

## **Chapter 5**

### **FUTURE ROLE OF DOMESTIC PARTNERS IN JOINT VENTURE**

It can not be denied that limited gains have been made by the domestic partners by participating in the Joint Venture. These gains are significant in the JVMs operating in the component and consumer sub-sectors. Whether these gains will continue in future and to what extent will benefit the domestic partner in particular and the Malaysian electronics industry in general is the next point of interest. To gauge the future trend of development in the domestic partners role, the respondents were probed about their future roles in the Joint Venture. Most questions sought responses to various issues in three time frames i.e. at formation of JV, at present and in future. The time frame for future was given as the next two to five years.

This section analyzes, whether there will be any likely changes in the role of domestic partner in the near future. The researcher feels that since this section deals with future projections, some of the responses may be exaggerated and may not accurately portray the actual status in future. But in general they do throw some light on the expectations of the domestic partner about their perceived future roles. It could be said that some of the desired changes can be achieved by mutual consent between the domestic and foreign partners, but some of them can only be achieved by active intervention of the government. This section is of immense importance to the research as it leads to desired policy recommendations which are covered in detail in chapter 6.

#### **5.1 FUTURE ROLE OF DOMESTIC PARTNERS IN JOINT VENTURE**

Table 5.1 covers the future role of domestic partner in JVs. Essentially there are not going to be any major changes in the future role of domestic partners. Only in case of one JVM in the component sector, the domestic partner plans to completely takeover the JV operation, as they are presently running the business independently by themselves. The domestic partner feels that the foreign partner is not contributing in any major way to boost the JVs business.

**Table 5.1 : Roles of Domestic Partners in Joint Venture –Future Prospects**

Sno.	Roles of Domestic Partner	Component Sector		Consumer Sector		Industrial Sector		Total	
		JVM (N=2)	JVF (N=3)	JVM (N=2)	JVF (N=2)	JVM (N=4)	JVF (N=1)	Numbers	% ago
		F	F	F	F	F	F	F	F
1	Capital & Risk Sharing							0	0%
2	Provider of Cheap Labor							0	0%
3	Provide Access to Domestic Market			1		4		5	35%
4	Provide Political Support / Gain		1	1		4	1	6	42%
5	Provide Knowledge of Domestic Needs							0	0%
A.	Being run as Malaysian WOS			1		1		2	14%
B.	Being Run as Foreign WOS		2		2	1	1	6	42%
C.	Jointly Run					2		2	14%
D.	Converted to Malaysian WOS	2	1	1				4	28%

Note : Some of the Respondents Mentioned multiple reasons, whereas some mentioned only one or two main reasons.

Abbreviations: JVM (N) – Joint Venture Malaysian Owned (Number of Companies Interviewed)  
JVF (N) – Joint Venture Foreign Owned (Number of Companies Interviewed)  
F – Future

As per the managing director of the company talks are already on with the foreign partner for the necessary disinvestment.

There does seem to be some changes in case of JVMs in the industrial sector, where the domestic partners role will be to continue providing market access and government support for having continuous access to business in the domestic market. Although in at least two cases the local JV will be allowed to export to the ASEAN or some other African and Middle East region. This will allow them access to some limited markets with the consent of the foreign partner.

In all the other cases there are not likely to be any changes in the role of domestic partner. In all JVs the domestic partner's role continues to provide equity to meet local regulatory criteria.

Two of the local managers who were interviewed, suggested that there should be active intervention by government bodies like MIDA or MITI, to ensure that the role of domestic partners is not purely restricted to providing equity. The local partners should be compelled via regulations to get involved in day to day management. Alternately the government should regulate to ensure that, local manager takeover operation's of as many managerial functions as possible. These managers are of the viewpoint that only such regulations will help in further localizing the JVs operations and ultimately result in increased knowledge assimilation and independence from the foreign partner. They were confident that the local managers or employees have the necessary capabilities to run operation's like manufacturing, marketing, finance and even R&D, but their roles were limited due to scarce opportunities, as these functions are controlled by the foreign partner.

## **5.2 MANAGEMENT AND CONTROL OF JOINT VENTURE – FUTURE PROSPECTS**

There is no doubt that the level of control in future for the local partners or local managers is expected to be higher as compared to the present level or at the time of formation of the JV. Refer to table 5.2, which summarizes the management and control of Joint venture in future.

