

Report of the WAIPA World Investment Conference 2006 8 to 9 March 2006, Geneva, Switzerland

The theme of the WAIPA World Investment Conference 2006 (WIC 2006) was What Tomorrow brings: The Rise of New Players and New Forms of FDI. The Conference was held at the Palais des Nations in Geneva, Switzerland, from 8 to 9 March 2006. The event gathered almost 300 delegates coming from 85 countries. The majority of the 85 participating IPAs were represented by their chief executives. The meeting also attracted numerous representatives of the private sector, ranging from service providers, business information professionals and media representatives, as well as officials of international and multilateral organizations, NGOs and academia. The conference has received a very good evaluation mark from the majority of the participants who were mostly satisfied with the conference results.

The program of the Conference was completed with the two day WAIPA – ProInvest Workshop held on 6 and 7 March 2006. This workshop was led by OCO Consulting, who shared its experience with the representatives of IPA's from 17 countries. This workshop covered the advantages from IPA partnerships and the specifics of collaboration between IPA's from EU member-states and ACP countries.

The WAIPA WIC 2006 was opened with introductory remarks by Mr Kai Hammerich, President of WAIPA. The welcome address, on *FDI and Internationalization of R&D*, was given by Mr Supachai Panichpakdi, Secretary-General of UNCTAD. The Secretary-General noted that global FDI flows increased in 2004, following three years of decline. Inflows to developing countries in particular were up with some 40% and accounted for 36% of world FDI inflows in 2004. Inward FDI to developed countries, by contrast, fell. One reason behind this upturn is the trend of internationalization of research and development (R&D). Some developing countries are today attracting highly advanced R&D activities. More than half of the world's top R&D spenders already conduct R&D activities in China, India and Singapore. How can other developing countries benefit from this trend? Mr Panichpakdi pointed out that UNCTAD's research indicates that good policies matters, and in fact make a huge difference. The implications for IPAs are clear – if you want to attract investment in R&D, cooperation with the key stakeholders who shape research, technology and innovation policies is essential.

A keynote address on *New Actors taking the stage* was given by Professor John Dunning, Reading University, UK, and Rutgers University, US. New players are taking the stage, not only as receivers of inward investments but also as overseas investors. Today Asian multinational enterprises (MNEs) are more globalized than those from Latin America, or from Central and Eastern Europe. However, outgoing FDI from other players is likely to grow markedly over the next decade. Strategic alliances and M&As will grow in developed countries. As third world and Central and Eastern European MNEs become more geographically and industrially diversified, they will increasingly come to resemble first world MNEs. However the cultural differences affecting corporate attitudes and behavior are likely to remain. Professor Dunning pointed out that from a policy perspective inward and outward FDI need to be treated integrally as important components of domestic industrial restructuring and upgrading competitiveness. The new players need to meet the challenges and opportunities of globalization with new forms of internationalization e.g. asset augmenting M&As, alliances and networks, R&D deployment and new organizational modes.

A special keynote address on *New Forms and New Methods of FDI* was delivered by Mr Hammerich as former Executive Vice-President of SAAB-SCANIA AB. Under the theme of new forms and new methods of FDI Mr Hammerich noted that investments will more and more take place in service sectors such as health and education, tourism and environmental technology. Investors will come more and more from developing countries and small and medium-sized enterprises as well as international entrepreneurs and venture capitalists will see new opportunities. Alternative ways of establishing a presence in a market will become more and more common. The new methods includes strategic alliances and joint ventures, public-private partnerships, programs and projects directed by official development assistance, and human capital flows of key personnel, researchers and experts.

The WAIPA WIC sessions took the form of interactive debates which were moderated by Mrs. Hilary Bowker, Former Senior European Anchor for CNN.

First session: What tomorrow brings: More Competition! More Benefits?

