

# *Investment Promotion:*

## MARKETING A NATION<sup>1</sup>

### AMMAN, JORDAN

The Investment Recruitment Office (IRO) was a high profile office within the Investment Promotion Corporation, an agency of the government of Jordan created to award investment incentives to attract businesses to set up operations in the Kingdom. Adbo Mussa became the Head of the Investment Recruitment Office in September 1999. Previously he was Director of Marketing for the state airline company.

Adbo Mussa reported directly to the Director General of the Investment Promotion Corporation (IPC). He also supervised a staff of five Investment Officers who represented the Kingdom of Jordan to the international business community and potential overseas investors. The Investment Recruitment Office also developed promotional campaigns for specific industries to market Jordan as a desirable place for investment.

Adbo Mussa faced the challenge of reviving his country's efforts to attract foreign investment. Recently appointed to his post, he now had to plan how he and his office would build on an aborted trade mission launched the year before to lure Taiwanese, Hong Kong or Indian companies to invest in his country. His predecessor had left detailed records of his meetings with corporate executives and government officials in those countries, but the effort had progressed no further since his departure.

The Investment Recruitment Office (IRO) promoted the message that Jordan was the ideal location to manufacture products for distribution to Europe, the U.S., and the Arab countries. Jordan was a low cost, safe, and efficient location to establish manufacturing or service operations, and its investment climate was superior to the regional competitors in the Arab world. All members of the office took part in regional and international trade shows. They were multi-lingual and

most had previous experience in the private sector. The Investment Recruitment Office was funded directly out of the National Treasury.

Increasing the visibility and activity of the Investment Recruitment Office were highest priority for Adbo. The IRO's last director had departed six months ago and until Adbo arrived, the office had been leaderless. Because the staff was experienced and professional, they had successfully continued their regular activities but all new initiatives and planned activities had been delayed until a new director was found. Thus, earlier efforts to become more aggressive recruiters of foreign investors through external investment missions had been tabled since the previous director left.

### **The Role of Investment Promotion Agencies**

Many developing countries worldwide have established their own agencies to promote foreign investment in their countries. "Investment Promotion" involves activities that attract, facilitate, and sustain foreign direct investment. Between 1985-1995, worldwide foreign direct investment (FDI) grew from about \$60 million to an estimated \$315 billion and the growth continues. In Africa, the quantity of FDI is greater than the combined foreign development assistance from a multitude of donor agencies.

Governments want to recruit foreign direct investment to provide jobs, technology transfer, and industry in their countries. The target of an Investment Promotion Agency is a foreign company looking for an offshore production site that will increase its profitability. The company benefits from investment promotion by learning about the unique benefits and opportunities for profit to be found in the host country.

Successful investment promotion requires a strong commitment from government, a clear role within the country, and the ability to act independently of political pressure. This is almost never achieved. Governments face strong criticism at home because Investment Promotion is expensive and it wastes valuable resources that some argue could be better spent domestically. The domestic business community can also be hostile towards foreign investment out of fear that new investment might put them out of business. Investment promotion agencies always walk a tightrope between the economic necessity of bringing foreign direct investment into a developing country, and the demands of the domestic political and business establishment. Domestic groups fear the competition and regulatory changes possibly brought on by increased foreign participation in the economy.

for a foreign company to enter a new market, and a government policy of clear support for foreign investors can be critical to attracting them.

In the third phase, it serves as an Aggressive Promoter of the Home Country as an Investment Destination. Once a country has reached this level of investment promotion activity, it has established regional and international satellite offices from which qualified staff conduct aggressive, personal marketing efforts to target overseas businesses. These countries have developed a coherent strategy that identifies priority sectors or industries to guide the recruitment of new businesses into the home country.

### History of the Investment Promotion Corporation of Jordan

In the early 1990s, the Kingdom of Jordan initiated a national program of economic reform to modernize the economy and take advantage of the opportunities presented by globalization. New legislation designed to improve the business environment and encourage private investment was adopted. This came about at a time of regional recession brought on by the Gulf War and declining oil prices. With support from the International Monetary Fund, trade barriers and tax rates in Jordan were lowered, foreign exchange was liberalized, and previously restricted economic sectors were opened to foreign investment. The macro-economic policy environment in Jordan quickly became competitive and attractive by international standards.

However, the impact of these reforms was not reflected in GDP growth or levels of new investment. Investment and expansion of existing industries were largely restrained by uneven implementation of the new policies at all levels of the executive agencies. The style and routine of government bureaucracy in Jordan remained unchanged from the past when policies were designed to control rather than encourage investment.

The Investment Promotion Law of 1995 created the Investment Promotion Corporation (IPC), a semi-autonomous government corporation. Its staff and organizational structure were drawn from its parent ministry, the Ministry of Industry and Trade. The Investment Promotion Law created investment incentives such as corporate income tax waivers and import duty exemptions to new investments in certain sectors. The Investment Promotion Corporation evaluated candidate projects for these incentives, disbursed tax and customs waivers, and then monitored these projects to ensure that the incentives were not misused or diverted. The IPC was also responsible for promoting Jordan internationally as a destination for foreign direct investment.

