

The Greater Los Angeles' Analysis for Foreign Direct  
Investment: A Comparative  
International Benchmarking Study

Golden Reeves

ENTR 4340

Academic Advisor: Prof. Anatoly Zhuplev

Loyola Marymount University

August 2015

## Table of Contents

Executive Summary	3
Introduction	4
FDI & Socio-Economic Development in GLA Area	5
Overall Structure of the Study	5
Overview of the DFI Frameworks	6
Promotional Framework	7
Strategy	8
Organization	9
Marketing and Branding	9
Investor Targeting	10
Investment Facilitation	10
Aftercare and Policy Advocacy	11
Analytical Frameworks in Motion	11
International Comparative Benchmarking Study	12
Current State of Foreign Direct Investment in Greater Los Angeles	12
Los Angeles FDI in Comparison	15
Comparative Analysis of Hong Kong versus Los Angeles	16
Taxes	16
Transportation	16
Improving the GLA Investment Climate	18
Recommendations to Greater Los Angeles	19
Form an IPA	19
Implement Marketing and Branding Strategy	19
Create a Tax Free Zone	20
Conclusion	20
References	22

## **Executive Summary**

The purpose of this report is to analyze the current environment and explore possible strategies to enhance foreign direct investment (FDI) in the Greater Los Angeles (GLA) area.

This report analyzes the possible strategies of foreign direct investment in the GLA by first examining the general frameworks of investment promotion agencies in other leading metropolitan areas. The general framework that an investor uses to decide where to invest their money is determined by assessing the investment's benefits, risks and costs.

Los Angeles has many desirable features – a few being the weather, a large diverse customer base and a strong economy. However, a significant expansion of foreign direct investment in the metropolitan city remains elusive. To better understand the lack of inflows into Los Angeles, this report specifically examines the investment strategies utilized by Hong Kong. Hong Kong is a viable destination for FDI, orchestrated and managed by their investment promotional agency, InvestHK. These factors make Hong Kong a comparable city to determine why Los Angeles has little FDI.

The comparative analysis between Hong Kong and the Greater Los Angeles area includes several recommendations to help Los Angeles attract additional FDI into its economy. Los Angeles needs to establish tax free manufacturing/industrial zones and hire a FDI promotional agency to market its comparative advantages and secure inflows of investment. GLA's comparative advantages are a highly developed transportation system, ideal location into the U.S., and an existing technological, economic, financial infrastructure coupled with large and diverse customer and employment resources.

## Introduction

The Organization for Economic Cooperation and Development (OECD) defines FDI as “an investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy in an enterprise that is resident in an economy other than that of the direct investor” (*OECD Benchmark Definition of Foreign Direct Investment*, 2008). The OECD recognizes the importance of the direct investor and the long term relationship and commitments they make. FDI provides a mechanism for diverse economies either geographically, technologically or culturally to create a bond with one another in order to promote productivity and sustainable economic development.

FDI offers a multitude of benefits to the community and economy. FDI creates jobs, provides new capital and introduces new ways to be productive. Foreign investors also provide an opportunity for the local economy to promote and sell its products in new foreign markets. FDI provides many benefits to the economy; however, the foreign investor is required to address new and unfamiliar business, regulatory and cost environments. Overall, most communities welcome foreign investors since they are a strong driver for local development.

The world is constantly changing; likewise the flows of FDI are changing. Foreign investors, seeking higher rates of return, are preferentially targeting developing economies over developed locations such as Los Angeles. It appears that the most attractive destinations for investors depend on the future economic potential these developing nations offer. Consequently, developed economies (i.e. Los Angeles and the GLA) not only need to promote their locations to new investors, but retain current investors.

