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OCO Annual Report 2012//13

Hubs, Hotspots & Hopefuls

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Hubs, Hotspots & Hopefuls - the need for a reality check

Mark O'Connell
Chief Executive Officer
OCO

Ask almost any city or region today how they perceive and promote themselves within the global investment landscape and two terms are pretty much guaranteed to make it to the top of the list: **hub** and **hotspot**. It calls to mind the 'invest in anywhere' campaigns of the late 90s / early noughties, when IPAs went on a major splurge to promote skills, infrastructure, competitive costs, and quality of life, with the ubiquitous contented investor on a golf course centre stage. The problem was that every location promoted the same attributes, and it was impossible to differentiate. The current hubs and hotspots theme has some similar parallels, but with the implicit rider that investors have already put these locations on the map and new investors will be on a well-trodden path. That's fine as long as it can be evidenced. The hopefuls need to figure out what their customer looks like and what kind of offer they will respond to - the more focused the better.

FDI hotspots are by definition locations with a distinct advantage - places that inspire interest and excitement among investors. Put simply, they're the places that the industry is taking about. Examples would be Montréal in the games sector, Bogota in BPO, Missouri for datacentres, Denmark for offshore, and Dublin for asset management. Hubs are typically established global cities offering a draw for talent (see last year's OCO review) or strategic intersections that act as a centre for various sectors, whether services hubs like London, Singapore and New York, global manufacturing centres like Guangdong and Taiwan, or logistics centres like Dubai, Rotterdam and Miami.

Two important observations come to my mind when looking at the global ecosystem of investment locations. One offers hope, the other caution.

There are many rooms in my father's house...

According to UNCTAD, in 2000 80% of FDI located in five countries. Twelve years later, this picture has evolved considerably: the top five markets in 2011 accounted for less than 39% of global inflows, while developing and transition economies collectively accounted for 51% of inflows globally.

The good news - as evidenced by locations around the world, including some which are profiled in this report - is that all types of locations have the potential to be successful at attracting FDI commensurate with their profiles, assets and reputations. This is dependent on their economic developers having a realistic understanding of where their locations fit - and, importantly, are widely perceived to fit - within the global ecosystem of location categories. It is also important to understand how economic developers can either leverage their positioning or, where possible, how this positioning can be improved.

This comes down to a classic understanding of the demand side and the supply side, and while the latter needs to focus on core questions like the market opportunity and drivers, capability and infrastructure, there's another key area which, in today's choppy economic waters, is critical for sustaining investor confidence and assuaging fears - sound policies.

Politics: a bedrock of investor confidence or a rock on which it perishes…

Having spent the last year working in the 'engine room' of the UK's FDI operations at UK Trade & Investment, I have seen at close hand the critical role effective policy-making and policy communications have in securing investor confidence, which reached a highpoint at the Global Investment Conference at the outset of the 2012 Olympics, and during the games at British Business Embassy events where the UK Government secured investment pledges from foreign investors worth more than £6 billion.

When it comes to politically-defining years, 2012 is going to be hard to beat globally. At the end of this year, China will have a new President appointed, while the US will decide whether to retain President Obama for a second term or instead vote in his Republican rival, Mitt Romney. In May, France elected François Hollande, the country's first Socialist President in seventeen years. Confidence in the Eurozone's continuity and sustainability is far from assured. Defining political events such as these inevitably make investors wary and watchful at best, nervous and fearful at worst.

In these challenging times, election manifestos are inevitably pitched at an electorate reeling from high unemployment, debt and austerity programmes, so protectionism, jingoism and anti-immigration themes chime well with the voter, but scare the wits out of the investment community.

In this climate the investment 'rule book' of a given country or entity runs the risk of being altered or in extreme cases even re-written, leaving investors unsure of the conditions that lie ahead.

The long-term nature of FDI means that policy conditions will inevitably evolve, even if sometimes modestly, over the course of an investment's lifetime. The critical success factor therefore is for governments and their economic development organisations to

offer a transparent, engaging approach that communicates new and planned policies to current and existing investors. Conversely, a lack of policy communication or direction, even if temporary, can quickly snowball into a barrage of investor questions and concerns. It strikes me as odd, that despite the rapid rise of social media tools, few policy makers or IPAs use them to engage in a dialogue with existing investors to road test new policy ideas and initiatives. This feels like a missed opportunity.

Issues such as the siting of a new London airport serve as an important reminder of the need for constant innovation and policy communication, even if you're a globally renowned hub. Fortunately for a place like London, innovation is served up in abundance: you only need look to initiatives such as Tech City (featured in our report last year) to see how an integrated approach that brings together innovators, entrepreneurs, mentors, investors and centres of excellence, all underpinned by a clear, committed policy drive, can work wonders for a city's reputation in a high-growth, attractive sector like digital technology.

Nevertheless the investment facilitation role played by politics doesn't stop with major countries and global megacities. You can be a mid-sized city like Cardiff which leverages its political ties and significant property developer allies to enhance its investment offer around the Cardiff Central Business District site; a state like Florida whose Governor has publically committed though its agency Enterprise Florida to establish 700,000 jobs in 7 years partly though FDI, or even an emerging country like Nicaragua, whose investment promotion agency supports and nurtures strategic alliances between national institutions and foreign investors.

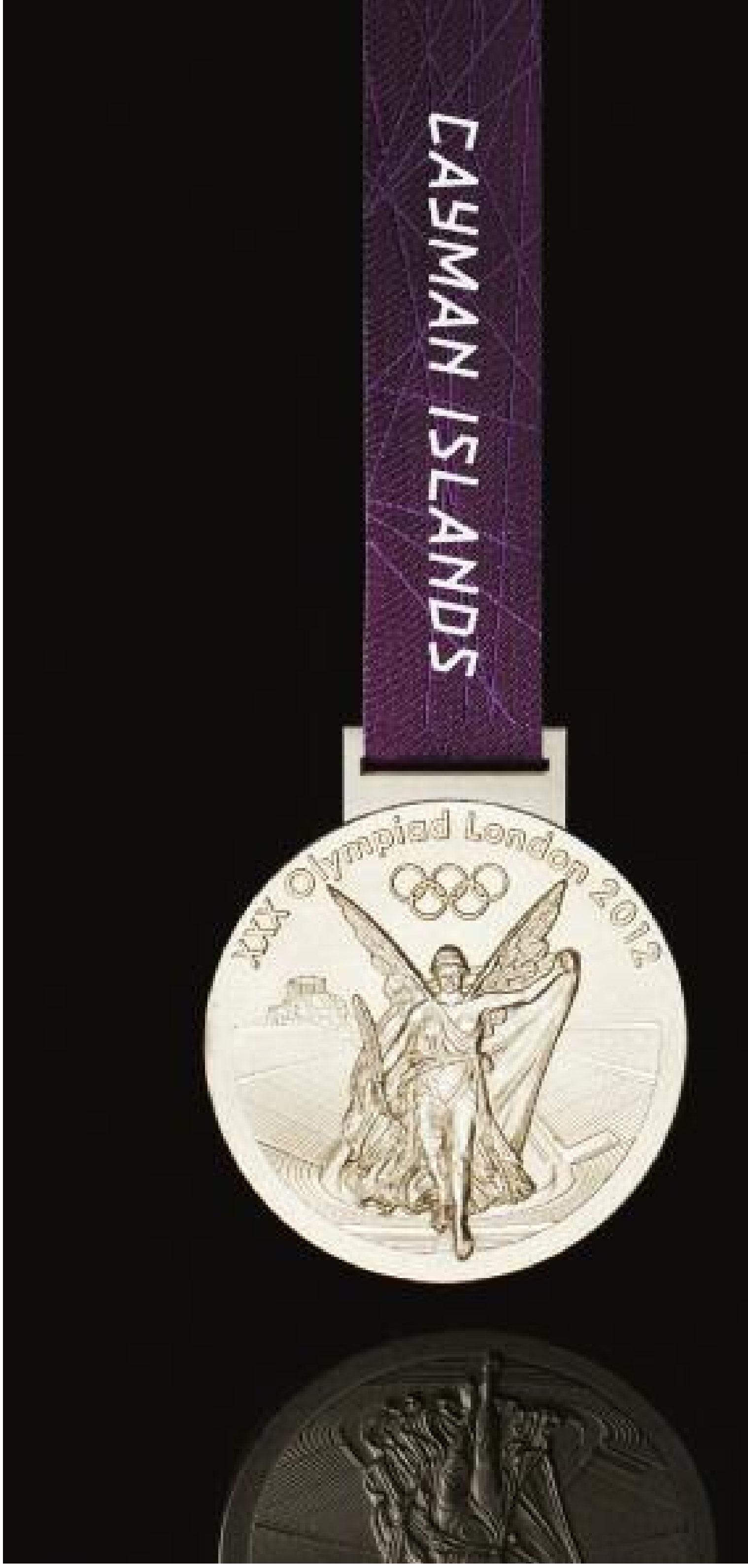
In this report we have outlined the major macro-economic drivers which we believe will shape the FDI landscape of tomorrow, as well some indicators of how it is already evolving. That landscape is set to see a host of new hotspots and possibly even hubs emerge in the coming decade, some of these places being barely known outside their countries or regions. Rising stars based on growth of projects attracted in the last few years include the likes of Chongqing, Rio de Janeiro, San Francisco, Edinburgh, and Bangalore, to name but a few.

Faced with this changing landscape, we have profiled a selection of locations large and small, urban and rural, developed and emerging, to give a flavour of how each type of location is responding to the global climate and making the most of its investment opportunities. These are complemented with some Q&As with leading investors who share their perspectives on the global landscape of investment locations and what matters to them when seeking to invest. It is my hope that you will find some inspiration or valid learning points from one or more of the stories told here, whichever location you represent.

I would like to thank all of the contributors for their valuable insights. As always, we welcome your thoughts and perspectives, so please look out for discussions on this report on our online platforms, and feel free to join in!

FDI
trends

The 2012 FDI Olympics



Joe Philips
Managing Consultant
OCO

Introduction

While China and the United States soared to the top of the Olympic medal table and Team GB were lifted by the crowds to an outstanding level of performance in London, a continuous Olympics plays out in the world of FDI. In these games, we are awarding 75 medals across 25 different categories of FDI success. Everyone can probably guess the most successful countries are for FDI when thinking in absolute numbers (the same ones as the "real" Olympics - partly due to population size). So here we have put countries on a more level playing field by judging much of our medal categories on a per capita basis. Our medal table is based around a points system – 3 for Gold, 2 for Silver, 1 for Bronze. Where will the stories of glory come from? Who will experience the agony of not even winning one medal?

Read on for the **highs & lows,** the **agony** and the **ecstasy...**

Ireland top the medal table

Thanks to some strong sector performances, Ireland stole the show with 5 Gold, 1 Silver and 1 Bronze. Despite a population of less than 5 million, the country's performance across a range of quality sectors including Life Sciences and Software left the competition trailing. Strong competition also came from the Cayman Islands, a financial services centre with a small population that has punched well above its weight in attracting flows of investment. Due to the continued financial uncertainty, we see tax shelter/havens and asset management hubs in medal positions. Most of these tend to be smaller island economies such as the Cayman Islands, the British Virgin Islands or Luxembourg. Similarly Singapore, although a location with a greater mix of industries, was successful in part because it is a one city state, but also because the Economic Development Board is highly active in marketing the country for international business.

