IBM Global Business Services
Executive Report

Operations and Supply Chain

IBM Institute for Business Value

Global Location Trends

2012 annual report

IBM Institute for Business Value

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior executives around critical public and private sector issues. This executive report is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to *iibv@us.ibm.com* for more information. Additional studies from the IBM Institute for Business Value can be found at ***ibm.com**/iibv*

Foreword

Companies around the world are dealing with a familiar problem in an uncomfortably unfamiliar environment: where to locate their operations, their headquarters and their plants for best competitive position. Cities, regions and countries are trying to attract investment, to be competitive in the increasingly interconnected world economy.

Of course, the world economy is continuing its turbulent and uncertain path. Companies and countries are facing an operational environment that is extremely difficult to navigate, with Western governments dealing with unprecedented fiscal imbalances, political turbulence in the Middle East, and natural disasters causing havoc. In addition, many emerging economies that have driven global economic growth over the past decade or more are facing new challenges, as operating costs rise rapidly and their reliance on export-led growth begins to show its limitations.

In this volatile context, companies are reconfiguring their global operations to try to get better leverage from the world's opportunities for operational excellence and reduced cost. The trend is to increase global integration and to continuously evaluate different locations for the skills, capacity and cost they need. Given the complexity, the resulting operation, and the evolving conditions in different parts of the world, a globally integrated enterprise is not an end-state but rather a continuous process of transformation.

For cities, regions and countries, this ongoing optimization and transformation of companies represents a challenge as they try to attract investment. They need to offer attractive value propositions for investors that deliver satisfactory returns on their investments. That many countries have to do so while installing a greater degree of fiscal discipline and reduced public expenditure makes it particularly difficult. But the stakes are higher than ever, with other competing locales trying to attract the same investors, who are ever seeking a better deal. It makes it critical that cities, regions and countries strategically improve and invest in their competitiveness on an on-going basis to secure sustainable long-term growth.

This annual Global Location Trends report helps illuminate these issues and provides a current view of the world's location landscape.

Dave Lubowe
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By Jacob Dencik and Roel Spee

In a complex and more uncertain world, companies are taking a more strategic approach to optimizing their international operations. Companies are critically assessing current operations while trying to identify the next opportunities for growth, talent access or cost efficiencies. This leads to a reconfiguration of corporate architectures that seeks to better leverage the world's opportunities for operational excellence and transforms companies into globally integrated enterprises. For cities, regions and countries seeking to attract investment, create jobs and develop, the more discerning corporate investor represents a significant challenge. Whether a mature economy currently dealing with fiscal problems or a growing emerging economy experiencing rapidly increasing operating costs, locations have to ensure that they understand, improve and promote their unique value propositions to investors.

The world economy has continued its turbulent course through a period of great upheaval. Faced with a fiscal crisis tormenting the European continent, rapidly changing operating conditions in emerging economies, political uprisings in the Middle East and natural disasters in Asia, companies are navigating through a complex global environment. This is forcing companies to adapt their internationalization efforts radically. In particular, companies are taking a more cautious approach to investment, reducing their larger and riskier investments – projects that are typically destined for emerging economies – while continuing to seek new market opportunities with smaller investments across mature and emerging markets. Even with this greater caution, it is important to emphasize that companies can and are still making strategic investments, and overall investment levels remain significantly above those observed during the depth of crisis in 2008/09.

The adapted approach to international investment has significant implications for how investment is distributed across the world. Accordingly, 2011 saw a considerable widening of investment among emerging economies, with significant declines among traditional 'hot-spots,' such as China and India, while a number of new contenders for investment experienced significant increases, such as Indonesia and Serbia. Moreover, despite their ongoing fiscal problems, many mature economies experienced considerable increases in inward investment, as they benefitted from market driven investment.

In the context of a more complex and uncertain world, companies must take a strategic approach to how they structure their global operational footprints. The objective of such an approach is to identify opportunities for footprint optimization in line with their overall business and operational strategies in a timely manner and allow for a speedy implementation when expansion or consolidation is required.

Locations that seek to attract investment must in turn make concerted efforts to improve their value proposition to companies. This involves identifying their unique strengths while proactively addressing improvement needs. In a world where talent and competences are becoming more important as competitive differentiators for both companies and locations, strategically aligning talent development and management with wider economic development efforts will be key to such efforts.

A world of increasing complexity and uncertainty

Europe in continued crisis

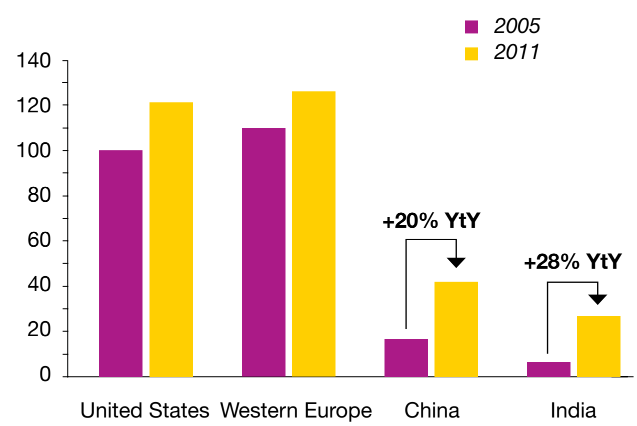
The global economy continued its turbulent journey in 2011 through an uncertain recovery from the financial and economic calamity that gripped the world after the collapse of Lehman Brothers and the ensuing banking crisis. Accordingly, 2011 saw a stagnation, or even reversal, of the recovery that had begun in 2010, as attention turned to the fiscal circumstances of governments and the public sector. While the crisis of 2008-2009 had focused on the position of banks and the amount of leverage in the corporate and household sectors, the attention in 2011 turned to the fiscal imbalances of governments. The focus was on governments with deficits and debt levels of such a magnitude that their sustainability was brought into question and the risks of default a distinct possibility.

This was particularly evident in Europe. In an effort to address their fiscal imbalances and restore market confidence in their credit-worthiness, governments across Europe engaged in considerable fiscal tightening, with budgets reduced and expenditure curbed across departments and public services. This has, in turn, led to a slowdown in economic activity, caused not only by the direct reduced government spending, but also by the associated uncertainty about economic prospects affecting companies' willingness to invest and household expenditure.

More challenging conditions in emerging economies

While Europe was occupied with fiscal matters, a more fundamental change was going on in the global economy. With emerging markets having seemingly avoided the worst ramifications of the financial and subsequent fiscal crisis afflicting Europe and North America, these countries have been widely viewed as the prime engines that would drive global economic growth in the years to come. Moreover, with their continuously improving business environments, growing markets and attractive operating costs, emerging markets are viewed as prime destinations and targets for companies seeking to expand and grow.

However, these dynamics in emerging markets are changing rapidly, and the once alluring prospects offered to companies in countries such as China and India are now being subjected to more critical review. First, questions are being asked about the sustainability of the high growth rates in countries such as China and India with, for example, significant imbalances and bubbles emerging in China's real estate sector. Second, as a result of the significant growth and vast amounts of inward investment in recent years, many emerging countries are seeing significant double-digit annual increases in salaries and other operating costs, thereby reducing the relative cost differences with more mature economies.



* Labor cost index based on metro area average monthly wages plus social security contributions in USD, US 2005 = 100; source: EIU & IBM-PLI, 2012
Source: Global Location Trends: 2012 annual report.

Figure 1: **Indicative labor cost comparison China and India versus the United States and Western Europe.***

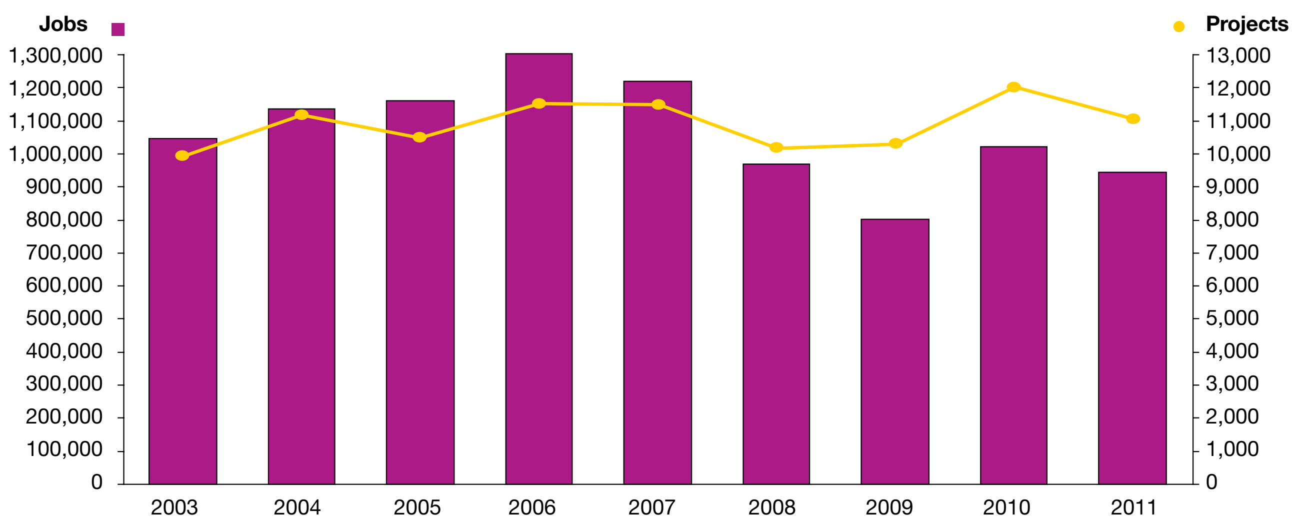
Additionally, many companies are finding it difficult to hire and retain skilled staff in some of the traditional hot spots of foreign investment activity. Viewed through this more critical prism, the supposed opportunities offered by some of the larger emerging markets appear less promising.

