

**The Current State
of
Japanese Affiliated Manufacturers
in ASEAN***

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* เอกสารนี้เป็นผลการวิจัย ซึ่งสำนักงาน Jetro ที่อยู่ในประเทศ ASEAN ได้ส่งแบบสอบถามต่อนักธุรกิจญี่ปุ่นที่เข้าไปลงทุนในประเทศ ASEAN ในปี 1995 ซึ่งมีหลายประเด็นที่น่าสนใจ ในการที่จะศึกษาถึงทัศนะและปัญหาในการลงทุนของกลุ่มนักลงทุนชาวญี่ปุ่น เอกสารนี้เป็นเอกสารภายใน ซึ่งได้จัดทำขึ้นทุกปี บรรณาธิการใคร่ขอขอบคุณต่อทางสำนักงาน Jetro ประเทศไทย ที่ได้ให้ความอนุเคราะห์เอกสารนี้ในการตีพิมพ์ในวารสารฉบับนี้

Preface

This report presents the results of a survey conducted by JETRO on the current state of Japanese manufacturers with operations in Thailand, Malaysia, the Philippines, Indonesia, and Singapore. The survey was conducted between December 1995 and January 1996 by sending questionnaires through JETRO's overseas centers to 2,262 companies in those countries. Replies were received from 977 companies (43.2 percent of those surveyed).

< Assemblers and Parts Manufacturers Almost Equal in Number >

A total of 977 companies located in the five countries submitted responses to this survey. A breakdown of the businesses by type reveals that manufacturers of electronics and electrical equipment make up the largest group, with a 24.3 percent share (237 companies). Other companies include manufacturers of metal products, accounting for 10.7 percent (104 companies), chemical and pharmaceutical product makers at 10.2 percent (100 companies), textiles and textile product manufacturers at 8.8 percent (86 companies), and makers of transport equipment accounting for 8.5 percent (83 companies). The presence of metal product manufacturers in all of the countries except Malaysia has been increasing, displaying an overall growth of 2.5 points over the previous year. Product processes consist of manufacturers of parts and other intermediate components, and company sizes are chiefly small and medium sized firms, with many having started operation fairly recently.

With the exception of the Philippines and Indonesia, electronics and electrical equipment manufacturers comprised the largest response group among the various business-type categories, particularly Malaysia, with 33.1 percent, and Singapore with 29.8 percent. Makers of transport equipment in the Philippines accounted for a 19.3 percent share, comparatively larger than in other countries. The Philippine government requires of all automobile assemblers procurement of a fixed quantity of parts through local suppliers and acquisition of foreign currency, which has attracted an increasing number of automobile parts manufacturers to the area. Makers of textiles and textile products were prevalent in Indonesia with a 19.7 percent share,

the highest presence among the five countries. Chemical and pharmaceutical product manufacturers ranked higher in Singapore, with 16.3 percent, and Indonesia, with 14.8 percent, than in the other countries.

Data compiled concerning the businesses by product process show final assembly accounting for 44.3 percent (398 companies), parts and components manufacturing for 40.8 percent (367 companies), and material processing for 27.0 percent (243 companies), with comparable totals for assembly processing and parts manufacturing (including repetitive responses). A by-country breakdown reveals final assembly in Thailand and the Philippines accounting for 52.2 percent and 51.3 percent of respondents respectively. Parts and component manufacturing in Malaysia and Singapore accounted for 48.0 percent and 46.3 percent, surpassing figures for final assembly, at 38.7 percent and 36.8 percent, in those countries. Singapore, acting as an international procurement office (IPO) for parts, has contributed to the increase of parts manufacturers there. Indonesia has a moderate balance among each form of business with final assembly accounting for 40.0 percent, parts manufacturing for 35.1 percent, and material processing for 36.8 percent. Compared with the other countries, material processing companies in Indonesia constituted a relatively high presence.

