



Report on the Asia-Pacific Economies



Research Institute

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Foreign direct investment in Asia Pacific and India

- In 2022, the region received 521 billion dollars in foreign direct investments.
- They represented 40% of the global FDI, reaching its highest historical rate.
- In 2022, Japan, China, Taiwan, Malaysia, Singapore, and Vietnam reached their historical peak.
- The region also stood out in the emission of FDI, reaching 473 billion USD (36% at global level).
- In 2022, India became the first country to exceed the 100 billion dollars received in remittances. China received 51 billion and The Philippines, 38 billion.

Growth and investment

Foreign direct investment (FDI) is, in general terms, the main source of external finance for developing countries. Therefore, it is crucial to analyze the capital flow, to understand productive and economic growth's financing capabilities. Asia Pacific and India stood out in 2022 as the most attractive region world wise for FDI, receiving an inflow of 552 billion dollars (61% more than in 2021), vastly surpassing the pre-pandemic figures. The region gave a notorious quantitative leap regarding FDI attraction, currently 40% of the global numbers, considering that the previous year it was 33%, 23% in 2019 and 7,5% in average during the period 2005-2007.

The ASEAN region shows a growth of 33.5% in its FDI figures when compared to 2019, while the other important economies in the area show a 33.9% of growth in the same period. It is worth noting the growth of Japan (132%, reaching its higher figures in history), Malaysia (116% where investments in communications and the production of electronic implements stand out), Korea (86%) and Thailand (82%). During this period, there was a remarkable fall in the 3 of the 4 poorest economies in the ASEAN (Laos, Myanmar, and Cambodia), in Brunei (where there was disinvestment), and India.

Table 1 shows the evolution of FDI in the region. A remarkable growth can be appreciated in the last decade and a half: Figures have almost tripled, in spite of the fall of the global numbers of FDI. During this period, the growth and consolidation of Vietnam stands out as destination for investments, mainly from Singaporean companies (23% of the total), Korea, and Japan (both with the 17%). In 2022 Vietnam reached a peak as FDI destination and consolidated itself as a great platform for the assembly industrial goods (including textiles, footwear as well as electronic products) which have as a main destination the United States of America. The sanctions imposed by Donald Trump's administration to certain imported products coming from China boosted investments in Vietnam, to produce and export to the American giant. In 2022 the latest had a commercial deficit close to 95 billion dollars with this Asian country.

Table 1: Inbound Foreign Direct Investment (FDI), in million USD

| | 2005-2007 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Variation 2022 v. 2019 (%) |
|-----------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------------------------|
| Brunei | 328 | 460 | 382 | 275 | 77 | 205 | -292 | -206.2 |
| Cambodia | 577 | 2,786 | 3,208 | 3,706 | 3,625 | 3,483 | 3,579 | -3.4 |
| Philippines | 2,534 | 10,256 | 9,949 | 8,671 | 6,822 | 11,983 | 9,200 | 6.1 |
| Indonesia | 6,726 | 20,579 | 20,563 | 23,429 | 18,591 | 21,131 | 21,968 | -6.2 |
| Laos | 180 | 1,686 | 1,320 | 756 | 968 | 1,072 | 528 | -30.2 |
| Malaysia | 6,240 | 9,399 | 7,618 | 7,813 | 3,160 | 12,173 | 16,940 | 116.8 |
| Myanmar | 279 | 4,341 | 3,554 | 2,766 | 1,907 | 2,067 | 1,239 | -55.2 |
| Singapore | 32,612 | 85,369 | 73,561 | 97,484 | 72,903 | 131,151 | 141,211 | 44.9 |
| Thailand | 8,451 | 8,285 | 13,752 | 5,519 | -4,951 | 14,641 | 10,034 | 81.8 |
| Vietnam | 3,778 | 14,100 | 15,500 | 16,120 | 15,800 | 15,660 | 17,900 | 11 |
| ASEAN | 61,705 | 157,261 | 149,407 | 166,539 | 118,902 | 213,566 | 222,307 | 33.5 |
| China | 76,214 | 136,315 | 138,305 | 141,225 | 149,342 | 180,957 | 189,132 | 33.9 |
| Korea | 10,544 | 17,913 | 12,183 | 9,634 | 8,765 | 22,060 | 17,996 | 86.8 |
| India | 17,766 | 39,904 | 42,156 | 50,553 | 64,072 | 44,763 | 49,355 | -2.4 |
| Japan | 6,723 | 9,356 | 9,963 | 13,755 | 10,703 | 24,652 | 32,509 | 136.3 |
| Taiwan | n.a. | 3,401 | 7,114 | 8,240 | 6,053 | 5,416 | 10,189 | 23.7 |
| CKJIT | 111,247 | 206,889 | 209,721 | 223,407 | 238,935 | 277,848 | 299,181 | 33.9 |
| TOTAL AP&I | 172,952 | 364,150 | 359,128 | 389,946 | 357,837 | 491,414 | 521,488 | 33.7 |
| World | 2,296,700 | 1,644,872 | 1,375,437 | 1,707,830 | 961,983 | 1,478,137 | 1,294,738 | |
| Share | 7.5 | 22.1 | 26.1 | 22.8 | 37.2 | 33.3 | 40.3 | |