Political upheavals changing the Middle East

Various major incidents in 2011 greatly impacted corporate investment initiatives in the short term. First of all, there was the "Arab Spring" revolution in the Middle East and Northern Africa (MENA), which almost put economic activity on hold overnight in several countries. The short-term safety concerns, coupled with the mid-term uncertainties around market potential and stability of the business environment in the region, made many companies with a local presence or with an intention to make short-term investments hesitant to move forward with their expansion plans. Not only was this felt in the countries that were most directly affected by the violent dimensions of the revolution, but also in more stable neighboring countries where hardly any expression of revolution was evident. As such, the whole MENA region experienced impacts from the revolution in a selection of countries. Prior to these events, international companies had shown growing interest in expanding their operational footprint in this part of the world, often as a platform to serve wider European and African markets.

Natural disasters in Asia disrupting supply chains

In a different part of the world, an earthquake in Japan in March 2011, and a subsequent and unprecedented tsunami, had a dramatic effect on whole industries, with disruptions of entire global supply chains. In particular, the electronics and automotive industries in the northeastern Tōhoku region were hit hard, with companies out of operation for many weeks. This interrupted the outbound delivery of end products to consumer markets around the world and also put on hold the inbound supply of components and materials by suppliers. Investment initiatives by the affected companies were stalled, which led to decreases in global investment by Japanese companies and by the electronics industry in particular.



Source: Global Location Trends: 2012 annual report.

Figure 2: **New foreign investment activity in 2003-2011, number of projects and job creation.**

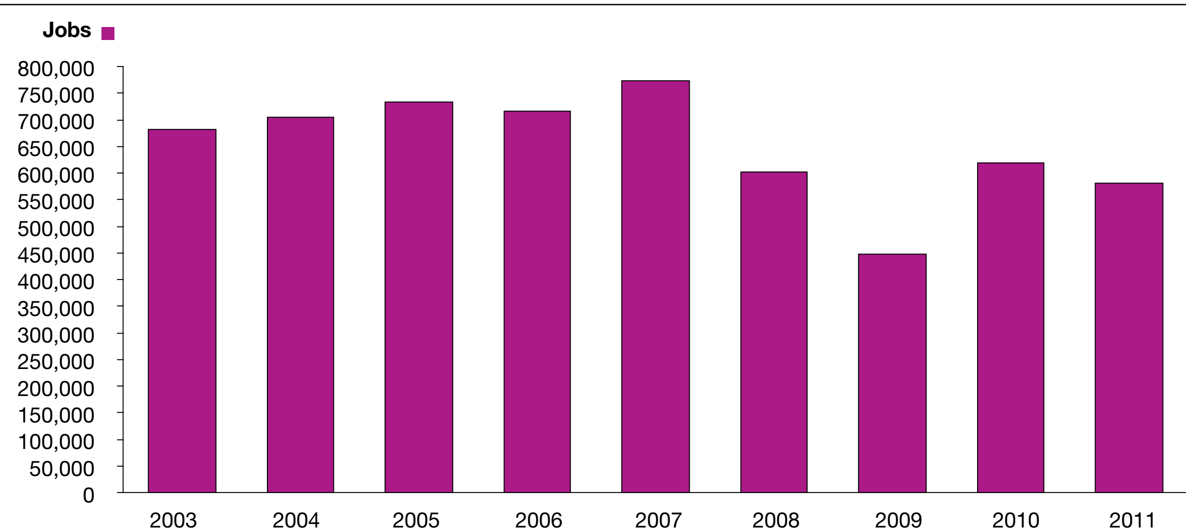
In the second half of the year, major flooding in Thailand had a similar impact. Prior to these events, a large number of international companies had established manufacturing operations in Thailand, resulting in a huge increase in foreign investment into the country. Many of the companies that had established operations in the affected region were flooded and consequently out of business for long periods of time. Since these companies were forced to focus on solving the problems in Thailand, other investment plans were given less priority and were delayed. This again mostly affected the electronics industry, which had made considerable investments in Thailand in recent years. Furthermore, investment in Thailand was detrimentally affected by potentially interested companies taking a more hesitant and reluctant view of the country.

Companies adopting a more cautious internationalization approach

Reducing large and risky investment projects

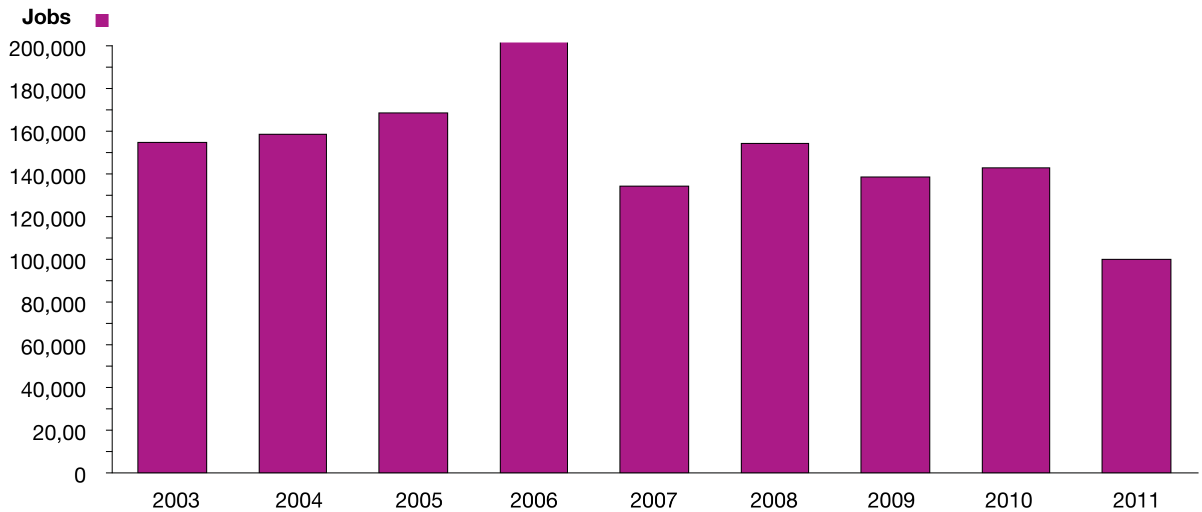
In response to the uncertain economic environment, changing dynamics and the various disruptions previously outlined, companies have begun to more critically assess their investment and internationalization efforts. Lacking clear signs of a sustainable recovery in global growth, companies are looking for ways to optimize current operations, while also ensuring that they are positioned to take advantage of an eventual return to growth. These considerations have translated into a greater reluctance to embark on large investments, which, in turn, has resulted in stagnating foreign direct investment levels in 2011. Hence, after a marked increase in foreign investment in 2010, the number of projects as well as jobs generated from foreign direct investment both declined by 8 percent in 2011.

The drop in large investment projects is particularly evident when looking at investment trends by business function, with the most significant reductions being in production and business support services. Investment in other functions has remained stable or increased marginally.



Source: Global Location Trends: 2012 annual report.

Figure 3: **Job creation through foreign investment in new production facilities, 2003-2011.**

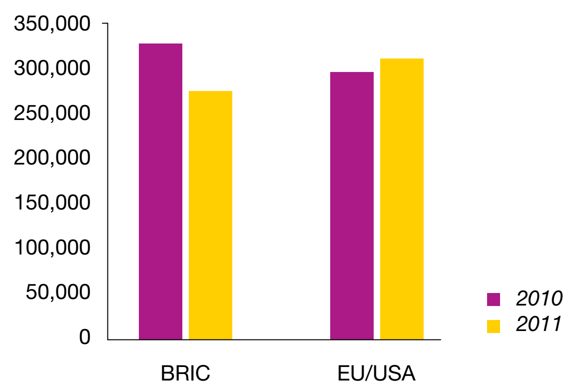


Source: Global Location Trends: 2012 annual report.

Figure 4: **Job creation through foreign investment in business support centers, 2003-2010.**

Looking for market opportunities

Whereas large investment projects are more often postponed in times of economic uncertainties, smaller scale investments tend to be less affected. Smaller projects are often focused on serving consumer markets in a specific country or a combination of countries. Traditionally, most of these market-driven investments focus on the most mature global markets (particularly Western Europe and Northern America), and upcoming growth markets attract investment from companies that are already established in the mature markets. This phenomenon leads to a fairly stable flow of market-driven investment to mature economies and a more cyclical pattern of investment into growth markets. Consequently, similar to the crisis years 2008/09, key markets, such as the European Union and United States, were less affected by the global decrease of investment than the most important growth markets, notably the BRIC-countries (Brazil, Russia, India and China).



Source: Global Location Trends: 2012 annual report.

