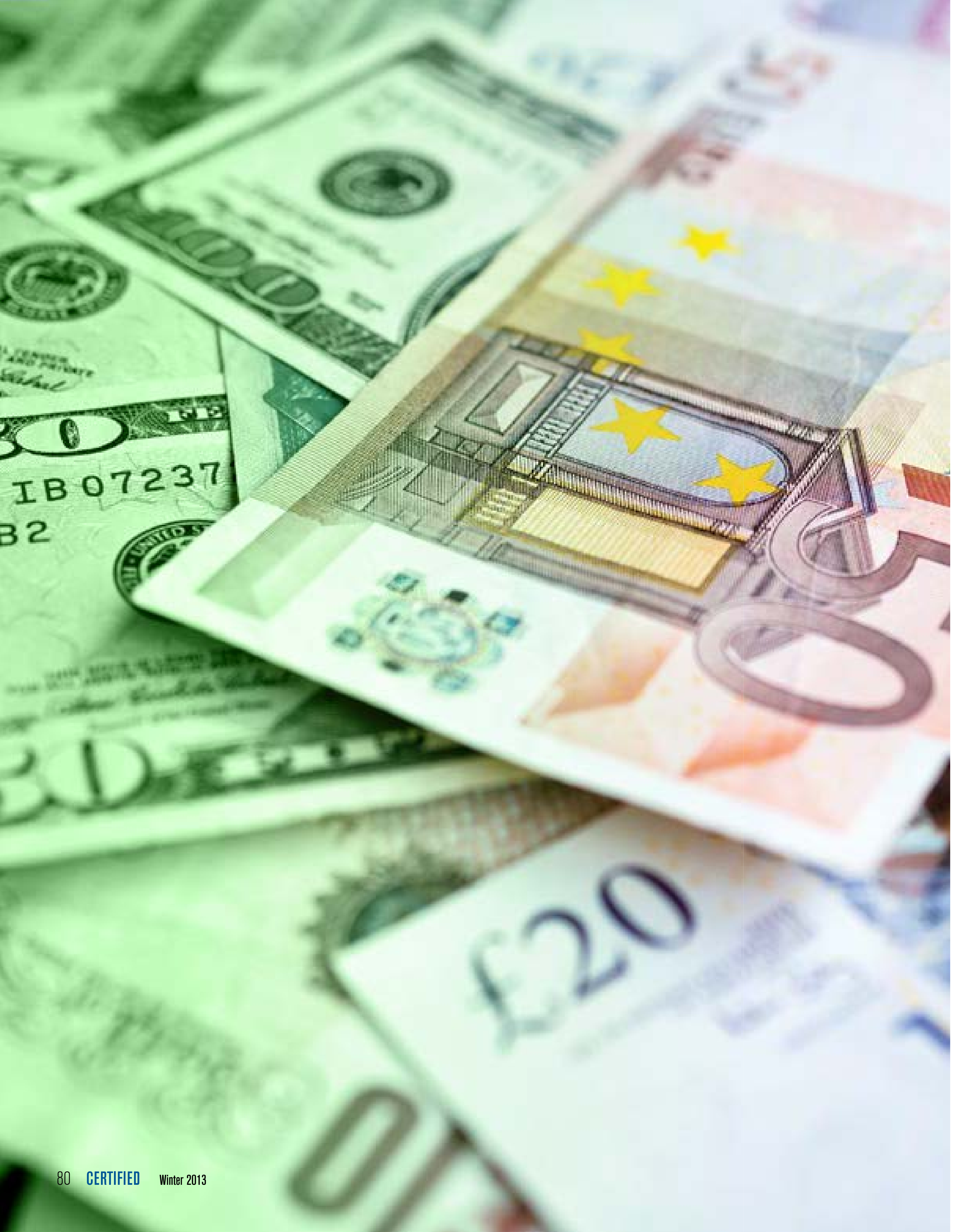

MOST POPULAR COUNTRIES FOR COMPANIES TO INVEST

Making a move to international or global expansion is a big step with potential for big rewards if you know where you're going. Before you pack your bags for business growth, take a look at the most popular countries for worldwide investment.

