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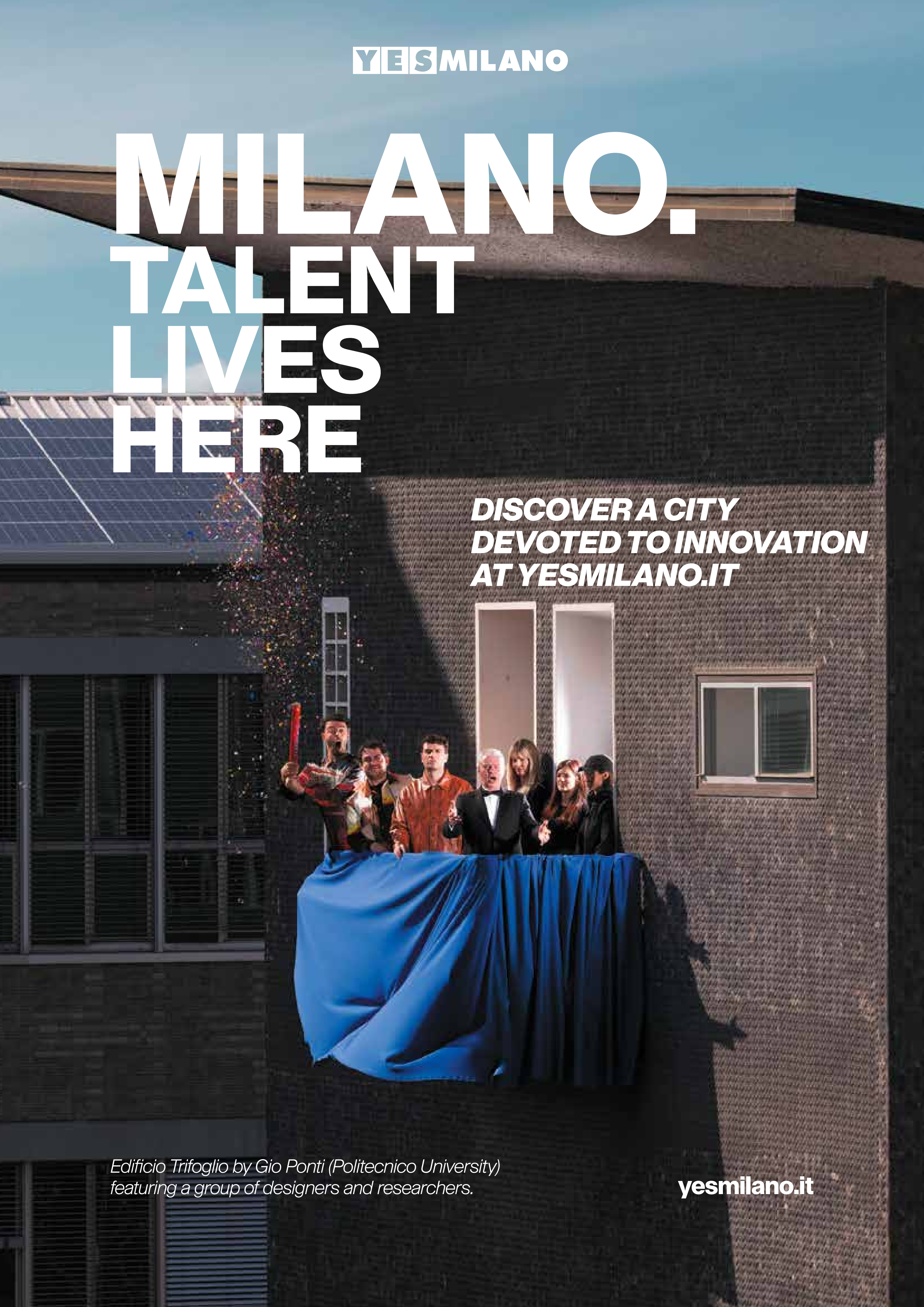
Mind games

TRUMP'S ASSAULT ON UNIVERSITIES IS FUELLING A GLOBAL CONTEST FOR THE RIPEST SCIENCE AND TECH TALENT

FT LOCATIONS



A country's knowledge is its destiny

THOSE GEOGRAPHIES ABLE TO ATTRACT TALENT WILL COME OUT ON TOP, WRITES **JACOPO DETTONI**

In this day and age, a country's knowledge is its destiny — and the ultimate custodians of that knowledge become key strategic assets. It's at times of upheaval that top talent leaks and history changes course.

Samuel Slater is a case in point. In the late 18th century, England enjoyed a virtual monopoly in advanced textile manufacturing. London became extremely zealous in guarding its technology. New laws prevented textile workers like young Mr Slater from emigrating.

Little did they know that the US had started putting generous incentives on the table, in a bid to kick-start its domestic textile industry. Mr Slater seized the moment: he left the country disguised as a farmer. A few months later, and relying exclusively on his memory, he built the US's first advanced yarn-making equipment. He went down in history as the father of the American industrial revolution — that or 'Slater the Traitor', depending on who you ask.

History is fraught with such examples. Before the industrial revolution, Venice heavily guarded its glassmaking masters, who guaranteed the city state monopoly over the lucrative glass trade. More recently, both the Nazis and the Soviets kept their top scientists under rigid control to fuel their military and industrial ambitions of global supremacy.

But it's the coalescence of two related, but distinct forces that add to the historic value of Mr Slater's ordeal. His clandestine trip across the ocean happened at a time of technological and geopolitical disruption. The industrial revolution upended production processes; the American Industrial Revolution marked the independence of a young, ambitious country. When these two forces are at play simultaneously, top talent becomes rare, and very strategic.

With the rise of artificial intelligence and China reclaiming its role as a worldwide superpower, those two forces are once again at play. The global quest for top minds is back on.

As soon as Donald Trump returned to power, voices close to the Republican party urged the country to become assertive in its international recruiting efforts. Tech billionaire entrepreneur Palmer Luckey — "Trump's original tech bro", according to the *Wall Street Journal* — went as far as suggesting the introduction of 'defector visas' to lure top scientists from China and other authoritarian regimes.

Four months into Trump 2.0, things in the US have taken an unexpected turn. The White House has unleashed all-out war against some of the country's most prestigious universities, which it alleges are cradles of 'wokery' and antisemitism. It has cut billions of dollars in public funding destined for research institutions too. At the same time, it is cracking down on visas issued to students from China and other nationalities and banned citizens of 12 countries, including Haiti, Sudan and Myanmar, from entering the US from June 9.. Rather than attracting talent, the US administration seems to have damaged the country's pull as the world's top destination for tertiary education and cutting-edge research.

RATHER THAN ATTRACTING TALENT, THE US SEEMS TO HAVE DAMAGED ITS PULL AS THE WORLD'S TOP DESTINATION FOR CUTTING-EDGE RESEARCH

Beijing is rubbing its hands with glee. The Chinese media enjoys reporting that top scientists are relocating from US universities to Chinese ones, brandishing each move as a major win for the country (see page 18). They bring a trove of unique knowledge across science, technology, engineering, and maths. Other countries are trying their luck, rolling out the red carpet to top tech and scientific talent (see page 14).

The chances are that out there, a modern Mr Slater is on the move. They will make the fortunes of the country they choose and cause lasting regret for the one that failed them. But unlike their predecessor, they will think twice before heading for the Land of the Free. ■

Jacopo Dettoni is the editor of ***fDi***

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GLOBAL

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SUPPLY CHAIN AND CAPACITY CONSTRAINTS HAVE CAUSED SEVERE DELAYS IN AIRCRAFT DELIVERIES

Airlines short of 5400 jets

Analysts have cast doubt on whether newer entrants like China's Comac can fill the void

TRANSPORTATION

The backlog of global aircraft deliveries hit a record high of almost 17,000 at the end of 2024, as manufacturers struggled to meet demand amid supply chain constraints causing longer waiting times for new aircraft.

Aircraft on order worldwide stood at 16,979 at the end of last year, up by 5% from a year earlier and above the historic backlog of between 10,000 and 11,000 in 2015–2018, according to analysis by the International Air Transport Association (Iata) of Cirium data. The current backlog accounted for 57% of the global aircraft fleet in 2024, according to the Iata, with airlines short of an estimated 5,400 aircraft.

"Regarding aircraft, the manufacturing sector is failing badly," said Willie Walsh, director-general of Iata, at the trade body's annual general meeting in Delhi, India, on June 2. The delivery backlog of 17,000 aircraft implies a 14-year wait between ordering and delivery, he added, noting that scheduled deliveries for 2025 are 26% less than was promised a year ago.

"It's just not acceptable that manufacturers estimate it could take until the end of the decade to sort this mess out," added Mr Walsh, highlighting that scarcity is pushing up aircraft maintenance and leasing costs and will hit airline revenues as demand goes unmet.

In 2025, scheduled aircraft deliveries are estimated at 1692, down 26% from the 2293 estimated in May 2024, says Iata. Global aircraft deliveries in 2026 are scheduled to be 1851 as of April 2025, almost 11% lower than the 2077 deliveries expected in November 2024.

Surging demand for new aircraft has come from fast-growing markets such as India, Indonesia and south-east Asia as a whole. But it is complex to scale up production for commercial aviation in a global industry dominated by France's Airbus and US-based Boeing. Analysts say that newer entrants like Brazil's Embraer and China's Comac currently lack the production capacity to fill the void.

"You can't tool up an aircraft production line very quickly," says John Grant, partner at aviation consultancy Midas Aviation. It requires huge capital investment from the likes of Boeing and Airbus, who have "always been very risk-averse in their infrastructure development", he adds.

Global capital commitments into aerospace manufacturing have been at historically high levels of more than $3bn since 2022, according to greenfield investment tracker **fDi** Markets. But these factories will take years before being able to churn out new parts and aircraft to supply demand from airlines and other customers. ■

ALEX IRWIN-HUNT

2.9% THE OECD'S ESTIMATED GLOBAL GDP GROWTH IN 2025

Greece most complex country

Greece and France have retained first and second place, respectively, in TMF Group's annual ranking of the world's most complex countries to do business in.

Released on May 28, the professional services firm's 12th edition of its Global Business Complexity Index ranks 79 countries — which account for 94% of global GDP — based on the regulatory ease of setting up and operating in the country.

The top two nations are followed by Mexico, Turkey and Colombia. Amid trade and tariff uncertainty sparked by US policymaking, the report calls on governments to make their countries less complex places to do business while seeking trade agreements to foster foreign investment.

At the bottom of the index, the world's simplest countries in which to do business are the Cayman Islands, Denmark and New Zealand. ■

DANIELLE MYLES

OECD cuts GDP forecasts

The OECD has slashed its forecast for global gross domestic product (GDP) growth in 2025, amid the protectionism and policy uncertainty that are expected to curb trade growth and hold back business investment.

Global GDP growth is projected to slow from 3.3% in 2024 to 2.9% in 2025, according to the OECD. The US, where president Donald Trump has instigated disruptive on-again off-again tariff policies, is expected to be the worst affected advanced economy. The US economy will grow by 1.6% this year compared to 2.8% in 2024, while the Euro area will have moderately better growth of 1% in 2025 compared to 0.8% in 2024.

A "sharp rise in uncertainty has negatively impacted business and consumer confidence and is set to hold back trade and investment," wrote Álvaro Pereira, OECD chief economist, in the intergovernmental organisation's global outlook report published on June 3.

Weak investment since the global financial crisis has been a major factor in lower growth, said the OECD. ■

ALEX IRWIN-HUNT

SCORECARD

Revolut plans to open a new headquarters in Paris as it expands in Europe, while ChatGPT-maker OpenAI is set to build a 1GW data centre in Abu Dhabi. In Chile, Rio Tinto announces a lithium joint venture with state-owned Codelco. Meanwhile, the US's 'big, beautiful bill' could hit foreign investors with tax hikes and there are record backlogs of global aircraft deliveries.

LOOKING UP

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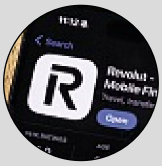
Digital bank Revolut plans to invest at least €1bn in France (page 34)



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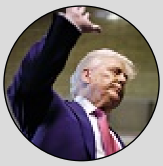

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TRENDING DOWN

Statecraft has hijacked investment rules

US AND CHINESE FDI LAWS ARE NOW TOOLS OF INDUSTRIAL STRATEGY AND COERCIVE DIPLOMACY

The gloves are off. What once passed for quiet industrial planning is now a slugfest between two superpowers fighting to dominate advanced technologies through foreign direct investment (FDI) policies. Both the US and China are using investment law not as a shield for investors, but as a sword for state power. What began as industrial policy has morphed into legal warfare; it targets capital flows, forces realignments in supply chains, and turns legal commitments into political bargaining chips.

This is not an abstract tension. The clash between Beijing's Made in China 2025 strategy — launched a decade ago and aiming to modernise its industrial capabilities — and the America First Investment Policy, launched this February, has evolved into a battle. Each side is directing, screening or blocking FDI in high-tech sectors not based on market logic but on who controls the technologies of the future. State control is replacing market logic and tearing up the foundations of international investment law and policy.

The America First Investment Policy promises to ease investment hurdles for allies while further tightening the screws on China and other adversaries. Meanwhile, China's annual Two Sessions meeting, which concluded on March 11, reaffirmed what has been evident for years: the state is tightening its grip on the tech sector, not to strangle it but to scale it. The company announcements that have followed should not be mistaken for ordinary business moves.

Tencent's pledge in May to sharply increase its artificial intelligence infrastructure spending directly aligns with post-Two Sessions policy guidance. BYD's new battery charging system, which claims to cover a 400km range from five minutes of charging, reflects co-ordinated industrial policy with electric vehicles (EV) a core sector under Made in China 2025. These actions form part of a state-led system where investment, regulation, and national champions move in concert. Foreign capital is welcome, but only where it serves Beijing's strategic goals.

The two approaches differ — China's being driven by party planning, the US's by regulatory disruption — and are on a collision course. Each side is using investment policy as a lever to further their political goals.

While the US administration condemns American tech investments in China, Elon Musk — until recently a top presidential adviser — remains heavily exposed in China's EV sector. When a government calls for decoupling but allows its insiders to stay invested, credibility wobbles.

Even the US's so-called Gold Card scheme looks like a play to attract real estate investment. At the same time, tariffs on steel and aluminium out of Canada and Europe suggest the policy is not about sound governance but pressure. Investors are not blind; they see the selective enforcement and constant rule changes. None of this inspires long-term bets.

The biggest legal concern is not which country is more aggressive, but the confusion their approach creates in international investment law. Investors rely on systems that are supposed to be stable and enforced. When governments move the goalposts mid-game it has economic costs for strategic sectors: fewer projects, less cross-border investment and, ultimately, less innovation.

As both superpowers double down on turning FDI rules into statecraft, the legal consequences extend far beyond their borders. The countries caught in-between (those across Europe, Latin America and south-east Asia) are being drawn into the contest, often through economic pressure or soft legal alignment.

Investment law was built to enable openness. However, it is now being stretched to serve rivalries and that stretch may yet snap. Recent signs of de-escalation, including the US-China tariff pause and a narrowly framed US-UK trade deal, do little to restore confidence. These are tactical moves, not structural resets. The legal order remains under strain. ■

*The writer is professor of law at City University of Hong Kong and president of the Asia Pacific FDI Network.
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CHINESE-OWNED INFRASTRUCTURE THE LATEST EXAMPLE OF FDI BEING POLITICISED AHEAD OF POLLS

Darwin Port becomes a political issue

GEOPOLITICS

Australia's election has brought to a head security concerns over Chinese ownership of the country's most strategic port, with the winning Labor government and opposition Liberal party vowing to employ rarely-used clawback powers to return it to Australian hands.

Darwin Port, which in 2015 was leased to Beijing-controlled Landbridge for 99 years for A$506m ($320m), is the latest example of national security concerns thrusting foreign direct investment into the election spotlight. It follows US presidential candidates jockeying for votes last year over Nippon Steel's proposed takeover of US Steel.

The port's ownership by China-based Landbridge has faced multiple government reviews

Leading up to the May 3 polls, leaders of both major Australian parties pledged to find an approved commercial buyer for the port on the north coast or use government powers to acquire it on national security grounds.

"2015 was a very different time geopolitically," says Raelene Lockhorst, a deputy director at think-tank the Australian Strategic Policy Institute. "Since 2015, security concerns have popped up now and again ... but everyone's [indicated] 'it's fine' until" the election lead-up.

Over the past decade, Landbridge's ownership of the port has undergone at least three government reviews and passed each time. However, with the election, "both Labor and the Liberals [positioned] themselves around this debate from a political point of view", said a defence analyst speaking on the condition of anonymity.

Recent opinion polls show more than 70% of Australians expect China to become a military threat to the country in the next two decades.

The strategic value of Darwin Port goes beyond Australia's national interests.

Groups of 2500 US marines have been rotating through Darwin Port since 2012 for training, with the US Navy viewing it as a potential operating base in light of tensions in the South China Sea. The US government in recent years has invested to support its military presence in the area, building a $270m fuel storage facility nearby.

"Northern Australia is strategically important for the US," says Ms Lockhorst. While US government officials have not publicly shared their thoughts on Landbridge's presence in Darwin, "it's understood that at the operational level, they are not happy using a port that is controlled by the Chinese", she adds.

The return of Donald Trump to the White House had added a new level of urgency to the national debate around the port's future. Part of the motivation to take back the lease "is to curry a bit of favour with the Trump administration, especially given everything going on with tariffs", says the defence analyst. Since the election, US private equity firm Cerberus has shown an interest in acquiring the lease, *Reuters* has reported. ■

DANIELLE MYLES

$14BN
PROJECTED INVESTMENT IN THE US BY NIPPON STEEL

Nippon-US Steel deal revived

Nippon Steel and US Steel will enter a partnership which will see the Japanese firm invest $14bn in the US, Donald Trump stated on May 23.

The announcement on has revived Nippon's 18-month bid to reach a deal with the American industrial icon after its initial attempt was blocked on national security grounds.

One week after announcing the news on Truth Social, the US president hailed an "agreement" between the two firms while speaking at a rally near US Steel's headquarters in Pennsylvania. It's not yet clear what the partnership will involve.

The president's announcements follow a rare second review of Nippon's original $14.9bn attempt to acquire US Steel by the country's foreign investment watchdog, the Committee on Foreign Investment in the United States (Cfius). Mr Trump ordered this after his predecessor Joe Biden vetoed the deal in January following Cfius's initial review. ■

DANIELLE MYLES

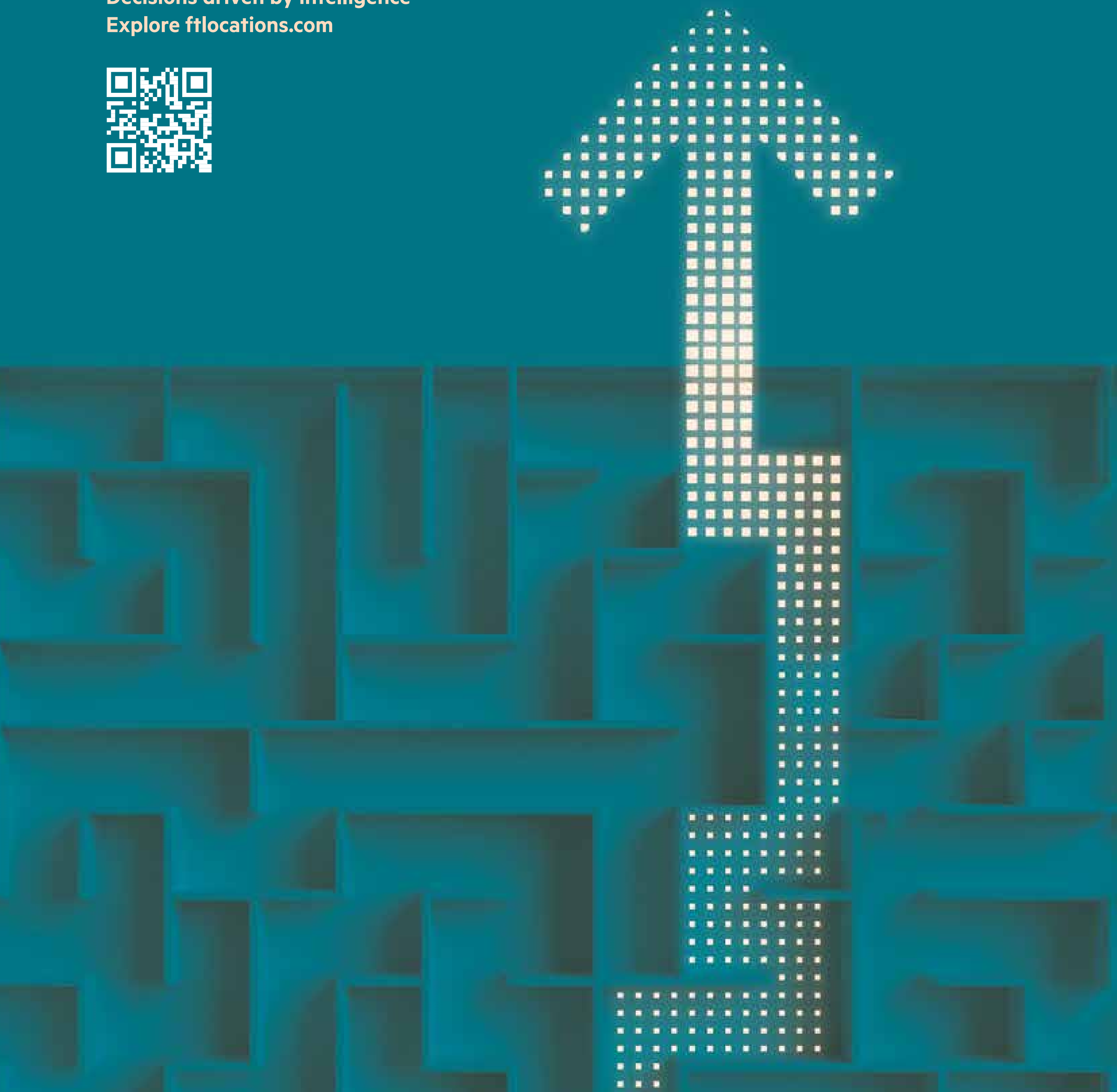
EU targets greenfield screening

The EU's attempt to tighten the screening of inbound foreign direct investment (FDI) on national security grounds passed its first hurdle on May 8 when the European parliament approved a revised set of rules.

The proposed revisions to the FDI Regulation make it mandatory for member states to screen greenfield foreign investments valued at or above €250m in sensitive sectors, bringing greenfield investment into the bloc's national security regime for the first time.

They would also give the European Commission a tighter grip on investment screening via more decision-making power and a bigger say in which deals should be vetoed, and expand mandatory screening to a broader range of sectors such as media, transport infrastructure and critical raw materials. ■

DANIELLE MYLES



DP World expands in Caribbean

DP World is investing $760m to expand its Port of Caucedo and the adjacent Caucedo Economic Zone in the Dominican Republic.

Announcing the news on May 9, the UAE-headquartered logistics group said it expects the projects to attract $3.9bn worth of foreign direct investment to the Caribbean island.

According to its memorandum of understanding with the government, DP World will lift the port's capacity from 2.5 million twenty-foot equivalent units to 3.1 million, and add 225 hectares to the economic zone's existing 86 hectares.

The fresh capital more than doubles the $700m the group has injected into the complex since 2003.

"We will transform Caucedo into the most advanced logistics hub in the Caribbean ... strengthening supply chain resilience across the Americas," said DP World's chairman and group CEO, Sultan Ahmed bin Sulayem. ■

DANIELLE MYLES

New Kazakh free zone

The Kazakh government has opened the Korkyt Ata special economic zone in the Kyzylorda region in the country's south-west.

Prime minister Olzhas Bektenov launched the free zone via a decree on May 19, announcing it will cover 550 hectares and seek to take advantage of its close location to the Europe-China transport corridor.

Korkyt Ata is the country's 15th free zone and the government is aiming for it to attract investments valued at Tg150bn ($292m) by 2049 and create more than 3000 jobs over the next 25 years.

Estimates by **fDi** Markets suggest the country's 14 other free zones have attracted more than $4bn worth of pledged capital by foreign firms over the past 15 years. The new zone's tax, customs and other benefits will be confirmed via a legal regime yet to be announced. ■

DANIELLE MYLES

FREE ZONE FOCUS

How countries use FTZs to navigate big power trade rivalries

Ann Kiernan

As tariffs return under a resurgent Trump administration, North American trade is once again fracturing. For operators of free trade zones (FTZs), understanding how each country interprets and responds to trade conflict is now essential. Countries do not all behave as if they are playing the same strategic game. And those differing interpretations are shaping the emerging role of FTZs across the region.

Some major powers respond with brinkmanship, others with retaliation. But countries like Vietnam and the UAE aim not to change the rules, but to remain essential no matter who wins. Their FTZs are not weapons in a trade war, but hedges against it.

Vietnam acts as if it's in an iterated prisoner's dilemma — a repeated game where co-operation is possible, but defection invites future retaliation. Its strategy in this game leans toward cooperation by default to foster trust, but is willing to modestly retaliate if pushed. The strategy resembles a generous tit-for-tat: one that avoids escalation, with limits.

When confronted with US tariffs on solar components or charges of currency manipulation, Vietnam tends not to retaliate in kind. It quietly reforms or shifts focus — reinforcing ties with Japan, the EU and the Association of Southeast Asian Nations. It is pragmatic, valuing long-term market access above confrontational signalling.

Vietnam's FTZs — particularly near Hai Phong, Da Nang and Ho Chi Minh City — are significant in this strategy, helping mask goods' origin and reduce supply chain risk. Multinationals relocating from China use them to reclassify goods, finish assembly and meet rules-of-origin thresholds for lower tariffs to the US and EU.

Success at this strategy won't be easy. Vietnam will need to stay just aligned enough with both the US and China. FTZ operators should focus on traceability, compliance with standards, and diversification of their supply chains.

By contrast, the UAE acts as if it's in a coordination game — where players benefit most by aligning with others, but only if all co-ordinate. Its economic model depends on smooth trade across rival systems, not retaliation. UAE's FTZs — like Jebel Ali, Kizad, Dafza and DMCC — therefore prioritise trust, neutrality and the rule of law.

So, while the US and China raise barriers, the UAE's zones may grow as safe havens. Firms from both blocs could operate side by side, serving Africa, South Asia and Europe without entanglement. The zones' strength lies in customs predictability and legal clarity.

A multipolar trade world needs neutral nodes — and the UAE is seeking to provide them. However, its success will depend on global trade remaining sufficiently open for such platforms to remain necessary. If things get worse, neutrality may not fly. ■

Michael Castle-Miller is an SEZ specialist and senior adviser at DGA-Albright Stonebridge Group. This is the second of two instalments in which the author explores the implications of Donald Trump's tariffs for different countries.

Saudi free zone programme faces teething issues

DESPITE SOME EARLY WINS, INVESTING COMPANIES ARE RELUCTANT TO ENTER THE COUNTRY'S NEW ZONES. **ALEX IRWIN-HUNT** REPORTS

Saudi Arabia's new special economic zone (SEZ) programme remains in its infancy after some early successes, with advisers saying most inbound companies still prefer mainland over SEZ licences to serve the Gulf country's local economy and diversification agenda.

