).

Table I.5
International project finance deals by top industries

Industry	Value (Billions of dollars) 2022	Value (Billions of dollars) 2023	Growth (%)	Number 2022	Number 2023	Growth (%)
Total	**1 301**	**958**	**-26**	**2 858**	**2 196**	**-23**
Top 10 industries by number						
Renewable energy	418	368	-12	1 454	1 177	-19
Industrial real estate	266	146	-45	308	231	-25
Power	134	79	-41	193	149	-23
Residential/commercial real estate	67	43	-36	228	129	-43
Telecommunication	119	82	-31	140	111	-21
Oil and gas	93	72	-22	114	103	-10
Transport infrastructure	52	33	-36	111	81	-27
Petrochemicals	69	59	-15	83	77	-7
Mining	42	47	11	88	51	-42
Water and sewerage	18	12	-37	35	27	-23

Source: UNCTAD, based on data from Refinitiv.

years and are well above their 2015 nadir of $400 billion. Following a boom in 2022, the number and value of announcements in industrial real estate fell sharply, though they remain at historically high levels. The average cost of debt has substantially increased. The most common reference rates for deals all increased sharply over the course of 2022 and early 2023.

International project finance deals in renewable energy – the biggest sector – also declined, with a 12 per cent drop in announced values in 2023. This mostly occurred in developing countries, where declines in oil and gas and in transport infrastructure were also severe. Both the number and the value of public–private partnership announcements fell in 2023, further contributing to the decline. Over the past 10 years, the value of such announcements averaged about $65 billion, whereas in 2023 the total was $6 billion. Similarly, their share in the number of total project finance deals averaged about 5 per cent but fell to less than 1 per cent in 2023.

iii. Cross-border mergers and acquisitions

Cross-border M&A sales were down by 46 per cent (table I.6). This decline primarily derives from the services sector, where values dropped by more than half and numbers fell by one fifth. A significant part of the decline in services occurred in the ICT sector, which experienced a boom during the pandemic. Both the number and the value of cross-border M&As in manufacturing remained flat. M&A values for the primary sector also normalized after quintupling in 2022. The number of M&A sales decreased across all major industries except for extraction and automobiles. The $23 billion reverse merger of VinFast Auto in Viet Nam with a SPAC based in the United States accounts for a large part of the uptick in the automobile sector.

Table I.6
Net cross-border M&A sales by sector and top industries

Sector/industry	Value (Billions of dollars) 2022	Value (Billions of dollars) 2023	Growth (%)	Number 2022	Number 2023	Growth (%)
Total	**707**	**378**	**-46**	**7 763**	**6 717**	**-13**
Primary	122	36	-71	389	505	30
Manufacturing	142	141	-1	1 406	1 431	2
Services	442	201	-54	5 968	4 781	-20
Top 10 industries in value terms						
Information and communication	166	67	-60	1 799	1 432	-20
Extractive industries	121	33	-73	216	400	85
Chemicals	15	32	108	147	132	-10
Pharmaceuticals	36	31	-12	169	129	-24
Automotive	8	31	273	59	62	5
Professional services	23	29	25	730	594	-19
Utilities	18	18	-5	279	229	-18
Trade	27	17	-35	592	523	-12
Food, beverages and tobacco	21	13	-41	157	156	-1
Finance and insurance	88	12	-87	602	539	-10

Source: UNCTAD, based on data from Refinitiv.

Several factors explain the drop in M&A activity overall, including tight financial conditions and uncertainty in financial markets. Greater scrutiny from antitrust bodies and foreign investment regulators also affected M&As in the United States, the biggest market.

b. Selected industries

i. Infrastructure

International project finance is the main funding source for infrastructure industries, and the decline in the value and number of project finance deals in 2023 affected this sector in particular (table I.7). The number of announced greenfield infrastructure projects rose, driven by renewables. However, across infrastructure industries, the drop in the value of project finance deals outweighed the gains in greenfield project values.

Most infrastructure projects were in renewable energy, constituting more than 45 per cent of announcements and accounting for 65 per cent of estimated project outlays. Both the number of projects and the total project value have grown rapidly in this category, from fewer than 700 announcements in 2015 to more than 2,000 in 2023. There is evidence that investors switch between project finance and greenfield FDI as financial conditions change. When debt finance is costlier and project finance is below trend, greenfield project announcements tend to increase.

Table I.7
Investment project announcements in infrastructure
(Millions of dollars, number and percentage)

Industry	Announced greenfield projects 2021	2022	2023	Growth, 2022–2023 (%)	International project finance deals 2021	2022	2023	Growth, 2022–2023 (%)
Infrastructure industries								
Value	**265 712**	**497 837**	**506 811**	**2**	**848 256**	**722 677**	**562 380**	**-22**
Number of projects	**2 179**	**2 377**	**2 775**	**17**	**1 724**	**1 898**	**1 518**	**-20**
Power[a]								
Value	6 538	8 775	13 537	54	199 493	134 319	78 977	-41
Number of projects	50	52	70	35	154	193	149	-23
Renewable energy								
Value	141 198	372 441	352 883	-5	506 693	417 889	367 815	-12
Number of projects	515	560	859	53	1 355	1 454	1 177	-19
Transport[b]								
Value	36 579	53 335	68 421	28	61 549	51 959	33 229	-36
Number of projects	763	988	1 298	31	105	111	81	-27
Telecommunication[c]								
Value	81 397	63 287	71 970	14	80 521	118 511	82 359	-31
Number of projects	851	777	548	-29	110	140	111	-21

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

[a] Excluding renewable energy.

[b] Transport services for greenfield projects and transport infrastructure for project finance.

[c] Including information services activities.

ii. Global value chain-intensive industries

GVC-intensive industries registered a significant increase in investment projects (table I.8). Greenfield project announcements for the automotive, machinery and textile sectors were all up. Project values for semiconductors declined, but mainly after exceptionally high numbers in 2021 and 2022 as MNEs responded to global semiconductor shortages and concerns about supply chain bottlenecks. In the automotive sector, growth is driven by strong demand for hybrid and fully electric vehicles, and by several new firms entering global markets. The GVCs needed to build electric vehicles (EVs) are also spurring new investment in mining, processing and battery production.