The Joint High-Level session of the World Association of Investment Promotion Agencies (WAIPA) and the UNCTAD Commission on Investment, Technology and Related Financial Issues was chaired by H.E. Ian De Jong, Ambassador of the Permanent Mission of the Netherlands to the United Nations Offices in Geneva. Panelists in this interactive session were Mr. Supachai Panitchpakdi, Secretary-General of UNCTAD, Mr. Hiroshi Tsukamoto, President of the Japan External Trade Organization (JETRO), Mr. Werner Geissler, Group President for Central & Eastern Europe, Middle East and Africa of Procter & Gamble and Professor M.A. Mchunu, Director-General of the Provincial Government of KwaZulu Natal, South Africa.

The discussion focused on challenges and potential benefits of market globalization, increasingly fierce international competition at the firm and country level and implications therein in terms of investment policies and promotion. The increased participation of developing countries in trade and outward FDI was very much in the forefront of the discussions. The Secretary-General of UNCTAD pointed out that countries from the South have an increasing share of global trade and that manufactured goods and services are representing an important segment of this trade. In his reply to a question by the delegate of Ethiopia on how poorer countries in Africa can be more successful in attracting FDI, the Secretary-General mentioned that, besides continuous improvement of the investment climate, mobilization of domestic resources is important. The delegate of Egypt agreed that domestic investors could play a critical role if the Government recognizes their needs and problems. The delegate also said that reform of the entire framework for investment is a better long-term solution than relying on short cuts in servicing individual investors.

From a business perspective, the executive of Procter & Gamble said that besides a sizeable market, political stability, transparency, predictability and a good infrastructure are important factors in deciding on investment locations. The representative of the State Government of KwaZulu Natal agreed with these points but added that South Africa also gained by taking the decision at the highest levels of Government to open up its economy to trade and investment. Linking up foreign investors with local entrepreneurs through special programmes could increase benefits of FDI. The delegate of the Gambia said that regionalization in terms of infrastructure and energy generation could also help African countries in attracting more investments.

On a question of how to interest Japanese companies in investments, the President of JETRO said that it is important to develop a relationship of trust. IPAs should put great efforts in facilitating the investment process, according to the President. On the role of IPAs, the executive of Procter & Gamble elaborated on the importance of pointing out competitive advantages of locations. Besides the development of a brand name, IPAs should make good first impressions, keep promises, and if the investment goes well, use the investor as an ambassador for their location.

On a question by the delegate of the Republic of Korea on occasional hostilities by host countries to Mergers & Acquisitions of utility companies and companies in other sensitive areas, the President of JETRO said that once a government has taken the decision to privatize a company it should not anymore intervene in the takeover process. He stressed the role of regulatory oversight bodies to check if such companies conduct their operations in accordance with the letter and spirit of host country laws and regulations.

Representatives from IPAs also raised several issues. The Director General of the Costa Rican IPA asked why it is so difficult to attract FDI in Research and Development (R&D). The Secretary-General of UNCTAD replied by saying that targeted investment policies, addressing a wide range of issues, including specific needs in the national education system, are critical in preparing the ground for R&D investments. He referred to Malaysia as a country that successfully managed to attract R&D through such a targeted approach.

The delegate from Mexico referred to the increased competition for FDI and asked what could be done to please all the new players in this field. The panel agreed that competition will increase and that there will be winners and losers. It was also said that there will be a redistribution of FDI and that the total flow of FDI is expected to rise.

The Chairperson concluded the session by saying that international organizations, such as UNCTAD, WTO and UNDP have an important role to play in supporting countries that have not yet managed to attract and benefit from significant amounts of FDI. Governments should have an open dialogue with international and domestic investors on how to improve their investment climate and should also have the courage to tackle problems that hinder investments in their respective countries.

Second session: New Actors take the Stage, Growing Importance of Developing Countries in FDI

The second session, chaired by Mr. Kai Hammerich, President of WAIPA, focused on younger firms entering as international players and capital flows between low-income and other developing countries. The panelists included Mr. Joseph Battat, Lead Investment Policy Officer – Investment Climate Department FIAS, Mr. Douglas van den Berghe, Director Ernst & Young – International Location and Real Estate Advisory Services, Mrs. Patricia Francis, Executive Director of ITC beginning in June 2006 and Head of Jamaica Promotions Corporation (JAMPRO) and Mr. Louis Kasekende, Deputy Governor – Central Bank of Uganda.

