BUSINESS SWEDEN

THE SWEDISH TRADE & INVEST COUNCIL

PROGRESS BY TRADE

INVESTMENT IN THE SHADOW OF GEOPOLITICS

Cross-border direct investment in the global and Swedish economy

EXECUTIVE SUMMARY

Foreign direct investment (FDI) in 2024 was shaped by continued uncertainty surrounding the global economic outlook, but also by significant regional differences in growth and development in the respective markets, as well as political conditions, and corporate strategies. The rising geopolitical tensions of recent years – including Russia's ongoing war of aggression in Ukraine, uncertainty around US trade policy, China's growing influence, and the crisis in the Middle East – have created a more complex and riskier environment for international companies. Global FDI rose by a modest 4 per cent in 2024 compared to 2023, to USD 1,509 billion, according to statistics compiled by the UN intergovernmental body UNCTAD, which are presented in this report titled *Investment in the shadow of geopolitics.* This figure is slightly below the annual average of USD 1,588 billion over the past decade.

UPSWING FOR THE US AND NORTH AMERICA

Together, the three largest production regions – North America, Europe, and Asia – accounted for 80 per cent of global FDI inflows. While Asia remained the largest recipient region, with a 40 per cent share of total FDI in 2024, North America saw a major upswing in investment. Europe, meanwhile, continued to show weak performance, with a 10 per cent decline compared to 2023.

When it comes to FDI stock, a shift in the global balance of power between regions can now be clearly observed. In 2024, North America overtook Europe as the region with the largest share of global FDI stock. Asia, the long-standing engine of global investment, has lost ground to both North America and Europe. North America now accounts for 34 per cent of global FDI stock while Europe accounts for 32 per cent, followed by Asia at 24 per cent.

The US reinforced its position in 2024 as the world's largest FDI recipient, with inflows totalling USD 279 billion – a 20 per cent increase compared to 2023. The economic policies of the Trump administration are not yet reflected in the statistics. This means that the impact on foreign investors of protectionist trade policies, with market presence requirements, deregulation and tax cuts, remains to be seen.

NEW PLAYERS ON THE RISE

Among the twenty largest recipient countries of FDI, China has lost ground after previously challenging the US for the top spot. The decline is partly due to weaker economic prospects in China and likely also its hardened attitude toward foreign companies, coupled with rising competition from other Asian markets. Notably, Egypt emerged as a new top-tier player in 2024 – accounting for half of all FDI inflows into Africa – and highlights the growing importance of new markets in the global investment landscape.

The report also includes UNCTAD statistics showing that Chinese companies are increasingly expanding internationally. This trend presents new partnership opportunities but also means that Swedish and European companies will face fiercer competition, particularly in emerging markets across Asia, South America, and Africa.

SWEDEN IN EUROPE'S TOP LEAGUE

In 2024, Sweden recorded a decline in FDI to SEK 205 billion, placing the country in 17th place globally – an unchanged position from 2023 – and fourth place in Europe. This reflects Sweden's continued attractiveness to foreign companies, thanks to its strong competence base, stable institutions, and open market.

At the same time, the emergence of new recipient countries in the top 20 list underscores the fierce competition for FDI and the need for long-term efforts to maintain and strengthen Sweden's position in the global investment landscape. And there are some concerns to bear in mind: a compilation of business data sourced from the Financial Times' fDi Markets shows that Sweden slightly underperforms compared to the EU average when it comes to attracting FDI for strategically important operations such as headquarters, research and development, and manufacturing.

It is also worth noting that foreign investors are rapidly expanding in Sweden's mining and mineral sector. With rising global demand for critical raw materials, the sector may attract new investment – but will also require clear rules to ensure both sustainability and long-term growth.

This report aims to provide a comprehensive overview of global FDI developments while monitoring Sweden's position in a broader context. What opportunities are opening up in the green transition? How will new technologies and AI shape tomorrow's investment trends? And how should Sweden position itself in a world where regionalisation, security policy, and sustainability issues are influencing corporate strategy to a greater degree?

Our ambition is that this report will serve as a foundation for understanding the driving forces behind foreign direct investment and the opportunities and challenges that lie ahead.

Lena Sellgren
Chief Economist

NEW YORK CITY, USA

HIGHLIGHTS

- The investment climate in 2024 was negatively affected by the global economy's continued sluggish performance and uncertain economic outlook, coupled with the soaring geopolitical tensions in the wake of Russia's war of aggression in Ukraine, the crisis in the Middle East, and China's growing claims to power in Southeast Asia, particularly Taiwan.

- Foreign direct investment (FDI) increased globally by 4 per cent compared to 2023, to USD 1,509 billion, which is slightly below the annual average of USD 1,588 billion in the past decade.

- Once again, Europe saw weak FDI performance in 2024 with investments reaching USD 209 billion – a 10 per cent drop compared to the previous year. In North America, FDI rose by a solid 20 per cent compared to 2023, to USD 380 billion. Asia recorded a minor decline of 2 per cent, to USD 609 billion. In the smaller investment regions, mixed outcomes can be observed with South America seeing a 15 per cent decline, Africa enjoying a 75 per cent surge in investments and the Middle East seeing a moderate uptick of 7 per cent in FDI.

- FDI in Sweden amounted to SEK 205 billion in 2024 – a decline of 24 per cent compared to 2023, but still slightly above the average of SEK 188 billion in the past decade.

- In total, the FDI stock in Sweden amounted to SEK 4,464 billion in 2023, which in relation to GDP – approximately 70 per cent – is high from an international standpoint. The services sector accounts for 67 per cent and manufacturing for 33 per cent of the foreign-owned assets.

Foreign direct investment (FDI) is cross-border financial transactions that companies carry out to establish or acquire business operations, or expand business via existing subsidiaries in countries outside of their home markets. These investments are characterised by being long-term with a high degree of corporate owner control.

Data on FDI in Sweden and outward direct investment (ODI) by Swedish companies is collected by Statistics Sweden (SCB) on behalf of the Riksbank (Sweden's central bank), as part of the compilation of balance of payments statistics.

Statistics Sweden's quarterly and full-year reporting divides FDI into three categories: equity, group loans and reinvested earnings. The amounts give an indication of the activities of foreign companies in Sweden and the activities of Swedish companies abroad, but cannot be directly linked to companies' acquisitions of businesses or investments in buildings, facilities, machinery or equipment.

The figures for any current year are often adjusted in later revisions. To simplify the presentation in this report, FDI is interchangeably referred to as "cross-border investment" or simply "investments". All amounts and calculation data are in current prices.

GLOBAL CROSS-BORDER DIRECT INVESTMENT

Following the economic plunge caused by the Covid pandemic and subsequent strong rebound, global economic growth lost steam once again, while 2024 was characterised by stabilisation and modest recovery. A worsened economic outlook combined with rising geopolitical tensions – due to Russia's war of aggression in Ukraine, the Middle East crisis and China's growing sovereignty claims in Southeast Asia, and especially over Taiwan – had a negative impact on cross-border direct investment. Globally, FDI rose by 4 per cent in 2024 compared to the previous year, to USD 1,509 billion. This is just below the average figure for the past decade, see diagram below.

