

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

**How can small municipalities attract Foreign Direct Investment?
Case study: Cascais**

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6th January 2017

Abstract

The Globalization phenomena has connected the world and, today, not only firms compete with each other but also countries and regions. The purpose of this work project is to develop a Framework, which uses both Marketing and Strategy concepts and tools, to allow small municipalities to deliberate and develop the right vision and strategy to attract foreign direct investment. This Framework was applied to the Cascais Municipality. As a case study, a deep macro and micro analysis of Cascais was conducted, enabling a conclusion in regards to its key resources and strategic key activities for FDI attraction.

Keywords: Foreign Direct Investment (FDI), Municipality, Cascais, Strategy

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1. Introduction

Research Problem and Work Project Structure

The greater global interconnectivity is determining new concerns for policy makers. According to Oman (2000), there is an intense competition for FDI among national but also subnational governments in the EU. Hence, smaller municipalities must be aware of the potential players in this market and be prepared to develop strategies that will allow them to succeed.

The main objective of this project is to develop a Framework through which small municipalities can guide themselves, so that they can efficiently attract FDI. The report will initiate with a brief literature review, explaining FDI advantages and the main determinants and policies used by economies for FDI attraction. Based on the literature review, in the third section of the report, the Framework is developed, followed by its application to Cascais.

Cascais was considered an interesting case to be analyzed for several reasons. Firstly, due to the recent economic crisis in Portugal, the attraction of foreign investment has become a priority in the country, as a solution to overcome deficits and unemployment. Given this, the Portuguese municipalities are inserted in a favorable environment for FDI attraction, where policies and strategies for openness are widely supported by the government. Moreover, Cascais is located in the great Lisbon area, which is the most attractive region of Portugal for foreign investors, in accordance with EY's Attractiveness Survey. Comparatively to other neighboring municipalities, such as Sintra or Oeiras, Cascais stands out by its visibility efforts, as the municipality has been trying to implement a vision as being investment friendly, continuously developing new strategies and plans of action for investment attraction. Moreover, its proximity to the country's Capital represents a challenging case for analysis.

2. Literature Review

What is FDI? What are the main advantages?

Literature still debates on the definition of FDI. According to the IMF's Balance of Payments Manual, FDI can be defined as an investment where investors acquire *an effective voice* in the management of an enterprise which operates outside of the investors' economy. Graham and Krugman (1993) also noted that FDI could be considered as a financial flow from a parent company to a foreign company that it *controls*.

Through the harmonization of the aforementioned views, the OECD Benchmark definition for FDI (2008), defines FDI as a cross border investment performed by a direct investor which aims to establish a *lasting interest* over an enterprise resident in an economy, that differs from the direct investor's economy. The lasting interest exists when the direct investor owns, at least, 10 per cent of the voting power, ensuring a relevant degree of influence over the management decisions.

According to Zhan (2006), FDI is an important variable that contributes for economic growth as well as it is recognized as one major force of the Globalization process.

By collecting data from China and Vietnam, Vu, Gangnes and Noy (2006) concluded that FDI directly contributed for an increase in the GDP level as well as enhanced labor productivity, imposing pressures for wages to increase, which had consequences on the labor market and on economic growth. Alfaro (2014) found similar results.

Blomstrom (1991) believes that the opportunity for technology transfers is one of the main advantages of FDI. Multinational corporations (MNC's) are able to bring technology that host economies would not be able to produce by themselves. However, technology transfers are not always easy to occur, as foreign firms want to protect their intangible assets while, on the other hand, the host economy want to obtain technology at the lowest cost possible. Blomstrom (1991) further mentions how MNC's can shape the competitive environment of the host economy, as they

will force local and less efficient firms to leave the market or to also adopt more productive strategies.

Lipsey (2002) mentions that one of the major benefits of FDI is the introduction of new products and industries, in the host economy.

Christiansen, H. *et al* (2003), refer that, specially for developing areas, FDI is an important financing tool, as the available capital is insufficient to fund the majority of the investments.

Kastrati (2013), pronounces the social and environmental impacts, for instance, by implementing “greener” technology and thriving the implementation of better corporate policies.

Other research has also allowed to conclude that the effects of FDI are not linear. Through a regression analysis, Alfaro (2003) concluded that FDI has different effects, whether positive or negative, on economic growth, when the inflow occurs to different economic sectors.

Given the above, one can conclude that FDI inflows play an important role in the economic activity of the host country. However, it is crucial that the recipient countries work *a priori* and develop differentiated policies to attract positive inflows of FDI while avoiding negative ones.

What are the main FDI determinants?

Literature has been debating on the determinants considered by investors when deciding about their investment locations. According to the OECD (2003), investors seek some basic characteristics in the recipient country, such as non-discriminatory regulations, a stable macroeconomic environment and access to human and natural resources or infrastructure.

Under non-discriminatory regulation one could include taxes and tariffs and country’s openness to trade. Wei (2000) collected a sample of bilateral investments from 12 investors to 45 recipient countries. He concluded that increases in the tax rate applied to MNC or in the corruption level of the host country leads to the reduction of FDI inflows. The same result was achieved by Gastanaga *et al* (1998). Moreover, they also concluded that trade liberalization policies, such as

openness and tariff reductions, had become an important feature for attracting FDI. Similar findings were concluded by Singh and Jun (1995) and Albuquerque *et al* (2005).

Horberger *et al* (2011) refers that the size and the growth potential of the market are the most important features to explain the occurrence of FDI. By analyzing more than 30 empirical studies since 2000, they observed that size and growth potential are positively associated with FDI inflows. By collecting data of FDI outflows from Italy, Spain and France, between 1999 and 2006, Jiménez (2011) was able to conclude that the economic growth of a host country was positively related to the FDI inflows. Bevan and Estrin (2004), Blonigen *et al* (2007), Gharaibeh (2015) and Li and Liu (2005) do also conclude that the size and the growth potential of the market actively contributes to attract FDI.

Factors, such as political stability, have also been discussed in literature. By using a panel regression, Arbatli (2011) concluded that countries with higher domestic conflict and lower political stability, appeared to display lower inflows of FDI compared with similar countries. Furthermore, Jesen (2003) also concluded that democratic regimes were able to capture 70 per cent more FDI inflows, as a percentage of GDP, when compared with authoritarian countries. The same findings were reached by Shahzad and Al-Swidi (2013), using data from Pakistan.

