



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

SUMMARY COMMENTS

**By
Chairperson and Moderator**

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As a chairperson and moderator of the Regional Round Table titled “The China and India Factor: Implications for Developing Countries in the Asia and Pacific Region”, I take this opportunity to express my most heartfelt appreciation to all speakers who made highly thoughtful presentations. Special thanks go to Prof. Dukgeun Ahn for his effort in preparing a comprehensive report, which will remain as an important reference material on this subject. I also thank for Mr. Chua, and other UNIDO secretariat members who prepared a well-arranged program for the Round Table meeting.

All the presentations fully describe the current industrial economic situation and the strategies of the countries the speakers represented. The presentations indicated that China and India are fully integrated to global as well as regional business communities, and give positive impacts on the developing countries in the region. The presentations suggested important areas where UNIDO can make contributions.

Comment

Since all the presentations by the distinguished speakers fully covered the subject, I only add my comments below based on my own experience in research and development as well as the management of a medium-size high-tech company, which conducts business on a global basis.

Sectors of industries

Manufacturing industries cover the following sectors; Materials industry, parts/components industry, assembling industry and recycling industry. Sectors to be covered by non-manufacturing industries include: Procurement of products and establishment of distribution networks to retail shops; Building of facilities (such as hotels or condominiums) and their utilization. Production equipment, energy supply with environment preservation, as well as communication/IT serves as supporting industries for both manufacturing and non-manufacturing industries. China at present covers all sectors of both manufacturing and non-manufacturing industries, ranging from materials industry to recycling industry. India focuses its emphasis on software industry. Fig 1, 2, 3

Level of technologies

Each sector of manufacturing industries requires different levels of technologies, ranging from conventional-level technology as represented by labor-intensive production/assembly and medium-level technology, such as machine-based production/assembly and development/production of parts/components, to highly advanced technology such as development of production equipment and automation. Nanotechnology, which receives a lot of attention by many industry persons, falls on the category of highly advanced level of technology.

Most emerging economies in Asia and Pacific Region hold capabilities of conventional-level technology and medium-level technology, and some try to enter the area of highly advanced technology. Fig 4

FDI

Although ODA and other forms of financial assistance by UN and other international/regional organizations serve as useful means to promote deployment of industries to developing countries, FDI serves as a key to achieve sustainable industrial/economic growth. To make FDI successful, both governments and the private sector must have a strong will to be free from any one-time donation-type financial assistance, and to generate their own financial resources through their own efforts. In the case of manufacturing industry, technology transfer is the first step that is performed by FDI, followed by the training of personnel. Imported technology must be digested and modified to fit conditions of the host country. At this stage, transfer of management know-how usually takes place. In the case of non-manufacturing industry, instead of technology transfer, construction of facilities or establishment of distribution networks for imported products is the first step to be carried out under FDI. Fig 5, 6

Management

Management is the most important element in achieving successful technology transfer under FDI. Through my own experience with a medium-size high-tech manufacturing company, I would like to mention the following five items regarding management, to which serious attention must be paid.

1. Total cost

The total cost of investment includes initial investment, operation and maintenance costs.

There are cases where customers make a low initial investment, but later found that operation and maintenance costs were unreasonably high. Inexpensive products or facilities often fail in their functions, and result in high repair and maintenance costs.

Quality and reliability of products/facilities is of prime importance when customers make decisions for purchases. The reliability of suppliers is equally as important. There are many cases where suppliers were merged with another company. Such mergers often bring changes in business strategy, such as discontinuance of the

product/facility already in the market. M&A with management policy change can occur not only in the case of SMEs but also with large companies.

2. Highly efficient cost-effective business system

Under the severe competition in the market, both manufacturing and non-manufacturing companies must adopt the most efficient business performance system.

The just-in-time production/delivery system developed by Toyota Motor is one of the best examples of a highly efficient business operation system.

The system permits production of products in necessary quantity when customers demand them. The system eliminates all unnecessary reserves and supplies. It eliminates wastage of materials, energy use, financing, personal recruitment, etc. The system is built by the accumulation of know-how resulting from day-to-day efforts for improvement over many years. The system started with the production of manufacturing companies, then was applied to all sections within companies. Now non-manufacturing industries practice this system as well.

3. Safety

Once an accident occurs with a product or facility, it results in huge compensations and at the same time kills the confidence by the public and customers. A recent accident related to lithium batteries by a major manufacturer was a good example. The manufacturer paid huge compensation to customers, and spent a sizable amount of financial resources to recall the products from the market. At the same time, the incident damaged the reputation of the manufacturer.

