

U.S. Economic Development Administration

IMCP Summit

Attracting International Private Sector Investment

Panel discussion
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2014 FDI Confidence Index® suggests good times ahead ...

- According to A.T. Kearney's FDI Confidence Index®, for the second year in a row, executives¹ from across industries and from across the world ranked the United States their number one investment destination in the next one to three years
- After displacing China which led the index for ten years, the United States retook the number one spot in 2013 and maintains at the top of the list for the second year running
- In terms of investor outlook on the economy, no other country's outlook has been equally favorable in recent memory
- While important, the improving U.S. energy outlook is only part of the equation for investors – other underlying reasons are the anticipated recovery of the US economy and the overall competitiveness of the US economy
- A large majority of respondents are more optimistic about the global economy than they were a year ago, but they realize that recovery will be a slow process – they are however expecting near-term recovery for their foreign investments
- In the 2013 survey, investors have shown concern about the political gridlock, and in particular the difficulties surrounding fiscal policy (debt ceilings etc) – many report less investments in the US than they otherwise would have committed because of these factors and there is no reason to believe that these concerns have gone away

1. A.T. Kearney's The FDI Confidence Index® surveys executives to understand future investment intentions and includes 300 respondents distributed across geographies and industries

... and especially manufacturing in the US appears attractive ...

Companies across industries are looking at (re-)establishing manufacturing in the US due to¹:

- Labor inflation in Asia, esp. China
- Increased concerns about supply disruption, product contamination, quality, etc.
- Attractive energy costs in the US
- Proximity to the American market
- Push from federal and state governments to reduce costs and administrative barriers
- 'Made in the USA' becoming more popular
- Appreciation of China's currency vs. Western currencies
- Wal-Mart's pledge to buy \$50bn worth of additional domestically made products over 10 years
- ...

... but companies are in need of advice/help as they re-shore

Companies are facing several challenges¹ as they consider to set up manufacturing in US:

- Most domestic supplier networks have evaporated and/or followed their customers eastwards
- Logistics services companies have not yet adapted their networks or fleet
- Age and health of machine park requires significant investment in more efficient equipment ...
- ... and a higher level of skills in the manufacturing labor force, which is rapidly aging
- US shale gas boom has not yet translated into significantly cheaper electricity cost
- Business ecosystems will not take root everywhere
- The cyclical nature of the current advantages requires 'future-proofing' (scenario planning)