ASIA-PACIFIC TRADE AND INVESTMENT TRENDS 2024/2025

Foreign Direct Investment

ESCAP
Economic and Social Commission for Asia and the Pacific

*The shaded areas of the map indicate ESCAP members and associate members.**

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Acknowledgements

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Highlights

Change in Greenfield FDI

- In 2024, total Greenfield FDI inflows to Asia and the Pacific saw a 14 per cent decrease compared to 2023 driven by South-East Asia which dropped by 33 per cent. However, this is a small dip over a record 2023 showing the region's strength.

Regional Highlight

- The North and Central Asia subregion has seen another year of strong investment growth in 2024, with Greenfield FDI inflows increasing by 27 per cent year-to-date. This was driven primarily by Kazakhstan through chemical and natural gas related projects. However, South and South-west Asia has attracted the most Greenfield FDI so far in 2024 amounting to US $83 billion.

Country Highlight

- India emerged again as the top destination for Greenfield FDI inflows in Asia and the Pacific in 2024, attracting an estimated US $76 billion thus far. Investments in semiconductors and renewable energy led the way.

Climate FDI Highlight

- Greenfield investments into climate FDI represented 21 per cent of total investments into Asia and the Pacific led by investments into green hydrogen projects. However, total investments were down 15 per cent in the January-September period of 2024, compared to 2023.

Industry Highlight

- The communications industry saw some of the most significant growth in Greenfield FDI in 2024, rising 69 per cent to US $ 40 billion placing it as the second largest sector behind renewable energy at US $ 58 billion.

Signals Highlight

- International investors are choosing Asia and the Pacific for its internal market, with the top two project motives in the region being proximity to markets or customer and domestic market growth.

1. Greenfield investment trends[1,2]

The landscape of foreign direct investment (FDI) in Asia-Pacific continues to evolve rapidly amid global economic uncertainties, geopolitical shifts, and technological transformations. While 2024 has witnessed some moderation in investment flows following the record-breaking announcements of 2023, the region has demonstrated remarkable resilience and maintained its position as a premier destination for international capital. This Brief analyzes the latest trends in Greenfield FDI across Asia-Pacific, examining how changing investor motivations, emerging sectors, and policy developments are reshaping investment patterns. Special attention is given to the growing significance of Climate FDI and its potential to advance the Sustainable Development Goals (SDGs) while creating new economic opportunities.

This evolving investment landscape reflects a broader transformation in how global investors approach opportunities and risks in the post-pandemic era. The initial reactive responses to recent global disruptions are giving way to more measured, strategic decision-making as markets settle into new patterns and priorities.

After the initial impetus and urge to action in response to recent challenges, investors are adapting to a 'new normal'[3] where evolving parameters affecting global markets and politics are expected to persist. Key factors shaping this landscape include accelerated investments in the digital economy following COVID-19, heightened focus on energy security, strategic restructuring of supply chains amid geopolitical tensions, and the widespread adoption of industrial policies as standard economic tools. Two distinct trends have emerged: first, investors are taking a more measured approach to evaluating opportunities compared to the initial surge of reactive investments; second, there has been a natural moderation in investment pace as projects announced in 2023 move into implementation phase, with corporate investors closely monitoring their performance and impact.

This new investment paradigm reflects a global context where "supply conditions, talent, inflation, policy and geopolitical considerations play a greater role." [4] Companies are responding to these economic pressures by disrupting traditional investment patterns, seeking new markets for stability and opportunity, and diversifying their operational bases within Asia-Pacific. These shifts in global FDI flows are leading to the emergence

[1] All greenfield investment data in this report for 2024 is based on the most recent Greenfield FDI data available at the time of writing, which was from January-September 2024.

[2] Greenfield FDI refers to capital investments, typically by corporate investors, resulting in capital inflows to a host country of the investment and the formation of new assets the investor aims to actively control and operate. An example would be a medical devices company from one country investing in a new manufacturing plant in another country. See also: https://www.fdiintelligence.com/content/video/explained-what-is-greenfield-fdi-83737

[3] See: https://www.reuters.com/practical-law-the-journal/transactional/geopolitical-outlook-investors-2024-2024-03-01/

[4] See: https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/insights/strategy/documents/ey-us-mid-2024-global-economic-outlook-july-edition.pdf

of new hubs across different segments of value and supply chains – locations that must still prove their long-term viability to investors conducting regional assessments.

"After a booming yet turbulent and impulsive 2023 for FDI in Asia-Pacific, investors appear to have begun operating in a 'new normal' where considerations of geopolitics, supply chains and policy interventions – amongst other things – have entered the mainstream at last"

In this context, proactive investment promotion by line ministries and investment promotion agencies (IPAs) becomes increasingly crucial, particularly in sectors contributing to sustainable development. For emerging investment destinations, success depends not only on creating the right policy environment but also on offering investors a comprehensive suite of support services and aftercare. IPAs are playing an increasingly critical role in directing foreign investment toward sustainable development initiatives, particularly given current global challenges. While the energy crisis has driven some investment toward carbon-intensive primary sector activities, this trend is being counterbalanced by growing FDI in climate adaptation and mitigation projects. This emerging shift in investment patterns presents an opportunity for IPAs to strategically channel capital toward sectors that tangibly advance the SDGs.

In fact, many economies across Asia-Pacific continue to reserve a prominent place for FDI attraction to achieve their economic development goals. According to Becker and Kaspar, about 75 per cent of investment policy measures enacted in Asia-Pacific between 2021 and 2023 were liberalizing in nature. Among them, the Philippines established Green Lanes[5] for strategic investments, after also having allowed 100 per cent foreign ownership in the renewable energy sector; Sri Lanka removed obstacles and bureaucratic bottlenecks in its foreign investment approval processes; and Malaysia announced the Strategic Investor Pass for investors to enter the country on a multiple-entry basis much like Indonesia's 'golden visa' programme (Becker, Kaspar, 2024).

This liberalization trend across the region reflects a broader recognition of FDI's crucial role in economic development, particularly evident in Southeast Asia's strategic positioning. While 2024 has so far seen a slow-down for Association of Southeast Asian Nations (ASEAN) too – one of the most eagerly observed regions by global investors – this trend is expected to be short-lived, especially when the economies of the ASEAN are compared with the EU in terms of FDI as a percentage of GDP. Becker and Kaspar's calculations show that ASEAN experienced strong levels of growth over past decades, while EU countries have seen their share of FDI as a percentage of GDP in continuous decline (ibid). While a decline in the "geopolitical distance" – a quantification of the geopolitical closeness of a country's trading partners – holds true for many economies in Asia-Pacific, including China, Japan and the Republic of Korea, ASEAN remains a stable economic partner for a range of global economies across the geopolitical spectrum –

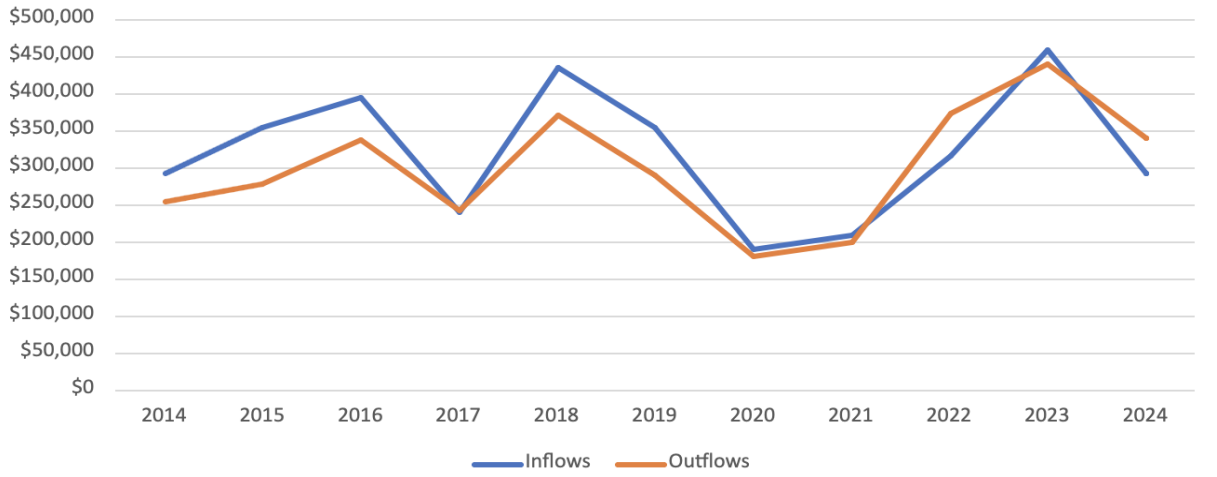
[5] Executive Order No. 18 mandates all national government agencies (NGAs) to establish green lanes, meaning the expedition of the processes of obtaining necessary licenses and permits for priority investments. See: https://investmentpolicy.unctad.org/investment-policy-monitor/measures/4215/philippines-established-green-lanes-for-strategic-investments

contributing to the strong interest of investors in the region and may well act as a presage for continued and increasing investor interest in ASEAN in the medium and long-term as well as further growth of and redirection of associated trade flows emerging from FDI.[6] This in turn will continue to open up new opportunities for investors in the region.

Turning to specifics, the Asia-Pacific region witnessed US $292 billion worth of greenfield projects in the January to September 2024 period, a 14 per cent decrease[7] compared to the same period in 2023, when US $339 billion had been recorded. Despite a strong first quarter – stronger than the first quarter of 2023 – greenfield FDI begun to ebb in quarter two and three of 2024, unable to keep up with consistently strong announcements throughout 2023 and are thus projected to fall short of the record figures set in 2023.