By **Seth Kahan**

Whether your company is international with key relationships in several countries, a global enterprise with worldwide reach or a local that is interested in doing business beyond your borders, there are a number of countries that deserve your attention.

As a strategic HR professional, staying ahead of the game means knowing where your organization's future growth resides and being ready to ensure the human resources are there to fuel success.

When people talk about international expansion, they are quick to distinguish between developed countries, transition countries and developing economies. These three words must be in your lexicon to talk intelligently when it comes to international investments.

Different sources will point you to different countries within these categories, and as countries build their economies they may move from one category to another. That said, it's easy to understand what the three categories mean. Below I will also spell out which countries are in which categories at this time.

A developed country is one with a strong economy including the infrastructure needed to maintain stability. Its government is capable of managing itself and entering into trustworthy relationships with other countries. It also provides a standard of living to its people that enable them to experience a high quality of life.

A transition economy is one that is moving into a free market. That means that the marketplace determines how much things cost, as opposed to a body of officers with that role. Trade barriers are in the process of being taken away so that the country can deal freely with other countries, but this process is not yet complete.

A developing economy generally has low living standards, a spotty or nonexistent industrial base and inadequate stability in the government to satisfy the needs of its people or wherewithal to engage consistently in trade outside its borders.

Of course there are critics of these terms (developed, transition and developing), as not all countries subscribe to this model or language. Nonetheless, as organizations investigate where to invest their resources abroad, this simple system provides a beginning framework for understanding and categorizing the economic situation in various countries.

According to the United Nations Conference on Trade and Development (UNCTAD),[1] these are the countries in each of those three categories:

Developed		
Andorra	Greece	New Zealand
Australia	Hungary	Norway
Austria	Iceland	Poland
Belgium	Ireland	Portugal
Bermuda	Israel	Romania
Bulgaria	Italy	San Moreno
Canada	Japan	Slovak Republic
Cyprus	Latvia	Slovenia
Czech Republic	Liechtenstein	Spain
Denmark	Lithuania	Sweden
Estonia	Luxembourg	Switzerland
Finland	Malta	United Kingdom
France	Monaco	United States
Germany	Netherlands	

Transition		
Southeast Europe	Commonwealth of Independent States	
Albania	Armenia	Republic of Russian Federation
Bosnia and Herzegovina	Azerbaijan	Tajikistan
Croatia	Belarus	Turkmenistan
Montenegro	Kazakhstan	Ukraine
Republic of Macedonia	Kyrgyzstan	Uzbekistan
Serbia, The former Yugoslavia	Moldova	

Developing
All other countries

UNCTAD conducts the World Investment Prospects Survey (WIPS),[2] which is designed to generate insights about foreign direct investment. Foreign direct investment includes money placed overseas either to support activity that is already taking place there or to expand operations into that country.

The most recent WIPS, for 2012-2014, polled 5,000 executives who worked for non-financial transnational companies and 245 professionals who worked for investment promotion agencies. The results of the most recent WIPS point to 11 countries as the most promising source for investments over the next two years. Here they are in order of selection:

1. China
2. United States
3. Germany
4. United Kingdom
5. France
6. Japan
7. India
8. Spain
9. Canada
10. United Arab Emirates
11. Brazil

These are the countries that have the resources to invest overseas ranked according to a best guess at the magnitude of their predicted investment. In other words, China will likely top the list as the chief world investor, followed by the United States and so on down to Brazil. Keep in mind these are the top 11. So even though Brazil is at the bottom of the list, it is still a major player on the world stage when it comes to investing.

Now, let's look at the most promising destinations for all this money. Here are the top 19 rankings (some are tied, causing the ones that follow to jump in ranking to reflect the proper order — developing countries in bold):

1. China
2. United States
3. India
4. Indonesia
5. Brazil
6. Australia
6. United Kingdom
8. Germany
8. Russian Federation
8. Thailand
11. Vietnam
12. Mexico
13. Japan
14. Netherlands
14. Poland
14. South Africa
17. Korea, Republic of
17. Sweden
19. France
19. Italy
19. Malaysia

It is striking to note the number of developing economies that made the list. Among the top five, four are developing! And among all 21 countries, 12 — more than half — come from that category.