Table 5.2 : Management & Control of Joint Venture – Future Prospects

Sno.	Functions / Departments	Component Sector						Consumer Sector						Industrial Sector						Total					
		JVM (N=2)			JVF (N=3)			JVM (N=2)			JVF (N=2)			JVM (N=4)			JVF (N=1)			Numbers			% age		
		LP	FP	JV	LP	FP	JV	LP	FP	JV	LP	FP	JV	LP	FP	JV	LP	FP	JV	LP	FP	JV	LP	FP	JV
a.	R & D	2			1	2		2				1	1	2	2		1			7	6	1	50%	43%	7%
b.	Finance	2			1	2				2	1	1		4			1			8	3	3	58%	21%	21%
c.	Purchasing	2			1	1	1	1		1	2			4			1			10	2	2	72%	14%	14%
d.	Manufacturing	2			1	1	1	1		1	1		1	3	1		1			8	3	3	58%	21%	21%
e.	Marketing	2			1	2		1		1	1	1		4			1			9	4	1	65%	28%	7%
f.	Recruitment /HR	2			3			1		1	2			4			1			12	1	1	86%	7%	7%
g.	Industrial / Public Relation	2			3			1		1	2			4			1			12	1	1	86%	7%	7%

Abbreviations: JVM (N) – Joint Venture Malaysian Owned (Number of Companies Interviewed)  
JVF (N) – Joint Venture Foreign Owned (Number of Companies Interviewed)  
LP – Controlled by Local Partner  
FP – Controlled by Foreign Partner  
JV – Jointly Controlled

Although these gains are marginal in the area of management and control of functions like research and development, finance and manufacturing. Whereas some functions like recruitment and industrial relations showing a slight decrease primarily due to the fact that the control of the foreign partner will increase in case of the JVF in the industrial sector, where the local partner has lost interest in the operations. Barring this exceptional case, local or joint control is bound to increase as far as local management and control of the JVs operations in concerned.

A legislative framework, which allows for reduction of foreign equity over time, will automatically allow for more local control of the JVs operations. Different criteria could apply for different sectors for example the criteria's should be more stringent in case of JVMs or for equity participation in the Industrial sector. This way more genuine technology transfer and knowledge assimilation can be ensured for the domestic partners. It is felt that presently the government intervention is more on the aspect of equity participation only, whereby the other aspects of management are totally ignored. The only negative aspect of such proposed legislation is that it may force many partners to establish either wholly foreign owned subsidiary or look for investment opportunities in other upcoming economies. This can deny the local entrepreneurs, opportunities for venturing into high technology areas. Alternatively foreign partners may choose other modes of market entry like technology transfer, franchising, and in these case the domestic partners may not get access to state-of-the-art technology.

This may have both positive and negative impact on the host country. That is, positive impact in form of increased export in case the foreign partner decides to go for foreign owned WOS, or increased independence of the domestic partner and negative impact if the foreign partner relocates to other countries or gives trailing edge technology through technology transfer or franchising.

### **5.3 TRANSFER OF TECHNOLOGY – FUTURE PROSPECTS**

The future prospects for transfer of state-of-the-art technology seems bright. Responses for future state of technology are given in Table 5.3.

Table 5.3 : Status of Transfer of Technology –Future Prospects

Sno.	Technology	Component Sector		Consumer Sector		Industrial Sector		Total	
		JVM (N=2)	JVF (N=3)	JVM (N=2)	JVF (N=2)	JVM (N=4)	JVF (N=1)	Numbers	% age
		F	F	F	F	F	F	F	F
A.	State of Product Technology								
a.	Old Technology							0	0%
b.	Latest Technology			2				2	14%
c.	State-of-the-Art Technology	2	3		2	4	1	12	86%
B.	State of Process Technology								
a.	Old Technology							0	0%
b.	Latest Technology			2				2	14%
c.	State-of-the-Art Technology	2	3		2	4	1	12	86%
C.	Level of Manufacturing								
a.	Real In-depth Manufacturing	2	3		2			7	50%
b.	Assembly with Some Mfg.			2		3	1	6	43%
c.	Screw Driver Technology					1		1	7%
D.	Access to New Technology from other Sources								
a.	Yes	2	3	2	2	1	1	11	79%
b.	No					3		3	21%
E.	Conflict w.r.t Technology								
a.	Yes					3		3	21%
b.	No	2	3	2	2	1	1	11	79%
F.	Type of Industry								
a.	Labor Intensive		1	1	1	1	1	5	35%
b.	Capital Intensive	2	2	1	1	3		9	65%