The leading recipients of FDI in the first three quarters of 2024 were India, Australia, China and Japan, with US $76 billion, US $38 billion, US $28 billion and US $25 billion announced to be invested respectively. Furthermore, some economies have rebounded from stalling FDI flows in 2023: Australia and Singapore notably both saw over US $10 billion more pledged to be invested in their economies in the January to September period of 2024, compared to the same period in 2023; US $13 billion and $12 billion, to be precise. Despite these positive developments, their gains were insufficient to offset the general slowdown of FDI into the region, with several economies experiencing significant decreases in investment flows. Indonesia, Malaysia, the Philippines and the Republic of Korea recorded decreases of sometimes far beyond the US $10 billion mark – namely, US $27 billion, US $12 billion, US $11 billion and US $10 billion, respectively. However, this can partly be explained by record breaking announcements the previous year that are now being implemented, as in the case of Malaysia for instance, which saw several billions invested in semiconductor manufacturing in 2023.

Figure 1. Announced Greenfield FDI inflows and outflows from Asia-Pacific, 2014-2024* (US $millions)



Source: ESCAP calculations based on fDi Markets data (accessed November 2024).

**January-September 2024.*

[6] See: https://www.mckinsey.com/featured-insights/future-of-asia/asia-the-epicenter-of-global-trade-shifts

[7] Year over year changes refer to the January-September periods in 2023 and 2024.

Outward greenfield announcements, on the other side, surpassed the inflow levels of the first three quarters of 2023 by 9 per cent, increasing from US $314 billion to US $341 billion (figure 1). While the last quarter of 2023 saw inflows into Asia-Pacific catch-up and surpass outward FDI figures that year, outflows in 2024 appear to be primed to surpass the levels of inward FDI into the region. This reinforces Asia-Pacific's position as one of the world's top sources of outward FDI, with investments flowing both within the region and to markets worldwide.

The biggest increases in outward investment this year were recorded in Malaysia (+US $34 billion), Japan (US $27 billion) and the Republic of Korea (US $20 billion). At the same time, companies from China (including Hong Kong, China and Macau, China), India and the Russian Federation committed significantly less capital to endeavors abroad than they did the previous year - US $63 billion, US $9 billion and US $3 billion less, respectively.

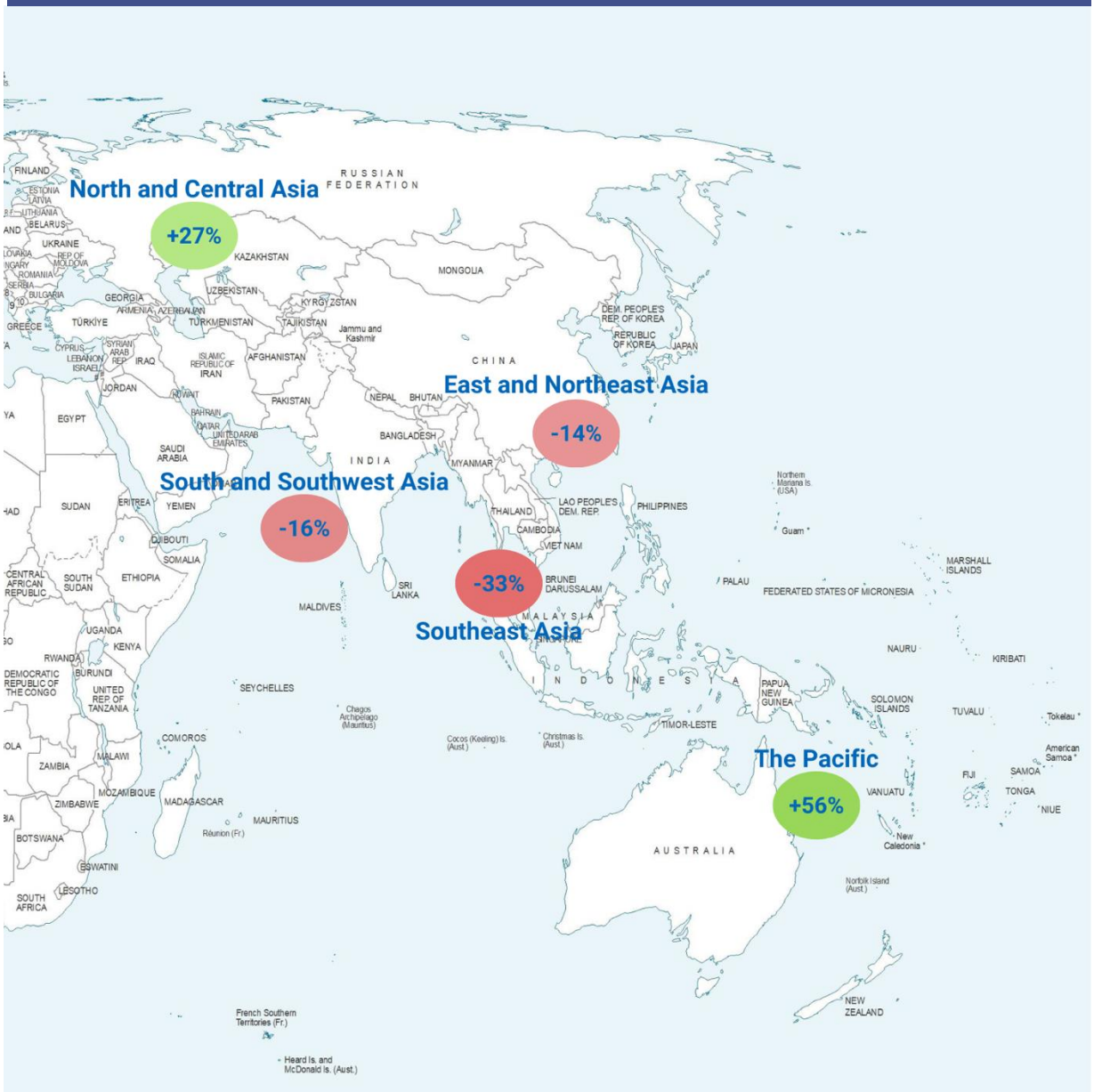
"Despite a moderate slow-down after the record year of 2023, the Asia-Pacific region remains a desirable location for investors and is expected to continue to do so for the foreseeable future"

However, this regional snapshot does not capture all the nuances, developments and challenges across ESCAP's member and associate member States. Therefore, the following sections will provide details on subregional, intraregional and sectoral trends.

2. Subregional FDI trends

As in previous years, the distribution of inward and outward Greenfield FDI was highly uneven across and within subregions of Asia-Pacific in 2024 (figure 2). Figures 2 and 3 illustrate the respective growth and decline rates of FDI for both inward and outward FDI per subregion. The following subsections present more details per subregion.

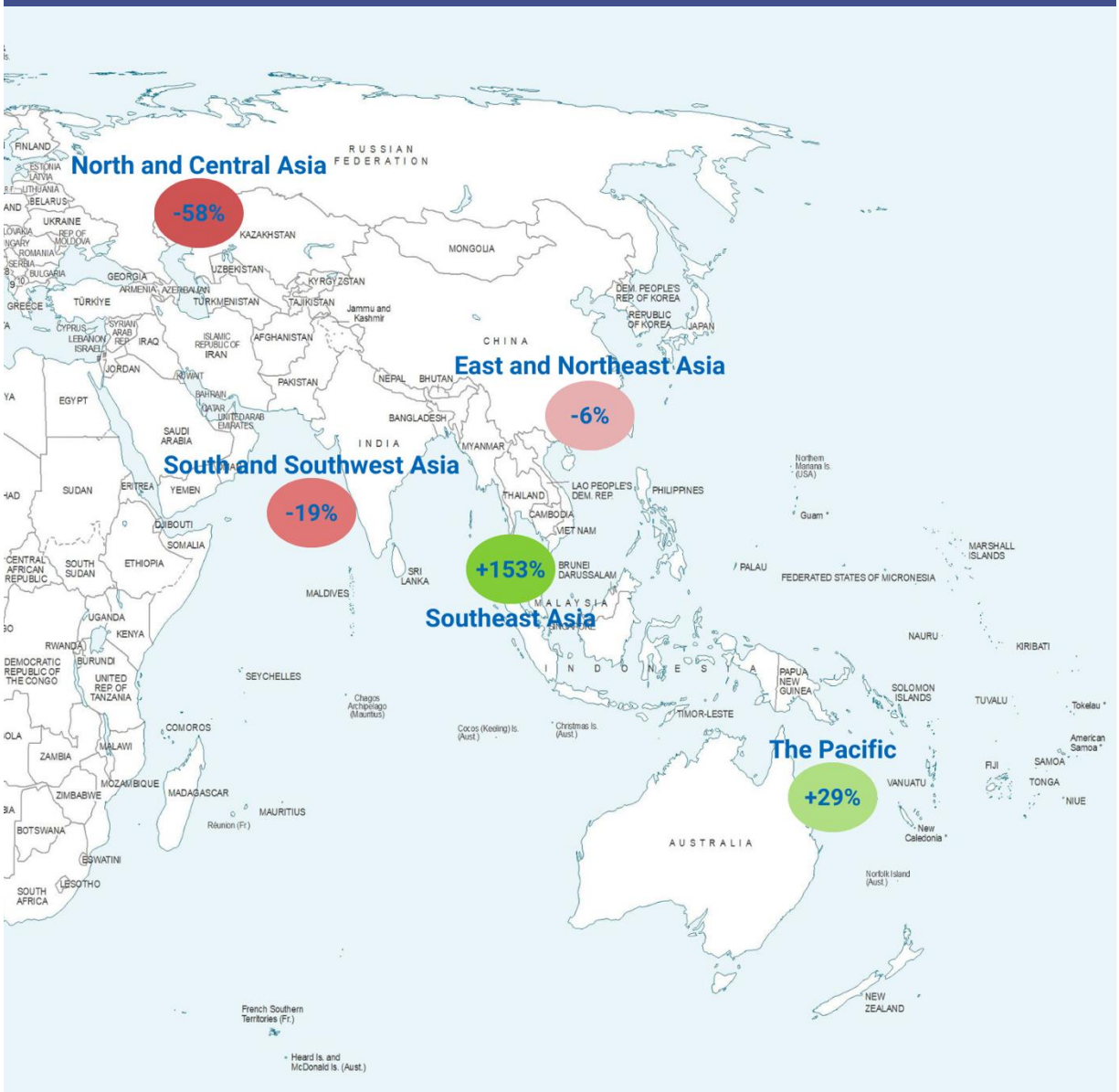
Figure 2. Greenfield FDI inflow growth rates for subregions in Asia-Pacific*



Source: ESCAP calculations based on fDi Markets (accessed November 2024).

