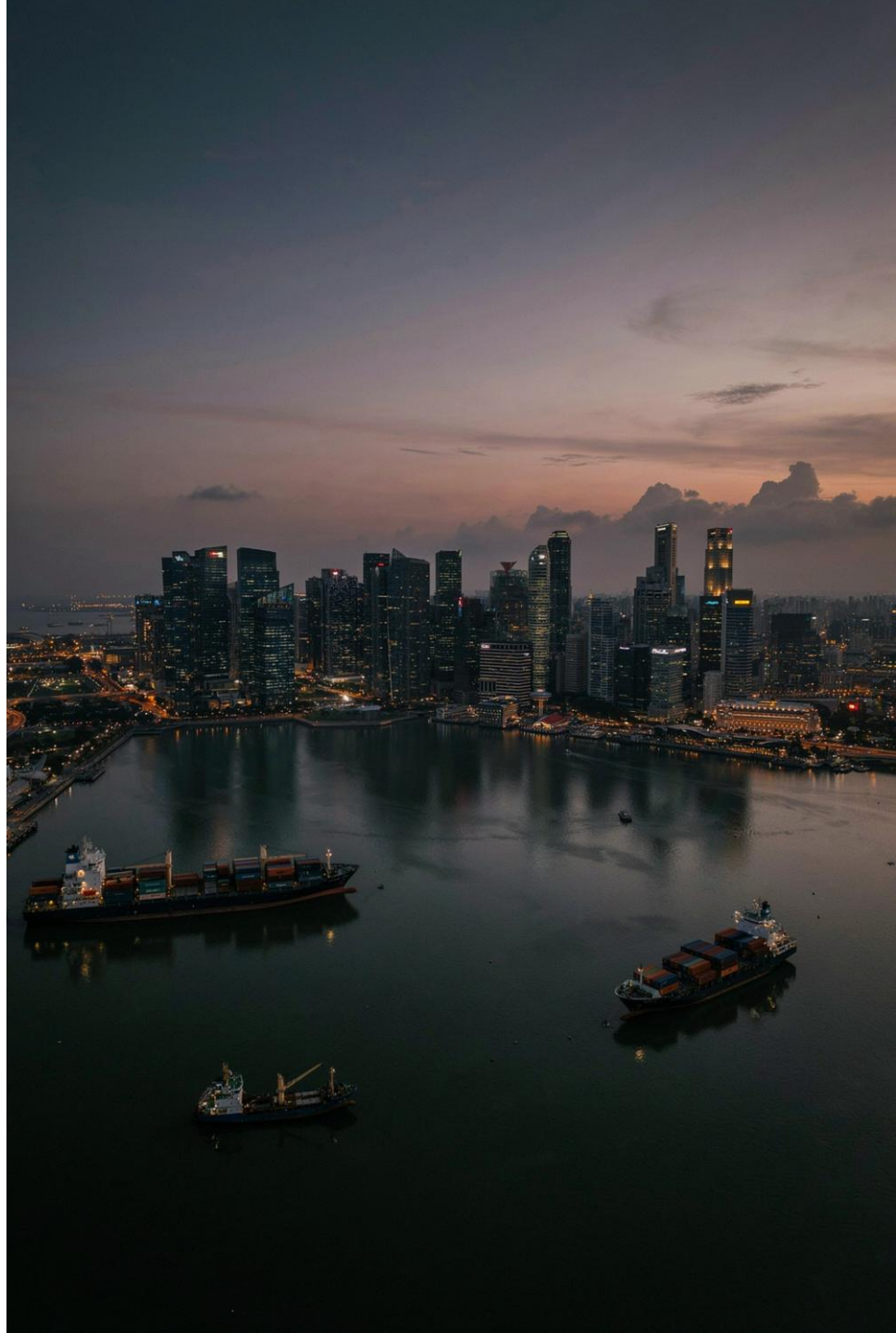
Resilient and Sustainable Supply Chains: The Strategic Role of Foreign Direct Investment

State and Trends of FDI and Supply Chain Transformation in Asia and the Pacific

Asian Think Tank Network Forum 2026
Della & Seng Gee Hall, NUSS Guild House, Singapore

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GLOBAL TRADE HUB

Asia-Pacific: A Global Trade Hub at a Supply Chain Crossroads

71%

Global Merchandise trade growth in 2025

Asia-Pacific has become a central hub of global trade, manufacturing and global value chains.

