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JAPAN-SMI
MORE JAPANESE SMI MOVING TO MALAYSIA

By: D. Arul Rajoo

OSAKA, Jan 30 (Bernama) -- More and more Japanese small and medium scale industries (SMI) are moving their operations to Malaysia in order that they could supply component parts to multinational corporations (MNC) at lower prices.

This was evident in the number of projects approved by the offices of the Malaysian Industrial Development Authority (MIDA) in Japan: a total of 103 projects worth RM1.065 billion were approved by the offices for the first 10 months last year.

According to Ong Wah Teng, the MIDA Osaka office director, the total investments involved were bigger than the corresponding investments for the whole of 1999 when a total of 112 projects worth RM1.006 billion were approved.

"Investments from Japan is still encouraging despite the prolonged economic problem here. Japan still remains the second biggest investor in Malaysia after the United States," he said here.

The investments were for 21 new projects and 82 projects for the expansion or diversification of operations by companies already existing in Malaysia. The approved projects were expected to provide employment for 9,812 people.

The investments were mostly for the production of electrical and electronic products (52), chemicals and chemical products (13), and machinery (six).

Overall, MIDA approved a total of 661 projects during the first 10 months of 2000, with the US leading with 40 projects worth RM2.09 billion, followed by Japan and Singapore in third place, with 119 projects worth RM1.089 billion.

During his four-day working visit to Osaka recently, Prime Minister Datuk Seri Dr Mahathir Mohamad had invited Japan-based SMIs to shift their activities to Malaysia.

Ong said one of the factors contributing to the increase was the need for Japanese SMIs to be able to continue supplying cheaper components to MNCs which are their main customers.

"They are under pressure to produce cheaper components and this is something difficult to achieve here. They don't want to lose their customers and that is why they are moving their production bases to Malaysia," he said.

Furthermore, some Malaysian companies which had been importing components from Japan for their finished products were taking steps to produce such components in Malaysia because of the high prices prevailing in Japan.

Ong said these companies were seeking high-technology or capital intensive investments from Japan and he was confident various promotions held by the MIDA Office in Tokyo and here in Osaka would bear fruit.

He said a trade and investment mission from Malaysia would arrive in Tokyo and Osaka in April this year. A similar mission visited Fukuoka, Nagoya and Yokohama last year.

"We also hold annual seminars and work closely with associations representing industries as well as MNCs to urge them to increase their investments in Malaysia," he added.

He said a survey showed that the total number of Japanese companies with investments in Malaysia stood at 552 in 1998.

Ong said that, despite the fact that other countries in the region could offer cheaper labour costs as investment incentives, Malaysia was still attractive to Japanese investors because of its political stability, the availability of established customers like the MNCs and excellent infrastructural facilities. -- BERNAMA

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