Chambers
AND PARTNERS

CHAMBERS GLOBAL PRACTICE GUIDES

Investing In...
2025

Definitive global law guides offering
comparative analysis from top-ranked lawyers

Contributing Editor
G. J. Ligelis Jr.

Cravath, Swaine & Moore LLP

Chambers

Global Practice Guides

Investing In...

Contributing Editor

G. J. Ligelis Jr.

Cravath, Swaine & Moore LLP

2025

Chambers Global Practice Guides

For more than 20 years, Chambers Global Guides have ranked lawyers and law firms across the world. Chambers now offer clients a new series of Global Practice Guides, which contain practical guidance on doing legal business in key jurisdictions. We use our knowledge of the world's best lawyers to select leading law firms in each jurisdiction to write the 'Law & Practice' sections. In addition, the 'Trends & Developments' sections analyse trends and developments in local legal markets.

Disclaimer: The information in this guide is provided for general reference only, not as specific legal advice. Views expressed by the authors are not necessarily the views of the law firms in which they practise. For specific legal advice, a lawyer should be consulted.

GPG Director Katie Burrington
Content Management Director Claire Oxborrow
Content Manager Jonathan Mendelowitz
Senior Content Reviewers Sally McGonigal, Ethne Withers, Deborah Sinclair and Stephen Dinkeldein
Content Reviewers Vivienne Button, Lawrence Garrett, Sean Marshall, Marianne Page, Heather Palomino and Adrian Ciechacki
Content Coordination Manager Nancy Laidler
Senior Content Coordinators Carla Cagnina and Delicia Tasinda
Content Coordinator Hannah Leinmüller
Head of Production Jasper John
Production Coordinator Genevieve Sibayan

Published by
Chambers and Partners
165 Fleet Street
London
EC4A 2AE
Tel +44 20 7606 8844
Fax +44 20 7831 5662
Web www.chambers.com

Copyright © 2025
Chambers and Partners

INTRODUCTION

Contributed by: G.J. Ligelis Jr. **Cravath, Swaine & Moore LLP**

Cravath, Swaine & Moore LLP has been known as one of the premier US law firms for two centuries. The firm advises companies on their most critical needs, including across the full spectrum of corporate transactions, encompassing mergers, acquisitions, divestitures, spin-offs and joint ventures, as well as securities offerings in the global debt and equity markets, bank financings, restructuring and bankruptcy matters, and shareholder activism defence. Both US and international clients rely on the firm's leadership and expertise in their most transformative corporate matters and high-stakes litigation, many of which involve multiple jurisdictions across diverse industries. The firm's hallmark is its ability to bring together expertise across disciplines, delivering an integrated and collaborative approach to clients on their most significant matters.

Contributing Editor

G.J. Ligelis Jr. is a partner in Cravath's corporate department, where he advises on public and private mergers and acquisitions, corporate governance and general corporate matters. His M&A practice has a particular focus on cross-border transactions. He is a member of the International Bar Association.

Cravath, Swaine & Moore LLP

Two Manhattan West
375 Ninth Avenue
New York, NY 10001
USA

Tel: +1 212 474 1000
Fax: +1 212 474 3700
Email: newyork@cravath.com
Web: www.cravath.com

INTRODUCTION

Contributed by: G.J. Ligelis Jr. **Cravath, Swaine & Moore LLP**

Global Overview

The benefits of globalisation have been touted for decades now. For the developed world, globalisation can bring access to new markets, solutions for optimising supply chains, connection with a global talent pool and diversification of revenues. For the developing world, globalisation can provide critical capital investment, importation of cutting-edge technology and expertise, and boosts to local employment and the economy at large.

The past decade has also shone a light on some of the costs of globalisation. Businesses with a web of suppliers across the globe have become exposed to the fickle effects of shifting tax regimes, unpredictable supply chains, trade and actual wars, and global health crises.

Countries that have benefited from offshoring large portions of their manufacturing base have been faced with divisive social consequences at home, arising from disempowered and unemployed segments of the population. Governments that have provided open access to foreign investment in critical industries have found key assets in the hands of geopolitical rivals or businesses with unknown or opaque ties to foreign governments or state-owned enterprises.

Developing nations have learned the hard way that the tap of foreign investment can be shut off as quickly as it is turned on – with dire consequences for currencies, capital accounts and economies.