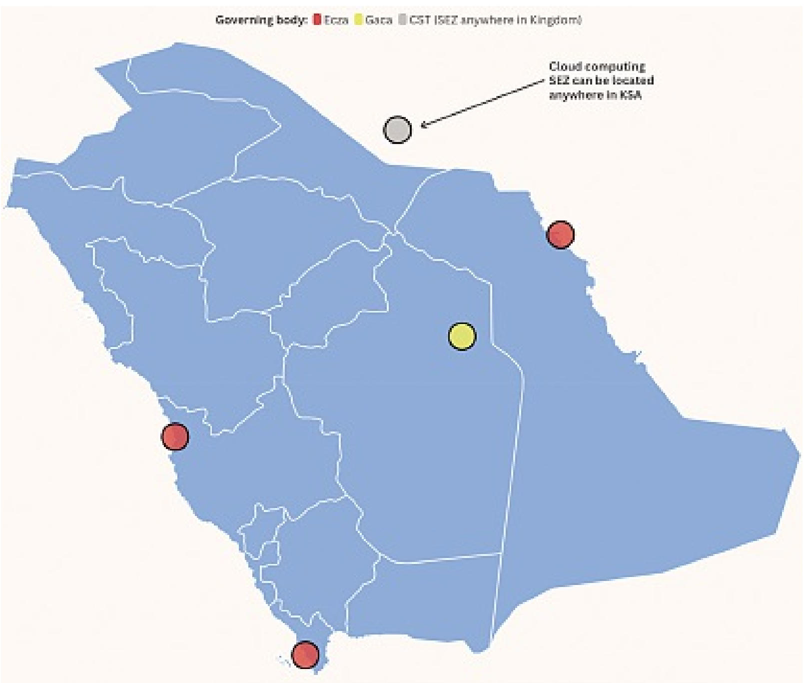
The Economic Zones and Cities Authority (Ecza) launched a cohort of four new special economic zones in April 2023. Each one has specific target sectors like, among others, maritime and offshore activities, food, pharmaceuticals, automotive, metals and heavy industries, and cloud computing.

Nabil Khojah, secretary general of Ecza, tells **fDi** via email that the Saudi "SEZ programme is set up for long-term success through consistent policy support, infrastructure growth, and close collaboration" between different public and private stakeholders.

"Over the last two years, the zones have gained significant momentum, securing anchor investments in several strategic sectors including automotive, maritime, and food processing, among others," he says. Ecza confirms that "more than 10 major anchor investors" have set up in Saudi Arabia's four new SEZs since their launch in April 2023.

Ecza's four new economic zones add to the Special Integrated Logistics Zone (Silz) adjacent to the King Khalid International Airport in the capital Riyadh. Silz was launched in 2022 and is overseen by the General Authority for Civil Aviation (Gaca).

SAUDI ARABIA'S SPECIAL ECONOMIC ZONES



Source: Ecza, CST

SEZ or mainland?

However, multiple sources in Saudi Arabia, including consultants, company executives and free zone experts, tell **fDi** that the new SEZ programme is still taking its first steps, with duties on goods moved from the zones into the mainland economy making foreign companies reticent to set up in the SEZs.

Despite attractive tax incentives, such as a 5% corporate income tax for 20 years compared to 20% in the mainland, "the majority of companies we support still lean towards mainland set-ups" via the Ministry of Investment of Saudi Arabia (Misa), especially those not centred on exports, says Alex Nicholls, director of expansion at AstroLabs, a consultancy that helps companies expand into Saudi Arabia and the UAE.

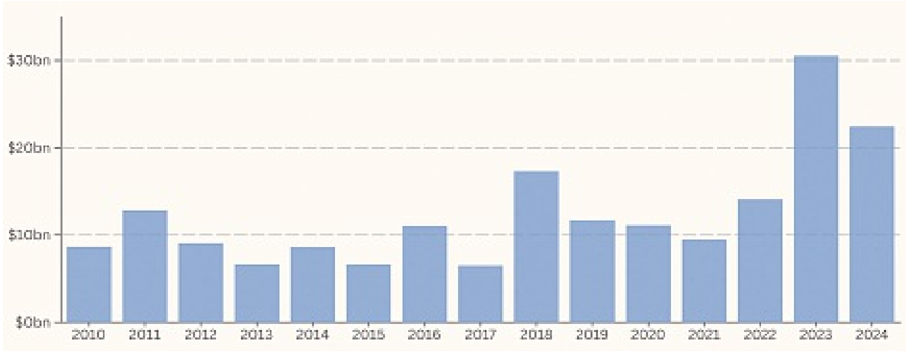
"For many businesses, the clarity of process, access to wider sectors, and long-standing institutional relationships on the mainland provide a more practical foundation for market entry," he says.

The decision on whether to apply for an SEZ or mainland licence "has a lot to do with the business model of the company", says Shah Firoozi, COO of PAC Group, an engineering services provider for the automotive industry that has both a mainland licence from Misa and an SEZ licence at King Abdullah Economic City (Kaec).

"If you are a company that is purely [targeting the] local market, being in a special economic zone only has limited benefits," says Mr Firoozi. Imports of goods into the zone benefit from 0% customs duties, but most goods moved from SEZs to the mainland must pay standard import duties ranging from

FOREIGN INVESTORS ARE EAGER TO ENTER SAUDI ARABIA

DIRECT FOREIGN GREENFIELD INVESTMENT COMMITMENTS INTO SAUDI ARABIA, 2010-2024



Source: fDi Markets

5% to 20%, as well as a standard VAT rate of 15%.

But Mr Firoozi adds that being in an SEZ like Kaec gives "advantages and some grace periods" on regulations like Saudisation, which would normally impose quotas for Saudi national workers.

Soaring FDI

Saudi Arabia's SEZs feature as a part of a fast-evolving investment landscape. Greenfield foreign direct investment commitments in the country reached $22.4bn in 2024, the second-highest ever after $30.6bn in 2023, according to **fDi** Markets.

This significant demand to invest in the Kingdom engenders a governance challenge, argues Mohammad Raza, managing director for Middle East at OCO Global. "Interest in the Saudi mainland and free zones is higher than it's ever been and due to the relatively early stage development of most SEZs they cannot currently harbour and onboard these companies at the pace needed," he says.

"While Saudi free zones do not offer unrestricted open access to the mainland market, Raza explains that it is becoming more common practice for companies to establish both a free zone and a mainland entity to support local and international distribution."

Regulation is another pending issue. "Previously, there were just federal rules for everything. There's a lot of growing pains of trying to work [the free zone programme] into a system that's already quite large," says Scott Cairns, managing director of Creation Business Consultants, which helps businesses set up in Gulf countries.

Overall, there is a lingering feeling among the investment value chain that the Saudi SEZs programme is still firming up, which ultimately weighs on the mind of investors when it comes to choosing between a mainland or SEZ licence.

"The ecosystem within which SEZs operate — including infrastructure readiness, regulatory coordination, and available services — still presents several open questions," says a Saudi Arabia-based consultancy that asked to remain anonymous. At the moment, SEZs "may not offer the level of clarity or certainty that investors typically seek", they add.

Despite headwinds, some early success validates Ecza's efforts and the country's SEZ programme as a whole.

Anchor investors in the Kaec automotive cluster include electric vehicle (EV) maker Lucid, which opened a factory in 2023 with a target production capacity of 155,000 cars per year; Saudi Arabia's own EV brand, Ceer, a joint venture between KSA's Public Investment Fund (PIF) and Taiwan's Foxconn, which is building a $1.3bn factory locally as it pushes to launch its first model in 2026. Other international companies that have committed to Kaec include Hyundai and Pirelli.

Meanwhile, the Ras Al Khair SEZ focused on shipbuilding and offshore industries secured investments in 2023 through partnerships between PIF and US engineering firm McDermott to set up a fabrication yard for large-scale offshore platforms and China's Baosteel, which will establish an integrated steel plate manufacturing facility. At the Jazan SEZ, for food processing, metal conversion and logistics, Pure Salmon committed to invest SR2bn ($530m) in a large aquaculture project.

"We are working with Misa to ensure its smooth integration into the SEZs," says Mr Khojah of Ecza. "Adopting an agile approach to the evolution of regulatory frameworks ensures that Saudi Arabia continues to grow and maintain its position as a leading global investment destination."

Silz, which is governed by Gaca, has meanwhile captured several major multinationals, including US tech giant Apple, which distributes its products from there across the country. In February 2025, Lenovo and local partner Alat broke ground on a factory in Silz, which will produce laptops, desktops and servers.

The new SEZs form part of a broader push to localise company operations in Saudi Arabia, including mandating firms to set up their regional headquarters in the country to access government contracts. In 2025, its sovereign wealth fund PIF has recalibrated its approach to funding Saudi Arabia's numerous mega projects and economic transformation agenda.

As Ecza continues to develop its nascent programme of free zones, there are plans to expand its sectors and areas of focus. "Ecza remains committed to playing a role in transforming Saudi Arabia into a global investment hub and building a foundation for long-term growth and prosperity," says Mr Khojah.

Ultimately, the power of Saudi SEZs has yet to be unleashed. That potential will only be realised once incentives and rules are clear, and authorities address any remaining ambiguity between SEZ and mainland regulations. ■

"THERE'S A LOT OF GROWING PAINS TRYING TO WORK [THE FREE ZONE PROGRAMME] INTO A SYSTEM THAT'S ALREADY QUITE LARGE"

TECH START-UPS

Abu Dhabi's Hub71 rolls out red carpet for entrepreneurs

THE EMIRATE'S TECH ACCELERATOR DRAWS MAJOR START-UPS FROM ITS EVOLVING INCENTIVE PACKAGES. **ALEX IRWIN-HUNT** REPORTS

Back in 2020, when Peter Abou Hachem helped develop Abu Dhabi's nascent tech accelerator Hub71, he recalls wearing two hats.

"We were the young kids on the block," says the former strategy consultant. The Hub71 team had an uphill battle to both persuade start-ups to relocate to Abu Dhabi, and to get major Emirati companies and investors to work with inbound innovative businesses.

"The first two years were us convincing everyone Abu Dhabi can build a tech ecosystem," says Mr Abou Hachem, who is now Hub71's head of growth and strategy. Without a defined value proposition or tech ecosystem, they offered generous incentives to cover relocation costs. These included almost $700,000 for Series A start-ups and around $250,000 for earlier-stage companies to cover their office, insurance and housing costs, according to Mr Abou Hachem.

Fast-forward to today and Hub71 has come of age. Its start-ups recorded $2.17bn in funding in 2024, up 44.7% from a year earlier. Revenues generated by start-ups at Hub71 also climbed from $1bn to $1.2bn over the same period.

Start-ups around the world are now eager to join Hub71's ranks. More than 3100 applications were made to its programmes in 2024, with just 47 start-ups selected across its focus areas of digital assets, climate tech and artificial intelligence (AI).

"Hub71 began as an ambitious idea to enable founders to build from Abu Dhabi," Ahmad Ali Alwan, CEO of Hub71, wrote in the company's latest impact report. "That idea has since grown into a thriving community of entrepreneurs, investors and partners working together to drive lasting impact."

Given the generous incentives, Abu Dhabi's Hub71 offers a potential playbook for cash-rich economies seeking to create a tech ecosystem. But tech founders and investors tell **fDi** that Hub71's unique ecosystem of open-minded regulators, investors and global connectivity from the UAE are what make it stand out as an attractive prospect for start-ups.

Focus phase

Hub71, which is backed by sovereign wealth fund Mubadala and sits on the Al Maryah island of the Abu Dhabi Global Market (ADGM) free zone, has evolved over time. After two initial phases of attracting founders and talent, followed by building a tech ecosystem, Hub71 has focused on specific verticals: digital assets, AI and climate tech.

The hub has progressively reduced its incentives to around $130,000 worth of credits to eligible start-ups to use on 60 different service providers from marketing and legal set-up to advisory.

"We want to remove all the admin hassle for start-ups coming into Abu Dhabi and unlock their maximum potential on building their product," says Mr Abou Hachem. Instead of coming purely for incentives, which he argues are "a nice cherry on top", start-ups want to be closer to the regulator and gain access to the ecosystem.

For tech investors, these incentives still make the hub alluring for start-ups. Equity-free subsidies like housing, office space and health insurance "significantly lower the operational burden for early stage start-ups", which "translate into greater runway and stability for portfolio companies", says Simon Seojoon Kim, CEO at Hashed, a Seoul-based investment firm focused on blockchain and other emerging technologies that recent expanded into Hub71.

Rachel Hu is another entrepreneur that joined Hub71. The CEO of CambioML, which creates tools for extracting structured data from PDFs, HTMLs and other online forms, relocated from Silicon Valley to join Hub71 with her co-founder Kimi Kong in February 2025. Drawn by the opportunity to test their product in a new market and scale globally, Ms Hu says Hub71 has given her start-up a "launch pad" in the Gulf region and global markets.

"Hub71 delivered not just a full support ecosystem and funding incentives, but unparalleled corporate and regulatory intros," says Ms Hu. "Within weeks, we were able to meet with sovereign wealth funds, banks and government entities — a level of access we hadn't seen elsewhere."

Centre of gravity

Samantha Evans, managing director of innovation advisory Startup Genome in the Middle East and Africa, says that "Hub71 acts as a centre of gravity" for a wider network of special economic zones across the UAE and gives access to the Gulf Cooperation Council (GCC) region.

The "curated, highly subsidised model gives it an edge over other GCC hubs that often focus more broadly or lack depth of support", she says, noting that reducing friction for founders, such as visa processes, helps start-ups to test their products in the Abu Dhabi market, which is an expensive place to live and work. This point is echoed by several regional investors that spoke to **fDi**.

"Hub71 has clearly made a big impact on Abu Dhabi's tech landscape, and has established itself as one of the most attractive start-up ecosystems in the GCC region," says Abdumalik Mirakhmedov, director and co-founder, Scalo Technologies, a Dubai-based venture capital (VC) fund.

Abu Dhabi's ecosystem has gone from strength to strength. StartupBlink's 2025 ranking placed it 175th globally with a faster year-on-year growth rate in its ecosystem score than the UAE's main start-up hub Dubai, which ranked 44th globally. But Mr Kim of Hashed notes that despite this rapid growth, there is still room for a further "diversification of the investor base" and greater efforts to attract highly skilled technical talent, which is in high demand globally and is critical to start-up success.

"Like most markets, talent is a challenge in Abu Dhabi," says Ms Evans of Startp Genome, noting that Dubai tends to attract more young people for its lifestyle with some talent commuting into Abu Dhabi. But she adds that Abu Dhabi is "where the serious capital and business building happens". Nonetheless, several initiatives are underway to boost the talent pool. This includes a prioritisation of technical skills like AI through local educational institutions like coding school 42 Abu Dhabi.

Matthew Twomey, co-founder of Sustainable Bitcoin Protocol, which measures clean energy usage of mining of cryptocurrency bitcoin, argues that another benefit of Hub71 is helping start-ups navigate the regulatory landscape. "Hub71's partnerships with regulatory bodies have been instrumental in providing guidance and facilitating smoother compliance processes," he says.

This is reflected in Hub71's programmes being spearheaded by new regulations in emerging areas, such as the comprehensive framework for digital assets set up by ADGM, which is also involved in the selection process of start-ups. "Building something that the regulator will never approve is something that does not make sense," says Mr Abou Hachem.

Broader vision

Hub71 has had further economic impact than just the start-ups in its programmes. It enables Abu Dhabi Investment Office (Adio), the Emirate's investment promotion agency, to "match ventures specialised in AI and other emerging technologies with sectors strategically important to the emirate's future prosperity," says Elodie Robin-Guillerm, head of global clusters at Adio.

These strategic sectors include autonomous vehicles, agrifood, health, endurance, longevity and medicine. "Hub71 doesn't just complement our strategy, it accelerates Adio's mandate to attract investment and deliver economic impact," she adds.

For Mr Abou Hachem, the goal is to become more than just a hub for Abu Dhabi. "We're not building a UAE hub. We're building a global tech ecosystem. And our vision and our purpose is to become one of the top 10 globally," he says. ■

OPINION:
ELI DAVID ROKAH

How to attract start-ups with the right incentives

For years, the world's top start-up ecosystems have remained global leaders despite high living and operational costs. They continue to attract entrepreneurs from around the world.

This raises a critical question for policymakers: Are financial subsidies and cost-based incentives truly the key to building competitive start-up ecosystems? Here I outline how smart incentives, visa access and strong business conditions can be utilised to attract start-ups.

Incentives can be effective to address specific ecosystem gaps. For example, high-income countries such as Norway, which have a high cost of living but are still developing their start-up ecosystems, may benefit from targeted intervention.

In contrast, in globally competitive hubs, entrepreneurs are typically drawn by the strength of the ecosystem and are willing to either pay high prices or greatly decrease the quality of their life for the privilege of being in a top start-up ecosystem. As with any intervention and subsidy, the risk is distorting founder incentives and attracting individuals less committed to building companies.

A smart visa policy is one of the most powerful tools for attracting global talent that has virtually no real downsides if based on merit. While entrepreneurs can adapt to costs, they cannot build companies in places they cannot legally enter or stay. Countries like Singapore, through its 'EntrePass' programme, and Taiwan, with its 'Employment Gold Card', have streamlined visa access for start-up founders. Japan's Fukuoka City offers a start-up visa backed by city incubation. In southern Europe, cities like Barcelona, Lisbon and Limassol have benefited from national visa reforms as well as their quality of life. Without such mobility pathways, even the strongest ecosystems, such as the US, risk stagnation.

Beyond immigration, a frictionless business environment is critical. Countries that reduce red tape, simplify incorporation and offer regulatory clarity are far more likely to attract high-growth start-ups than those that rely solely on incentives and subsidies. Singapore exemplifies this model, with legal and tax systems that are simple, transparent and start-up friendly.

Similarly, Barcelona's rise has been fuelled by its high quality of life and supportive business policies. Azerbaijan has embraced digitalisation to improve its business environment, centralising more than 300 government services, and streamlining registration and compliance through a digital platform.

Governments are increasingly turning to soft-landing packages to lower entry barriers for start-ups. Several ecosystems have found the ideal formula for attracting high-growth companies without distorting their local markets. Saudi Arabia's 'Relocate initiative' provides financial incentives to international start-ups that establish a local presence and hire national talent.

Abu Dhabi's Hub71 'Access Programme' combines equity-based funding and mentorship with subsidised housing, office space, and healthcare for relocating start-ups. Uzbekistan's IT Park offers tax incentives and free office space through its 'Zero Risk program'. All of these ecosystems recorded substantial annual growth in Startup Blink's Global Startup Ecosystem Index 2025, demonstrating that they have struck the right balance between support and sustainability.

Governments should prioritise smart, structural reforms over costly perks. Incentives work best when used sparingly and paired with a strong foundation of business-friendly policies. Visa access, simplified regulation, and operational clarity will do more to attract top founders than grants alone. Success lies in removing barriers, not in outspending the competition with subsidies.

Eli David Rokah is the CEO of StartupBlink, a global start-up research platform that maps the leading players in the tech economy and supports governments and corporations in growing their innovation ecosystems. Additional research for this column was conducted by Sengul Enginsoy, marketing manager at StartupBlink

ECONOMIC SECURITY

SWFs confront investment screening reality

DESPITE THEIR GOVERNMENT BACKING, FUNDS SHOULD NOT BE DETERRED BY TIGHTER SCREENING RULES, WRITES **ADAM DIXON**

Western countries were already tightening the screws on foreign investment screening well before Donald Trump doubled down with his America First Investment Policy — all Trump did was state the obvious. The increased scrutiny of foreign investment, including in other advanced economies, has been because of one country and one country only: China. Sanctions against the likes of Russia and Iran are mostly tangential.

The problem with casting a wide net, as most screening regimes do, is that friends and allies are caught out for increased scrutiny. No business or investor wants that, as it adds yet another variable to a transaction that makes sound commercial sense. For sovereign wealth funds (SWFs), which are ultimately owned by their sponsoring governments, they already had to tread carefully.

But does the global screening clampdown mean SWFs need to worry more about how and where they move capital? And, more importantly, do recipient countries need to fear SWFs as 'barbarians at the gate' that will undermine economic security and competitiveness at home? In almost all cases, the answer is no. The exception is China.

Let's consider the facts. The number of SWFs around the world has increased dramatically in the last decade or so. The vast majority are small funds focused on investing domestically. Those big enough to make deals worthy of scrutiny can be counted on a few hands, and most of their portfolios are tied up in public equities and bonds. When a SWF has a significant stake in a project or company, and therefore may have a board position or at least some influence on management, the fund is generally cautious for fear of drawing the wrong kind of attention.

What's more, few SWFs are active in direct investing because this requires a relatively high degree of sophistication and dedicated teams, which only the biggest funds have the operational resources to build. Data tracked by IE University in Spain shows that 86% of total direct investments by SWFs from June 2023 to June 2024 was attributable to five funds: Abu Dhabi Investment Authority, GIC, Mubadala, Temasek Holdings and the Public Investment Fund.

Most SWFs allocate to public and private market fund managers. Doing it yourself is easier said than done (even if there are potentially significant savings to be made on management fees). But the other benefit for SWFs is that it helps insulate them from investment screening regulations — and other headline risks.

Under the Committee on Foreign Investment in the United States — or Cfius — regime, a US-based investment fund with foreign limited partners is generally exempt from review, provided the latter are sufficiently passive and the fund is controlled by a US general partner. Put simply, if Americans are in charge of a US-based fund, no one really cares. That sentiment holds in other jurisdictions, too.

Finally, most SWFs come from countries that are not direct industrial competitors to the host nation, or of a size to be strategically significant. This is, of course, not the case for China and its state-backed funds and companies.

Despite increasingly strict investment screening, SWFs should not feel unwelcome. Overall, they are — and should be — still chasing the best deals wherever those may be. But this does not mean SWFs can be complacent. Much work has been done on their part for more than a decade to dispel myths that they are opaque organisations up to no good. Transparency goes a long way, and they must keep that front of mind. ■

The writer is the Adam Smith Chair at Panmure House, the last home of Scottish economist and philosopher Adam Smith, and professor at Edinburgh Business School

Illustration by Matt Kenyon

Face off: SWFs have become another area of conflict between the US and China

QIA HANDS A VOTE OF CONFIDENCE TO DANANTARA BUT DOUBTS LINGER OVER ITS FDI REMIT

$4bn Qatar deal for new Indonesia SWF

Indonesia's new SWF Danantara has secured its first foreign investment, a $2bn pledge from QIA

DANANTARA

A $4bn co-investment fund between Qatar Investment Authority (QIA) and Danantara is the first publicly-announced foreign investment in Indonesia via its new sovereign wealth fund (SWF).

It's a vote of confidence in the four-month old Danantara, but the deal has also sparked questions over its investment remit.

Danantara and QIA will co-manage and each contribute $2bn to a joint investment fund dedicated to developing projects in Indonesia across priority areas including food security, downstream processing and tourism, the SWF announced on April 15.

President Prabowo Subianto and Qatari officials struck the deal during the Indonesian leader's visit to Doha in April. A multi-billion dollar investment by QIA, among the world's highest-profile SWFs, comes as Danantara tries to shake off early concerns about governance and political risks.

"This joint investment is a good development and hopefully sends a positive signal on Danantara's seriousness," says Brasukra Gumilang Sudjana, Indonesia country manager at advisory firm Vriens & Partners.

In a note, Daniel Brett, head of research at Global SWF, described the $4bn fund as a "major vote of confidence — at least on paper" in Danantara's ability to spur economic growth.

Since Danantara launched in February with the goal of accumulating $900bn in assets under management (AUM), Indonesia's government has claimed that UAE investors intend to invest in a $10bn renewable energy project alongside the SWF. But the deal with QIA — the world's eighth biggest SWF, with AUM of $525bn, according to Global SWF — is Danantara's first big win.

"This partnership is a concrete step in building trust with strategic global partners such as Qatar," said Danantara CEO Rosan Roeslani, who is also investment and downstreaming minister, in a statement. "It shows that Indonesia ... possesses the institutional capacity to manage investments professionally and accountably."

The announcement follows criticism over Danantara's lack of independent oversight, given that it reports to president Prabowo, who has also selected its supervisory board and executive body. Shares in three state-owned banks have plunged since it was announced they would be placed under Danantara's control.

The SWF has tried to allay governance concerns by appointing international figures such as billionaire investor Ray Dalio and economist Jeffrey Sachs as advisers. ■

DANIELLE MYLES

$30BN TARGET TOTAL EQUITY FOR THE AI INFRASTRUCTURE PARTNERSHIP

CDPQ eyes £8bn UK expansion

Caisse de dépôt et placement du Québec (CDPQ) plans to invest £8bn in the UK over the next five years, becoming the latest foreign pension fund to commit to expanding in the country.

Its CEO Charles Emond announced the intention during an interview with the *Financial Times* in May, stating that the country was "top of the list" among investment destinations due to its "willingness, clarity, transparency, deal mode and execution, seriousness and welcoming us".

CDPQ is Canada's second-biggest pension fund and an extra £8bn investment would grow its holdings of UK assets by nearly 50%. It comes little more than a year after AustralianSuper pledged to expand its investments in the UK by the same amount by 2030. In 2024 the City of London called on the national government to create a strategy to encourage pension and sovereign wealth funds to set up shop in the country, claiming it could attract a further £7.7bn-worth of foreign investment across the UK by 2030. ■

DANIELLE MYLES

KIA enters AI race

Kuwait Investment Authority (KIA) has joined the AI Infrastructure Partnership, a $100bn global investment consortium formed in 2024 by BlackRock, Microsoft and investment firm MGX, which is owned by the Abu Dhabi government.

The move by KIA, which claims to be the world's oldest sovereign wealth fund (SWF), is its first AI investment since Sheikh Saoud Salem Abdulaziz Al-Sabah became managing director late last year.

"We view AI infrastructure as an instrumental driver of future growth, and we are proud to collaborate with leading global partners to accelerate its development at scale," he said in a statement, announcing the news on June 3.

Nvidia, xAI and Cisco have also joined the consortium, which aims to mobilise $30bn in equity and $70bn in debt to invest in AI infrastructure. ■

DANIELLE MYLES

Mind games

TRUMP'S ATTACKS ON UNIVERSITIES AND SCIENCE HAVE RAISED THE STAKES IN THE BATTLE FOR TOP TALENT IN EMERGING TECHNOLOGIES. RECRUITING THIS EXCLUSIVE CLUB OF EXPERTS HAS BECOME A NEW FRONT IN GEOPOLITICAL RIVALRIES. **DANIELLE MYLES** REPORTS

Like never before, the US is at risk of hitting a roadblock as the world's biggest magnet for top scientists and technologists. President Donald Trump's very public spat with Harvard University over campus policies, capped by threats to cut more than $3bn of its funding and ban it from enrolling the foreign students that make up around a quarter of attendees, amounts to an attack on a symbol of American excellence.

But the Trump administration's gamble with the attractiveness of the country's innovation ecosystem runs wider and deeper than the Cambridge institution. Since January, it has cancelled billions of dollars in funding for other Ivy League universities, revoked more than 1000 student visas and sought budget cuts of up to 50% for the nation's science and health research.

This crackdown on universities, science and immigration is happening in the same country that in the year to September 2024 attracted 23% of international talent in science, technology, engineering and mathematics (Stem) and artificial intelligence (AI), according to Boston Consulting Group data. Sensing the opportunity, other countries are seizing the moment for their own gains.

The US "is leaving talent on the table and that's a boon to countries that are fairly looking to take advantage of that situation", says Jacob Feldgoise, an analyst at Georgetown's Center for Security and Emerging Technology.

This seems likely to empower the efforts of its geopolitical rival China, which has pioneered an opportunistic approach to attracting top talent as part of its bid for technological ▶

supremacy. But it is far from alone.

In April, the Australian Academy of Science (AAS) launched its Global Talent Attraction Program, which offers relocation benefits, research funding and visa acceleration for scientists and technologists in "areas of national need". AAS president Chennupati Jagadish says the scheme was prompted by the "urgent and unparalleled opportunity to attract the smartest minds leaving the US".