4. Energy saving/environment protection

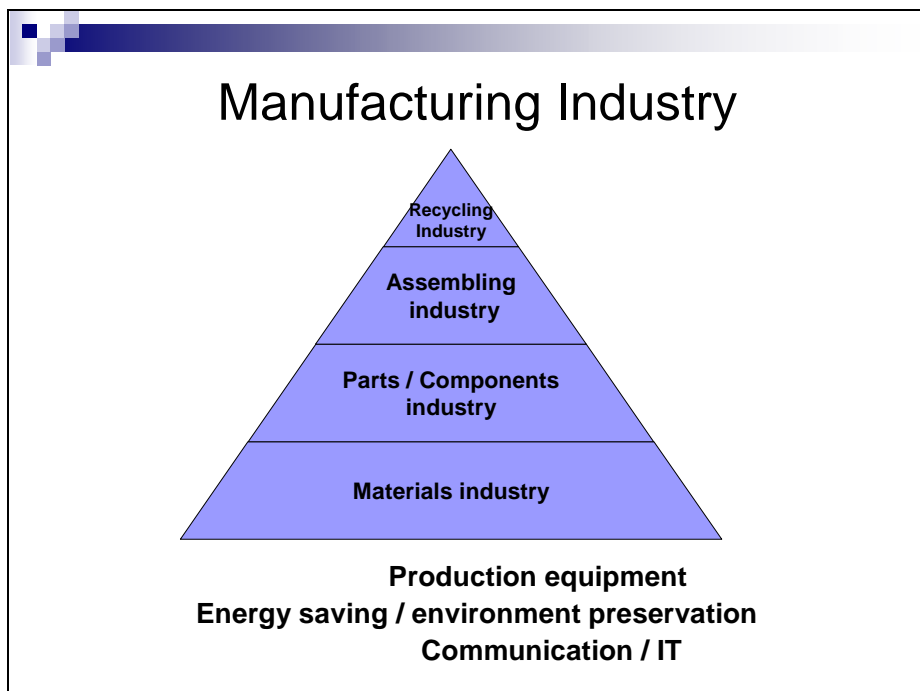
To secure energy sources is important. But energy saving is equally as important. Electricity consumption of flat panel TVs for example is less than 50% of that of cathode-tube TVs. Gasoline consumption of hybrid vehicles is about 20-30% of cars, with gasoline engines.

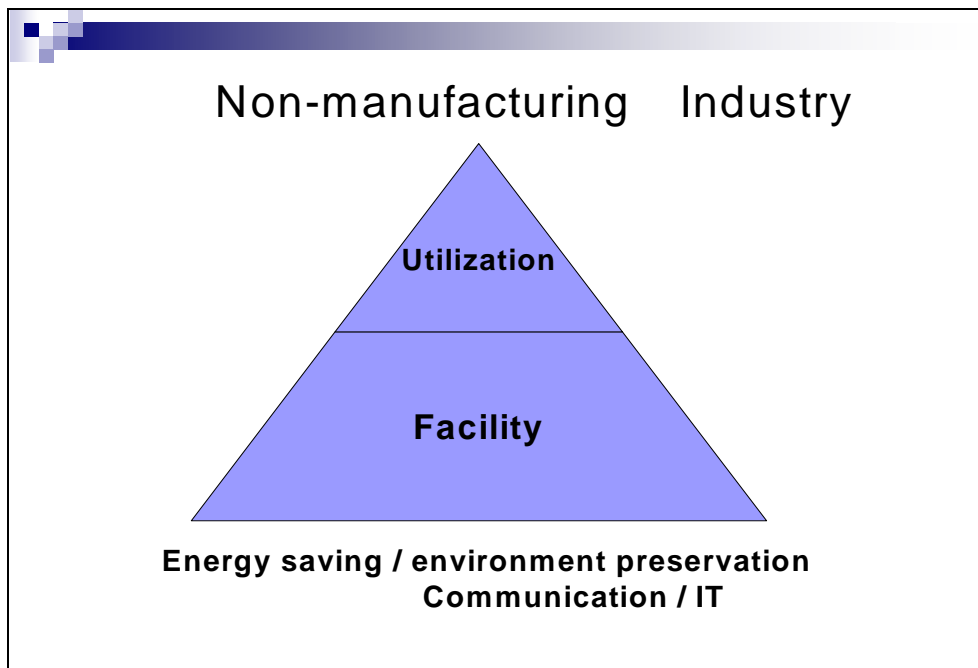
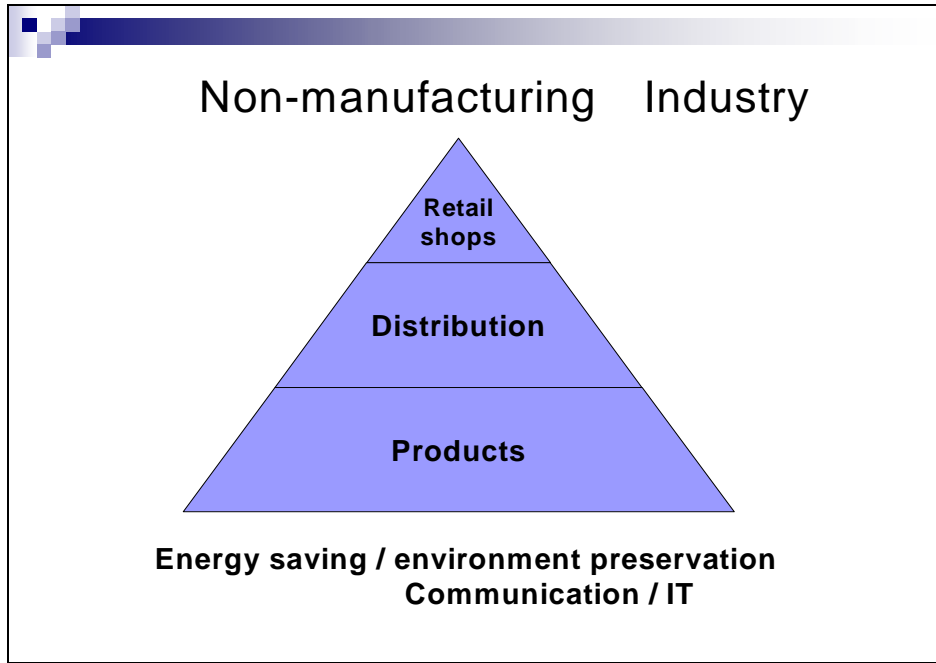
In industrialized countries, extensive efforts have been spent to achieve energy saving in factories, offices, public convention halls and retail shops, and at the same time to develop energy-saving products. Efforts have been spent also to develop technologies to clean the contaminated environment.

