

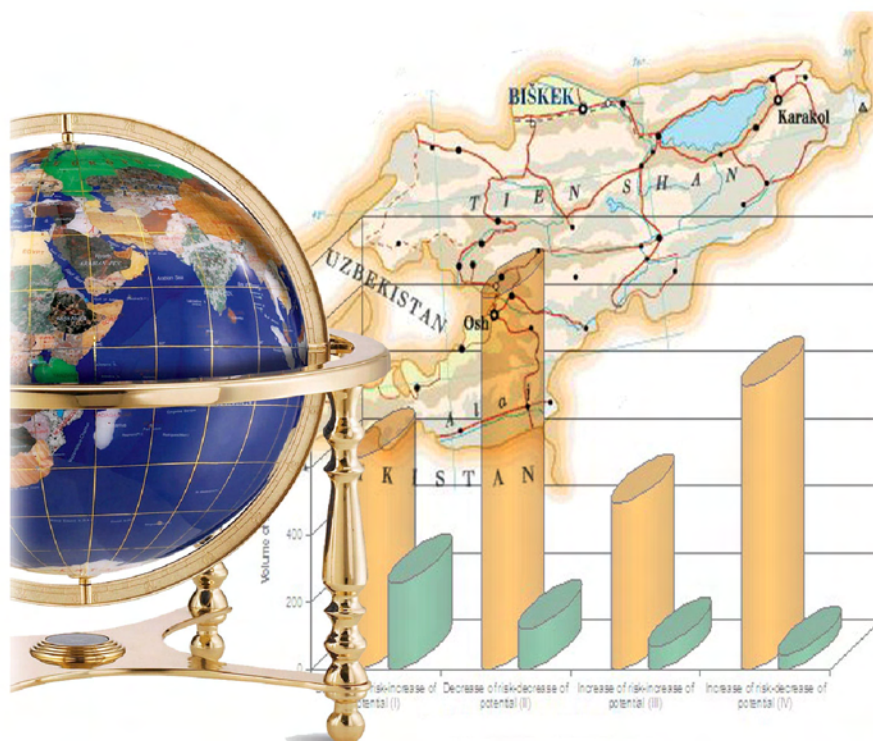


Hiroshima Office for Asia and the Pacific (HOAP)

UNITAR/SHU Series on International Economics and Finance

Training Workshop on Foreign Direct Investment for Development Financing

***28 February - 2 March 2005
Bishkek, The Kyrgyz Republic***



W. Paul
Stillman School of Business
SETON HALL UNIVERSITY



Organized jointly by UNITAR and the Stillman School of Business
at Seton Hall University (SHU) in partnership with
the Government of the Kyrgyz Republic,
Public Association "Investment Round Table" and UNDP in the Kyrgyz Republic



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UNITAR/SHU SERIES ON INTERNATIONAL ECONOMICS AND FINANCE

Foreign Direct Investment for Development Financing

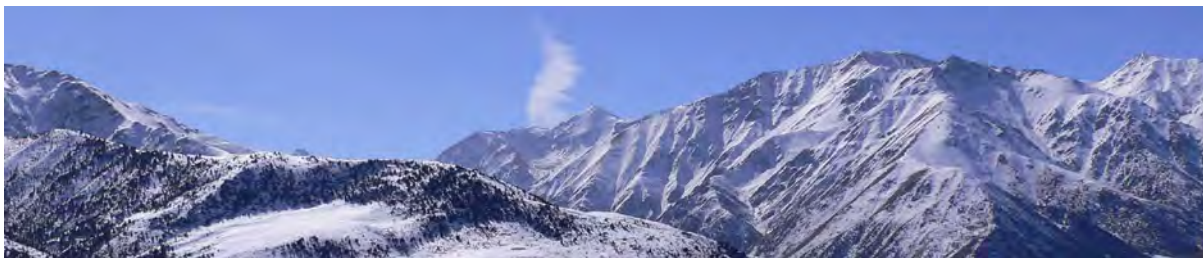


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Executive Summary

March 2005

UNITAR would like to express its thanks to the Stillman School of Business at Seton Hall University, the Government of the Kyrgyz Republic (KR), Public Association “Investment Round Table”, UNDP (KR) for support and partnership. Deep appreciation is also extended to the Japan Bank for International Cooperation (JBIC), the World Bank Distance Learning Center (DLC) in Bishkek and Tokyo, the Embassy of the Kyrgyz Republic in Tokyo and the many friends and allies of UNITAR in KR, Japan and around the world for their generous assistance in making this workshop a reality.