Asia-Pacific's deep integration into GVCs has been both a source of strength and vulnerability, exposing the region to trade disruptions, geopolitical shifts and changing investment flows.

Supply chains are being reshaped by:

- Geopolitical shifts & global disruptions
- Demand for greater supply-chain resilience
- Transition towards sustainable production
- Economic & energy security considerations
- Access to technology
- Proximity to strategic markets

Investment decisions are moving beyond market size and production costs — towards resilience, strategic capabilities and sustainability.

GLOBAL FDI 2025

Global FDI Recovery

Global FDI recovered in 2025 — but the recovery remained narrow and unevenly distributed.

$1.6T

Global FDI Inflows

6% annual increase after two consecutive years of decline

11%

Developed Economies

Increase in FDI inflows to developed economies

2%

Developing Economies

Increase, reaching US$901 billion

Concentrated at the Top

More than **80%** of global FDI went to the top 20 host economies.

Least Developed Countries

Received only **2.7%** of global FDI inflows — a persistent structural gap.

A recovery in headline flows is not the same as broadly shared development gains.

INVESTMENT GEOGRAPHY

Asia's Investment Geography

US$644 billion

FDI received by developing Asia in 2025 — approximately **40% of global FDI**, the largest share among developing regions.

South-East Asia Leads

Overtook East Asia as the largest recipient subregion in developing Asia.

South Asia Strengthens

Increased inflows into India supported stronger investment performance across South Asia.

China Plus One

Multinational firms are assessing multiple locations — diversification, not wholesale relocation.

Asian economies should position as complementary nodes in regional value chains — not substitutes in a zero-sum competition.

CAPITAL FLOWS

Strategic Investment

Capital is following strategic capability — not lower cost alone. Strategic sectors' share of global announced greenfield investment rose from **16% in 2020 to 44% in 2025**.



AI & Semiconductors

AI infrastructure, advanced technologies and semiconductor manufacturing



Critical Minerals

Critical minerals and associated processing capacity



Energy Transition

Energy-transition technologies and services

> Data centres alone attracted more than **US$270 billion** in announced investment in 2025 — more than one-fifth of global greenfield project value.

Future investment competitiveness will depend increasingly on technological, industrial and energy capabilities.

FROM COST TO RESILIENCE

Resilience and Investment

Resilience is now a core determinant of investment decisions — businesses are moving from minimum cost to managed resilience.

Business Responses

- Multi-sourcing and alternative suppliers
- Regionalisation of production
- Strategic inventories of critical inputs
- Distributed production capacity

Location Evaluation Criteria

- Reliable infrastructure and diversified logistics
- Stable energy supply and digital connectivity
- Efficient customs and access to multiple markets
- Predictable and transparent regulation

The objective is not to abandon efficiency — it is to manage the efficiency–resilience trade-off more intelligently.

POLICY ALIGNMENT

FDI and Export Strategy

Judge FDI by what it builds — not only by the capital it brings. FDI policy should be aligned with export potential, domestic value addition, technology transfer and local supplier development.

Opportunity for India and Asian Economies

Electronics & Engineering

Export-oriented investment in electronics and engineering goods

Pharma & Chemicals

Build on existing strengths in pharmaceuticals and chemicals

Textiles & Manufacturing

Textiles, technical products and other tradable manufacturing sectors

FDI should be embedded in export-oriented industrial ecosystems — not treated as an isolated financial inflow.

