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INTERNATIONAL POLITICS OF FOREIGN DIRECT INVESTMENT

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Abstract : International Politics and Economics form the core factors in determining the amount of foreign money coming into a country. The paper looks at two countries in Asia, India and South Korea, which both emerged independent at the same time within a span of two years with comparable levels of poverty and cultural heritage and history. Their geography, demographic outlook, political alignment, domestic economic policy and foreign policy have however spun them in entirely different directions and a major part of this was their views on foreign direct investment and the politics influencing so.

Key words: Asia, India, South Korea, Foreign Direct Investment, Geopolitics, Economic Policy, Foreign Policy

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INTRODUCTION

Collectively, for Statesmen and scholars alike, Economics and Politics form the crux of their attempt to evaluate and navigate the modern nation state system in a globalized world with new forms of associations, multinational corporations and supply chain integrations across multiple states. This paper attempts to look at one such facet through two case studies.

Foreign Direct Investment (referred to as FDI from this point onward) refers to an ownership stake in a foreign company or project made by an investor, company, or government from another country. In general, FDI describes a business decision to acquire a substantial stake in a foreign business or to buy it outright, with the aim of expanding operations to a new region.

FDI involves investing in a foreign enterprise, either by acquiring a controlling stake or by actively participating in its management. It goes beyond mere capital investment and often includes the transfer of management expertise, technology, and equipment.

FDI has been a key driver for:

1. Technology transfer between nations
2. Employment generation
3. Access to managerial expertise
4. Global capital flow
5. New product markets
6. Expansion of distribution networks

Companies or governments consider FDI when they seek opportunities in open economies with skilled workforces and above-average growth prospects. Light government regulation is often prized. FDI establishes effective control over the foreign business or at least substantial influence over its decision-making processes.

There are mainly **four types** of FDI:

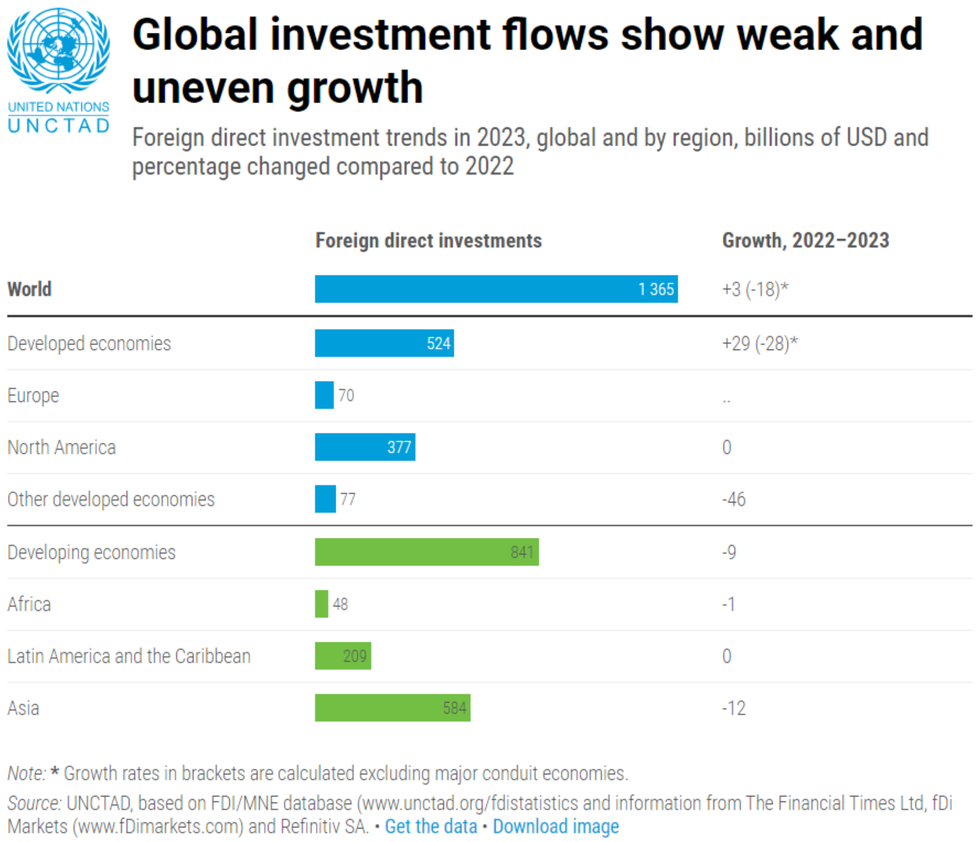
Horizontal: Expanding the same business activities to another country.
Vertical: Moving to a different level of the supply chain in a foreign country.
Conglomerate: Undertaking unrelated business activities abroad (less common).
Platform: Expanding into another country and exporting output to a third country.