EUROPE'S POSITION WEAKENS

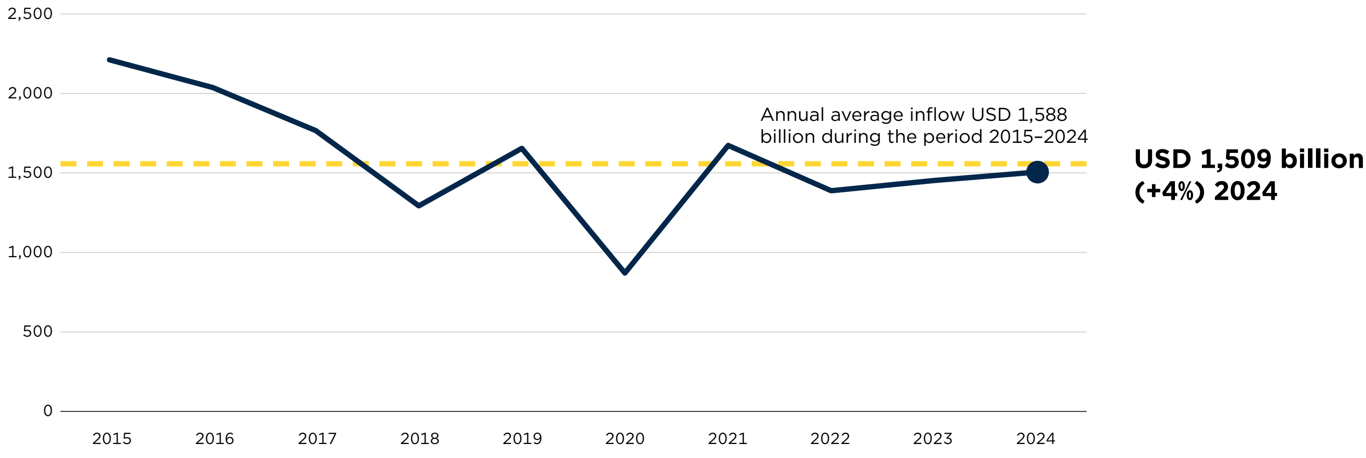
FDI in Europe stalled at USD 209 billion showing a 10-per cent decline compared to 2023, see top diagram on next page. This figure corresponds to just around half of the average level of FDI over the past decade. The overall picture showing waning interest in Europe is thereby reinforced, with dampened investments in typically large recipient countries such as the UK and Germany.

In North America, which includes the US, Canada and Mexico in Business Sweden's review, FDI jumped by 20 per cent to USD 380 billion. Three-quarters of the investments went to the US market.

In Asia and Oceania, FDI fell back by 2 per cent to USD 609 billion. Investments in China plummeted by 29 per cent to USD 116 billion, in line with the poorer prospects for the Chinese economy. India, the new star performer, did not manage to reverse the bleak result from 2023, which resulted in a halving of FDI – instead recording a continued decline of 2 per cent for 2024, to USD 28 billion. Overall, Asia attracted 40 per cent of last year's total FDI.

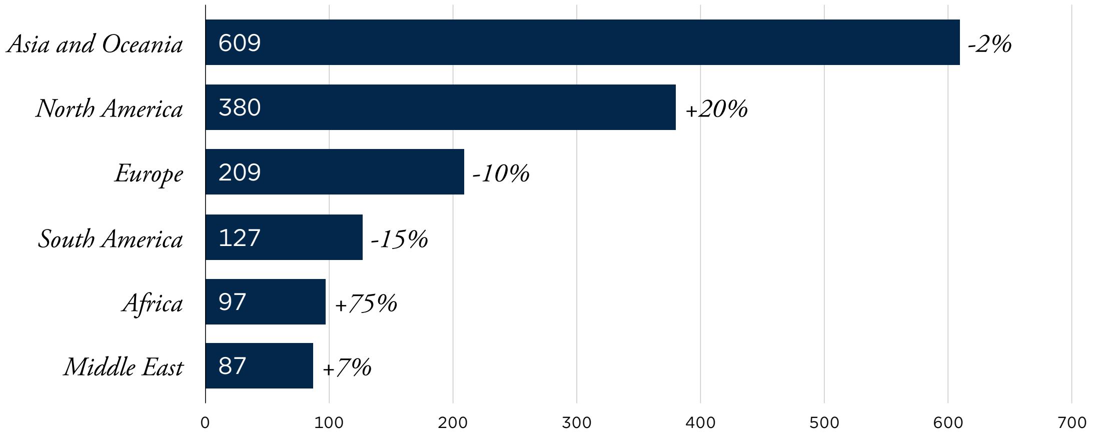
The smaller investment regions saw a mixed development on the investment front. In South America, FDI fell by 15 per cent to USD 127 billion, while investments in Africa soared by 75 per cent to USD 97 billion. In the Middle East, FDI rose by 7 percent to USD 87 billion.

MINOR UPTICK IN GLOBAL INVESTMENTS
Foreign direct investment (FDI), all markets, annual inflows in USD billion, 2015–2024



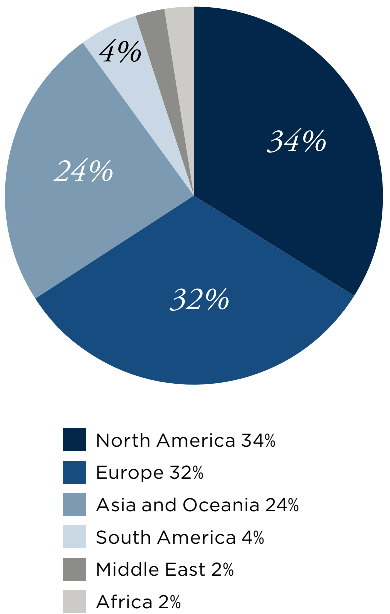
Source: UNCTAD (2025)

ASIA REMAINS THE TOP RECIPIENT REGION FOR FDI
FDI by region, inflows in USD billion, 2024



