



Hiroshima Office for Asia and the Pacific (HOAP)*



SHU/UNITAR SERIES ON INTERNATIONAL ECONOMICS AND FINANCE

Foreign Direct Investment for Development Financing

17-19 May 2004, Hiroshima, Japan

Executive Summary

June 2004

UNITAR would like to express its thanks to the Hiroshima Prefectural Government and the Stillman School of Business at Seton Hall University for support and partnership. Deep appreciation is also extended to the Hiroshima Municipality, the Ministry of Foreign Affairs of Japan, Korean Telecom, Japan Bank for International Cooperation, Mikuni & Co., Ltd. and the many friends and allies of UNITAR in Japan and around the world for their generous assistance in making this workshop a reality.

The Stillman School of Business at Seton Hall University (SHU) in the United States and UNITAR held a **Training Workshop on Foreign Direct Investment for Development Financing** in Hiroshima, Japan, from 17 to 19 May 2004. Some 40 participants, resource persons and observers from 23 countries of the Asia-Pacific region attended the week-long event. The participants were mid-career and high-level officials from Government organizations such as ministries of finance, commerce or foreign affairs, national banks and investment promotion boards, complemented with a small number from academia. The team of resource persons, coordinated by Dr. Yeomin Yoon, professor of finance and international business at SHU and Special Fellow of UNITAR, was composed of experts in economics, finance, investment, marketing, information and communication technology and international economic cooperation. The workshop was the first of a three-year SHU/UNITAR Hiroshima Series on International Economics and Finance.



Scene from Itsukushima Shrine

The 2004 workshop mainly focused on enhancing the participants' understanding of the forces at play in the current economic and financial environment. It aimed to provide an in-depth analysis of global economic trends with reference to investment and cross-border financial flows, with a primary emphasis on foreign direct investment (FDI) to developing countries in Asia and the Pacific. Some of the major topics discussed were:

- relationship between FDI and globalization;
- influence of a telecom structure on society and the FDI environment;
- state of Japan's economy and the implications for countries in the Asia Pacific;

* The Hiroshima Office for Asia and the Pacific (HOAP) of the United Nations Institute for Training and Research (UNITAR) was established in July 2003. Its main objective is to design and deliver training programmes for government officials, scholars, and representatives of civil society from developing countries of the region, in the areas of economic and social development, and peace and security. Each year HOAP organizes training workshops and symposia around seven thematic areas of which International Economics and Finance is one. For a full report of the May 2004 training workshop, please go to the following website: <http://www.unitar.org/hiroshima/ief04/index.htm>.

- marketing a country to attract FDI;
- Japan's role for economic development in Asia and the Pacific;
- attracting FDI from Japan.

Training methods centred on:

- Plenary lectures followed by questions and answers and discussions; and
- Working team exercises: the case study method was applied. Two teams examined the feasibility of expanding the Indian *e-choupal* model of producer/buyer relations into ASEAN through FDI, while another two teams each examined a proposed investment in Vietnam's telecommunication industry from the Vietnam government's and the investing company's standpoint.

Plenary Lectures



Professor Yeomin Yoon, workshop leader, Professor of Finance and International Business at SHU and Senior Fellow of UNITAR gave a lecture on **the history of globalization and its implications for the Asia Pacific region** (morning, 16 May) which set the stage for the succeeding three days by addressing how history has shaped the current global economic situation. The cycles of globalisation (and the importance of FDI as an indicator of globalisation), the importance of technology for economic development and the current global division of labour were examined in the context of FDI.



In his **keynote lecture** (morning, 17 May) Dr. Yong-Kyung Lee, President and CEO of Korean Telecom (KT), addressed **how the telecom structure has influenced the financial and investment environment in Korea**, the relationship between economic growth and Information Technologies, the role that mobile and broadband technologies can have as drivers for growth and how other emergent technologies can give new solutions to perennial problems for developing countries. Dr Lee concluded that, from the Korean experience, Information Technologies and the telecommunications industry are key to national economic growth and that managed government regulation/investment, particularly in the initial stages, is vital for a successful telecommunications rollout. Questions following Dr. Lee's lecture included those on the government's role in preparing the domestic environment for telecommunications expansion and the importance of choosing appropriate technology.