Abbreviations: JVM (N) – Joint Venture Malaysian Owned (Number of Companies Interviewed)  
 JVf (N) – Joint Venture Foreign Owned (Number of Companies Interviewed)  
 F – Future Prospects

In the near future 86 per cent of the JVs are likely to have access to state-of-the-art technology. All respondents mentioned that the extremely competitive nature of the business would force the foreign partners to make state-of-the-art product and process technology to be made available to the JVs. This will be the key for survival of the JV, as well as the only means to ensure continued success for foreign partners business in Malaysia. More companies will be doing in-depth manufacturing and moving one step ahead on the manufacturing value chain, i.e. from being assembler to OEM manufacturer. Only in one case where the JVM is involved in supply of telecom equipment, the respondent mentioned that they would continue to use screwdriver technology, i.e. the local operation will be purely for integration of imported sub-assemblies.

Many joint ventures which are presently involved in contract or OEM manufacturing will be looking for opportunities for establishing their own brands. This is especially true for the JVs in the consumer sub-sector. All JVs in the component sector mentioned that they would be manufacturing more advanced products like new generation semiconductor devices, micro transformers or multi-layered PCB board. This is necessitated by the increasing cost of production in Malaysia, thereby forcing the local manufacturer to move towards products requiring higher value addition in terms of complexity of manufacturing and testing. This will in turn require the local JVs to go for more capital intensive manufacturing.

Another possible way to increase the availability of new technology could be through a legislation that allows for relaxation of the clause of access to technology from other sources. This way the JVs will have more maneuverability in terms of getting access to newer technology from other sources.

#### **5.4 RESEARCH AND DEVELOPMENT ACTIVITIES – FUTURE PROSPECTS**

There will be increased activity in the field of R&D with 71 per cent (refer to Table 5.4) of JVs having a formal R&D department. The R&D activity will continue to be in form of product and process improvement and adaptation.

Table 5.4 : Status of Research and Development in Joint Ventures –Future Prospects

Sno.	Research & Development	Component Sector		Consumer Sector		Industrial Sector		Total	
		JVM (N=2)	JVF (N=3)	JVM (N=2)	JVF (N=2)	JVM (N=4)	JVF (N=1)	Numbers	% age
		F	F	F	F	F	F	F	F
A.	Conducting R & D in Malaysia								
a.	Yes	2	2	2	2	2		10	71%
b.	No		1			2	1	4	29%
B.	Nature of R & D Conducted								
a.	Product Innovation	1		1	1			3	21%
b.	Product Improvement/Adaptation	2	3		2	2		9	64%
c.	Process Innovation	1			1			2	14%
d.	Process Improvement/Adaptation	2	3		2			7	50%
C.	Reasons for Low R&D Activity								
a.	Local Partner not Interested				1			1	7%
b.	Foreign Partner not Interested							0	0%
c.	Lack of Monetary Resources					1		1	7%
c.	Lack of Manpower Resources					1		1	7%
d.	Others - Done in Parent Country	1				3	1	5	36%
D.	Nationality of R&D Manager								
a.	Local	1	1	2	1	2		7	50%
b.	Foreign		1		1	1		3	29%
c.	No Manager	1	1			1	1	4	29%

Abbreviations: JVM (N) – Joint Venture Malaysian Owned (Number of Companies Interviewed)  
JVF (N) – Joint Venture Foreign Owned (Number of Companies Interviewed)  
F – Future



Although three companies did mention that they have plans to pursue R&D in form of product innovation. Two of them were JVMs in the component and consumer sector, and one JVF in consumer sector. In one case the company plans to reverse engineer web TV to come up with an equivalent local brand. All respondents felt that lot has to be done by the government in promoting R&D activity within organizations in Malaysia. Poor interaction between the local academic institutions and the industry and was quoted as the primary reason for low R&D activity in Malaysian JVs. One of the respondents who is presently running a project with a local university to develop more efficient Uninterrupted Power Supply or UPS systems complained that no meaningful results were produced from the research project. He candidly admitted that the final output from the R&D had only cosmetic changes and there were no major improvements in the product already being manufactured by the company. . Another two respondents mentioned that the industry and educational institutes must come up with joint programs to co-sponsor employees and students for development projects. This will benefit the local industry in three ways. Firstly it will help in practical training of students in the field of R&D, secondly it will upgrade the theoretical knowledge of employees and lastly it will foster interest in field of R&D amongst students or employees. Many respondents felt that Malaysian students preferred to go for managerial and business profession. Lastly many respondents also expressed their doubts in the capabilities of the local institutions churning out good R&D engineers.

