



Hiroshima Office for Asia and the Pacific (HOAP)*

UNITAR/SHU SERIES ON INTERNATIONAL ECONOMICS AND FINANCE

Foreign Direct Investment for Development Financing

W. Paul
Stillman School of Business
SETON HALL UNIVERSITY

Organized jointly by UNITAR and the Stillman School of Business at
Seton Hall University (SHU)

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Executive Summary

May 2005

UNITAR would like to express its thanks to the Hiroshima Prefectural Government and the Stillman School of Business at Seton Hall University (SHU), for support and partnership. Deep appreciation is also extended to the Hiroshima Municipality, Japan Bank for International Cooperation (JBIC), Seoul National University (Korea) and the many friends and allies of UNITAR in Japan and around the world for their generous assistance in making this workshop a reality.

UNITAR and the Stillman School of Business at Seton Hall University held a Training Workshop on *Foreign Direct Investment for Development Financing* in Hiroshima, Japan, from 16-19 May 2005. Some 35 participants, resource persons and observers from 19 countries of the Asia-Pacific region attended the four-day event. The participants were mostly mid-career and high-level officials from Government organizations such as ministries of finance, commerce or foreign affairs, investment promotion boards, economic sections of Embassies of Asia-Pacific countries in Japan and planning agencies. 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, legal and international economic cooperation.



The workshop mainly focused on enhancing the participants' understanding of the forces at play in the current economic and financial environment in the world. The primary emphasis of the workshop was on foreign direct investment (FDI) to developing countries in Asia and the Pacific, with a focus on how to attract FDI as a tool to finance development. Other topics included issues on globalization and global

*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 2005 workshop, please go to the following website:
<http://www.unitar.org/hiroshima/ief05/>

standards of operations, different modes of promoting economic development, marketing a country to attract FDI, legal issues of FDI, export processing zones, how to attract FDI from Japan, and prospects of overseas direct investment from China.

The topics of the workshop included, *inter alia*:

- How to attract FDI to developing countries in the Asia-Pacific region;
- FDI as a tool to finance development ;
- Globalization and global standards of operations;
- Marketing a country to attract FDI;
- How to attract FDI from Japan;
- Prospects of overseas direct investment from China.

Training methods focused on:

- Plenary lectures followed by questions and answers and discussions; and
- Working team exercises. Working team exercises were organized to stimulate policy considerations and negotiations/discussions within each team. In each case study a number of FDI– related issues were addressed, understanding FDI’s overall conditions and implications, its terms and the required negotiation skills for example. During the case studies preparation, resource persons were available to each team for advice.

1. Team Negotiations: “The GM in China Case”

Team negotiations exercises were on renegotiating terms and conditions of FDI. Using the GM in China as a case study, participants were divided into teams representing the Chinese Government and General Motors sides.

2. Case Studies: “Investing in Vietnam?” and “Expansion of ITC’s Initiative in ASEAN Countries via FDI”

Two teams examined the feasibility of expanding the Indian *e-Choupal* model, while another two teams analysed an investment process in Vietnam’s telecommunication industry from the Vietnam government’s and the investing company’s standpoints.

Plenary Lectures



Yeomin Yoon, workshop leader, Professor of Finance and International Business at SHU and Senior Special Fellow of UNITAR, started the plenary lectures with a lecture on **Globalization: The Oldest “New” Phenomenon in History, and its Implications for Asia and the Pacific** (morning, 16 May). His lecture provided an overview of economic evolution over two millennia and provided a historical context for understanding complex global issues, settings the stage for in-depth discussions and negotiations for the four-day workshop. Prof. Yoon pointed that Asia will rise again if the people and countries in Asia adopt “global standards” that include the components of adoption and nurturing of free market system, transparency, and diversity as well as respect for human rights.



Seung-Hoon Lee, Professor of Economics and Director of the Center for Corporate Competitiveness, Seoul National University presented his lecture on **Indigenous Business Groups and Multinational Corporations: Two Modes of Leveraging Economic Development** (morning, 16 May). He specially addressed to economic development and promotion of enterprises, indigenous business groups, and multinationals corporations. His lecture elaborated on the need for promoting enterprises and enhancing corporate competitiveness. Using the example of Singapore, Professor Lee explained the complementary relationship that exists between indigenous firms and multinational corporations. Questions following the presentation were on strategies needed for economic advancement, multinational corporations and the challenges in the process to become a developed country.