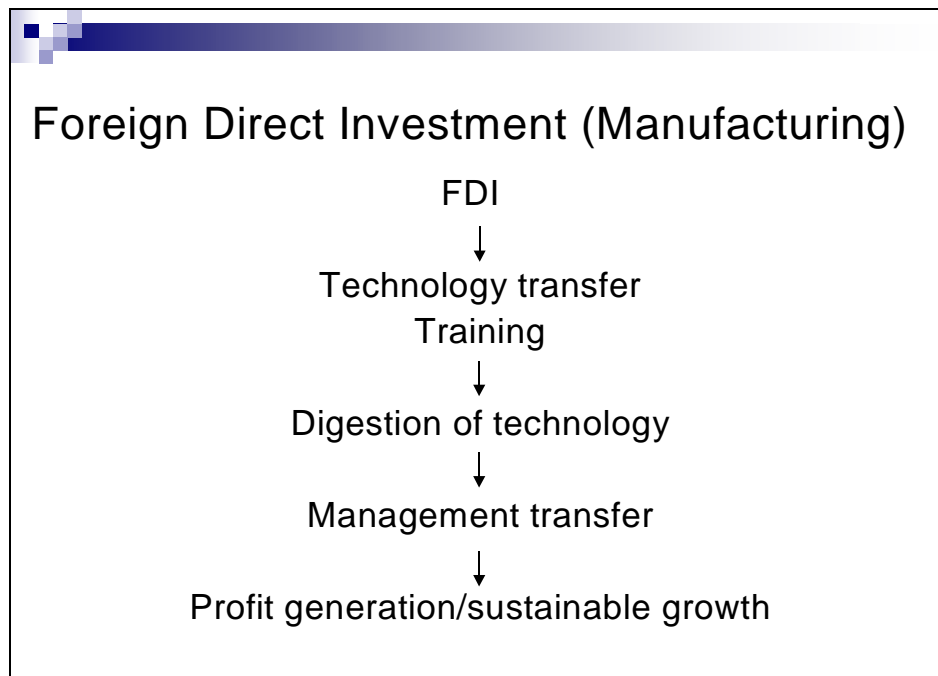
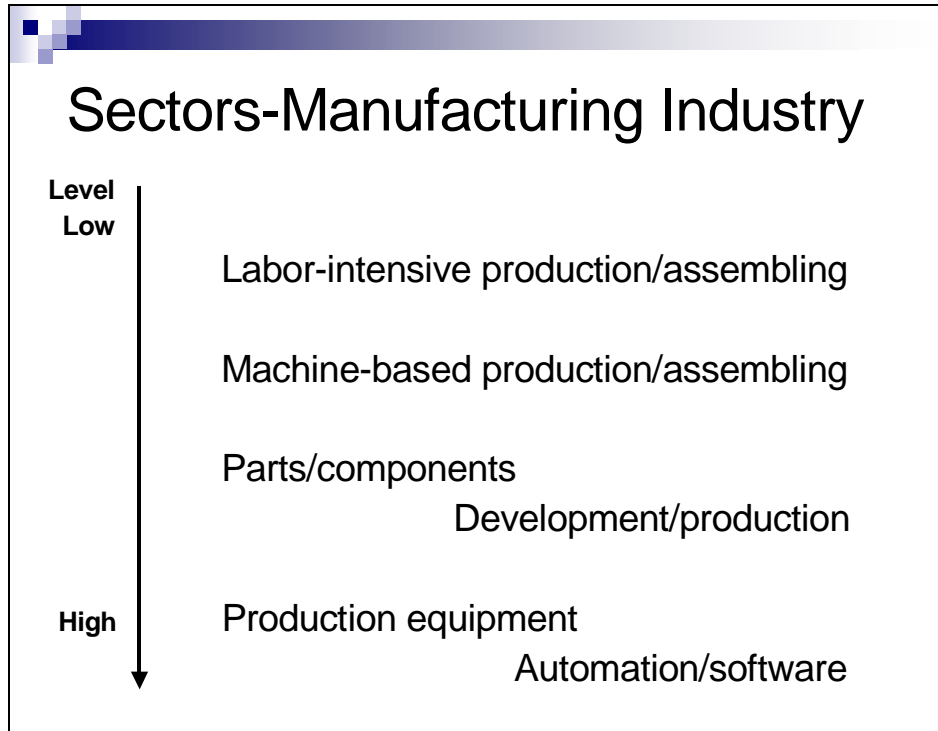
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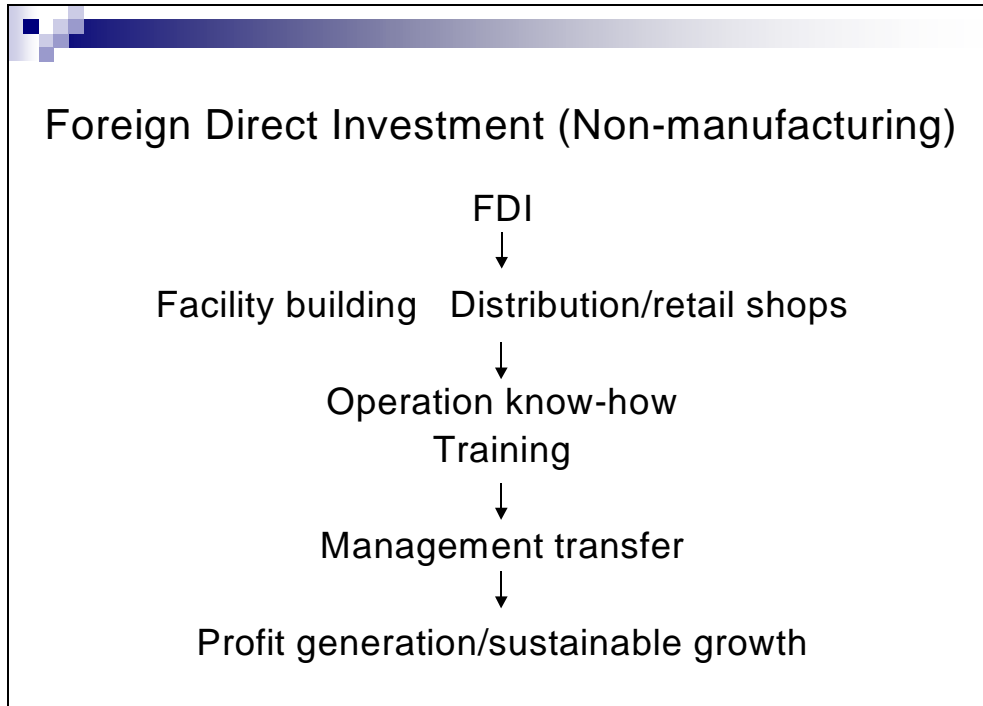


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- ## Management
1. **Total cost**
 - Initial investment**
 - Operation cost**
 - Maintenance cost**

 2. **Just-in-time production/delivery system**
 - Just-in time procurement/sales system**
 - No or minimal inventory**
 - No waste**

 3. **Safety**
 - Product failure**
 - Operation failure**

 4. **Energy saving/environment preservation**

Areas of Cooperation

1. Energy saving/environment preservation
 - Replacement of fossil fuel
 - Alternative energy source
 - Reduction of energy consumption
 - office/factory, durable consumer products
 - Cleaning of contaminated environment

2. Communication/IT
 - Highly advanced software
 - Super computer