

COMPLETION REPORT

Malaysia in the eyes' of Japanese Multinational Corporations: A Need for New Paradigms?

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The primary objective of this research is to examine the factors that can help Malaysia to attract more foreign direct investment (FDI) from Japan (henceforth JFDI) to further boost Malaysian economic development. In the first paper, I tried to investigate whether there is unique integration or relationship between JFDI in Malaysia versus JFDI in other competitors, which is not limited to ASEAN. General observation is that Malaysia is competing with other ASEAN countries for JFDI, partly because ASEAN is sharing the same endowment and hence, similar economic structure. However, against the non-ASEAN East Asian countries, it seems that JFDI in Malaysia is complementary to JFDI in those destinations. This finding becomes the main policy implication from the first study that Malaysia should focus on developing comparative advantage within East Asian region to be part of crucial regional production networking in order to maintain inflows of JFDI.

In the second paper which is the continuation of the first paper, I tried to address the competing issue within ASEAN for JFDI. The focus is can it be possible to transform competing to complementing. By using threshold effect model, I found that it is possible but a bit challenging. The reason is whether the low income ASEAN countries are willing to sacrifice some sectors and just focus on several few sectors as their main production. While this strategy of economic specialization could be beneficial in the long-run theoretically to all ASEAN members as they can also strengthen ASEAN economic cooperation, but each country needs to come out with sound short-term measure to assure poverty can be alleviated at the same time slowly.

Finally, with the growing interest on institutional quality (IQ), I explored the role of Malaysian IQ level on JFDI. At this stage, I observed that IQ failed to exert any significant impact on JFDI in the first model of direct impact. The second modified model which is based on ratio of IQ also failed to fully explain the behavior of JFDI into Malaysia. The ratio of IQ is based on the assumption that the effectiveness of Malaysian IQ is subject to change in IQ level of competitors. Then I further modified the model by employing threshold effect case and found weak evidence that the effect of Malaysian IQ is seriously affected by the behavior of IQ in neighboring competitors. Since the results are poorly supporting the role of IQ, I conducted several discussions with economic experts, ranging from those at high rank in government institution such as Security Commission and also those from Japanese MNCs. According to them, nothing weird with my finding as most Japanese MNCs believe Malaysian IQ is relative good and no issue on that, but insist that it may not be sufficient to allow them to produce at competitive cost as compared to other ASEAN countries. Hence, maintaining IQ is good but no assurance that it will lure more JFDI in the future.

Publication of the Results of Research Project:

Verbal Presentation (Date, Venue, Name of Conference, Title of Presentation, Presenter, etc.)

1st Paper:

Date & Venue: 28-29 January 2016 at Hotel NEO Kuta, Bali, Indonesia.

Conference: 1st International Conference on Advanced Business & Social Sciences (ICABSS-2016).

Paper Title: Japanese FDI in Malaysia and Other Asian Countries: Are They Co-Integrated?

Author: Tajul Arlffin Masron (also the presenter).

Future Publication: Plan to be submitted to Malaysian Journal of Economic Studies (SCOPUS).

2nd Paper:

Date & Venue: 28-30 August 2016, at Primula Beach Hotel, Kuala Terengganu, Malaysia.

Conference: 4th International Conference on Accounting, Business & Economics 2016 [BEST PAPER AWARD]

Paper Title: Japanese FDI and the effectiveness of Institutional Quality in Malaysia.

Authors: Tajul Ariffin Masron (presenter) & Takemi Fujikawa (co-author).

Future publication: accepted for publication at Journal of Sustainability Science & Management (JSSM) by Universiti Malaysia Terengganu (SCOPUS)

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Conference: 4th international Conference on Accounting, Business & Economics 2016,

Paper Title: Japanese FDI in Malaysia and Other ASEAN countries: Will Specialization Helps to make Them Complementary?

Authors: Tajul Ariffin Masron and Ema IzatiZuII Kepili (presenter).

Future Publication: Plan to submit to International Economic Journal (SCOPUS) by Taylor & Francis after revision.

Thesis (Name of Journal and its Date, Title and Author of Thesis, etc.)

Book (Publisher and Date of the Book, Title and Author of the Book, etc.)