Global Trends: According to the United Nations Conference on Trade and Development, data published on January 17 2024 shows Global FDI in 2023 grew by 3% and finishing the year at an estimated $1.37 trillion. However, the report highlights a key nuance – the overall uptick was driven mainly by a few European "conduit" economies, which often act as intermediaries for FDI destined for other nations.

As stated in the article,

"Strikingly, when these conduit economies are excluded, global FDI flows show a steep 18% decline in 2023. The rest of the European Union recorded a steep 23% decline, and the United States, the world's leading FDI recipient, saw a 3% dip.

The UNCTAD report also underscores a worrying decline in international investment project announcements last year, especially in project finance and M&As, which declined 21% and 16%, respectively. Meanwhile, greenfield project announcements dipped by 6% in number but grew by 6% in value, bolstered in part by manufacturing."



(See References for complete list of sources)

FDI inflows as a percentage of gross domestic product (GDP) serve as an indicator of a nation's attractiveness for long-term investments and can result in a loop of either negative or positive feedback, which the Statesman attempts to navigate and work to the state's advantage. FDI plays a crucial role in international economic integration, fostering stable and lasting connections between economies.

As a Political Science student, it has been of interest to the author about the nature of Foreign Direct Investment in view of the ever changing Geopolitical regime of the day, with multiple countries and powers vying for Political Power (Regional Hegemony/Global Hegemony) , and many view Economic Power as the means- yet without the economic power, political power even if achieved is bound to be short lived, and at the same instance, Economic Power without significant Political clout or enough value in other forms of National Power (Military, Cultural, Science & Technology) is completely vulnerable to outside influence and the balance between economic prosperity and maintaining sovereignty remains delicate as seen historically with states such as:

St. Kitts and Nevis: St. Kitts and Nevis, a small island nation in the Caribbean, has a high standard of living due to its citizenship-by-investment program. Wealthy individuals can obtain St. Kitts and Nevis citizenship by investing in real estate or donating to the country. However, this economic model makes the nation vulnerable to external interests such as the United States, Cuba, Venezuela and more. It relies heavily on foreign investment and tourism.

Lebanon: Lebanon, once known as the "Paris of the Middle East," has a rich cultural scene, historical sites, and a vibrant economy. However, it faces chronic political instability, sectarian tensions, and external interference. Regional powers such as Iran and Saudi Arabia vie for influence in Lebanon, impacting its governance and stability. Despite its wealth in human capital and cultural assets, Lebanon's political fragility hampers its full potential.

Smaller, dynamic economies often have higher FDI-to-GDP ratios. Rich countries can therefore still be vulnerable to external pressures, whether due to geopolitical positioning, historical legacies, or economic dependencies. The interplay between wealth and weakness is complex and multifaceted in international relations.

The decrease in Global FDI can be explained by a variety of factors, including the ongoing conflict in Ukraine, Africa, Armenia, tensions in the Indo Pacific, the Israel-Gaza conflict, a strengthening Dollar, new EU laws on trade, and disruptions in major stock markets and conflicts within corporations with the new advent of Artificial Intelligence. The question of the paper in these circumstances stand steadfast.

