

Report of the WAIPA World Investment Conference 2005 9 to 10 March 2005, Geneva, Switzerland

The theme of the *WAIPA World Investment Conference 2005* was *Investment in Services*. The conference was held at the Palais des Nations in Geneva, Switzerland, from 9 to 10 March 2005. Side events took place on 7, 8 and 11 March 2005.

This tenth annual meeting of WAIPA attracted 236 participants. The largest group, in total 91, came from European investment promotion agencies (IPAs) and European based companies and organizations, 53 participants came from Africa, 54 from Asia and the Pacific, 28 from Latin America & the Caribbean, and 10 from North America. A record 79 IPAs were represented, 67 by their chief executive or president. The meeting also attracted representatives of the private sector, officials of international organizations and NGOs, as well as people from the media and academia.

Opening Session

The WAIPA WIC 2005 was opened with introductory remarks by Mr. Kai Hammerich, President of WAIPA. The welcome address by Mr. Carlos Fortin, Officer-in-Charge of UNCTAD, was delivered by Mr. Karl Sauvant, Director of UNCTAD's Division on Investments, Technology and Enterprise Development. In the UNCTAD address, the dynamics of the services sector and its importance for developing countries was emphasized. Reference was made to the São Paulo Consensus which underlines the critical role of FDI in helping developing countries build stronger supply capabilities, promote technology development and transfer, support linkages with local enterprises and increase productivity and competitiveness. The role of IPAs in enhancing the benefits of FDI was also mentioned as well as the *Investment for Development Partnership* initiative, launched at UNCTAD XI, with WAIPA as UNCTAD's lead partner.

A special address was given by the Swedish Vice-Minister for Trade and Investment, Mr. Lars-Olof Lindgren. The Vice-Minister noted that the global community faces new challenges and opportunities, recently best exemplified by countries such as China and India that have lately enjoyed FDI-led economic development. He mentioned that there are challenges associated with the globalization of production and that some countries are at risk to miss out on the rewards of this process. Mr. Lindgren pointed out that the international community has a responsibility in this context and that UNCTAD is in a unique position to assist countries in benefiting more from international investment through capacity building and the exchange of best practices. He also said that the Swedish government understands the importance of UNCTAD's partnership with WAIPA and is positively looking at a project proposal to assist UNCTAD and WAIPA in their efforts to help developing countries.

On behalf of the IPAs that joined WAIPA during the last year, Mrs. Hinano Teanotoga-Dexter, Director of Tahiti Invest, addressed the conference to introduce her agency and showed a video with a message from Mr. Oscar Temaru, the newly elected President of French Polynesia.

Mr. Kai Hammerich presented the WAIPA Annual Report 2004, including its financial statement for the last year. In 2004, and up to the start of the Conference, sixteen new members have joined WAIPA from the following countries: Afghanistan, Australia, Brazil, French Polynesia, Guyana, Honduras, India, Iraq, Japan, Kenya, Lesotho, Mexico, New Zealand, Rwanda, Spain and Turks and Caicos Islands (United Kingdom). Mr. Hammerich informed the conference that in 2004 WAIPA annual membership fees continued to be the most important source of revenue. Also important were contributions to WAIPA's training programme by a number of international consultancy companies, including IBM Business

Consulting Services, Ernst & Young and OCO Consulting. Partners from among international organizations and programmes, such as UNCTAD, FIAS and MIGA from the World Bank Group, and the European Union ANIMA and Pro-Invest programmes also provided important contributions to the WAIPA training programme.

Mr. Hammerich took the opportunity to thank the sponsors of this year's conference, including Tahiti Invest, the KwaZulu-Natal Government, South Africa, the Government of the Republic and State of Geneva, INVESTFAIR 2006 (Republic of Korea), World Free Zone Convention, Manotel Group and Movenpick Hotel (Geneva), as well as a number of media companies that advertised the conference free-of-charge.

First Session: FDI Trends in Services

The session on FDI trends in services was moderated by Mr. Charles Kovacs, Chairman of Hid Radio Media Conglomerate. In a presentation by UNCTAD, Mr. Karl Sauvant noted that FDI has been changing in its composition from being predominantly concentrated in manufacturing in the 1970's, to increasingly encompassing services in the 1990's and beyond. Recently, most FDI in services took place in financial services and trading. The major drivers of this shift have been the increased role of services in economic activity, service firms building up firm-specific advantages, competitive pressures, deregulation, liberalization and privatization, the non-tradability of many services and the role of information technology in development. Mr. Sauvant highlighted the major implications for IPAs wishing to attract FDI in services, including exploring and promoting linkage aspects between foreign affiliates and domestic enterprises, attracting "offshoring" FDI, providing aftercare to established investors, and in general, maintaining an open business environment.