A recent UNCTAD analysis examines how economic fracturing is affecting international production in GVCs (UNCTAD, 2024d). Since the 2010s, GVCs have undergone significant restructuring, partially reversing the earlier trend towards offshoring. This shift has been driven by several factors, including technological advancements, policy changes, sustainability concerns and

Table I.8

Announced greenfield projects in global value chain-intensive industries
(Millions of dollars, number and percentage)

Industry	2021	2022	2023	Growth, 2022–2023 (%)
Global value chain-intensive industries				
Value	**255 426**	**302 371**	**314 039**	**4**
Number of projects	**3 264**	**3 505**	**4 441**	**27**
Electronics and electrical equipment				
Value	192 678	214 518	182 574	-15
Number of projects	1 116	1 200	1 408	17
Semiconductors				
Value	125 161	109 478	55 231	-50
Number of projects	114	142	140	-1
Automotive				
Value	40 846	60 567	90 979	50
Number of projects	725	729	977	34
Machinery and equipment				
Value	9 490	14 815	23 424	58
Number of projects	656	751	985	31
Textiles, clothing and leather				
Value	12 411	12 470	17 062	37
Number of projects	767	825	1 071	30

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com).

supply chain resilience needs. Robotics and automation are reducing the share of labour in total production costs, enabling the reshoring of production processes. Rising trade and investment interventionism is evident, along with a shift towards regional economic cooperation. Large-scale public interventions, such as the Inflation Reduction Act of the United States and the Recovery and Resilience Facility of the European Commission, are reshaping the FDI landscape with numerous incentives for investment in targeted industries. Finally, sustainability concerns, including carbon border adjustments, are also likely to affect trade flows and investment decisions.

iii. Digital industries

Following the pandemic, digital industries expanded rapidly. In 2023, the number of greenfield project announcements returned to close to pre-pandemic levels (table I.9). The number of greenfield projects fell by half. Declines were general across all digital industry subgroups. The introduction of advanced large language models over the past two years has led firms in some digital industries to pause investment as they adjust to the new technology. Developing countries that rely on offshore digital services (e.g. call centres or software programming) face the growing risk that automation could harm prospects for new investment projects.

Table I.9

Greenfield project announcements in digital industries
(Millions of dollars, number and percentage)

	2021	2022	2023	Growth, 2022–2023 (%)
Digital industries				
Value	**33 035**	**34 518**	**20 382**	**-41**
Number of projects	**378**	**344**	**187**	**-46**
Digital content				
Value	2 084	515	121	-77
Number of projects	44	37	12	-68
Digital solutions				
Value	3 090	3 842	2 262	-41
Number of projects	48	61	51	-16
E-commerce				
Value	25 229	23 935	17 178	-28
Number of projects	232	190	102	-46
Internet platforms				
Value	2 632	6 226	822	-87
Number of projects	54	56	22	-61

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com).

Note: For the classification of digital industries see *WIR 2017* (UNCTAD, 2017).

Digitalization is also a factor in reshaping GVCs. Along with the growth of services, the growth of digital industries is transforming manufacturing. Data-driven tools allow for real-time analysis and optimization of maintenance and logistics. E-commerce platforms blur the line between physical products and services, facilitating the sale of both and often bundling them together. Finally, digital technologies enable the remote provision of service, reducing the need for a physical presence close to manufacturing facilities or final sales points. These factors have increased the share of services activities within manufacturing, and lead to more asset-light international investment.

iv. Extractive sectors and critical minerals

Greenfield project announcements in mining and critical minerals (including processing) increased significantly in 2023 (table I.10), doubling in both their number and their value. The growth in investment in critical minerals for the energy transition and the decline in new investment in oil and gas extraction show how climate goals are reshaping investment patterns.

One third of greenfield projects in critical minerals were invested in by Chinese firms, mostly for the extraction, processing and production of materials for the battery supply chain. Australia, the Republic of Korea,

Table I.10

Investment project announcements in extractives and critical minerals

(Millions of dollars and percentage)

	Announced greenfield projects				International project finance deals			
	2021	2022	2023	Growth, 2022–2023 (%)	2021	2022	2023	Growth, 2022–2023 (%)
Extractive industries								
Value	**12 655**	**107 256**	**64 589**	**-40**	**242 825**	**134 906**	**118 652**	**-12**
Number of projects	**61**	**97**	**117**	**21**	**246**	**202**	**154**	**-24**
Oil and gas								
Value	6 112	89 567	25 850	-71	198 306	92 756	72 072	-22
Number of projects	23	58	47	-19	124	114	103	-10
Mining								
Value	6 542	17 689	38 740	119	44 519	42 150	46 580	11
Number of projects	38	39	70	79	122	88	51	-42
Memorandum:								
Critical minerals (including processing)								
Value	**13 106**	**30 396**	**57 964**	**91**	**19 553**	**24 430**	**23 230**	**-5**
Number of projects	**56**	**61**	**114**	**87**	**28**	**27**	**28**	**4**

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

Canada and the United Kingdom were other important investor home countries.

The United States, Indonesia and Canada attracted the most projects overall. The highest project values were in Indonesia, Chile and the United States, in that order. Three quarters of projects were in developing countries; about half were in processing or production of materials. Ten projects were announced in LDCs, two of which including a processing or manufacturing component.

International project finance in the extractive sector is generally deployed for larger projects. The average estimated value of these projects in 2023 was close to $1 billion, which compared with an average value of about $500 million for greenfield projects. The highest total values of international project finance deals were announced in Chile, Indonesia, Zambia, Botswana and Argentina, in that order.

B. Investment in the Sustainable Development Goals

The drop in international project finance will exacerbate the $4 trillion gap in investment needed to meet the Sustainable Development Goals in developing countries. Several sectors important for such investment saw a decline in project numbers in 2023; two of them, agrifood systems and water and sanitation, attracted fewer projects in 2023 than in 2015 when the Goals were adopted.

The past year marked the mid-point of the 2030 Agenda for Sustainable Development. WIR 2023 updated the estimate for the Goals investment gap for developing countries to $4 trillion, from $2.5 trillion in 2015 (UNCTAD, 2023f). Between 2015 and 2023, the overall number of projects in Goals-relevant sectors grew about 4 per cent annually, outpacing overall growth in numbers of deals (at 3 per cent). However, these gains occurred in just a few Goals-relevant sectors, mainly infrastructure and renewable energy (table I.11). Furthermore, investment has been unequal across countries and LDCs still account for only a small share of Goals-relevant investment.

Table I.11

Developing countries: investment in sectors relevant to the Sustainable Development Goals
(Number and percentage)

	2015	2022	2023	Growth, 2015–2023 (%)	Growth, 2022–2023 (%)
Infrastructure[a]	730	945	1 022	40	8
Renewable energy	372	687	655	76	-5
Water, sanitation and hygiene (WASH)	32	36	30	-6	-17
Agrifood systems[b]	368	305	346	-6	13
Health and education	277	317	337	22	6

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com) and Refinitiv.

[a] Including transport infrastructure, power generation and distribution (except renewables) and telecommunication.

[b] Including agricultural production and processes; fertilizers, pesticides and other chemicals; research and development; and technology.

Most Goals-relevant investment is in infrastructure sectors, which were heavily exposed to the global decline in international project finance in 2023. This had a significant negative effect on total Goals investment flows. International project finance deals in Goals-relevant sectors in developing economies fell by 36 per cent in value and 28 per cent in number (table I.12). Declines in renewable energy, power generation and transport infrastructure were the main contributors. Collectively, the value of project finance deals in these sectors fell by almost $100 billion compared with 2022, marking the second consecutive year of declines.