**January-September 2024, compared to the same period in 2023.*

Figure 3. Greenfield FDI outflow growth rates for subregions in Asia-Pacific*



Source: ESCAP calculations based on fDi Markets (accessed November 2024).

**January-September 2024, compared to the same period in 2023.*

2.1 East and North-East Asia

East and North-East Asia attracted 21 per cent of the Asia-Pacific region's greenfield investments, the third highest of subregions at US $60.5 billion. The region saw a decrease of 14 per cent over the same period last year, the same as the decline for the Asia-Pacific region as a whole. Inward greenfield investments only increased for Japan, up 13 per cent, meanwhile, investments into and China, including Hong Kong, China and Macau, China fell 10 per cent, Mongolia dropped 11 per cent and the Republic of Korea saw the largest decline down 69 per cent. Japan's rebound in investment can largely be attributed to investments into data centers[8] and semiconductor manufacturing[9], as companies continue to diversify their production bases. In 2023 Japan issued its semiconductor and digital industry strategy with plans to provide subsidies to producers[10]. Further efforts to strengthen the national chip and artificial intelligence industries included the allocation of US $65 billion to onshore facilities from leading chip makers to strengthen the semiconductor supply chain in wake of the post-covid breakdowns, as announced in November of 2024.[11]

Box 1: Sample deal in the region

China to produce sustainable jet fuel

TotalEnergies and China Petroleum and Chemical Corporation have signed a Heads of Agreement to jointly develop a Sustainable Aviation Fuel (SAF) production unit at a refinery in China at an estimated US $591 million. The planned unit, which will be jointly owned, will have the capacity to produce 230,000 tons of SAF per year, and will process local waste or residues from the circular economy (cooking oils and animal fats).

Source: https://totalenergies.com/media/news/press-releases/china-totalenergies-and-sinopec-join-forces-produce-sustainable-jet-fuel

In absolute numbers, Japan saw the largest increase in Greenfield FDI, up US $2.8 billion to US $24.6 billion in 2024. Mongolia saw the smallest drop, down US $6 million to US $52 million, followed by China, including Hong Kong, China and Macau,

[8] See: https://www.datacenterdynamics.com/en/news/glps-ada-breaks-ground-on-second-building-at-tokyo-campus-japan/

[9] See: https://www.kioxia.com/en-jp/about/news/2024/20240206-1.html

[10] See: https://www.reuters.com/technology/japan-aims-treble-sales-domestically-made-microchips-by-2030-2023-04-03/

[11] See : https://www.cnbc.com/2024/11/13/japan-is-ramping-up-efforts-to-revive-its-once-dominant-chip-industry-.html

China, with a decrease of US $3.3 billion to US $31.5 billion, continuing its trend of seeing much lower inward investment since the pandemic. The Republic of Korea saw a decrease of US $9.7 billion to US $4.4 billion, a sharp decline from a record US $17.0 billion in 2023.

"The three biggest investors in Asia and the Pacific in 2024, China, Japan and the Republic of Korea are investing heavily renewable energies and semiconductor sectors, providing funding for countries within the Asia-Pacific to pursue strategic objectives, such as lowering emission and improving digital infrastructure"

In terms of greenfield investment outflows, East and North-East Asia only registered a slight year-to-date decrease of 6 per cent to US $226.8 billion in outbound FDI. While China, including Hong Kong, China and Macau, China saw a sharp decline of 35 per cent or US $62.7 billion to US $115.8 billion this was mostly offset by large increases from Japan (up 85 per cent to US $69.2 billion) and the Republic of Korea (up 63 per cent to US $51.9 billion). Both Mongolia and the Democratic People's Republic of Korea saw no outbound investments thus far in 2024.

2.2 South-East Asia

Greenfield investment inflows into South-East Asia fell 33 per cent, from US $123.6 billion to US $82.7 (figure 2). The region attracted 28 per cent of Greenfield FDI in Asia-Pacific year in 2024 the second highest of ESCAP subregions. Only a few countries saw increases in Greenfield FDI which was led by Singapore, up 167 per cent to US $18.6 billion, followed by Thailand, up 43 per cent to US $5.9 billion, and Brunei Darussalam up 1959 per cent to US $66 million compared to the same period in 2023. Viet Nam saw the lowest decline of 12 per cent to US $16.3 billion, while other nations saw larger declines including Malaysia (-39 per cent to US $18.5 billion), Myanmar (-48 per cent to US $55 million), the Philippines (-59 per cent to US $7.7 billion), Cambodia (-63 per cent to US $750 million), Lao PDR (-63 per cent to US $264 million) and Indonesia (-65 per cent to US $14.6 billion). At the time of writing, Timor-Leste has not recorded any announcements thus far in 2024. Malaysia was the target for the largest investment of the subregion in 2024, receiving US $2.1 billion from China's ByteDance to setup an artificial intelligence hub accompanying an additional investment of US $337 million to expand the company's data centers in Malaysia.[12]

[12] See: https://www.reuters.com/technology/bytedance-plans-21-bln-investment-malaysia-ai-minister-says-2024-06-07/

Box 2: Sample FDI project in the region

Green Hydrogen Project in Indonesia

Saudi Arabia's ACWA Power is set to develop the largest green hydrogen facility in Indonesia with the state-owned electricity provider PT Perusahaan Listrik Negara (PLN) and the state-owned fertiliser and chemical producer PT Pupuk Indonesia. The Garuda Hidrogen Hijau (GH2) Project, which is expected to start commercial operations in 2026, will run on 600MW of solar and wind power, will produce 150,000 tonnes of green ammonia per year, and is valued at US $1 billion.

Source: https://www.acwapower.com/news/acwa-power-signs-deal-to-develop-the-largest-green-hydrogen-project-in-indonesia

Outbound Greenfield FDI from South-East Asia rose sharply, up 153 per cent from US $30.7 billion to US $77.5 billion (figure 3). The increase was due to outflows from Malaysia soaring 4,104 per cent to US $34.4 billion as Petronas committed US $30 billion to construct an LNG plant in the Patagonia region of Argentina[13]. Singapore aided in increasing the region's outflows with a sizable 47 per cent increase from bringing it to US $37.2 billion so far in 2024. Vietnam (US $2.7 billion, up 84 per cent), Thailand (US $1.6 billion, up 33 per cent) and the Philippines (US $1.3 billion, up 9 per cent) were the other major contributors from the region.

2.3 South and South-West Asia

South and South-West Asia attracted 28 per cent, the largest share of greenfield investments in Asia-Pacific, totaling US $83.3 billion in 2024. The subregion saw a decline of 16 per cent, as Sri Lanka (-90 per cent to US $730 million), Pakistan (-83 per cent to US $1.8 billion), and Türkiye (-77 per cent to US $2.4 billion) all saw sharp declines over the same period on 2023. Gains for India, the largest Greenfield FDI receiver in Asia-Pacific mostly offset these declines as the country saw an increase of 17 per cent, reaching US $75.6 billion so far in 2024, on track for a record year. India has seen several mega deals this year across sectors including semiconductors, metals, renewable energy, communications, automotive OEM, software, data processing, and more from companies including Powerchip Technology, ArcelorMittal Nippon Steel, STT Global Data Centres, Toyota, Vinfast, Protonas and more. The continued strength of India when it comes to attracting large-scale FDI projects, can not only be attributed to its market size and overall growth trajectory but the country is also avidly issuing targeted support policies and incentive schemes

[13] See: https://newsbase.com/story/glng-petronas-and-argentina-s-ypf-to-invest-30bn-to-construct-lng-plant-in-patagonia-337113

like the Production Linked Incentive (PLI) scheme launched in 2020. The PLI scheme is to boost domestic production and attract investments in target sectors by offering companies a fixed percentage of incentives on the incremental sales of manufactured goods over their first five years, encouraging increased manufacturing capabilities within the country (Wandhe, 2024). Bhutan also saw investments increase, up 74 per cent to US $1.1 billion while it was flat for the Maldives at US $554 million. The remaining countries saw decreases including Nepal (-68 per cent to US $237 million) and Bangladesh (-68 per cent to US $866 million) or no investments (Afghanistan and Iran).

Bhutan's increase in investment flows aligns with its ambitious development vision, exemplified by its flagship "Gelephu Mindfulness City" project. This innovative initiative represents a distinctive approach to economic development, designed to attract FDI while also maintaining Bhutan's Gross National Happiness index. The planned sustainable economic hub strategically positions itself as a corridor between South and Southeast Asia, incorporating eco-friendly infrastructure, mindfulness-focused spaces, and diverse business opportunities. To finance this development, Bhutan has launched several funding initiatives targeting non-resident Bhutanese investors. The project has garnered high-level support, with both the Prime Minister and King of Bhutan actively promoting it.[14]

Box 3: Sample FDI project in the region

Hydropower project in Bhutan

India's Tata Power has announced a strategic partnership with Bhutan's Druk Green Power for the development of the 600MW Khorlochu hydropower project. The project is estimated at US $822 million with expected completion in 2029. It will help meet Bhutan's winter electricity demands and export surplus to India to expand its clean energy grid.

Source: https://www.power-technology.com/news/tata-power-druk-green-khorlochhu/?cf-view

Outward Greenfield investment from the subregion fell 19 per cent to US $19.1 billion in 2024 (figure 3). India again was the largest source of outbound investment for the region, responsible for US $10.1 billion, or 52 per cent of the subregion's outflow, though this was down 47 per cent from the same period in 2023. On another note, Türkiye emerged as a large investor this year, committing US $ 7.6 billion, a 92 per cent increase spearheaded by a US $1.62 billion investment from Yilport to expand

[14] See: https://www.reuters.com/world/asia-pacific/buddhist-bhutan-build-mindfulness-city-woo-investment-create-jobs-2024-11-11/

two ports in El Salvador and operate them jointly with the local authorities.[15] Pakistan continued to increase its outward investments, up 134 per cent to US$1.1 billion.