## FDI & Socioeconomic Development in the GLA Area

The United States has been a key destination for FDI since World War II. The constant flow of investment into the United States provides additional capital to grow the economy and create more jobs. Until recently, the principal beneficiaries were New York City and Chicago. Unfortunately, other large metropolitan cities such as Los Angeles were not considered as viable FDI destinations. Japan is GLA's leading source of foreign direct investment. It is also GLA's second largest trading partner and the area's fourth most important export market. China, Mexico and Canada are the leading sources of FDI into the GLA (Economic Forecast & Industry Outlook 2015-2016 report, 2015). However, Los Angeles needs to modify its necessary frameworks to attract additional FDI by increasing its local domestic product, employment and tax revenues. Unfortunately, GLA's local domestic product, employment, and tax revenues have been flat since 2007 (*A Time for Truth: Los Angeles Analytical Report*, 2013). The experiences of other leading metropolitan areas illustrate that with a well-funded and strategic effort it is possible to reach out to foreign companies and countries to gain direct investments. An appropriate FDI strategic plan for Los Angeles would identify the industries to be developed and from where these industries/investments would be sourced. Furthermore, a specific government agency would be created to formulate and implement an action plan to attract the necessary foreign investment.

### **Overall Structure of the Study Summary**

This report examines the two main general frameworks for FDI. First, the promotional framework to solicit the inflow of investment into a given area, using Henry Loewendahl's 6 Stages of Promotion, is analyzed. Second, the legal, competitive, financial, technological, infrastructure and comparative framework that investors use to determine where and how they want to invest their money is discussed.

The investor is educated through the promotional framework on how to make an informed decision to invest in the economy. This report will analyze the GLA area's current state of FDI in contrast with Hong Kong's successful FDI program. The study will present the findings and recommendations for Los Angeles to become a viable investment destination.

According to GlobalEdge, the top economies for FDI are China, Hong Kong and Japan ("Market Potential Index", 2014). Each of these countries features favorable market size and low country risk. Hong Kong will be the main comparator country for this study. Hong Kong is ranked high in economic freedom, market receptivity, market growth rate, and has one of the best promotional agencies for FDI.

### **Overview of the FDI Frameworks**

Direct investment is an external capital source for the economy augmenting domestic capital. According to a World Bank study, it has been found that one dollar (\$) in FDI results in one dollar (\$) in domestic direct investment (*Investing Across Borders*, 2010). This same study also showed that for every one manufacturing FDI job created, three indirect jobs in the local economy are created, resulting in a 3 to 1 economic multiplier.

When considering an investment in foreign markets, it is essential that the investment location is evaluated by its potential benefits, costs and risks. These three factors make up the framework an investor uses to decide whether or not to invest in the economy. A viable investment provides (1) a timely payment of interest and principal, (2) an attractive return on the invested capital and (3) a positive and consistent cash flow essential to sustainable growth and development. A viable investment benefits the economy by creating direct and indirect employment, expanding gross domestic product, increasing income and building additional

production capabilities. Additional advantages of international investment include providing the marketplace with more suppliers, introduction of new technology and access to professional labor resources from international sources. An investment under the right conditions raises the total output by introducing new technologies and production processes, achieving higher productivity to boost economic output, and increasing the country's standard of living.

A potential investor needs to consider the costs of doing business in the host country. These costs need to be judged against the returns and overall output of the investment. Some costs that investors may face include: debt, taxation, corruption, land, skilled or unskilled labor, transportation, and energy infrastructure.

All investments constitute a risk versus reward assessment. If possible, all internal and external risk requires identification. The internal country risks range from normal and customary commercial risk to a potential overthrow of government. A stable government coupled with a transparent policy and a predictable regulatory environment with little or no known risk is preferred by most astute investors.

### **Promotional Framework**

To secure FDI, a country, state and/or city promotes their location utilizing an analytical framework specifically addressing the potential investor's concerns: risk, cost and benefits. The principal task is to overcome imperfect hearsay information disseminated by tourist blogs, Twitter, Facebook, the press and other media sources. A potential location is required to demonstrate that it is the best site among many potential alternates to invest in.

Henry Loewendahl identified the 6 stages of framework required for promoting FDI. Referring to Figure 1 below, the 6 stages are: Strategy, Organization, Marketing, Investor targeting, Investment facilitation and After-care and policy advocacy (“Framework for Investment Promotion”, 2009).



*Figure 1.* This figure demonstrates the cycle to create the best promotional framework. “A framework for investment promotion” by Henry Loewendahl (2009).