Noorbakhsh *et al* (1999), through an econometric approach, study the influence of the level of education over the inflows of FDI, in developing countries. The research was able to conclude that knowledge and skills were important. Nonnember and Mendonça (2004) and Cleeve *et al* (2015), found the same results. Yet, Noorbakhsh *et al* mention that low labor costs may still matter. By interviewing several foreign investors and policymakers in Bangladesh, Muchie *et al* (2010) concluded that the cheap labor cost was one of the most attractive features explaining flows of FDI. Similar findings were concluded by Ranjan and Agrawal (2011) and Vijayakumar *et al* (2010).

Using time series data from Malaysia, Bakar *et al* (2012) found a significant and positive impact on FDI inflows into the country, due to the availability of infrastructure such as power, transport and communication. They further suggest that improving infrastructure is especially important for particular sectors in the economy, such as electric and electronic material sectors. Same findings were reached by Donaubauer *et al* (2014) and Muchie *et al* (2010).

Asiedu (2006) run a regression, with panel data collected from 22 Sub-Saharan African countries, concluding that natural resources endowments were significantly classified as motivators for FDI inflows. Agosin and Machado (2007), Jackson and Markowski (1996) and Aleksynska and Havrylchuk (2013) yielded at the same result.

What are the main policies and strategies to attract FDI?

Morisset (2003) acknowledges that using fiscal incentives “have become a global phenomenon”. By analyzing surveys from investors, it was concluded that fiscal policies are mostly used to attract particular types of investment and not to increase the overall flow. Clark *et al* (2007) mentioned that tax incentives are a good policy for developing countries, as they do not display other features such as infrastructure or labor.

In order to effectively attract FDI, designing a good business environment is not enough but it is also necessary to provide investors relevant information about the internal market conditions. (Rajan, 2004). The idea of investment promotion agencies (IPA’s) has been widely accepted around the globe, as a strategy to overcome information gaps and bureaucracy, delivering a “one stop shop” experience to investors. Morisset (2003) studied the impact of IPA’s by surveying 58 countries, where he was able to conclude that investment promotion is associated with inflows of FDI. Another important issue relies on the degree of autonomy and sufficient resources for IPA’s operation. (Loewendahl, 2001; Wells and Wint, 2000)

Zanatta *et al* (2008) studied different countries' policies to attract R&D investment. The findings indicate that all countries upgraded their labor force policies, improving general, specific and higher education. The strategy resulted in the increase of educated working population, which is an attractor for R&D foreign direct investment. Evidence from Mozambique and China allowed to conclude the same. (Tembe and Xu, 2012)

Smaller municipalities see their efforts to attract FDI undermined, as they display a low number of inhabitants, yielding at low perspectives of profits for investors, and do not exhibit a powerful network of infrastructures, when compared with capital cities, in terms of transportation, education or health. However, besides these obstacles, some of them have been able to thrive and to be successful at FDI attraction.

A good example is the case of Lublin, a small polish city, that introduced a strategic plan to reach a new international position: to be recognized as a center of business, investment and entrepreneurship. (fDi Magazine, 2015). Given this, in order to reinforce the accessibility of the city, to ensure rapid connections to Warsaw and neighboring countries, a new airport was constructed along with an investment in the railways system. The small municipality also offers tax incentives and financial aids, whereas its promotional agency participates in international investment fairs and provides post investment services, such as helping workers to find accommodation or schools for their children. As Lublin aims to be a medical tourism hub, it is focused on attracting foreign medical students by offering lower college fees and temporary practicing opportunities in American and Canadian hospitals.

As one could conclude from the above literature review, the motivations of investors, when deciding their investment location, depend on the nature of their business as well as the underlying objective, whether it seeks new markets, resources or efficiency. For this reason, it is urgent that governments understand that successful policies enforced by one another cannot be equally

implemented elsewhere, while expecting the same results. (Tembe and Xu, 2012; Velde, 2001). Although small municipalities face fierce competition in terms of FDI attraction, it is possible for them to thrive, if they clearly define a vision, set objectives and a comprehensive action plan.

3. A Framework to attract FDI

Taking into consideration the main findings in the literature review, one can say that before implementing policies, it is crucial that municipalities have a clear and defined vision and objectives, guarantee a good overall macro environment and acknowledge their strengths and weaknesses. In this section, a proposed Framework, based on marketing and strategy concepts and approaches, is presented.

In the context of this Framework, a municipality is a territory which has administrative autonomy and, usually, may include urban, rural, industrial or corporate areas. Given that the existence of these areas vary across municipalities, the Framework urges adaptability in accordance with the aforementioned structures.

Step 1-Defining a Vision and a Set of Objectives: The vision and the definition of municipalities' objectives is a very important activity, as it will determine and influence all the following steps of the Framework. Given this, municipalities must debate about what are the roots for FDI attraction, whether they seek to create jobs, filling supply gaps, provide partnering opportunities for local enterprises or capture technology and skilled labor, among others.

Step 2-Situation analysis: In order to avoid misdirected efforts, it is crucial that municipalities are aware of the overall macroeconomic conditions in which they are inserted. In this situation analysis, it is important that factors such as availability of resources, location, incentives, security, corruption levels, bureaucracy, international country perceptions as well as other social variables, are previously evaluated as a country, regional and local level.

Step 3-SWOT analysis: This step is municipality-specific as it includes the analysis of the main strengths, weaknesses, opportunities and threats. Some examples of variables to be studied are provided in figure 1 of the appendix. It is also important to denote that variables subject to analysis may differ between municipalities, as the objectives of one another may also be different.

