An Analysis of FDI Growth and Trade Performance of Top Five Major Economies

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Abstract- Recent global economic challenges, including trade disputes and structural issues, have significantly affected the growth trajectories and trade performances of major economies. This has raised critical considerations regarding the relative economic performance and competitiveness of the top five economies—namely the US, China, Germany, India, and Japan. The report by the International Monetary Fund (IMF) (2025a)[4] indicates a projected global economic growth decline of 2.8 percent due to trade tensions, policy uncertainty, and tariff disruptions. The United States is expected to grow by 1.8 percent with a 3 percent inflation rate, while facing recession risks from high tariffs and fiscal imbalances. China's growth forecast is lowered to 4 percent amid a property sector crisis and consumer confidence issues. India is on track to become the fourth-largest global economy, contingent upon its continued reforms and ability to navigate global uncertainties. The differing growth trajectories of these economies present concerns regarding macroeconomic performance and trade patterns of the world's top five economies— the United States, China, Germany, India, and Japan—by focusing on two primary objectives: assessing the percentage share of GDP alongside FDI flows, and examining trends in exports and imports by product groups. The study acknowledges limitations, particularly its reliance on secondary data, which constrains insights into region-specific or firm-specific dynamics, focusing instead on selected economic indicators that might affect the generalizability of its conclusions.

Key Words: Top Five Economies, Economic Growth, Flows, Global Trade and UNCTAD

I. INTRODUCTION

"International Trade Fosters Innovation and Spreads Ideas, which are Key Drivers of Economic Growth."

— Robert J. Shiller, Nobel Laureate in Economics, 2013

In globalization, international trade has evolved from a transactional necessity into a vital engine of global economic growth, technological diffusion, and structural transformation. The past three decades have witnessed vital transformations in the global economic environment, international trade integration, and evolving foreign direct investment (FDI). Five dominant economies are at the heart of this transformation: the United States, China, Germany, India, and Japan have consistently ranked as the leading contributors to global output, and money moves across borders faster than ever before. All those nations have embedded the worldwide GDP and shaped the world's trade and investment patterns. The study has investigated these five Nations' economic growth trajectories and trade performance from 1995 to 2023. It has focused on shares in global GDP, FDI inflows and outflows, and sectoral trade patterns.

The key focus is on the composition of exports and imports, particularly within agriculture, fuels, mining, and manufactured goods. Based on data from UNCTAD, this analysis employs descriptive and comparative methods to highlighted structural shifts

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and assess relative competitiveness over time. The research is grounded in established economic theories such as Comparative Advantage (Ricardo, 1817), FDI Theories (Dunning, 1980; Hymer, 1976), and Heckscher-Ohlin Trade Theory, offering a theoretical foundation to interpret observed macroeconomic trends and international trade dynamics.

The finding of study aligned with prior empirical and institutional research, indicating a structural transformation in the global economy toward emerging markets. China's increasing share of global GDP, its export performance, and its expanding role in global trade and investment underscore its rise as a significant global economic power. This emergence is supported by the United Nations Conference on Trade and Development (UNCTAD, 2018)[5], which noted the growing contribution of developing economies to global production and foreign direct investment (FDI) flows.

India's economic growth is highlighted by a consistent rise in GDP share, active trade participation, and growing foreign direct investment (FDI) inflows. According to the International Monetary Fund (IMF, 2023)[6], these factors contribute to India's status as one of the fastest-growing major economies, showcasing its deepening integration into global markets. The results indicate a notable trend consistent with the findings of the World Trade Organization (WTO, 2022)[7], highlighting a substantial redistribution of global trade shares away from advanced economies and towards emerging economies, with China as a prominent beneficiary of this shift. The text discusses the diminishing relative economic power of traditional leaders like Japan and Germany, a trend that aligns with Baldwin's (2016)[8], noted that forces such as globalization and the ascent of emerging markets have fundamentally altered the landscape of global economic dominance, suggesting a shift away from established economies towards newer, developing ones. This transformation reflects broader changes in international economic relations and power dynamics. Rodrik (2011)[9] posits that economic convergence has facilitated a rise in the global economic influence of emerging economies. This analysis is further supported by the observation that, while the United States remains significant in the global economic landscape, its relative share is declining. This trend highlights the evolving dynamics of global economic power, where emerging economies are increasingly asserting their presence on the world stage.