The following month, the EU launched its Choose Europe for Science initiative, which offers $500m in incentives to attract and retain scientists from outside the bloc, ostensibly targeting those in the US. The UK government is reportedly set to follow suit, capitalising on the US's loss via a £54m Department for Science, Innovation and Technology programme to move some 10 research teams to the country. Universities are exploiting the opportunity, too. The Hong Kong University of Science and Technology has made an open invitation to enrol displaced Harvard students. The University of Tokyo is reportedly considering doing the same on a temporary basis.

Geostrategic advantage

By opportunistically targeting the global pool of leading technologists and scientists, these nations are not just seeking economic prosperity. Policymakers are now looking at top talent as a way to build the foundations of geostrategic advantage.

A recent paper by BCG predicts that, notwithstanding the populist pushback to immigration, nations will start openly competing for the world's brightest talent the way they do for trade and foreign direct investment (FDI). Abishur Prakash, founder of advisory firm The Geopolitical Business, believes it has already begun.

"Talent is now becoming a resource for foreign policy and a geoeconomic goal to build a new kind of geopolitical power within the country, stop another from rising or push out another nation," he says.

This is not the first time international talent has become part of geopolitical rivalries. After the second world war, Operation Paperclip brought more than 1000 German scientists across the Atlantic to advance US military capacities during the cold war. Meanwhile, the European Organisation for Nuclear Research — or Cern — was launched to stop the continent's physicists from moving to the US. History is full of such examples.

The rise of the knowledge-based economy and an increasingly multipolar world has now put technology at the heart of geopolitical competition and national security. As the springboard for developing new technologies, talent has newly become a key strategic asset. Research by BCG has found that countries which lead in talent for a technology are 17 times more likely to also lead in that technology.

AI and semiconductor talent have emerged as key priorities globally. But nations are focused on all critical technologies where there is a shortage at the highest levels and in which they are striving for sovereignty or an international edge. This includes biotech, nuclear fusion and robotics, but also lesser-known innovations which could leapfrog those of today. There is the "idea of going beyond what already exists", says Cinzia Alcidi, a senior research fellow at the Centre for European Policy Studies. "The change is going so fast that it's really difficult to predict what kind of profiles and competencies will define talents in three or four years," she says.

As innovation becomes even more intertwined with geopolitics, nations are using new tactics to compete for, retain and expel exceptional international talent in these critical technologies as part of their overarching geopolitical goals and economic security strategies.

Chinese frontrunners

Beijing was the frontrunner in treating the world's brightest minds as central to its geoeconomic goals. In 2008 it launched the Thousand Talents Programme (TTP), which aimed to attract science and technology experts from abroad — predominantly those with links to China — by offering funding and institutional support to boost the nation's innovation and global competitiveness.

One of its early wins was physicist Pan Jianwei, who after a decade of research in Europe returned home to become a professor at the University of Science and Technology of China. He has essentially become the country's quantum tsar, overseeing its emergence as one of the world's undisputed leaders in quantum physics.

There is "an acknowledgment and a belief in China that great power competition will mainly be fought and won on the battlefield of technology ... and for that, you really need talent", says Antonia Hmaidi, senior analyst at the Mercator Institute for China Studies (Merics). A note she co-authored has likened the role of 'talent' under Xi Jinping as becoming as important to Beijing's planning as workers under Mao.

Around 2019, Beijing stepped up its recruitment efforts in response to the US Department of Justice's so-called China Initiative, which aimed to combat Chinese espionage and the stealing of trade secrets. Scientific researchers and academics affiliated with the country became the primary target.

Ms Hmaidi says that "the biggest inflection point for talent going back to China" was this programme. Studies by Princeton, MIT and Harvard researchers show more than 1600 Chinese-born scientists in the US moved to the mainland or Hong Kong in 2021 alone. Merics's analysis of ORCID data — which tracks scientists' academic affiliations — shows a disproportionately large drop in Chinese-educated scientists moving to the US compared with other countries around 2020.

The continued tightening of US restrictions on Chinese investment, trade and technology "is being perceived as containment" in China. That has sparked "a new acknowledgment of the importance" of bringing top talents back home from the country, she says.

China's universities are reaping the benefits of Beijing's renewed push to lure top talent, with high-profile Western scholars joining the thousands of scientists with Chinese heritage who have moved to China in recent years.

Recruiting an exclusive club

In other countries, the pursuit of talent in emerging technologies as a strategic resource has taken hold since the Covid-19 pandemic, despite a broader clampdown on immigration driven in part by nationalistic politics. It is creating a two-tier system, with those in the most sought-after sectors being more mobile than other highly skilled workers. BCG's Top Talent Tracker shows that in the 12 months to September 2024, the world's Stem and AI experts moved countries at almost twice the rate of other highly skilled workers.

Mark Buchanan, a Singapore-based partner at immigration firm Fragomen, has seen this juxtaposition emerge across Asia-Pacific. “Governments in our region are starting to send the message” that they are competing for exceptional talent the way they historically did for investment, he says. “Governments are tightening up generally when it comes to immigration ... But there’s also a recognition that our region is fairly young and needs talent in order to develop [the necessary] expertise.”

Countries known for strict immigration rules that are creating pathways for top minds include Australia, which last December launched an invitation-only National Innovation Visa for individuals with “exceptional and outstanding achievements” in priority areas like critical technologies. Singapore’s Overseas Network and Expertise (ONE) Pass came into force in 2023, offering work permits for top talent across all sectors. When launching the programme, the city-state’s workforce minister declared: “Talent is our only resource and talent acquisition is an offensive strategy for us.”

That same year, Japan loosened its draconian immigration rules through a J-Skip visa, which allows foreigners meeting salary and educational criteria — which are geared towards tech workers — to bypass the points assessment for a highly-skilled visa. Also in 2023, Indonesia rolled out its golden visa programme which targets “well-known figures with an international reputation” who can benefit the country. It ceremoniously awarded the first visa to OpenAI CEO Sam Altman, stating that it expected him to contribute to Indonesia’s AI ecosystem. In 2023, Canada launched its Tech Talent Strategy, explicitly targeting 10,000 H-1B visa holders: those in speciality occupations in the US, including those hired by tech firms who were undergoing mass lay-offs.

A region taking a longer-term approach to talent attraction for geoeconomic goals is the Middle East. Tech and in particular AI have become strategic objectives for many countries as they diversify their economies away from oil. “There is a recognition that this is critical not only for economic growth but also economic security,” says Marco Vasconi, a Kearney partner in the UAE.

The region’s biggest economies, Saudi Arabia and the UAE, have heavily invested in expanding their AI ecosystems. “They are among the most successful [countries] in growing the amount of AI specialists,” says Nikolaus Lang, global head of the BCG Henderson Institute think-tank. BCG data shows that from 2022 to 2024, net AI talent migration into the UAE and Saudi Arabia — taking into account arrivals and departures — grew by 40% and 70%, respectively.

Mr Vasconi stresses that these countries are treating foreign specialists as a means to an end, with the focus being to “come and train the local [talent] supply”. For example, the Mohammed bin Zayed University of AI in Abu Dhabi and Saudi’s King Abdullah University of Science and Technology have built international faculties and have presidents from the US and Singapore respectively.

Outbound talent controls

Parallels between the global battle for FDI and talent do not end with attraction efforts. Just as some governments are looking to restrict outbound FDI in the name of economic security, Mr Prakash expects more nations to “start looking at talent through the lens of how to control where their talent goes .... to ensure their adversaries can’t also build dominance with their talent”.

The trend is already observable. As part of the US’s semiconductor export controls, in 2023 the US government implemented the ‘US persons rule’ which prohibits Americans from facilitating the development of advanced Chinese chipmaking.

For its part, China has curtailed freedom of movement for its top minds, too. Following DeepSeek’s release of its R1 large language model in January, the government ascribed the AI start-up ‘national treasure’ status and its owner High-Flyer reportedly confiscated the passports of key engineers and researchers in line with a government directive to stop AI leaders travelling abroad due to national security concerns. Ms Hmaidi understands this happens to other companies in China, and says it is an administrative procedure for Chinese universities to hold their professors’ passports. Scientists report increasing difficulties leaving the country, “especially if you’re someone who they would consider to be an intelligence asset” to another nation, she says.

SAUDI ARABIA AND THE UAE ARE AMONG THE MOST SUCCESSFUL [COUNTRIES] IN GROWING THE AMOUNT OF AI SPECIALISTS

> THE US IS LEAVING TALENT ON THE TABLE AND THAT'S A BOON TO COUNTRIES THAT ARE FAIRLY LOOKING TO TAKE ADVANTAGE OF THAT SITUATION

Since 2022, South Korea has built a travel watchlist of key engineers in 12 strategic areas — spanning semiconductors to e-mobility — whose international exits and entries are monitored by the government to stop tech leakage and talent-poaching. Around the same time, Taiwan reportedly stepped up enforcement of its ban on Chinese recruiters posting job advertisements on local websites, with a particular focus on semiconductor roles as the mainland tries to increase its chipmaking industry.

Meanwhile in Europe, an AI research network called the European Lab for Learning and Intelligent Systems (Ellis) was launched in 2018 following warnings by the region's AI experts that they were being constantly pursued by US companies. "Ellis is based on the idea that we need to stop European AI talent from going to the US," says Mr Prakash.

Geopolitical threats

The flipside to nations pursuing international talent as part of their geoeconomic strategies is the attempts to expel or cut ties with foreigners they consider a national security threat. US policymakers' increasing concerns over foreign espionage and IP theft connected to emerging technologies were the genesis of the China Initiative.

Evidence suggests these concerns are not unfounded. The Center for Strategic and International Studies tracked 224 cases of Chinese state-directed espionage in the US from 2000 to 2023. But the China Initiative's scrutiny of academics and professors exposed what Mr Feldgoise calls "the key challenge with research security policy"; namely, striking a balance between the risks engendered by granting foreign talent access to sensitive R&D, and unnecessarily closing international collaborations and driving away foreign talent. The Asian American Scholar Forum claims most cases were rooted in minor charges unrelated to espionage and which never led to convictions. "Asian-Americans were caught in the crossfire [of geopolitics] ... which has hurt our ability to retain and attract some of the best and brightest talents," says executive director Gisela Perez Kusakawa.

There are signs these efforts could ramp up again. The US House of Representatives passed a bill last September to fund a new version of the China Initiative, and there are other signs of Chinese talent facing new threats in the US on national security grounds. A handful of Republicans are pushing a bill to ban student visas for Chinese nationals (which make up a quarter of foreign students in the country), while Indiana University fired a Chinese cyber security professor after he allegedly failed to disclose research funding from Beijing.

Yet the most explicit example of a nation clamping down on foreign academic talent in the name of research security is in Canada. Last year, its government banned grant funding for university research in sensitive technologies if the teams have links to 103 academic institutions in China, Russia and Iran. Across Europe, efforts to stymie foreign risks in academia have been more subtle. **fDi** understands that governments have placed indirect pressure on research institutions to cut ties with Chinese researchers and organisations due to fears of undue influence and freedom of speech. In the UK, the past five years have seen a number of government reviews on the risk of foreign students as a conduit for technology transfer and influence from autocratic countries in areas like AI, quantum computing and biotech. National security checks are in place for foreign students in research areas with dual-use applications.

However, Jon McLeod, a partner at strategic communications consultancy DRD Partnership, notes there "is appetite on the [China] hawk side to create sovereign capability not shared with other states" in a broader range of disciplines.

With more nations clamping down on Chinese scholars and research, there are calls for Beijing to respond by expanding its academic footprint abroad. In March, a deputy in the National People's Congress urged more universities to run programmes abroad by leveraging Belt & Road co-operation.

While the global talent grab may be fierce, there are signs it will not last for ever. "No country in the world would rely only on foreign talent," says Mr Vasconi, pointing to the UAE and Saudi Arabia's focus on using international experts to foster their local talent pools.

The world's top scientists and technologists are considered an exclusive club today. But the very work that makes them a new front for nations pushing their strategic agendas means they may ultimately become pawns in the new era of geopolitics. ■

WARNINGS THAT RETALIATION AGAINST UTPR AND DIGITAL SERVICE LEVIES COULD CHILL INVESTMENT

Trump's tax bill to hit 80% of US FDI stock

LEGISLATION

Around 80% of foreign direct investment (FDI) stock in the US could be hit by retaliatory tax hikes under a sweeping bill passed by the House of Representatives.

The so-called 'big, beautiful bill', which comprises the Trump administration's key economic and political priorities, plans to raise levies on local subsidiaries owned by companies in countries that have adopted 'unfair foreign taxes', following through on the president's earlier promise via executive order.

The 1100-page document, which will now move to the Senate, proposes hikes to withholding taxes (WHT) and other taxes on companies from countries that have adopted the undertaxed profits rule (UTPR) within the 15% global corporate minimum tax framework, as well as digital services taxes or so-called diverted profits taxes.

Analysis of government data by the Tax Foundation found that more than 80% of the current US FDI stock emanates from countries caught by the bill's retaliatory tax provisions.

The think tank's CEO, Daniel Bunn, warns the changes "would be incredibly chilling on FDI" if passed into law.

Estimates by the bipartisan Joint Committee on Taxation suggest the retaliatory taxes would raise $116bn in revenues over 10 years, but in 2033 and 2034 the figures turn negative with the government losing $13bn in potential tax revenues, which indicates less FDI than would otherwise be expected. Jonathan Samford, CEO and president of Global Business Alliance, noted this is because foreign subsidiaries would be "forced to scale back their US operations".

The bill proposes increasing WHT on dividends to foreign parent companies by 5% each year up to a maximum of 50%. It would impose the same increases for corporate taxes on the so-called 'effectively connected income' (income earned by a foreign entity that is connected with its business in the US) up to a maximum of 41%. Mr Samford has warned that effective US corporate tax rates for foreign subsidiaries could exceed 50%.

President Trump's bill proposes overriding the US's many tax treaties

Notably, the bill proposes overriding the US's many tax treaties, which, among other things, largely make dividend payments to parent companies abroad tax-free.

Details of the retaliatory taxes were announced during the same week as the SelectUSA Investment Forum, when thousands of foreign business leaders were gathered in Maryland to explore investing in the country.

Mr Samford notes that "the folks who will feel the consequences of this misguided proposal" are the 8.4 million Americans who earn paychecks from foreign-owned companies in the US. ■

DANIELLE MYLES

$116BN ESTIMATED FISCAL REVENUE FROM THE TRUMP TAX BILL'S RETALIATORY TAXES OVER 10 YEARS

Rio Tinto bets $900m on lithium

Anglo-Australian mining giant Rio Tinto plans to form a joint venture with Chile's state-owned Codelco to invest up to $900m into a high-grade lithium project in its efforts to be a leading supplier of energy transition metals.

The mining firm will acquire a 49.99% stake in a company through which Codelco holds licences and mining concessions in Salar de Maricunga, a large high-grade lithium reserve in the Atacama region. Codelco will own the remainder of the JV, and the transaction is expected to close by the first quarter of 2026.

Rio Tinto will provide $350m of initial funding to progress the project to a final investment decision (FID). Once an FID is reached, it will invest $500m towards construction costs followed by a further $50m if the company achieves its aim of delivering its first lithium by the end of 2030.

The expansion comes as prices of lithium, and derivatives like hydroxide and carbonate used in electromobility, have fallen to a four-year low, according to data from S&P Global. ■

ALEX IRWIN-HUNT

Talent impacts reshoring more than tariffs

A survey of around 220 US business leaders has identified a stronger labour pool, followed by 15% universal tariffs as the most powerful factors to get US companies to reshore operations.

Released on June 1, the 2025 US Reshoring Survey shows that original equipment manufacturers (OEMs) across industries would consider reshoring 30% of products they currently import if the country's workforce was larger and had higher skills. Meanwhile, respondents said they'd reshore 23% of their imports if there was a universal tariff hike of 15%.

The results were collected by advocacy group Reshoring Initiative and talent acquisition group Regions Recruiting from January to April 2025. ■

DANIELLE MYLES

LATEST INVESTMENTS

COAL, OIL & GAS

LNG PRODUCTION

Australia-based Woodside Energy, an energy company, has taken a final investment decision to establish a liquified natural gas (LNG) production and export facility in Lake Charles, Louisiana, US. It will invest $17.5bn in the project, which will produce up to 16.5 million metric tonnes of LNG per year for the domestic markets.

COMMUNICATIONS

COLOMBIAN TOWERS

Canada-based Tower One Wireless, an owner and operator of wireless infrastructure, has expanded its cellular network tower infrastructure with the addition of 10 new towers in Colombia.

FOOD & BEVERAGES

CANADIAN CONFECTIONARY

Ferrero Canada, a manufacturer of confectionery products and a subsidiary of Italy-based Ferrero, will invest C$445m ($325.9m) to expand its production facility in Brantford, Canada. The investment will increase the factory by an additional 8360 sq m and create 500 new jobs.

PHARMACEUTICALS

BRAZILIAN OZEMPIC PLANT

Denmark-based Novo Nordisk, a diabetes drug manufacturer, is investing 6.4bn reais ($1.08bn) to open a new 74,000 sq m manufacturing facility in Montes Claros, Brazil. The facility will focus on the production of its injectable GLP-1 drugs, Ozempic and Wegovy, and is set to open in 2028. It will create 600 permanent jobs.

RENEWABLE ENERGY

CHILE WIND

Spain-based energy company Repsol has started generating electricity at a wind farm in Antofagasta, Chile. The Antofagasta Phase 1 wind farm is located in the district of Taltal and has a capacity of 364 megawatts (MW). It represents an investment of €400m and will serve the domestic market. The company plans to add 450MW to its portfolio of renewable assets in Phase 2.

TRANSPORTATION & WAREHOUSING

HEALTHCARE LOGISTICS

Logistics company DHL Supply Chain, a subsidiary of Germany-based Deutsche Post, has announced plans to expand its healthcare logistics operations in Peru. It is part of a broader €200m expansion plan to expand its healthcare logistics operations in Argentina, Chile and Peru.

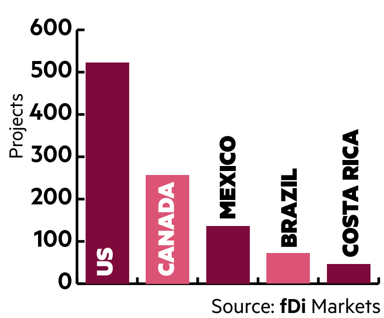
MEXICAN HUB

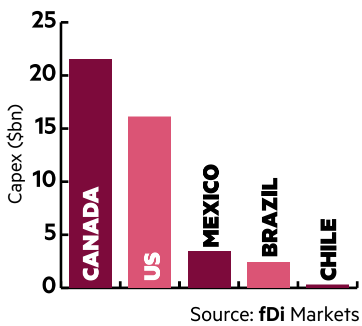
Germany-based FlixBus, a bus transportation company, is investing $162m to establish a new logistics hub in Nuevo León, Mexico. It is set to begin operations by 2026 and will serve the domestic market.

This investment news and data has been provided by fDi Markets, a crossborder investment tracking service that is part of The Financial Times Ltd's FT Locations division (www.ftlocations.com)

STATS

TOP FIVE AMERICAS DESTINATIONS FOR FDI IN RESEARCH AND DEVELOPMENT, 2020–2024





View from the

Americas

Until such time as the Gen Z workforce reaches peak productivity in around 2040, US workforce shortages — especially in skilled trades — will continue to challenge manufacturers.

Compounding the problem is the fact that automation is changing the skills required, moving from manual to technical. Manual dexterity and physical stamina are less important than being able to perform data analysis, problem-solve and operate the likes of human-machine interfaces. The education system has increasingly focused on Stem: science, technology, engineering and mathematics. But in this era of reindustrialisation and transformative technology, it must also incorporate more project-based learning where students are challenged through hands-on, multi-faceted engagement.

There are, however, examples of institutions placing a bigger focus on the emerging and prospective needs of industry. One is the AIDT Maritime Training Center in Mobile, Alabama. This technical school serves the needs of the shipbuilding and maritime industries in the state's south including Austal, a major defence contractor that employs more than 5000 workers building ships for the US navy.

The Career & Technology Center in Tyler, Texas is training the next generation of workers — those currently in high school — to meet the emerging needs of industry. Since opening in 2013, tens of thousands of students have received hands-on training across 24 programmes ranging from welding to cyber security to diagnostic and therapeutic services.

As the workforce ages and technological advances reshape job requirements, closing the US's manufacturing skills gap becomes more urgent than ever. Strategic community investments in early-age education and commitment to workforce training in high school and beyond are crucial steps. Addressing these challenges head-on will allow the manufacturing sector to secure the skilled workers it needs to remain competitive in a rapidly evolving global economy. ■

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Las Vegas bets on sports to diversify its economy

THE STRIP PIVOTS AWAY FROM GAMBLING TO FIND NEW SOURCES OF GROWTH. **JAKE SAFANE** REPORTS

For more than a century, Las Vegas has been synonymous with gambling. But amid a growing population and rapid legalisation of gambling across the US, one of the ways Vegas is adapting is by transforming itself into a sports powerhouse.

This comes at a time when gambling's share of US tourism revenue is dwindling, despite growing on a top-line basis. Among casinos in Clark County (home to the Vegas metro area) that grossed at least $1m in gaming revenue in fiscal year 2024, gaming accounted for a 34.2% share of total revenue versus 61.5% in 1990. Room revenue increased its share the most during this time, along with increases in areas like food and beverage sales. Data from the Las Vegas Convention and Visitors Authority (LVCVA) also suggest growing spending on sports and other entertainment.

"It's not lost upon us that Vegas is slowly but surely attracting many more dollars of non-gaming as it is gaming," says Soo Kim, chairman of entertainment company Bally's Corporation.

A new type of Vegas resort

Amid this spending shift, Bally's is currently planning a new development that will replace the now-demolished Tropicana casino, with sports at the centre.

Along with its landlord Gaming and Leisure Properties, Bally's assigned nine of the 35 acres on-site to the Athletics, a Major League Baseball team in the process of moving to Vegas.

As part of the move, the A's — as they are known — are building a state-of-the-art $1.75bn ballpark. Surrounding it, Bally's will build a new resort, potentially in three phases, with up to 3000 rooms. However, this development will likely differ from what is typical in Vegas, according to Mr Kim.

"When we pencilled out what I would call a traditional casino resort, sort of on the pathway of Resorts World or Fontainebleau, we couldn't make the numbers work," he explained.

In determining what to build, Mr Kim notes that Bally's has observed a trend of stadiums and arenas around the country integrating retail entertainment districts — for example, The Battery Atlanta next to the Braves' baseball stadium — with the games driving traffic. Bally's is leaning into that model, says Mr Kim.

"There will still be hotel rooms, there will still be a casino, there will still be an events space. But the emphasis is actually on the retail entertainment district rather than a straight casino," he explains.

In addition to other sports venues providing a blueprint, Mr Kim points to a new retail and dining development nearby on the Strip called BLVD.

"BLVD is very inspirational in just the basic concept that there you have a Stripfront property that is generating economic return for its investors and owners without a casino," says Mr Kim.

Boosting tourism and the overall economy

The A's and Bally's developments are only part of the growing sports scene in Vegas. Some sports, such as boxing and Nascar, have a more established history in Vegas, but none of the four major US professional sports leagues did until the Golden Knights, a National Hockey League expansion team, took the ice in 2017.

The following year, a Women's National Basketball Association franchise relocated to become the Las Vegas Aces. The National Football League (NFL) then made its mark when the Raiders moved to Vegas in 2020, although that first season was played without fans in attendance, due to the Covid-19 pandemic.

For fiscal year 2022, sporting events generated more than $1.8bn in direct output in the Vegas area from out-of-town visitors, according to University of Nevada, Las Vegas (UNLV) estimates. While earlier data like this is limited, LVCVA surveys find that among those spending on sporting events in Vegas, the average amount spent jumped from $129.16 in 2019 to $357.06 in 2024.

Granted, the proportion of Vegas visitors coming primarily for sporting events has been low; just 2% said that was the main purpose of their trip in 2024.

Still, several signs point to sports being additive to the economy. For example, Vegas got a boost from hosting the Super Bowl in February 2024, as suggested by the February 2025 12% year-over-year drop in visitors and a 25% decrease in the average room rate.

Going forward, Vegas may need to rely on sports even more, considering the potential for a tourism slump.

Although 2024 visitor numbers nearly hit pre-pandemic levels, issues such as tariffs, stock market volatility and the federal government's posturing towards non-US citizens might be contributing to a travel slowdown, both domestically and internationally. For the 12 months to June 2026, LVCVA projects a 5% decrease in room tax revenue.

So, current and future sports teams could help drive the local economy.

Work in progress: the site of the Tropicana casino, now under development as a ballpark for Major League Baseball's Athletics

Influencers' darling

In addition to the direct spending impact, there is a marketing impact and other indirect benefits from professional sports, says Steve Hill, chairman of the Las Vegas Stadium Authority and president/CEO of the LVCVA. For one, building the Allegiant Stadium for the Raiders has enabled Vegas to host bigger and different types of events than it has in the past, says Mr Hill.

There are also some natural partnerships, such as with the LVCVA sponsoring the Aces' players to essentially act as social media influencers promoting Vegas, explains Mr Hill. This deal comes at a time when women's basketball is exploding in popularity, to the point where the Aces are considering upsizing their arena, he says.

Outside of the professional leagues, a new sports-centred project called Hylo Park is under way in North Las Vegas. There, California-based Agora Realty & Management is investing approximately $380m to turn two former casinos that closed during the pandemic into a new community that will include an Olympic village of sorts to host events such as youth sports tournaments. The site already includes an ice rink left from one of the former casinos, where the Golden Knights now manage a variety of youth and amateur programmes.

With an expected completion by the first quarter of 2027, Hylo Park will include other indoor and outdoor sports facilities, along with an on-site hotel, and several other amenities such as a grocery store and restaurants that will also serve an adjacent residential development from Lennar Homes of 393 new single-family homes.

"It's going to be very unique and all-encompassing," says Terri Sheridan, director of economic development for the City of North Las Vegas.

The city projects that Hylo Park will add around 1200 new jobs. "Being able to bring jobs back to the area is great news, along with the overall investment in an area that had sat vacant for several years," says Ms Sheridan.

Beyond events, sports can support complementary industries. For example, Hylo Park will include a youth sports academy that includes training and physical therapy services. In addition to health-related areas, sports can also support sectors like media and gaming, adds Mr Hill.

Although gaming's share of the economy might be lower, there's a natural synergy with sports that can help Vegas grow. For example, DraftKings opened a 90,000-square-foot, tech-focused office in Vegas for more than 1000 employees in 2023.

Plus, pro sports can provide a powerful signal to other companies to come to Vegas, such as for tradeshows, explains Mr Hill.

When a league like the NFL "says we're going to be a part of your community, it makes a statement to people, even those who are not NFL fans, that Vegas is mature, Vegas is a professional city, it's a global city," he says. ■

Jake Safane is a freelance contributor based in the US

Q&A: KEVIN STITT

'We don't pick winners and losers'

OKLAHOMA'S GOVERNOR SPEAKS WITH **DANIELLE MYLES** ABOUT ITS GROWING DEFENCE INDUSTRY, HIS ANTI-SUBSIDIES STANCE, AND A NEW LAW TO EASE GRID PRESSURE

CURRICULUM VITAE
KEVIN STITT
2019
Oklahoma
Governor
Previously
CEO, Gateway Mortgage Group

For all the talk of expanding industrial policymaking in liberal economies, it has not been embraced by all governments. Oklahoma's governor Kevin Stitt claims that free market principles have helped spur the flow of more foreign direct investment (FDI) into the US state in recent years.

