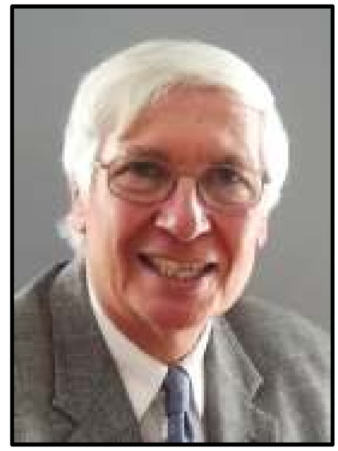
Why would Volkswagen invest $ 7 billion in North America?



Your international development should be based on market fundamentals and a long term perspective.

Volkswagen announced in January 2014 the $7 billion investment figure in Detroit on the eve of the North American International Auto Show. The size of this commitment - unusually large in a mature market - has taken many analysts by surprise. A pleasant one, we may say, this side of the ocean.

Is Volkswagen CEO Martin Winterkorn onto something we don't know? Not really...

Even if you are not following the automotive industry closely, there are a few useful messages emitted by this attention-grabbing event. Messages for successful entrepreneurs always on the lookout for **growth and profitability opportunities.**

Watch the Foreign Direct Investment flow

Since 2006, the United States has been the largest recipient of Foreign Direct Investment (FDI) with hundreds of billions of US dollars flowing from the world into the country every year.

The rather sluggish performance of the European economy and growing concerns about the performance of countries like Brazil, Turkey and India have certainly influenced European entrepreneurs and business owners to direct more resources to the United States. Seven out of the ten largest FDI investors in the USA are European.

The IMF now expects the U.S. economy to grow 2.8% in 2014, and 3% in 2015, up from 1.9% in 2013.

Look at the general market characteristics and evolution

Winterkorn is not alone. Many investors, business owners and executives consistently list the following reasons to support their moves into the U.S. market:

- *Predictable and stable regulatory regime*
- *Appropriate intellectual property protection*
- *Consistently growing or rapidly resilient economy*
- *Large market showing great uniformity (language, currency, standards, behavior)*
- *Attractive private equity and venture capital markets*
- *Political stability*
- *Low corruption level*
- *Low energy prices*
- *Flexible work force*
- *World's top universities, colleges and research organizations*
- *Free trade agreement with Canada and Mexico and many other countries*
- *Global currency*

This is the broad view, to show you the advantages the U.S. market, society and economy offer **relative to other countries or regions**. A more focused lens will show you accurately the opportunities and threats in your industry, and how your business model might fit in.

Follow the majors

Even if not always the case, it is often true that a decision to expand and invest into new markets is triggered by an earlier move made by a company's major client. In vertically integrated industries, whether you are a tier-2 or tier-3 supplier, your market may be upset by **a major player's decision to relocate**. This is especially true in the case of the United States.

Many firms in the oil & gas, chemical, aeronautics and automotive industries have relocated or expanded production plants in the USA in recent years, influenced by a combination of lower labor costs, higher productivity, much lower energy costs, numerous free trade agreements with other countries, and the absence of an exchange rate risk in their main markets.

You may not have $7 billion to play with, but a closer look at the United States to fuel your growth and profitability in the coming years may well be worth your time and attention.

With kind regards,

Bruno Vaes

COGNEGY

Please contact me with any questions you might have:

bruno.vaes@cognegy.com or call +1 248 837 0968

www.cognegy.com