Statement of the Research Problem

Five dominant economies are at the heart of this transformation: the United States, China, Germany, India, and Japan have consistently ranked as the leading contributors to global output, and money moves across borders faster than ever before. All those nations have embedded the worldwide GDP and shaped the world's trade and investment patterns. The study has investigated these five Nations' economic growth trajectories and trade performance from 1995 to 2023. It has focused on shares in global GDP, FDI inflows and outflows, and sectoral trade patterns. The key focus is on the composition of exports and imports, particularly within agriculture, fuels, mining, and manufactured goods. Based on data from UNCTAD, this analysis employs descriptive and comparative methods to highlighted structural shifts and assess relative competitiveness over time.

Objectives of the Study

1. To study the growth of FDI flows in five selected economies and
2. To analyze the trade performance top five economies of the world

II. MATERIALS AND METHODS

The time frame of the study spans 29 years, from 1995 to 2023, enabling an examination of long-term structural changes and economic trends amid various globalization phases, financial crises, and recovery

[5] United Nations Conference on Trade and Development (UNCTAD). (2018). *World Investment Report 2018: Investment and new industrial policies*. Geneva: UNCTAD.

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periods. Data is organized and analyzed using descriptive statistical techniques and trend analysis, with percentage share comparisons allowing for the assessment of changes over time and among countries. The study has relies solely on secondary data from global databases, limiting economic analysis to broad levels rather than specific businesses or sectors; it focuses only on five economies— the U.S., China, Germany, India, and Japan— omitting other significant developing nations; the use of descriptive and comparative statistical methods rather than advanced econometric tools may affect the depth of analysis; it excludes essential economic variables such as currency rates and employment, concentrating only on select macroeconomic measures; and the findings are confined to the 1995–2023 period, which may not reflect current economic trends.

III. RESULTS AND DISCUSSION

Gross Domestic Product

As shown in the Table 1, GDP share of the world's five major economies—United States, China, Germany, India, and Japan—along with total world. This table allows for the examination of structural changes in the global economy, showcasing the dominance of advanced economies, China's rise, and India's gradual emergence as a key player. It highlighted stable contribution of Germany to the European economy and provides context for overall global economic growth, serving as a basis for analyzing trends in economic distribution and shifts in global leadership. The percentage share of GDP to the world economy varied significantly among the top five major economies between 1995 and 2023. The United States consistently held the highest share, starting at 24.41 per cent in 1995 and gradually increasing to 26.17 per cent by 2023, despite minor fluctuations. China's share grew remarkably, rising from just 2.35 per cent in 1995 to 16.80 per cent in 2023, reflecting its rapid economic expansion and integration into the global economy.

Table 1: Gross Domestic Product

S.N	Year	US	China	Germany	India	Japan	World
1	1995	24.41	2.35	8.28	1.19	17.72	31300091
2	1996	25.25	2.7	7.84	1.23	15.4	31976040
3	1997	26.95	3.02	6.97	1.34	14.11	31827757
4	1998	28.65	3.25	7.1	1.36	12.95	31637723
5	1999	29.29	3.33	6.73	1.4	14.1	32879310
6	2000	30.27	3.58	5.81	1.41	14.67	33859671
7	2001	31.43	3.98	5.84	1.46	12.99	33671226
8	2002	31.2	4.2	6	1.46	11.94	35025030
9	2003	29.16	4.23	6.45	1.53	11.5	39290911
10	2004	27.62	4.42	6.45	1.59	11.06	44235019
11	2005	27.21	4.77	6.04	1.72	10.08	47928472
12	2006	26.6	5.3	5.87	1.81	8.86	51939166
13	2007	24.71	6.06	5.95	2.02	7.82	58575305
14	2008	22.97	7.14	5.92	1.97	7.94	64306534
15	2009	23.73	8.36	5.7	2.16	8.67	60999118
16	2010	22.53	9.11	5.19	2.5	8.62	66806398
17	2011	20.99	10.16	5.15	2.52	8.39	74311302
18	2012	21.43	11.25	4.74	2.45	8.27	75849321
19	2013	21.63	12.26	4.88	2.46	6.68	78040589
20	2014	22	13.09	4.96	2.55	6.12	80023498
21	2015	24.19	14.63	4.53	2.84	5.88	75630164
22	2016	24.46	14.61	4.6	2.98	6.51	76886077
23	2017	23.97	15.05	4.6	3.21	6.03	81819435
24	2018	23.79	16	4.67	3.18	5.81	86826222
25	2019	24.48	16.23	4.5	3.24	5.82	88007381
26	2020	24.89	17.12	4.59	3.12	5.89	85789779
27	2021	24.18	18.2	4.44	3.26	5.14	97917487
28	2022	25.59	17.6	4.1	3.37	4.19	101629391
29	2023	26.17	16.8	4.27	3.38	3.97	105943460