Among companies in the parts and components manufacturing or material processing categories, nearly half, at 47.6 percent (268 companies), responded that business transactions were primarily with companies dealing in electronics and electrical equipment (and, in some cases, with companies dealing in other types of business as well). A by-country breakdown of these companies reveals relatively high figures for Malaysia and Singapore with respondents totaling 61.9 percent and 60.3 percent respectively. Firms responding that business transactions were with companies dealing in transport equipment totaled 20.2 percent (114 companies), less than half of those responding that business was conducted with electronics and electrical equipment-related companies. A comparison of data for the automobile, electronics and electrical equipment industries, the two largest groups of respondents among transport equipment makers, reveals that precision and quality standards are higher for automobile parts and components than for electronics and electrical equipment parts. As engineers qualified to produce such parts are still few in number

in Southeast Asia, manufacturers of automobile parts and components are still outnumbered by makers of parts for electronics and electrical equipment.

<Indonesia Leads in Number of Companies Commencing Operation after 1990>

Among Japanese manufacturers in Southeast Asia responding to the survey, 38.5 percent (360 companies) began operations between 1986 and 1990, and 30.4 percent (284 companies) did so after 1990, so that a total of 69.0 percent commenced operations sometime during the ten-year period following the Plaza Accord. Looking at data on the date of operational startup on a country-by-country basis shows that prior to 1969 60.9 percent of the firms they established in Southeast Asia were located in Thailand. Of the firms they established in the region between 1986 and 1990, the period immediately following the Plaza Accord, Thailand and Malaysia accounted for 45.8 percent and 31.1 percent respectively. The largest proportion - some 31.7 percent - of the firms they established in the region after 1990 were located in Indonesia, with the Philippines accounting for another 13.4 percent, the country's first double-digit share.

<Approximately 70 percent of Japanese Manufacturers in Southeast Asia Enjoying Profitable Operations>

Data collected concerning operating revenue for Japanese manufacturers in Southeast Asia reveal 68.0 percent of the firms operating in the black (among these, 10.3 percent recording an exceptional surplus), 11.7 percent breaking even, and 20.3 percent in the red (6.9 percent significantly so). According to a similar survey conducted by JETRO over the same period involving Japanese firms in the United States and Europe, 66.5 percent of the companies in the United States, and 57.5 percent of those in Europe, responded that they were enjoying profitable operations. By comparison, Japanese firms in Southeast Asia appear to be experiencing a higher success ratio.

Many of the Japanese firms with production bases in Southeast Asia have only been there a relatively short time. Among those companies that began operating prior to 1991, 76.1 percent are in the black. Companies just starting out often require two to three years to recover initial investments prior to turning a profit. Accordingly, only 49.6 percent of the firms in Southeast Asia that began after 1990 presently realize a profit.

A breakdown by country of companies with profitable operations shows Singapore in the lead with 79.2 percent, Thailand, Malaysia, and Indonesia with percentages in the upper 60s, and the Philippines trailing with only 48.0 percent. However, this figure is largely due to the fact that many Japanese firms relocated to the Philippines during the early 1990s; 74.3 percent of the companies who began operations prior to 1991 are presently in the black.

<Gaining Access to Local Markets>

For each country, topping the list of reasons behind transferring production to Southeast Asia was "gaining access to local markets," accounting for 36.5 percent (349 companies) of responses overall. In Indonesia, 45.7 percent cited the large population, while in Singapore, 47.0 percent mentioned increases in income levels, which were recognized as contributing to greater purchasing power among consumers. Furthermore, Japanese firms in Singapore view the surrounding countries, including Malaysia and Indonesia, as extensions of the Singapore market, providing a broad interpretation of the consumer market.

The reasons provided by companies located in the Philippines for relocating were varied, with 24.7 percent (20 companies) citing access to local markets, a comparatively lower ratio than in the other countries, 21.0 percent (17 companies) cited "providing export production bases to a third country or countries," and 21.0 percent (17 companies) pointing to labor shortages.

In Malaysia, second to gaining access to local markets came "at the request of Japanese assemblers" with 24.2 percent (64 companies), revealing a deviation from the other countries. This figure reflects the strong presence of Japanese electronics and electrical equipment manufacturers in the region, resulting in a growing number

of parts and material processing makers also establishing operations in the latter half of the 1980s.

A by-country look at primary reasons for location selection shows more than half of the firms choosing Thailand citing social and political stability, at 65.6 percent, and a competent labor force, at 51.9 percent. Both of these responses were prevalent among companies commencing operations following the Plaza Accord.