2.4 North and Central Asia

Greenfield investment inflows into North and Central Asia rose 27 per cent to US $24.8 billion year in 2023. Inward greenfield investment into the Russian Federation increased 88 per cent to US $1.1 billion despite ongoing geopolitical tensions. The countries that received the bulk of Greenfield FDI in the region were Kazakhstan which recorded an 88 per cent increase in investment to US $15.7 billion, Uzbekistan, which fell 49 per cent to US $4.0 billion, Kyrgyzstan, up 310 per cent to US $2.1 billion, and Azerbaijan, up 1 per cent to US $1.2 billion. The growth in Kazakhstan now sees it attracting 63 per cent of the regions total FDI in thus far 2024, led by investments totaling US $11 billion from Qatar's UCC Holding to establish two gas processing plants, a new compressor station, and two additional trunk gas pipelines throughout the country[16]. The remaining countries, Turkmenistan (US $339 million), Tajikistan (US $281 million), Georgia (US $126 million), and Armenia (US $67 million) have been targeted by less capital-intensive projects this year.

Box 4: Sample FDI project in the region

Biofuel plant in Uzbekistan

Republic of Korea's Western Power is planning a biofuel plant in the Fergana region of Uzbekistan that will process cotton stalks for heating greenhouses instead of using coal. The project is estimated at US $152 million and should reduce emissions by 120,000 tons CO2e over the next 10 years.

Source: https://kun.uz/en/news/2024/07/02/korean-western-power-plans-to-build-a-biofuel-plant-in-uzbekistan.

Outflow from the subregion saw a sharp decline in 2024 after a rebound in 2023. Outward investments dropped 58 per cent to US $2.3 billion, with 90 per cent or US $2.1 billion originating from the Russian Federation. Of this, Russian Federation-based investors committed US $847 million into the coal, oil & gas sectors of India and Belarus. The other sources of outbound greenfield investments in the region were Georgia (US $105 million), Azerbaijan (US $76 million), Kazakhstan (US $47 million), and Armenia (US $7 million).

[15] See: https://www.reuters.com/business/turkeys-yilport-invest-16-billion-el-salvador-ports-2024-08-12/

[16] See: https://interfax.com/newsroom/top-stories/100032/#:~:text=The%20agreements%20provide%20for%20the,as%20well%20as%20the%20construction

2.5 The Pacific

The Pacific subregion recorded a 56 per cent increase in Greenfield FDI compared to the same period in 2023 rising from US $26.7 billion to US $41.8 billion. As in previous years, Australia attracted the largest volume of greenfield investments, up 52 per cent to US $38.1 billion compared to 2023 due to a significant amount of renewable energy projects. This follows significant efforts to bolster renewable energy projects in the country including via the Capacity Investment Scheme[17] which provides companies a 15-year revenue floor on projects, offering more financial certainty to investors. New Zealand also experienced a rise of 145 per cent to US $2.9 billion. Fiji (US $148 million), French Polynesia (US $236 million), New Caledonia (US $154 million), Vanuatu (US $154 million), and Samoa (US $32 million) were the only other countries to receive Greenfield FDI in the first three quarters of 2024. Fiji, French Polynesia, New Caledonia, and Vanuatu benefited from a significant investment by Google and Alcatel Submarine Networks for undersea cables, significantly improving connectivity in the South Pacific, the projects will further allow additional Pacific Islands to attach on using pre-positioned branching units.[18]

Box 5: Sample FDI project in the region

EnviroGold to build demonstration clean leaching plant near Brisbane

Canada's EnviroGold is planning a demonstration plant near Brisbane, Australia that will employ a proprietary leaching technology "NVRO Clean Leach Process". The plant will use this new process to monetize valuable metals contained in mine waste and tailings to reduce environmental and mine closure liabilities and improve social and environmental outcomes. The project is estimated at US $214 million and is positioned to serve multiple mines in quick succession to test its economic viability.

Source: https://envirogoldglobal.com/envirogold-global-to-build-demonstration-plant-in-brisbane-australia/

Outward greenfield investments from the Pacific subregion rose 29 per cent to US $14.9 billion year to date September 2024 (figure 3). Australia led as the main source of outbound investments in 2024 (US $14.1 billion), followed by the only other investor of the region, New Zealand, at US $662 million.

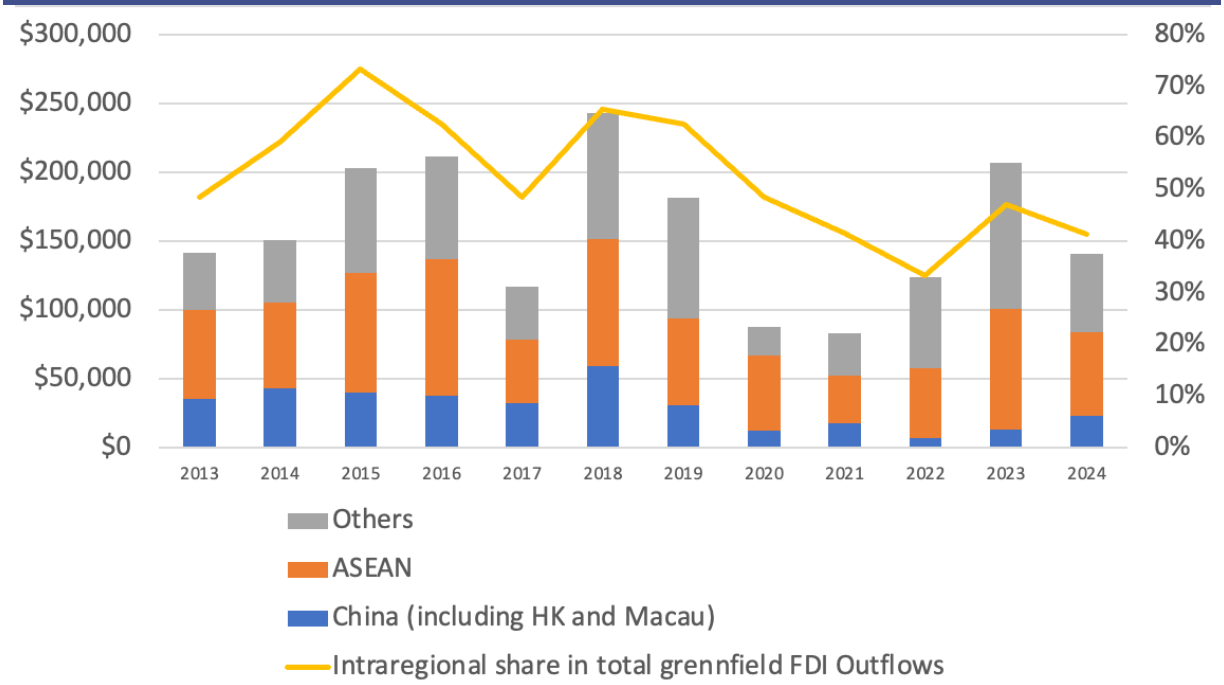
[17] See: https://www.dcceew.gov.au/energy/renewable/capacity-investment-scheme

[18] See: https://cloud.google.com/blog/products/infrastructure/introducing-bulikula-and-halaihai-subsea-cables-to-connect-the-central-pacific & https://www.rnz.co.nz/international/pacific-news/509542/smart-multi-purpose-cable-world-first-connecting-new-caledonia-vanuatu

3. Trends in intraregional Greenfield FDI

Since the start of the COVID-19 pandemic, intraregional Greenfield FDI inflows have been decreasing as a share of total inflows to the region, after a stronger 2023 the share has decreased again, now at 41 per cent in 2024. So far this year the ASEAN region has attracted the greatest share of intraregional FDI flows (figure 4).

Figure 4. Intraregional Inflows of Greenfield FDI in Asia-Pacific, (US $Millions)



Source: ESCAP calculations based on fDi Markets data (accessed November 2024)

**January-September 2024*

ASEAN member States have continued to receive the largest share of intraregional greenfield investments since the pandemic, receiving US $61.1 billion, or 43 per cent of all intraregional greenfield investments in Asia-Pacific (figure 4). Within ASEAN, Viet Nam attracted US $13.9 billion (23 per cent), Malaysia US $13.9 billion (23 per cent), Singapore US $12.2 billion (20 per cent), and Indonesia US $11.4 billion (19 per cent) in 2024.

"Asia-Pacific based investors continue to invest heavily within the region with ASEAN being a favourite destination region due to its domestic market growth"

Across the Asia-Pacific there is an increasing volume of intraregional investments into high-tech sectors with the largest investments of 2024 including Singapore's ADA Infrastructure investing US $9.7 billion into data centres in Japan and China's Vanguard International Semiconductor investing US $7.8 billion into Singapore for a new 300mm semiconductor wafer manufacturing facility.

"An increasing amount of the region's high-tech investments are coming from within, with investors setting up many new semiconductor plants and data processing and storage centers"

In terms of the entire Asia-Pacific region, the largest recipients of intraregional FDI in 2023 were India (23 per cent), China (16 per cent), Japan (10 per cent), Viet Nam (10 per cent), Malaysia (10 per cent), and Singapore (9 per cent). The largest intraregional contribution to India's FDI inflows in 2023 was China-based Powerchip Technology, announcing a US $11.0 billion semiconductor manufacturing plant in the country.

