

**An International Comparison
of Investment Promotion Websites:
Jeju Korea, PEI Canada & Hong Kong**

by

Kenneth R. McLeod

A thesis submitted in partial fulfillment
of the requirements for the degree of
Master's of Public Administration

The Graduate School of Public Administration

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Presented by

Kenneth Robert McLeod

Approved by:

Signature

Committee Chairperson: _____ Yang Young-Chul

Signature

Committee Member: _____ Lee Young-Wan

Signature

Committee Member: _____ Ko Chang-Hoon

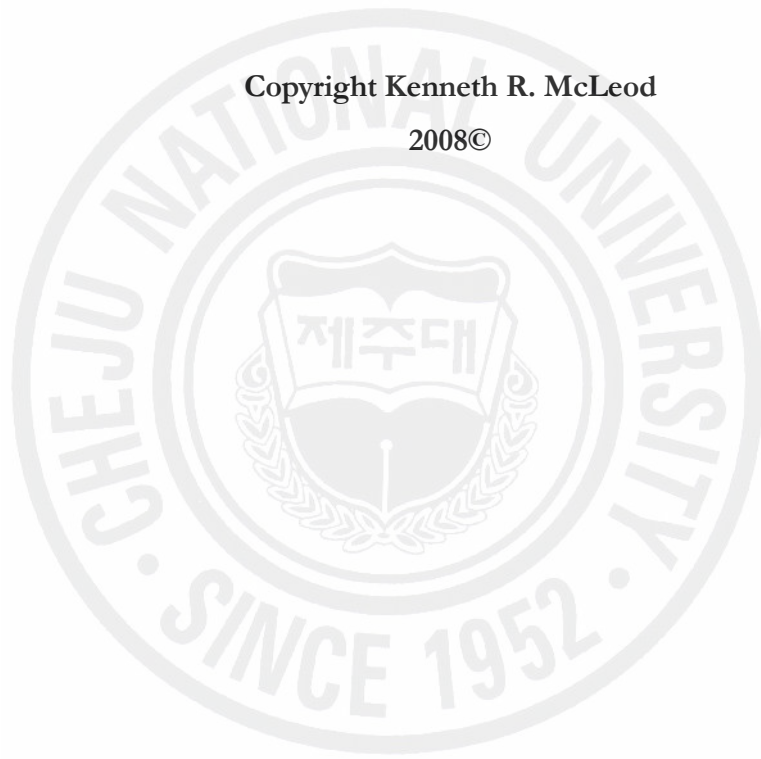
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ABSTRACT

This study assessed the Jeju Provincial Government's investment promotion Jeju Free International City (JFIC) website in comparison to Hong Kong's best practice subnational Investment Promotion Agency's (IPA), InvestHK, and Prince Edward Island's IPA, Invest PEI. The study assessed four website dimensions that are recommended for information dissemination to potential investors: information architecture, design, content, and promotional effectiveness. This study is based on Theodore Moran's promotional development work, and the Multilateral Investment Guarantee Agency's (MIGA) recent IPA performance study.

The JFIC website exhibited a low overall website performance score of 44%, compared to PEI (68.8%) and InvestHK (90.2%). Jeju's Content performance (16%) was far lower than the Invest PEI and InvestHK (28% and 47% respectively) IPA scores, and this is what provides investors crucial information such as the IPA's purpose, core (location) information, and credible, sector specific information. The JFIC site results also show weak promotional effectiveness of the website in terms of IPA branding, contact information and being easily found in basic Internet searches. The results of this assessment are consistent with MIGA's findings between best practice IPA's and developing IPA websites (2006).

This comparative study contributes to the area of government investment promotion by assessing the IPA's website criteria from an investor's information needs perspective. Key stakeholders can use this information to address the information needs of investors. It also suggests that an IPA doesn't have to be large to be effective, as the results show with the Invest PEI website. Following the best practices of top performing IPA's can make a difference in the image and quality of information provided to investors.

This study was limited in its ability to assess all the website information available for Jeju's multiple investment websites, namely the JDC and Invest Korea websites. Jeju Special Self-Governing Province would benefit from a single IPA to service clients, as is now common practice with IPA's around the world. The study was also based on core development factors that governments can undertake to promote the local infrastructure. The survey instrument (Investment Climate Survey) and methodology designed to measure these factors was beyond the scope of this study, however.

Recommendations include that Jeju Special Self-governing Province (JSSP) revise the JFIC website entirely, or remove it and provide its full support to enhance the Jeju Development Center's website. The same website evaluation could provide useful feedback to dramatically increase the effectiveness of the JDC website as well. A true 'one stop shop' to service investors would be the most effective solution. Finally, it is recommended that the Investment Climate Survey be undertaken to clearly identify what sector specific information can be promoted to investors on the website.

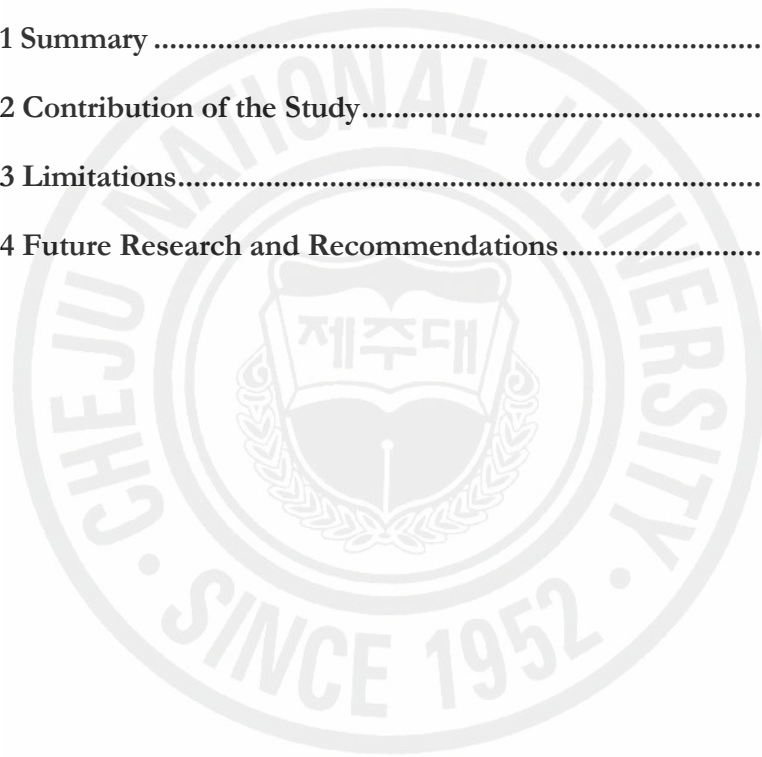
The information for investors will then match Jeju's impressive progress forward in its development.

KEYWORDS: Foreign Direct Investment (FDI), investment promotion, Investment Promotion Agency (IPA), investor services, Jeju, Korea, one-stop shop, subnational IPA.

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We learn the most about ourselves when we enter uncharted territory, try new things, and learn new perspectives. For we come up against the most human of experiences: differences of opinion, culture, personality and thankfully, acceptance, learning and friendship to name but a few. This writing quickly became a test of additional factors: family, work, east-west culture differences, goals and redefining values.

However at the centre of it all, for me, remains the joy and process of learning; what a privilege to do something you Love. And what a shame to those who don't; every day is a gift that can never be lived again. Equally, those around us have profound influences on our work and ideas.

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To my Wife & the Boys.

GLOSSARY

FDI Foreign Direct Investment

IPA Investment Promotion Agency

JDC Jeju Free International City Development Center

JFIC Jeju Free International City

JSSP Jeju Special Self-Governing Province

KLF Key Location Factors

MIGA Multilateral Investment Guarantee Agency

MNC Multinational Corporation

MNE Multinational Enterprise

UNCTAD United Nations Conference on Trade and Development

INTRODUCTION & BACKGROUND

1.1 Objectives and Motivations

1.1.1 Background

In July 2006 the Jeju Provincial Government was granted and transferred greater autonomous authority from the Korean Central Government to manage and develop its own policies and affairs. Such affairs include managing its' own education, health care, civil police, and development issues. The Jeju Governor is now mandated with the authority to create master plans for the above issues and to submit these plans to the general public and the Central Government Authority for approval. Areas of diplomacy and national defense remain under the authority of the Central Government.¹

The transfer of central government powers is a crucial test for the capacity of a Korean provincial authority to manage and develop its own provincial affairs, and in particular develop sound economic development policies that will benefit its provincial citizens and the Korean economy as a whole. If this model, or some various aspects, proves successful then the Central

¹ Special Act on Jeju Free International City, Act No. 4485, the Special Act on Jeju-Do Development, December 31, 1991., amended in 2006.

Government may consider future, similar transfers of authority to Korean provinces to manage their affairs.

As part of the Act in creating the new Jeju autonomous authority, power was granted to create a favourable investment climate through the creation of a free investment zone. In addition to existing state incentives, the Jeju government has the power to grant tax incentives, generous land lease arrangements, visa agreements and promote itself internationally to attract foreign direct investment (FDI). The provincial government has an Investment Inducement Division responsible for attracting potential investors to the island. The provincial government doesn't conduct all of its economic development independently however.

The Jeju Development Center (JDC) was created under the authority of the Ministry of Construction and Transportation; a central government ministry. The JDC also has the mission of developing Jeju's economic potential and attracting FDI to the island and is funded by the central government's Ministry of Construction and Transportation.

Currently, Jeju has built on its past success as Korea's honeymoon and vacation destination and now attracts approximately 5 million visits to the

island annually. As Koreans travel abroad more frequently for leisure travel, Jeju is endeavouring to increase its share of the international tourism market. Total foreign tourists still only account for approximately 9% of total tourist visits, and of these Japan and China are the main sources of foreign tourists. The infrastructure for tourism on Jeju is impressive.

The recently completed International Convention Centre (ICC Jeju) complements the existing southern shore resort hotel complexes, and a new resort hotel complex is scheduled for future construction². The airport is being upgraded and substantial road construction projects will ensure easy access around the island. Over twenty golf courses are in operation and many more are in various stages of development. The provincial government and JDC have a blueprint for 'leading projects'; key investments in development intended to further Jeju's economic and social development. These include, among others, a theme park development, a research park, port upgrades to Seogwipo City, and an international English village.

Jeju has an already impressive resume. However, the newly created Jeju Special Self Governing Province is entering uncharted territory in terms of having the responsibility to design many of its own development strategies.

² At the time of completing this writing, Berjaya Leisure Cayman (Berjaya Land Corporation, Malaysia) had finalized a joint venture agreement with Jeju Development Corporation to develop the next phase of the Jungmun Tourist Complex; a project estimated to be worth approximately \$1.3 billion USD.

If Jeju Province hopes to use this new authority effectively, there could be positive benefits through the study and / or adoption of other countries' state/province strategies. Effective promotion strategies would be timely.

1.1.2 Introduction

Given the significant changes in Jeju's governance structure and status, it is timely to conduct studies related to the fields of public administration, policy studies, international (and domestic) law, foreign direct investment (FDI) promotion, and tourism among others. It is clear that the changes and responsibilities and goals that the government has undertaken needs the expertise of academics and professionals, the experience of the public administrators and the patience, cooperation and input of Jeju Islanders. The central government has, no doubt, high expectations for Jeju to set a successful example for the rest of Korea as well. All this in the context of also competing for investment with other regions within Korea.

In considering the many possible topics that could be done, it became clear that a comparative style thesis, to some aspect from this author's home country of Canada, could provide useful perspectives. Canada's provinces already have a liberal amount of provincial authority compared to Korea, where each province is responsible for major policies and administration over such areas as health care, education and power generation. The Canadian federal government generally provides substantive transfer payments that the provinces use at their own discretion to maintain health care and education.

This is in contrast to many aspects of Korean central government policy, but relevant to Jeju's new status.