Source: UNCTAD

Germany's share showed a steady decline from 8.28 per cent in 1995 to 4.27 per cent in 2023, while India experienced gradual growth from 1.19 per cent to 3.38 per cent over the same period. Japan's share declined consistently, from 17.72 per cent in 1995 to 3.97 per cent in 2023, highlighting its relative economic stagnation compared to emerging and other advanced economies.

Net FDI Flows of Five major Economies.

As illustrated in the Table 2, net inflows and outflows of foreign direct investment (FDI) for various countries, indicating their investment performance and capital mobility. Positive values signify net inflows, while negative values denote outflows. This comparative overview aids in analysing trends and positions of developed and emerging economies in the global investment landscape, forming a basis for further FDI trend analysis.

Table 2: Top Five Countries of Net Flows of FDI

S. N	Year	US	China	Germany	India	Japan
1	1995	-33302	35520.5	-27024	2032	-22589
2	1996	29	39611.5	-44232	2285	-23200
3	1997	7629	42694.6	-29554	3506	-22769
4	1998	43430	42828.9	-64232	2586	-20960
5	1999	73985	38544.4	-52613	2088	-10002
6	2000	171381	39799	141193	3073.55	-23235
7	2001	34588	39992.2	-13487	4080.2	-32091
8	2002	-60489	50224.5	34579.7	3951.63	-23041
9	2003	-76206	50650.1	26808.7	2445.3	-22477
10	2004	-159079	55132	-30504	3602.44	-23136
11	2005	89404	60144.5	-27093	4636.28	-43006
12	2006	12916	55081	-61026	6042.78	-56772
13	2007	-177566	57014.8	-89107	8116.38	-51000
14	2008	-1930	52405.3	-63380	25960	-103594
15	2009	-144297	37531.7	-44736	19576.2	-62760
16	2010	-79730	45922.9	-59808	11469.7	-57515
17	2011	-166707	49331	-10415	23734.3	-109357
18	2012	-119162	33269.6	-33983	15710.1	-120817
19	2013	-102039	16067.5	-26754	26520.7	-133445
20	2014	-131281	5381.7	-87186	22798.6	-118813
21	2015	203266	-10091	-68440	36491.7	-133273
22	2016	174950	-62438	-48108	39408.2	-136578
23	2017	-18824	-21973	-37688	28763.3	-155232
24	2018	360641	-4731.4	-25094	30709.3	-135019
25	2019	194874	4317.06	-98395	37414.2	-218872
26	2020	-131169	-4368	31254.1	52963	-87940
27	2021	110910	2137.89	-96386	27510.1	-174691
28	2022	-34034	26012.4	-118117	34762.2	-127932
29	2023	-93369	15403.5	-64556	14822.2	-162589