**Strategy.** The first step in the framework is strategy. This requires that the city, state or country provide a clear understanding of national, state and local policies applicable to foreign direct investors. A comprehensive explanation of the national, state and local policies pertinent to trade, tax free zones, investment tax credits, the effect of domestic tax on foreign investment, and investment guarantees made by either the investor or federal, state, and local authorities is required. The foreign investor may be required to train, employ and/or purchase a certain percentage of local labor resources, goods, materials and services, and a percentage of “Made in the USA” production inputs. Under the Bank Secrecy Act (BSA) and the USA Patriot Act, the

Office of Foreign Assets has implemented and administers strict policies to prevent money laundering and the illicit transfer of funds to or from terrorist organizations and other criminal enterprises.

The strategy stage identifies the targeted investor's site requirements and markets certain geographic locations within the city based on the investor's criteria. The geographic locales are selected based on their relative comparative strengths and advantages enhancing the investor's rate of return and/or net present value. The city's objective is to minimize the investors risk, maximize his upside opportunity, and secure a commitment to invest.

**Organization.** The city forms an investment promotion agency (IPA). The IPA has four core functions: image building the FDI host country, state or city, investment generation, project management, and after care services. The IPA does this by introducing investors to local suppliers (raw materials or other inputs), providing useful statistical data and business information such macroeconomic indicators (GNP, GDP, HDI, inflation etc.), labor productivity, average wages, attractive sectors of domestic economy, and managing the investment incentives that the city, state or country may offer to foreign investors.

**Marketing and Branding.** The marketing effort enhances the city's overall brand and image. Branding is strategic and marketing is tactical. Marketing may contribute to a brand, but the brand is bigger than any particular marketing effort. The brand is what remains after the marketing is completed. Recognizing the intense competition for FDI throughout the United States, the role, scope and need for professional marketing and branding services is recommended for the host city.

A successful marketing plan identifies and promotes the following to the foreign investor: (1) dedicated and committed resources, (2) local, regional and global communications infrastructure, (3) strategic partnerships, (4) community participation and support, (5) brand management, (6) tax and financial incentives and (6) enhanced quality of life matters for employees and personnel.

The brand will not improve by accident. Rather, branding is all about creating difference and the brand equity is the added value endowed by the city which can be attributed to what the investor has seen, read, heard, learned, thought and experienced over a given period. However, it is necessary to fully appreciate that the power of a city's brand, or any other brand for that matter, resides in the minds of the investors.

**Investor Targeting.** The host city or state's comparative advantages preferentially determine the targeted investor. The city or state must identify its comparative advantages with respect to other locales. A skilled labor force, a strong educational infrastructure, efficient transportation systems, abundant natural resources, etc. establish advantages. Comparative advantage permits investors to allocate their capital in more desirable and profitable ways. Investor targeting tailored to the needs of investors operating in a particular sector is more effective than broad attempts to target all potential investors.

**Investment Facilitation.** Investment facilitation is the most basic and cost effective activity supporting foreign investment promotion. Good facilitation can influence an investor's location choice. By providing fast, up-to-date, and accurate information about its location, an investment promotional agency (IPA) can encourage potential investors to consider lesser-known

investment destinations and reduce their perceptions of risk. Delivering consistently high-quality facilitation helps make the location more competitive.

Good facilitation requires having relevant, up-to-date, and accurate information ready to respond to investors' information needs in a fast and efficient way. For example, developing an in-house investor information system of ready-made documents containing country and sector information, as well as information on business registration, establishment requirements and procedures, is one key component of a good facilitation system. Facilitation plays a major role in every step of an investor's decision making process – organizing site visits, providing advice and assistance during the negotiation process, and steering the investor toward the investment decision.

**After Care and Policy Advocacy.** The IPAs offer investment aftercare support to both local and international investors. Moreover, the IPAs need to collaborate with organized businesses and municipalities to ensure that the existing investors are offered sufficient support. IPAs should have a business orientation, strong links with the private sector, and simultaneously supported by all levels of government to be provide effective investment aftercare services. The policy advocacy consults with existing investors to address potential obstacles or difficulties concerning present or future investments.