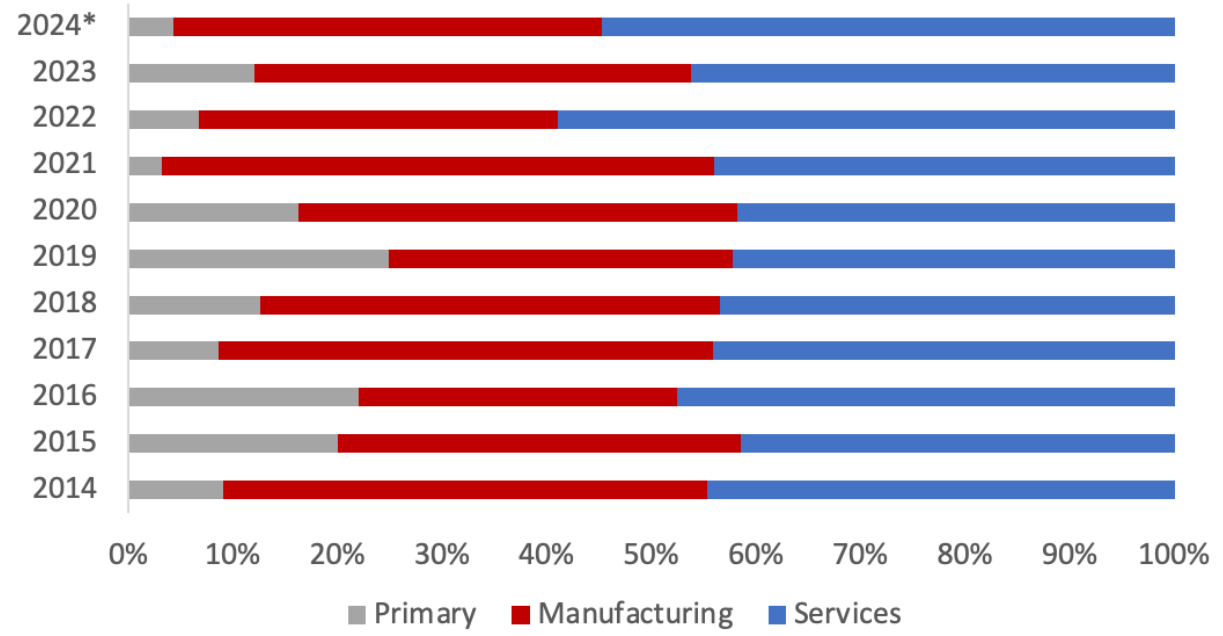
Intraregional Greenfield FDI outflows within Asia-Pacific have been declining as a share of total regional outflows since 2019, after a bounce back in 2023 to 47 per cent, year to date 2024 shows levels around 41 per cent. At the country level, investors from China (including Hong Kong, China and Macau, China) are again the largest source of intraregional investments with US $59.8 billion (42 per cent) in 2024. Following China, Singapore was the second largest source country of intraregional FDI at US $30.7 billion (22 per cent) with Japan as the only other major intraregional investor committing US $21.7 billion (15 per cent) to projects in the region.

4. Sectoral trends in Greenfield FDI

During the past decade, the general trend in greenfield inward FDI by sector has been a majority share directed towards the services sector – crossing the 40 and 50 per cent thresholds regularly – while the primary and manufacturing sectors have been fluctuating quite significantly. The primary sector attracted a low of 3 per cent of inward FDI flows in Asia-Pacific in 2021 and a high of nearly 25 per cent in 2019. However, with the exception of 2023, where the geopolitically-fueled pressure on energy markets saw investments in the primary sector spike up to 12 per cent, the covid-19 pandemic and related events appear to have put an end to larger fluctuations and aligned the share of the manufacturing and services sectors with global sectoral transition trends. As of September 2024, the manufacturing sector claimed a 41 per cent share of the total inward FDI into Asia-Pacific; the services sector accounted for 55 per cent.

Investment in the primary sector accounted for 4 per cent of all FDI in Asia-Pacific during the first three quarters of 2024 (compared to 9 per cent during the same period in 2023). In absolute figures, investments decreased by US $20 billion. Greenfield FDI announcements in the coal, oil & gas sector declined 72 per cent in 2024 compared to the first three quarters of 2023, a decline of US $30 billion in absolute terms. Similarly, the minerals sector saw nearly US $12 billion less announced compared to that period in the previous year, a drop of 96 per cent.

Figure 5. Sectoral composition of announced Greenfield inflows in Asia-Pacific 2014-2024*



Source: ESCAP calculation based on fDi Markets data (accessed November 2024).

**January-September 2024*

Within the manufacturing sector, the top sectors targeted in the first three quarters of 2024 were the semiconductor, electronic components and metals sectors, attracting US $28.2 billion, US $19 billion and US $12.5 billion, respectively[19]. While still a top sector, the largest recipient within the manufacturing sector in 2023, the metals sector, saw investment announcements decrease by 61 per cent in the first three quarters of 2024 compared to the same period in 2023. This was largely due to slowed global demand in steel markets and declining steel prices, paired with increased exports by competitively priced China-based steel producers and lower domestic consumption.[20] [21]

Greenfield investments in pharmaceuticals, paper, printing and packaging as well as business machines and equipment realized the most significant growth in relative terms in the first three quarters of 2024. Pharmaceuticals saw a 417 per cent increase to US $3.3 billion up from US $640 million, while paper, printing and packaging grew by 268 per cent from US $630 million to US $2.3 billion. Investment announcements in business machines and equipment went up by 265 per cent from US $763 million to US $2.8 billion. The pharmaceutical industry is beginning to recover after recording a slow-down in 2023 associated with the waning of the pandemic and the resulting decreased uptake of the COVID-19 vaccine. An increased regional focus for sectoral supply chains helped bolster up investor interest in the sector in Asia-Pacific too.[22]

The largest absolute increases in the manufacturing sector were recorded in the same sectors. Investments into pharmaceuticals rose by US $2.7 billion, while the business machines and equipment sector attracted an additional US $2 billion compared to the first three quarters of 2023. The pharmaceutical sector was led by a US $1.5 billion investment from the UK's AstraZeneca to manufacture antibody drug conjugates in Singapore[23], and the business machines and equipment sector was led by the USA's Western Digital investing US $690 million to expand its hard disk production in Thailand.[24]

Meanwhile, investments into the engines and turbines sector dropped 86 per cent, from US $1.7 billion in the first three quarters of 2023, to just US $253 million in the same period in 2024. The biotechnology sector also recorded a significant slow-down of 70 per cent, down to US $1 billion from US $3.4 billion.

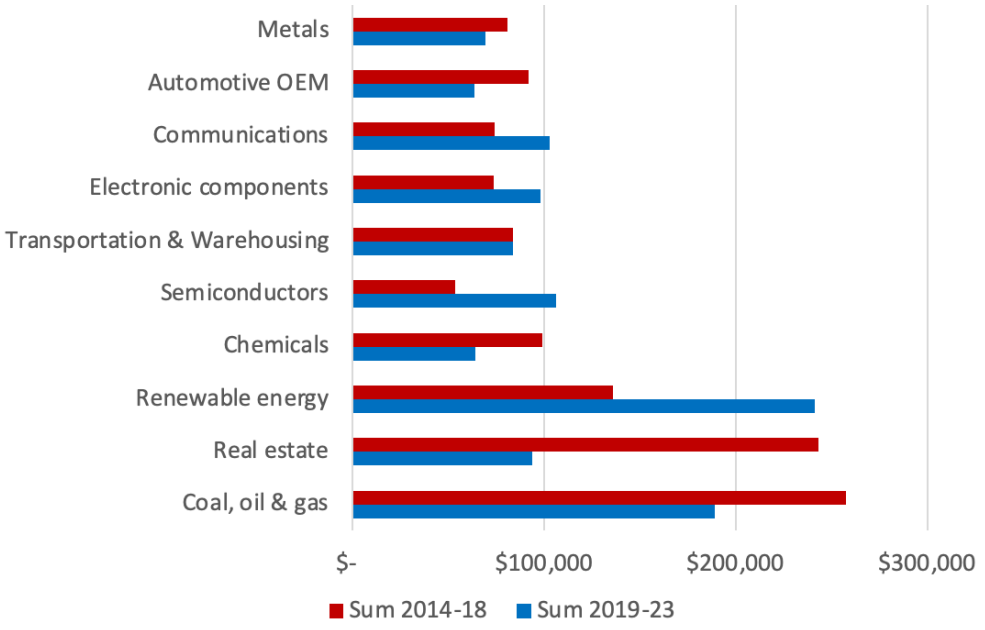
Within the services sector, the renewable energy, communications and transportation and warehousing sectors received the largest share of inward FDI in the first three

[19] See Appendix 2 for select sector definitions and fDi Markets for the comprehensive sector and subsector definitions.
[20] See: https://www.fitchratings.com/research/corporate-finance/global-steel-markets-under-pressure-due-to-weak-demand-declining-prices-20-09-2024
[21] See: https://corporatefinance.kpmg.com/us/en/insights/2024/metals-industry-update-q3-2024.html
[22] See: https://store.frost.com/global-pharmaceutical-industry-outlook-2024.html
[23] See: https://www.astrazeneca.com/media-centre/press-releases/2024/astrazeneca-to-manufacture-adcs-in-singapore.html
[24] See: https://www.reuters.com/technology/thailand-approves-western-digitals-693-mln-investment-project-2024-08-26/

quarters of 2024. These sectors attracted US $58 billion, US $40 billion and US $16.7 billion, respectively. The leisure and entertainment, healthcare and communications sectors recorded the largest relative increases of 23,322 per cent, 666 per cent and 69 per cent, respectively. In fact, communications witnessed the largest increase of inward FDI in absolute terms in Asia-Pacific with US $16.4 billion more on record in the January to September 2024 period. Similarly, software and IT services saw an uptick of US $3.4 billion as per the same comparison.

Decreases in the services sector have, in comparison to the primary and manufacturing sectors, been more moderate. Investments in the business services sector dropped 32 per cent, from US $7 billion in the first three quarters of 2023 down to US $4.8 billion during the same period in 2024. Similarly, investments in the financial services sector, which witnessed the second fasted slow-down, slowed by 20 percent, from US $7.9 billion down to US $6.3 billion.

Figure 6. Top Sectors for Greenfield FDI , 2014-2023 (US $millions)



Source: ESCAP calculation based on fDi Markets data (accessed November 2024)

Overall, evaluating longer-term sectoral trends in Asia-Pacific, the top ten most attractive sectors for greenfield investments since 2014 have been largely in the manufacturing and services sectors (figure 6), with the weight slightly skewed towards the former. Comparing the period of 2019 – 2023 with the preceding five years since 2014, the manufacturing sector experienced growth particularly in the semiconductors, electric components and automotive OEM sectors, while the services sector recorded growth in the renewable energy and communications sectors.