A significant number of companies in Malaysia specified political and social stability (76.0 percent), infrastructure (50.8 percent), and foreign investment incentives (47.7 percent) as reasons for relocating to that country. Although the infrastructures of many countries throughout Southeast Asia have not been able to effectively keep up with rapid economic growth, Malaysia has been recognized for its efficient infrastructure. Also, among the five countries, companies citing foreign investment incentives were most prevalent in Malaysia, mostly from firms having commenced operations between 1986 and 1990, reflecting the Malaysian government's decision in 1986 to liberalize policies concerning foreign capital investments.

An impressive 81.9 percent of firms in the Philippines cited a competent work force (in terms of quality, education, and trainability) as one of the primary reasons for selecting that country. Philippine workers are highly regarded for their high percentage of college graduates, their English language skills, and their aptitude for work requiring attention to fine detail. The second most commonly cited reason for relocating in the Philippines was low-cost labor (53.0 percent).

The most common responses among companies in Indonesia for relocating there was low-cost labor, at 61.4 percent, followed by local market potential, with 60.4 percent, reflecting the strong influence of Indonesia's population of 190 million, the largest in Southeast Asia. Among the companies citing local market potential, most commenced operations either during the 1970s (73.4 percent) or the first half of the 1980s (72.7 percent), while a majority of the companies indicating low-cost labor got their start following the Plaza Accord, particularly after 1990 (69.3 percent). Only a small percentage of the companies having begun operations during the first half of the 1980s cited political and social stability as a reason for selecting Indonesia, whereas nearly half of the companies getting their start after 1985 gave that as one of

their reasons for country selection, attesting to the stability provided by the Suharto government.

In Singapore, in addition to political and social stability (76.8 percent), many companies cited the infrastructure (69.7 percent), with its first-rate communications and harbor facilities, as among the primary reasons for location selection.

<Shortage of Candidates for High-Ranking Job Positions Bolsters Wage Increases>

Companies in Singapore offered the highest average starting monthly wages for junior high school graduates at US\$630, followed by Malaysia at \$182, Thailand at \$173, the Philippines at \$134, and Indonesia at \$73. At \$783 the average monthly wage for factory workers in Singapore considerably exceeds the figures in other countries of the region, with the average wage at \$244 in Malaysia, \$234 in Thailand, \$191 in the Philippines and \$121 in Indonesia. Compared with the previous year, wages in Malaysia increased by 10.4 percent, resulting from labor shortages there. Wages increased in Thailand by 8.8 percent and in Indonesia by 5.2 percent while salaries in the Philippines remained unchanged. The salaries for factory workers at many Japanese firms in the Philippines are set in accordance with the minimum wage there, which has not risen since the last survey was conducted, but the increased value of the peso against the dollar is also believed to play a role.

Starting salaries for technical college graduates averaged \$1,361 in Singapore, \$614 in Malaysia, \$485 in Thailand, \$267 in Indonesia, and \$197 in the Philippines. Although starting salaries for graduates of technical colleges in most of these countries are roughly twice those of factory workers, in the Philippines the variance is markedly less. This is due to the large percentage of qualified technical college-level graduates in that country.

Data concerning salaries for division and department managers show a higher average rate of increase in comparison to average wage increases among factory workers. A shortage of qualified candidates to fill management-level positions has pushed salaries up. A breakdown by country of average monthly salary levels for division and department managers reveals three general groupings, with companies in Singapore offering considerably higher wages than the other countries (division

manager: \$2,900 level, department manager: \$3,300 level), followed by Thailand and Malaysia (division manager: \$1,100 level, department manager: \$1,700 to \$1,800 level), and the Philippines and Indonesia (division manager: \$600 level, department manager: \$1,000 to \$1,100 level).

<Problems Faced by Japanese Manufacturers in Southeast Asia>

The most common business-related issue for Japanese firms in Southeast Asia is the same one which occupied the number one position in surveys conducted in 1993 and 1994, namely difficulties with labor, accounting for 64.1 percent (610 companies) of overall responses. The second most prevalent business-related problem, cited by 62.6 percent (596 companies) of respondents, was wage increases, followed by unstable exchange rates, at 48.4 percent (461 companies).

