

SPEECH BY: DATO' SERI DR. MAHATHIR BIN MOHAMAD
(PRIME MINISTER)

EVENT: THE OFFICIAL OPENING OF CANON OPTO MALAYSIA SDN. BHD.

VENUE: SHAH ALAM, SELANGOR

DATE: 22 FEB 1991

TIME:

Distinguished Guests;
Ladies and Gentlemen.

It gives me much pleasure to be here today to officiate the opening of Canon Incorporation's first manufacturing plant in Malaysia, Canon Opto (Malaysia) Sendirian Berhad. I am also happy to note that in less than a year after starting production here in Shah Alam, Canon launched its second facility in Malaysia, Canon Electronic (Malaysia) Sendirian Berhad, at the Prai Industrial Estate in Pulau Pinang. This positive step by Canon demonstrates very clearly the attractiveness of Malaysia as a manufacturing base for such precision products.

2. Another proud record for Malaysia is that this factory has expanded into the production of lens shutter cameras from the polishing of optical lenses and prisms a year ago. I am also told that this plant has managed to earn the status of being Canon's second plant outside Japan to manufacture lens shutter cameras, after the one in Taiwan.

3. The successes by Canon in Malaysia, I believe, is not an isolated case. In fact, success stories of foreign companies in Malaysia seem to be the norm since Malaysia overcame the recession.

4. While these success stories abound, we also see a parallel escalation of Japanese interest in Malaysia. From 44 project applications with Japanese participation in 1986, the number of applications received last year increased to 229 or more than five times the 1986 total. Even more impressive was the proposed Japanese capital investment which shot up from \$285 million ringgit in 1986 to \$6,738 million ringgit in 1990, more than 23 times the 1986 volume.

5. While all these numbers and figures are encouraging, more attention should now be directed at the quality of manufacturing projects that are being set up by Japanese investors in Malaysia. A growing area of concern among the business communities in the Asia Pacific Region, especially among the ASEAN countries, is that of technology transfer. Technology is much needed to spur our economies towards a higher level of industrialisation and to develop our workforce into one that can handle the changing demands of industry. We believe that Japan can provide that technol-

ogy.

6. It is our hope that the Japanese multinationals in this region will pass on some of their technologies to local companies. There should not be too much concern over any adverse effect of doing this for the Japanese companies since it is a fact that Japanese technologies are not static. They advance very rapidly and as a result the technologies transferred to Malaysia will not be in a position to challenge the latest in Japanese technologies.

7. The benefits for the Japanese companies are in being able to source components and have the vendors network locally which will reduce costs. Japanese companies can work together with Malaysian manufacturers to develop products which can meet the stringent requirements of export markets. This co-operation can even be further extended into the improvement of product price and delivery time. Although efforts to work together with Malaysian companies have been going on for some time, they are however not on a large scale. However there have been cases where Japanese companies have sent their own engineers to Malaysian manufacturers to help them improve production capabilities and quality. This is encouraging.

8. Malaysian companies, on the other hand, have been said to be reluctant to invest in additional machinery and even to shy away from taking investment risks. Local companies should take advantage of proposals for co-operation by Japanese companies. Such proposals for co-operation can also come in the form of joint-ventures between Japanese components and parts suppliers and Malaysian companies, where the risks are shared and technology transfer progresses in a more organised fashion.

9. I have been told that a Japanese company producing audio products in Malaysia have steadily increased its Malaysian content from 18% when it started in late 1988 to 52% by late last year. This company has also developed a total of 113 suppliers in this region, about half in Malaysia and the rest in Singapore. About 60% of the 113 companies are Japanese-affiliated, indicating that the concept of technology transfer through joint-venture is feasible.

10. Besides developing local suppliers, other ways in which Japanese companies can integrate themselves into the Malaysian business network is to continually attempt to source raw materials and intermediate inputs such as sub-assemblies locally and to set up more integrated projects in Malaysia.

11. The rapid growth and economic dynamism of this region is undeniable. South-East Asia is also an integral part of the East Asian Region which has a population of nearly 2 billion people or 37% of the world's population, representing a huge potential market. Japanese business enterprises

in this region will be a growing presence, and a long-term one and this presence will only thrive in a politically stable and economically sound environment.

Ladies and Gentlemen,

12. Malaysia provides this environment. The Government of Malaysia has been consistently successful in ensuring political stability, sound economic policies and good infrastructure, including an educated and trainable work force. But the development and training of this workforce must be undertaken largely by the companies themselves. They should spare no effort to inculcate good work ethics and a culture that places a high value on company loyalty and productivity. Where Malaysian workers have been inculcated with good ethics they have proven to be good and highly productive workers. It is hoped that their productivity will be fairly rewarded. It is the Government's hope that Malaysians will gradually earn better income without hurting the profitability of the companies. The Government will work to ensure that investors in Malaysia will never regret their decision. I feel that Canon has no regrets.

Ladies and gentlemen,

13. With these words I now have much pleasure in declaring open this Canon Opto (Malaysia) Sdn Bhd.