School of Economic and Business Sciences

ICADE

FOREIGN DIRECT INVESTMENT AND CROSS-BORDER MERGERS AND ACQUISITIONS IN THE UNITED KINGDOM,

FINAL DEGREE PROJECT

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ABSTRACT

This study examines Foreign Direct Investment (FDI) and cross-border mergers and acquisitions (M&A) in the United Kingdom, highlighting its significant role in the globalised economy. The research provides a detailed analysis of global FDI patterns and focuses on the

UK's ability to attract foreign investments due to its strong legal framework, advanced financial markets, and strategic geopolitical position. Additionally, an appendix includes a literature review, providing theoretical context in order to make this study accessible and comprehensible to any reader.

The study reviews global FDI trends, distinguishing between developed and developing economies, and highlights key sectors such as infrastructure, digital industries, and renewable energy. It also explores the particular impact of Sustainable Development Goals on investment patterns.

Focusing on the UK, the research analyses the evolution of FDI, targeted sectors, and key investors over the last 20 years. It compares the UK's FDI landscape with other major economies, particularly within the EU and OECD. The study then focuses on M&A as a vehicle of FDI investment in the UK, examining sectoral trends, the impact of Brexit, and strategic motivations.

KEYWORDS

Foreign Direct Investment, Cross-Border Mergers and Acquisitions, United Kingdom, Global Trends, Developed Economies, Developing Economies, Investment Sector, FDI Destination, FDI Position, FDI Flow, FDI Income, FDI Trends, Mergers and Acquisitions Trends, Brexit Impact.

RESUMEN

Este estudio examina la Inversión Extranjera Directa (IED) y las fusiones y adquisiciones transfronterizas en el Reino Unido, destacando su papel significativo en la economía globalizada. La investigación ofrece un análisis detallado de las patrones globales de IED y se centra en la capacidad del Reino Unido para atraer inversiones extranjeras debido a su sólido marco legal, mercados financieros avanzados y posición geopolítica estratégica.

El estudio revisa las tendencias globales de IED, distinguiendo entre economías desarrolladas y en desarrollo, y destaca sectores clave como infraestructura, industrias digitales y energía renovable. También explora el impacto particular de los Objetivos de Desarrollo Sostenible en los patrones de inversión.

Centrado en el Reino Unido, la investigación analiza la evolución de la IED, los sectores objetivo y los inversores clave durante los últimos 20 años. Compara el panorama de la IED en el Reino Unido con otras economías importantes, particularmente dentro de la UE y la OCDE. El estudio luego se enfoca en las fusiones y adquisiciones como un vehículo de inversión de IED en el Reino Unido, examinando las tendencias sectoriales, el impacto del Brexit y las motivaciones estratégicas.

Además, un apéndice incluye una revisión de la literatura, proporcionando un contexto teórico para hacer este estudio accesible y comprensible para cualquier lector.

PALABRAS CLAVE

Inversión Extranjera Directa, Fusiones y Adquisiciones Transfronterizas, Reino Unido, Tendencias Globales, Economías Desarrolladas, Economías en Desarrollo, Sector de Inversión, Destino de IED, Posición de IED, Flujo de IED, Ingreso de IED, Tendencias de IED, Tendencias de Fusiones y Adquisiciones, Impacto del Brexit.

TABLE OF CONTENT

TABLE OF FIGURES

1. INTRODUCTION.

1.1. Background and Significance of the Study: The United Kingdom as a key player in the modern globalised economy.

The United Kingdom (UK) plays a crucial role in the modern global economy, influencing and being influenced by complex economic connections on a worldwide level. The UK's historical reputation as a prominent centre for global commerce, together with its advantageous geopolitical location, has solidified its position as a significant participant in foreign direct investment (FDI) and cross-border mergers and acquisitions (M&A). The importance of this study is in comprehending the complex and diverse dynamics of FDI in the United Kingdom, which is essential for gaining insight into wider global economic and trade trends.

FDI plays a crucial role in stimulating economic growth by not only attracting capital from elsewhere but also by promoting the exchange of technology, improving managerial expertise, and fostering competitive markets. The UK's appeal as a location for FDI is strengthened by its strong legal system, advanced financial markets, and extensive infrastructure. These elements jointly enhance its capacity to attract and maintain substantial foreign investment.[1]

The importance of this study extends beyond academic inquiry; it aims to provide a detailed analysis of the UK's role and position in the global FDI landscape, offering insights into the patterns and impacts. This understanding is essential for policymakers, business leaders, and scholars who seek to navigate and influence the interconnected global economy. Specifically, the study examines the flow of inward FDI through cross-border M&A, which is a significant mode of investment that has reshaped the corporate landscape in the UK over the past decades.

Cross-border M&A activities are especially important as they involve both a financial transaction and a strategic alignment of businesses across borders. These

[1] Driffield, N., Love, J., Lancheros, S., & Temouri, Y. (2013). How attractive is the UK for future manufacturing foreign direct investment?

transactions frequently lead to substantial restructuring, innovation, and increased competitiveness across industries.[2] With its open economy and favourable business environment, the UK has become a top choice for various global investors looking to capitalise on the country's market potential and strategic advantages.

This study's significance is multifaceted: it seeks to describe global FDI trends and shed light on the UK's strategic role in attracting foreign investment and will analyse the patterns and factors influencing cross-border M&A. Having a grasp on these elements is crucial for gaining insight into the wider global economic and trade dynamics, especially considering recent obstacles like Brexit and the COVID-19 pandemic, which have had a significant impact on global investment flows.

[2] Shimizu, K., Hitt, M. A., Vaidyanath, D., & Pisano, V. (2004). Theoretical foundations of cross-border mergers and acquisitions: A review of current research and recommendations for the future. Journal of international management, 10(3), 307-353.

1.2. Research Objectives and Questions.

In today's fast-paced global economy, FDI plays a vital role in driving economic growth and fostering integration. Having a solid grasp of FDI dynamics and implications is crucial for navigating the intricacies of international business and economic relations. This study seeks to analyse these dynamics, with a particular emphasis on global trends and the significant role played by the UK in these processes. As a result, we will conduct a thorough examination of cross-border M&A. The research objectives have two main focuses, each exploring different but interconnected aspects of FDI.

My main goal in this research is to thoroughly analyse the current global FDI trends and provide a comprehensive overview. This involves determining the investors, the preferred investment vehicles or methods, and the underlying motivations and how they may be influenced by broader strategic trends or global economic policies and changes. Through the analysis of these questions, this study seeks to gain a comprehensive understanding of the current global economic trends in FDI.

- Who is generating the investments, and which nations are they primarily targeted at?
- What are the main vehicles or methods typically utilised for these investments?
- What is the rationale behind these current investments? Do global economic policies, geopolitical considerations, or market opportunities have an impact on them?

With a comprehensive grasp of the global FDI trends, the study will then explore the unique position of the UK within this international context. As part of the study, we will also explore the UK's role as a destination for FDI and its participation in cross-border M&A activities. It is important to have a clear understanding of the UK's role in the global FDI arena and its involvement in international economic groups or blocks.

- What is the UK's role in the global scenario of FDI?
- How significant is the UK's role in attracting FDI?

- What impact does the UK's participation in international economic groups or alliances have on its landscape of FDI?

In addition, this objective will delve into the details of cross-border M&A activities, specifically looking at the inflows to the UK. This analysis will take a comprehensive approach, examining historical trends, sector-specific factors, and the dynamics of partnerships. Take a look at the historical perspective, which will delve into significant events and trends since the 2000s that have greatly influenced the FDI landscape in the UK. Through a comprehensive sectoral analysis, we will examine the key sectors that are attracting FDI and explore the potential impact on the UK's economic independence, security, and overall development. Finally, the study will analyse the dynamics of international partnerships, with a specific focus on the prominent foreign investors in the UK.

- Since the 2000s, which significant historical events have had an impact on cross-border M&A in the United Kingdom?
- Which sectors receive the most FDI in the UK, and what is the impact of these investments on the country's economic sovereignty, security, and development?
- Which big foreign investors are present in the UK, and what features distinguish these collaborations?

This thesis aims to make a significant contribution to the academic and practical understanding of global FDI and cross-border M&A in the UK by achieving clarity and depth in addressing these objectives. It aims to provide valuable and practical insights for any future reader or researcher.

1.3. Applied Methodology.

1.3.1. Data Collection Techniques.

This study utilises a combination of secondary data sources and illustrative case studies to offer a thorough analysis of FDI and cross-border M&A in the United Kingdom. Primary data collection focuses on case studies of specific interactions to provide practical examples

Secondary data will be the foundation of this research, drawing from a wide range of sources. Financial reports, market analyses, government publications, academic journals, and official statistics are valuable sources of data. Relevant sources for this research include international organisations and databases such as UNCTAD and OECD, national statistics offices and government agencies like the ONS, and financial and market data providers like Bloomberg. Reports from consulting firms and research institutions will also be crucial. We will collect more data from trade and industry associations, such as the CBI (Confederation of Business Industry), as well as official government data publications from the Companies House, UK Data Service, and Department for Business & Trade.

1.3.2. Data Analysis Approaches.

By integrating qualitative and quantitative research methods, the study will employ a mixed methods approach in order to provide a comprehensive understanding of the subject. Through the integration of these methods, the research seeks to provide a holistic perspective on FDI and cross-border M&A, encompassing both statistical trends and the underlying context that drives them.

To begin with, quantitative methodologies will be employed to methodically examine numerical data in order to discern economic patterns, trends, and statistical correlations that pertain to FDI and M&A.

Furthermore, qualitative research methodologies will be applied in order to acquire comprehensive, situation-specific understandings. This will involve conducting content and historical analysis to provide context for the collected data and examine the intricate factors that influence M&A and FDI decisions.

1.3.3. Research Design Framework.

This study takes an analytical approach with a combination of research methods to examine the connections between cross-border M&A and FDI in the UK during the last twenty years.

This research has a practical approach, with a focus on real-world events and phenomena related to FDI and M&A in the UK. It strives to offer practical knowledge and actionable insights that can guide strategic decision-making in the realm of international business. In addition, this study is focused on exploring new areas, uncovering fresh insights, making connections, and identifying potential trends instead of simply confirming pre-existing hypotheses. This approach is well-suited for analysing topics that are constantly changing and evolving.

For a thorough analysis of global FDI trends, this study will employ a wide range of variables and measurement criteria. When analysing the data, it is important to consider the key factors such as the volume and value of FDI. These factors are typically measured by looking at the annual investment inflows and outflows in United States dollars (USD). Examining sectoral distribution involves measuring the percentage of total FDI allocated to various sectors, which can offer valuable insights into the industries that are attracting the highest levels of investment. Geographic distribution will be evaluated by analysing flows by region and country, identifying important investment destinations and emerging markets. In addition, we will categorise the different modes of FDI entry, including greenfield investments, mergers, acquisitions, and joint ventures, in order to gain a better understanding of the preferred methods of investment. Measuring the economic impact of FDI involves assessing its contribution to gross domestic product (GDP), job creation, and productivity growth. Finally, we will assess the policy and regulatory environment by examining indices like the Ease of Doing Business Index and the Investment Freedom Index. These indices provide insights into how regulatory frameworks impact trends in FDI.

When it comes to cross-border M&A activities in the UK, this study will delve into various important factors and measurement criteria to conduct a thorough analysis. An annual measurement will be conducted to track the number and value of cross-border M&A deals involving British companies, providing insights into the scale and monetary significance of these transactions. An analysis will be conducted to determine the distribution of sectors by examining the percentage of total M&A activity across different industries. This will help identify the sectors that are particularly appealing to foreign investors. An analysis will be conducted to examine the geographic distribution of M&A deals and gain insights into the sources of cross-border investments. We will delve into the motivations and drivers behind these M&A activities, including market access, technology acquisition, and diversification, in order to gain a deeper understanding of the strategic reasons behind these transactions. Examining success factors and challenges, such as post-merger performance metrics like financial performance and integration success, along with cultural and regulatory challenges, will help identify the key elements that influence the outcome of M&A activities. In order to assess the impact of cross-border M&A on the host country economy, we will analyse various factors including changes in employment, productivity, tax revenue, and the competitive landscape. This comprehensive approach will provide a holistic view of the effects of these transactions.

2. A GLOBAL PERSPECTIVE ON FOREIGN DIRECT INVESTMENTS.

2.1. Global Trends in FDI.

2.1.1. General World Trends.

In 2023, global FDI flows reached an estimated $1.37 trillion, marking a modest 3% increase from the previous year. This growth was primarily driven by higher values in a few European conduit economies, such as Luxembourg and the Netherlands. However, excluding these economies, global FDI flows were actually 18% lower, revealing a broader underlying weakness in international investment.[3] (United Nations Conference on Trade and Development [UNCTAD], 2024). The previous year, 2022, saw significant volatility due to fluctuations in developed markets, particularly in Europe and North America, reflecting the uncertainty in financial markets and the winding-up of stimulus packages.[4]

FDI flows have seen notable fluctuations in recent years. In 2020, inward investment flows plummeted to their lowest level since 2005, with global inward FDI falling by 35% to $1.0 trillion, down from $1.5 trillion in 2019. This decline followed three years of relative stability in investment levels and was largely attributed to the Covid-19 pandemic and related lockdowns, which dampened both existing and new investment activities. Developed economies experienced the most significant drops, with inward FDI flows falling by 58%, while developing economies saw a 10% decline, though they accounted for two-thirds of global FDI in 2020 due to resilient flows in Asia. Mainland China and Hong Kong, for instance, saw increases in inward FDI flows by 6% and 85%, respectively.[5] (Ward, 2023).

In 2021, global inward FDI flows rebounded to $1.6 trillion, a 64% increase from 2020, driven by strong growth in developing economies, which saw a 134% rise in investment flows, though still below 2019 levels. The USA remained the largest host country for inward

[3] UNCTAD. (2024). *Global Investment Trends Monitor, Issue 46*. United Nations Conference on Trade and Development.
[4] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Recovery*. United Nations Publications.
[5] Ward, M. (2023). *Foreign Direct Investment Statistics*. House of Commons Library.

FDI, with inflows reaching $367 billion, marking a 144% increase from the previous year. Mainland China accounted for 11% of world inward investment flows in 2021, down from 16% in 2020. Projections for 2022 by UNCTAD anticipated a flat or downward trajectory in investment flows due to the ongoing conflict in Ukraine and the lingering effects of the pandemic.[6]

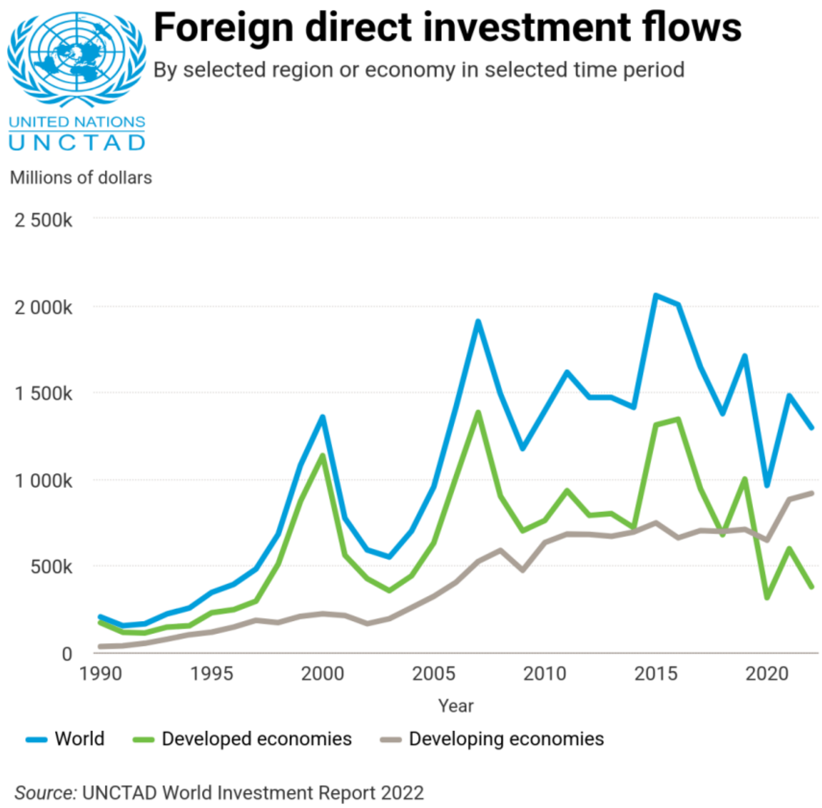

Figure I: *Foreign direct investment flows by selected region or economy in selected time period* (Source: UNCTAD World Investment Report 2022).

[6] Ward, M. (2023). *Foreign Direct Investment Statistics*. House of Commons Library.

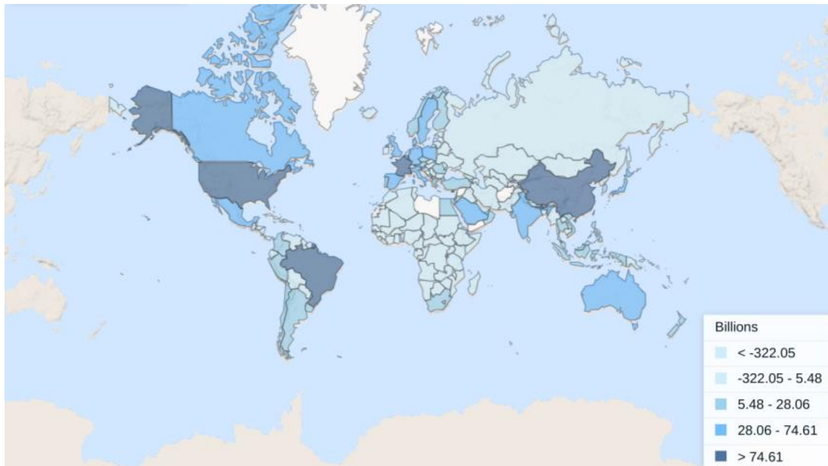

Figure II: *FDI net inflows (BoP, current US$)* (Source: World Bank, 2022).[7]

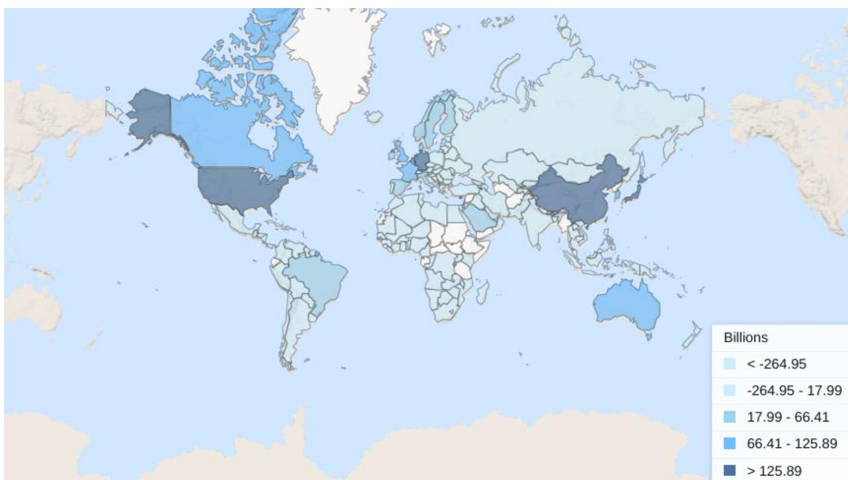

Figure III: *FDI net outflows (BoP, current US$)* (Source: World Bank, 2022).[8]

2.1.2. Trends in Developed Economies and Performance of the OECD and the G20.

[7] World Bank. (2022). *FDI, net inflows (BoP, current US$)*. Retrieved from https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD
[8] World Bank. (2022). *FDI, net outflows (BoP, current US$)*. Retrieved from https://data.worldbank.org/indicator/BM.KLT.DINV.CD.WD

Developed economies, particularly in the EU, saw a significant rebound in FDI. The EU's FDI turned around from a negative $150 billion in 2022 to a positive $141 billion in 2023, driven by large fluctuations in Luxembourg and the Netherlands. However, excluding these two countries, FDI inflows to the rest of the EU fell by 23%. In other developed regions, FDI inflows either stagnated or declined, with North America experiencing zero growth and other developed economies witnessing reductions.[9] In 2022, FDI inflows to developed economies had fallen by 37%, largely in Europe and North America.[10]

In developed economies, particularly those within the OECD and G20, the overall trend for FDI in 2023 was mixed. According to the OECD, global FDI flows grew by 3% in 2023. However, this growth was uneven, with significant declines in many economies. More than two-thirds of OECD economies recorded decreases in FDI flows, with significant drops in China and other countries amid ongoing geopolitical tensions and high interest rates.[11]

Within the G20, FDI flows continued to decline, largely driven by decreases in intra-company loans. In the first half of 2023, global FDI grew from the very low levels recorded in the second half of 2022, mainly due to a large transaction in Luxembourg. However, despite this overall growth, global FDI flows remained 30% below their levels from the first half of 2022. Much of the increase in FDI flows occurred in the first quarter of 2023, with a significant drop of almost 45% in Q2 2023 compared to Q1 2023.[12]

Equity inflows and reinvestment of earnings remained stable compared to the second half of 2022, but trends varied significantly across different G20 economies. For instance, Australia, France, and Japan experienced notable declines in total FDI inflows, primarily due to lower equity flows and reinvested earnings. In contrast, Argentina, Canada, Germany, and Mexico recorded increases, with Mexico achieving a record high FDI inflow driven by greater reinvested earnings. The US saw stable FDI inflows with comparable levels of

[9] UNCTAD. (2024). *Global Investment Trends Monitor, Issue 46*. United Nations Conference on Trade and Development.
[10] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Recovery*. United Nations Publications.
[11] Organisation for Economic Co-operation and Development. (2024). *FDI in Figures, April 2024*. OECD Publishing.
[12] UNCTAD-OECD. (2023). *Thirtieth Report on G20 Investment Measures*. United Nations Conference on Trade and Development and Organisation for Economic Co-operation and Development.

reinvested earnings, but higher equity inflows were offset by movements in intra-company debt.[13]

Cross-border M&A activity continued to slow, reaching a ten-year low in 2023. The deteriorating global economic and geopolitical environment contributed significantly to this decline. Similarly, greenfield investment activity stalled, with capital expenditures and the number of announced projects dropping by around 20% in advanced economies while increasing by 21% and 9% in emerging and developing economies, respectively.[14]

2.1.3. Trends in Developing Economies and Performance of BRICS.

In developing economies, FDI flows decreased by 9% to $841 billion. This decline was uneven across regions, with Asia experiencing a significant 12% reduction and Africa a marginal 1% decrease. Latin America and the Caribbean remained stable, buoyed by positive trends in Central America, which countered declines elsewhere in the region.[15]

Asia faced a significant 12% reduction in FDI inflows in 2023, particularly in major economies such as China and India. In China, FDI inflows fell by 6%, but the country saw an 8% increase in greenfield project announcements, reflecting ongoing interest in new manufacturing and industrial projects. India's FDI inflows plummeted by 47%, although the number of new project announcements remained stable, underscoring the continued attractiveness of the Indian market despite short-term fluctuations.[16]

Africa saw a marginal 1% decrease in FDI inflows, maintaining a level of $48 billion. While some countries experienced declines, others saw growth in greenfield investments, particularly in sectors such as renewable energy and infrastructure. For instance, Morocco, Kenya, and Nigeria reported increases in greenfield project announcements. However,

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[13] UNCTAD-OECD. (2023). *Thirtieth Report on G20 Investment Measures*. United Nations Conference on Trade and Development and Organisation for Economic Co-operation and Development.
[14] Organisation for Economic Co-operation and Development. (2024). *FDI in Figures, April 2024*. OECD Publishing.
[15] UNCTAD. (2024). *Global Investment Trends Monitor, Issue 46*. United Nations Conference on Trade and Development.
[16] UNCTAD. (2024). *Global Investment Trends Monitor, Issue 46*. United Nations Conference on Trade and Development.

project finance deals across the continent fell by one-third, which could undermine future infrastructure development efforts.[17]

Latin America and the Caribbean remained stable in terms of FDI flows, with significant variations within the region. Central America, particularly Mexico, showed positive trends, with increases in both FDI and greenfield project announcements. Mexico, in particular, saw record-high FDI inflows driven by greater reinvested earnings and substantial investments in the manufacturing sector. In contrast, Brazil experienced a 22% decrease in FDI inflows, though the country is starting to recover, focusing on energy, technology, and manufacturing sectors.[18]

The BRICS economies (Brazil, Russia, India, China, and South Africa) showcase a fair example of the developing countries' performance. This alliance has shown a mixed results in terms of FDI trends in 2023. The BRICS bloc, which now constitutes more than a quarter of global GDP and 42% of the world's population, has seen its economic influence grow over the past decades, driven by foreign investment.