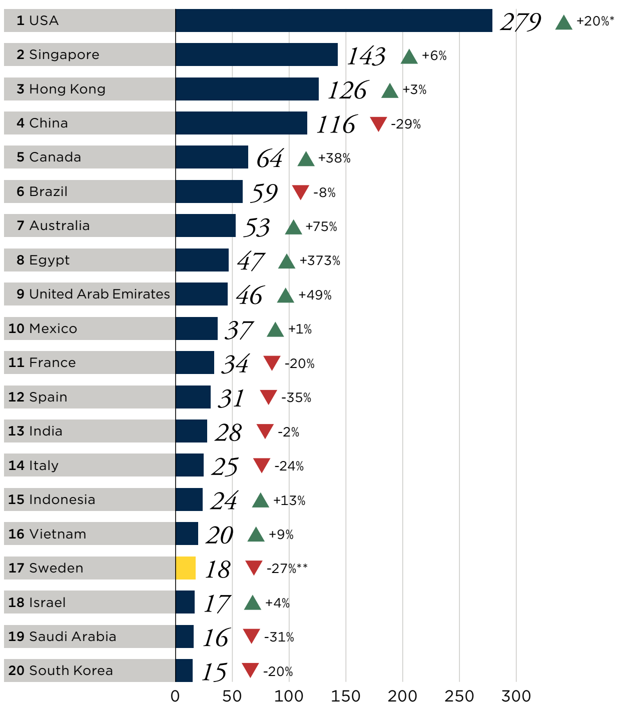
Source: UNCTAD (2025)

THREE MAJOR INVESTMENT REGIONS
FDI by recipient region, share in per cent, 2024



Note: Global FDI stock amounted to USD 50,907 billion in 2025.
Source: UNCTAD (2025)

CHINA LOSES GROUND AS RECIPIENT COUNTRY FOR FDI
Top 20 recipient markets for FDI, inflows in USD billion, 2024



* Change in per cent between 2023 and 2024.
** Statistics Sweden's data shows a 24 per cent decline in Swedish krona
Source: UNCTAD (2024)

NORTH AMERICA – LARGEST INVESTMENT REGION

While Asia captured the position as the largest market for new investments, both North America and Europe maintained their positions as the regions with the largest FDI stock, i.e., accumulated foreign direct investment. Over time, North America has attracted 34 per cent of the assets, followed by Europe at 32 per cent and Asia at 24 per cent, see bottom left diagram on previous page.

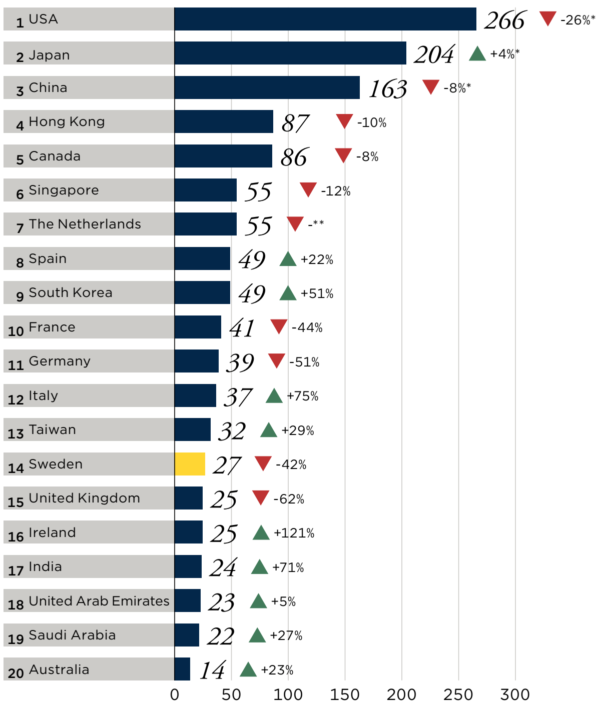
Among the 20 largest recipient markets for FDI in 2024, we can observe representatives from all regions of the world, with Egypt in eighth place as the first African country on the list. The US was, as usual, the undisputed winner, with Singapore in second place, Hong Kong in third, and China in fourth, see bottom right diagram on previous page.

Extensive so-called roundtripping occurs between Hong Kong and mainland China, which means that Chinese capital is moved out of China, parked in subsidiaries or equivalents in Hong Kong, and then returned to mainland China as FDI from Hong Kong. The result is that both China and Hong Kong can report higher FDI figures. It is worth noting that China has lost ground as a recipient country for FDI in recent years, after previously challenging the US for the top position.

Sweden, with a global ranking of 17th place – same position as 2023 – was the fourth largest recipient market for FDI in Europe after France, Spain, and Italy.

ASIAN COMPANIES INCREASINGLY ACTIVE AS OVERSEAS INVESTORS

Top 20 source markets for FDI, ranking and outflows in USD billion, 2024



* Change in per cent between 2023 and 2024.
** The Netherlands recorded a negative outflow of USD 196 billion in 2023.
Source: UNCTAD (2025)

CHINA AN EXPANDING OVERSEAS INVESTOR

The list of the 20 largest source markets for FDI also shows a broad economic geographic spread among investors, see diagram on this page. In addition to US, Japanese, and Chinese companies, companies from Canada, Singapore, and the Netherlands were significant international investors in 2024. Sweden also had a prominent position with a global 14th place, but lost ground from 11th place in 2023.

According to the UN intergovernmental body UNCTAD, which compiles the international statistics in its annual publication World Investment Report, the global FDI figures reported for 2024 and 2023 are misleading due to volatile investment capital that is funnelled through so-called *conduit economies.* These are countries or territories that act as intermediaries for FDI to other final destinations, often for tax reasons and without domestic real economies seeing any benefits in the form of production and investments. UNCTAD identifies, among others, Ireland, Luxembourg, the Netherlands, Switzerland, and the United Kingdom as examples of conduit economies.

In this year's report, UNCTAD also adjusts the statistics in regard to Offshore Financial Centres (OFCs), which are jurisdictions where large amounts of capital are moved, often for tax reasons, but where real economic activity is limited. Examples of OFCs are Bermuda, the British Virgin Islands, and the Cayman Islands.

According to UNCTAD, these adjustments meant that global FDI fell by 11 per cent in 2024 compared to 2023. The biggest impact was seen in the figures for Europe, where FDI inflows fell by approximately 60 per cent in 2024 following UNCTAD's adjustments.

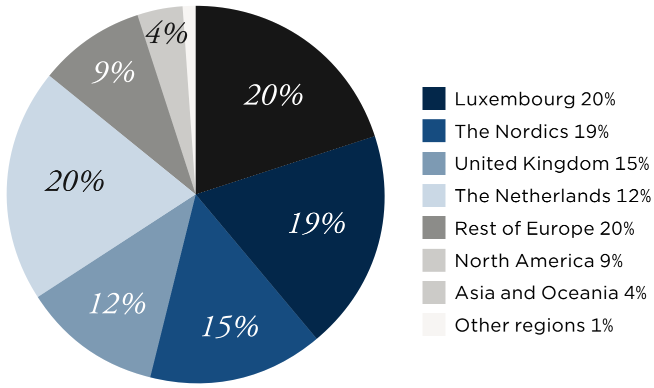
In this report, Business Sweden presents the statistics for FDI as they are stated in the Appendix of the *World Investment Report 2025*, without the adjustments made by UNCTAD.