<b>Image Building</b>	<ul style="list-style-type: none"> <li>• Inform and educate about the home country</li> <li>• Lead informative investment seminars and attend trade shows</li> <li>• Web sites, brochures, and other publications</li> </ul>
<b>Investment Generation</b>	<ul style="list-style-type: none"> <li>• Investment missions to specific industries in foreign countries</li> <li>• Useful and accurate information on domestic business activity</li> <li>• Incentives such as tax holidays, free labor training and land grants</li> <li>• Priority sectors and target marketing to potential investors in those areas</li> </ul>
<b>Investor Servicing</b>	<ul style="list-style-type: none"> <li>• Satisfy existing investors- expansion is the best source of new investment</li> <li>• Assist new investors with start-up procedures</li> <li>• Resolve problems between new investment projects and the government</li> </ul>

#### Exhibit I. Investment Promotion Activities

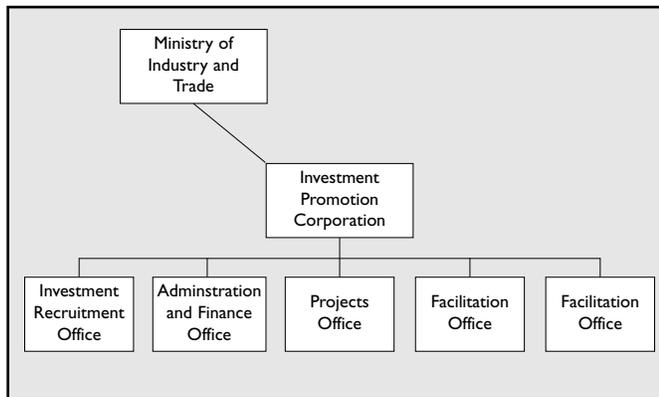
There are a variety of activities that governments can engage in to promote investment, outlined in Exhibit I. As a government becomes more aggressive about investment promotion, it takes on all these activities in three distinct.

In the first phase, it is the Transmitter of Information. This is a largely passive activity, producing information and assistance when requested. It includes preparing brochures, presentations, and web pages that contain general information about the location and the economy.

In the second phase, it is the Facilitator of the Investment Process. This is a more proactive activity where government officials support investors by offering them tax incentives, export assistance, business contacts, and other services to encourage their decision making process. It is often difficult

The Director General of the IPC reported to the Minister of Industry and Trade, and supervised a staff of seventy people. Altogether, there were five offices within the corporation, shown in Exhibit 2.

The Investment Recruitment Office (IRO) acted as the public face of Jordan internationally. The Promotion Officers met with existing and potential investors and personally helped them register an operation in Jordan, locate industrial prop-



**Exhibit 2. Organization Chart**

erty, and identify business partners. The in-house graphic design studio developed and published promotional brochures about the investment climate in Jordan. Its staff traveled frequently to attend regional and international conferences and seminars, and accompany Jordanian trade and investment delegations.

The Administration and Finance Office was the largest department within the organization. This staff was responsible for allocating the annual budget obtained from the Jordanian government and donor agencies such as the European Union, USAID<sup>2</sup>, and UNIDO.<sup>3</sup>

The Projects Office evaluated applications from new projects to determine whether or not they qualified for investment incentives. Proposed new investments in the appropriate sectors and targeted regions of the country were granted income tax exemptions and the right to import capital equipment duty free. For example, projects located in remote areas of the Kingdom received 75% relief from all taxes for a ten-year period, while projects located in the Amman region received only 25% tax relief for ten years. Generally, industry was concentrated in the northern regions of the Kingdom, in the cities of Amman, Zarqa, and Naour. The tax incentives were an attempt by the government to encourage industry to locate in the southern and eastern parts of the kingdom so as to provide employment opportunities for the populations in those less developed areas.

The Facilitation Office worked closely with Customs officials to ensure that the fixed assets (machinery, spare parts, office equipment) imported by approved projects pass smoothly through the customs procedure at the borders. Chiefly, the facilitation department was responsible for the long-term monitoring of these projects and their fixed assets. Monitoring was necessary because an investor might have illegally sold his duty-free capital goods to a local buyer.

The Planning Department had the smallest staff. It chiefly cooperated with the other departments to perform studies and analysis of the work of the IPC and its impact on the Jordanian economy.

## Public Sector Management in Jordan

Appointments and firings for high profile government positions come suddenly and unexpectedly in Jordan public sector.<sup>4</sup> When the previous Director General (Abu Mohammed) was asked to resign, he simply left the office that day with a box of his personal items. Abdo Mossa's boss was Mr. Hafez who himself was appointed only in May 1999. He came from another ministry and had not previously worked with any of the offices within the Investment Promotion Corporation.

Abdo Mussa knew that his own position as head of the Investment Recruitment Office depended on both the effectiveness of his leadership and the political trends at the highest levels of the Jordanian government. Since the Investment Promotion Corporation was a daughter agency of the Ministry of Trade, a new minister could easily replace the existing management if their performance were judged unsatisfactory.

## Business Opportunities Through Creative Diplomacy

Jordan recently established privileged access to U.S. markets through innovative diplomatic agreements with the United States. The Jordan-U.S. Free Trade Agreement eliminated tariffs on some Jordanian goods exported to the U.S. Even earlier, a novel agreement between U.S., Jordan and Israel allowed tariff-free import into the U.S. of goods built with both Jordanian and Israeli content. Under a special trade privilege extended to Jordan by the United States, items manufactured in Jordan's Qualifying Industrial Zones or QIZs could enter the U.S. market tariff- and duty-free.

Jordan had attracted considerable interest from international textile and garment companies because of these Qualifying Industrial Zones. Between 1998 and 1999, fifteen international companies had established new textile operations in Jordan,

mostly to assemble precut fabric into finished garments. The countries of origin of these investments were predominantly China, India, Pakistan, and Israel.

## The Outbound Investment Promotion Mission

The previous administration of the IPC had initiated the first steps of a more aggressive investment promotion policy. Three sectors of Jordan's economy were identified as most attractive to international investors: textiles, light manufacturing, and information technology. Of these three industries, textiles were considered to have the best potential for immediate results.

In the spring of 1999, the former Director of the Investment Recruitment Office, Mr. Abu Mohammed, visited private businesses, business associations, and government agencies in Taiwan, Hong Kong, and India. He was laying the groundwork for an Investment Mission to aggressively recruit foreign investment into Jordan. At that time, it was expected that a senior level delegation of Jordanian government officials and business leaders would follow up ten weeks later, led by the Minister of Industry and Trade and perhaps the Prime Minister of Jordan.