From 2001 to 2021, annual FDI inflows to the BRICS more than quadrupled, significantly contributing to gross fixed capital formation. However, this growth has been uneven in recent years. In 2023, FDI inflows to the BRICS continued to fluctuate but remained resilient overall. China, accounting for over 70% of BRICS GDP, saw a decline in FDI inflows but maintained a strong position due to its large market and continued industrial activity .[19]

Brazil experienced a recovery in FDI inflows after a period of decline, with investments focusing on energy, technology, and manufacturing sectors. India continued to attract significant investments in sectors such as technology, renewable energy, and manufacturing, despite a 47% drop in overall FDI inflows. The Russian Federation faced significant challenges due to geopolitical tensions and sanctions, which affected its

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[17] UNCTAD. (2024). *Global Investment Trends Monitor, Issue 46*. United Nations Conference on Trade and Development.
[18] UNCTAD. (2024). *Global Investment Trends Monitor, Issue 46*. United Nations Conference on Trade and Development.
[19] United Nations Conference on Trade and Development. (2023). *BRICS Investment Report*. United Nations Publications.

investment climate. However, South Africa showed positive trends, with increasing FDI inflows driven by projects in renewable energy and infrastructure development .[20]

2.1.4. Trends by Type of Investment.

FDI is a critical component of global economic integration, enabling the transfer of technology, capital, and management skills across borders. The trends in FDI by type, encompassing greenfield investments, international project finance, and cross-border M&As, reveal significant insights into the shifting patterns of global economic activities and priorities. The data and figures discussed in this analysis are drawn from the World Investment Report 2023 by the UNCTAD.

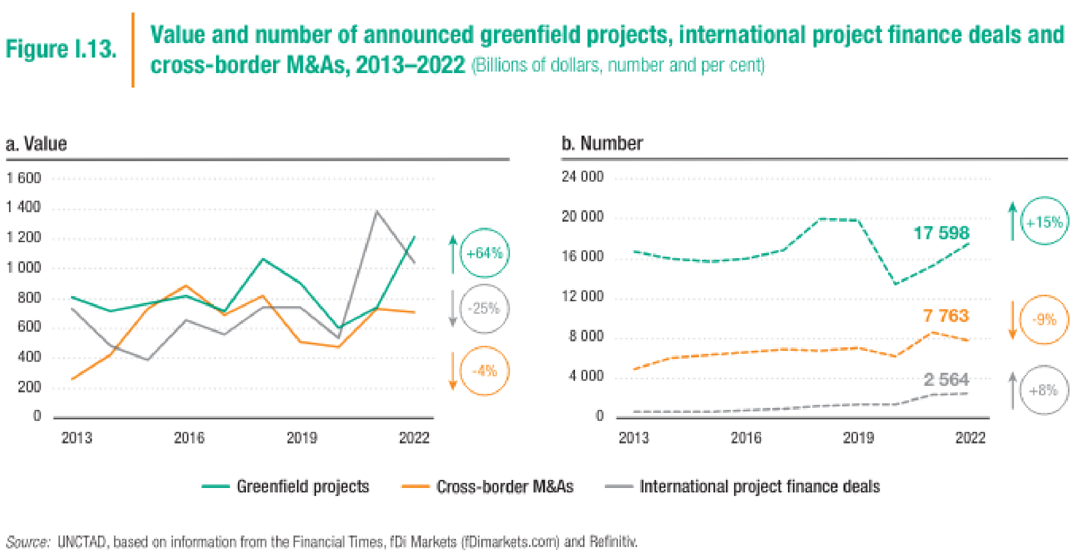

Figure IV: *Value and number of announced greenfield projects, international project finance deals, and cross-border M&As, 2013–2022* (Source: UNCTAD, based on information from the Financial Times, fDI Markets, and Refinitiv).[21]

[20] United Nations Conference on Trade and Development. (2023). *BRICS Investment Report*. United Nations Publications.

[21] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

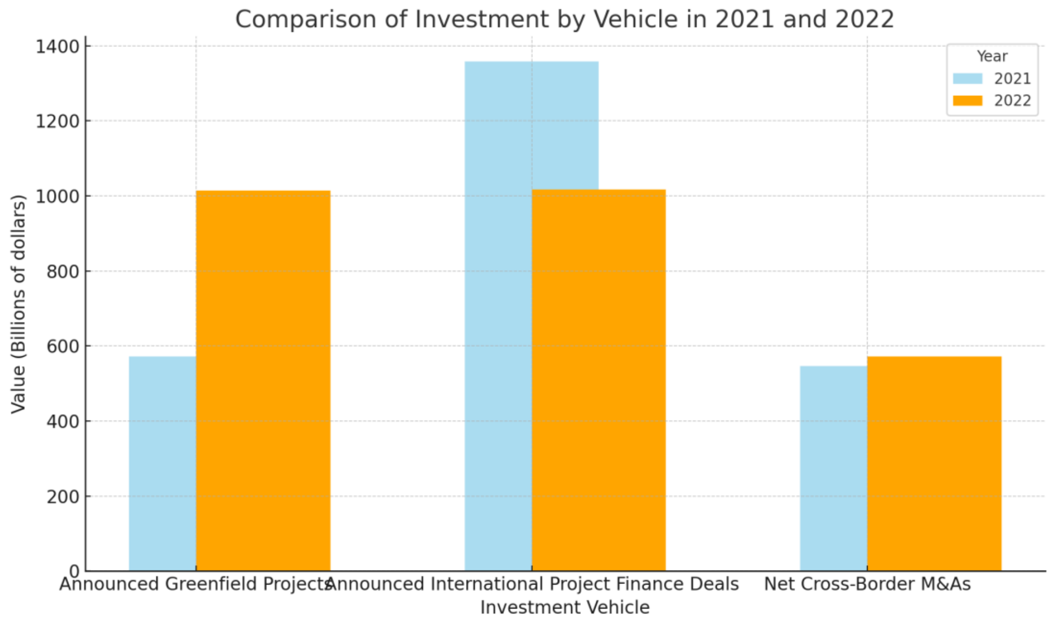

Figure V: *Comparison of investment by vehicle in 2021 and 2022* (Source: Data from UNCTAD World Investment Report 2023, based on information from the Financial Times, fDI Markets, and Refinitiv; Author's own elaboration).

Greenfield Investments.

In first place, greenfield investments, which involve establishing new operations or expanding existing facilities in a foreign country, have shown a remarkable resurgence. In 2022, the value of announced greenfield investment projects surged by 64% to $1.2 trillion, marking one of the highest levels since the financial crisis of 2008.[22] This increase is particularly significant in developing economies, where the value of greenfield projects more than doubled to $573 billion, with the number of projects increasing by 37%. Developed countries also experienced a notable rise, with a 37% increase in project values and a modest 4% increase in project numbers.

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[22] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

The robust growth in greenfield investments in developing economies can be attributed to the increasing attractiveness of these regions due to lower costs and emerging market opportunities. For instance, countries in Southeast Asia and Africa have become focal points for new manufacturing and service projects. This trend not only underscores the globalisation of production networks but also highlights the potential for economic development and job creation in these regions.

International Project Finance.

In second place, international project finance, which involves the funding of large infrastructure and industrial projects through a mix of equity and debt, also exhibited interesting trends. The number of international project finance deals grew by 8% in 2022, although their total value dropped by 25%.[23] This paradox of increasing project numbers but declining values suggests a shift towards smaller-scale projects or more efficient capital use.

Renewable energy projects dominated international project finance, reflecting the global emphasis on transitioning to sustainable energy sources. However, the number of deals in this sector remained stable while their total value decreased by nearly 30%. Significant projects included a $15 billion marine wind farm in Italy and a $13 billion offshore wind power plant in Vietnam, underscoring the continued investment in large-scale renewable energy projects despite economic uncertainties.

Mergers and Acquisitions.

In third place, cross-border M&As, where companies acquire or merge with foreign firms, remained a substantial component of FDI, reaching $707 billion in 2022, albeit with a 4% decline from the previous year.[24] The manufacturing sector experienced a significant

[23] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

[24] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

downturn, with M&A values plummeting by 42% to $142 billion. In contrast, the services sector saw only a slight 5% decrease to $442 billion, indicating more stable investment activity in service-oriented industries.[25]

Interestingly, the primary sector, which includes natural resources and agriculture, saw a remarkable increase in M&A values, more than quadrupling to $122 billion. This surge highlights the strategic importance of securing resources and raw materials in an increasingly competitive global market. The diversification of M&A activities across different sectors and regions underscores the adaptive strategies of multinational enterprises in response to evolving economic landscapes.

Concerning cross-border M&A, this study will focus on this investment vehicle and how it affects investment inflows in the UK. The UK has traditionally been a major destination for cross-border M&A due to its open economy, sophisticated financial markets, and favourable business environment. The trends in M&A in the UK will provide insights into how this form of investment contributes to the overall FDI inflows, and how it impacts the economic landscape, particularly in the post-Brexit context. This part of the study is located in point IV "Cross-Border M&A in the UK".

All in all, the trends in FDI by type in 2022 reflect a complex interplay of global economic forces, including the need for sustainable development, geopolitical shifts, and economic resilience. Greenfield investments and international project finance have demonstrated substantial growth in terms of project numbers, particularly in developing economies, highlighting the ongoing globalisation and the potential for regional economic development. Conversely, the decline in the value of international project finance and the varied performance in cross-border M&As underscore the challenges and strategic adjustments faced by global investors.

These trends suggest a cautious yet optimistic outlook for FDI, with significant opportunities for growth in emerging markets and sectors aligned with sustainable

[25] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

development goals (SDGs). As global economic conditions continue to evolve, understanding these FDI trends by type provides valuable insights for policymakers, investors, and stakeholders aiming to navigate the complexities of international investment.

2.1.5. Sector Specific Trends.

FDI trends vary significantly across different sectors, reflecting the dynamic nature of global investment influenced by economic, political, and environmental factors. The World Investment Report 2023 by the UNCTAD provides a comprehensive analysis of these sector-specific trends, highlighting the nuanced impacts across various industries. Additionally, insights from Morgan Stanley and other sources help contextualise these trends further.

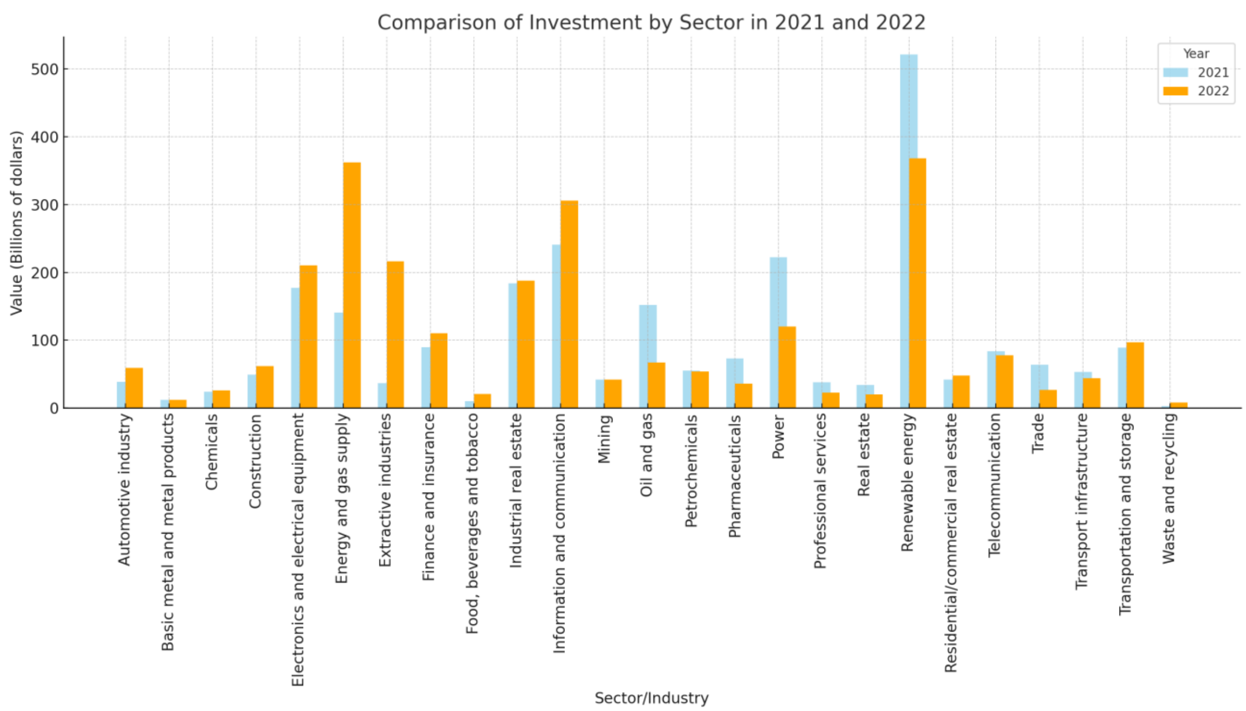

Figure VI: *Comparison of investment by sector in 2021 and 2022* (Source: Data from UNCTAD World Investment Report 2023, based on information from the Financial Times, fDI Markets, and Refinitiv; Author's own elaboration).

Infrastructure.

Infrastructure investments are foundational to economic growth and development. In 2022, combined greenfield project announcements and international project finance deals in infrastructure increased by 6% in number but decreased by 4% in value.[26] This dichotomy suggests a shift towards more numerous but smaller-scale projects.

The number of greenfield projects in renewable energy rose by 6%, driven by significant investments motivated by global environmental initiatives such as COP27. Large-scale renewable projects, such as Italy's $15 billion marine wind farm and Vietnam's $13 billion offshore wind power plant, underscore the growing focus on sustainable energy infrastructure. These projects are crucial for meeting global climate goals and reducing dependency on fossil fuels. Morgan Stanley emphasises the importance of decarbonisation as a long-term investment theme, noting the significant federal support for renewable energy sectors, including wind, solar, and energy storage, which aligns with these trends.[27]

Telecommunication infrastructure also saw a substantial increase, with project finance deals rising by 24%. This growth is partly attributed to the ongoing digital transformation and the increasing demand for robust communication networks, particularly in Europe. Notable projects include the expansion of 5G networks and the enhancement of digital connectivity in underserved regions, which are essential for supporting modern economies and facilitating digital inclusion.

Global Value Chain (GVC)-Intensive Industries.

Investment projects in GVC-intensive industries, such as electronics, automotive, and machinery, rose by 5% in number and 34% in value.[28] This significant increase in value

[26] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

[27] Morgan Stanley. (2023). *Global Investing Themes 2023*. Retrieved from https://www.morganstanley.com

[28] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

highlights the high capital intensity and strategic importance of these industries within global supply chains.

The semiconductor industry, in particular, saw significant megaprojects. The global shortage of semiconductors, exacerbated by supply chain disruptions during the COVID-19 pandemic, has led to substantial investments aimed at increasing production capacity. Major economies, including the US and China, have announced large-scale investments to bolster domestic semiconductor manufacturing capabilities, ensuring supply chain resilience and technological sovereignty. Morgan Stanley identifies technology disruption as a key trend, driven by the rapid adoption of new technologies, which supports the substantial investments seen in this sector.[29]

The automotive sector's greenfield project values increased by 53%, largely due to the surge in investments in electric vehicles (EVs). The transition to EVs is driven by stringent environmental regulations, changing consumer preferences, and the global push towards sustainable mobility. Key investments include new EV manufacturing plants and battery production facilities, reflecting the automotive industry's shift towards greener technologies. According to Investment Monitor, the global shift towards EVs is expected to be a significant driver of FDI in the coming years, reinforcing the long-term growth potential of this sector.[30]

Digital Industries.

Digital industries, encompassing e-commerce, software, and digital services, continue to attract substantial investment. However, digital multinational enterprises (MNEs) typically favored acquisitions over greenfield investments in 2022.[31] This preference for

[29] Morgan Stanley. (2023). *Global Investing Themes 2023*. Retrieved from https://www.morganstanley.com

[30] Investment Monitor. (2023). *FDI forecasts and trends to watch in 2023*. Retrieved from https://www.investmentmonitor.ai

[31] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

acquisitions allows digital companies to rapidly scale their operations, acquire new technologies, and enter new markets with established customer bases.

Despite a 20% decline in the number of digital investment projects, the sector remains robust, driven by the ongoing digital transformation accelerated by the pandemic. E-commerce companies, in particular, continue to expand their infrastructure to meet the growing demand for online retail and digital services. Investments in data centres, cloud computing, and fintech solutions are also significant, underpinning the digital economy's growth. Morgan Stanley highlights the transformative impact of technology diffusion across various sectors, which aligns with the sustained investment in digital industries.

Sustainable Development Goals.

Investment in SDG-relevant sectors in developing countries reached $471 billion in 2022, up from $290 billion in 2015.[32] This increase reflects the growing alignment of global investment flows with sustainable development objectives. Infrastructure and telecommunication projects saw the highest growth, driven by the need for basic services and connectivity in developing regions.

However, investment in agrifood sectors remained stagnant, highlighting the uneven progress across different SDG sectors. This stagnation underscores the challenges faced in achieving food security and sustainable agriculture, particularly in regions vulnerable to climate change and economic instability. The OECD also emphasises that despite the overall decline in global FDI, certain sectors like sustainable infrastructure and renewable energy continue to attract significant investment, underscoring the importance of aligning FDI with SDGs.[33]

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[32] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

[33] Organisation for Economic Co-operation and Development. (2023). *Foreign Direct Investment Statistics: Data, Analysis and Forecasts*. Retrieved from https://www.oecd.org

2.2. Case Study: SDGs as a Global Emerging Trend.

2.2.1. Main Sustainable Industries.

FDI is increasingly recognised as a vital instrument for achieving the Sustainable Development Goals (SDGs), particularly in developing countries where investment needs are substantial. This case study explores how FDI trends are aligning with the SDGs, highlighting the growth in investment across various sectors, the challenges faced, and the opportunities for future development.

Investment in SDG-relevant sectors in developing countries has shown significant growth, reaching $471 billion in 2022, up from $290 billion in 2015.[34] This growth is particularly notable in infrastructure, renewable energy, water and sanitation, agrifood systems, health, and education. Despite this progress, the annual SDG investment gap has widened from $2.5 trillion in 2015 to an alarming $4 trillion. This gap underscores the need for continued and increased investment to meet global development challenges.

[34] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

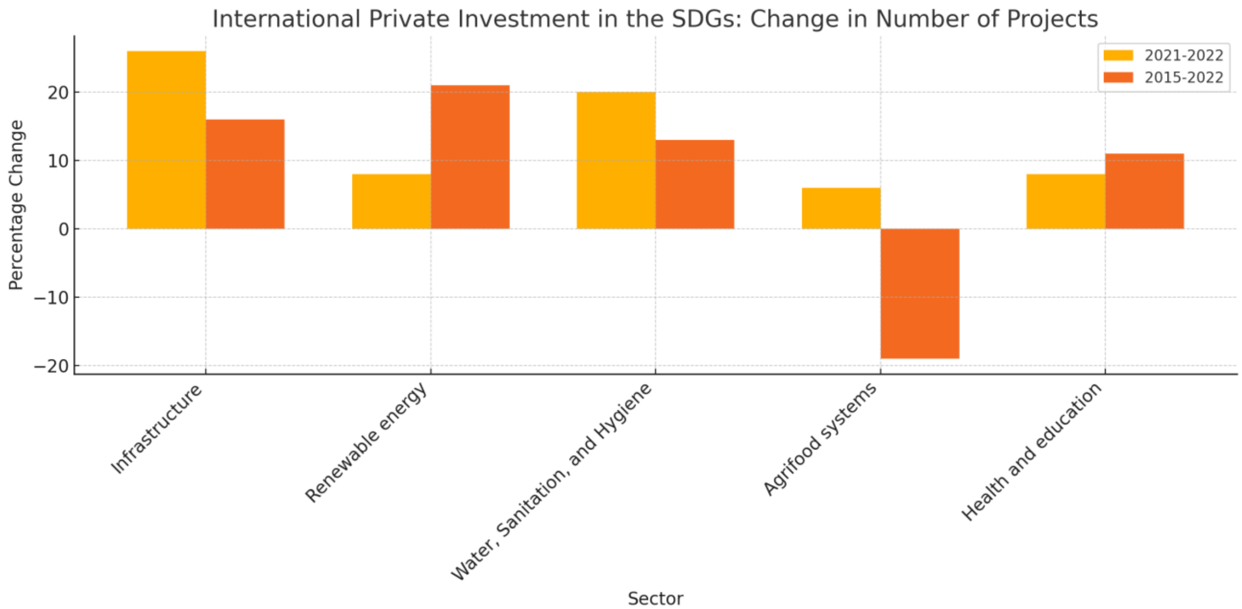

Figure VII: *International private investment in the SDGs: Change in number of projects*. (Source: Data from UNCTAD World Investment Report 2023, based on information from the Financial Times, fDI Markets, and Refinitiv; Author's own elaboration).

Sustainable Infrastructure.

Investment in infrastructure, particularly in transport, power generation, and telecommunications, saw a 26% increase in project numbers from 2021 to 2022. Infrastructure projects are essential for economic development and achieving multiple SDGs, including those related to industry, innovation, and sustainable cities.[35] The differentiation between SDG infrastructure and "normal" infrastructure lies in their alignment with sustainability goals. SDG infrastructure projects explicitly aim to contribute to sustainable development targets, such as reducing carbon emissions, improving resilience to climate change, and ensuring inclusive access to basic services. For example, renewable energy installations, sustainable transport systems, and resilient water and sanitation infrastructure

[35] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

are key components of SDG-focused infrastructure.[36] In contrast, traditional infrastructure may focus more on economic growth without necessarily integrating sustainability and inclusiveness into their primary objectives.

Water and Sanitation.

Investments in water and sanitation infrastructure increased by 20%, addressing the critical need for clean water and sanitation services for both industries and households. This sector is vital for health, well-being, and environmental sustainability.[37] Ensuring access to clean water and sanitation aligns with SDG 6 (Clean Water and Sanitation), which aims to ensure availability and sustainable management of water and sanitation for all.

Agrifood Systems.

Despite the overall growth in SDG investments, the agrifood sector saw a modest increase of 6% from 2021 to 2022 but experienced a 19% decline since 2015. This stagnation reflects the challenges in achieving food security and sustainable agriculture, particularly in regions vulnerable to climate change and economic instability.[38] The agrifood sector's performance impacts SDG 2 (Zero Hunger), which focuses on ending hunger, achieving food security, and promoting sustainable agriculture.

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[36] Organisation for Economic Co-operation and Development. (2023). *Foreign Direct Investment Statistics: Data, Analysis and Forecasts*. Retrieved from https://www.oecd.org

[37] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

[38] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

Health and Education.

Investments in health and education infrastructure grew by 8% in 2022, highlighting the importance of these sectors in achieving SDGs related to health, well-being, and quality education. Improved healthcare and educational facilities are crucial for human capital development and socio-economic progress.[39] These investments directly support SDG 3 (Good Health and Well-Being) and SDG 4 (Quality Education), which aim to ensure healthy lives and promote well-being for all at all ages and ensure inclusive and equitable quality education and promote lifelong learning opportunities for all, respectively.

Renewable Energy.

Projects in renewable energy, including solar and wind, grew by 8% in 2022. However, this growth rate is slower compared to the 50% increase in 2021. The focus on renewable energy is crucial for meeting climate goals and transitioning to sustainable energy systems. Morgan Stanley emphasises the importance of decarbonisation and highlights that significant investments are being made in renewable energy sectors globally.[40] This sector's growth is essential for achieving SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action), reflecting the global commitment to transitioning away from fossil fuels.

Renewable energy investments have seen substantial growth due to the increasing global emphasis on sustainable energy sources. The value of renewable energy projects in developing economies surged significantly in 2022, reaching $162.5 billion, up from $52.7 billion in 2021. This remarkable growth highlights the critical role of renewable energy in achieving global climate targets and reducing reliance on fossil fuels. Major projects in this sector include the AES Binh Thuan Offshore Wind Farm Project in Vietnam ($13 billion), the Ceara Costa Nordeste Offshore Wind Farm Project in Brazil ($9.462 billion), and the CSI Solar Haidong New Energy Whole Industry Chain Project in China ($8.874 billion).

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[39] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

[40] Morgan Stanley. (2023). *Global Investing Themes 2023*. Retrieved from https://www.morganstanley.com

The top power projects announced in 2022 include the South Africa Green Hydrogen Project ($10 billion), the ReNew Suez Canal Economic Zone Green Hydrogen Plant Project in Egypt ($8 billion), and the Thailand Green Hydrogen and Ammonia Plant Project ($7 billion). These projects reflect a strong focus on hydrogen as a sustainable energy source, which is pivotal for the energy transition.