Source: UNCTAD

As shown in Table 2, During the period from 1995 to 2023, the net flows of Foreign Direct Investment (FDI) among the top five economies—United States, China, Germany, India, and Japan—displayed significant fluctuations. The United States experienced a mixed trend, with a peak inflow of 360,641 million USD in 2018 and a net outflow of –93,369 million USD in 2023, indicating its dual roles as both a major investor and investment destination. China's net inflows rose from 35,520.5 million USD in 1995 to 60,144.5 million USD in 2005, despite some years of net outflows due to increased outward investments. Conversely, Germany mainly recorded net outflows, demonstrating its status as a capital-exporting nation, although it had inflows like the 141,193 million USD in 2000. India saw a steady increase in net FDI inflows, climbing from 2,032 million USD in 1995 to 52,963 million USD in 2020, showcasing its growing appeal to foreign investors. Japan consistently faced net outflows, peaking at –218,872 million USD in 2019. Overall, the analysis reveals that developed economies primarily served as capital exporters, while emerging markets like China and India increasingly attracted substantial global investment.

Total merchandise (Export) to world

As mentioned in Table 3, the percentage share of total merchandise exports of the leading five economies—United States, China, Germany, India, and Japan, along with the total value of world merchandise exports. This data revealed the relative contributions of each country to global exports, signifying their competitiveness and participation in the international trading framework. The table facilitated a comparative analysis of export performance among developed and emerging economies, highlighting the evolving patterns of global trade and the shifting significance of these nations in the international market. It is a vital resource for examining trends, variations, and the changing roles of major exporting countries within the global economy.

It was observed that, during the period from 1995 to 2024, the export shares of the top five major economies showed notable shifts. The United States' share declined slightly from 11.32 per cent to 8.45 per cent. In contrast, China experienced a substantial increase, rising from 2.88 per cent to 14.64 per cent, establishing itself as the world's top exporter. Germany's share fell from 10.13 per cent to 6.89 per cent, while India made steady gains, improving from 0.59 per cent to 1.81 per cent. Japan, however, faced a continuous decline from 8.58 per cent to 2.89 per cent. These trends indicate a significant shift in global export leadership towards emerging economies like China, while traditional exporters such as the US and Japan have seen relative declines in their export shares.

Table3: Total Merchandise (Export) to World

S.N	Year	US	China	Germany	India	Japan	World
1	1995	11.32	2.88	10.13	0.59	8.58	5167157
2	1996	11.56	2.79	9.7	0.61	7.6	5406315
3	1997	12.32	3.27	9.17	0.63	7.53	5592220
4	1998	12.4	3.34	9.88	0.61	7.05	5502438
5	1999	12.17	3.41	9.5	0.62	7.3	5719285
6	2000	12.12	3.86	8.55	0.66	7.43	6451972
7	2001	11.77	4.3	9.23	0.7	6.51	6194351
8	2002	10.67	5.01	9.48	0.76	6.41	6498224
9	2003	9.55	5.77	9.9	0.78	6.22	7588373
10	2004	8.84	6.44	9.87	0.83	6.14	9219820
11	2005	8.56	7.24	9.23	0.95	5.65	10522111
12	2006	8.45	7.98	9.13	1	5.33	12142161
13	2007	8.18	8.69	9.41	1.07	5.09	14042089
14	2008	7.95	8.84	8.93	1.2	4.83	16191689
15	2009	8.39	9.55	8.9	1.31	4.61	12585491
16	2010	8.35	10.31	8.23	1.48	5.03	15303914
17	2011	8.08	10.35	8.04	1.65	4.49	18339397
18	2012	8.35	11.07	7.57	1.6	4.31	18512546
19	2013	8.33	11.65	7.62	1.66	3.77	18962135
20	2014	8.52	12.32	7.86	1.7	3.63	19012693
21	2015	9.07	13.72	8.01	1.62	3.77	16565097
22	2016	9.04	13.07	8.31	1.65	4.02	16049456
23	2017	8.72	12.76	8.16	1.69	3.94	17737590
24	2018	8.51	12.72	7.98	1.66	3.78	19547167
25	2019	8.64	13.15	7.84	1.71	3.71	19007885
26	2020	8.07	14.68	7.83	1.57	3.63	17647566
27	2021	7.87	14.88	7.3	1.77	3.39	22289623
28	2022	8.29	14.23	6.73	1.82	3	24904277
29	2023	8.45	14.15	7.13	1.81	3	23885972
30	2024	8.45	14.64	6.89	1.81	2.89	24430772

Source: UNCTAD

Total Merchandise (Import) to World

As Presented in Table 4: It includes total world merchandise imports, offering insights into global import trends. The data reflects these countries' contributions to global import demand, highlighted the participation and reliance on international trade. The table facilitated an analysis of trends and changes in import shares among both developed and emerging economies, while also shedding light on the evolving structure of global trade and the roles of major economies in the international import market.