Step 4-Determine Key Strengths: After examine both internal and external environment, municipalities should focus on its key strengths, as they are the most probable to be effective in FDI attraction. The key strengths are not only the most relevant resources that the municipality has to offer. They must take into consideration the relative strength *vis-à-vis* competitors, as well as its strategic importance, in accordance with the pre-defined objectives. In order to identify the key strengths, municipalities must first identify 1 or 2 competing locations, with which they must perform a comparative analysis. A simple approach for this activity is the usage of a Municipality's Resource Platform, which in this work project, was adapted from the Nova SBE's Strategy II course. In the latter, resources are divided into competencies, which are the capabilities that a municipality displays, assets, that include tangible and intangible resources, relationships, which reflects the existence of powerful connections with other institutions that enhance the municipality's ability to attract FDI, and community receptivity, which englobes some indicators that would be able to point out the location as investment friendly. Examples for each category are provided in the appendix, figure 2. After the identification of these resources, each one of them is going to be evaluated in terms of the strategic importance and the relative strength, when compared with the previous defined competitors. Both features are evaluated in a scale from 1 to 10, being 1 the lowest and 10 the highest. The points' attribution is merely qualitative, based on the judgment and knowledge that the agent has about the municipality and its competitors. The product of this evaluation is transposed to a matrix, where it is going to be possible to identify the municipalities'

superfluous and key strengths and weaknesses. The resources that are positioned in the top right corner of the matrix are the key strengths of the municipality.

Step 5-STP: In this step, municipalities must understand which sectors and activities they need to study, in order to understand their potential for FDI attraction.

Step 5.1-Segmentation: There are several bases for the segmentation process, as sources of incoming FDI may be divided in terms of industry, country, type of companies, small enterprises or multinational corporations, typology of investor and so on. Municipalities may use more than one base for segmentation, as it is related to the strategy of each particular case. In the proposed Framework, a sequential segmentation is going to be used.

Step 5.1.1-Identify Sectors: In accordance with its key strengths, municipalities must identify the sectors where they recognize the possibility to attract FDI.

Step 5.1.2-Identify Key Sectors: The previous identified sectors are going to be qualitatively measured, in terms of their capability to allow municipalities to accomplish their objectives and the sector's opportunity, being allocated in a graph. The sector's opportunity concerns the mobility of the sector, whereas exits possible mobile projects, growing internationally and taking into consideration the amount of capital invested. The sectors that are able to satisfy the objectives and display highest opportunity are the key sectors for the municipality.

Step 5.2-Targeting: Targeting will be focused on identifying key activities within the key sectors named in the previous step. Given this, a list of potential activities must be developed taking into account the degree of importance for the accomplishment of the objectives of the municipality and the appropriate time. For instance, it may be reasonable to first select a specific activity which output of investment is essential to target new activities.

Step 5.3-Positioning: The positioning must be directed at the targeted activities in each sector, reflecting how the municipalities' key strengths satisfy investors' requirements.

Step 6-Developing the Marketing Mix: Municipalities can implement strategies to effectively deliver a good “product” to the targeted investors, in the right “place”, for the right and fair “cost” and using the right means of “promotion”.

As the product, municipalities must emphasize their internal conditions and implement strategies for their improvement. In accordance with investors’ necessities, municipalities may improve its infrastructures, such as constructing new transportation networks, airports, ports, specialized training facilities and technical schools, creation of corporate or innovation hubs, develop the communications system, among others. The definition of strategies to create a product with the right specifications to targeted investors is a crucial step for the effectiveness of the Framework.

The cost of deployment can be understood as the expenses that foreign investors must incur in order to establish themselves in a new region. Although some of the latter are inherent to the investment itself, and for that reason, full responsibility of the investing company, there are some incentives that municipalities may implement in order to decrease this burden. The incentive strategies that municipalities should employ range from tax or fiscal incentives to land clearances or allowances, such as decrease the rate of corporate tax or provide lands for lower premiums. It is important to denote that the implementation of such strategies depend on whether municipalities have the authority and resources to control these incentives.

In a marketing perspective, the place is where the customers can find the product available. Having a region as “the product offer” difficult the development of effective placing strategies. Some examples of placing strategies can be the development of investment fairs on site or online platforms. Moreover, the scope of distribution is also a factor that influences placing strategies. In the context under study, distribution can be understood as partners that municipalities may have

that will enhance the location as being a top destination for investment, such as national and international investment promotional agencies.

Lastly, the promotion strategy is crucial to accomplish the municipalities' objectives. Wells and Wint (2000) defined 3 different types of investment promotional techniques, that are going to be applied in the presented Framework: image building, investment generating and investment service activities. A list of examples for each category are provided in the appendix, figure 3. The objectives of each category of promotion differ from one another. Regarding the first set, image building concerns the approaches that municipalities may use to create a picture in potential investors' minds or to change a previously established one. Investment generating activities have, as underlying goal, to directly generate investment through the identification and close contact with decision makers of the investing company. Finally, investment service techniques aim to provide full support through post investment services. The 3 types of promotional techniques may be used simultaneously or sequentially. The aforementioned strategies are not unique or mandatory, but only a guidance for small municipalities.

Step 7-Action Plan: In order to guarantee a continuous work on FDI attraction, it is important that municipalities nominate an FDI project team. The elected team members should have a relevant profile in the FDI field, for instance, including municipality council's elements, enterprises' executives, college professors or consultants. This team would be responsible for conducting several studies and analysis, defining a vision and strategies to pursue to attract FDI while setting a time frame for the activities' accomplishment.

Throughout these steps, it is crucial that the municipality analyses both the external and internal environment, on a regular basis, as they are in constant change. The later means that the municipality must continuously track its competitors, developing and improving its resources in order to establish the right conditions in the right time. Thus permitting the necessary adaptation

and reformulation of the strategies. Overall, the continuous adjustment aims to allow the municipality to keep its competitiveness throughout time and not only on the time of attraction.

Figure I, below, provides a synthesis of the Framework that was deeply explored throughout this section.