In considering the area of FDI promotion, Canada offers one geographic area in particular that narrows the focus of comparison with Jeju; Prince Edward Island (PEI). PEI is an island province in Atlantic Canada, and offers relevant comparisons to Jeju in that they both are striving to offer competitive investment environments, and have well established tourism, and agriculture based economies. The other obvious comparison is with an area recognized for its best practices and success of investment attraction; Hong Kong.

The Jeju government's activities to attract investment and manage its' new powers speak to the need for improved and proven processes for investment promotion and also its organizational requirements to meet international standards: agency staff ability, English language proficiency, transparent and effective laws, and international relations to name a few. Although economists might generally argue that markets are defined independently of their geographic or social characteristics, there is evidence to suggest that the nature of island societies' cohesive social characteristics could, in fact, influence the openness in which FDI is received as well as how willing people are ready to participate in global economic activities.

More pointedly, how do Jejuans want to participate in global society? Clearly it is a matter of significant importance; as the globalized economy charges ahead rapidly, strategies are required to participate and adapt, or be left behind. Nonetheless, there are choices for citizens to make and participate in, mainly by voting and voicing their concerns to the local government; a good test for its new role as a 'self-governing' province. A difficult, and competitive path lies ahead in Jeju promoting itself as a destination for investment.

“Today, there are more than 160 national Investment Promotion Agencies (IPA’s) and more than 250 subnational ones worldwide. This trend is new – only a handful of these agencies existed 20 years ago.” (Morisset & Andrews-Johnson, 1) In this context, this leads to the purposes of the proposed research.

1.1.3 Purpose & Statement of Research

The purpose of the proposed thesis is to document and present an assessment regime to identify promotional variables that are important to an IPA's function of promotion and information dissemination to potential investors. This framework is expected to help identify key strengths and

weaknesses of an IPA among established best practice systems and processes of government investment promotion methods. The study compares the government sanctioned investment promotion websites of Jeju, Prince Edward Island (Canada), and Hong Kong.

Governments seeking FDI are proactive in promoting and attracting FDI, through liberal tax incentives, marketing and investor services, but few consolidate these promotional activities into an effective and systematic organizational structure. This thesis examines two provincial islands' website investment promotion; Jeju, Korea and Prince Edward Island, Canada. A practical assessment regime for comparing the FDI website information to a best practice website's FDI promotional processes is presented using a comparative investment processes model.

The underlying questions that motivate this research are: *What are the best ways for a government organization to promote FDI? How do subnational promotion agencies function effectively; particularly in relation to their national (government) counterparts? What best practices might (provincial) promotion agencies consider implementing to ensure they compete successfully for investment?* The barriers to investment are the focus of much of FDI theory discussion, describing how investors overcome barriers through the internalization of processes etc. An area that has recently come under intense scrutiny, however, is that of the spillover and externality affects of FDI, and the costs and benefits to host economies (Blomstrom, 1999, 2000). The obvious answers of generous tax incentives,

free land and total control of operations etc., only touch on part of an overall comprehensive scheme of FDI attraction that successful government programs have implemented, and where unsuccessful government programs have failed to develop.

The literature review supports that there are ‘best practices’ activities that governments or host economies should conduct to have a positive affect in achieving and attracting the desired industries and/or investment. A more structured framework to guide this study of government agency best practices was needed however. Theodore Moran (2006) puts forth best practices recommendations for government (host economy) investment activities in a four category framework and this is discussed in detail in the Theory Section. This framework is adapted in a way by which the provinces’ promotional actions can be compared. The discussion of this investment promotion model will be primarily qualitative in nature but the literature review does provide quantitative research to support the rationale for the promotion process model (Morriset and Andrews-Johnson). UNCTAD and the Multilateral Investment Guarantee Agency (MIGA) arm of the World Bank have also been instrumental as a focal point for investment promotion agencies to promote best practices, support research and programs aimed at developing the effectiveness of IPA's, whether at the national or subnational levels mentioned earlier.

The focus of the discussion will be on the promotion processes used by the provinces under observation and this data will be analyzed within the framework of a promotion variables model. An IPA's biggest first impression, arguably, is its main website page. Within moments, a potential investor can potentially access critical information to assess whether or not a host economy might be worthwhile investigating further, and comparing it to other potential investment sites.

The investment promotion websites will therefore be reviewed and compared to recommended promotion variables. The outcomes or successes of investment attraction and organization could hopefully become the topic of subsequent research. I will also attempt to maintain the focus on provincial level policies and strategies used; of course no province or state operates without various relations with their central or federal government. Where necessary, these relations to central government investment promotion issues will be discussed.

1.2 Methodology and Scope of Contents

This section will provide a brief explanation of the proposed methodology and structure of the thesis. The main body of the thesis consists of four parts. The main contents of each part are summarized below.

1.2.1 General Theoretical Background – Review

There is a broad and abundant amount of literature concerning the determinants of FDI and behaviour of multi-national enterprises (MNE's) or multi-national corporations (MNC's). The most well-known theories are presented and summarized. I note Kindleberger's concepts of market imperfections that influence MNE's behaviour in the market because it is some of these imperfections that the promotional process model attempts to solve from a host economy's perspective.

A literature review was conducted concerning government investment promotion. Research sponsored by such organizations as the World Bank's Foreign Investment Advisory Service (FIAS) and United Nations Conference on Trade and Development (UNCTAD) supports the practice of coordinating the functions of investment promotion into a single agency approach. Furthermore, the agency landscape is diversifying and it is more common for subnational agencies to be undertaking promotional efforts to induce FDI; how subnational agencies conduct promotion is relevant to the study of the island provinces under discussion.

Moran presents recommendations for an FDI promotion process model based on such research and case studies of developing economies' promotional efforts.³ His rationales are presented in detail and form the

³ Harnessing Foreign Direct Investment was designed as a guide for analysts, host country government practitioners, legislators, journalists, and NGO's.

basis of the model to compare the investment promotion between Jeju, and Prince Edward Island. MIGA conducted the Investment Promotion Agency Performance Review (2006) and presented a methodology for assessing IPA websites and their ability to handle investor inquiries. This research draws on both of these works.

1.2.2 Research - Provinces

Research was conducted for each of the islands (provinces) under observation. A general overview of their demographics, history and economic activities are provided (tourism, agriculture, foreign investment etc.) to help compare their similarities and differences. The provinces investment laws were then researched noting any relevant national foreign investment laws. The provincial government organizations involved in investment promotion are documented such as ministries, departments or agencies. The available investment promotion information was then researched.

1.2.3 Analysis

Here, the organizational and systems data collected on the provinces is arranged and compared under the categories of the comparative model. The model has four categories where the investment promotion processes are placed: Investment Climate, Information Provision, Upgrades to Meet FDI Criteria, and Direct Incentives & Subsidies. Each category has a list of

factors that represent important components that are required for the success of the investment promotion to be possible. The provinces promotional factors are then rated on a development scale. A draft survey instrument was designed and it is intended that this could be developed into a comprehensive assessment methodology for an organization to measure the development of their infrastructure, and that the relevant data is made available to potential investors seeking sector specific information. The primary purpose of this work is to compare how well the IPA websites perform and to identify information that is important from the investor's perspective in choosing an investment location. The MIGA IPA study provided the framework to assess the websites under observation. IPA promotion research is a growing field. Best practice IPA's are now being identified, and studied to determine what makes them stand apart from other agencies. (UNCTAD, MIGA, 2006) Data collection in the area of IPA investment promotion is currently of great interest by researchers and the literature in this area is expected to become more widely available.

1.3 Contribution of the Study

The contribution of this study is intended to document how well Jeju's investment promotion is compared to a similar provincial authority, and with a best practice organization, identifying practices that are recognized as having an impact on the success of investment attraction, as well as those that are

absent or non-beneficial. Equally, in my view, is the importance of simply documenting what processes occur in these subnational agencies.

It is often too difficult to see the trees for the forest; there are often (power) relationships, procedures, and goals and objectives that impede actualizing truly great potentials. The vision and power and cooperation to bring together a promotion agency charged with securing investment require just that: vision, and power and cooperation to cut through bureaucratic procedures, redundant offices (doing the same or similar activities), working with local citizens' groups, and making sure that investments will yield economic benefits to the community.

If this document brings to light any of these critical issues that could be improved, considered, and/or implemented to the benefit of the communities that will be impacted, then I will be satisfied.

Chapter 2

THE GLOBAL FDI ENVIRONMENT & FDI THEORY

2.1 The Global FDI Environment

What is globalization? The word is tossed around so frequently now that you would think average citizens would have a solid grasp of the concept. As the research progressed for this writing though, the immensity and complexity of the various issues became apparent: that there are so many numerous (competing) perspectives concerning globalization depending on the economic perspective, and if social, environmental, political, trade related or corporate or private citizens' views are taken into account.

And even though the focus of this argument narrows to how best promote a province's attractiveness to foreign investment, based on theories of FDI, I think it best to briefly consider the grand scheme of what globalization entails and its importance to the global economy in economic terms. I am pressed to add, perhaps from my sociological studies and research, that a concrete understanding of 'globalization' should come from a cross-disciplinary perspective. Namely economic, political (international), and cultural considerations. To look at this phenomenon from just one major perspective is just simply too fragmented a view to comprehend the

implications of the effects of global trade, political relationships, the clash of underdeveloped to developed economies, history (e.g the end of the Cold War), and the transformations from industrial to knowledge based societies among numerous other considerations. Taking multi-disciplinary approaches to thinking about globalization, is of great benefit to think of how globalization will work and bring about promised changes in a free market world. It is too often viewed from an “economic prism” suggested by John Ralston Saul (Saul, 2005). This section gives a brief introduction to the global FDI environment, its importance to the world economy and to general government policy and incentives.

Friedman provides a comprehensive definition for globalization based on the differences subsequent to the collapse of the Cold War systems. Reflecting on globalization's broad nature and characteristics is a worthwhile exercise when, as a participant in the global economy, successful strategies are demanded for an economy's survival.

The globalization system, unlike the Cold War system, is not frozen, but a dynamic ongoing process. That's why I define globalization this way: it is the inexorable integration of markets, nation-states and technologies to a degree never witnessed before – in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before, and in a way that is enabling the world to reach into individuals, corporations and nation-states farther, faster, deeper, cheaper than ever before. This process of globalization is also producing a powerful backlash from those brutalized or left behind by this new system.

The driving idea behind globalization is free market capitalism – the more you let market forces rule and the more open your economy to free trade and competition, the more efficient and flourishing your economy will be. Globalization means the spread of free market capitalism to virtually every country in the world. Therefore, globalization also has its own set of economic rules – rules that revolve around opening, deregulating and privatizing your economy, in order to make it more competitive and attractive to foreign investment. In 1975, at the height of the Cold War, only 8 percent of countries worldwide had liberal, free-market capital regimes, and foreign direct investment at the time totaled only \$23 billion, according to the World Bank. By 1997, the number of countries with liberal economic regimes constituted 28 percent, and foreign investment totaled \$644 billion.

..... Globalization has its own defining technologies: computerization, miniaturization, digitization, satellite communications, fiber optics and the Internet, which reinforce its defining perspective of integration.... Let's not ask what markets we should export to, after having decided what to produce; rather let's first study the global framework within which we operate and then decide what to produce. (Friedman, 2000)

This perspective implores participants to continually innovate, or recreate themselves. What are the considerations for Jeju province investment promotion strategies, and the new powers of provincial governance and decision-making authority in this respect? Are the fundamentals, the proper foundations, coming in to place to enable Jeju Province, corporations and citizens to capitalize and benefit from foreign investment based on the above criteria? Can we *give* too much away, or risk too much by accepting all that globalization promises?