Mr. Akio Mikuni, President of Mikuni & Co. and a leading credit analyst in Japan, **examined Japan's current major economic and financial problems and how this affects investment decisions and markets in Asia** (afternoon, 17 May). Mr. Mikuni argued that, while Japan was currently experiencing growth, this might not last due to a chronic current account surplus. He also noted that a key reason for Japan's economic miracle was aggressive investment and that loans were often seen as funds allocated for the purpose of expanding investment and, as such, not requiring repayment. The shift to Asia

for manufacturing and investment by Japanese companies was also outlined. Questions included the impact of Japan's current account surplus on Asian countries looking for FDI, Japan's management of financial funds in Asia and Japanese companies' investments in China.



Marketing a Country: the Quest to Attract FDI was presented by Héctor Lozada, Associate Professor of Marketing and Director of the Institute of International Business at SHU (afternoon 17 May). The session focussed on the role that marketing activities (including branding) play in promoting a country's economy and the functions that a country's investment agency should fulfil. Professor Lozada noted that successful investment promotion requires a tax code that is perceived as fair, transparent customs and tariffs, a sound commercial code and government stability. Participants from Afghanistan and Singapore also shared their investment promotion strategies. Questions that followed included a reminder that the negative affects of FDI should also be considered.

A discussion of a paper focussing on **FDI and China's growth** by Andrew Kim, Co-founder/Advisory Director, SIT/Kim International Investment Associates was lead by Jason Yin, Associate Professor of Management at SHU (afternoon, 17 May). Mr. Kim's paper argues that FDI has played a key role in global integration which in turn had generally brought positive outcomes for all countries. He noted that China's economic growth has been due to its success at attracting FDI but that the risks involved in China's process such as 'overheating', a large trade surplus with the US, a poor-performing banking system, overcapacity and environmental degradation, were also relevant to other developing countries. Questions from participants included strategies to integrate small countries into the global economy and the approaches that developing countries could take to redress the imbalances that developing countries face in the global economy.



Japan's role for development in Asia and the Pacific (morning, 18 May) was presented by Mr. Tadashi Iwashita, Senior Executive Director, Japan Bank for International Cooperation (JBIC). After outlining the characteristics of the Asian economy over the past few decades, Mr. Iwashita focussed on the role of Japan and, particularly, the contribution that Japan's growth model as well as its ODA has made to development in the region. For the future, sound macroeconomic policies driven by independent central banks, institution building, and sound regional cooperation based on a core of cooperation between China, Korea and Japan were indicated as factors necessary for further development in Asia. Questions following the presentation included those on the future trends of Japan's ODA, the stability of the global financial architecture and possibility that Japan could play an even larger role politically in the

region commensurate with its economic size.



Mr. Toru Tokuhisa, Director-General, JBIC Institute discussed **how to attract FDI from Japan** (morning, May 18). Illustrated with extensive research from the Institute, Mr. Tokuhisa outlined the benefits of FDI before setting out specific policies that a government could take in order to attract more FDI, especially from Japan. He noted that independent research and analyses of numerous Japanese companies' motives for investing in a country indicates that, for attracting FDI, the government should improve its "enabling environment" addressing such issues as legal and administrative systems, infrastructure, protection of intellectual property rights, etc. Mr. Tokuhisa concluded with an evaluation of investment climates in Asia and, in particular, the reasons for the current heavy investment in China. Questions included those on the role that public agencies in Japan have in guiding private sector FDI, the future of Japan's ODA to China and the possibility of a single market in ASEAN.



