



Making Europe more attractive

Focus 2004: Research & Innovation



One year after the first venue of the WORLD INVESTMENT CONFERENCE, business leaders, politicians and managers of regional development agencies will meet again in

La Baule. And it is not only the beautiful scenery and the quality of the French Atlantic Coast resort that attracts them. "There has been an acceleration in the reflexion process about Europe's attractiveness and competitiveness" underlines Pierre Guénant, the chairman of the steering committee of the conference and a successful entrepreneur himself. "It was impossible to wait two years before meeting again and exchange on those subjects. There is a sense of urgency". Since the European Commission has stressed the necessity to foster Europe's competitiveness through an increase in the R&D and innovation expenditures within the framework of the Lisbon agenda, there has been acceleration of the awareness that Europe has to strengthen its performance against fierce competition from China, Japan and the US not to mention India or Brazil...

Most European regions are faced with the closure of some of their industrial jewels with few opportunities of reconversion. Although some sectors remain robust and the services are still growing it is nevertheless a concern for everybody and in particular for those in charge of developing the economy of their regions.

LA BAULE 2004 will try to provide them with some solutions and some ideas on how to

retain and attract foreign direct investment and avoid migration to low cost countries.

Once again the floor will be given in priority to the leaders of those big firms to understand their investment strategies and how they compare Europe with their main competitors.

Big names such as Anne Mulcahy, CEO of Xerox, Bernd Pischetsrieder CEO of Volkswagen, Sir Francis Mackay Chairman and CEO of Compass Group PLC or Jeff Fetig COO of Whirlpool and many others will therefore contribute to the debate of Europe's attractiveness and propose solutions.



Award ceremony (representatives from Philips, STMicroelectronics, Motorola, PSA Peugeot Citroën, Compass), with Clara Gaymard, President of the Invest in France Agency, Pierre Guénant, President of the Steering Committee of LA BAULE 2003.

One year after it was created, LA BAULE 2004, has already started to become the place to meet for those who try to design a more competitive and attractive Europe. And no doubt that Romano Prodi and the European political leaders next May will listen carefully to the entrepreneurs' advice. ■

PIERRE GUENANT
*President, Steering Committee
of LA BAULE 2004 – WORLD INVESTMENT CONFERENCE*

*Anne Mulcahy,
Chairman and CEO
Xerox: a leading
CEO in the global
technology*



Who leads the international company ranked Nr 116 among the Fortune 500 and has around 60,000 employees worldwide?

Anne Mulcahy, one of the few women who lead top-named global companies.

Xerox Corporation, one of the most enduring brands in business today, is the global leader in document management solutions with close to \$16 billion in annual revenue. Anne Mulcahy, a 27-year veteran of Xerox who began her career selling copiers in Boston, has over the last three years led the company through a massive transformation.

In fall 2000, Anne and her team instituted an aggressive, multi-billion-dollar turnaround plan that significantly improved the company's financial position and expanded its product portfolio with innovative digital technology and services that help people find better ways to do great work. Despite an unexpected economic weakness,

Xerox is delivering the impressive results that reflect Anne's focus on precise execution. Xerox now has the industry's broadest portfolio of products and services leading to increased equipment sales and strong share gains. Debt is down, cash is up. Costs are down, margins are up... and Xerox has reinvented itself into an aggressive technology leader. Just as importantly, Anne has nurtured a winning culture guided by customer-focused and employee-centered core values -such as social responsibility, diversity and quality- augmented by a passion for innovation, speed and adaptability.

Anne was named CEO of Xerox on Aug. 1, 2001, and chairman on Jan. 1, 2002. She most recently was Xerox president and chief operating officer from May 2000 through July 2001. Prior to that, she was president of Xerox's General Markets Operations, which created and sold products for reseller, dealer and retail channels. In addition to the Xerox board, Anne is a member of the boards of directors of Fuji Xerox Company, Ltd., Target Corporation, and Fannie Mae, and is a member of The Business Council.

One of the key elements of Anne's leadership is her commitment to innovation.

Xerox invests \$1 billion annually in research and development. "The power of Xerox innovation is driving Xerox's success in exploiting the sweet spots of our business to grow profitable revenue and increase market share".