"Renewable energy remained the top sector in 2024 for Greenfield FDI in the Asia-Pacific region, as sustainability standards become ever more important for company reporting as well as host economies"

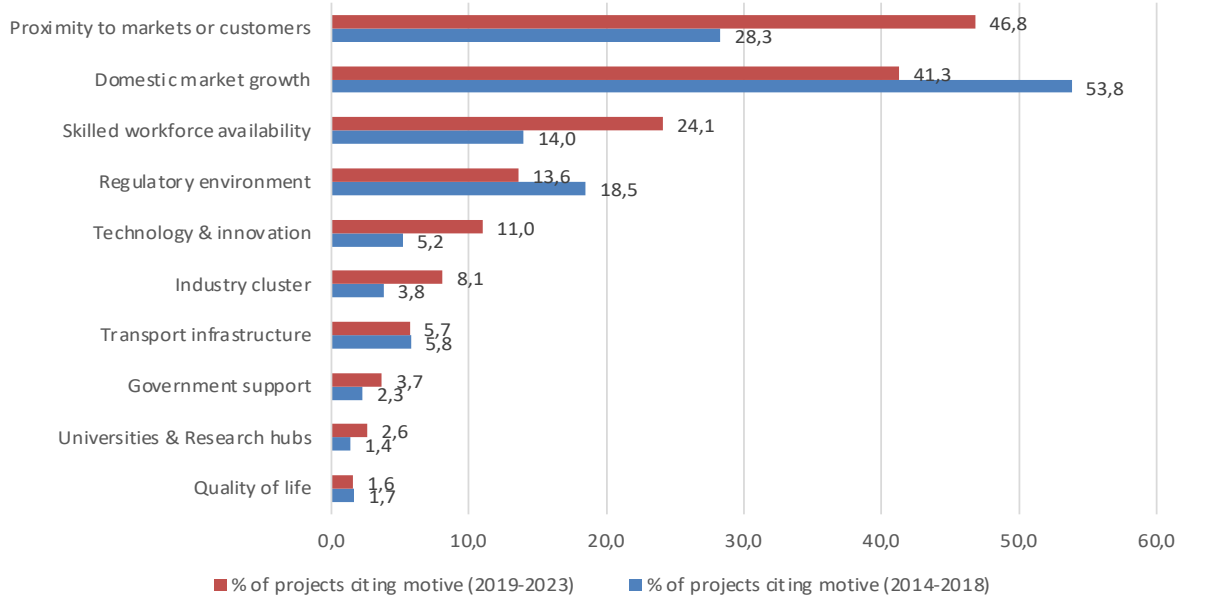
5. Investment determinants, motivations and evolving businesses functions

Making sense of some of these developments requires considering investor motivations and how they have shifted over time (figure 7). From 2014-18 investor's most cited determinants for investments in the Asia-Pacific region were domestic market growth, proximity to markets or customers and the regulatory environment. Since then, skilled workforce availability has entered the top three most influential factors. During the 2019-23 period, proximity to markets or customers emerged as the most significant investment determinant listed for projects in Asia-Pacific, gaining over 18 percentage points, with nearly half of all projects with motives cited listing this as key determinant (47 per cent), followed by skilled workforce availability, gaining 10 percentage points (up to 24 per cent), and technology and innovation, gaining 6 percentage points (up to 11 per cent).

"Many locations in Asia-Pacific are establishing themselves as dynamic and global business hubs. Global markets recorded the only uptick out of possible markets intended to be served with 8 per cent of all projects citing this during 2019-2023."

Another noteworthy development is investors launching operations in Asia-Pacific that are increasingly intended to serve global markets. The intent to cater to domestic, regional and sub-regional markets as well as the United States of America from the newly established operations in the economies of Asia-Pacific has begun to decline slightly, each with a lower share of projects citing those as target markets. Global markets, however, recorded the only uptick with 8 per cent of all projects into the region citing the intention to serve global markets during the 2019-23 period.

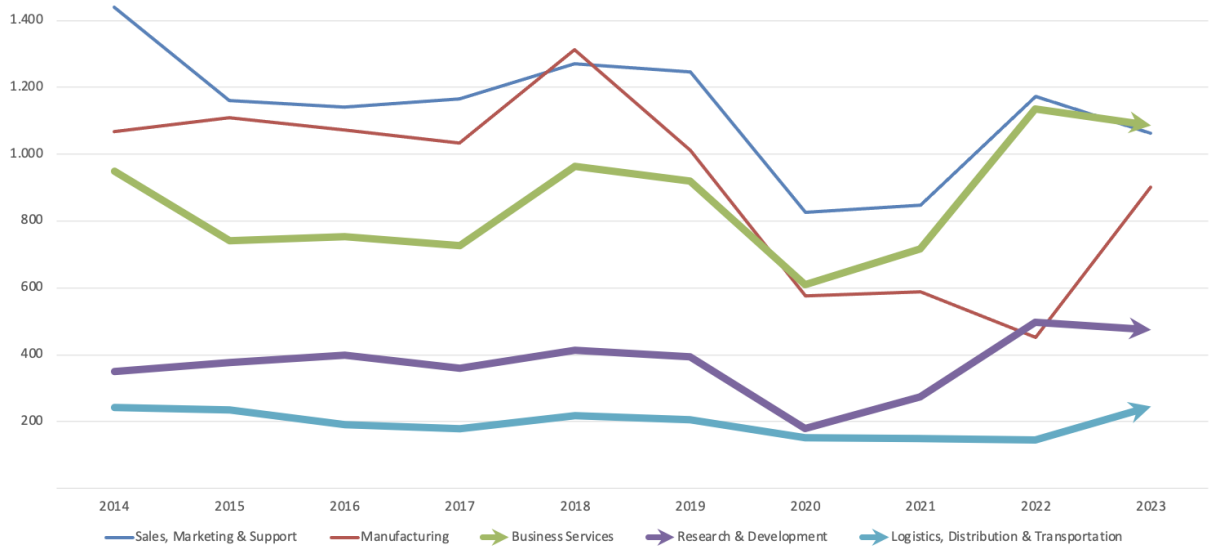
Figure 7. Top ten motives cited for projects, (2014-2018 vs 2019-2023)



Source: ESCAP calculation based on fDi Markets data (accessed November 2024)

Out of the top five business activities investors launched in Asia-Pacific from 2014-2023, the region attracted 137 more projects with "business services" as a business activity in 2023, than 2014. Similarly, 124 additional projects were recorded with a research and development business function. Logistics, distribution and transportation, the third sector with a positive balance over this period, remained rather stagnant, with only 3 more projects recorded in 2023 than in 2014. The conduct of sales, marketing and support and manufacturing business function notably dropped significantly over the ten-year period, despite upticks in 2022 and 2023, respectively. The uptick in manufacturing was associated with higher growth rates in manufacturing, returning to pre-pandemic levels[25], fueled inter alia by increased hardware production operations to support the previous boost of investments in the digital transformation as well as the localization of supply chains[26], supported in part by new FDI project announcements.

Figure 8. Number of projects by business activities in Asia-Pacific, (2014-2023)



Source: ESCAP calculation based on fDi Markets data (accessed November 2024)

[25] See: https://stat.unido.org/sites/default/files/file/publications/qiip/World_Manufacturing_Production_2023_Q4.pdf

[26] See: https://www.imd.org/research-knowledge/supply-chain/articles/the-localization-of-global-supply-chains-amid-the-pandemic/

6. Climate FDI Trends

It is estimated that global financing falls short of at least US $5 trillion annually to meet the climate targets of the Agenda 2030 – of which around half is needed to support developing countries to get back on track of achieving the goals.[27] This poses not only a pressing concern for global climate action but also for investors as FDI projects and their physical facilities are increasingly affected by natural disasters and other climate change related risks – for instance, heavy rainfall and increased flooding disrupted multiple Toyota manufacturing sites across South-East Asia and water shortage necessitated a Coca-Cola plant to halt operations in India (Li, Gallagher, 2022).

The scale of financing required to meaningfully address climate risks demands coordinated action from both public and private sectors, with FDI positioned to play a crucial financing role. As one of the largest sources of development finance for low- and middle-income countries, FDI consistently surpasses official development assistance (ODA) and portfolio investments, and in most years even exceeds remittances.[28] This makes FDI particularly well-positioned to advance the Paris Agreement's objectives, provided it is strategically directed toward sectors and business activities that substantively contribute to greening global value and supply chains.

In the context of climate action and sustainable development, a specific category of foreign investment has emerged, known as 'Climate FDI.' This specialized form of investment contributes to countries' climate-aligned growth objectives. This may include investment projects that: are zero or low carbon in nature; aim to reduce the carbon footprint of economic activity; support the reduction of greenhouse gases (GHG) through emissions-reduction solutions and technologies; or are designed to improve the resilience of infrastructure to the effects of climate change" (WEF & fDi strategies, 2023). The significance of Climate FDI extends beyond global climate action—it serves to protect medium-term business operations while advancing broader SDGs.