Mr. Geoffrey Lipman, Special Advisor to the Secretary-General of the World Tourism Organization (WTO), started his intervention by focussing on Africa as the world's greatest poverty region. Despite the worsening situation with respect to the Millennium Development Goals (MDG), Africa has significant potential for developing its services industries based on the continent's unique culture, heritage, natural beauty and wildlife, according to Mr. Lipman. This is especially true in the tourism sector, the world's largest service industry. He said that to achieve its potential, Africa needs help and in particular debt cancellation, increased aid, equitable trade and good governance coupled with democratic reforms. For their part, African countries should coordinate their tourism, transport and communications market access and infrastructure development strategies, including facilitation and security policies, as well as ease burdensome taxation and regulatory policy while promoting sustainable market liberalization. His message to the private sector was to adopt socially responsible long-term approaches to capital provision and return, and to seek partners at the local level.

Second Session: FDI in Business Support Services

The second session focused on issues related to FDI in business support services, including services provided by companies dealing with legal advice, taxation, accounting, marketing and advertising. Mr. Charles Kovacs moderated the session with panellists from the private and public sector, including Mr. Joachim Scherer, Partner in Baker & McKenzie Germany; Mr. Choukry Maghnoij, Partner in Ernst & Young Morocco; Mr. Fernando Fascioli, Director of McCann Eriksson Peru; and, Ms. Patricia Francis, President of Jamaica Promotions Corporation (JAMPRO).

The session highlighted the importance of business support services for integrating countries into the world economy. The point was made by Mr. Kovacs that FDI in business support services is particularly important for developing countries, as the presence of major international law, tax and consultancy and marketing firms signals the prominence of a location for FDI.

Different factors that influence location decisions were discussed. A key driver is the expectation of a global firm's clients that it has an office in a given country, as was stressed by Mr. Fascioli. Sometimes, however, the potential for serving a growing local market can also influence the decision to establish an office, as was mentioned by Mr. Maghnouj in the case of Ernst & Young, Morocco. In a law firm, unique factors include the availability of qualified local and expatriate staff for establishing a new office in the location under consideration and regulatory constraints for the legal profession in the country where the firm considers establishing an office.

Also the role of IPAs was discussed. Ms. Francis emphasized the importance of internationally recognized law, accountancy and consultancy firms in a location. She pointed out that partnerships with these firms are strategically important for the IPA, as they allow an IPA access to potential investors.

Third High-Level Session: Attracting FDI in Service Clusters

The joint high-level session with UNCTAD's Commission on Investment, Technology and Related Financial Issues focused on attracting FDI in service clusters. H.E., Mr. Love Mtesa, Chairman of the Commission and Ambassador of Zambia to the United Nations and Mr. Kai Hammerich, WAIPA President, co-chaired the session. Mr. Dan O'Brien, Senior Editor of the Economist Intelligence Unit, moderated the debate.

The panellists for the high-level session were Mr. Björn Erik Willoch, Vice President of Capgemini; Mr. Zafar Siddiqi, Chairman of CNBC Arabiya, located at Dubai Media City; Mr. Arnaud de Bresson, Managing Director of Paris-Europlace; Mr. Laurent Trupin, Chief Executive of Invest in France; Dr. Ziad Bahaa-El Din, Chairman of the Egyptian General Authority of Investment & Free Zones; and Mr. Ricardo Martinez, President of the Industrial Development Commission of Mexicali, Mexico.

This session examined the determinants of FDI in the services sector and why some locations have succeeded in attracting FDI to service clusters while others did not. Panelists stressed that, while there are variations between services, the key factors affecting the decision of investors to move their services into a cluster in a foreign country include having the appropriate infrastructure, in particular information technology and Internet connectivity; the existence of a market for the service; having a pool of local talent; the regulatory framework (especially for financial services); and linguistic ties to the home country. Panelists debated the impact of incentives on the decision by transnational corporations to move services abroad. While, as in the case of CNBC's decision to locate in Dubai Media City, it was an important consideration, many panellists also emphasized that incentives form only a part of the overall business case for a given location.

In a discussion on trying to attract FDI to a service cluster in an area in which a country has no strong tradition, the panellists commented that each country must make a determination whether it has the potential to be competitive. The case was highlighted of the city of Mexicali, which is diversifying into attracting FDI in research & development activities clustered around its core base of investors in manufacturing. It was mentioned by Mr. Bahaa-El Din, however, that countries should not rely upon a single model of service cluster. Not every country could be a China, Dubai or India, and therefore a broader vision is needed.

When a decision is taken by a country to target FDI in service clusters, the IPA will often take on the role as a policy advocate for securing the necessary reforms to successfully compete, as is done in the case of Invest in France. On the other hand, companies may face domestic opposition when they decide to move certain services abroad. In this regard, Mr. Willoch commented that as jobs are moved overseas, new jobs are created in the home country further up the value chain.

Fourth Session: Developing the Health Sector through FDI

The session on developing the health sector through FDI was moderated by Mr. Simon Anholt, Editor of the Place Branding Journal. Panellists were H.E. Mr. Zweli Mkhize, Minister for Finance and Economic Development and former Minister for Health of the South African Kwazulu Natal Province; Mr. William Chong, Managing Director of Pacific Health Holdings; and Ms. Aparna Dutt, Director of the India Equity Brand Foundation.