Figure 5: **Job creation through foreign investment in EU / USA versus BRIC-countries.**

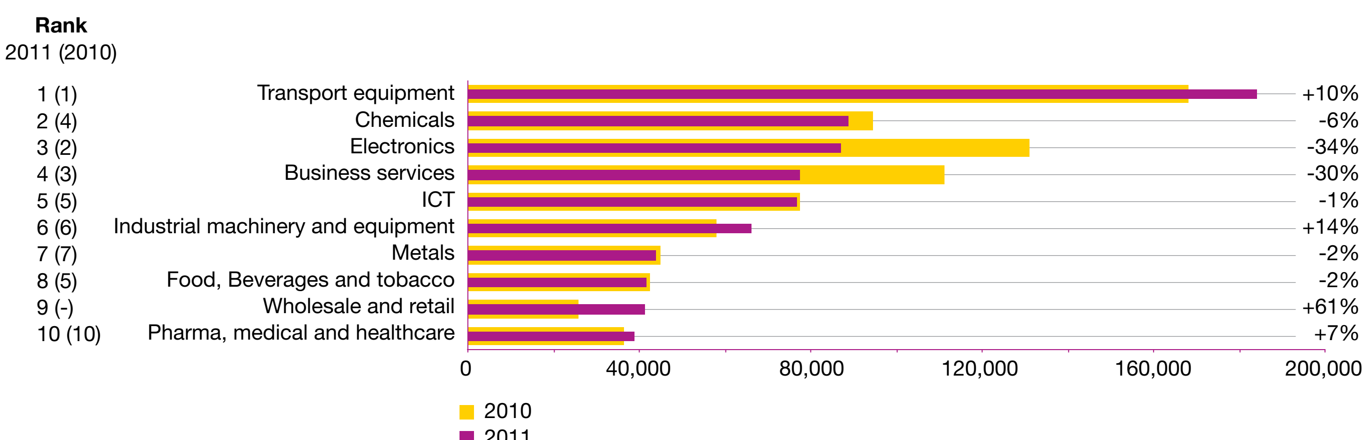
For some sectors, there were particularly large drops in foreign investment activity, such as electronics and business services. As explained earlier, the electronics industry was affected more than other industries by the natural disasters in Japan and Thailand. The decrease in global investment by the business services sector (a wide mix of services companies such as consulting firms, auditors, and engineering firms) is largely explained by the overall economic slowdown.

The transport equipment sector remains the dominant investing sector and saw continued growth of more than 10 percent. This sector is driven mainly by the automotive industry, which again focused on serving key markets in North America (from the United States and Mexico) and in China. Investors in this industry mainly originate from Japan, the United States and Germany (each responsible for around 30,000 new jobs), but Chinese automotive companies increasingly create jobs elsewhere as well: 10,000 in 2011.

Making strategic investments

Despite the increasing uncertainty and more critical stance of investors, it is important to emphasize that investment is still taking place at levels significantly higher than during the 2008-2009 crisis. Indeed, unlike governments, the corporate sector is on the whole in far better shape than it was three-to-four years ago, with healthy balance sheets. Moreover, while much activity in 2008-2009 was focused on securing fragile cash-flow, companies today sit with unprecedented amounts of liquidity that can and is used for strategic investments. For example, the amount of cash and short-term investments among companies in the S&P 500 (ex-financial sector) surpassed US$ 1.2 trillion at the end of 2011, an increase of more than 50 percent compared to 2008 levels.

In 2010, we had observed a strong increase of the importance of Asian economies for global investment. With the slowdown in business services (among others in India), and natural disasters in Japan and Thailand, impacting companies in these



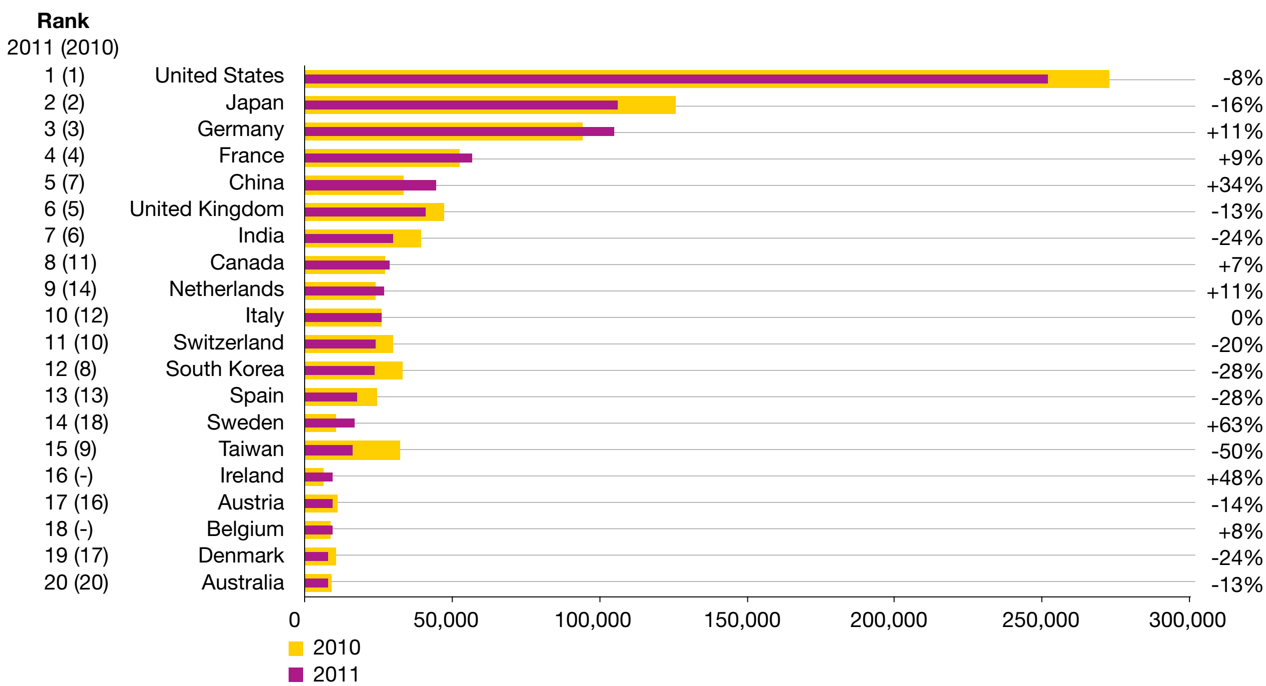
Source: Global Location Trends: 2012 annual report.

Figure 6: **Top ranking sectors by estimated jobs – 2011 (10).**

and neighboring countries, this importance has decreased somewhat again in 2011, with job creation by Japanese companies decreasing by 16 percent, South Korea 27 percent, India 25 percent and Taiwan 50 percent.

On the other hand, China continues to increase its importance as a global powerhouse as it is becoming a key "outward investor." Job creation by Chinese companies through new "greenfield" investments elsewhere in the world (not acquisitions) increased by over 30 percent, causing China to jump to fifth position as a global investor. Whereas India's growth of outward investment seems to struggle as a result of its reliance on few key sectors and activities (information and communication technology and services functions in particular), China's stronger industry variety and manufacturing focus creates a firmer and less sensitive foundation for international growth.

The United States continues to be the number one investing economy in other parts of the world and typically determines the global trend. Hence, job creation by foreign investment through U.S.-headquartered companies decreased by 7 percent from 2010 to 2011. The global decrease was 8 percent.



Source: Global Location Trends: 2012 annual report.

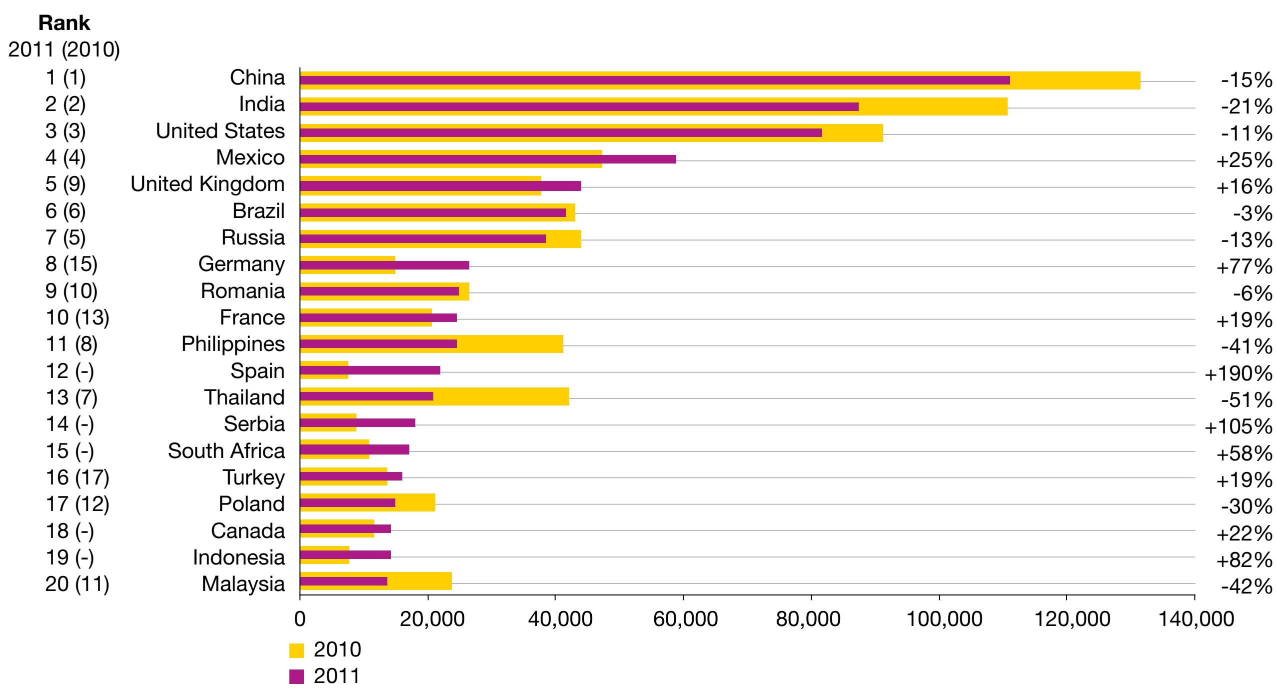
Figure 7: **Top ranking origin countries by estimated jobs - 2011 (10).**

New locations capitalizing on changing dynamics

The developments outlined here have significant implications for how companies structure their global operations. Accordingly, while the changes in overall investment activity were relatively moderate, the distribution of investment changed significantly.