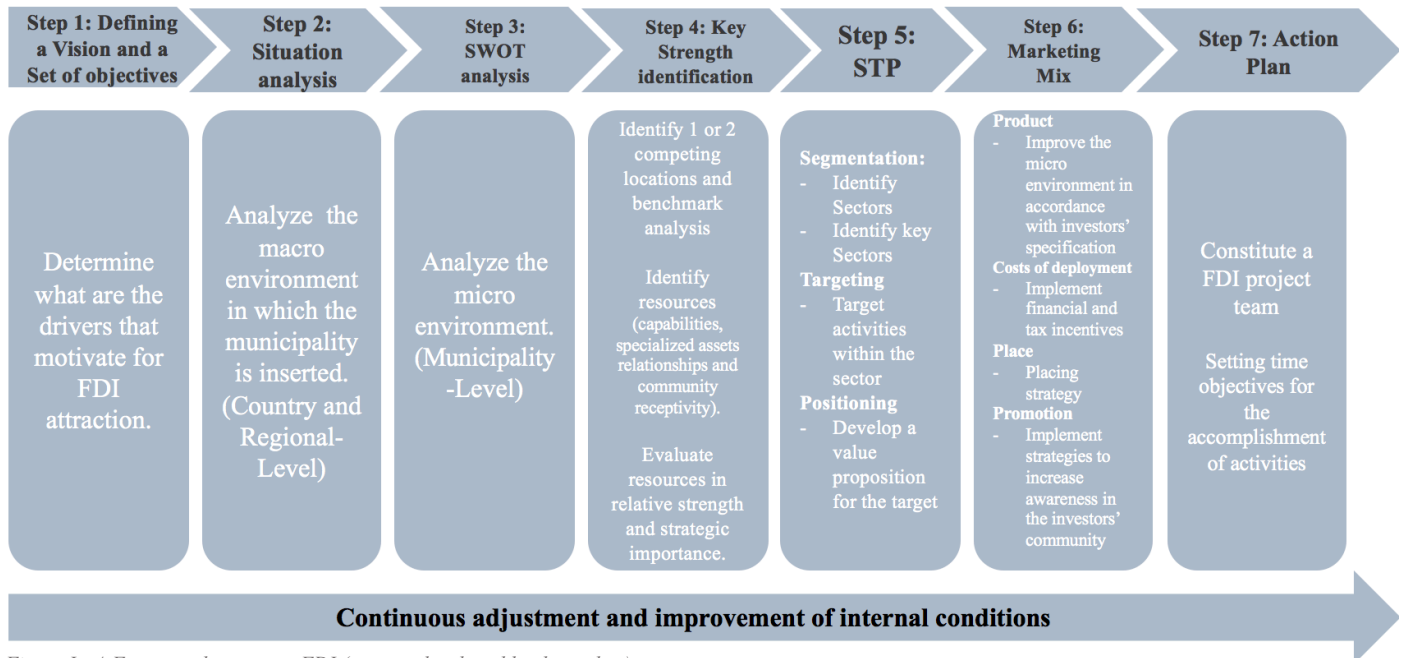


Figure I - A Framework to attract FDI (source: developed by the author)

4. Case study: Cascais

In order to effectively apply the Framework to Cascais, it is first necessary to understand the reality of FDI patterns in Europe and, particularly, in Portugal.

In 2015, Western Europe was considered the most attractive region in the world for foreign direct investors, increasing the number of projects captured by 10% and job creation by 12%, compared with the previous year.¹ Portugal's perception of attractiveness is at the highest, as, in accordance with EY's attractiveness survey, 67% of the surveyed enterprises affirm that Portugal's attractiveness as an investment location is expected to increase, whereas only 58% agree with this for the overall European countries². However, Portugal only owns a 1% market share of FDI projects occurred in Europe², which clearly indicates that further work on policies and credibility

must be ensured so that investors' intentions can be translated in actual investment. In 2014, Portugal registered almost 9000 million dollars of inward FDI, a very small value when compared with other major European nations such as the UK, the Netherlands, France, Italy or the neighboring Spain³. Manufacturing, followed by business services, R&D and logistics are the main areas for recent FDI projects in Portugal. Germany and Spain are the top investors in the Portuguese economy, yet Brazil and the U.S, together with France and the UK, are also present in the list of the major investing countries, in accordance with data from 2013². Moreover, the great Lisbon area remains the preferred destination in Portugal for investors in 2014, as 38% of the surveyed enterprises pointed it this way, while the north of the country comes in the second place.²

Step 1: According to Cascais' Municipal Council, the strategic direction and actions of the municipality lie on important objectives as developing its attractiveness, sustainability and competitiveness. Given this, Cascais aims to attract young labor while enhancing the municipality qualification for seniors, invest in environmental sustained and sustainable activities, taking advantage of the municipality's natural resources and improve the overall image of the municipality as a touristic destination reference. Hence, the main underlying objectives regarding FDI attraction are centered in employment creation, through the establishment of economic activities and enterprises with high economic profile, while generating value added for the municipality. One main aspect is to guarantee that the investments are sustainable, attracting not only businesses, but also motivate people to move to Cascais.⁴

Step 2: Portugal is located in Southern Europe, which is an important and appealing location for investors. Not only can Portugal's location be seen as an entry to Europe, its international accessibility is also key for the latter. Portugal has 3 different airports and is connected to the main sea routes, which allows it to be close to the main European cities. The country has also massively invested in roads and highways, which enables it to be above the European average for

accessibility. The telecommunications' infrastructure compares, very advantageous, with the European average. Moreover, about half of the electricity comes from renewable sources. As part of the EU, Portugal has a similar access and availability of financial services when compared with other major competitors for FDI, such as the case of France or Spain. Portugal has a relatively low minimum wage, when compared with other western EU countries, such as France or the UK, which is also a positive factor for FDI attraction, specially for industries that are highly sensitive to labor costs. Portugal also has a very good quality of life, overall: the warmest month registered 24° C, on average, while the coldest recorded an average of 11°C⁵, hence demonstrating quite attractive weather conditions which aligned with the culture, security and gastronomy, delivers an attractive location for expatriates and travelers. The average quality and easy availability of both public and private health and education services is also an important factor. Portugal is also recognized by the availability of qualified labor, as about 20 000 students graduate, every year, in areas such as science, engineering and mathematics.²

The Lisbon Metropolitan area is composed of 18 municipalities and is a home to 3 Million inhabitants. This region is an educational hub with many prominent colleges offering degrees in various fields. The collaboration between universities and research centers encourage excellent and innovative learning opportunities. People living in this region are friendly and approximately 42% speaks two foreign languages⁶. The region's excellent network of public transportation allows an easy access for commuting between the municipalities. This cosmopolitan area hosts several on-ground activities and events, enhancing and promoting the art and culture, entertainment, leisure and recreational activities. The Lisbon Metropolitan area is a major contributor to Portugal's GDP and is a front runner for the highest labor productivity and purchasing power. In the year 2013, the Lisbon area has witnessed the highest percentage of working population with college education⁷.