Table I.12

Sectors relevant to the Sustainable Development Goals: announced international project finance deals in developing economies

(Millions of dollars, number and percentage)

	Developing economies				Least developed countries			
Goals-relevant sector	2021	2022	2023	Growth, 2022–2023 (%)	2021	2022	2023	Growth, 2022–2023 (%)
Total								
Value	**442 629**	**313 161**	**200 064**	**-36**	**55 102**	**26 742**	**14 154**	**-47**
Number of projects	**641**	**724**	**524**	**-28**	**55**	**55**	**36**	**-35**
Power[a]								
Value	145 722	63 548	40 632	-36	42 148	4 764	766	-84
Number of projects	60	67	50	-25	6	8	1	-88
Renewable energy								
Value	217 440	175 502	121 623	-31	7 800	11 849	10 078	-15
Number of projects	443	500	378	-24	34	31	28	-10
Transport infrastructure								
Value	29 408	28 514	8 858	-69	3 637	5 103	..	..
Number of projects	58	58	26	-55	7	5	..	..
Telecommunication[b]								
Value	25 013	21 009	14 356	-32	749	320	2 367	639
Number of projects	38	43	35	-19	3	2	4	100
Water, sanitation and hygiene (WASH)								
Value	11 947	14 475	9 942	-31	179	2 458	522	-79
Number of projects	16	21	19	-10	2	5	1	-80
Food and agriculture								
Value	9 678	7 452	2 974	-60	..	2 231	421	..
Number of projects	12	22	11	-50	..	3	2	..
Health								
Value	2 253	1 300	1 678	29	..	16	..	..
Number of projects	6	5	5	0	..	1	..	..
Education								
Value	1 167	1 360	..	..	589	..	..	..
Number of projects	8	8	..	..	3	..	..	..

Source: UNCTAD, based on data from Refinitiv.

[a] Excluding renewable energy.

[b] Including information services activities.

Greenfield investment provided some counterweight, as the value of cross-border greenfield project announcements for Goals-relevant sectors grew by 14 per cent in 2023 (table I.13). Project numbers increased even more, to 19 per cent. Still, a few sectors explain most of the growth. Transport services accounted for about one half of the increase in project numbers and values. Renewable energy accounted for about one quarter. At the same time, the estimated value of international investment in agrifood, health and education, and WASH (water, sanitation and hygiene) declined compared with 2022. Raising investment in these sectors is key to achieving the Goals, and the needs are substantial.

Table I.13

Sectors relevant to the Sustainable Development Goals: announced greenfield projects in developing economies

(Millions of dollars, number and percentage)

	Developing economies				Least developed countries			
Goals-relevant sector	2021	2022	2023	Growth, 2022–2023 (%)	2021	2022	2023	Growth, 2022–2023 (%)
Total								
Value	**126 820**	**261 481**	**297 746**	**14**	**10 147**	**9 437**	**49 157**	**421**
Number of projects	**1 312**	**1 566**	**1 866**	**19**	**73**	**66**	**91**	**38**
Power[a]								
Value	4 173	4 080	7 155	75	2 000	1 865	671	-64
Number of projects	20	17	29	71	1	3	1	-67
Renewable energy								
Value	56 040	176 342	183 327	4	4 809	4 824	41 614	763
Number of projects	149	187	277	48	13	13	24	85
Transport services								
Value	14 438	23 347	39 730	70	436	776	4 849	525
Number of projects	275	435	599	38	22	18	31	72
Telecommunication[b]								
Value	29 441	25 672	39 502	54	2 018	917	1 359	48
Number of projects	295	325	283	-13	20	12	13	8
Water, sanitation and hygiene (WASH)								
Value	4 127	1 619	1 208	-25	136	139	75	-46
Number of projects	19	15	11	-27	1	1	1	0
Food and agriculture								
Value	11 900	19 829	17 041	-14	426	739	437	-41
Number of projects	275	283	335	18	7	14	14	0
Health								
Value	5 679	9 668	8 866	-8	187	171	109	-36
Number of projects	194	207	227	10	3	4	3	-25
Education								
Value	1 021	925	916	-1	136	7	44	535
Number of projects	85	97	105	8	6	1	4	300

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com).

[a] Excluding renewable energy.

[b] Including information services activities.

LDCs accounted for only a small share of Goals-relevant investment among developing countries. The combined value of Goals-relevant greenfield investment and international project finance deals in developing countries reached $500 billion in 2023. Of this, $63 billion went to LDCs (about 13 per cent). A $34 billion green hydrogen project in Mauritania accounted for more than half the total. The downturn in project finance deals also disproportionately affected LDCs and the number of projects fell by 35 per cent compared to 2022. Still, a few Goals-relevant sectors performed well: renewable energy saw net gains in project values and numbers in LDCs, as did telecommunication, where numbers and values increased for both greenfield investment and project finance deals.

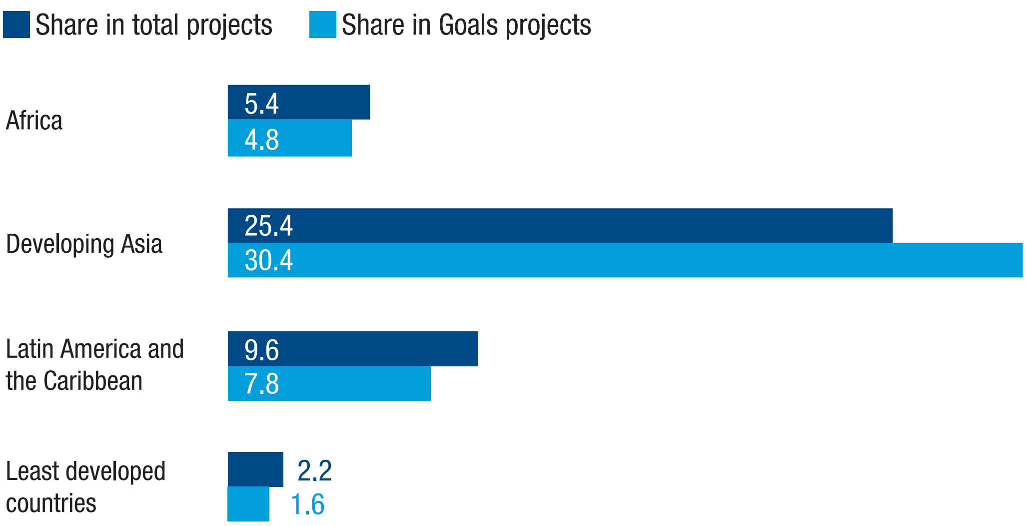
The distribution of Goals investment across developing regions is also unequal; only developing Asia attracts above-average greenfield projects and international project finance in Goals-relevant sectors – the share of the region in the global number of Goals projects was higher in 2023 than its share in all projects (figure I.14). Other developing regions not only attract less investment overall, but even lower levels of Goals investment.