Due to the nature of the objective question, this paper will examine the following countries in Asia on basis of their FDI inflow, and look at the international politics determining their economic fates and how they might navigate:

1. **The Republic of India**
2. **The Republic of Korea [South Korea] 대한민국**

The reasoning behind this choice stands in the fact that these two countries, and Japan, currently form the main axis of capitalist democracies around China and stand out as the premier economies in face of the wider Asian economic stagnation and notions of state control over the economy through various ideologies and means as seen in Iran, China, Russia, and other Asian countries.
Japan has been excluded from this list due to the unique problems of Japan as an economy and the fact that it is already an advanced economy, while countries like India, Taiwan, Philippines and South Korea are either newly emerging or newly prosperous in the last 10-20 years.

NEED OF THE STUDY.

The purpose of this paper is an attempt to answer the question, "What factors of international politics drive Foreign Direct Investment in a country and how might a state navigate through said politics to ensure most gain economically?"

RESEARCH METHODOLOGY

To adequately address the twin subjects of Economics and Politics, the paper shall go through the following questions which the author has attempted to answer in an unbiased and factual manner with figures and data wherever possible.

1. What is the history of the country's economy?

An economy is an area of production, distribution and trade, and consumption of goods and services. Economies in this paper shall be mostly looking at two forms of economies: the National Economy of a country, and the international Global economy.
The historical performance of an economy gives us a larger macro perspective of the economy's steady ups and downs, as well as the overall progress. For sake of limiting the paper, only an overall perspective will be included, and sectoral reforms and outputs shall not be delved into unless they play a large role. Similarly, the history of these economies shall only extend to their modern establishment as countries and not include, for example, in case of Korea, the historical performance of the Korean economy prior to the set up of the Republic of Korea on August 15, 1945.

2. What is the attitude of the population towards economic growth and capitalism?

The attitude of the population towards economic growth and capitalism varies significantly across different regions and contexts. As the lens of this paper is political, we can make statements such as "Socialist economies disregard capitalism as opposed to Capitalist countries" and look at the record of such countries. Most prominently, majority population of India subscribed to the socialist view.
Population growth has also played a role, as in both countries the population has skyrocketed since establishment and with decline in population, states are more likely to invest in socialist policies that allocate resources from industry to households.
Interestingly, there is an observed correlation: as capitalist growth proceeds and a society becomes wealthier, the birth rate falls. Eventually, as the overall population ages and fewer people join the workforce, worker productivity goes down, which means less value generation, which leads to less money in the economy and thus it leads to a collapse in economic growth. Attitudes toward economic growth and capitalism are multifaceted, influenced by cultural, economic, and social factors. Some embrace capitalism's potential, while others raise valid concerns about its impact on equality and sustainability. For the goals of this paper, this sub question gives vital diagnostic data that will influence what to do.

3. What is the history of Foreign Direct Investment in the country and the attitude of the population towards it? Can it be amended?

For many countries' populations, Foreign Direct Investment can be an abstract economic thought at most, specially those countries have been in economic isolation for a long time. Things, however, go beyond just mere knowledge among the general population, as these attitudes are often reflected in business leaders and owners, the core axis around which the entire FDI operation is based upon.
Countries with a longer history of FDI are better at not only working with ensuring optimal cash flows, but also are able to leverage these in the public sphere, and the state can in turn use them for ensuring macroeconomic prosperity in the international sphere and ensure completion of common economic goals in their region and globally.

4. What is the baseline standing of the country in its foreign policy?

Governments must carefully balance diplomatic goals with economic imperatives to foster sustainable growth and prosperity. This includes the stance of the country on various international issues which will consequently affect or influence economic growth and more adversely affect or drastically increase FDI in the country. Stable diplomatic relations attract investments, while geopolitical tensions can discourage investors. Policies related to currency exchange rates, investment protection, and cross-border capital movement impact economic stability.