FOREIGN DIRECT INVESTMENT IN SWEDEN

Sweden has been a significant investment destination since the mid-1990s. With Sweden's entry into the EU in 1995, stronger economic growth than in large parts of Europe and a period of comprehensive deregulation and privatisations of state-owned enterprises, investors became more interested in the Swedish market. An open and transparent acquisitions market made successful Swedish companies attractive targets, especially during periods of a weak Swedish krona. As a result, a large number of Swedish companies have over time been acquired by foreign owners. There are approximately 15,000 foreign companies currently employing 800,000 people in Sweden. The annual cross-border investments in Sweden normally fluctuate with global economic development, but in the past few years Sweden has gone against the tide and attracted large foreign investments, despite weak performance in Europe overall.

EUROPEAN COMPANIES DOMINATE FDI IN SWEDEN

FDI stock in Sweden, distribution by source market in per cent, 2023



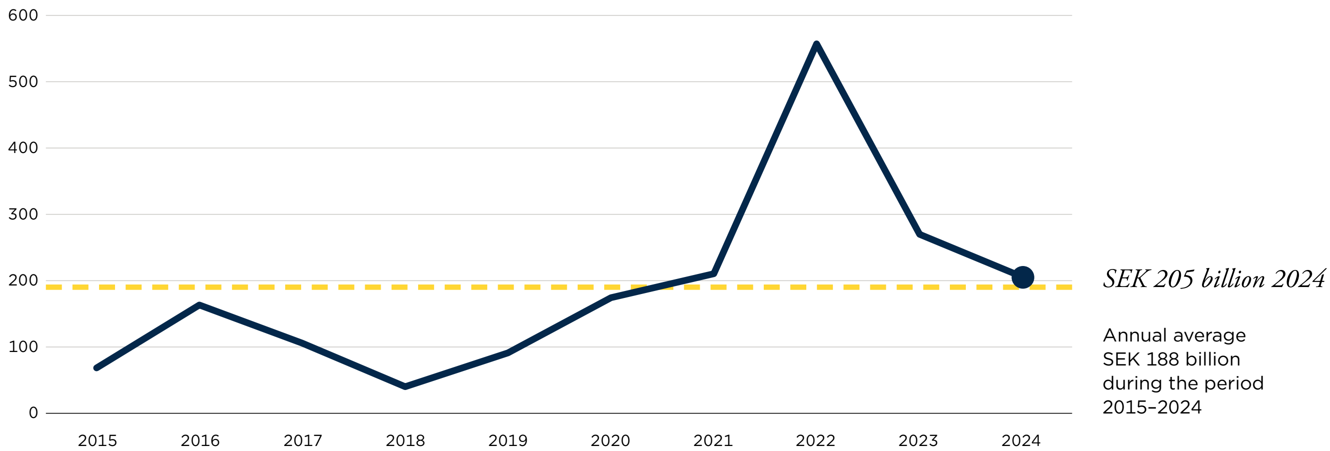
Note: FDI stock in Sweden amounted to SEK 4,464 billion in 2023.
Source: Statistics Sweden (2025)

SWEDEN REMAINS A LARGE INVESTMENT MARKET

FDI inflows to Sweden amounted to the preliminary figure of SEK 205 billion in 2024, which is a 24 per cent decline from 2023. But the figure still reaches above the annual average of SEK 188 billion for the ten-year period 2015-2024, see diagram below. As mentioned above in the section *Global cross-border direct investment*, Sweden was thereby the fourth largest market for FDI last year while claiming 17th place globally. It should be noted that the data needed to set the final figure, which is partly based on Statistics Sweden's forecast for reinvested earnings, are not yet complete and the amount of FDI is therefore subject to change.

SHARP DECLINE FROM HIGH LEVEL OF FDI IN SWEDEN

FDI in Sweden, annual inflows in SEK billion, 2015–2024



Source: Statistics Sweden (2025)

EUROPEAN COMPANIES STAND OUT

FDI stock in Sweden amounted to SEK 4,464 billion in 2023, the most recent available figure. This figure corresponds to approximately 70 per cent of Sweden's GDP, which is high by international comparison.

It is primarily companies based in neighbouring Nordic countries and other European countries that have a presence in Sweden, see top right diagram on previous page. In all, European companies account for 86 per cent of the foreign-owned assets. Holding companies primarily in Luxembourg and the Netherlands are large investors judging by the statistics, but in most cases the controlling parent company will be located elsewhere, and sometimes even in Sweden.

The services sector accounts for 67 per cent of FDI stock in Sweden and the manufacturing sector for 33 per cent. Over time, the services sector has attracted an increasingly larger share, see top diagram on this page.

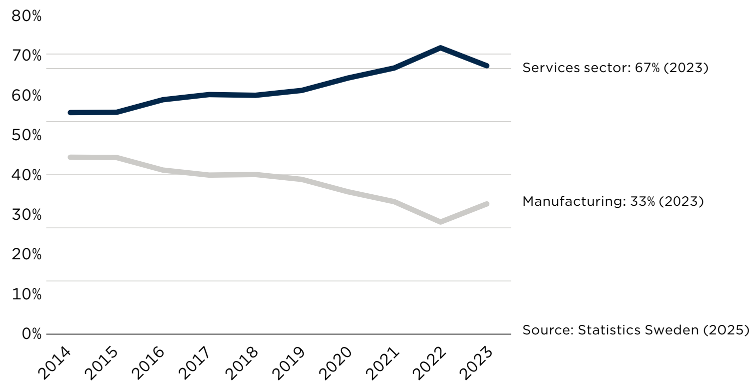
FDI stock in the services sector amounted to SEK 2,950 billion in 2023, while foreign-owned assets in the manufacturing sector amounted to SEK 1,430 billion, see bottom diagram on this page.

The services sector has attracted large overseas investments primarily in finance and insurance, trade and transport as well as business services, see top right diagram on next page. IT and telecom accounted for the fastest growth rate in FDI in the services sector during the period 2020-2023, with an average annual increase of 45 per cent, see top left diagram on next page.

In the manufacturing sector, international companies have made the biggest investments in chemicals and pharmaceuticals, with a significant gap in investment volumes until the next industries follow suit – automotive and wood, pulp and paper – see bottom right diagram on next page. The fastest growth rate of FDI in manufacturing during the period 2020–2023 was seen in mining and minerals, with an average annual increase of 42 per cent, see bottom left diagram on next page.