2.1.2 General Stats – FDI

The world FDI trends have become an essential and often talked about feature of the global economy. The general amounts and effects were discussed above in Friedman's description of globalism. Furthermore, the World Investment Prospects report indicates that Global FDI inflows increased to US\$955bn in 2005, a 19% increase in nominal US dollar terms on the 2004 total. This followed a 22% increase in global inflows in 2004, to US\$802bn.⁴ (The Columbia Program on International Investment, 2006)

Looking at FDI forecasts, South Korea is expected to rank 25th in the world from 2006 to 2010 receiving approximately \$8.7 Billion USD per year, or 0.68% of the world share of FDI. This compares to Canada's expected rank of 7th, which is expected to receive \$38.3 Billion USD, or almost 3% of world FDI. In any case, the importance of effective promotional strategies can not be understated to ensure that host economies are able to attract this investment to compete with each other.

⁴ The 2005 global total for FDI inflows was heavily influenced by two large accounting transactions—in an upward direction by US\$115bn for the UK (owing to the reorganisation of Shell and Royal Dutch Petroleum Company into Royal Dutch Shell, which was recorded in the UK's balance of payments as an FDI inflow), and in a downward direction for Australia (a net disinvestment of US\$37bn resulting from a reorganisation by News Corporation). Netting out these two transactions, global FDI inflows would have amounted to US\$875bn in 2005, or only 9% more than in 2004. Rather than increasing, the 2005 total for the developed world would have been slightly lower than in 2004.

2.2 FDI Classical Theories

A background to FDI classical theories are presented below.

2.2.1 Foreign Direct Investment Theories

Early neoclassical approaches to international capital flows were based on the assumption of perfect competition of factor and or production markets, postulating that foreign direct investment is a function of international differences in rates of return on capital investment. They explain flows of capital as arbitrage activity that MNE's pursue for profit by moving equity capital from a country where the rate of return is low to country where it is high. Intercountry differences in the supply of capital are hypothesized to cause the differences in the rates of return on capital movements. The neo-classical approach was supported in the 1950's when the US rapidly increased its FDI in Europe, where profits made by US firms were considerably higher than those earned in the USA. However many studies could not find any association between the flow of FDI and international differences in returns on investment. Bandera and White (1968) tested the differential rate of return hypothesis on US investment during the period 1953 – 1962 in European countries. They could not distinguish any meaningful relation between inter-country differences in the rate of return and the flow of US capital, though they stress that the adequacy of return is a precondition for the movement of capital. Hufbauer (1975) used different measures of

profitability, but the results did not support his hypothesis that US firms undertake foreign direct investment in search of higher returns abroad.

The general theories of FDI have progressed from the Neo-Classical, or perfect market assumption models, to the imperfect market assumption models using the approaches of ownership advantage, Hymer's internalization and Dunning's eclectic approach to explain FDI determinants. Why invest in another country? Why make physical capital investments rather than financial capital investments?

The neo-classical approach to explaining international flows of capital were based on the perfect market assumptions that firms invest abroad to search for higher returns (on their investments). The neo-classical model was supported in the 1950's. Unfortunately this approach could not explain why MNE's (firms) would overcome market imperfections and costs to conduct FDI. Additionally, portfolio and direct investment were thought to serve the same purpose of seeking higher rates of return. Hymer (1960) is credited with separating these forms of investment and focusing on the behaviour of FDI.

Hymer argued that FDI reacted to imperfect market conditions, not the perfect market conditions assumed in the neo-classical approach. Further, FDI appears to have the intent to control, which could lead to such advantages as locational, cost and monopolistic advantages (among many

others). The control, or ownership character of FDI, differentiates itself from portfolio investments which tend to be non-controlling. Compared to the more easily divested portfolio investments (if sudden negative changes occur in the market), FDI has more at risk with physical infrastructure investments and controlling interests. Hymer asked why MNE's would still proceed with FDI given the risks of operating abroad.

Kindleberger (1969) began to further develop the type of market imperfections that make FDI possible. He describes four broad categories of imperfect market conditions:

1. Imperfect competition in goods markets such as product differentiation, market skills, retail price maintenance and administered pricing.
2. Imperfect competition in factor markets such as the existence of patented or superior technology, and limited access to capital.
3. Internal and external economies of scale.
4. Government limitations on output and entry.

Studies (Hymer, 1960; Kindleberger, 1969; Caves, 1974) showed that foreign firms conducting FDI had cheaper financing, recognized brand names, superior (non-marketable) technology marketing or managerial skills, and economies of scale. These advantages enabled firms to earn more at home as well as abroad in the host country markets, compared to local firms.

John Dunning's ownership, location and internalization (OLI) framework also focused on an imperfect market approach, where a MNC invests for reasons of ownership, location and internalization (Dunning, 1981). Companies can have ownership advantages over host economy firms by access to some superior technology or process(es); such as production equipment and processes, or intangibly through brand names or expertise. Locational decisions occur when the MNC may wish to enter the foreign market to service that market due to cost considerations or limitations by a host economy's trade restrictions. Natural resource extraction or production cost (advantages) may also be factors to decide to enter a foreign market.

Internalization factors take into account why a firm would not simply license host economy firms to produce, distribute or sell a company's products. An MNC might enter the market themselves, at a high cost of investment in infrastructure etc., to protect sensitive technological information or processes that give that firm superior advantages, rather than risk losing this by sharing technology with host economy firms. The concept of internalization, in conjunction with ownership and locational advantages, best explains why a firm would choose to operate in a foreign economy.

Related to Dunning's work, other theoretical models have explained companies' decisions to conduct FDI in terms of 'vertical', 'horizontal' and 'knowledge capital'. "Vertical firms separate activities by the level of capital intensity, producing different goods and services at different physical

locations” (Halpman, 1984). The horizontal model asks why firms replicate the same products in different markets. This is explained by a firm’s economies of scale that integrate horizontally into other host countries’ economies (Markusen & Maskus 1999). The knowledge capital model combines the vertical and horizontal activities of firms, where a company may separate their production among different hosts as well as headquarter activities (Markusen, 1997).

While these theories focus on the main motivations for MNE’s to invest abroad, there is growing interest concerning the issues surrounding the economic and political factors which successfully attract investment. From a host economy’s perspective to promote its market and successfully attract investment, what factors in the host economy are most important in achieving a commitment from a potential investor? Such factors as trade and tariff policies, and political stability are relevant, influential factors of a firm’s decision to locate in the host economy (Min, 2000). In other words, firms want to minimize political risk before committing their investment.

Jensen⁵ argues that many of the ‘race to the bottom’ thesis factors such as offering low taxes, tax incentives and land grants, although important, are not as important as other factors determining the commitment of an investor.

⁵ Although these incentives may not be rated as important by investors, host economies continue to offer these incentives to try and compete with other economies, offering similar tax breaks and incentives; hence the race to the bottom of the host's ability to recuperate the costs of attracting the investment. There is research to suggest that these overgenerous incentives are hurting developing nations ability to compete, and that not enough taxation will result in poor servicing of clients needs over the long term. (Moran, 2002)

These more important factors include market factors, political stability (political risk) and others. In a Deloitte & Touche survey of multinational firms, “the top five (locational) factors, in order of the number of respondents claiming these are “very influential” in site selection, are: access to customers, (77%), a stable social and political environment (64%), ease of doing business (54%), reliability and quality of infrastructure and utilities (50%), and the ability to hire technical professionals (39%). National tax rates ranked eleventh (29% of respondents) and local taxes tied for fourteenth (24%).” (MIGA 2002, 19) These investor needs (rankings) speak to the promotional activities that should be addressed by IPA's in securing investments. The discussion now turns to FDI promotion.

2.3 FDI Promotion

The field of FDI promotion is a relatively new, but significant development, in the environment of foreign direct investment. The theory description(s), above, attempt to explain the reasons for why firms invest in foreign markets, for example utilizing internalization methods to overcome market barriers. Host economies at the state, provincial/state, city and regional levels, in turn, are now aggressively marketing their incentives that are advantageous for a firm to conduct investment.

FDI promotion, in effect, is the strategy of host economies to *state their advantages* to potential investors, and include describing economic and market conditions, the host, and incentives etc., as well as functioning as an entity that builds relationships with potential and existing investors. Wells and Wint define investment promotion as activities that disseminate information about, or attempt to create an image of the investment site and provide investment services for the prospective investors (2001, p4). The effectiveness of sound promotion strategies are, of course, largely dependent on the host economy's existing market advantages; but can promotion be effectively utilized to secure investors even when market conditions may not be as developed as other economies?

Research evidence into the functions and importance of Investment Promotion Agencies, or IPA's, is suggesting that there are core competencies that promotion agencies can undertake to help ensure their potential success (measured by the amount of successful foreign investment). These include

image building, investor facilitation and services, investment generation, and policy advocacy. These core functions will be discussed in more detail later in the paper, but are drawn largely from the work of Wells and Wint, and Theodore Moran. The types and categories of information that should be readily available to potential investors on an IPA's website comes from a comprehensive study of 125 IPA websites conducted by MIGA and is used to evaluate and compare the websites under observation.

An attractive and informative website is no guarantee of investment inducement, however. “Investment promotion appears to be most useful in a country with an attractive business environment. When the investment climate is poor, attention has to be given to improving fundamentals, otherwise substantial – perhaps excessive – resources have to be spent on convincing potential investors” (Wells, 2001). Moran's work takes this into account when promoting a host economy. It is possible for a host economy to attract investment even when the fundamentals are being developed, as an investor will recognize, that in the long term prerequisite policy and infrastructure will be in place for the business activity. A good example is the Costa Rican case study of attracting Intel (Rodriguez-Clare, 2001).

The empirical studies of Wint & Wells suggest that, policy advocacy has the strongest relationship with FDI inflows, followed by image building, investor services and investment generation. Their results did not account for the characteristics of each country where an IPA exists, however. The results

also suggest that too little emphasis (budget allocation) is being placed on policy and too much effort on investment generation. This was referred to as an equation of IPA effectiveness (Wells, Wint, p. 30). This thesis looks at the image building, or promotional aspect of providing the most important information from an investor's perspective. This promotional model is now discussed.

2.4 FDI Promotion Model

The current environment of FDI attraction requires more than just “simply deciding whether or not to thrust subsidies and tax breaks into the hands of foreign corporations.” (Moran, 2006) Moran advocates policies and promotion methods that can be applied by both developed and developing host economies.

The attitudes towards foreign companies locating in a market have changed. Previously, many foreign investors were seen as a means of import substitution, where a foreign investor might invest in a sheltered market from international competition and where there are high profits. The host economy could charge an investor for giving them privileged access to the closed market.

However, where investors are export-oriented and must integrate their production facilities into global supply chains and contribute to corporate strategy and performance, MNC's can exhibit significant risk averse

behaviour before committing large capital investments in a host economy. This is quite the opposite conception where MNC's investing in every possible profitable opportunity and the host economy can wait for investors to make enquiries. The export oriented MNC's have different concerns such as being wholly owned or majority owned subsidiaries, with fewer domestic content requirements. Even with concessions the potential investor may remain guarded.

The difference in investor and investment patterns between import-substitution and export-oriented MNC's creates a crucial difference in what is required to successfully promote foreign direct investment in a host economy. Host economies must now be extroverts in seeking to attract and promote FDI and prove that they offer superior advantages to competitors. Even then, there is still an element of risk and uncertainty; to the host who hasn't established a proven track record that they can fulfill host/service promises, and to the investor who can't know the outcome unless they actually invest (and build).

The Internet is now one of the primary sources of information an investor utilizes (among other traditional methods) when making locational decisions, and also an IPA's primary tool to promote and supply information to investors. One of the most basic challenges that IPA's face is to provide investors with relevant, high-quality information. Based on practicing the promotional model and observing best practice IPA promotion methods, the

hypothesis is that more investors will select a particular host economy at the long-list stage of selection (if the potential host meets the basic market / location criteria) all other things being equal. It is then the IPA's duty to engage and compete for the investment. The IPA's that do not target investments and fail to follow up on potential investor interest could easily fall behind in the race for FDI.