UNITAR, the Stillman School of Business at Seton Hall University (SHU) in the United States in partnership with the Government of the Kyrgyz Republic, Public Association “Investment Round Table” and UNDP held a Training Workshop on Foreign Direct Investment for Development Financing in Bishkek, the Kyrgyz Republic (KR), from 28 February to 2 March 2005. Some 30 participants, resource persons and observers from KR, the United States and Russia attended the three-day event. The participants were mid-career and high-level officials from government organizations such as state and city administrations, councils on foreign investments, complemented with a small number from private businesses. The team of resource persons, coordinated by Dr. Yeomin Yoon, Professor of Finance and International Business at SHU and Senior Special Fellow (SSF) of UNITAR, was composed of experts in economics, finance, investment, marketing and international economic cooperation. The workshop was the first UNITAR HOAP national event to be held in Bishkek (KR).

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



The workshop mainly focused on enhancing the participants' understanding of the forces at play in the current economic and financial environment in KR. The programme provided 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 Central Asia (with a special emphasis on KR).

Some of the major topics discussed were:

- FDI and Globalization;
- FDI for Economic development;
- FDI in KR and FDI's legal framework;
- Marketing a country to attract FDI: case of KR Economy
- Chinese Direct Investment to KR: future perspectives.

Training methods centred on:

- Plenary lectures followed by questions and answers and discussions;
- Distance learning tools (video presentation and video conference) to facilitate training activities;
- 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 KR through FDI, while another two teams each examined a proposed investment in KR's telecommunication industry from the KR government's and the investing company's standpoint.

Opening Speeches



Mr. Djoomart Otorbaev, Vice Prime Minister of the Kyrgyz Republic welcomed participants, emphasised the importance of training activities and international cooperation with UN agencies, and mentioned the main priorities for the development of the KR economy, pointing out strengths and obstacles for efficient economic development.

Mr. Bolot Djumabekov, Deputy Minister of Economic Development, Industry and Trade, underlined the importance of the workshop and cooperation with UNITAR/HOAP. He also mentioned the main initiatives provided by the KR government to attract FDI.

Mr. Rafkat Hasanov, Adviser to Vice Prime Minister of the Kyrgyz Republic, welcomed participants, mentioned the importance of training activities provided by international organizations for KR, and briefly described the workshop purposes and targets.

Mr. Sergei Shaposhnikov, Fellow, UNITAR/HOAP, introduced UNITAR, its activities and resource persons, and mentioned the importance of the event for KR and UNITAR.



Plenary Lectures



Professor Yeomin Yoon, workshop leader, Professor of Finance and International Business at SHU and Senior Special Fellow of UNITAR gave a lecture on **Globalization, Two Thousand Years in the Making, and Its Implications for the Central Asia region** (morning, 28 February). This lecture provided the stage for in-depth discussions that participants had for three days. The session addresses how history has shaped today's global economic scene by examining the past two millennia of economic evolution, phases and growth, and the cycle in globalization as well as its implications to Central Asia. It also discussed the increasing importance of FDI for development financing.



In his lecture on **Foreign Direct Investment in the Kyrgyz Republic: Investment Matrix as a tool to promote investment** Rafkat Hasanov, Adviser to Vice Prime Minister of the Kyrgyz Republic (morning, 28 February), addressed the developments in the history of the foreign direct investment in the Kyrgyz Republic. He also mentioned FDI distributions by regions and industrial sectors, talked about investment policy and investment opportunities. Mr. Hasanov concluded the most important steps to be taken to achieve the FDI's attraction.