FALLING SHARE OF FDI IN MANUFACTURING

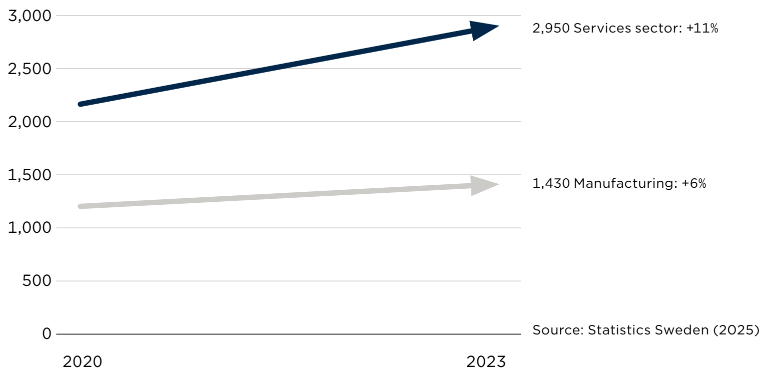
FDI stock in Sweden, distribution by industry, SEK billion and average annual change in per cent, 2014–2023



Note: The data includes "unspecified assets" which are excluded in the above compilation.
Source: Statistics Sweden (2025)

INVESTORS FOCUSED ON THE SERVICES SECTOR

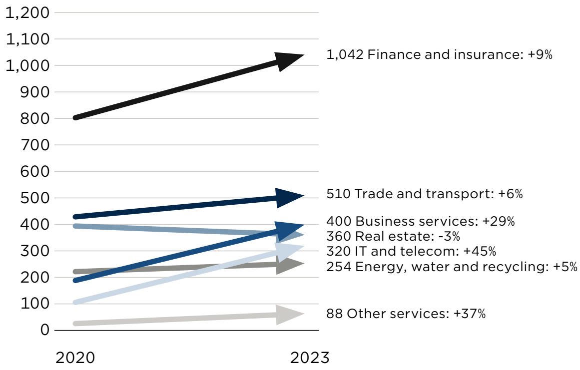
FDI stock in Sweden, distribution by industry, SEK billion and average annual change in per cent, 2020–2023



FRANKFURT, GERMANY

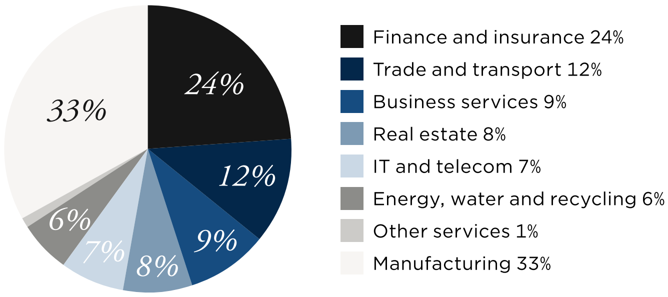
SHARP INCREASE IN IT AND TELECOM AND BUSINESS SERVICES

FDI stock in Sweden, distribution by industry, SEK billion and average annual change in per cent, 2020–2023



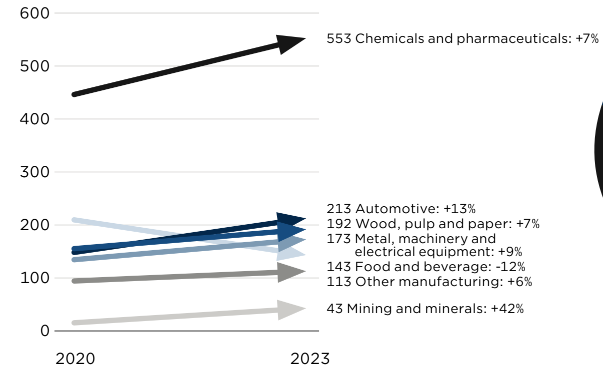
FINANCE AND INSURANCE DOMINATES FDI IN THE SERVICES SECTOR

FDI stock in Sweden, distribution by industry in per cent, 2023



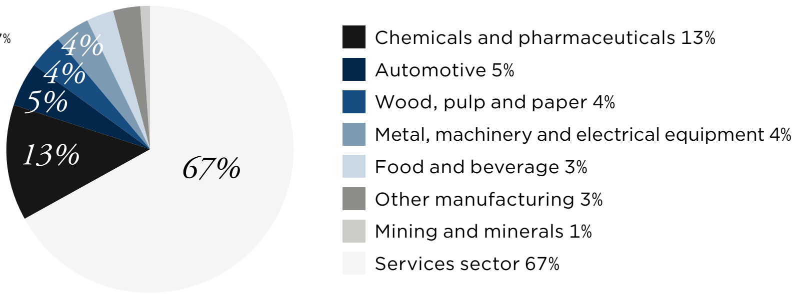
GROWING INTERNATIONAL INTEREST IN SWEDISH MINING

FDI stock in Sweden, distribution by industry, SEK billion and average annual change in per cent, 2020–2023

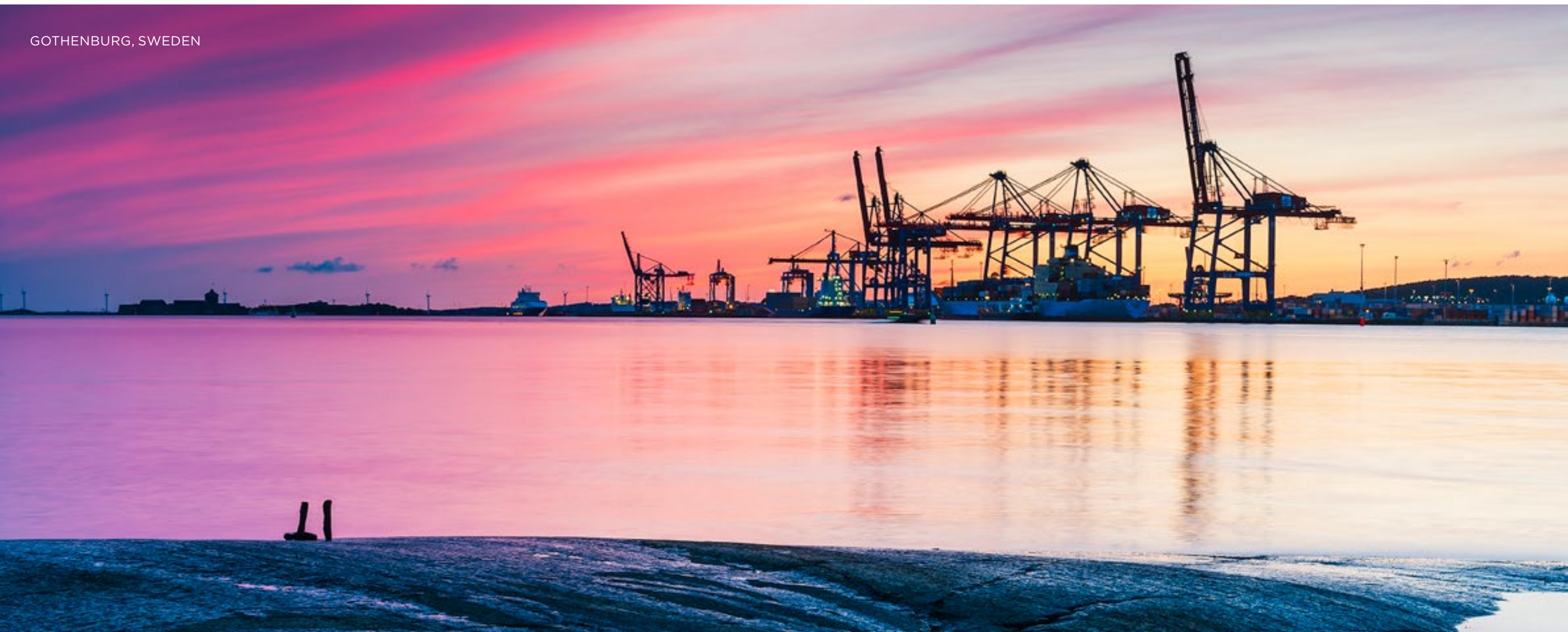


CHEMICALS AND PHARMACEUTICALS MOST ATTRACTIVE SECTOR FOR INVESTORS

FDI stock in Sweden, distribution by industry in per cent, 2023



Note: The data includes "unspecified assets" which are excluded in the above compilation.
Source: Statistics Sweden (2025)



