

TABLE OF CONTENTS

DEDICATIONS

ACKNOWLEDGEMENTS

LIST OF TABLES.....v

LIST OF FIGURES.....vi

CHAPTER 1

INTRODUCTION	1
1.1 ELECTRONICS MANUFACTURING SECTOR IN MALAYSIA	2
1.2 THREAT FROM CURRENT ECONOMIC CRISIS	3
1.3 NEED FOR STUDY ON DOMESTIC PARTNER'S ROLE IN JOINT VENTURES	4
1.4 SCOPE OF THE RESEARCH	5
1.5 WHY THE ELECTRONICS SECTOR?.....	6
1.6 ANTICIPATED PITFALLS.....	6
1.7 SIGNIFICANCE OF THE STUDY	6
1.8 ORGANIZATION OF THE RESEARCH PAPER	7

CHAPTER 2

LITERATURE REVIEW	9
2.1 REVIEW OF THEORIES OF FOREIGN DIRECT INVESTMENT & JOINT VENTURES.	9
2.1.1 Why Firms Invest Abroad	9
2.1.1.1 Decision Sequence to Invest Abroad	10
2.1.2 Theories of Foreign Direct Investment	13
2.1.2.1 Neo-Classical.....	14
2.1.2.2 Neo-Marxist	16
2.1.2.3 World Systems Theory	17
2.1.2.4 Internationalization of Capital (IOC) Theory	18
2.1.3 Advantages And Disadvantages of FDI	19
2.1.3.1 Benefits of Foreign Direct Investments	19
2.1.3.2 Dangers of Foreign Investment	20
2.1.4 Joint Ventures–An Alternate Mode Of Foreign Investment	21
2.1.4.1 Defining Joint Ventures	22
2.1.5 Theories of Joint Venture	23
2.1.5.1 Joint Ventures and Internalization Theory.....	24
2.1.5.2 Joint Ventures and Transaction Cost Theory	25
2.1.5.3 New Forms of Foreign Investment.....	27
2.1.6 Advantages and Disadvantages of Joint Ventures	28
2.1.6.1 Advantages to Foreign Partner and Its Home country.....	29
2.1.6.2 Advantages to Domestic Partner and Host Country	30
2.1.6.3 Limitations of Joint Ventures for the Host Country.....	31
2.2 MALAYSIAN INDUSTRIALIZATION AND JOINT VENTURES : A HISTORICAL PERSPECTIVE.....	32
2.2.1 Phase 1 : Import Substitution Industrialization [ISI] (1950's-1960's)	32
2.2.2 Phase 2: Export Oriented Industrialization [EOI] (Late 1960's- Early 1980's)	33

2.2.3	<i>Phase 3 : Heavy Industrialization- Second Phase of ISI (Early 1980s--Late 1980s)</i>	34
2.2.4	<i>Phase 4 : Renewed Commitment to EOI (Late 1980's onwards)</i>	35
2.2.5	<i>Malaysian Government's Present Policies Towards Joint Ventures</i>	37
2.3	BASIS FOR EVALUATING ROLES OF PARTNERS	37
2.3.1	<i>Need And Commitment In Joint Ventures</i>	38
2.4	REVIEW OF STUDIES ON JOINT VENTURES	41
2.4.1	<i>IFC Study On Joint Ventures In Developing Countries</i>	41
2.4.1.1	Meet Government Regulations	42
2.4.1.2	Cost And Risk Sharing	42
2.4.1.3	Lack of Familiarity with the New Country	42
2.4.1.4	Existing Facilities of Partners	43
2.4.1.5	Effective Technology Use	43
2.4.2	<i>JVs Between Malaysian Public Corporations And Foreign Enterprises: An Evaluation</i>	44
2.4.2.1	Investment Strategy in Malaysia	44
2.4.2.2	Motivations for Joint Venture	44
2.4.2.3	Financing	44
2.4.2.4	Management Control	45
2.4.2.5	Transfer of Technology	45
2.4.2.6	Market Access for Exports	46
2.5	CONCLUSIONS	46