"INNOVATION: THE LIFEBLOOD OF XEROX"

Xerox Corporation has long been one of the world's top technology innovators. With close to 16,000 U.S. patents granted since the company's founding, Xerox ranks behind only a few elite U.S. research organizations such as IBM, General Electric and ATT/Lucent as the country's most prolific generator of inventions.

Xerox operates research and



Xerox researchers have developed the Optical MEMS (Micro Electro-Mechanical Systems) switch. Photo by: John Griebsch

technology centers globally in the United States, Canada and Europe (France). Its first research center was founded in Webster, N.Y., in 1960 to support Xerox's explosive growth as a technology leader. Xerox research is also conducted in collaboration with the Palo Alto Research Center, a Xerox subsidiary, and with Fuji Xerox research organizations in Japan and Palo Alto, Calif. ■



Anne Mulcahy will present this exceptional strategy of investment and R&D during LA BAULE 2004, on

Thursday 27 May. ■



Reflections on regional attractiveness in the knowledge-based economy



The aim of European regional policy is to reduce economic and social imbalances, especially those between the less developed regions and the rest of the Union. This is done with help of resources from the European budget which are used to support medium-term development programmes. Today, these programmes are increasingly targeted at realising the so-called Lisbon Strategy to promote innovation, competitiveness and employment.

The leading service for the implementation of the policy is the Regional Policy Directorate-General of the European Commission.

The question of Europe's image and business attractiveness is at the heart of regional policy. Development programmes seek to develop the conditions for enterprise and innovation, for example, by helping to develop a well-qualified workforce, by putting in place the networks and clusters that bring together universities, R&D centres, or, by promoting enterprise development, incubators, venture capital schemes and so on. This approach reflects the declining emphasis in regional development policy on public incentives to attract foreign direct investment, especially those that risk causing competition between countries and regions on matters of tax or levels of social protection. In other words, Europe -and European policy- is moving towards a different paradigm for regional development in the context of the growth of the so-called knowledge-based economy.

There are five elements in this approach that are worth underlining.

- First, **retaining investment is as important as attracting it.** In Europe, some parts of the industrial base appear to be moving out, often to new Member States of the Union, or to the Far East.

This “outsourcing” has become a major preoccupation most recently in Germany. Since 1991, estimates suggest that German industry has lost 36% of its jobs due to relocations to Eastern countries and/or structural change, while German companies have created some 3 million jobs abroad. At the same, foreign enterprises created some 0.9 million jobs. This is not an argument for what is sometimes referred to as a “lame-duck” policy, that seeks to protect declining businesses. Rather, it is about creating the conditions for innovation in the industrial base to help companies progress up the value chain.

- Second, **qualified professionals are as important as branch plants.** Today, attracting the brainpower of highly-qualified professionals can help to develop regional competitive advantage in added value activities, and can be more effective than attracting branch plants, especially those dependent on low labour costs or low taxes or other incentives.

- Third, **R&D capacity-building** is key. This refers to both the “soft” dimension such as promoting well-connected universities and research installations as well as the “hard” dimension in the form of infrastructure (international airports, good logistics, quality business sites, low congestion and pollution and so on).

- Fourth, **inter-connections between regions are essential.** J. Talvitie (2003) referred to the ABC of the information society: Access, Basic skills and Connectivity. Today, all regions need access to the high-speed network. One study suggested that, in France, 30% of the SMEs would move in the coming 3 years if there were no broad band internet connection.

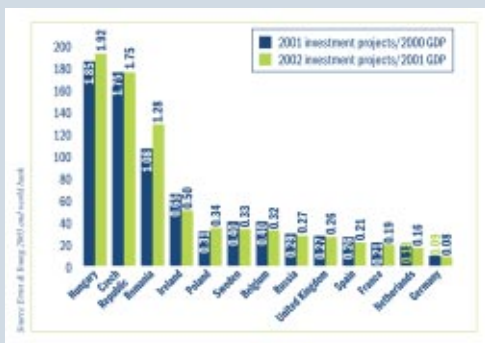
- Fifth, **regional image and social infrastructure are necessary to attract** knowledge workers and in supporting leading-edge high technology firms and industries. This includes natural, recreational, and lifestyle amenities.■

Mr. Ronald Hall and Mr. Mikel Landabaso, Regional Policy, European Commission.