Nonetheless, while businesses may ensure more local supply redundancies and governments may erect barriers to entry for geopolitical foes, capital is likely to continue to follow its inexorable path to profitable investment. Navigating this complex and precarious environment for foreign direct investment (FDI) will only increase the demand for sound legal, financial, tax and operational advice for businesses that choose to look abroad for expansion, ideas and talent.

As one of the most direct proxies for globalisation, FDI has followed a similar rocky path. In 2023, global FDI flows decreased slightly to USD1,332 billion, down 2% from 2022, according to the UN Conference on Trade and Development, and still far below the 2015 peak of over USD2,049 billion. In 2023, the decline was more pronounced in cross-border M&A than in greenfield investments. Greenfield FDI announcements (which reflect future investment plans) rose 2% in 2023, mainly in technologically and politically strategic sectors, such as renewable energy, manufacturing, and transportation.

Global FDI flows rebounded slightly in the first half of 2024, reaching USD802 billion, which was 10% higher than in the first half of 2023 but remained 30% below the first half of 2022. While inflation and interest rates have come down from peak levels, constant geopolitical crises and increasingly protectionist domestic politics continue to negatively impact global FDI flows in countries around the world.

Throughout 2023 and the first half of 2024, the US was both the largest source of outbound FDI flows and the largest destination for inbound FDI flows. The US market continues to lead the global recovery and remain a few steps ahead of its peers in the developing world while beginning to tackle inflation and lower interest rates.

Introduction to the Guide

As a brief introduction to the content of this Chambers Global Practice Guide, Investing In... 2025, the purpose of each country-specific chapter is to provide the reader with an under-

standing of the key legal issues that arise from investing in the subject country and to serve as a reference point for the key factors and considerations that should be evaluated prior to making a foreign investment in that country.

The Guide generally adopts the OECD definition of FDI for the types of investments that are addressed, which is an investment that reflects the objective of establishing a lasting interest (ie, a long-term relationship with a significant degree of influence on management) by an enterprise residing in one jurisdiction with an enterprise that resides in another jurisdiction. This includes transactions such as mergers and acquisitions, formation of partnerships and joint ventures and significant minority investments.

Since other resources effectively cover the key considerations for owning or operating a business in various countries (see the **Chambers Global Practice Guide,** Doing Business In... 2024), this Guide focuses on those types of investment transactions and not the establishment and operation of new greenfield businesses in the subject country.

Key Developments

Over the course of the last year, FDI flows have been buffeted by three key developments:

- geopolitical tensions;
- the return of industrial policy and protectionism; and
- the continued expansion of national security review regimes and other national interest-driven policies.

Geopolitical tensions

In the wake of the severe disruption caused by the COVID-19 pandemic that affected every corner of the world, a seemingly endless cascade of geopolitical crises have continued to buffet and shape the flows of trade and investment. As decades of globalisation worked to gradually knit economies in vastly different geographies and stages of economic development together, the shocks of these crises continue to tear at those bonds as countries and companies alike seek to align themselves with more secure and familiar trading partners.

Since Hamas' attack on Israel in October 2023, humanitarian, security and geopolitical crises continue to unfold as part of the ensuing war in Gaza. With escalations in the conflict between Israel and Hezbollah in Lebanon (albeit subject to the ceasefire reached in November 2024), as well as direct attacks between Israel and Iran, the risks of an expanded conflict in the region remain high. Russia's war in Ukraine, which commenced in February 2022, continues to affect global energy markets, impacting oil, gas and electricity prices around the world. European countries that decoupled from Russia continue to seek alternatives to cheap Russian gas, pivoting to exports of liquified natural gas from the US among other sources.

Meanwhile, in 2024, tensions between the US and China continued to affect their bilateral relationship, as the two global powers settled into a high-stakes relationship of strategic competition on a global scale. The risk of a military confrontation in the South China Sea, the East China Sea or elsewhere regularly makes headlines, forcing businesses to consider how to disentangle supply chains, consumer markets and investments in the region should a full-blown crisis erupt.

Against the backdrop of multiple international crises and rising geopolitical tensions, firms and policymakers have been responding with strategies to make supply chains less vulnerable to

geopolitical tensions by moving production to trusted countries. According to the IMF, over the past decade, FDI flows have been increasingly concentrated in geopolitically aligned countries, especially in strategic sectors, such as semiconductors, in an effort to make supply chains less vulnerable to geopolitical tensions.

