

THE NEXT WAVE

How to Optimize your Lead Generation for the Investment Boom



Abstract

The Inflation Reduction Act is forecast to encourage nearly \$3 trillion of investment in the next decade and \$11 trillion by 2050.[1] Historically, most investment in the US has been domestic and “international” has accounted for around 20-25% of the investments EDOs support. This is dramatically changing. We now see in many EDOs up to half of focus is now on international. Foreign direct investment is driving the next wave of investment. In this paper we explore which industries and countries will drive the next wave of investment and how EDOs will need to pivot their international lead generation programs to benefit from this once in a generation boom in investment which has only just left the starting blocks.



Why are we entering an investment boom?

We are the cusp of a new industrial revolution. We have identified with three key trends that are transforming the domestic and global investment landscape and creating a once in a generation economic development opportunity.

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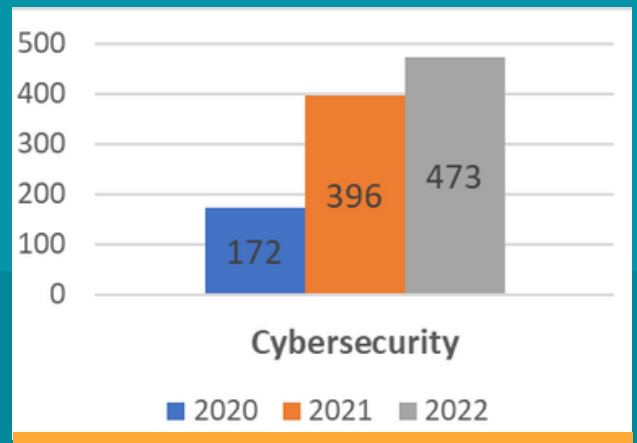
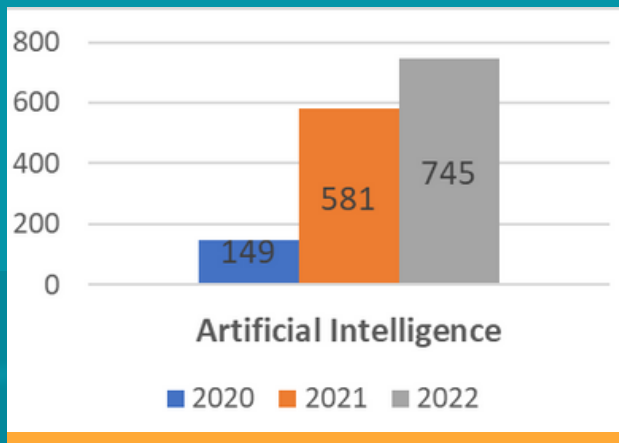
Trend 1: Advanced information technologies



The information revolution, which has been under way for several decades, is entering a new phase. In 2022, AI and Cybersecurity were two of the top four largest subsectors for FDI globally, with breakneck growth. Artificial Intelligence and other advanced information technologies (AITs) are ushering in a new era of technological development.

The rapid advancements in AI have unleashed tremendous potential across industries, driving substantial investments to harness its transformative capabilities. Simultaneously, the escalating threats in cyberspace and the pressing need to safeguard sensitive information have heightened the demand for robust Cybersecurity solutions, resulting in significant FDI inflows. This surge in investments underscores the recognition of AI and Cybersecurity as crucial enablers for innovation, efficiency, and protection in today's interconnected digital landscape.

Number of Greenfield FDI projects in Advanced Information Technologies [2]



[2] Chris Knight (May 2023) "Best practice in promoting your location: role of value propositions & lead generation" Select USA

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Trend 2: Reconfiguring supply chains



Global supply chains are reconfiguring due to the Pandemic, rising economic and geo-political tensions between the West and China and Russia, and population demographics with declining populations hitting China and East Asia – the factory of the world.

