GLOBAL CITIES INVESTMENT MONITOR 2010
THE NEW RANKINGS, TRENDS AND CRITERIA
WHY THIS MONITOR?

THE GREATER PARIS INVESTMENT AGENCY

The Greater Paris Investment Agency has been established as a non-profit organisation twenty years ago by the Paris Chamber of Commerce and Industry. With over a hundred major French and international firms, its membership guarantees its independence. Its missions include promoting Greater Paris abroad and lobbying political and economic decision-makers.

Since fifteen years it conducts studies and surveys designed to benchmark among other Global Cities and European metropolises the Greater Paris present and future attractiveness, real and perceived.

The Monitor analyses in depth the international investors’ perceptions of the Global Cities’ image and attractiveness. It also measures the real "Greenfield" Investments which build up the economic potential of a city. Joint Ventures are included when they result in job creation. Mergers and acquisitions, privatisations and alliances are not included.

The Monitor is conceived as a synthetic instrument to provide objective arguments during the road-shows organised by the Greater Paris Investment Agency in Brazil, United States, Japon, Korea, the Gulf Countries, India, China... to explain to international decision-makers why invest in the Greater Paris region.

It is also a reliable tool to advice local, national and international policy-makers on measures supporting the attractiveness of the Paris region.

The Greater Paris Investment Agency has notably played a leading role in the development of innovative clusters and in framing the new “Grand Paris” Project.
1. **The crisis has inverted the hierarchy in investment criteria.**
   Political stability and juridical security have become key criteria when investors choose locations, ahead of economic growth.

2. **Major Asian cities figure prominently despite the crisis:**
   while Shanghai, Beijing and Mumbai have suffered from the downturn, Hong Kong strengthens its position. Furthermore, all four are now top competitors on strategic functions and not anymore mere manpower sources.

3. **American cities are absent from the top rankings**
   because no single city, not even New York, attracts a large share of foreign investments. However, the American hierarchy is changing, with São Paulo gaining steadily ground.

4. **Europe is the first source of international investments and their first destination in the world.** Reflecting this, only London and Paris figure in the top five rankings, with few serious challengers. In the meantime, the other major European Cities seem outpaced.

5. **Paris has a very stable position over the last five years.**
   Its market share increases in strategic functions and research centers. The French Capital stays a major place for investors in consumers goods and the software industry.
A poll conducted by **“opinionway”**

- **Representative sample of 512 companies with international business settlements**
- **25 countries**
- **3 criteria:**
  - Headquarter location
  - Industry
  - Turnover
- **Phone interviews with global business leaders**
  - (CEO, managing director, administrative and financial manager, sales manager, head of international investment)
- **From December 2009 to January 2010**
The annual period begins with the fourth trimester:


22 Global Cities

Combined selection criteria:

1. **GDP** (the study selects only the largest cities in terms of GDP).
2. **Attractiveness** (among the largest cities in terms of GDP, only those largely open to international investments are considered).

Inversely, very open but relatively modest economies like Singapore or Dubai are not considered, like relatively large but closed ones, like Buenos Aires.

The cities are distributed among the continents according to the zones’ relative weight in international investments.

Database:

"fDI Markets" Financial Times, from January 2003

- 65,000 international investment projects
- 28,000 business all over the world
- 8,000 information sources: newspapers, magazines, associations, websites...
# SUMMARY

## Key points
- The Greater Paris Investment Agency
- Methodology: a scientific approach based on a representative sample
- Methodology: an objective focus on the latest investments
- Summary

## Perceptions benchmarks
- Paris in top 3
- Image: a global consensus on top cities
- Attractiveness: the rise of new Asian actors
- Attractiveness: widely different regional perceptions
- Investment criteria turned upside-down by the crisis
- Investors seek stability in mature economies, growth in emerging countries
- A trend towards Asian cities

## Reality benchmarks
- Europe: the leading investor in the world regions
- Europe: the main investor in the Global Cities
- Europe: the most attractive continent in the world
- Advantage to economic concentration
- The 5 New Leaders
- 3 Chinese cities join the top competitors
- Investors seek refuge values
- Paris versus China in the R&D competition
- A diversified economy: advantage to Paris
- Paris at the top with Shanghai for manufacturing investments
- Impact of the crisis

## Report 2005 / 2009: real top global cities
- A new global ranking
- China and Europe compete for leadership
- Global Cities: a competition more open than ever
- The Greater Paris Investment Agency. Our membership: global & major companies
According to you, which 3 cities or major world capitals have the best overall image?

