CHAPTER 5

CONCLUSION

The two research objectives are to review whether the joint-venture (FDIs) group of EPS moulders in the central region of Malaysia import or procure locally their major inputs to production and whether the former buy more or less than the indigenous firms from local suppliers.

Table 4.1 showed that the weightage proportions of purchase inputs (EPS raw materials, Plant and Machineries and Moulds) were more or less the same between the joint-venture group and the local group. This similarity showed that purchasing weightages is independent of nationality of moulders. This observation is substantiated by the fact that the mode of operation should be the determinant of the usage of input rather than the origin of company. High usage of EPS raw materials was recorded and the reason for this was that the raw materials formed the direct cost item of production. Plant and machineries as well as moulds are purchased at a less regular basis and thus resulting in a lower purchased weightages. This conclusion is important for this research because it is a prerequisite to the next stage of investigation which is to compare the two groups for local content of their three major inputs purchases.

In the comparison of the first input purchase, which is the EPS raw materials , there was a slight indication that the local group is more supportive of the indigenous suppliers . In the case of the joint-venture, there was only one firm out of three which had supported with more than 50% local content in their 1994 purchases.

But it was found that nationality is not a factor in deciding the source of EPS raw materials. It appeared that both foreign and local moulders chose their EPS raw material supply source based on their relationship with the supplier. Also the stocking of imported materials by local agents had somewhat reduced the disadvantages of buying from imports as highlighted by Dunning(1993). It seemed that the moulders were oblivious of the dangers of imported materials.

Other reasons for importing includes bulk purchase discounts and price competitiveness as compared to the local sources. Nevertheless, the moulders would procure their materials from the cheapest and most reliable source if they have a choice.

For the purchase of Plant and Machineries, both groups reported that it was difficult to support local sources simply because there was none available in the case of moulding machines. The latter is the only type of equipment likely to be purchased every year. Eventhough there are local suppliers of ovens and boilers, these are purchased less frequently (maybe once in ten years). The importance of technological capability and local expertise are continually highlighted by the moulders on the feasibility of local supply especially in the case of Plant and Machineries. As the local know-how for moulding machines is quite limited, the moulders had been forced to look towards the advanced countries for their machine requirements.

As for the purchase of Moulds, strong support for indigenous suppliers were registered from both local and joint-venture groups. The main reason behind this was that technological know-how and quality of local mould fabricators are up to expectations of the purchasers.

There are also location-related advantages of the indigenous mould-makers which gives them an edge over the imports.

To summarise, we shall answer the following two research questions:

1) Do joint ventures procure locally their major inputs to production?

Generally speaking, the joint-venture firms did procure locally some of their major inputs like EPS raw materials and moulds based on the figures reported in Table 4.2.

The only exception was in the procurement of Plant and Machineries but the joint venture companies had no choice due to the absence of local source capable of producing such moulding machines.

2) Do MNEs buy more or less than the indigenous firms from local suppliers?

The answer here may not be as straightforward as the previous one because of the variability in the ranges as recorded in Table 4.2.

If we look at the case of EPS raw materials, only one out of the three joint ventures supported the local supplier while both of the indigenous moulders bought more than half of their materials locally. But the sole joint venture supporter purchased some 90% from local sources. So we may conclude that as far as number of companies are concerned, MNEs buy less than indigenous firms from local suppliers.

For the Plant and Machineries purchases, we cannot conclude because as mentioned, the higher percentages recorded for the local group can be misleading as there was a company that bought a boiler which was not a regular purchase item.

Lastly, in the case of moulds, it was found that equal support was provided to local fabricators from both joint venture and local group of moulders.

BIBLIOGRAPHY

ASEAN Federation of Plastic Industries (1994), Members' Directory '94/'95, Petaling Jaya, Malaysia : Malaysian Plastic Manufacturers' Association

Cohen B. I. (1975), Multinational Firms and Asian Exports, New Haven and London : Yale University Press

Daniels, John D. and Lee H. Radebaugh (1992), International Business Environments and Operations, United States of America :Addison Wesley Publishing Company

Dunning, John H. (1993), Multinational Enterprises and the Global Economy, United States of America : Addison Wesley Publishers

Halbach, A. J. (1988), MNEs and Subcontracting in the Third World : A study of inter-industrial linkages, Geneva : ILO Working Paper No.58

Ismail, Mohd. Nazari (1994), Transnational Corporations and Economic Development : A study of the Malaysian Electronics Industry, Ph. D. thesis, University Malaya, Malaysia

Jenkins R. O. (1978b), Transnational Corporations and Uneven Development : The internationalization of capital and the third world, New York : Methem

Jo S. H. (1980), Direct Foreign Private Investment, Seoul : Korea Development Institute

Lall, S. (1980), Vertical interfirm linkages : An empirical study, Oxford Bulletin of Economics and Statistics (42)

Landi, J (1986), The sourcing policies of MNEs : A case study of Nigeria, Ph. D. thesis, University of Reading, United Kingdom.

Lope, P. A. and Tung J. F. (1994), Creating dynamic plastic industries towards 2020 : Challenges and opportunities, Petaling Jaya :Malaysian Plastic Digest

Lim L. and Pang E. F. (1982), Vertical linkages and multinational enterprises in developing countries, World Development (10)

McAleese D. and McDonald D. (1978), Employment growth and devbelopment of linkages in foreign owned and domestic manufacturing enterprises, Oxford Bulletin of Economics and Statistics (November)

Malaysian Plastics Manufacturers' Association (1994), Dialogue with resin suppliers, Berita MPMA Volume PP6630/6/94