2.4.1 Host Economy Promotion Processes

Moran argues that instead of letting the markets function of its own accord, attracting FDI requires a carefully orchestrated four part strategy⁶ on the part of the host economy. This strategy includes proactively demonstrating and promoting key factors that are important to investors. These include, investment climate development, information provision, upgrades investment to the host economy, and direct incentives and subsidies available to the investor. These steps are discussed in more detail, below.

2.4.1.1 Step One: Investment Climate

The first step is to create a favourable investment climate for foreign firms to operate in. Depending on the host nation's or area's progression of development, creating the perfect investment climate may seem insurmountable, or that many criteria can not be met or developed. The

⁶ Moran, p28, 2006

MNC's idea of a good environment might take into consideration the following factors: low inflation, exchange rates, economic growth, reliable infrastructure, high literacy, liberalized trade practices, political stability and transparency, minimal corruption, fair and competent judicial systems and access to required technology infrastructure. Even if a host area can begin to implement such reforms, it is possible to induce investors.

2.4.1.2 Step Two: Information Provision

Here step two involves the reconciliation of the host economy's pertinent information that can be provided to potential investors. Accurate and reliable data is required for an investor to make informed decisions before committing to the host economy. Such information includes current country statistics, labour force and market data, and possible production areas; information that is comparable to other competitor areas. Information should be easily available to the investor. Based on successful countries' experiences, modern investment promotion agencies have been established whose focus is the marketing of the host economy. Staff should be well trained and offer the best possible information posted on their website (or links) relating to investment criteria. This information shouldn't speak in vague terms and promises, but rather offer detailed explanations that are required by the legal, financial and development staff evaluating the host economy. This information should attempt to meet international standards. The appropriate government ministries and agencies involved in the

investment process will be listed as well as the promotion of existing success stories of investors who have located in the host economy.

What successful agencies have achieved is the 'one-stop' process where the investment promotion agency will assist the investor in dealing with the various development and start-up processes that may require dealing with several government agencies. The agency functions to make the investment process efficient and transparent and to help in the applications disclosures to the relevant government agencies. Problems might include a duplication of services however, with other government agencies. A recent development is to recruit relevant staff from the required government departments responsible for investment approval. Moran notes that "in practice, the objective must be a genuine one-stop shop, not a one-more-stop shop."

Other authors have similar views. Wells and Wint (1991) describe three types of promotion techniques used by investment agencies, namely, (i) primary image building techniques; (ii) primary investment generating techniques; and (iii) investment service techniques. They are to be used in the communication programs for effectiveness.

It should be noted that some countries that have already established a clear image as an FDI destination such as Malaysia, Thailand and Singapore no longer focus on image building. The orientation of investment promotion

programs of the Malaysian Industrial Development Authority (MIDA), Thailand's Board of Investment (BOI) and Singapore's Economic Development Board (EDB) has shifted entirely to investment generation. But in Vietnam (or Jeju at a sub-national level) where the country image as an FDI host is ambiguous and unstated, primary image building remains crucial. Jeju is in a similar situation. Jeju must forge ahead with a subnational IPA image to represent the investment goals of the self-governing province; which have yet to be fully realized.

2.4.1.3 Step Three: Upgrades Investment by Host

The goal for step three is to reduce the fear that investors have of committing to a large capital investment without being able to know for sure if the investment will yield acceptable ROI levels. Here, host governments typically incur direct expenses for infrastructure development, training programs or support programs that help make sure that the startup will achieve the desired performance results. This is especially key for the first investors in a host economy.

More specifically, host economies should invest in such areas as primary and secondary education, vocational training opportunities supported by educational loans or tax credits, one-stop job search centres, wage insurance or unemployment insurance (to encourage retraining and job mobility), health care support and social safety nets. These, of course require adequate

funding, but are some of the keys for countries successfully participating in the global economy.

These programs and 'self-investment' in the countries human resources should be well documented and promoted, as they rank high on investor interest when considering investing or relocating.

2.4.1.4 Step Four: Direct Incentives & Subsidies

The fourth step is for the government or host economy to provide incentives, subsidies, tax breaks or other favourable concessions such as long-term leases of state owned property, to the investor. The costs may be considerable for the host economy. It may have to improve transportation and technology infrastructure, train labour, and offer comparable tax concessions of its competitors before a potential investor will consider investing. Unexpected negative externalities may also be an additional expense.

On the other hand, securing a significant MNC investor functions as an anchor to attract other investors, and thus is worth the price to offer such concessions. World Bank Foreign Investor Advisory Service (FIAS) studies show that the one-stop agency approach resulted in a statistically significant return for the host economy (Morriset, Andrews-Johnson, 2003; Wells and Wint, 2000). Costa Rica is considered a model with their efforts to attract Intel to locate in their country. The Costa Rican government had to reform and improve infrastructure such as ports and airports and be able to provide

adequately trained (educated) personnel, upgrade electrical capacity and Internet capability before Intel would consider Costa Rica as a host site for its manufacturing facility. Through these upgrades and the assessment process of several years, Intel did locate to Costa Rica and subsequent MNC's that have located there cite the decision of Intel as an important influential factor. (Larrain, Lopez-Calva, Rodriguez-Claire, 2001). Host economies must ask themselves if they are absolutely committed to inducing investors and going through these four steps to improve their chances of success.

Recently host economies have been rethinking how many incentives are worth giving up to the investor. The host must think carefully about whether, in the end, that the cost of the jobs created might exceed the value of having the MNC locate to the community. Blomstrom cautions that "The degree to which other modes of international business (besides traditional inward FDI) generate appropriable spillover benefits for the host country is an exceedingly important policy issue for which there is a disappointing amount of evidence." (Blomström, Globerman, Kokko, 1999) So, it appears the host economy must assume the risk that benefits of generating externalities and spillovers hopefully will exceed the incentives granted to the investor.

This strategy provides a framework for comparing the investment development and promotion activities of Jeju with that of best practice host economies. It is expected that ample research and study has been conducted

by the Jeju Provincial government on such model economies as Singapore, Hong Kong, and other states. This study will focus on the comparison of the promotional website information between Jeju, PEI and a best practice case of the Invest Hong Kong website. It is hoped that by comparing the island provinces, that it will provide tangible benchmark comparisons that can be utilized by the Jeju Provincial Government with its newly established authority for policy development.

It should be noted that it was beyond the scope of this study to conduct the Investment Climate Development Survey which would identify the specific strengths and weaknesses of Jeju. The survey data would be expected to identify key development advantages that could be promoted and also to support the information needs of investors.

ANALYSIS & RESULTS

3.1 Introduction

Chapter three turns to the descriptions of Canada and South Korea and the two island provinces. The discussion then turns to the focus of assessing the promotional efforts of each province.

3.2 Island & Country Descriptions

3.2.1 Canada & PEI

Canada is the second largest country in the world with a population of approximately thirty-one million people. It shares a border with the United States from the Pacific to Atlantic Oceans. Currently, the population has largely become urban centred; 80% of the population live in six major cities most of which are located close to the US border. Canada has two official languages; French and English (being dominant). It is also one of the most multinational societies in the world.

Canada portrays itself as a desirable destination for investors because of its well educated workforce, wealth of natural resources, access to the North American market, and ability to compete in the global marketplace. The sectors with the most foreign investment were finance and insurance with 89 and 81 billion Canadian dollars respectively (Investincanada.gc.ca).

Canada remains a top performer among the G7 in GDP growth. Canada has achieved exceptionally strong employment growth, with a 67.5% labour force participation rate—the highest in Canada’s history—and an unemployment rate of 6.1% in 2007. Canada enjoys the lowest overall labour costs in the G7 (Statistics Canada, *Canada at a Glance*, 2007)

PEI is an island province located on the eastern or Atlantic side of Canada, and is known as the location where the Canadian federation was born. It has traditionally been poorer than other parts of Canada, relying on its agricultural and fishing industries to support the local population. The population of PEI is approximately 135,851, or about 0.4% of Canada’s total population, and the islanders’ predominate language (93.8%) is English.⁷ More recently, tourism has flourished and the province has endeavored to diversify its economy further by trying to attract investment in such fields as aviation and aerospace, bio-technology and light manufacturing.

Like Jeju, PEI is striving to take advantage of its proximity to larger markets and portray itself as a logical place for investors to take advantage of lower operation costs, an educated workforce and a clean environment. PEI has an investment promotion agency called InvestPEI. It is a one stop shop with a mandate to attract and service investors. The agency has the coordinated support of the federal, provincial and municipal levels of government.

⁷ Source: Statistics Canada, 2006 Census.

3.2.2 South Korea & Jeju

In contrast to Canada, South Korea (Republic of Korea) is a relatively small peninsular country in East Asia of approximately 100,000 square kilometers. Japan is to the east and China is to the west and North Korea (Democratic People's Republic of Korea) borders the north. Its population is substantially larger than Canada at about 49 million people, the majority dwelling in urban in the urban centres. With approximately 70 percent of the country being mountainous, South Korea is a densely populated nation; having about 488 people per square kilometer.

South Korea is a manufacturing and export focused country, and has the 13th largest economy in the world (International Monetary Fund, 2007). It has a highly advanced and modern infrastructure and is a world leader in science and technology as exhibited by its semiconductor and IT sectors. IT has the highest penetration rate of Internet broadband subscribers in the world. Korea has been called the 'Asian Tiger' for its successful economic transformations and advancements since the 1960's, and is now a high income nation as defined by the World Bank.

Jeju is South Korea's smallest province by population, with approximately 560,000 people (2005 Korean Census). It represents less than 2% of the total land area of Korea. Like PEI, Jeju has been a poorer province relying on agriculture and, more recently, tourism to support its economy. Jeju's GDRP (2005) is about \$7.6 billion USD. Over five million tourists now visit annually, of which only 8% are foreign. UNESCO heritage sites have been

designated in Jeju, consisting of Halla Mountain, lava tube cave system and a tuft volcano crater. It is expected to help bolster tourism. There is little manufacturing, but a concerted effort has been undertaken to try and attract investment in the core tourism industry and now other diversified fields such as research, medical tourism and knowledge based industry. Jeju is in close proximity to other Asian cities that have large population centres, approximately 17 cities having more than 5 million people each.

This is hoped to provide a market and investors (as well as global investors) for some of Jeju's new key projects such as a research and technology complex, resort complexes, a history theme park, a tourism port and an English education complex. JSSP has the authority to plan and implement development and investor projects, and has an investment inducement division office. The provincial office works in conjunction with a central government funded organization called the Jeju Free International City Development Center (JDC). The JDC has a large budget and mandate to help the province implement the plans of the Jeju Free International City in becoming a free economic development zone similar to Hong Kong or Singapore. This was one of the rationale for selecting Hong Kong as a comparator, in that it is a role model for Jeju. Both Jeju and PEI also have the support of their respective national IPA's.

Typical of island economies, there are transportation difficulties, few significant natural resources, high energy costs and expanding the economy

and labour force opportunities is a formidable challenge for both these island provinces.

3.3 Island Issues

3.3.1 Introduction - The Island Dilemma

Islands might look for specialty areas where they may overcome the disadvantages of location from markets or sources of supply. This is clearly a dilemma as there are few industries that might fit in this category. The horizontal movement of firms activities might be a possibility; for example specialty component parts for final assembly elsewhere. But what expertise and well trained labour is available?

Government strategy planning and implementation of vision plans to attempt to build infrastructure for these endeavours may prove difficult but yield benefits in the longer term. From a provincial standpoint this is where the resources of the federal or central government support make this development become more feasible. Depending on the industry and qualifications of the community, the Canadian federal government offers such support that makes it feasible for a community to promote itself to potential FDI, whereas it might not have been financially possible before.

Can marketing and promotion be considered an ‘inducement’ in the attraction of FDI? Perhaps it is not of direct benefit the profitability considerations of an investor, but it is most definitely linked to the success of attracting FDI and of critical importance to the host in actually inducing a potential investor to commit. The focus therefore turns to what disadvantages that island provinces face compared to mainland competitors.