The image is probably the asset that is built over the longest time-span. Paris, London and New York are traditional leaders. They embody at best what a global city should be.

But the situation is rapidly changing in Asia, where Tokyo and Singapore are now facing strong competition from main Chinese and Indian metropolises.

If a city joins the trio in the next decade, it will be in that zone. Other European and American cities are now seriously distanced.

“China is seen today as a sexy place for investment.”
Indian Energy Group, Dubai
CITIES’ REGIONAL IMAGE

“According to you, which 3 cities or major world capitals have the best overall image?”

Operating a regional breakdown allows a more precise analysis.

First-rank Global Cities have a global image. They are identified as leading metropolises where resources meet opportunities in all parts of the world.

The traditional leaders are present in the top 5 cities mentioned by investors from America, Europe and BRIC countries.

Shanghai is clearly very well placed to join the handful of traditional leaders, replacing Tokyo. Next among Asian cities come Hong Kong and Mumbai.

Some cities have a very strong image regionally which is not equally perceived in other regions: Dubai, Abu Dhabi or Tokyo.
According to you, which 2 cities or major world capitals are currently the most attractive location for setting up business generally (either your business or other businesses)?

The city’s image is a strong component of its perceived attractiveness, which explains the top rankings of New York, London and Paris. Clearly, anticipated growth also enters into calculations, which allows Shanghai, Mumbai or Beijing’s attractiveness to be better ranked than their image.

“New York is seen internationally as the access door for the United States markets.”
Commercial Bank, Madrid

“In the general perception, Mumbai is just standing for the Indian market.”
Automobile supplier, New York

“In Paris, people speak French.”
Indian Energy Group, Dubai
According to you, which 2 cities or major world capitals are currently the most attractive location for setting up business generally (either your business or other businesses)?

Regional breakdowns tend to underline slightly different understanding of what attractiveness is composed of.

By comparison with the global ranking, it appears that Asia, like the Gulf and the BRIC Countries tend to view growth potential as a more important component of attractiveness, which reflects their actual experience of attractiveness.

Europe is the continent that is the most open to other point of views, which reflects its leadership in foreign investments.

“In my opinion, Indian investment will be more diverse than just Mumbai, in the near future.”
Commercial Bank, Frankfurt

“India is more accessible due to linguistic constraints”
Web agency, France

“Mumbai is very attractive for outsourcing because of the availability of high-quality workforce at a low cost, and because of the time offset: while sleeping in New York, people are working in Mumbai.”
Human Resource Consultancy, Montreal
According to you, which of the following investment criteria are the most important when choosing your locations?

Investment criteria have evolved during the crisis. Investors are now much more aware of risks associated by political regulation and interference in the legal processes.

As investment criteria, stability and predictability of the institutional settings, which are superior in mature, traditional markets, together with infrastructures and accessibility to the markets, balance economic growth, favourable to new economic powers, like the BRIC countries.

The same can be observed in second-rank criterias, where quality and education of workforce balance labour and other business costs.

“"The market is the main driver of investments, which explains China’s success.”
Construction Group, Paris

“"The more you invest, the more you have to look at the political context, and not only at the economic context.”
Human Resource Consultancy, Netherlands
INVESTORS SEEK STABILITY IN MATURE ECONOMIES, GROWTH IN EMERGING COUNTRIES

PERCEPTION OF CITIES’ ATTRACTIVENESS, BY INVESTMENT CRITERION

According to you, regarding every investment criterion, which city is generally the most attractive for business and company location?

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Paris and London have the image of typical mature markets, where quality matters more than costs. Inversely, Mumbai and Shanghai are now head to head in that emerging category. Interestingly, New York and Berlin are somehow positioned in between.