For companies in Thailand, 65.4 percent expressed wage increases as the most significant business-related problem. Survey results show average salary increases in Thailand of 11.5 percent for division managers and 8.8 percent for factory workers, among the highest salary increases in Southeast Asia. In second place, accounting for 61.9 percent of responses, were labor-related problems, such as job hopping and intensification of wage increase negotiations between labor unions and management. Firms that cited unstable exchange rates have suffered increasing import costs for equipment, machinery and parts from Japan as a result of the decreased value of the Thai baht (along with the US dollar) against the yen. Quality management was ranked fifth with 42.3 percent of responses.

In Malaysia, problems concerning labor were the most prevalent, cited by 88.6 percent of firms there and wage increases came in second, with 72.0 percent. Large salary increases common to U.S., European, and NIES companies have had a major impact on Japanese companies in the area, with some companies being pressed to increase salaries annually by 10 percent or more. Competition from other manufacturers and suppliers was ranked fifth among business-related problems in Malaysia, accounting for 35.2 percent of responses. Many of these companies acknowledged that competition was not restricted to products produced by rival

companies in Malaysia, but also included products manufactured in neighboring countries, including China, Sri Lanka, and Thailand, as well.

The top business-related problems cited by companies in the Philippines concerned labor difficulties and wage increases, accounting for 51.9 percent of responses. Labor problems included job hopping and difficulties with labor unions. Problems stemming from wage increases were not as widespread among factory workers and other general workers as in management-level positions. The last two years have witnessed a rush among companies to establish production bases in the Philippines and, during this time, shortages of qualified candidates to fill management positions, such as personnel and accounting-related responsibilities, have grown more prevalent and changing jobs in search of better working conditions has become more commonplace. Both of these factors have brought about increases in management-level salaries. Department managers in the Philippines, with an average monthly salary of \$1,047, an increase of 15.1 percent over the previous year, enjoyed a higher salary-rate increase than any other job position.

While many firms in Indonesia had praise for the efforts of the government there, business-related problems included complex administrative procedures (53.8 percent), tariff and customs procedures (49.2 percent), and domestic taxes (41.5 percent). Firms dependant on various imports suffered a blow with the exceptionally strong appreciation of the yen, resulting in a rise from the previous survey in responses citing unstable exchange rates, from 36.2 percent to 50.8 percent.

In Singapore business-related problems included wage increases, accounting for 83.3 percent of responses, and labor problems, accounting for 77.5 percent. In addition to job hopping, many labor-related problems, such as excessive restrictions concerning the employment of foreign workers, and difficulty in acquiring work permits for foreign workers, were mentioned.

< Plans to Restructure Production Systems in Asia >

Among the companies responding to the survey, 58.5 percent (548 companies) acknowledged having plans to restructure production systems (through further development of production bases) while 41.5 percent (388 companies) responded that

they had no such plans. Over half of the firms located in each of the five countries expressed having plans for further production base development, the highest proportion in Singapore with 74.5 percent, followed by Malaysia with 62.7 percent. Survey responses from 1993 and 1994 show that only 40.5 percent of companies in 1993, and 48.5 percent in 1994 had plans to shift production operations. The strong yen and recent efforts to gain better access to, and realize growth in various markets have provided support for this recent increase in firms contemplating production shifts to Asia.

A closer look at various production base development plans reveals 55.3 percent (289 companies) of respondents intend to diversify product lines of present production bases, showing little change from statistics for the previous year, with 55.5 percent of respondents expressing the same intentions. Companies with this strategy were most prevalent in Indonesia, comprising 71.4 percent of the firms there, followed by the Philippines with 68.4 percent.

Companies responding that plans included relocating present production bases to a third country were 31.0 percent (162 companies), an increase over the previous year from 17.9 percent. A by-country breakdown shows Singapore with the highest proportion of such firms at 52.7 percent. These figure reflects the high wages, labor shortages, and shortages in land for industrial use faced by companies in Singapore, as well as the government's localization policy, which encourages Singapore's foreign direct investment in the region. A fairly large proportion of companies in Malaysia with 37.3 percent, also responded that they intended to move present production bases to a third country. When asked where present production bases would be relocated, 49.4 percent (78 companies) indicated Southeast Asia, followed by 25.3 percent (40 companies) responding that China would be the new site. Among firms planning a relocation to another country, 82.7 percent responded that they did not intend to close down their present production base, but only transfer part of production to the new location. These results indicate efforts by Japanese firms to realize advantageous production operations through effective distribution of production bases throughout Asia.

