

ASEAN industry : to maximise the role of the private sector

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Asean Industry : To Maximise The Role Of The Private Sector

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OF THE PRIVATE SECTOR

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The "Declaration of Asean Concord" approved by the Heads of Government of Asean member countries in Bali, in 1976, has resulted in considerable progress in Asean economic co-operation. For example, the creation of a mechanism to expand inter-Asean trade, known as the Preferential Trading Arrangements (PTA) in the trade sector. In the industrial sector, through the Asean Industrial Project program, a project has been approved for each Asean member country. Due to various reasons, the project for Singapore has not been approved up to now. Nevertheless, progress has been achieved with the officiating of the project for Indonesia in Aceh in the form of a fertiliser plant in January 1984.

In the "Declaration of Asean Concord" it has been stated, among others, that the Asean member countries will enhance the expansion of trade through cooperation in the essential commodities sector, in particular food crops and energy, as well as through cooperation in Asean industrial projects. In the case of cooperation in industrial projects, although progress has been made, a lot still needs to be done. Therefore a program known as the Asean Industrial Complementation program has been developed.

The private sector, through the Asean Chamber of Commerce (ASEAN-CCI), participated in such a complementation program. As a result, a cooperation package in the automotive industry has been concluded. But its implementation still faces many obstructions, from the Asean side as well as from outside Asean.

JOINT VENTURE PROGRAM

In the meeting of Asean Foreign Ministers in Jakarta on November 7, 1983 a Basic Agreement on Asean Industrial Joint Ventures was signed.

The role of the private sector dominated this program, which offers flexibility and facilities in capital investment. The basic agreement outlines various facilities, protection and levitations for the establishment of Asean Joint Venture projects. Among others, it was mentioned that the participating country of a minimum of 50% and exclusivity for a new project whereby within a period of three years after commercial production, no similar industry will be approved for establishment in the participating country.

A new industry may be categorized as an Asean Industrial Joint Venture if at least 51 percent of the share capital of

the company are owned by Asean countries. This will give an opportunity for Asean to work together with entrepreneurs of non-Asean countries to develop a certain industrial project. In the establishment of such an industry, it is not required that all member countries must become a participant, in order to make easier the process of its incorporation.

With the agreement on the Asean Industrial Joint Venture program it is hoped that participation of the Asean private sector in industrial cooperation can be enhanced and may expand the dimension of cooperation in regional economy. It is also hoped that this program will contribute towards elevating the national resilience of each member countries, as well as regional defence.

ADVANTAGES OF THE PRIVATE SECTOR

In many cases the private sector, when dealing in its economic activities, has many advantages over the government. An economic undertaking will only be executed by the private sector if business considerations regard it as healthy. Politics usually enters into the consideration of the government as to whether a business undertaking is likely to be executed.

Experience has shown that the private sector is also more mature and generally more willing to take risks. Therefore the private sector can be a better judge of the existing possibilities. They also have an extensive and expeditious network of information.

An industrial cooperation among or between several Asean member countries is actually not implemented just for the sake of the cooperation itself. It is hoped that the national interest of each member country is safeguarded through this cooperation, in a sense that the national interest of each member country may, at the same time, be able to safeguard regional interests.

It may be concluded that under such conditions the undertaking of industrial cooperation must initially safeguard the national interests of each member country and then safeguard regional interests. Therefore the establishment of a project which, on the one hand safeguards regional interests but on the other hand is detrimental to the national interests of a certain member, can be avoided.

Admittedly, it is difficult to seek joint projects which are able to comply with such conditions. But the private sector, with all its advantages, is certain to be able to find the right project, provided that assistance is fully given by the Asean governments. The signing of the basic agreement on Asean Industrial Joint Ventures is a major facility for the further enhancement of participation by a private sector.

GOVERNMENT ASSISTANCE

In reality the implementation of industrial joint cooperation is faced with many obstacles. Among others, the difference in levels of development of the industries, difference in tariffs, difference in capital investment procedures, etc. This is usually the case in a region. The problem is how to phase out such obstacles through industrial cooperation. This will take some time, but is certain to be fruitful in the future.

To achieve such an objective the governments of Asean member countries should possibly provide more assistance for the creation of industrial joint ventures. If necessary, in the preliminary stages more facilities should be given to the Asean Industrial Joint Venture projects instead of to the regular industrial projects in the member country. This would mean that greater incentives will be created for the growth of Asean Industrial Joint Venture projects in order to expedite the achievement of the objective through such programs.

The Asean governments must regard the joint venture projects as a vehicle for achieving the target of their respective national industrial development projects. The presence of such joint venture projects will therefore not be regarded as competitors of the national industries, but as vehicles to accelerate the growth of national industries.

In this case the Asean governments should actively assist in the establishment of such joint venture projects, by way of regularly announcing the fields of undertaking opened for capital investment through joint venture projects, including facilities to be granted. The Asean governments will therefore not be waiting idly for proposals from the private sector (in this case from the ASEAN-CCI and its supplementary organisations).

The philosophy of our industrial cooperation should be : "Working together will produce better results than doing it on our own". Not all ventures can be executed on the basis of such a philosophy. Therefore, the joint cooperation projects should be carefully selected.

In closing, it can be stated that from among the three industrial joint cooperation program, which are the Asean Industrial Projects, Asean Industrial Complementation and Asean Industrial Joint Ventures, the last program has better prospects.

This is due, in greater part, to the many opportunities that present themselves through the Asean Industrial Joint Venture program, where the private sector plays a very dominant role.

In Indonesia as well as in other Asean countries, a joint venture by the private sector and a foreign partner through the joint venture program is nothing new.

Therefore if joint venture programs with non-Asean entrepreneurs have been successful up to the present, why can't this be the case among Asean entrepreneurs?

Future Asean industrial joint ventures must be enhanced by maximizing the role of the private sector through the joint venture programs.

Jakarta, November 1983