### **Analytical Frameworks in Motion**

As an international financial center, Hong Kong offers a successful-operating-analytical framework attracting new investors and servicing its existing investors. Hong Kong's IPA, Invest Hong Kong (InvestHK, <http://www.investhk.gov.hk>), is a government agency identifying and soliciting potential investors. InvestHK is organized into eight teams covering Hong Kong's key

industries and growth sectors. They promote investment by providing assistance to corporations looking for investment opportunities in Hong Kong. Partnering with clients on a long-term basis, InvestHK's sector-specific teams provide services which include information on Hong Kong's business environment, introductions to business contacts and service providers, arrange visitation programs, business facilitation services, public relations advice, and relocation assistance

InvestHK specializes in its marketing framework. InvestHK's website dedicates an entire section, "Why Hong Kong," offering potential investors low taxes, guaranteed financial aid, and incubator startup programs.

### **International Comparative Benchmarking Study**

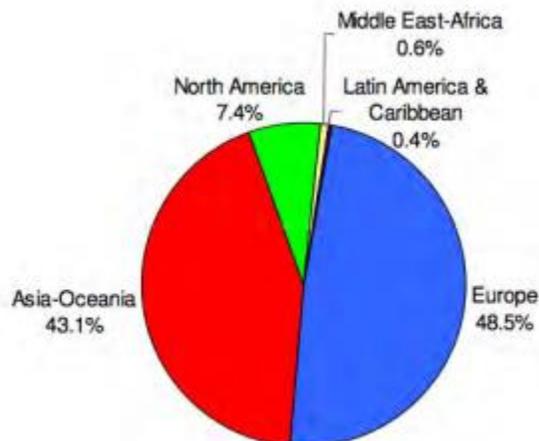
Los Angeles County and Hong Kong have grown both in absolute terms. Chinese-Americans have had a noticeable effect on the socioeconomic fabric of the Los Angeles region. The people of China/Hong Kong and Los Angeles County have a shared history. The futures of Los Angeles and China are inextricably tied together (Guerra, 2014, p. 7).

### **Current State of Foreign Direct Investment in Greater Los Angeles**

Los Angeles, a multi-ethnic densely populated metropolitan area, is the second largest city in the United States. The regional economy is strong and vibrant. Los Angeles welcomes investments, new ideas and people from all over the world. FDI's strengthen the city's economy by bringing new jobs, technology, capital, skills and international connections (*Foreign Direct Investment in Los Angeles*, 2009). Unfortunately, Los Angeles is not a major competitor soliciting FDI. The FDI in the United States has gradually declined since 2008 ("Global Investment Trends", 2015). Official reports and studies on the FDI in Los Angeles are all but

nonexistent. Consequently, it is extremely difficult to determine the current level of FDI in Los Angeles.

The small cities surrounding Los Angeles have slowly become part of the Greater Los Angeles (GLA) area. The GLA area now incorporates 88 cities and 9,818,605 people (“Residents” n.d.). Very little information is available concerning foreign direct investment in the Los Angeles region. The lack of current information and extended geographical areas containing numerous industries and locations not regulated under a single municipal jurisdiction confuses and discourages foreign investment.



*Figure 2.* Pie Chart which shows Foreign Owned and Affiliated Business Establishments in the Greater Los Angeles Area. From LAEDC (2009).

The FDI database, compiled by the Los Angeles County Economic Development Corporation (LAEDC) in 2009, includes 4,521 foreign owned and affiliated business establishments (*Foreign Direct Investment in Los Angeles, 2009*). Referring to Figure 2, the report shows that out of the 4,521 foreign owned establishments, 48.5% have a parent company

in Europe and 43.1% have an Asian parent company. Canada, Mexico, Middle East, Africa, Latin America, and others have little FDI in Los Angeles.

