



**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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**From transcript of speech of
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at the Asia and Pacific Round Table
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Thank you Mr. Chairman, Distinguished Delegates, Excellencies, Ladies and Gentlemen.

In the interest of time and also to avoid duplication of presentation, I would like to go straight to slide number 5 please.

Ladies and Gentlemen, the two vice ministers from India and China have highlighted very positive development in their countries. Let me summarize it for us.

The two countries are not only developing toward traditional activities that they are very strong before, but they are also moving into non-traditional economic activities, particularly in auto industries, petrol chemical, pharmaceuticals, research and development activities, innovation, initiatives and enhancing their competitiveness, and also trying to address the issue of environment and energy.

The vice minister from China has mentioned that in five or seven years time, China will be the second largest economy in the world. Even at the moment, their external trade is already the third largest in the world. Both economies are enjoying a very positive GDP growth. India, the vice minister has mentioned have fully liberalizing their economy on a progressive manner. China not only trying to develop its economy, but they are also trying to supply some foreign direct investment to other countries. We have heard that the students are also studying in Singapore. Thousand of tourists are coming to Malaysia and they are also providing technical cooperation to some of our economies. To us, these are opportunities. We have heard from the earlier presentations that there are threats as well. But, in the case of Malaysia, we are very positive. We are very optimistic. We would like to be or we would like to be integrated with these two giants that are emerging or they are awakening at the moment. From the slide that is in front of us, there are some of the issues, which we have heard before. This is not something new. We are talking about the rise of two-way trade, we are talking about the global production sharing, the concept of outsourcing, off-shoring activities, be it manufacturing or services. What opportunities greater here is for us to look at the trade and market access issue. And what do we have to do at developing countries or least developing countries. We have to look at the various tools available before us. We have WTO. We have multi-lateral trade negotiation. We have regional trade negotiation. We have bilateral free trade agreement. We have UNIDO. We have OIC. We have G8. We have ITC, UNDP, and many international organizations with similar objectives.

The theme of UNIDO Conference this year is about poverty reduction. And also we are talking about trade capacity building, and energy and environment. Every country is talking about the same issue. But the challenge before us is how do we ensure that at national level and at enterprise level at regional level, the implementation using the various tools and commitments or obligation that we have in order to make our economy growing sustainability.

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We are also very happy to see that China, even India, is supplying foreign direct investment. India, are using through mergers and acquisitions, buying companies in the region. And these have helped the economies of these countries.

We are very happy that the foreign direct investments that are going to the region, particular to ASEAN are complementing with the activities that ASEAN is trying to develop. We are aware that China is demanding a lot of raw materials or intermediate raw materials for their manufacturing sector. And Malaysia particularly would like to be their supplier. And through the FTA that we have signed through ASEAN, also various other economic cooperation, or technical cooperation that we have, Malaysia is able to benefit through market access and trade expansion with China.

As we all know, as big economies like India and China, anything that they do or anything that don't do will affect our economy. Look for example, the steel industry. Even if they don't buy any steel for a certain period of time, it will affect the production and the price of steel in the region. And this is not very healthy for us. Cement is another commodity that will affect. So we have to have a formulation of policies, strategies, and also economy-trust in order to integrate ourselves with these giants, in order to survive.

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I have mentioned about the ASEAN, China FTA, and also ASEAN-India FTA that we are in the various stages of implementation and negotiation. There are concessions being provided for through these agreements or arrangements. We have to exploit this opportunities. We have to seize the opportunities created as a result of this development. We are not joining or having all this agreement just for the benefit of having one but for the benefit of the private sector. I think for us to see our economy to grow, the private sector need to be addressed. They have to participate, they have to be integrated, and they have to be convinced that the various policies and initiatives that we had using the various tools that I mentioned earlier will benefit them directly or indirectly. Strengthening cooperation among ASEAN member countries as honorable minister from Indonesia has mentioned is another strategy that we have come up with in order to make ASEAN another attractive production base or profit center not only for Chinese or Indian companies but also for other global players.

At the same time, we have to remember the various developments will have a lot of risks that we have to manage. And to me, the energy issue, the environmental issue, the labor issue we have to be addressed together. And the policies that we have in the various countries, we have to ensure that all this policies will not become a non-threat barrier for us to expand our trade among the regions particularly with the two giant economies that are emerging at the moment.

Next slide please.

So some of the recommendations that we could think of which I think all of you have heard before and also been mentioned by the speakers before me. How do we complement?