This shows confidence in overall development across the globe in the years ahead. Even though we are rolling through serious financial turmoil, there is reason for optimism. There is no greater sign of economic hope than strong financial predictions across the board that include many of the planet's rising countries. So, next time you become depressed by current news of world events or global doomsayers, take a look at this list and recognize that the top transnational companies and investment promotion agencies believe that strength and development are on the rise worldwide.

Another term you must know to understand which countries are the most popular to invest in is BRIC (pronounced brick). This term was coined by Goldman Sachs economist Jim O'Neill in a 2001 report[3] that predicted four countries would be wealthier than most of the current economic superpowers: Brazil, Russia, India and China.

That is quite a statement, and its implications are so significant that many companies are investing in their relationships with these four countries as a long-term strategy, which indicates they are hoping to build a base that will lead to an extended profitable future rather than simply short-term profits.

You can see from the list above that these four countries plus Indonesia make up the top developing economies expected to be the largest targets of investors in the near future. That makes them worth knowing about and preparing for. If your company is doing business in other countries, it is likely that one of these will be involved. As an HR professional, you must understand what this means in terms of talent and policy. That is why it pays to advance your international financial literacy.

Before we take a look at these countries in a little more detail, it is worthwhile to consider the special needs of your company. So far we have been looking at large, global trends, but statistics fail when it comes to individual behavior. Instead, you must understand the particulars of your circumstances. Here are two recommendations along those lines:

1. Know where the growth is in your sector.

Pay special attention to developments in your industry. Get to know the major players: competitors, suppliers and partners. Listen in to conversations whenever another country is mentioned, then do your homework and find out why. Ask, What role is this country playing in your field?

2. Be proactive in collecting news.

There are a variety of free (or almost-free) sources that you can access to educate yourself on international trade. The Wall Street Journal is a great source and easy to scan. Set up Google alerts. This free tool can bring you remarkable results and breaking news to inform you about opportunities abroad. A simple alert to set up would be one that includes your company's name plus the word international or global. Go to www.google.com/alerts for more information

Now, let's take a quick look at the top 10 countries from the list above and see why they are such popular targets for investing:

1 CHINA

In 2001, China officially joined the World Trade Organization. This marked access to 1.3 billion new customers in the global trading system, over 20 percent of the earth's population at the time! China had started significant economic reforms approximately two decades earlier, preparing it to participate in the global economy.

China is strong in both natural resources and agriculture, building its base for delivery when it comes to industrial capacity. It has a good infrastructure, making it possible to transport and communicate in a timely fashion with reliable consistency.

At the same time, the government is not transparent, and there remain strong cultural differences between China and much of the developed world. These make it a difficult partner.

Recently Home Depot closed down its U.S.-style do-it-yourself home improvement stores because they did not succeed on Chinese soil due to a major difference in culture. Nonetheless, many companies have successfully partnered and expanded into the Chinese market. It is worth noting that China is the number one foreign investor, meaning that they are partnering with countries on a massive scale globally. So, even if you don't go there, they may have already come to you.

2 UNITED STATES

There is no doubt that the U.S. economy has been struggling in recent years. Joblessness still plagues the country, and financial indicators show a slow recovery, which feels unbearable to many Americans. But foreign investors are optimistic, and it shows when it is time to do the numbers as the United States takes the number two slot on the best places to invest in the near term.

Mack Ott, an economist formerly with the Federal Reserve Bank of St. Louis, writes this in the Library of Economics and Liberty (www.econlib.org), an online resource for students, teachers and researchers:

The United States attracts capital not only because of lower taxes, but also because of greater U.S. consumer wealth and labor productivity. At purchasing power parity — GDP adjusted for differences in exchange rates and prices — U.S. wealth (per capita GDP) was one-fourth greater than Japan's in 1990 and one-third greater than Germany's. Moreover, except for Japan, the other main industrial countries did not narrow this margin between 1980 and 1990. On a production-per-employee basis, the message is the same: U.S. labor is the most productive in the world.[4]

3 INDIA

China may have the largest customer base, but not by much. India is trailing China by less than 150 million with a population over 1.2 billion next to China's 1.3 billion plus.