FDI PROJECTS IN SWEDEN AND THE EU

In addition to central banks and national statistics offices, there are a number of international consultancy firms that provide databases giving a somewhat incomplete but still business-related view of companies' overseas investments. In contrast to national statistics on international companies' direct investments, as part of the compilation of balance of payments, these databases identify individual companies and completed investments, and thereby have greater relevance for investment promotion agencies such as Business Sweden.

US COMPANIES ARE MAJOR INVESTORS

A review of the data from the Financial Times' database fDi Markets, which has global coverage, shows that Sweden attracted a total of 335 FDI projects during the three-year period 2022-2024, which corresponded to approximately 2 per cent of all projects in the EU, see table bottom of this page.

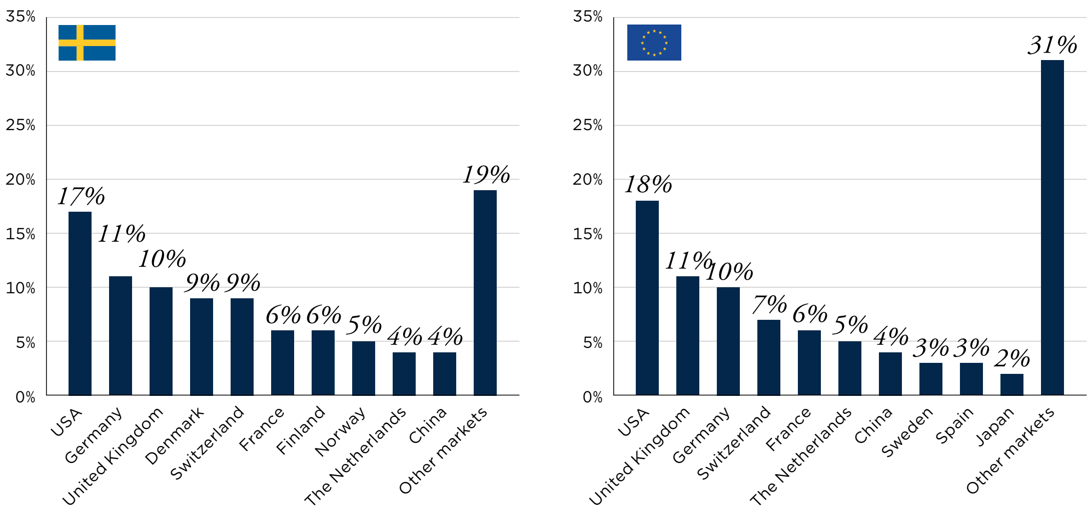
Sweden's investment profile is similar to the rest of the EU, where US companies are major investors, but has a comparatively larger share of Nordic companies, see diagram below. The share of investors from *Other markets* is considerably higher for the EU than for Sweden, 31 versus 19 per cent respectively. Comparatively, Sweden also has a slightly smaller share of FDI projects in strategic fields and operations such as manufacturing, research and development and headquarters, see top diagram on next page.

A comparison of different sectors shows that Sweden had a higher share of FDI projects in IT and telecom, business services and chemicals and pharmaceuticals, coupled with a slightly weaker investment profile than the EU as a whole for mining, industry and construction, see middle diagram on next page.

Among the Nordic countries, Denmark was most successful in attracting FDI projects during the period 2022-2024, followed by Sweden and Finland. Norway received a significantly smaller number of projects than the other countries, see bottom diagram on next page.

US COMPANIES ACCOUNT FOR MOST FDI PROJECTS IN SWEDEN AND EU IN THE LAST THREE YEARS

FDI projects in Sweden and the EU by source market, share in per cent, total 2022–2024



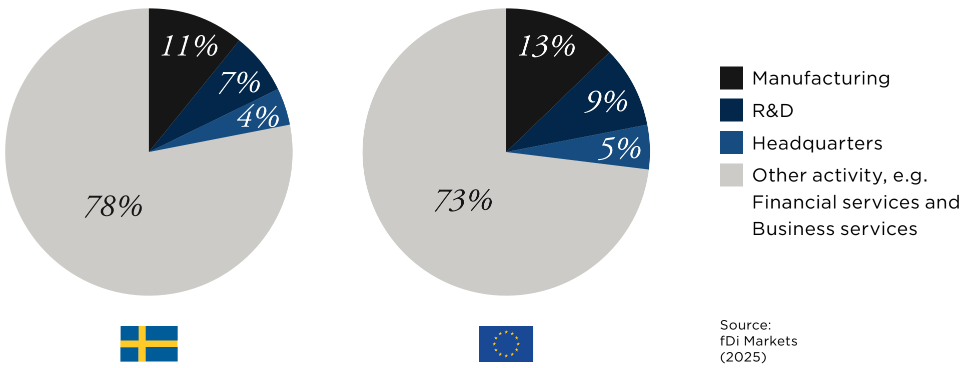
Source: fDi Markets (2025)