Climate FDI encompasses two distinct but complementary categories: Climate Mitigation and Climate Adaptation investments. Climate Mitigation investments target sectors that reduce emissions and enhance carbon sinks, effectively slowing the rate of climate change (WEF & fDi strategies, 2023). ESCAP's methodology classifies Climate Mitigation FDI as investments in renewables, low-carbon transport, green minerals, and energy efficiency improvements. This includes a wide range of projects: from solar electricity production and hydrogen production facilities to carbon capture and storage, smart grid technologies, green building construction,

[27] See: https://www.oecd.org/en/topics/finance-and-investment-for-climate-goals.html
[28] See: https://www.weforum.org/stories/2023/02/remittances-money-world-bank/

waste management and recycling facilities and waste-to-energy facilities, as well as the electric vehicle supply chain. Climate Adaptation FDI focuses on reducing vulnerability to current and anticipated climate change impacts, such as extreme weather events, rising sea levels, biodiversity loss, and food and water insecurity (ibid.). Under ESCAP's framework, these investments include water management and other adaptation measures, ranging from flood control systems and coastal protection infrastructure to drought-resistant agricultural projects, early warning systems, and climate-resilient housing and transportation infrastructure.[29] The scale of this challenge is significant—developing countries alone are projected to require annual investments of at least US $215 billion for climate adaptation measures (UNEP, 2023). Analysis of recent investment flows demonstrates the growing importance of these climate-focused investments. Climate-related sectors represented 21 per cent of all Greenfield FDI in Asia-Pacific during the first three quarters of 2024, a slight increase from 20 per cent in 2023. While Climate FDI declined by 15 per cent (US $11.2 billion) compared to the same period in 2023, investment levels remain significantly higher than pre-pandemic figures and reached record levels in 2023 (see figure 10). Climate Mitigation investments, particularly in renewables, have driven this growth, accounting for 92 per cent (US $57.2 billion) of all Greenfield Climate FDI announcements in 2024. Other significant sectors include energy efficiency at US $3.9 billion (6 per cent), other adaptation at US $247 million (0.4 per cent), green minerals at US $236 million (0.4 per cent), water management at US $187 million (0.3 per cent), and low carbon transport at US $118 million (0.2 per cent).

Within renewables sector, most of the growth post-pandemic is coming from other electric power generation, which includes green hydrogen projects. This sector has seen a meteoric rise from typically US $1-5 billion per year to US $ 49.2 billion in 2022, US $ 25.2 billion in 2023 and US $ 32.8 billion so far in 2024. Other areas of the renewable's sector make up much of the remaining Climate FDI including solar electric power, wind electric power, and hydroelectric power. These sectors fluctuate year to year as they are typically large-scale projects with significant planning. Thus far in 2024 there has been US $ 15.9 billion into solar electric projects in Asia and the Pacific (-17 per cent compared to the same period in 2023), US $ 7.1 billion into wind electric power projects (-73 per cent), and US $ 1.1 billion into hydroelectric power projects (-65 per cent).

Greenfield FDI in Climate Adaptation has lagged significantly behind Climate Mitigation investments. Between January and September 2024, the sector attracted only US $444 million in investments—while this represents a 44 per cent increase from the same period in 2023, it remains notably modest compared to Climate Mitigation flows. Unlike the clear upward trajectory seen in Climate Mitigation investments over the past decade, Climate Adaptation investments have shown no consistent growth pattern. This persistent underinvestment can be attributed to several factors: Climate Adaptation projects often face challenges in demonstrating clear financial returns, typically require longer investment horizons, and frequently involve complex local regulations and stakeholder

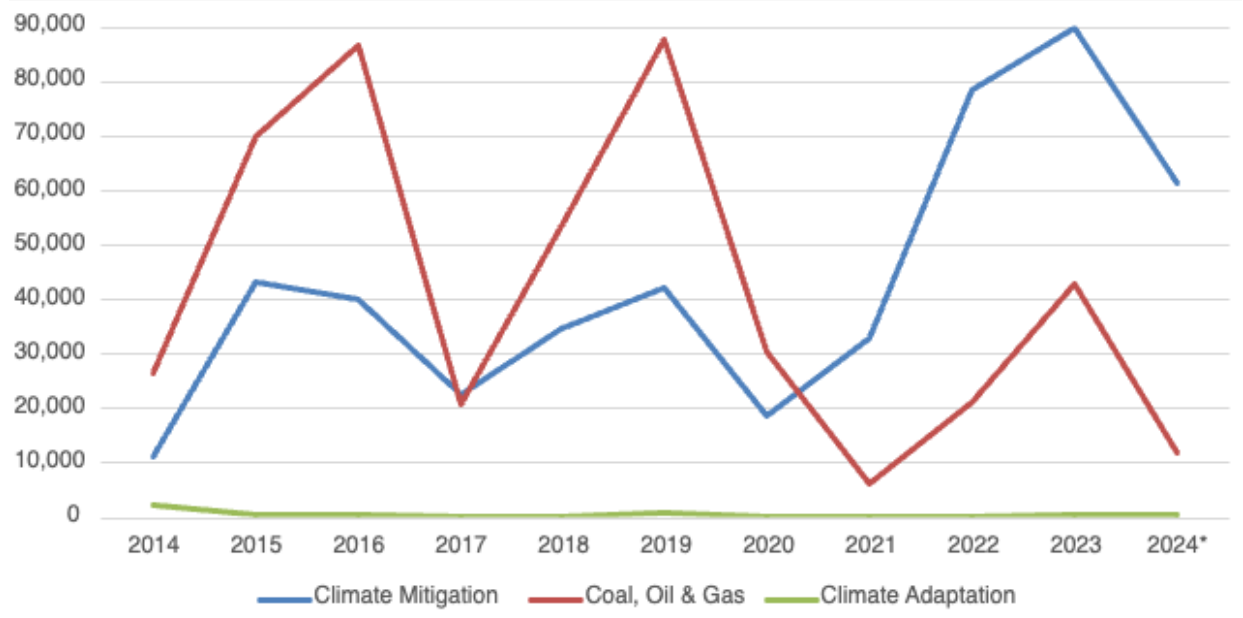
[29] For a detailed breakdown of subsectors within Climate Mitigation and Climate Adaptation categories, see Appendix 1.

engagement. Additionally, many adaptation projects, such as flood defense systems or resilient infrastructure, have characteristics of public goods, making it more difficult to monetize their benefits. This systemic underinvestment falls far short of adaptation needs identified by UNEP (2023), creating an urgent imperative for countries, ministries, and IPAs to develop innovative financing mechanisms and investment frameworks that can make adaptation projects more commercially attractive to private investors.

"Greenfield FDI investments into climate sectors continues to trend upward and has surpassed the downward trending Coil, Oil & Gas sector."

While Greenfield Climate FDI continues to grow in Asia and the Pacific, it is paired with decreasing investment into the coal, oil & gas sector (See Figure 9). Thus far in 2024 there has been US $ 11.9 billion into the sector, down 40 per cent from the same period in 2023. In 2024 the sector has received 4 per cent of the total FDI into Asia and the Pacific, down from 9 per cent in 2023 and 25 per cent in a strong year of 2019.

Figure 9. Climate Mitigation, Climate Adaptation, and Coal, Oil & Gas Greenfield FDI, *2014-2024* (USD Millions)*



Source: ESCAP calculation based on fDi Markets data (accessed November 2024).

**January-September 2024*

With popular narratives around the green transition perpetuating public debate – as well as policy making – it is important to remember that even Climate FDI sectors and their value chains are only ever as green as its 'weakest' link. However, some parts of the value chain are more popular politically to attract investments in, something commonly referred to as the CNN effect.[30] As a result, others that are equally important to ensure a value chain's overall 'greenness' are often neglected and do not enjoy the same level of public prominence. A case in point is the low level of investment in recycling across

[30] The "CNN effect" in climate investment refers to the tendency to prioritize highly visible, headline-grabbing green projects while overlooking less prominent but equally crucial components of sustainable value chains.

Asia-Pacific. While Climate FDI is steadily increasing, investment projects with a recycling business function in Asia-Pacific saw only around US $6.5 billion invested between 2016 and September 2024. This is severely lagging behind the figure needed to address issues, for example, surrounding pollution and waste management effectively.[31] This presents both a challenge (ensuring the overall greenness of value chains) yet also an opportunity (opportunities for countries and investors to tap into underserved parts of the value chain).

First, these neglected parts of the value chain may inhibit its overall greenness. An example of the complexity associated with assessing the climate contributions of investment figures is the EV value chain. A glimpse at EV related investments across Asia-Pacific highlights the breadth and depth of the EV value chain and its associated subsectors. This includes investments in basic chemicals for battery production, vehicle body parts or trailers, mining and metal production, paints, coatings, additives and adhesives, and even software publishing, amongst others.

While investments in electric automobile and battery production have skyrocketed to form the largest subsectors within the EV value chain – having attracted US $60.7 billion and US $36.1 billion between 2016 and September 2024, respectively – and are under public scrutiny against sustainability standards and practices, many of the remaining sectors forming part of the EV value chain are often flying under the radar, all while not being traditionally considered particularly 'green' or climate friendly subsectors, i.e., mining or adhesives, inter alia.

Concerningly, battery recycling projects within the EV value chain, a key element for its overall greenness, are at relatively low levels. From 2016 up until September 2024, there have only been 106 projects recorded across 11 member States, totaling US $54 billion, with most of the projects and capital targeting China, India and Indonesia. However, in conjunction with the current high levels of FDI into battery production, battery recycling projects offer a strong business case in the near future.

Hence, as these subsectors and activities form an integral part of the EV value chain, it is important to attract investments greening those too. It is also important to consider value chains holistically to make progress towards the 2030 Agenda. Climate FDI can contribute and should be a focus to green underserved parts of the value chain.

Second, attracting investments across the entire value chain can unleash tremendous untapped potential for sustainable development. Many economies across Asia-Pacific have yet to be targeted by FDI in the EV value chain and only a few countries are currently attracting investments across the EV value chain. Investments in the EV value chain have targeted 23 of ESCAP's 53 member States and only 10 economies saw more than US $10 billion invested between 2016 and September 2024. Moreover, very few countries host projects across the value chain. China, India, Republic of Korea, Thailand, Australia and Singapore recorded the most diversified investments throughout the value chain,

[31] See: https://www.researchandmarkets.com/report/asia-pacific-waste-management-market?srsltid=AfmBOoq4axxTpYjY-L1MDI77dnk4wqiXJwola8B67pjbBQRvlX0RDimh

hosting most of the business functions across subsectors required for EV production – of course, relatively mature existing automobile value chains supported the attraction of investments in the EV counterparts. China is leading the list of the most diversified value chain portfolios with 27 subsectors related to EVs targeted by foreign investors. However, others, such as Indonesia and the Philippines have recently enacted a range of policy measures to support the domestic ecosystem and value chain development in the EV space.