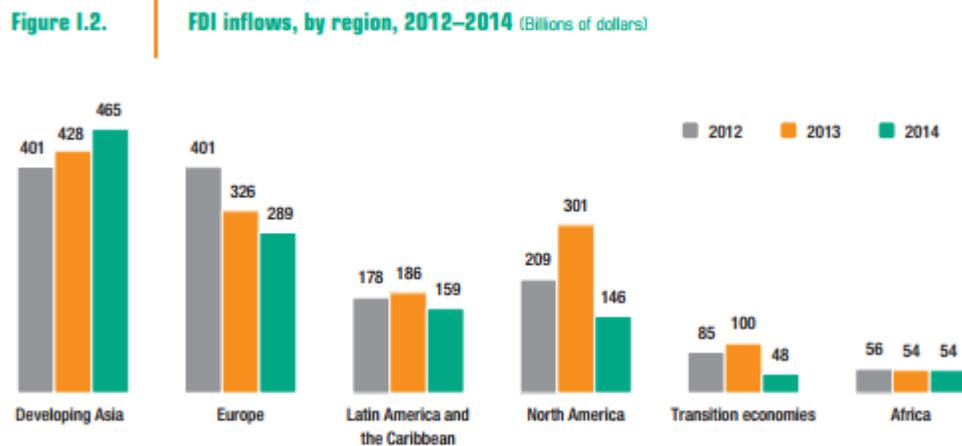
The Los Angeles Chamber of Commerce announced in May 2015 that six metropolitan cities in the United States including Los Angeles have been chosen to take part in a project called the Global Cities Initiative (Los Angeles Area Chamber of Commerce, 2015). The Global Cities Initiative, sponsored by the Brookings Institution and JP Morgan Chase, will develop a regional plan to attract FDI, promote metropolitan economic growth, regional competitiveness, and foster international connections.

The plan will identify regional comparative advantages. The Port of Los Angeles is a major West Coast railhead servicing destinations east of the Sierra Nevada Mountains via the Alameda Corridor, the nation's busiest rail cargo expressway. Los Angeles is home to one of the largest international airports in the United States. Los Angeles International Airport (LAX) has more than 1,000 cargo flights each day and is the world's sixth busiest passenger airport by linking Los Angeles to every corner of the globe ("Why LA works", n.d.). Los Angeles is the largest major manufacturing center in the United States, with 500,000 workers in manufacturing activities in 2003. The largest components are apparel (68,300 jobs), computer and electronic products (60,000 jobs), transportation products (54,600 jobs), fabricated metal products (49,900 jobs), food products (44,800 jobs), and furniture (27,400 jobs). The last few years have witnessed a major economic expansion. The three-tiered, traditional economy (aerospace, entertainment and tourism) has evolved into a well-balanced, multi-tiered economic engine driven by unparalleled access to world markets. Los Angeles GDP ranks it as the second largest US city and the largest California City ("Why LA works", n.d.). California's GDP is larger than all but seven countries in dollar terms (the United States, China, Japan, Germany, France, Brazil

and the United Kingdom). The Global Cities Initiative will recognize and promote Los Angeles' comparative advantages and FDI opportunities.

### Los Angeles FDI in Comparison

Until recently, the United States has been fairly successful securing FDI. The World Investment Report 2015, United Nations Conference on Trade and Development (UNCTAD) announced that Asia has surpassed the United States as FDI recipient. Referring to Figure 3, FDI in Asia was \$465 billion and foreign direct investment in North America was \$146 billion (“Global Investment Trends”, 2015). Since 2013, FDI in the United States has decreased while FDI in Asia has increased since 2012.



Source: UNCTAD, FDI/MNE database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

*Figure 3.* Bar graph which shows the inflow of FDI based on year and region. “FDI inflows, by region 2012-2014” from UNCTAD (2015).

Likewise, FDI increased for Hong Kong and decreased for Los Angeles. Hong Kong thrives in the FDI realm, supported by their framework structure that welcomes new and current investors in their markets. The World Investment Report 2015 ranked Hong Kong second in

global FDI flows; Los Angeles was not mentioned in the report. Unlike Hong Kong, Los Angeles has little or no resources in place to accommodate potential investors.

### **Comparative Analysis of Hong Kong versus Los Angeles**

The two most important comparative differences between Hong Kong and Los Angeles are determined by their respective tax structures and transportation networks.

**Taxes.** Foreign investors prefer a favorable tax structure. Hong Kong taxes are significantly lower than Los Angeles taxes. Hong Kong caps profit tax at 16.5 %, salaries tax at a maximum of 15%, and property tax at 15%. Hong Kong imposes no sales tax, no withholding tax, no capital gains tax, no tax on dividends and no estate tax (<http://www.investhk.gov.hk>).