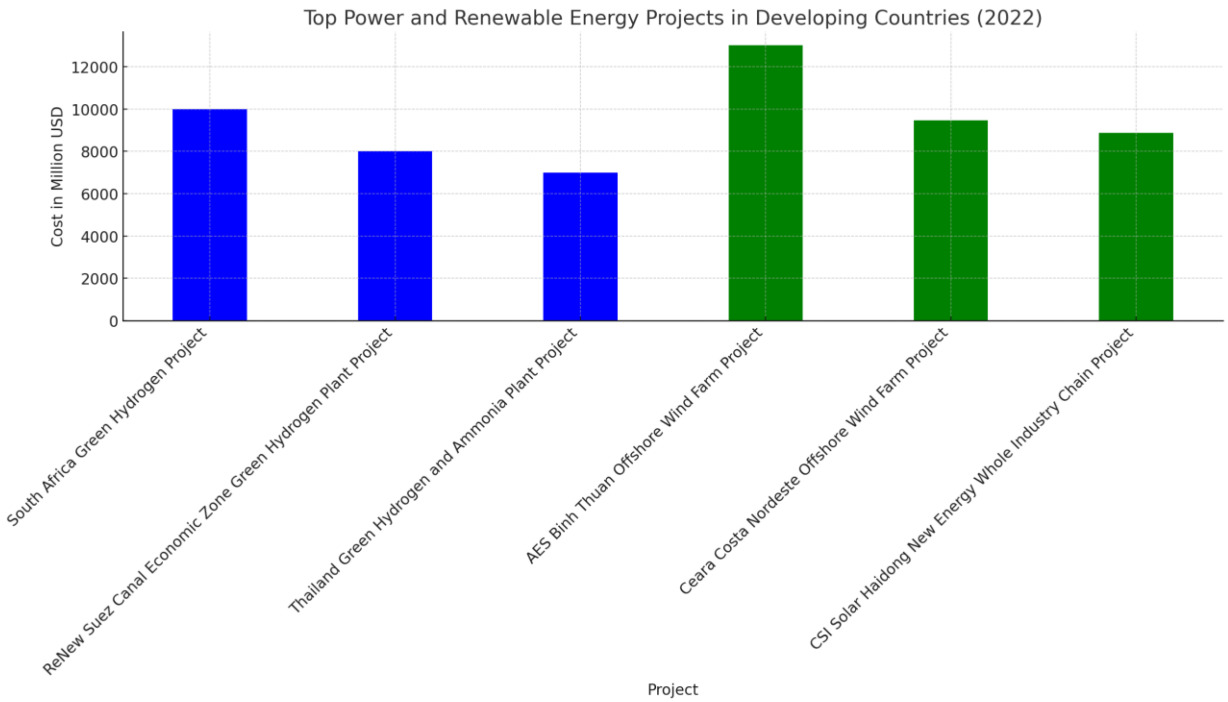

Figure VIII: *Top power and renewable energy projects in developing countries (2022)* (Source: Data from UNCTAD World Investment Report 2023, based on information from the Financial Times, fDI Markets, and Refinitiv; Author's own elaboration).

2.2.2. Renewable Energy Investments and the WEF Nexus in Developing Countries.

Investments in the SDGs have a profound impact on developing countries, particularly in the realm of renewable energy. The Water-Energy-Food (WEF) Nexus approach, which emphasises the interconnectedness of water, energy, and food systems, is integral to these investments. This approach promotes integrated planning and management to optimise resource use and create synergies, leading to enhanced water and energy security, improved agricultural productivity, and better resilience to climate change. The WEF Nexus is especially beneficial for developing countries, where resources are often scarce and the demand for sustainable development is high (World Economic Forum, 2023).

The following chart illustrates the announced greenfield projects in developing economies from 2020 to 2022. As shown, the value of projects in renewable energy surged significantly in 2022, reflecting the global push towards sustainable energy. The number of projects also increased across most sectors, indicating a growing interest in sustainable development investments.

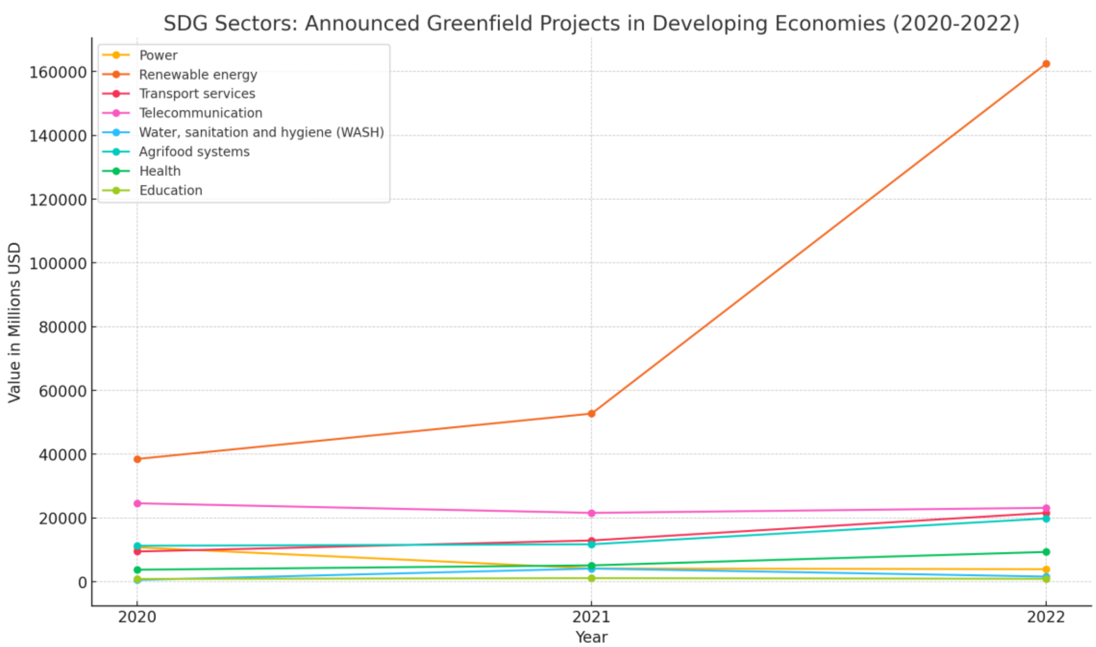

Figure IX: *SDG sectors: Announced greenfield projects in developing economies (2020-2022)* (Source: Data from UNCTAD World Investment Report 2023, based on information from the Financial Times, fDI Markets, and Refinitiv; Author's own elaboration).

Significant investments in renewable energy within developing countries are crucial for supporting the WEF Nexus. Renewable energy projects, such as solar and wind farms, reduce reliance on water-intensive fossil fuels and provide clean energy necessary for water purification and efficient agricultural practices. This integrated approach not only addresses immediate energy needs but also enhances food security and water availability, contributing to broader SDGs.

Despite the critical need, developing countries face substantial challenges in attracting the required investments. According to the World Investment Report 2023 by UNCTAD, developing countries need approximately $1.7 trillion annually in renewable energy investments but only attracted $544 billion in 2022. This significant shortfall is a major barrier to achieving SDG targets by 2030.[41] The report highlights the necessity for international support and innovative financing mechanisms, such as public-private partnerships and blended finance, to reduce the cost of capital and make investments in clean energy more attractive.

The global landscape of renewable energy finance reveals that while there was a record high of $1.3 trillion in energy transition technologies in 2022, annual investments need to quadruple to stay on track with climate and development goals. Most of the investment has been concentrated in developed countries, leaving developing regions with significant untapped potential.[42]

Addressing the investment gap requires a concerted effort to de-risk investments in developing countries through mechanisms like loans, guarantees, insurance instruments, and the participation of multilateral development banks. These strategies can significantly lower the cost of capital, making it more feasible for developing countries to attract the necessary investments to build sustainable energy systems.[43]

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[41] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

[42] International Renewable Energy Agency (IRENA). (2023). Global landscape of renewable energy finance 2023. Retrieved from https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Feb/IRENA_CPI_Global_RE_finance_2023.pdf?rev=8668440314f34e588647d3994d94a785

[43] United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in Sustainable Energy for All*. Retrieved from https://unctad.org/topic/investment/world-investment-report

In summary, substantial investments in renewable energy are essential for supporting the WEF Nexus and achieving sustainable development in developing countries. These investments not only address immediate energy needs but also enhance water and food security, contributing to broader economic growth and resilience to climate change.

3. UK'S POSITION IN THE WORLD ECONOMY.

3.1. UK as an FDI Destination.

The UK has historically been a leading destination for FDI due to its strategic location, robust financial sector, and favourable business environment. London, in particular, stands out as the unrivalled top destination city for FDI, thanks to its global financial centre status and diverse economy.[44]

The UK remains a highly attractive destination for FDI due to its political stability, skilled workforce, advanced infrastructure, and leadership in innovation and technology. While challenges such as Brexit and the Covid-19 pandemic have introduced some volatility, the UK continues to attract significant investment, particularly in key sectors like technology, financial services, and renewable energy. The country's ability to adapt and leverage its strengths ensures that it remains a leading global hub for FDI.

The UK is known for its political stability and transparent legal system, which provide a secure environment for foreign investors. The country's regulatory framework is robust and supportive of business operations, making it an attractive location for global businesses to set up their European headquarters.[45] Furthermore, despite recent economic challenges, including Brexit-related uncertainties and the Covid-19 pandemic, the UK remains a favourable environment for FDI. The UK economy is characterised by its resilience, with

[44] Deloitte. (2019). *UK inward investment*. Retrieved from Deloitte Insights: Deloitte Document

[45] Deloitte. (2019). *UK inward investment*. Retrieved from Deloitte Insights: Deloitte Document

sectors such as technology and financial services continuing to attract significant investment.[46]

Moreover, the UK boasts a highly skilled and diverse workforce, which is a critical factor for companies looking to invest in high-tech and innovative sectors. The availability of talent in fields such as technology, financial services, and professional services has been a significant draw for foreign investors.[47] In addition, the UK's advanced infrastructure, including its digital and physical networks, supports business operations and connectivity. London, in particular, benefits from excellent transport links and communication networks, making it an ideal hub for international business.[48]

The UK is also a leader in innovation and technology, with a strong ecosystem that supports tech startups and established companies alike. In 2023, the UK secured over a quarter of all European tech projects, reflecting its dominance in the digital sector.[49]

Brexit has introduced some uncertainty into the UK's investment climate. However, the UK has remained attractive to investors due to its low corporate tax rates and stable legal system. The impact of Brexit has been mixed, with some sectors experiencing volatility, while others, like technology and renewable energy, have continued to thrive. To illustrate the impact of Brexit and Covid-19 on regional FDI flows, the graph "UK Inward Investment Flows by Area" shows significant disinvestment from the EU and other regions.[50] This graph underscores the geographic shifts in investment and the resilience of the UK in maintaining its attractiveness despite these challenges.

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[46] KPMG. (2023). *Global Economic Outlook - H2 2023 report*. Retrieved from KPMG Insights: https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2023/03/kpmg-global-economic-outlook-h1-2023-report.pdf

[47] Deloitte. (2019). *UK inward investment*. Retrieved from Deloitte Insights: Deloitte Document

[48] Deloitte. (2019). *UK inward investment*. Retrieved from Deloitte Insights: Deloitte Document

[49] EY. (2024). *UK Foreign Direct Investment project total grows*. Retrieved from EY Insights: EY Document

[50] House of Commons Library. (2023). *Foreign Direct Investment Statistics*. Retrieved from House of Commons Library: House of Commons Library Document

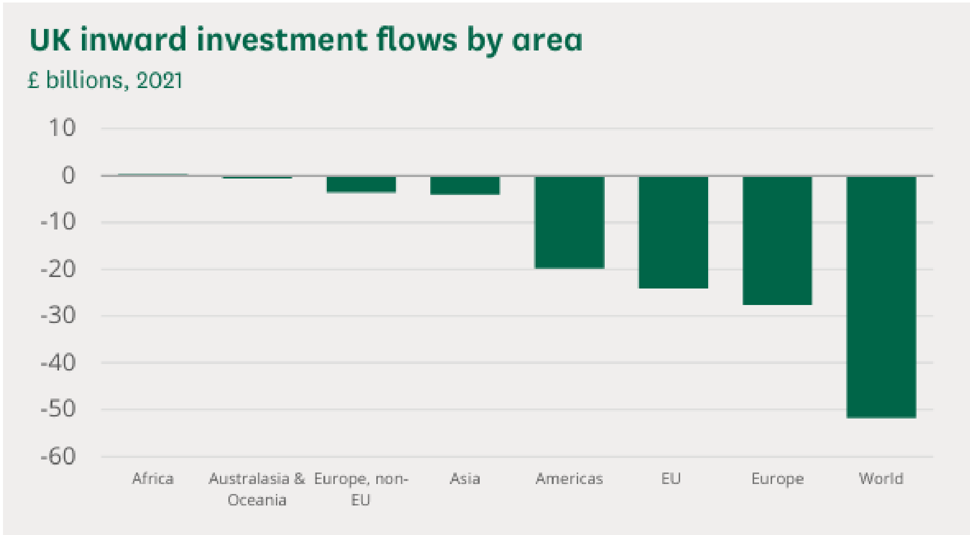

Figure X: *UK inward FDI flows (% GDP, 2012-2021)* (Source: ONS, Foreign direct investment involving UK companies: 2021, January 2023; series YRHA).[51]

Additionally, the Covid-19 pandemic significantly impacted global FDI flows, and the UK was no exception. Inward FDI flows into the UK fell sharply in 2021, marking the first year of negative inflows since 1984. Despite this, certain sectors, particularly digital technology and financial services, showed resilience and continued to attract investment. The graph "UK Inward FDI Flows (% GDP, 2012-2021)" demonstrates the trend of inward FDI as a percentage of GDP, highlighting the peak in 2016 and the subsequent decline. This visual aids in understanding the long-term impact of significant events like Brexit.

[51] House of Commons Library. (2023). *FDI Statistics*. Published Tuesday, 20 June, 2023. Retrieved from https://commonslibrary.parliament.uk/research-briefings/cbp-9426/

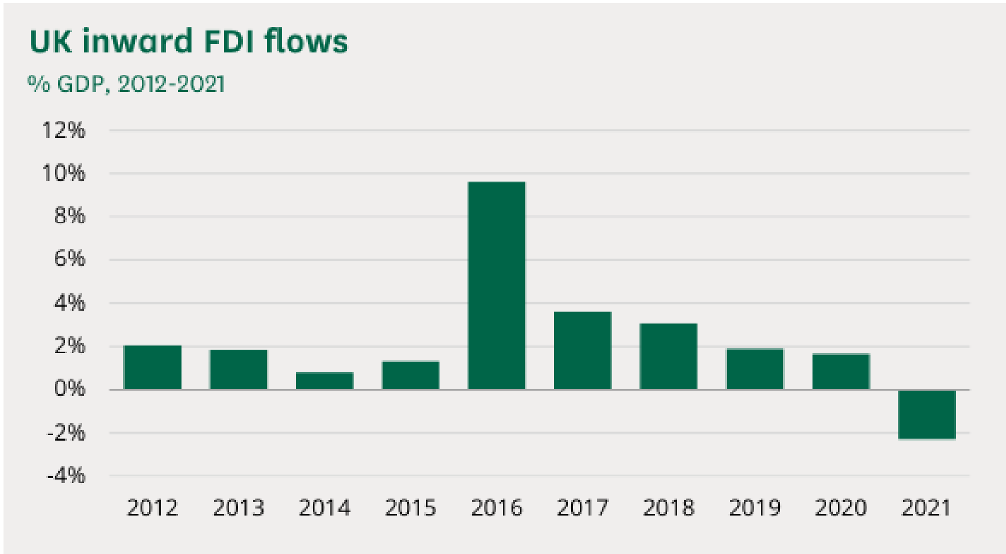

Figure XI: *UK inward FDI flows (% GDP, 2012-2021)* (Source: ONS, Foreign direct investment involving UK companies: 2021, January 2023; series YBHA).[52]

[52] House of Commons Library. (2023). *Foreign Direct Investment (FDI) Statistics*. Published Tuesday, 20 June, 2023. Retrieved from https://commonslibrary.parliament.uk/research-briefings/cbp-9426/

3.2. Strategic Sectors for FDI in the UK.

In analysing FDI in the UK, it is essential to focus on sectors that have shown significant growth and strategic importance. This section highlights the technology, financial services, and renewable energy sectors, which stand out due to their substantial contributions to the economy, attractiveness to investors, and alignment with the UK's long-term strategic goals. These sectors not only attract considerable foreign investment but also drive innovation, economic growth, and sustainability. By examining these key areas, we gain insights into the factors that make the UK a leading destination for global FDI.

The continued growth in FDI across these strategic sectors highlights the UK's diversified appeal to international investors. By maintaining a favourable business environment, investing in innovative and sustainable sectors, and leveraging its status as a financial powerhouse, the UK remains a top destination for global FDI.

3.2.1. Technological Sector.

The UK remains the leading destination for tech FDI in Europe, with 255 technology projects in 2023, representing an 8.9% increase from the previous year. This sector alone accounted for 27% of all European tech projects, highlighting the UK's strength in innovation and digital capabilities.[53] Furthermore, London's status as a global financial hub continues to attract substantial investment. In 2023, financial services were the second-largest sector for FDI in the UK, with over 100 projects recorded. This ongoing investment underscores the UK's critical role in the global financial system.[54]

3.2.2. Financial Services.

[53] EY. (2024, May 2). *Foreign Direct Investment: UK's project total grows as Europe's falls*. Retrieved from https://www.ey.com/en_uk/news/2024/05/uk-foreign-direct-investment-project-total-grows
[54] EY. (2024, May 2). *Foreign Direct Investment: UK's project total grows as Europe's falls*. Retrieved from https://www.ey.com/en_uk/news/2024/05/uk-foreign-direct-investment-project-total-grows

London's status as a leading global financial centre makes the financial services sector a key area for FDI. The sector is a major contributor to the UK economy, providing substantial employment and revenue. In 2023, financial services were the second-largest sector for FDI in the UK, with over 100 projects recorded, reflecting ongoing confidence and investment in the UK's financial infrastructure. This underscores the UK's critical role in the global financial system and its continued appeal to international investors.

3.2.3. Renewable Energy.

The UK's commitment to renewable energy has also drawn significant FDI. The utility supply sector saw a 35% annual increase in projects in 2023, driven by investments in offshore wind and other renewable energy sources. The UK's leadership in clean energy is supported by its favourable regulatory environment and access to project financing.[55] Significant investments in renewable energy projects, such as offshore wind farms, illustrate the UK's strategic focus on sustainability and its appeal to green investors.

[55] EY. (2024, May 2). *Foreign Direct Investment: UK's project total grows as Europe's falls*. Retrieved from https://www.ey.com/en_uk/news/2024/05/uk-foreign-direct-investment-project-total-grows

3.3. Comparative Analysis.

3.3.1. Comparison with the European Continent.

When comparing the UK's FDI performance with other major economies in Europe, the UK remains a strong contender. Despite a general decline in FDI projects across Europe, the UK saw a 6% increase in 2023, while France and Germany experienced declines. The UK's share of Europe's inward investment market grew to 17.3%, up from 15.6% in 2022, showcasing its relative strength and resilience.[56]

The graph titled "UK Projects Recorded and UK Market Share in Europe (2014-2023)" visually represents the growth in the number of FDI projects in the UK and the UK's increasing market share in Europe. From 2014 to 2023, the number of projects fluctuated, peaking in 2017 with 1205 projects and showing resilience with 985 projects in 2023. Despite these fluctuations, the UK's market share has remained relatively stable, with a notable increase in 2023. This trend underlines the UK's competitive edge and ability to attract FDI, even amidst broader economic uncertainties in Europe.[57]

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[56] EY. (2024, May 2). *Foreign Direct Investment: UK's project total grows as Europe's falls*. Retrieved from https://www.ey.com/en_uk/news/2024/05/uk-foreign-direct-investment-project-total-grows

[57] EY. (2024, May 2). *Foreign Direct Investment: UK's project total grows as Europe's falls*. Retrieved from https://www.ey.com/en_uk/news/2024/05/uk-foreign-direct-investment-project-total-grows

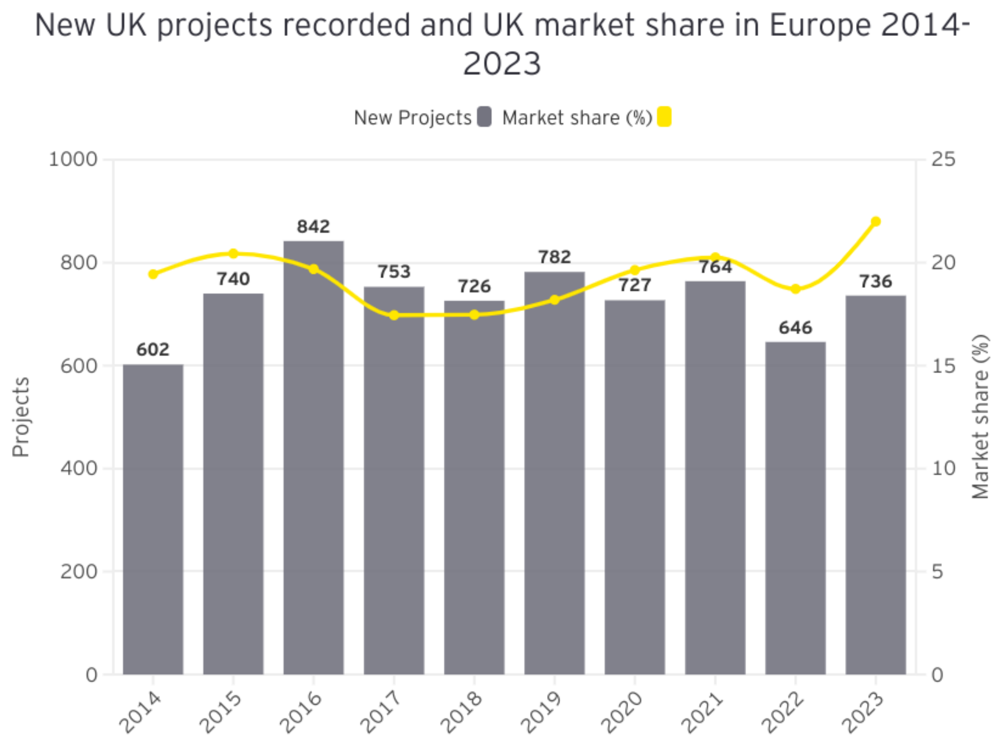

Figure XII: *New UK projects recorded and UK market share in Europe 2014-2023* (Source: EY European Investment Monitor (EIM), 2013-23).[58]

3.3.2. Comparison with the EU and the OECD.

To provide a more comprehensive context, it is essential to compare the UK's FDI inflows with those of the EU and the OECD. According to OECD data, average FDI inflows have shown moderate growth, with total inflows increasing from $1.3 trillion in 2014 to $1.8 trillion in 2023.[59] In contrast, the EU has experienced a more volatile pattern. For instance,

[58] EY. (2024, May 2). *Foreign Direct Investment: UK's project total grows as Europe's falls*. Retrieved from https://www.ey.com/en_uk/news/2024/05/uk-foreign-direct-investment-project-total-grows

[59] Organisation for Economic Co-operation and Development. (2023). *Foreign Direct Investment Statistics: Data, Analysis and Forecasts*. Retrieved from https://www.oecd.org

Eurostat reports that FDI inflows in the EU dropped significantly in 2020 due to the COVID-19 pandemic, before recovering partially in subsequent years.[60]

The UK's consistent performance, as evidenced by the graph, indicates its robust economic framework and attractive investment climate, positioning it favourably within both the European and global landscapes. In 2023, the UK attracted more FDI projects than any other European country, highlighting its ability to draw investment despite broader economic challenges.[61] The comparative analysis highlights the UK's capacity to maintain and grow its FDI inflows, reinforcing its status as a key destination for investors.

Furthermore, the UK's strategic initiatives, such as the creation of freeports and investment in high-tech sectors, have bolstered its attractiveness. According to the Department for International Trade (DIT), these measures are aimed at creating a more conducive environment for investment, further enhancing the UK's competitive position.[62] This comprehensive approach underscores the UK's resilience and adaptability in the face of global economic shifts, ensuring its continued appeal to foreign investors.