Shortly after Mr. Abu Mohammed returned from his business trip, there was a management shake-up within the Investment Promotion Corporation. Two weeks later, both the Director General and Abu Mohammed left the corporation. With their departure, all momentum and support for the Investment Mission collapsed. The Investment Recruitment Office kept up correspondence with the individuals that Abu Mohammed had contacted, but little else happened. Clearly, there was continued goodwill towards Jordan and interest in possible investment missions. The Investment Recruitment Office staff hoped that the Investment Mission would still go forward at a later date.

Since taking over the IRO, Abdo Mussa felt that his office should capitalize on the foundation that had already been laid by Abu Mohammed and the previous administration. But he saw a few problems with the original plan:

- No minister could afford to be away from his duties in Jordan for longer than one week.
- It would be ineffective to try to visit three countries with an entourage of officials within one week.
- While government officials were important for the investment mission, foreign businesses would want to talk to Jordanian businessmen most of all.

In fact, the Investment Recruitment Office would be fortunate to organize a group including the Prime Minister, the Minister of Industry and Trade, and a group of private businessmen, optimally with existing foreign investors, for a tour of only one country. If that were a success, perhaps they could organize a second trip a few months later.

Fortunately, Abu Mohammed left a richly detailed file of notes from his meetings in Taiwan, Hong Kong and India (see Appendix). Abdo Mussa had studied them intensely. He scheduled a meeting with all of his Investment Recruitment Officers for the next day to talk about the Investment Mission and the best strategy for building on that foundation, to breathe new life into Jordan's Investment Recruitment campaign.

In preparing for his staff meeting the next day, Abdo Mussa made a brief list of issues that the Investment Recruitment Office would have to decide before they could implement a new investment mission to any or all of the targeted countries, namely, Taiwan, Hong Kong, and India:

- Given our limited budget and the difficulty organizing a group for an investment mission, what country is likely to offer the most immediate results?
- What companies or industries look particularly strong?
- Where should the Promotion Department focus its attention? Is it worthwhile to send a small team ahead to a target company to stimulate interest and line up meetings for the dignitaries?
- A good mission would require just as much follow up as preparation. How would the IRO ensure that no opportunities for investment slipped through the cracks?

# Appendix

## ABU MOHAMMED'S TOUR OF ASIA

### Background

Months before Abu Mohammed went on his trip, the Investment Promotion Corporation coordinated with the Commercial Officer in the Jordanian Embassy or Consulate in each location to identify large companies that either were already manufacturing internationally or were known to be seeking international investment opportunities.

In particular, Abu Mohammed was promoting the unique QIZ or Qualifying Industrial Zones of Jordan. The QIZ would be especially attractive to Asian textile companies who were restricted from selling in the U.S. market by quotas.

At every meeting, Abu Mohammed began with an introduction and small talk to break the ice. After giving a short explanation of the goals of the Investment Promotion Corporation of Jordan, Abu Mohammed spoke briefly about the opportunities that Jordan offered to foreign manufacturing operations.

He wanted to collect as much information about the company and its markets as possible from each meeting—especially its plans for future expansion. Every meeting concluded with a clear understanding that a more senior-level mission would be following shortly. Finally, Mr. Mohammed gave his thanks and departed. He left each counterpart with a variety of brochures about Jordan and the business climate in the Middle East.

### Taiwan

Abu Mohammed flew to Taipei on Saturday, April 24. He spent Saturday and Sunday resting and enjoying the city. On Sunday he explored the city using the subway and a map. He wanted to develop a feel for the locations of his meetings knowing that he had very full schedules on Monday, Tuesday, and Wednesday,

In Taiwan, the focus industries were textiles and information technology.

### Monday

Abu Mohammed first met with the permanent commercial officer at the Political Office of Jordan in Taiwan. The Commercial Officer (C.O.) offered the full services of his

Country	Date	Meetings
TAIWAN	Monday, April 26	Political Office of Jordan in Taiwan Taiwan Ministry of Foreign Affairs Taipei Computer Association The Wang Company Taiwan Sweater Association
	Tuesday, April 27	Industrial Development and Investment Center China External Trade Development Center Taiwan Textile Federation Information Service Industry Association United Industrial Corporation Typotech Corporation
HONG KONG	Wednesday, April 28	Honorary Consul of Jordan in Hong Kong
	Thursday, April 29	Federation of Hong Kong Garment Manufacturers The Trendy Garment Corporation
	Friday, April 30	Monarch Limited Hong Kong Chamber of Commerce Super Garment Company Liz Claiborne
INDIA	Monday, May 2	Marsalla Fabrics Limited Northern India Textile Mills Association Tamarind Overseas Limited
	Tuesday, May 3	Vikram International Pvt. Ltd. KSA Technopack Confederation of Indian Industry

**Exhibit A-1. Itinerary of the Investment Mission to Asia 1999**

offices in Taiwan and accompanied Abu Mohammed on his meetings with Taiwanese government agencies, the industry association, and private companies. The C.O. arranged a courtesy meeting with the Director of Middle East Affairs of the Foreign Ministry of Taiwan, who was very enthusiastic about the idea of an Investment Mission headed by a high Jordanian government official later in the year.

Abu Mohammed and the C.O. attended more meetings that day. Below are Abu Mohammed's notes from each meeting:

*Taiwan Ministry of Foreign Affairs*

Meeting with: Mr. Clark K.K. Chen, Director General  
Mr. Abdulhameed Ma, Section Chief,  
Department of West Asian Affairs

The Taiwan Ministry of Foreign Affairs is prohibited from assisting if the investment Mission is a purely private sector event. However, if a Jordanian minister is involved, then the Ministry of Foreign Affairs and the Economic Affairs Ministry will lend assistance and participate in a seminar.

Taiwan signed a double taxation agreement with Saudi Arabia in 1998. Jordan has not signed such an agreement with Taiwan. Double Taxation agreements are critical in order to gain the trust of the Taiwanese business community, who see it as an endorsement that a foreign country is a good place to invest. The Investment Mission should expect to address this question during its Taiwan seminar.