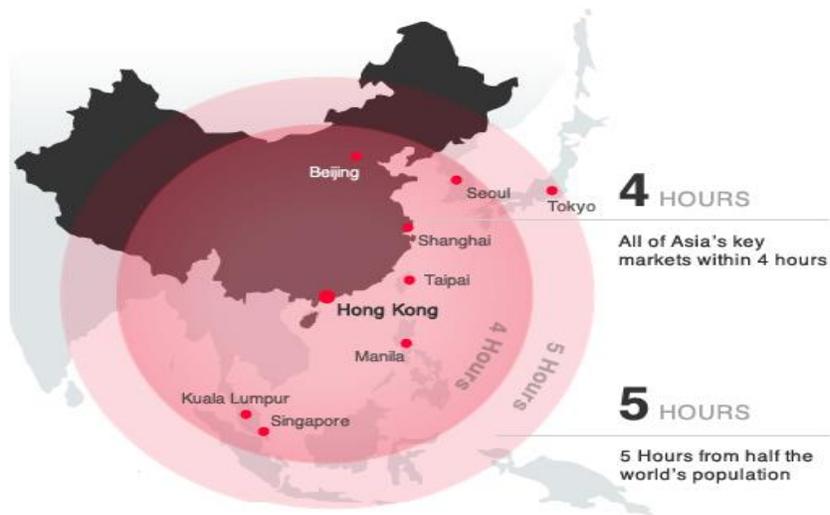
Los Angeles/California exempts new businesses from taxes for the first three years. Afterward, California business tax is 8.44%, state income tax at a maximum 12.3%, property tax at 1%, Los Angeles sales tax is 9%, federal income tax at a maximum is 39.6%, California capital gains tax is 15% and federal capital gains tax in a maximum 20%, California dividend tax is 28.6% and federal dividend tax rate is 20%, California estate tax is 0% and federal estate taxes are 40% (“Why LA works”, n.d.). According to the *Los Angeles Times* (2014), people who live and operate businesses in Los Angeles face the second highest taxes in the nation, below New York City.

The above tax analysis illustrates that Hong Kong currently has comparative taxation advantage with respect to Los Angeles, discouraging FDI in Los Angeles.

**Transportation.** Both Hong Kong and Los Angeles provide foreign investor transportation benefits. Hong Kong, similar to Los Angeles, has a large centrally-located airport.

Hong Kong International Airport (HKIA) served 63.3 million passengers and shipped 4.38 million tons of air cargo in 2014. HKIA is connected to 180 destinations, including 47 in Mainland China and provides over 1,100 daily flights (“Multi-modal Mainland Connections”, n.d.)

Hong Kong is the geographical bridgehead to the world’s largest manufacturing region, China. The Pearl River Delta (PRD), located directly north of Hong Kong, is China’s largest and most productive region. The Pearl River Delta is home to tens of thousands of factories owned by Hong Kong companies (<http://www.investhk.gov.hk/>). Hong Kong’s seaport distributes raw materials to and collects goods from the factories for worldwide distribution. Hong Kong FDIs source the necessary capital inputs for the Pearl River Delta infrastructure/factories optimizing production efficiencies and cost.



*Figure 4.* This figure shows the travel time needed to fly from Hong Kong to other major Asian business capitals. “Map of Asian Travel” by InvestHK (2015).

Ensuring the quick and easy flow of cargo and people between Hong Kong and the mainland is essential to China's business success. A 142 kilometer rail line is being built from Hong Kong to Guangzhou. All of Asia's key markets including Shanghai, Seoul, Beijing, Singapore, etc. (see Figure 4) are within a four hour flight from Hong Kong (<http://www.investhk.gov.hk/>).

Likewise, Los Angeles is the West Coast gateway to the western and central U.S. Eighty percent of the U.S. population and manufacturing facilities are located within 90 miles of the coast (Wilson, 2010). Consumption of goods and services exceeds U.S. manufacturing outputs. Railroads servicing the Port of LA distribute foreign goods manufactured in the Pacific Rim nations (i.e., Hong Kong/China, Malaysia, Vietnam, etc.) and collect land locked natural resources such as coal, oil, grain, timber, etc. The local resources are distributed throughout the West Coast and Pacific Rim.