Within the Lisbon Metropolitan area, Cascais is the best municipality to live in, displaying high quality of life levels. The latter is evident by its top position in several rankings.

Step 3: Figure II represents the SWOT analysis for Cascais, which was constructed based on the information provided in the document Plano Director de Cascais⁸, as well as some data granted by Cascais’ promotional agencies.^{9,10}

Strengths	Weaknesses
<p>Unique geographical location</p> <p>Mild Weather, good climatic conditions and natural landscapes</p> <p>Area: 97,4 square km, being 1/3 protected</p> <p>#8 rank of Portuguese Purchasing Power</p> <p>10 International Schools</p> <p>25% of the population has a graduate degree</p> <p>1 small airport. Cascais is connected to Lisbon through highway, bus and train routes</p> <p>Touristic destination: hotels, golf courses, museums, beaches, casinos among others</p> <p>Existence of 2 promoting agencies (livingincascais and Cascais Invest)</p> <p>#2 best Portuguese Municipality to live in</p>	<p>The cost of living is higher than neighboring municipalities</p> <p>The number of technological/professional degrees offered in Cascais is relatively low</p> <p>The business tissue is focused on low value added activities</p> <p>The municipality's activity is concentrated in the Southern region of Cascais</p> <p>Weak collaboration between universities and local enterprises</p> <p>Persistent use of individual means of transportation</p> <p>Traffic has experienced increases.</p> <p>Few public and green spaces for leisure</p> <p>The financing opportunities for innovative enterprises are scarce</p> <p>Lack of an attractive fiscal incentive package</p>
Opportunities	Threats
<p>Construction of Nova SBE and a new Medical University campus</p> <p>The number of foreign nationals living in Cascais is increasing</p> <p>High attractiveness of Cascais as a residential hub</p> <p>High value of property costs, especially in the premium areas</p> <p>Birth rate above national average</p> <p>Relevant conditions for clean energy's exploration</p>	<p>Possible excessive urban growth, in the Southern region</p> <p>Loss of the municipality's identity, due to the number of foreign nationals</p> <p>Transferability of private and public investment to competing locations</p> <p>Possible coast' damage due to human intervention in the Southern region</p> <p>Possible landscape degradation, if construction in the South persists</p>

Figure II – Cascais SWOT analysis (source: developed by the author)

As one can observe from the table, Cascais should focus on its strengths and opportunities, so that it can efficiently attract FDI. Obviously, the main advantages of the municipality concern the availability of resources, including human, natural and infrastructure, as well as its strategic location. Cascais has twice the country’s average of people with college degrees. Besides the availability of great Portuguese and international schools and universities, Cascais also possesses a powerful network of health facilities, including public and private, with foreign doctors on site.¹¹ Moreover, the recognition of the municipality as one of the best locations to live in has resulted in the increase of the number of foreign residents, as, currently, 42 different origin nationalities exists.¹² Cascais community is fluent in English, French and Spanish, which is particularly relevant for the “feeling like home” spirit arise.¹³ Cascais has potential to be one of the most important 2nd residence location, displaying high quality of life. However, it must also take into account its

weaknesses and threats, so that they would not undermine the capacity of Cascais to attract foreign direct investment.

Step 4: In order to construct Cascais Resource Platform, Sintra and Oeiras are pointed to be the most relevant competing locations for Cascais, due to its proximity to the capital and similar location.

Figure III, below, represents the main competencies, assets, relationships and factors for community receptivity, that, in accordance with Cascais' objectives, are believed to be the most relevant. The assessment for the strategic importance of each feature took into consideration the main objectives of the municipality for FDI attraction. Given the latter, the points attributed demonstrate the likeliness of each resource to potentially attract value-added activities, number of jobs created and/or the desirability of foreigners and non-locals to move in to Cascais. In order to further understand the assessment for the relative strength, which is merely based on the qualitative knowledge and data gathered, a benchmark analysis between competing locations is provided in the appendix, figure 4.

CASCAIS RESOURCE PLATFORM											
S.I STRATEGIC IMPORTANCE			R.S RELATIVE STRENGTH			I LOWEST-10 HIGHEST			ASSESS: ASSESSMENT		
COMPETENCIES	ASSES		SPECIALIZED ASSETS	ASSES		ARCHITECTURE OF RELATIONSHIPS	ASSES		COMMUNITY RECEPTIVITY	ASSES	
	S.I	R.S		S.I	R.S		S.I	R.S		S.I	R.S
C.1 Territory Management			A.1 Human Capital Availability			R.1 Relation with AICEP			C.R.1 Hospitality and Availability to help		
The capacity to clearly define residential, corporate and industrial hubs is essential to increase the quality of life, which is key for attracting new potential inhabitants.	8	5	The availability of qualified labor is important to attract industries and enterprises capable of delivering high added value.	10	7	Connection to the national investment promoting agency is essential to keep track of new policies as well as to connect to potential important investors.	7	8	Takes into account not only the actions of locals to help expatriats and foreigners but also services provided by competent associations to facilitate integration.	8	8
C.2 Brand Management			A.2 General Infrastructures			R.2 Relation with Promoting Agencies			C.R.2 Knowledge of Foreign Languages		
The hosting of several events, such as gastronomy, sport and cultural related, are essential to further enhance the municipality's brand, as a location of reference to live in and visit.	7	9	The availability and quality of transportation networks as well as good medical and education facilities, industrial and corporate parks, is essential for attracting businesses and people.	10	8	The closer collaboration between the city council and specialized investment promoting agencies is extremely important to foster investment.	7	8	The knowledge of foreign languages by locals and their availability to communicate is essential for experts and foreigners feel like at home.	7	9
C.3 Managing across cultures			A.3 Natural Resources			R.3 Relation with Corporate Associations			C.R.3 Criminality and Security		
Managing different cultures, effectively, enables the municipality to deliver a healthy environment between the different nationalities living in it.	6	5	The proximity to the sea and a long costal area are attractive for tourists, inhabitants and for sea related activities. The location and weather conditions are also important for the municipality's attractiveness.	9	7	Connections with important corporate associations on site are important, as it allows the municipality to understand the investment needs of local enterprises and how can the municipality contribute to foster partnering agreements with potential investors.	6	6	The number of criminal events in the municipality can also be understood as a constraint to investment, motivated by local's actions.	9	7
C.4 Incentives Management			A.4 Touristic attractions			R.4 Partnerships with Universities			C.R.4 Overall business environment		
Fiscal incentives are essential for attracting people and business. Managing and negotiating tax policies with the competent authorities is then key for a municipality's attractiveness as a FDI recipient.	8	9	This resource is essential to attract visitors but also possible future inhabitants. The existence of museums, fairs and other events are also key for increasing the quality of life.	7	8	The capacity of municipalities to negotiate and bring university's campus within its jurisdictions is essential to increase the number of qualified workers in areas of interest.	8	7	Concerns how local businesses and people accept foreign investmen, how they interact with expatriats and foreigners and the easiness of doing business in the municipality.	7	7