FDI PROJECTS IN SWEDEN AND THE EU, NUMBER, 2022-2024

	SWEDEN	EU	SWEDEN'S SHARE
2022	121	5,468	2.2%
2023	103	4,944	2.1%
2024	111	4,739	2.6%
2022–2024	335	15,151	2.2%

SWEDEN LESS ATTRACTIVE THAN EU FOR FDI PROJECTS IN CERTAIN STRATEGIC AREAS

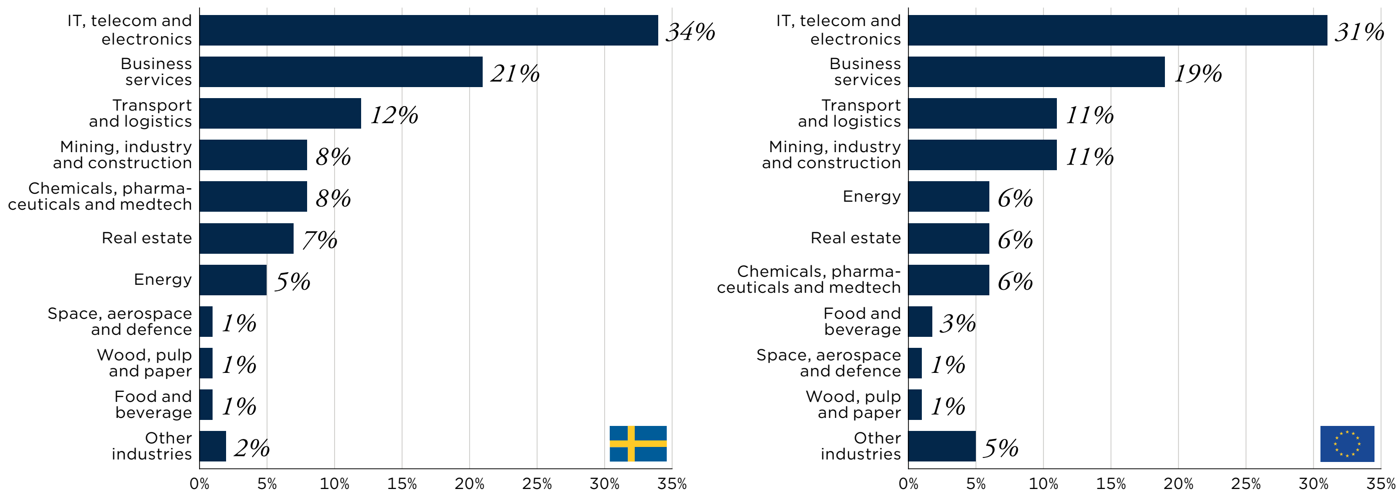
FDI projects in Sweden versus the EU by industry, share in per cent, total 2022–2024



Source: fDi Markets (2025)

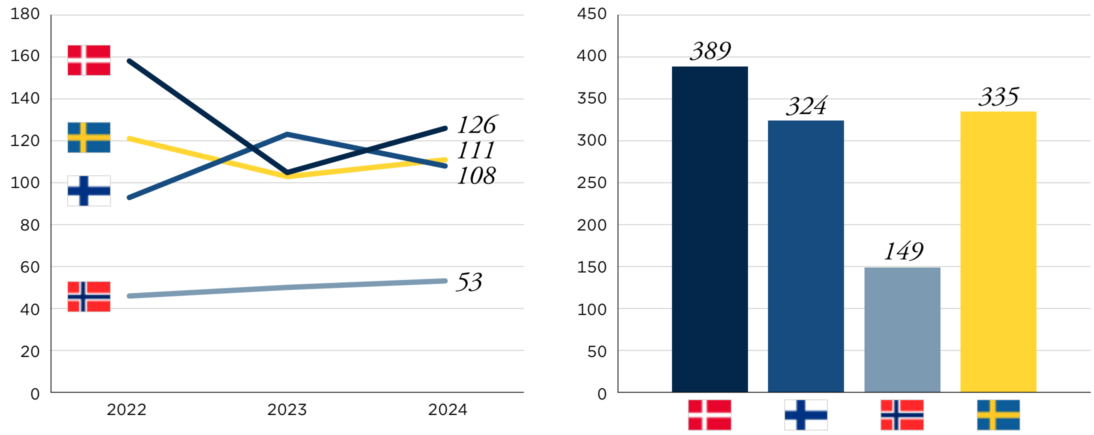
FDI PROJECTS IN SWEDEN AND EU SHARE SIMILAR INDUSTRY PROFILE

FDI projects in Sweden versus the EU by industry, share in per cent, total 2022–2024



DENMARK LARGEST RECIPIENT COUNTRY OF FDI PROJECTS AMONG THE NORDICS

Total number of FDI projects in Sweden and rest of Nordics, 2022–2024



Source: fDi Markets (2025)

FUTURE OUTLOOK

The global economy's current sluggish performance and uncertain economic outlook, coupled with rising geopolitical tensions, point toward dampened activity in the expansion plans of international companies in 2025, thereby leading to weak development in foreign direct investment. Besides the impact of the business cycle, Business Sweden predicts that the eight key factors outlined below are likely to influence global cross-border direct investment and FDI in Sweden in the next three years.

GEOPOLITICS

1 **Trade Policy.** The US economic policy under President Trump, where the introduction of high tariffs against US trading partners plays a central role, has caused significant uncertainty around the conditions for international trade and, consequently, for cross-border direct investment.

2 **Industrial policy.** The new industrial policies being launched in Europe and the Trump administration's requirements on US companies could result in companies choosing to prioritise their home markets. Economic nationalism on both sides of the Atlantic gives companies reason to repatriate some production, thereby reducing their overseas presence. Meanwhile, China continues to build its own supply chains for prioritised sectors.

CLIMATE AND ENVIRONMENT

3 **Green transition.** Large investments will be required, not least in the energy sector, as industrial companies set their sights on increasing the use of clean energy and adopting net zero manufacturing practices. Coupled with comprehensive government support schemes and investments in climate adaptation and infrastructure upgrades, primarily in Europe, this could unlock new opportunities for international investors. However, the new US administration under President Trump has put the brakes on national green transition initiatives, partly by making cuts in the federal climate bill, the Inflation Reduction Act, IRA.

4 **Natural resources.** Rising global demand for critical raw materials and political ambitions in the US and Europe to break China's dominance – particularly in rare earth elements – requires investments in the mining and metal industries, opening up opportunities for cross-border direct investment.

REGIONALISATION AND SHIFT TOWARD SERVICES

5 **Customers and suppliers.** Customer and market relations, automation, risk management and increasing consideration of environmental impacts are driving the continued push toward regionalisation of manufacturing and trade, concentrated to the three large production regions Europe, Asia and North America. Companies are actively expanding their supplier base to reduce their vulnerability in times of crisis.

6 **The services sector.** In tandem with increased industrial investments, the shift toward servicification of the business sector and global trade continues at pace. While investments in the services sector are not as capital-intensive, corporate deals involving highly valued service companies as acquisition targets could give cross-border direct investment a further boost.

THE NEW PLAYERS

7 **China.** Chinese companies are continuing to expand their presence overseas, primarily in emerging markets in what is today known as the Global South, but are being hampered by stricter national regulations and investment screening in foreign markets. New regulations open up the possibility for foreign companies to acquire Chinese companies – but large barriers to entry still exist. China's escalating conflict with the US and EU is prompting more and more international companies to rethink their market presence and focus on a wider spectrum of countries in Southeast Asia and other emerging markets.

8 **Global South.** The internationalisation of the business sectors in emerging markets continues, prompting the emergence of new foreign investors. However, weaker economic conditions in many domestic markets and deteriorating geopolitical prospects have dampened optimism in terms of seeing any rapid development.

