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Asean Industries For Indonesia

By

Chrys Kelana
The development of ASEAN industries up till now has been oppressed. So there have been many unsolved problems to hamper that development. Generally these problems have catches for every ASEAN member’s situation. This is because often each member of ASEAN does not have the same industrial policies as ASEAN or as the region. Such matters have an influence on projects, and what was planned had to be postponed.

Indonesia especially is in a difficult dilemma. In one hand it must support every success of ASEAN industries, but on the other hand, Indonesia has just begun to develop its industries, and to try to close the gap between other more developed ASEAN industries.

According to World Bank reports in 1981 there are records that in the manufacturing industries Indonesia’s GDP (Gross Domestic Product) was 9 percent. In 1960 its GDP was 8 percent. So after 19 years GDP only increased by 1 percent. On the other hand, the other members of ASEAN increased by much more. For example, in Thailand GDP rose 13 percent in 1960 to 19 percent in 1979; in the Philippines GDP increased from 9 percent to 16 percent, and in Singapore it increased from 12 percent to 28 percent.

Other ASEAN countries left Indonesia’s industries behind and Indonesia had to be swift to approach its neighbours. The results is that the development of Indonesian industries has increased by more than the other ASEAN countries. For example, from 1960 to 1979, growth in manufacturing industries reached 12.5 percent a little more than Malaysia with 12.4 percent, Thailand 11.4 percent, Singapore 9.3 percent and the Philippines 6.7 percent.

But how has the development of Indonesia’s industries been able to stand and then to approach that of other ASEAN countries? It has not been easy. The development of Indonesia’s industries was possible because of its export income from oil and natural gas. During the early 1980s and by the end of 1983, oil prices of OPEC members decreased from US$34 per barrel to US$29 per barrel. This was the reason why Indonesia had to start to restructure its industries. The result was that all later projects have been postponed. For the next Repelita IV, the development of the industrial sector in general will be approximately only around 9.5 percent. For the time being the development of our economic sector has been targeted to decrease to 5 percent per year, more than 7% less than in previous years.

Self Arrangement

In the present world recession, Indonesia has taken the alternative of re-arranging its economic structure. The industrial structures will be re-examined, and attempts made to decrease imports, then step by step the use of domestic components will be encouraged, and the old system of industrialization must be changed to conform with a new marketing system.
Nowadays industries themselves must not only become import substitutions, but must be export oriented. Because of this, most components which not conform to export needs must be changed. For example, many forms of the textile industry which do not conform with export marketing must change because the machinery used in such industries were out of date. Because of this, all of the machinery must be changed to another system where we are able to make products for export.

The import components of some industries were decreased like the automotive and electronic industries and at the same time, rapid changes are being made to use more and better domestic components. If it is postponed we will have to pay a penalty cost and we must pay more to import components.

The use of domestic products must be promoted everywhere. Although the quality may be more lower but prices are not that expensive.

But the scarcity of government capital cause the postponement of so many industrial projects. They will be continued if we have additional capital probably coming from private companies and foreign sources.

ASEAN CO-operation

After discussing the difficulties confronting the development of Indonesian industries, what are the possibilities of supporting ASEAN industrial co-operation?

ASEAN industrial co-operation is important. I am reminded of an Indonesian slogan: "Strong in unity, weakness in separation, we need ASEAN unity". We must nurture ASEAN unity. If we are not able to create ideal economic conditions in ASEAN countries, it may pose some dangers to the region.

Most of the ASEAN industrial projects must be created to benefit the group's members. ASEAN industrial co-operation should not result in the closure of national industries. For example, the ship engine project of ASEAN, the Diesel Engine Project, which will be handled in Singapore was protested by Indonesia. The project will result in the bankruptcy or closure of Indonesia diesel firms. Indonesia is an archipelago and most of its ship's engines are fabricated there. But in the end, it was agreed that ASEAN will establish a diesel project in Singapore to fabricate engines with more than 500 horsepower. Now, however, this project has not yet been started.

The diesel project is one example that underlines the need for discussions not only in government levels but also in the private sector. The ASEAN Diesel Engine Project was agreed to by governments but when it reached the private sector, it was protested by Indonesian companies. It is therefore better if ASEAN industrial projects will start from the private sectors because it is they, after all, that will run them.

ASEAN project must not destroy any domestic industries, but must benefit all the members directly. If not, the members of its projects will not give a positive support. Take for example the Petro Chemical fertilizer project of ASEAN in Aceh, Indonesia. 30 percent of the project is funded by the ASEAN and the rest is funded by Japan. Out of the ASEAN capital, Indonesia invested 30 percent as per its regulations. But Singapore, being a non-agricultural country invested only 1 percent. Thailand and Philippines invested 13 percent.
One of the most important ASEAN industrial project is the automotive project. It is different from the other projects because all the members will produce separate components. In this case Indonesia will produce the diesel machineries and the valve. Malaysia will produce the spokes, nipples, drive chains, timing chains, crown wheels, pinions and seat belts. The Philippines will produce body panels, transmissions and rear axles. Singapore will produce the universal joints, oil seals and belts. Thailand will produce commercial cars of more than one tonnage, brake drums for trucks and heavy duty shock absorbers.

During the recent ministerial meeting, additional production duties were assigned. Indonesia will produce steering systems, while headlights will be Malaysia's, heavy duty rear axles for the Philippines, fuel injection pumps for Singapore and carburetors for Thailand.

What is the status of the project now? Is it unclear. Some countries have proposed its postponement. This is because this project is not in tandem with their domestic car industries. For example, Indonesia has been using domestic components following a certain schedule. Unfortunately, no specific directions have been included in the ASEAN automotive industries projects.

All the ASEAN countries have the same attitude. They are very proud to take interest but unfortunately they have different automotive industry policies. In Singapore, for example, cars have to be imported. But in Indonesia, imported cars are banned.

Suce diverse national policies makes ASEAN projects highly questionable. It is not a very important need; it has only created problems.

It may be that the ASEAN automotive project is only for propaganda purposes. With no private, business support, its continuity is in doubt.

ASEAN must chose its projects very carefully, especially since all ASEAN projects need a big investment. For example, the aromatic and olefin projects in Indonesia were postponed because of capital scarcity.

With the entire 260 million population of ASEAN, the market potential is great. Added with a large reserves of natural resources the ASEAN region should be able to become a force to reckon with. But, it is a pity that not all of ASEAN has the same concept of development. We need a lot of time to synchronise our efforts.