Training for success

Like Singapore, the success of Ireland is built on hard work, putting the hours in on the training field, and being the best they can be at their chosen discipline. By articulating where their true strengths lie to investors, they are consistently able to cross the line in first place. Rather than targeting too many industries and always missing out on that podium place, the country has led the way in developing a winning strategy. Ireland also demonstrates innovation in initiatives such as its diaspora scheme where it is incentivising diaspora to be Ireland's 'eyes and ears' around the globe, helping to identify international businesses opportunities. Other countries can succeed by developing similar strategies, competing and placing funding in the events where there is a genuine medal chance - no location can have a 'Dream Team' across the board.

"Following on from our football World Cup feature 2 years ago, we're back by popular demand with the medal table for first FDI Olympiad."

Rise of the underdogs

While some of the events have allowed some competitors to reach unexpected heights and are probably counter-intuitive, there have been some notable performances by some unheralded names: Brunei is one example with three medals while Macedonia has two. Counter to this is the weaker performance of Western Europe which has little representation on the medal table. Irrespective of the effects of population on many of the categories, these up and coming countries illustrate the highly competitive nature of winning FDI and that there is increasingly a wider range of viable locations for projects, and that agencies across the board are being more sophisticated in their attraction efforts.

Prospects for the 2016 event

In the same way as Brazil will be expected to reach new heights at their home Olympics in Rio, the next FDI Olympics could see a new pattern of FDI success that depend on circumstances, most particularly the outlook for the economy. In four years' time, one would expect a recovery to be well underway, and either way it creates a different set of opportunities and threats for different locations looking to win investment.

The 2012 FDI Olympics

UNCTAD flows per Capita (5 years)
1. British Virgin Islands
2. Cayman Islands
3. Luxembourg

UNCTAD flows per Capita (12 months)
1. British Virgin Islands
2. Cayman Islands
3. Luxembourg

Total projects in last 12 months
1. United States
2. China
3. United Kingdom

Total projects in last 5 years
1. China
2. United States
3. United Kingdom

Projects in last 12 months per capita
1. Cayman Islands
2. United Arab Emirates
3. Singapore

Sectors - Biotechnology
1. Ireland
2. Singapore
3. Panama

Sectors - Software & IT
1. Ireland
2. Luxembourg
3. Singapore

Sectors - Business Services
1. Cayman Islands
2. Grenada
3. Qatar

Sectors - Industrial Machinery
1. United Arab Emirates
2. Qatar
3. Singapore

Sectors - Chemicals
1. Singapore
2. Brunei
3. Luxembourg

Sectors - Food
1. Belize
2. Macedonia
3. United Arab Emirates

Sectors - Auto Components
1. Macedonia
2. Czech Republic
3. Hungary

Sectors - Pharmaceuticals
1. Ireland
2. Swaziland
3. Singapore

Sectors - Medical Devices
1. Malta
2. Ireland
3. Costa Rica

Sectors - Semiconductors
1. Ireland
2. Singapore
3. Israel

Activities - Headquarters
1. Cayman Islands
2. United Arab Emirates
3. Ireland

Activities - Manufacturing
1. Estonia
2. Serbia
3. Bahrain

Total jobs in last 12 months
1. China
2. India
3. United States

Total jobs in last 12 months per capita
1. Maldives
2. Brunei
3. Singapore

Total Capex in last 12 months
1. China
2. United States
3. India

Leaderboard

Projects in last 5 years per capita
- Qatar
- Saudi Arabia
- Chile

Sectors - Financial Services
- Cayman Islands
- Seychelles
- United Arab Emirates

Sectors - Renewable Energy
- Micronesia
- Iceland
- Bulgaria

Activities - R&D
- Ireland
- Singapore
- Qatar

Total Capex in last 12 months per capita
- Brunei
- Maldives
- Lithuania

RANK	COUNTRY	POINTS
1	IRELAND	18
2	CAYMAN ISLANDS	16
3	SINGAPORE	14
4	CHINA	11
5	UNITED ARAB EMIRATES	9
6	UNITED STATES	8
7=	QATAR	7
7=	BRUNEI	7
9	BRITISH VIRGIN ISLANDS	6
10=	MALDIVES	5
10=	MACEDONIA	5
10=	LUXEMBOURG	5
13=	MICRONESIA	3
13=	BELIZE	3
13=	ESTONIA	3
13=	INDIA	3
13=	MALTA	3

RANK	COUNTRY	POINTS
18=	SEYCHELLES	2
18=	SAUDI ARABIA	2
18=	ICELAND	2
18=	CZECH REPUBLIC	2
18=	SERBIA	2
18=	SWAZILAND	2
18=	GRENADA	2
18=	UNITED KINGDOM	2
26=	BULGARIA	1
26=	HUNGARY	1
26=	COSTA RICA	1
26=	CHILE	1
26=	LITHUANIA	1
26=	PANAMA	1
26=	BAHRAIN	1
26=	ISRAEL	1

Source: UNCTAD and fDi Markets from the Financial Times

OCO's key take-outs:

The top FDI performers on a per capita basis are an interesting mix of hubs and hotspots from developed and emerging markets. Long-standing FDI hubs like Ireland, Singapore and the UAE and global powerhouses like the US and China are all among the top ten on the leader board, yet so too are smaller, less typical FDI hotspots like the Cayman Islands, Brunei and the British Virgin Islands, all of which have punched well above their weight.

Trends and analysis

Dan Nicholls
Senior Consultant
OCO

Global motors driving the FDI landscape

A global, sustainable recovery is far from certain and while investor confidence has broadly been on the rise over the past couple of years, a number of issues ranging from the Eurozone crisis to the ongoing instabilities in the Middle East means that the recovery remains tentative and investor outlook still remains broadly cautiously optimistic. There are four enduring global motors however that we believe are shaping tomorrow's global economic landscape and which will therefore have an important bearing on the future FDI landscape.

What have business leaders been saying

> "What I want from Governments is a strategy to win... a commitment to education, entrepreneurship and innovation."

Eric Schmidt
Executive Chairman
Google
July 2012

> "Our focus in terms of investment has been very much around new markets and new media… for Western Europe, the good news is that digital investment means increased employment opportunities and activity in Western Europe too."

Sir Martin Sorrell
Chief Executive
WPP
July 2012

WPP Group plc

> "We go wherever the start-ups are."

John Chambers
Chairman & CEO
Cisco
July 2012

Emerging market **growth**

By 2020, it's predicted that the four founding **BRIC** markets could account for nearly

50%

of all global GDP growth.

Meanwhile, in Africa, GDP growth is set to far outpace population growth between now and 2020, according to the UN Population Division, while more than **50%** of the continent's households are set to have discretionary spending power by 2020.

Latin America is set to **grow considerably** over the coming decade. In 2011, Brazil overtook the UK as the world's **sixth largest economy** and it's predicted that it will be larger than all European economies by 2020. Other markets in the region are also demonstrating high growth potential, including **Peru**, **Colombia**, **Ecuador** and **Chile**.

In terms of FDI, developing and transition economies attracted a slightly higher proportion of global inflows than developed economies in 2011, while they accounted for

27%

of global outflows, up from 12% in 2000 and 15% in 2007.

Source: UNCTAD

Changing talent landscape

The vast majority of the world's leading universities remain in the USA and Europe. They continue to attract young budding talent from all over the world, yet many top graduates are now seeking career opportunities back home, especially in emerging markets.

Emerging markets are also a massive driving force behind the global talent pool of tomorrow: India has seen a surge of interest from foreign universities in setting up campuses in the country, as have states like Qatar in the Middle East.

By 2020, the number of Chinese university students is expected to exceed 35 million - that's greater than Canada's entire population at present.

Evolving communications

The world is increasingly mobile and social. The tablets and mobile PCs market is witnessing rapid growth, with the number of tablets sold globally growing from less than 20 million in 2010 to more than 63 million in 2011. By 2015 Gartner estimates that the number sold will have grown to more than 320 million.

Just as our business practices are becoming more mobile through tablets and smartphones, they're also becoming more social: Gartner has estimated that 20% of employees worldwide will use social networks as their main form of business communication as early as 2014.

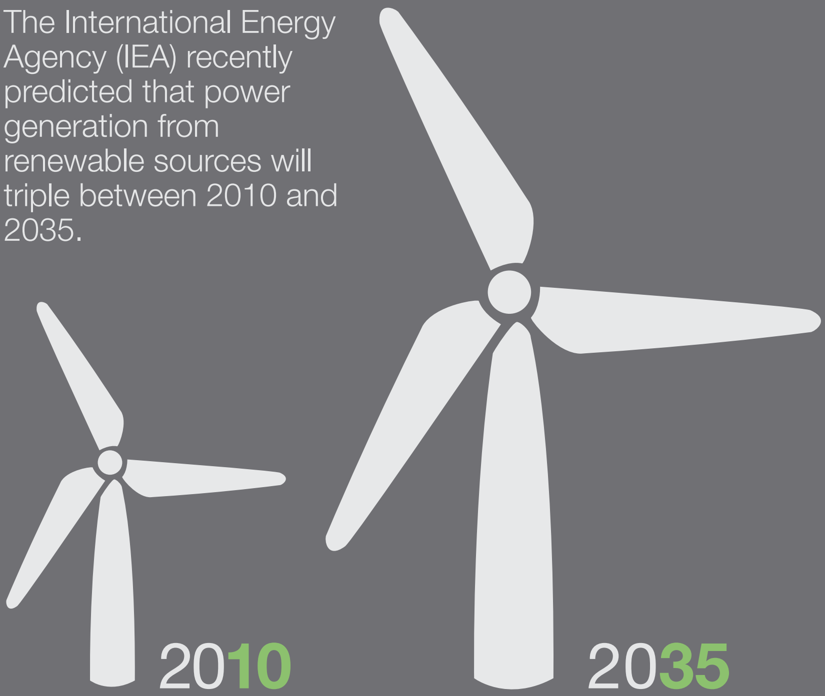
FDI in the software and IT services sector has also seen significant growth, with the number of projects rising by 19% between 2010-11. It is also currently one of the largest high-growth FDI sectors, with more than 3,100 projects recorded globally in 2011.

Source: fDi Markets from the Financial Times

The Green Agenda

Clean technology will increasingly drive both governmental and corporate growth agendas as customers, clients, consumers, citizens and employees increasingly seek energy-efficient products and sustainable sources of energy.

The International Energy Agency (IEA) recently predicted that power generation from renewable sources will triple between 2010 and 2035.



FDI in the alternative energy sector has also been on the rise: in 2011, an estimated total of 34,869 jobs were created in the sector globally as a result of FDI, compared with 21,621 in 2010, representing a 61% increase. Project numbers in this sector also increased over the two years, albeit at a slower rate of 22%.

CLEAN TECH SPENDING

75% INCREASE

An estimated 75% increase of multinational corporations expect their clean tech spending to increase by 2015, according to a survey by Ernst & Young.