If such tensions continue to intensify and countries further diverge along geopolitical fault lines, FDI flows may become even more concentrated within blocs of aligned countries centred around the US and China. It remains to be seen how FDI fragmentation between US-centred and China-centred geopolitical blocs will impact economies that remain unaligned with either camp, particularly in emerging and developing economies such as India and Latin America.

The return of industrial policy and protectionism

Several high-profile pieces of legislation and rulemaking in the US and the EU from recent years reflect a global resurgence of industrial policy. The impact on FDI is palpable as supporters of industrial policy or even outright protectionism regain influence in developed economies and chart the course of advancement in developing economies.

The implementation of 2022's major, stimulative US legislation, the CHIPs and Science Act, the Infrastructure Investment and Jobs Act and the Inflation Reduction Act, continues to establish increased industrial protectionism and drive calls for responses to this stimulus from other nations. While each of these laws utilise industrial policy to accomplish a range of stated goals such as the reduction of greenhouse gas emissions or diversifying the economy and its supply chains, they all rely on trade restrictions, government subsidies and targeted regulation to strengthen existing manufacturing in the US and "reshore" or "friendshore" production elsewhere.

These pieces of US legislation are in part a direct response to similar industrial policies around the world, such as China's "Made in China 2025" strategy or India's "Make in India" strategy. The EU has also responded in kind, ranging from adoption of proposals for a European Green Deal to the European Council's approval of the European Chips Act to bolster semiconductor production in direct response to the US Act of the same name to a push for a "Made in Europe" industrial strategy.

These developments demonstrate that industrial policy is here to stay in the current market environment and will become an increasingly important factor in country and industry-specific FDI. In addition, the incoming Trump administration has called for significant increases in tariffs on imports into the US, both generally with all of its trading partners and in more targeted ways against countries the US has a trade imbalance with. These tariffs, if implemented, as well as responses from China and the rest of the world, will have a significant impact on FDI.

National security restrictions

Against the backdrop of these tensions and political headwinds, governments around the world have been re-evaluating their regimes for reviewing and approving inbound FDI, which have become more proactive, broadly applicable and widespread in recent years.

In the US, the passage of the Foreign Investment Risk Review Modernisation Act in 2018 and its implementation expanded the scope of transactions subject to review, required certain mandatory filings for the first time and shifted the focus to transactions involving critical technolo-

gies, critical infrastructure and sensitive personal data.

In the UK, the National Security and Investment Act became law on 29 April 2021 and came into effect at the start of 2022. The Act implemented a new regime for reviewing FDI in the post-Brexit world. Across Europe, new or revamped FDI review procedures have been implemented in the Netherlands, Belgium, Denmark, Luxembourg, Slovakia, Sweden and Estonia. On top of FDI regimes, the European Commission's Foreign Subsidies Regulation came into effect in July 2023 under which transactions involving parties that have received "distortive foreign subsidies" from their home countries are subject to screening and review.

In addition, in the US, heightened scrutiny of inbound investment has also expanded to outbound investment. On 28 October 2024, the US Treasury Department issued a final rule to implement a new outbound investment security programme, taking effect on 2 January 2025. This rule will prevent US persons from engaging in certain outbound transactions with persons from China involving certain technologies and products relating to artificial intelligence, semiconductors and quantum technologies and will impose new notification and disclosure requirements for other investments.

Much of this focus has been driven by fear of investment to and from China. Accordingly, the impact on inbound Chinese investment around the world has been sudden and severe, with Chinese investment in the US dropping to levels not seen since the 2008–09 financial crisis. Importantly, the net cast by these more expansive and proactive FDI review regimes reaches beyond just China, and governments view them as a tool not only to protect national security but to further national interests and the well-being of their citizens. Going forward, businesses around the world will need to proactively evaluate the applicability of these regimes and legislation and effectively navigate their review in order to successfully achieve their FDI objectives.

CHAMBERS GLOBAL PRACTICE GUIDES

Chambers Global Practice Guides bring you up-to-date, expert legal commentary on the main practice areas from around the globe. Focusing on the practical legal issues affecting businesses, the guides enable readers to compare legislation and procedure and read trend forecasts from legal experts from across key jurisdictions.

To find out more information about how we select contributors, email Katie.Burrington@chambers.com