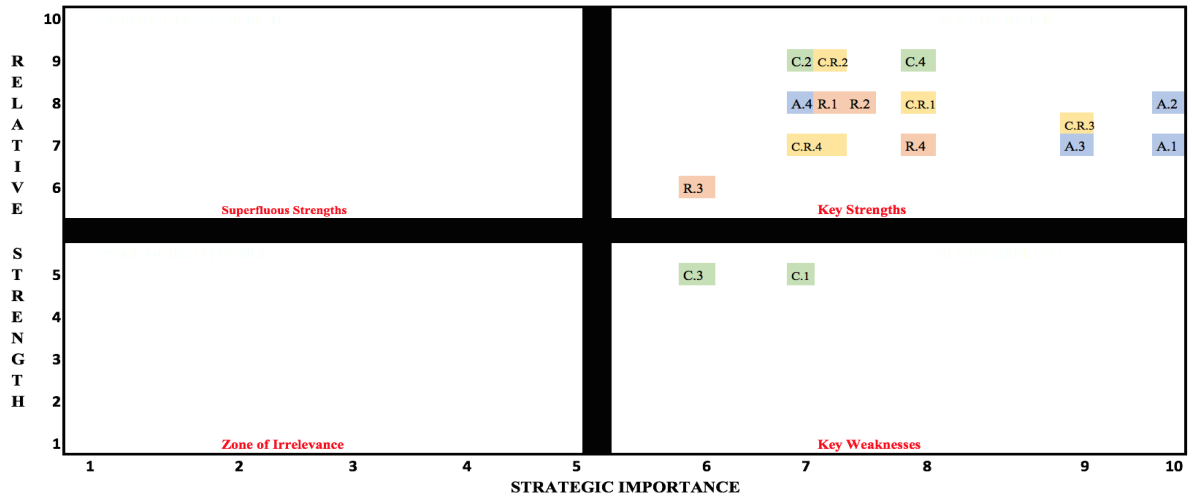


Figure III - Cascais Resource Platform (source: adapted from the Strategy II course, by Prof. João Silveira Lobo. Application developed by the author)

The research allowed to infer that the 3 municipalities have different positions when aiming at attracting businesses or people. Sintra and Cascais, due to its international touristic recognition, are more prone to be effective in attracting people, whereas Oeiras, due to its business hubs, is more certain to attract enterprises to install themselves in the area. The same conclusion was reached by the Bloom Consulting, where Sintra and Cascais were ranked higher for living and visiting and Oeiras sited way above for the ranking of developing businesses.¹⁴

The result of this exercise allows to conclude that the availability of qualified labor, specifically in Health and Services related, the existence of attractive natural conditions, good overall infrastructures and the level of security are the key strengths for Cascais. For this reason, the municipality should focus on them, in the very short term, while also planning the improvement of the other identified resources, in the medium term.

Step 5.1: For Cascais, the basis for the segmentation process chosen is the type of sector.

Step 5.1.1: Throughout this step, potential sectors are going to be identified, which are presumed to be attracted by Cascais' key strengths. For companies and their top ranking managers, regardless the sector or activity, the environmental conditions and quality of life are decisive for the

investment in Cascais. In order to consider all possible sectors, an integrated version of both the CAE - Classificação Portuguesa das Actividades Económicas, provided by the INE - Instituto Nacional de Estatística and the GICS - Global Industry Classification Standard¹⁵, is going to be used. The list of sectors identified are the Real Estate, Energy, Transportation, Environmental Activities and Businesses, Pharmaceuticals, Biotechnology and Life Sciences, Hospitality, Tourism and Leisure, Business Services, Clean Businesses, Healthcare and Social Services and other Services. A more detailed analysis over the activities included in each sector and its attractiveness for Cascais' Key Strengths are provided in the appendix, figure 5.

Step 5.1.2: In order to better assess the capability of the sectors identified to achieve Cascais' objectives and their opportunities, some data collected from fDi Markets, a service provided by the Financial Times¹⁶, together with the data provided by the United Nations¹⁷, were used. The collected data is represented in the appendix, figures 6, 7, 8, 9 and 10. The result of this step is provided below, in figure IV. To assess the sector opportunity, it is going to be taken into account the number of FDI projects occurred and the amount of capital investment, whereas for