Companies responding that relocation plans included transferring from Japan or a third country to the present production base were 26.6 percent (139 companies), a reduction from 37.8 percent indicating the same plans a year earlier. A breakdown by

country shows Thailand with 33.8 percent, Malaysia with 28.1 percent, and Indonesia with 23.5 percent. Among reasons provided for these plans, investment conditions conducive to production was cited as the most common, accounting for 42.4 percent (112 companies) of responses, an indication of the production diversification and increased potential evident in the Southeast Asia region. A by-country look at the companies citing favorable investment conditions behind plans to relocate to the present production base, Indonesia constituted the largest proportion with 61.1 percent. Eight of the eleven chemical and pharmaceutical product companies and six of the twelve electronics and electrical equipment makers there gave that as grounds for relocation plans. Another reason cited for transferring operations to the present production base was a drop in price competitiveness in Japan or in other countries, accounting for 39.8 percent (105 companies) of responses, with particularly high percentages from companies in Thailand and Indonesia. A majority of these firms are from the electronics and electrical equipment or textile industries, and fall into the final assembly product process category.

Another reason behind plans to restructure production operations included strengthening of R & D and design functions of the present production base, accounting for 17.8 percent (93 companies) of responses. Among these companies, a large share were located in Singapore (28.4 percent), and the Philippines (26.3 percent). In addition to high education standards and engineers capable of communicating in English in both of these countries, Singapore offers attractive incentives to firms with R & D functions, including research and development subsidies.

Table 1. Distribution of Respondents by Sector

(Units: no. of companies, share %)

	Total	Thailand	Malaysia	Philippines	Indonesia	Singapore
Textiles and textile products	86 (8.8)	30 (9.5)	10 (3.7)	6 (7.2)	40 (19.7)	- (0.0)
Chemical and pharmaceutical products	100 (10.2)	31 (9.8)	15 (5.6)	7 (8.4)	30 (14.8)	17 (16.3)
Metal products	104 (10.7)	39 (12.3)	21 (7.8)	12 (14.5)	18 (8.9)	14 (13.5)
Electronic and electrical equipment	237 (24.3)	74 (23.3)	89 (33.1)	13 (15.7)	30 (14.8)	31 (29.8)
Transport equipment	83 (8.5)	28 (8.8)	19 (7.1)	16 (19.3)	16 (7.9)	4 (3.8)
Others	416 (40.5)	132 (41.6)	124 (46.1)	36 (43.4)	78 (38.4)	46 (44.2)
Total responding companies	977	317	269	84	203	104

Notes: 1) Data presented in the "other" category comprises: Food, and agricultural and marine products processing; Wood, pulp, and paper; Petroleum products; Ceramics; Iron, steel, and nonferrous metals; General machinery; Precision equipment; Other sectors of the manufacturing industry

2) As some companies submitted responses for more than one type of business, totals for business types do not always coincide with the total number of manufacturers, including one company from the Philippines which did not provide a response

3) Fractional share percentage values appear for valid responses (the same applies for the following tables)

Table 2. Distribution of Respondents by Process

(Units: no. of companies, share %)

	Total	Thailand	Malaysia	Philippines	Indonesia	Singapore
Final assembly	398 (44.3)	154 (52.2)	96 (38.7)	39 (51.3)	74 (40.0)	35 (36.8)
Parts or component manufacturing	367 (40.8)	108 (36.6)	119 (48.0)	31 (40.8)	65 (35.1)	44 (46.3)
Material processing	243 (27.0)	74 (25.1)	65 (26.2)	12 (15.8)	68 (36.8)	24 (25.3)
Total valid responses	899	295	248	76	185	95

Note: Includes repetitive responses

Table 3. Commencement of Operations (Share by Country)

(Units: no. of companies, share %)

