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PM WANTS JAPANESE FIRMS TO INCREASE USAGE OF LOCAL COMPONENTS

SEBERANG PERAI, (PULAU PINANG) July 20 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad has called on Japanese firms operating in the country to enhance their efforts in securing and using more local components in their production.

Japanese firms should secure more components locally, and particularly from Malaysian firms, he said when officiating at the opening of Sony Electronics (M) Sdn Bhd and Sony Mechatronics Products (M) Sdn Bhd here today.

Datuk Seri Dr Mahathir said Malaysian firms, on the other hand, should emulate the national car manufacturer, Perusahaan Otomobil Nasional Bhd or Proton, in seeking out joint venture partners to acquire the necessary expertise, so that they, too, could produce quality components.

The Prime Minister also said more foreign firms operating in Malaysia should follow the example of Sony, which, he added had achieved 50 percent utilisation of local content.

This was important as it would contribute towards the development of viable supporting or ancillary industries to strengthen the linkages and enhance lower integration, he added.

Datuk Seri Dr Mahathir said the government was happy to note the vigour in which Japanese firms were coming in to invest in Malaysia as their efforts have contributed enormously towards Malaysia's industrial development. +Nevertheless, a lot more needs to be done.+

He said Japanese firms should, for example, increase efforts to undertake research and development activities in Malaysia, a sector which is still very much lagging behind. The government, he said had drawn up special incentives in its efforts to encourage more R&D activities.

+Apart from the double deduction tax incentive for approved R&D expenditures, additional incentives have been proposed in the 1991 Budget,+ he said, adding that these included a five-year tax exemption and tax exemption on accumulated losses incurred after the tax exemption period.

He welcomed Sony's proposal to implement R&D activities, adding that the move would not only benefit Malaysia as a whole, but would also enhance Sony's competitiveness in the industry.

Turning to the production of audio products, the Prime Minister said the industry was now providing jobs for more than 25,000 workers.

Emphasising the importance of this sector, he said exports by this industry had risen from \$653.8 million in 1986 to \$3.300 billion last year.

He said this industry not only had succeeded in establishing linkages with other sectors, but had also helped in enhancing and deepening the electronics industry in Malaysia, from merely the assembly of semiconductors.

He said as at the end of May this year, out of 89 firms which have been given approval to produce various kinds of audio products; 60 have been awarded pioneer status, eight given the investment tax allowance and 21 approved without any incentives.

Datuk Seri Dr Mahathir said the industry had grown rapidly over the past five years. Since 1986, a total of 61 firms have been approved and almost all of them were export-orientated.

In terms of equity, he said 60.7 percent of the 61 firms are wholly foreign-owned, 13.1 percent wholly owned by Malaysians, 9.8 percent joint ventures and 16.4 percent exempted from any kind of equity conditions.

Datuk Seri Dr Mahathir commended Sony Corporation on its move to increase its investments in Malaysia.

He said Sony's investments in Malaysia have demonstrated its confidence in Malaysia's economic stability and conducive investment climate. --

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