This uptick was capped in May by a $4bn pledge from the UAE's Emirates Global Aluminium (EGA) to build the US's first aluminium production plant in 45 years in the state's north-east.

At the SelectUSA Investment Summit that month, the Republican sat down with **fDi** to discuss how FDI is helping make aerospace and defence the state's fastest-growing industry and his pro-business approach to energy reform.

Q Oklahoma recently won EGA's $4bn aluminium project and a $300m expansion by Brazil's CBC of their local ammunition facility. This follows your government's MoU with Taiwan last December to enhance drone investment opportunities. How focused are you on expanding defence-related industries?

A In Oklahoma we're very pro-military. We have five military bases, and aerospace and defence is the second-largest industry in our state. There are some states that are really pushing that industry out. Through the regulatory and political environment, they're not friendly to those types of industries. But Oklahoma embraces an all-of-the-above approach to FDI with open arms, and that's why you're seeing us grow. The $4bn EGA deal is something I've been working on for the past couple of years.

Q You just signed into law so-called 'behind-the-meter' legislation which allows companies to develop and manage their own power solutions to ease pressure on the grid. Do you agree with state lawmaker claims it could spark billions of dollars in investment?

A Yes. As I said in my 'State of the State Address' in February, my main priority is more electricity generation in Oklahoma. So how do we do that? We can encourage utilities to do it, or you can encourage 'behind-the-meter'. That bill got out of the House and the Senate unanimously. It means data centres and big manufacturing projects can come to Oklahoma and if there's power on the grid for them, that's great. However, with our plethora of natural gas they can now buy a couple of turbines, hook into our natural gas and create their own generation for their AI data centre, for their factory.

Q Oklahoma is a big generator of wind power, yet there are reports of growing pressure from state lawmakers to ban new renewables projects. Do you intend to do this?

A Not at all. You either have to believe in free markets or you don't. It's the same thing that some Democrat states were doing by trying to halt natural gas.

We believe in personal property rights. I don't believe in government subsidies. But if you have a private landowner and a wind farm developer that cut a deal to create generation by harnessing our wind, we are 100% for that. We're number [three] in the entire country for electricity generated by wind, and that's something we're really proud of.

Subsidies are the thing Republicans are always apprehensive about. You are choosing winners and losers. You're propping up the industry. You're taking tax revenue from natural gas and giving it to wind. I'm not for that, but I'm not going to be someone that all of a sudden changes my tune and tells a company what they can and cannot do to develop and meet the needs of Americans.

Q You describe Oklahoma as the country's most pro-business state. What reforms are underway to further this?

A We are setting up business courts this year to make sure that business disputes are resolved quickly and the rule of law is interpreted without playing favourites.

I saw companies that were always incorporated in Delaware leaving the state, and I wanted to establish Oklahoma's court system such that if there's a business dispute, everybody has confidence in the resolution. ■

Q&A: JOSH STEIN

A manufacturing goal and biotech ambitions

NORTH CAROLINA'S GOVERNOR SPEAKS WITH **DANIELLE MYLES** ABOUT THE STATE'S BIOTECH HUB, RESHORING REALITIES AND SUBSIDY TRADE-OFFS

On New Year's Day 2025, Josh Stein was sworn in as governor of one of the US's hottest states for foreign direct investment (FDI). North Carolina attracted a record number of FDI project announcements in 2024, **fDi** Markets data shows, making it one of the country's top five states for FDI.

The Democrat governor sat down with **fDi** at the SelectUSA Investment Summit in May to discuss a new $700m investment by Roche's subsidiary Genentech, where the US must focus its reshoring efforts, and the new subsidies reality.

Q California's Genentech just pledged $700m towards a new obesity medicines facility in North Carolina, which will be its first on the US east coast. Does this support the state's biotech ambitions?

A We have an incredible biotech asset – the Research Triangle Park – which puts us at the cutting edge. It is centred between North Carolina State University, Duke University and University of North Carolina at Chapel Hill, which are producing brilliant graduates every year. Genentec is reputed to be the very first biotech company, and so we welcome the pioneer in this sector to our burgeoning state. They've also indicated that this is going to be the most sophisticated fill facility in the entire Roche universe. It's going to be supremely high technology.

Q North Carolina is a major US manufacturing hub. To what extent can the US achieve its goal of bringing back manufacturing that has been offshored to lower-cost jurisdictions?

A It depends on what we are talking about. There are certain things, whether it's toys or iPhones, for which it's probably not realistic they would come back to the US. And they are not necessarily the kind of jobs we want anyway.

But there are more advanced manufacturing products which are attractive because they enable people to earn a good enough living to support their family, get a house, make their mortgage payment, go on a family vacation, have health insurance, let their kids get a college degree or a community college certificate, and have a shot at a bright future as well. It's important that we have those kinds of jobs.

Q There is some uncertainty about the future of federal investment incentives. As a state, is North Carolina trying to increase its incentives offering to compensate?

A We are not able to make up the amount by which changes in federal policy result in less incentives than what people thought they were going to get from the federal government. We have a strong incentive package in North Carolina – the Job Development Investment Grant, which is paid if the company meets its investment and employment targets. But we look at incentives as something that's necessary to compete in recruiting corporations to North Carolina.

I don't know that we usually pay the most in incentives. I think other states are often willing to put in more dollars, but we have so many other assets that offset what may be a slightly less generous incentive package.

Q You became governor less than six months ago. What are your FDI goals for your term?

A We want it to continue to thrive in North Carolina and we want to be the place where companies locate, recognise that they're going to get a great workforce, and be in a business-friendly environment. We have the largest manufacturing workforce in the south-east, plus five world-class research institutions, 67 universities and colleges, and 58 community colleges, and so we're able to provide skilled and knowledgeable workers at every level of the manufacturing process. ■

JOSH STEIN
2025
North Carolina
Governor
Previously
Attorney general, North Carolina

WE'RE ABLE TO PROVIDE SKILLED WORKERS AT EVERY LEVEL OF THE MANUFACTURING PROCESS

INTERVIEW: MIKE DUNLEAVY

Capital 'not an issue' for Alaska LNG project

THE GOVERNOR IS BULLISH ON ASIAN INTEREST AND FINAL INVESTMENT DECISION WITHIN MONTHS, AS **DANIELLE MYLES** FINDS OUT

CURRICULUM VITAE

MIKE DUNLEAVY

2018
Alaska
Governor

Previously
Member, Alaska, Senate

The first phase of a $44bn Alaska liquefied natural gas project could reach a final investment decision by the third quarter of 2025 after decades of discussion, according to governor Mike Dunleavy, who has described the project as "transformative" for the state.

Alaska is targeting some of Asia's biggest gas-importing nations as investors and off-takers for the mega project, which involves building an 800-mile pipeline connecting the North Slope gas fields to Nikiski on Alaska's south coast, a liquefaction export facility and potentially a carbon sequestration plant. The project's total price tag would make it the largest greenfield FDI announcement ever outside the semiconductors sector, and Mr Dunleavy is bullish on its prospects.

"Capital is not a problem," he told **fDi** on the sidelines of the SelectUSA Investment Summit on May 12. "There's plenty of capital around the world to be deployed in big, long-term energy projects. Asian capital, Emirati capital, American capital."

He added that a more preliminary issue is securing off-take agreements to show the project's viability. Deals with Asian buyers will be signed "hopefully in the next few months", he said, once New York-based Glenfarne, the project developer, updates the front-end engineering design for the pipeline. He then expects the firm to reach "a final investment decision fast".

Alaska currently exports no LNG, but the North Slope has proven reserves of 35 trillion cubic feet. It is targeting Asian countries across the Pacific Ocean due to their relative proximity and desire to diversify LNG import sources.

Mr Dunleavy visited Japan and South Korea in March to promote the project, and said a contingent from Thailand, Japan and Korea visited Alaska "for several days" in early May to discuss investment and off-take agreements.

"Taiwan is very interested in investing and off-taking ... up to 6 million tonnes a year," he said, noting that would be the largest LNG off-take agreement ever that the government is aware of. The project's total export capacity would be 20 million tonnes per year.

The US federal government is also talking to Asian governments about supporting the project as part of their tariff negotiations.

'Different to a few years ago'

Talk of exporting gas from the North Slope began in the 1970s. However, the capital requirements and technical challenges created roadblocks. BP, ExxonMobil and ConocoPhillips backed the project as joint venture partners in 2014 before walking away in 2017.

However, today, "the concept is different than it was a few years ago", said Mr Dunleavy. "We are not approaching it as one big monolithic project now." Instead, it has been divided into three phases – the pipeline, liquefaction export facility and carbon sequestration plant – with the current focus on the pipeline, which requires between $12bn and $14bn in capital.

He hopes this can be built in the next two-and-a-half years, delivering gas to customers in the state, the assurance of which would help de-risk investment for the final two stages. The goal is to ship gas to Asia as early as 2031.

In 2020 the project obtained all necessary state and federal permits. There are no outstanding legal challenges, and electrification is pushing demand for LNG as a transition fuel. Glenfarne became the lead developer in March, replacing state-owned Alaska Gasline Development Corporation, which had been the project's sole owner since the withdrawal of the oil majors in 2017 and retains a 25% stake.

Against that backdrop, Mr Dunleavy said that "the appetite and the enthusiasm we're receiving now, especially from our Asian allies, is something we haven't seen before".

President Donald Trump strongly supports the project, having issued an executive order that prioritises its development. However, Mr Dunleavy suggests there is some level of bipartisan support. The Biden administration approved exports from the project and successfully fought lawsuits challenging the decision by environmental groups.

Analysis by Wood Mackenzie shows that, once complete, the project could lower local energy costs by up to 75%, which Mr Dunleavy said would "totally transform" the resource-dependent state economy.

He is already eyeing an expansion of Alaska's small data centre ecosystem, arguing that cheap gas, low temperatures and abundant land and water are prime conditions. ■

Is the US still a safe haven for real estate investment?

DESPITE MOUNTING NEGATIVE SENTIMENT, THE COUNTRY'S PROPOSITION REMAINS STRONG. **JOHN EGAN** REPORTS

Going up: urban development in the US is continuing apace

Geopolitical volatility is weighing on the minds of real estate investors in the US, although they still largely perceive the US market as a there-is-no-alternative "safe haven", according to the results of a survey published by the Association of Foreign Investors in Real Estate (Afire).

Afire represents about 180 organisations from 25 countries, including the US, that collectively oversee more than $3tn in assets under management in the country. It conducted the survey in March 2025 and collected more than 72 unique responses from its members.

The survey results show that 63% of the participants have a negative outlook on cross-border investment into the US real estate market, up from 42% in the previous iteration from September 2024.

Just under 80% of them believe that "global political tension and economic realignments are the greatest threats to cross-border investment", up from about 50% in the previous edition.

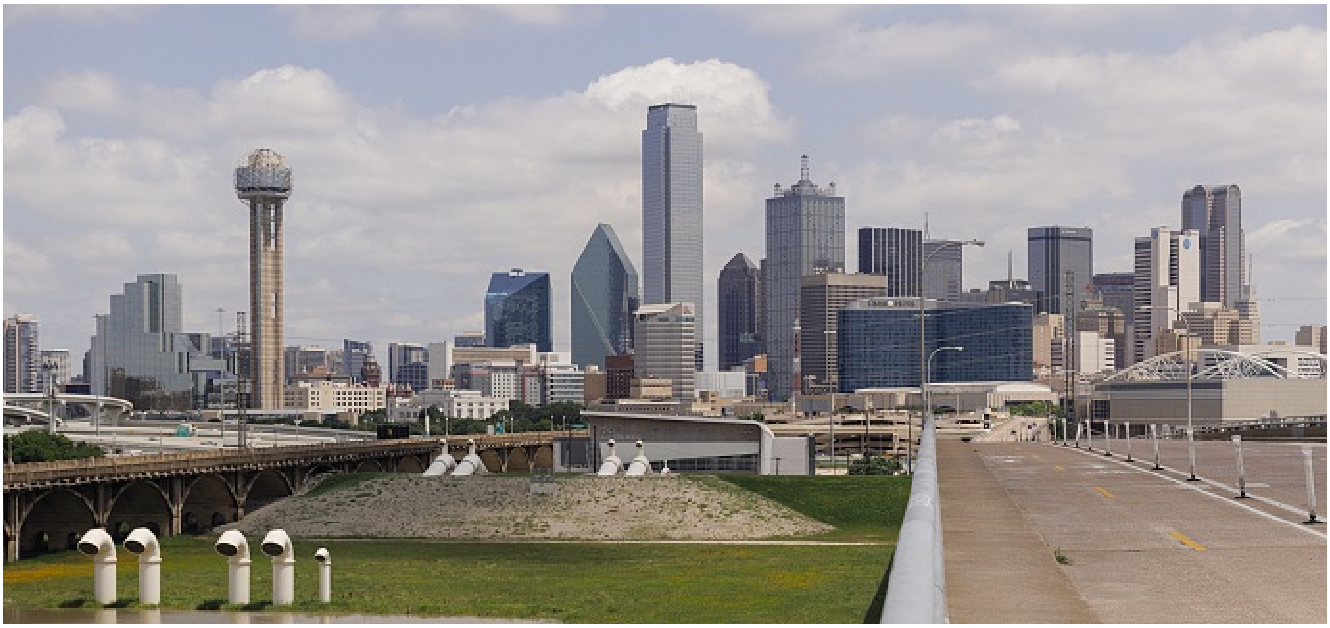
In an international context, however, the US market seems to retain its lustre. More than 80% of the respondents rated it as "safe" or "very safe", which is on par with the results from 2024. Only the UK has a similar standing in the eyes of the survey respondents, while all the other countries and regions exhibit a higher risk profile.

Not all doom and gloom

Contrary to what some real estate investors might believe, geopolitical volatility tends to reinforce the perception of the US as a "relatively safe haven", says Ian Glaser, a partner at Miami-based commercial real estate lender BridgeInvest. In fact, he believes foreign investment in the US generally, and in commercial real estate in particular, is poised for a rebound this year after "subdued activity" in 2024, driven in part by the weakening US dollar and the resilience of the US economy.

A February 2025 report from Afire indicated that US commercial real estate investment volumes declined 14% in the 12-month period to the third quarter of 2024 compared with the corresponding period a year earlier. Commercial real estate acquisitions by foreign investors totalled $20.2bn for the 12-month period to the third quarter of 2024, down 41% year-on-year and 59% behind the 15-year average, the report found.

In terms of market segments, the investors surveyed were primarily attracted to multifamily, industrial, retail, data centres, senior housing and self-storage, according to the Afire survey. ▶



Hot property: the 2025 Afire report rates Dallas-Fort Worth as the US's number one market for overseas real estate investors

'A period of caution'

Afire CEO Gunnar Branson says he is surprised by the level of continued commitment among foreign investors to the US property market despite ongoing political and financial uncertainty.

He summarised the outlook of foreign investors thus: "This is difficult. This is challenging. We may be putting our pencils down at the moment because [this] has certainly been a hard time to figure out exactly whether or not to proceed with a particular acquisition or sale, and what does that number look like?"

For now, however, it is tough to predict when that "pencils down" period will end, says Mr Branson. In fact, some foreign investors might pick up their proverbial pencils, only to put them down again if tariffs, interest rates and other financial factors become more worrisome. "This is a period of caution," says Mr Branson.

In the meantime, Afire is still receiving membership applications from investors outside the US, notably from Europe and Canada, he says.

"There is an understanding that when this storm passes … there will be opportunities, and significant ones, if you stay close to the market. That's the attitude I'm getting from a lot of folks I interact with."

Based on the Afire survey, Mr Branson notes opportunities lie across several real estate segments including multifamily housing, industrial properties, data centres and cold storage facilities.

"We'll see how this plays out, but [foreign investors'] intentions are to take advantage of these areas of growth," he says.

The outcome depends on myriad unknowns, such as interest rate increases or decreases, stock market movements and tariff volatility.

"There's a lot going on, and all of these things are having an impact," says Mr Branson. "I think it's a good story [for foreign investment in US real estate], but it's not a fairytale. It's not black-and-white or good/bad. And no president has a lever that can move things completely one way or the other. This stuff takes time."

NO PRESIDENT HAS A LEVER THAT CAN MOVE THINGS COMPLETELY ONE WAY OR THE OTHER. THIS STUFF TAKES TIME

Hotspots for investment

As they seek opportunities in the US, foreign real estate investors have their sights squarely set on several major US markets in 2025, according to the Afire survey. In order of preference, the top five are: Dallas, New York, Miami, Boston and Atlanta.

Dallas-Fort Worth (DFW) also topped the list of US markets to watch in PwC and the Urban Land Institute's Emerging Trends in Real Estate 2025 report.

"[A] combination of affordability, growth and economic diversity should continue to attract new residents and businesses to DFW," says the report. "Though climate risk in the form of heat stress and fire may challenge the [region] in the coming years, DFW's demographics offer it a strong engine of growth that may yet underpin a robust recovery and favourable returns for many more years." ■

John Egan is a freelance contributor based in the United States

INTERVIEW: JOHN DREW

'Be calm and trade on'

THE WTCA'S CHAIRMAN DISCUSSES WORLD TRADE CENTER BRAND VALUE IN THIS TIME OF CHANGE WITH **JACOPO DETTONI**

To most, the World Trade Center (WTC) brand brings back poignant memories of the Twin Towers in New York. In the field of trade and investment, it is one of the most recognised US brands worldwide. So much so that, today, the World Trade Centers Association (WTCA) represents more than 300 centres.

"The stickiness of the New York/American brand is clearly there," argues John Drew, the chairman of the WTCA. "However, in reality, we're everywhere."

The members, typically commercial real estate properties, pay a fee to leverage the WTC brand in their business proposition and access its global network. The WTCA has been growing its base for years. Trade uncertainties and new models of work are now prompting its leadership to take the association and its members beyond the current disruption.

"Tariffs have always been there," Mr Drew says. "But these tariffs are hard to manage because, quite frankly, they really haven't been finalised. Day to day, everything's changing. Those kinds of everyday changes create anxiety, because people just don't know where it's going to stop and what the impact is going to be. My message for them: 'Be calm and trade on'."

Mr Drew argues that each WTC has a trove of knowledge when it comes to fleshing out these latest developments from a legal, accounting and trade operational perspective, and that can be put to work to the benefit of all its members.

"We should be able to share that information very easily between ourselves as a network," he adds.

Office and diversification

Increasingly, the WTCA is diversifying across asset classes beyond office space. Its members are developing multi-purpose commercial properties featuring exhibition space and hotels. They are also looking at fast-growing assets like life sciences and industrial space. As regards to the latter, the association is establishing ties with the Dubai-based World Free Zones Organization (WFZO), which has 1623 members in the free zones ecosystem, many of whom are private land developers, to explore joint opportunities in industrial property development.

However, the future of the office will inevitably continue to inform the WTCA diversification efforts. Mr Drew argues that in mature markets on both sides of the Atlantic Ocean, "most investment groups are staying away from [office space] right now, unless you have very strong business propositions".

"In the US and western Europe, we have to get our hands around how many days a week people are working in the office, and then address the demand for office space that comes from that. Besides, there is an emerging artificial intelligence issue. As someone said, 'if you think we're moving fast in AI this year, [you're forgetting that] this is the slowest it's ever going to be'. Ultimately, it [the office market] is going to be in flux."

As a counter to this, Mr Drew points out the need for new office space in emerging markets. "We have partners in Algeria, for example, and they still operate out of the first floor of apartment buildings. Office buildings will get built in those places because they're not there yet."

Even in the midst of these changes, Mr Drew believes the WTCA has a major role to play: they make the platform even more valuable to its members.

"This is a time of change, and I don't know what the outcome is going to be," he concludes. "The best thing we could do is to be more active at our sharing of information than we've been before, so that we can be more up to date in our knowledge. We have to be flexible too, because we're not at that policymaking table." ■

CURRICULUM VITAE

JOHN DREW

2019
WTCA
Chairman

Previously
President, World Trade Center Boston and Seaport Hotel

REGIONAL DEVELOPMENT BECOMES AN 'UNPRECEDENTED' PILLAR IN GOVERNMENT'S NEW STRATEGIC REVIEW

Defence to be UK economic engine

War economy: Prime Minister Keir Starmer during a visit to Barrow-in-Furness which is home to the UK's nuclear deterrence programme and inspiration for future defence clusters across the country

MILITARY SPENDING

Economic regeneration has for the first time been placed at the heart of the UK's defence strategy, with the government's military overhaul released on June 2 leveraging the industry's unique characteristics to drive its regional development agenda.

In the nation's first Strategic Defence Review (SDR) in four years, the government proposes lifting defence spending to 3% of GDP by the 2030s up from 2.3% today, marking the biggest sustained increase since the end of the cold war.

While war readiness and security are the SDR's overriding goals, the 144-page document also explicitly aims to make defence "a new engine for growth at the heart of the UK's economic strategy".

"Historically, economic regeneration was often a secondary consideration in UK defence policy ... [This] level of explicit commitment to defence as a driver of regional economic renewal — via direct spending, regional clusters, and innovation ecosystems — is unprecedented," says Peter Hewitt, co-chair of consultancy Universal Defence and Security Solutions.

The SDR's multi-faceted investment agenda includes a focus on digital warfare via a £400m annual innovation budget, as well as building 12 submarines, at least six munitions factories, and spending £15bn on nuclear warheads. Some estimates suggest it will require some £68bn in extra government spending before the end of the next decade.

Prime Minister Keir Starmer is championing the programme as creating a 'defence dividend', flipping the 'peace dividend' idea from the post-cold war era which pushed the economic benefit of less military spending.

In the SDR, Mr Starmer writes he wants the reforms to create "opportunity in every corner of our country". Industry experts agree the changes can boost the UK's regional development agenda, which aims to reduce regional disparities across the country.

Keith Hartley, a University of York professor and defence expert, notes that defence investment can have an outsized impact on local development because it is often targeted to where highly specialised activities are carried out.

In the UK, this overwhelmingly occurs beyond London and the wealthy south-east, with around 80% of defence jobs located in other regions, according to trade body ADS Group, which represents the country's aerospace, defence, security and space industries. This is partly down to defence being "inherently regional" with "shipyards, munitions plants and air bases often located in areas with long-standing ties to military infrastructure", says Mr Hewitt. ■

DANIELLE MYLES

3% PROPORTION OF UK GDP TO BE DEVOTED TO DEFENCE SPENDING BY THE 2030s

Revolut's €1bn France bet

Global fintech company Revolut is planning to invest more than €1bn in France over the next three years and create a new headquarters in Paris, as it plans to apply for a French banking license in a further push into Europe.

This expansion by the digital bank will add to its existing European base in Lithuania. The company said this "dual-HQ model" in the EU single market will help to deepen its presence in key markets and strengthen its local regulatory engagement.

Revolut plans to create at least 200 jobs in France, according to a release on May 20, claiming this is the largest investment in the French financial sector in a decade. The company will apply for a banking licence with France's regulator.

Data from **fDi** Markets shows that greenfield investment commitments into France's financial services sector declined from $788m in 2022 to $218m in 2024. ■

ALEX IRWIN-HUNT

Court ends EU golden passports

The European Court of Justice has ruled that Malta's so-called golden passports breach EU law and ordered the country to end the programme.

In an April 29 judgment, the EU's top court sided with the European Commission in its case against the island nation, declaring that offering passports in exchange for financial investment "commoditises" EU citizenship and "constitutes a particularly serious infringement of EU law".

Malta was the only remaining EU country to have a citizenship-by-investment programme, after Bulgaria abolished its scheme in 2022 and Cyprus ended its programme in 2020 following corruption allegations. The ruling closes the door on the prospect of other member states launching similar schemes.

In recent years, 'golden passport' schemes have been criticised for presenting security, money-laundering, tax evasion and corruption risks. ■

DANIELLE MYLES

LATEST INVESTMENTS

AUTOMOTIVE OEM
CAR PRODUCTION

Volvo Cars, an automaker and subsidiary of China-based Zhejiang Geely, has expanded its manufacturing capacity at its plant in Ghent, Belgium. This will create 350 jobs and represents an investment of €200m, and is in addition to the investments made to expand production of other electric vehicles at the site. It serves markets in Europe.

BUILDING MATERIALS
PORTUGUESE CEMENT

Cimpor, a cement group and a subsidiary of Taiwan-based Taiwan Cement, has invested €155m to open a new research and development centre at its production facility in Vila Franca de Xira, Portugal. It will create 100 new jobs.

COMMUNICATIONS
FINNISH DATA CENTRE

The social media platform TikTok, which operates as a subsidiary of China-based ByteDance, is planning to invest €1bn to build a new data centre in Finland.

FOOD & BEVERAGES
RUSSIAN EXPANSION

South Korea-based Orion Corporation, a confectionery business, has announced it is investing Won240bn ($169m) to expand its factory in Tver, Russia. The investment will expand 16 production lines, including pies, biscuits, snacks and jellies, doubling the annual total production volume to Won750bn.

RENEWABLE ENERGY
GERMAN SOLAR POWER

Switzerland-based energy company Axpo, has started construction of two solar farms in the Schleswig-Holstein region of Germany. The facilities in Borgdorf-Seedorf and Eisendorf will have a combined capacity of 45MWp. They are expected to be in operation by the end of 2025.

SEMICONDUCTORS
ITALIAN WAFER PRODUCTION

STMicroelectronics, a semiconductor manufacturer based in Switzerland, has announced plans to expand its 300mm wafer manufacturing facility in Agrate Brianza, Italy. The company plans to double its current capacity to 4000 wafers per week by 2027, with planned modular expansions increasing capacity up to 14,000 wafers per week.

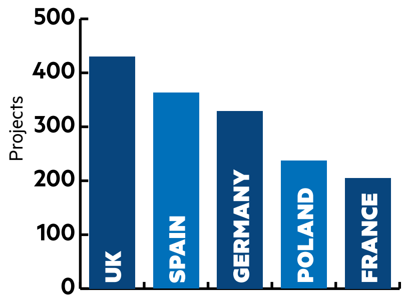
TRANSPORTATION & WAREHOUSING
UK DISTRIBUTION CENTRE

Bleckmann, which operates in the fashion and lifestyle logistics market and operates as a subsidiary of Turkey-based Netlog Logistics Group, has announced plans to open a new distribution centre in Crick, UK. The 99,410 sq m facility at Daventry International Rail Freight Terminal is expected to create 1500 jobs when fully operational.

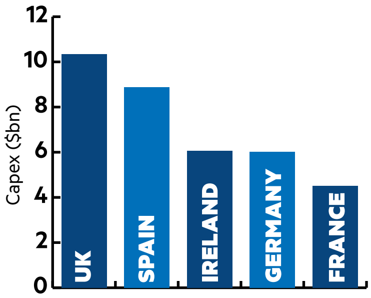
*This investment news and data has been provided by **fDi** Markets, a crossborder investment tracking service that is part of The Financial Times Ltd's FT Locations division (www.ftlocations.com)*

STATS

TOP FIVE EUROPE DESTINATIONS FOR FDI IN RESEARCH AND DEVELOPMENT, 2020-2024



Source: fDi Markets



Source: fDi Markets

View from

Europe

Who hasn't heard the tale of ever fiercer competition for talent? That ageing populations and declining birth rates in advanced economies result in a shrinking labour force. Add to this, rapid technological change, and you have the perfect storm of a lack of skilled workers. So, is the West doomed? Are we losing the workforce race against developing countries with their younger, growing populations?