Source: Research Center on official data from countries, World Bank and UNCTAD.

According to the United Nations Conference on Trade and Development (UNCTAD), Taiwan had a remarkable growth in its FDI and achieved its historical record in 2022. This country has a distinctive characteristic: The uncertainty caused by the hypothetical threat of attacks by the People's Republic of China. This led to several governments, including groups like G7, to reaffirm the position of maintaining the political *status quo* of the island and condemn in advance any military attempt from Beijing. The big leap on foreign investments in 2022 is led by the construction of a large wind farm which produces wind power with turbines

installed into the sea which is ran by a Danish company. Once the farm was completed, this wind farm will provide electricity for one million homes, in one country that imports almost all energy consumed.

Singapore has also registered a record in its FDI in 2022, mainly in the finance sector. The capitals came mainly from The United States, Japan, United Kingdom and China, and have strengthened the position of the banking and financial sectors of Singapore as the business center of the region. With the goal of reinforcing this role, Singapore's monetary authorities launched in 2022 the "Financial Service Industry's Map of Transformation". This Map includes measures to promote the digitalization of the financial infrastructure and the transition of the productive sector towards zero carbon footprint. It is estimated that the sector will grow at a rate of 4-5% per year in the next five years, creating around 3 to 4,000 jobs per year,

Outbound FDI from Asia Pacific and India

In 2022 the companies from this region invested 473 billion dollars in foreign countries as foreign direct investment. This represents a mild fall of 2.7% in comparison to 2019, when the highest peak in history was reached.

Table 2. Outbound FDI, in million USD

| | 2005- 2007 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Variation 2022 vs 2019 (%) |
|-----------------------|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------------------------|
| Cambodia | 577 | 115 | 124 | 102 | 127 | 92 | 150 | 47.1 |
| Philippines | 2,534 | 3,305 | 4,116 | 3,351 | 3,562 | 2,251 | 3,900 | 16.4 |
| Indonesia | 6,726 | 2,077 | 8,053 | 3,380 | 4,448 | 3,845 | 6,848 | 102.6 |
| Malaysia | 6,240 | 5,638 | 5,114 | 6,304 | 2,419 | 4,676 | 12,322 | 95.5 |
| Singapore | 32,612 | 62,706 | 22,811 | 66,102 | 38,393 | 50,802 | 50,788 | -23.2 |
| Thailand | 8,451 | 14,182 | 17,132 | 10,164 | 18,593 | 19,152 | 8,218 | -19.1 |
| Vietnam | 3,778 | 480 | 598 | 465 | 380 | 358 | 2,674 | 475.1 |
| ASEAN | 61,705 | 88,513 | 57,948 | 89,868 | 67,922 | 81,176 | 84,900 | -5.5 |
| China | 76,214 | 158,290 | 143,040 | 117,120 | 153,710 | 178,819 | 146,503 | 25.1 |
| Korea | 10,544 | 34,069 | 38,220 | 35,239 | 34,832 | 66,001 | 66,408 | 88.5 |
| India | 17,766 | 11,141 | 11,447 | 12,104 | 11,109 | 17,253 | 14,543 | 20.2 |
| Japan | 6,723 | 164,683 | 144,982 | 232,627 | 95,666 | 146,782 | 161,470 | -30.6 |
| Taiwan | n.a. | 11,537 | 18,058 | 11,763 | 11,500 | 11,341 | 16,280 | 38.4 |
| CKJIT | 111,247 | 379,720 | 355,747 | 397,090 | 295,317 | 408,855 | 388,924 | -2.1 |
| TOTAL AP&I | 172,952 | 468,233 | 413,695 | 486,958 | 363,239 | 490,031 | 473,824 | -2.7 |
| World | 2,296,700 | 1,644,872 | 1,375,437 | 1,707,830 | 961,983 | 1,478,137 | 1,294,738 | |
| Share | 6.1 | 28.5 | 30.1 | 28.5 | 37.8 | 33.2 | 36.6 | |

Note: No data available for Brunei, Laos and Myanmar.