The session examined the drivers and features of FDI in the health sector. Ms. Aparna noted that many investment projects in health services are organized as public-private partnerships. Health services can be considered as a niche market and the formation of strategic alliances with other services and industries, such as tourism, could be required to have an attractive product.

Mr. Mkhize noted that although FDI in the health services sector was still limited, it is one of the areas in which his province had an interest in attracting investors. Cost-effective local manufacture of medicines and service delivery was imperative for South Africa, particularly given the seriousness of HIV/Aids in the country. Mr. Chong emphasized that firms in this sector, such as his, often focused not only on their return-on-equity, but also corporate social responsibility. The panellists noted that an additional benefit of investment in the health sector for the whole economy is that it created local jobs for health professionals, making it less likely that they would seek employment abroad.

WAIPA General Assembly

WAIPA business plan 2005-2008

The WAIPA President introduced the WAIPA business plan to the General Assembly and explained steps taken in the preparation of the plan, including past consultations within the Steering Committee and with the WAIPA membership at large.

The WAIPA President mentioned that the business plan should help WAIPA in addressing new challenges, such as the attraction of new members, strengthening of relations with international organizations, as well securing new sponsors, especially for the funding of WAIPA's secretariat functions. He also affirmed that the Steering Committee will meet more often and that an Executive Group will be set-up from within the Steering Committee to oversee implementation of the business plan. He promised that the membership will receive a report twice a year, both on progress made and impediments.

With respect to proposed organizational changes, in particular the appointment of Regional Directors, the WAIPA President said that this will be studied this year and that a process starting with the nomination of candidates would begin in 2006.

The business plan was adopted by the General Assembly unanimously.

Membership issues

Members were asked to pay their membership fees on time. It was reported that one-third of members did not pay their fee in 2004. It was proposed by one member to send invoices earlier in the year to facilitate payment. Another member mentioned that WAIPA should follow voting procedures in the General Assembly that guarantee the one member-one vote principle.

Amendment to the WAIPA Statute

The WAIPA President introduced a proposed amendment to Article III on "membership" of the WAIPA Statute. The amendment will allow two kinds of memberships, full membership and associated membership. The amendment will provide associated members of WAIPA

the same rights, duties and privileges as members, but no right to vote in the General Assembly and no right to be a member of the Steering Committee. The proposed amendment was debated with questions raised on the different privileges and fees of each membership.

The proposed amendment to Article III of the WAIPA Statute was adopted by the General Assembly.

The Steering Committee proposal to charge a fee for associated members equivalent to the fee charged to members was adopted by the General Assembly.

Presentation of the WAIPA Programme 2005 and contributions from partners

An Indicative Plan of WAIPA Activities in 2005-2006 was distributed and presented, including an agenda of WAIPA meetings and training events. An appeal was made to IPAs to host study tours. One WAIPA member suggested a regional conference for Africa with the private sector later this year.

Concluding Remarks

The WAIPA President said that the General Assembly had chosen a proactive steering committee, but that WAIPA also needs proactive members. It is the combination of the two that will drive the organization forward.

The General Assembly was closed with a word of thanks to all members.

WAIPA awards

This year, WAIPA awarded the IPAs that offer the best e-investment facilitation services. The awards were given in three categories of e-investment facilitation: (i) e-regulations and procedures; (ii) e-investment opportunities; and, (iii) most promising web site or runner up. The prize for best practice in e-procedures went to the Japan External Trade Organization (JETRO) website www.investjapan.org. ProInversión from Peru won the prize for best practice in e-opportunities for their website www.proinversion.gob.pe. The prize for runner-up in e-investment facilitation was won by the Agence Nationale Chargée de la Promotion de l'Investissement et des Grands Travaux (APIX) from Senegal for its website www.apix.sn.

Conference side events

The conference was preceded by a two-day workshop (7-8 March 2005) entitled *Strategic Marketing: how to develop and implement a targeted marketing plan for attracting inward investment* sponsored by IBM-Plant Location International. In addition, five workshops were organized on the second day of the conference (10 March 2005) on: *Strategies to Attract and Retain Foreign Investment Projects* sponsored by Buck Consultants International; *Geneva Economic Development - developing a diversified and high added value investment. A historical perspective* sponsored by the Department of Economy, Labor and Foreign Affairs of Geneva, Switzerland; *Competing for FDI Best Practices and IPA Benchmarking of Investor Servicing* sponsored by MIGA from the World Bank Group; and two workshops by UNCTAD on *E-Government Tools for IPAs Investment Promotion* and *Exchange of Best Practices in IPA Policy Advocacy*.

On 11 March 2005, the post conference site visit took place at the Geneva headquarters of the Société Générale de Surveillance (SGS). Mr. Jean Pierre Méan, Senior Vice President of SGS, gave an introduction to the range of business support services that SGS provides to transnational corporations. The SGS Senior Vice President presented its company as the world's leading inspection, verification, testing and certification company, which is recognized as the global benchmark for quality and integrity.