Other foreign policy decisions, such as imposing sanctions or embargoes, directly impact a nation's economy. These measures restrict trade, financial transactions, and access to markets, affecting businesses, industries, and overall economic growth. Policy decisions can also affect international financial institutions, currency stability, and debt management. Cooperation with global organizations impacts economic stability and access to financial resources.

5. *What international political factors aid and hamper flow of Foreign Direct Investment in the country?*

6. *What economic factors in the world as of Financial Year 2023 influence Foreign Direct Investment in respect to this country?*

For the final two questions, the author shall attempt to list and elaborate on political and economic factors worldwide that cater to the country in question particularly, as political events and economic shifts may affect the country disproportionately compared to countries near the epicenter of those events and shifts.

RESULTS AND DISCUSSION

The Republic of India

1. *What is the history of the country's economy?*

After gaining independence on 15 August **1947**, India faced widespread poverty and resource scarcity. Estimates range around a GDP of around just $40 billion dollars when adjusted for inflation. In such a situation, the policymakers adopted a **mixed economic growth model. Nehru, the first Prime Minister of the country, opted for a socialist approach with five-year plans and targets set by the government.**

By the **1970s**, India struggled with slow economic growth due to its closed off economy, and bureaucratic processes stifling entrepreneurship, referred to as the 'License Raj'. Foreign Direct Investment was almost exclusively in form of foreign aid, and partnerships with other countries remained at a standstill in the economic spheres, as India sought to keep its markets closed.

In 1991, India faced a massive balance of payment crisis. India had to therefore liberalize its economy despite setbacks and protests in the domestic sphere. Extensive regulation, protectionism, and public ownership were replaced with reforms.

The Liberalization of the economy not only reduced the Socialist outlook of policymakers, but also opened India's market and thus now invited Foreign Direct Investment. From the advent of the new millennium to the present day, India's GDP has grown consistently, and being one of the few economies not severely affected by the 2008 Financial Crisis.

Today, India is the third largest and one of the fastest-growing economies globally.

2. *What is the attitude of the population towards economic growth and capitalism?*

India's demography is split on the issue of capitalism, but not necessarily in a simple way. Economic growth is usually universally acknowledged as a positive, however, groups and ideologies along with India's diverse population has different perspective on how to achieve economic growth. It is to be noted that for most of its history until the 1991 liberalization, Indian government, industry and population was under a socialist framework and decades of such economy produced a cultural outlook.

Public views on capitalism vary. It is to be noted that the disparity is also under confirmation bias, as seen by the attitudes among the urban educated businessmen and the subsidized rural populations.

In intelligentsia and the middle class, some appreciate the potential of capitalism for growth and innovation, while others highlight wealth inequality and the concentration of benefits among the privileged few. The debate continues, with proponents and critics engaging in discussions about the impact of capitalism on society as is the case in most of the world today, specially as India still is an middle income country, not a developed country.

For the most however, as far as the government and Industry are concerned, India's attitude towards economic growth and capitalism reflects a blend of optimism, skepticism, and the ongoing quest for balanced development that truly uplifts the lives of its people.

3. *What is the history of Foreign Direct Investment in the country and the attitude of the population towards it? Can it be amended?*

In 1991, due to decades of socialist and macroeconomic failures, India had less than three weeks of foreign exchange left. An IMF response saved the economy and in response, the Indian government initiated a series of economic reforms aimed at reducing import tariffs and opening sectors to foreign investment, popularly called as the Liberalization, Privatization and Globalization (LPG) reforms. These reforms paved the way for increased FDI inflows.

The World Investment Report 2020 by the UN Conference on Trade and Development (UNCTAD) ranked India as the 9th largest recipient of FDI in 2019, with an inflow of $51 billion during that year.

Due to the COVID-19 pandemic, India modified its Foreign Direct Investment (FDI) policy in 2020 to shield domestic businesses against "opportunistic takeovers/acquisitions." The Ministry of Commerce and Industry would be now scrutinizing all FDI even though the new policy does not impose any restrictions on markets.

