



**Asia and Pacific Regional Round Table:
“The China and India Factor: Implications for
Developing Countries in the Asia and Pacific Region”**

PRESENTATION

By Panelist

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POINTS OF INTERVENTION
TO THE PRESENTATION ON
***THE CHINA-INDIA FACTOR: IMPLICATIONS FOR DEVELOPING
COUNTRIES IN THE ASIA AND PACIFIC REGION***
BY THE MINISTER OF INDUSTRY, REP. OF INDONESIA

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This paper shall embrace the area which is more strategically discussed by jumping to the last page of the paper regarding '*a number of tasks which can not be solved by individual governments*', in particular, to the problem that should be addressed by UNIDO regarding Promoting Industry Development.

Overview of the Asia – Pacific Countries

- The Asia Pacific Region has big economic potentials in the world. Its population constitutes more than 4 billion people or around two third of the total world population, with around 60 % of the total world production, around half of the total international trade, and 48% of the total FDI. With huge natural and human resources, this Region will appear to be '*the locomotive of the world economy*'.
- Some Asian countries in the Region, especially ASEAN countries have also proved to be successful in their economic development. This region has a potential market of around 570 million people, the total GDP exceeding US\$ 1 trillion and the GDP growth of almost 6% in 2006. Intra ASEAN trade is now more favorable with AFTA, in which the average tariff rates in 2006, is around 2%. With this performance, in particular, with the only recently signed ASEAN Economic Declaration (AEC) last November in Singapore, ASEAN has made the Asia Pacific Region more significant in terms of economic capacity supported by huge natural resources, rich cultural heritage, relatively humble attitude and strong political commitments.

Challenges to Respond

- However, this Region remains to have some developing countries that need more touch in terms of technology and knowledge and more investment inflow to flourish the business. These developing countries still lag behind and the potentials are less optimized. Unless China and India have prudent economic development and favorable international trade policies, their ever-growing industrial development will create unbalanced development that leads to wider development gaps within the Region.
- Indonesia, in some cases, has achieved a remarkable economic development in the last few years. The average economic growth rates have exceeded 5% after crises, and the manufacturing industry contributed around 28% to the total GDP. Export of manufacturing products in 2006 achieved around US\$ 65 billion (65% of the total export) with the main commodities of CPO, electronics and electrical machinery, chemicals, rubber and rubber products, textile and textile products, and footwear. The import of manufacturing sector in the same year was US 38.6 billion with the main commodities of chemical products, machinery, steel and steel products, and electronic equipment. However, in many cases, Indonesia still faces serious challenges such as unemployment, low productivity, poverty, unequal distribution of wealth and production activities, diversified cultures and

vast geographical condition. This situation is worsened by a series of unexpected disasters and unexpected diseases.

Rise up Together

- Given the situation of big achievement in one side and lagging behind in the other, I wish to invite all respective governments who are present in this Seminar, to *put heads together* so as to start promote industry development together.
- ASEAN together with India and China constitute around half of the total world population. If this potential is put as a market base for production output and sources of production input of the Region, they could serve as the economic propellers to the Asia-Pacific economy. A recent study found that based on the Intra-Industry Trade Index (IIT-index), some developing countries in ASEAN have low index value and might gain less or even loss if ASEAN liberally trading with India, and some other will do so with China, but the potentials of ASEAN, China and India will undeniably appear as an economic tentacle, if they rise up together in a solid structure in terms of industry development.
- To respond to the existing international trade cooperation atmosphere, Indonesia, as a member of ASEAN and just recently signed an FTA with Japan, and with few others to be realized in the future, is open to welcome the Asia Pacific colleagues for investment, with Indonesia serving as a production base for export. It's worth noting that Indonesia has recently launch a new Law of Investment and a series of supporting regulations for investment incentives to facilitate businesses.
- Given the uneven economic structure of the Region in terms of growth and industrial performance, it is urgent to set up a concrete cooperation so as to lift up the capacity and capability of developing countries within the Region. This cooperation is basically a *'from-us-to-us'* concept. China and India as emerging big economies should look at the Region as the main sources of their economic development input and their main destination of investment outflow.
- South-south Cooperation as set up by UNIDO is a very brilliant idea, and this event is a very momentous occasion to invite China and India to seriously *'give their hands'* to help other developing countries, especially the LDCs to *'play along the value chain'* more expandedly more *'knowledge and technology touch'* to enhance added value, or even to shift up the chain into a higher position.

In this respect, the incoming South-south Cooperation initiative on Agro-base industry in Indonesia is mostly welcome, following the same cooperation in India on Information Technology and in China in Hydropower. It is hoped that through this sort of cooperation could facilitate the acceleration process of enhancing industrial capability and capacity of other developing countries within the region. For this purpose, the governments of the Asia-Pacific countries should appreciate these initiatives through active participation in strengthening the South-south Cooperation.

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