Africa remains one of the most underserved regions and its share of international investment projects is low. However, it has attracted sizeable investment in power, infrastructure and renewable energy; over the last three years, it accounted for about 30 per cent, on average, of all Goals-relevant investment values in developing countries. In 2023, the region's share was only slightly lower (27 per cent). Yet there is less progress in other Goals-relevant sectors in Africa. This is particularly true for health (about 5 per cent of total value in developing countries), but also for more capital-intensive sectors such as telecommunication and transport (about 15 per cent for each).

Figure I.14

Only developing Asia attracts above-average investment for the Sustainable Development Goals

Shares in numbers of investment projects, by region and economic grouping
(Percentage)



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

Note: Shares are calculated by sector.

WIR 2023 identified gaps of $500 billion in annual investment for WASH and $300 billion for agrifood systems (UNCTAD, 2023f). As mentioned, the number of deals in these sectors is less than in 2015. The lack of foreign participation in WASH projects is a particular area of concern. It hampers progress towards Goal 6, which targets universal access to safe drinking water, sanitation and hygiene. In 2023, there were only 11 greenfield project announcements related to WASH, amounting to $1.2 billion in developing countries, and only one announcement in LDCs. Project finance and public–private partnerships are more important in WASH, but there were large declines in the value of WASH-related international project finance deals in 2023, including public–private partnerships, with only one deal among LDCs.

C. International production

International production continues to expand, but investment patterns and GVCs are shifting under the influence of economic fracturing trends. The overall transnationality of the top 100 MNEs still increased marginally in 2023. However, they are beginning to alter their international footprint, bringing strategic activities closer to home and considering options to de-risk supply chains.

1. Key indicators of international production

Despite the lacklustre growth of international investment in the last decade, international production through the networks of MNEs remains an important part of the globalized economy (table I.14). The value of FDI flows is about 5 per cent of gross fixed capital formation, production of foreign affiliates as a share of global output is more than 6 per cent, and the sales of foreign affiliates are higher than the value of global exports, confirming the importance of FDI as a modality to reach overseas markets. Furthermore, the global production networks of MNEs are estimated to govern about 80 per cent of global trade.

However, significant changes in the global economy are reshaping international production networks and GVCs. A recent UNCTAD report on global economic fracturing and shifting FDI patterns (UNCTAD, 2024d) identifies several key trends. First, it shows three types of divergence. The growth of FDI and GVCs has lost pace with GDP and trade – their growth paths have disconnected. There is a widening gap in investment trends between the manufacturing and services sectors. And investment patterns in China have delinked from the rest of the world. Second, it points out that, in recent years, geopolitical differences and global crises have led to a transition from divergence to fracturing. This leads to more volatile investment patterns and shifting home- and host-country relationships, and it causes geopolitical factors to become increasingly important in investment decisions, at times overriding economic considerations. Third, it shows that the sustainability imperative and the drive to stimulate investment in the Sustainable Development Goals are opening up new opportunities for investment-driven industrial development, particularly in environmental technologies. However, it also shows that these opportunities are available to only a small group of countries with larger markets. In many smaller developing countries, and especially LDCs, marginalization and vulnerability continue to grow.

Table I.14

Selected indicators of foreign direct investment and international production

(Billions of dollars at current prices and number)

Item	1990	2005–2007 (average)	2020	2021	2022	2023
FDI inflows	205	1 415	985	1 622	1 356	1 332
FDI outflows	244	1 464	780	1 882	1 575	1 551
FDI inward stock	2 196	14 573	41 893	47 156	44 375	49 131
FDI outward stock	2 255	15 296	40 718	43 386	40 570	44 381
Income on inward FDI[a]	82	1 123	2 173	2 883	3 002	2 498
Rate of return on inward FDI[b]	5.4	9.6	6.8	8.2	8.2	6.0
Income on outward FDI[a]	128	1 235	1 954	2 857	2 923	2 516
Rate of return on outward FDI[b]	8.4	10.7	5.8	7.7	7.8	6.4
Announced greenfield projects	..	..	641	830	1 309	1 380
International project finance deals	..	..	585	1 440	1 301	958
Cross-border M&As	98	729	475	737	707	378
Sales of foreign affiliates	4 801	19 758	31 298	33 194	..	..
Value added (product) of foreign affiliates	1 074	4 662	6 547	7 030	..	..
Total assets of foreign affiliates	4 649	47 065	97 467	91 386	..	..
Employment by foreign affiliates (thousands)	20 449	49 780	82 405	74 402	..	..
Memorandum:						
Gross domestic product	22 612	52 680	84 961	96 488	100 135	104 476
Gross fixed capital formation	5 838	12 482	22 055	25 270	26 142	27 161
Charges for the use of intellectual property, receipts	31	191	507	615	590	460

Sources: UNCTAD, FDI/MNE database, IMF (2024), information from The Financial Times, fDi Markets (www.fDimarkets.com) and Refinitiv.

Notes: Not included are the value of worldwide sales by foreign affiliates associated with their parent firms through non-equity relationships and the value of sales of parent firms themselves. Worldwide sales, gross product, total assets, exports and employment of foreign affiliates are estimated by extrapolating worldwide data of foreign affiliates of MNEs from countries for which data are avaiable, on the basis of three-year average shares of those countries in worldwide outward FDI stock.

Abbreviations: FDI = foreign direct investment, M&As = mergers and acquisitions.

[a] Based on data from 168 countries for income on inward FDI and 142 countries for income on outward FDI in 2023, in both cases representing more than 90 per cent of global inward and outward stocks.

[b] Calculated only for countries with both FDI income and stock data. The stock is measured in book value.

2. Internationalization trends of the largest MNEs

The average transnationality index of the top 100 non-financial MNEs – the weight of their overseas assets, sales, and employees in their global operations – increased marginally in 2023 (table I.15). This increase was driven by MNEs in the automotive industry, where the transition to EVs and new technologies attracted more foreign investment. Falling revenues in other sectors and several MNEs' divestments in the Russian Federation held back the index.

The 12 car producers in the top 100 significantly expanded their international

Table I.15

Internationalization levels of top 100 MNEs increased marginally in 2023

Internationalization statistics of 100 largest non-financial MNEs, worldwide and from developing economies

	100 largest MNEs, global					100 largest MNEs, developing economies		
Variable	2021[a]	2022[a]	Growth, 2021–2022 (%)	2023[b]	Growth, 2022–2023 (%)	2021[a]	2022	Growth (%)
Assets (Billions of dollars)								
Foreign	10 449	10 127	-3.1	10 230	1.0	2 953	2 896	-1.9
Domestic	8 902	10 566	18.7	10 665	0.9	7 054	8 694	23.3
Total	19 351	20 693	6.9	20 895	1.0	10 007	11 590	15.8
Foreign as share of total (%)	54	49		49		30	25	
Sales (Billions of dollars)								
Foreign	6 703	7 438	11.0	6 965	-6.4	2 272	2 490	9.6
Domestic	4 949	6 744	36.3	6 596	-2.2	4 094	5 523	34.9
Total	11 651	14 182	21.7	13 562	-4.4	6 366	8 013	25.9
Foreign as share of total (%)	58	52		51		36	31	
Employment (Thousands)								
Foreign	8 998	9 096	1.1	9 553	5.0	4 064	4 150	2.1
Domestic	11 102	11 316	1.9	10 606	-6.3	9 265	9 665	4.3
Total	20 100	20 413	1.6	20 159	-1.2	13 328	13 815	3.7
Foreign as share of total (%)	45	45		47		30	30	
Unweighted average TNI	62	61		62		48	46	
Median TNI	63	63		66		47	45	

Source: UNCTAD.