REGIONAL STRATEGY

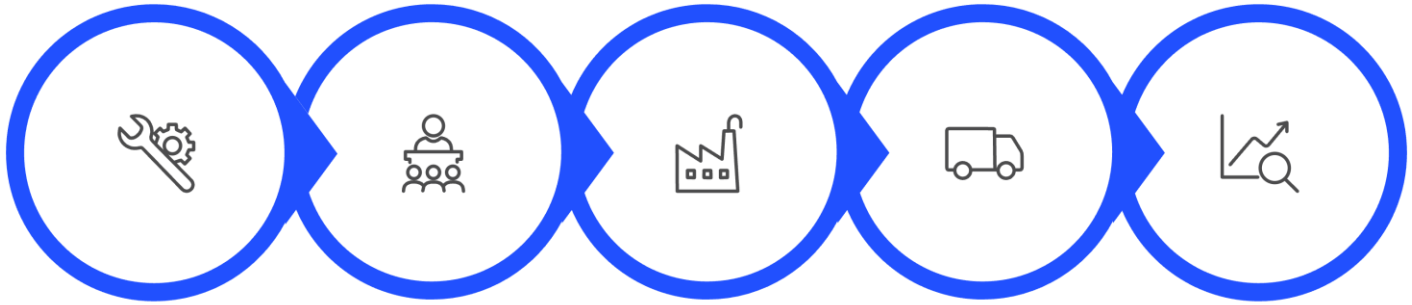
Distributed Resilience

Move from self-sufficiency to **distributed regional resilience** — using FDI to develop multiple production centres, alternative suppliers and domestic linkages to multinational value chains.

Priority Sectors for Diversification

- Electronics & semiconductors
- Pharmaceuticals & APIs
- Critical minerals & batteries
- Renewable energy & telecom
- Food processing & engineering

Complementary Specialisation



Investment incentives should reward measurable outcomes: supplier diversification, local sourcing, technology transfer and strategic capacity.

The strategic goal is not autarky — it is a diversified regional network of complementary capabilities.

ENABLING ENVIRONMENT

Investment Facilitation

Move beyond incentives to a **dependable investment ecosystem**. Persistent barriers continue to constrain investment potential across the region.

Persistent Barriers

- Foreign-ownership and capital-flow restrictions
- Complex approvals and land-access constraints
- Regulatory uncertainty and inconsistent standards
- Restrictions on cross-border data flows
- Infrastructure bottlenecks and skills shortages