Professor Yeomin Yoon provided an overview on **Foreign Direct Investment for Economic Development** (morning, 28 February). After reviewing empirical studies on the impacts of FDI for developing countries and the Pew Global Attitude Survey on trade and investment, Professor Yoon provided an overview of recent trends and future prospects of global foreign direct investment and addressed the increasing competition for FDI among countries and regions. He also mentioned the current world competitiveness rankings and ways of improving national competitiveness in order to attract more FDI.



FDI Diversion to China and Policy Options for Other Developing Countries in Central Asia was presented by Jason Yin, Professor of Management and International Business and Chair of Management Department at SHU (afternoon, 28 February). In addition to their fear of export competition from China, some countries in Central Asia are recently concerned about FDI diversion to China. There even exists a growing sentiment of economic "hollowing-out" in Taiwan, Korea and Japan. 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 economic growth.



Video Presentation



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, 28 February). 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.

Video Conference (Bishkek/KR- Tokyo/Japan)



Mr. Toru Tokuhisa, Director General of the Country Economic Analysis Department at JBIC discussed **how to attract FDI from Japan** (morning, 1 March). Illustrated with extensive research, 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 on the role and the future of Japan's ODA to KR.



The external marketing strategy of the Kyrgyz Republic was discussed by Mr. Kubat Umurzakov, Task Manager on Investment Marketing, Secretariat of Consultative Council on Foreign Investments (morning, 1 March). Mr. Umurzakov outlined that development of the marketing strategy of the Kyrgyz Republic was dictated by a necessity to determine the priority directions and effective methods for attraction of FDI, focusing the efforts of the state and private sector on achieving a radical growth of investments and ensuring a radical change in the area. He examined strength and weaknesses of KR, main methods to attract FDI and pointed out the expected results.



Mr. Nuritdin Djamankulov, Task Manager on Deregulation, Secretariat of Consultative Council on Foreign Investments discussed **reform of system of technical regulation** (morning, 1 March). Mr. Djamankulov outlined the importance of technical standardization. In KR standardization is not developed well and has many contradictions that can be an obstacle for FDI attraction. Presentation covered the main actions to be taken to unify the technical standards and interpretation of the new policy of technical regulation and evaluation of products compliance in the Kyrgyz Republic.

Working Team Presentations

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



***Team 1: Investing in the Kyrgyz Republic
(Case: SK Telecom)***

1. Jumadilov Iskender
2. Aidarov Muratkan
3. Djanbaev Marat
4. Mukembetov Murat
5. Samsalieva Ainura
6. Maksumova Nelya



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

1. Imanseyitov Jyrgalbek
2. Utirov Bolot
3. Shermuhamedov Nurbek
4. Tashpolotova Nuriya
5. Brimkulova Kanykey
6. Djumagulov Talant
7. Umurzakov Kubat



Team 3: Expansion of ITC's e-Choupal Initiative in KR via FDI

1. Amanov Beken
2. Abakirov Askar
3. Joroev Akjol
4. Temirova Zuhra
5. Koichumanova Alima
6. Simonova Neli



***Team 4: Investing in the Kyrgyz Republic
(Case: KT Corporation)***

1. Turdubekov Tynystbek
2. Abdyshev Sardar
3. Mambetova Saida
4. Arakulova Damira
5. Abdylusonov Kemelbek
6. Akmatally uulu Maksat





Participants of the Workshop, Bishkek, March 2005



Graduation Ceremony, Bishkek, March 2005

Conclusion

At the end of the national 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 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 participants 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. In addition to requests for holding country-specific versions of the workshop, some additional topics were suggested by the participants:

- Case studies and presentations closely related to KR economy;
- FDI in the European and Latin American countries;
- Agricultural marketing in Canada, Japan, China;
- New approaches in attracting FDI to KR;
- FDI attraction in case of the former Soviet Union countries;
- Tax policies and land property issues in different countries;
- Specifics of attracting FDI into agricultural sector.