Slide number 8 please.

How do we complement the manufacturing production? How do we ensure that the cost of production is low? We have to ensure that the economic of scale are being promoted. We have to ensure that higher value added are being produced in our

economies so that we are not in competition with countries with just still having cheap labor force or abundant supply of labor force. We have to map out our value chains and provide technical assistance among ourselves, through UNIDO, through the trade capacity building that are being provided for. And also we have to deepen the integration together in the east Asia region, particularly so that we can not only enjoy a bigger market for our products, specialized production based and also to participate as a supplier for the raw materials as well as the component industry. And I've mentioned also in the slide that cooperation for the energy security. This is another issue that I think it is inevitable for us to face for the future in view of the depleting of fossil fuel that we are facing now. We have to work together to ensure that energy will also be addressed. And this is in line with the theme of UNIDO General Conference.

My last slide, I'm talking about cooperation for the development of transport infrastructure and connectivity to sphere economy growth to some landlocked economies or least developed countries, which have difficulties to access to raw materials and also difficulties of having access to the various markets, surrounding markets.

Technology is another area, which I think it is very difficult for us to develop ingenious technology. But we believe through adaptation and adoption of technology from the developed economy, we should be able to produce products using technology without paying high price for the loyalty or other cost involved.

Second last point I would like to highlight is about creating healthy investment climate so that we can continue to ensure that the private sector will stay, and will continue to invest in our region, or in our country and enjoy profit, which is their main objective of coming to us.

And lastly, the investment in infrastructure and human resources. These are the most important resources that we have to address. And this is also in line with the theme of UNIDO, that is, the capacity building in order to ensure sustainability in our economy growth. Those are some of the observations that I would like to share with you. Those are nothing new, we have heard about it. I think Professor Ahn from Korea has highlighted very comprehensive presentation on the benefit and implication of India and China to our economy. And we believe if we work together, using the various obligations and various tools that we have, we should be able to make a different in our economy growth in the future.

Thank you very much, Mr. Chairman.

ASP Regional Roundtable



**THE CHINA AND INDIA FACTOR :
IMPLICATIONS FOR DEVELOPING
COUNTRIES IN THE ASIA AND
PACIFIC REGION**

By:
Dato' Abdul Rahman Mamat
Secretary-General



Ministry of International Trade and Industry, MALAYSIA



CHINA AND INDIA

- High growth rates for past 2 decades
- Large population and labour forces
- Expanding skills that lead to productivity
- Strong demand for manufactured and services products
- China's and India's growth will affect international trade as a whole




2



CHALLENGES FACING CHINA & INDIA

- To strengthen infrastructure
- To improve public finances
- To reform labour law
- To revamp financial system
- New currency regime
- To reform institutional framework

3



'BIG COUNTRY EFFECT'

- Direct vs. Indirect
 - China's export of clothing to Kenya:
 - displaces domestic production (direct)
 - displaces other country's clothing export to Kenya (indirect)
- Competitive vs. Complementary
 - China's exports of electronic consumer goods:
 - displaces Mexico's export of the same goods in third country (competitive)
 - incorporates the components from the East Asian region (complementary)

4




IMPLICATIONS TO OTHER COUNTRIES

- **Trade in Goods and Services**
 - Rise of two-way trade in manufactures
 - Growth of global production sharing
 - Trade expansion
 - Increase of energy price in global economy
 - Rise in international commodity/raw material prices
 - Tough competition for horticulture, aquatic and meat
 - Emergence of regional production




5



IMPLICATIONS TO OTHER COUNTRIES *(cont'd)*

- **Investment**
 - Competition for FDI
 - Increase in global FDI
 - China and Hong Kong remained the largest recipient of FDI in South Asia, East Asia and South East Asia
 - India recorded among the highest growth in FDI



6



IMPLICATIONS ON POLICY MAKING

- ASEAN-China FTA
- ASEAN-India FTA
- Attracting investment in services sector
- Strengthening cooperation among ASEAN member countries
- Mitigation of investment risks



7



RECOMMENDATIONS

- Promote complementation in manufacturing production
- Mapping value chains and provide technical assistance
- Deepening integration among Japan, ASEAN, China, India and Korea (JACIK) economies
- Cooperation for energy security



8



RECOMMENDATIONS

(cont'd)


- Cooperation for development of transport infrastructure and connectivity
- Cooperation in core technologies to reduce digital divide
- Create healthy investment climate
- Invest in infrastructure and human resource



9



THANK YOU



10