Facilitation Priorities

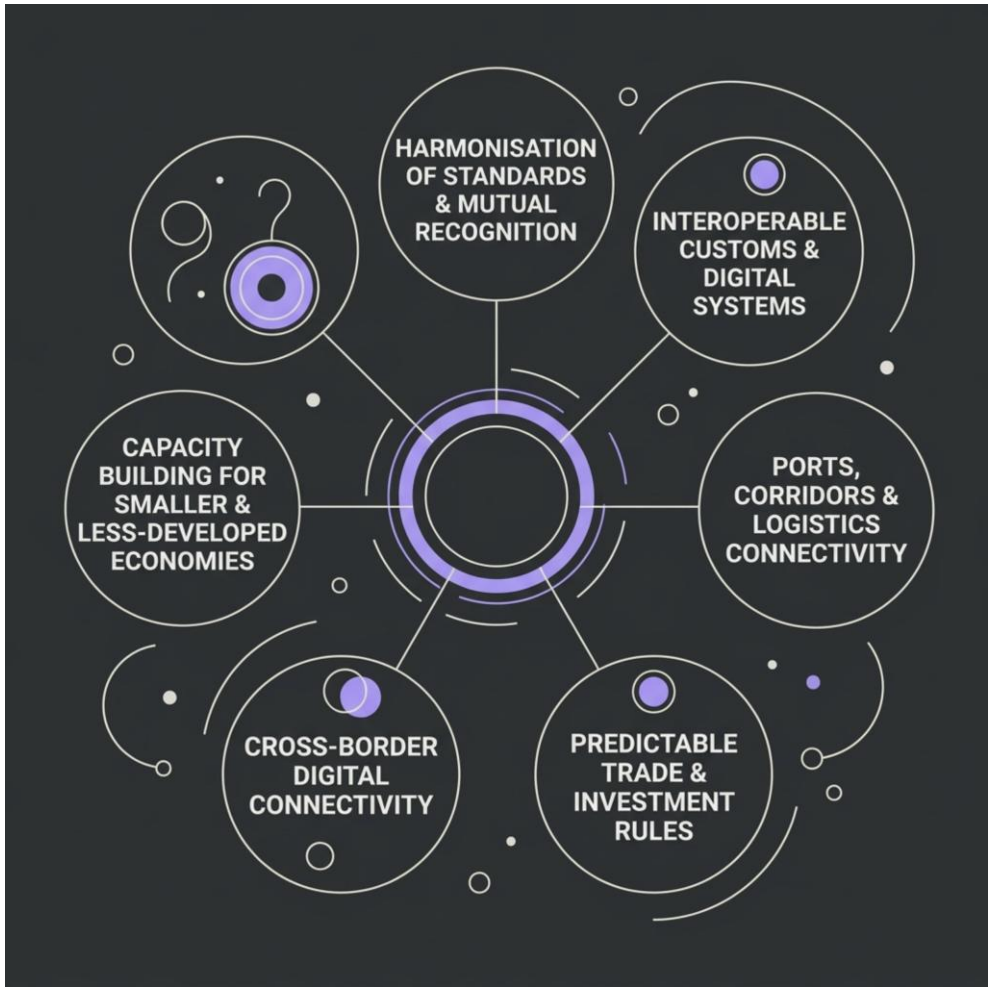
- Transparent and predictable regulation
- Single-window, time-bound approvals
- Investment protection and grievance redress
- Reliable physical and digital infrastructure
- Greater regulatory coherence

Incentives may attract attention; institutional credibility sustains investment.

REGIONAL INTEGRATION

Regional Policy Architecture

Regional integration can lower the cost of diversification. RCEP and CPTPP can provide an enabling policy architecture for lower trade friction, more predictable operating conditions and wider regional production linkages.



Role of Regional Frameworks

Lower Friction

Reduced trade and investment transaction costs for firms operating across Asia

Predictable Conditions

More stable and transparent operating environment for long-term investment planning

Wider Linkages

Diversification of sourcing and investment within Asia through regional production networks

Regional agreements must translate from legal frameworks into lower transaction costs for firms.

SUSTAINABILITY & COMPETITIVENESS

Sustainable Supply Chains

Decarbonisation is becoming part of investment competitiveness — sustainability is no longer a parallel ESG agenda, it is part of the investment proposition.

Investors Increasingly Seek

- Reliable and renewable electricity
- Low-carbon logistics
- Circular production systems
- Climate-resilient industrial locations
- Credible environmental data and certification

MSMEs Require Targeted Support

- Clean-technology upgrading
- Renewable-energy adoption
- Green finance access
- Emissions measurement and certification
- Integration with lead firms' sustainability standards

DIGITALISATION

Digital Supply Chains

Digitalisation strengthens resilience — but only when firms can absorb it. Digital FDI must connect with domestic industrial ecosystems, not operate as an isolated enclave.

Digital Technologies Can Improve



Forecasting & Inventory

Demand forecasting, inventory management and advanced analytics



Traceability & Logistics

Traceability, quality control and logistics coordination



Risk & Crisis Response

Risk monitoring and crisis response capabilities

Key Technologies

AI · Internet of Things · Cloud Computing · Blockchain · Digital Twins · Advanced Analytics

The Emerging Divide

Smaller firms face significant constraints in all three areas.