	Total	Thailand	Malaysia	Philippines	Indonesia	Singapore
prior to 1970	46 (4.9)	28 (9.1)	8 (3.1)	5 (6.7)	0 (0.0)	5 (5.0)
1970 ~ 1979	180 (19.3)	33 (10.7)	36 (14.1)	9 (12.0)	66 (34.0)	36 (35.6)
1980 ~ 1985	64 (6.9)	10 (3.2)	23 (9.0)	2 (2.7)	11 (5.7)	18 (17.8)
1986 ~ 1990	360 (38.5)	165 (53.4)	112 (43.9)	21 (28.0)	27 (13.9)	35 (34.7)
after 1990	284 (30.4)	73 (23.6)	76 (29.8)	38 (50.7)	90 (46.4)	7 (6.9)
Total valid responses	934	309	255	75	194	101

Table 4. Commencement of Operations (Share by Period)

(Units: no. of companies, share %)

	Total	Thailand	Malaysia	Philippines	Indonesia	Singapore
prior to 1970	46 (100.0)	28 (60.9)	8 (17.4)	5 (10.9)	0 (0.0)	5 (10.9)
1970 ~ 1979	180 (100.0)	33 (18.3)	36 (20.0)	9 (5.0)	66 (36.7)	36 (20.0)
1980 ~ 1985	64 (100.0)	10 (15.6)	23 (35.9)	2 (3.1)	11 (17.2)	18 (28.1)
1986 ~ 1990	360 (100.0)	165 (45.8)	112 (31.1)	21 (5.8)	27 (7.5)	35 (9.7)
after 1990	284 (100.0)	73 (25.7)	76 (26.8)	38 (13.4)	90 (31.7)	7 (2.5)
Total of all periods	934 (100.0)	309 (33.1)	255 (27.3)	75 (8.0)	194 (20.8)	101 (10.8)

Table 5. Operating Revenue Status

(Units: no. of companies, share %)

	Total	Thailand	Malaysia	Philippines	Indonesia	Singapore
Surplus	629 (68.0)	214 (69.2)	178 (69.0)	36 (48.0)	125 (66.8)	76 (79.2)
Among these, companies commencing operations during or prior to 1990	477 (76.1)	170 (74.6)	130 (74.3)	26 (74.3)	79 (78.2)	72 (81.8)
Balance	108 (11.7)	45 (14.6)	25 (9.7)	14 (18.7)	13 (7.0)	11 (11.5)
Deficit	188 (20.3)	50 (16.2)	55 (21.3)	25 (33.3)	49 (26.2)	9 (9.4)
Total valid responses	925	309	258	75	187	96

Table 6. Reasons for Relocation

(Units: no. of companies, share %)

	Total	Thailand	Malaysia	Philippines	Indonesia	Singapore
Better access to local markets	349 (36.5)	114 (36.5)	77 (29.2)	20 (24.7)	91 (45.7)	47 (47.0)
To provide export production bases for third country(s)	124 (13.0)	37 (11.9)	32 (12.1)	17 (21.0)	21 (10.6)	17 (17.0)
Labor shortage	104 (10.9)	40 (12.8)	22 (8.3)	17 (21.0)	23 (11.6)	2 (2.0)
Countermeasure to address strong appreciation of yen	125 (13.1)	55 (17.6)	35 (13.3)	15 (18.5)	14 (7.0)	6 (6.0)
At the request of Japanese assemblers	145 (15.2)	39 (12.5)	64 (24.2)	5 (6.2)	19 (9.5)	18 (18.0)
Total valid responses	956	312	264	81	199	100

Note: Other reasons for relocation not appearing in this table include: To avoid import restrictions; Better access to materials, parts, components, etc.; Better access to information on particular industries or markets

Table 7. Reasons for Selecting Location

(Units: no. of companies, share %)

	Total	Thailand	Malaysia	Philippines	Indonesia	Singapore
Political and social stability	566 (59.3)	206 (65.6)	199 (76.0)	9 (10.8)	76 (38.6)	76 (76.8)
Incentives for foreign investment	322 (33.7)	97 (30.9)	125 (47.7)	34 (41.0)	30 (15.2)	36 (36.4)
Infrastructure	264 (27.6)	36 (11.5)	133 (50.8)	7 (8.4)	19 (9.6)	69 (69.7)
Labor force (quality, education, and trainability)	420 (44.0)	148 (47.1)	86 (32.8)	68 (81.9)	75 (38.1)	43 (43.4)
Potential of local market	364 (38.1)	136 (43.3)	70 (26.7)	25 (30.1)	119 (60.4)	14 (14.1)
Low-cost labor	449 (47.0)	163 (51.9)	108 (41.2)	44 (53.0)	121 (61.4)	13 (13.1)
Total valid responses	955	314	262	83	197	99