An Introduction and Primer on Foreign Investment (afternoon, 16 May) by Richard J. Hunter, Jr., Professor of Legal Studies at SHU presented an FDI introduction, its positive and negative sides as well as the role of specialized agencies in attracting FDI. These specialized agencies were required to generate foreign investment activities and to identify suitable domestic partners, provide professional management assistance and point out specific FDI opportunities. Professor Hunter pointed out that it was important to create and foster a favorable domestic climate for FDI, monitor and report on FDI activities, provide necessary “market entry” data, and information on taxation, administrative regulations, and other legal and financial matters.

Video Presentation

The video presentation by Hector Lozada, Associate Professor of Marketing and Director of the Institute of International Business at SHU, was related to the topic of **Marketing a Country: The Quest to Attract FDI** (afternoon, May 16). The lecture focused on the importance and role of marketing activities (including branding) played in promoting a country’s economy and the functions that a country’s investment agency should perform. He also highlighted that investment promotion by government agencies can be done through the Internet. Questions that followed this session were on the Web contents and the most important information to be put on the Web site as well as Web design issues.



Export Processing Zones (EPZs) and Foreign Direct Investment was presented by William Stoeber, Professor of International Business Management at SHU (afternoon, May 16). His lecture focused on the negatives and positives of EPZs, factors leading to successful EPZs that include the infrastructure, competitive incentive packages, minimum government interference and training for workers. A detailed overview of the cooperation and competition among foreign investors, local partners and host LDC governments was also provided.



Toru Tokuhisa, Director-General, Country Economic Analysis Department, Japan Bank for International Cooperation (JBIC) presented on **How to attract FDI from Japan** (morning, 17 May). He discussed trends of Japanese FDI, general policies which should be taken by the governments of developing countries in order to attract FDI as well as the result of the annual research conducted by JBIC. The research focused on recent trends and prospects of overseas business operations by Japanese manufacturing companies, and illustrated the importance of improving the investment climates of host countries so that foreign companies, especially Japanese, are attracted

to invest. The questions that followed were on potentials of developing countries in attracting FDI and successful (or less successful) examples, such as the strength of Singapore in successfully attracting FDI.

Video Presentation

Video presentation by Jason Yin, Professor of Management and International Business and Chair of Management Department at SHU on **FDI Diversion to China and Policy Options for Other Developing Countries in Asia and the Pacific** (morning, 17 May). This session examined the emergence of the Chinese economy and its profound impact on regional economies in terms of both challenges and opportunities. It offered policy options for the countries in Central Asia to induce FDI from China and utilize a growing China as an opportunity for their own economic growth. Since 2002 China has been attracting the biggest share of global FDI and this concerns other developing countries. However, FDI is not a zero-sum game and there is no empirical evidence to show that China's FDI gains are at the expense of other regions. Professor Yin pointed out that FDI in China will stimulate intra-regional investment and trade flows in Asia.



Professor Richard J. Hunter, Jr., gave his second lecture on the topic of **Legal Aspects of Foreign Direct Investment** (morning, 18 May). He provided an overview of the most prevalent “perceived obstacles to doing business”. These involve critical legal components such as corruption, street crime, theft or social disorder, and the presence of organized crime. He also mentioned the financing roadblocks (the golden share), anti-competitive practices, property seizure risks, problematic functioning of the judiciary, and misunderstanding of the legal system as serious impediments to attracting FDI. Professor Hunter highlighted the need to address the issues of intellectual property so as to stop illegal practices such as piracy and infringement of intellectual property rights.



The brief concluding presentation provided by Professor Yeomin Yoon on **How Much Do Financial Incentives Matter in Attracting FDI** (afternoon, 18 May) emphasized the need for the host countries to do a careful cost-benefit analysis before accepting FDI projects.



Working Team Presentations

Participants were divided into four teams and were given practical case studies to be analyzed and presented. Team negotiations focused on renegotiating terms and conditions of FDI. Using the GM in China as a case study, the participants were divided into teams representing the Chinese Government and the General Motors sides.

Team 1.

Case: “The GM in China Case”, **General Motors**

- Paras Ghimire, Nepal;
- Gholam Reza Derikvand, Iran;
- Nurul Jannah, Indonesia;
- Hung Nguyen Manh, Vietnam;
- Supheap Pheng, Cambodia;
- Laila Wathiqah Judin, Malaysia.

Resource Person: William Stoever



Team 2.