Several emerging-market countries experienced declines, with both China and India seeing drops in overall number of jobs created from foreign investment of respectively 15 percent and 20 percent. At the same time, the other BRIC countries – Brazil and Russia – saw declines of 4 percent and 13 percent respectively. China was particularly severely affected by the global decline in investment in the electronics sector, and India suffered from declines in business services investment. This resulted, in part, from the reduced quantity of larger investment projects globally, which tend to be destined for emerging markets. However, it was also a consequence of the more fundamental concerns about the changing dynamics in many of the larger emerging economies.

Additionally, the market-driven investment that these countries have benefitted from, such as investment projects for serving the local markets, is stagnating as the previously impressive growth rates of these economies are brought into question.



Source: Global Location Trends: 2012 annual report.

Figure 8: **Top ranking destination countries by estimated jobs - 2011 (10).**

Even with these developments, China remains the number one destination country for foreign direct investment measured by number of jobs created, with India second and the United States completing the top three.

Other Asian hotspots for investment that experienced declines include the Philippines, Thailand and Malaysia. The Philippines were particularly affected by the global decrease in investment in business support services, while Thailand and Malaysia saw its production investment decline as labor availability and costs gradually become less competitive.

However, other countries in Asia that have not previously been major recipients of investment saw significant increases in investment. For example, Indonesia experienced an increase of 80 percent in jobs created from foreign investment and makes its first entrance in the global top 20 ranking. This was largely driven by increases in the electronics (counter to the global trend), transport equipment, chemicals and industrial machinery and equipment sectors.

In Eastern Europe, a similar interesting dynamic is taking place, with some of the recent hotspots, for example, Poland, Hungary, Slovakia, Romania and Bulgaria, all seeing declines in inward investment, while countries in the Western Balkans, notably Serbia and Macedonia, experienced significant increases in investment. In the case of Serbia, the increase was primarily driven by remarkable increases in the textiles and clothing sector, and Macedonia received significant new investment in electronics and electrical equipment, textiles and pharmaceuticals.

The trend that earlier saw investment flows move from Central Europe to South East Europe is taking a further step from South East Europe to the Western Balkans, as companies are looking to tap into new talent pools and business environments with favorable operating costs.

In response to the changing business environments and operating conditions in emerging countries, we are witnessing companies exploring opportunities in countries that were not previously among the frequent contenders for investment. This is, in part, the result of less competitive cost levels and greater competition for talent in the traditional hotspots and partly because of significant improvements in the business environments of the "new" recipients of investment.

In addition, several more mature economies experienced moderate, or in some cases significant, growth in inward investment in 2011, measured by the number of projects and jobs. For example, in Europe, the three major economies – Germany, France and the United Kingdom – all experienced double-digit growth in jobs created from inward investment. Indeed, Germany almost doubled the number of jobs created from inward investment, with a more than 400 percent increase in the retail and wholesale sector, which can be viewed as market driven investment seeking opportunities in the key economic growth engine in Europe. Furthermore, Germany experienced more than a tripling of investment in the transport equipment sector.

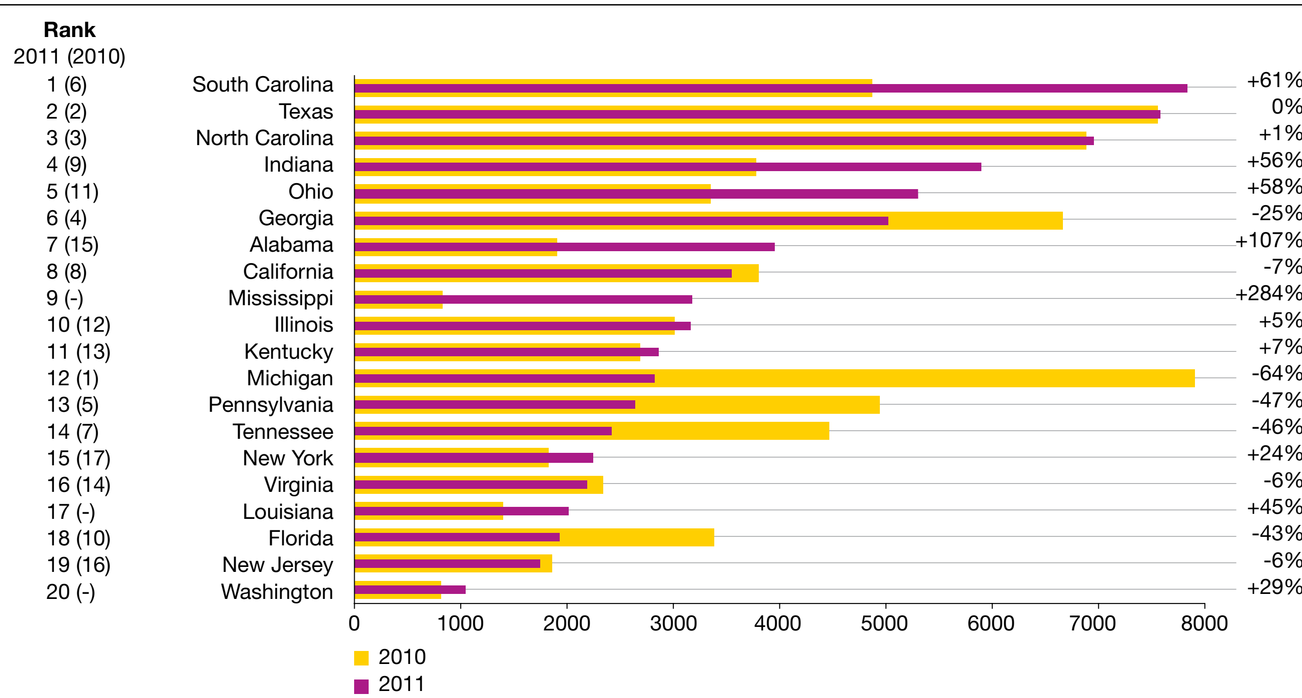
Similarly, Spain experienced more than a doubling of inward investment, while Belgium, Denmark, the Netherlands and Austria all experienced growth in the number of inward investment projects and jobs. In stark contrast to the wider macroeconomic environment, and notably the fiscal positions of some governments, the overall investment levels into many Western European countries is going up. As we highlighted in the reports of the last few years, corporate investment and location decisions are primarily driven by the structural competitiveness of a country – shaped by the availability of appropriate business environments, presence of skills and attractive cost levels – rather than the temporary fiscal position of a country's government. Even though media headlines and commentary may focus on fiscal issues, our findings this year continue to support the view that the long-term growth prospects of a country are determined by more fundamental structural factors. Ireland – as an example – achieves a top performance in attracting foreign investment for the past few years, despite the economic problems it is facing domestically.

One can even argue that the pause in salary increases of recent years, and in some segments of the labor market even decreases in wages, have improved the attractiveness for investment into the country.

In North America, inward investment in the United States was stable, while Canada and Mexico experienced growth. Within the United States, competition for investment is intense as business environments show less differentiation among states and communities than in other parts of the world. Consequently, investing companies often have many candidate locations to choose from, and powerful economic development strategies and marketing tools (such as financial incentives) can strongly impact the decisions that companies make at the end of their evaluation process.

The top three performing states in attracting jobs through foreign investment in 2011 were South Carolina, Texas and North Carolina. These are followed by Indiana, Ohio and Georgia. Top-ranking metropolitan areas (measured in number of projects, not jobs) were Houston, Chicago and New York (see also Figure 12).

