



# THE WORLD FORUM for Foreign Direct Investment 2013 Review

## How important are incentives?

That was one of the questions that was asked at The WORLD FORUM for Foreign Direct Investment 2013 held in Shanghai from November 11 to 13.

## Another was, **What can IPAs and EDCs do better?**

Delegates from all over the world converged on the Royal Meriden hotel near the People's Square to debate these and other issues affecting all who are involved in generating and attracting foreign direct investment (FDI).

In answer to the first question, the consensus was that "incentives can't make a bad deal good, they can only make a good deal better." Sure, they are nice to have but other considerations carry more weight. Such as workforce availability, quality and mobility.

So important are these that Lockheed Martin and IBM are working directly with local universities and community colleges around the globe to guarantee a future supply of personnel with the skill sets they require.

Clever locations will read this trend and lay the groundwork for the multinationals that need this support. China is actively engaged in the 'One Thousand Talents Scheme' (Qian ren jihua) whereby human resources are attracted to and prepared for jobs in China through education, training, research and development. Future employees are not just sourced throughout China but among the Chinese diaspora and foreigners of non-Chinese origin.

AGCO remarked that finding staff who are prepared to move from one operating location to another is more important than obtaining incentives and on the same subject of workforce mobility, Dura Automotive also observed that the quality of the workforce is easier to maintain if the workforce is given quality conditions. Dura had recently discarded Beijing from its shortlist of potential locations for a new R&D centre, knowing that it would be unable to persuade staff to move to a city with such poor air quality.

AGCO was almost alone in citing market access as the key criterion for site selection. Suppliers such as Hirschmann have found that market access is a double-edged sword; if your customer is BMW, then too much proximity increases the risk of losing staff who might prefer to work for BMW than one of its suppliers!

The host sponsor for the WORLD FORUM, Nantong Economic and Technological Development Area might apply a discount to the minimum land cost but has found that where investors really appreciate assistance is with the hidden costs such as administration fees and taxes.

## So much for incentives. **What can the economic development agencies do better?**

The prevailing theme that emerged in answer to this question would put a smile on the face of any marketing professional. It seems it all boils down to relationship management and basic common sense, specifically:

- Agencies must understand the product of the investing client. This means treating each project as unique and investing time and care in researching the business activity that drives it.
- Show flexibility. Again, the client is unique, not a witless customer that will accept an off-the-shelf solution.





- Answer the investor's questions. If there is a Request For Information, it is more important, at least in the first instance, to answer this as fully and quickly as possible, than to send a standard presentation extolling the virtues of the location. Again, give the market what it wants, don't try to foist product on to the market.
- Remove irritants such as delays in permitting and licensing procedures, adjust the local curriculum to help produce the staff the investor needs, find location options and help with recruitment.
- Provide assistance with soft issues: immigration, accommodation and relocation assistance, jobs for spouses.

In short, companies will make a decision based on a location's merits but the Economic Development Organisation can help show that the location is efficient and interested enough in the investor's project to develop a tailor-made and welcoming support programme for it. IBM referred to a good agency as the 'connective tissue' between the private sector and the local community, including the academic institutions. Lockheed Martin used the word 'glue'. The message is clear.

### What else was discussed?

#### The way ahead:

SMEs will be the ones to watch rather than the Fortune 500, technology will reduce staff turnover as employees increasingly opt for working remotely, 3D printing and electronics will reshape manufacturing and we shall see new materials such as aviation composites in cars.

#### New locations?

China is no longer a low-cost area, especially if the local company in China is manufacturing for foreign companies with specifications for special grades of eg. steel that are not available locally and must be imported. It is however a future R&D location, designing in China for China.

Korea, Thailand, Morocco and above all, Africa were mentioned as hot spots on the corporate radar with Vietnam cited as one to handle with care.

We were left with a vision of operating locations where retail, residential and industrial construction create full service communities such as Barcelona, Changzhou and areas around Amsterdam. Underlining the importance of employee retention, IBM exhorted 'vibrant suburban communities with limited commute, quality of life and cheaper housing'.

So it seems after all that multinational investors are concerned with a good deal more than delivering dividends to their shareholders. Many of the companies that spoke at the Forum are engaged in creating a comfortable, safe environment for their workers. Cargill described its involvement with national and local governments around the globe in social and sustainable activities with only the most indirect of commercial benefits. Never has Government-Industry dialogue seemed a more tangible reality.

For further exploration of public-private initiatives, workforce development novelties, the steady embrace of revolutionary technologies and creative soft landing services, don't miss the WORLD FORUM for Foreign Direct Investment 2014 in June, likely to be held for the first time in North America.



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