JOBS

61% INCREASE

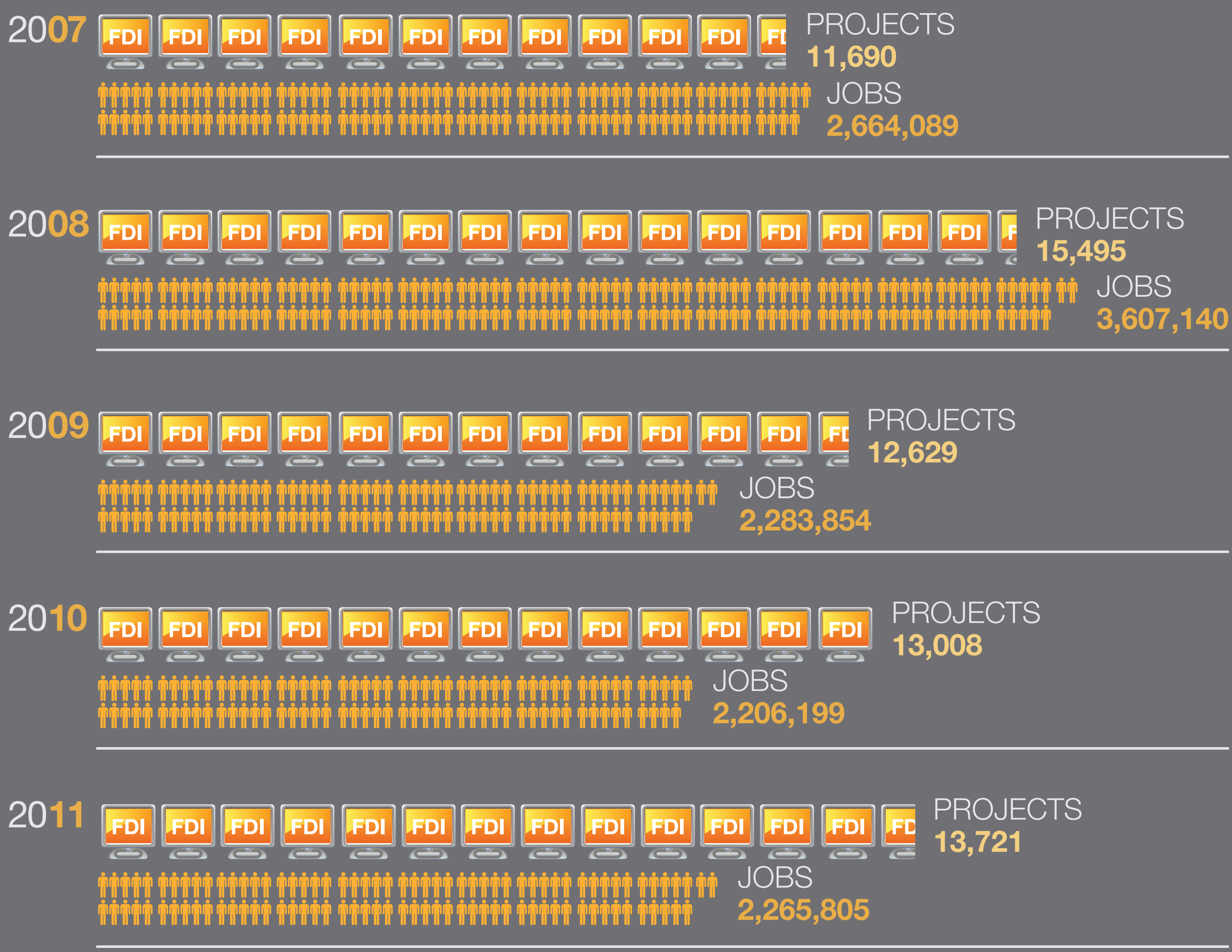
PROJECTS

22% INCREASE

Source: fDi Markets from the Financial Times

Projects are UP but job creation is STAGNATING

Global FDI project numbers have been rising since 2009 and stood at just over 13,700 for 2011. Job creation has stagnated however - at around 2.25 million each year since 2009.

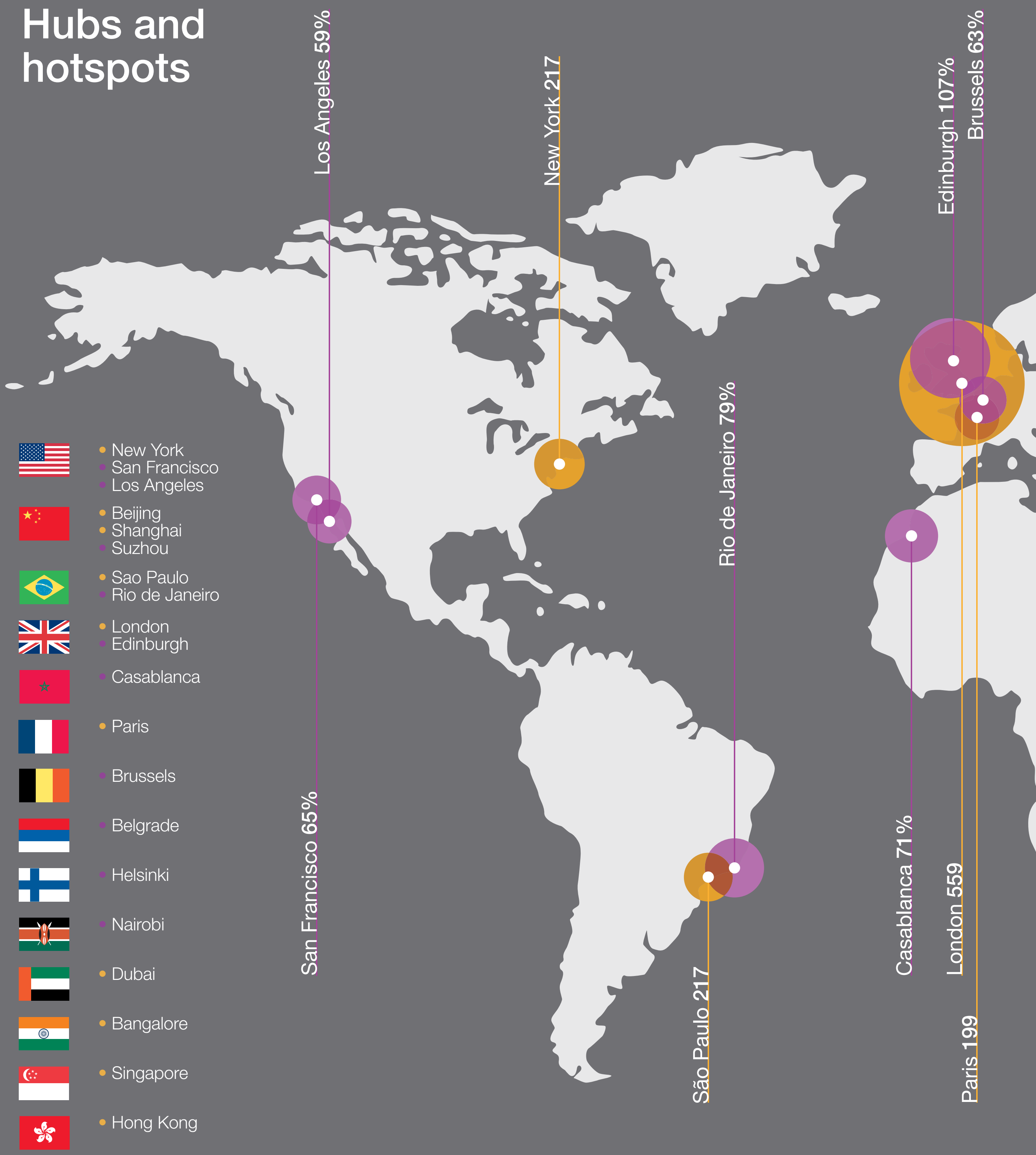


Meanwhile UNCTAD found that FDI inflows rose by **17%** in 2011 to just over **$1.5 trillion**

this was slightly higher than the pre-crisis average between 2005-2007. Ongoing macro-economic uncertainties lead UNCTAD and others to predict that FDI growth will slow in 2012 however.

Source: fDi Markets from the Financial Times

Hubs and hotspots



The orange circles show the top 10 global cities between 2010-2011 by project numbers. Most of these are familiar and predictable names that form many of the world's leading hubs for FDI. It is our view that investors will continue to be attracted to these world-class cities, as will the top talent that attract these investors.

Alongside these global hubs there are also several investment 'hotspots' that have seen high levels of growth in FDI projects over the past couple of years. Some of these are also widely seen as global cities (eg Rio de Janeiro and Los Angeles) while other rising stars such as Nairobi, Casablanca and Belgrade are also seeing significant increases in investor activity.

Top 10 cities for inward FDI 2010-2011

Total projects

Source: fDi Markets from the Financial Times

Top 10 growth cities for inward FDI 2010-2011*

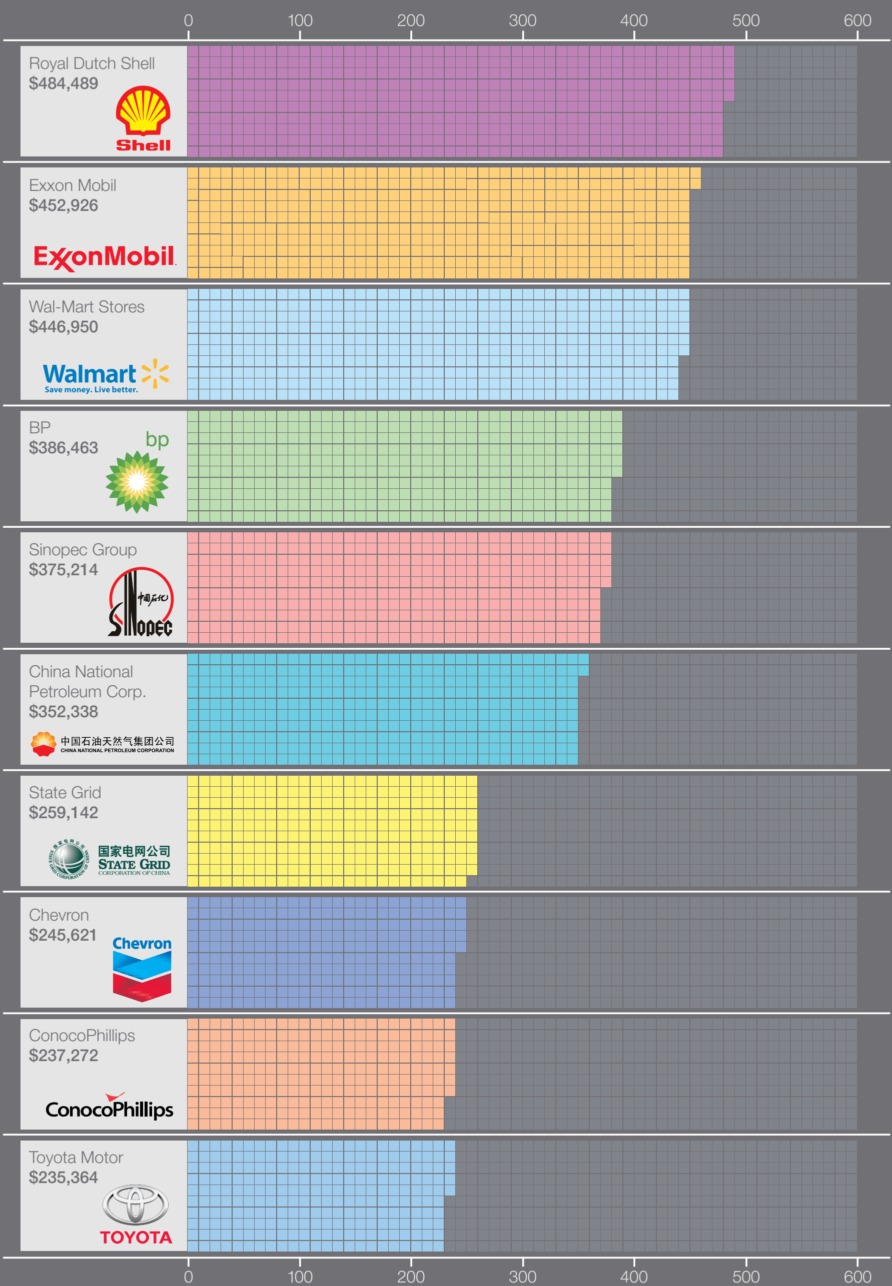
Projects % increase 2010-2011

*Based on the top 100 cities globally

The rise of **state-controlled** investments

When it comes to the world's largest listed companies, not all of them are from the private sector.