Case: “The GM in China Case”, **Chinese Government and SAIC**

- Kanykey Brimkulova, Kyrgyzstan;
- Bunintreavuth Vong, Cambodia;
- Francisco Dionisio Fernandes, Timor Leste;
- Hai Pham Vu, Vietnam;
- Suhana Md. Saleh, Malaysia.

Resource Person: Richard Hunter



Team 3.

Case: “The GM in China Case”, **General Motors**

- Sameera Yasin, Pakistan;
- Md. Ariful Hoque, Bangladesh;
- W.W.M.R. Samarasinghe Bandara, Sri Lanka;
- Seyed Reza Aghazadeh, Iran;
- Naseem Akhbar, Afghanistan;
- Srinivas Godavarthi, India.

Resource Person: Yeomin Yoon



Team 4.

Case: “The GM in China Case”, **Chinese Government and SAIC**

- Muhammad Asghar Khan, Pakistan;
- Mirza Nurhidayat, Indonesia;
- Erdenepurev Amarkhuu, Mongolia;
- Chad Adler, USA;
- Doug Egeth, USA;
- Adam Zurawski, Poland.

Resource Person: Sergei Shaposhnikov



The second team presentations were based on two interactive case studies:

“ITC’s *e-Choupal* Initiative in ASEAN countries via FDI”

“Investing in Vietnam?”

Team 1: Investing in Vietnam? (Case A: KT Corporation)

Team 2: Investing in Vietnam? (Case B: SK Telecom)

Team 3: Expansion of ITC’s *e-Choupal* Initiative in ASEAN Countries via FDI

Team 4: Expansion of ITC’s *e-Choupal* Initiative in ASEAN Countries via FDI



Guided Visits

The participants were taken to two guided tours: to the A-Bomb Dome and Hiroshima Peace Memorial Museum and Park (afternoon, 17 May) and to Miyajima Island, Itsukushima Shrine (afternoon, 19 May). The visits, organized by UNITAR with support from the Prefecture, the Municipality and volunteer groups from Hiroshima, allowed participants to gain a better understanding of Hiroshima and felt the presence of history that had changed Hiroshima into what it is today.

Conclusion

At the end of the training workshop, participants were asked to share their thoughts and comments on the impact that the workshop had on their professional responsibilities by filling a detailed written questionnaire.

Participants 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, offered up-to-date information on recent trends from knowledgeable experts, and presented many new concepts that will be applicable for their countries. Many participants mentioned that the most valuable parts were the team negotiations and case studies, which had allowed them to learn from each other, provided the opportunity to exchange views and share experiences with other participants.

General evaluation of the contents

- Obtained new knowledge on the FDI attraction (84 %);
- Exchanged information (38 %);
- Related to current project (38%);
- Gained (presentation, negotiation) skills (18 %).

Suggestions for improvement

- Inviting Resource Persons from Europe, South America, Australia, and Africa;
- China should be represented by Resource Persons and participants to facilitate the discussions and experience exchange process;
- Longer duration and not so intensive;
- Balance between theory and practice (invite executive persons (business sector) from Japan and other developed countries).

Most useful part

- Team exercise and negotiations (42 %);
- Presentations of the resource persons (40 %);
- Exchange of information and experiences (34 %).

Organization and sub-activities

- Positive comments on cultural briefing: useful introduction of Japanese real life;
- Guided tours were good and interesting;
- Some difficulty with food reported;
- Transportation difficulties (from Hiroshima Airport to Hiroshima);
- Very short period for the case studies' preparations.

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In addition to requests for holding workshop, additional topics were suggested to UNITAR/SHU by the participants:

- Globalization, world economy and world trade issues;
- Problems facing developing countries: education, health, basic facilities, infrastructure;
- Government policy in the FDI attraction process;
- Economic development in ASEAN countries.
- WTO and FDI attraction in developing countries;
- FDI and law regulations;
- Entering strategies of MNCs;



- International financing issues and developing countries.

There are two main outputs from the 2005 workshop that will be made available by UNITAR:

- Training modules consisting of all the presentations and documents to be made available on the UNITAR Hiroshima and the SHU websites, <http://www.unitar.org/hiroshima/ief05/>, <http://www.business.shu.edu>, and in a CD distributed to all participants;
- Case studies prepared by the four working teams and comments made by the Panel of the Resource Persons;
- Future trainers identified and partnership requirements shared through guidelines prepared by UNITAR/SHU.

Participants of the Workshop, Hiroshima, May 2005