CHAPTER 3

RESEARCH METHODOLOGY	48
3.1 OBJECTIVE OF THE RESEARCH	48
3.2 KEY HYPOTHESIS FOR THE STUDY	49
3.3 SELECTION OF MEASURES	50
3.3.1 <i>Time Frame Used for Data Gathering</i>	50
3.3.2 <i>Selection of Constructs</i>	50
3.4 RESEARCH INSTRUMENT	51
3.5 SCOPE OF THE RESEARCH SURVEY	52
3.6 SAMPLING DESIGN	52
3.6.1 <i>Source of Secondary Data</i>	52
3.6.2 <i>Size of Sample Survey</i>	52
3.6.3 <i>Sample Selection Procedure</i>	53
3.6.4 <i>Guarantee of Confidentiality</i>	55
3.6.5 <i>Sources Of Bias</i>	55
3.7 DATA COLLECTION METHOD	56
3.7.1 <i>Profile Of Companies Surveyed</i>	56
3.8 DATA ANALYSIS TECHNIQUE	57

CHAPTER 4

RESEARCH FINDINGS : CHANGING ROLES OF DOMESTIC PARTNERS IN JOINT VENTURES – A CASE STUDY OF MALAYSIA'S ELECTRONICS SECTOR	59
4.1 MOTIVES OF FOREIGN PARTNERS TO FORM THE JOINT VENTURE	59
4.1.1 <i>Component Sub-sector</i>	61
4.1.2 <i>Consumer Electronics Sub-sector</i>	62
4.1.3 <i>Industrial Electronics Sub-sector</i>	63

4.2	CHANGING ROLES OF DOMESTIC PARTNERS	64
4.2.1	<u>Role Of Domestic Partner In Joint Venture – At Formation</u>	64
4.2.1.1	Electronic Component Sub-sector.....	66
4.2.1.2	Consumer Electronics Sub-sector.....	66
4.2.1.3	Industrial Electronics Sub-sector.....	67
4.2.2	<u>Present Role Of Domestic Partners In Joint Ventures</u>	67
4.2.2.1	Electronic Component Sub-sector.....	68
4.2.2.2	Consumer Electronics Sub-sector.....	69
4.2.2.3	Industrial Electronics Sub-sector.....	70
4.3	MANAGEMENT & CONTROL OF JOINT VENTURE	71
4.3.1	<u>Management & Control Of The Joint Venture - At Formation</u>	71
4.3.2	<u>Present Status Of Management & Control Of Joint Venture</u>	71
4.4	TRANSFER OF TECHNOLOGY IN JOINT VENTURE	74
4.4.1	<u>Transfer of Technology – At Formation</u>	76
4.4.1.1	Status of Product and Process Technology – At Formation.....	76
4.4.1.2	Level of Manufacturing – At formation.....	76
4.4.1.3	Access to New Technology from Other Sources - At formation.....	77
4.4.1.4	Conflicts with Respect to Transfer of Technology – At Formation.....	77
4.4.2	<u>Present Status of Transfer of Technology in Joint Ventures</u>	78
4.4.2.1	Present Status of Product and Process Technology.....	78
4.4.2.2	Present Level of Manufacturing.....	78
4.4.2.3	Present Status of Access to New Technology from Other Sources.....	79
4.4.2.4	Present Status of Conflicts with Respect to Transfer of Technology.....	80
4.5	RESEARCH AND DEVELOPMENT IN JOINT VENTURE	80
4.5.1	<u>Research & Development Activity – At Formation</u>	80
4.5.1.1	Reason for no R&D Activity – At Formation.....	82
4.5.2	<u>Present Status Of Research And Development In Joint Venture</u>	82
4.5.2.1	Nature of Research & Development Activity.....	82
4.5.2.2	Reason for Low R&D Activity.....	83
4.5.2.3	Nationality of R&D Manager.....	83
4.6	IMPORT OF RAW MATERIAL	83
4.6.1	<u>Dependence on Foreign Partner for Raw Material– At Formation</u>	84
4.6.1.1	Reason for Import of Raw Material.....	84
4.6.2	<u>Dependence on Foreign Partner for Raw Material – At Present</u>	84
4.6.2.1	Reason for Import of Raw Material.....	86
4.7	DEPENDANCE ON FOREIGN PARTNER FOR FINANCE NEEDS	87
4.7.1	<u>Dependence On Foreign Partner For Finance – At Formation</u>	87
4.7.2	<u>Dependence On Foreign Partner For Finance – At Present</u>	87
4.8	EXPORTS MARKETING ACTIVITY BY THE JOINT VENTURES	87
4.8.1	<u>Status of Export Marketing Activities By The Joint Venture - At Formation</u>	88
4.8.2	<u>Present Status of Exporting Activity from the Joint Venture</u>	90
4.9	HUMAN RESOURCE DEVELOPMENT IN JOINT VENTURES	92
4.9.1	<u>Human Resource Development In Joint Ventures – At Formation</u>	92
4.9.2	<u>Present Status of Human Resource Development In Joint Ventures</u>	92
4.10	LEVEL OF AUTONOMY	94
4.10.1	<u>Level of Autonomy to Joint Venture – At Formation</u>	95
4.10.2	<u>Present Level of Autonomy</u>	95
4.11	DOMESTIC PARTNERS ABILITY TO RUN JV INDEPENDENTLY	97
4.12	SUMMARY & CONCLUSION	97
4.12.1	<u>Conclusion</u>	101