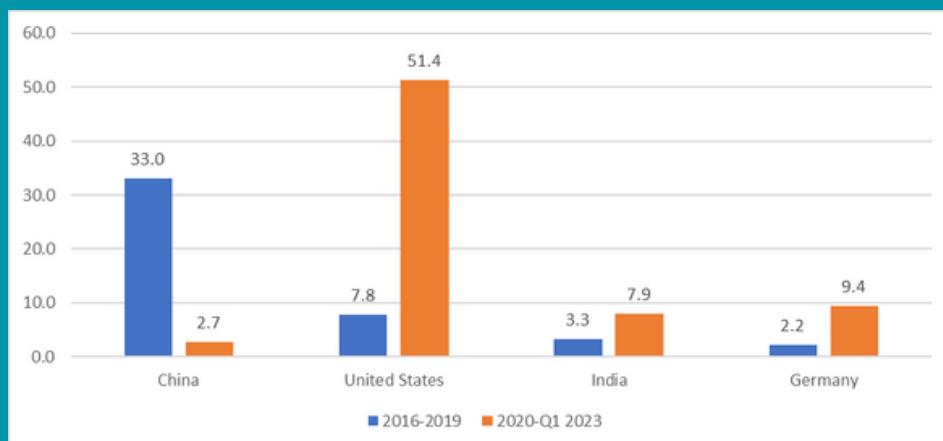
Supercharged by US government financial support, including over \$50 billion for the microchip sector,[3] the US is the biggest beneficiary of the reconfiguring of supply chains. Apple alone has a \$430 billion investment plan for the US.

ASEAN countries are also major beneficiaries, attracting supply chain relocations not only due to US trade policy towards China and demographic trends but financed by Japan’s multi-billion dollar company relocation program.[4] Europe is also getting its game plan on, offering \$11 billion in incentives for one Intel plant.[5]

Only a few countries in the world have the financial firepower and competitive advantages to compete for the supply chain reconfiguration of high tech manufacturing. And the US is leading; the Chips Act has stimulated so far \$200 billion of semiconductor investments in the US.[6]

As a result, the US global market share of FDI in the semiconductor sector increased from 7.8% from 2016-19 to over 50% from 2020-Q1 2023. China’s market share has collapsed while the global market share of Germany and India (who has been making a big push for semiconductor investment) has also increased sharply.

World market share of greenfield FDI in semiconductor sector by destination country (%) [7]



[3] <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/09/fact-sheet-chips-and-science-act-will-lower-costs-create-jobs-strengthen-supply-chains-and-counter-china/>

[4] <https://asia.nikkei.com/Economy/Japan-reveals-87-projects-eligible-for-China-exit-subsidies>

[5] <https://www.bloomberg.com/news/articles/2023-06-15/intel-set-to-gain-11-billion-in-subsidies-for-german-chip-plant>

[6] <https://www.sourcengine.com/blog/semiconductor-news>

[7] Wavteq based on www.fdimarkets.com

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Trend 3: Clean Tech



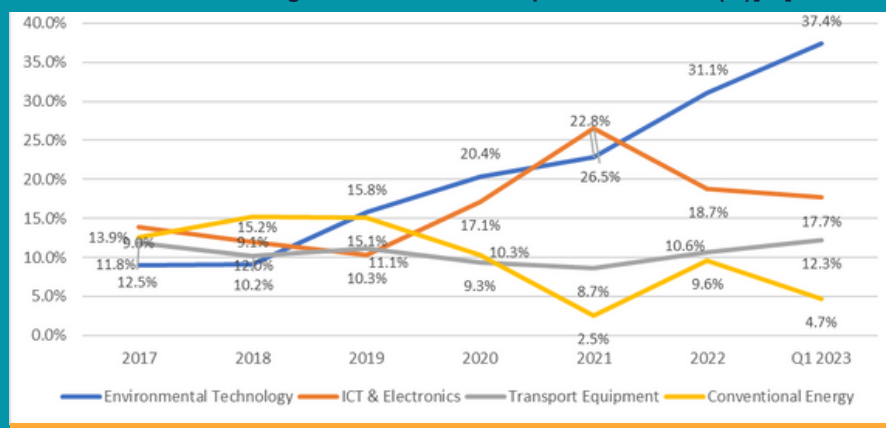
The scale of investment taking place in advanced information technologies and supply chain reconfiguration is going to be dwarfed by the growth of investment and FDI in clean tech - the new frontier of global investment.