Ernst & Young European attractiveness survey

“Countries’ attractiveness”, “Regions’ competitiveness”. These subjects have become increasingly popular in the business community and a wide range of figures, data and studies are regularly published. Yet, methodology, sources and scope of the study are crucial to get consistent information, comparable indicators and an overall realistic picture.

Based on a qualitative and quantitative approach, the Ernst & Young “European Attractiveness Survey” presents both the facts and lessons from the past, as well as teaching about international investors’ intentions and expectations with respect to their investment projects in Europe.



Mindful of the need to provide a comprehensive and up-to-date survey on Europe, 500 international decision-makers have been interviewed to identify and analyze their expectations and opinions on Europe as a location for their direct investments. The diversity of interviewees in terms of origin, size of companies and sectors brings a new light and a new angle to the analyses and topics usually addressed by this type of survey.

The results have been cross-referenced with the proprietary “European Investment Monitor” (EIM) database. The EIM continuously monitors Europe’s attractiveness through the tracking of international investment projects, on a yearly basis, since 1997.

EIM Online is the most comprehensive source of information on foreign direct investment project announcements throughout Europe.

The database details include:

- Parent company undertaking the investment and country of origin;
- Country, region and city receiving the investment projects;
- Mode of investment (new, expansion or co-location);
- Industry sector and activity type (eg, head office, contact center, manufacturing plant, etc.);
- Number of jobs created / safeguarded...

Over 4,000 sources are regularly monitored to populate the database.

What are the new hot spots in Europe?

How does Europe compare to other regions in the world?

How do companies perceive the EU’s enlargement? ■



The answers will be released at LA BAULE 2004, next May 27-28.

Ernst & Young provides assistance to numerous companies in their international development projects: a team of consultants use the expertise derived from E&Y different service lines to identify the best options in terms of strategy, process and final location.

In addition, Ernst & Young also works with different types of public entities in Europe (city councils, national governments, regional development agencies,...) helping them adapt their infrastructures, tax and legal frame, training policies, investment promotion tools, etc. to the companies they’re targeting. ■

International investments in the Regions – a win-win relationship

A SIGNIFICANT CONTRIBUTION TO REGIONAL DEVELOPMENT

International investment can be a powerful driving force for economic development, even if it is not the only one.

Its added value is obviously in its induced wealth (wage bill, induced turnover in sub-contracting / services, taxes...) and job creation (quantity – direct or indirect – and quality), but it also allows a better use of infrastructures and public facilities.

From a sector-based point of view, international investment can be a strong element to strengthen the existing economic environment (with new technological, organizational and business skills and an international outlook...) and has been, in some cases, the basis for the development of new activities. Finally, foreign investment emphasizes the image of the region abroad and is a sign of external recognition of the quality of the regional economic system. Within an open economy, risks are essentially those of “destabilization” of the accessibility and availability of restricted local resources (physical, human...) and markets.

TODAY, OPPORTUNITIES AND THREATS

Globalization comes with an increasing mobility of capital and economic activities. For the regions, this results in an unstable situation, from which opportunities as well as threats can arise, and makes it even more necessary to anticipate corporate movements in order to influence their choice of geographical locations.

In this environment, attracting and retaining economic activities, decision centers and skills and in particular those resulting from external investments, becomes a priority for the central and local governments.

Agencies have so to be “bridges” between international investors and their territory, and must therefore be able to identify appropriate solutions, to fit company growth and profitability requirements as well as the requirements of local communities in terms of development and well-being. ■

Europe: brain drain or brain gain?

The Shanghai University ranking of Universities worldwide brought to light the weaknesses of the European Universities in spreading their research works, their lack of influence, their lack of connections with industry, and shows the efforts that need to be done to get known.