FDI in India therefore can occur through two routes:

Automatic route: Allows FDI without prior approval.

Government route: Requires approval via the Foreign Investment Facilitation Portal

FDI has been a significant source of funding for India's economic growth, employment, and integration with the rest of the world. India's public opinion on FDI is complex and impacted by several variables.

Many Indians are aware of the advantages of FDI: Economic growth, infrastructure development, Access to Global markets and more, but skepticism still remains due to a the country's colonial and then socialist history and the shock the Indian economy went through after 1991. Many of the older generations, for example, are on the whole more likely to support socialism when compared to those 25 and younger.

However, being a country rediscovering capitalism and the global money order, there are concerns among the Indian population, which combined with its socialist outlook can hinder economic prosperity. Some valid concerns include a fear that excessive foreign control may compromise national sovereignty and arguments about how FDI benefits large corporations more than local communities. In an effort to draw in investment, India has liberalized its FDI laws throughout the course of history in the past decades. It is to be realized that in order to influence public opinion, transparency, accountability, and inclusive growth are important.

To change the perception of FDI, India's policymakers should concentrate on domestic inculcation of new mindsets and reviving the dormant entrepreneur spirit in the population. These may take forms such as Public education regarding the advantages and dangers of foreign direct investment, and encouraging Indian companies to reach out globally while promoting Indian interests abroad.

While these steps have been in action for mostly big corporations and economic diplomacy is now a regular feature in India's foreign relations, the need is for foreign capital to reach the lower levels of companies too and putting in regulation that results in a mutual benefit scenario; protecting domestic industry, national interest, sovereignty as well as safeguards for foreign investors and incentives for the same.

4. *What is the baseline standing of the country in its foreign policy?*

In a realist and purely materialist worldview, foreign policies can change overnight and shift continuously every few years. It is to India's credit however, as well as its circumstances, that India has kept a common baseline foreign policy over the decades characterised by its constitutional directives to uphold peace in the world.

India's foreign policy is multifaceted, reflecting its historical context, regional dynamics, and global aspirations. From its positioning as the dominant actor in the South Asian sphere, India is a prominent regional power and a rising superpower. It boasts the world's third-largest military expenditure, the second-largest armed force, and ranks fifth in terms of GDP nominal rates and third in purchasing power parity.

This has allowed India to look beyond its regional constraints towards the global political order, where in recent decades, India has pursued an expansive foreign policy: through many of its policies such as the Neighborhood-First Policy (strengthening ties with neighboring countries), Act East Policy (Building economic and strategic relationships with East Asian countries) while having 'strategic ambiguity'. It has nuclear weapons but a "no first use" nuclear policy and a neutral stance on the Russo-Ukrainian War. It is also a founding member of the Non-Aligned Movement, which helped India steer clear of the Cold War for most of the 20th century.

India has more worldwide impact thanks to its soft power, which includes its culture, arts, and diaspora. India's foreign policy therefore seeks to fulfill its potential as a modern nation by actively participating with the world while defending its integrity, people, and values, and promotes an international rules based order.

5. *What international political factors aid and hamper flow of Foreign Direct Investment in the country?*

Even though India seeks a peaceful relationship with its neighbors, the historic conflicts with China and Pakistan, and the long standing fueling of insurgency from Myanmar prevent negotiations from being simple. On the political spectrum therefore, this positioning as well as its Non Aligned stance through which India has diversified its risk by engaging with both the West and Anti West political order, as well as the Global South, some times result in confusion on the world stage as to what loyalties India actually has, and this can both put off FDI or aid in it, as investors from different nations will have different perspectives. What it does ensure however, is that investors from all over the world come to invest in the Indian economy.

Policymakers must balance national interests with attracting foreign capital to foster sustainable economic growth.

6. *What economic factors in the world as of Financial Year 2023 influence Foreign Direct Investment in respect to this country?*

By far the most damaging factor in India's Investment Prospects is its continued decline in the exchange rate between the rupee and the dollar. As of December 2023, the exchange rate stood at 83 INR =1 USD. Losing value of the rupee, while it might help exports, is not good for FDI as it means declining value of returns for foreign investors.

The other economic factor influencing India's FDI prospects is the fact that investors in developed economies now have a variety of choices to invest in, not just India- Southeast Asia, Africa and Latin America also have a variety of attractive FDI destinations and prospects. Several of India's advantages, such as demography and language proficiency can be off put these countries as they are much closer to the country of origin of the investors.

However, India is a member of several intergovernmental organizations, including the World Bank, Asian Development Bank, BRICS, BIMSTEC, SCO and the G20. It also actively participates in forums like the East Asia Summit, World Trade Organization, and the International Monetary Fund, which help its economic prospects immensely and helps attract investment.

The Republic of Korea [South Korea] 대한민국

1. *What is the history of the country's economy?*

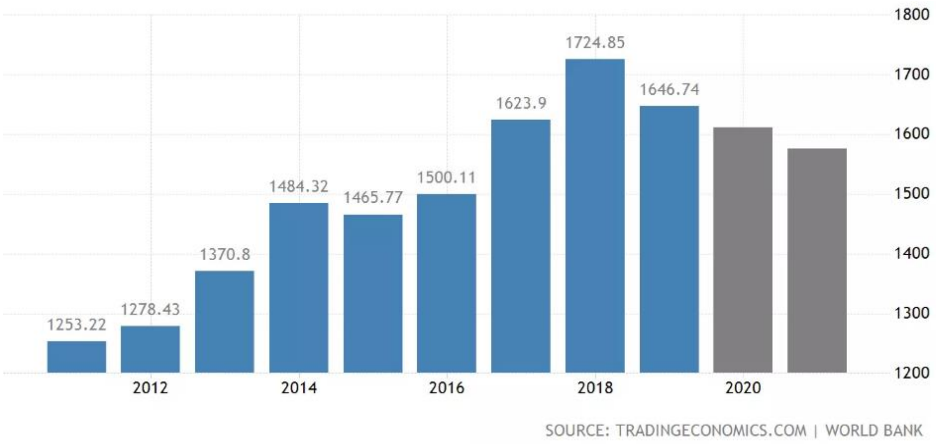
At its independence in 1948, South Korea was an poor, primarily agricultural state with very few industries, most having being established after Japanese colonization. Most of the industry and electrical power were in North Korea. The country faced a devastating war from 1950 to 1953 (the Korean War), straining its resources.

A radical transformation took place from 1961 to 1996. With rapid economic development, South Korea transformed it into a prosperous, industrial society thanks due aggressive economic policies promoting industry. Under the military government of Park Chung Hee, the state prioritized economic development, combining state planning with private ventures.

South Korea used its educated and disciplined labor force to make items for exports despite having few natural resources. The manufacturing industry began with textiles and shoes and later moved into electronics, steel, heavy machinery, ships, petrochemicals, and cars. A key factor in industrialization was the tight collaboration between the state and big family-owned enterprises, or chaebols.

Following the shift to democracy in the late 1980s and early 1990s, labor became a significant political force. South Korea was acknowledged as a "developed state" by the international community in 1996, although its living standards were still lower than those of Western Europe and Japan.

After 1996, economic growth slowed but was still strong enough to bring the country's per capita income up to line with that of Western European nations. South Korea shifted from being a borrower of technology to an innovator in technology.



South Korea GDP in USD billions.

2. *What is the attitude of the population towards economic growth and capitalism?*

The South Korean foray into capitalism began way earlier than India and it had fought the bloody Korean war against communist North Korea and China, leading to a natural bias in the other direction. This made the Korean government move towards capitalist policies.

The 1970s witnessed remarkable economic progress. South Korea transformed into an industrial powerhouse, with a strong emphasis on exports. The population reflected positive of this change, and people began to associate economic success with national pride and identity. The slogan became: "Be Korean. Buy Korean. For the Future!".

However, as consumption increased, so did social distinctions and class divisions.

In the 1990s, attitudes shifted. While economic growth continued, people started questioning the consequences. A study found that during this period, there was a transition from wanting equality to accepting inequality.

As the economy expanded, so did individual aspirations. The desire for material wealth and social mobility became more pronounced. Despite economic inequality, many Koreans still value hard work, education, and entrepreneurship.

Over the early 21st century, those identifying as Upper or Upper-Middle Class increased. Economic progress led to more conservative attitudes about social conflict and the government's role in economic redistribution.

Some Koreans express discontent with the local brand of capitalism, especially when it fails to address social disparities and safety nets. South Korea's attitude therefore evolved towards economic growth and capitalism from survival and industrialization to a complex mix of pride, aspiration, and concern for social equity. It reflects the nation's dynamic journey from poverty to prosperity.

3. *What is the history of Foreign Direct Investment in the country and the attitude of the population towards it? Can it be amended?*

The History of FDI in South Korea is prevalent from its very beginning, as after the war, the country received extensive aid from the United States, as well as a big investment from Japan as war reparations for its colonization. From 1960–1983, South Korea was building its industrial base and actively pursuing an export-led growth development strategy. FDI was instrumental in supporting this strategy.

Historically therefore, South Korea has welcomed foreign investment. President Moon Jae-in emphasized the foreign business community's success as integral to the Korean economy's progress. However, The Asian financial crisis of 1997 had a significant impact on South Korea. Economic woes led to the government becoming more opaque and put up restrictions, which has resulted in an FDI shortfall, as it prompted a reevaluation of development policies.

In the post-Crisis era, South Korea focused on creating a favorable business climate, addressing regulatory issues, and attracting foreign investors. It has this ability to do so Korea has become well established on the global sphere, through its corporations and culture alike.

Recent trends are also promising. It has, for example, established an ombudsman to address foreign investors' concerns, reflecting the government's desire to attract new international investors. In the view of the author, to continue spurring a favorable investment climate however, South Korea must continue regulatory reforms, including Regulatory Impact Analyses (RIAs) and soliciting feedback from foreign investors. It should also work on aligning regulations with global standards, a requirement essential for fostering innovation and attracting FDI.

4. *What is the baseline standing of the country in its foreign policy?*

South Korea is effectively an island nation, as it is surrounded by water on three sides, and has no land connection with mainland Asia due to North Korea. Deriving from history therefore, South Korea relies massively on forging relations with the countries that aided it in the Korean War. To its east and west, it finds itself between China and Japan, and chooses to align with Japan despite their millennia of bad blood and contested islands due to the current geopolitical order where the United States and Japan provide security to South Korea. The recent Camp David accords in August 2023 reflects this.

South Korea's foreign and security policies have undergone a paradigm shift thanks to President Yoon Suk Yeol, becoming closer to the West and distancing itself from China.

South Korea's Indo-Pacific strategy encompasses both economic and security dimensions. It aims to strengthen the rules-based international order while fostering regional cooperation among diverse nations. With South Korea's emergence as a leader in critical technologies, cyber security and cyber capacity building, outer space and situational awareness capabilities, South Korea can contribute immensely to enhance security in the Indo Pacific as well. This will help out its allies like India and the United States, with whom it has a good economic and defense relationship.

Outside of East Asia, it remains closely tied with the United States and mostly supports US views on international issues, and is led by economic and security concerns.

5. *What international political factors aid and hamper flow of Foreign Direct Investment in the country?*

South Korea is no stranger to international politics influencing it and its economy, as due to its presence being in between China and Japan, it has been influenced by both throughout its thousands of years of history.

In the modern era, the two leading international political factors that disturb Korean economic performance are as follows:

1. North Korea: No country on earth affects South Korea more than its arch rival North Korea, even if the North suffers on a daily basis. The capital of South Korea, Seoul, remains under existential threat from the North, and therefore can hinder the flow of FD who want no risk. The South Korean market routinely suffers from the actions of the North.
2. China: The People's Republic of China has a vested interest in the Korean peninsula, and although it has investments in South Korea, China has always been consistently supportive of North Korea. China is the largest trading partner of the country and supports it, and massively helped it in the Korean War.