Mr. Joseph Battat opened the session by emphasizing that the geography of international investment flows is changing. Specifically, he noted that developing countries are emerging as outward investors. He also stressed the importance of these new actors on the international stage. Mr. Louis Kasekende continued the session by discussing African FDI inflows. It was indicated that the increase in inward FDI to Africa from Asian and Indian countries showed that the economies in the region are maturing. Further, he pointed out the significance of strong regional players. Mrs. Patricia Francis shared the same view and suggested that both home and host countries should define what they expect from FDI. She also highlighted the meaning of going from a regional approach to an international market position.

Mr. Douglas van den Berghe explained the motives for investors from these new sources of financial flows. He also indicated that the drivers of outward investment from developing countries will change over time. Mr. Louis Kasekende emphasized the benefits of an open economy with further increase in FDI flows from developing countries. In addition, he indicated that investing abroad give developing countries a possibility to gain knowledge and skills that are missing in the home country. Mr. Kai Hammerich concluded the session by explaining that these recent trends have essential implications on the international division of labor, but it is important to remember that the more competition, the better – the more FDI, the better.

Meet the consultants session allowed the audience to interact with the consultants from Ernst & Young, OCO Consulting, IBM Business Consulting Services and Buck Consultants International.

The Gala Dinner and the WAIPA awards

The Gala Dinner, held on 8 March at the Mövenpick Hotel, was kindly sponsored by African Access International, whose the mission is to provide a means towards achieving sustainable advancement in the spirit of NEPAD (the New Partnership for Africa's Development) focusing not only on providing first world products and services, but also on growing the skills of Africa's human resource base, and facilitating opportunities for broad based wealth creation and economic growth.



During the dinner, the ceremony of the WAIPA-MIGA Awards on *Meeting Investor Information Needs* was held. The awards were given to 5 agencies: Armenian Development Agency (ADA) from Armenia, Proexport Colombia from Colombia, ProNicaragua from Nicaragua, Investment Promotion and Major Works Agency (APIX) from Senegal, and COEGA Development Corporation from South Africa.

Third session: New Forms and New Methods of FDI

The third session, chaired by Mrs. Nazha Benabbes Taarji, Chief of the Investment Promotion section in UNCTAD, discussed new forms of FDI such as strategic alliances, venture capital, human capital and the transfer of technology, as well as the socio-economic impact of these new methods of FDI. Panelists in this interactive session were Mrs. Jalilah Baba, Director of the Domestic Investment Promotion Division of the Malaysian Industrial Development Authority (MIDA), Mr. Jeffrey Finkle, President and Chief Executive Officer of the International Economic Development Council (IEDC) in Washington DC, Mr. Karl Sauvart, Executive Director of the Colombia Programme on International Investment in the Columbia University in New York, Mr. Laurent Trupin, Director General of the Agence Française pour les Investissements Internationaux (AFII) and Mr. Hans Vermij, Senior Consultant – Buck Consultants International.

The key insights of the session were well summarized in the concluding remarks of the panelists. Stating that potential for future growth and high profit would come in the highest-end technologies, Mr. Hans Vermij (Senior Consultant, Buck Consultants International) feared that most IPAs did not have the capabilities to compete on biotechnology and nanotechnologies and that "20-30% of you may be fired next year".

On the other hand, Laurent Trupin (Director-General, Agence Française pour les Investissements Internationaux) encouraged IPAs to be efficient in their efforts, focus on the sectors where they had their greatest strengths, and better promote these strengths to the world. He expressed confidence in the growth potential of developing governments and foresaw "the African Century" in particular.

In order to achieve greater synergies, Mrs. Jalilah Baba (Director, Domestic Investment Promotion Div., MIDA) emphasised the need for IPAs to focus not only on FDI attraction, but also on deepening the cooperation between TNCs and local SMEs and developing local firms to be global competitors and investors.