Table 4: Total merchandise (Import) to world

S.N	Year	US	China	Germany	India	Japan	World
1	1995	14.76	2.53	8.88	0.66	6.43	5221804.00
2	1996	14.99	2.53	8.37	0.69	6.37	5484860.00
3	1997	15.85	2.51	7.86	0.73	5.97	5672678.00
4	1998	16.8	2.5	8.39	0.76	4.99	5620521.00
5	1999	18.1	2.83	8.1	0.8	5.3	5851680.00
6	2000	18.95	3.39	7.48	0.78	5.71	6645642.00
7	2001	18.41	3.8	7.59	0.79	5.45	6404640.00
8	2002	18.04	4.44	7.37	0.85	5.07	6654972.00
9	2003	16.77	5.31	7.78	0.93	4.93	7769912.00
10	2004	16.11	5.93	7.56	1.05	4.8	9470969.00
11	2005	16.04	6.11	7.19	1.32	4.77	11000000.00
12	2006	15.48	6.39	7.32	1.44	4.67	12000000.00
13	2007	14.13	6.69	7.38	1.6	4.35	14000000.00
14	2008	13.11	6.84	7.16	1.94	4.61	17000000.00
15	2009	12.56	7.87	7.25	2.01	4.32	13000000.00
16	2010	12.74	9.03	6.83	2.27	4.49	15000000.00
17	2011	12.29	9.45	6.8	2.52	4.64	18000000.00
18	2012	12.52	9.74	6.19	2.62	4.74	19000000.00
19	2013	12.27	10.27	6.22	2.45	4.39	19000000.00
20	2014	12.65	10.27	6.33	2.43	4.26	19000000.00
21	2015	13.84	10.04	6.28	2.36	3.87	17000000.00
22	2016	13.89	9.8	6.51	2.23	3.75	16000000.00
23	2017	13.41	10.26	6.47	2.5	3.74	18000000.00
24	2018	13.2	10.78	6.48	2.6	3.78	20000000.00
25	2019	13.29	10.76	6.39	2.52	3.73	19000000.00
26	2020	13.47	11.56	6.56	2.09	3.56	18000000.00
27	2021	13	11.87	6.25	2.54	3.41	23000000.00
28	2022	13.14	10.55	6.17	2.81	3.5	26000000.00
29	2023	13.05	10.53	6.04	2.78	3.24	24000000.00
30	2024	13.57	10.45	5.76	2.84	3	25000000.00

Source: UNCTAD

From Table 4, the United States upheld its position as the leading global importer, though its share dwindled from 14.76 per cent in 1995 to 13.57 per cent in 2024. Conversely, China saw a dramatic rise in its import share from 2.53 per cent to 10.45 per cent, showcasing its rapid industrial growth and increased domestic demand. Germany's share fell from 8.88 per cent to 5.76 per cent, yet it remained a key player among global importers. India made noteworthy progress, with its import share climbing from 0.66 per cent to 2.84 per cent, reflecting bolstered economic activity and global market integration. Meanwhile, Japan's import share steadily decreased from 6.43 per cent to 3.00 per cent, attributed to slower economic growth and structural changes. The overall trends suggest a shift in global import demand toward emerging economies like China and India, while developed nations exhibited a relative decline in their import shares.

IV. CONCLUSION

The study has concluded that United States retained its dominant GDP share but faced a gradual decline in relative exports and imports due to rising global competition. China emerged as a major economic power, showing substantial increases in GDP, exports, imports, and FDI. Germany's position remained stable yet declining, while India exhibited consistent growth in GDP share and trade, emphasizing its integration into the global economy. Conversely, Japan's relative economic position declined. These trends indicate a shift in global economic leadership from developed to emerging economies, notably China and India, underscoring their expanding influence in global trade and investment.

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