Transportation cost for railroads exceeds water born transportation cost for barges and ships. If a foreign investor is participating in a business venture, relying on the transportation of finish goods and/or input products from Pacific Rim nations, the cost advantage of water born transportation plus the cost of coastal inland transportation less than 90 miles, the transportation comparative advantage adheres to the investor. However, if a foreign investor is participating in a business venture, relying on the inland transportation of raw materials and resource inputs for hundreds of miles, the transportation comparative disadvantage adheres to the investor.

### **Improving the GLA Investment Climate**

FDI strengthens the regional economy by bringing new technology, capital, skills and jobs. GLA recognizes that important economic benefits are gained from a continued effort to

expand FDI throughout the entire LA Basin. (*Foreign direct investment in Los Angeles*. 2009, P6)

### **Recommendations to Greater Los Angeles**

Los Angeles is a three-tiered, aerospace, entertainment and tourism economy. To attract foreign investors, Los Angeles needs to design foreign investment strategies optimizing its comparative advantages enhancing the investors return. One major advantage that Los Angeles offers to investors is that it has a large population, diverse consumers, a well-known global brand, and excellent human capital.

**Form an IPA.** Los Angeles needs to form an IPA, Invest Los Angeles (InvestLA), modeled after InvestHK. InvestLA would develop and implement an effective marketing and branding program, solicit and advise investors, and provide pertinent information about the potential benefits, risks and costs of investing in the Greater Los Angeles area. The investment agency would solicit investors and secure commitments to invest by identifying and exploiting the comparative advantages – some of which were identified in this study. The agency would identify new industries for development via FDI with the GLA area. Milan Kondic (2013), a research student at Harvard Kennedy School who conducted his own research and due diligence, stated that most of the foreign investors interviewed did not know what industry clusters existed or new industries would be acceptable in the GLA area. The IPA would direct foreign investment activities in accordance with an approved marketing plan.

**Implement Marketing and Branding Strategy.** Los Angeles also needs to market and brand itself as the “Pacific Rim Gateway” to the United States. The targeted investors are high value consumer goods manufactures and/or merchandisers who want to access a large diverse

high value customer base. Product transportation is via intermodal ocean transport of sea-land containers to and from the Port of LA. First, the product is trucked and sold in and around the greater Los Angeles Area developing the Los Angeles market. After the Los Angeles market is secured, the product is trucked and sold up and down the Pacific Coast Corridor to developing the coastal markets. Lastly, the product is railroaded-trucked and sold throughout the United States developing the national market. The foregoing strategy exploits the transportation comparative advantage importing high value finished goods from Pacific Rim producers.

**Create a Tax Free Zone.** Los Angeles should create tax free manufacturing/industrial trade zones in the GLA area. Foreign goods and products would be transported to these tax free zones, serving as inputs for additional manufacturing and/or completion. If these products were in turn shipped abroad local, state, and federal taxes would be waived. Conversely, if the products were shipped into the United States, normal and customary taxes would be assessed. The underlying strategy displaces foreign workers, previously manufacturing or completing these products in their native countries, with US-GLA workers. If a foreign producer's technological, economic, financial, and employment resources were problematic, given GLA's highly developed economic infrastructure, they would have the incentive to relocate their production facilities to the GLA tax free zone. A tax free zone mitigates GLA's comparative tax disadvantages and optimizes GLA's infrastructure advantages.

### **Conclusion**

Over the last few decades, foreign direct investment in the United States has been strong. It is important for the United States to maintain its strong inward flow of investments into the economy. It would be extremely beneficial for the United States to help metropolitan cities such as Los Angeles become a desirable investment destination.

Investors determine where to invest their money based on potential risks, benefits and costs. Promotional frameworks such as InvestHK demonstrate that metropolitan cities can attract investors by showcasing the benefits of investing in the economy as well as addressing any concerns. It is essential for cities to not only gain new investors, but to keep current investors and maintain strong international connections.

Hong Kong has found success in foreign direct investment for a multitude of reasons. Hong Kong has successfully promoted itself as a FDI destination through their IPA, InvestHK, and their ability to market their comparative advantages. Hong Kong promotes its low taxes and strategic location, thereby increasing business in Asia. Los Angeles can benefit by following leading metropolitan cities such as Hong Kong, increasing its local domestic product, employment, and tax revenues.