Revenue ($ million) of top 10 global corporations in 2012



The latest data from the Fortune Global 500 shows that three of the top ten companies are state-controlled enterprises. All three are Chinese and two of them - China National Petroleum Corporation and Sinopec - are important international investors.

FORTUNE GLOBAL 500

Source:
CNN Fortune
Global 500

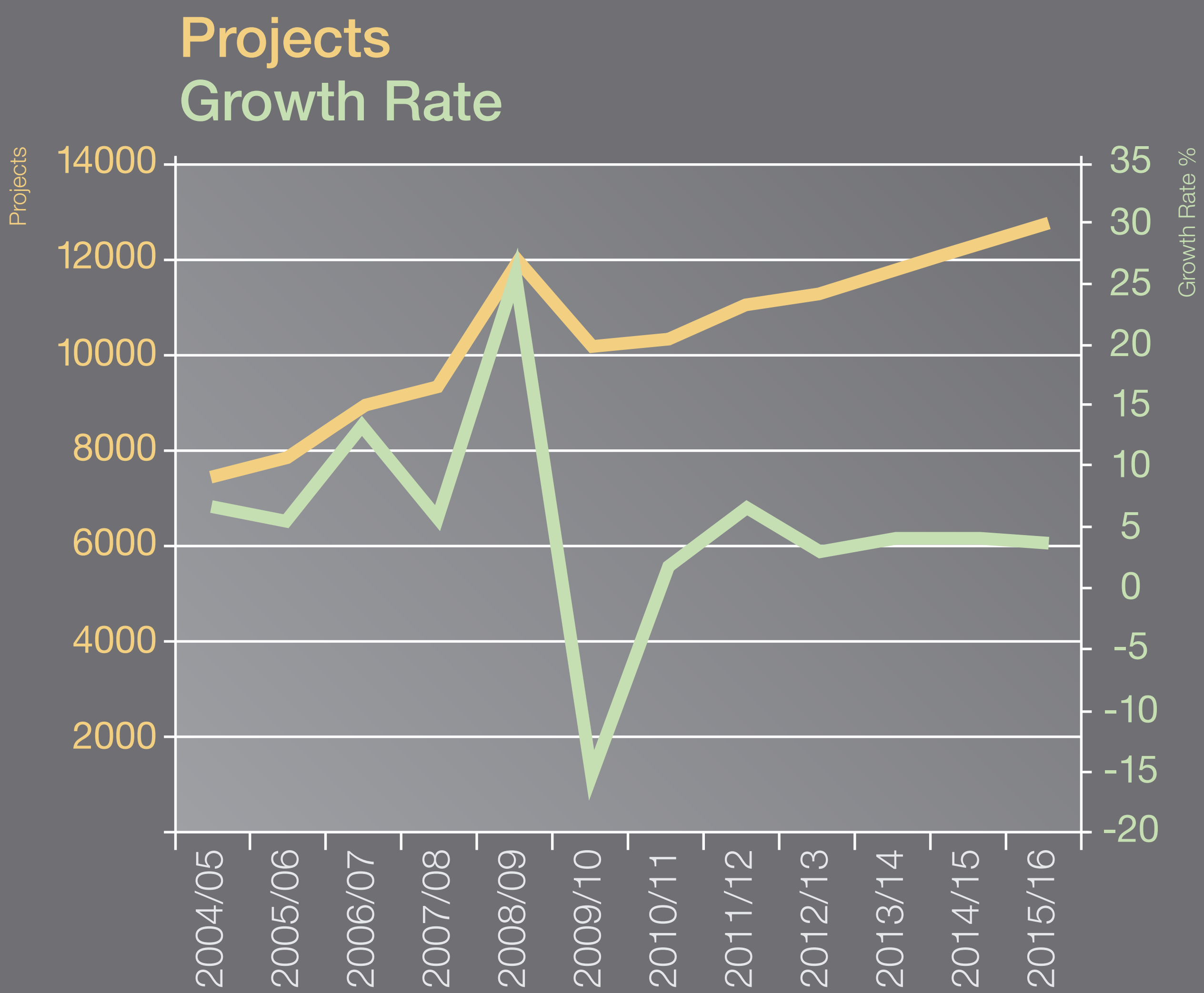
China National Petroleum Corporation and Sinopec are just two of more than 100 state-owned companies that are largely controlled by China's state-owned Assets Supervision and Administration Commission (SASAC), and organisation recently referred to by Boston Consulting Group as

"the most powerful entity you've never heard of"

FDI forecasts

Earlier this year, motivated by a desire to assist IPAs set FDI targets and plan ‘in market’ resources based on the market opportunity rather than historical performance, OCO set about developing a forecast model that reflects both the global macro context and country-specific economic factors. The results of our model are presented publically here for the first time.

We expect the number of global projects to grow by an average of **4%** per annum until 2015/16. Although this is slightly below the average growth rates of the past five years, our view is that we are entering a much less volatile period of FDI performance than experienced over the recent past.



Source: OCO Global forecasts based on fDi Markets from the FT and supported by Oxford Economics

Hotspots

Our forecasts do not expect any change to the top ten source countries over the forecast period, but there are some movements within the top ten and some impressive annual growth expected from several source markets. The top ten in terms of project numbers now and in 2015/16 shows that we expect India and China to leapfrog Canada and Spain, with India just pushing into the top five.

Top 10 source countries

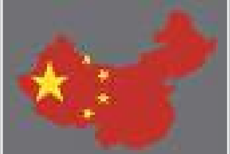
2011 2012 | 2015 2016

Biggest **movers**

While we expect global FDI projects to post growth rates of circa 4% per annum, there are large variations in growth rates across the globe. Given their move up the list of top ten source countries, India and China are obvious candidates to feature at the top of the growth league, with India averaging close to 10% growth per annum and China expected to post annual growth in FDI projects of 9%. To place the rest of the top ten fastest growing source countries in context, the change in project numbers emanating from these locations will be in the order of 20 more per annum by the end of the forecast period. The slowest growing markets offer no real surprises and broadly mirror those regions most affected by the wider economic downturn.

Fastest growers

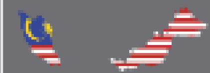
9.89%
#1 India


8.79%
#2 China


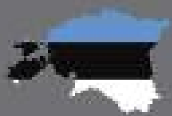
6.44%
#3 Thailand


5.99%
#4 Turkey


5.42%
#5 South Africa


5.38%
#6 Malaysia


5.31%
#7 Brazil

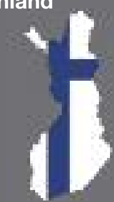

5.28%
#8 Estonia


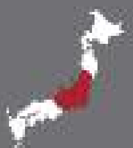
5.15%
#9 Mexico


5.09%
#10 Singapore


Slowest growers

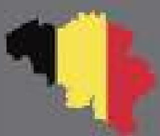
2.66%
#1 France


2.47%
#2 Finland


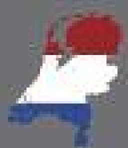
2.13%
#3 Japan


2.12%
#4 Italy


2.03%
#5 Austria


2.02%
#6 Belgium


1.94%
#7 Switzerland


1.90%
#8 Netherlands


1.76%
#9 Spain


1.02%
#10 Portugal


Practical uses for IPAs

OCO's experience suggests that many IPAs set their annual planning targets on historical performance. We believe that this model offers the opportunity to set annual targets based on market opportunities. Knowing the 'size of the prize' in each market would enable IPAs to target their resources more appropriately, improving efficiency and effectiveness.

Bright Lights Big City: Cities as the engine of growth

Andrew Webb
Consulting Director
OCO

We often hear phrases like 'the world is getting smaller... location doesn't really matter because the internet means we can work from anywhere', but the evidence from our trends analysis and contributors to this report suggests that view is not reflected on the ground. Cities play an increasingly important role in global economic performance, bringing together a powerful ecosystem of large firms, smaller firms, skilled people, research institutions, education providers and government. Cities are more open to the global economy with a growing number of cities embedded within various global networks.

Over 50% of the world's population now live in urban areas. This has been driven in some part by the rapid expansion of the world's largest cities, but it is also important to recognise that smaller cities are playing a highly significant role in global urbanisation with more than half the world's urban population in cities with fewer than half a million people. NASA's Earth Lights scene captures this trend well, with the most urbanised areas burning brightly.

More than ever, cities are competing for citizens, workers and investment. In the context of this report, what does this mean for economic competitiveness and FDI? How do urban areas get to burn brighter? Returning briefly to the theme we covered in our last annual report, skills play an essential role in the success of locations. Attracting and retaining highly qualified talent is the challenge facing economies and companies. Companies are increasingly seeking top talent and locations are increasingly seeking to improve their talent profile to attract the top investors. Quality of place is the key to attracting the skilled people.

The Philips Liveable Cities think tank believes that liveable cities are the successful cities and have identified three ingredients of a liveable city as Authenticity, Inclusiveness and Resilience.

Authenticity is the ability to maintain the local character culture and environment of the city, while at the same time accommodating social, economic and technological changes. An 'authentic' city is one which can create a sense of pride and belonging. The history of a city makes it authentic, reinforcing the sense of place and local identity. New York springs to mind as an obvious example here. Inclusiveness is about creating social integration and cohesion. Inclusive cities are open for participation from the widest range of society. Resilience is about a city's ability to renew or re-invent itself in the face of challenges. Resilience illustrates a city's capacity to balance continuity with change, heritage and innovation, natural spaces and the urban environment to the benefit of its inhabitants.

Top 10 Cities for inward investment 2010/11	Global Cities Index Ranking
SINGAPORE	11
LONDON	2
SHANGHAI	21
DUBAI	29
HONG KONG	5
BEIJING	14
NEW YORK	1
SÃO PAULO	33
PARIS	3
BANGALORE	58

Sources: fDi Markets from the Financial Times and AT Kearney

In the earlier FDI trends analysis, we saw the top ten cities for inward investment. Here, the top ten FDI Cities are presented alongside A.T. Kearney's Global City Ranking which measures the performance of cities across a range of factors including Business Activity, Human Capital, Information Exchange, Cultural Experience, and Political Engagement. Four of the top five Global cities make it into the top 10 FDI performing cities and the economic powerhouses of New York and London dominate the top of the Global cities rankings.