Climate change is inevitable and is a constant in the history of our planet. Even without human life, the planet would be getting warmer and the eco-system changing. But what is happening is that the speed of climate change and the depletion of our eco-system has been greatly accelerated and the impact is being compressed into a shorter and shorter timeframe. This will have a devastating impact on the ability of billions of people to survive and will lead to mass migration on a biblical scale.[8] Therefore, governments are trying to slow down the pace of climate change and depletion of the eco-system so its manageable.

The US government is putting its money where its mouth with the Inflation Reduction Act. According to Goldman Sachs, the Act will support \$2.9 trillion of investment by 2032 and \$11 trillion by 2050.[9]

Already, the growth of investment in clean tech can be seen in the FDI market. The chart below shows that FDI related to environmental technologies (which includes renewable energy projects and clean tech but not EVs) became the world's leading sector for FDI in 2019. In Q1 2023, well over one-third of all global FDI capex has been in environmental technology. This is more than double the volume of FDI in ICT & electronics (which would include advanced information technologies and semiconductors). FDI in transport equipment is also growing with the growth of FDI. FDI in clean tech account for 40% of global FDI. [10]

Global share of greenfield FDI in the top four industries (%) [11]



[8] <https://www.africanews.com/2023/02/14/rising-seas-threaten-exodus-of-biblical-scale-warns-un-chief-antonio-guterres/>

[9] <https://www.goldmansachs.com/intelligence/pages/the-us-is-poised-for-an-energy-revolution.html>

[10] The fDi Report 2023 published by fDi Intelligence provides a report by Dr Henry Loewendahl on the latest trends in cleantech. <https://www.fdiinsights.com/fdi/report2023>

[11] Wavteq based on www.fdimarkets.com

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Advanced information technologies: LeadGen market portfolio



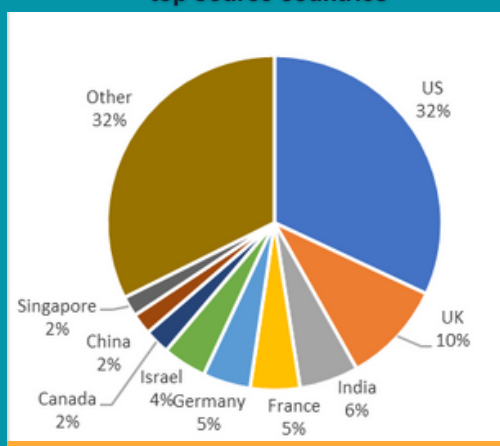
If we look at your typical EDO in the US, most of its work has been helping domestic (US) companies to expand with a small focus on attracting FDI. This is understandable given the dominance of US companies across industries. However, we strongly believe that FDI will be far more important for the new wave of investment. Furthermore, the new wave of investment will be sourced from much wider range of countries - not only Germany and Japan.

The Magnificent Seven (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) have accounted for most of the growth of the S&P500 in 2023 YTD driven by their leadership in Artificial Intelligence. US companies dominate and the US remains the world leader in Advanced Information Technologies (AIT). For EDOs and IPAs, putting 30-50% of your focus on the US market would make sense. But that still leaves well over half of AIT investment coming from global markets. After the US, the importance of the UK stands out; UK companies generated 1 in 10 AI projects worldwide. India is the third major source of AI projects globally and France is ahead of Germany and Japan in key advanced information technologies.

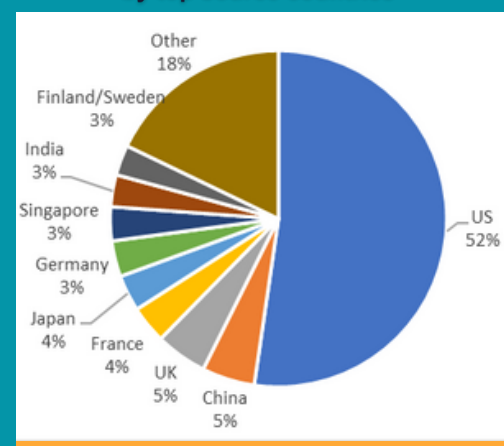
EDOs need to focus a lot more on France and India. Singapore and Scandinavia are also key markets to target, together with Germany, Canada, Israel and China. Together with the US, these are the top 10 countries for LeadGen in AIT.