APPENDIX

MULTIPLE REASONS FOR EXPANDING ABROAD

Most companies worldwide largely focus their operations and sales on domestic markets, but a growing share of companies also export goods and services abroad. At the same time, some companies feel that they are limited by export sales and see new business potential in establishing an overseas presence through subsidiaries that can perform various functions. These are usually multinational companies with large resources and roots in developed economies in the three major production regions of Europe, North America and Asia.

The companies' overarching motives for expanding abroad include new opportunities to increase revenue, reduce costs and improve risk management. By establishing a local sales entity, companies can strengthen their brand and deepen business relationships with international customers. Likewise, choosing to set up a local R&D centre can help companies tap into the research excellence of prominent universities. Having a local manufacturing facility can provide more accurate adaptation of the company's products to key markets. Moreover, overseas manufacturing can reduce lead times and transport costs, and secure access to renewable energy, raw materials and other commodities. Large acquisitions can help to expand product portfolios and give companies a head start on the global playing field. Meanwhile, acquisition of smaller companies can provide access to important patents and innovations.

A combination of these drivers often comes into play when companies choose to establish operations abroad, but they carry different weight in different sectors and situations, see for example Business Sweden's report *Taking manufacturing to new frontiers* (2021).

WHEN THE STARS WERE ALIGNED

The 1990s ushered in a prosperous era for global trade and cross-border investment. The completion of the Uruguay Round in the newly formed WTO (World Trade Organization) resulted in a broad dismantling of trade barriers. The political and economic integration of the EU continued at pace. Following the end of the Cold War, there was almost global consensus on the importance of maintaining open markets and an attractive business climate. The financial sector was deregulated and expanded and the global market for goods and services developed rapidly.

New roads, railway connections, ports and airports put all the conditions in place for companies to transport their goods with ease and establish their business in emerging markets, where China and the Southeast Asian countries quickly became the protagonists. In addition, companies got the opportunity to consolidate their international operations through IT systems and telecommunications, and to raise funds for their investments in an increasingly internationalised financial market.

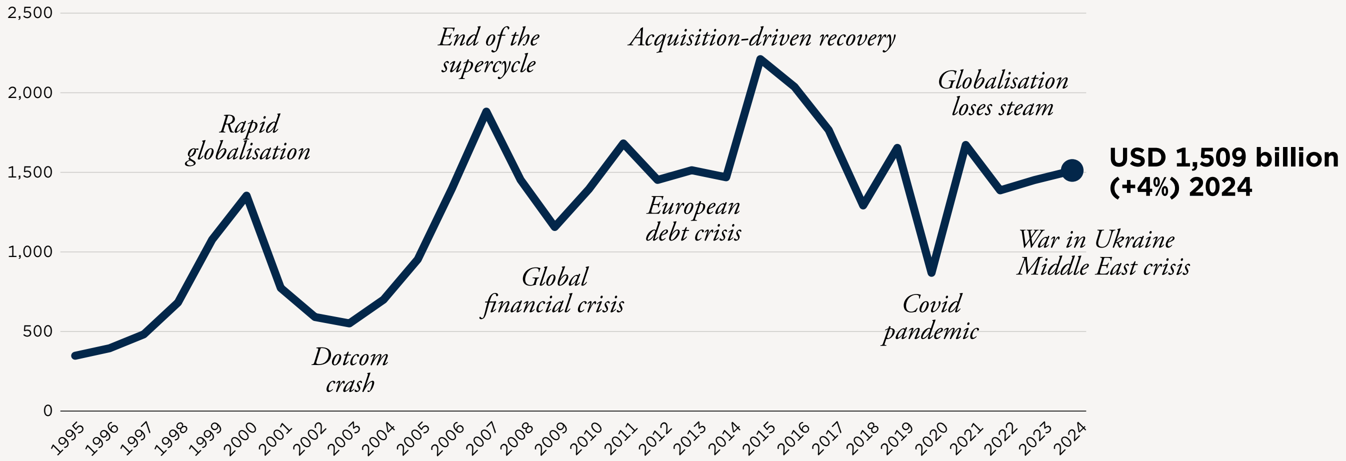
A first peak in the global evolution of FDI was reached in the year 2000. But in the following year the upswing was punctured by the Dotcom crash which led to a sharp downward revision of many companies' market value and contributed to a worsened economic situation, primarily in the US and Europe.

Already prior to China's membership in the WTO in 2001, the country had become a major destination for American and European business establishments, many of which sought to tap into the benefits of low-cost manufacturing of goods for export to Western markets. For another decade or so, low cost was the primary decision-making factor when global companies evaluated where to locate manufacturing facilities and supply networks. European companies discovered Eastern Europe while American companies went to Mexico.

The rapid growth in global trade throughout this period is to a great extent a reflection of how larger volumes of intermediate goods were gradually refined and finished at facilities in many different countries. The geographical fragmentation of manufacturing and a new wave of large corporate acquisitions paved the way for a new peak in cross-border investment in 2007. The global financial crisis plunged the world economy into dramatic decline. Companies were forced to re-evaluate their plans for international expansion. Securing financing became more difficult as banks and other financial institutions reoriented their activities and focused their attention on domestic markets. Planned company acquisitions were put on hold. Despite this, the decline in FDI was not too steep, but the next peak would not be reached until 2015 when global cross-border investment hit a record level. In Europe, the financial crisis was a contributing factor to the subsequent European debt crisis which resulted in dampened growth and a pessimistic outlook for business.

STAGNATING TREND FOR GLOBAL FDI

Foreign direct investment (FDI), annual inflows in USD billion, total, 1995–2024



Source: UNCTAD (2025)

GLOBALISATION LOSES STEAM

The statistics for the past five-year period, excluding the fluctuations of the Covid pandemic with a market nosedive and recovery, point to a gradual decline and levelling off in cross-border investment at the same time as the international mergers and acquisitions (M&A) market, somewhat paradoxically, has shown robust growth.

The downturn could be the partial result of an accelerating strategic shift towards near-market manufacturing among industrial companies, which reduces the extent of relocation and scattering of operations in different countries. A political upswing for economic nationalism worldwide coupled with aggressive industrial policies could also play a certain role, and the same applies to the increased geopolitical tensions not least between the US and China. The EU has introduced a screening process for FDI (which came into force in Sweden on 1 December 2023) and launched a new industrial policy roadmap which aims to facilitate industrial independence. American companies are encouraged to bring manufacturing back to the US, so-called reshoring. China is taking major steps to build its domestic supply chains and eliminate its dependence on foreign skills and competencies, for example in the manufacturing of advanced microchips.

Another factor to consider is that more and more international companies are pure service companies. Their operations often take place locally and do not necessarily involve large investments. FDI in capital-intensive sectors such as the processing industry has fallen back in recent years. Overseas expansions may also have become more difficult to pinpoint in the statistics, for example due to the increasingly advanced financial arrangements related to company acquisitions. The internationalisation of capital markets has facilitated local financing, using loans and other transactions that are not registered as FDI. Various forms of business collaborations and partnerships have also emerged as attractive alternatives to capital investment.

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