Jordan does not maintain diplomatic relations with Taiwan, yet the relationship between the two is strong and friendly. The Foreign Ministry may have political motivations when they suggest that Jordan should send the highest level minister to accompany the Investment Mission. Diplomats in Amman should know how to handle Jordan's specific sensitivities when dealing with Taiwan vis-a-vis other countries. For example, when IPC coordinates with official channels in Hong Kong, it might be best not to mention the assistance that IPC is receiving from the Ministry of Foreign Affairs in Taipei.

*Taipei Computer Association (TCA)*

Meeting with: Mr. Li Chang, Deputy Secretary General

Taipei Computer Association (TCA) has no activities in the Middle East. However, they do coordinate large computer shows around the world. Only 2 or 3 Taiwanese computer firms have invested in the Middle East. These included Acer and CDS, both located in Dubai. TCA delegations have visited the strong software development companies in Israel.

TCA is accustomed to providing assistance to investment promotion agencies. TCA will inform its members about the Investment Mission later in the year, and will help publicize any seminar that the Jordanians will sponsor. Most investment promotion agencies hire a Taiwanese public relations company in Taipei to set up such seminars for them. The brochures and information should be translated into Chinese. Simultaneous translation should be provided. Arrange for a successful businessperson to speak about his or her investment in Jordan.

Taipei Computer Association's website is:

<http://www.tca.org.tw>

The IPC should utilize TCA's membership list to invite Taiwanese computer and software companies to a seminar on investment in Jordan. It may be possible to persuade TCA to host a series of informational technology fairs in the Middle East. Whoever coordinates the suggested Taipei seminar on opportunities in Jordan should work closely with TCA.

*Wang Company [Taiwan]*

Meeting with: Mr. Daniel S. Chang, General Manager,  
Business Investment Division

Wang manufactures computers and computer accessories internationally. Two factories in the United Kingdom supply world markets with PC monitors and picture tubes. PC assembly is done in the Netherlands. A sales and trading office in Germany sells Wang's products in Europe.

Wang has agents in the Middle East but no manufacturing operations. They have a Jordanian partner that imports monitors and PCs. Therefore, they are somewhat familiar with the Jordanian market.

Mr. Chang hinted that it was important that the Taiwanese government support the upcoming seminar. Government sanction and approval remains important to Taiwanese companies.

"We should establish who is Wang's trading agent in Jordan. Wang already trusts that firm and feels comfortable doing business with them. The Jordanian firm would be a good candidate to attend the Direct Mission." - Abu Mohammed's notes to himself from the meeting.

*Taiwanese Sweater Industry Association*

Meeting with: Mr. Raymond Wu, Executive Director of TSIA

The Taiwanese Sweater Industry Association (TSIA) represents 80% of Taiwan's sweater output. 50% of Taiwan's sweater output is sold in the United States. TSIA is most familiar with production in Southeast Asia where they know the marketing strategy and the buyers.

Internet communications are a priority for the TSIA and its members. The Association itself uses the IBM internet system exclusively. Mr. Wu wanted to know about internet communications in Jordan.

A number of Taiwanese companies have invested in Dubai. TSIA may organize a mission to Jordan as part of a larger trade mission to the Middle East. Jordan might be suitable for initial simple manufacturing investments such as spinning. The industry would then expand vertically.

Mr. Wu found the idea of QIZ "very encouraging." The United States may be too far away, however, to allow for timely shipments. It is important that the Jordanian delegation address transportation costs between Jordan and the USA during the Investment Mission seminar.

TSIA would like to do more for the European market. Mr. Wu stated that it was advantageous that Jordan was so close to Europe.

Include TSIA in the planning of a follow-up mission from Jordan, and invite their members to an investment seminar.

Taiwan Sweater Industry Association website is:  
<http://www.textiles.org.tw/fta041.htm>

**Tuesday**

In the first part of the day, Abu Mohammed met with two Taiwanese government agencies that promote Taiwanese trade and investment—the Industrial Development and Investment Center (part of the Ministry of Economic Affairs), and the China External Trade Development Council (focused on strengthening trade linkages). Both organizations expressed willingness to assist the future Jordanian Investment Mission by publicizing the event in their publications.

*Taiwan Textile Federation (TTF)*

Meeting with: Mr. Ruey Guang Tzou, Deputy Director  
Market Promotion Department

Taiwan Textile Federation (TTF) is a non-profit organization representing the textile industry. TTF conducts over 30 promotion programs around the world every year. TTF has good capital, marketing channels, and connections within East and Southeast Asia.

The Taiwanese textile industry is now very affected by the Asian financial crisis. The private banking system is suffering from bad loans. Exports fell from U.S. \$15 billion between 1997-1998. 60% of Taiwan's total textile exports are to Asian countries.

Jordan does not fall within NAFTA, or close to the Asian countries, nor is it like Eastern Europe, which sits just next to the EU market. Therefore, Mr. Tzou felt that Jordan may experience some difficulties luring investors.

Mr. Tzou will publish information about the investment opportunities in Jordan in TTF's "Textile Monthly" publication and website. Mr. Tzou found the information presented to be very interesting. He said that Jordan's current situation reminds him of the incentives Taiwan was giving investors in the 1970s.

This introductory meeting provides IPC with a very good opportunity to inform the Taiwanese textile community about the QIZ. Follow-up to ensure that they publish information about the QIZ and Jordan in their newsletter. TTF seems very ready to provide assistance for the seminar.

*Information Service Industry Association of R.O.C. (ISIA)*

Meeting with: Mr. Jessy Cheng, Deputy Secretary General

ISIA has 600 member companies in domestic software development. Taiwan is their main market, while some export to the U.S., Japan, and mainland China. Exports to the rest of the world are small.