Note also that U.S. domestic investment is even more important for job creation across the United States than foreign investment. In general, twice as many jobs are created by new investment projects from U.S. companies headquartered elsewhere in the country (in other words, another state) than by investments from foreign owned companies. Consequently – and similar to the global trend –- U.S. companies are



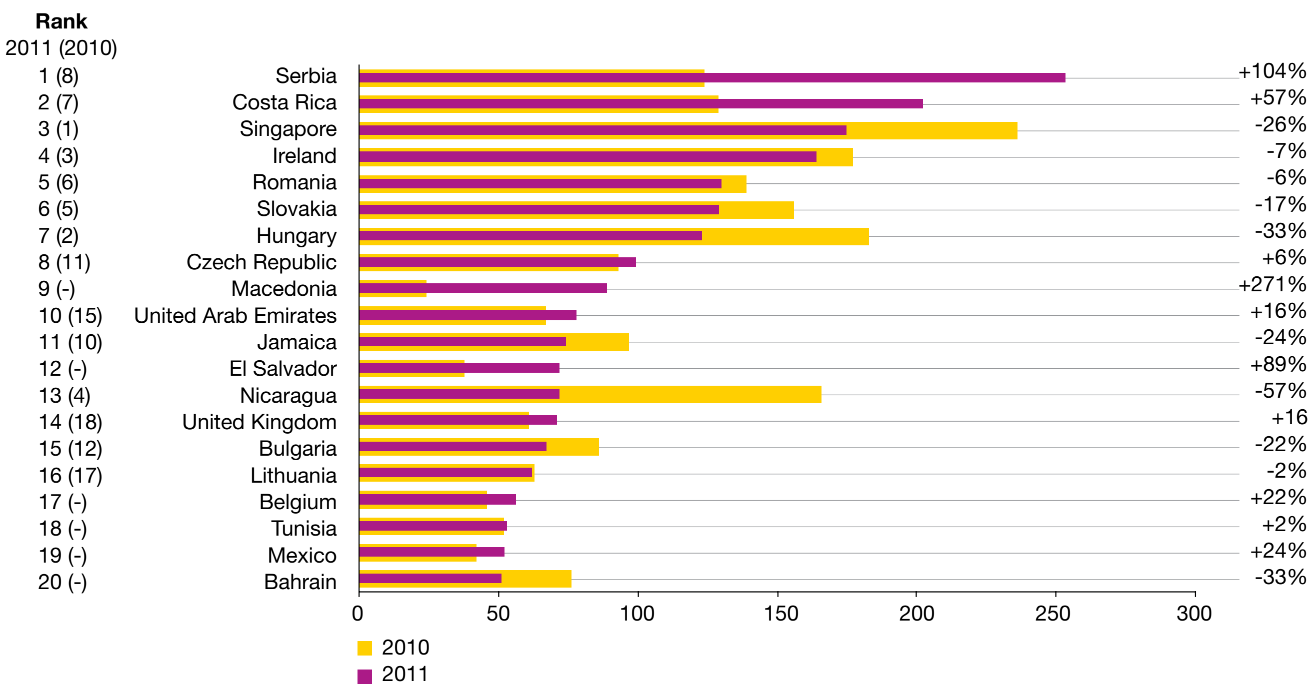
Source: Global Location Trends: 2012 annual report.

Figure 9: **Top ranking destination states in the US by estimated jobs – 2011 (10).**

the dominant investors if we look at investment across state borders. Including such cross-border domestic investment brings North Carolina to the front, followed by Texas and South Carolina. Our separate "Global Location Trends. Facts & Figures North America" report provides more details on this domestic investment.

In Latin America, the picture is more varied. As noted earlier, Brazil experienced a moderate decline, but so did Nicaragua and Colombia. On the other hand, Costa Rica, El Salvador and Peru all saw considerable increases in inward investment.

Costa Rica's impressive performance is further evident when looking at the number of jobs created from foreign investment relative to population. On this measure, Serbia ranks number one in the world and Costa Rica is second. The three countries that have made up the top three on this measure for the last few years – Ireland, Singapore and Hungary – all saw declines in absolute job numbers as well as their ranking.



Note: Countries with less than 1 million population were excluded from the analysis
Source: Global Location Trends: 2012 annual report.

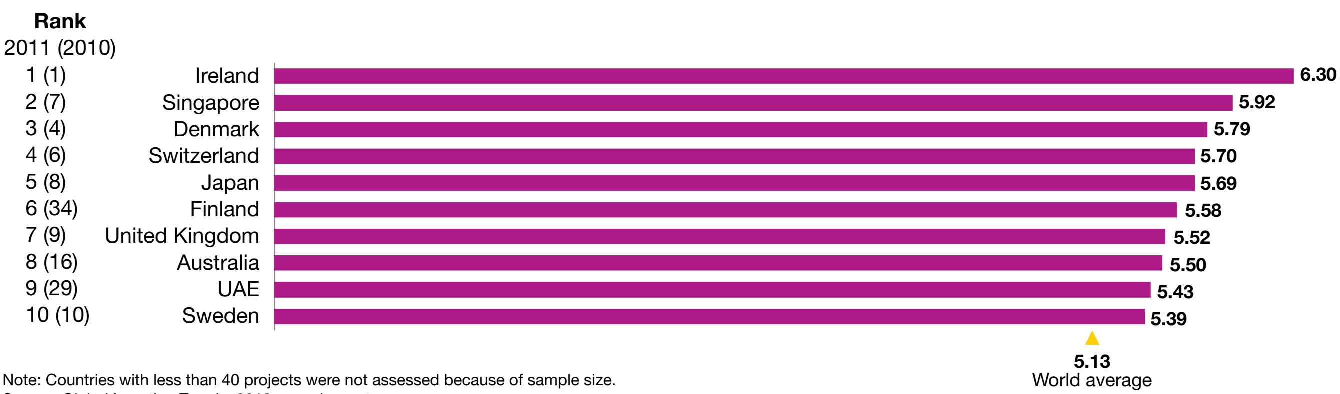
Figure 10: **Top ranking destination countries by estimated jobs - per 100,000 inhabitants – 2011 (10).**

Increasing focus on quality of jobs

From an economic development perspective, it is not only the number of jobs created that are of interest, but also the type of investment projects and their value to the economy. Comparing countries on what projects are attracted, and not just the number of jobs, is therefore an increasingly important metric for gauging inward investment performance. To this end, IBM-Plant Location International has developed a foreign direct investment (FDI) value indicator that assigns a value to each investment project depending on sector and type of business activity. This value indicator assesses the added value and knowledge intensity of the jobs created by the investment project.

On this measure, Ireland continues to be the world's top ranking country, with Singapore second and Denmark third. The top ten ranking is made up entirely of mature economies, highlighting that while emerging economies may attract investments that create many jobs, the mature economies continue to attract high-value investment.

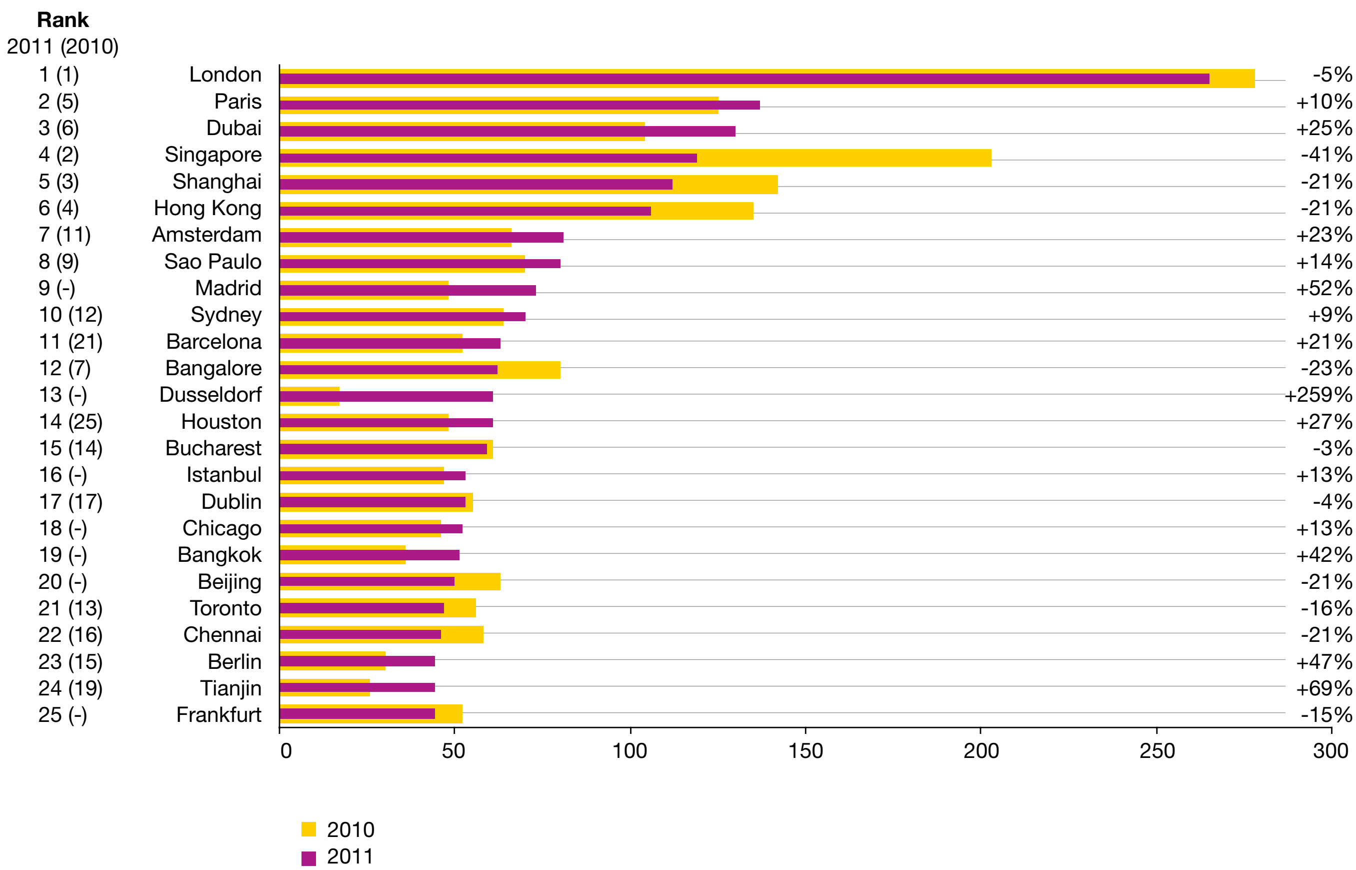
At the level of cities, London continues to be the top destination for foreign investment projects in the world, followed by Paris and Dubai. It is notable that the cities with the largest declines in investment projects are primarily located in the large emerging economies, again reinforcing the message that companies are seemingly reducing their investment activities in these locations as a result of the new dynamic. Hence,



Note: Countries with less than 40 projects were not assessed because of sample size.
Source: Global Location Trends: 2012 annual report.