At least four respondents felt that the government has to play a vital intermediary role in bringing private businesses and educational institutions together. Even bodies like MIMOS and SIRIM do not have many joint R&D development programs that can benefit the local industry. This will require a more concerted effort on the part of the government, because the general level of R&D activities can only be built upon a solid research foundation that can be provided only by the local educational institutions or semi-government bodies.

To further increase the level of R&D in Malaysia, at least seven respondents were of the viewpoint that the government must set up a fund for R&D activity, which as a matter of fact already exists, but it seems that most respondents were unaware of the facility extended by the government. There is need for the relevant government authorities to disseminate further information about the R&D fund instituted by the government. Another idea mooted by around four respondents was to have double deduction on all expenses incurred on R&D activities. Of course government bodies like MIDA or MITI could closely monitor the same, before the rebate is claimed by the JVs. Both these facilities will prompt local companies to setup and pursue R&D activities, which in the long run will benefit the local partners.

#### **5.5 DEPENDENCE ON FOREIGN PARTNER FOR RAW MATERIAL – FUTURE PROSPECTS**

The domestic partners will be less dependent on foreign partners to meet their raw material requirements. Most of the JVs mentioned that efforts are being undertaken to increase the local content in the manufacturing process (Refer to Table 5.5). In case of two JVMs each in the component and consumer sector and two JVF's in the component sector, the JVs plan to increase their local contents to as high as 70 per cent from the present level of around 30 per cent. The major problem for dependence on imports is due to non-availability of the components or inputs locally. In case of JVMs in the industrial sector, higher level of indigenisation is envisaged. But the local JVs have to continue their dependence on the foreign partner specially for proprietary technologies like Application Specific Integrated Chips or ASICs (customized ICs), or process technology like the one used in manufacture of semiconductor devices.

Some of the JVMs, which have JV agreement quotas, will see increased tolerance from the foreign partner in importing raw material inputs from cheaper alternative sources.

Table 5.5 : Dependence on Foreign Partner for Raw Material for the Joint Venture –Future Prospects

Sno.	Raw Material Import	Component Sector		Consumer Sector		Industrial Sector		Total	
		JVM (N=2)	JVF (N=3)	JVM (N=2)	JVF (N=2)	JVM (N=4)	JVF (N=1)	Numbers	% age
		F	F	F	F	F	F	F	F
A.	Sources of Raw Material								
a.	Local	2	3	2	2	3		12	86%
b.	Home Country		2		1	4	1	8	58%
c.	Others	2	3	2	2	3	1	13	93%
B.	Reasons for Imports								
a.	JV Agreement		2		1	4	1	8	57%
b.	Not Available Locally	2	3	2	2	4	1	14	100%
c.	Others								
C.	Reason for Import from Foreign Partner								
a.	JV agreement quota		2		1	4	1	8	58%
b.	Pressure from Foreign Partner		1		1	4	1	8	58%
c.	Others	2	2	2	2	4	1	13	93%

Abbreviations: JVM (N) – Joint Venture Malaysian Owned (Number of Companies Interviewed)  
JVF (N) – Joint Venture Foreign Owned (Number of Companies Interviewed)  
F – Future

## **5.6 DEPENDENCE ON FOREIGN PARTNER FOR FINANCIAL NEEDS – FUTURE PROSPECTS**

All persons interviewed in the survey mentioned that the JV operation will have no dependence on the foreign partners capital needs, as they are able to meet most of there expansion needs either from retained profits or through local financing from Malaysian financial institutions.