For those cities such as Sao Paulo or Bangalore, which are placed outside the top 30 in the Global City Index, it will be interesting to see over time if their success in business activity is matched across the other factors of city 'quality'. Bangalore makes it into tenth place in a list of emerging cities according to AT Kearney. Emerging cities are those that are demonstrating strong rates of change in business activity and human capital. Beijing, Shanghai, Taipei, Chongqing and Shenzhen comprise the top 5 emerging cities due to their thriving economies, a growing middle-class and strong infrastructure investment. It will be interesting to see whether these 'hopefuls' can challenge the top rankings of the Global Cities Index within the next 10 - 20 years and become Hotspots or Hubs.

In today's world, the best people pick their place. Being the place of choice, through offering a great blend of culture, creative stability and opportunity could hold the key to joining the brightest lights.

The articles that follow from our contributors draw out many of these 'liveable city' concepts.

External contributors

Chongqing: China’s new inland hotspot

Li Shirong
Deputy Director General
Chongqing Foreign Trade and Economic Relations Commission

When you ask people internationally about China’s hubs and hotspots, Beijing, Shanghai and, to a lesser extent, Guangzhou typically come up as the most regular names. Far fewer people are familiar with the inland city of Chongqing however, and yet today this burgeoning municipality of 32 million people is cementing its position of one of China’s most important new hotspots for trade and investment, having been referred to by The Economist as ‘China’s Chicago’. Li Shirong, Deputy Director General at the Chongqing Foreign Trade and Economic Relations Commission (COFTEC), sets out what she sees as being the key drivers behind this success, as well as the challenges that remain.

Chongqing’s success story can largely be attributed to an integrated approach bringing together both regional and national development strategies. The history of China’s economic development over the past thirty years has very much been driven by a step-by-step strategy and approach: initially the focus was on the south, then the east coast, and now on inland China, as the national Government seeks to achieve an economic balance between the east and west of the country. As such, there’s a strong sense that Chongqing’s time has come.

China’s eastern cities like Beijing, Shanghai and Guangzhou face growing challenges such as availability and affordability of land and growing labour costs. By contrast, Chongqing covers a total area of more than 82,000 km2 and offers lower costs in terms of land and labour, without compromising on quality - we have an extensive pool of experienced and nascent talent, with 60 universities and more than 300 vocational colleges. Infrastructure and strategic location also plays an important part in our offer, with developments and significant investments not only in road and aviation, but also rail and waterways. Chongqing is connected by rail to Europe (and is closer than cities on the east coast), while its position on the Yangtze river gives the city another important attribute as a strategic location for international trade and investment.

The availability of talent and the ability of a city to attract and retain skilled workers have also been and will remain important determinants of success. Much has been said internationally of China’s easterly migration over the past decade, as workers from central and western China have sought out more promising career opportunities in the eastern cities. This is now changing dramatically in cities like Chongqing, where the new and emerging talent are focussing their sights on a vast array of opportunities available on their doorstep. More than 220 of the Fortune 500 companies are currently based in Chongqing, presenting a compelling case for talent to remain, as well as attracting a growing number of outside workers who had previously limited their sights to the traditional hubs and hotspots further east. COFTEC works closely with other organisations to ensure a joined-up offer is presented to would-be investors and talent.

These strategic advantages and the integrated approach to leverage these have paid important investment dividends for our city. Chongqing is rapidly growing as a hub and centre of excellence in industries such as chemicals, pharmaceuticals and machinery (we have long been a leading centre for motorcycle manufacturing for example). One of the greatest recent developments has been in the IT manufacturing sector however. 2008 was a key year when development of Chongqing’s IT supply chain really took off, spurred by key investments from global players like HP, who have since established an R&D centre in the city. BT is another example of a global investor that set up in Chongqing and has continued to expand its activities. These and numerous other investments are a testimony to Chongqing’s ability to both attract and grow investments of mutual benefit. Looking to the future, COFTEC aims to build on this growth by speeding up urbanisation with a new urban planning strategy that will enable Chongqing to become a leading hub for foreign trade

Chongqing an Architect's vision

and investment. In the IT sector alone, 25 million laptops were manufactured in Chongqing in 2011 and by 2015, our prediction is that this will quadruple to 100 million laptops, with a view to becoming the number one laptop production base in Asia. Supporting this growth is a three-pronged strategy for the sector which we call the "3+6+500" - this relates to the three big laptop brands present in Chongqing (HP, Asus and Acer) supported by six big-name suppliers (Foxconn, Inventec, Quanta, Compal, Wistron and Pegatron). Our aim is that these companies will in turn be supported by an ecosystem of five hundred additional companies within the supply chain.

Challenges remain however. Like all locations, we are exposed to the ongoing economic crises and instabilities gripping parts of Europe, the US and elsewhere in the world, yet we are finding that the demand is still currently there. A key challenge for us remains a lack of knowledge - or in some cases misperceptions - about Chongqing. I think the key message to convey is that Chongqing is no longer some rural wilderness, but rather at the epicentre of China's future development.

Our approach over the past decade has taught us some important lessons, and these could, in my view, easily apply to similar high-growth cities around the world that are major players within their countries, but are not the capital or 'flagship' city.

I would say make sure you understand your national Government's strategy and how this can be leveraged to best effect through your competitive advantages. Also ensure you collaborate closely with related authorities to present a coordinated, efficient offer to investors. And finally, don't just think internationally - think globally, and turn challenges into opportunities.

OCO's key take-outs:

The Chongqing story presents the stark reality of how fiercely competitive the global economy is - a city that few in the west have heard of, comprising 32 million people, 60 Universities and 300 vocational colleges! The Chongqing story also offers hope and advice for aspirational hotspots. As Li Shirong noted in her closing remarks - "…present a coordinated, efficient offer to investors… think globally, and turn challenges into opportunities."

Toronto Financial Services Alliance: a stable, promising offer in uncertain global times

Matthew Hobbs
Vice President for Sector Growth and Developments
Toronto Financial Services Alliance

Toronto is widely regarded as Canada's leading business hub and has earned a reputation as a financial services hotspot, not only for Canada but North America as a whole. The Toronto Financial Services Alliance (TFSA) plays key role as a public-private partnership in championing Toronto's offer and working with various partner organisations both locally and globally to attract investors and talent to the city. TFSA's Vice President for Sector Growth and Development, Matthew Hobbs, explains how the organisation has leveraged Toronto's offer and its priorities for future development.

When I moved to Canada in 2007, I found that international interest in the country's financial services industry was relatively limited, with investors still largely focusing on the likes of traditional hubs such as New York. However, when the financial crisis exploded onto the world stage in 2008, Canada quickly came to be recognised as a role model of stability in an otherwise boom-and-bust-dominated industry. Canada did indeed weather the storm better than many others, and this has led to heightened interest among financial services investors who are drawn by Toronto's image as a friendlier, safer place to do business. This is reflected in a growing and increasingly international cluster of financial services firms comprising both foreign investors such as HSBC, Aviva, Citigroup and Primerica, as well as domestic firms like the major Canadian Banks, the Canadian Pension Funds and Insurers such as Sun Life and Manulife, which are increasingly expanding operations internationally.

Toronto streetcar

In addition to the traditional investor targeting and engagement, TFSA sees the attraction and retention of talent as key to success in this knowledge-intensive sector. To this end, a dedicated entity - the Centre of Excellence in Financial Services Education - was established two years ago under the auspices of the TFSA to bring together Toronto's business and academic stakeholders to leverage synergies and address any potential gaps between the talent supply chain and business requirements. As part of its activities, the centre has participated in industry and recruitment fairs in places like New York and London, as well as partnering with an organisation called 'Toronto Homecoming', which engages with the city's global diaspora and keeps them informed about career opportunities back in Toronto. We recognise the powerful impact engaging with Canadian business expats globally can have both in terms of attracting returning and new talent, as well as building relations with new potential investors.

Engaging with global networks such as these is an important strand of our strategy. Closer to home however, we are conscious of our proximity to the continent's leading financial hub - New York - a city we tend to view less as a competitor and more as a source of investment opportunities, especially from US companies and foreign investors who are looking for a second North American base which is not too far from New York. TFSA works closely with partner public bodies at both the federal and provincial levels - both of which have a physical presence in New York - to reach out to potential investors and multipliers. The same applies for the federal and provincial governments' representations in other key global financial hubs such as London. Overall, the Ontario Government alone has a network of International Marketing Centres in eight markets around the world. All this gives the TFSA a truly global reach through its partners.

TFSA's status as a membership-based organisation has been another important advantage which differentiates us from many other economic development organisations, as we have been able to facilitate important B2B connections between would-be investors and our current members, many of whom are - or would be - important suppliers, partners and potential clients to investors in Toronto. In addition to our membership, our leadership council is made up of CEOs from 15 of the largest financial organisations in the country, as well as senior leadership from all three levels of government.

These joined-up approaches have resulted in some major successes and opportunities for the city. One of our major focus areas currently is on attracting technology firms specialising in the financial services sector. For example, we're currently in touch with an Asian headquartered technology firm based in the US, with additional UK operations and which is now considering expanding its business in Canada. Through its global network, TFSA has facilitated introductions and meetings with its partners and membership companies in both locations, and the company is now even considering locating its headquarters in Canada.

Supporting growing interest from companies like these is the rise of Toronto's profile and reputation as a leading global financial services centre. In March 2011, the city made it onto the top ten list of the Global Financial Centre Index (it had previously been in twelfth place), while Moody's Analytics has recently gone so far as to predict that by 2017, Toronto could have more employment in its financial services industry than London.

Looking ahead, our priority as an organisation is to develop our offer and knowledge base; strengthen our collaboration with partners, clusters and other economic development organisations in Ontario, and to grow and leverage our membership base. In the future we also see ourselves having a role to play in international trade and we need to look at how we can nurture the growth of indigenous companies - all part of the objective to strengthen the city's and region's financial services cluster.

It's a well-worn maxim, but one worth emphasising: economic development organisations that really want to succeed need to focus on where their strengths lie - not only at a sectoral level, but a sub-sectoral level too (hence our recent focus on the financial services technology sub-sector). The closer you can position your offer to a specific line of business and actual opportunities, the more interesting and compelling it will be.

OCO's key take-outs:

The TFSA approach and successes touch on a number of important themes for economic development. **Branding** - ie having an international reputation for stability in an otherwise volatile and uncertain sector is a major investment asset. **Collaboration** - ie Public-private economic development partnerships have worked well to develop and attract investors. **Focus** - TFSA recognises that 'organisations that really want to succeed need to focus on where their strengths lie'.

Cardiff Millennium Centre
and Pierhead Building

Cardiff: Harnessing the potential of the middle-weight city

Ken Poole
Head of Economic Development
Cardiff Council

Cardiff is a leading example of a mid-sized city that has adopted a holistic and integrated approach to economic development over the years, with close collaboration between the city's Council, the Welsh Government and private sector stakeholders. The city's strategy provides a comprehensive view of Cardiff's strengths, weaknesses, opportunities and threats, and a detailed assessment of where the city sees itself within Europe's ecosystem of mid-sized cities. Ken Poole, Head of Economic Development at Cardiff Council, outlines the city's approach to economic development in recent years, the dividends this approach has paid, and the challenges and opportunities ahead.