“The political stability criterion is not in favour of China. Political hurdles are too big. They discourage investors.”
—Auction House, London

“London is central both geographically and regarding infrastructures. It is halfway between New York and Europe, and very well connected to the world.”
—Auction House, London

“London benefits from simpler recruiting procedures, a more flexible labour code and staff management than in other European countries.”
—Investment Bank, Qatar
A TREND TOWARDS ASIAN CITIES

PERCEPTION OF CITIES’ ATTRACTIVENESS EVOLUTION 2010-2012

According to you, which city will the most increase attractiveness in the next 3 years?

Asian cities still attract thanks to their economic growth and relatively cheap workforce.

International events also play a major role: London’s attractiveness is partly due to the 2012 Olympic Games, Rio and São Paulo’s to the 2016 Olympic Games, Berlin to the celebrations of the 20th anniversary of the fall of the wall. Shanghai probably took advantage of the universal exposition this year to rank first.

“As Paris is seen as the head of a very mature market.”
Commercial Bank, Madrid

“The place of Berlin in this ranking shows the misperception of Berlin by foreign investors that do not know Germany. Berlin is a political centre, not an economic one. Munich should be at the place were Berlin is.”
Commercial Bank, Germany

“Compared to Shanghai or Beijing, Mumbai’s infrastructures are not up to speed yet, but they will be soon.”
Global Indian Group based in India

“To conclude, it remains hard to invest anywhere. The most important is to find skilled workforce, a well-protected environment, and to have an office in the centre of gravity.”
Human Resource Consultancy, Toronto
Europe is the often unknown global leader of international Greenfield Investments.

Europe is also increasingly the first investor in Europe itself. The investments from North America remain stable at 31%. The BRIC countries are not yet key actors in Europe, their investments remain at a low fraction of the global number of projects.

The primary source of Greenfield Investments in Asian cities has its origin in other continents, which could explain the recent volatility of these cities.

“The number one market for a European business is Europe.”

“Asian companies import technologies but have no outsourcing culture, which contributes to their rising power.”

Source: FDI Markets, Financial Times Ltd
Europe is the first investor in five selected Global Cities out of six. Only London does not attract a majority of European investments.

“No big surprise as access to European markets is a key strategic point still for national companies within Europe”
Commercial bank, Madrid

“There is a clear movement to invest in India, but it remains easier to settle in China, as infrastructure are still underdeveloped in Mumbai.”
Industrial Group, Canada
Two regions are particularly attractive: Europe with 39% of all Greenfield Investments (26% for Western Europe and 13% for Eastern Europe) and Asia, which represents 29% of the global investments.

The crisis caused an 8% decrease in the Greenfield Investment in the world with contrasted outcomes among the areas.

In Western Europe investments remain stable. The investments in the Americas and Middle-East are increasing. On the contrary, after several years of growth, the investments in Asia and Eastern Europe are plummeting.

“There is quite a big gap between perception and reality, but it seems to make sense as I do think that a good public relation work for some of these cities enhances their image.”
Business Tourism Agency, Hong Kong

Source: FDI Markets, Financial Times Ltd
The Global Cities’ weight in their national economy varies considerably.

The United States, India and Germany, federal states, display relatively dispersed foreign investments.

China, Brazil, Russia, Turkey, as well as Spain, Belgium and the United Kingdom, show intermediary concentration: one city attracts approximately one quarter of all foreign investments.

Lastly, Tokyo, Seoul, Amsterdam, and to a lesser degree Stockholm and Paris, account among the highest concentrations.

“London and Paris stand for their country. On the contrary, countries like Germany or the United States have many economic centres.”

Commercial Bank, Frankfurt

Source: FDI Markets, Financial Times Ltd
The top 5 cities capture 51% of all projects. They are remarkably concentrated geographically: Paris and London are the two main metropolises of Western Europe while Beijing, Shanghai and Hong Kong are all located on the Chinese coastline. These two regions polarise global investments. Three out of the next five cities are located nearby, in Western Europe in the case of Madrid and Barcelona, and close to the Chinese seas with Tokyo. Among the top 10 cities, only Moscow and New York do not belong to these two regions.