Theorists such as Erik Händeler might have a point when they claim we are seeing the beginning of a sixth Kondratieff wave. These are long-term cycles of economic expansion and contraction, lasting approximately 50 years. The most interesting argument is that each new wave starts from a point of scarcity. The most famous waves saw the scarcity of power and mass transport fuelling the invention of the steam engine and railways.

If skilled, well-trained people are the point of scarcity that triggers the next wave, the question becomes how to solve this. One solution is to encourage more people to be active in the labour market — women who have left the workforce to provide childcare, people on unemployment benefits, or delaying retirement to extend people's working lives.

The technological solution could take the form of humanoid robots. Mass adoption of these could kickstart a multi-tiered ecosystem, consisting of suppliers and service providers, akin to what is happening in the automotive industry.

Alternatively, human workers will be aided by increasing levels of automation and AI, making value creation per person more efficient. For this to succeed, we require a far more dynamic education system that manages to keep pace with the rate of technological change.

Whichever path it is, today's talent shortage suggests there is a growth trajectory that neither companies nor countries should miss. It will determine your growth potential (and potential to attract foreign investment) way more than tax rates, incentive payments and labour costs ever will. ■

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WITH TRUMP COMING BACK, [EU COUNTRIES ARE] SUDDENLY AWARE WE HAVE ALL THESE TOOLS

Economic security bids to become the EU's next transition

TRUMP 2.0 HAS BEEN A WAKE-UP CALL FOR THE BLOC TO CREATE A THIRD STRATEGIC PILLAR ALONGSIDE SUSTAINABILITY AND DIGITISATION. **DANIELLE MYLES** REPORTS

The EU's foundations are rooted in the idea of an open economy. Welcoming foreign investment, striking trade deals and championing multilateralism sit firmly within the bloc's DNA. But this characterisation is being tempered by its embrace of a new philosophy. In the name of economic security, the EU is creating tools to defend its interests and assert geopolitical power in ways never seen before.

Economic security as a concept is still so fresh it defies a single definition. Some say it is about protecting society from economic shocks, coercion and the weaponisation of commerce. For others, it is about tackling any vulnerability that makes a society feel economically insecure.

What is clear, though, is that economic security means extending protectionist thinking traditionally reserved for matters of physical defence to a broader swath of the economy. And despite sitting awkwardly with the EU's founding principles, it is an area where the bloc is doubling down.

"The first 35 years of European integration were about maintaining full employment. The next 35 years were obsessed with price stability. And now, the goal they're really pursuing is economic security," says Matthias Matthijs, senior fellow for Europe at the Council on Foreign Relations.

EU's geoeconomic turn

The rise of economic security within the EU has been driven by a weakening of the liberal, international economic order in which the bloc historically thrived. This has played out through Russia's annexation of Crimea in 2014, China's assertive push abroad under Xi Jinping, the declining sway of multilaterals like the World Trade Organization (WTO), supply chain breakdowns during the Covid-19 pandemic, and unorthodox industrial policymaking by the US.

The first whiff of EU economic security came in 2017 when then European Commission president Jean-Claude Juncker declared "we are not naive free traders" as he proposed the bloc's first foreign direct investment (FDI) screening framework. However, the EU's geoeconomic turn has unfolded under the watch of Ursula von der Leyen. The adoption of 'open strategic autonomy' in 2021 seemed like a game-changer at the time. But in retrospect, it was "kind of like playing footsie" with the economic security concept pursued by the bloc today, says Abraham Newman, a political scientist and professor at Georgetown University.

Since then, the EU has been rolling out a toolkit to minimise its vulnerabilities amid growing geopolitical tensions and technological shifts. In 2023, it became the second advanced economic bloc, after Japan, to adopt the concept into its policymaking by publishing its European Economic Security Strategy, which encompassed everything from export controls and research of dual-use technologies to outbound FDI screening. It has also pursued a 'de-risking from China' strategy, enforced its Foreign Subsidies Regulation, and launched the Anti-Coercion Instrument, which lawyers warn could breach WTO rules.

"We've seen a leap forward at quantum speed of the development of [economic security]," said Simon Mordue, deputy secretary-general of the European External Action Service at the EBRD's annual meetings in May. "We have been doing a lot of work recently in a toolbox of economic security ... where the EU is now beginning to play more of a role."

The Trump wake-up call

Yet there are calls for Brussels to take an even stronger approach. "The challenge Europe faces right now between an increasingly economically powerful China, which uses its market for coercive ends, and a

Making the rules: the European Commission instructed member states to establish FDI screening regimes five years ago

US government that is less and less committed to the rules-based trade order, means Europe has to stand up its capabilities," says Mr Newman.

His comments are echoed by Agathe Demarais, senior policy fellow for geoeconomics at the European Council on Foreign Relations, who describes the second Trump administration — with its aggressive stance on trade and annexation — as "a wake-up call for Europeans". She says that "to project its geoeconomics power [the EU] will need to beef up its institutional framework".

Yet in devising and enforcing economic security tools, the EU has faced a familiar challenge: obtaining consensus among its fragmented base of 27 member states. Five years after the commission instructed member states to establish FDI screening regimes, three of them — Greece, Croatia and Cyprus — still do not have one. In adopting electric vehicle tariffs against China last year, five member states opposed the move and 12 abstained.

Mr Matthijs is among those who believe that 2025's geopolitical disruption is the best chance yet to pull the bloc together for its collective good. "With Trump coming back, [EU countries are] suddenly aware we have all these tools. We mostly wanted to use them against Russia and China, but we can use them against the US if we must," he says.

The European Policy Centre think-tank is advocating for the EU to make economic security the bloc's third transition, following in the footsteps of sustainability and digitisation. "We should try to construct a global economic order which takes into account [Europe's] economic security interests in a more thorough fashion," says Paweł Świeboda, who heads the group's Europe economic security project. He suggests it should be "a holistic strategy" that is integrated into all EU policies from the outset.

Meanwhile, the European Council on Foreign Relations has met with EU officials to discuss its proposal for a so-called EU economic security network. This would be a forum that connects member state officials working day-to-day with economic security tools — whether they relate to investment, trade, sanctions or other areas — to improve dialogue and foster a more co-ordinated approach to perceived risks.

Toughening up or selling out?

A more unified approach to economic security would strengthen the EU's hand in protecting its strategic interests, but it is not without risks. For example, areas like defence and FDI screening have traditionally fallen within national jurisdiction. Steffen Hindelang, executive director of the CELIS Institute, warns that strengthening efforts to centralise these in Brussels "could backfire, with some member states trying to claim back areas they have already ceded to the EU" thereby creating even more fragmentation.

Others argue that an EU fixated on economic security discounts the gains and respect it has won by championing liberal economic principles. "The competitive advantage that Europe has is the fact that it's a rule follower. It's predictable. It's been much less protectionist than the US in recent years and that in itself is economic security. We have a stable environment," says Aslak Berg, research fellow at the Centre for European Reform.

With the EU's expansion of economic security seeming all but certain, the bigger question is how it strikes a balance with these philosophies that have underpinned its competitive advantages for decades. ■

Alex Irwin-Hunt contributed to reporting for this piece.

Be prepared: Nato estimates that Germany's defence spending stood at 2.12% of GDP in 2024

Trump kicks Europe's rearmament race into overdrive

EUROPEAN NATO MEMBERS ARE ACTING ON A NEW URGENCY TO RAISE DEFENCE SPENDING. **JUSTIN PUGSLEY** REPORTS

President Donald Trump did what no previous US administration — and not even the war in Ukraine — could achieve: he injected a pressing sense of urgency for Europe to rearm and take greater responsibility for its own defence, with the focus now firmly on delivery.

In fairness, European defence spending had been steadily ticking up from around 2014 when Russia annexed Crimea, and further soared after the invasion of Ukraine started in February 2022. EU defence spending rose from €147bn in 2014 to €326bn in 2024, according to figures from the European Parliament.

However, when the Trump administration began dropping loud hints that the US might not defend Europe — despite its obligations under Nato — European governments finally started to take the threat of military aggression, such as from Russia, much more seriously.

The US's key strategic focus is increasingly on China, which it views as a rival. It may also be a nod to the realisation that the US would probably struggle to sustain two major military campaigns in different parts of the world at once.

The EU reacts

Mr Trump's Nato broadsides saw the European Commission quickly swing into action by mobilising up to €800bn in the EU for defence and includes a special €150bn borrowing facility to spend mostly on European-made weapons systems over four years.

The Commission's 'Readiness 2030' initiative aims to increase the bloc's capabilities in air and missile defence systems, artillery and ammunition, drones and anti-drone technologies, cyber security, artificial intelligence and electronic warfare.

Germany, the world's third-largest economy, is running with the baton and is set to become one of the top defence spenders globally after then chancellor Olaf Scholz declared a "Zeitenwende", or turning point, in the country's defence spending in February 2022.

According to Nato, the country is estimated to have spent 2.12% of GDP on defence in 2024, slightly exceeding the alliance's 2% target, compared to 1.45% in 2021 and 1.19% in 2014.

"No one wants to be in a situation where the nuclear fallback is the only choice," says a defence expert who asked to remain anonymous. "Therefore, a major conventional rearmament option is the only choice for Nato and the EU." He adds that this would be the cheapest and most achievable option, concentrating on rebuilding munition stockpiles and delivering war-fighting capabilities across all Nato states.

Reversing the peace dividend

However, following almost three decades of peace after the end of the cold war and the collapse of the Soviet Union, Europe's defence capabilities have atrophied, leaving big capability gaps in its wake.

And it is no wonder. According to Nato's figures European allies and Canada were only spending on average 1.43% of their GDP on defence in 2014, well below the 2% target. Though this is estimated to have recovered to 2.02% in 2024. Among Nato members, only the US, the UK and Greece have regularly met their spending obligations in the 10 years to 2024.

Europe's gaps include a lack of conventional weapons manufacturing capacity (from artillery shells to main battle tanks), logistics (air-to-air refuelling and sufficient transportation to quickly move armies) through to high-end systems (satellite surveillance, air defence and long-range missiles).

In 2021, EU member state defence companies had a turnover of €70bn ($76bn), employing around 500,000 people, according to figures from the European Parliament. In the UK, they employed more than 80,000 people directly and generated a turnover of £21.4bn ($28.4bn), according to figures from defence data-sharing initiative JEDHub.

Filling those deficiencies will see European defence company turnover and employment boom in the years ahead.

"Europe needs greater production capacity — even the US does in some areas — and is short of what Russia can currently produce [in terms of certain conventional weapons like tanks]," says Guntram Wolff, a senior fellow at Bruegel, a European think-tank, and former CEO of the German Council on Foreign Relations. "We need more integrated decision making at the European level, and more pooling of demand through consortiums to drive efficiencies in production."

To many, the pan-European missile maker, MBDA, is seen as an ideal role model for the continent's defence companies. It was born out of the merger of France's Aérospatiale Matra Missiles, the Anglo-French Matra BAe Dynamics and the missile division of the Anglo-Italian Alenia Marconi Systems, but unusually its management has considerable autonomy. That means it makes many of its products in the countries where it can drive the greatest efficiencies and economies of scale. That goes further than European plane maker Airbus where the partner nations jealously safeguard key manufacturing functions.

Working together

Defence experts believe a more realistic approach is for companies to form joint ventures and consortiums, which may in some cases lead to mergers. They believe that ideally there should be a European defence procurement agency buying weapons on behalf of EU member states. That is unlikely to happen any time soon due to nationalism, according to Paul Taylor, senior visiting fellow at the European Policy Center, a think-tank.

However, both Mr Taylor and Mr Wolff stress the importance of defence companies being given long-term contracts, which will spur them to make the necessary investment to grow weapons-making capacity.

Indeed, the EU's European Defence Industrial Strategy aims to raise collaborative equipment procurement from 18% to 40%, and increase intra-EU defence trade to 35% of the overall EU defence market value. And to allocate at least 50% of procurement budgets to purchases from Europe's industrial defence sector.

"My hope is that we can gradually reach a negotiated amicable separation (from the US), but not total separation. Also, I don't think the Europeans should seek to drag this out in the hope that the next US administration takes a different view," says Mr Taylor. He adds that there should be deliverables, benchmarks and a timetable for European allies to take over certain functions currently performed by the US. This could start with forward-based land forces and military mobility.

A tech dividend?

It is clear that for Europe having to suddenly conjure up billions of euros to quickly rebuild its military clout is unwelcome. Many European states are heavily indebted and unpopular sacrifices will have to be made, whether raising taxes or cutting welfare spending.

However, there could be a silver lining. Up until the early 2000s, defence was the main driver behind tech innovation, but its importance faded as defence budgets dwindled with the end of the cold war. Nonetheless, defence R&D spawned technologies such as the internet, semiconductors, microwave ovens, jet engines, nuclear energy and satellite technology.

Engineering is an area Europe excels at, unlike software-type applications where the old continent badly lags behind the US

Rebuilding Europe's military capabilities will require lots of cutting-edge engineering and innovation. The civilian spin-offs from these technologies could help unleash a new generation of world-beating industries, this time led by Europe. ■

Justin Pugsley is a freelance contributor based in the UK.

The potential inflection point for the European battery industry

THE REGION IS FACING CHOICES FOLLOWING NORTHVOLT'S COLLAPSE. **ANDRII DEGELER** REPORTS

Europe has long since run out of domestically produced batteries. According to data by Fraunhofer ISI, the continent accounts for 25% of global battery demand, despite accounting for just 10% of global production. As of 2023, 80% of this demand was created by electric vehicles (EVs), as reported by the International Council on Clean Transportation. On the production side, an International Energy Agency analysis shows that only a third of the installed capacity in 2024 is actually owned by European entities. Fraunhofer ISI researchers expect this share to stay unchanged in 2025.

With both EV and stationary energy storage markets growing across Europe, the continent will likely require between 800 gigawatt hours (GWh) and 1300GWh in battery capacity every year by 2030, Fraunhofer ISI noted in their analysis, published in March 2025. As of 2024, the researchers cited a yearly production capacity of just 150GWh, implying the need for a rapid expansion of manufacturing facilities.

While the announced plans of battery makers across the continent amount to more than 2 terawatt hours (TWh) produced yearly in 2030, Fraunhofer ISI predicts that no more than three quarters of them are likely to be realised. Incidentally, more than 700GWh worth of battery production projects in Europe have already been cancelled.

Furthermore, the study paints a picture of almost inevitable "delays in construction projects and lower output in the factories". The authors' simulations show that "European production is very likely to cover at least 50-60% of the domestic demand by 2030, while 90% self-sufficiency seems feasible but far from certain".

The same probabilistic model employed in the study shows that domestic manufacturers are unlikely to be able scale production after 2030 to keep up with growing demand. That's based on the lack of announced plans for that timeframe and the predicted flattening of the growth curves towards the end of the decade. The underlying reasons cited by the researchers include high energy prices, a shortage of skilled workers, intensifying price competition and difficulties in establishing supply chains. Therefore, it is likely that the share of domestic supply on the market will keep decreasing unless significant measures are taken to create extra capacity.

The bankruptcy in the North

A significant portion of cancelled battery production plans in Europe has to do with the recent collapse of Northvolt, a Swedish manufacturer once hailed as the continent's battery self-sufficiency champion. With 150GWh in planned production by 2030, the company had raised $15bn in debt and equity before going bankrupt in March.

The fate of Northvolt's battery-production facilities is going to influence the industry landscape in Europe. While the truck manufacturer Scania acquired its industrial division with some 260 employees, the main site in the Swedish town of Skellefteå has yet to be spoken for. Ironically, Scania has also just stopped buying batteries produced there, citing high costs.

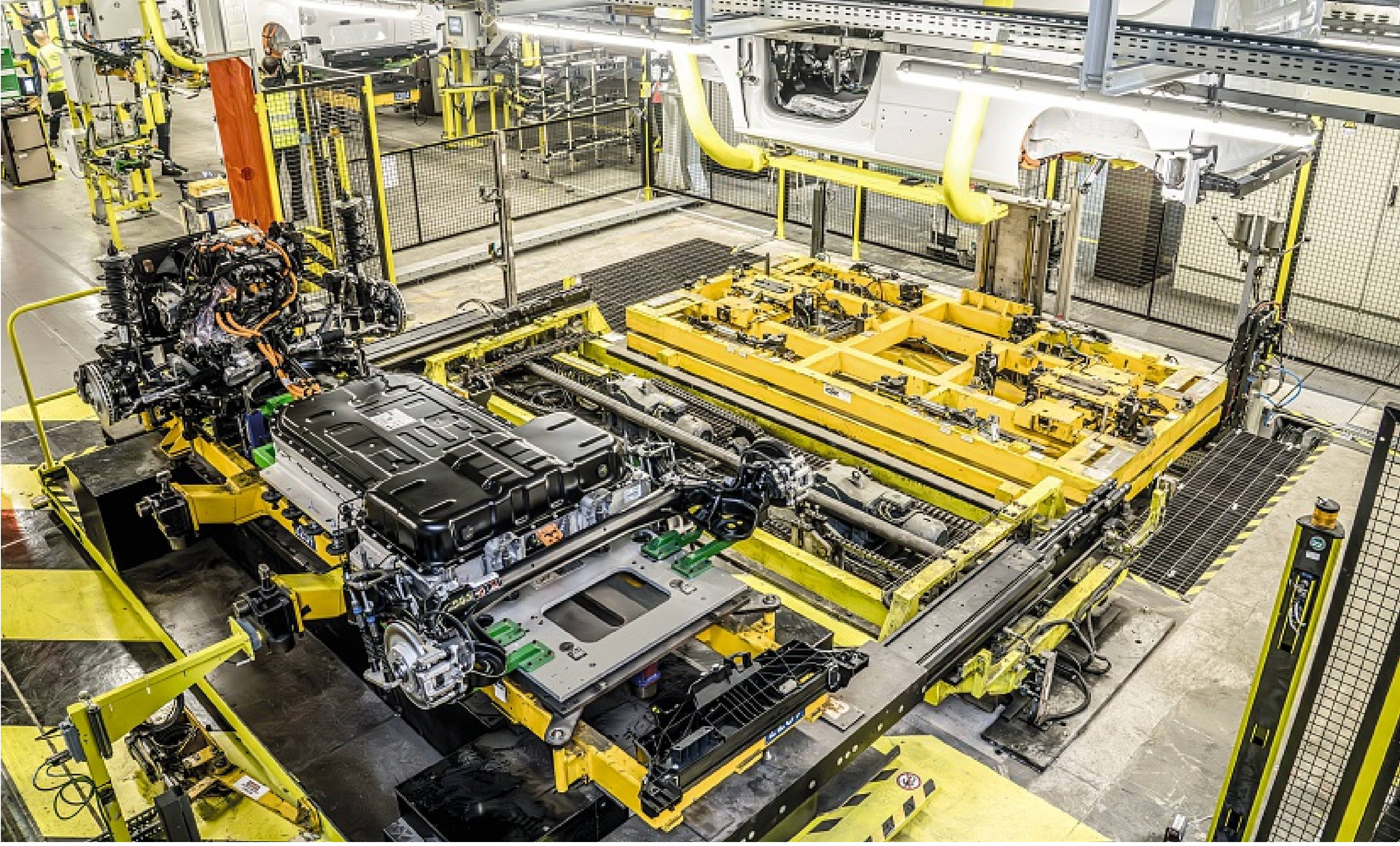
In late May, the appointed trustee who oversees the sale of Northvolt's assets, announced that a deal for the main site is unlikely to materialise soon. Because of that, the production at the facility will be slowing gradually and shut down fully towards the end of June.

Bo Normark, industrial strategy executive at EIT InnoEnergy, notes that the rise and fall of Northvolt has been "watched very carefully" by the likes of Germany's PowerCo and France's Verkor and ACC. The industry consensus seems to be that the main lesson from Northvolt's story is for battery manufacturers to focus on just that — battery cell manufacturing. The Swedish upstart, with its cathode active material production and recycling facilities, might have spread itself too thin.

Boosting the EU's attractiveness

The European Commission is also planning to invest in the domestic battery sector as part of the larger automotive industry push. Under the 'Battery Booster' package of the recently unveiled action plan, the bloc has earmarked €1.8bn to support companies manufacturing batteries in the EU in the coming two years.

The commission has noted that it would set "clear limits ... against uncompetitive practices" by foreign companies entering the battery sector in the EU. Mr Normark suggests that in practice this can mean


Power play: automotive group Stellantis has formed a €4.1bn joint venture with Chinese battery manufacturer CATL

mandatory joint ownership of the facilities that are to receive EU funding or subsidies by foreign and European entities.

So far, Asian producers have largely developed their European footprint on their own, particularly in Hungary and Poland. However, a first cohort of joint ventures (JVs) between Asian battery producers and European carmakers has anticipated the commission's move in the direction of closer collaboration.

"JVs are the most beneficial for European companies that want to access Chinese lithium iron phosphate battery technology to serve the growing demand coming from micro mobility and energy storage solutions," says Evan Harley, research manager at Benchmark Mineral Intelligence. The €4.1bn JV between automotive group Stellantis and CATL in Zaragoza, Spain, is a case in point; other notable examples of this include Chinese-owned AESC's JVs with Nissan in the UK and Renault in France.

Member states have also been providing significant public funding and subsidies for battery projects. France, for example, has poured more than €3bn into the joint undertaking of ACC, Verkor and Taiwanese ProLogium, with the idea to build a facility in the vicinity of Dunkirk.

One of the draws of the French "battery valley" is access to nuclear energy. Moving forward, abundant and inexpensive electricity can be a deciding factor in where to place a new battery gigafactory. This is where the Nordic countries like Sweden — and Skellefteå is a good example — often excel.

Another possible consideration is labour costs, as well as proximity to European automotive facilities. These criteria have allowed for Hungary to take a leading position in EV-related foreign direct investment (FDI) in Europe. According to the data from Rhodium Group, in 2023 it managed to capture 44% of all Chinese FDI on the continent, or €2.99bn — an almost twofold year-on-year increase that is mainly attributable to battery manufacturing plants.

From lithium to sodium

With the funding environment becoming stricter over the past few years, it seems unlikely that another homegrown player of Northvolt's scale would emerge in Europe in a similar timeframe. The existing players are electing to grow in a steady and predictable fashion, adjusting to the slowing investment flows.

At the same time, an interesting and potentially game-changing avenue for the European battery industry's development lies in innovative technologies used in cells. Currently, the vast majority of batteries produced worldwide are based on lithium-ion cells; a theoretical possibility using sodium ions as the charge carrier has recently emerged. Although it is not yet fully proven, it could be a breakthrough cost-wise and carry a strategic opportunity for the continent.

"[China has] been very clever in locking in the supply chain, especially for [lithium iron phosphate] batteries — they have absolutely everything," Mr Normark says. "For sodium-ion batteries, it's still to be done, and that is clearly a chance [for Europe]."

Unlike lithium-ion cells, sodium-ion battery production does not require critical materials, since sodium is extremely abundant in the Earth's crust. Therefore, with adequate investment and political will it appears possible for European players to scale up necessary production and create a system that is much closer to battery sovereignty than the status quo. ■

Andrii Degeler is a freelance journalist based in Amsterdam

Big news: President Emmanuel Macron of France announced a €109bn investment progrmme at the country's AI Action Summit

'Power coupling' redefines data centre site selection

OPERATORS ARE MOVING CLOSER TO POWER SOURCES TO MEET GROWING ENERGY DEMANDS. **ANDRII DEGELER** REPORTS

Over the past decade, the data centre industry has increasingly found itself between a rock and a hard place. On one hand, the availability of land for new developments combined with rising energy prices and grid limitations has made starting new projects more difficult. On the other hand, the rapidly growing number of applications powered by large language models (LLMs) requires a significant uptick in data centre capacities suitable for training and inference tasks.

In the US, the ultimate manifestation of the growing artificial intelligence (AI) infrastructure demand and rising prices has been the Stargate project, a data centre venture envisioned by OpenAI and SoftBank with a planned budget of $500bn. Part of this investment may land in Europe, as the project leaders are reportedly weighing building data centres in the UK, Germany or France.

In the European Union, the recent InvestAI initiative, announced weeks after Stargate, aims at mobilising €200bn in funding for AI projects across the continent, which includes €20bn to finance five of the so-called "AI gigafactories" — large-scale sites housing supercomputers and data centres. In a subsequent AI Continent Action Plan published in April, the European Commission set the goal of tripling the EU's data centre capacity by 2032.

At country level, most European governments have rushed to announce their own strategies of harnessing the AI boom, which often include significant infrastructure investments. By far the largest one at €109bn will land in France within the next five years, announced by president Emmanuel Macron at the country's AI Action Summit in February.

This year, CBRE expects 806 megawatts (MW) in new data centre capacity to go live across Europe — a significant uptick from the 655MW delivered in 2024. The cost of these new projects is estimated at €9.7bn.

Overall, figures from **fDi** Markets show that, in 2024, data centres accounted for $161.4bn in global greenfield foreign direct investment (FDI) — or some 12% of the total investment, which is a record-high share for the industry.

AI slowdown is still unlikely

Despite a stellar 2024 and being one of the largest industry players, Microsoft is seemingly slowing down its investment tempo. Recently, the corporation made news by pulling back on or delaying plans for data centre projects around the world. Those include sites in the UK, Indonesia, and Australia, as well as in Illinois, North Dakota and Wisconsin in the US.

Analysts at TD Cowen, who first spotted the move, said in a research note that the change of plans is most likely "tied to Microsoft potentially being in an oversupply position". The corporation confirmed this in a statement to Bloomberg, mentioning that "we are well positioned to meet our current and increasing customer demand". The researchers at TD Cowen connected it with Microsoft's recent decision to forgo some new business from OpenAI, in effect ceasing to be its exclusive cloud provider and lowering its data centre capacity demand forecast.

The enormous investment campaigns announced in the US and Europe are based on the idea that the quality of the outcome of LLM models is strictly correlated with the scale and intensity of their training. In other words, the more data processing deployed for their training, the better. Nonetheless, recent breakthroughs challenge this idea. The Chinese DeepSeek model was trained for a fraction of the usual costs. If it becomes a harbinger of new, more efficient models, it may end up changing the calculus over future demand for data centre capacity too.

The usual argument against this idea invokes the Jevons paradox, which essentially means that reducing the cost of a resource leads to an increase in demand, causing total consumption to rise.

Either way, analysts predict no slowdown for the data centre industry in general, nor its AI-driven part in particular. According to research presented by McKinsey in April, AI workloads are expected to account for 54% of all data centre capacity demand in 2025 — a figure poised to grow to 70% by 2030.

In search of a breakthrough

Building power-hungry data centres together with means of electricity generation appears to be an important trend in the industry, as it alleviates the strain such operations can put on the local grid. Known as creating "power couples", the concept may transform the way data centres and grid operators work together.

"The power coupling conversation is about adding [electricity] generation at the same time and place as the load," says Nick Turchak, an energy transition adviser. "Essentially, the goal of the concept is to assure the stakeholders that the new infrastructure won't be subsidised by existing ratepayers."

He goes on to explain that by building a wind or solar farm with additional battery storage together with the data centre, the facility would not add load to the existing grid. Often there would be a contract in place, limiting the possibility of the data centre to draw power from there. In addition to that, the "power couple" becomes a source of cheap renewable energy, the surplus of which gets exported to the grid.

Pushing the idea even further, the US-based Crusoe Energy has come up with its own data centre architecture that can be deployed at generation sites quickly and easily. One of the company's unique offerings is capturing wasted natural gas from an oilfield (that would be flared otherwise) and converting it into electricity to power the server racks. Coincidentally, Crusoe is also the lead developer of the first data centre under the Stargate project.