Cardiff has seen an encouraging rebound as an international centre for business and investment in recent times. This rebound has been supported by an evolving economic development strategy which initially focused on the 'low hanging fruit'. A clear strength that the city harnessed (and continues to enjoy) was its ability to attract and host world-class events - particularly sporting events - following the completion of the Millennium Stadium.

In recent years, the city has hosted the first test in the 2009 Ashes series, and more recently, various football matches as part of the London 2012 Olympics. We leveraged our strengths in events to develop two other important offers - retail and cultural amenities - while our most recent focus has been on developing Cardiff's potential as a centre for FDI in financial and professional business services. Cardiff offers strengths and proven successes in this sector as well, yet we are equally aware of various challenges that lie ahead, both in terms of the city's own offer and its positioning in the competitive landscape.

Let's start with the city's strengths - its demographics, infrastructure and collaboration with the Welsh Government are all important attributes. Cardiff is one of Europe's youngest capital cities and its population is set to increase by more than 40% over the next 20 years - a faster rate of growth than many competing cities around the UK. In terms of infrastructure, Cardiff is one of ten major UK cities that will benefit from important funding to make the capital a 'super-connected' city with ultrafast broadband over the next few years. Major improvements in transport infrastructure will also vastly enhance Cardiff's offer, notably proposals to electrify the train line to London, significantly reducing travel times.

Our engagement with London is another key facet of our strategy - we see one of the world's leading financial and business services hubs as an important source of potential business for Cardiff, particularly those businesses looking to outsource various back-office activities to less expensive centres which still offer the high levels of talent and infrastructure required by the industry. Our close collaboration with the Welsh Government is key and offers us important benefits both through its recently-opened London office and also through the support it lends as a devolved administration in procuring office space for example.

This in turn leads us on to one of our major challenges - the supply of grade A office space, widely regarded as an key pre-requisite for investment in the financial and business services industry. Cardiff has been lagging behind other UK cities when it comes to the availability of quality office space - a shortcoming we are now addressing through initiatives such as the planned development of 1 million square feet of office space in the Cardiff Central Enterprise Zone.

Leveraging our connections with global hubs like London will remain important, and yet our ambitions go far beyond being a centre for back-office operations. Cardiff hosts the headquarters of a host of FTSE 100 and other blue-chip companies, such as Admiral Insurance, Atradius and Target, while other leading companies, such as Deloitte Risk Management, Lloyds TSB, Legal & General, Conduit and First Source, all have (or have announced plans to establish) major operations in the city.

As we seek to build on this momentum and the investment successes we've secured in recent times, a key priority for the Council will be to ensure Cardiff is on investors' radars and that dated misperceptions of our capital as a traditional industrial city are dispelled, instead portraying and promoting a dynamic young capital capable of competing with leading middle-sized cities not only in the UK but elsewhere in Europe. To achieve this reputation, there's work to be done on harnessing the advantage of Cardiff's young, highly-educated workforce and instilling a true spirit of entrepreneurialism within the city - a major asset which to date has been somewhat lacking yet which we are now addressing.

We are also looking closely at how other mid-sized cities elsewhere in the UK, Europe and even further afield have been positioning their cities on a variety of fronts in response to the economic conditions, whether leveraging connectivity (eg Milan and Turin), business leadership (eg Birmingham and Edinburgh) or green credentials (eg Freiburg and Portland).

We often hear a lot about the intense competition between global capitals and mega cities. However, as investors continue to seek cost-effective alternatives for all - or parts - of their operations, and certain pools of talent seek to balance living costs with quality of life, my view is that the day of 'middle-weight cities' like Cardiff has come.

OCO's key take-outs:

Cardiff's story presents clear learning points for other locations in the importance of focused, iterative and collaborative economic development. It is also apparent that Cardiff recognises the importance of blending the investor offer with liveability, having identified the lack of grade A office space as a challenge to be addressed and in seeking to ensure Cardiff is known as a dynamic young capital which is attractive to people seeking a balance of living costs and quality of life.

Northern France: At the crossroads of Europe's prosperity belt

Yann Pitollet
CEO
Nord France Invest

The Northern French region of Nord Pas-de-Calais has a rich industrial heritage but today its regional development agency, Nord France Invest, is focused on showcasing the region's assets in the services sector, R&D and, importantly, its competitive location between some of Europe's most important hubs. Yann Pitollet, the agency's CEO, explains how he sees the region's competitive landscape, comparative advantages, key achievements and strategic priorities.

Northern France has long benefited from its strategic location at the heart of one of Europe's richest and best-connected transnational regions, with Paris to the south, Brussels and Amsterdam to the north-east and London to the north-west. This, coupled with a rich industrial heritage, has helped Northern France become one of the most attractive investment regions in France. Conversely, our challenge is now to go beyond this reputation founded on traditional manufacturing activities - a sector which has seen a decline in our part of the world - and showcase the region's newer assets and achievements in the services industry, as well as research, development and innovation.

So what has our response and approach been? From my side, it started with our agency's name. One of the first things that became apparent when I took up my role as head of the agency was that our name at that time - "Nord France eXperts" - didn't reflect what we actually did as an organisation. What were we 'experts' in? We therefore conducted some research on the use of relevant words and phrases and concluded that the word 'invest' needed to be a core component of our agency's name. We therefore became "Nord France Invest", while we also use the term 'Lille Region' when promoting our agency overseas.

In terms of how we view our competition, we typically divide the competitive landscape into three broad categories: projects that are targeted uniquely at France, those looking at a European level, and finally those at a global level. When it comes to France, our main competitors tend to be Paris and Lyon. When targeting projects that are looking to invest at a European level, we typically compete against Wallonia and Flanders in Belgium, Rotterdam in the Netherlands, as well as parts of Western Germany. Finally at a global level, while competition can come from varying places depending on the industry, we often find ourselves up against the USA and some parts of Asia.

When GSK established a laboratory, and subsequently expanded its operations in the region for the development of its vaccines business, we welcomed this as an exemplary investment to showcase what Northern France had to offer international investors - notably a strategic location with excellent infrastructure and strong time-to-market credentials, coupled with a highly-skilled workforce. From an agency perspective, GSK's public recognition of the quality of our support before, during and after their investment remains, in my mind, one of our key selling points, helping us to beat competition from Hungary and Singapore (where GSK already had other sites), and ultimately leading to an investment worth nearly 600 million Euros and the creation of 500 jobs in the space of four years.

Our priority in the coming years is to ensure we remain among the top three locations for FDI into France. We see ourselves as a key entry point for the European market and aim to cement our position as one of the continent's leading regional agencies.
To achieve this goal, close collaboration with our local partners will remain important to maximise synergies, present a coherent offer,


City Hall, Lille

and avoid duplication of efforts. For example, the local economic development bodies (agencies, chambers of commerce, etc) focus their activities on domestic and neighbouring European investment opportunities (eg Belgium and South-East England). Meanwhile, we focus our activities on locations further afield, either other areas of Europe (eg Germany, Italy, Spain, Scandinavia), which account for around a third of our activities, or elsewhere globally (notably North America, Brazil, East Asia and India). As a regional agency with 18 staff our human and financial resources are limited, which means we cannot spread ourselves too widely. A focus on those locations and opportunities that will yield the best results for our region will therefore remain a strategic priority.

We are also forging closer relationships with clusters, centres of excellence, universities, and recruitment agencies. One of our major focus areas is to work with partners such as these to identify, nurture and showcase future business leaders in our region who have the potential to lead an investor's subsidiary in our region.

In my mind it's also important for an agency with limited resources like ours not to spread itself too thinly, as this dilutes efforts. No region can be all things to everyone, so the key is to identify an achievable number of realistic targets and focus your efforts on building long-term relationships with these.

OCO's key take-outs:

'No region can be all things to everyone' succinctly captures the Nord France Invest approach to investment attraction. The agency has taken a realistic and strategic view of what it can achieve and is working in a collaborative manner with partner organisations at local and national levels to maximise synergies and avoid duplication of effort. This considered approach, which extended to ensuring the agency's name better reflected the agency's purpose, further demonstrates the importance of brand and of targeting limited resources to maximum effect.

Copenhagen: Open city, regional hub, global aspirations

Claus Lønborg
Managing Director
Copenhagen Capacity

The Danish capital and its region has done much to showcase itself as a hub for Scandinavian business and an international centre which can effectively compete with various European capitals and other hotspots. Here, Claus Lønborg, the Managing Director of Copenhagen Capacity, explains how the agency has leveraged Copenhagen's brand attributes, reputation and partnerships to successfully attract and retain investment and talent.

Copenhagen has won a host of prestigious awards and accolades over the past few years, covering a wide range of attributes, yet when it comes to deciding which accolades Copenhagen Capacity showcases for the purpose of investment attraction, we prefer those that showcase the 'hard facts' about the business attributes of Copenhagen and Denmark more broadly. For example, we are proud that Denmark was the top European economy in the World Bank's Doing Business 2012 ranking, coming in fifth place globally.

In addition to accolades, we attach importance to attention-grabbing targets and commitments, such as Copenhagen's plan to become the world's first CO2 neutral city by 2025. This demonstrates enduring commitment to a cause for which we are already globally-renowned as a city, having hosted the 2009 UN Climate Change Conference (COP15). Copenhagen is also well-regarded as a leading city when it comes to quality of life, although from an investment attraction point of view we don't typically promote these accolades as much as those relating to the city's business and regulatory climate.

All of these accolades and attributes are supported and enhanced by the city's brand. Copenhagen Capacity, along with the city's tourism board, was one of the founding fathers of the 'Open Copenhagen' brand. Through the city's adaptable tagline based on openness, we promote Copenhagen as an inclusive city region which is 'Open for Investment', 'Open for Business' and so on - all substantiated by proof points and hard facts so that they on't become hollow phrases. We also work closely with the municipalities around the city and encourage them to adopt the same brand messaging and implement the same brand values, thus presenting a consistent brand not only for the city, but for the broader Danish Capital Region which we represent.

Then there's the question of talent. Like many agencies around the world, one of the challenges we face when it comes to investor expansion is availability of skilled workers. We find that many investors have existing vacancies that need to be filled before they can start considering additional activities. Part of the solution lies in attracting foreign students, as well as nurturing home-grown talent. We have a lack of students in engineering for example and therefore need to look abroad. So how do we attract young foreign talent to come and pursue studies and research here? The key to our approach is to offer students not only an education, but a career path as well - as such we are closely involved in helping students to obtain summer work placements so that tomorrow's newly-graduated talent are increasingly likely to choose Copenhagen as a place to build their careers rather than returning home or elsewhere. We are also working both with international universities and university associations as part of our ongoing talent attraction efforts.

More broadly, we have made strides to ensure we go beyond the remit of a traditional agency and constantly ask how we can create and enhance our competitive advantage in a global environment. What's our offer? What distinct value do we add? As part of this, a major focus of our work has been on the capital region's clusters.

Some of our greatest success stories have emerged from our focus on cluster development. Medicon Valley, run jointly with Invest in Skåne in neighbouring Sweden, is probably one of our best known cluster initiatives, yet we have also recently helped to nurture a highly-successful food sector cluster of Danish firms which has subsequently attracted foreign investment.