In conclusion, the UK's ability to attract and sustain FDI inflows, as highlighted in the provided data and comparative analysis, underscores its strategic importance and resilience within the global investment landscape. The steady increase in FDI projects, particularly in 2023, amidst economic uncertainties, speaks volumes about the country's robust investment climate and proactive measures to enhance its attractiveness. As global economic dynamics continue to evolve, the UK's strategic initiatives and consistent performance position it favourably for future growth in FDI, reinforcing its status as a premier destination for foreign investors.

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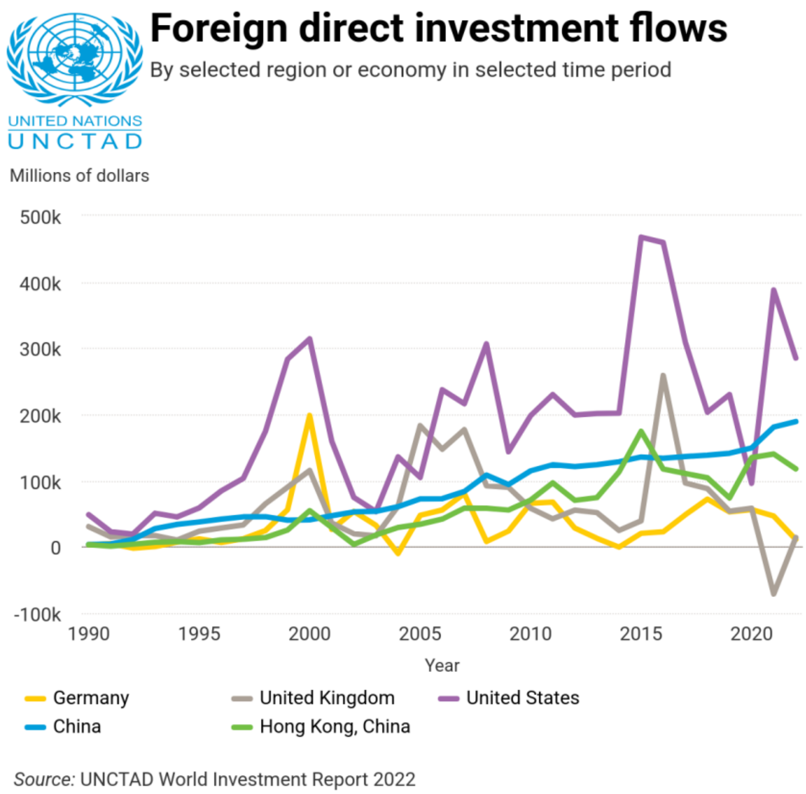
[60] Eurostat. (2023). Foreign Direct Investment Statistics. Retrieved from [Eurostat website](https://ec.europa.eu/eurostat/statistics

[61] UNCTAD. (2024). World Investment Report 2023. Retrieved from: https://unctad.org/webflyer/world-investment-report-2023.

[62] Department for International Trade (DIT). (2024). UK Investment Report. Retrieved from: https://www.gov.uk/government/organisations/department-for-international-trade.

3.3.3. Comparison with the other main FDI receivers.

To assess the UK's performance in attracting FDI, we compare it with Germany, China, Hong Kong, and the US. These countries are selected because, just as the UK, they are among the main FDI inflow receivers globally. This analysis provides insights into whether the UK follows similar trends to these leading economies and highlights unique patterns in its FDI performance.[63] The relevance of these countries is supported by various reports and statistical data showing their significant roles in global FDI flows.



[63] UNCTAD. (2022). World Investment Report 2022. Retrieved from https://unctad.org/webflyer/world-investment-report-2022

Figure XIII: *Global foreign direct investment flows over the last 30 years* (Source: UNCTAD World Investment Report 2022).[64]

- United Kingdom:

The UK's FDI inflows have experienced fluctuations, particularly influenced by the Brexit process. According to the World Investment Report 2023 published by UNCTAD, after a significant decline of USD 71.1 billion in 2021, FDI inflows were positive by USD 14 billion in 2022, though still below the 2018-2020 average of USD 66.6 billion.[65] Despite these fluctuations, the UK remains one of Europe's top recipients of FDI and the top destination for U.S. outbound investment. Key sectors attracting FDI include financial services, professional services, retail and wholesale trade, transportation, and ICT.[66] The National Security and Investment Act 2021 has also introduced a new investment screening regime, adding layers of regulatory review to ensure national security. The decline in digital technology investments, a key sector, by almost a third (32.2%) from 2021 to 2022 indicates a shift in investor confidence, potentially influenced by Brexit and global economic uncertainties.[67]

- Germany:

[64] United Nations Conference on Trade and Development. (2023, May 5). *Global foreign direct investment flows over the last 30 years*. Retrieved from https://unctad.org/data-visualization/global-foreign-direct-investment-flows-over-last-30-years

[65] Santander Trade. (2023). Foreign investment in the United Kingdom. Retrieved from: https://santandertrade.com/en/portal/establish-overseas/united-kingdom/foreign-investment

[66] Santander Trade. (2023). Foreign investment in the United Kingdom. Retrieved from: https://santandertrade.com/en/portal/establish-overseas/united-kingdom/foreign-investment

[67] Santander Trade. (2023). Foreign investment in the United Kingdom. Retrieved from: https://santandertrade.com/en/portal/establish-overseas/united-kingdom/foreign-investment

Germany is a key player in global trade and investment, traditionally an attractive destination for FDI. However, in 2022, FDI inflows into Germany were down by 76.2%, totalling USD 11 billion, compared to USD 46.4 billion the previous year.[68] This significant decline is partly attributed to the global recession and Eurozone crisis impacts. Despite this, Germany's strong industrial base, skilled workforce, and strategic location continue to make it an appealing destination for investors. The country's main weaknesses include high tax rates and inflexible labour laws. However, Germany remains resilient with ongoing investments in high-tech sectors, renewable energy, and digitalisation.[69] Compared to the UK, Germany's recent decline is more pronounced, indicating different economic challenges and resilience factors. The UK's ability to attract more diverse sectoral investments, despite Brexit, contrasts with Germany's heavy reliance on traditional industries and its vulnerability to global economic shifts.[70]

- China:

China remains one of the world's largest recipients of FDI, with inflows increasing by 4.5% in 2022 to USD 189.1 billion, making it the second-largest host country globally.[71] This growth was concentrated in manufacturing and high-tech industries, primarily from European multinational enterprises. However, 2023 saw multi-year lows in FDI inflows due to escalating geopolitical tensions and stricter national security laws affecting foreign

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[68] Santander Trade. (2023). Foreign investment in Germany. Retrieved from https://santandertrade.com/en/portal/establish-overseas/germany/foreign-investment

[69] Santander Trade. (2023). Foreign investment in Germany. Retrieved from https://santandertrade.com/en/portal/establish-overseas/germany/foreign-investment

[70] Santander Trade. (2023). Foreign investment in Germany. Retrieved from https://santandertrade.com/en/portal/establish-overseas/germany/foreign-investment

[71] Santander Trade. (2023). Foreign direct investment in China. Retrieved from https://santandertrade.com/en/portal/establish-overseas/china/foreign-investment

investments.[72] China's consistent growth contrasts with the UK's more variable trends, showcasing different strategic focuses and economic environments. While the UK has seen fluctuations due to Brexit and other uncertainties, China's steady rise in FDI highlights its robust economic reforms and strategic market positioning, especially in manufacturing and high-tech sectors. This resilience, despite geopolitical challenges, emphasises China's attractiveness compared to the UK's more cautious investment climate.[73]

- Hong Kong:

Hong Kong, as a major financial hub, received USD 117.7 billion in FDI in 2022, down by 16% from the previous year, but still ranked as the fourth-largest recipient worldwide.[74] The region benefits from advanced institutions and a regulatory system that supports a competitive business environment. However, political uncertainties and economic dependencies on mainland China pose risks.[75] Key sectors attracting FDI include finance, real estate, and professional services. Despite fluctuations, Hong Kong maintains a favourable climate for foreign investment with minimal government intervention. Compared to the UK, Hong Kong's FDI inflows show greater volatility, reflecting different geopolitical and economic influences. The UK's broader sectoral attraction, including technology and

[72] Santander Trade. (2023). Foreign direct investment in China. Retrieved from https://santandertrade.com/en/portal/establish-overseas/china/foreign-investment

[73] Santander Trade. (2023). Foreign direct investment in China. Retrieved from https://santandertrade.com/en/portal/establish-overseas/china/foreign-investment

[74] Santander Trade. (2023). FDI in Hong Kong SAR, China. Retrieved from https://santandertrade.com/en/portal/establish-overseas/hong-kong/investment

[75] Santander Trade. (2023). FDI in Hong Kong SAR, China. Retrieved from https://santandertrade.com/en/portal/establish-overseas/hong-kong/investment

professional services, contrasts with Hong Kong's concentrated financial and real estate sectors, demonstrating different regional economic strategies and investor priorities.[76]

- United States:

The US continues to be the largest recipient of FDI worldwide, with inflows of USD 285 billion in 2022, despite a 26.5% year-on-year decrease.[77] The decline was largely due to reduced cross-border M&A values. Nevertheless, the U.S. market remains attractive due to its size, stability, and innovation capacity. Key sectors include manufacturing, finance, and information technology.[78] The regulatory environment, while complex, offers robust legal protections for investors. However, political and policy changes can introduce uncertainties that affect investment conditions. Compared to the UK, the U.S. demonstrates a more substantial volume of FDI, highlighting its dominant global economic position. The UK's strategic focus on high-value sectors mirrors the U.S.'s strengths in attracting innovative and technologically advanced investments, though the scale and scope of investments differ significantly.[79]

[76] Santander Trade. (2023). FDI in Hong Kong SAR, China. Retrieved from https://santandertrade.com/en/portal/establish-overseas/hong-kong/investment

[77] Santander Trade. (2023). Foreign investment in the US. Retrieved from https://santandertrade.com/en/portal/establish-overseas/united-states/foreign-investment

[78] Santander Trade. (2023). Foreign investment in the US. Retrieved from https://santandertrade.com/en/portal/establish-overseas/united-states/foreign-investment

[79] Santander Trade. (2023). Foreign investment in the US. Retrieved from https://santandertrade.com/en/portal/establish-overseas/united-states/foreign-investment

3.4. Major FDI Contributing Countries: Three-Dimensional Analysis.

3.4.1. FDI Position Analysis.

All the data and graphs in this analysis were created by me using data from the OECD International Direct Investment Statistics 2022.[80] The selection of the ten countries for analysis was based on their prominent positions in inward FDI in the UK, specifically focusing on the top contributors in 2021. These countries – the US, Jersey, the Netherlands, Belgium, Luxembourg, France, Japan, Switzerland, the Cayman Islands, and Bermuda – represent the highest FDI positions in the UK for that year. This criterion underscores their significant economic power and strategic interest in the UK market, making them crucial for understanding the broader landscape of foreign investment in the UK.

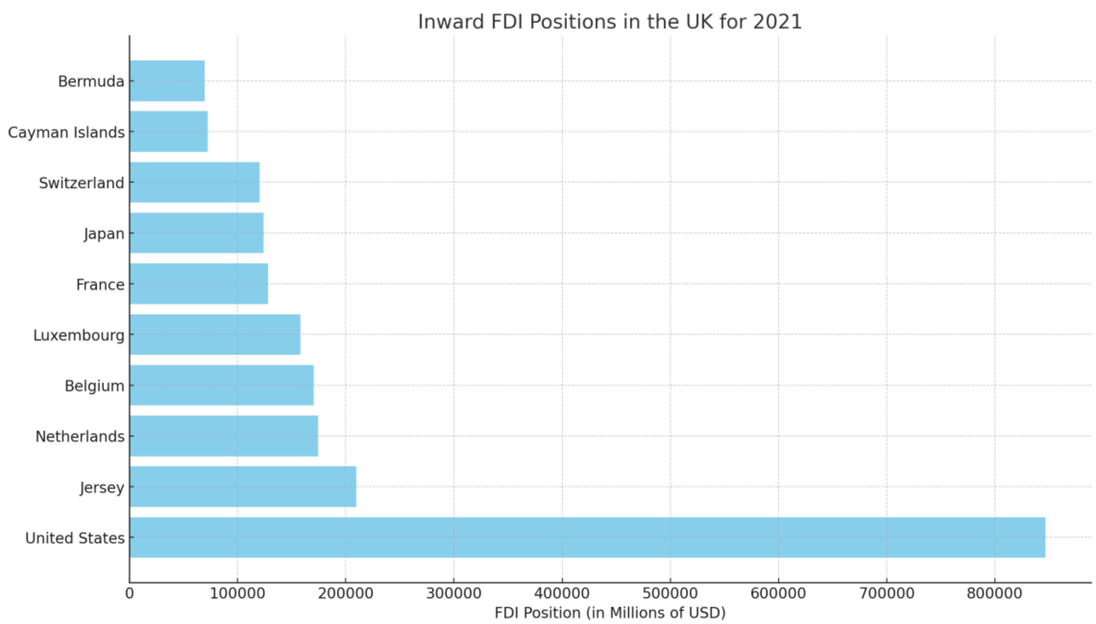

Figure XIV: *Inward FDI Positions in the UK for 2021* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

[80] OECD. (2023). *OECD International Direct Investment Statistics 2022*. OECD Publishing. https://doi.org/10.1787/deedc307-en

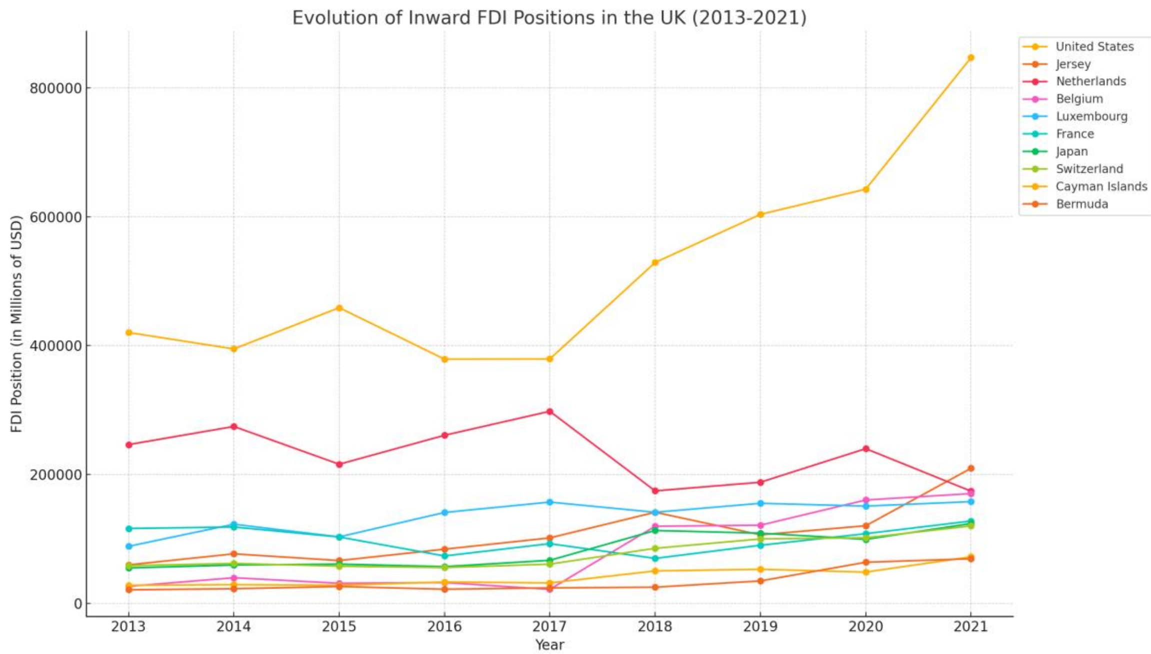

Figure XV: *Evolution of Inward FDI Positions in the UK (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

3.4.2. FDI Income Analysis.

The graph depicting the income generated by these ten countries reveals a substantial influx of returns on investments, which underscores the attractiveness of the UK as an investment destination. The income trends indicate not only the profitability of investments in the UK but also the stable economic environment that fosters such returns. For instance, the US consistently generated significant income from its investments, peaking at over $30 billion in 2021. This high level of income is a strong pull factor for countries to continue investing in the UK, as it promises lucrative returns on capital.

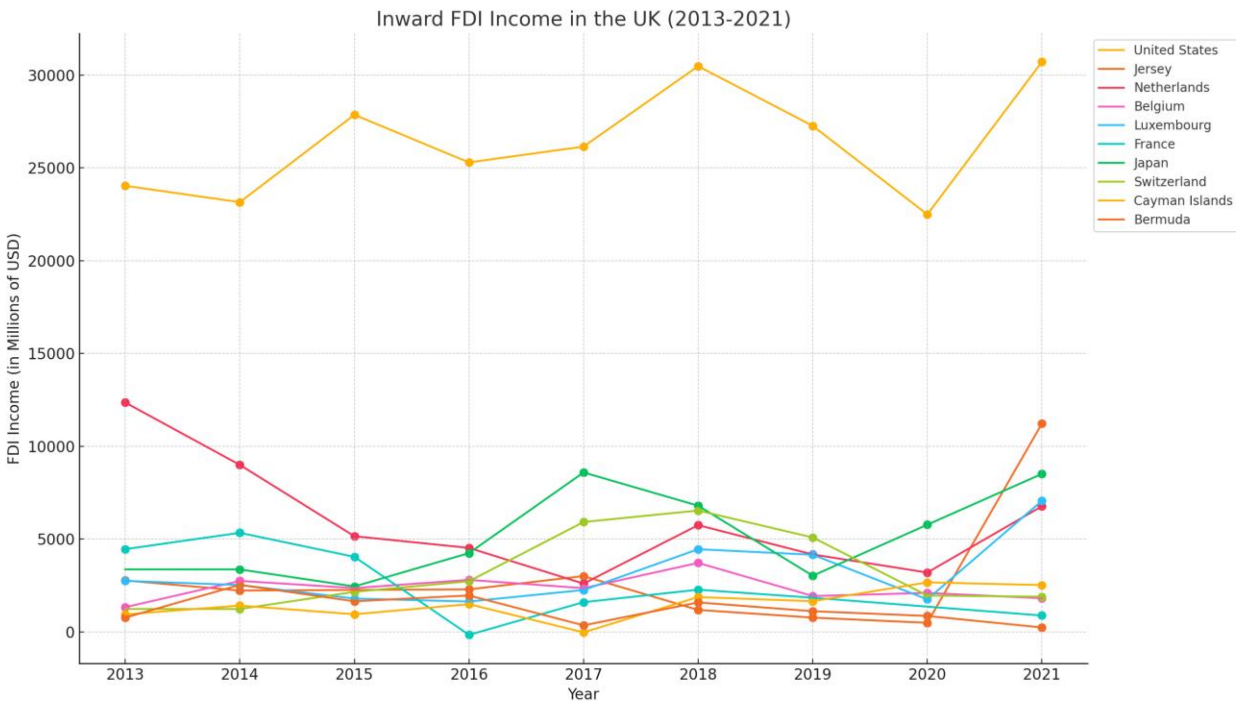

Figure XVI: *Inward FDI Income in the UK (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

Furthermore, the income generated by these investments contributes significantly to the UK's GDP, providing a steady stream of revenue that supports various sectors of the economy. This mutually beneficial relationship encourages sustained and even increased foreign investment. The presence of high returns can be attributed to the UK's robust legal framework, its strategic position as a gateway to Europe, and its diversified economy, which offers ample opportunities for profitable investments.[81]

3.4.3. FDI Flows Analysis.

The graph showing the evolution of inward FDI flow from 2013 to 2021 highlights several key trends and patterns. Notably, there are fluctuations in the FDI flow, with certain years experiencing significant peaks and others showing declines. In 2013, the UK saw a

[81] OECD. (2021). Foreign Direct Investment (FDI) Statistics. Retrieved from OECD Data Explorer

moderate level of FDI flow, reflecting a recovering global economy post the 2008 financial crisis. The lingering effects of the financial crisis were still evident in the early part of the decade, but the UK's recovery, marked by a resilient financial sector and strategic economic policies, helped restore investor confidence. This recovery continued into 2014 and 2015, but with some variability due to specific high-value transactions and global economic conditions. The financial crisis had left a lasting impact, causing investors to adopt more cautious and strategic investment approaches, focusing on stability and long-term returns.

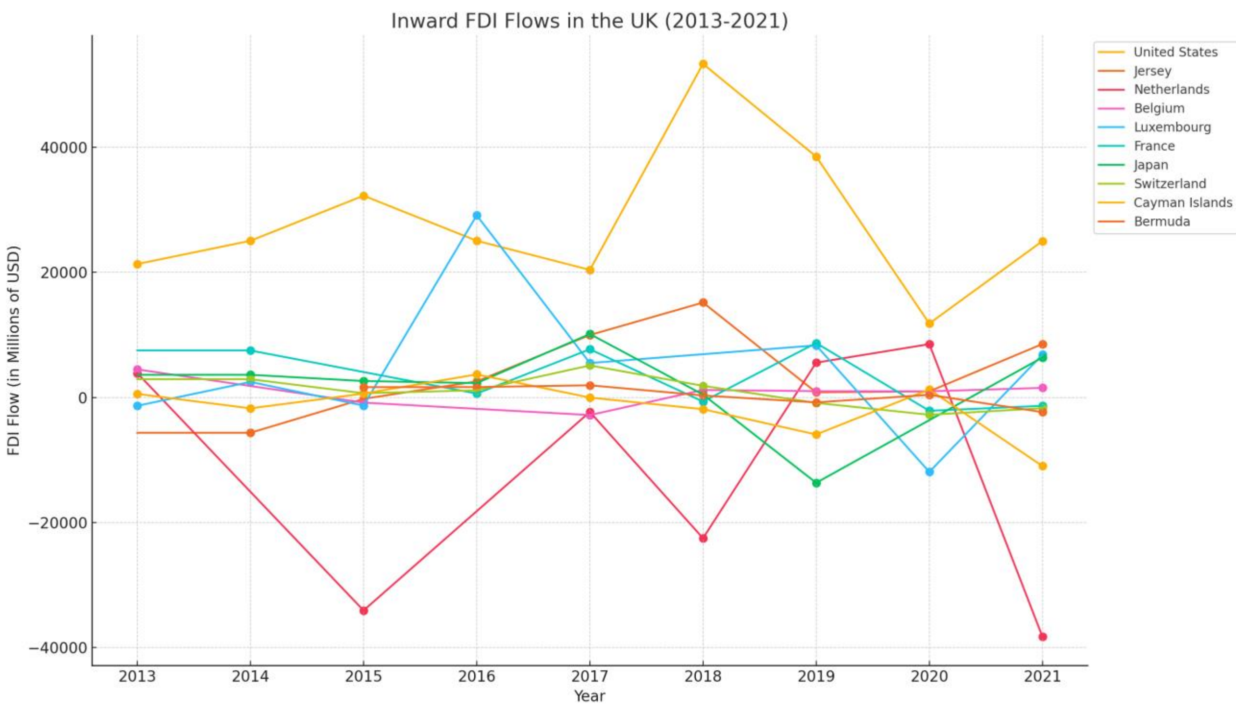

Figure XVII: *Inward FDI Flows into the UK (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

The period from 2016 marked a significant turning point with a peak in FDI flow, largely attributed to high-value M&A, such as the takeover of SABMiller by AB InBev and the acquisition of ARM Holdings by SoftBank.[82] However, following this peak, there was a

[82] House of Commons Library. (2023). Foreign Direct Investment Statistics. Retrieved from House of Commons Library

notable decline in 2017 and 2018, reflecting uncertainties and market adjustments post these significant transactions. The Brexit referendum in June 2016 introduced a new layer of uncertainty, impacting investor confidence and leading to fluctuating FDI flows. Initially, there was a slowdown as investors awaited the outcome of Brexit negotiations. Despite this, the UK remained an attractive investment destination due to its low corporation tax and stable legal system.[83]

Brexit had a significant impact on FDI flows into the UK. Initially, there was a slowdown as investors awaited clarity on the UK's future relationship with the EU. However, the eventual Brexit deal provided some certainty, leading to a resurgence in FDI flows. The strategic importance of the UK as a gateway to Europe and its favourable business environment helped mitigate the negative impacts of Brexit, attracting sustained investments from key global players.[84] The prolonged Brexit negotiations and eventual exit from the EU in January 2020 had mixed impacts. While some investors hesitated due to uncertainty, others saw new opportunities in a post-Brexit UK, particularly in sectors like technology and finance.

