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The Prime Minister

EVENT: At The Sony Corporation Convention

VENUE: The Putra World Trade Centre, Kuala Lumpur

DATE: 21 Mar 1996

TIME: 10.00 a.m.

It gives me great pleasure to be here this morning to officiate this first Sony Corporation Convention. I would like to thank Sony Corporation for inviting me here today.

2. I have been told that one of the objectives of this two-day convention is to increase Sony's local procurement of parts and raw materials. It is heartening to note that this procurement exercise is intended not only for its operations in Malaysia but also for its manufacturing facilities worldwide.
3. The Malaysia Government certainly welcomes this move as it will help us reduce the deficit in the balance of payment, particularly with Japan. Of course production of these parts in Malaysia will help reduce cost and render your products more competitive. There is no reason why it pays to manufacture the final products in Malaysia but it does not pay to produce the components of these products in Malaysia. If the volume is inadequate and I believe this is not the case, the components can actually be exported. After all microchips are components and Malaysia produces the best and the cheapest for the world market. Based on Malaysian consumption alone, there would not have been any microchips production in this country.
4. The electronics industry in Malaysia has come a long way since the 1970's when large multinational corporation flooded our shores in search of low cost labour. Malaysia was then the natural choice, given its abundant and easily trainable labour force. Despite the belief among certain quarters at the time that many of these large corporations would soon leave, they have not done so. Instead they went on to establish multiple operations in the country and upgraded the level of sophistication in manufacturing techniques. Malaysian workers have risen to the challenge and have coped with necessary new skills. Only those who continue to rely on low-grade labour are facing problems of getting workers.
5. The Sony Corporation is one example of a company which has expanded and diversified its operations to a significant extent over the years. Starting with an initial capital investment of about RM2 million, the Sony Group of Companies currently have investments totalling more than RM125 million in the Malaysian manufacturing sector. This is testimony to the confidence they have in Malaysia as a profitable manufacturing base.
6. From simple assembly-type operations in the early days, the Malaysian electronics industry is fast becoming an increasingly sophisticated industry, producing more value-added products largely and more importantly, for the export market. As a result, Malaysia is currently among the largest manufacturers and exporters of electronic products in the world. The importance of this sector to the economy is

reflected in the fact that the electronic products exchange earners in the manufacturing sector. Total export earnings of electronic products for 1994 and the first nine months of 1995 amounted to RM66.4 billion and RM61.1 billion respectively.

7. In 1995, the Ministry of International Trade and Industry approved the establishment of some 174 electronic projects in the manufacturing sector. Total proposed capital investment from these projects amounted to approximately RM3.1 billion. Of this total, RM943.5 million represented investment in the electronic components sub-sector, RM202.8 million represented investment in the consumer electronics sub-sector while the remaining RM1.94 billion represented investment in the industrial electronics sub-sector.

8. The electronics industry in Malaysia produces a diverse range of products. Semiconductor devices form the largest share of the products manufactured. Among the semiconductor devices produced are linear and digital integrated circuits, micro-processors, optoelectronics, discrete devices, hybrids etc. Other electronic devices produced are capacitors, relays, switches, quartz crystals/oscillators, audio and video cassette mechanisms, etc. The consumer and industrial electronic products manufactured include TV receivers, audio products, mobile radios, paging systems, satellite receivers, personal computers, disk drives, monitors, keyboards and printers.

9. Despite the fact that Malaysia is a major producer of electronic products, the industry is still very much dependent on imported inputs. Accordingly, serious efforts need to be undertaken by companies in this industry to produce or source these inputs locally. In this context, Sony's effort to increase the local sourcing of their parts and components is commendable. Such conscious efforts will certainly help to increase the local contents in the finished products and also spur the development of Malaysian Small and Medium Industries (SMIs).

10. The Government has established the Vendor Development Programme (VDP) to enable Malaysian SMIs to become manufacturers and suppliers of industrial components, machinery and equipment used by large scale industries and multinational corporations. The Government has in 1992, introduced the Electrical and Electronics Components Scheme in the consumer electronics sub-sector under this Vendor Development Programme. At present there are 38 anchor companies under the Electrical and Electronics Components Scheme, including Sony. These schemes have been successful judging from the increasing number of SMI vendors which have secured orders from the anchor companies. This proves that with the right encouragement and guidance, Malaysian SMIs can develop into reliable and quality vendors. I have been told that currently the Sony group in Malaysia has some 15 SMI suppliers under them and has plans to develop more SMI suppliers in the future. Such commitment is certainly worth emulating by other companies in the industry.

11. The success of the Malaysian electronics industry relies heavily on its research and development (R&D) activities. To date, a number of MNCs have located their R&D activities within their Malaysian operations but more needs to be done. To encourage more R&D activities to be undertaken locally, the Government offers a set of attractive fiscal incentives. It is our hope that more manufacturers in the industry will avail themselves

of these incentives in order to enhance their capabilities in R&D. This capability will enable them to be in the forefront of product and process innovation, capable of producing original parts and supplying intermediate and capital goods for both domestic use and export.

12. In this context, I am glad to note that Sony Corporation is already carrying out R&D activities at their three R&D facilities in the country to cater for the growing demand of sophisticated consumers. It is hoped that Sony Corporation will continue to invest in its R&D operations in Malaysia and develop a core of well-trained Malaysians in the area of high technology, R&D and management.

13. The Malaysian electronics industry is well poised to face the challenges of the future. While the domestic environment continues to be favourable for expansion, external factors demand ever-increasing competitiveness both in quality and in price. This can be met by greater sophistication in production techniques and maximisation of Malaysian worker inputs. Given proper training Malaysian workers can adapt easily to the supervision and maintenance of automation in production and robotics.

14. I would like to congratulate Sony Corporation for their efforts in organising this convention as this will help create more linkages with local suppliers and enhance local contents in the electronics industry. I hope that Malaysian companies will seize this opportunity to take advantage of the business potentials available and to participate actively in the industry. I would also like to urge other electronics MNCs operating in Malaysia to undertake greater integration of their activities in the Malaysian industrial scene.

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