## **5.7 EXPORT ACTIVITIES FROM THE JOINT VENTURE – FUTURE PROSPECTS**

Much needs to be done to promote direct exports of products from JVs operating in Malaysia. Although 72 per cent of the JVs interviewed indicated that they would be exporting in the future (refer to table 5.6). But for many of them exports will continue to be indirectly through the local customers in the FTZ and LMW areas. There is an urgent need to promote direct exports to other countries from these JVs. In six cases (42 per cent), export restrictions from the foreign partner will continue, which will not enable the local JVs to export on a full fledged basis. The majority of them are in the Industrial sector, where there is a possibility to enforce certain legislation that will allow for increase of exports from the local entity.

Strategies to increase exports can either be forced through legislation, or alternatively in form of tax rebates based on the amount of products exported. This can be done in cases where the imported content is beyond 70 per cent and companies may be required to export say 30 per cent of their production in order to offset the high import content. This will have two positive impacts on the Malaysian economy. Firstly it will help generate some amount of extra foreign exchange to meet the import content needs and secondly it may force foreign partners to further increase the local content in their production. Both ways it will boost the Malaysian economy and will also help in conserving precious foreign exchange.

Table 5.6 : Export Marketing Activities of the Joint Venture –Future Prospects

Sno.	Raw Material Import	Component Sector		Consumer Sector		Industrial Sector		Total	
		JVM (N=2)	JVF (N=3)	JVM (N=2)	JVF (N=2)	JVM (N=4)	JVF (N=1)	Numbers	% age
		F	F	F	F	F	F	F	F
A.	Exports								
a.	Yes	2	3	2	1	2		10	72%
b.	No				1	2	1	4	28%
B.	Export Restriction by Foreign Partner								
a.	Yes					4	1	6	42%
b.	No	2	3	2	1			8	58%
C.	Export Marketing Responsibility								
a.	Locals	2	1	2	1	2		8	58%
b.	Foreign Partner		2					2	14%
c.	Others								
D.	Major Export Regions								
a.	ASEAN	1	2		1	1		5	35%
b.	Developed Countries	1	1		2			4	28%
c.	Through FTZ & LMW		2					2	14%
d.	Others		1		2			3	21%

Abbreviations: JVM (N) – Joint Venture Malaysian Owned (Number of Companies Interviewed)  
 JVf (N) – Joint Venture Foreign Owned (Number of Companies Interviewed)  
 F – Future

The forced legislation will be necessary in case of the Import substituting industrial sector, whereas tax incentives will work better for JVs already exporting some products directly.

Only 35 per cent of the respondent mentioned that they would be exporting to the ASEAN region, with major sales to Singapore, which in turn will be for re-export to other countries. In this case too it is felt that the level of co-operation amongst the private sectors of the ASEAN countries needs to be improved. Like for example a senior manager of a JVM in the industrial sector mentioned that despite of having excess production facility in Malaysia, their foreign partner is setting up a plant in Indonesia to manufacture similar products. This is again to meet the local equity requirements of the Indonesian government. The executive mentioned that the government should play a more intervening role to come up with certain policies, which allows for higher level of co-operation amongst the various private sector companies within ASEAN. This is only possible if the local equity requirements can be overridden by the competitive advantages of the two economies. For example in Indonesia, the foreign partner can setup a plant for manufacturing labor intensive products like cables and wire harnesses and Malaysia provides the higher end components like assembled printed circuit boards. This way the competitive advantages of both Malaysian and Indonesian economies can be exploited efficiently.

In future more local managers will be managing and controlling the JV operations. From the survey 58 per cent respondents mentioned that local manager would head the export activity. Probably in this area too the government can compel the foreign partners to assign the management and control of this function to local Malaysian managers.

#### **5.7.1 Impact of WTO Regime on Joint Ventures**

Malaysia became a signatory to the WTO under the GATT agreement at the Uruguay round. This offers both advantages and disadvantages to Malaysian organizations. In the New World order many regional groupings like NAFTA (North Atlantic Free Trade Area), EC (European Community), APEC (Asia Pacific Economic Caucus) and many such similar groupings have been formed. These

regional economic groupings have resulted in installing new forms of trade barriers, which has created entry barriers for companies operating outside these regions.

Due to these changes *new difficulties have arisen for the JVs exporting from Malaysia*. The questionnaire included a section, probing the export marketing strategies used by the JVs to penetrate these markets. Most of the JVs interviewed, mentioned that they presently do not face any problems in exporting to these economic regions like EC or NAFTA. The companies, which are involved in actual exports, are doing so through well-established MNCs, who have established marketing channels in these regions. Only in one case the local JV is exporting directly to France and the executive mentioned that presently they do not face any major problem. Two of the JVs did mention that in case they face any entry barriers to certain economic regions, then they would not hesitate to enter into strategic alliances with suitable partners in any of the countries within the economic region.