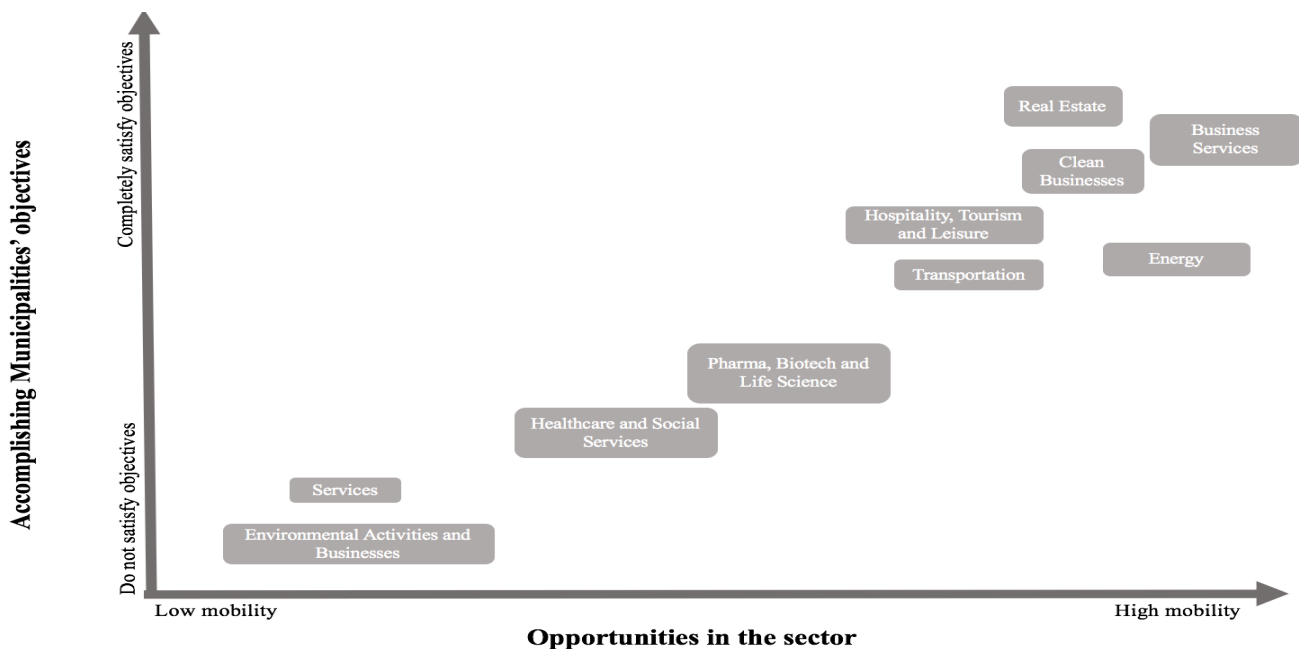


Figure IV- Allocation of the sectors in accordance with the opportunities and capacity to accomplish objectives. (Source: developed by the author)

the accomplishment of objectives, the number of jobs created is going to be used. Furthermore, for the latter assessment, a qualitative comparison over the sustainability and the capacity to deliver high value added activities is also considered.

It is possible to conclude, the sectors positioned in the upper right corner of the graph, the Real Estate, Business Services, Clean Businesses, Energy and Hospitality, Tourism and Leisure, represent the Key Sectors for Cascais.

Step 5.2: In order to identify Cascais' target, it is necessary to understand which should be Cascais strategic focus, in terms of key sector, as well as the activities one want to consider within the key sectors identified. The later list is demonstrated in the table from step 5.1.1, figure 5 in the appendix. Given this, Cascais' primary focus should be the Business Services' sector, particularly on Engineering and Construction firms. Given that one of Cascais' objective is to attract businesses and people, it is necessary to invest in the development of housing and corporate hubs. Secondly, in the Real Estate key sector, one is going to focus on the Office and Residential Real Estate, as the output from the later sector, evidence the need for the management of properties and facilities. The activity of the aforementioned sectors will develop conditions for the settlement of different enterprises. Hence, for the Hospitality, Tourism and Leisure, it is suggested the focus on the major brands of national and international hotel chains, due to the amount of capital invested, number of jobs created, as well as the mobility of such projects. In the Clean Businesses key sector, Cascais should pay special attention to R&D and innovative enterprises, as they will be able to further attract not only firms but also universities and technical schools, due to the possible exchange of knowledge and partnerships' development. For the Energy sector, a focus on renewable energies is recommended, specifically in waves, wind and solar energy production. Cascais' proximity to the sea makes possible the development of offshore waves and Eolic parks, avoiding the landscape

degradation. Moreover, due to the underutilized northern area of the territory, solar energy parks can also be implemented.

Step 5.3: In figure V, below, an integrated and unique value proposition, along with a particular positioning for each key sector is developed, where the main intent was to keep in mind what Cascais is able to deliver to them and why they should trust Cascais.

Value proposition	<i>"Come and grow your family and business with us. Cascais offers your family the best quality of life, your business the highest qualified labor and offers you the ability to integrate the two worlds. We are the best small municipality to live in in our country. Try Cascais."</i>
Positioning Statement for the Real Estate	<i>"Cascais is recognized by its incredible nobel reputation. Our luxurious habitational hubs are chased by the world as we have more than 40 different nationalities living in our territory. The Real Estate industry opportunities will continue to excel our expectations."</i>
Positioning Statement for the Business Services and Clean Businesses	<i>"Cascais provides your business the security and accessibility it needs. Close to Lisbon and served by an excellent network of transportation, your business will be everywhere. Cascais is going to offer you highly qualified labor - 25% of our population has a college degree and speaks different foreign languages and the percentage is expected to increase."</i>
Positioning Statement for the Hospitality, Tourism and Leisure	<i>"The greatest exposition to the sun together with the long coast and proximity to the sea and Lisbon, make Cascais one of the top destinations in Portugal, by Tripadvisor . We provided qualified labor, with college and technical education, in hospitality related courses. Our friendly and available population will make your guests feel like home."</i>
Positioning Statement for the Renewable Energy	<i>"We search enterprises that strive for a sustainable growth, with which we can also grow with. We are positioned in a strategic location, where the sun, the wind and the energy of our waves can contribute to a better world. Our infrastructures and qualified people will support your business."</i>

Figure V- Value proposition and positioning statements (Source: developed by the author)

Step 6: Product- Cascais is able to implement strategies to further increase its attractiveness for the targeted activities. In order to overcome the ineffective territory management and the inexistence of corporate clusters, Cascais could take advantage of the unexplored northern territory, as the population and the majority of the municipality’s activity is concentrated in the Southern region. In the upper limits of its territory Cascais would be able to construct relevant infrastructures for the establishment of corporate headquarters, in accordance with its objectives. Given this, it is reasonable to target engineering and construction companies on a first stage, that would invest in the exploration and construction, which output is going to be significant to attract further enterprises, such as consultancy and other business services’ firms.