Figure 11: **Top ranking destination countries by average value of investment projects – 2011 (10).**

Shanghai, Bangalore, Beijing and Chennai all experienced declines. In contrast, a number of Western European cities experienced increases, for example, Paris, Amsterdam, Madrid, Barcelona and Dusseldorf. It is also noteworthy that some cities have managed, counter to a national trend of decline, to achieve growth in the number of investment projects received. Accordingly, both Sao Paulo and Bangkok saw growth in inward investment despite the declines witnessed in Brazil and Thailand at a national level. This perhaps highlights how cities can now position themselves as significant economic entities in their own right and can create a competitive business environment more or less independently of the national context of where they are situated. For this reason, cities are increasingly in a position to shape their own economic destinies.



Note: Projects of less than 10 jobs were not included.
Source: Global Location Trends: 2012 annual report.

Figure 12: **Top ranking destination cities by projects – 2011 (10).**

Implications for corporate and public sector actors

Moving towards globally integrated enterprises

It is evident that companies are adapting their global operations to a changing dynamic in emerging economies and an uncertain economic outlook in mature economies. In a continuation of their efforts to optimize their global operational footprints, companies are critically assessing current operations while trying to identify the next opportunities for growth, talent access or cost efficiencies. This leads to a reconfiguration of corporate architectures that seeks to better leverage the world's opportunities for operational excellence and transforms companies into globally integrated enterprises. Given the complexities of such organizational structures and the rapidly changing operating conditions in different parts of the world, a globally integrated enterprise is not an end-state but a continuous process of transformation that enables a company to optimize across markets, resources and costs.

Optimizing global operations

Companies with an extensive international footprint are increasingly taking a strategic approach to evaluating the contribution of their current locations to the overall business performance as well as identifying new upcoming alternative locations. The objective of such an approach is to identify opportunities for footprint optimization in line with their overall business and operational strategies in a timely manner and allow for a speedy implementation when expansion or consolidation is required. Such an "advanced-planning" approach has been successfully implemented by IBM and several other international key players both in manufacturing and services industries and meets the need for a more strategic response to location footprint optimization rather than tactical site selection.

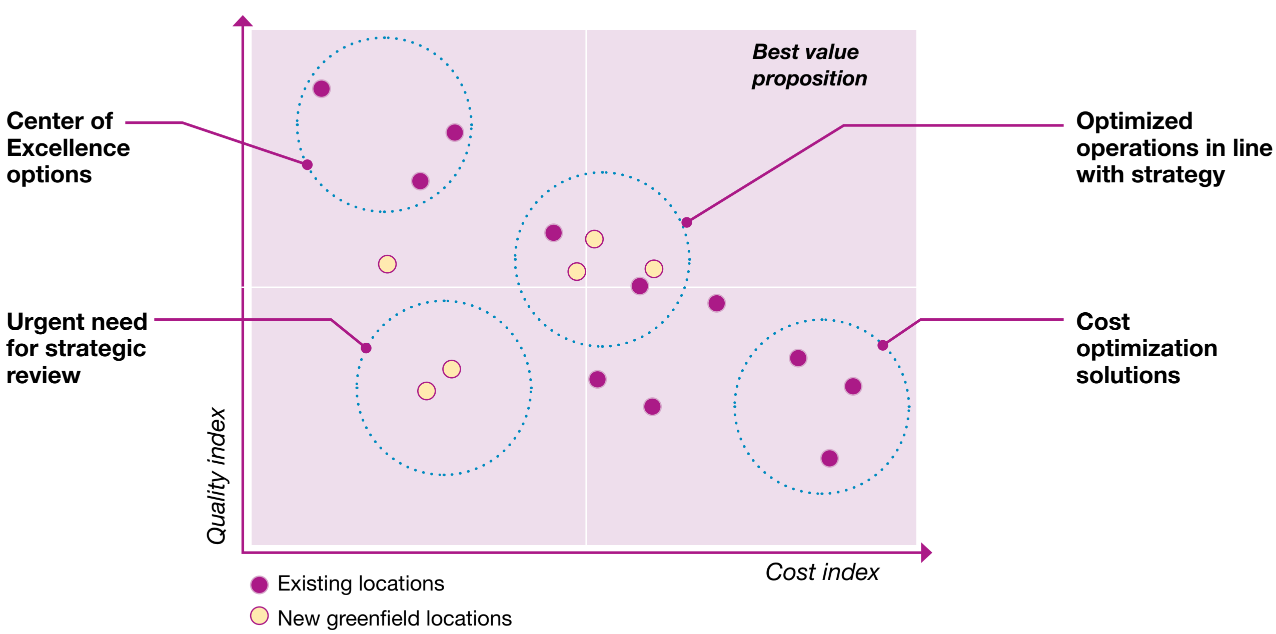


Figure 13: **Footprint optimization reviews existing sites and new opportunities.**

Understanding, improving and promoting your location's unique value proposition

For cities, regions and countries seeking to attract investment, the more discerning corporate investor represents a challenge. Accordingly, locations have to ensure that they offer attractive value propositions for investors that enable them to make satisfactory returns on their investments. In particular, for recent hot spots in emerging markets that are experiencing rapid cost increases, this means that they have to make the qualitative improvements in their business environments and operating conditions that can make them able to compete for higher value investment with mature economies. This is no small challenge. As noted by IBM Chairman Sam Palmisano in a speech to the Lisbon Council in 2012, "The fact is that the developing world has reached the end of the easy path to rising GDP and per capita income. Some call this the "middle-income trap" – the idea that it is a lot easier to go from a low-income to a middle-income economy, than it is to jump from a middle-income to a high-income economy.... Simply put, these growth markets have plucked the low-hanging fruit of Global Integration Act I. Now they face a radically more competitive arena, requiring higher degrees of regulation and higher standards, where there are higher expectations for everything – from product and service quality, to working conditions, to protection of intellectual property and the rule of law."

The mature economies in turn have to make continued improvements in their competitiveness in order to remain attractive to investors. Doing so while installing a greater degree of fiscal discipline and reduced public expenditure is certainly difficult but nonetheless a necessity. Indeed, it is important that cities, regions and countries continue to improve and invest in their competitiveness if they are to secure sustainable long-term growth.

Strategic talent development and management

In a world where competences and talent are increasingly key to the competitive advantage of both companies and locations, both private and public sector actors need to take a more strategic approach to talent development and management. In companies, this takes the form of strategic workforce management, where talent pools across the world are leveraged to meet current and future skills requirements. For locations, it means that education and training efforts need to be aligned with wider economic development efforts, ensuring that the skills are available at the right time to companies in priority sectors and industries. In addition, concerted efforts must be made to attract and retain talent in order for cities, regions and countries to be competitive in an increasingly uncertain and complex global economy.

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About IBM Global Business Services

With business experts in more than 160 countries, IBM Global Business Services provides clients with deep business process and industry expertise across 17 industries, using innovation to identify, create and deliver value faster. We draw on the full breadth of IBM capabilities, standing behind our advice to help clients implement solutions designed to deliver business outcomes with far-reaching impact and sustainable results. IBM Global Business Services offers one of the largest strategy & transformation practices in the world. Strategy & transformation fuses business strategy with technology insight to help organizations develop and align their business vision across four strategic dimensions – business strategy, operations strategy, organization change strategy and technology strategy – to drive innovation and growth.

About Plant Location International

Plant Location International (PLI) is a global service of IBM Global Business Services Strategy & Transformation practice, specialized in corporate location and economic development strategies. Operating as a fully globally integrated service - with a global center of excellence in Brussels, Belgium, supported by industry and functional subject matter experts in key markets around the world – IBM-PLI provides expert services to corporate clients for analyzing international business locations for expanding or consolidating companies to select the optimal location (country/city). IBM-PLI also advises economic development organizations on improving their areas' competitiveness, strategic marketing, developing value propositions, and marketing tools, etc. For more information, please visit ***ibm.com**/gbs/pli*

IBM's GILD database monitors global location trends through new foreign investment

For many years, the only available data for analyzing foreign investment trends around the world were the capital investment data as published by the United Nations. These data measure the capital flows through various forms of FDI, including mergers and acquisitions (M&A). Often these FDI flows are used to measure the success of geographical entities (countries, states and even cities) in attracting foreign investment. However, this can lead to misleading conclusions on the capacity of the locations to attract foreign companies. M&As are driven mostly by an interest from the investor in a target company with the objective to gain market share, acquire technology, and so on. The business location of the target company is typically not the main driver for the investment and a location decision is rarely part of M&A investment decisions.