Notes: Data refer to fiscal year results reported between 1 April of the base year and 31 March of the following year. Complete 2023 data for the 100 largest MNEs from developing economies are not yet available.

Abbreviations: MNEs = multinational enterprises, TNI = Transnationality Index.

[a] Revised results

[b] Preliminary results.

networks, focusing on the United States and China, the two largest EV markets. Since passage of the Inflation Reduction Act of 2022 in the United States, top automotive MNEs have announced greenfield projects in the EV and battery supply chain amounting to nearly $17 billion. In China, the competitiveness of local brands led some, such as Ford (United States) and Honda Motors (Japan), to scale back investment. However, other MNEs such as Stellantis (Italy) and Volkswagen (Germany) started more joint ventures to leverage local technological advancements. For instance, in 2023, Stellantis invested $1.5 billion in Chinese EV start-up Leapmotor, and Volkswagen invested $1 billion in Horizon Robotics, a Beijing-based manufacturer of electronic components, to strengthen its position in the autonomous driving and EV markets.

The number of technology MNEs in the top global rankings remained steady at 14 companies, with S&P Global (United States) entering the list as Legend Holdings (China) exited. S&P Global bolstered its capabilities by merging with IHS Markit (United Kingdom) in a $43 billion transaction. Key trends driving investment in the technology industry are the competition to acquire expertise in artificial intelligence and machine learning and to consolidate market presence across neighbouring industries, resulting in more deals. While most of these deals occurred within home economies, larger ones implied an increase in foreign assets. The $75 billion acquisition of video game maker Activision Blizzard by Microsoft (both United States) led to a 22 per cent increase in Microsoft's foreign assets. Not all technology MNEs have expanded their foreign operations. Apple (United States) scaled down its operations in China, diversifying its supply chain. SAP (Germany) divested its stake in Qualtrics (United States) of approximately $12 billion to focus on its core services.

In 2023, the pharmaceutical industry saw a modest expansion of its international footprint, with 10 MNEs driving growth through strategic acquisitions. Similar to developments in the technology sector, many of these transactions occurred within the United States but significantly influenced the international profile of the acquiring companies. For instance, the $43 billion merger of Pfizer (United States) with Seagen (United States) led to a 15 per cent increase in foreign assets. The $7.1 billion acquisition of Telavant (United States) by Roche (Switzerland) reinforced the position of Roche in the United States market.

The internationalization rate of the remaining 21 manufacturing MNEs in the top 100 (light and heavy industry) remained stable. British American Tobacco (United Kingdom) reduced its foreign assets by 20 per cent, while Philip Morris International (United States) bolstered its global presence with a $15 billion acquisition of Swedish Match (Sweden). Siemens (Germany) led in digital transformation, acquiring Brightly Software (United States) for nearly $1.9 billion.

In the extractive industries, most of the 15 MNEs in the top 100 held back from pursuing large-scale international investment in 2023. Notable exceptions were Rio Tinto and Shell (both United Kingdom), which actively engaged in strategic acquisitions and new ventures. Rio Tinto finalized the acquisition of copper and nickel miner Turquoise Hill (Canada) for nearly $3.3 billion, to enhance its portfolio of critical minerals for the energy transition. Rio Tinto announced initiatives to increase its production of copper and lithium for the same reason. Shell has also expanded operations in view of the energy transition, exemplified by its acquisition of Sprng Energy (India), which develops and operates renewable energy facilities, for about $1.5 billion. The latter part of 2023 and early 2024 saw several more announcements from mining companies about deals intended to boost investment in critical minerals.

The telecommunication sector saw significant portfolio shifts in foreign assets. Vodafone (United Kingdom) exited markets in Ghana and Hungary and sold its operations in Italy. Deutsche Telekom

Supply chain restructuring is affecting the international footprint of technology MNEs

Critical minerals are driving major cross-border investment deals among top MNEs

(Germany) and Orange (France) focused on expansion in more profitable regions, including North America, Africa and the Middle East. The utilities sector experienced several reconfigurations that affected its internationalization rate. EDF (France) was fully nationalized, and Enel (Italy) continued strategic divestments, generating $1.3 billion from the sale of its business in Romania. Among construction companies, Vinci (France) moved up the ranking of the top 100 with strategic expansions in airport concessions and energy ventures. A.P. Møller–Maersk (Denmark) exited the ranking after reshuffling operations in East Asia.

Finally, the ranking of the top 100 MNEs was also affected by divestments or exits from the Russian Federation. OMV (Austria) dropped out of the ranking after suffering losses due to the expropriation of its stake in the Yuzhno-Russkoye oil and gas field. Between 2022 and 2023, MNEs in the ranking made 36 significant divestments from the Russian Federation, with the largest write-downs and charges concentrated among MNEs in the oil and gas and extractive industries.

Emerging-economy MNEs favoured greenfield investment over equity acquisitions. TSMC (Taiwan Province of China), CATL (China) and Zijin Mining Group (China) – in that order by investment size – announced large-scale projects in developed economies. Starting in 2021, TSMC has launched greenfield projects first in the United States, then in Japan and Germany. In 2020 CATL invested over $5 billion in Indonesia and almost $7.5 billion in Hungary, forming multiple joint ventures with top automotive MNEs. Zijin Mining Group has invested more than $5 billion in Serbia and expanded its global footprint by developing mines in Argentina and Kazakhstan.

3. Shifting investment patterns among the top 100 MNEs

UNCTAD recently published a diagnostic of 10 major trends in global FDI patterns, examining the effects of long-term structural changes in international production and the more recent pressures caused by economic fracturing (box I.1). This section looks at how the trends observed in that diagnostic are reflected in the investment behaviours of the top 100 MNEs.

The main drivers of the structural changes in FDI patterns are technological developments, most visible in high-technology industries; sustainability trends, evident in intense investment activity in environmental technologies and critical minerals; the push for supply chain resilience, which affects most GVC-intensive industries; and geopolitical and trade tensions, felt across all strategic sectors. These sectors include industries such as high-technology, semiconductors, pharmaceuticals, instruments and machinery manufacturing, environmental technologies and other activities deemed essential for the future competitiveness of countries and which therefore play a key role in their industrial and trade policies (IMF, 2023).