Islands typically have ‘small market sizes’, defined by the World Bank as less than one million people. Island governments typically have less experienced or “worldly” politicians with less funding and ability due to the small constituency size. The civil service is limited in its ability to attract FDI given the size of its staffing. There are generally fewer qualified civil servants to draw from. Because FDI is limited to begin with, there is little internal input from policy specialists available on the island. Existing business sectors on the island may have parochial interests and inhibit expansion of FDI. Outside agencies and agents contracted to promote investment (inter-governmental or private) may not perform up to the host island’s expectations.

In addition there is minimal work available that directly addresses the economic development of island economies or FDI strategies. There have been programs undertaken by the Foreign Investment Advisory Service (of the World Bank) specifically for island nations that are defined as Small Island Economies. These programs have been introduced to the Caribbean islands

and select Pacific island nations. These programs sought to address the needs of island nations seeking FDI and economic development and provide solutions towards future development. Although the island nations are not directly comparable to the scope of this study, it suggests some of the overall characteristics that might be similar in nature to island cultures in general whether they be independent nations or dependent, in the sense of provincial relations within a nation or dependent in the sense of previous or current colonial ties (e.g. U.S. Virgin Islands).

Some of the characteristics that might be common to island societies, and thus affect market conditions, therefore, are that island societies tend to have small or limited government infrastructure, limited resources for the specialization of skills, the existing industrial base is limited, land resources may be limited for development and in many cases the island is remote from major markets. Primary resources may also be limited given the small geographical area. The focus will now turn to promotional factors related to investment promotion.

3.4 Promotion Model Analysis

The objectives of the promotion model analysis are twofold. The first is to identify if important activities, conducive to investment, are present or being undertaken within the host economy. The second, is to assess if important host economy information is available to potential investors on the IPA's website. The first objective uses criteria based on Moran's FDI research on developing and developed economies (Moran, 2002, 2006). The criteria are in the form of policy and actionable recommendations that a host economy should undertake based on his research and is supported by other research that suggests that these steps increase the flows of FDI to the host economy (Morriset, Andrews-Johnson). The second objective of assessing the IPA's website content is based on a recent study by the Multilateral Investment Guarantee Agency (MIGA), of the World Bank Group (2006). These two assessment methods provide the host economy with a means of identifying if core best practice steps are being taken to help ensure investment potential, and secondly, if these steps (and other pertinent information) are being promoted on the host economy's main IPA website. As stated earlier, one of the initial, and most immediate sources of information a potential investor or consultant can access, is the website of an IPA.

These two methods taken together, provide an effective way for an IPA to identify best practice factors that are present (or absent) and to compare with other host economies.

3.4.1 Variables to Encourage Investment Inducement

It is important, again, to make some distinctions of Moran's four step processes to develop successful investment inducement. Some of the required steps are policy, or action related activities that the host government undertakes as a prerequisite to help encourage successful investment attraction over the long term. The IPA's role is to ensure that investors are aware of these activities (if they have been implemented) and to help encourage government to undertake these activities (or policies) if they haven't done so. The scope of this study looks at whether the factors within each category are present or absent, and does not rate the quality of these factors. However, the presence or absence of these activities should be a relevant indicator of whether or not the host government and / or IPA is doing an effective job. The category variables are presented in Table 1, below.

Table 1 – Categories & Factors to Encourage Investment

Category	Factors
Investment Climate	Transparent Judicial System Economic Growth Low Corruption Political Stability Property Ownership Allowed High Literacy / Education Skilled Workforce Investment Policy Objectives
Information Provision	One-Stop Investment Agency Established Rapid Approval Process Comprehensive Website Professional Staff – FDI Professional Staff – Legal Competitor Comparisons List of Investors (Established) Provincial Investment Strategy Plan
Upgrades Investment (undertaken in order to attract an MNC or industry)	Airport Infrastructure Improvements Road Infrastructure Improvements Internet Infrastructure Improvements Vocational Training Education Modifications
Direct Incentives & Subsidies	Corporate Income Tax Exemption Government Land Leases Wage subsidies Environmental Assessments R & D Subsidies

3.4.2 MIGA's Approach to Website Information Assessment

As a measure of the quality of the IPA's information provision, this study looks at the websites of the government IPA's using criteria from the Multilateral Investment Guarantee Agency's 'IPA Performance Review'. This study identified the characteristics of best practice websites based on what information investors and advisors need during web searches. The study benchmarked 11 websites recognized as best practice IPA's, and then assessed the information provision of 114 IPA's at the national and

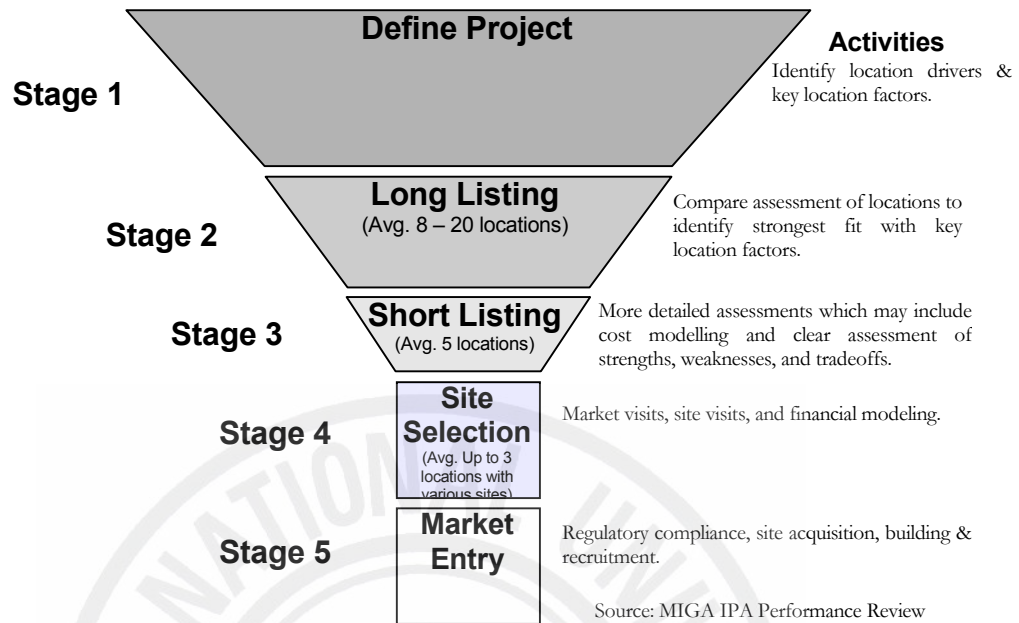
subnational level.⁸ The information was relevant to the investor's long-listing stage, where investors whittle down a long list of potential locations to a much shorter list of real possibilities that will then be researched more in depth. Recognizing this stage helps determine the information needs of the investor and, therefore, what information is pertinent to include on the IPA website. Please see the figure below for the site selection stages of investors. It is therefore crucial that at stage 2 of the site selection process (See Figure 1) that the developmental criteria from the four step model is readily available to the investor. This data should also be available within a well presented website as defined by the best practice criteria of the IPA website assessment study to best meet the investors' information needs (See Table 2 below).

Table 2 - Best Practice Website Categories & Attributes

Category	Attributes & Content
Information Architecture	Quick downloads Guaranteed Uptime Worldwide accessibility Hierarchical Information Finding home
Design	Ease of reading Colour Graphics Navigational aids
Content	Investor Focus Summaries Comparisons Statistics News Testimonials and Case-Studies Downloadable fact sheets Sector-specific information Contact Information
Promotional Effectiveness	Finding the site Anticipating investors needs Government affiliation

⁸ MIGA, 2006

Figure 1- The Investor's Process for Selecting an FDI Project Location



There are four main categories or characteristics of best practice websites: information architecture, design, content, and promotional effectiveness. The MIGA study category variables are shown in Table 3, below. From MIGA's IPA Performance Review⁹, many websites were shown to be quite limited in their content, with inconsistent information about business sectors or functions. Too many sites offered no data to support claims about the investment environment, and not enough data to help assess or compare the location. Many sites reflected a poor understanding of investors' information needs, with information that seemed to be directed at tourists. Most sites from developing economies tended to avoid stating why their

⁹ The MIGA website analysis method is drawn from several studies including (1) A Framework for FDI Promotion (1) *A framework for FDI promotion* by Henry Loewendahl, Transnational Corporations, Vol. 10, No. 1, April 2001; (2) *Assessing a firm's web presence: A heuristic evaluation procedure for the measurement of usability* by Agarwal and Venkatesh, Information Systems Research, Vol. 13, No. 2, June 2002; and (3) *Consumer-Centric Emarketing Value Assessment Model: An Adaptation of Heuristic Evaluation Usability Testing, The Seven C's Framework and The Value Bubble To Assess Website Marketing Objectives Achievement* by O'Keefe and Askim-Lovseth, Journal of E-Business, Vol. 5, No. 1, June 2005.

location was suitable for investment. This poor information contrasts with the top 5 IPA's in the study which offered business cases, statistical data and graphical data that investors can use to compare key locational factors (MIGA, 2006). IPA websites and answers to investor inquiries should contain information related to the most common location factors such as economic and political stability, regulations on the treatment of international firms, market size and growth, property availability labour, property and utility costs and other factors depending on the sector. The result of MIGA's IPA performance review showed that best practice IPA's tended to understand key location factors at the sector and sub-sector level.

The assessment method proposed here is meant to address the IPA's need to take a hard look at the development of its investment environment and also to create a categorical way in which to satisfy investors information needs.

3.5 Assessment Methodology

This website analysis is intended to assess whether the IPA promotes its location to business investors in a clear coherent way. Additionally, it should also provide information that is pertinent for the investor who is at the long-listing stage of site selection. The overall scoring methodology is designed to measure the extent to which the IPA's website has the following characteristics:

- Readily identifiable and accessible to investors

- Effectively uses the online medium and is visually appropriate
- Is made in a way that makes it easy for site users to find the information they need
- Provides interesting and useful information to an investor

The assessment process evaluates the website on the four key dimensions of information architecture, design, content and promotional effectiveness. Each dimension has factors that rate the attributes of the dimension overall. The descriptions of the dimensions are given, followed by the scoring methodology from the MIGA IPA study. The four main dimensions and the factors are shown in Table 3 below.

Table 3 - Website Assessment Dimension Categories and Factors

Category	Factors
Information Architecture	Web-friendly structure Ease of navigation Website functionality
Design	Ease of reading Colour Graphics Navigational aids
Content	Investor Focus Summaries Comparisons Statistics News Testimonials and Case-Studies Downloadable fact sheets Sector-specific information Contact Information
Promotional Effectiveness	Finding the site Anticipating investors needs Government affiliation

3.5.1 Dimension 1 – Information Architecture

Information architecture refers to the organization and the layout of the information in the website and how logical and consistent the structure of the site allows the user to quickly identify key pieces of information. The user should have his information needs satisfied whether browsing for information or for decision-making purposes. The use of headers, sidebars and conventional layout techniques enables a logical layout and easier navigation of the site.

There are three themes (dimensions) within this category:

1. **Web-friendly Structure** refers to how well the homepage fits on standard PC screens, and if extensive scrolling is required to view a page.
2. **Ease of Navigation** refers to if the website uses navigation bars and prompts and if it is easy to move from page to page.
3. **Website Functionality** refers to if key topics are highlighted, of the pages download quickly and if the graphics and links function the way they should.

3.5.2 Dimension 2 – Design

Design refers to the general appearance and readability of the website. The look and the feel of the site should be immediately noticed by users. Because of certain subjective bias in the rating of this dimension, the focus of

the assessment is on quantifiable aspects, such as readability, and consistent templates throughout the website. There are two key themes:

1. **Look and Feel** – refers to if the pages have visual appeal, and if the look of the website was consistent. It also refers to if the branding of the site is reinforced.
2. **Reading Ease** – refers to if the site text, fonts and colours are conducive to reading information, and if headings are short and easy to read.