In the long term, numerous researchers and start-ups are working on solutions that could make it easier to generate electricity on-site in the next two to three decades. Microsoft ran a pilot project in Ireland in 2024 using green hydrogen cells to supply energy to its data centre. Another potential game-changer would be small modular nuclear reactors that could theoretically become a stable and predictable power source for facilities located almost anywhere in the world.

While those ideas stay in the research labs, the data centre developers will have to stick to the proven recipe of finding new well-connected locations with affordable land and energy. The industry is expected to grow rapidly in the coming years (see page 40), with AI workload driving the demand alongside traditional use cases like cloud regions.

"There are multiple sources of demand for data centres supply," says Kevin Restivo, director of data centre research in EMEA at CBRE, a commercial real estate services and investment company. "The enterprises of the world … will morph their operations over the course of time. And AI will be incorporated into those workloads, and therefore AI requirements will come from multiple classes of companies, not just neoclouds."

With that in mind, new local champions are likely to emerge in the coming years to further expand the global interconnectivity map. ■

Andrii Degeler is a freelance journalist based in Amsterdam

> POWER COUPLING IS ABOUT ADDING [ELECTRICITY] GENERATION AT THE SAME TIME AND PLACE AS THE LOAD

INTERVIEW: FABRICE COQUIO

'We have to bring data centres to electricity'

THE HEAD OF FRANCE FOR DIGITAL REALTY TALKS TO **JACOPO DETTONI** ABOUT LOCATING DATA CENTRES CLOSE TO ELECTRICITY SOURCES

CURRICULUM VITAE

FABRICE COQUIO

2025
Digital Realty France
President

Previously
Managing director, Sagem UK

Data is power, both in a figurative and literal sense. It is the ultimate lever in the geopolitical clash between the East and West. But there is no data without power. The skyrocketing demand for data processing instantly translates into power demand.

"Every data centre will be power-limited," Nvidia's CEO, Jensen Huang, said during the company's GTC event in March. "We are now a power-limited industry. Based on that, you want to make sure you have the most energy-efficient computer architecture."

Fabrice Coquio knows it well. As the head of France for global data centre company Digital Realty, he has been developing data infrastructure in France for more than two decades. As of late, things are no longer business as usual. "For 25 years, I've worked with all my teams to bring the electricity to data centres. Now we have to bring data centres to electricity," he tells **fDi** Intelligence.

With power becoming the main bottleneck to the deployment of data centres, France eyes its chance to be a data and artificial intelligence (AI) hub at the heart of Europe. Thanks to its large fleet of nuclear power plants, the country boasts the continent's largest electricity net surplus, which amounted, on average, to 51,525 gigawatt hours per year between 2000 and 2023, roughly 10% of its total production and enough to meet the demand from 8 million people, according to data from the International Energy Agency (IEA).

The French data centre industry can tap into that large amount of electricity that currently flows across the border to meet its soaring demand for power.

> FEW COUNTRIES IN THE WORLD HAVE THE CHANCE THAT FRANCE HAS TO ACCOMMODATE NEW DATA CENTRES

"Few countries in the world have the chance that France has to accommodate new data centres," Mr Coquio says.

President Emmanuel Macron already announced a grand plan to turn France into an "AI powerhouse" back in March. The plan features investment in AI infrastructure to the tune of €109bn, with a sizeable part of it going towards data centres alone.

"The French data centre market is expected to grow between 20% and 30% per year in the foreseeable future. That's huge, and will foster major investment," confirms Mr Coquio. The same Digital Realty is planning to add 13 new data centres to its Paris and Marseille data hubs, almost doubling its current French portfolio (17), for a total investment in the order of €5bn.

But power production is only half of the equation. "Today in France, we don't have a capacity problem, but a… connection [problem]," he argues. "Most of the time, distribution is in the hands of state monopolies that have been prevented from investing to retrofit old infrastructure, or have underestimated the demand coming up from the data centre industry. To solve the problem, we have to bring the data centre to the source of electricity."

State power utility EDF, which owns and operates the country's nuclear power fleet and the power grid via its subsidiary RTE, is now offering digital companies ready-to-use land space connected to the grid that will reduce the rollout time of new data centres "by several years", the company said in a statement in February.

EDF has identified four industrial sites on its own land, with a total available power estimated at 2 gigawatts. "We are also considering alternatives to Paris and Marseille because of the lack of power distribution," says Mr Coquio.

Will it be enough, he wonders.

"Data centres have traditionally been located where the concentration of IT gross domestic value lies [i.e. main economic hubs]," he says, adding that decentralising data centres at the cost of dispatching data over long distances to serve final customers is not efficient.

"Ultimately, it's a short-term fix and it's not ideal to build infrastructure thinking short-term," he concludes, saying that the industry would have needed some long-term planning instead. ■

Q&A: FANG DONGKUI

China rhetoric clashes with EU economic needs

CCCEU'S SECRETARY-GENERAL TELLS **DANIELLE MYLES** THAT BRUSSELS' MESSAGING RISKS UNDERMINING ITS TECHNOLOGICAL AND GREEN TRANSITIONS

This year marks the 50th anniversary of Sino-EU diplomatic ties. Yet for many Chinese firms doing business in the bloc, there is little cause for celebration. A recent survey of 200 such companies, conducted by the China Chamber of Commerce to the EU (CCCEU), identified political barriers and anti-Chinese sentiment as the biggest hurdle to their local operations.

A hostile environment has spurred a deterioration in their overall rating of the EU's business environment over the past five years. Having spent most of the past two decades working in Europe, Fang Dongkui has seen this evolution first hand. Now the secretary-general of the CCCEU, he spoke with **fDi** about how Chinese investors are adapting to tighter screening rules, the most and least receptive member states, and EU contradictions.

Q How have European policymaker attitudes towards Chinese investors changed over the past two decades?

A I've observed distinct phases. The post-2008 financial crisis era saw Chinese capital warmly welcomed. This peaked around 2016, when China became one of Europe's largest sources of investment and we saw landmark deals like ChemChina's $43bn acquisition of Syngenta.

However, this marked the beginning of a strategic reassessment. By 2019 the EU formalised its tripartite positioning of China as a co-operation partner, economic competitor and systemic rival. That fundamentally reshaped the investment landscape given Chinese companies' rapid advancement into strategic sectors, growing geopolitical tensions, and new EU regulatory tools like FDI screening mechanisms.

Q What exactly is straining ties with the EU as an investment destination?

A It stems from three politically driven factors. Chinese companies increasingly face national security assessments regarding their investments and operations, even in clearly non-sensitive sectors. Many members also report being held to stricter standards than competitors in procurement processes, which contradicts the EU's principle of a level playing field. Finally, 'de-risking' pressures have materialised with companies replacing Chinese suppliers and Chinese entities facing selected exclusion from research programmes like Horizon Europe.

The core tension lies in the mismatch between political rhetoric and economic needs. We fully respect legitimate security concerns, but the current approach risks undermining the technological and green transitions Europe seeks to accelerate.

Q Can you explain the CCCEU's call on the EU to avoid overemphasising economic security?

A There's a growing concern among our members that this concept is being applied too broadly, and sometimes at the expense of normal business.

With mergers and acquisitions facing growing scrutiny under severe FDI screening mechanisms, greenfield investments — particularly in electric vehicle batteries, renewable energy and R&D — have gained momentum. This reflects Chinese firms' adaptation to regulatory realities and alignment with Europe's green transition priorities. However, proposed changes to the EU's FDI screening rules to include greenfield projects are an example of the political and economic uncertainties that are prompting some to cancel or even postpone projects.

The Net Zero Industry Act and Critical Raw Materials Act are also encouraging localisation, and more than half of our members say these developments make it more difficult to operate in the EU.

Q Are there differences across the EU in terms of receptiveness to Chinese investment and business?

A There is a significant degree of fragmentation. While some member states view Chinese investment as a strategic opportunity and engage with Chinese companies pragmatically, others adopt a more cautious stance, particularly in sensitive sectors. Germany, Hungary and Spain are among the more receptive markets. Conversely, in several other member states — some of the western European countries — the environment has become increasingly challenging. ■

CURRICULUM VITAE

FANG DONGKUI

2022
China Chamber of Commerce to the EU
Secretary General

Previously
Chairman, Bank of China (Djibouti); Supervisor, board of supervisors, Bank of China (Central and Eastern Europe)

OPINION

Making the case for a European FDI agency

WHY THE EU MUST ALIGN ITS INVESTMENT OUTREACH AND PRESENT A UNIFIED VOICE TO INVESTORS, BY **JACOPO DETTONI**

The lingering tension between national and regional sovereignty is a trademark of the EU. Its long-term vision calls for more integration. Member states play along, while fighting over their own sovereignty. Foreign direct investment (FDI) policy adds to this ambiguity.

Brussels is raising the stakes when it comes to investment from outside the bloc. FDI is not just a tool of economic development any longer — increasingly, it features among the bloc's economic security and industrial policy levers. And yet, member states independently leverage FDI to shore up growth and employment. It can be difficult to strike a balance between national and local interest, let alone align with the EU's agenda.

This all results in a landscape where FDI governance is scattered across geographies and multiple levels of government — local, regional, national and European — with each banging its own drum. It's an outdated set-up that perpetuates the idea of a fragmented bloc. That is, until Brussels establishes a European FDI agency.

A European FDI agency would have four main functions. First, it would develop a single European FDI brand. Representing 27 jurisdictions, the EU is as multifaceted as a bloc can be. But it also has a $19.4tn single market of 450 million people where goods, labour and capital can largely circulate freely. If the United States-Mexico-Canada Agreement and the Regional Comprehensive Economic Partnership are bigger in terms of numbers, they can hardly boast the same level of integration.

While the EU's legal mechanics are often head-scratching, they guarantee the checks and balances that have become a rarity in this day and age. Its net-zero ambitions are second to none. A European FDI agency would have to collate all these elements in a single brand which could resonate with an audience of foreign investors from outside the bloc. It wouldn't replace national brands, but work in parallel to enhance them.

Second, it would use the new brand to promote Europe as an FDI destination. Critically, the agency would align with the bloc's policy priorities, particularly in terms of targeted geographies and sectors. Brussels has offered a more nuanced answer to the question of whether all investment is good investment. The European FDI agency would have to incorporate these nuances into its promotion campaigns and material. Member states would retain the final say on the FDI they want to attract, but at least any FDI outreach launched at an EU-level would be designed to progress the EU's strategic objectives.

Similarly to SelectUSA in the US, the third main function of the European FDI agency would entail developing a platform for member states and investors to come together in the form of an annual European FDI summit. It's a natural corollary to its FDI promotion responsibilities, as well as a function on its own given the scale of the endeavour.

Lastly, the agency would also play a pivotal role in coordinating the activities of national FDI agencies and advocating on their behalf before the European Commission, and vice versa.

Would a new agency be in charge of lead generation? Possibly, although it will have to work hand in hand with national investment promotion agencies (IPAs). The governance of those leads would have to be completely transparent — and not even that would silence discontent. Would it be in charge of investment facilitation and aftercare too? That's something that national and sub-national IPAs are better placed to do. What about FDI screening duties? That's also more difficult to envision, even if screening regulation extended to greenfield investment. The new agency wouldn't have to start from scratch, but could draw lessons from existing experiences. At an EU-level, the InvestEU programme launched in 2021 with the aim of mobilising €372bn in strategic sectors is a good reference point, although IPAs don't feature among its main partners (mostly the European Investment Bank and national development banks). Local agencies have also been actively promoting co-operation across borders. Among others, city and regional IPAs established Choose Europe as a platform to share knowledge and best practices. Besides, the single experiences of IPAs in member states, particularly in federal states, can provide valuable insight into the opportunities and challenges of aligning FDI interests across different levels of autonomous government. Think of Germany Trade and Invest, for example.

With the US entrenching and China already in a position of economic force, the EU has no time to waste. It needs FDI to secure strategic value chains for its long-term competitiveness and sustainability at a time when tight fiscal budgets limit public investment options. A European FDI Agency would have to amalgamate the bloc's diversity and take it to foreign investors in the form of a unitary message. Although it may ruffle a few feathers, it's not an option any longer, but a strategic necessity. ■

CATL's IPO cements Hungary's battery production hub

THE COMPANY WILL DEPLOY MOST OF THE FUNDS RAISED IN HONG KONG TO DEVELOPING ITS DEBRECEN FACILITY. **JACOPO DETTONI** REPORTS

The initial public offering (IPO) on the Hong Kong stock market by battery powerhouse CATL is set to cement the role of Hungary as a battery production hub serving the European market.

The company raised at least $4.6bn in its secondary listing in Hong Kong on May 20. This made it the biggest listing of the year so far, some seven years after the company first went public on the Shenzhen stock exchange in mainland China.

As much as 90% of the proceeds from the new IPO will go towards the development of its new facility in Debrecen, according to CATL's IPO documents.

"The factory in Hungary can bring us closer to manufacturing facilities of main customers in Europe, which will allow us to ensure more flexible and timely supply of our products and services, ensure the stability of our customers' supply chains and enhance localised supply capability," reads the IPO prospectus.

Announced in 2022, CATL's Debrecen facility is intended to reach a full capacity of 100GWh over three development stages. The IPO proceeds will fund phase I and phase II, which aim to add 34GWh and 38GWh respectively. Phase I is underway, with the company expecting production to come online by the end of the year; phase II is set to break ground in 2025.

The company expects total investment across all the three phases at €7.3bn ($8.8bn), according to the IPO prospectus, with the total construction period estimated to be within 64 months.

At full capacity, the facility will feature among Europe's largest alongside LG Energy Solution's facility in Wroclaw, Poland, and Tesla's Gigafactory Berlin.

"The facility in Debrecen is CATL's stronghold in Europe," says Evan Hartley, research manager at Benchmark Mineral Intelligence.

The Hungarian government supported the facility with state aid to the tune of Ft320bn ($900m), according to independent news site Telex.hu.

Battery superpower

In the summer of 2022, Prime Minister Viktor Orban announced his ambition to turn Hungary into a battery superpower. Three years on, Hungary has proven a popular destination for Asian battery producers looking to establish a foothold in the EU.

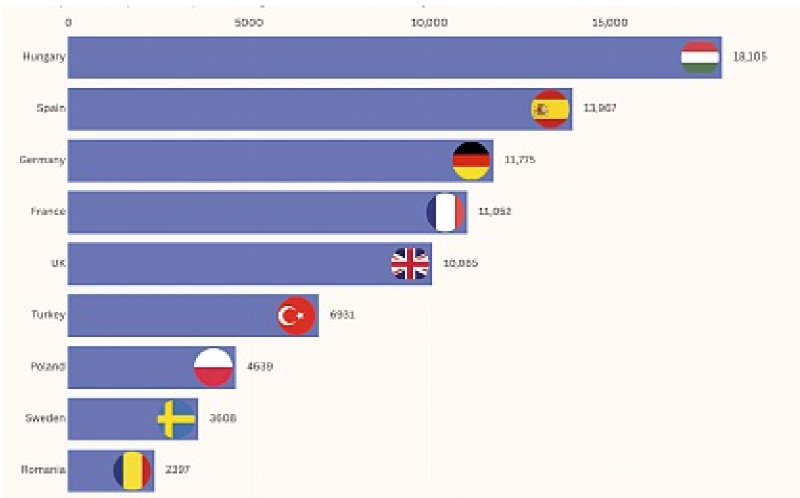
Other than CATL, other battery powerhouses of the likes of SK On and Samsung SDI are developing their Hungarian production base. Their pull is prompting battery suppliers to follow suit. Among others, China's Zhejiang Huayou Cobalt Nickel Materials will be producing cathodes in a new factory in Acs, in north-western Hungary.

Overall, the country has attracted 22 greenfield FDI projects worth an estimated $14.4bn since 2022 (up to March 2025), according to figures from greenfield investment monitor **fDi** Markets. Capex-wise, no other European country has fared better; in terms of project numbers, Hungary trails western European countries like Germany, France, Spain and the UK, **fDi** Markets figures show.

CATL itself is developing other battery production sites in Germany and Spain. ■

HUNGARY'S RISING BATTERY HUB

TOP 10 EUROPEAN RECIPIENTS OF GREENFIELD FDI IN BATTERY-RELATED ACTIVITIES BETWEEN 2022 AND 2025* ($M)



Source: fDi Markets • * Until March

Can the UK's creative industries continue to boom?

US ENTERTAINMENT COMPANIES ARE KEEN TO INVEST IN THE COUNTRY, BUT FEW ARE WILLING TO LOOK BEYOND THE SOUTH-EAST. **BEN PAYTON** REPORTS

A derelict brickworks on the outskirts of Bedford, 70 kilometres north of London, is an unlikely setting for one of the country's largest foreign investment projects.

But the US entertainment giant Universal announced in April that it had received government support to turn the site into a multibillion-pound theme park, pending final planning approval. As it stands, Universal Studios Great Britain is set to welcome 8.5 million visitors when it opens in 2031.

Page Thompson, president for new ventures at Universal Destination & Experience, tells **fDi** Intelligence that the UK is a "logical location" for a flagship project. "Because of its enormous population and its large number of tourists, if you look at comparable countries around the world, the UK should have three of the top theme parks in the world — and it doesn't have any right now, despite its amazing history of creative culture."

Universal says its park will create 20,000 jobs during construction, then 8000 once it starts operating, delivering a $50bn boost to the UK economy over the next 30 years.

While future visitors can look forward to riding on film-themed rollercoasters, the UK is also playing an increasingly important role in creating content for the silver screen. Barbie was shot at Warner Bros Studios in Hertfordshire, while Pinewood Studios in Buckinghamshire is mostly leased to Disney and has hosted filming for franchises such as James Bond and Star Wars.

Though the film industry has had peaks and troughs — with the 2023 writers' strike disrupting productions around the world — the British Film Institute says £5.6bn was spent in the UK last year producing film and high-end TV, of which 86% was inward investment from overseas companies. The film and TV industry is a bright spot in an otherwise struggling economy. But maintaining the sector's growth trajectory will be no easy task.

Plot twist

The UK's studio space grew from 3.2 million square feet (sq ft) in 2019 to 5.3 million sq ft in 2022/23, according to the Department of Culture, Media and Sport. With 31 stages, Shepperton Studios in Surrey is now the world's second-largest filmmaking facility after a recent expansion. This facility is part of the Pinewood Group, which is in turn owned by a Luxembourg-headquartered private equity firm Aermont.

Demand for studios reflects how UK production crews are widely regarded as "among the best in the world", while labour costs are much lower than in California, says Dustin Chodorowicz, partner at consulting firm Nordicity.

Mr Chodorowicz also flags the "very conducive fiscal environment". The UK, he says, is one of dozens of jurisdictions that offer tax credits to filmmakers. These incentives have irked US president Donald Trump, who is threatening to impose 100% tariffs on films made outside the US.

Industry analysts are baffled by how any such tariff would work, given that films are often shot and produced across multiple countries. "It's difficult to conceive what this tariff would be," says Balvinder Chowdhary, senior consultant at Nordicity. "It's not easy to translate that into something operational."

Yet while the tariff threat hangs over the industry, the risk is that investors will defer decisions on new studios. Amid the uncertainty, "people just don't know what to do", Mr Chowdhary warns.

Filmmakers versus Nimbys

Even if the tariff issue is resolved, the industry faces a challenge in securing space to expand. "Every production is getting bigger," says Michael Davis, founder of specialist advisory firm Vitamin. "There is absolutely an operational need for brand new state-of-the-art studios."

A modern studio complex requires a large physical footprint. The recently completed Shinfield Studios near Reading, owned by US media platform Shadowbox Studios, for example, covers 26 hectares — around the size of London's St James's Park. Space is at a premium in the south-east where major studios are clustered, setting the stage for a series of planning battles between developers and local residents.

Opponents often point to the risk that developers could secure planning permission for a studio, only to use the site for other purposes. Investors behind a development in Wycombe, Buckinghamshire announced last year that they planned to build a data centre at a site originally earmarked for film studios.

View from the top: UK prime minister Keir Starmer, centre, examines Universal's plan for the site

Buckinghamshire Council refused planning permission for another major project put forward by a company led by UK film executive Robert Laycock in Marlow in May 2024 over fears it would harm the local 'greenbelt' of land protected from most forms of development. However, deputy prime minister Angela Rayner, who has the power to review developments of national significance, has stepped in to reconsider the project.

Ms Rayner's impending decision on whether to approve schemes such as the Marlow studios is an important bellwether of the Labour government's willingness to prioritise the creative industries.

"If we bow down to all of this local nimbyism, how are we going to give this industry the best platform to excel?" asks Mr Davis. "How are we going to capture more market share globally, if all we're doing is bumbling along, keeping the supply of studio space more or less the same?"

Looking north?

A seemingly obvious solution would be to build studios in regions where there is more land available and that are crying out for job-creating projects. Real estate consultancy Knight Frank estimates that 71% of the country's studio space was in London and the south-east in 2023.

The UK does boast several significant regional production clusters, although these mostly deliver lower-value content for the local market. Some major projects are in the pipeline outside of the London area, including a £450m studio in Sunderland being developed by international real estate investor Cain International with UK production company Fulwell 73.

North of England-focused property developer Capital & Centric is aiming to further enhance regional studio infrastructure with a £100m complex in the historic Littlewoods Building in Liverpool. Tim Heatley, the company's CEO, points out that Liverpool is a popular filming location due to its art deco architecture. Scenes from Batman and Captain America were shot in the city, but he laments that Liverpool misses out on highly paid post-production jobs as filmmakers head "back down south" after they finish filming on the city's streets.

Mr Heatley says the planning system "hasn't been a problem in the slightest" for the Littlewoods project. His challenge, he notes, is securing investment.

Banks are reluctant to lend without the security of long-term contracts with production companies. International real estate investment firms, meanwhile, remain hesitant to venture beyond the south-east. "International money is very comfortable with London," Mr Heatley says, "whereas there's not that level of confidence to the same extent in the north."

Mr Heatley suggests his "shovel ready" Littlewoods project will depend on backing from the government, possibly through its recently established National Wealth Fund.

For now, the reality is that plenty of investors will consider funding film studios in the south, where space is constrained. Space is available in the north, but private investment is hard to come by. The film industry will have to find a way to resolve this dilemma if it is to continue its recent boom. ■

Ben Payton is a freelance contributor based in the UK.

Home in the sky: the 2012 Olympic village has been redeveloped into flats by Delancey and an investor from Qatar

Foreign capital shores up UK commercial real estate

INBOUND FDI IS PROVING VITAL TO ADD MOMENTUM TO THE POST-COVID RECOVERY. **JULIA CAHILL** REPORTS

Overseas capital has long been a vital source of investment and liquidity for the UK commercial real estate sector. Its role feels particularly important now, at a time when capital allocations to the sector are experiencing unprecedented change.

Many of the UK's defined-benefit pension funds are reducing exposure to domestic real estate in favour of more liquidity, while market volatility has sent global institutional investors into 'wait and see' mode.

At the same time, there is a disconnect between buyers and sellers, resulting in a weak dealflow trajectory. Deal volumes in 2024 were more than 20% higher than the previous year, but 22% below the 10-year average, according to Savills.

"Against this backdrop, the sector is trying to replace lost capital with a more diversified source — that can be from the UK, but it can also be from overseas," says Bill Page, head of real estate research at institutional investor Legal & General Investment Management, which itself recently announced a partnership with Japanese investor and developer Nomura Real Estate Development to deliver 1000 build-to-rent homes in London over the next five years.

Another recent, high-profile example involves Aware Super — one of Australia's largest pension funds — which announced last October that it had formed a strategic partnership with Delancey Real Estate, the UK investment, asset and development manager, to invest up to an initial £1bn in UK property. The pair have already completed the acquisition of 20 Manchester Square, the London headquarters of financial advisory business Lazard, for £120m. A string of other deals are expected to quickly follow.

"[This partnership] underlines and vindicates the long-term attraction of the UK property market to international investors — its depth, liquidity, transparency and order, underpinned by the strength of our financial and professional services industries and our legal system," says Stafford Lancaster, Delancey's chief executive.

Foreign capital's vital role

Overseas capital has been reshaping the structure of the UK market over the past two decades.

"International investors have been willing and able to commit significant capital to major UK projects, more than their domestic counterparts," says Mr Lancaster. "Without them, many large-scale investment and regeneration projects would simply not have happened."

Overseas investors now own an estimated 40% of the UK's £600bn invested institutional commercial property stock, up from 15% in 2003, according to research by the Investment Property Forum, an organisation representing those operating in the commercial real estate market.

The sharp increase comes from a broad range of investor types deploying capital into purchases, development and corporate acquisitions. Meanwhile, the sharpest fall in market share since 2003 has been for UK insurance and pension funds (from more than 30% to less than 15%).

The research shows that by the end of 2023, large sovereign wealth funds held a 5% market share of UK real estate, worth £31bn.

Overseas collective investment vehicles held the biggest share, at £80bn or 11%, followed by overseas private companies and individuals at £78bn, then overseas real estate investment trusts and listed real estate companies with £62bn. Overseas insurance and pensions held £18bn, or 3%.

Another case in point is build-to-rent operator Get Living, which Delancey originally co-founded with Qatari Diar as part of its purchase of the London 2012 Olympics athletes village from the UK government. It has now delivered more than 6000 homes across the UK alongside a valuable Olympic legacy. Global investors including Aware Super, APG and Oxford Properties have sponsored its growth. "This would not have been possible with UK investors alone," says Mr Lancaster.

More than jobs

A new report by the British Property Federation (BPF), the industry's representative body, and analytics firm CoStar Group stresses the importance that foreign direct investment (FDI) into UK property plays, not just in the direct creation of jobs.

The BPF is lobbying the government on behalf of its members to do more to attract FDI specifically into real estate on the grounds that it has a critical role to play in meeting public policy objectives — from growing the UK economy to be the fastest-growing in the G7 to delivering 1.5 million new homes by the end of this parliament.

In addition, the BPF highlights the UK's pressing need for investment into areas such as town centre regeneration, the creation of workplaces that meet users' post-pandemic needs, and the upgrading of buildings to meet increasingly demanding energy efficiency standards. "The property industry is clearly central to delivering all of these objectives," the report says.

Investment from the US is particularly important for UK property. Over the past four years, the US has been the single biggest investor in UK commercial property as a jurisdiction, buying £49.7bn of assets, the BPF/CoStar report shows. This includes £13.6bn deployed in 2024 alone — more than double the amount spent in 2023 and a record 33% share of investment.

"What we've seen over the past 12–18 months has been helpful for the market in terms of there being a lot of US private equity money coming back," says Emma Steele, a director specialising in global cross-border investment at consultancy Savills.

Singapore was the next biggest overseas investor over the four-year period (£12.6bn), followed by Canada (£6.6bn), Germany (£3.4bn) and France (£2.7bn).

New patterns

The pattern of what overseas investors are buying has clearly changed. London offices were the focus in the 2010s, but over the 2021–2024 period, overseas investors have increasingly diversified across sectors and regions.

The West Midlands and the north-west have been attracting more foreign capital than other regions outside London and the south-east over the past few years thanks to opportunities to invest in the industrial and living sectors.

Last year's US private equity activity — involving the likes of Blackstone, Starwood Capital, KKR and CD&R-backed Motor Fuel Group — was heavily focused on hotels and mixed-use portfolios, with industrial also continuing to attract investment.

Meanwhile, weak sentiment in the US towards offices contributed to less spending on that sector in the UK, but appetite for picking up prime offices at relatively low prices is tentatively growing: the largest central London office trade of the final quarter last year was US technology billionaire Larry Ellison's deal to buy a vacant office in need of refurbishment on the prestigious St James's Square from Chinese Estates for £162m.