A report from India's National Council for Applied Economic Research's Centre for Macro Consumer Research indicated the country would have 53.3 million middle-class households by 2015-16, or about 267 million people.[5]

According to University of California professor Pranab Bardhan, "A potential advantage India has over China in speeding up its economic growth is the demographic shift in favor of young and able working population. This would put India in a higher growth trajectory, and the country could catch up with the economic growth of China by 2020."[6]

Just recently the Indian government announced a package of economic reforms aimed at attracting foreign investment in the retail, aviation and broadcasting industries.[7] These continuous aggressive moves put India in a favorable position when it comes to foreign investments.

4 INDONESIA

Indonesia has the fourth largest population in the world, with over 248 million people.[8] It is viewed as having strong historic growth, less risk than many emerging markets and significant potential for future growth. These factors combine to make it very attractive and popular when it comes to foreign investments.

All of this is a result of sweeping economic and government reforms that occurred after the Asian financial crisis of the late 1990s. Indonesia was the hardest hit, but it has come back and it looks now to be a global player.

Indonesia's growth was second only to China's in 2011, while Europe and the United States struggled. Investments continue to play a large role in its financial health because of investor confidence and the expectation for continued low interest rates.[9]

5 BRAZIL

According to the CIA World Factbook, Brazil has the sixth largest labor force in the world, and is number eight when it comes to purchasing power.[10] Wikipedia says, "According to the World Economic Forum, Brazil was the top country in upward evolution of competitiveness in 2009, gaining eight positions among other countries, overcoming Russia for the first time, and partially closing the competitiveness gap with India and China among the BRIC economies."[11] So, you see, Brazil is aggressive, growing and very attractive to investors.

Brazil has a strong government that has ironed many of the wrinkles out so that it can provide the stability and trust required for international relations and investments. It is solid in exports and continues to post trade surpluses.

Brazilians are already spending $13 billion online with just 40 percent of their population regularly connected to the Internet. More than half of their 200 million people are middle class,[12] providing a strong base of spending power.

From this cursory view of the top five most popular countries for companies to invest in, you get an idea of the factors that make a nation attractive. You can also see that there is tremendous hope across the world for growth when it comes to the economic landscape with so many factors and such a diverse portfolio of circumstances.

From the list of the 21 countries targeted as the most likely to receive investments you see an even broader panoply of investment choices, over half of which are developing countries. This should serve as an introduction to the widely varied selection your company may choose to invest in.

There are many populations, languages, business protocols, policies and complexities to living in an international world. Human resources connects the dots, allowing us to work together across boundaries both personal and professional, both cultural and financial, playing an instrumental role in the future and enabling growth across the border and around the world.

1 United Nations Conference on Trade and Development, World Investment Report 2012, http://www.unctad-docs.org/files/UNCTAD-WIR2012-Full-en.pdf
2 Ibid
3 http://money.cnn.com/2009/06/17/news/economy/goldman_sachs_jim_oneill_interview.fortune/index.htm
4 Ott, Matt. Foreign Investment in the United States. Library of Economics and Liberty. http://www.econlib.org/library/Enc1/ForeignInvestmentintheUnitedStates.html#abouttheauthor
5 http://articles.economictimes.indiatimes.com/2011-02-06/news/28424975_1_middle-class-households-applied-economic-research
6 http://economictimes.indiatimes.com/news/economy/indicators/india-to-match-chinas-economic-growth-by-2020-economist/articleshow/9238568.cms
7 http://www.latimes.com/news/nationworld/world/la-fg-india-retail-20120915,0,3770140.story
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9 http://www.bloomberg.com/news/2012-08-06/indonesia-economic-growth-exceeds-estimates-as-investments-surge.html
10 https://www.cia.gov/library/publications/the-world-factbook/geos/br.html
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