The new economic groupings will pose a threat to local JVs business, many companies are upbeat about the business opportunities that will open up for the JVs operating in Malaysia. This is due to the formation of APEC. Most members feel that this will give a major boost to their export business, besides providing access to some key economic regions like NAFTA.

## **5.8 HUMAN RESOURCE DEVELOPMENT – FUTURE PROSPECTS**

As mentioned in chapter 4, most of the JVs have devoted requisite attention towards human resource development of their employees. Despite of the good results obtained in development of human resources, *more can be done* to further enhance the capability of the local staff. Essentially there will not be major changes in the level of human resource development activities being pursued by the Joint Ventures. The big companies have certainly taken lead in this and most of them are spending approximately 1–2 per cent of their revenue on this activity. The smaller sized companies have started taking advantage of the Human Resource Development Fund, which has given the necessary impetus to

upgrade the technical, managerial and leadership skills of the local employees. Table 5.7 summarizes the results from the survey.

Most respondents were satisfied with the present level of government support. They felt that the government could further help in setting up a local body comprising of academicians and experts from the local industry. This body can then help in providing necessary technical assistance and training to other manufacturing firms.

### **5.9 LEVEL OF AUTONOMY – FUTURE PROSPECTS**

The future prospects for level of autonomy accorded to the JV operations will be higher than the present level. Refer to Table 5.8 for the level of autonomy in JVs in future. Although one can say that already most JVs are already enjoying high level of independence. Most of the key decision making powers rest with the JVs. The JVF in the component sub-sector, which is presently enjoying moderate level of autonomy, will be given a freer hand in running its business. The overall pattern amongst the various sub-sectors otherwise remains similar to present level.

### **5.10 MULTIMEDIA SUPER CORRIDOR AND OPPORTUNITIES FOR JOINT VENTURES**

The multimedia technology evolution now sweeping the world is currently growing at an exponential rate worldwide. The large-scale commercialization of Internet during the past four years has given the necessary impetus for the multimedia technology to boom. The number of Internet users worldwide is estimated to be around 45 million and is rising at a rate of around one million per month. This boom will continue with a blaze of technological developments in the field of hardware and software.

According to a survey conducted by National Computer Board of Singapore the growth of use of multimedia will be the strongest in the Asia-Pacific region compared to even the United States and Europe.



Table 5.7 : Human Resource Development Activity in Joint Venture –Future Prospects

Sno.	Type of Training	Component Sector		Consumer Sector		Industrial Sector		Total	
		JVM (N=2)	JVF (N=3)	JVM (N=2)	JVF (N=2)	JVM (N=4)	JVF (N=1)	Numbers	% age
		F	F	F	F	F	F	F	F
A.	Types of Training								
a.	On the Job Training	2	3	2	2	4	1	14	100%
b.	Visit of Foreign Experts		2		2	4	1	9	63%
c.	Visit to Parent Countries		2		1	4	1	8	58%
d.	Local Experts				1			1	7%
c.	Others	2	3	2	2	3	1	13	93%

Abbreviations: JVM (N) – Joint Venture Malaysian Owned (Number of Companies Interviewed)  
 JVf (N) – Joint Venture Foreign Owned (Number of Companies Interviewed)  
 F – Future

**Table 5.8 : Level of Autonomy Provided to the Joint Venture Operations –Future Prospects**

Sno.	Level of Autonomy	Component Sector		Consumer Sector		Industrial Sector		Total	
		JVM (N=2)	JVF (N=3)	JVM (N=2)	JVF (N=2)	JVM (N=4)	JVF (N=1)	Numbers	% age
		F	F	F	F	F	F	F	F
a.	Low							0	0%
b.	Moderate							0	0%
c.	High		2		2	3	1	6	57%
d.	Independent	2	1	2		1		6	43%

Abbreviations: JVM (N) – Joint Venture Malaysian Owned (Number of Companies Interviewed)  
 JVf (N) – Joint Venture Foreign Owned (Number of Companies Interviewed)  
 F – Future

Currently this industry is expanding at a rate of 30 per cent annually. If 1980's was the decade of the information age, then the next millenium will be a century of knowledge-based age. The trend is already relevant in the lead taken by the US, European and Japanese companies in developing knowledge based products and technologies. Multimedia technology is the hardware platform which will provide the necessary foundation for developing a truly knowledge based society in future.