Another fast-growing cluster success is Copenhagen Cleantech Cluster (CCC), which has become one of the world's largest global clusters focusing on cleantech in just three years. Facilitating partnerships, hosting events and tying cleantech technologies and communities together across sectors, value chains and borders, CCC works to provide the best framework to aid cleantech research, development and implementation.

Moving forward, a core priority will be to nurture close co-operation between the city and the surrounding region - as part of this we are developing a series of new value propositions. As companies become ever-more innovative and specialised, we need to be very specific about what we offer - right down to the individual value proposition.

Our commitment to becoming the world's first CO2 neutral city by 2025 also forms an important part of our offer and Copenhagen more broadly. An attribute such as this will, in our opinion, create a highly-attractive environment for investors seeking access to clean energy in an age where their customers, clients, staff and indirect consumers are set to be ever more environmentally conscious.

OCO's key take-outs:

'You can have the best product in the world, but if nobody knows about it, what good is it?' Although originally used to explain Nike's use of famous athletes in its advertising, this quotation applies in equally in the world of FDI. Copenhagen has used accolades and a strong brand message to effectively promote their region. Additionally, Copenhagen has taken a proactive approach to ensuring that the right talent mix is available to investors by seeking to encourage international students and graduates to remain , offering them not only an education, but a career path too.

Missouri: A vibrant pulse in America's heartland

John Fougere
Director of Communications
Missouri Department of Economic Development

While Missouri has traditionally had a lower international profile than the traditional US foreign investment hubs and hotspots on the east and west coasts, the state's Department of Economic Development (DED) has nevertheless leveraged a host of advantages and incentives offered by the state to secure some impressive investments, as well as building on a recognised track record for entrepreneurialism. DED's Director of Communications, John Fougere, outlines Missouri's approach and successes.

We have been working hard for a number of years to market Missouri's brand and reputation as one of quality with hard working companies and a diverse and talented workforce throughout the state. Under the leadership of Governor Jay Nixon, the Missouri Department of Economic Development (DED) has leveraged this by aggressively marketing its strongest industries overseas and its favorable business environment to foreign investors through strategic alliances from the private and higher education sectors.

DED has, for a number of years, had very targeted and aggressive state and local incentives programmes to attract and retain new and existing businesses and talent. Also, DED has recognised that the future workforce must be educated and highly skilled. As a result of this, DED has implemented many strong training, retraining, and placement programmes throughout the state to give Missouri workers every advantage possible. This has been illustrated at the legislative level as well, where Governor Nixon's budgets have recently included a 52% increase in customised training funding for Missouri workers, even in the midst of very tight state budgets.

During 2010, Governor Nixon called the Missouri legislature back into special session which led to him signing the Missouri Manufacturing Jobs Act, a new law that expanded economic incentives for major manufacturing companies. The new incentives from the Manufacturing Jobs Act, coupled with the close working relationship forged between the Governor's administration and auto industry giants Ford and General Motors, led to the two companies announcing major expansions at their respective plants in the state of Missouri in 2011. Ford is expanding its manufacturing plant outside Kansas City to begin producing the transit van, which previously was built and sold only in Europe, a $1.1 billion investment that is creating 1,660 new jobs. General Motors is also expanding its manufacturing plant in Wentzville, Missouri, to begin producing the mid-sized Colorado pickup truck, a $380 million capital investment that is creating 1,600 new jobs. These 3,260 combined new auto manufacturing jobs represent a rebirth of the auto industry in the state of Missouri, after years of the state losing jobs in the sector.

DED is now getting ready to wrap up a multi-year strategic planning partnership with private industry throughout the state which has identified key sectors and initiatives to help chart the next five years of economic development and growth for Missouri. Known as the Strategic Initiative for Economic Growth, this initiative involved bringing together approximately 600 of the state's leaders in private business, government, economic development, higher education and labour for their input on what key strategies the state needed to adopt, and what industries the state needed to be investing in, to remain competitive in the 21st century economy. The initiative has already led to impressive and tangible results; for example, one of the initiative's key strategies was to develop a best-in-class foreign trade programme. Since then, Missouri's exports have exploded, setting a state record in 2011 with $14.1 billion in sales revenue, followed by an increase of 15% over 2011's numbers through the first quarter of 2012.

We have also been working to build on our state's nationally-recognised status as a great state for start-ups and small businesses. In June, Missouri was ranked at number 6 in CNN-Money's Top 10 Entrepreneurial States for 2011, a listing that ranked the 50 US states for entrepreneurial activity, and was the only Mid-Western state in CNN-Money's top 10. Earlier this year, the respected Kauffman Foundation also rated the state of Missouri 6th during 2011, up from 35th in 2010, in its index of entrepreneurial activity. We have been capitalising on this recognition through initiatives targeted at small businesses, such as Governor Nixon's cutting of the franchise tax for 16,000 Missouri businesses; the Governor's Small Business Loan Programme, which has provided low-interest loans of up to $50,000 to 58 Missouri small businesses in the past three years; and the State Small Business Credit Initiative, another loan programme for small businesses consisting of $27 million in grant funds to Missouri small businesses with an emphasis on small start-up companies.

My advice to other economic developers would be to identify your strengths and weaknesses. Target and identify existing and potential future business clusters. Look for strategic relationships that involve public and private co-operation. Leverage all higher education resources throughout the state and develop a centralised pipeline of assistance for aspiring entrepreneurs to retain and nurture existing and future talent.

OCO's key take-outs:

There has been strong recent media interest in the 'rebirth of American manufacturing' due to the rescue of the auto industry and recent evidence that manufacturing is increasing its share of American GDP. Missouri have recognised the importance of manufacturing to their economy and have taken steps to ensure its continued success - steps which include significant training provision. Importantly, Missouri have also been focused on developing an integrated approach to strategic economic development planning, involving all stakeholders.

Nicaragua: Central America's rising star

Javier Chamorro
Executive Director
PRONicaragua

Nicaragua has worked hard to dispel negative myths about the country's suitability for foreign investment in recent times. The efforts of its IPA - PRONicaragua - certainly seem to be paying important dividends, with a host of prestigious investment projects and worldwide recognition from the World Bank by taking the top spot in its 2012 Global Investment Promotion Best Practices (GIPB) Report. PRONicaragua's Executive Director, Javier Chamorro shares some insights into the agency's approach to championing the Central American country's investment prospects, as well as its future strategic goals and plans.

In my experience, quality investor services lie at the heart of any FDI success story, and what investors require from IPAs is quality up-to-date information, effective and timely assistance, as well as on-going permanent companionship to facilitate conditions conducive to successful growth.

PRONicaragua recognised the importance of these three main factors and was very diligent about developing a work plan aimed at improving on the quality of services provided to investors (both via information packages and the website). The agency studied the investment promotion best practices established by the GIPB, in order to implement an internal programme to guarantee the agency complied with world-class guidelines in terms of investor servicing and using the website as a key marketing tool. The initiative led to the creation of a series of guidelines and a manual, previously inexistent, that gave investment advisors a clear protocol on how to handle investment enquiries, which included several recommendations provided by the GIPB report.

Brand and reputation:

Nicaragua's official country brand has also had an important role to play in supporting the country's investment efforts. The brand was developed by the Nicaraguan Tourism Board (INTUR - its Spanish acronym) and seeks to promote the country as a "unique" and "original" tourism destination:

Under this umbrella, PRONicaragua developed a bilingual country motto to target the international business/investment community: "Nicaragua, Let's Grow Together".

This motto reflects Nicaragua's commitment to seeking investors interested in setting up operations in the country and looking to establish a long-term, mutually beneficial relationship with the country. Nicaragua has a series of competitive advantages as an investment destination, including high levels of personal safety, preferential access to the world's most important markets, a solid legal framework, attractive investment incentives, a vast labor pool and a competitive cost structure. The motto has been instrumental in transmitting the message that Nicaragua is a country that is open for investment and committed to offering the conditions to allow investment projects to develop successfully.

In spite of these branding efforts, Nicaragua unfortunately still faces an erred perception abroad due to the country's past. However, this is quickly changing as word spreads about Nicaragua's economic performance and excellent investment climate. Most of the agency's efforts are focused on communicating the country's reality to the investment community around the world.

Perhaps one of the most challenging parts of promoting any country is convincing an investor to visit the location, and in the case of Nicaragua, this truly becomes a turning point in their country evaluation process. Once investors visit Nicaragua, they realise the perception abroad is far from reality and their expectations are easily exceeded, contributing to raise the investor's confidence and willingness to invest in the country. In most cases, investors established in Nicaragua become some of the country's most avid ambassadors.

Competition vs collaboration:

Then there's the question of competition. Due to geographical reasons and similarity in backgrounds (language, history, culture), there is a natural competition between the Central American countries in relation to FDI attraction. We have carried out various benchmarks for the Central American region, including incentive frameworks, utilities, labour and land/industrial/office space costs; among others. Nonetheless, the region has been undergoing an integration process, and through experience it has become clear that we must focus on finding opportunities to present the region as a complementing location, as opposed to traditional thinking that positions countries as competitors. We see a value in promoting a regional supply chain and the benefits of FDI spillovers within the region.

The future:

After almost ten years of operating as a project of the United Nations Development Program (UNDP), PRONicaragua is currently in the process of becoming self-standing as an institution, based on an analysis of the role the organisation plays in the country's economic development.

In 2011, PRONicaragua, - was formally recognised as the official Investment and Export Promotion Agency, the latter element being PRONicaragua's newest responsibility. Currently, the agency provides significant input in policy and strategy definition that contributes to Nicaragua's economic development.

In five to ten years, it is expected that PRONicaragua will lead the national strategy for investment promotion, directing all its institutional efforts towards the national investment promotion system, where each of the country's institutions and

organisations, directly or indirectly related with promotion and export matters, have clear roles, action plans and responsibilities.

Among the main goals to continue contributing to the country's social and economic growth, we have the creation of more and better job opportunities, the diversification of the productive sectors and of the investments' origins and destinations, the increase of exports, and the establishment of more links and alliances with complementary initiatives from both the public and private sector.

The agency not only has to become a referral for other growing agencies, but must also contribute significantly to the development and implementation of joint initiatives with other promotion agencies in the region. Additionally, as a country, Nicaragua has to continue working towards a sustainable social and economic growth, where PRONicaragua's input must be focused on increasing investment inflows and export growth.

Finally, if I could give one piece of advice to an IPA of a country with a similar size and profile in the world, I would say **it's key to truly believe in one's country**. Every person working at PRONicaragua is deeply committed to the Agency's mission, which is to promote Nicaragua's socio-economic development.

Having motivated, mission-driven and proactive staff is paramount in achieving results, even when resources are limited. An IPI that is well structured has a clear strategy; a talented team and public-private support can have a deep impact on a country's sustainable development. With a capable, committed and creative team, anything is possible.

OCO's key take-outs:

The case of PRONicaragua, coupled with OCO's Q&A with Draexlmaier (see next feature), clearly demonstrates that if your location is less known, you should go out of your way to provide timely, helpful information to investors. Being proactive in inviting investors to visit your location can be the key to dispelling misperceptions and securing confidence.