Over the last 10 years, two thirds of greenfield investment by the top 100 MNEs related to setting up services subsidiaries (figure I.15). Even within manufacturing sectors often considered strategic such as automotive and pharmaceuticals, more than half of the greenfield projects focused on establishing sales and marketing offices, support and technical services centres, or other professional services, thus making these projects less sensitive. The effects of fracturing are mostly seen in the remaining projects, in physical manufacturing activities.

The deceleration of global FDI after 2010 is also reflected in the decreasing total number of deals and projects undertaken by top MNEs. The number of greenfield projects announced in the last five years (2019–2023) was about 10 per cent lower than in the preceding five years (2014–2018). While the overall number of projects has declined, notable shifts in their regional distribution have emerged.

Box I.1
Global economic fracturing and shifting FDI patterns: 10 major trends

Trend 1: Long-term FDI stagnation

The long-term trend in cross-border investment shows that a slowdown in global FDI started in about 2010. It no longer keeps pace with global trade and GDP. Trade within global value chains (GVCs) also slowed, confirming the close link between FDI and GVCs.

Trend 2: The increasing weight of services

The overall stagnation in FDI conceals sectoral differences. Cross-border investment in services flourishes while manufacturing lags. This reflects a global shift towards more services-centric and asset-light investment.

Trend 3: The deglobalization of manufacturing (from an FDI perspective)

Manufacturing FDI, stagnant for two decades, showed negative growth after the outbreak of the COVID-19 pandemic. Although global manufacturing activity and investment remain robust, their international component is shrinking, suggesting a trend towards deglobalization.

Trend 4: The growing ends of the smile curve

The transition from manufacturing to services is part of a broader change in the role of FDI in global value creation. Cross-border investment is moving from the centre to the two ends of the "smile" curve, most notably towards services in business and information and communication technology upstream and in marketing downstream.

Trend 5: Convergence of sectoral patterns across regions

All regions are feeling the effects of the transition towards services-oriented, asset-light FDI. Consequently, traditional differences in sectoral patterns between developed and developing regions are increasingly blurring.

Trend 6: The diminishing role of FDI in China

The regional rebalancing of global FDI has been significantly influenced by the declining share of China as a recipient country. Despite waning interest from multinational corporations in initiating investment projects in China, the country continues to maintain a dominant position in global manufacturing and trade, signifying a transformation in its global production model.

Trend 7: Unstable investment relationships

Heightened geopolitical tensions are exacerbating the volatility of investment sources and destinations, and the susceptibility of traditional investment links to disruptions. Instability in investment relationships limits the capacity of developing countries to strategically capitalize on diversification opportunities arising from shifts in investment patterns.

Trend 8: Fracturing along geopolitical lines

Geopolitical differences are causing a fracturing trend in global FDI, with the reduction in investment between geopolitically distant countries highlighting the significant influence of such differences on investors' location choices, overshadowing traditional determinants of FDI.

Trend 9: The sustainability imperative driving new FDI sectors

FDI in environmental technologies stands out as the main pocket of growth outside services. Since 2010, while manufacturing investment stagnated across all industries, the number of greenfield projects along the entire value chain of environmental technologies sectors has increased steadily.

Trend 10: The increasing concentration of FDI and marginalization of developing countries

Amid historical shifts and economic fracturing, the share of greenfield projects in smaller developing countries and least developed countries is diminishing. This trend exacerbates the marginalization and vulnerability of those countries, as FDI becomes increasingly concentrated in developed and emerging economies.

Source: UNCTAD (2024d).

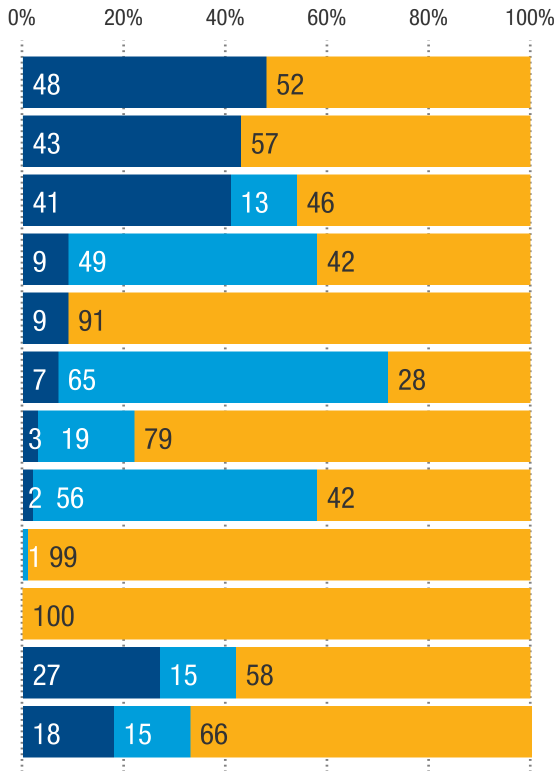
Figure I.15

Manufacturing activities represent about one third of projects by top 100 multinational enterprises

Greenfield projects, by type and industry, 2014–2023

Strategic manufacturing | Other manufacturing | Services

Sector	Number of enterprises	Number of projects
Automotives	12	1 826
Pharmaceuticals	9	527
Heavy industry	9	1 035
Extractives	16	1 035
Technology	14	2 720
Utilities	11	835
Trade	6	491
Light industry	9	769
Transport and logistics	4	798
Telecommunication	6	761
Other	4	256
Total	**100**	**10 787**



Source: UNCTAD, based on information from the Financial Times, fDi Markets (www.fDimarkets.com).

Notes: Refers to the ranking of top 100 multinational enterprises in *WIR 2023*. Manufacturing includes several activities normally classified as services but physical asset-heavy in nature, in the construction, electricity, extraction and infrastructure segments. Strategic manufacturing includes activities in environmental technologies, explaining their presence in extractive industries and utilities. “Services” includes all remaining services-related business activities and services activities in typical manufacturing industries (e.g. sales offices of car manufacturers).