The mainland Chinese software market suffers from infringement on copyrights. Mr. Cheng stressed that protection of intellectual property rights is important to software companies. However, for utility software like computer operating systems, it often pays in the long run for illegal copies to initially circulate in a market. Consumers begin to use the pirated software and then become dependent upon it. When copyright laws are finally enforced, the operating system manufacturer has a loyal market to which to continue to sell its product. This is not the case, however, with computer game software. Once a customer has a copy, there is no need to upgrade.

Jordan is not a familiar market for Taiwanese software developers. It will be very difficult to get a Chinese-speaking country to invest in the Arabization of software. While software companies are unlikely to invest in the Middle East, many Taiwanese hardware companies may be interested. Hardware companies tend to focus on location and market.

ISIA has a good relationship with the commercial offices of many countries, and often helps set up business partners. Information about Jordan's commercial attaché in Taipei should be sent to them.

*United Industrial Corporation, Ltd.*

Meeting with: Mr. James C. Wei, Executive Vice President

United Industrial Corporation, Ltd. (United) manufactures fabric dyes. Their brand dominates Taiwan's domestic market and their products are distributed to over 40 countries. The largest export markets are Japan, U.S., Canada, and Turkey.

United has a trading agent in Jordan. If business grows, United may open a subsidiary office in Jordan. Because Turkey is a major export market, a free trade agreement between Jordan and Turkey would make investment in Jordan much more attractive.

Mr. Wei personally visited Jordan recently. He also visited Syria and Egypt, but thought that Jordan was the best location from which to sell to surrounding countries. The best markets were Dubai, Lebanon, Syria, Iraq, and Iran. Mr. Wei is considering a second visit to Jordan.

United sees its advantage in locating in Jordan as increased access to the Middle East market. Using Jordan to access the U.S. market via the QIZ is not attractive because they already have operations established in Mexico. Mr. Chen noted that U.S. orders from Mexico take only 2 weeks versus 6 weeks from Asia.

Mr. Wei showed interest in exporting potash from Jordan, and seemed interested in the Dead Sea minerals and cosmetics.

## Wednesday

*Typotech Corporation*

Meeting with: Mr. J.C. Pan, Product Marketing Manager

Typotech supplies 25% of the world's computer keyboards. Last year, the company shipped 18 to 20 million units. They manufacture keyboards for Compaq, Dell, Gateway, and others. Typotech supplies European manufacturers such as Packard Bell and Phillips. Typotech does not have its own name brand label.

Typotech no longer has factories in Taiwan. They moved all factories to lower cost areas such as China, Malaysia (Penang), and Mexico, and maintain a sales office in Europe. Sales to the Middle East are handled by the main European office in Germany.

Typotech as 3 business divisions:

- Input devices such as keyboards
- PC peripherals such as scanners and printers
- Rubber for mobile phone keypads

Typotech's production in Mexico already enters the United States duty-free. Mexico is much closer and convenient to the U.S. than Jordan. Mr. Pan explained that Typotech must consider the entire cost of manufacturing, not just the tariff duty. Typotech must be able to hire a lot of people to do technically skilled automated work.

Mr. Pan has never traveled to the Middle East. He only travels to Typotech's various offices. He said that he appreciated the visit by IPC to Typotech, and would study the Jordanian environment. Mr. Pan said that Taiwanese seldom travel to the Middle East, and noted that there were no direct flights to Jordan. This would be a concern for investors.

Typotech already has the U.S. market covered by its operations in Mexico. Jordan's biggest hope for investment from Typotech will be to serve the Middle East market. IPC should send Mr. Pan more information about the demand for PC equipment in the Middle East.

## Hong Kong

Abu Mohammed arrived in Hong Kong on the afternoon of Wednesday, April 28. Mr. Baghdadi, Honorary Consul for Jordan in Hong Kong, met him at the airport and delivered him to his hotel. During the afternoon, the two men discussed the schedule of meetings for the next two days, as well as the details of the Investment Mission that might follow a few months later. Mr. Baghdadi accompanied Abu Mohammed to all of his meetings on Thursday and Friday.

Below are Abu Mohammed's notes.

## Thursday

*Federation of Hong Kong Garment Manufacturers*

Meeting with: Mr. Anthony Tang, Secretary General

There are 10 textile associations in Hong Kong. All belong to the textile council, a political organization that has elected representation in Hong Kong's legislative body. Hong Kong is the second largest garment exporter in the world with garments being Hong Kong's number one export.

Hong Kong's export quotas are separate from those of China. Fifty (50) percent of Hong Kong's garment manufacturers have factories in China.

According to Mr. Tang, some garment manufacturers prefer isolated locations rather than locations inside industrial parks. The problem with locating near other factories is that trained workers will tend to quit working for one company and jump to the next.

Mr. Tang said that Jordan sounded like a more attractive location than China. He told a story about trying to get a vehicle license in China. No one was ever there to issue it, and the bureaucracy was a mess. He appreciates streamlined operations like IPC.

The Federation had already published news of IPC's visit in their News Bulletin. Mr. Tang agreed to publish information in Chinese about Jordan, the QIZ, and the investment seminar.

*Trendy Garment Factory Limited*

Meeting with: Mr. Paul Chau, General Manager

Trendy Garment Company [TGC] was established in 1976: produces only woven products exporting mainly to Europe, its largest market. They sell 5 million jeans per year. They do not sell to the United States and therefore are not constrained by export quotas to the U.S.

Trendy's Hong Kong factory supplies the European market. Trendy has had a London office since 1974. Trendy once had a suit factory in Scotland, but the venture did not work well.

Trendy's China and Macao factories supply non-quota countries. Trendy started a factory in China in 1985. This factory took 5 years to start. It was very difficult to find skilled workers because many unskilled people migrated from China's various provinces. Because of the difficulties they experienced in China, Trendy has not considered additional overseas operations. Mr. Chau said that he would have to discuss the Jordan opportunity with the chairman of the company.