Source: Research Center on official data from countries, World Bank and UNCTAD.

Although ASEAN economies, as well as some of the strongest economies in the area, showed nominal declines, the relevance of outbound FDI from the region remained the same in percentage terms (and in some cases even increased).

The investments from those companies were in average hardly 6.1% during the period between 2005-2007, but increased to 28.5% in 2019, and to 36.6% in 2022. Japan remains the main source of foreign investments, as its companies are highly regarded with prestige and its international insertion promote and deepen their globalization. Other variables contribute to this situation: On one hand, Japan's internal market has been going through a very low rate of growth for decades; on the other hand, its reduction in population -due to a low birth rate- makes the country less attractive to investments in the local market.

The FDI stock from the Chinese companies abroad was near 3 billion USD in 2022, 50% superior to Japan's and to ASEAN's and very much higher than Korea's 650 billion and India's 222 billion.

Reception of remittances

The other important source of external financing for developing economies is the reception of money through remittances provided by migrants, which added up 647 billion dollars in 2022 (when at the global level added up to 841 billion). Latin America and Asia Pacific and India are the two regions which receive the biggest amounts of money from remittances. In 2022, India became the first country to receive more than 100 billion dollars. Mexico is the second country in the reception ranking (61 billions), followed by China (51 billions) and The Philippines (38 billions). In India as well as in the Philippines, amounts received through remittances is notoriously higher than those through FDI (double and quadruple, respectively).

Remittances received by Vietnam (13 billion USD), as well as Indonesia's (10 billion), Thailand's (9.3 billion), Cambodia's (2.6 billion) and Myanmar's (1.9 billion) is also significant. For the Philippines and Cambodia, those represent almost 10% of their GDP, while for India 3.3%. Although not all migrations are alike; in general terms, migrants with high education levels or qualifications usually migrate to developed countries, while those with a lower skill do so to other countries in the region, specially to China. This country economic growth, its big need of labor force and the attractiveness of its salaries, are attracting workers from across the region. These workers end up sending part of their income to their families in their homeland. The cost of sending remittances in 2022 was a 3% of the amount sent, achieving therefore the goals established by United Nations' Sustainable Development Goal 10c.

The political uncertainty, the rise in interest rates, and the global economic cooling are seen as a threat by World bank to remittances for 2023 and 2024 which they are expected to increase a moderate 1% per year in the region.

Points of interest and perspectives

- Samsung Electronics announced an investment of 230 billion dollars in the biggest semiconductors production plant that will be built throughout the next 20 years in Yongin, South Korea. This new plant will allow Samsung to bridge the gap with TSMC, the biggest semiconductor producer in the world, based in Taiwan. In 2022, Samsung launched the first 3nm microchip, the tiniest in the world. This

company plans to achieve the production of 2nm chips by 2025 and of 1.4 nm by 2027, which could place it in a vintage point regarding the Taiwanese giant

- In 2022 an agreement between Foxconn and Vedanta was announced to build a microchip plant in Gujarat, India. However, the Taiwanese company announced by July 2023 its withdrawal from the project, which was valued in 19 billion dollars. Foxconn's withdrawal represents a hard blow for Modi's administration that had set this as priority the development of the microprocessors' industry. Last year, three projects of investment for the microprocessors' industry were announced, but they all remain suspended to the date.

- MGM Resorts has announced the construction of the first complex containing a casino in Japan which will start to be built in 2024. Casinos had been forbidden in this nation until 2018, when a law was passed allowing the government to grant a limited number of licenses. MGM's project will be the first in its kind to be developed and it is estimated to be completed by 2030. The complex will be built in Osaka, in an area of about 49 hectares and it will require a total investment of 13.5 billion dollars.

- China's economy is showing signs of reduction of its rate of growth. The *Purchasing Manager's Index* (PMI), which is based on a survey among purchasing managers within the companies, showed this July an index of 49.3 for the manufacturing sector, which would imply a contraction in the sector (over 50 implies expansion, under 50, the opposite). The non-manufacturing PMI stood at 51.5, the lowest level since December 2022, when it had hit its lowest level since the beginning of the Covid-19 Pandemics. The latest data concerning GDP growth, private consumption, investments, real state purchase and foreign trade point to the same direction: A reduction in the growth rate of the China's economic activity.