The pie charts below show the leading source countries for FDI in two the largest and fastest growing segments for FDI globally. [12]

FDI in AI by top source countries



FDI in Cloud Computing by top source countries



[12] Wavteq based on www.fdimarkets.com and data to Q1 2023

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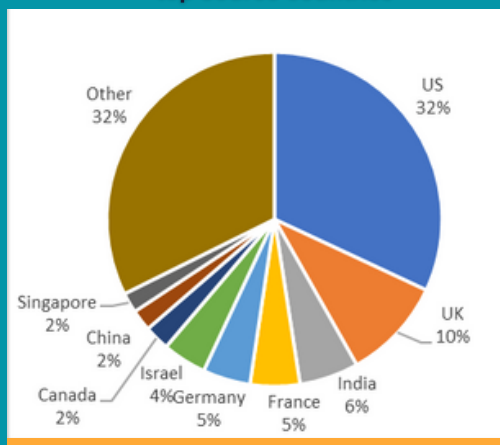
Supply Chain Reconfiguration: LeadGen market portfolio



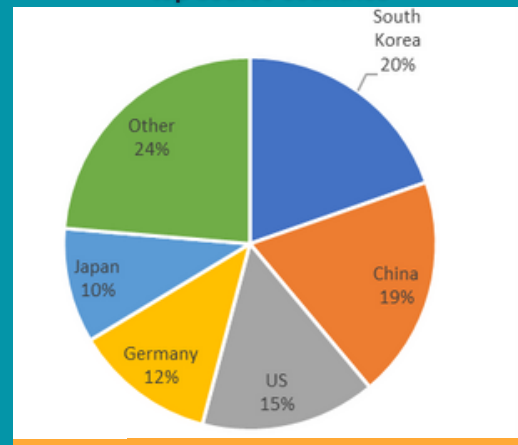
FDI in the major sectors for supply chain reconfiguration is highly concentrated in a handful of source markets. In the semiconductor sector, over 80% of FDI is from four countries. In battery supply chains, 5 countries are the source for over three-quarters of global FDI.

The pie charts below show very clearly why EDOs have been rushing into South Korea and Taiwan.[13] However, we believe FDI in semiconductors is close to peaking and will likely decline on an annual basis. In battery supply chains (which is also part of clean tech), even though FDI has already tripled since 2020 to over \$60 billion in 2022, continued growth will take place due to the Inflation Reduction Act and similar programs in Europe. South Korea, Taiwan, China, Japan and Germany will remain key countries to target.

Semiconductor FDI by top source countries



Battery supply chain FDI by top source countries



[13] Wavteq based on www.fdimarkets.com and data to Q1 2023

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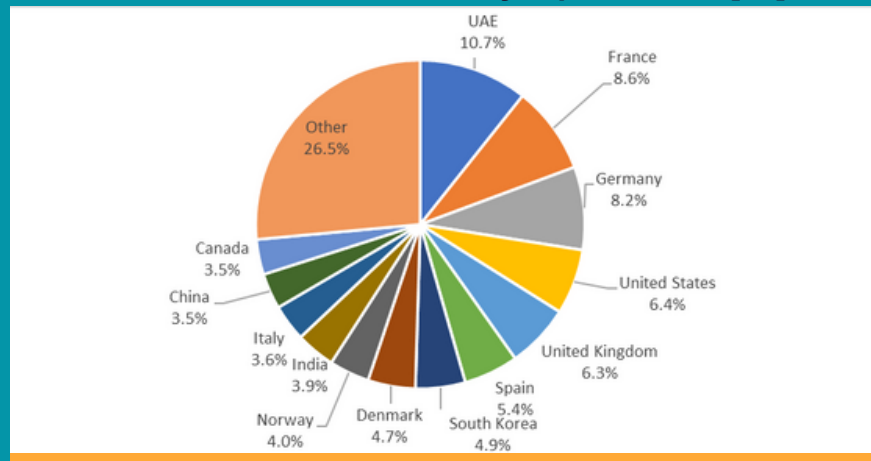
Clean Technology: LeadGen market portfolio



Clean tech is already driving global FDI, accounting for over one-third of FDI in Q1 2023. With the Inflation Reduction Act (and similar programs in Europe as well as support for clean tech in China and bilaterally and multilaterally for developing countries) continued growth of clean tech FDI is certain.