Developing country efforts aside, Mr. Karl Sauvart (Executive Director, Columbia University Programme on Investment) stated that recent signs of hostility from developing countries towards international M&As needed to be watched carefully for signs of a less conducive international investment environment.

WAIPA General Assembly

On 9 March 2006, in the frame of the WAIPA World Investment Conference 2006, the General Assembly elected a new WAIPA Steering Committee for a term of two years. The list of the Steering Committee members is presented as follows: Mr. Kai Hammerich of Invest in Sweden Agency, Sweden, has been reelected as President, Mrs. Ma of the Investment Promotion Agency of Ministry of Commerce, China, and Mrs. Moyo as representative of Trade and Investment of KwaZulu-Natal, South Africa, have been elected as vice-presidents, Mr. Bahaa-El Din of GAFI, Egypt, has been elected as regional director of the African region, Mr. Trupin of AFII, France, has been elected as regional director of the North Atlantic region, Mr. Rétfalvi of ITDH, Hungary, has been elected as regional director of the Central and Eastern European region, Mr. Tsukamoto of JETRO, Japan, has been elected as regional director of the Asia and Pacific region, Mr. Martinez of the Industrial Development Commission of Mexical, Mexico, has been elected as director regional of the Latin America and Caribbean region, Mr. Hanin of OFI Ltd, Belgium, Mrs. Minja of ICMU, Cameroon, Mrs Camacho of CINDE, Costa Rica, Mrs. Dexter of Tahiti Invest, French Polynesia, Mr. Touray of GIPFZA, Gambia, Mr. Ozols of LDA, Latvia, and Mr. Vitalis of NDC, Saint Lucia are the seven other members of the Steering Committee.



A one-hour session was devoted to WAIPA's partners and friends enabled them to present the projects, researches, reports and conference presentations of the companies and agencies which they represent.

Conference side events

The conference was followed by 4 workshops held on the 9 March 2006.

The MIGA Workshop on *Effective Investor Outreach: Customizing Approaches* was moderated by Mr. David Bridgman, operations team manager of MIGA and Mr. Dermot Coffey, manager of the European Investor Outreach Program (EIOP). The workshop was focused on two case study presentations. Tanzania's successful tourism investor forum and the highly-targeted meeting strategy for manufacturing sector put in place by Croatia.

The WAIPA Workshop on *Best practices in promoting new forms of FDI* was devoted to US case studies presented by Mr. Steve Lanier, managing director of AWS Corporation. The best practices in promoting FDI were discussed. Specific case study types included greenfield, joint venture partnership, sales offices and technical support centers. Mr. Lanier also examined the specific marketing methods that are most effective in identifying companies with investment projects.

The UNCTAD Workshop entitled *Improving Governance in Investment Promotion, Tools and Instruments* gave an overview on issues related to improving transparency and efficiency of IPA's

operations. Special attention was devoted to the use of the Internet, improvement of client services and the importance of policy advocacy by IPAs.

The IBM-PLI Workshop on *Why and How should IPAs benchmark their locations* helped the participants to understand that the value proposition of the IPA's location is becoming more and more important given the increasing competition for FDI worldwide. IBM-PLI explained the methodology investors are using to compare locations as options for their future business operations, and demonstrated how IPAs can use the same methodology to identify their strongest value propositions and successfully market those to prospective investors. The life case examples from IPAs around the world were presented.

Post-conference site visit

On 10 March 2006, the post conference site visit took place in Vacheron Constantin Company, which celebrated its 250th anniversary in 2005. The participants could admire the fabrication process of these famous watches on the guided plant visit. Vacheron Constantin combines age-old know-how and ultra-modern equipment to produce sophisticated timepieces. It is in fact the world's oldest watch manufacture to have enjoyed uninterrupted activities since its founding in 1755. The visit was concluded by the attendance of the Vacheron Constantin shop situated in the heart of Geneva.