Malaysian governments ambitious project of building up a Multimedia Super Corridor (MSC), an area of 15 km by 40 km, encompassing the Kuala Lumpur City Center, Putra Jaya the new administrative center and the new Kuala Lumpur International Airport is timely. It is being projected as a high growth catalyst center with world class infrastructure facilities to be used as a springboard to serve the regional and world markets for multimedia products and services.

The MSC project promises to encourage investments related to ASIC design, niche component manufacturing like imaging, smart cards, video computing, wafer fabrication, high technology packaging & chip manufacturing, electronics publishing and other flagship applications like electronic government, telemedicine and smart schools.

The survey sought the view of the respondents on two aspects. Firstly whether any of the JV is planning to be part of the MSC project and secondly how the MSC project will benefit Malaysian electronic industry in general and their JV in particular.

The overall response of the interviewees was positive toward this development. Most respondents felt that the project offers a unique concept, which will be instrumental in taking Malaysia towards full industrialization. Moreover they also mentioned that MSC would ultimately benefit in stimulating the growth of electronics manufacturing in Malaysia. The respondents were of the opinion that it will increase the level and quality of manufacturing in Malaysia by offering automation technology, which will lead to higher value addition. All respondents

felt that eventually their JVs will gain indirectly due to increased demand for electronic products and components.

In response to their participation in the MSC project, four companies mentioned that they will be applying for MSC status. One of them is JVM from the consumer sector, which has recently converted into a Malaysian subsidiary. They plan to promote web TV technology. The others JVs are hardware suppliers looking for opportunities to supply equipment for the project. For all other JVs the respondents were of the viewpoint that their JVs will benefit indirectly from MSC due to overall stimulation of the electronics sector in Malaysia. Three respondents were skeptical about the real benefits of the project as they mentioned that what is being done in Malaysia is not new and many governments and countries have already succeed in this area. Moreover they feel that similar projects in neighboring counties may blunt the advantages offered by Malaysia's MSC project.

Though it is too early to conclude on the real benefits of the MSC project. The long-term success of this ambitious project largely depends on two key factors. Firstly, in Malaysia's ability to uniquely position the project in attracting investments, because projects of similar proportions are underway in Singapore and Hyderabad, India. Secondly the success will also depend on Malaysia's ability to train its manpower in the IT sector, especially software development, which can eventually increase local value addition, and help in generating foreign exchange for the nation. In case the Malaysian government plans to rely heavily on foreign experts, it can be said, that the gains will be only in short term and not much can be achieved by the project in the long run.

MSC project does offer enormous opportunities for domestic investors and entrepreneurs to gain from this unique opportunity. The onus lies on the government and the domestic partners to enter into strategic alliances including Joint ventures with foreign partners for access to leading edge technology. It is worth highlighting here that the domestic partner should be involved more actively in the projects and must not restrict their role as a mere provider of equity.

## 5.11 CONCLUSION

The future role of domestic partner seems to be promising, at least in case of increased participation in **management and control** of the JV. The prospects for continued availability of **state-of-the-art technology** from the foreign partners will ensure that the JVs businesses remain competitive in today's hyper competitive world. The most significant gains are projected to be in the field of **research and development** where increasing number of JVs will be pursuing this activity more industriously.

The **formation of WTO** and new regional groupings like APEC will open up new opportunities for the JVs in Malaysia, although a concerted effort on part of the domestic partners and the local government to promote **direct export** is required, to ensure less dependence on foreign partners or MNCs. The formation of **multimedia super corridor** will also result in new business opportunities for some JVs, whereas for other it will stimulate the overall growth of business.

Finally one should exercise caution in evaluating the future roles and prospects of development, because these are anticipated or perceived roles and they are often a manifestation of what ought to be rather what will be. Nevertheless there seems to be hope in the enhancement of the roles that will be played by the domestic partners.

Most notably some of them will be reversing their role by becoming a foreign partner in Joint Ventures being planned to be setup in nearby ASEAN countries to explore more market opportunities in these countries.