The lack of a diversified and qualified labor force, in fields like Math, Engineering, Management and other technical and professional courses, represent a constraint. Given this, it is crucial that Cascais inform the target about the future opportunities in the Education Field, like the construction of the new campus of the best Business School in Portugal and the new Medical

College. Moreover, Cascais should also invest on creating new relationships with technical and professional schools and other Engineering Universities, to create mutual and beneficial relations and to discuss the possibility of attracting Lisbon universities' branches or campuses to Cascais. The municipality will be able to diversify the qualification of its labor force, which is of extreme importance for the attraction of firms, specially in the business service industry.

All in all, the primary focus should be on the improvement of the territory management, which will have a waterfall effect. By clearly defining corporate clusters, this will not only attract corporate headquarters to settle in the municipality, regardless the industry, but also schools and universities, due to the proximity of potential employers and the possibility of establishing important partnerships. The latter will be able to solve the lack of a qualified working force in Maths, Engineering, Business and Science related fields. The improvement of the territory management will impact the municipality's quality of life, not only in terms of clearly separate corporate from urban areas, avoiding the landscape degradation, but also in terms of employment, attracting businesses and also people to move in to Cascais.

Taking into consideration the objective of attracting environmental sustainable businesses, with the aforementioned improvements, Cascais would be able to attract relevant enterprises in the Clean Businesses sector, such as digital and innovative enterprises.

Cost of deployment: As the main objective of Cascais is to attract both business and people, it makes sense that the improvement of the tax rates applied on both entities be urgent. Given this, and in accordance with the necessity to improve the territory management, the proposed strategy relies on defining different tax rates by areas, imposing more competitive rates for the northern territory. Hence, Cascais is authorized to decrease up to 30% of the municipal tax over buildings, attracting not only businesses but also families.¹⁸ Moreover, in order to avoid the underutilization and abandonment of buildings and land, the municipality may impose an increase up to 30%, for

abandoned buildings¹⁹ and up to double the tax rate of land, for non used land and agricultural parcels²⁰. This will not only increase the municipality's security, as owners would be more attentive to rehabilitate their heritage, but also increase the availability of land for investors, as due to the increase of the tax burden, owners will be more willing to sell their property. The municipality may also make its land properties available for lower premiums, for specific investors.

Cascais can also improve the conditions of enterprises by decreasing the tax over their results. Currently, the municipal tax over the firm's results is fixed at 1,25% out of the maximum amount of 1,50%. Given this, the city council can propose changes in terms of rates applied, exemptions and reduced rates for specific industries or for pre defined values of the firm's turnover, yet the later must be authorized by the Municipal Assembly.²¹ Therefore, it is suggested that the municipality propose tax reductions or exemptions for firms that move to the municipality, in the following years, as well as the progression of such decrease in accordance with the amount of jobs created and amount invested in the municipality.

Place: It is suggested that Cascais develops a virtual market, where investors and local companies searching for foreign partners can meet. The online platform would have two basic objectives: allow the sellers to post the type of investment they want to attract and, on the other hand, permit buyers to look for investment opportunities, while allowing the possibility to contact each other. The users of such platform maybe local and foreign companies or single investors, as well as local and foreign institutions, such as investment agencies. In order to assure the credibility of the platform, it is necessary that the municipality check the trustworthiness of investors and their intentions. Hence, the access to the platform must require a previous registration, allowing the municipality to guarantee the reliability of the virtual market. The typology of tool presented will allow the acceleration of the matching process between recipient and provenance user, in a more convenient and efficient manner. As the development of such platform may represent a major cost,

Cascais must try to partner with, for instance, Engineering Universities, reducing costs and establishing important relations with partners.

Promotion: Through the research, one could conclude that Cascais has an already established reputation on both a national and international level, based on its luxurious views and sites, delicious gastronomy and an integrated touristic and local community. Given this, Cascais should invest on Investment Generating Activities, by participating in industry specific international and national fairs, in accordance with its key sectors. The latter will enable the municipality to connect, develop relationships and empathy with key investors, exchange ideas, contacts and information, which is also decisive for an effective attraction.

Step 7: The FDI project team should include municipality council's members, as they have insight information about budget, understand the viability of the proposed strategies and hold important contacts in relevant governmental institutions. Moreover, including members with marketing and international relations and other similar backgrounds, for instance, from Cascais promotional agencies or from the national promotional agency (AICEP) and relevant members from Cascais' business associations, is also key for the success. The main objective of the FDI project team is to serve as a "one stop shop", providing both pre and post investment services to investors.

It is also important to acknowledge that the urgency of attracting investment for the different key sectors is different. On a first stage, Cascais should worry on establishing contacts with Construction and Engineering enterprises, as the output of their investment in Cascais, particularly the creation of corporate hubs, is key for the attraction of investment in other sectors. Hence, on a second stage, Cascais should change its focus to Consultancy enterprises, Educational Entities, Renewable Energy investors and other Business Service Activities, as by this time, it is expected that the municipality has the conditions for the establishment of such companies. A suggestion of activities and their timing accomplishments are provided in the appendix, figure 11.

5. Limitations of the Framework and Conclusions

It was possible to understand throughout the several steps of the Framework, that there are some aspects that can undermine the effectiveness of the tool. The qualitative analysis, in the steps 4 and 5, can be arguable. As referenced before, these steps are merely based on the knowledge and judgment of the agent that performs the study. Moreover, the reliability and availability of information do also represent a constraint, that can undermine the results of the Framework. Given this, nominating agents with the skills, resources and useful connections is key to guarantee the effectiveness of this tool. However, the presented Framework has positive outcomes. It concludes what the municipality's key strengths are and understands what are the key sectors the municipality should focus on, in accordance with its objectives for FDI attraction. Furthermore, the result of the Framework also allows to conclude what are the new ways of action and improvements, so that in the future, the municipality can display the right conditions in an appropriate time, for further investment attraction.

Through this Framework, Cascais can understand what should be its strategic focus, in terms of key resources and sectors, so that it can develop a clear vision and a set of strategies for the accomplishment of its objectives. Hence, the municipality's primary focus must be to improve the territory management, so that it will develop the right conditions for an effective investment attraction.

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