Notes: 1) Due to multiple responses, totals for each category do not always coincide with overall values, or total 100%

2) Other reasons for location selection not appearing in this table include: Export promotion measures; Satisfactory supporting industries; Low tariff rates and favorable import policies for parts, components, and materials; Financial conditions; Flexible administrative procedures (visa, employment and work permits, administrative organization, and procedures for establishing private corporations)

Table 8. Wages

(Units: no. on top is wages in US\$, no. in parenthesis is rate of increase %)

	Thailand	Malaysia	Philippines	Indonesia	Singapore
Starting wages for jr. high school graduates	173 (4.2)	182 (15.9)	134 (▲1.5)	73 (2.8)	630 (15.0)
Starting wages for graduates of a technical college	485 (6.4)	614 (11.0)	197 (▲7.1)	267 (6.8)	1,361 (13.0)
Average wages for factory workers	234 (8.8)	244 (10.4)	191 (0.0)	121 (5.2)	783 (1.6)
Average wages for division managers	1,188 (11.5)	1,161 (10.6)	693 (4.2)	650 (2.5)	2,917 (22.7)
Average wages for department managers	1,865 (6.2)	1,710 (9.5)	1,047 (15.1)	1,124 (▲0.7)	3,353 (6.2)

Note: 1) Monthly wages, including bonuses and various allowances
 2) ▲ indicates a decrease

Table 9. Top Five Business-related Problems

(Units: no. of companies, share %)

	Total	Thailand	Malaysia	Philippines	Indonesia	Singapore
1st	Labor-related problems 610 (64.1)	Rise in Wages 204 (65.4)	Labor-related problems 234 (88.6)	Labor-related problems and rise in wages 41 (51.9)	Complexity of administrative procedures 105 (53.8)	Rise in Wages 85 (83.3)
2nd	Rise in Wages 596 (62.6)	Labor-related problems 193 (61.9)	Rise in Wages 190 (72.0)		Exchange fluctuations 99 (50.8)	Labor-related problems 79 (77.5)
3rd	Exchange rate fluctuations 461 (48.4)	Tariff and customs procedures 170 (54.5)	Exchange fluctuations 124 (47.0)	Exchange fluctuations 40 (50.6)	Tariff and customs procedures 96 (49.2)	Exchange fluctuations 64 (62.7)
4th	Tariff and customs procedures 351 (36.9)	Exchange rate fluctuations 134 (42.9)	Difficulty in obtaining visas or work permits 103 (39.0)	Poor infrastructure 39 (49.4)	Taxes 81 (41.5)	Competition with other manufacturers and suppliers 60 (58.8)
5th	Competition with other manufacturers and suppliers 339 (35.6)	Quality control 132 (42.3)	Competition with other manufacturers and suppliers 93 (35.2)	Tariff and customs procedures 34 (43.0)	Rise in Wages 76 (39.0)	Unfavorable market conditions 28 (27.5)

Note: Includes multiple responses

Table 10. Plans to Restructure Production Systems in Asia

(Units: no. of companies, share %)

	Total	Thailand	Malaysia	Philippines	Indonesia	Singapore
Yes, have plans	548 (58.5)	165 (54.1)	165 (62.7)	40 (51.3)	102 (54.3)	76 (74.5)
Relocate present production base to a third country	162 (31.0)	34 (21.3)	57 (37.3)	11 (28.9)	21 (21.4)	39 (52.7)
Transfer from Japan or a third country to present production base	139 (26.6)	54 (33.8)	43 (28.1)	6 (15.8)	23 (23.5)	13 (17.6)
Diversify product line of the present production base	289 (55.3)	87 (54.4)	71 (46.4)	26 (68.4)	70 (71.4)	35 (47.3)
Strengthen R & D functions of present production base	93 (17.8)	27 (16.9)	25 (16.3)	10 (26.3)	10 (10.2)	21 (28.4)
No, have no plans	388 (41.5)	140 (45.9)	98 (37.3)	38 (48.7)	86 (45.7)	26 (25.5)