If we look at where the FDI is coming from, since 2020 companies from the UAE followed by France have been the major source of global FDI. US companies accounted for only 6% of global FDI. As well as the UAE, other surprising major source countries include Denmark, Norway, India and Italy all of which would typically not be the top source countries EDOs and IPAs are targeting for FDI in general. Despite the dominance of South Korea and China in battery supply chains, for the wider clean tech investment they are not the leading sources.

FDI in environmental tech by top countries[14]



If we look at the largest renewable energy companies in the world by market capitalization, 9 of the top 10 companies are from outside of the US and 25 of the top 40 and 44 of the top 80 are non-US companies [15]. This data excludes huge energy companies like BP from UK, Enel from Italy and TotalEnergies from France who are also investing heavily in clean tech. The new wave of investment in clean tech is going to be a majority FDI play.

Lead generation programs for clean tech should target France, Scandinavia, Germany, US, UK, Spain, India, Italy, Canada and China. South Korea is very important for battery supply chain and the UAE is also interesting to look at given the huge volume of FDI.

[14] Wavteq based on www.fdimarkets.com and data from 2020 - Q1 2023

[15] <https://companiesmarketcap.com/renewable-energy/largest-companies-by-market-cap/>

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Economic development impact of the new wave



Driven by growth of advanced information technologies, supply chain reorganization and, FDI to fight climate change, we have entered a period of unparalleled investment opportunity. This is especially the case for economic development organizations in the US but also in Europe and other countries that can benefit from growth in these three industries. The defense industry will also be a key driver of economic development but as it is primarily driven by domestic rather than foreign investment it is not covered in this paper.



We are expecting spectacular growth of investment in clean technologies with the market potential nearly \$3 trillion of capex in the next decade and over \$10 trillion by 2025 just in the US. We have seen that while US companies dominate advanced information technologies, for the industries investing in supply chain reorganization and clean tech FDI is driven by countries outside the US, especially from Europe but increasingly from countries like India and UAE who are going to be rapid growth countries for outward FDI.



Growth of investment around supply chains and clean tech will be markedly different to that in advanced information technologies. The IT sector is more footloose and talent attraction and remote working has had a huge impact on investment and economic impact; arguably, attracting talent to locate in your community is becoming as important as attracting the businesses. But for supply chains and clean tech these are capital intensive industries, they require large sites and infrastructure, they require a workforce located at the site, and they have large-scale potential for supply chain development. The next wave of investment is therefore likely to be more embedded into the local communities with wider economic development impact.



The location of investment will also be dispersed across the US. The example of the UK, which is currently the world leader in offshore wind, shows that the billions of FDI attracted have reinvigorated rural and post-industrial parts of the country reversing half a century of industrial decline; Scotland and the North East of England have become leading manufacturing hubs again with a large and growing market share of global investment.



Given the scale of the next wave of investment in the US will be in the trillions not billions, the economic development opportunity to spur economic growth and development across the country is unparalleled since the last industrial revolution.

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LeadGen market portfolio to ride the new wave



The new wave of investment promises massive economic development impact. Therefore, it imperative that EDOs understand where the investment will come from and adapt their international lead generation programs accordingly.

What do we know? We know that FDI is becoming far more important relative to domestic investment to ride this new investment wave. EDOs and IPAs need to strengthen their international programs.

What we also know is that focusing on the US, Japan and Germany is going to miss out on most of the opportunity. Likewise, EDOs and IPAs need to think pan-Asia rather than only Japan, Korea and Taiwan.