The COVID-19 pandemic in 2020 had a profound effect on global FDI flows, including those into the UK. The economic slowdown and lockdown measures caused a significant reduction in investment activity worldwide. The UK's inward FDI flow saw a sharp decline, reflecting the broader global economic downturn. However, the UK's resilience and adaptive measures, such as the rapid rollout of vaccines and economic stimulus packages, facilitated a partial recovery in 2021. Investors began to regain confidence, leading

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[83] The Economist. (2019). How is Brexit affecting FDI into Britain? Retrieved from https://www.economist.com/britain/2019/05/09/how-is-brexit-affecting-fdi-into-britain?fsrc=scn%2Ftw%2Fte%2Fbl%2Fed%2FhowisbrexitaffectingfdiintobritaincoldmoneyD&ppccampaignID=&ppcadID=&ppcgclID=&utm_medium=cpc.adword.pd&utm_source=google&ppccampaignID=18151738051&ppcadID=&utm_campaign=a.22brand_pmax&utm_content=conversion.direct-response.anonymous&gad_source=1&gclid=Cj0KCQjw0_WyBhDMARIsAL1Vz8tIvWXuuC4Qxp4Zs7nxaE8Q9VaTtMgW8zw-W0itCaHO6qAoRa0LBTsaAkDGEALw_wcB&gclsrc=aw.ds.

[84] House of Commons Library. (2023). Foreign Direct Investment Statistics. Retrieved from House of Commons Library

to increased FDI flows and income as the global economy started to rebound.[85] A report by EY highlighted that despite the challenges, the UK managed to secure 993 inbound FDI projects in 2021, up from 975 in 2020, showing a return to growth after the pandemic-driven fall.[86]

3.4.4. FDI Triple Perspective Analysis.

The comprehensive analysis of FDI position, flow, and income from 2013 to 2021 underscores the UK's resilience and continued attractiveness as a top destination for foreign investment. Despite challenges such as Brexit and the COVID-19 pandemic, the UK has managed to maintain a robust investment environment, driven by its stable legal framework, strategic global position, and diverse economic opportunities.

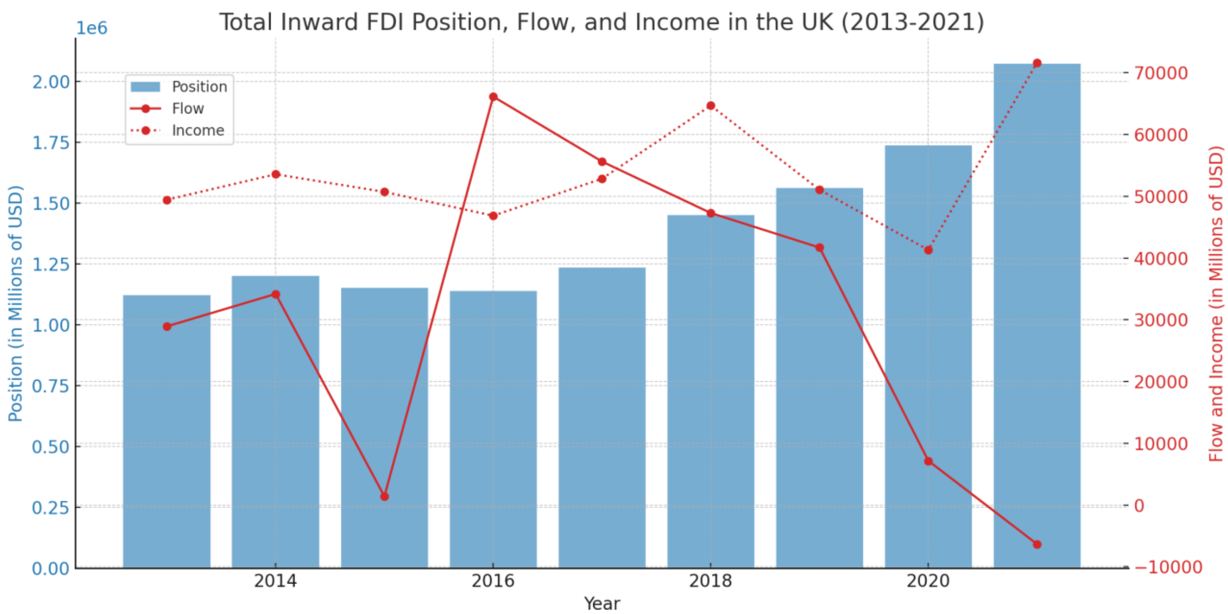

Figure XVIII: *Total Inward FDI Position, Flow, and Income in the UK (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration)

[85] EY. (2020). Brave new world: How COVID-19 has reshaped the outlook for FDI. Retrieved from EY UK

[86] EY. (2022). Foreign Direct Investment into the UK rebounds in 2021 from 2020's lows, but remains below 2019 levels, new EY report reveals. Retrieved from EY UK

3.5. Evolution of the Ten Major FDI Contributors in the UK.

3.5.1. United States.

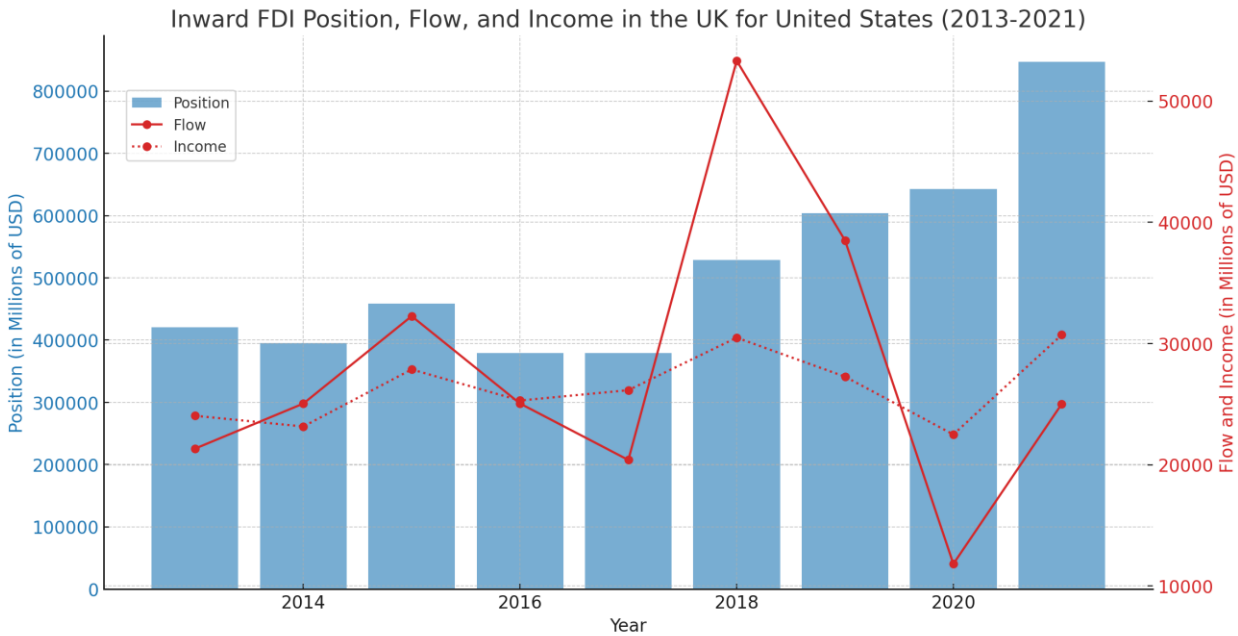

Figure XIX: *Inward FDI Position, Flow, and Income in the UK for United States (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

The United States and the United Kingdom share a significant bilateral economic relationship, characterised by substantial trade and investment activities. This relationship, rooted in historical ties and shared values based on free-market principle, has been pivotal in driving economic growth and stability in both nations.

The FDI position consistently increased from approximately $400 billion in 2013 to nearly $800 billion by 2021, demonstrating growing confidence of U.S. investors in the UK market despite political and economic uncertainties, such as Brexit.[87] This steady rise reflects

[87] Santandertrade.com. (2023). *Foreign investment in the United Kingdom*. Retrieved from https://santandertrade.com/en/portal/establish-overseas/united-kingdom/foreign-investment

the strategic importance and resilience of the UK's liberal market policies and strong financial sector.[88]

However, the FDI flow showed volatility, with a significant spike in 2018 attributed to large-scale investments or acquisitions, followed by a sharp decline in 2019 and a notable drop in 2020 due to the global economic slowdown caused by the COVID-19 pandemic.[89] The recovery in 2021 suggests renewed investor confidence as economic conditions stabilised with FDI income above the level of new inflows.

Income from FDI also varied, peaking in 2018 alongside the flow surge, indicating quick returns on new investments. Subsequent declines in FDI income post-2018 were likely due to broader economic slowdowns and Brexit uncertainties impacting operational efficiency and profitability.[90]

Brexit introduced significant market uncertainty, yet the FDI position continued to grow, highlighting long-term confidence in the UK market's fundamentals.[91] Together with the COVID-19 pandemic, they caused a sharp decline in 2020, but the subsequent recovery in 2021 underscored the resilience of the UK market and the agility of U.S. investors.[92] Additionally, the Atlantic Declaration signed in June 2023 aims to further strengthen economic, technological, and trade relations between the two countries, potentially enhancing future FDI flows.[93]

All in all, the British-American FDI relationship remains robust, with significant investment positions and dynamic flows and income. Despite short-term fluctuations, the

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88 Congressional Research Service. (2023). *U.S.-UK Trade Relations*. Retrieved from https://crsreports.congress.gov

89 Congressional Research Service. (2023). *U.S.-UK Trade Relations*. Retrieved from https://crsreports.congress.gov

90 UK Government. (2023). *UK and US launch first-of-its-kind economic partnership*. Retrieved from https://www.gov.uk/government/news/uk-and-us-launch-first-of-its-kind-economic-partnership

91 Congressional Research Service. (2023). *U.S.-UK Trade Relations*. Retrieved from https://crsreports.congress.gov

92 Department for Business and Trade. (2024). *Trade and Investment Factsheet: United States*. Retrieved from https://www.gov.uk/government/publications/trade-and-investment-factsheets

93 UK Government. (2023). *UK and US launch first-of-its-kind economic partnership*. Retrieved from https://www.gov.uk/government/news/uk-and-us-launch-first-of-its-kind-economic-partnership

long-term trend indicates strong economic ties and mutual confidence. As both nations navigate post-Brexit and post-pandemic landscapes, their economic partnership will likely continue to thrive, supported by strategic collaborations in emerging sectors such as technology and clean energy.

3.5.2. Jersey.

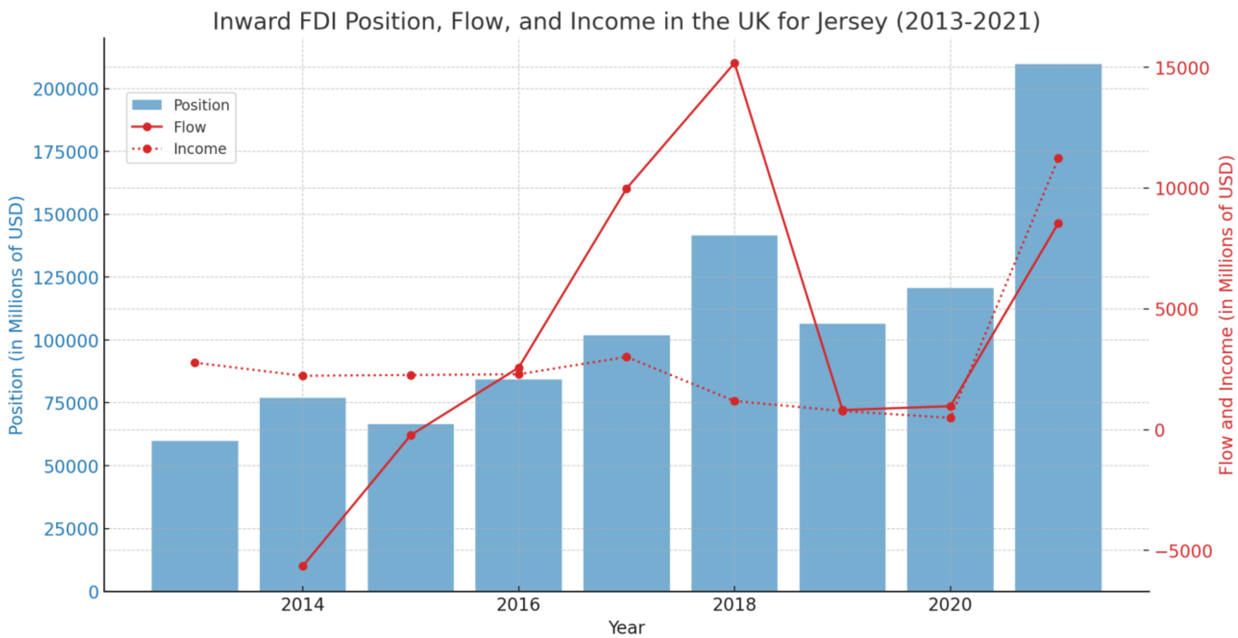

Figure XX: *Inward FDI Position, Flow, and Income in the UK for Jersey (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

The relationship between Jersey and the UK is deeply rooted in history and characterised by strong social, cultural, and economic ties. As a Crown Dependency, Jersey enjoys significant autonomy while maintaining close connections with the UK, particularly in defence and foreign affairs.[94] This relationship extends into substantial economic interactions, especially through FDI.

From 2013 to 2021, the FDI position from Jersey to the UK showed an upward trend, with notable stability until 2015, followed by a sharp increase post-2016, peaking in 2021.

[94] Government of Jersey. (2024). Jersey and the United Kingdom. Retrieved from https://www.londonoffice.gov.je/about-jersey/jersey-and-the-uk/

This rise can be attributed to Jersey's role as a financial conduit and its strategic global finance position.[95]

FDI flows displayed variability, following an increasing trend until 2016, a dramatic spike in 2018, and a decline in 2019. This fluctuation aligns with Brexit-related uncertainties affecting investment patterns. The flow surged again in 2021, reflecting renewed confidence post-Brexit.

The decline in FDI income until 2017 can be attributed to the global economic slowdown and uncertainties following the Brexit referendum in 2016, which negatively impacted investment returns. The stabilisation from 2017 to 2019 indicates that investors began adjusting to these new economic conditions and uncertainties. The increase towards 2021 reflects renewed investor confidence post-Brexit, with the completion of the Brexit process and the establishment of new trade agreements likely improving investment performance and returns.[96]

The Brexit referendum in 2016 and the UK's subsequent EU exit created significant economic and regulatory uncertainties. Jersey's investments in the UK helped stabilise the situation, demonstrating the interdependent economic relationship. Future trends will likely reflect adaptive strategies in response to evolving economic and political landscapes.[97]

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[95] Hedgeweek. (2013). Jersey brings billions of investment and thousands of jobs to the UK. Retrieved from https://www.hedgeweek.com/jersey-brings-billions-investment-and-thousands-jobs-uk/

[96] Department for Business and Trade. (2024). *Trade and Investment Factsheet: Jersey*. Retrieved from https://assets.publishing.service.gov.uk/media/66447b9eae748c43d3793b51/jersey-trade-and-investment-factsheet-2024-05-17.pdf

[97] Government of Jersey. (2024). *Jersey's relationship with the UK and EU*. Retrieved from https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20InternationalIdentityFramework%2020070502.pdf

3.5.3. Netherlands.

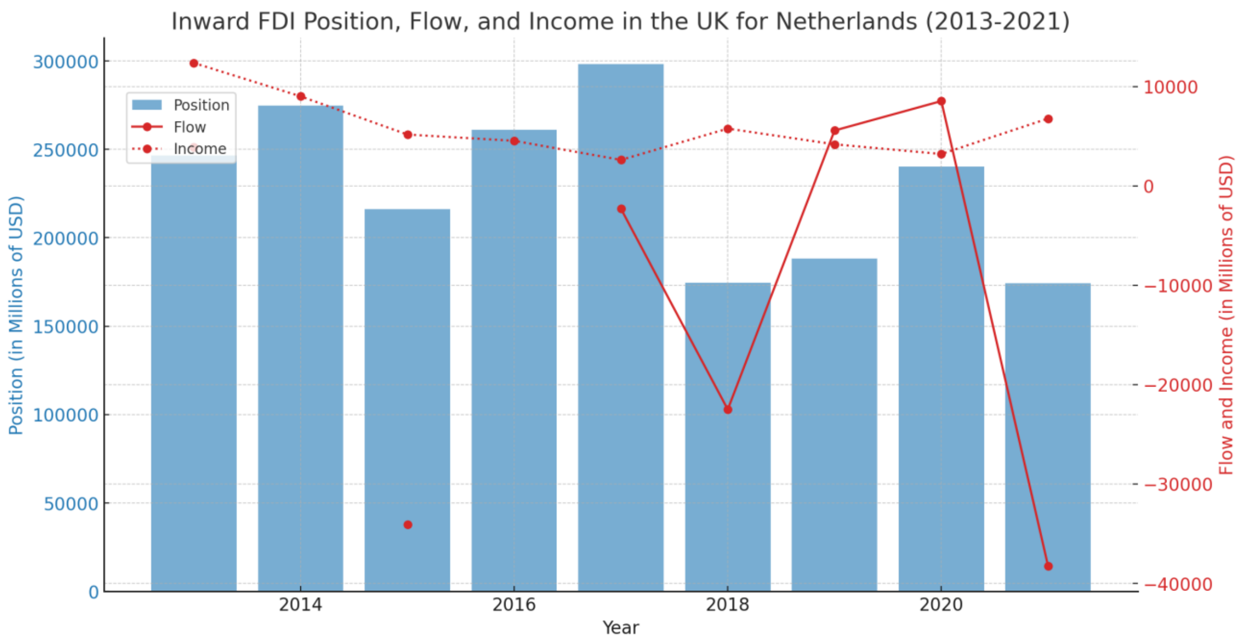

Figure XXI: *Inward FDI Position, Flow, and Income in the UK for Netherlands (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

The graph reveals several key trends and economic dynamics. The FDI position shows fluctuations but generally remained strong throughout the period, with peaks in 2014, 2017, and 2020. This indicates a consistent confidence and commitment of Dutch investors in the UK market, despite some volatility. The peak in 2020, just before the significant drop in 2021, can be attributed to pre-Brexit investment strategies where companies bolstered their UK presence before the transition period ended.

The FDI flow, shows a stark decline in 2017, followed by a sharp increase until 2020. The significant dip in 2018 likely resulted from uncertainties surrounding Brexit negotiations, causing investors to hold back. Conversely, the spike in 2020 might reflect a rush to finalise investments before the Brexit transition period ended on December 31, 2020.[98] The drastic fall in 2020 aligns with the aforementioned uncertainties and the global pandemic's impact on economic activities and investment returns

FDI income remained relatively stable despite the general climate and the falling position and flows. Brexit has been a critical factor influencing the UK-Dutch economic relationship. The period of uncertainty during Brexit negotiations led to cautious investment behaviours, as evidenced by the fluctuating FDI flows. The post-Brexit landscape necessitated new trade and investment strategies. According to the UK government, despite Brexit, the trade and investment relationship between the UK and the Netherlands remains strong, with several new commercial agreements and continued collaboration in sectors like FinTech and clean growth.[99]

The pandemic significantly impacted global economies, including the UK and the Netherlands. Lockdowns and reduced economic activities in 2020 and 2021 affected investment returns and new investment flows. However, the strategic sectors like digital economy and clean growth continued to attract investments, supported by government initiatives aimed at economic recovery and sustainable development.[100]

The economic relationship between the UK and the Netherlands, as reflected in FDI trends, has been somehow resilient regardless of the downward trend and despite challenges posed by Brexit and the COVID-19 pandemic. While there have been fluctuations in investment flows and income, the overall investment position indicates sustained interest and

[98] NL Times. (2021). Dutch investing into more UK firms than before Brexit vote: British Embassy. Retrieved from https://nltimes.nl/2020/02/21/dutch-investing-uk-firms-brexit-vote-british-embassy

[99] GOV.UK. (2018, October 24). UK-Dutch trade relationship goes from strength to strength. Department for International Trade. Retrieved from https://www.gov.uk/government/news/more-than-500-jobs-and-5m-investment-by-uk-fintechs-as-uk-dutch-trade-relationship-goes-from-strength-to-strength

[100] CBS. (2023). Foreign direct investment and multinationals - Dutch Trade in Facts and Figures, 2023. Retrieved from https://longreads.cbs.nl/dutch-trade-in-facts-and-figures-2023/foreign-direct-investment-and-multinationals/

confidence. Moving forward, bilateral agreements and strategic sector investments will likely continue to play a crucial role in shaping the economic dynamics between the two countries.

3.5.4. Belgium.

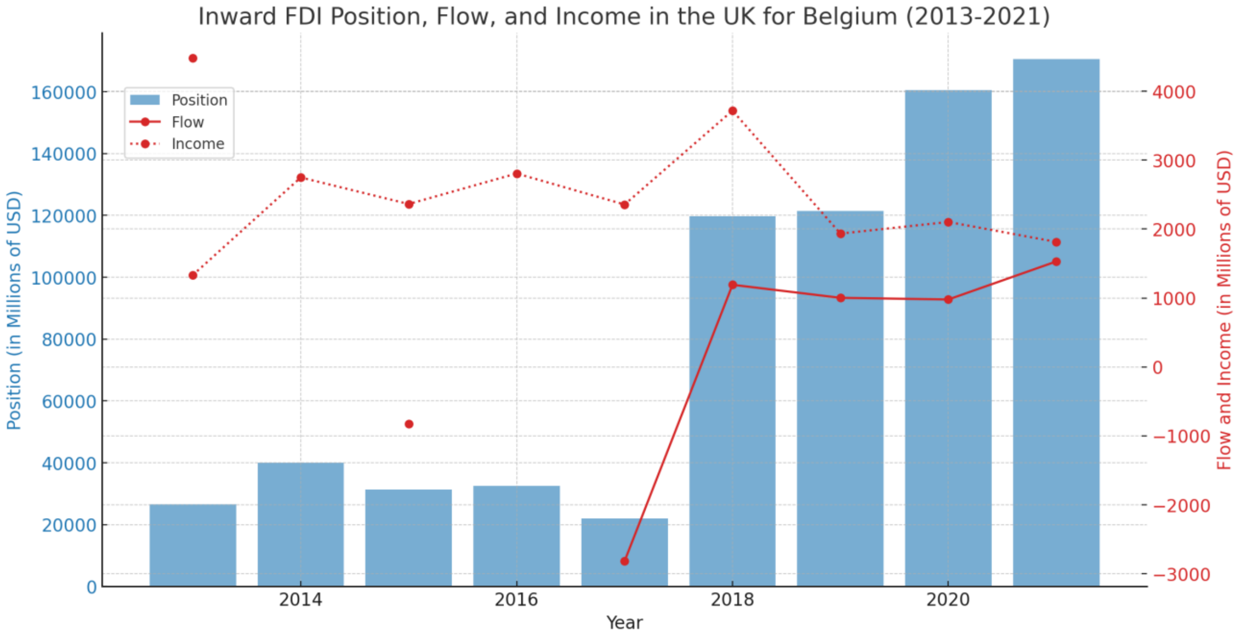

Figure XXII: *Inward FDI Position, Flow, and Income in the UK for Belgium (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

The graph depicting the inward FDI in the UK from Belgium between 2013 and 2021 shows key trends. The FDI position shows a very significant upward trend from 2017 onwards, reflecting increased Belgian investment in the UK. The spike in 2018 and sustained high levels through 2021 indicate a strong and growing economic relationship.

The FDI flow in 2018 shows a notable surge, possibly due to strategic investments ahead of Brexit. This suggests that Belgian investors were preparing for potential market changes.[101] The steady flow in subsequent years indicates ongoing confidence in the UK's economic environment. FDI income remained relatively stable but saw a peak in 2018,

[101] FPS Foreign Affairs. (2022, June 8). UK remains good neighbour even after Brexit. Retrieved from https://diplomatie.belgium.be/en/policy/policy-areas/highlighted/uk-remains-good-neighbour-even-after-brexit

coinciding with the surge in FDI flow, indicating higher profitability from these investments during that year.

Brexit has been a significant factor influencing these trends. Despite initial uncertainties, the bilateral relationship has remained robust. The economic mission to the UK in 2022, led by Princess Astrid, highlighted key areas of cooperation, such as energy, pharmaceuticals, and green technology.[102]

Historical ties between the UK and Belgium have laid a strong foundation for this resilience. Flanders has maintained significant economic links with the UK for centuries, contributing greatly to trade through its ports and various sectors.[103] The UK's position as Belgium's largest non-EU trading partner emphasises the importance of these ties.

