

Doing Business in ASEAN for More Than 19 Years

By Shigeo Matsumoto



In 1961, Ajinomoto Co., Inc. established Ajinomoto (Malaysia) Berhad in Kuala Lumpur as a joint venture with Malaysian private-sector capital, and subsequently procured land and built a plant. The purpose of this joint venture was to carry out integrated production of monosodium glutamate (brand name, Ajinomoto) by using tapioca and sago starch, both abundant in Malaysia.

Malaysia has one of the smaller populations in ASEAN (about 10 million in the 1960s; about 15 million today), and the domestic market was therefore small. Because the Malaysian economy is based on free trade, Ajinomoto had to contend with stiff competition from similar imported products. We had to lower the costs of production as much as possible to increase sales and make Ajinomoto competitive. Therefore, one of our major tasks was to persuade the Malaysian government to institute protective duties during Ajinomoto (Malaysia)'s infancy. The minimum possible economic scale of production was set at 50 tons a month, and every effort was made to cut the costs involved in procuring the factory site and factory construction. We managed to build the factory and install production facilities for less than ¥500 million, and in the end succeeded in obtaining protective duties on similar seasoning products.

Raw material and labor costs in Malaysia were higher than in other Southeast Asian countries. However, in order to protect and expand the Southeast Asian market Ajinomoto had developed before World War II, it was essential for the company to advance into Malaysia. It was also necessary to build a modernized plant and achieve high productivity in order to keep costs low, while endeavoring to increase sales, including export to other Southeast Asian countries. If we had failed in these, we could have been shut out of the market. Although advance into Malaysia was a corporate necessity for Ajinomoto, it was also an opportunity to cooperate in newly independent Malaysia's nation-building program. The Ajinomoto project was in line with Malaysia's national policy of attracting capital and technology from Japan to produce high

value-added products using Malaysian raw materials. The building of a manufacturing plant in Malaysia naturally profited Ajinomoto Co., and this experience is being put to good use today when the company is establishing plants in Europe and the U.S. as a means to avoid trade friction.

Ajinomoto's advance into Malaysia in 1961 was also my first overseas assignment. From Malaysia, I was transferred to the Philippines and then to Indonesia, and in 1977 was moved back to Malaysia to serve as managing director of Ajinomoto (Malaysia) Bhd. for seven years until I was transferred back to Japan. Between 1961 and 1984, I spent more than 19 years in Southeast Asia and only three in Ajinomoto's Tokyo office. The thing which impressed me most deeply during my years in Southeast Asia was the "Look East" policy adopted by Malaysian Prime Minister Seri Datuk Mahathir Mohamad who took office in July 1981. This policy involves learning from the Japanese experience and has strengthened Malaysia's trading relations with Japan. Prime Minister Mahathir has taken great interest in Japanese-style business management and the productivity improvement movement among Japanese workers.

Ajinomoto (Malaysia) Bhd., on its part, succeeded in cutting down production costs by raising productivity and was able to expand its market by offering products tailored to local market needs through a sales network adapted to local conditions. Ajinomoto (Malaysia) was able to expand its plants every year, because the advance into Malaysia fortunately coincided with the period of Malaysia's economic development. The company was also able to branch out into various new businesses, introduce new technologies from Japan and promote exports from Malaysia.

In an attempt to diversify its business lines, Ajinomoto (Malaysia) began to produce and market soy sauce base, using amino acid as the principal ingredient, and to produce fertilizer. And, as local diets diversified, Ajinomoto (Malaysia) imported food products manufac-

tured by the Japanese parent company and started marketing them in Malaysia. In order to produce the new soy sauce base and fertilizer, the company constructed plants exclusively for their manufacture. The original workforce of 100 employees has swelled to about 300 today. Monthly production has increased to 500 tons, and capital is in excess of M\$25 million. The equity ratio today is 70% Ajinomoto and 30% local capital.

In 1983, the Japanese Chamber of Commerce and Industry in Malaysia was established in Kuala Lumpur, and I was appointed its president. I am proud of the fact that I was able to participate, even in a small way, in the industrialization and economic development of various Southeast Asian countries through my business activities, particularly in Malaysia, during my years overseas. Two years have elapsed since I came back to Japan in 1984. Today I am director of administration of the Nishimachi International School (a school in Azabu, Tokyo, for children of foreign residents from kindergarten to the third year of junior high school). This school is supported in part by Saburosuke Suzuki, chairman of Ajinomoto Co., Inc. I am now devoting myself to the education of children of foreign residents in Tokyo, but not a day passes without recalling my days as a corporate executive in Southeast Asia.

In recalling my time in Malaysia and other ASEAN countries, I feel it is very important for Japanese corporate managers to learn quickly what Southeast Asian people expect from Japanese companies and Japanese technology and to transfer the skills best suited to the technical level of each country.

Particularly in the case of ethnically diverse countries like Malaysia, with its communities of Malays, Chinese, Indians and others, it is essential for Japanese companies and their managers to give full consideration to the cultural characteristics unique to heterogeneous nations, especially the religions of different races. The same can be said of products and personnel administration. We must try to manage a company in a fair and rational way, while willingly listening to the opinions of local people. We must always keep in mind the Southeast Asian criticism that "Japan looks only to the West." Relations between Japan and ASEAN will become closer in the future as ASEAN's industrialization progresses. Therefore, in conclusion, I would like to stress that it is vital for Japan to step up efforts to increase imports of manufactured goods from the ASEAN countries. ●

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