Mr. Chau has been to Jordan once. Trendy Garment Company has a long trading history in the Middle East. They have been exporting to Jordan since 1976. Mr. Chau thinks Jordan is an interesting place and he had a good experience swimming in the Dead Sea.

The U.S. market is now the strongest in the world, and is very attractive to the Trendy Garment Company. The QIZ is a good opportunity to enter the U.S. market. However, Trendy Garments has not recently considered additional overseas investments. Mr. Chau said the Board of Directors of the company would have to discuss the matter. The problem is that the company is timid about additional overseas investments due to previous difficulties.

They need to be convinced that things would be easier in Jordan. Mr. Chau and members of his Board of Directors definitely need to be invited to the investment seminar.

**Friday**

*Monarch Ltd.*

Meeting with: Ms. Karyu Josephine Hau

Monarch has its factory in China employing 400 workers. They export garments to Switzerland, France, Germany, Australia, New Zealand, and Japan. Merchandise is sold directly to customers, some to agents, and some to department stores and holiday resorts. In addition to clothing, the company also deals in bags and accessories.

The company used to have its factory in Hong Kong, but costs in that city have increased threefold. It was also difficult to work with Hong Kong's quotas. Therefore, the company moved its factory to China 15 years ago.

Follow up with Ms. Hau and her boss to ensure they receive an invitation to the seminar. Monarch used to sell to the U.S. market 10 years ago, but it cut its sales to the U.S. due to the quota problem.

*The Hong Kong General Chamber of Commerce*

Meeting with: Ms. Erica Ng, Assistant Manager  
Western International Business

The Chamber of Commerce will help organize an investment seminar. The first target audience would be Chamber of Commerce members. Their venue can accommodate 35-100 people. A typical seminar usually draws 10 to 20 members. If IPC wants a larger audience, they must add something else to attract people to the seminar, such as a dynamic speaker or a session on the general Middle East business environment. Careful coordination should be made between the Chamber, TGC, and the Hong Kong Federation of Garment Manufacturers to organize the seminar.

Ms. Ng stated that English would be fine for the seminar. No simultaneous interpretation would be needed. The Chamber of Commerce could provide VCRs, TV, and notebook computer projector. The Chamber of Commerce will print a circular brochure for members to inform them of a seminar.

The Hong Kong business community is very conservative, according to Ms. Ng. The Asian financial crisis has led to businesses cutting back on overseas investments.

*Super Garment Manufacturing Company, Ltd.*

Meeting with: Mr. Justina Chan, General Manager

Super manufactures mainly ladies' fashion wear including jackets, skirts, pants, dresses, blouses, and suits. Their brand labels include Albert Nippon, Kasper, Casual Corner, and Petite Sophisticate. The company produces 10,000 suits per month. Most of the suits are designed in New York. Making women's suits is more complicated than making simple pants or T-shirts. It requires a skilled labor force.

Super's market is mainly the United States. Europe is a small market for them. They are experiencing a problem with quotas. The shipping time to New York City from Hong Kong is 3 weeks.

They have one factory in China that employs 1,000 workers and has been open for 8 years. According to Mr. Chan, the company has experienced a lot of problems with its factory in China. There are a lot of communication problems, even though the language is the same. Ms. Chan raised concerns about the cooperation of the labor force. In her experience with workers in China, "you tell them one thing and they do another." She fears that investing even further away in an unfamiliar culture would be even more difficult.

Ms. Chan stated that the company does not have any plans to invest abroad yet, as they currently do not have the personnel for this. However, she will go over the IPC brochures and talk to her colleagues about Jordan. Super has attended trade seminars with delegates from Europe and elsewhere looking for Hong Kong investment opportunities.

One thing that was highlighted in this meeting, as well as in others in Hong Kong, was the hesitancy to invest abroad due to difficulties experienced from investments in China. Hong Kong Chinese invest in China due to its proximity, same language, and perceived same culture. When difficulties arise, they reason that it must be even more difficult to invest in a faraway place with a different language and culture. This must be considered when creating the strategy to promote Jordan as an attractive investment location.

*Liz Claiborne International Ltd.*Meeting with: Mr. Chris Chan, Vice President  
Asian Sourcing

Liz Claiborne is a U.S. company that has no manufacturing facilities of its own. The company has offices in Taiwan, Shanghai, Jakarta, Sri Lanka, and the Philippines. The Hong Kong office is a buying office.

Liz Claiborne is one of the largest apparel importers in New York. The company employs 7,000 workers worldwide. They handle over 100 million pieces of apparel each year. 90% of the goods are sold in the U.S., but some are also sold in Canada and Europe. The quota problem has been difficult for business expansion.

Mr. Chan already knew the QIZ. Liz Claiborne has a representative office in Israel where they are buying some products. Their Israeli representative is doing some assembly work in Jordan. Mr. Chan's responsibility is Asia, not Israel. However, he knows the representative in Israel, so he wants to know more about the QIZ.

Mr. Chan said that he is trying to get as much information as possible from different sources about the QIZ. He is trying to get the most accurate picture of the real QIZ situation in Jordan. Mr. Chan is planning a trip to both Israel and Jordan. The company may set up a cutting and fully automatic laundry facility in Israel. Jordan, which has inexpensive labor, would be better suited for labor-intensive activities like sewing.

The price of water in Jordan was a concern for Mr. Chan. However, Mr. Chan's biggest concern is the 35% value-added requirement of the QIZ. He thought it would be difficult to get the proper Jordanian and Israeli content.

However, he is unsure of the efficiency of the workers. He wonders if worker productivity might drop during the month of Ramadan since vendors in Indonesia experience large drops in productivity during this time. This is an important issue that must be planned around, according to Mr. Chan.

IPC should find the exact time of Mr. Chan's planned visit to Jordan. Mr. Chan could have a lot of influence in persuading vendors to locate in Jordan.