The UK-Belgium Joint Declaration on Bilateral Cooperation in 2021 further solidified this relationship, focusing on shared prosperity, green transition, and security.[104] Trade statistics demonstrate a balanced and mutually beneficial economic partnership, with Belgium being the UK's seventh-largest buyer of goods in 2021.[105]

The economic relationship between the UK and Belgium, as reflected in FDI trends, has been resilient despite challenges posed by Brexit. The sustained FDI position and flow, coupled with strategic bilateral agreements, indicate a robust and growing economic partnership. Moving forward, sectors like green technology and pharmaceuticals will likely continue to drive this economic collaboration.

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[102] GOV.UK. (2022, May 25). Belgium's largest ever trade delegation travels to the UK. Retrieved from https://www.gov.uk/government/news/belgiums-largest-ever-trade-delegation-travels-to-the-uk

[103] Flanders in. (2024, June 4). Relations with the United Kingdom and Ireland. Retrieved from https://www.flandersintheuk.be/en/relations-with-the-united-kingdom-and-ireland

[104] UK-BE Joint Declaration on Bilateral Cooperation. (2021, November 30). Retrieved from file:///home/chronos/u-f3f12bb24cd744cb9243657b3ce76850b7ae2a23/MyFiles/ICADE/TFG/TFG%20ADE/Graphs/Graphs%20FDI%20into%20UK/Countries/Belgium/UK-BE_Joint_Declaration.pdf

[105] Department for Business and Trade. (2024, May 17). Trade and Investment Factsheet. Retrieved from https://assets.publishing.service.gov.uk/media/66447b64993111924d9d349c/belgium-trade-and-investment-factsheet-2024-05-17.pdf

3.5.5. Luxembourg.

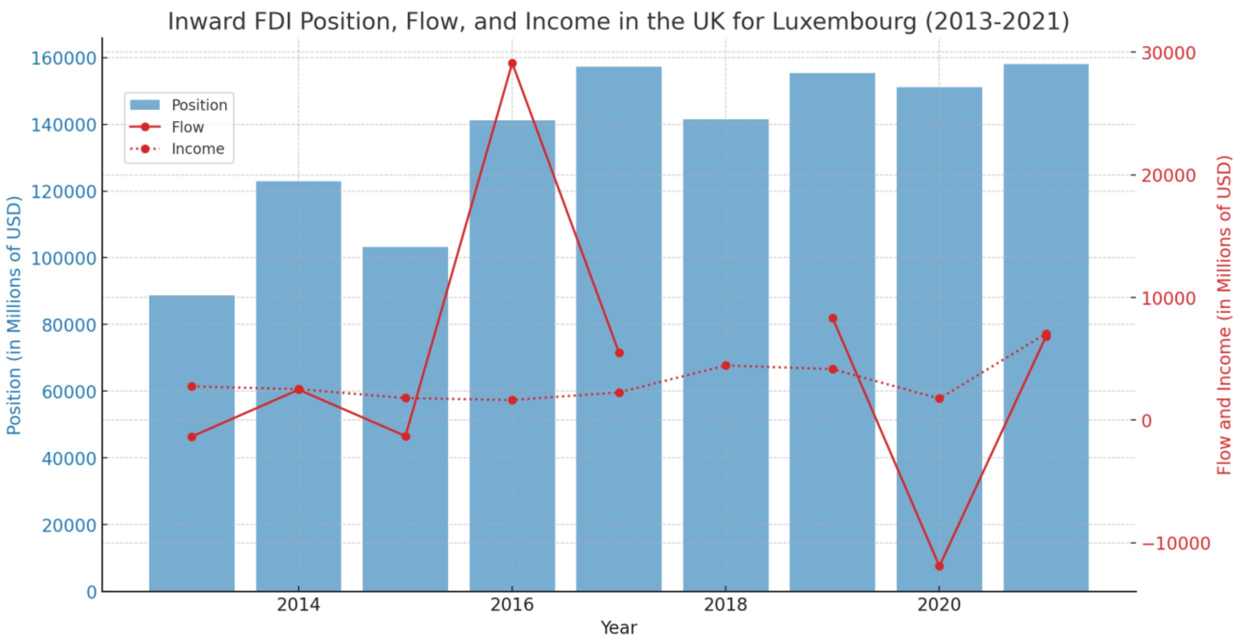

Figure XXIII: *Inward FDI Position, Flow, and Income in the UK for Luxembourg (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

From 2013 to 2021, the FDI position shows a general upward trend, peaking around 2017 and maintaining high levels thereafter. The FDI flow, which measures yearly investment amounts, exhibits more variability with a significant peak in 2017 and a drastic drop in 2020, indicating periods of volatile investment activity. FDI income, representing earnings from these investments, remains relatively stable with minor fluctuations.

The sustained high levels of FDI from Luxembourg into the UK can be attributed to Luxembourg's favourable business environment, characterised by an attractive tax system and a strong financial sector.[106] The close financial and economic ties between the two

[106] International Trade Portal. (2024). Foreign direct investment (FDI) in Luxembourg. Retrieved from International Trade Portal

nations are reinforced by bilateral agreements and regular diplomatic engagements, which emphasise cooperation in sectors such as finance, technology, and sustainable development. Notably, the 2023 joint statement on bilateral cooperation highlights ongoing collaboration in areas like financial innovation, sustainable finance, and climate change.[107]

The significant drop in FDI flow in 2020, while the overall position remained high, is primarily due to the economic impact of the COVID-19 pandemic, which caused significant disruptions and halted new investment activities. Investors became more cautious, leading to a temporary reduction in new investments. However, the existing stock of investments remained largely unchanged because these are long-term investments that were already in place.[108]

The high FDI position accompanied by stable and relatively low income can be explained by the nature of investments. Much of the FDI from Luxembourg into the UK is concentrated in financial and insurance services, characterised by substantial capital investments but relatively lower and more stable income streams.[109] Capital-intensive investments such as real estate, infrastructure, or large-scale financial services operations also contribute to the high FDI position. These investments require significant upfront capital, resulting in high investment positions, but generate steady income over a long period.

Additionally, the reinvestment of earnings within the UK contributes to the high FDI position but not necessarily to immediate income. If profits generated by Luxembourg-owned businesses in the UK are reinvested into the business rather than repatriated, it adds to the investment stock but not to immediate returns.[110]

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[107] GOV.UK. (2023). Joint statement on bilateral cooperation between the United Kingdom of Great Britain and Northern Ireland and the Grand Duchy of Luxembourg. Retrieved from GOV.UK

[108] Delano News. (2023). UK hails "enduring friendship" with Luxembourg. Retrieved from Delano News

[109] International Trade Portal. (2024). Foreign direct investment (FDI) in Luxembourg. Retrieved from International Trade Portal

[110] Norton Rose Fulbright. (2023). Global rules on foreign direct investment. Retrieved from Norton Rose Fulbright

3.5.6. Additional Illustrative Graphs.

To further illustrate the trends in FDI into the UK, five additional graphs have been included, aligning with the patterns observed in previously analysed countries and contrasting with others. The first five graphs represent the five main positions in FDI into the UK for the year 2021, based on data from Figure XIV, drawn from the OECD International Direct Investment Statistics 2022. The following five graphs represent the next highest positions in FDI into the UK.

These additional graphs provide a broader context and demonstrate how similar trends manifest in other nations' investments into the UK. While these countries may exhibit similar behaviours to those previously studied, each has a unique outcome shaped by its specific characteristics and historical contexts. Presenting these additional graphs offers a more comprehensive visual representation of the FDI landscape into the UK, highlighting both commonalities and distinctive factors influencing investment activities.

France.

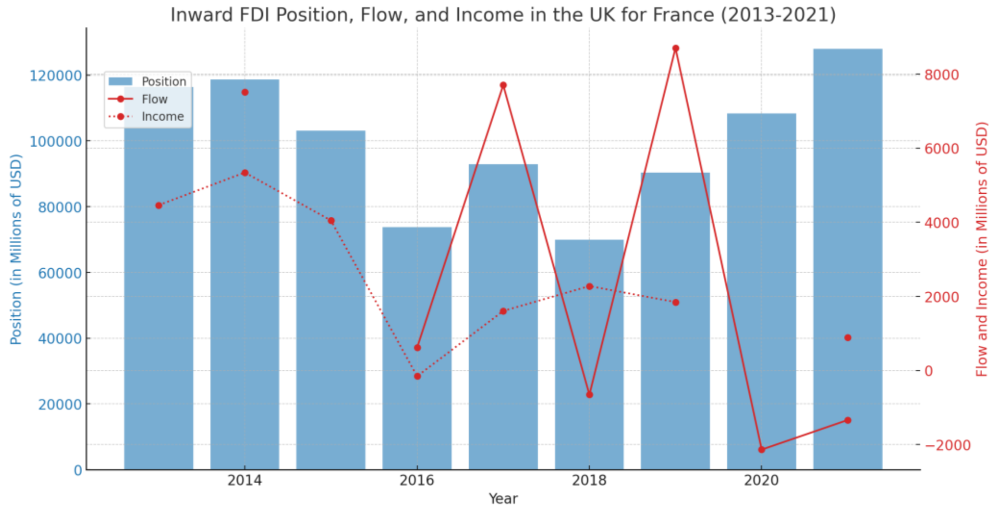

Figure XXIV: *Inward FDI Position, Flow, and Income in the UK for France (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

Japan.

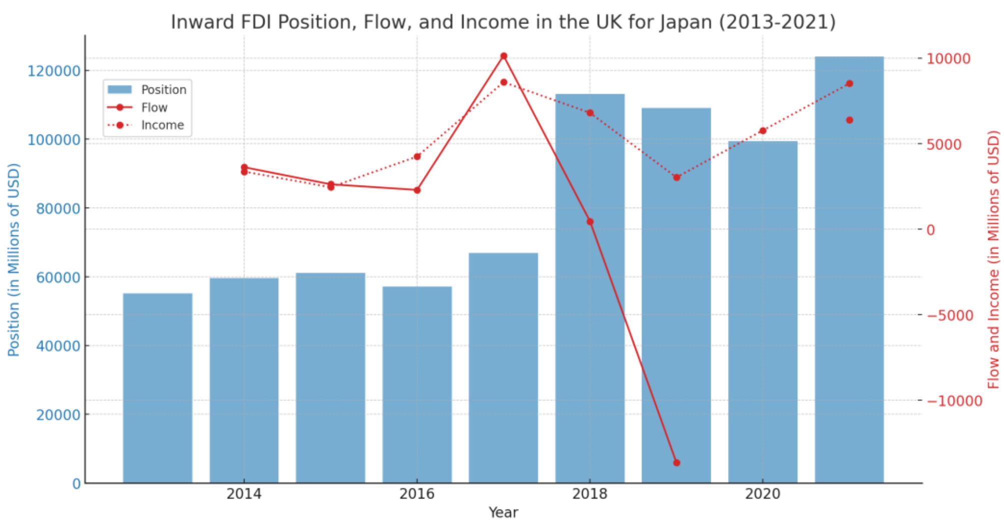

Figure XXV: *Inward FDI Position, Flow, and Income in the UK for Japan (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

Switzerland.

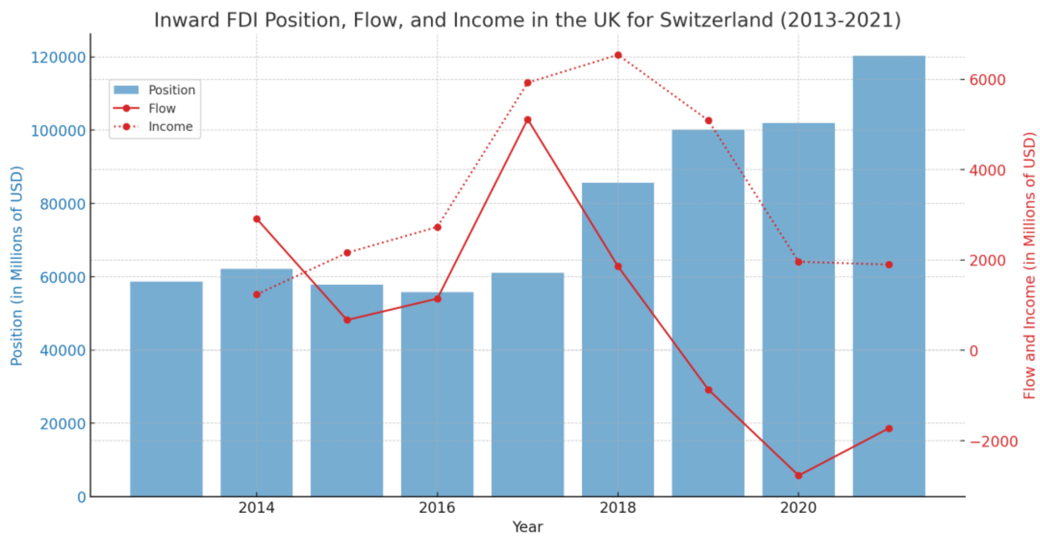

Figure XXVI: *Inward FDI Position, Flow, and Income in the UK for Switzerland (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

Cayman Islands.

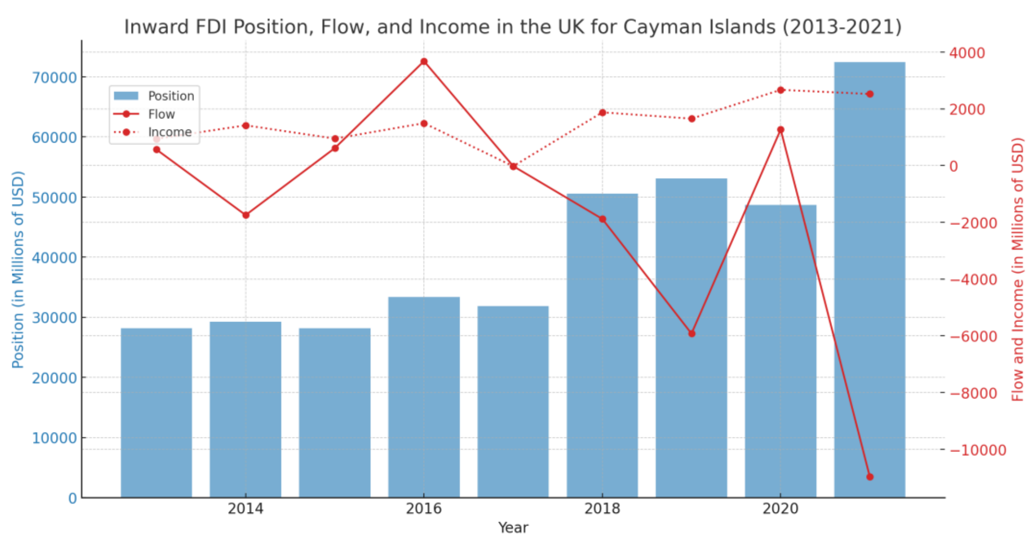

Figure XXVII: *Inward FDI Position, Flow, and Income in the UK for Cayman Islands (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration.

Bermuda.

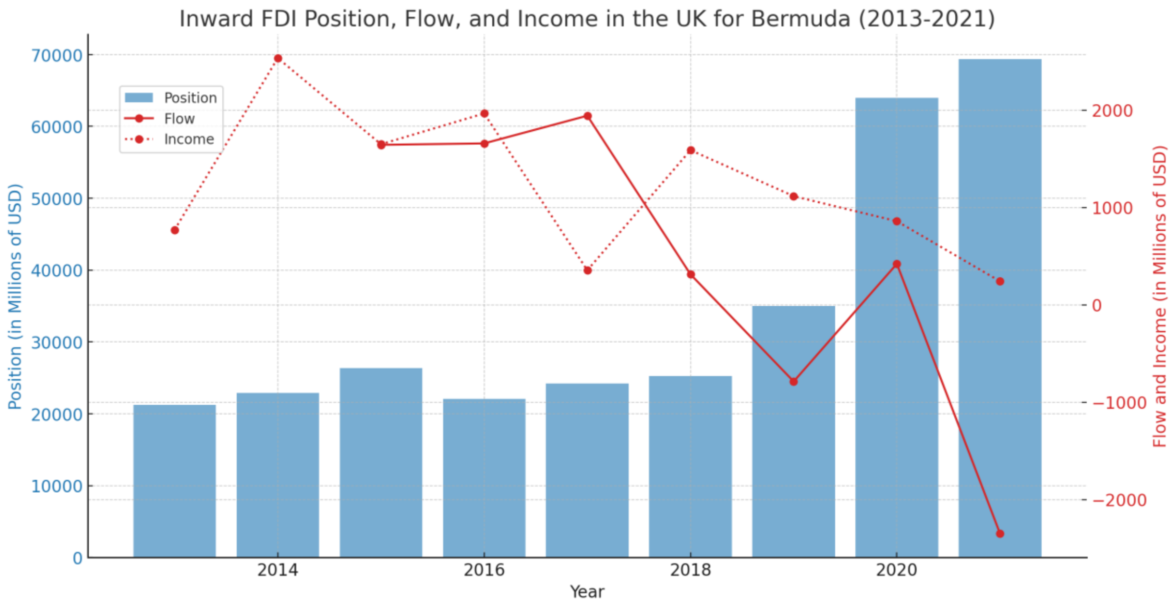

Figure XXVIII: *Inward FDI Position, Flow, and Income in the UK for Bermuda (2013-2021)* (Source: OECD International Direct Investment Statistics 2022; OECD Data Explorer, 2023; Author's own elaboration).

4. CROSS-BORDER MERGERS AND ACQUISITIONS IN THE UK.

4.1. Cross-Border M&A Sales: Sectoral and Industrial Analysis.

Cross-border M&A play a crucial role in shaping the global economy, reflecting underlying trends, technological advancements, regulatory changes, and broader economic conditions. Analysing the value of cross-border M&A sales across various sectors, we can identify specific rises and plummets and understand the impacts of major global events, including economic cycles, financial crises, and the COVID-19 pandemic.[111]

Although the ideal approach would be to analyse the case of the UK in particular, this has not been possible due to the high confidentiality of private transactions in terms of M&A, which none of the sources have disclosed. Neither the ONS, the OECD, nor UNCTAD, among others, provide specific data for such analysis. Therefore, we will limit this aspect of the study to the general trends of the world's total cross-border M&A. The UK is expected to align with these trends as well as with the larger FDI trends in the world that have been covered in previous points.

[111] This analysis draws on data from the UNCTAD cross-border M&A database, which is used in the World Investment Report 2023 and its web annex tables. The data presented on a net basis considers sales of companies in a host economy to foreign multinational enterprises (MNEs), excluding sales of foreign affiliates to other foreign MNEs and subtracting divestments (sales of foreign affiliates to domestic firms). Financial centres in the Caribbean are excluded from this data (UNCTAD, 2020). Using this data, several graphs have been plotted to illustrate and analyse trends over time across different sectors.

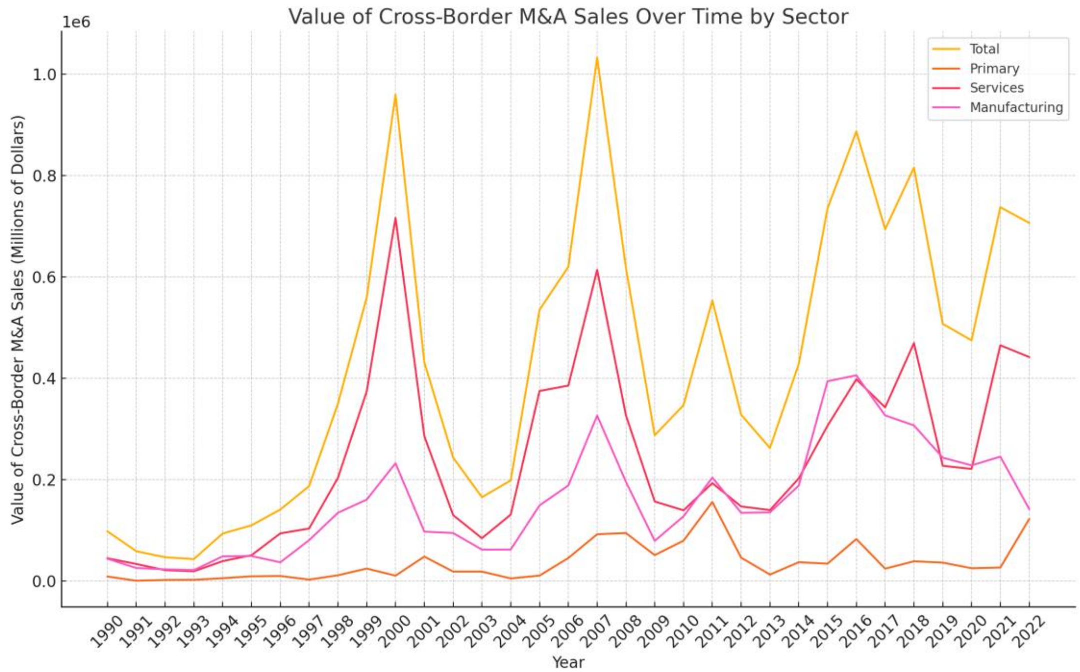

Figure XXIX: *Value of Cross-Border M&A Sales Over Time by Sector* (Source: UNCTAD cross-border M&A database; Author's own elaboration, based on data from Annex Table 09: Value of net cross-border M&A sales, by sector/industry, 1990-2022, 05 Jul 2023).

The overall value of cross-border M&A sales has shown significant fluctuations over the years, with noticeable peaks in the late 1990s, early 2000s, mid-2000s, and 2015. These trends indicate periods of high and low M&A activity influenced by various economic factors. For instance, there was a significant rise during the dot-com boom from 1998 to 2000, as companies sought to expand rapidly by acquiring technology firms. Similarly, the period leading up to the global financial crisis from 2005 to 2007 saw an increase driven by high liquidity and strong economic growth. Conversely, the dot-com bubble burst from 2000 to 2002 and the global financial crisis from 2008 to 2009 caused sharp declines in M&A activity due to economic uncertainty and a credit crunch. More recently, the COVID-19 pandemic initially caused a drop in M&A activity in early 2020 due to economic lockdowns and uncertainty.[112]

The primary sector, which includes industries such as agriculture, mining, and extractive industries, shows lower M&A values compared to others but has considerable variability. This sector experienced rises driven by rising commodity prices and increased investment in natural resources between 2005 and 2007. However, financial crises from 2008 to 2009 and falling commodity prices from 2014 to 2015 led to plummets in M&A activity.[113]

The services sector shows substantial growth and variability, reflecting the increasing importance of services in the global economy. Significant rises were observed during the dot-com boom from 1998 to 2000, with M&A activity in technology-related services, and in post-crisis recovery periods from 2013 to 2015 due to increased investment in technology, healthcare, and financial services. Conversely, the sector experienced declines following the dot-com bubble burst from 2000 to 2002 and the global financial crisis from 2008 to 2009.