Finance and access to technology

Digital and managerial skills

Cybersecurity capabilities

SIX QUALITY TESTS FOR FDI

Evidence-Based Policy

Replace *"How much FDI did we attract?"* with *"What did the FDI contribute — and how do we know?"*

1 — Inclusion

Are smaller economies and domestic MSMEs participating?

2 — Infrastructure

Are power, logistics, digital connectivity and industrial land reliable?

3 — Capabilities

Can domestic firms and workers absorb technology and move into higher-value activities?

4 — Contribution

What are the gains in jobs, exports, local procurement, skills, R&D and productivity?

5 — Predictability

Are tax, investment, land, environmental and trade rules stable and transparent?

6 — Sustainability

Does the investment strengthen climate, resource and energy resilience?

Evidence required: Project-level indicators, supplier data, export performance, technology transfer, skills outcomes and resilience metrics.

CLOSING

From Disruption Management to Strategic Transformation

Asia-Pacific should use FDI to build supply chains that are resilient, connected, productive, inclusive, sustainable and predictable.

Resilient Diversified, reliable and shock-responsive	**Connected** Integrated with domestic firms and regional value chains	**Productive** Export-oriented, technology-rich and capability-building
Inclusive Accessible to MSMEs and smaller economies	**Sustainable** Low-carbon, climate-resilient and resource-efficient	**Predictable** Supported by stable policies and credible institutions

> The investment future of Asia-Pacific is not simply about more FDI — but **what kind, where it goes and how well it connects with the wider economy.**

KEY FINDINGS

FDI in Transition: Resilience, Strategic Sectors and Regional Integration

- Global FDI is recovering, but the recovery is highly uneven
- Asia remains central, but investment patterns within Asia are changing
- Reducing barriers to FDI remains critical for the Asia-Pacific region
- FDI can be a strategic instrument for building supply-chain resilience
- FDI is increasingly moving towards strategic sectors
- Resilience is becoming a core determinant of investment decisions
- Sustainability is moving from a compliance issue to an investment determinant
- Digitalisation can make supply chains more transparent and responsive
- FDI policy and export strategy need to be better aligned

Regional agreements must translate from legal frameworks into lower transaction costs for firms.

POLICY CHALLENGES

Key Challenges for Policymakers

1

Concentration of Investment

FDI remains concentrated in a few economies and strategic sectors, risking the marginalization of smaller and vulnerable economies.

2

Infrastructure Gaps

Reliable power, logistics, ports, roads, digital connectivity and industrial land remain fundamental to investment competitiveness.

3

Skills & Technology Capabilities

Economies need domestic skills and capabilities to absorb technology and move from investment attraction to higher-value activities.

4

Quality of FDI

Shift the focus from 'How much FDI?' to 'What does FDI contribute?' — jobs, exports, local procurement, technology, R&D, productivity and resilience.

5

Regulatory Predictability

Stable, transparent and predictable rules, alongside simplified and time-bound approvals, are increasingly critical for long-term investment.

6

Sustainability & Energy Resilience

Reliable, low-carbon energy, resource-efficient infrastructure, green logistics and credible environmental data are becoming investment determinants.

The policy challenge is not merely to attract more FDI, but to broaden its reach and strengthen its contribution to domestic and regional development.

STRATEGIC PRIORITIES

Shaping the Next Phase of Investment in Asia-Pacific

Beyond FDI volumes

Focus on the quality, distribution and economic impact of investment.

Build domestic capabilities

Strengthen local supply chains and integrate MSMEs into regional and global value chains.

Embrace transformation

Accelerate digitalisation, technology adoption and skills development.

Build resilience

Foster diversified production networks to navigate geopolitical, technological and climate-related risks.

Strengthen investment ecosystems

Ensure reliable infrastructure and energy, digital connectivity, skilled talent and predictable regulation.

Advance sustainable regional integration

Promote sustainable production, deeper regional linkages and an enabling investment environment.

The next phase must move beyond FDI volumes—towards resilient regional networks, stronger domestic capabilities, digital transformation and sustainable integration.

Thank You