

# Foreign Investment in Virginia

by James S. Cheng



**James S. Cheng** was president of Totus Lighting Solutions when he was appointed secretary of commerce and trade by Virginia Governor Robert F. McDonnell. Before that, he founded and served as chief executive of CHM, a government contracting company specializing in information technology, and he held management and technical positions with ECI. He holds a bachelor's degree in computer science from Old Dominion University, a master's in business administration from the Darden School at the University of Virginia, and a law degree from Georgetown University.

As inauguration day in January 2010 drew closer, I began to understand the magnitude of the commonwealth's economic quandary. The new governor would inherit a \$4.2 billion deficit on a \$76 billion biennial budget, high unemployment levels, and an economy deep in recession. Difficult decisions would have to be made so as to not raise taxes and continue to hinder a crippled economy.

Many would have suggested to make further cuts to our economic development programs to help make up the \$4 billion deficit. Even in the private sector, where I spent my earlier career, often the first line item to be slashed is public relations costs. However, there is a saying that in down economies, good companies do not cut marketing, and the best will increase their marketing budgets. Fortunately, Governor Robert F. McDonnell took this adage to heart. Not being one to shy away from principle, instead of cutting our economic development programs, he added an extra \$50 million to expand, recruit, and retain business.

This investment was more than just a token statement. For nearly a decade, we had not promoted Virginia in a significant way outside of the commonwealth. Most importantly, these new economic development dollars targeted programs that have historically provided returns of between six and ten times in jobs and increased revenues.

With an energized tool kit, the governor increased marketing and economic development efforts internationally.

In the late 1990s, fewer than 15 percent of companies investing in Virginia were from overseas. Recently that number has increased

to nearly 50 percent. Asset values in the United States are lower and the dollar is at historic lows; this created opportunities for foreign companies, and there have been many takers. Despite the recent economic difficulties, the United States remains the biggest consumer market on earth. Many overseas manufacturers want to move manufacturing closer to their intended market. By using the local labor and supply chain, they dampen the effects of currency fluctuations.

Previous administrations successfully marketed Virginia to European and Japanese companies. Virginia began as an English business venture, and it has a higher percentage of European investment than other states. Centrally located in the mid-Atlantic region, Hampton Roads is one of the best deepwater ports in the world. However, Virginia once had four full-time trade representatives in Europe and now only has one. Adding another representative in Europe is a priority of this administration. During our trade mission to Europe with Governor McDonnell, it was obvious to us that Europe will continue to be a major investor in the commonwealth. We must continue to make sure the Virginia story is told in Europe and other parts of the world.

"Virginia Is for Lovers" is one of the country's best-known marketing campaigns. In the U.S. business world, Virginia has been consistently ranked as one of the best states in which to do business. But overseas, the commonwealth is less well known because we have not been marketing there.

It is not so obvious why Japanese companies have a large presence in Virginia. There are more than 120 Japanese companies in Virginia. Most of them are manufacturers—the most highly prized

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type of company to economic developers. But because of marketing and economic development efforts by Virginia governors for more than twenty-five years, we have a thriving network of Japanese companies, managers, and executives. They are happy to tell their peers about what a great state Virginia is to build a factory, work, play, and raise a family.

Japan, like Europe, will continue to be a significant source of international investment for Virginia. However, most economists will agree that Japan and Europe will see limited growth in the near future. Instead, the highest growth rates in the world will come from countries such as China and India, which, combined, represent 40 percent of the world's population. This is why our governor has put a high priority on establishing trade representatives in these two countries. As Chinese and Indian companies grow and mature in their markets, our goal is to make Virginia their top choice to locate their factories and distribution centers.

With 1.3 billion people, China's gross domestic product is expected to surpass that of the United States in the next decade. Currently, Virginia has a part-time economic development rep-

resentative located in Hong Kong. But Hong Kong has not been considered the business center of China for years, so we hope to establish a presence in Shanghai or Beijing and increase our marketing and economic development efforts.

We have a similar plan for India. With a population of 1.2 billion, India's GDP growth rates rival China's, much of which can be attributed to India's recent efforts to reform and open its economy. In the past few years, India's investment in the United States has increased by 48 percent. Surprisingly, we currently have no representation in India, but hope to have a presence by late 2011.

In the past few years, I have travelled to many locales around the world—including Asia. We have a tremendous opportunity to expand international investment by making Virginia a top location for international companies—especially Asian companies. The governor and I believe that when the economy is poor, when other states cut their development budgets, the states that continue to market will win in the long term. And Virginia will be an even better place to do business. ◊