3.5.3 Dimension 3 – Content

The content dimension is considered the most important and relevant dimension of the four. This section relates to the relevance, accuracy, currency, and accessibility of the website as well as information to investors. Because investors tend to search for certain types of information that can be compared with other hosts (I.e. key locational factors), the items represent the information needs of users and how much the content of the site is relevant and easily accessible. There are seven themes:

1. **Clarity of Purpose** – is the website a site for investors (versus the general public). Does it introduce services for investors?
2. **Core Information** – information that is useful and relevant to foreign businesses.

3. **Sector Information** – the investment information and opportunities should be provided by sector. The information should be of consistent quality across sectors.
4. **Credibility of Information** – refers to if statistics, sources of information, and dates are used. Is the information credible?
5. **Currency of Information** – refers to if the information is up to date (current) and if the site includes business event and investor news.
6. **Use of Downloads** – refers to if the investor can download various reports, presentations from the site.
7. **International Accessibility** – refers to if the site is available in English and other languages specific to the target market, and if the foreign language versions are consistent.

3.5.4 Dimension 4 - Promotional Effectiveness

This dimension generally measures how well the website is effective in selling the location and services to investors. Ultimately, the IPA website should induce an investor or agent to contact or interact with the IPA. Here, the website should sell itself to investors not tourists, include business oriented information, and argue why the location is ideal for the appropriate sectors. There are five themes.

1. **Branding** – are there corporate (branding) images and statements?

2. **Corporate Roles & Messages** – Are the IPA's roles and services clearly stated on the website? There should be clear instructions on how to obtain more information.
3. **Contact Information** – there should be clear contact options for users.
4. **Promotional Effectiveness** – the website should sell (promote) the host economy's location to investors.
5. **Internet Prominence** – the website should be easy to find when searching on the Internet.

3.6 Rating Scales and Factor Weighting

A Likert type rating scale was used for each theme where 1 = Very Poor, 2 = Poor, 3 = Average, 4 = Good, 5 = Excellent. If a factor was non-existent (I.e. no downloadable files) then a value of 0 was assigned. These scores were then weighted to reflect the importance of each theme, as shown in Table 4. Information Architecture has a weighting of 20, Design 10, Content 50, and Promotional Effectiveness 20. In the MIGA study, scores were compared to the highest score achieved for each question. In this study, the comparison is host specific; that is, the Jeju website for investment information is to be compared to the best practice IPA of Invest Hong Kong and that of PEI's InvestPEI portal site for investment. All three sites under observation represent sub-national promotion organizations.

Table 4 – Website Assessment Weighting

Dimension & Theme	Weight
<i>Information Architecture</i>	20
Web Friendly Structure	30
Ease of Navigation	40
Web Functionality	30
<i>Design</i>	10
Look & Feel	60
Readability	40
<i>Content</i>	50
Clarity of Purpose	10
Core Information	30
Sector Information	20
Credibility of Information	10
Currency of Information	10
Downloads	10
International Accessibility	10
<i>Promotional Effectiveness</i>	20
Branding	10
Corporate Roles & Messages	10
Contact Information	30
Promotional Effectiveness	40
Internet Prominence	10

Source: MIGA IPA Performance Review 2006.

3.7 Website Selection & Assessments

The websites were reviewed using the criteria discussed above and weighted scores were calculated. Both PEI and Hong Kong have one central promotional website that is sanctioned by the government to be a primary resource for investors to obtain information. These websites are Invest PEI (investpei.com) and Invest Hong Kong (investhk.gov.hk), respectively. Both these websites are operated by the respective subnational Investment Promotion Agencies of the same name.

Selecting the Jeju website posed a methodological problem. Jeju has several websites that promote investment in Jeju. These are the Jeju Special Self Governing main website (english.jeju.go.kr) which links to the the Jeju Free International City website (freecity.jeju.go.kr), the Jeju Free International City Development Center, or JDC (jdcenter.com), and the Invest Korea (national IPA) website (investkorea.org, jeju.investkorea.org). Although the national IPA promotional support is a potential first contact for investors, it was decided to compare only subnational systems. This left the Jeju Free International City website (Provincial Government) and the JDC site. The provincial government website was chosen for assessment as it is the governing authority at the provincial level to oversee investment, while the JDC is funded by the central government's Ministry of Transport and Construction. Assessing the JDC website is beyond the scope of this writing, but its site comprehensive and the organization has a broad mandate to induce investment and function as an IPA. It would be desirable to review and assess the JDC site for comparison to the provincial site.

Hong Kong's IPA website was chosen because of its recognition of outstanding performance in its investment attraction, and function as a provincial level promotion agency. It has received various performance awards such as “Best Managed Investment Promotion Agency in Asia Pacific”¹⁰, as well as being identified as one of eleven best practice IPA's (one

¹⁰ Strategic Direct Investor magazine today (September, 2003).

of four best practice subnational IPA's)¹¹. This provided a world best benchmark for comparison purposes to the JFIC and Invest PEI websites.

3.8 Results Section

3.8.1 Dimension 1 - Information Architecture

Web Friendly Structure

The InvestPEI site had the simplest and easiest homepage to view on a standard PC screen. This is partly due to the fact that there is less information on the front page than the other sites. The Jeju page was easy to view, but required some scrolling. The Invest Hong Kong site required a small amount of adjustment to view the whole page.

Ease of Navigation

All three sites were relatively easy to navigate, but the Jeju site did not have an easy interface to navigate back to previous pages or sections. What looked like links to return to a previous page did not function and were somewhat confusing. The Invest Hong Kong (IHK) site was easier to navigate but required some use of the browser's back function rather than using page links.

Website Functionality

The PEI site highlighted key topics very clearly, and pages downloaded quickly. All links to subsequent pages functioned well. The Jeju site also

¹¹ MIGA Investment Promotion Agency Performance Review 2006.

clearly labeled the key topics and all links functioned. The HK site had more links than the other sites, but all topics were highlighted and functioned well.

3.8.2 Dimension 2 – Design

Look & Feel

This dimension referred to if the pages have visual appeal and if the entire website has a consistent look, and if a brand was evident. The PEI website, although consistent in the look of pages, lacked a strong brand image taking the whole website into account, which accounts for a lower score (3=average). The header of the main page was used throughout the site, which gave slightly less visual appeal.

The Jeju site was weak in all three criteria. Each page within the site had an attractive graphic image that changed with each page, but each page overall lacked a good visual appeal, and were inconsistent when browsing through the hole site. The branding was particularly weak as an IPA. The Jeju logo was present at the top of each page, but also stated both “Jeju Special Self-Governing Province” and “Jeju Free International City”. Unfortunately the word 'international' was misspelled at the bottom footer ('internation').

The IHK site has a clear visual appeal and the general look of the site was consistent throughout. The branding of the InvestHK logo was superior to to the other two sites.

Reading Ease

The text, fonts and colours of the Invest PEI site were very conducive and clear to reading information. The headings for excellent and clear. The Jeju site had several pages where many inconsistencies in its font size and type of font within pages existed. This made it distracting to try and read. Other pages were quite easy to read. Headings were good and clearly understood for the topic shown. The IHK site was slightly distracting in reading the site text because of the amount of text and links within each page. However, virtually all pages were consistent in their text and headings. The PEI site was the clearest to read.

3.8.3 Dimension 3 – Content

Clarity of Purpose

This factor rates the websites' as an exclusive function for investor purposes. The Invest PEI site clearly states on the homepage that it is a “partnership of all three levels of government working together to attract foreign investment to the province”. It also clearly states how the IPA can help investors (services links). The Jeju site's information headings are clearly investor oriented, with such items as 'Primary Investment Advantages', Investment Environment', Incentives' etc., but it is not clearly stated who operates the site and the services it provides, and as a result received a lower score of 2 (Poor) compared to PEI (4=Good) and IHK (5=Excellent). The opening

splash message states “Welcome to beautiful Jeju, the Free International City! Visit Jeju Island where you can enjoy its pristine nature, sightseeing, leisure and knowledge-based high-technology”. There were no investor services listed. The IHK site clearly states on the homepage that Invest HK is the “inward investment promotion agency of the Hong Kong Government”, and is clearly investor service oriented.

Core Information

Core information for investors was checked against the list of development factors that help induce investors to a host economy (Moran's Promotion criteria). Invest PEI focused on providing core information regarding its labour force, locational factors, cost certainty (competitor rankings), infrastructure and quality of life. Each of these core information categories provided statistics and figures for business to consider moving to PEI.

The Jeju site focused on the categories of investment environment, incentives, development projects and investment opportunities (projects and sites). It also listed 'Primary Investment Advantages', summarizing some key information (no visa and no tax policies, market access to large Asian cities, island of peace and UNESCO designation, tourist accommodations and number of tourists, educated work force, and airport and port information). The IHK site had by far the most relevant information for investors, citing almost all the categories and factors to encourage investment (investment

climate, information provision, upgrades investment (infrastructure), and incentives and subsidies.

Sector Information

Invest PEI listed six key industries and provided basic sector information for each. These were the aerospace, bio-science, diversifies manufacturing, information technology and media, food processing and financial service industries. The Jeju site did not list the investment information and opportunities by sector. There was a list of main development projects, but did not provide sector overviews (I.e. tourism, education etc.). InvestHK lists one of its main overview links as 'Business Sectors'. Each sector overview was consistent, with case study and testimonials in addition to key statistics. InvestHK scored 4 (Good), followed by Invest PEI and JFIC (3=Average, and 1=Poor respectively).

Credibility of Information

The IvestPEI site cited StatsCan data (Statistics Canada) and competitor (investor) site studies conducted by KPMG. Overall the sources of information are limited but dates are provided and the information is credible based on the sources cited (see above). The Jeju site lists statistics concerning Jeju and its planned projects, but no information sources are cited or dated, and therefore can not be verified. InvestHK provides three main types of information: statistics, case studies and testimonials. The information is cited, and studies information is dated.

Currency of Information

The Invest PEI and Jeju site information did not clearly indicate when the site information had last been updated. InvestHK had information dated up to the time of this writing in 2008. InvestPEI includes investor news in the form of an online newsletter, but no business events were listed. The Jeju site had no business event or investor news. InvestHK listed investor newsletters and investment updates (quarterly), and a news and events calendar.

Use of Downloads

No downloadable reports, presentations or information were available from either the InvestPEI or Jeju websites, and a zero (0) score was assigned to the variable rating. InvestHK provided a 'Resource Library' section of downloadable information as well as various brochures and information packages; mostly in PDF (Adobe file format) format. A score of 5 (Excellent) was given for the extensive downloadable resources.

International Accessibility

A criteria for IPA best practice is to have information in English as well as for the local and target market. Here the InvestPEI site had only English available, while Jeju's site offered information in English, Korean, Japanese and Chinese. The InvestHK site, interestingly, provided English, Chinese

(Mandarin and Cantonese), Japanese, Spanish, Korean and text (website) language versions. A limit of this variable's assessment was the author's ability to ascertain if the bilingual versions of the site pages were consistent. Several people fluent or able to read Chinese, Japanese and Korean were asked to briefly review the consistency of the pages.

3.8.4 Dimension 4 - Promotional Effectiveness

Branding

The Invest PEI website has a corporate (IPA) logo and slogan “Empowering Business Opportunity” on its website. The logo has the province's acronym 'PEI' on top of a red Maple Leaf; the symbol of Canada. The newsletter uses the name “The Opportunity Link”. The JFIC site uses the provincial government Jeju name logo, in black letters with blue and green underlining. There are no corporate (IPA) statements, such a mission statement. Invest Hong Kong uses a logo which incorporates the word 'invest' with an integrated HK symbol. There is a triple arrow design above the letter 'I' that resembles a star, but indicates inward investment (to Hong Kong). The site also utilizes icons to represent each major information category within the site for easier navigation.