Similarly, Delancey and Aware Super are capitalising on the opportunity to act ahead of the wider market. "Over the past 18 months, we have seen occupational demand rebound and this is in the face of a significant under-supply of best-in-class assets," says Mr Lancaster. "This is leading to unprecedented levels of rental growth in the prime market."

These and other factors are also playing out in commercial sectors across the UK and the partners will be looking at retail, logistics and out of favour regional city markets.

Despite the exceptional circumstances of recent years, UK real estate is continuing to attract and create opportunities for FDI. ■

INTERVIEW: JAYESH PATEL

Norway's SWF renews focus on London

THE FUND'S UK HEAD EYES NEW LIFE SCIENCES INVESTMENT AND CONSIDERS STUDENT HOUSING. **JULIA CAHILL** REPORTS

CURRICULUM VITAE

JAYESH PATEL

2015
NBIM
Head of UK real estate

Previously
Sabal Financial Group, vice president real estate

Since November 2024, Norway's sovereign wealth fund, the Government Pension Fund of Norway, has invested almost £1bn in mixed-use property in London's West End, ending its six-year pause on new deals in the British capital.

For Jayesh Patel, head of UK real estate at Norges Bank Investment Management (NBIM), which manages the oil fund, this ends a long wait amid unprecedented instability. "We struggled with pricing and with what the market was offering," he tells **fDi**.

In November, NBIM increased its stake in the Pollen Estate, Mayfair, to 68% by acquiring a 10% interest for £81m, valuing the estate at £794m.

Next came two headline-grabbing deals: a £306m investment into a new joint venture with Grosvenor, giving it a 25% interest in a £1.2bn Mayfair portfolio; then a £570m deal to buy a 25% stake in Shaftesbury's Covent Garden portfolio.

"We spend a lot of time with the big owners, the ones we feel look at things in the same way as us. Sometimes that takes years before there is a potential transaction," says Mr Patel. "We are hopefully considered a stable partner. We are very financially driven, but from a long-term perspective."

Real estate focus

The Norwegian fund is among the world's biggest sovereign wealth funds, valued at NKr18,524bn (£1.3tn) as of March 31, with 70% in equities, 27.7% in fixed income, 1.9% in unlisted real estate, and 0.4% in unlisted renewable energy infrastructure.

WE DON'T THINK RETAIL IS DEAD, JUST AS WE DON'T THINK OFFICES ARE DEAD

Unlisted real estate is permitted to reach up to 7%. "If you combine listed and unlisted real estate, we are between 3% and 7%," says Mr Patel.

NBIM was given a mandate to invest in real estate in 2010 and swiftly bought a 25% stake in The Crown Estate's Regent Street properties for £452m.

Fast-forward to 2025 and half of the fund's unlisted real estate is now in the US, followed by the UK (20.1%), France (14.8%), Germany, Switzerland and Japan. Purchase volumes have been low since 2015 but increased in 2024. Overall, unlisted real estate has returned 4% since 2011.

In the UK, the fund diversified into logistics, a Cambridge life sciences development and Sheffield's Meadowhall shopping centre. Mr Patel says it may invest further in life sciences and is considering student housing after investing in this sector in continental Europe in March.

Unfashionable assets

Mr Patel is also looking at unfashionable assets, which may necessitate full ownership: last summer it paid British Land £360m for the remaining 50% interest in Meadowhall and took over its £426m debt. This values the shopping centre at £720m, down from £1.5bn when NBIM bought its 50% stake in 2012, but Mr Patel says: "We don't think retail is dead, just as we don't think offices are dead. You must be very selective, focusing on assets with fundamentals that will last."

London, he says, will remain his key focus thanks to its ability to attract human and financial capital, as well as the scale of opportunities. NBIM's new global head of real estate Alex Knapp, who joins from Hines, will be based in London rather than Oslo.

Specific opportunities rather than government initiatives to attract FDI are the key driver, but Mr Patel adds: "Obviously, government policies and, more importantly, actions that make it easier to invest are something that we take into account as part of that process." ■

Julia Cahill is a freelance journalist based in the UK

INTERVIEW: DAÐI MÁR KRISTÓFERSSON

'Small but stable': Iceland gears up for investment

THE COUNTRY'S FINANCE MINISTER TELLS **SIMONEY KYRIAKOU** ICELAND CONTINUES TO CHAMPION A RULES-BASED LIBERAL ORDER

Iceland's economic stability amid the tariff tantrums earlier this year has created a platform for the new coalition government to showcase the prospects for investors into the country.

According to the new finance minister, Daði Már Kristófersson, who came into office last autumn, the turmoil seen elsewhere in the first few months of 2025 did not affect Iceland's fundamentals, leaving it "open for business".

"The foreign turmoil seen in the first few months of this year has not impacted the demand and interest from foreign investors into Iceland," says Mr Kristófersson. "I think that has to do with our strong fundamentals. We have low leverage in both the corporate and housing sectors, and a stable and well-financed banking system."

It also has energy independence through its use of Iceland's hydro and geothermal power, with nearly 100% of the country powered by these sources.

"Of course, we welcome investment in Iceland and the investment opportunities within the country are good. So we have a vibrant and growing economy and although our currency is small, it has been stable for a while," the minister argues.

According to Unctad figures, foreign direct investment (FDI) into Iceland peaked in the years that preceded the global financial crisis which caused the collapse of three of its main commercial banks. FDI inflows have been fluctuating since then as the country restructured its financial industry and rebooted its investment promotion strategy around energy-thirsty, innovative tech industries. Data centre operators have been particularly responsive to its offer, with the sector becoming the largest magnet of greenfield FDI over the past 10 years, according to figures from greenfield investment monitor **fDi** Markets.

When asked whether the geopolitical uncertainty has led Iceland towards joining the EU, Mr Kristófersson says "we have a proposal to have a referendum by 2027 on whether we should take up the negotiations we halted in 2014, so basically on whether we should restart those negotiations".

"Any decision to join the EU or, that matter, the euro, would be discussed after this initial referendum, but that is not an immediate discussion to have. It relies entirely on the outcome

of the referendum on whether Iceland should restart the negotiations."

The minister would not be drawn on the tariff talks with the US, acknowledging that Iceland has been given the baseline 10% tax band by the US president. However he urges support for free trade: "No country on Earth is as supportive of continuing the liberal rules-based order of global free trade as Iceland is. Although the 10% US tariff will not affect us negatively, we are still of the general opinion that free trade is a foundation for a prosperous world and Iceland will continue to support that." ■

Simoney Kyriakou is the editor of FT Adviser, a sister publication from FT Specialist.

WE ARE STILL OF THE GENERAL OPINION THAT FREE TRADE IS A FOUNDATION FOR A PROSPEROUS WORLD

CURRICULUM VITAE

DAÐI MÁR KRISTÓFERSSON

2024
Iceland
Minister of finance and economic affairs

Also
Deputy leader, Viðreisn party

TURKISH COMPANIES SET OUT RECORD INVESTMENT PLANS AMID GLOBAL GEOPOLITICAL SHIFTS

Outward FDI boosts Turkey's influence abroad

Karpowership's floating $1bn liquified natural gas power plant is an example of Turkish invesetment in Africa

GEOECONOMICS

Africa is not a new partner for Turkey. The country's strategy for engagement with the continent was launched in 1998 and began in 2003. Two decades later, economic and diplomatic ties between Turkey and African countries are stronger than ever.

Direct investments by Turkish companies in Africa rose to an all-time high of 23 in 2024, up from 20 in 2023, according to **fDi** Markets, a tracker of greenfield project announcements. These range from factories for textiles in Egypt to medical devices in Nigeria. Other projects include solar parks in Zambia and Karpowership's floating $1bn liquified natural gas power plant in Mozambique.

Turkey's trade with Africa, including arms exports, have surged too. Total trade volumes surpassed $40.7bn in 2022, up from $5.4bn in 2003, according to data from Turkey's foreign economic relations board (Deik).

Growing investment ties are significant given Africa has become more reliant on FDI from its own backyard. Turkey was Africa's eight largest source of greenfield FDI by value in 2024, behind the US and China, but ahead of the likes of Germany, India and Switzerland, **fDi** Markets data shows. The country's traditional Eurocentric focus has shifted, with Turkish outward FDI projects higher outside Europe for the first time ever in 2024. Record investment deals were recorded in Asia-Pacific, the Middle East and the Americas too.

Fatih Yücel, an Istanbul-based corporate adviser and member of Deik's Malaysia-Türkiye business council, says that Turkey "sees outward FDI as a strategic tool" to increase interaction with global value chain stakeholders.

Countries like "Turkey should be expected to interact with the world through commercial and cultural diplomacy channels of Turkish companies instead of waiting for development in the home country" through inward FDI, he says. In Africa specifically, Turkey offers a different proposition to other source markets, given its strategic location and manufacturing base.

"Countries who are looking for a hedge against both the US and China often see Turkish investment as a good way to diversify their pool of foreign investors," says Ali Ahmadi, director for sanctions and geoeconomics at ReshapeRisks, an advisory firm. ■

ALEX IRWIN-HUNT

$1.4TN AMOUNT COMMITED BY THE UAE INTO THE US ACROSS AI INFRASTRUCTURE, SEMICONDUCTORS, ENERGY AND MANUFACTURING

Stargate goes global

ChatGPT-maker OpenAI has announced plans to build a 1-gigawatt data centre cluster in Abu Dhabi as part of the US government's efforts to develop artificial intelligence (AI) partnerships with allied countries.

The project, which is being developed with the UAE's G42, Japan's SoftBank and US partners Oracle, Nvidia and Cisco, follows Donald Trump's visit to the Gulf country where an AI acceleration partnership was signed between the US and UAE.

An initial 200 megawatts of capacity is expected to be operational in 2026, according to a release on May 22, with 'Stargate UAE' having the potential to provide capacity within a 2000 mile radius. It comes after the UAE committed to invest $1.4bn into the US across AI infrastructure, semiconductors, energy and manufacturing.

OpenAI said it "aims to pursue 10 partnerships across key countries and regions, laying the foundation for a globally distributed, democratically powered AI network". The initiative aims to help governments build sovereign AI capability in co-ordination with the US government. ■

ALEX IRWIN-HUNT

Algeria to open mining sector

Algeria is in the process of enabling foreign investors to own as much as 80% of mining projects, signalling a shift for the gas-rich country where state enterprises still majority-own extractive projects.

A draft mining law, published on May 19, said that despite Algeria's considerable reserves of minerals, such as phosphates, iron, gold and zinc, it faces "significant challenges that hinder the full realisation of its potential".

The new mining law, a vote for which is set for June 14, aims to streamline the licensing process, reduce barriers to foreign partnerships and encourage technology transfer. These efforts signal a broader push to diversify the economy away from hydrocarbons, which account for more than three-quarters of Algeria's exports. ■

ALEX IRWIN-HUNT

LATEST INVESTMENTS

BUSINESS SERVICES

GHANAIAN EXPANSION

France-based Teleperformance, which specialises in customer experience management, has launched its third office in Accra, Ghana. The company is planning to hire over 5000 young people in Ghana. The office serves Ghana and west Africa.

CHEMICALS

EGYPTIAN MANUFACTURING

China-based Befar Group, a chemical manufacturing company, will build a $500m chloralkali facility in Ain Sokhna, Egypt. It will be located in Ain Sokhna Industrial Zone. The project, located within TEDA-Egypt's industrial park, will have a total production capacity of 100,000 tonnes. The project is being developed in two phases, each covering 200,000 sq m, with $300m allocated to the first phase and $200m to the second. Construction for the first phase is expected to be completed by October 2026. The facility is expected to create around 800 jobs.

ELECTRONIC COMPONENTS

OMANI SOLAR

China-based JA Solar, a manufacturer of solar power products, has plans to build a OR217.3m ($564m) solar cell and panel manufacturing facility in Sohar, Oman. The 325,000 sq m facility is to be located in the second phase of Sohar Freezone. The plant will have annual production capacity of up to 6 gigawatts (GW) of solar cells and 3GW of solar modules, and is expected to commence operations in the first quarter of 2026.

FOOD & BEVERAGES

PROCESSED FOODS

Brazil-based BRF Brasil Foods, a food producer, will open a new $160m processed food plant in Jeddah, Saudi Arabia. The plant is scheduled to start operating in the middle of 2026. This is a joint venture with the Saudi Arabia-based Halal Products Development Company.

METALS

UAE PIPELINE PRODUCTION

China-based OSTAR Group, a company that specialises in the manufacture and supply of pipeline systems, will open a new 18,635 sq m facility in Dubai, United Arab Emirates. Located in the Dubai Industrial City, the facility will open at the end of 2025.

RENEWABLE ENERGY

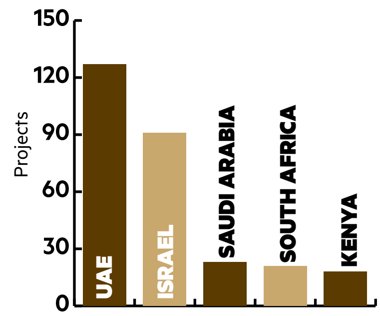
MOROCCAN POWER

France-based Qair, a renewable energy developer, has received approvals for two wind and solar projects in Morocco. The Tetouan wind farm and Tiznit solar project will have a combined capacity of 178 megawatts. The solar project, set to be commissioned in late 2027, and the wind project set to be operational in 2029, will have combined annual output of 505 gigawatt hours.

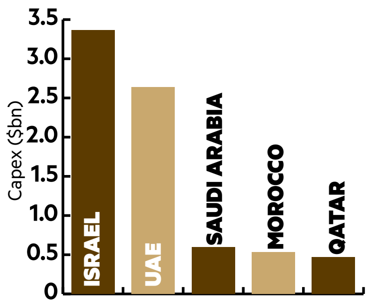
This investment news and data has been provided by fDi Markets, a crossborder investment tracking service that is part of The Financial Times Ltd's FT Locations division (www.ftlocations.com)

STATS

TOP FIVE MEA DESTINATIONS FOR FDI IN RESEARCH AND DEVELOPMENT, 2020–2024



Source: **fDi** Markets



Source: **fDi** Markets

View from the
Middle East & Africa

In the global war for talent, the Middle East and Africa are more often the supply side of the equation. Why does this happen, and when might it change?

Money is of course a huge driver, but when it comes to emigration, education historically comes first. The uneducated rarely leave their village, let alone their country. The more educated you are, the greater the chance you will also have the family's financial backing to migrate. Abroad, you will earn a higher wage and leapfrog 150 years of economic development. The benefits are not just a higher income, but also better medical care, improved infrastructure and a more stable future for your children.

However, the fact that this brain drain is happening shows that developing regions are now producing human capital with globally valued skills.

Domestic politics in rich countries today will limit the numbers who can migrate. Those who do leave will send back remittances — now a far larger source of funding for developing countries than foreign aid and FDI. And research shows that once countries reach upper-middle income status, brain drain issues eventually subside.

Within the Middle East and north Africa, the story is different. Here the demand for talent can be met from a domestic supply source: women.

In Saudi Arabia for example, there are more female than male undergraduates. Riyadh was hoping that 30% of workers would be female by 2030. They reached 37% back in 2022, which is above International Labor Organization estimates for India, Egypt or Morocco.

North Africa is now experiencing a double demographic dividend — the share of working-age population is rising sharply and their savings are growing — while Gulf countries have the funds to attract international talent. It means opportunities for the highly skilled in the Mena region are the best they've ever been. Women will likely gain the most. ■

Charlie Robertson is head of macro-strategy at FIM Partners and author of The Time-Travelling Economist.

Jordan's bet on being the Red Sea's data corridor

THE COUNTRY WANTS TO BE A 'TALENT-DRIVEN' HUB AND COMPLEMENT SAUDI ARABIA'S MAJOR AI PLANS. **ALEX IRWIN-HUNT** REPORTS

Jordan aims to leverage its geography and stability to become a digital gateway from Asia to Europe, arguing it can complement major artificial intelligence (AI) plans in neighbouring Saudi Arabia.

"We are very focused on adopting a future-looking strategy when it comes to technology, including AI," said Mothanna Gharaibeh, Jordan's minister of investment, answering **fDi**'s question at a panel during the EBRD's annual meeting in London on May 13.

The biggest economies in the Middle East are striving to be at the forefront of the AI revolution. The UAE has become an AI hotbed with cutting-edge regulation, education and technology. In Saudi Arabia, state-owned Public Investment Fund launched Humain, a new multibillion-dollar company tasked with developing the country's AI ecosystem, ahead of a visit by US President Donald Trump on May 13. Humain has already announced partnerships with Amazon Web Services, Nvidia and AMD.

"What Saudi has is different from what we have. We have more talent-driven [ecosystems], they have more cash investment. We can complement what they're doing," said Mr Gharaibeh. He added that the CEO of Humain, Tareq Amin, is Jordanian and local company Petra Engineering Industries supplies heating ventilation and air conditions systems to data centres run by Nasa, Nvidia and Google.

"In Jordan, we have most of the requirements needed for AI today," said Eyad Abu Khorma, CEO of Aqaba Digital Hub, a six megawatt data centre located near Jordan's border with Saudi Arabia, during a session at the EBRD's meetings. He noted that Aqaba Digital Hub has commitments for five international cables and 150 fibre pairs, which enable communications in both directions, that will come through Jordan.

Jordan has "advanced digital infrastructure when it comes to connectivity and access" due to public and private investments in fibre networks, added Mr Abu Khorma. But US export controls on AI chips, brought in under former President Joe Biden, have been an impediment to the

Hot spot: Jordan argues it is well positioned to become a terrestrial gateway for internet traffic travelling from Asia to Europe country's ambitions to build data centres for the emerging technology.

However, the US Department of Commerce (DOC) said on May 13 that it would rescind the Biden-era AI diffusion rule giving Jordan a second-tier status, meaning a licence was needed to import US-made AI chips. A replacement rule will be published in the Federal Register "in the future", according to the DOC release.

Jordan will sit along the India–Middle East–Europe Economic Corridor (IMEC), a US-led route for rail and digital infrastructure proposed in 2023 by Mr Biden. Despite making up a small geographic portion of the route, the additional internet traffic that IMEC could bring through Jordan has the potential to bring significant economic benefits to the country.

Business executives argue the country's stability makes it attractive in a region facing serious challenges, including Egypt's struggling economy, crisis-stricken Syria and ongoing military actions by Israel in the Palestinian territories of West Bank and Gaza.

Jordan's real economic growth moderated to 2.5% in 2024, down from 3.1% a year earlier due to spillovers from conflict in the region, according to the IMF. This was ahead of 2024 GDP growth rates in Egypt (2.4%), Iraq (0.3%) and Saudi Arabia (1.3%), but below the UAE (3.8%).

"Jordan is in a very flammable [region, politically]," said Hassib Sahyoun, CEO of MedLabs Group, a Jordanian diagnostic testing company with laboratories in Jordan, the UAE, Iraq and Palestine. Jordan is a "haven for investment in the area...with fantastic human capital", he added.

FDI inflows to Jordan were $843m in 2023, down from $1.25bn a year earlier, according to Unctad figures. Regional peers attracted more FDI inflows in 2023, including the UAE ($30.7bn), Saudi Arabia ($12.3bn) and Oman ($4.7bn). Other Middle Eastern countries fared worse than Jordan, such as Qatar (-$474m) and Iraq (-$5.2bn).

A digital gateway through Jordan has become more relevant after four subsea internet cables running through the Red Sea were cut in early 2024, according to HGC Global Communications, affecting an estimated 25% of internet traffic between parts of Asia, Africa and Europe. Houthi rebels were claimed by observers to likely be behind the attack given their attacks on freight shipping in Red Sea, but denied any involvement.

"Everybody is frustrated by the current security situation in the Red Sea," said Mr Abu Khorma, adding that this is creating "a big risk on future business opportunities in AI" in the Middle East and other regions.

Thomas Switala, partner at Switala Ventures and a consultant for digital infrastructure projects, told **fDi** that "Jordan being in that location is an ideal pathway" for terrestrial cables to help Europe's plan to diversify its internet connectivity.

"Europe is looking at going through the Balkans, Azerbaijan and other routes down into Asia, because they're just needing to diversify," he added.

Jordan is not without its other challenges. Despite having a US free trade agreement since 2001, the country currently has 20% tariffs on its exports to the world's largest economy. The EBRD estimates Jordan will be the second-hardest hit economy in its countries of operation after Slovakia, with the Middle East country taking a 0.6% direct hit to its GDP given its high export dependence on the US.

Jordan's prime minister, Jafar Hassan, went on an official visit to Washington DC in April to start trade negotiations with the US. "We're working hard to make sure that we're still competitive," said Mr Gharaibeh, arguing that "even with the current situation", the country was still competitive in textiles due to lower US tariffs than countries such as Cambodia and Bangladesh. ■

EUROPE IS LOOKING AT GOING THROUGH THE BALKANS, AZERBAIJAN AND OTHER ROUTES DOWN INTO ASIA, BECAUSE THEY'RE JUST NEEDING TO DIVERSIFY

Investors rush to take advantage of Egypt's renewables boom

THE COUNTRY AND ITS NORTH AFRICAN NEIGHBOURS ARE POISED TO BECOME INCREASINGLY IMPORTANT ENERGY SUPPLIERS TO EUROPE. **BEN PAYTON** REPORTS

More than 4000 years after the pyramids took shape near the banks of the Nile, the deserts of Egypt are once again witnessing construction projects so large the results are visible from space. The 1.65 gigawatt (GW) Benban solar park near Aswan, completed in 2019, is the fourth-largest in the world; and a host of other solar and wind megaprojects are helping to reshape the place of Egypt and its north African neighbours in the global economy.

Foreign investors have been quick to recognise the opportunities to help develop renewable power in the country of 116 million people.

"Egypt is one of the largest economies in Africa," notes Terje Pilskog, CEO of Scatec, a Norwegian renewable energy independent power producer. "It is a country that has a lot of land available. It has a power sector which has the capacity to take on quite a lot of renewables into the grid. And on top of this, it has significant electricity demand domestically."

Other major players attracted to Egypt include a host of developers from Gulf states. UAE-based Masdar has invested in multiple projects in the country, both independently and in a joint venture with Egyptian company Infinity Energy. Saudi company ACWA Power, meanwhile, signed a power purchase agreement (PPA) for a $2.3bn wind farm in February.

Finding finance

Many early projects in the sector relied on financing from development finance institutions (DFIs) or multilateral development banks. The European Bank for Reconstruction and Development (EBRD), for example, has provided more than $1bn to help finance over 4GW of new renewables capacity in Egypt since 2012.

But the need for the EBRD and other development banks to provide concessional financing is abating, with projects increasingly able to attract debt on commercial terms.

"As the track record has been established from the times of Benban, and as the government stands behind the PPAs and the regulatory environment they created, the confidence among commercial banks and actual investors is growing," says Aida Sitdikova, director for sustainable infrastructure in the Middle East and Africa at the EBRD.

British International Investment, the UK's DFI, has backed projects including Benban and the 1.1 GW Suez Wind Energy project. Sherine Shohdy, BII's Egypt coverage director, notes DFI financing has helped to "scale the market" for renewables in Egypt and other north African countries, paving the way for commercial finance to step up.

"There's a lot of very different, diversified investors that are interested. Egypt and Morocco are both becoming very, very attractive in terms of attracting private capital," she says, pointing to the growing presence of investors from the Middle East, Europe and China.

Powering Europe

As more projects come online, renewables should help alleviate blackouts that tend to occur in the summer months when energy demand is highest.

Egypt generated 84% of its electricity from gas in 2023, according to Our World in Data figures. The share of solar power in the energy mix — negligible until the opening of Benban — is rising rapidly, however. The government aims to add 10GW of renewable capacity by 2030, which would provide around 45% of the country's electricity.

With renewables combining with existing generation and a nuclear power station set to start producing electricity next year, Egypt could soon find itself with a surplus of green power. How it decides to use any such surplus will have profound consequences for the country's economic future.

Nivedh Das Thaikoottathil, senior analyst at advisory firm Rystad Energy, notes that building subsea cables to transfer electricity between Europe and north Africa could boost Europe's energy security while enhancing its access to green power. "North Africa's proximity to southern Europe across the Mediterranean Sea makes it relatively feasible to build high-capacity subsea interconnectors, minimising transmission losses and costs compared to longer-distance alternatives."

Two such cables already connect Morocco and Spain. Another project to link Tunisia to Italy is due for completion by 2028. Meanwhile, two proposals are on the drawing board to link Egypt with Europe: the Gregy cable would allow Egypt to export electricity to Greece, while another scheme

Tall order: the 1.1 GW Suez Wind Energy project secured backing from British International Investment

would include a connection with Cyprus.

Gabriele Cassetti, a senior researcher in energy systems at climate think-tank ECCO, argues that such links should promote "integration" between north Africa and Europe, allowing north Africa to import energy when needed, rather than simply serving as an exporter.

But he warns there is some reticence within the European Commission about becoming overly reliant on north African electricity — and thereby repeating the continent's calamitous error in being locked into dependency on Russian gas.

Electrons or molecules?

Egypt faces a fundamental decision to make in how it uses its renewable energy resources. Does it export energy in 'raw' form, as electrons? Or, can it find ways to create added-value industries around the export of green molecules?

One way to add value is through producing green hydrogen or its derivative, green ammonia. Scatec is developing a project to export green ammonia in Egypt to an offtaker in Germany under a 20-year contract signed last year. This is one of the few green ammonia projects worldwide to secure such an arrangement, Mr Pilskog says.

More than 20 other MoUs have been signed for green hydrogen projects in Egypt, according to the non-profit Green Hydrogen Organisation, although questions remain around the level of demand among international offtakers.

Another option is to use renewable energy to power heavy industries such as metal processing, thereby allowing Egypt to export 'green metals'.

Renewable energy could provide "a very good basis for industrial development" in Egypt, says Mr Pilskog, adding that the country enjoys "significant" cost advantages over Europe in producing renewable energy.

Scatec signed a PPA in March to build a 1.1GW solar project for Egyptalum, the country's largest industrial consumer of electricity and emitter of CO2. The deal includes an additional 100MW battery storage component.

Egyptalum exports around 70% of its products to Europe — and is therefore vulnerable to the EU's proposed Carbon Border Adjustment Mechanism, which would place a tax on carbon-intensive imports. "It's going to be important for them to decarbonise," says Mr Pilskog. "Generating renewable energy as a basis for the energy consumption that this facility needs is basically enabling this company to continue."

The project could be the first of many that allows Egypt to flex its muscles as a green industrial powerhouse.

"It's very exciting," says Ms Shohdy from BII. "I think we are at a crossroads — we can really position Egypt as one of the most important energy hubs for Europe and other parts of the world." ■

Ben Payton is a freelance contributor based in the UK

ASIAN CITY STATE'S TARGETED STRATEGY HAS MADE IT A PREFERRED INNOVATION HUB FOR GLOBAL COMPANIES

Singapore attracts AI FDI

Consistent strategy: Singapore set out its intention in 2024 to spend S$1bn ($778m) over five years into artificial intelligence compute, talent and industry development

TECHNOLOGY

Singapore has attracted major capital commitments in artificial intelligence (AI) operations from a host of multinationals, as the government's support and strategy to create an ecosystem for the disruptive technology bears fruit.

Major companies have collectively set out plans to invest billions of dollars into AI hubs in Singapore in 2025, including mining giant BHP, cloud computing specialist Oracle, professional services firm PwC and southeast Asian super-app Grab. OpenAI, the company behind ChatGPT, also has an office in the city state.

Singapore has prioritised its AI and technology ecosystem, starting with its 2014 Smart Nation initiative followed by a dedicated national AI strategy in 2019, which was updated in 2023. Lawrence Wong said in February 2024, when deputy prime minister, that Singapore would invest more than S$1bn ($778m) over five years into AI compute, talent and industry development.