## India

After two working days in Hong Kong, Abu Mohammed departed for New Delhi on Sunday, May 2.

Arrangements for meetings in New Delhi were made through Mr. S.K. Chhatwal, president of Marsalla Fabrics Limited, an investor in the QIZ. Mr. Chhatwal is also vice president of the Textile Association (India) - Delhi. Mr. Chhatwal facilitated a number of excellent meetings with people who are potential investors in Jordan, and proposed that his organization sponsor investment seminars on Jordan in the cities of Delhi, Bombay and Bangalore in the fall of the year. Mr. Chhatwal held a high opinion of the quality of service rendered by IPC project officers.

During the course of the mission's stay in Delhi, they met with the Ambassador of Jordan and his Commercial Attaché. In a very cordial discussion at his residence, the Ambassador expressed support for the mission and offered the assistance of his staff.

The Commercial Attaché subsequently arranged an appointment with the Confederation of Indian Industry, and accompanied the mission members to the meeting. The Confederation is the single largest such organization in India, representing thousands of member industries. Mr. Sahi, the Deputy Director, likewise offered full assistance to the mission, and proposed the facilities of his Confederation for a seminar or seminars.

Abu Mohammed's notes:

## Monday

*Marsalla Fabrics Limited*

Meeting with: Mr. S.K. Chhatwal, President

Mr. Chhatwal is an investor in the Jordan QIZ, and is himself a good promoter of the investment climate in Jordan. Mr. Chhatwal will assist with the seminar in his position of Vice President of the Textile Association, not as President of Marsalla Fabrics.

Mr. Chhatwal praised the treatment he has received from IPC. His company, Marsalla, has a U.S.\$60 million factory in India that produces bedsheets. Their plant in Jordan will convert this to bed sets. Marsalla's future market will be the United States. Currently, however, 20% of the market is in the U.S., 10% in Israel, and 70% in Europe. They sell very little on the Indian market.

IPC will need to inform Indian investors about Jordan because they know very little about the country. Mr. Chhatwal said that he did not know much about Jordan before he went for the first time. He thought it would be like Saudi Arabia—very strict, and with no freedoms for women. He was pleased to find that Jordan is a modern country and that the productivity level of textile workers is higher than in India.

Indian companies have concerns about security in the Middle East. Mr. Chhatwal was going to make a trip to Jordan in December but his colleagues convinced him to cancel it because the U.S. was bombing Iraq at the time. People need to be reassured about security in the region.

Mr. Chhatwal stated that the Textile Association can arrange the groundwork for an investment seminar. It is better, however, for the official arrangements to be made by the Jordanian Embassy in Delhi. It would attract more people if the invitations officially came from the embassy.

The Textile Association will provide IPC a list of the important decision-makers in the textile industry. These would be company owners and their second-in-command. Contacting anyone else would not be productive, according to Mr. Chhatwal.

Final suggestions for a successful seminar included bringing a Jordanian banker on the Mission to discuss project finance, and preparing official documents showing the authenticity of the QIZ agreement between the United States and Jordan.

*Northern India Textile Mills Association (and other Associations)*

Meeting with: Mr. H.B. Chaturvedi, President

Mr. S.K. Chhatwal, Vice President

This meeting was organized by Mr. Chhatwal but chaired by Mr. H.B. Chaturvedi. Also present at the meeting were a number of Association members, Indian industrialists who seemed very interested in Jordan and who stressed the need to educate the Indian textile industry about Jordan.

The Indian economy is becoming outward looking, particularly the textile industry. Indian companies must have a base abroad if they are to grow. Many business people are not satisfied with the situation and conditions in India; therefore Jordan looks attractive to them. Currently, Indian businesses feel competent to set up both domestic and overseas factories. The import of modern technology used to be a problem in India, and businesses suffered because they did not have the latest equipment. That has changed, however, within the past 5 years. The import of technical knowledge has increased the competence of industry in India.

Points made during the meeting:

- Both Jordan and India are labor exporting countries.
- The local Jordanian market for textiles will be very small.
- There are few additional costs incurred by locating an operation in Jordan. The labor costs are similar to India. The main advantage is the exporting opportunities.
- The textile business in Pakistan, Turkey, and Egypt are all competing and in a better position than India because of their location.
- Jordan should try to get itself known among the textile community.

The countries with the best marketing skill will be successful in luring Indian investment.

Mr. Chaturvedi initially suggested organizing a seminar for companies in northern India. The best strategy would be to have Mr. Chhatwal speak about his experience as an Indian investor in Jordan. A testimonial will be the highest selling point.

He expressed concern that Jordan does not have enough qualified people to manage a growing textile industry. He told a story of a carpet manufacturing facility that had to close down because of lack of technically skilled managers.

Because of quantity restrictions, countries like Sri Lanka, Bangladesh, Mauritius, and Nepal are all courting Indian textile investments. Jordan is in a similar situation to these countries: no raw materials, but adequate facilities and labor.

Mr. Chaturvedi liked the ownership option in Jordan because companies can have a proper stake in the project, whereas a foreign company cannot fully own land in Dubai or Israel. Mr. Chaturvedi discussed the idea of accompanying Mr. Chhatwal to Jordan soon. He said that in order to be credible to people, he should first visit Jordan to see it for himself.

*Tamarind Overseas Limited (Super Star Trading House)*

Meeting with: Mr. Raj Kumar Jain  
Mr. K.C. Mathur

Mr. Mathur is also an investor in the Jordan QIZ. He had met the previous Director General of the IPC. Mr. Mathur has been to Jordan 15 times, and speaks some Arabic. One of the Jordanian ex-ministers is a business partner. Construction has begun on his 2,100 square meter facility in Jordan. It will employ about 60 people making bedsheets and shirts for the U.S. and EU markets. He said that IPC has been very helpful and friendly, and praised the work of the IPC project officers.

Tamarind is considering additional business projects in Jordan including oil packing or rice polishing and packaging. They see lots of business opportunities in Jordan.