THE WEAKNESS OF THE EUROPEAN UNIVERSITIES ACADEMIC RANKING OF WORLD UNIVERSITIES - 2003		
1	Harvard Univ	USA
2	Stanford Univ	USA
3	California Inst Tech	USA
4	Univ California - Berkeley	USA
5	Univ Cambridge	UK
...		
19	Tokyo Univ	Japan
48	Univ Munich	Germany
65	Univ Paris 06	France
74	Univ Helsinki	Finland
152-200	Natl Taiwan Univ	China-Tw
152-200	Univ Barcelona	Spain
201-250	Univ Szeged	Hungary

The opening of Asian markets has increased this trend: according to the last OECD ranking, China has reached the third world place for research expenses. The manager of Lectra Systems, number one in computer-assisted cutting, is full of praise for Chinese engineers: “While our American teams are taking six months to appropriate a newly launched product, two weeks are enough for Chinese teams”.

With highly qualified labour and cost prices 40 to 60% lower than in the Occident, India is daily standing out as the world high tech hub: STMicroelectronics or Alcatel have already understood how they could benefit from a country which trains each year half a million new engineers and has already more computer engineers than in the Silicon Valley!

Being able to keep or attract industrial research centres is becoming an essential challenge for states.

“We set up where university skills are present”, Bayer CropScience’s communication manager ensures. The existence of cooperation between public and private economic and political players is a good way to retain skills. ■

Clusters: are they really attractive?

Three questions to Mr. Mario Armero, who will chair the workshop “Clusters and their appeal” during LA BAULE 2004 - WORLD INVESTMENT CONFERENCE

1. The concept of clusters has emerged as a central idea in competitiveness and economic development. Did General Electric choose to set up in clusters? What is your experience in Spain?

Yes of course. We are a global and diversified company, with 11 businesses operating in more than 100 countries and clusters are the consequence not only of globalization, but also of the need of all countries to increase their competitiveness and stimulate their growth.

In Spain the cluster policy has been developed at the regional level. Nevertheless, only some regions have developed a policy: Catalonia, Galicia, Valencia, Navarra, Extremadura and the Basque Region. Ceramic tiles in Catalonia, textile in Galicia, technology center for the automobile components industry in Navarra, among others.

In the last 10 years, GE has made very relevant investment in Cartagena, Spain. As a result of this investment, a self-organized cluster has emerged in that area.

2. What are the benefits for a large international company to be located in a cluster? And what are the benefits for an SME? What are the risks of leaving a cluster?

Clusters, and basically Regional clusters, generate fertile ground for stimulating the innovation and competitiveness of the firms involved, encouraging entrepreneurship. Besides this, clusters are real promoters of economic development and structural changes, infrastructures and availability of skills.

Those aspects are decisive elements for a large company investment.

The benefits for SMEs are, among others, to increase productivity through interaction, leveraging the advantage of common resources, global sourcing, a specialized workforce, technical training, etc. The capacity to attract multinationals.

3. As we know well, there are several criteria for an international investor to choose to settle in Europe. Do you think that clusters are a key one?

Yes. Globalization, the introduction of new information and communication technologies are changing the criteria of investors. Cost reduction between countries or regions, infrastructures or human capital, etc... are decisive elements that have become more important and clusters are promoting all of them. In these times of “off-shoring” or “delocalization”, Europe needs to reinforce its attractiveness by promoting clusters in key market areas and geographies. ■



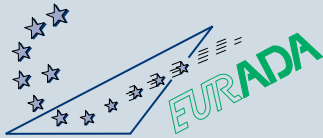
Mario Armero will be present at LA BAULE 2004. He will share the workshop 5 “Clusters: are they really attractive?”.

General Electric has been present in Spain for more than 50 years. All of its major divisions are currently doing business in Spain, including 40 business units, 12 production facilities and over 3,400 employees. ■





RDA* and Inward Investment: the input of Eurada



On 9 and 10 February 2004, Eurada organized in Brussels, with the Office for Foreign Investments, a conference on RDAs and Inward Investment, chaired by Jacques de Chilly, the Managing Director of Ouest Atlantique (the France Atlantique Development Agency).

For two days, the conference gathered European agencies to evaluate the European market for mobile investments and to highlight recent trends and perspectives.