A better approach to measure the success of individual countries in attracting foreign investment is, therefore, to focus on those investment projects for which a clear decision on the investment location has been made. This is the case for vast majority of so-called "greenfield" investment projects as well as for new expansions of existing operations owned by foreign enterprises (as such expansions often can be realized in different locations owned by the company). For this reason, IBM-Plant Location International (IBM-PLI) has started to develop the Global Investment Locations Database (GILD) in 2002. GILD tracks announced decisions of companies to locate new operations in regions outside of their HQ region/country on an ongoing basis.

IBM-PLI's analysis of volumes of foreign investment focuses on job creation. From an economic development perspective, job creation is the best indicator of the local economic impact of the investment. Job positions created through the investment are typically filled by employees in the local labor market (or staff who relocate to that market) and consequently generate income and welfare in the region around the investment location.

The investment capital, however, often ends up in other regions or countries, as a result of the acquisition of plant or machinery, contracting of construction and engineering work outside the investment location. Therefore, the investment capital regularly is an overestimate of the economic impact of foreign investment in a specific location, particularly in the case of smaller regions or individual cities.

Interested in further detail? More Facts & Figures are available

In 2011, we started the production of a separate "Global Location Trends. Facts & Figures" report in response to requests for detailed data and analysis underpinning the trends described in the annual Global Location Trends reports. The objective of the report is to provide more comprehensive overviews of foreign investments in various parts of the world, as well as the detailed numbers for the various investment rankings.

Following a pilot Facts & Figures report from 2011, we produced several regional Facts & Figures reports this year, in addition to a (shorter) global Facts & Figures report.

Regional reports are available for Asia-Pacific, Europe, and North America.

Generally, the regional Facts & Figures reports focus on:

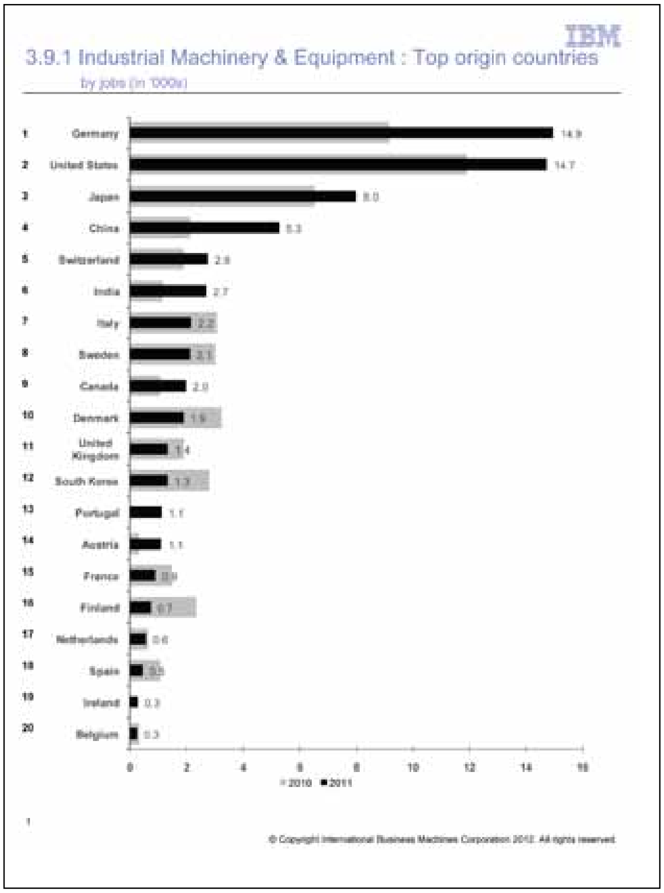
- Foreign investment by sector and sub-sector (breakdowns by destination and origin countries)
- Foreign investment for key activities (production, R&D, shared services/BPO), broken down by countries
- Foreign investment by origin country (breakdowns by sector and destination country)
- Foreign investment by destination country (breakdowns by sector and origin country)
- Top destination countries and cities by average investment project value
- Top origin countries and cities by average investment project value (based on job 'value')
- Individual one page profiles for the top 30 countries

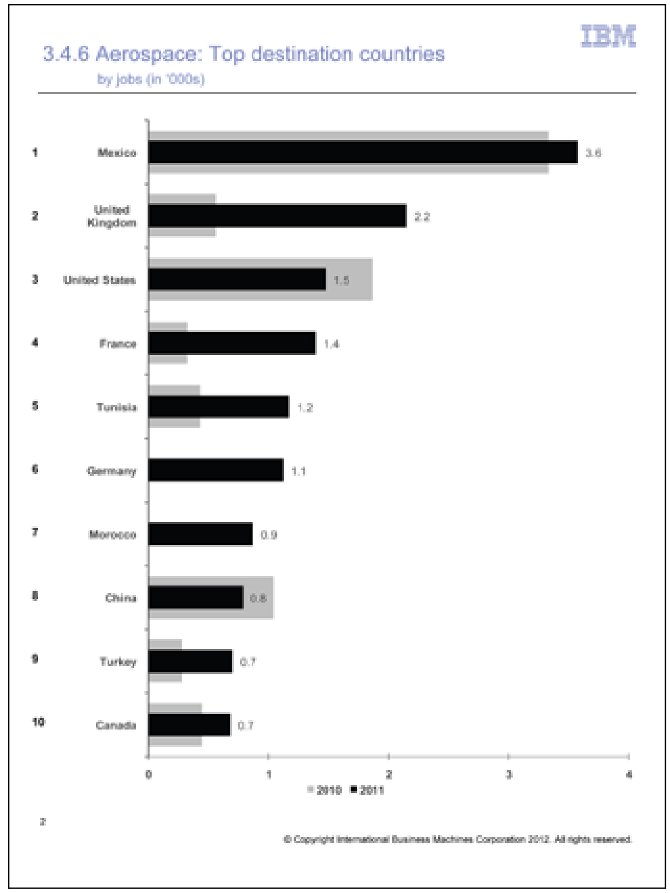
For the North American regional report, additional breakdowns are provided for foreign investment by destination state/province. Also, a separate analysis is made for cross border investment in North America, combining foreign investment and domestic investment by companies with headquarters in another state/province than the destination location.

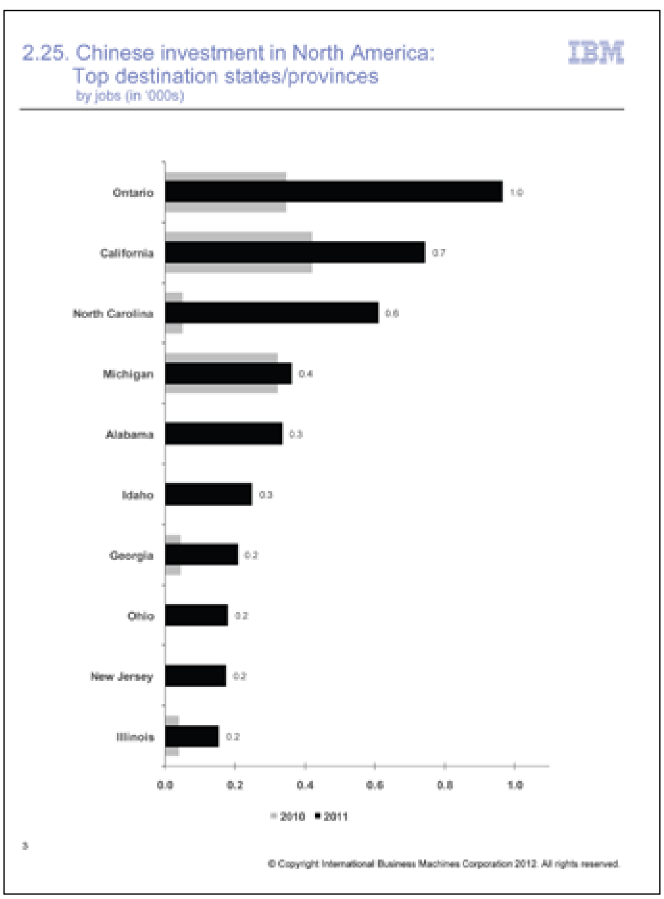
Next pages provide some snapshots from the various global and regional Facts & Figures report.