CHAPTER 5

<u>FUTURE ROLE OF DOMESTIC PARTNERS IN JOINT VENTURE</u>	103
5.1 FUTURE ROLE OF DOMESTIC PARTNERS IN JOINT VENTURE.....	103
5.2 MANAGEMENT AND CONTROL OF JOINT VENTURE – FUTURE PROSPECTS.....	105

5.3	TRANSFER OF TECHNOLOGY – FUTURE PROSPECTS	107
5.4	RESEARCH AND DEVELOPMENT ACTIVITIES – FUTURE PROSPECTS	109
5.5	DEPENDENCE ON FOREIGN PARTNER FOR RAW MATERIAL – FUTURE PROSPECTS.....	112
5.6	DEPENDENCE ON FOREIGN PARTNER FOR FINANCIAL NEEDS – FUTURE PROSPECTS	114
5.7	EXPORT ACTIVITIES FROM THE JOINT VENTURE – FUTURE PROSPECTS	114
5.7.1	<i>Impact of WTO Regime on Joint Ventures</i>	116
5.8	HUMAN RESOURCE DEVELOPMENT – FUTURE PROSPECTS.....	117
5.9	LEVEL OF AUTONOMY – FUTURE PROSPECTS	118
5.10	MULTIMEDIA SUPER CORRIDOR AND OPPORTUNITIES FOR JOINT VENTURES.....	118
5.11	CONCLUSION	123

CHAPTER 6

<u>POLICY RECOMMENDATIONS & CONCLUSION.....</u>		124
6.1	TRENDS IN ELECTRONICS MANUFACTURING INDUSTRY: ASIA PACIFIC AND MALAYSIA.....	125
6.2	FRAMEWORK FOR POLICY RECOMMENDATIONS.....	127
6.2.1	<i>Issues for the JVs in Electronics Industry</i>	128
6.3	POLICY RECOMMENDATIONS FOR JOINT VENTURES IN ELECTRONICS SECTOR.....	129
6.3.1	<i>Policy for Component Sub-sector</i>	129
6.3.2	<i>Consumer Electronics Sub-Sector</i>	130
6.3.3	<i>Industrial Electronics Sub-Sector</i>	131
6.3.4	<i>Changes Recommended In Policies For Joint Ventures</i>	131
6.3.5	<i>Promotion Of Research & Development Activities</i>	134
6.3.6	<i>Manpower Development Policy</i>	135
6.4	CONCLUSION	136

BIBLIOGRAPHY.....	vii
APPENDIX I – LIST OF JvMs IN ELECTRONICS MANUFACTURING SECTOR.....	a
APPENDIX II – LIST OF JvFs IN ELECTRONICS MANUFACTURING SECTOR.....	c
APPENDIX III – RESEARCH QUESTIONNAIRE.....	f