Draexlmaier: The road to Nicaragua

Stefan Bude
President
Draexlmaier

When Draexlmaier, the German automotive systems supplier and manufacturer, was seeking a suitable location to base a new production site to support its growing Americas business, it ended up selecting a country which wasn't initially at the top of its list, yet whose agency won Draexlmaier's confidence as a proactive, trustworthy partner. Stefan Bude, President of Draexlmaier's Americas operations, talked to OCO to share his personal experiences about how the company ended up selecting Nicaragua over competing locations for its new site.

When Draexlmaier was looking at various locations that ultimately led to its investment project in Nicaragua, what influence - if any - did the locations' overall reputations and brand images have in getting them onto an initial long-list?
When we started our search for a new production site in order to meet the demands of our growing Americas business, we went in with an open mind. The Draexlmaier Group already had four plants in Mexico and was looking for an alternative location, so as not to put all its eggs in one basket. Having spent three years in Mexico myself, I was familiar with the region and had my own perceptions of the various countries to the south, but as a first step, we engaged the Austrian International Trade Office's regional representatives to conduct an initial study on our behalf, which assessed all countries south of Mexico, right down to Panama.

Can you recall and describe what the initial top-line perceptions of each location were? What was your initial perception of the regional investment landscape?
We had initially looked at Cuba as a potential location, but their requirement to enter the market through a joint venture meant we focused our efforts on Central America. But we were not sure if we were finding favourable conditions there either. We knew the region had favourable labour costs, but we had doubts it would offset the increasing costs of the supply chain. At first, we had El Salvador and Guatemala as our favourites ahead of our final choice, Nicaragua. We perceived Panama as a potentially attractive location with a competitive labour supply and a business-friendly climate. Honduras was also initially on our radar, but when we learned about problems other automotive suppliers had with the labour market, we didn't put it on our shortlist.

As the company's analyses and interactions with IPAs developed, can you describe what key factors determined which locations made it to the shortlist?
As our search entered a more detailed phase, we found that Nicaragua, El Salvador and Guatemala all had interesting credentials to explore further. PRONicaragua impressed us from the outset when they were the first agency to make contact with us after the International Trade Office's study and invited us to visit the country to learn more and discuss what solutions they could provide. El Salvador and Guatemala were also accommodating during the course of our search, although we felt they were less proactive than Nicaragua. We also had some initial concerns over security issues in that region, so the level of security was also a heavy weight in the balance-scorecard of the search criteria.

What were the key business factors that ultimately resulted in the company choosing Nicaragua?
Nicaragua had a winning combination of great demographics, good education, a social environment that was ultimately deemed stable, sound legal provisions, as well as a stable supply chain based on a good infrastructure. The fact that many skilled Nicaraguan expats were returning home to their country from the USA, provided an even stronger supply of skilled workers, who clearly displayed optimism in their country's future.

In addition to the key business factors, which elements of PRONicaragua's approach to engaging with you and the team at Draexlmaier supported the investment case for Nicaragua over competing locations?
In addition to their proactive engagement from the outset, PRONicaragua soon gained my confidence and trust as a reliable source of information, and ultimately, as a partner. They were very clear about what their role was and how they were able to support us. As importantly, they didn't try to over-sell - instead they offered solutions to support a long-lasting, mutually-beneficial partnership. To use an analogy: I would say that while some agencies in the region played the role of the 'taxi driver', PRONicaragua was the 'tour guide.'

Other than Nicaragua and Mexico, are there other locations in the Latin American region that are on Draexlmaier's radar as attractive locations in which to potentially locate future activities?
With our operations in Mexico and the newer investment in Nicaragua, we are constantly analysing how we can develop our presence and activities in these two countries. That said, we also have our eyes on other regions in South America to be able to accompany or follow our customers and support their investments there.

OCO's key take-outs:

Draexlmaier's experiences highlight the important role the relationship between investor and agency can play and how it worked best when it was developed on a mutually-beneficial basis and not a one-way exercise in selling an agency's credentials. The proactivity displayed by PRONicaragua and clarity about its role and the level of support it can provide to investors also offer clear lessons to other locations.

United Drug: Investor, acquirer, in search of trusted partners

Daniel Molnar
General Manager
United Drug

Over the past few years, United Drug, an international outsourced solutions provider to the healthcare industry, has been pursuing an extensive international expansion strategy in recent years, notably in Europe and the US. OCO has spoken to Daniel Molnar, responsible for United Drug's international expansion as well as the UK's Healthcare Supply Chain division, to find out more about what he and the company look for in locations and their interactions with investment promotion agencies.

Where are today's and tomorrow's key 'hot locations' for United Drug? Which geographies do you see as being the company's key future sources of growth?
We will continue to focus on growing our businesses in both Europe and the US. Additionally, the rest of the Americas and Asia are particularly interesting from a future growth perspective, given both the market growth and internal organisational growth opportunities we see. In terms of Latin America, Brazil, Argentina, Colombia and Mexico are all very much on our radar, while in Asia, we're looking closely at Japan, as well as China and to a lesser extent India.

How does United Drug tend to gather information on potential investment locations and investment climates and which types of information sources do you use?
We employ a variety of methods/information sources. Traditional desk and primary research is often carried out in the initial stages of exploration. We have also found the relationships we have developed with investment promotion agencies have been very beneficial in developing relationships in prospective markets. Naturally, our clients and their peers are often very important influencers in evaluating market opportunities, both in terms of where they are (or are planning to locate), and their perceptions of doing business in these locations.

What are typically the most important location attributes that are likely to influence United Drug's decision to locate in a particular location?
As a provider of outsourced services to life sciences companies it is important to be in markets where our clients are and where there are significant new customer growth opportunities. Some of the location attributes we consider in evaluating potential investment destinations include: key market attributes (eg size, growth, profitability, competitiveness) as well as key risks (eg economic, political, regulatory and currency).

Overall, our experience with investment promotion agencies has also been quite positive. While there have been some experiences with agencies that have different focus areas than the sector we operate in, they have always been open to discussions and helped to provide information and make introductions locally.

Since the company's investments tend to take the form of acquisitions as well as greenfield projects, have you found that investment promotion agencies have been proactive and engaging in your acquisition plans?
Most investment promotion agencies we have interacted with have been more focused on Greenfield projects than M&A activity initially, however, as we approach new markets with an open mind this has not been a hindrance to developing relationships. Perhaps there could be opportunities on the back of acquisitions to work more closely with investment promotion agencies to communicate the acquisition and help facilitate engagement with the wider business community.

What, in your mind, are the most important services an investment promotion agency can provide when you're looking at a potential expansion?
The most important services include the timely provision of local market knowledge and information (for example legislation, regulation, labour market, investment incentives, tax, infrastructure, etc) as well as facilitating introductions to local businesses, chambers of commerce, community organisations, etc. The ability to truly facilitate local level relationships is very important.

And similarly, what pitfall(s) should they avoid?
To have the best chance at success in attracting investment, investment promotion agencies need to be able to go beyond providing the initial market attractiveness information and be able to support potential investors in developing local relationships.

OCO's key take-outs:

Agencies that do the simple things well (timely provision of local market knowledge) have left the most positive impression on United Drug. It is also apparent that IPA engagement shouldn't stop at Greenfield investments. Investors may also welcome their involvement in M&A deals by facilitating engagement with local stakeholders.

Conclusion

Conclusions: are you asking the right questions?

Ian Rooks
Chairman
OCO

Ever since the publication of Adam Smith's 'The Wealth of Nations', there have been many different theories and practices about how success can be achieved in economic development, especially through policy interventions by national governments and the public sector organisations at regional, sub-regional and local levels.

The factors influencing success in economic development have inevitably changed with the growth and development of the global economy. However, there is widespread recognition that the combination of skills and 'liveable' cities is now top of the agenda for many companies when making decisions about investment location or expansion, especially in the high added-value service sector.

Against this background, the debate about hubs and hotspots is focusing more and more on how greater success can be achieved for particular cities and city regions in an increasingly competitive international marketplace and with limited resources for interventions. The established world order is beginning to change so there is both a challenge and an opportunity for cities to make an urgent and objective appraisal of the appeal and robustness of the investor offer.

So what should underpin that appraisal?

Be realistic about whether you're really a hub or a hotspot - you can nevertheless still be a 'hopeful', with the right approach.

FDI statistics can only ever be a barometer of performance in economic development but the recent trends are still very discernible, enabling comparisons to be made both internationally and nationally. Too often, aspirational strategies are developed without sufficient credence being given to the realities of the markets. Benchmarking of performance is the key to determining whether a particular city or city region is a genuine world or international class hub or hotspot - or whether a more domestic or local classification is more realistic. A review of the reasons why some cities have achieved either historical or recent success will highlight what other less successful cities may be able to achieve through different interventions - but a large dose of economic reality may still be needed, especially in the short-term.

If you're a hub or hotspot today - don't assume you'll necessarily be one tomorrow. The changing global landscape means there's a need for constant innovation if you're to remain at the top.

The combination of the accelerating pace of economic structural change and the continuing global financial crises will impact dramatically on the established world order of established and successful hubs and hotspots. Both cost and convenience factors will combine with the skills and 'liveability' issues to force companies to consider where and how their economic activities and operations should be based - with the inevitable consequences for the ecosystem of hubs and hotspots. New types of interventions will be essential if the established players are to maintain their international prominence.

Do you realistically have hotspot potential, or are you wiser pooling resources with neighbours?

With the growing significance of skills and 'liveability' in the investment decision-making process, some individual cities and more rural regions may not have the critical mass of population and supporting infrastructure to improve their economic performance or positioning. An increasing reliance on either the wider city region or collaboration with neighbouring or nearby cities to promote growth corridors may well be needed.

Are you aligning your investment targets on the right metrics?

With scarce resources and many competing demands on the public purse, there is a temptation to set unrealistic goals in developing economic development objectives and strategies, particularly in respect of investment projects and related jobs. As it is now easier to identify which parts of the world are trying to promote economic development rather than those areas which are content to leave their fate and fortune to the markets, it is important to avoid the trap of thinking that modest interventions and budgets can transform a city or city region. Only concerted actions across a wide spectrum of policy can be expected to lead to a fundamental repositioning, and even then a long gestation period is inevitable. It is also worthwhile questioning whether economic development goals and targets are based on the best metrics. For example, analysing forecasts which look at how major source markets in a given sector are set to evolve over five to ten years are likely to be a more useful basis for target-setting than solely looking at an agency's past performance.

How competitive is the investor offer?

The Olympics has given a timely reminder of what it takes to become a world-class nation or athlete in a wide range of sporting activities. Many athletes returned from the Games with sobering memories of how far short they are of getting on the rostrum - but at the same time proud of representing their country. It is a sober reminder that individual hubs and hotspots - whether firmly established on the FDI map or hopeful contenders - must make realistic assessment about the true competiveness of their investor offer. Is it genuine world-class or is it just a sub-regional player in the domestic league?

The next few years promise to be both an exciting and demanding period for hubs and hotspots. Will developed global cities like Singapore, London and New York manage to hold on to a place among top 10 FDI recipients in ten or even five years' time? Or will the likes of Chongqing and other emerging superstars dethrone some of the traditional big players? We can expect to see many changes in the established world order - roll on Rio!

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