The manufacturing sector displays strong peaks and valleys, influenced by technological advancements and shifts in global manufacturing trends. Increases were driven by global economic growth and investments in manufacturing capabilities from 2005 to 2007, and post-crisis recovery from 2013 to 2015. However, the sector faced declines during the financial crisis from 2008 to 2009 and temporary disruptions during the COVID-19 pandemic in 2020 due to global supply chain issues which forced the partial digitalisation of the sector.[114]

[112] UNCTAD. (2020). World investment report 2020: International production beyond the pandemic. Retrieved from https://unctad.org/system/files/official-document/wir2020_en.pdf

[113] PwC. (2015). Mine 2015: The gloves are off. Retrieved from https://www.pwc.com/ee/et/publications/pub/pwc-e-and-m-mining-report.pdf

[114] McKinsey & Company. (2020). The digital-led recovery from COVID-19. Retrieved from https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/the-digital-led-recovery-from-covid-19-five-questions-for-ceos

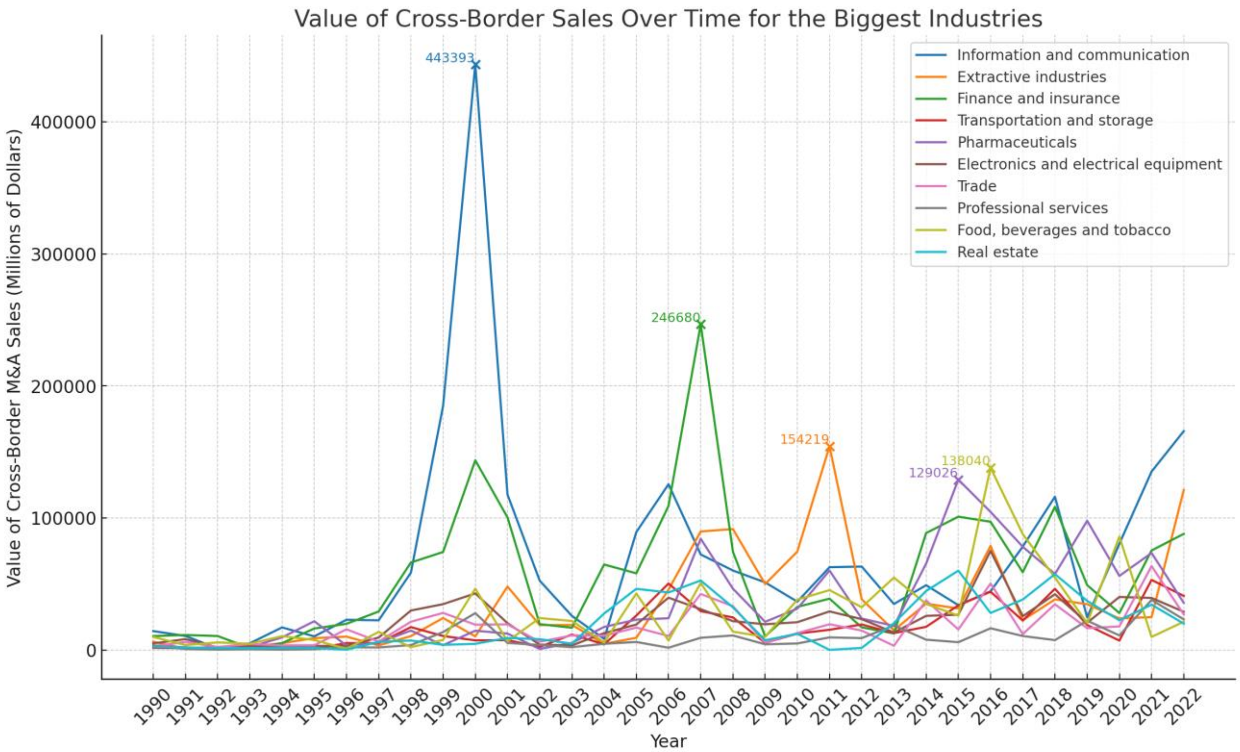

Figure XXX: *Value of Cross-Border M&A Sales Over Time for the Biggest Industries* (Source: UNCTAD cross-border M&A database; Author's own elaboration, based on data from Annex Table 09: Value of net cross-border M&A sales, by sector/industry, 1990-2022, 05 Jul 2023).

Specific peaks in major industries highlight notable trends. In 2000, the telecommunications industry saw a peak value of $443,393 million due to the dot-com boom, with a massive increase in M&A activity as companies sought to capitalise on the internet's growth and the expanding digital landscape. In 2015, the healthcare industry experienced a peak value of $246,680 million, driven by consolidation trends among hospitals, pharmaceutical companies, and insurance providers to improve efficiency and reduce costs, spurred by the implementation of the Affordable Care Act in the U.S.[115] The technology sector peaked in 2018 at $154,219 million, reflecting increased activity driven by digital

[115] Shepherd, J. (2018). Consolidation and innovation in the pharmaceutical industry: The role of mergers and acquisitions in the current innovation ecosystem. *Journal of Health Care Law and Policy, 21*(1), Article 2.

transformation, cloud computing, and artificial intelligence.[116] The financial services industry reached a peak of $138,040 million in 2007, attributed to the pre-financial crisis boom characterised by favourable market conditions and high liquidity. In 2013, the energy sector's peak of $129,026 million was driven by the need for companies to secure energy resources and expand their global footprint amid fluctuating oil prices and increased investment in renewable energy sources.[117]

[116] Alantra. (2020). *Trends driving sector M&A*. Retrieved from https://www.alantra.com/wp-content/uploads/2020/02/2019-Top-trends-H2-TMT_December-v41.pdf

[117] Ernst & Young. (2012). Power transactions and trends: Global power and utilities mergers and acquisitions. Retrieved from https://www.bigpowernews.ru/photos/47/47647_GhgFwB8DlhuAUIR3CNt5dFdHxeyuxuTi.pdf

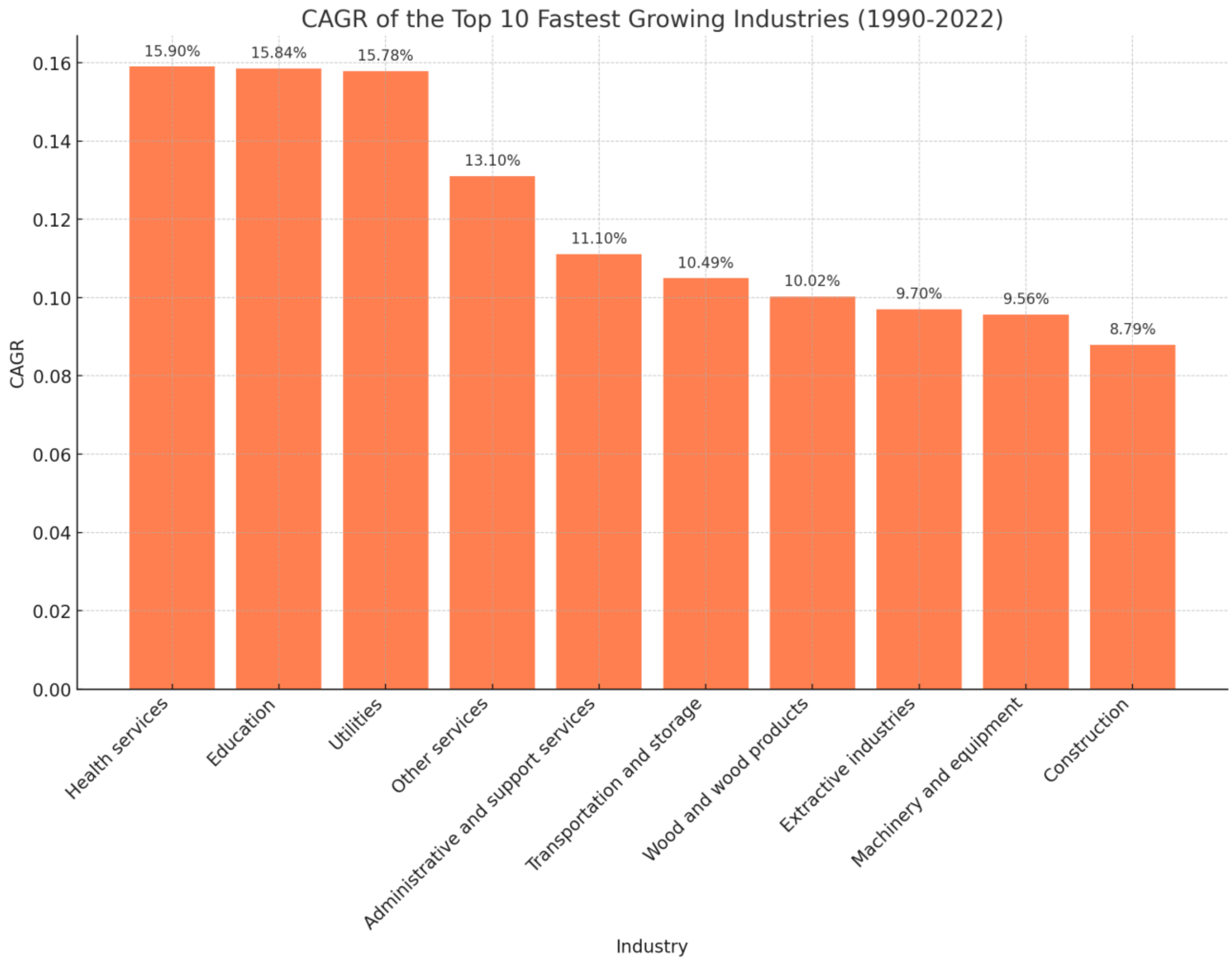

Figure XXXI: *CAGR of the Top 10 Fastest Growing Industries (1990-2022)* (Source: UNCTAD cross-border M&A database; Author's own elaboration, based on data from Annex Table 09: Value of net cross-border M&A sales, by sector/industry, 1990-2022, 05 Jul 2023).

The Compound Annual Growth Rate (CAGR) analysis reveals high growth rates in sectors such as health services, education, utilities, other services, and administrative support services, with CAGRs exceeding 10%. The fastest-growing sectors are primarily service-oriented, reflecting the global shift towards a service-based economy.[118] The rapid growth in technology-related sectors is driven by the digital revolution, increased adoption of technology, and the need for businesses to stay competitive. The pandemic further

[118] UNCTAD. (2020). World investment report 2020: International production beyond the pandemic. Retrieved from https://unctad.org/system/files/official-document/wir2020_en.pdf

accelerated digital transformation across industries.[119] The 2008 financial crisis initially slowed down M&A activity, but the subsequent recovery period saw increased growth as economies rebounded and companies sought strategic acquisitions to strengthen their market positions.[120] The COVID-19 pandemic led to temporary declines in some sectors but spurred growth in others like healthcare, technology, and e-commerce as businesses adapted to new demands and operational challenges.[121] Trade tensions, regulatory changes, and political developments have also influenced M&A activity and growth in various sectors. For instance, trade wars and Brexit created uncertainty but also opportunities for strategic M&A.[122]

The services sector, including health services, education, administrative support services, and other services, is the fastest-growing, reflecting the increasing importance of the service economy in global growth.[123] The utilities sector shows significant growth, driven by infrastructure investments and the shift towards sustainable energy. While not among the absolute fastest-growing sectors, certain sub-sectors within manufacturing, such as technology and machinery, show substantial growth due to innovation and technological advancements.[124]

In conclusion, cross-border M&A sales are influenced by a myriad of factors including economic cycles, technological advancements, regulatory changes, and major global events. The dot-com boom and bust, global financial crisis, and COVID-19 pandemic have all played significant roles in shaping the M&A landscape across different sectors.

[119] McKinsey & Company. (2020). The digital-led recovery from COVID-19. Retrieved from https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/the-digital-led-recovery-from-covid-19-five-questions-for-ceos
[120] Deloitte. (2018). *The beginning of a new M&A season: Future of the deal*. Retrieved from https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/finance/ch-en-finance-future-of-the-deal.pdf
[121] Alantra. (2020). Trends driving sector M&A. Retrieved from https://www.alantra.com/wpcontent/uploads/2020/02/2019-Top-trends-H2-TMT_December-v41.pdf
[122] KPMG. (2020). *Pursuing opportunities amid uncertainty*. Retrieved from https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2020/03/consumer-and-retail-m-and-a-trends-2020-pursuing-opportunities-amid-uncertainty.pdf
[123] UNCTAD. (2020). World investment report 2020: International production beyond the pandemic. Retrieved from https://unctad.org/system/files/official-document/wir2020_en.pdf
[124] Deloitte. (2020). *2020 Manufacturing Industry Outlook.* Retrieved from https://www2.deloitte.com/content/dam/Deloitte/us/Documents/energy-resources/2020-manufacturing-industry-outlook.pdf

Understanding these trends and their underlying causes provides valuable insights into the dynamics of the global economy and the strategic decisions of multinational corporations.

4.2. Evolution of Inbound M&A Dynamics in the UK: Pre-Brexit Era.

The period from 1985 to 2016 saw significant developments in the landscape of M&A in the UK, particularly in the realm of inbound transactions. Inbound M&A, where foreign companies acquire UK businesses, has shown a remarkable upward trend, highlighting the UK's attractiveness as a destination for foreign investment. By examining the provided graphs, we can gain insights into the evolving trends and underlying factors driving these changes in the pre-Brexit era.

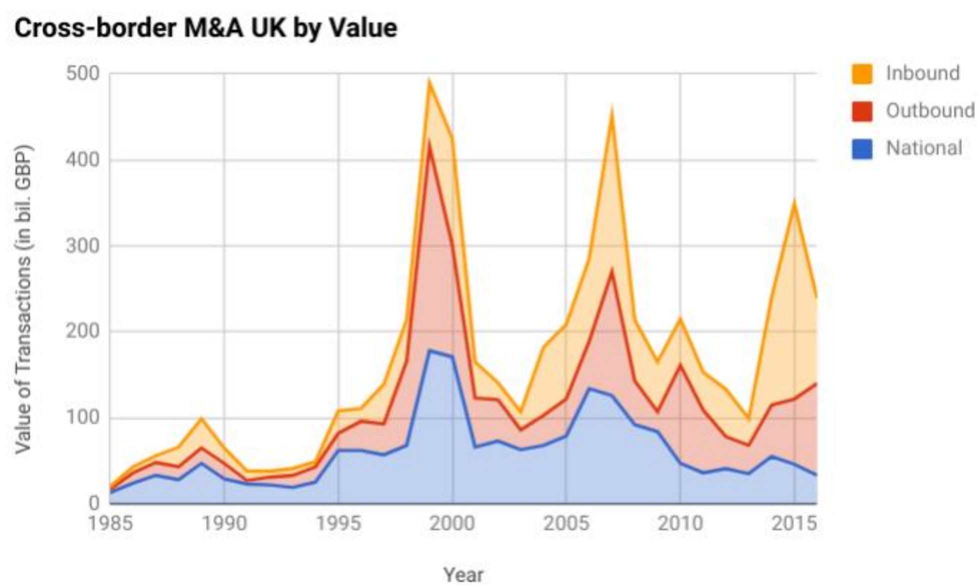

Figure XXXII: *Cross-border M&A UK by Value. (*Source: Institute of Mergers, Acquisitions and Alliances (IMAA), 2024).[125]

[125] Institute of Mergers, Acquisitions and Alliances (IMAA). (2024). *Cross-border M&A UK by Value*. Retrieved from https://imaa-institute.org/mergers-and-acquisitions-statistics/united-kingdom-ma-statistics/

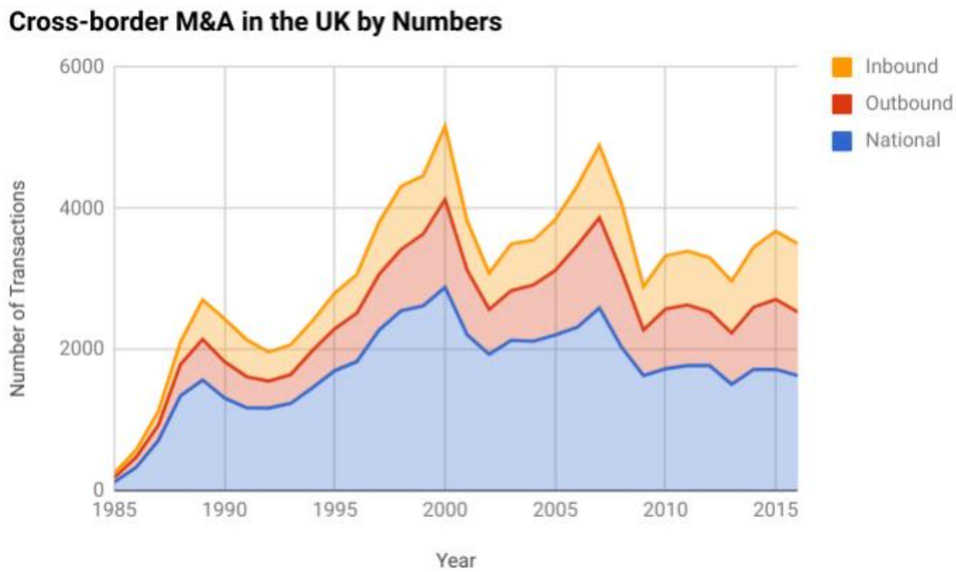

Figure XXXIII: *Cross-border M&A in the UK by Numbers* (Source: Institute of Mergers, Acquisitions and Alliances - IMAA, 2024).[126]

Inbound transactions, representing foreign companies acquiring UK businesses, have shown a consistent increase in both value and volume over the years. The significant peaks in inbound transaction values and numbers around the late 1990s, mid-2000s, and early to mid-2010s suggest periods of heightened foreign interest. These peaks are likely driven by the UK's stable legal environment, robust financial markets, and strategic economic position. This trend signifies the UK's role as a key player in the global M&A market, consistently drawing significant foreign investment.[127]

The graphs representing the value and numbers of inbound M&A transactions in the UK from 1985 to 2016 reveal three distinct peaks. These peaks can be analysed to understand

[126] Institute of Mergers, Acquisitions and Alliances (IMAA). (2024). *Cross-border M&A in the UK by Numbers*. Retrieved from https://imaa-institute.org/mergers-and-acquisitions-statistics/united-kingdom-ma-statistics/

[127] Imai, K., & Meier, C. (2016). *Cross-Border M&A Statistics*. IMAA Institute. Retrieved from https://imaa-institute.org/mergers-and-acquisitions-statistics/united-kingdom-ma-statistics/

the underlying factors and economic conditions that drove these spikes in foreign investments.

- First Peak: Late 1990s to Early 2000s.

The first significant peak in the value of inbound transactions occurs around the late 1990s to early 2000s. This period was characterised by a robust global economy, the rise of the internet, and the dot-com boom. Technological advancements and high market optimism drove significant investments across borders.[128] Foreign investors found the UK market attractive due to its established financial infrastructure, stable political environment, and strategic location in Europe. Major deals during this period included high-profile acquisitions in the technology and telecommunications sectors, which were booming at the time. Corresponding to the value peak, the number of inbound transactions also saw a sharp increase, reflecting widespread investor confidence and the eagerness of foreign firms to establish or expand their presence in the UK market during the economic upswing.

- Second Peak: Mid-2000s.

The second peak occurs around 2007-2008, just before the global financial crisis. This period saw significant liquidity in the markets, driven by favourable credit conditions and high investor confidence. The UK remained an attractive destination for foreign investments due to its strong legal framework, open market policies, and leading position in various industries such as finance, real estate, and retail.[129] The peak value can be attributed to several large-scale transactions, including acquisitions in the financial services sector, as firms sought to consolidate and expand their market share. The number of inbound

[128] Bain & Company. (2016). *The renaissance in mergers and acquisitions: The surprising lessons of the 2000s*. Retrieved from https://www.bain.com/insights/the-renaissance-in-mergers-and-acquisitions/

[129] WilmerHale. (2008). *2008 M&A Report*. Retrieved from file:///home/chronos/u-f3f12bb24cd744cb9243657b3ce76850b7ae2a23/MyFiles/Downloads/2008_MA_report.pdf

transactions also peaked during this period, reflecting the overall high M&A activity in the global market. This peak in numbers indicates that not only were large deals taking place, but there was also a significant volume of smaller transactions, contributing to the overall peak.

- Third Peak: Early to Mid-2010s.

The third peak in inbound transaction value is observed around 2015-2016. This period marks a recovery phase following the global financial crisis, where markets had stabilised, and investor confidence had returned.[130] Factors contributing to this peak include low-interest rates, which made financing large deals more attractive, and the depreciation of the British pound, which made UK assets cheaper for foreign investors. High-value deals in this period were seen across various sectors, including pharmaceuticals, technology, and consumer goods, as foreign firms capitalised on growth opportunities and favourable market conditions. The number of inbound transactions during this period also shows a peak, aligning with the value peak. The increase in the number of transactions reflects a broad-based recovery and growing interest from foreign investors in diversifying their portfolios and entering the UK market.

[130] Dhingra, S., Ottaviano, G., Sampson, T., & Van Reenen, J. (2016). The impact of Brexit on foreign investment in the UK. Centre for Economic Performance, LSE.

4.3. Brexit's Impact on British Cross-Border M&A: Analysis in Four Stages.

4.3.1. Brexit Announcement.

The announcement of the Brexit referendum in 2015 created immediate uncertainty in the UK M&A market, particularly concerning inbound M&A. Despite these concerns, the market showed resilience in the short term. While there was an initial dip in activity, the long-term impact was less severe than anticipated because many M&A transactions were governed by UK-specific regulations rather than EU laws, insulating them from immediate disruption.[131] The announcement caused some M&A plans to be put on hold as investors adopted a "wait and see" approach.[132] In the immediate aftermath, inbound M&A activity saw a mixed response with a notable inward M&A deal, the acquisition of Sky Plc by Comcast Corporation for £33.3 billion in 2018.[133]

4.3.2. Referendum and Voting Result.

The actual referendum in June 2016, which resulted in a vote to leave the EU, had a more pronounced effect on the inbound M&A market. The value of the British pound plummeted, making UK assets cheaper for foreign investors, leading to a surge in inbound M&A activity. This depreciation spurred a flurry of inbound M&A as foreign investors sought to capitalise on lower asset prices. However, there was also a notable increase in

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[131] Simmons & Simmons. (2018). *Brexit: The implications for M&A and corporate*.

[132] Deloitte. (2021). *Plotting a new course: The impact of Brexit on M&A activity. Institute for Mergers, Acquisitions, and Alliances*.

[133] Office for National Statistics. (2019). *Mergers and acquisitions involving UK companies: October to December 2018*. Retrieved from https://www.ons.gov.uk/businessindustryandtrade/changestobusiness/mergersandacquisitions/bulletins/mergersandacquisitionsinvolvingukcompanies/oktober2018

uncertainty, leading to the postponement or cancellation of some high-profile deals, such as the GBP 2.9 billion takeover of Intu Properties.[134] Despite the initial concerns, the overall M&A activity did not decline as significantly as expected due to the strategic importance of UK businesses and the opportunities presented by the weakened currency.[135]

Inward M&A activity in the years following the referendum showed significant fluctuations. The total value of inward M&A transactions in 2018 was £71.1 billion, significantly higher than the £35.2 billion in 2017 but lower than the £190.0 billion in 2016, largely due to high-value acquisitions such as Comcast's acquisition of Sky Plc.[136]

Figure 1a: Value of inward M&A transactions involving UK companies, Quarter 1 (Jan to Mar) 2015 to Quarter 4 (Oct to Dec) 2018

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[134] Dial Partners. (2021). *The impact of Brexit on UK and European M&A activity*.

[135] Macfarlanes. (2022). *The impact of Brexit on UK M&A.*

[136] Office for National Statistics. (2019). *Mergers and acquisitions involving UK companies: October to December 2018*. Retrieved from https://www.ons.gov.uk/businessindustryandtrade/changestobusiness/mergersandacquisitions/bulletins/mergersandacquisitionsinvolvingukcompanies/oktober2018

Figure XXXIV: *Value of inward M&A transactions involving UK companies, Quarter 1 (Jan to Mar) 2015 to Quarter 4 (Oct to Dec) 2018* (Source: Office for National Statistics - Mergers and Acquisitions Survey, 2018).[137]

4.3.3. Negotiations and Final Brexit.

The prolonged Brexit negotiations and the eventual finalisation of Brexit in January 2021 introduced a new set of challenges. The implementation of the EU-UK Trade and Cooperation Agreement (TCA) provided some clarity, but the new regulatory landscape created hurdles for cross-border M&A. Regulatory changes, such as the introduction of the UK's National Security and Investment Bill, added layers of complexity to inbound investments. This bill introduced mandatory notifications for acquisitions in sensitive sectors, which could delay or block some transactions.[138]

Despite these challenges, the M&A market showed resilience. The TCA's conclusion and the final Brexit deal removed significant uncertainty, which had previously acted as a barrier. This newfound clarity led to a resurgence in M&A activity, particularly from US investors who saw strategic opportunities in the UK market (Macfarlanes, 2022). The resolution of uncertainty post-Brexit allowed for a more robust M&A environment, as businesses could plan with greater confidence.

4.3.4. Aftermath and Current State.

Post-Brexit, the UK M&A market has adapted to the new normal. The market has remained robust, albeit with some fragility due to ongoing regulatory adjustments and the

[137] Office for National Statistics. (2018). *Value of inward M&A transactions involving UK companies, Quarter 1 (Jan to Mar) 2015 to Quarter 4 (Oct to Dec) 2018*. Retrieved from https://www.ons.gov.uk/businessindustryandtrade/changestobusiness/mergersandacquisitions/bulletins/mergersandacquisitionsinvolvingukcompanies/octobertodecember2018

[138] Debevoise. (2021). *Post-Brexit M&A in the UK and Europe*.

impact of the COVID-19 pandemic. The UK continues to be a highly attractive destination for M&A, with significant interest from American private equity firms. The number of mega deals surged in early 2024 indicate a strong recovery trend.[139]

The UK's strategy of maintaining an open economy, coupled with the depreciated currency, continues to attract foreign investors. However, the new regulatory environment, including the need for dual compliance with both UK and EU regulations, presents ongoing challenges. This complexity has led to increased transaction times and higher costs, but the overall market sentiment remains positive as investors have adjusted to the new landscape.[140][141] The value of inward M&A transactions in Q1 2023 was £12.7 billion, an increase from the previous quarter but still indicative of the ongoing volatility in the market.[142]

[139] Bayes Business School. (2024). *Embracing uncertainty: Explaining the surprisingly resilient UK M&A market*.

[140] Macfarlanes. (2022). *The impact of Brexit on UK M&A.*

[141] Dial Partners. (2021). *The impact of Brexit on UK and European M&A activity*.