"Singapore has developed an ecosystem for AI over the past decade," says Tim Lin, a Singapore-based partner of The Digital Infrastructure Collective (Asia). The country's "forward-leaning approach to adopting technology and partnering with industry leaders to co-create solutions" makes it an attractive option for companies, he adds.

In May 2025, BHP said it would open its first industry AI hub in Singapore. Meanwhile, PwC committed $4m over three years to open a centre it aims to use as an 'AI factory'. This follows several announcements in March, including brewing company Heineken's first global lab for developing generative AI solutions and Salesforce's pledge to invest $1bn in Singapore over the next five years.

Marc Benioff, CEO of Salesforce, said that Singapore is "at the forefront" of a shift where businesses will be transformed by autonomous AI agents that augment the work of humans. The US software giant aims to drive adoption of Agentforce, which allows organisations to build and deploy customised autonomous AI agents.

Multinationals are investing globally "where the government is committed to putting resources into creating AI [ecosystems]", such as Singapore, the UAE and US, says John Lovelock, chief forecaster of consultancy Gartner, adding that we are likely to see more businesses set up AI operations in southeast Asia.

A major draw for Singapore is access to computing power, given its high concentration of data centres, and the data processing capacity in neighbouring countries like Malaysia and Indonesia. The need for access to a limited supply of new "AI-optimised servers" is pushing companies to set up in hubs like Singapore where there is a "more reasonable chance of [their demand] being fulfilled", says Mr Lovelock. ■

ALEX IRWIN-HUNT & DANIELLE MYLES

$982BN TOTAL VALUE OF TRADE BETWEEN ASEAN AND CHINA IN 2024

Chinese stability in Asean

Chinese President Xi Jinping's first overseas trip of 2025 came at a critical juncture. The long-planned tour, which spanned Vietnam, Malaysia and Cambodia between April 14 and 18, followed Donald Trump's "reciprocal tariffs" and increasing Chinese economic ties with south-east Asia.

Shaun Rein, managing director of China Market Research Group, said that Mr Xi has "launched a charm offensive in Asean" to show China "as the stable and trusted trade partner" amid the US trade turmoil.

"Xi's trip was important," said Natixis's chief economist for Asia-Pacific Alicia Garcia Herrero, because it acts as a signal that "China has much more to offer" to south-east Asia than the US . She added that Xi's trip signified that "any south-east Asian economies participating in US-driven supply chains is [now] very unlikely" in the face of Chinese pressure. ■

ALEX IRWIN-HUNT

ACWA bets $10bn on Malaysia

Saudi clean energy group ACWA Power plans to invest up to $10bn in Malaysia by 2040. On May 29, it announced it had signed a memorandum of understanding with the Malaysian Investment Development Authority (Mida) to explore developing up to 12.5 gigawatts of sustainable energy capacity across the country.

"This partnership marks a defining moment in Malaysia's green energy journey, positioning us as Southeast Asia's premier destination for sustainable investments," said Mida's CEO, Datuk Sikh Shamsul Ibrahim Sikh Abdul Majid, in a statement.

Simultaneously, ACWA entered into strategic partnership agreements with state-backed energy companies TNB Power Generation, UEM Lestra Berhad and Terengganu. The cooperation with the Saudi firm is part of the government's effort to increase renewable energy generation to 70% of total capacity by 2050. ■

DANIELLE MYLES

LATEST INVESTMENTS

CHEMICALS
KAZAKHSTAN PLANT

China-based Fufeng, a company mainly engaged in chemical products, plans to invest $800m in building an industrial park in Zhambyl, Kazakhstan, near the Jibek Joly Special Economic Zone. The project will include a starch sugar production plant, three amino acid fermentation facilities, and a wastewater treatment station. Future plans include hydrochloric acid and liquid ammonia production for export to the EU, North Africa and the Middle East.

ELECTRONIC COMPONENTS
VIETNAMESE PCBs

Japan-based electronics company Meiko Electronics has plans to invest Y50bn ($338m) to build a new factory in Hoa Binh, Vietnam. Expected to open in 2026, it will produce printed circuit boards used in Apple's iPhones, and is part of Apple's efforts to diversify its supply chain.

METALS
INDONESIAN SMELTING

China-based conglomerate Tianfu Xinchuan Group, has established a new subsidiary, PT Progressive Indonesia Alumina, to develop an alumina refinery project in Sampit, Indonesia. The first phase of this project will construct a smelting-grade alumina refinery supported by an integrated infrastructure network including logistics, energy and on-site facilities. The total investment in the project is expected to exceed $540m.

REAL ESTATE
OSAKAN TECHNO PARK

Hong Kong-based ESR, a logistics real estate firm, has broken ground on the third phase of its integrated full-service ESR Kawanishi Distribution and Techno Park near Osaka, Japan. The $1.3bn ESR Kawanishi Distribution Center 3 (ESR Kawanishi DC3) will cover 433,000 sq m and cater to build-to-suit uses, including specialised hazardous materials facilities, manufacturing and automated high-bay warehousing.

RENEWABLE ENERGY
AUSTRALIAN SOLAR

Octopus Australia, a subsidiary of UK-based energy investor Octopus Group, is in the construction phase of a solar farm in New South Wales, Australia. The Blind Creek solar and battery project represents an investment of A$800m ($500m).

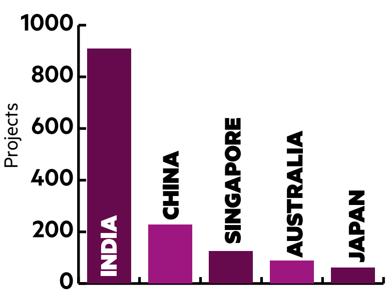
SEMICONDUCTORS
MALAYSIAN FACILITIES

Japan-based Ferrotec Corporation, a manufacturer of semiconductor and sensor-related products, has broken ground on a new RM1bn high-tech manufacturing facility in Kulim, Malaysia. The 92,905 sq m facility will feature more than 700 CNC machines, smart production lines and predictive maintenance capabilities embodying Industry 4.0 principles.

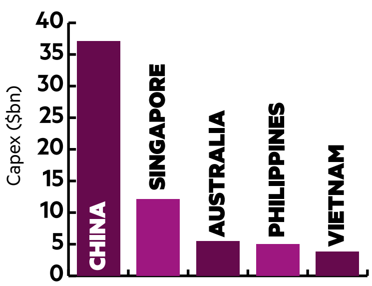
*This investment news and data has been provided by **fDi** Markets, a crossborder investment tracking service that is part of The Financial Times Ltd's FT Locations division (www.ftlocations.com)*

STATS

TOP FIVE ASIA-PACIFIC DESTINATIONS FOR FDI IN RESEARCH AND DEVELOPMENT, 2020-2024



Source: **fDi** Markets



Source: **fDi** Markets

View from Asia

Asia's talent shortages are affecting productivity growth and performance. Labour is an important factor in the Porter Diamond Model, which maps the features that determine a country's competitiveness. As such, Asia's labour shortage is a long-term threat that must be tackled.

Workers' changing priorities are making them more selective when choosing their employer. This is amplified for top talent, whose knowledge and skills are in highest demand. In India, there are reports of artificial intelligence (AI) workers seeing their salaries double. Research by AWS shows that employers across the region are willing to pay up to 49% higher salaries for IT workers with AI skills.

Meanwhile, growing demand for digital transformation is causing long-term structural changes to employment needs. The result is that Asia will see more ageing workers with less relevant skills pushed aside, forging a workforce gap between digital industries and traditional industries using less technology. The divide between older and younger Asian workers, and digital versus traditional skill sets, will only keep widening.

Companies must reshape workplace culture and conditions to align with the values of a new generation, reskill older workers and offer compensation packages to attract top talent.

Government solutions include training subsidies, relaxing visa rules and updating school curricula to focus more on skills than formal credentials. They should also seek to boost the use of AI and other emerging technologies. Meanwhile employers may have to rely more on in-house promotion, rely less on formal credentials, procure from non-traditional sources like alumni and retirees, and attract cross-border talent.

There is another warning in this: the growing focus on hiring star performers risks demotivating less-noticed team members who can't rival their colleagues. This may further widen the great workforce divide. On some level, does the battle for talent risk corrupting meritocracy? ■

Lawrence Yeo is CEO of AsiaBIZ Strategy, a Singapore-based consultancy that provides Asia market research and investment/trade promotion services.
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THE US–CHINA TRADE WAR HAS ACCELERATED, NOT DERAILED, THE EVOLUTION OF CHINA'S MANUFACTURING SECTOR

China's factories pivot to US tariff turmoil

EXPORTERS CONTINUE TO DIVERSIFY DESPITE THE CURRENT TARIFF HIATUS. **ALEX IRWIN-HUNT** REPORTS

Donald Trump's on-again off-again trade barriers against China have sent shockwaves through manufacturers with production in China. After tariffs of 145% on goods produced in China and bound for the US took effect on April 11, trade between the two countries, which many factories relied on, almost ground to a halt.

"The sudden [trade] war would crush my small factory. The tariffs skyrocketed and most of the cross-border e-commerce customers ran away," read one post on Chinese social media site RedNote by a member of a family that owns a furniture processing and export business.

De-escalation of the trade war after a meeting of US and Chinese officials in Geneva in early May, with both sides committing to reduce tariffs by 115 percentage points down to 30% for 90 days from May 14, is unlikely to change the long-term incentive towards diversification for exporters with production in China.

Ash Monga, Guangdong-based founder of TariffHelp.org, a platform for US importers and e-commerce sellers, argues that, "in the long-term, [Chinese] factories have realised that US-China trade is not going to be the same".

Multiple pivots

Rather than hindering the Chinese export-led manufacturing industry, the trade war has given it a chance to evolve.

"The US-China trade war has accelerated, not derailed, the evolution of China's manufacturing sector," argues Mickaël Driol, Ho Chi Minh-based CEO at Mekong Partners, a cross-border investment consulting firm.

Exporters are adapting in three main ways. They are looking at upgrading their products; pivoting towards domestic and other alternative markets; or moving production out of China altogether.

"Rather than retreat, many firms have used the disruption to pivot towards higher-value, tech-intensive production," Mr Driol adds, noting the rise of automation and advanced industrial hubs in cities like Hefei, Chongqing and Chengdu.

Chinese e-commerce giants like JD.com and Meituan, and foreign retailers with a large China presence like Walmart, are also offering so-called 'green channels', which help exporters shift to domestic sales in the face of tariff impacts. Jason Yu, Shanghai-based managing director of CTR Market Research, notes that these channels will help generate additional demand for factories with highly differentiated and unique products.

"A lot of companies are still in the early stage of adjusting to domestic sales and facing up to the new reality," he says, noting that some manufacturers will adapt their products for the Chinese and alternative markets in Asia, Africa and the Middle East.

Another way they are adjusting is by establishing a production footprint outside China to dodge US tariffs and internationalise their operations.

Decades of targeted industrial policy enabled China to become a leader in many cutting-edge industries, from electric vehicles (EVs) to other clean tech supply chains like wind and solar. Since Mr Trump's first round of tariffs in 2018, dominant Chinese companies have set up factories abroad to circumvent tariffs and diversify from their sales in China.

Direct investment by Chinese manufacturers abroad hit $51.7bn in 2024, the second-highest ever after $119bn in 2023, according to **fDi** Markets, which tracks greenfield project announcements.

The main target countries have been across south-east Asia and economies with preferential access to major markets, such as Mexico targeting the US, and Hungary and Turkey for the EU.

Chinese battery giant CATL is investing in factories in Spain, Indonesia and Hungary, while EV makers like BYD plan to open production

US Treasury Secretary Scott Bessent (R) and US Trade Representative Jamieson Greer (L) flew to Geneva in May for talks with China

hubs in countries like Turkey, Brazil, Azerbaijan, Indonesia and Cambodia.

But Mr Trump's 'reciprocal' tariffs on many of these countries have made Chinese companies reconsider their expansion plans, says Mr Driol of Mekong Partners.

Plans on hold

The current turmoil has caught domestic and foreign manufacturers alike in the crossfire between Washington and Beijing.

"It doesn't matter whether a company is foreign or Chinese. They're all in the same boat," says Cameron Johnson, Shanghai-based senior partner at TidalWave Solutions, a recruitment firm. There is also "political pressure" at home for US companies to focus more on North America and not invest in more factories in China, he adds.

Electropedic Manufacturing Corporation — a US-based producer of home textiles like pillows, mattress layers and bedding that has shifted around 70% of its production to China over the past decade — is among those affected.

The tariffs have led "us to shift more of our production back to the US", says Rich Delano, director of Electropedic's Asia operations. But "this move has increased the cost of finished goods" with the company still producing "certain high-performing products in China" that are difficult or impractical to produce domestically in the US, he adds.

However, given China and the US "reaching a more reasonable agreement" than the previous 145% tariffs, Mr Delano has paused projects outside China, having previously toured 20 factories in Indonesia, Cambodia and Vietnam as a way to find alternative manufacturing partners.

More than 90% of the 316 foreign companies surveyed by the American Chamber of Commerce in South China from October to December 2024 said that they do not plan to decouple from the Chinese market due to the US-China trade tensions, a 5 percentage point increase from 2023. Three-quarters of companies planned to reinvest in China in 2025.

John Evans, Bangkok-based managing director of consultancy Tractus, says that he worked with two automotive companies, one from Australia and one from the US, which are planning to invest more in China.

"The tariffs in some cases will drive some investment by companies to maintain their domestic business [in China] that has been extremely healthy for foreign companies," he says.

Data from **fDi** Markets shows that announced greenfield foreign direct investment in China has been stable at about $38bn in 2023 and 2024, with roughly half into manufacturing activities. This was up from a record low of $20bn in 2022, but way below the $114bn recorded in 2018. ■

Q&A: BIMAN PRASAD

'For us, it's not a case of US versus China'

FIJI'S DEPUTY PRIME MINISTER TALKS TO **DANIELLE MYLES** ABOUT PACIFIC GEOPOLITICS, CLIMATE CHANGE AND DEEPENING REGIONAL INTEGRATION

CURRICULUM VITAE

BIMAN PRASAD

2022

Fiji
Deputy prime minister

Previously
Professor and dean of economics, the University of the South Pacific

The Pacific Islands conjure up images of lush rainforests and idyllic summer holidays. But today's geopolitics, accelerating climate change and competition for global capital make the reality on the ground much more complex.

A leading voice among the small island nations is Fiji, one of the region's economic hubs, which in 2022 ended 16 years of rule by the controversial FijiFirst party. Deputy prime minister Biman Prasad sat down with **fDi** at the Asian Development Bank's annual meetings in May to discuss the tussle for influence in the Pacific, increasing support for climate adaptation and plans to deepen regional investment integration.

Q China and the US have been competing for influence among Pacific island nations for some time. Do you expect Fiji will eventually have to choose between the two?

A No. The US has been a longstanding partner for many years, and we don't feel its engagement with the Pacific will be diluted. The work the Biden administration did had actually already started with the first Trump administration. But other countries, including China and India, are our development partners too.

Although there is a perception that in geopolitical [contests] small island states can remain spectators, Fiji is engaging deeply with all countries and looking at the interests of Fiji from the point of view of development. Most countries that we have a good relationship with, like Australia and New Zealand, also have good relations with China as trading partners. So for us, it's not a case of US versus China.

Q Small island nations like Fiji are most susceptible to climate change. Is there a sufficient sense of immediacy about this issue globally?

A Unfortunately not. There is a lot of discussion about climate change affecting Pacific island communities, but a lack of urgency. Climate change for Fiji and other Pacific countries is not about the future. It's about the lived reality now. Although small island states aren't the emitters, we support mitigation.

Yet in the Pacific our focus is on adaptation. We need funding on a consistent basis to deal with the loss and damage on a daily basis, and to build climate resilient infrastructure. So to our partners — and those with the power, resources and historical responsibility to help Pacific island countries — our message is that we need an international climate financing architecture that is accessible, has a differentiated approach to the Pacific, and comes with scale and speed.

Q Fiji is key to Google and Telstra's new Pacific subsea cable network. How else is the country's role as the Pacific islands' economic hub being strengthened?

A Fiji is the hub of the Pacific. Some of our big infrastructure projects — our airport, ports and the University of the South Pacific — are also considered regional public infrastructure. We are pushing for much deeper integration among Pacific island countries, including Australia and New Zealand. We want visa free travel in the Pacific, [more] harmonised regulations so there is movement of ideas, policies, and investment among Pacific island countries. For example, how we can create an environment where superannuation funds come together to look at large private sector projects that would not only help grow the region's economies, but also bring across new ideas, technologies and innovations.

Q What industries is Fiji focused on expanding to diversify its tourism-dependent economy?

A First, we are focused on attracting investment in commercial agriculture and there has been a lot of interest by the private sector there. Second is business process outsourcing [BPO]. Surveys rank Fiji as one of the most attractive destinations for BPO, for which we need more office spaces. Obviously there's talk about how the technological and AI revolution is going to affect sectors like these, but right now there is huge potential there. Plus, we are providing incentives for resource sectors — like forestry and mining — for the processing of primary products which in the past were exported as raw materials. ■

Q&A: SCOTT MORRIS

ADB stays the course

THE VICE-PRESIDENT TALKS TO **DANIELLE MYLES** ABOUT TARIFFS, MULTILATERALISM AND THE BANK'S CHINA RELATIONSHIP

Much of Asia has been caught in the cross-hairs of rising trade and geopolitical tensions. But the Asian Development Bank (ADB) is helping steady the ship.

Ahead of the ADB's annual meeting in May in Milan, Italy, Scott Morris — the bank's vice-president of east Asia, south-east Asia and the Pacific — reflected on member government approaches to US tariffs, the bank's evolving relationship with China and progress towards its long-term goal of greater intraregional integration.

Q How is the ADB helping members navigate the US's (delayed) reciprocal tariffs, which hit Asia harder than any other region?

A This represents a potentially significant economic shock across Asia, and we are deeply engaged with our member governments. We stand ready to help respond, act as a buffer and offer support, including fiscal support where it might be needed. I'm encouraged that Asean [the Association of Southeast Asian Nations] countries are taking a very pragmatic attitude. They want to negotiate, and we want to encourage that kind of stance. More fundamentally, though, we don't measure the ADB's work in weeks and months [but] years and decades. Our agenda is focused on the fundamentals in these economies, be it infrastructure, sustainable energy and energy security, or human capital development. As much as tariffs represent a high-level, near-term risk, they don't take us off-track from those longer-term pipelines that were there before, and will continue after, tariffs.

Q Does the escalation of China-US tariffs make this an opportune time for the region's smaller economies to strengthen intraregional trade and investment ties?

A These policy decisions in major economies create complex dynamics for our client countries in terms of shifting supply chains. It's a significant risk environment. However, a number of our countries are looking to exploit opportunities. Regional integration — in terms of trade, physical infrastructure, payment systems and movement of people — is a huge, longstanding ADB agenda. In south-east Asia there's a growing awareness of the need to make faster progress on this, and perhaps tariffs are more of an impetus to drive stronger regional integration. One initiative we are supporting is regional power grid integration across Asean, which can be a game-changer in meeting the region's energy needs. Bilaterally and among subsets of countries, we see progress towards more regionally integrated grid investments. The aim now is to create an overall blueprint and financing plan.

Q How has the ADB's relationship with China changed over its 30-year history?

A Over this period we've seen dramatic change in the country, including poverty reduction on a scale never seen elsewhere. We want to recognise and take lessons from that success. For example, air quality improvement was [an ADB] project there over the past decade, and we are looking at how to employ it in India and south-east Asia. However, China's economic trajectory has put increasing pressure on the nature of the ADB's relationship with the country. How do we continue to engage the country as a developing economy — which it is, by the rules we follow — but also acknowledge its tremendous progress by per capita income and other measures of wellbeing? Also, the ADB's largest shareholders are Japan and the US followed by China. That may create some challenging dynamics at a time when the bilateral relationships are strained, but it's also a virtue of the ADB's model that we have a platform for discussing with all parties how to move forward in our relationship with China with some kind of consensus behind it.

Q What's your response to critics who argue that multilateralism is in decline?

A Clearly there are challenges right now, but it is important to recognise the value of countries acting in co-ordination with each other. We hope to convince our shareholders that even when they have significant bilateral differences, there's value in preserving these fora where they can come together — even have differences that can play out here — but at the end of the day they can agree on preserving basic participation. I'm pretty optimistic about where [the ABD is] in this regard. As our member countries pursue their aims regarding engagement in the world, particularly when it comes to financing, there are obvious positives for multilateral institutions like ours in terms of the ability to stretch their resources simply by their core participation in an institution like the ADB. ■

This interview has been edited for clarity and brevity.

CURRICULUM VITAE

SCOTT MORRIS

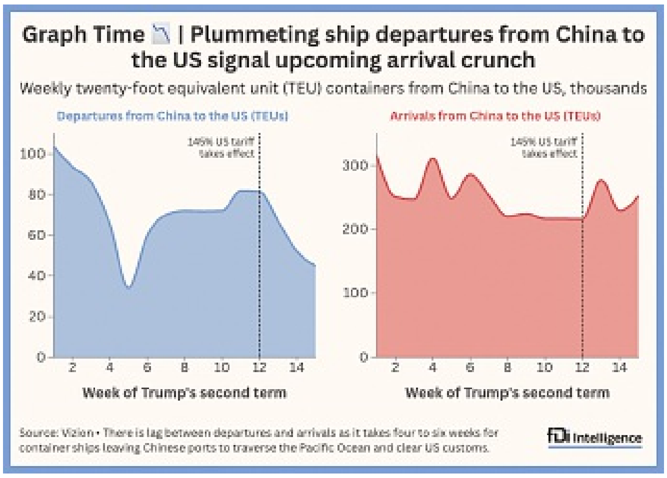
2023
Asian Development Bank
Vice-president (east and south-east Asia and the Pacific)

Previously
Senior fellow and director, Center for Global Development

fDi endnotes

DATA SPOTLIGHT

The number of containers on ships leaving Chinese ports bound for the US declined significantly since US President Donald Trump imposed punitive tariffs on China. Data from Vizion to the week starting April 28 showed that inbound trade at major US ports faced an imminent crunch as Mr Trump's protectionist trade policies took hold.



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Jacopo Dettoni
Is it time for the EU to establish a European FDI agency to promote and co-ordinate investment into the bloc?

Achim Hartig
The call for a unified investment outreach is not only timely but essential to strengthening Europe's economic sovereignty and competitiveness. The good news is: many European IPAs agree and have been intensifying their co-operation

Martin Phelan
An interesting proposition. It's true that Europe needs to re-assert its strength. But I think such an agency would have to be fairly high level and not challenge the role of individual countries to promote their individual offers, a tricky balance to achieve. The major economies of France and Germany might be wary as I doubt they would want to cede too much control, given their leading position on FDI attraction.

Ian Richards
Looking at other regional examples the main roles would be organisation of investment fairs and other promotion events, booking zones/booths at other investment fairs, capacity building and support, collecting inputs from national IPAs to advocate for relevant policy changes at the European level, joint purchasing and marketing.

This is an extract from comments on LinkedIn regarding an op-ed titled 'The case for a European FDI agency'

QUOTES OF THE MONTH

WHETHER OR NOT YOU'RE CHANGING YOUR JOB, YOUR JOB IS CHANGING

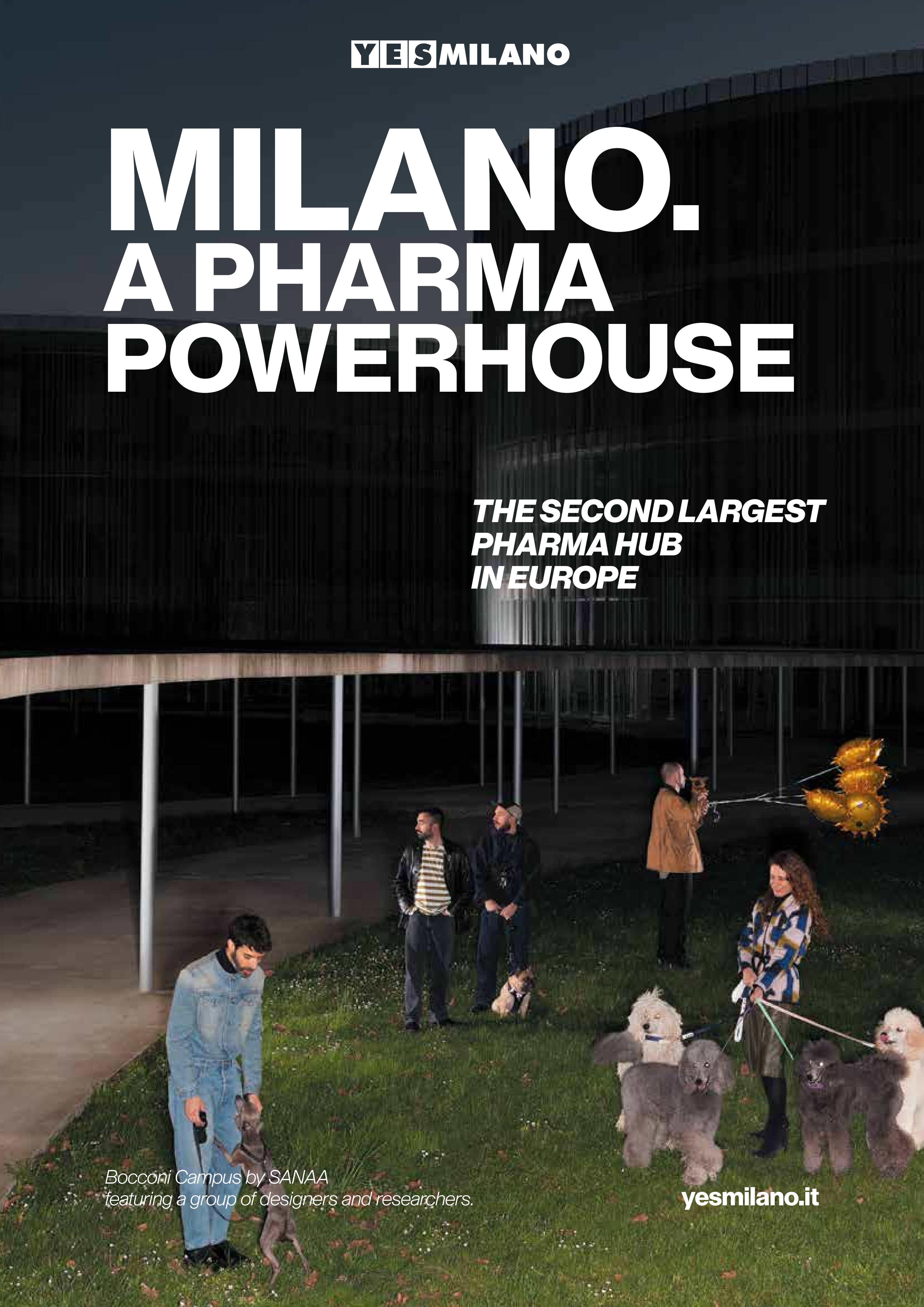
Tomer Cohen
Chief product officer, LinkedIn

THE SOVEREIGN CAPABILITY OF YOUR CHIP PROCESSING HAS BECOME ... PART OF STATE IDENTITY IN THE SAME WAY IT USED TO BE THE PERFORMANCE OF OLYMPIC ATHLETES DURING THE COLD WAR

Jon McLeod
Partner, DRD Partnership

MANUAL LABOUR IS THE NEW WHITE COLLAR

Robin van Puyenbroeck
Executive director, World Trade Centers Association



Bocconi Campus by SANAA
featuring a group of designers and researchers.