The Greater Los Angeles economy is supported by domestic organic growth of the aerospace, manufacturing and tourism sectors. FDI has evolved into major additional capital sources for developing economic growth. To secure FDI funds, an Investor Promotion Agency needs to be established by the Greater Los Angeles government (InvestLA) and a strategic plan needs to be developed to (1) determine what industries to attract, (2) establish a marketing and branding plan, (3) target specific investors, (4) facilitate and secure investor commitments, and (5) serve an investor advocate. GLA should create tax free manufacturing/industrial zones. Transitory goods, destined for countries other than the United States, employing US workers, would be processed on a tax free basis. However, normal tax rates would be assessed for goods destined for U.S. markets. In all, strong leadership, committed funding for the Investor Promotion Agency, and endless perseverance is required to realize the capital benefits that FDI will provide our great city of Los Angeles.

## References

*2015-2016 Economic Forecast & Industry Outlook* (p. 20). (2015). Los Angeles, CA: LAEDC

*Foreign direct investment in Los Angeles*. (2009). LAEDC. Retrieved August 1, 2015 from

<http://laedc.org/reports/FDI-2009.pdf>

A framework for investment promotion. (2009). In *Handbook for Promoting Direct Investment in Medium Sized, Low Budget Cities in Emerging Markets* (pp. 21-33). New York City, New York: Millennium Cities Initiative.

Global investment trends. (2015). In *World Investment Report* (pp. 1-14). United Nations Conference on Trade and Development. Retrieved August 2, 2015 from

[http://unctad.org/en/PublicationsLibrary/wir2015\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf)

*Investing across borders* (pp. 1-12). (2010). Washington DC, Washington DC: World Bank Group.

<http://iab.worldbank.org/~//media/FPDKM/IAB/Documents/IAB-report.pdf>

It's the right time to set up a company in Hong Kong. (n.d.). *InvestHK* Retrieved July 11, 2015 from

<http://www.investhk.gov.hk/index.html>

Kondic, M. (2013). *Buliding task gorce FDI in los angeles*. Harvard Kennedy School.

[http://www.hks.harvard.edu/index.php/content/download/70878/1256322/version/1/file/Kondic+and+Guan\\_Final.pdf](http://www.hks.harvard.edu/index.php/content/download/70878/1256322/version/1/file/Kondic+and+Guan_Final.pdf)

Li, S. (2014, March 20). California second only to New York in high taxes, study says. Retrieved July 10, 2015, from

<http://articles.latimes.com/2014/mar/20/business/la-fi-mo-taxes-states-20140320>

Los Angeles Area Chamber of Commerce. (2015, May 20). LAREXC selected to develop plan to attract foreign direct investment as a part of global cities initiative. Retrieved July 16, 2015, from

<http://www.lachamber.com/news/2015/05/20/press-release/larexc-selected-to-develop-plan-to-attract-foreign-direct-investment-as-a-part-of-global-cities-initiative/>

Market Potential Index (MPI) - 2014. (2014). Retrieved August 17, 2015, from

<http://globaledge.msu.edu/mpj>

Multi-modal mainland connections. (n.d.). Retrieved August 3, 2015, from

<http://www.hongkongairport.com/eng/business/about-the-airport/welcome.html>

*OECD Benchmark Definition of Foreign Direct Investment* (4th ed.). (2008). Organization for Economic Co-Operation and Development. Retrieved July 30, 2015 from

<http://www.oecd.org/industry/inv/investmentstatisticsandanalysis/40193734.pdf>

Residents. (n.d.). Los Angeles County. Retrieved August 1, 2015 from

<http://www.lacounty.gov/residents>

*A Time For Truth: Los Angeles Analytical Report* (pp. 1-3). (2013). Los Angeles, CA: The Kantor Group.

Why LA works? (n.d.). Retrieved Jul 15, 2015, from

<http://www.losangelesworks.org/whyLAWorks/la-global-market.cfm>

Wilson, S. (2010). *Coastline population trends in the US*. US Census Bureau.

<https://www.census.gov/prod/2010pubs/p25-1139.pdf>