Corporate Roles & Information

The InvestPEI site clearly states its role and purpose on the homepage as a one stop shop IPA. It also clearly states what specific services the agency helps with: market information, project financing, site location, labour market information and recruitment, referrals to business services, priority access to senior decision-makers and prompt attention to investors' projects. The instructions for obtaining further information are limited to the contact link on the header of each page. The JFIC site does not list the investor services on the website, but lists the contact information at the bottom of each page, within the footer (template design). It is not clear on how to obtain more information.

Contact Information

On the InvestPEI site, the contact information link remains in prominent view at the top of every page (in the header), as well as at the bottom of some pages. The contact information for the agency is simple but effective in how to obtain more information. Clicking on this leads to the IPA's address, toll free numbers and an e-mail link. The Jeju site's contact information is in small font and located at the bottom of each page; the number reaches the main operator of the provincial government, and the webmaster's e-mail address is given. No direct contact information to investor relations is found on the site. Surprisingly, the InvestHK contact information was difficult to find, and the 'contact us' link was in small font at the bottom of each page. Once this link was clicked, however, a new page opened with excellent contact

methods: an online inquiry form, e-mail link, and overseas offices contact information. The roles and services of InvestHK were clearly stated. InvestPEI, Jeju and InvestHK were given ratings of 3 (Average), 1 (Very Poor) and 4 (Good) respectively.

Promotional Effectiveness

The variable is rated on the IPA's ability to sell the host economy's location to investors. InvestPEI is convincing in its ability as a promotional vehicle for investors to locate in the province. It highlights the proximity to the North American and European market, cost of doing business and quality of life factors. It also promotes itself as 'the' IPA organization to make inquiries to on behalf of the province of Prince Edward Island. The core and sector information was limited (as indicated in the Content section assessment) and the look and feel of the site overall could be more comprehensive (score of 3 in *look and feel* of Design assessment). A score of 3 (Average) was given for promotional effectiveness.

The Jeju site is simply limited in its ability to sell the location to investors, scoring 2 (Poor) mainly because there is no direct invitation and argument (supported by statistics and facts) to invest in the location. The viewer can deduce some pertinent information regarding some industries in Jeju, such as tourism, but the facts are not substantiated by cited statistics and investor profiles. The site invites viewers to e-mail for further information, but no e-mail is included.

InvestHK was given a score of 5 (Excellent) in promotional effectiveness. The website is clearly promoting the benefits of investing in Hong Kong, supported by solid facts and statistics, and extensive information on key locational factors, as well as the core promotional categories and factors to encourage investment as argued by Moran's promotional model.

Internet Prominence

The final factor rating was how well the websites were easy to find when searching on the Internet. The InvestPEI site was not prominent in web searches until the key words 'invest + PEI' were used. Key word searches conducted on Google and Yahoo search engines that resulted in related web pages of other government agencies that had links to InvestPEI included 'PEI investment promotion agency', 'PEI trade promotion', and PEI and foreign direct investment. In searching for the Jeju Investment site, the two sites that came up repeatedly were the national IPA website Invest Korea, resulting in the Jeju investment page. The other site that came up in the results were various pages within the JDC website. Jeju Provincial Government pages were in the results pages, but did not link directly to the investment site page. The invest Hong Kong site was consistently found in the first page of results, linking directly to the main (homepage) page of the IPA. The scores for Internet prominence were InvestHK 5 (Excellent), InvestPEI 3 (Average), and Jeju 2 (Poor).

The result scores were weighted to reflect the importance of the relative categories previously described in Table 4, and changed to percent scores for easier comparison between IPA's and for the final, overall performance score. The possibility of subjective scoring bias was minimized wherever possible, and strict adherence to the scoring methods were followed. For certain factors, however, it is a subjective assessment by the researcher, and this may limit the research. The assessments for all websites were conducted in May, 2008. The review findings are summarized below in Table 5.

Table 5 – Website Assessment Scores (%)

Dimension & Theme	PEI	Jeju	Hong Kong
<i>Information Architecture (20)*</i>	20	15.6	17.2
Web Friendly Structure (30)	100	80	80
Ease of Navigation (40)	100	60	80
Web Functionality (30)	100	100	100
<i>Design (10)</i>	7.6	6	9.2
Look & Feel (60)	60	60	100
Readability (40)	100	60	80
<i>Content (50)</i>	28	16	47
Clarity of Purpose (10)	80	40	100
Core Information (30)	60	40	100
Sector Information (20)	60	20	80
Credibility of Information (10)	80	20	100
Currency of Information (10)	40	20	80
Downloads (10)	0	0	100
International Accessibility (10)	60	80	100
<i>Promotional Effectiveness (20)</i>	13.2	6.4	16.8
Branding (10)	60	40	80
Corporate Roles & Messages (10)	60	20	80
Contact Information (30)	80	20	60
Promotional Effectiveness (40)	60	40	100
Internet Prominence (10)	60	40	100
Overall Score	68.8	44	90.2

*indicates weight of theme/dimension

The key findings are discussed in the next section.

KEY FINDINGS

4.1 Key Findings

As stated earlier, it was beyond the scope of this study to conduct the Investment Climate Survey to obtain the perceived level of development of Jeju's investment climate, information provision, upgrades investment or direct incentives and subsidies. The results presented here provided a assessment of the promotional factors (information) present on the government website(s), and to compare the website itself according to a best practice site (Hong Kong).

The best practice website of Invest Hong Kong, clearly outperformed the other Jeju and PEI investment websites overall. The InvestHK website had an overall assessment score of 90.2 percent compared to PEI (68.8%) and Jeju (44%). The results of this assessment are consistent with findings of the MIGA IPA study between best practice IPA's and developing IPA websites (2006).

The websites had closer scores within the Information Architecture dimension. This dimension measured how well the user can find information quickly and how well the site is laid out. Here, the PEI website was rated the most effective (20%) compared to InvestHK and the Jeju site (17.2% and 15.6% respectively).

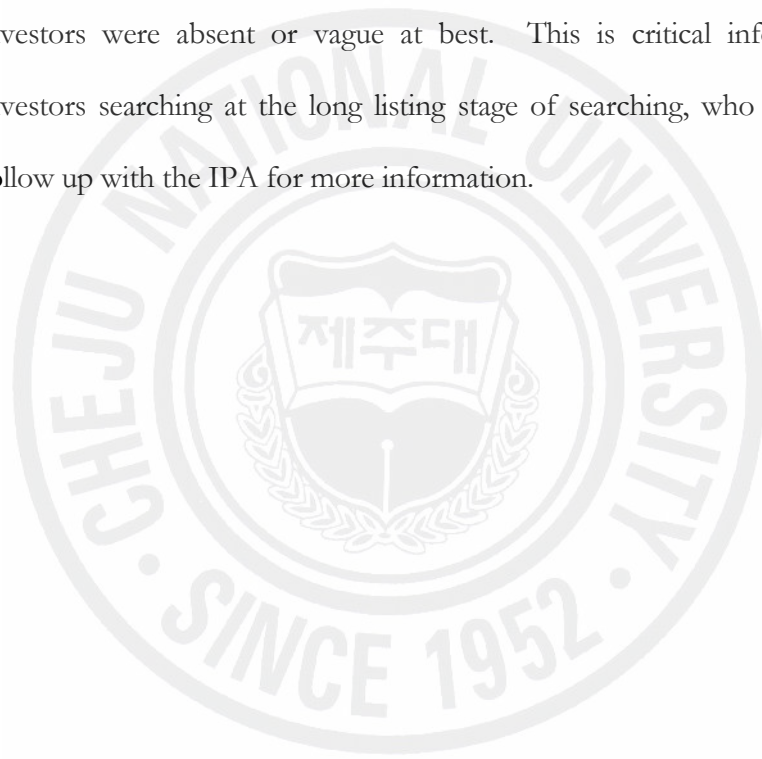
Within the Design dimension, the Jeju site was weakest in the readability of the site. Fonts were irregular and inconsistent among the various pages and this distracted the ability to read information easily. This is most likely as a result of the language limitations of describing information in English. It was noted that the Jeju website appeared to have a similar consistency of information in other languages however. Invest Hong Kong's website had a superior look and feel (visual appeal) overall (60%), and this was evident in the branding of the organization.

The Content section was clearly where the best practice website of InvestHK (47%) stood out from Jeju (28%) and InvestPEI (16%). One might argue that Hong Kong has a far more developed location, organizational resources and success stories than the much smaller agencies. There is a lot that can be done however. The InvestPEI website was able to use credible information from the national statistical agency (StatsCan) and from a major study conducted by KPMG. Invest PEI had a performance rating of 80% compared to InvestHK's score of 100%. Jeju had no substantive sources, and scored 20% in terms of credible information.

PEI and Jeju did not offer any downloadable (PDF) files that an investor could easily print out or download to file. InvestHK offered numerous files for overall descriptions of Hong Kong and pertinent information by sector. Oddly, Jeju has a downloadable PDF overview available at the Invest Korea website (Jeju section). Documents would greatly add to the convenience and interest of viewing the site.

Core information is another area where the PEI (60%) and Jeju (40%) websites could dramatically improve providing relevant investor information compared to Hong Kong (100%).

The Promotional Effectiveness dimension revealed a key weakness of the Jeju website. The site was difficult to find in basic Internet searches (40%) and basic information such as contact information and corporate messages to investors were absent or vague at best. This is critical information for investors searching at the long listing stage of searching, who may want to follow up with the IPA for more information.



SUMMARY & CONCLUSIONS

5.1 Summary

Overall, the website assessment results show that including information that is relevant to investors, based on best practice promotion development criteria and proper website design can result in a website that is investor oriented and should help in attracting investors to consider the IPA's market (all other things being equal). It is evident that comparing one's IPA website to best practice websites is a worthwhile exercise that can identify important areas of weaknesses (and strengths), and guide improvements and revisions to the website. For example, basic contact information for investors to contact the agency.

In comparing the IPA site of Invest PEI with those of Jeju, there are several notable differences in the way in which they present information, and in what investment promotions functions have recently been carried out. PEI most closely follows the recommended best practices in website promotion functions, and this results in a website that would rate above most developing IPA websites, and therefore a competitive advantage. Jeju's clear disadvantage is the overall impression that the website gives the viewer, as reflected by its low overall performance score of 44%, compared to PEI (68.8%) and InvestHK (90.2%). This must change.

A disadvantage in Jeju is that there are several entry points to investor services in Jeju, and it potentially hurts everyone involved, both the investor trying to find consistent information and those parties in Jeju who are working hard to attract investment but unnecessarily duplicating information and confusing everyone in the process. Even though the PEI provincial government website has its own investment team staff, the site clearly links to the InvestPEI website where the investor can go for one stop services for their investment processes. The content dimension of the PEI website was well presented and used convincing information supported by recognized studies and statistics, and indicated the company investors. Unfortunately it was beyond the scope of this paper to rate all of Jeju's investor services websites. The JDC website is the more likely candidate to act as a true IPA in terms of its website and services.

The provincial government main website does point investors to the JDC, Jeju Free International City (JFIC) website and Invest Jeju (the Invest Korea national IPA site), but it is not at all clear who has the authority or responsibility of providing one stop services and this takes away from JDC's efforts to claim one-stop services for investors. The Invest Korea website, for example, does not link to the JFIC site, and the link to the JDC site is obscure and did not work (English version website) at the time of this writing.

In general, many of the investment promotion functions encouraging investment in Jeju are undergoing significant reform, and this should attract the attention of potential investors; particularly in the areas of upgrades

investment and direct incentives and subsidies. These activities must clearly be conveyed in the information provision functions, however; a weakness of Jeju. In addition, conducting the Investment Climate Survey would provide the framework for identifying the various development factors that could be used in promoting the benefits of investing in Jeju.

The results clearly showed that it was difficult to find the JFIC website on the Internet. The JDC, or Invest Korea sites were found before the JFIC site being searched for.