“Asian cities are very attractive in terms of globalization, as they are vibrant economic centres and economically stable.”
Business Tourism Agency, Hong Kong

“The global economic gravity centre is still sliding towards Asia.”
Investment Bank, Qatar

Source: FDI Markets, Financial Times Ltd
Strategic functions* are concentrated in the top cities and tend to lead other investments.

In fourth position Paris is once again very well ranked.

The international division of labour between high-tech decision-making Western Cities and assembly-line low cost Asian Cities is clearly disappearing.

“Because of its English history as part of the Commonwealth, Hong Kong has great infrastructure and is a central place, a multicultural and multilingual centre.” 
Indian Energy Group, Dubai

“Hong Kong is a dynamic market, growing fast thanks to Chinese economics and investments.”
Auction House, London

*STRATEGIC BUSINESS ACTIVITIES: Customer contact centre, Design, Development & testing, Education and training, Headquarters, Research and development, Sales, Marketing & support, Shared services centre

Source: FDI Markets, Financial Times Ltd
In spite of the crisis, global establishments in headquarters have actually neatly accelerated in 2009 (+36%).

Hong Kong takes a lead over Shanghai, due probably to its image as a stable business location.

Paris experiences the strongest growth in headquarters implants over the last year.

“Asia is a concentration of production and investment. Headquarters enable to manage production closely.”
Business Service Company, Qatar

“Hong Kong is the gateway to the Chinese market.”
Investment Bank, Qatar

“Hong Kong stands apart as a liberal island close to the big Chinese marketplaces.”
Investment Bank, Qatar

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Source: FDI Markets, Financial Times Ltd
Research centres are the rarest type of Greenfield Investment and, therefore, the most valuable ones, especially with a global drop in 2009 (-18%).

Shanghai and Beijing’s lead emphasizes their departure from assembly-line economics.

Paris achieves a remarkable result and positions itself at the first rank in the Western sphere. This is a consequence of its attractiveness, of its outstanding research clusters, business and engineering schools and of the high-tech orientation of its economic system, which is well supported by a specific net of credit-tax for R&D: up to 50% of spending are reimbursed.

The very good performance of São Paulo must be underscored.

“Beijing is catching up fast. I am surprised it is already that high, but it is moving as expected.”
Commercial Bank, Frankfurt

Source: FDI Markets, Financial Times Ltd
Paris, London and New York stand as mature markets, where investments in consumer products and services (like textile, food, tourism or entertainment) account for a large share compared with more recent markets where industrial (automobile, aerospace, chemistry) dominate. Shanghai is positioned intermediary, while Paris stands as the strongest industrial and IT destination among mature markets.
Fast-growing cities like Shanghai, São Paulo and, particularly, Mumbai attract a larger share of strategic investments. However, cities with a balanced economy, where manufacturing accounts for a large share of international projects alongside services are well placed to remain attractive to those strategic investments on the long term. This “magic mix” explains why Paris has a higher proportion of both strategic functions and manufacturing investments than London or New York: its diversified economy makes it stronger.
The crisis caused a 10.5% drop in Greenfield Investment between 2008 and 2009 in the 22 cities studied.

**Few are safe confidence-inspiring places.**

The American cities are more stable, with a strong increase in Mexico City, probably caused by outsourcing from the United States.

In Asia, the investments in Hong Kong increase strongly in contrast with the general decline in Indian, Chinese and Japanese cities. Hong Kong appears like a refuge value in difficult times.

Paris defies the global decline with a mere -0.5%, confirming the high measure of confidence by investors shown in the February 2009 survey conducted by the Greater Paris Investment Agency.

Source: FDI Markets, Financial Times Ltd
REPORT 2005 / 2009
REAL TOP GLOBAL CITIES

- Torre Mayor (225m), Mexico
- Mirante do Vale (170m), São Paulo
- La Défense (111m), Paris
- Kista Science Tower (123m), Stockholm
- Westend Strasse 1 (208m), Frankfurt

Source: FDI Markets, Financial Times Ltd
The results for 2009 confirm the general trend in the last five years. Two main regions now dominate the Greenfield Investments in the Global Cities: Eastern Asia, particularly the three main Chinese metropolises, and Europe, which is still the first region to attract international investments. In 2009, European cities, Paris especially, have resisted better than the Chinese cities, with the notable exception of Hong Kong.