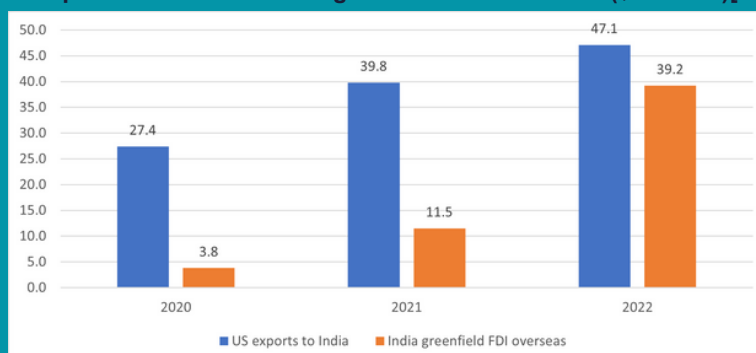
The UK will become more important to target, for advanced information technologies and clean tech.

France needs to become of similar importance to Germany. Excluding a few mega projects from UAE, France has been the number one source of clean tech FDI globally and is also ahead of Germany in some of the key advanced information technologies.

Scandinavia is also a key market that must be targeted. Not only is the region a hotbed for advanced information technologies but it has been at the forefront of clean technologies and some of the world's largest clean tech companies are in the region.

EDO's have largely ignored India, which is a huge mistake. The data already shows that in advanced information technologies India is one of the top markets in the world to target for FDI and India has major companies pushing into clean tech as well. India is the fastest growing major economy and its GDP is already bigger than the UK and France and in a few years will overtake Germany with Japan next in its sights. Not surprisingly, US exports to India are growing faster than almost any other major export market and Indian FDI overseas is booming (see chart below). India is an important trade play as well as FDI play.

US exports to India and India greenfield FDI overseas (\$ billions)[16]



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LeadGen market portfolio to ride the new wave



Spain and Italy are also critical markets to target. While Spain's strengths in clean tech are well known, it is often forgotten Italy is a G7 economy. Italy is the second largest manufacturing country in Europe – bigger than France and UK. In May 2023 Enel from Italy announced a \$billion clean tech investment in Oklahoma.[17]

Canada is also a major source market to target and some of the biggest clean tech companies in the world are Canadian – and they are expanding rapidly in the US. Canada also has amongst the biggest tech clusters in North America and globally.

EDOs and IPAs also need to start looking at the Middle East. Israel is already a global player in both advanced information technologies and semiconductors and is expanding in clean tech. UAE companies are making mega investments in clean tech. With uncertainty over Chinese financing, the Middle East is a huge exporter of capital and we already see North American EDOs targeting institutional investors in the Gulf to finance projects.

Finally, we have China. Politics aside, China cannot be ignored; in pretty much every growth sector for the new wave of investment China has leading companies. Chinese companies are continuing to make high impact investments in US and Europe. A careful, managed approach is needed but we don't think China and its \$18 trillion economy can be ignored.



[17] <https://www.enelnorthamerica.com/newsroom/news/search-press/press/2023/05/3sun-oklahoma>. Wavteq are European representatives for State of Oklahoma for FDI attraction.

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How we can help?



The premier lead generation agency.

Our team have secured over 1,000 realized investment successes with a value of over \$50 billion. We have successfully delivered globally lead generation programs in advanced information technologies and clean technology with \$billions of investment successes.

International capabilities

With an international footprint of lead generation specialists in 15 countries we can effectively cover over 90% of the global FDI market.

As well as having core teams focused on the Big 5 markets of US, Japan, Germany, UK and China we also have teams based in the next wave markets of France, India, South Korea and the Gulf and we have specialists covering Scandinavia, Italy and Israel.

Lead generation services

Wavteq is uniquely well placed with the market knowledge, the geo-presence, and senior in-market teams to help EDOs and IPAs ride the next wave of investment.

Our core services are:

1. In-market representation services
2. Road show and trade show F2F meeting programs
3. Virtual lead generation with online meeting programs
4. Seminars and webinars in markets where they are effective

Other resources

We highly recommend the fDi Markets database provided by fDi Intelligence, Financial Times Limited to help you target the next wave of investment. The key reason is because fDi Markets enables targeting of companies and identification of leads at the technology level for all advanced information technologies and clean tech sub-sectors with daily intelligence updates. fDi Intelligence also has a fDi Strategy team who advises EDOs and IPAs across the US and globally on their sector and international strategies and they can build your value propositions to attract investment in new wave sectors.

CONTACT US

info@wavteq.com

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