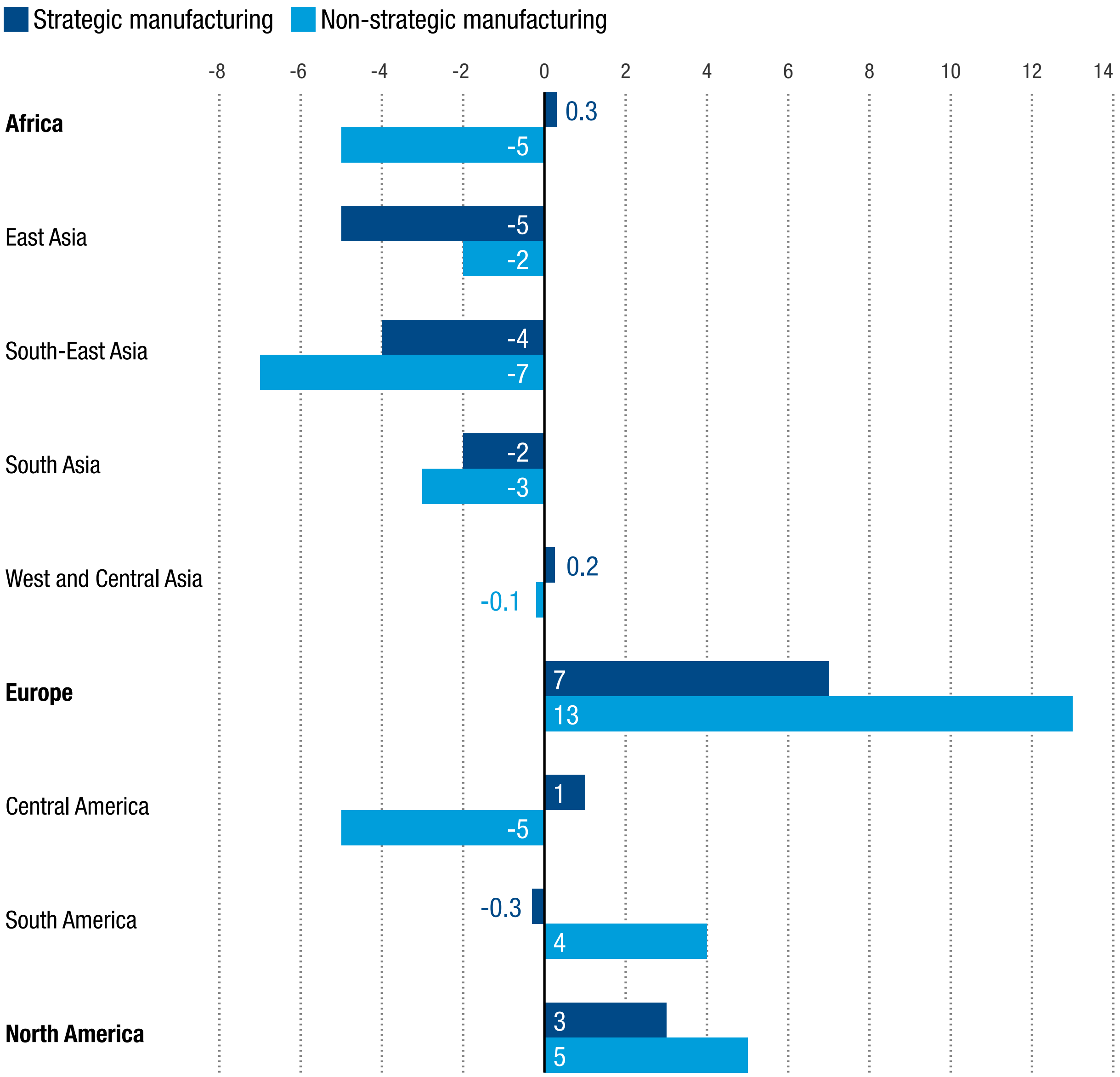
Until 2018, manufacturing projects were predominantly directed towards developing economies, with East Asia and South-East Asia being key destinations. In services, however, more than a third of projects were concentrated in Europe. Within the manufacturing sector, strategic projects – often involving high-value activities – were relatively more concentrated in developed economies and East Asia.

Since 2019, the geographical distribution of manufacturing projects has shifted towards locations closer to MNE home markets, especially in strategic sectors (figure I.16). Europe and North America have emerged as primary destinations – unsurprisingly, considering that the majority of MNEs in the ranking are from the United States (19), Europe (53) and Japan (10) – with Central America (including Mexico), North Africa, and West and Central Asia also gaining traction. This trend reflects a strategic pivot towards regionalization and nearshoring, driven by the need to enhance supply chain resilience and reduce geopolitical risks.

Figure I.16

Manufacturing projects by top 100 multinational enterprises moved closer to headquarters

Shares of selected regions/subregions in types of manufacturing projects, difference between 2019–2023 and 2014–2018
(Percentage points)



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com).

Notes: Refers to the ranking of top 100 multinational enterprises in *WIR 2023*. Manufacturing includes several activities normally classified as services but physical asset-heavy in nature, in the construction, electricity, extraction and infrastructure segments. Caribbean economies are included in Central America. Other regions and subregions (developed Asia and Oceania) are not included as there were no significant changes in the share of projects attracted.

In contrast, the number of strategic manufacturing projects in East Asia decreased. Among the top MNEs, the largest manufacturing investors in China include the electronics company Hon Hai Precision Industry (Taiwan Province of China), the chemicals company BASF (Germany) and a range of car manufacturers such as Toyota (Japan), Volkswagen and BMW (both Germany) and Samsung Electronics (Republic of Korea). These companies have historically maintained significant manufacturing operations in China. However, since 2019 they have halved their greenfield investment in the country in favour of partnerships with local manufacturers, especially in the EV market.

Investment projects by top 100 MNEs in strategic manufacturing sectors are moving closer to home

Among these companies, Hon Hai Precision Industry and Samsung Electronics have reassessed their manufacturing footprint in China because of trade tensions. A significant portion of their products, especially chips and high-technology electronics, are produced in fabrication plants in China and exported to the United States. Hon Hai reduced its greenfield projects in China from 23 to 6, while Samsung reduced its from 9 to 1. Both companies have started investing in new manufacturing facilities in their home markets and in other countries such as Viet Nam, India and Mexico – in order of investment size. Hon Hai Precision Industry tripled the number of manufacturing projects in Viet Nam.

The share of strategic manufacturing investment in Central America has increased. Manufacturers in the automotive industry, such as Robert Bosch (Germany), Toyota Motor (Japan) and Volkswagen (Germany), have chosen to invest in Mexico, largely for its proximity to the United States and its market access under the United States–Mexico–Canada Agreement (USMCA). MNEs in the pharmaceutical and medical instrument industries, including Bayer (Germany), Medtronic (Ireland) and Johnson & Johnson (United States), have targeted Costa Rica for investment projects.

North Africa and West and Central Asia have also emerged as strategic locations for manufacturing MNEs, offering proximity to both European and Asian markets. In North Africa, Morocco and Egypt stand out as key investment destinations. Morocco has attracted projects by automotive MNEs including Stellantis (Italy) and Renault (France). Egypt has attracted not only automotive MNEs such as BMW and Robert Bosch (both Germany) and Nissan (Japan) but also pharmaceutical companies such as GlaxoSmithKline (United Kingdom) and electronics producers such as Samsung Electronics (Republic of Korea). In West and Central Asia, Türkiye attracted the largest share of manufacturing projects.

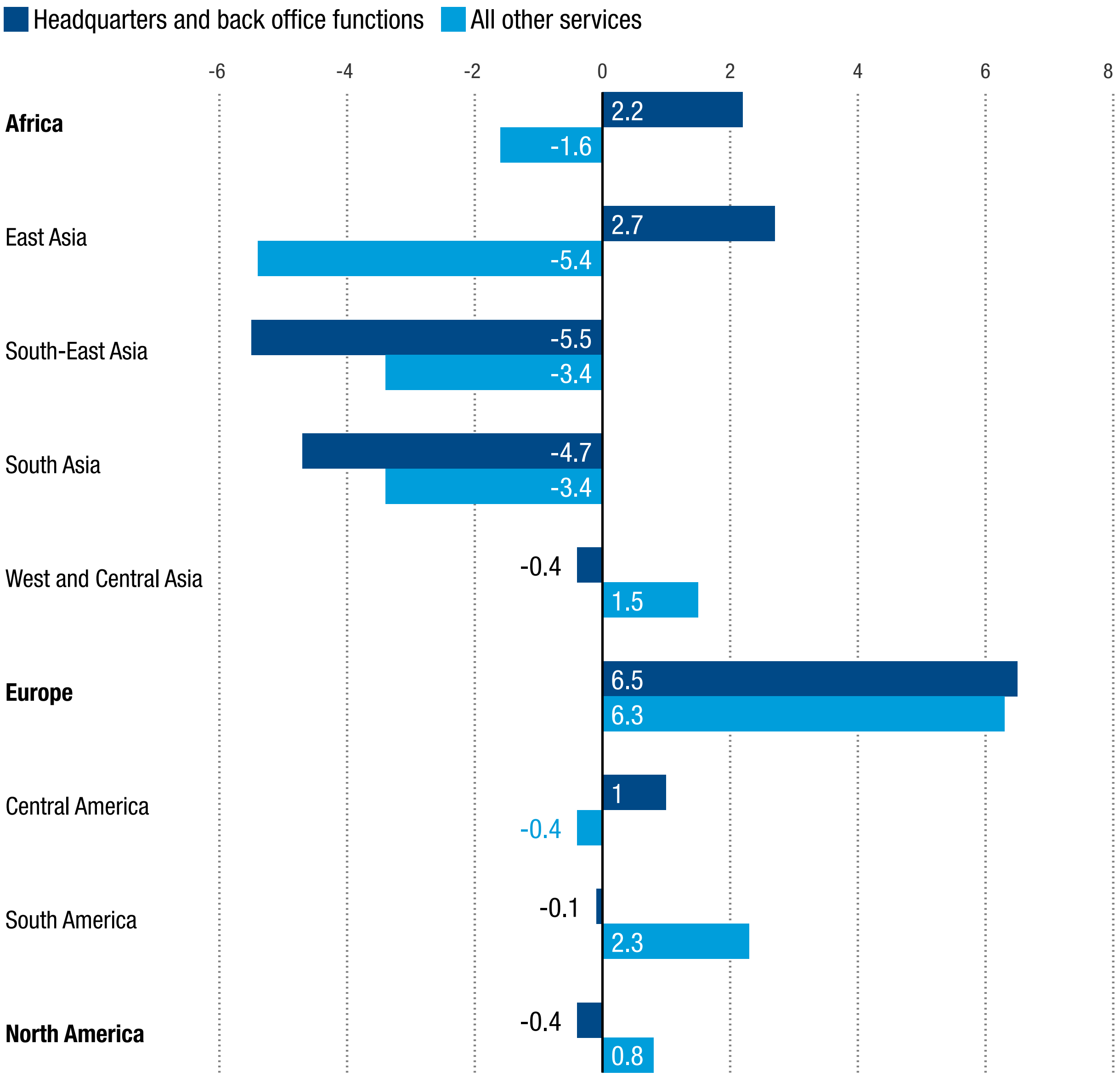
The decreasing share of manufacturing projects in South-East and South Asia might seem counterintuitive. However, the top 100 MNEs had already established a significant presence in ASEAN by the early 2010s. This is the case, for example, for the two leading investors in manufacturing MNEs in South-East Asia: Toyota Motors (Japan) and Samsung (Republic of Korea). From 2011 to 2013, Toyota announced 23 manufacturing projects in South-East Asia. This number declined to 13 projects during 2014–2019 and dropped farther to only 5 projects since then. Similarly, Samsung experienced a peak of 10 projects in South-East Asia during 2014–2019, but this number fell to 4 projects in the following years. Of the top manufacturing investors in South-East Asia, only Hon Hai Precision Industry (Taiwan Province of China) started reconfiguring its supply chain in the last five years, increasing its number of projects in the region from 3 during 2011–2019 to 12 since then.

Greenfield projects in services activities have also shifted closer to home economies (figure I.17) with one notable exception. Over the last 10 years, about 10 per cent of services projects have been aimed at establishing regional headquarters and back-office functions. MNEs from Europe and North America have increasingly established regional headquarters throughout developing Asia, particularly

Figure I.17

Top multinational enterprises are establishing regional headquarters closer to key markets

Shares of selected regions/subregions in types of services projects, difference between 2019–2023 and 2014–2018
(Percentage points)



Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com).

Notes: Projects aimed at setting up headquarters include the following business activities: headquarters, business services, shared and technical services. Caribbean economies are included in Central America. Other regions (developed Asia and Oceania) are not displayed as there were no significant changes in the share of projects attracted.

Regional headquarters functions are proliferating to increase regional autonomy and mitigate risks

in East Asia. These regional hubs provide essential services and can help mitigate risks to local operations from geopolitical and trade tensions as well as supply chain disruptions. Specifically for investment in large markets, many MNEs are establishing almost autonomous subsidiaries that produce for the domestic rather than the global market. For example, the pharmaceutical MNE AstraZeneca (United Kingdom) announced five projects in China to set up headquarter offices and back-office functions. Its business there would become a legal entity listed in Hong Kong, China or Shanghai and controlled by the MNE.

Consistent with the global FDI slowdown and similar to the trend observed in greenfield investment, the number of equity acquisitions since 2019 also decreased, by a little more than 10 per cent. M&As often respond to different drivers than greenfield investment. Importantly, acquisitions can be subject to screening and approval procedures.

M&A deals traditionally are more prevalent in developed economies, and this concentration has only increased in the last five years, particularly for MNEs in strategic industries. Trends in M&As are consistent with those seen in greenfield projects. MNEs have decreased their shares of equity acquisitions in manufacturing companies in East Asian economies. However, the value of deals in the subregion has increased, driven largely by significant investment in the automotive sector, targeting Chinese producers. Although the number of transactions has fallen, their strategic importance and associated financial commitment have risen.

Divestment trends among the top 100 MNEs do not reveal any clear relocation strategy. On the contrary, the number of divestments from China has decreased since 2019, indicating that MNEs recognize the strategic importance of maintaining a presence in the world's second-largest economy, not only to tap into its large market but also to benefit from its advanced manufacturing capabilities and extensive supply chains.