Mr. Jain invited everyone at the meeting, including Mr. Chhatwal, to dinner at his home that evening.

## Tuesday

*Vikram International Pvt. Ltd.*

Meeting with: Mr. V. Chandra Shekhar

Mr. Shekhar started his company in 1992 trading textiles in Europe. He ran the business for 3 years until 1995, when he returned to India to start his own textile com-

pany, which has diversified into knitting. His markets are the U.S., Latin America, and Europe.

Vikram Ltd. has a \$20 million turnover. The U.S. market comprises just \$3 million due to the quota system. They do \$7 million worth of business in Latin America. In order to increase his quota allocation in the U.S., he slowly needs to build up a history of performance over the years.

Mr. Shekhar heard about the Jordan QIZ from an advertisement in the Financial Times in Switzerland. It was a small article entitled "Green Lane to the U.S. Market." He then returned to India and got an appointment with the Jordanian Ambassador.

Mr. Shekhar has definite plans to locate a factory in Jordan. It will be a 100 percent owned operation. The raw materials will enter Jordan via the Port of Aqaba and finished goods will leave through Israel's Haifa Port.

He is thinking of establishing a \$2.5 to \$3 million complete processing house that imports grey fabric from India and processes it in the QIZ. He would have a sewing and knitting unit. He would expect to employ 2,000 workers.

His planned factory in Jordan would require a 40,000 square foot building. The ideal scenario would be to fully own the factory and employ a Jordanian manager. He does not need a partner to help him finance the project, but there would be advantages to associating with a Jordanian company. They know the ins and outs of the Jordanian business environment. But he wants to be very choosy when picking a partner.

He had studied the possibility of investing in Peru, Argentina, Austria, and Mexico, but cultural issues and distance from India prevented his investing. He wanted an investment close to the Suez Canal.

*KSA-Technopak*

Meeting with: Mr. Harinder B.S. Lamba, Senior Consultant  
Mr. Avijit Roy, Consultant

KSA-Technopak is a 50/50 joint venture between Kurt Salmon Associates of Atlanta, Georgia, and Technopak of India that began in 1996. The consulting company's main focus is improving the efficiency inside garment factories, but has grown to include helping textile mills improve their marketing as companies move southward to Central America.

The firm now works with retailers such as Wal-Mart and K-Mart to advise on complete supply chain operations. KSA has a proprietary Enterprise Resource Planning (ERP) software package that enables retailers to place smaller orders with more frequency of delivery to quickly stock new styles throughout the year. They were involved in the restructuring of Burlington, a company that kept a shell operation in the United States but moved its manufacturing south to Mexico.

Mr. Lamba explained that NAFTA integration has resulted in production bases springing up in Mexico and Central America. NAFTA will be big competition for Jordan in the US market.

The Indian textile industry is facing two basic challenges that are pushing Indian manufacturers to locate production in places like Tunisia, Morocco, and Jordan:

- Quotas cost more than US\$2 per garment
- Retailers want “speed-sourcing” — whereby clothing is delivered to retailers more often and on shorter notice

Most Indian textile companies specialize in grey fabric production. Grey fabric is unprinted fabric that may be dyed or otherwise finished at another stage during production. Most of India’s quota is used up in the grey market. Therefore, Indian companies are looking for quota-free areas like Jordan which allow companies to expand into garment manufacturing.

Mr. Lamba feels that a good way to gain the confidence of the Indian textile industry is to start with trade. He asked the IPC to send him contact information for good textile distributors in the Middle East. That way, Indian companies can gauge the market.

KSA’s website is: [www.kurtsalmon.com](http://www.kurtsalmon.com). Technopak would like to keep in touch with IPC.

#### *Confederation of Indian Industry (CII)*

Meeting with: Mr. Sumit Garg, Executive  
Mr. Kamal Sahi, Deputy Director

CII started in 1975 as an engineering association with just 5 members. In 1990, CII expanded as the Indian economy was liberalized. Today the Confederation has 4,000 direct members and 79 separate official associations fall under the its umbrella.

CII operates through its central office in Delhi, with 23 offices throughout India and 10 overseas offices.

CII’s Middle East activities began in 1995. Although it currently does not have an office in the Middle East, there is pressure to do so. CII is currently planning a trip to Egypt, Morocco and Tunisia. CII is the secretarial and coordinating body for a joint business group linking Egypt and India. CII has also taken missions to Qatar and Kuwait. The Jordanian Chamber of Industry would be CII’s likely counterpart in Jordan.

Mr. Kamal stated that CII would be happy to assist IPC in any way possible. They normally organize seminars. CII can give publicity to IPC in its monthly journal and website. If members of the Jordanian business community come on the Investment Mission, then CII can organize one-on-one meetings between them and Indian businessmen.<sup>5</sup>

### ASSIGNMENT QUESTIONS:

1. Why would an international manufacturer or business choose to locate production in a foreign country?
2. What is attractive to international manufacturers about Middle Eastern countries? How about Jordan in particular?
3. How should the Investment Recruitment Office proceed, given their limited time and resources? Where should the new investment recruitment effort be targeted?

1. This case was written by Sarah Harpending of Tufts University under the supervision of Professor Richard Linowes of the Kogod School of Business at American University, Washington, D.C. It is intended as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

2. United States Agency for International Development (USAID).

3. United Nations Industrial Development Organization (UNIDO).

4. National governments in Jordan have short life spans. From 1921, when H.E. Rashid Tali’ was appointed the first Prime Minister, to the administration of H.E. Abdel Roufa Al-Rawabdi in 1999, Jordan had 85 prime ministers. The average government in Jordan serves for less than one year.

5. Mr. Raj Kumar Chhatwal is the brother of Vijay Kumar Chhatwal, the Chairman of Marsalla Fabrics. Mr. Raj Kumar Chhatwal hosted the Jordanian visitors at his home on Wednesday, May 4.

