

# Investment Promotion:

MARKETING A NATION<sup>1</sup>

AMMAN, JORDAN

## Case Description

This case is centered on Adbo Mussa, the newly hired Director of Investment Recruitment in the Investment Promotion Corporation of Jordan. The corporation has recently experienced a great deal of upheaval and change, and Adbo's position has been empty for the past six months. Because of these administrative changes and a lack of management staff, the corporation had completely suspended all new projects for the past six months.

Under the previous management, the Investment Recruitment Office had started to expand its activities. In particular, they had begun to market Jordan more aggressively targeting international companies in certain sectors. The previous Director had actually laid the groundwork for an investment promotion mission to various Asian countries, namely Taiwan, Hong Kong, and India.

In the case, Adbo Musa reviews the information left behind by his predecessor about his visits to various international companies in Asia. All of the international firms were interested in the possibility of expanding their manufacturing operations into Jordan.

The case ends with Adbo Musa thinking about renewing the targeted investment recruitment program that was abandoned last year. He appreciates how complicated it would be to arrange a successful trade and investment mission to travel to a foreign country. He has to decide which country offers the most opportunity, that is, which has businesses that are most likely to locate manufacturing operations in Jordan.

## Position in the Course

This case fits well in international marketing and international investment classes, and could also be used in classes on economic development and strategic decision-making.

## Teaching Purpose and Objectives

1. To illustrate what "Investment Promotion" is and why it is important to countries in the developing world.
  - New Business creation
  - Technology transfer
  - Comparative and competitive advantages
  - Access to new markets
2. To illustrate some of the difficulties faced by economic actors in the developing world.
  - The disruption of business plans by governmental staff changes
  - The "personal" nature of the Arab culture
  - Inter-agency conflict
3. To encourage the students to place themselves in the position of Mr. Musa in evaluating his predecessor's experience visiting three Asian countries. Where would the marketing efforts of the Investment Recruitment Office yield the most fruit?

## Discussion Questions

1. **Why would an international manufacturer or business choose to locate production in a foreign country?**

Levels of foreign direct investment have been growing steadily since the 1980s. Advances in transportation and communications have changed the business environment. In certain industries, especially those employing low skilled, low cost laborers, it makes sense financially to move a factory to locations where labor costs are lower.

In particular, textiles and light manufacturing are industries where the capital equipment is comparatively portable and inexpensive. The early success of the Asian Tiger economies was based on their ability to attract foreign firms to locate production in their countries. The developing economies declared special industrial zones, such as a Free Trade Zone (FTZ) or an Export Processing Zone (EPZ), and encouraged foreign firms to locate there. Raw materials and finished goods could enter and exit the zones without paying taxes or duty. The host countries benefited by the employment created for their citizens, who commuted to the industrial zones from nearby settlements.

**2. What is attractive to international manufacturers about the Middle Eastern countries?**

Arab Middle Eastern countries in general have received very little foreign direct investment outside the oil industry. The international business community in general views the Middle East as a hostile environment for business because of high regulation, stern cultural values, and perceived political instability.

However, this perception is changing, for a number of reasons. First, Middle Eastern countries, especially Syria, Jordan, and Egypt, have large populations and very low per capita incomes. These countries have significant resources of skilled and unskilled labor, available at comparatively little expense.

Second, as the economies and standards of living grow in Europe, certain industries become unprofitable to operate in that high wage environment. Manufacturers want to move production to less costly locations that are comparatively close to their European markets. They look for countries with acceptable infrastructure, educated populations, and low wages. The Middle Eastern states fit these requirements.

**3. How should the Investment Recruitment Office proceed, given their limited time and resources? Where should the new investment recruitment effort be targeted?**

What follows are the actual concluding notes from the report presented to the Director General by Mr. Abu Mohammed, the previous Director of the Investment Recruitment Office of the IPC.

**Abu Mohammed's concluding comments:**

**India**

It was readily apparent that the most fertile field for the IPC at this time is India, and probably not just because Mr. Chhatwal did an excellent job of lining up contacts with some very impressive industrialists in Delhi. Indian textile companies are keenly aware of the quotas that the USA places on Indian textiles, and for historical and geographical reasons, India is not a stranger to investment in the Middle East.

In the experience of the writer, the group of potential investors with which the mission met in New Delhi was of as high a caliber as he has ever encountered at such events. The group consisted exclusively of top-level decision makers. Furthermore, they were sufficiently interested to volunteer to gather similar groups to meet with the IPC in Bombay and Bangalore - small groups of industry leaders.

Mission members were invited into the impressive home and compound of one of the investor groups for dinner. A base has already been established which must be built upon quickly.

It is recommended that because India is not as far from Jordan as the other countries visited, and because of the excellent relations already established with a core investor group, thanks to Mr. Chhatwal, India should be considered separate from the other countries visited. Frequent visits, every three or four months (but not in the summer), by 1, 2, or 3 persons from the IPC, accompanied by 1 or 2 persons from the private sector, are highly recommended. IPC should not wait around for a ministerial mission. It is time to strike, and such small and frequent missions should produce some solid results in terms of job creation for Jordan.

**Taiwan**

There is much interest in Taiwan in the QIZ, certainly enough interest to merit a visit by a high level mission in the fall of this year.

**Hong Kong**

As with Taiwan, there is reason to go to Hong Kong this fall because of strong interest in the QIZ.

**Conclusion**

This Advance Mission was quite successful in introducing the IPC and Jordan to a wide spectrum of Asian companies, individuals and organizations. Personal contact is the key to investment promotion, and a mission such as this one affords fine opportunities to begin building a network of interested Asian business leaders.

As a training exercise, this mission was an exceptional opportunity, but it is largely wasted now that the Director of Promotion has resigned, taking this experience and newfound connections with him.

The fact that an active prospect was generated on this mission - an Indian company which is due to visit Jordan in a few days - is extraordinary. Such an occurrence is rare on such missions, even more so given that this was Jordan's first effort.

**Lessons learned.**

- The mission did not spend enough time in Taiwan and Hong Kong.
- The respective Embassies and Ambassadors were not contacted in time. They should be informed well before departure from Jordan.
- Departing mid-April is too late to do the advance for a late June mission.
- Allow about 3 months between missions.
- Weeks could be spent in India doing business for Jordan.
- Should have some degree of commitment from the follow-on ministerial mission ("Direct Mission") as to dates and times before the advance mission departs.
- Advance mission should make all hotel, reception and meeting room arrangements, select venues, etc. for the Direct Mission.

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I. This note was written by Sarah Harpending of Tufts University.