[142] Office for National Statistics. (2023). *Mergers and acquisitions involving UK companies: January to March 2023*. Retrieved from https://www.ons.gov.uk/businessindustryandtrade/changestobusiness/mergersandacquisitions/bulletins/mergersandacquisitionsinvolvingukcompanies/januarytomarch2023

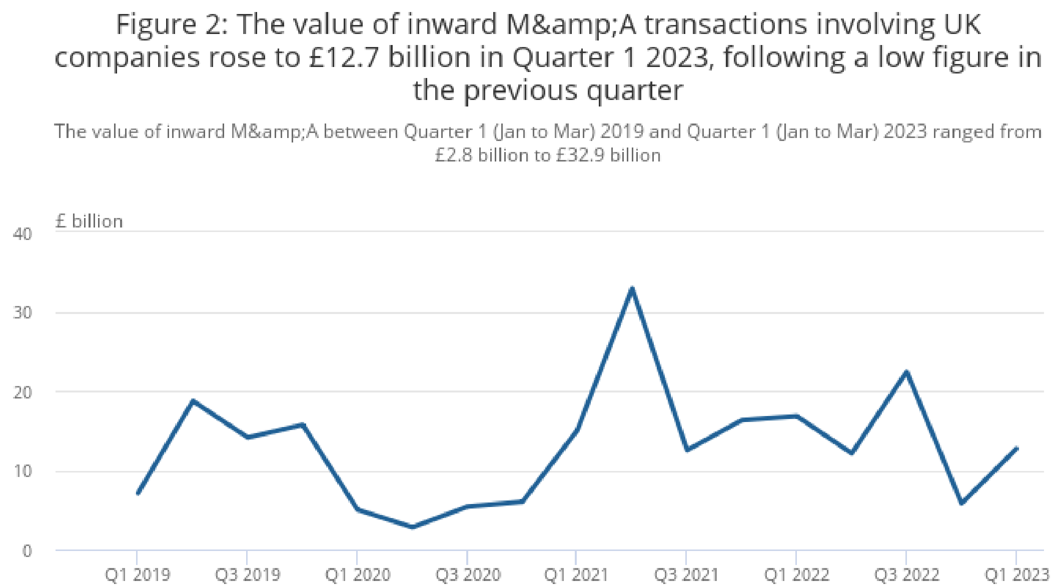

Figure XXXV: *The value of inward M&A transactions involving UK companies rose to £12.7 billion in Quarter 1 2023, following a low figure in the previous quarter* (Source: Mergers and Acquisitions Survey from the Office for National Statistics, 2023).[143]

[143] Office for National Statistics. (2023). *The value of inward M&A transactions involving UK companies rose to £12.7 billion in Quarter 1 2023, following a low figure in the previous quarter*. Retrieved from https://www.ons.gov.uk/businessindustryandtrade/changestobusiness/mergersandacquisitions/bulletins/mergersandacquisitionsinvolvingukcompanies/octobertodecember2023

5. CONCLUSIONS.

5.1. Summary of Findings.

The United Kingdom has long been a significant player in the global economy, attracting substantial Foreign Direct Investment and facilitating numerous cross-border mergers and acquisitions. The strategic importance of understanding the dynamics of FDI and M&A in the UK is underscored by the nation's historical role as a global commerce hub, its advanced financial markets, and its resilient economic infrastructure. This study aims to delve into the global trends of FDI, the UK's position in the world economy, and the specific impact and evolution of cross-border M&A activities within the UK. By examining these aspects, we can gain valuable insights into the factors driving investment flows and the strategic adjustments required in the face of economic challenges such as Brexit and the COVID-19 pandemic.

5.1.1. Conclusions on Global Trends in FDI.

Global trends in FDI have shown significant fluctuations and shifts in recent years, influenced by a multitude of factors including geopolitical developments, economic policies, and technological advancements. The overall global FDI flows have experienced variability, with a notable decline during the COVID-19 pandemic due to economic disruptions and uncertainty. However, there has been a gradual recovery as economies adapt and stabilise. Developed economies, particularly in North America and Europe, continue to attract substantial FDI, driven by their stable political environments, advanced infrastructures, and robust legal frameworks. In contrast, developing economies, especially in Asia and Africa, are emerging as attractive FDI destinations due to their growing markets, improving business climates, and increasing integration into global value chains. Sector-specific trends reveal a growing emphasis on technology, renewable energy, and infrastructure, reflecting global priorities such as digital transformation and sustainable development. The rise in greenfield investments and cross-border mergers and acquisitions indicates a strategic focus on expanding market presence and acquiring technological capabilities. As global economic conditions evolve, understanding these trends is crucial for investors and policymakers aiming to leverage FDI for economic growth and development.

5.1.2. UK's Position in the World Economy.

The United Kingdom holds a prominent position in the global economy, underpinned by its status as a leading financial hub, its robust legal and regulatory framework, and its historical significance as a centre of trade and commerce. As an attractive destination for FDI, the UK benefits from its strategic location, skilled workforce, and advanced infrastructure. London's dominance as a global financial centre attracts substantial investment in financial services, while the country's commitment to innovation draws significant FDI into technology and renewable energy sectors. Despite challenges posed by Brexit and the COVID-19 pandemic, the UK has maintained its appeal to investors through strategic economic policies and continued integration with global markets. Comparative analyses reveal that the UK remains competitive with other major FDI destinations, often outperforming European counterparts in terms of investment inflows and economic stability. The diversified nature of the UK's economy, coupled with its proactive approach to regulatory adjustments and international trade agreements, ensures its resilience and sustained attractiveness in the ever-evolving global economic landscape.

5.1.3. Cross-Border Mergers and Acquisitions in the UK.

Cross-border M&A play a pivotal role in the United Kingdom's economic landscape, driving significant investment and facilitating strategic business realignments. The UK's open economy, favourable business environment, and sophisticated financial markets make it a prime target for M&A activities. Sectoral and industrial analysis reveals that financial services, technology, and renewable energy are particularly attractive to foreign investors. Pre-Brexit, the UK experienced robust inbound M&A dynamics, with notable activity from North American and European firms seeking to capitalise on the UK's market potential and strategic advantages. The Brexit announcement and subsequent referendum introduced a period of uncertainty, impacting investor confidence and leading to a temporary slowdown in M&A activities. However, as negotiations concluded and the post-Brexit regulatory environment became clearer, the M&A landscape began to stabilise. Recent trends indicate a resurgence in cross-border M&A, driven by strategic acquisitions in high-growth sectors and the depreciated pound making UK assets more attractive. The aftermath of Brexit continues to shape the M&A environment, but the UK's strong legal framework, innovative industries, and global business connectivity underpin its ongoing appeal for cross-border mergers and acquisitions.

5.2. Contributions to the Field.

This study contributes to the field by providing a detailed analysis of the factors influencing FDI and M&A in the UK, offering practical insights for strategic decision-making. The limitations of this research, such as the reliance on secondary data and the rapidly changing global economic environment, suggest the need for ongoing investigation and adaptation to new developments. As the global economy continues to evolve, the UK's proactive strategies and robust investment climate position it favourably for future growth, reinforcing its status as a premier destination for foreign investors.

5.3. Limitations and Future Research.

Despite its thorough analysis, this study on FDI and cross-border M&A in the United Kingdom has several limitations. Primarily, the research relies heavily on secondary data sources, which may not fully capture the most recent trends and subtle market dynamics. There is also a challenge in the consistency and reliability of the data, as information from different sources can vary significantly. Furthermore, the newest data available is typically only up to two years old, limiting the study's ability to reflect the most current developments. The nature of FDI and M&A activities often involves confidential and private transactions, resulting in incomplete data availability and potential gaps in the analysis. Additionally, the rapidly changing global economic environment, influenced by unforeseen events such as political shifts, economic policies, and global health crises, poses a challenge in maintaining the study's relevance over time. The analysis may also be limited by the availability and accuracy of data from different regions and sectors, potentially affecting the generalisability of the findings. Furthermore, the study's focus on certain key sectors might overlook other emerging industries that could play a significant role in the UK's FDI and M&A landscape.

Future research should consider integrating primary data collection methods, such as surveys and interviews with industry experts, to provide a more nuanced and up-to-date understanding of the investment climate in the UK. Additionally, expanding the scope to include a broader range of sectors, including emerging industries like biotechnology, artificial intelligence, and green technologies, would offer a more comprehensive view. Investigating the long-term impacts of recent regulatory changes and global economic shifts on FDI and M&A activities in the UK could provide valuable insights for policymakers and investors. Moreover, analysing the role of regional policies and their effectiveness in attracting FDI could offer a more detailed perspective on regional disparities within the UK.

Additionally, future studies should delve into the cultural differences in FDI and M&A processes, examining how cultural factors influence negotiation strategies, integration success, and overall outcomes. Analysing these activities on an individual country basis, with detailed case studies, could provide deeper insights into the specific challenges and opportunities faced by different nations. Also, cross-referencing data with multiple sources, including international organisations, academic publications, and industry reports, will enhance the reliability and comprehensiveness of the analysis. Finally, exploring the influence of corporate governance practices on cross-border M&A success rates could add depth to the understanding of international business dynamics and contribute to more effective strategic planning.

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7. APPENICES.

Appendix A: Acronym Glossary.

- BOP: *Balance of Payments*
- BRICS: *Brazil, Russia, India, China, South Africa*
- CAGR: *Compound Annual Growth Rate*
- CBI: *Confederation of British Industry*
- DIT: *Department for International Trade*
- EIM: *European Investment Monitor*
- ESG: *Environmental, Social, and Governance*
- EU: *European Union*
- FDI: *Foreign Direct Investment*
- GDP: *Gross Domestic Product*
- GVC: *Global Value Chain*
- HSR: *Hart-Scott-Rodino (Act)*
- ICADE: *Instituto Católico de Administración y Dirección de Empresas*
- ICT: *Information and Communication Technology*
- IIF: *Institute of International Finance*
- IMAA: *Institute of Mergers, Acquisitions and Alliances*
- IMF: *International Monetary Fund*
- IIP: *International Investment Position*
- IRENA: *International Renewable Energy Agency*
- M&A: *Mergers and Acquisitions*
- MNE: *Multinational Enterprise*
- NSI: *National Security and Investment*
- OECD: *Organisation for Economic Co-operation and Development*
- ONS: *Office for National Statistics*
- SDG: *Sustainable Development Goals*
- UK: *United Kingdom*
- UNCTAD: *United Nations Conference on Trade and Development*

- US: *United States*
- USD: *United States Dollar*
- WEF: *Water-Food-Energy (Nexus)*
- WIR: *World Investment Report*

Appendix B: Literature Review

B.1. Concept of Foreign Direct Investment.

B.1.1. Definition and Theoretical Framework.

There are two main types of foreign investment: FDI and non-direct investment, also known as portfolio investment. FDI occurs when a company, multinational corporation, or individual acquiring assets or obtaining ownership in a foreign businesses. Alternatively, non-direct investment, also referred to as foreign portfolio investment, ethe purchase of stakes in companies on a foreign stock exchange without the aim of gaining control. Typically, this kind of investment is short-term and seeks to take advantage of positive shifts in exchange rates or interest rates.

FDI is defined and understood within a conceptual framework established by the International Monetary Fund (IMF). This framework is evident in the Balance of Payments (BOP) and the International Investment Position (IIP). The BOP is a statistical statement that efficiently summarises the economic transactions of an economy with the rest of the world over a specific time period. In contrast, the IIP calculates the worth of all financial assets and liabilities at a specific point in time, typically at the end of a year, according to the standard components of the BOP.[144]

As per the IMF and the Organisation for Economic Co-operation and Development (OECD), FDI represents the aim of acquiring a long-term stake in a business located in a different economy. This "lasting interest" suggests a commitment to a long-term partnership and a substantial level of influence over the company's management by the investor.

The World Bank offers an additional perspective on FDI, describing it as the net inflow of investment aimed at acquiring a significant management interest in an enterprise operating in a different economy. FDI includes the total amount of equity capital,

[144] Duce, M. (2003). Definitions of Foreign Direct Investment (FDI): A methodological note. Banco de España.

reinvestment of earnings, other long-term capital, and short-term capital as documented in the BOP. This metric represents the overall net FDI in the reporting economy, taking into account both inflows and outflows. The data is usually reported in current U.S. dollars.[145]

FDI encompasses the initial transaction that establishes the connection between the investor and the enterprise, as well as all subsequent capital transactions among them and affiliated enterprises, regardless of their legal status. It is important to record all capital transactions, including the exchange of shares among affiliated companies, in the BOP and IIP.

According to the IMF's BOP Manual, Fifth Edition, there is a guideline that states when a non-resident entity owns 10% or more of a company's capital, it is considered direct investment. The threshold for FDI is not set in stone, as smaller percentages can sometimes indicate control, while larger percentages may not necessarily do so. As a professional advisor, the IMF suggests using a 10% threshold as a practical way to distinguish between direct investment and portfolio investment.

When a non-resident entity that previously had no ownership in a resident enterprise acquires 10% or more of its shares, this transaction is classified as direct investment. All additional capital transactions between the two entities are also documented as direct investment. On the other hand, if a non-resident who initially held less than 10% of an enterprise's shares as portfolio investment decides to acquire more shares and ends up owning 10% or more, only the purchase of those additional shares is considered direct investment. The holdings that were acquired earlier are not reclassified in the BOP, but they are reclassified in the IIP.

Understanding cross-border investment activities requires a close examination of FDI flows and stocks, which serve as important metrics in this context. FDI flow quantifies the volume of FDI conducted during a specific timeframe, usually on an annual basis. It encompasses both inflows (investments into a country) and outflows (investments from a country into others). This metric provides valuable insights into emerging investment patterns

[145] World Bank. (2024). *Foreign direct investment, net inflows (BoP, current US$)*. International Monetary Fund, Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources.

and the current state of the economy in the short term. On the other hand, FDI stock or position captures the overall value of FDI at a specific moment, encompassing previous investments and subtracting any disinvestments. Position offers a holistic perspective on a nation's overall investment status and the lasting effects of international investments while flow provides valuable information on recent changes and trends. On the other hand, examining FDI position gives us a broader perspective on the investment climate and economic integration over time. This helps us understand the extent of foreign ownership and control within a country's economy. Finally, FDI income FDI income refers to the earnings generated by foreign direct investments, including profits, dividends, interest, and other returns on investment, accruing to the investors from their overseas assets.

B.1.2. Classifications of FDI and Investor Profiles.

In order to gain a comprehensive understanding of the nature and effects of FDI, it is essential to acknowledge the different classifications that can be applied to it. Various classifications of FDI offer valuable insights into the investors, their investments, the structure of the enterprises, and the strategic motives driving these investments.

The classification framework utilised in this analysis adheres to the guidelines outlined in the OECD Benchmark Definition of FDI. This document, published by the OECD, sets forth globally recognised standards for defining and measuring FDI, ensuring that FDI statistics can be compared and consistent across countries.

i) Classification by market entry methods:

Initially, with regard to methods of market entry, greenfield and brownfield investments, as well as joint ventures, are the three principal types of FDI. The manner in which investors penetrate a foreign market can have a substantial impact on the operations and results of their investments.

- Greenfield investments involve the construction of entirely new facilities or operations in a foreign nation. This approach facilitates absolute authority over the investment and enables the development of operations in accordance with the investor's particulars. Nonetheless, there are increased costs and hazards associated with establishing a new business.

- Brownfield investments, alternatively referred to as M&A, encompass the process of foreign ownership transitioning existing assets. This approach allows investors to establish a rapid presence in the foreign market by utilising pre-existing infrastructure and customer networks. While it frequently entails integration difficulties, it can be a quicker and occasionally less hazardous method of market entry than greenfield investments.

- Joint ventures involve partners from abroad working together to establish a novel enterprise. Joint ventures provide shared risks and benefits by combining the resources and competencies of both participants. By capitalising on local networks and knowledge and navigating local regulations and market conditions, this strategy is advantageous.

ii) Classification by investment structure and purpose:

FDI can be categorised according to its investment objective and organisational framework. This categorisation encompasses horizontal, vertical, platform, and conglomerate FDI.

- Horizontal FDI, which encompasses investments overseas in the same industry as the one in which the investor operates in domestically. This form of FDI facilitates the expansion of enterprises' market presence and allows them to utilise their current skills in untapped areas.

- Vertical FDI refers to investments made at various stages of the industrial process. This category can be further subdivided into backward and forward vertical investment. Backward Vertical FDI involves investing in an industry that supplies the investor's domestic manufacturing processes, ensuring the stability of supply chains. Conversely, forward Vertical FDI consists in investing in an industry that relies on the products produced by the investor's domestic manufacturing processes. This type of investment helps in managing distribution channels and delivering the final product.

- Platform FDI is the expansion of a firm to a foreign nation with the purpose of exporting the manufactured goods to a third country. FDI is commonly observed in free-trade zones, where corporations may take advantage of favourable trade agreements and reduced manufacturing expenses in the host nation while exporting goods to other markets.

- Conglomerate FDI refers to the act of investing in a foreign nation by acquiring a company that works in a different industry than the investor's primary business. This form of FDI enables enterprises to expand their investment portfolio and access new markets, therefore mitigating risk by distributing it across other industries.

iii) Classification by control and ownership of invested enterprises:

The ownership and control structure of the enterprises in which FDI is made can have a substantial effect on its characteristics and consequences. The extent to which a foreign investor exercises authority over the enterprise is determined by these structures, which may also influence financial outcomes, operational control, and strategic decision-making. The three primary structures are as follows.

- Subsidiaries refer to incorporated entities in which a foreign investor exercises control over an excess of 50% of the voting power of the shareholders. The parent company can exert considerable influence over the subsidiary's operations, strategic direction, and decision-making processes by virtue of holding majority control. By maintaining the subsidiary's legal autonomy, this framework facilitates a significant degree of integration with the parent company's global strategy.

- Associates are businesses owned by the direct investor and its subsidiaries, who hold a voting share control ranging from 10% to 50%. Although the investor does not possess absolute power, this degree of ownership grants considerable sway over the functioning of the business. Associates frequently adopt a collaborative approach, which enables foreign investors to have a say in significant strategic decisions while avoiding unilateral control. This promotes the development of partnerships and joint decision-making.

- Branches are unincorporated enterprises that operate as extensions of the parent corporation and are wholly or jointly owned. By virtue of not being legally distinct entities, branches provide a significant degree of oversight and alignment with the strategic objectives of the parent company. In contrast, their operational and legal autonomy is generally diminished in comparison to that of subsidiaries. This organisational framework facilitates the parent company's direct supervision and control, yet concurrently renders the parent company directly responsible for the activities and commitments of the branch.

B.2. Concept of Cross-Border Mergers and Acquisitions.

B.2.1. Definition and Types.

Cross-border M&A are a specific mode of FDI, categorised as brownfield investments. These transactions involve acquiring or merging with an existing company in a foreign country, which distinguishes them from greenfield investments where a company builds new operations from the ground up. This strategy leverages pre-existing assets, facilities, and customer bases, potentially offering quicker market entry and reduced initial risks compared to starting a new venture.

According to the OECD, cross-border M&A involves companies from different home countries where an operating enterprise acquires control over all or part of another company. This process plays a critical role in the globalisation of industries, reshaping the international business landscape by facilitating significant shifts in industry control and market influence. It is a dominant form of FDI, often preferred over greenfield investments due to the strategic advantages of integrating with or acquiring established businesses with valuable intangible assets such as technology, brand names, and human resources.

Cross-border M&As can be further subcategorised by various criteria, similar to other types of FDI as explained on point B.1.2.

B.2.2. Overview of an M&A Process.

The process of cross-border M&A, as detailed by Zhu and Huang (2007), involves three critical stages: identification and evaluation of potential targets, due diligence, negotiation, and post-merger integration.[146] Each stage is fraught with challenges, particularly those arising from cultural differences. The importance of cultural integration must be acknowledged in this process as a key to successful and fruitful deal.

The process begins with the identification and evaluation of potential target companies. This initial stage involves a strategic assessment to identify firms that align with the acquiring company's goals. During this phase, understanding the target's cultural landscape is crucial, as cultural misalignment can pose significant risks later in the process. It is important to ensure that both companies share similar values and operational styles to avoid future conflicts and misunderstandings.

Next is the due diligence phase, where the acquiring firm conducts a comprehensive evaluation of the target company's financial health, legal standing, and operational capabilities. Zhu and Huang highlight that due diligence should also encompass a thorough cultural assessment to identify potential synergies and conflicts. Assessing factors like decision-making processes, communication styles, and core values can reveal potential cultural conflicts that might derail the integration process. Conducting cultural due diligence helps in identifying areas where adaptation or compromise may be necessary, ensuring smoother integration.[147]

The negotiation phase follows, involving detailed discussions to finalise the terms of the merger or acquisition. Effective communication and a deep understanding of cultural nuances are essential to reach agreements that are satisfactory to both parties. Successful negotiations in cross-border M&A should address cultural differences head-on, recognizing

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[146] Zhu, Z., & Huang, H. (2007). The Cultural Integration in the Process of Cross-border Mergers and Acquisitions. *International Management Review, 3*(2), 40-44.

[147] Foley & Lardner LLP. (2023). Cultural Alignment in Mergers and Acquisitions: The Key to Successful Integration. Retrieved from https://www.foley.com/en/insights/publications/2023/01/cultural-alignment-ma

them as both challenges and opportunities for creating value.[148] This phase is critical for setting the tone for future integration efforts and ensuring that both parties are committed to addressing cultural issues proactively.

The final stage is post-merger integration, the most complex and critical phase where the two companies' operations are harmonised. Zhu and Huang note that this stage requires meticulous planning and execution to integrate different corporate cultures, systems, and processes. Deloitte reinforces this by highlighting that cultural integration is one of the dominant factors affecting the success of M&A. They recommend developing a structured integration plan that includes cultural training, cross-cultural workshops, and initiatives that promote cultural exchange and understanding.[149] These activities help in aligning the merged entity's vision and values, fostering a sense of unity and shared purpose among employees.

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[148] Denison, D.R., Adkins, B., & Guidroz, A.M. (2011). Managing cultural integration in cross-border mergers and acquisitions. In W.H. Mobley, M. Li, & Y. Wang (Eds.), *Advances in Global Leadership* (Vol. 6, pp. 95-115). Emerald Group Publishing Limited. https://doi.org/10.1108/S1535-1203(2011)0000006008

[149] Deloitte US. (2024). M&A Cultural Integration Issues. Retrieved from https://www2.deloitte.com/us/en/pages/mergers-and-acquisitions/articles/ma-cultural-integration.html

Appendix C: Declaration of Use of Generative Artificial Intelligence Tools in Final Degree Project.

Declaración de Uso de Herramientas de Inteligencia Artificial Generativa en Trabajos Fin de Grado

ADVERTENCIA: Desde la Universidad consideramos que ChatGPT u otras herramientas similares son herramientas muy útiles en la vida académica, aunque su uso queda siempre bajo la responsabilidad del alumno, puesto que las respuestas que proporciona pueden no ser veraces. En este sentido, NO está permitido su uso en la elaboración del Trabajo fin de Grado para generar código porque estas herramientas no son fiables en esa tarea. Aunque el código funcione, no hay garantías de que metodológicamente sea correcto, y es altamente probable que no lo sea.

Por la presente, yo, [Nombre completo del estudiante], estudiante de [nombre del título] de la Universidad Pontificia Comillas al presentar mi Trabajo Fin de Grado titulado "[Título del trabajo]", declaro que he utilizado la herramienta de Inteligencia Artificial Generativa ChatGPT u otras similares de IAG de código sólo en el contexto de las actividades descritas a continuación [el alumno debe mantener solo aquellas en las que se ha usado ChatGPT o similares y borrar el resto. Si no se ha usado ninguna, borrar todas y escribir “no he usado ninguna”]:

1. **Referencias:** Usado conjuntamente con otras herramientas, como Science, para identificar referencias preliminares que luego he contrastado y validado.
2. **Corrector de estilo literario y de lenguaje:** Para mejorar la calidad lingüística y estilística del texto.
3. **Generador previo de diagramas de flujo y contenido:** Para esbozar diagramas iniciales.

Afirmo que toda la información y contenido presentados en este trabajo son producto de mi investigación y esfuerzo individual, excepto donde se ha indicado lo contrario y se han dado los créditos correspondientes (he incluido las referencias adecuadas en el TFG y he explicitado para que se ha usado ChatGPT u otras herramientas similares). Soy consciente de las implicaciones académicas y éticas de presentar un trabajo no original y acepto las consecuencias de cualquier violación a esta declaración.

Fecha: 5 de junio 2024

Firma: