



## **A COMPREHENSIVE ANALYSIS OF GLOBAL FOREIGN DIRECT INVESTMENT TRENDS: INSIGHTS INTO SECTORAL PATTERNS AND REGIONAL DISTRIBUTION**

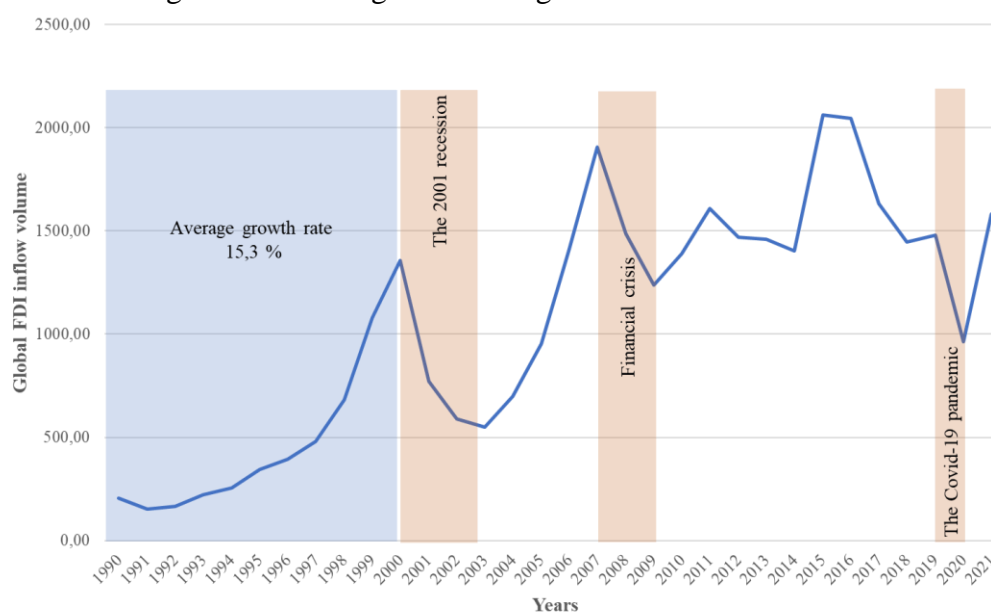
Murtozaev S. A.

The University of World Economy and Diplomacy  
Uzbekistan, Tashkent

ABSTRACT	KEY WORDS
This article provides a concise analysis of global foreign direct investment trends from 1990 to 2021. Drawing from authoritative reports, the study highlights the general changes in FDI flows over the period and examines their distribution by region and industry. The findings offer valuable insights into investment behavior, aiding policymakers and businesses in enhancing global investment strategies for sustainable economic growth.	Foreign direct investment, global FDI flows, trends, developed countries, developing countries, M&A, greenfield investment, regions, industries, COVID-19, investment policy.

### **Introduction**

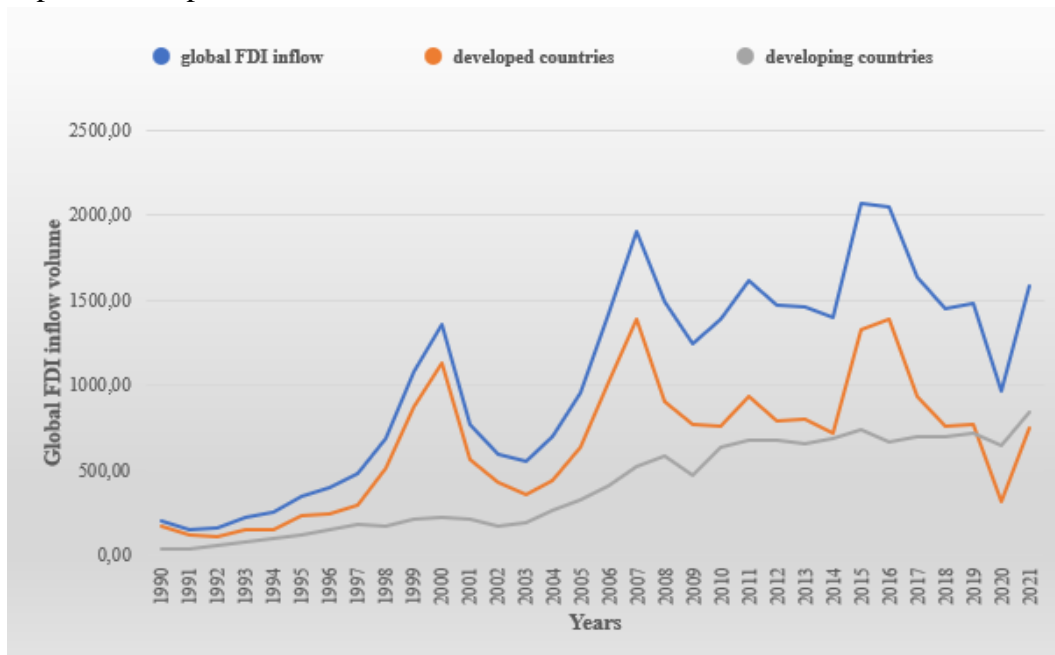
The period between 1990 and 2000 witnessed a remarkable surge in foreign direct investment (FDI) flows, with an average global growth rate of 15,3 percent. This growth can primarily be attributed to the establishment of the international division of labor within the global economy and the heightened interdependence resulting from the emergence of the global value chain.



Picture 1. Global FDI flows between 1990 and 2021 (in billion US dollars).

After reaching an unprecedented peak of nearly US\$1,36 trillion in 2000, global FDI inflows experienced a significant downturn in the following years. This decline can be attributed to several factors, including a decrease in both the volume and number of cross-border mergers and acquisitions (M&A), sluggish global economic growth, and a delayed recovery from the 2000-2001 economic crisis, which adversely affected major advanced economies. Moreover, there was a decline in corporate profitability, a decrease in stock market value, and the suspension of privatization processes in certain countries. Collectively, these factors contributed to the sharp drop in the volume of global FDI inflow during that period. However, starting from 2003, a resurgence in FDI inflows was observed, with a consistent upward trend. This upward trajectory culminated in 2007, reaching its highest level just before the global financial crisis unfolded. During this period, developing countries, most notably China, played a pivotal role in driving this growth. The increased internationalization of activities by national enterprises in these countries can be identified as a key factor behind their entry into global markets and the subsequent surge in FDI inflows.

Following the global financial crisis of 2008-2009 and the subsequent “euro crisis” in 2010, developed countries witnessed a greater decline in FDI inflows compared to the previous two decades. In contrast, developing countries continued to experience growth in FDI inflows. Consequently, the disparity between FDI inflows to developed and developing countries diminished, and by 2014, this gap had almost vanished. Remarkably, in 2020 and 2021, developing countries attracted even more FDI than their developed counterparts.



Picture 2. Global FDI inflows by developed and developing countries (1990-2021, in billion US dollars).

The depicted graph clearly demonstrates the significant contribution of developing countries to the growth of global FDI inflows over the past 30 years. These countries have shown a consistent and robust growth trend, playing a vital role in shaping the global FDI landscape. It is important to highlight that the “China factor” has been a key driver behind the steady growth of FDI inflows in developing nations. However, despite this sustained growth, it is evident that changes in FDI inflows into

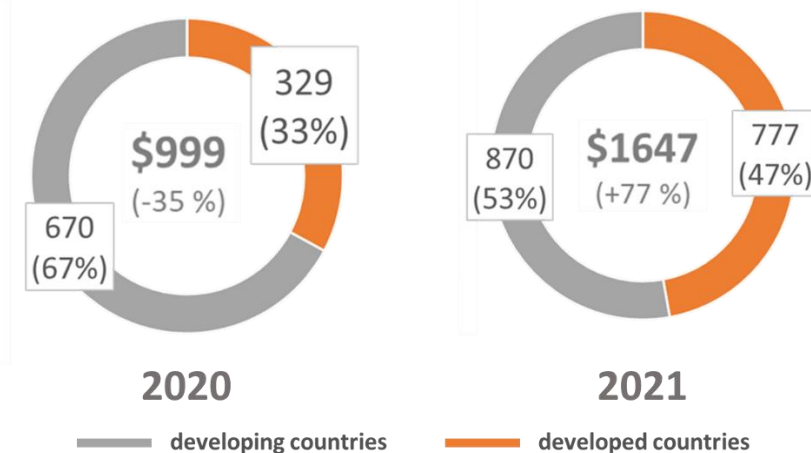
developed countries have predominantly influenced the overall trend of global FDI inflows. In essence, fluctuations in the volume of FDI inflows into developed countries have been the primary determinant of the observed patterns in global FDI inflows.

Recent years have witnessed a substantial negative impact on global FDI inflows due to the coronavirus pandemic and the ensuing global economic crisis. In 2020, there was a significant decline of 35% in global FDI inflows compared to 2019, plummeting from 1,5 trillion US dollars to 1 trillion US dollars. This represents the lowest figure since 2005 and is nearly 20% lower than even the depths of the global financial crisis in 2009. The imposition of quarantine restrictions worldwide as a response to the pandemic has led to a slowdown in the implementation of existing investment projects. Moreover, the anticipated global economic crisis has compelled transnational corporations (TNCs) to reassess their new ventures.

Contrary to the negative trends observed in 2020, the year 2021 experienced a remarkable resurgence in global FDI inflows, surpassing pre-pandemic levels and achieving a full recovery. As reported by the UN Conference on Trade and Development (UNCTAD) Investment Trends Monitoring, FDI inflows witnessed a substantial increase of 77%, reaching a total of \$1,65 trillion in 2021 [3].

In 2020, the volume of FDI inflows witnessed a significant decline in developed countries, experiencing a 58% decrease primarily attributed to a sharp decline in corporate transactions and internal corporate transfers. Conversely, developing countries experienced a relatively milder decline of 8% on average. It is noteworthy that in 2020, developing countries contributed two-thirds of the global FDI inflow, amounting to 670 billion US dollars, accounting for 67% of the total. This substantial contribution was a direct consequence of the substantial decrease in foreign investment flows observed in developed countries. In comparison, this contribution stood at 50% in 2019.

As of the conclusion of 2021, developed countries witnessed the most substantial increase thus far, displaying a remarkable growth rate of 199% compared to the preceding year. FDI inflows in 2021 reached an estimated \$777 billion, surpassing the exceedingly low levels observed in 2020 by more than double. Despite the fact that developed countries accounted for over \$500 billion or nearly three-quarters of the overall increase in global FDI flows in 2021, totaling \$718 billion, even in 2021, developing countries remained significant contributors, responsible for more than 50% of global FDI flows, specifically 53% [4].



Picture 3. Global FDI inflows by developed and developing countries (1990-2021, in billion US dollars).

The geographical analysis of FDI inflows, categorized according to the economic development levels of countries, enables us to discern the regions and specific countries that have attracted FDI over the past three decades.

Table 1 The global FDI inflows from 1990 to 2021, categorized by the level of economic development and region (in billion US dollars)

Years	1990	1995	2000	2005	2010	2015	2020	2021
<b>Developed countries</b>	171,3	228,4	1134,0	630,5	761,3	1322,7	319,2	745,7
America	56,0	68,0	380,9	130,5	226,7	511,3	174,1	427,1
Asia and Oceania	12,6	18,6	42,3	-5,9	52,0	47,7	64,3	99,7
Europe	102,7	141,7	710,8	505,8	482,7	763,7	80,8	219,0
<b>Developing countries</b>	33,6	116,7	222,7	322,8	629,6	740,9	643,9	836,6
Africa	2,8	5,7	10,4	29,3	47,2	57,9	39,0	83,0
America	8,5	29,8	79,8	77,2	160,8	152,8	86,2	134,5
Asia and Oceania	22,2	81,2	132,5	216,3	421,6	530,2	518,8	619,1

In the provided table, it is evident that in 1990, developed countries attracted a significant FDI inflow amounting to 171,3 billion US dollars, whereas developing countries received a comparatively lower FDI inflow of 33,6 billion US dollars. During that year, developed countries accounted for approximately 83,6 percent of the total world FDI inflows, while developing countries represented 16,4 percent. Fast-forwarding to 2021, there has been a notable shift in FDI flows. Developed countries, while still a substantial recipient, received a total of 745,7 billion US dollars, accounting for approximately 47,1 percent of the global FDI inflows. In contrast, developing countries witnessed a remarkable increase, attracting a total FDI inflow of 836,6 billion US dollars, constituting about 52,9 percent of the total global FDI inflows. This indicates a significant rise in the contribution of developing countries to the overall FDI landscape over the years.

Over three decades, FDI flows in developed countries saw remarkable shifts. Asia and Oceania, and the Americas witnessed impressive growth, expanding 7,9 and 7,6 times, respectively. Europe also experienced substantial growth, increasing 2,1 times. In 1990, Europe led in FDI inflows among developed regions, but in the past 30 years, leadership shifted to the American region.

In the context of developing countries, the most substantial FDI growth occurred in the regions of Africa and Asia and Oceania. Over the period from 1990 to 2021, FDI inflows in these regions surged by 29,6 and 27,9 times, respectively. The remarkable change in Africa's FDI can be attributed to its small initial inflow in 1990, amounting to only 2,8 billion US dollars.

In the same period, Asia and Oceania maintained and strengthened their leadership among developing regions, while the American region saw a noticeable decline in its share of FDI.

In the analysis above, we focused solely on FDI inflows into various regions and countries. Now, we will delve into the trends of regions and countries that have not only received FDI but have also been significant sources of FDI over the last three decades. This analysis will help us identify which regions or countries have been crucial in providing FDI to the global economy and which ones have been progressively enhancing their appeal for FDI inflows during this period.

The table below depicts the significant trend changes in FDI source regions during the period 1990 to 2021.

Table 2 The global FDI outflows from 1990 to 2021, categorized region  
(in billion US dollars)

Years	1990	1995	2000	2005	2010	2015	2020	2021
World	243,9	361,2	1162,5	837,2	1392,1	1722,8	780,5	1707,6
Africa	0,7	3,0	1,5	2,1	10,4	9,5	-0,6	2,7
America	37,6	107,3	195,5	61,7	367,4	348,3	276,8	534,7
Europe	141,0	178,0	848,0	671,1	629,6	846,0	-20,6	551,6
Asia and Oceania	64,7	72,9	117,4	102,2	384,8	519,0	524,9	618,6

In the initial year of our review, 1990, the European region accounted for the primary FDI outflow, amounting to 141 billion US dollars, encompassing nearly 58% of the global FDI outflow. Following closely were the Asia and Oceania region with 26,5% and the American region with 15,4%.

By 2021, the total volume of global FDI outflow surged to 1,707,6 billion US dollars, with the Asia and Oceania region emerging as the major contributor, contributing 618,6 billion US dollars or 36,2%. The European and American regions secured the subsequent positions with 551,6 billion US dollars (32,3%) and 534,7 billion US dollars (31,3%), respectively.

Notably, the pivotal factor propelling the Asia and Oceania region to its leading position was the “China factor”. In 1990, the People’s Republic of China accounted for approximately 5,8% of the FDI from Asia and Oceania (10,5 % including the Hong Kong administrative region). However, by 2021, the share of the People’s Republic of China had significantly risen to 29,3% (52% including the Hong Kong administrative region). This substantial growth in China’s contribution played a critical role in elevating the region’s prominence in the global FDI landscape [5].

The table below depicts the significant trend changes in FDI destination regions during the period 1990 to 2021.

Table 3 The global FDI inflows from 1990 to 2021, categorized region  
(in billion US dollars)

Years	1990	1995	2000	2005	2010	2015	2020	2021
WORLD	204,9	345,1	1356,7	953,2	1390,9	2063,6	963,1	1582,3
Africa	64,5	97,9	460,7	207,7	387,4	664,2	260,3	561,5
America	102,7	141,7	710,8	505,8	482,7	763,7	80,8	219,0
Europe	34,8	99,9	174,8	210,5	473,6	577,8	583,1	718,8
Asia and Oceania	2,8	5,7	10,4	29,3	47,2	57,9	39,0	83,0

In 1990, Europe stood as the primary recipient of FDI, attracting 102,7 billion US dollars, accounting for 50,1 percent of the total FDI inflows. The Americas and Asia and Oceania regions followed closely, receiving 64,5 billion US dollars (31,5 percent) and 34,8 billion US dollars (17 percent), respectively, securing the subsequent positions in FDI attraction.

Based on the trends observed in the table data, a significant shift occurred in FDI destination regions. Until 2016, the European region maintained its leadership position among FDI destination regions. However, from 2017 to the present, the Asia and Oceania region took the lead, becoming the main FDI destination region.

In 2021, the global FDI received by the world amounted to 1582,3 billion US dollars, with the Asia and Oceania region contributing significantly, receiving 718,8 billion US dollars, which represents 45,4 percent of the total.

The rise of the Asia and Oceania region as the leading FDI recipient can be attributed to the “China factor”. In 1990, the People’s Republic of China accounted for approximately 1,7 percent of the FDI entering the Asia and Oceania region (3,3 percent including the Hong Kong administrative region). However, by 2021, the share of the People’s Republic of China had substantially increased to 11,4 percent (20,3 percent including the Hong Kong administrative region). This growth in China’s contribution played a pivotal role in elevating the region’s prominence as the main FDI destination [6]. Over the past 30 years, Europe’s FDI attractiveness declined, while America’s remained stable due to the US’s steady economic development. However, Asia and Oceania have become the most sought-after region for investors, surpassing Europe and challenging America’s prominence.

According to UNCTAD statistics, analyzing the volume of FDI outflow by country reveals the USA as the dominant source of global FDI. Foreign investors operating in the USA contribute to approximately 23,6 % of the world's total FDI output volume, representing nearly a quarter of all FDI flows. Following closely, Germany, Japan, and the People’s Republic of China secured the next positions, with 8,9 %, 8,6 %, and 8,5 % of the world’s FDI output, respectively.

Apart from being the main source country of FDI, the USA also stands as the largest recipient country of FDI in 2021.

The United States’ share accounted for 367 billion US dollars, representing 23,2% of the world's FDI received this year. This amount is twice as much as the next largest FDI recipient, China, which received 181 billion US dollars, constituting 11,4 percent of the global FDI.

Following the United States and China, Hong Kong SAR received 141 billion US dollars (8,9 percent), Singapore received 99 billion US dollars (6,3 percent), and Canada received 60 billion US dollars (3,8 percent). These countries occupy prominent positions as FDI recipients, trailing the United States and the People’s Republic of China.

Similar to the cross-sectional analysis of countries and regions above, analyzing global FDI trends by sector and industry is crucial for investors, policymakers, and economic planners. It aids in formulating targeted policies, boosting competitiveness, and identifying promising directions for economic growth. This analysis guides investors in making informed decisions and helps economic planners align development goals with high-growth sectors.

In the analysis of the global FDI trend by sector and industry, we examined the allocation of cross-border mergers and acquisitions (M&A) and greenfield investments (new projects from scratch) in the sectors and industries of host countries over a five-year period. The aim was to gain insights into how FDI inflow was distributed across different economic sectors and identify the key areas of investment attraction during this time frame.

Based on the data from UNCTAD database [7], the total inflow of FDI in host countries through cross-border mergers and acquisitions (M&A) transactions amounted to approximately 694 billion US dollars in 2017.

Out of this total, the distribution of FDI inflows in the primary, production, and services sectors was as follows:

- Primary Sector: 24,5 billion US dollars
- Production Sector: 326,8 billion US dollars

– Services Sector: 342,7 billion US dollars

In 2018, the volume of cross-border mergers and acquisitions (M&A) transactions reached a record high of 815,7 billion US dollars. However, in the subsequent years, 2019 and 2020, this figure declined to 504,5 billion US dollars and 474,9 billion US dollars, respectively. The notable surge in 2018 was primarily influenced by the services sector, which experienced a substantial growth of 37%. Conversely, the sharp declines in the following years were also largely attributed to the services sector, experiencing a decline of 51,6%. These declines were primarily influenced by the US-China trade war and the Covid-19 pandemic as the main contributing factors.

However, in 2021, with the easing of Covid-19 related restrictions, there was a resurgence in cross-border M&A transactions, reaching 727,9 billion US dollars. The services sector played a crucial role in this recovery, demonstrating a remarkable growth rate of 108,3%.

On the other hand, the manufacturing sector has not yet recovered to its 2018 level, while the primary sector has remained relatively stable over the past five years.

In the last 5 years, the agricultural and mining industries within the primary sector have displayed relative stability. Despite facing the challenges brought on by the Covid-19 pandemic, in 2021 both industries managed to attract FDI through cross-border mergers and acquisitions (M&A) 1,9 billion US dollars and 26,2 billion US dollars, respectively.

Notably, these figures represent the average FDI inflows for both industries over the past 5 years for the specified year, highlighting their consistent appeal as investment destinations, even amid the pandemic's uncertainties.

Despite the downward trend observed in the manufacturing sector until 2020, there was a notable increase of 4,6% in 2021 compared to the previous year. However, it has not yet fully recovered to its pre-pandemic level.

In 2017, the inflow of FDI in the manufacturing sector was mainly directed towards the food, beverage, and tobacco products industry (87,8 billion US dollars), followed by pharmaceuticals (78,2 billion US dollars), chemicals (58,5 billion US dollars), machinery and equipment (51,6 billion US dollars), and electronics and electrical equipment (25,6 billion US dollars) industries.

By 2021, the attractiveness of foreign investment in the manufacturing sector shifted, with the pharmaceuticals industry leading with 73,5 billion US dollars, followed by automotive (42 billion US dollars), electronics and electrical equipment (38,3 billion US dollars), and chemicals (20,2 billion US dollars) industries displaying relatively high attractiveness.

During the last 5 years, a significant decline was observed in the food, beverage, and tobacco products, as well as the machinery and equipment industries. In contrast, the automotive industry experienced remarkable growth, while the metal and metal products, as well as the paper and paper products industries, saw significant increases. These fluctuations indicate the dynamic nature of the manufacturing sector in attracting foreign investments.

Excluding the years 2019 and 2020, which were impacted by the pandemic, the volume of cross-border mergers and acquisitions (M&A) transactions in the services sector has shown a consistent increasing trend.

In 2021, several industries within the services sector displayed relatively high attractiveness for FDI. The information and communication industry led with a significant volume of 135,9 billion US dollars, followed by finance and insurance with 71,9 billion US dollars, trade with 63,5 billion US dollars, transport and storage with 53,3 billion US dollars, professional services with 40,6 billion US dollars,

real estate with 40,6 billion US dollars, and administrative and support services with 28,4 billion US dollars.

Over the past 5 years, the utilities and tourism industries experienced a notable decline in FDI attractiveness. However, there has been an increase in cross-border M&A transactions in the trade, transport and storage, information and communication, and professional services industries, indicating their growing appeal for foreign investors during this period. The trends observed highlight the dynamic nature of the services sector and the changing patterns of FDI attraction within its various industries.

Greenfield investments are essential for the host country's economy. Unlike FDI through M&A, they create new businesses, generate jobs, transfer technology, and improve infrastructure, fostering economic growth, innovation, and regional development for long-term prosperity.

According to UNCTAD database [8], in 2017, the total volume of greenfield investment projects announced in FDI host countries amounted to 699 billion US dollars. Although the year 2018 witnessed the highest figure in the last 5 years, with 982,5 billion US dollars, the trend took a downward turn in the subsequent 3 years. The primary cause for this decline was the imposition of quarantine restrictions due to the Covid-19 pandemic. The pandemic significantly impacted all sectors, resulting in a sharp drop in the volume of announced greenfield investment projects during this period.

By 2021, with the easing of quarantine restrictions that were introduced due to the Covid-19 pandemic, there was a notable resurgence in the total volume of greenfield investment projects announced, reaching 659,4 billion US dollars. This increase was observed across all sectors, indicating a positive rebound in investor confidence and a renewed interest in pursuing new projects in FDI host countries. The upward trend in greenfield investment projects signified a step towards economic recovery and growth in the wake of the pandemic's challenges.

In 2021, the announced greenfield investments in the primary, manufacturing, and service sectors amounted to 13,1 billion US dollars, 296,6 billion US dollars, and 349,7 billion US dollars, respectively. Notably, only the services sector witnessed an increase in the volume of greenfield investments compared to 2017.

The slow recovery of the global economy after the Covid-19 pandemic in 2020 played a significant role in this trend. The mining industry within the primary sector was particularly affected by the sharp drop in greenfield investment projects. However, there were no significant changes observed in the agriculture, forestry, and fishing industries.

In 2021, the manufacturing sector experienced a significant increase in the volume of greenfield investment projects, reaching 296,6 billion US dollars after a sharp drop in 2020 (240,3 billion US dollars). However, despite the rebound, it did not return to the pre-Covid-19 pandemic level seen in 2019 (402,3 billion US dollars).

In 2021, the electronics and electrical equipment industry proved to be highly attractive for greenfield investments, drawing 120 billion US dollars. Additionally, the automotive industry received 34,2 billion US dollars, chemicals attracted 28 billion US dollars, and both the food, beverages, and tobacco products industry, along with the pharmaceutical industry, received 19,1 billion US dollars each in greenfield investments.

Over the last 5 years, the electronics and electrical equipment industry stood out with a high growth rate, reflecting its sustained appeal as an investment destination within the manufacturing sector.

Despite the challenges posed by the pandemic, certain industries managed to maintain their allure for greenfield investments and demonstrated promising growth prospects.

In the services sector, similar to the manufacturing sector, the volume of greenfield investment projects announced in 2021 experienced a significant increase after the impact of the 2020 Covid-19 pandemic, reaching 349,7 billion US dollars. However, despite the rebound, it did not reach the pre-pandemic level seen in 2019 (412,2 billion US dollars).

Between 2017 and 2021, the greenfield investments announced in the services sector were mainly directed towards the following industries: energy and gas supply (90 billion US dollars in 2021), construction (49,4 billion US dollars), trade (24,1 billion US dollars), transport and storage services (33,4 billion US dollars), information and communication (104 billion US dollars), finance and insurance (15,3 billion US dollars), tourism (11,7 billion US dollars).

Over the past 5 years, only the information and communication industry witnessed growth in the volume of greenfield investment projects announced, highlighting its increasing appeal as an investment destination within the services sector.

In general, despite experiencing sharp declines in FDI inflows during economic and financial crises as well as pandemics, the global FDI inflows have exhibited a positive growth trend over the past 30 years. Notably, developing countries have played a pivotal role in this growth, displaying a stable and substantial increase in FDI inflows during this period. Between 1990 and 2021, FDI inflow volumes increased by 4,4 times in developed countries and an impressive 24,9 times in developing countries, underlining the rising significance of developing nations as attractive destinations for foreign investment.

During this period, there has been a notable shift in the leadership of FDI reception within the group of developed countries, transitioning from Europe to the American region. This trend indicates that European countries are experiencing a decline in their attractiveness for foreign investments. On the other hand, the “China factor” has played a significant role in strengthening the Asia and Oceania region’s long-term leadership within the group of developing countries, solidifying its position as an increasingly attractive destination for foreign investment.

Over the past 30 years, the trend indicates that Europe is experiencing a decline in its attractiveness as a region receiving FDI. In contrast, America has managed to maintain its appeal, largely due to the stable economic development of the United States. However, currently, investors are increasingly turning their attention to Asia and Oceania as the most attractive region for making their investments. This shift in focus highlights the growing prominence and potential of the Asia-Pacific region as a preferred destination for foreign investments, while Europe’s allure for investors seems to be waning in comparison.

According to industry-wise analysis, FDI inflows through cross-border mergers and acquisitions (M&A) have been prominent in the automotive, metal and metal products, paper and paper products, trade, transportation, and storage sectors over the past 5 years. Additionally, the information and communication, as well as professional services industries, have witnessed substantial growth in FDI inflows.

Furthermore, in terms of the volume of announced greenfield investments, the electronics and electrical equipment industry, along with the information and communication industry, have shown heightened attractiveness for foreign investors.

Indeed, for predominantly developing countries seeking to attract FDI, it becomes imperative to implement strategic measures aimed at fostering investment in the identified industries and enhancing overall competitiveness. This entails creating a favorable business environment, streamlining regulations, offering investment incentives, and investing in infrastructure development. Moreover, targeted policies that encourage innovation, skills development, and technology transfer within these sectors can further elevate their appeal to foreign investors. By effectively promoting these industries and ensuring a conducive investment climate, developing countries can successfully attract FDI, stimulate economic growth, and bolster their competitive position in the global market.

## References

1. <https://www.fdiintelligence.com/content/data-trends/the-recent-history-of-global-investment-a-data-perspective-79184>.
2. United Nations Conference on Trade and Development. World investment report 2021. New York: United Nations.
3. United Nations Conference on Trade and Development. Investment Trends Monitor, January, 2022, No. 40.
4. United Nations Conference on Trade and Development. Investment Trends Monitor, January, 2022, No. 40.
5. UNCTAD, FDI/MNE database – [www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics).
6. UNCTAD, FDI/MNE database – [www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics).
7. UNCTAD, cross-border M&A database – [www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics).
8. UNCTAD database, based on information from the Financial Times Ltd, fDi Markets ([www.fDimarkets.com](http://www.fDimarkets.com)).