The current **diversion of FDI to China and the policy options for other developing countries in Asia** was discussed by Professor Jason Yin of the Stillman School of Business (morning, May 18). Prof. Yin examined the emergence of the Chinese economy and its profound impact on regional economies in terms of both challenges and opportunities. Arguing that an increase of FDI to China is not a loss to other Asian countries, Dr. Yin stressed that diversion of FDI should not be taken as a threat but, rather, as an opportunity and concluded by offering policy options for countries to take advantage of this opportunity

Working Team Presentations

Participants were divided into four teams and, based on a practical case study, discussed the issues raised by FDI in Asia. Following two half-day team discussions, each team presented, in plenary their case study

Team 1: Investing in Vietnam - A Risk Worth Taking? (Case A: KT Corporation)

- *Abdul Malik Rahmani, Afghanistan;*
- *Md. Lokman Hussain, Bangladesh;*
- *Fang Fang, China;*
- *Bambang Kusumanto, Indonesia;*
- *Rafsat Hasanov, Kyrgyzstan;*
- *Anjum Shahzad, Pakistan;*
- *Carolina dela Cruz, Philippines;*
- *Wantanee Boonyadej, Thailand*

Resource person: *Yeomin Yoon*



Team 2: Expansion of ITC's e-Choupal Initiative in ASEAN Countries via FDI

- *Sayed Ahmadullah Majeed, Afghanistan;*
- *Letho, Bhutan;*
- *Chaomin Li, China;*
- *Yulianti Kusumastuti, Indonesia;*
- *Champa Khamsouksay, Laos;*
- *Neelofer Hafeez, Pakistan;*
- *Patricia Lontoc, Philippines;*
- *Hayrullo Malikov, Uzbekistan*

Resource person: *Toru Tokuhisa*

Team 3: Investing in Vietnam - A Risk Worth Taking? (Case B: SK Telecom)

- *Suleman Fatimie, Afghanistan;*
- *Karma, Bhutan;*
- *Sunanda Sharma, India;*
- *Abolfazl Eslami, Iran;*
- *Dambadarjaa Batjargal, Mongolia;*
- *Iftikhar Hussain Shah, Pakistan;*
- *Adrienne Swee Lin Goh, Singapore;*
- *Thanh Do Cong, Vietnam*

Resource person: *Héctor Lozada*





Team 4: Expansion of ITC's e-Choupan Initiative in ASEAN Countries via FDI

- *Mahmudul Islam, Bangladesh;*
- *Kanora Sok, Cambodia;*
- *Sebastian Morris, India;*
- *Adel Musakhanova, Kazakhstan;*
- *Bimal Prasad Wagle, Nepal;*
- *Dennis Miralles, Philippines;*
- *Pius Fernando, Sri Lanka*

Resource person: Jason Yin

Guided Visits

Two guided visits were organized, to the ***Peace Memorial Museum, Park and A-Bomb Dome*** (afternoon, May 18) and to ***Miyajima and Itsukushima Shrine*** (afternoon, May 19). The visits, conducted with support from the Prefecture, the Municipality as well as volunteer groups and friends of UNITAR in Hiroshima allowed participants to gain a better appreciation of Hiroshima's history and its surroundings.



**Participants in Front of A-bomb Dome,
Hiroshima, May 2004**



**Participants at Itsukushima Shrine,
Hiroshima, May 2004**

Conclusion

At the end of the training workshop, participants were asked to share their thoughts and opinions on the usefulness of the workshop in light of their professional responsibilities and also to fill a detailed written questionnaire. Participants overwhelmingly reported that the workshop was valuable in deepening their understanding of various aspects of foreign direct investment. It provided exposure to historical and theoretical content, and also offered up-to-date information on recent trends from knowledgeable experts. Many noted that the workshop provided the opportunity to exchange views and share experiences with other countries and that the case study method allowed them to learn from each other.

The large majority of the participants suggested that the workshop was too short; extending it would allow for more topics and case studies to be dealt with (UNITAR and Stillman School of Business have already

committed to this). In addition to requests for holding country-specific versions of the workshop, some additional topics were suggested by the participants:

- Financial analysis, investment analysis;
- Specifics on the investment promotion cycle;
- FDI through small and medium enterprises;
- Institutional mechanisms to promote investment / policy issues;
- Issues of ODA, WTO/ISO certification issues for developing countries;
- Poverty alleviation and social development.