Hence, while an increasing number of member States are beginning to host electric automobile and battery production, the remainder of the value chain offers huge untapped potential, especially for economies that struggle to host such activities higher up the value chain (see Table 1 for a list of subsectors investors have targeted as part of the EV value chain in Asia-Pacific). For IPAs, these intra-regional discrepancies offer huge potential to promote the parts of the EV value chain best aligned with their country's competitive advantages and development priorities. Moreover, these will inevitably link into regional EV supply chains, considering supply chains are still very geographically dispersed across Asia-Pacific, as only a few hot spots host a sufficient number of sub sectoral business activities required for EV production.

Increased investments in green and climate value chains across the region also strengthen and geographically diversify supply chains in the respective sectors. Given the current geographical set up of the regional EV value chain, for instance, countries will be able to tap into regional and global supply chains with their value chain contributions, which opens up new opportunities for regional export markets. Investing in regional value chains is inherently impacting regional trading relationships, diversifying export portfolios and opportunities and facilitating regional economic integration. FDI in this space can function as a proxy and forecast of cross-border trade flows: increased FDI projects in parts of the value chain in country A are expected to increase its exports to other countries that form part of the same or related value chain in the medium-term.

Table 1. Subsectors targeted by investors supporting the EV value chain

Automobiles	Motor vehicle gasoline engines & engine parts	Freight/Distribution Services	Motor vehicle body & trailers
Batteries	Paints, coatings, additives & adhesives	Freight/Distribution Services	General purpose machinery
All other electrical equipment & components	Other (Metals)	Forging & stamping	Corporate & investment banking
Nonferrous metal production & processing	Other (Software & IT services)	All other transportation (Non-Automotive OEM)	Professional, scientific & technical services
Motorcycle, bicycle, & parts	Electrical equipment	Agriculture, construction, & mining machinery	Custom computer programming services
Semiconductors & other electronic components	Nonmetallic mineral mining & quarrying	Other non-metallic mineral products	Other plastics products

Heavy duty trucks	All other transportation (Automotive OEM)	Motor vehicle steering & suspension components	Measuring & control instruments
Motor vehicle electrical & electronic equipment	Alumina & aluminium production and processing	Retail banking	Software publishers, except video games
Light trucks & utility vehicles	Motor vehicle transmission & power train parts	Other fabricated metal products	Satellite telecommunications
Other motor vehicle parts	Basic chemicals	Urethane, foam products & other compounds	

Interestingly, policies promoting green or Climate FDI have shown to come at very little or no cost to non-green sectors (IMF, 2024). Therefore, Climate FDI does not come at the expense of other sectors integral to countries' economic development priorities, but rather offer an additional stream of inward FDI flows.

There is renewed impetus to facilitate and harness FDI for climate mitigation and adaptation. Recent developments at COP29, held in November 2024 in Baku, Azerbaijan, included initiatives connecting climate finance, investment, and trade to sustainable development goals. Notably, the BICFIT (Baku Initiative for Climate Finance, Investment, and Trade) Dialogue was introduced as a platform to enhance these linkages. This initiative focuses on attracting sustainable FDI for climate resilience and low-carbon growth, empowering MSMEs in green transitions, and fostering innovation. The Dialogue also emphasizes integrating climate finance into trade and investment policies.[32] The Finance, Investment, and Trade Day at COP29 further reinforced the critical role of private investment, particularly FDI, in bridging climate financing gaps, with discussions emphasizing the necessity of strong public-private collaboration for effective resource mobilization.[33]

[32] See: https://sustainabilitymag.com/articles/bicfit-what-is-the-new-cop29-climate-finance-dialogue

[33] See: https://unctad.org/press-material/un-trade-and-development-leads-cop29-baku-initiative-climate-action

7. Conclusion

The evolving landscape of Greenfield FDI in Asia-Pacific throughout 2024 reveals both challenges and opportunities for the region's sustainable economic development. While overall investment flows have moderated following 2023's record levels, this adjustment reflects a more strategic and measured approach to investment rather than a fundamental weakening of the region's appeal. The Asia-Pacific region continues to demonstrate remarkable resilience, maintaining its position as a key destination for international investment amid global uncertainties.

Several key trends have emerged that warrant attention from policymakers and investment promotion professionals:

First, the sectoral composition of investments is undergoing a significant transformation. The surge in Climate FDI, particularly in renewable energy and clean technology, signals a structural shift in investment patterns that aligns with global sustainability imperatives. This trend presents a crucial opportunity for IPAs to develop targeted strategies that capitalize on the growing investor interest in sustainable projects while advancing national climate commitments.

Second, the evolution of regional value chains continues to reshape investment flows. The diversification of manufacturing bases, particularly in sectors such as semiconductors and electric vehicles, is creating new opportunities for economies across the region. This restructuring offers emerging economies the chance to position themselves strategically within these evolving value chains, particularly in underserved segments that complement existing regional capabilities.

Third, the rise in intraregional investment, especially in high-technology sectors, suggests an increasingly sophisticated internal market. This trend is particularly evident in ASEAN, where regional integration efforts are facilitating cross-border investment flows and creating opportunities for complementary development strategies among member States.

For government officials and IPAs, these trends underscore the importance of developing more nuanced and targeted investment promotion and attraction strategies. Success in attracting and retaining FDI will increasingly depend on:

- Creating enabling environments that facilitate sustainable investment, particularly in climate-related sectors
- Developing sophisticated aftercare programs that support existing investors and encourage reinvestment

- Strengthening regional cooperation to better position countries within evolving value chains
- Building institutional capacity to identify and promote investment opportunities in emerging sectors
- Implementing policies that enhance domestic capabilities and strengthen linkages between foreign investors and local enterprises

Looking ahead, the Asia-Pacific region is well-positioned to maintain its attractiveness as an investment destination, particularly as governments continue to enhance their investment facilitation frameworks and adapt to evolving investor needs. The success of initiatives such as the ASEAN Regional Investment Promotion Action Plan 2025-2030 demonstrates the potential of coordinated regional approaches to investment promotion.

ESCAP remains committed to supporting member States in these efforts through targeted technical assistance, capacity building, and policy advisory services. By focusing on practical solutions that help countries attract and retain sustainable FDI, ESCAP's work continues to contribute to the achievement of the 2030 Agenda for Sustainable Development. The organization's growing network of partnerships, including its active role in the World Investment for Development Alliance, provides additional resources and expertise to support member States in maximizing the development impact of FDI.

As the region navigates this period of transformation, the focus must remain on leveraging FDI not just as a source of capital, but as a catalyst for sustainable development, technological advancement, and inclusive growth. The challenges ahead require continued adaptation and innovation in investment promotion, attraction and facilitation, but they also present unprecedented opportunities to reshape economic development patterns in ways that benefit both investors and host economies.

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Appendix 1: Climate Mitigation and Climate Adaptation Sectors

Climate Mitigation				Climate Adaptation	
Environmental Technology Cluster					
Renewable	Other energy efficiency	Low carbon transport	Green minerals	Water Management	Other Adaptation
Biomass power	All other electrical equipment & components	Automobiles	Other fabricated metal products	Water, sewage & other systems	Alumina & aluminium production and processing
Geothermal electric power	All other industrial machinery	Engines & Turbines			Laminated plastics plates, sheets & shapes
Hydroelectric power	Artificial & synthetic fibres				Nonferrous metal production & processing
Marine electric power	Basic chemicals				Other (Metals)
Other electric power generation (Renewable Energy)	Batteries				Other motor vehicle parts
Solar electric power	Electrical equipment				Other plastics products
Wind electric power	General purpose machinery				Plastic bottles
	Machine shops, turned products, screws, nuts & bolts				Plastics packaging materials & unlaminated film & sheets
	Other (Consumer electronics)				Urethane, foam products & other compounds
	Other chemical products & preparation				Waste management & remediation services
	Power transmission equipment				
	Ventilation, heating, air conditioning, and commercial refrigeration equipment manufacturing				

Appendix 2: Select Sector Definitions (fDi Markets)

Sector	Definition
Aerospace	The Aerospace sector consists of projects involved in the design, maintenance and production of aircraft, Aircraft engines, auxiliary equipment, and other aeronautical components.
Renewable Energy	The Renewable Energy sector consists of projects involved in the generation of electricity from renewable resources, such as solar power, wind power, hydroelectric power, biomass power, geothermal power, and nuclear power.
Automotive Components	The Automotive Components sector consists of projects involved in the design, maintenance, production, and sale of the constituent parts of automotive vehicles. Components included in this sector are, vehicle body, trailers, brake systems electronic equipment, gasoline engine parts, seating, interior trim, wheels, steering and suspension components among others. Tyres are classified under the rubber sector.
Automotive OEM	The Automotive OEM sector consists of projects involved in the design, maintenance, production, and sale of automotive vehicles. The sector includes projects in the automobiles, heavy duty, light duty and utility vehicle subsectors.
Biotechnology	The Biotechnology sector consists of projects involved in the research, development and manufacturing of biological products utilises living organisms and their derivatives to produce products and processes. Projects in this sector are involved in the medicine and pharmaceuticals fields as well as in-vitro diagnostic substances, genomics, food production, and the production of biofuels.
Chemicals	The Chemicals sector consists of projects involved in the design, production, and sale of chemical elements and compounds. This includes basic chemicals, industrial chemicals and petrochemicals. Projects involved in pesticides, coatings, additives, adhesives, cleaning compounds, resins and synthetic fibres for use in all industries are included in this sector
Coal, Oil and Gas	The Coal, oil & gas sector consists of projects involved in the exploration and extraction of fossil fuels as well as the generation of electricity from these sources. Projects within this sector include petroleum refineries, coal mining, gasoline stations, oil and gas extraction and fossil fuel-based electric power generation. Note, the pipeline transportation of oil and gas products is classified in the Transportation & Warehousing sector.
Communications	The Communications sector consists of projects involved in the design, production, and deployment and hosting of communication networks and creative media industries. This sector includes wired, wireless and satellite communications such as navigational and communication equipment. The hosting of data and website hosting is classified in this sector. Creative media industries such as motion picture production, radio and television broadcasting and sound recording industries are included in the communications sector.

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