Among the key messages addressed by the high-quality speakers and experts (all presentations are available on www.eurada.org/events.htm), 7 of them will be more particularly developed in LA BAULE 2004 – WORLD INVESTMENT CONFERENCE:

- 1. The challenges for the metropolis and their attractiveness:** the recent study published by the DATAR highlights the necessity for large urban areas to increase their ability to attract “knowledge skills”;
- 2. Attracting and rooting:** attractiveness, means attracting new activities, but also – and this is more and more the case in Western Europe - rooting the companies already present;
- 3. People are key:** there is an increased competition for brains – we attract investors, but above all men and women (which makes criteria like quality of life or training opportunities so important). Indeed, the active population – and therefore the labour force - is decreasing in some European countries. As a consequence, we have to re-think how to attract qualified people and international companies.

This new dimension of human resources is not totally integrated yet in the strategies of the RDAs, compared to the United States, according to Pr.Géry Coomans (ISMEA).

- 4. R&D and innovation:** foreign investments are innovative (connections with universities, new patents , etc.);
- 5. Clusters are key factors for attracting and rooting;**
- 6. The arrival of “new kids on the block”** (cf. Buck Consultants International) like China, India and Italy as “donor countries” and “unknown” Central and Eastern European countries as host countries;
- 7. How to differ from the others?** according to Buck consultants, the major criteria for differentiation are the following: labour climate, suppliers & know-how, infrastructure and logistics, quality of life (getting even more important for R&D centres and headquarters) but also the sites and offices (real estate).■

* RDAs: Regional Development Agencies

EURADA, the association of regional development agencies is a non profit-making organisation aiming at promoting regional economic development through dialogue with the European Commission services, interchange of good practice among members, transnational co-operation among members. EURADA gathers around 150 development agencies from 25 countries of both the European Union and Central and Eastern Europe.



David Walburn, President of Eurada, will be present at LA BAULE 2004, as a moderator in the workshop 5 “Clusters: are they really attractive?”■

“The model of Catalonia”: an innovation-based strategy

Catalonia and foreign direct investment (FDI):

Catalonia attracted 16% of all FDI in Spain during the 1993-2002 period.

Accumulated FDI for that period was approximately €25.4 billion.

In Catalonia, Foreign Direct Investment (FDI) exceeded €3.7 billion in 2002.

These remarkable FDI figures are supported by the results of Ernst & Young's European Investment Monitor 2003. According to this renowned consultancy firm, Catalonia ranks third among the European top-performing regions with 61 investment projects carried out by multinational companies. More than 95% of all FDI comes from EU countries (Belgium, the Netherlands and Germany) and attracted more than 60% of their total investment in Spain.

Why such a success?

Catalonia is a modern nation with connections throughout the world, an enviable quality of life, a wide range of industrial locations and office space, 11 technology parks, skilled labour force, 12 universities. Barcelona, Catalonia's capital, ranks first in terms of quality of life among European cities since 1996 (according to the Cushman & Wakefield Healy & Baker's European Cities Monitor 2003).

Catalonia stands for innovation.

Catalonia is a leader in the chemical, pharmaceutical, packaging, automotive and consumer-electronics, among others. It is also home to a number of emerging industries with a strong

potential for growth, illustrated by the fact that many foreign companies have invested in the biotechnology, aeronautics, renewable-energy and recycling industries. As well as being renowned for its production activities providing high added value, Catalonia has also made a name for itself internationally in activities such as R&D, decision centres, design and engineering, logistics and shared services centres. In short : the working environment that Catalonia offers has attracted more than 3,000 international corporations (more than 700 of which are French).

Investment Promotion Agency-CIDEM

In 1985, the Catalan government created the Investment Promotion Agency-CIDEM, the first



development agency of its kind in Spain, which provides, completely free of charge, all the assistance required by companies interested in

investing in Catalonia or collaborating with Catalan companies.

Since then, the Investment Promotion Agency-CIDEM has played a key role in its process of attracting FDI by working annually on an average of 150 projects and managing more than €3.5 billion in foreign investment.

With offices in New York, Tokyo and Düsseldorf, the Investment Promotion Agency-CIDEM offers practical assistance to the investor at all stages, from initial investment planning and feasibility studies to full implementation of the project and continuing follow-up. ■



www.catalonia.com

Do meet Catalonia at LA BAULE 2004... ■

An initiative of Ouest Atlantique (France Atlantique Development Agency), in partnership with the Invest in France Agency, under the high patronage of Romano Prodi, President of the European Commission.

HOW TO SUBSCRIBE?

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MAY 27, 28