The two leading international political factors that aid Korean economic performance and Foreign Direct Investment are as follows:

1. US and Japanese security: Given how dependent South Korea is on the US and its immediate ally Japan for support, any wavering in these support can wreck havoc in South Korea and its economy. However, support seems to be steadfast: The United States recognizes South Korea as its presence on Mainland East Asia, and Japan sees South Korea as a buffer between China, North Korea and itself. This assurance calms investors who want stable political conditions.
2. Technological dependencies of the world: South Korea is part of the CHIP 4 Alliance (Members are U.S., Japan, Taiwan, and South Korea), which underpins the western semiconductor industry. Currently, various countries are trying to de-risk from this concentration of supply, but it will take years with the current outlook. Several countries of the world therefore rely on South Korea and have a vested interest in its continued affluence and security. Investors therefore continue bring in FDI, which leads to South Korea remaining on the forefront of many technologies, from consumer products to Defense and more.

6. *What economic factors in the world as of Financial Year 2023 influence Foreign Direct Investment in respect to this country?*

Due to Korea's increasing integration with the developed world and economies, Korea is influenced by global financial events and the global economy. Korea's cultural industries, such as the cosmetic, entertainment and textiles, have large worldwide interests and as such foreign investors flock frequently to these sectors.

Free Trade agreements, specially with politically important countries are helping rejuvenate investment into South Korea. The revised U.S.-Korea Free Trade Agreement (KORUS) for example, provides broad access to the South Korean market for U.S. investors. As developed economies are also looking at securing supply chains, they are relying on trusted partners with long historical ties, which has helped Korea more than its rivals.

South Korea also actively participates in international organizations such as the WTO, OECD/DAC, ASEAN Plus Three, G-20, and more, giving it economic leverage.

However, some of the economic problems India faces affects South Korea too. Manufacturing Competitiveness, for example, has eroded in South Korea due to the entry of Low-cost producers, especially China and other countries of Southeast Asia. Korea's response to this historically has been a devaluation of its currency.

CONCLUSION

It is important to note that not all countries may even seek to increase FDI inflows or even allow FDI inflows. This is because of a variety of factors, as Tensions between countries, conflicts, and geopolitical uncertainties can deter investors while global recessionary pressures, currency fluctuations, and economic downturns affect investor confidence.

Frequent changes in government and political unrest create uncertainty, which although not as prevalent in either of the countries discussed are a major cause of hindering FDI inflow as is prevalent in developing countries.

According to the United Nations Conference on Trade and Development, data published on January 17 2024 shows the following:

> The overall FDI landscape for developing countries in 2023 revealed a 9% decline, amounting to $841 billion. Developing Asian countries bore the brunt with a 12% decrease.
>
> China reported an unusual 6% drop in FDI inflows but showed an 8% growth in new greenfield project announcements. The Association of Southeast Asian countries (ASEAN), traditionally an engine of FDI growth, recorded a 16% decline. Yet the region remained attractive for manufacturing investments with a remarkable 37% increase in greenfield project announcements in nations like Vietnam, Thailand, Indonesia, Malaysia, the Philippines, and Cambodia.
>
> India, however, saw a 47% drop in FDI inflows but remained among the top five global destinations for greenfield projects.

Asian countries can no longer afford to stay in place with a landed aristocracy and peasant farmers, exporting grain, jewels and cloth and importing luxuries as they have been for thousands of years- now they must establish industries, schools, satellite launch stations and banking systems, just to maintain their sovereignty. It is imperative that Asia moves ahead to reclaim its place in the world, but within a rules-based free market based democratic framework that emphasizes peace, prosperity, and cooperation, and stay united against forces within and outside Asia that seek to undermine this effort.

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