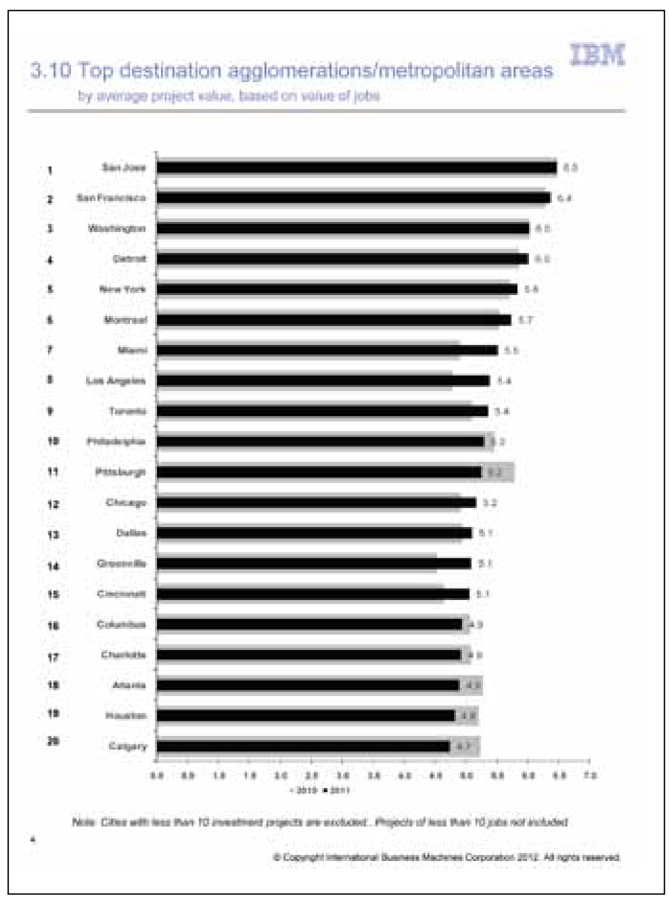
If you are interested in obtaining a copy of one or more of the 2012 Facts & Figures reports, please contact Katrien Castelain at *katrien.castelain@be.ibm.com.*

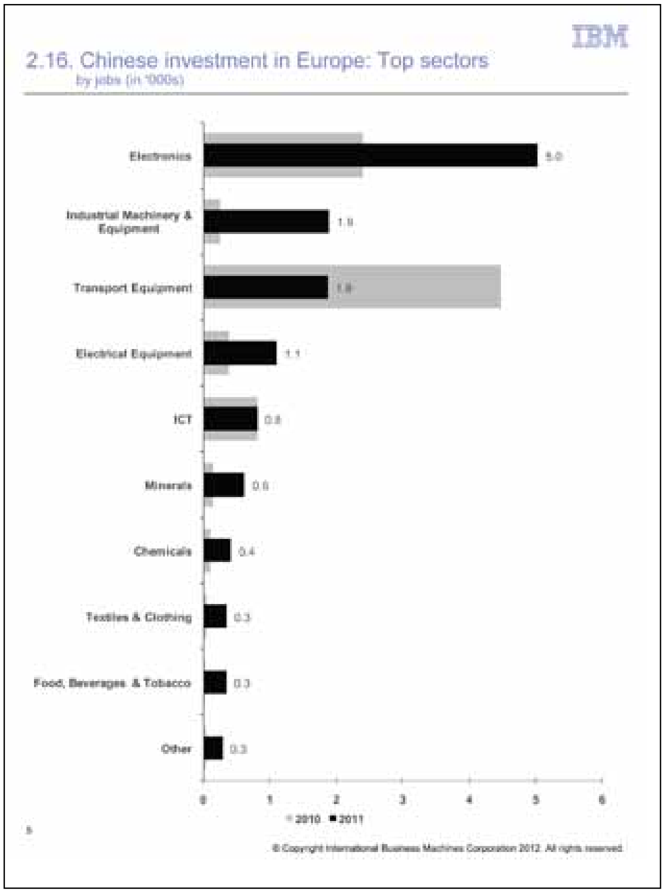
Example content from "Global Location Trends. Facts & Figures" reports










IBM
2.16. Chinese investment in Europe: Top sectors
by jobs (in '000s)
Electronics 5.0
Industrial Machinery & Equipment 1.9
Transport Equipment 1.9
Electrical Equipment 1.1
ICT 0.8
Minerals 0.6
Chemicals 0.4
Textiles & Clothing 0.3
Food, Beverages & Tobacco 0.3
Other 0.3
2010 2011
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IBM
3.10 Top destination agglomerations
by average project value, based on value of jobs
1 Dublin-IE
2 London-UK
3 Zurich-CH
4 Munich-DE
5 Paris-FR
6 Stuttgart-DE
7 Lyon-FR
8 Amsterdam-NL
9 Berlin-DE
10 Helsinki-FI
11 Copenhagen-DK
12 Frankfurt-DE
13 Moscow-RU
14 Stockholm-SE
15 Istanbul-TR
16 Bucharest-RO
17 Brussels-BE
18 Cologne-DE
19 Saint Petersburg-RU
20 Barcelona-ES
21 Dusseldorf-DE
22 Manchester-UK
23 West Midlands-UK
24 Madrid-ES
25 Rotterdam-NL
2010 2011
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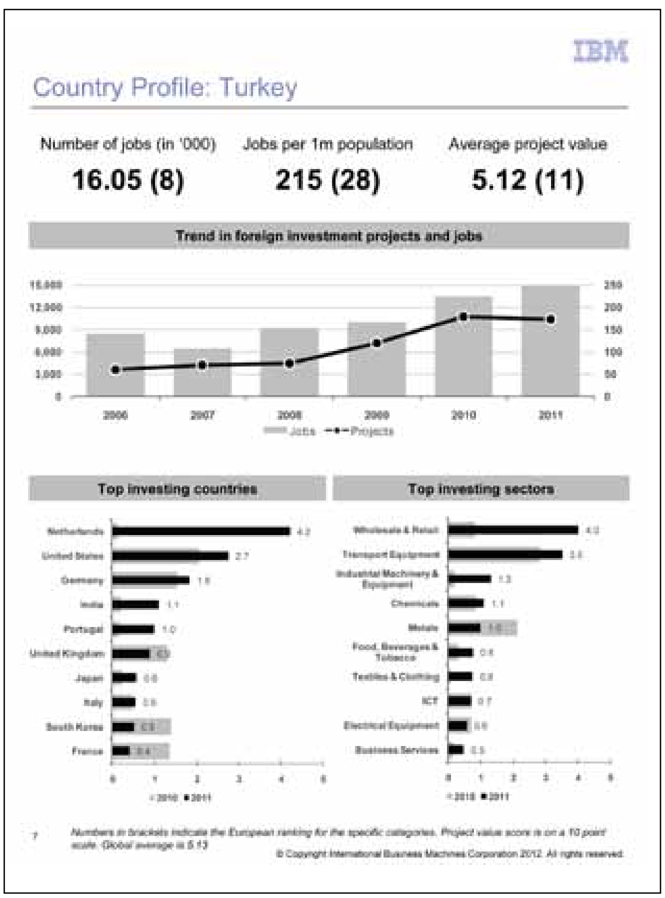
IBM
Country Profile: Turkey
Number of jobs (in '000)
16.05 (8)
Jobs per 1m population
215 (28)
Average project value
5.12 (11)
Trend in foreign investment projects and jobs
2006 2007 2008 2009 2010 2011
Jobs Projects
Top investing countries
Top investing sectors
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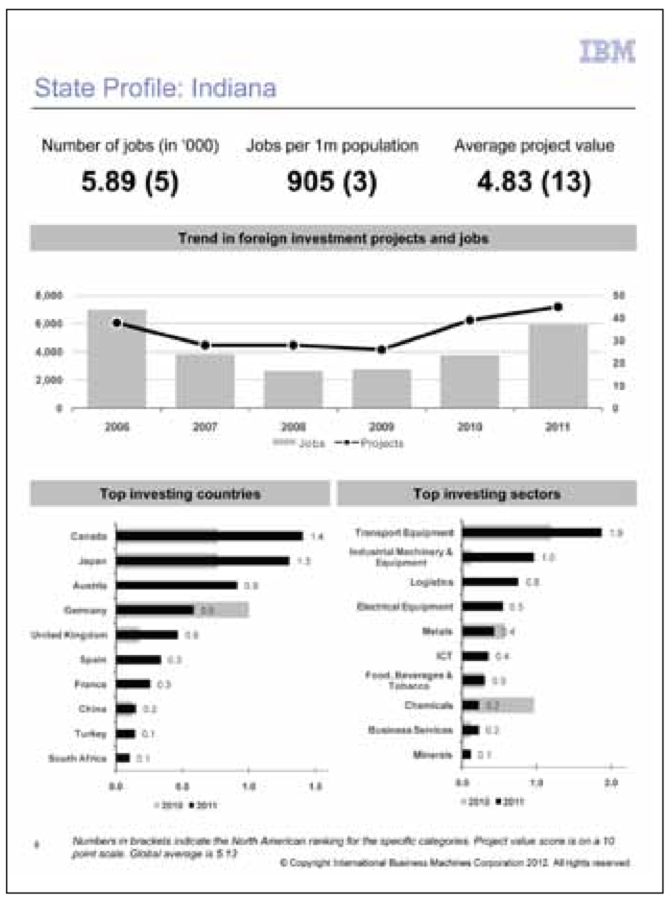
IBM
State Profile: Indiana
Number of jobs (in '000)
5.89 (5)
Jobs per 1m population
905 (3)
Average project value
4.83 (13)
Trend in foreign investment projects and jobs
2006 2007 2008 2009 2010 2011
Jobs Projects
Top investing countries
Top investing sectors
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