5.2 Contribution of the Study

One of the initial goals was to test the assessment methods to determine if they could identify strengths and weaknesses of investment promotion functions in a systematic manner. Using these frameworks of core promotion functions assessment and website assessment do indicate and identify these objectives. This study provides an actionable assessment tool that can help identify weaknesses and strengths of the current websites attempting to attract FDI and domestic investment to Jeju, and to bring important information to the website to ensure potential investors are aware of the various advantages of investing. For example, as upgrades investment is done, this information should be made readily available on the IPA website (preferably, by investment sector).

It is also worthwhile that the Jeju site was compared to a best practice IPA website that is recognized as being a world leader in attracting FDI. It would be timely to compare the Jeju site(s) to the Hong Kong site and look at areas where investor information could be improved. The PEI website might also provide a good example of what is achievable by a small IPA in creating a website that adheres to including best practice IPA methods and information, such as clear contact information and basic, but credible statistics and information that investors can use for comparison purposes.

From the MIGA study it was noted that the overall performance/quality of all aspects of a website is important. If one of the dimensions is weaker than the others, it affects the whole website. This was evident in the Jeju site's Content dimension.

Again, the benefits of a one-stop shop become quickly apparent. In the Invest PEI site, it is clearly stated that all three levels of government, federal, provincial and municipal, fully support the Invest PEI IPA. This simply is a mixed message when considering the Jeju websites. JDC does, however, convey far more than the other KOTRA and Provincial Government websites, that it is functioning in the manner of an IPA. To support this, all websites should at least clearly lead the viewer to the JDC site to begin their evaluation process.

Using the results from these assessments provide a means to compare the website attributes to best practices from the MIGA model. For example in

the areas of contact information, simple but effective changes could be made to help ensure a potential investor can reach the appropriate contact person, and get a response.

Through the use of these assessments, it is hoped that it would bring Jeju to the attention of potential investors at the long-list stage of site selection.

5.3 Limitations

Inquiries by a “fake” investor were not feasible to test the ability of IPA staff to handle inquiries (as in the original MIGA performance evaluation). This leaves out a performance rating of the IPA's ability to respond to investor inquiries.

Clearly it would have been desirable to conduct comprehensive research of all the Jeju (government) sites that provide investment information. This, however, is a good start to identifying weaknesses that need to be addressed to improve Jeju's investment environment image.

Assessing the websites of the IPA is just one aspect of a broad range of promotional activities that take place in attracting FDI. This study did not discuss all those other attraction activities as they were beyond the scope of this paper. The website should be viewed as a promotional tool that helps support and reflect all the investor attracting activities.

Conducting the Investment Climate Survey would have provided quality data on the perceptions of key stakeholders on what the state of Jeju's

development is. This in turn would substantiate the results of the website assessment presented in this paper.

The research assessment of the investment websites focused almost exclusively on the English pages of the Jeju investment website. This may be a limitation, if a lot more information is provided in the Korean pages. However, it is anticipated that foreign investors would require information in English.

5.4 Future Research and Recommendations

It would be beneficial, and achievable, to conduct the same research on the JDC website to identify key strengths and weaknesses in comparison to a best practice IPA website. This also brings up the issue of the best practice of a host economy using the one-stop shop Investment Promotion Agency to increase the effectiveness of investor relations, promotion and services to investors.

Conducting an organizational 'network' map of Jeju's contributors to investment promotion would help identify areas of redundancy, or possibly strengths that should be consolidated within the IPA promotional function. This would also serve to keep all levels of government involved, such as key staff from the JDC, Ministry of Construction, provincial and city governments on site at the IPA. The savings of consolidating this

information and improving the effectiveness of attracting FDI should be incentive enough.

Assessment and evaluation is important to help an organization establish goals and plans of action to improve. The adoption of assessment regimes to compare factors with other IPA agencies, and within Jeju could lead to substantive improvements in performance.

The relationship between the JFIC (JSSP), JDC, and KOTRA websites seems vague. These websites do not clearly 'link' to each other, and the relationship between these organizations is not clear; for example who an investor should contact first to make inquiries. The JSSP did provide links to all 3 websites, but the acronyms 'JDC', 'JFIC', or 'KOTRA' may not be recognized without an introduction. The JSSP should make it policy to clearly state the purpose of each of these websites, and that they should all link to each other. This would benefit the investors in the initial contact stage, and help Jeju's staff to more effectively communicate with investors.

Related to the above is the importance of clear, concise contact information for an investor to use. Prominent and well seen contact links should be on almost every page for an investor to use, and the e-mail or phone numbers should be consistent, and reach an investment promotion officer that can speak English, or other required language. Responding to e-mails and inquiries must be done.

Executive interviews should be considered to assess feasibility of a true one-stop shop for Jeju. Leadership is required to make this happen. The best practice IPA's (national and sub-national) are already proving that this is the most effective and investor friendly method, and is an exciting area of new research.

Jeju should consider full, and active involvement in the IPA membership of UNCTAD and World Bank (FDI Net) supports. These organizations offer training, research, best practice methods, and ultimately help the IPA focus on the successful attraction of investors.

Finally, it is worthy to keep in mind Jeju is moving forward with its key projects and has a flourishing tourism industry already. In the summer of 2007, Jeju received positive ratings in the “Asian Cities of the Future” rankings, conducted by FDI Magazine (MIGA). In this study, 38 cities across Asia answered 60 questions among 7 categories including: economic potential, cost effectiveness, human resources, quality of life, infrastructure, business friendliness, and FDI promotion strategy. Jeju scored well, within the top ten, as having a young population base (7th), biggest growth in average earnings (6th), and placing in the top 6 'Small Asian Cities' overall (3rd). To illustrate the promotional improvements that could be made, the fact that Jeju was rated 3rd as one of the best small Asian cities, was not found on any of Jeju's investment websites.

Jeju has a wealth of opportunities yet to be promoted.

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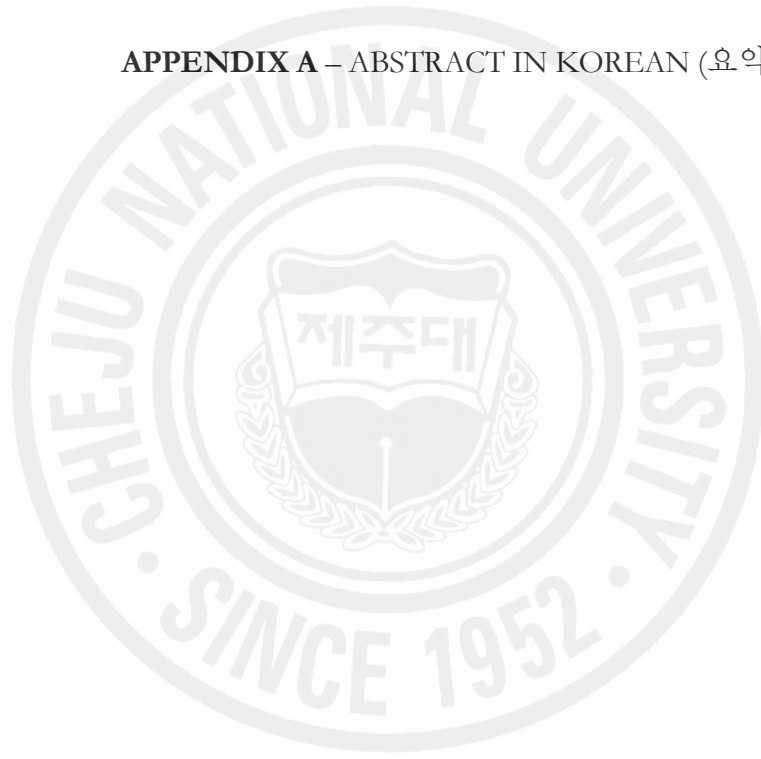
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APPENDICES

APPENDIX A – ABSTRACT IN KOREAN (요약)



APPENDIX A – KOREAN ABSTRACT

국문초록

본 논문은 제주특별자치도 제주국제자유도시본부(JFIC)의 투자진흥을 위한 웹사이트와 홍콩의 국가산하 투자진흥기구(IPA)인 Invest HK, 그리고 캐나다의 프린스 에드워드 아일랜드의 투자진흥기구인 Invest PEI 와의 웹사이트를 비교 연구해 본 것이다. 잠재적인 투자자들에게 투자 정보를 어떻게 전달해 나가고 있는지 정보 안내 체계, 디자인, 콘텐츠, 그리고 투자 진흥 효과 등의 네가지 차원에서 평가하였다. 연구방법은 씨어도어 모랜의 진흥발전 과업수행과 MIGA(다국가간 투자 보증기구)의 최근 연구결과를 토대로 한다.

총 웹사이트 분석결과는 Invest PEI 가 68.8%, Invest HK 가 90.2% 라는 웹사이트 수행실적을 보인 반면 JFIC 투자진흥 웹사이트는 종합 평가결과 44% 수행이라는 낮은 점수를 보였다. 콘텐츠 관련은 IPA 의 목적 및 필수적인 분야별 세부정보 등 투자자들에게는 결정적인 정보를 제공하는 분야로, 제주특별자치도의 투자 웹사이트 콘텐츠 운영에 대한 평가결과는 16%로 나타남으로써 Invest PEI 와 Invest HK(각각 28%와 47%)에 비해 낮은 것으로 평가되었다. 투자진흥 효과면에서도 JFIC 웹사이트는 IPA 의 브랜드 측면, 연락처 안내체계, 인터넷 용이성 측면에서도 낮은 점수를 나타내었다. 이 평가 결과는 MIGA 에 의한 가장 우수한 IPA 웹사이트와 개발중인 IPA 웹사이트 비교 결과(2006 년)와도 맥락을 같이한다.

이 비교연구는 투자자들이 어떠한 정보를 필요로 하는지 IPA 의 웹사이트의 표준을 평가하여 정부의 투지진흥 분야에 일조하고자 함이다. 주요 정책 결정자들은 이러한 평가 결과를 가지고 향후 투자자들에게 어떤 정보가 필요한지 응용할 수 있을 것이다. 또한 IPA 기관이 효과적으로 운영되기 위해서 그다지 큰 조직이 필요하지는 않다는 사실도 보여준다. 가장 우수한 운영 실적을 가지고 있는 IPA 의 웹사이트 운영상태를 벤치마킹하여 운영하는것도 투자자들에게 제공되는 정보의 질과 이미지 제고 차원에서 매우 큰 차이를 보여줄 것이다.

본 논문은 JFIC 웹사이트에 국한되어 JDC 와 Invest Korea 같은 또다른 제주 투자와 관련된 기구의 웹사이트까지는 연구의 범위가 미치지 못하였다. 최근 세계적으로 단일화된 투자진흥기구를 운영하고있는 추세인 만큼, 향후 제주특별자치도에서도 효율적인 투자정책을 수행할 수 있도록 하기 위하여 투자기구를 단일화하는 방안도 검토해 볼 필요가 있다.

몇가지 제안으로서, JFIC 웹사이트를 새롭게 구축하거나 또는 없애거나 JDC 웹사이트와 연계하여 통일된 웹사이트로 구축하는 방안을 제안 해 볼 수 있겠다. 또한 본 연구와 같은 방법으로 JDC 웹사이트를 분석해 본다면 유용한 피드백과 함께 효율성 증진을 가져다 줄 것이다. 진정한 의미의 “일괄처리” 서비스가 투자자들에게는 가장 효과적인 방법일 것이다. 끝으로 투자여건 분석이 분야별로 명확하게 이루어져 투자자들에게 정확하고 세부적인 정보를 웹사이트에서 제공되어야 할 것이다.

그렇게 된다면 투자유치를 위해 최선의 노력을 다하고 있는
제주특별자치도의 부단한 노력과 투자자들을 위한 최고의
정보제공이 조화를 이루며 발전해 나갈 수 있을것이다.