It is possible that the crisis encouraged investors to look for safe places, which would also explain why New York is in the top 10 in 2009 while sliding out of it in the last five years.

“Nowadays, a company that does not invest in Asia cannot survive on the long term.”
Industrial Group, France

“Paris is seen as the head of a very mature market.”
Commercial Bank, Madrid

“The surprisingly high ranking of London may be due to long term investments: companies that have started investing there will go through with it despite the crisis. But I think that if we look forward in the next few years, the investments in London will decrease.”
Automobile supplier, New York

Source: FDI Markets, Financial Times Ltd
Chinese cities are still a majority in the top 5 Global Cities, even if Shanghai has lost its first position. Hong Kong experienced a remarkable growth over the past years.

**Paris is the most stable city during the period.** From 164 projects it grew to 191 (10%). Is it equipped enough to face the competitors and the development of other more dynamic areas?

Each one of the 3 next cities, Moscow, Mumbai and São Paulo, have suffered from the crisis, but the Brazilian city to a lesser degree.

Over a 5-year period time, São Paulo proves its economic dynamism and development through a strong and continuous increase in the number of projects received.

"With the World Fair, Shanghai displays gigantic buildings which could well prove a hindrance in the future."

Media agency, Paris

"The Indian market is less attractive than the Chinese market. Business proves more difficult in India."

Navigation systems supplier, Paris

Source: FDI Markets, Financial Times Ltd
The Global Cities Investment Monitor is a unique survey exclusively by the Greater Paris Investment Agency in partnership with KPMG. It ranks the attractiveness of the top cities which compete at global level.

There is no strict definition for a Global City, but all have in common to set a stimulating environment where financial and business innovation meets top decision-makers. They are focal points whose influences reach all continents, both densely linked with one another and intensely competing to define the best economic, urban and political standards.

Competition among Global Cities is more open than ever before. For most of the twentieth century, Paris, London, New York were the top triad. Berlin was sidelined in the course of world wars. Moscow stood in the Soviet bloc apart from economic competition. Tokyo was probably the first strong challenger.

The Global Cities Investment Monitor fully acknowledges the changing global hierarchy.

While the Greater Paris Investment Agency has conducted for more than 15 years studies to compare and rank European cities, worldwide surveys have remained occasional until this year.

Even with a much more open competition, very few cities can hope to count among the top global ones. As the Monitor shows, either the perceptions of investors or the real investments tend to focus on a handful of cities and concentrate there.

What can a long-standing Global City like Paris expect from the Monitor? It demonstrate that Paris enjoys a remarkable image and attractiveness. It shows that Paris is very well placed in terms of real investments too, even better than its image suggests. However, competition is intense. As a result, the Monitor is a unique instrument for the Greater Paris Investment Agency to advocate and support world-class investments in infrastructure, architecture and clusters in the Greater Paris, so as to make it one of the world-class business capitals of the twenty-first century.
Greater Paris Investment Agency is a non-profit organisation founded over twenty years ago by the Paris Chamber of Commerce and Industry to attract new international investors in Greater Paris and to bolster its attractiveness.

It is comprised of more than one hundred major French and multinational companies; they guarantee a total independence and provide with support in fulfilling the Association’s main missions.

As Greater Paris business Ambassador, our Agency is your privileged partner and advisor: bridging both governmental decision-makers and our prestigious business partners’ network.

Chiara Corazza
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KPMG S.A. is the leading audit, accounting and advisory firm in France*, employing 7,400 professionals located in 214 cities. In 2009, the turnover of KPMG S.A. was €790m.

KPMG is a member of KPMG International Cooperative, a global network of professional firms providing Audit, Tax and Advisory services with a presence in 144 countries and over 700 cities across the world. KPMG counts 140,000 professionals and generated $20.11 billion in sales. The network is structured in three regions: Americas, Asia-Pacific, and EMA (Europe – Middle East – Africa).

(*Source: “La Profession comptable 2010”)