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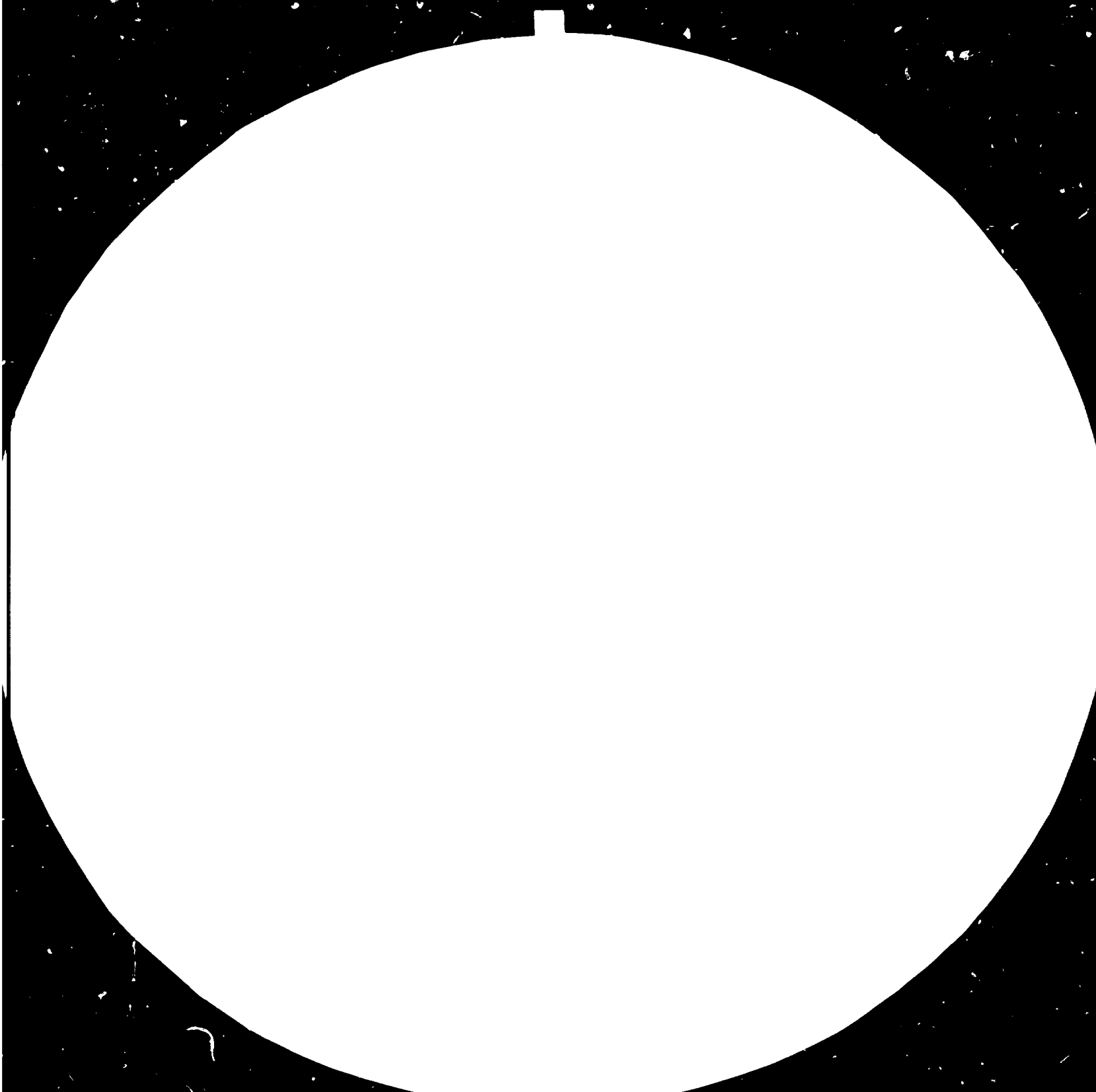
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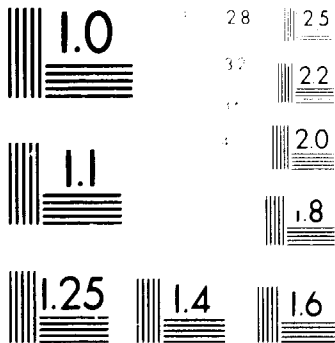
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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Japan.

Consulting Services Offered

by

the Engineering Consulting Firms
Association, Japan

to

the UNIDO Investment Promotion Service, Tokyo

(US/GLO/83/108)

Final Report

June, 1984

Engineering Consulting Firms Association, Japan

I. INTRODUCTION

1 In accordance with the agreement made with UNIDO, the Engineering Consulting Firms Association, Japan (ECFA) provided consultancy services to assist UNIDO Investment Promotion Service, Tokyo's activities of helping developing countries obtain greater access to potential Japanese partners and accelerating Japanese investment and transfer of investment related technology to developing countries.

2 ECFA's consulting services for this project amounted to seven man-months during the period April 1983 to March 1984. The services were executed by two consultants. Their names and the amount of consulting services provided are given below.

Mr. Akira Kuroki	3 man-months
Mr. Munehiro Shimada	4 man-months

This report summarizes the activities undertaken and the consulting services provided by ECFA for this project.

II. OUTLINE OF THE PROJECT

3 ECFA's consulting services were concentrated on giving technical advisory support for the following three major activities:

- (1) Promotion and dissemination of information to the Japanese business community concerning Investment Promotion Meetings and Investors' Forums in developing countries organized by UNIDO.
- (2) Assistance to investment promotion missions from developing countries to Japan.

- (3) Promotion of specific investment projects identified by the UNIDO Investment Co-operative Programme Branch including visits to target countries to ascertain the technical and economic aspects of the projects.

The schedule of the Consultant's activities is shown in Appendix I.

III. ACTIVITIES FOR THE INVESTMENT PROMOTION MEETINGS AND INVESTORS' FORUMS

4 UNIDO, IPS Tokyo regularly publicizes to the Japanese business community information concerning the Investment Promotion Meetings and Investors' Forums which are organized by UNIDO in various developing countries. Two meetings of this kind were organized by UNIDO Headquarters during the period of this project.

Regional Investment Promotion Meeting for the Southern African Region (covers Angola, Botswana, Lesotho, Malawi, Mauritius, Swaziland, Tanzania, Zambia, and Zimbabwe)	Lusaka, Zambia	17-21 October, 1983
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Peru Investors' Forum	Lima, Peru	14-16 November, 1983
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5 As a means of publicizing these meetings and forums to the Japanese business community, IPS Tokyo arranged seminars in order to disseminate information and to encourage Japanese potential investors to attend the meetings and forums. The seminars held by IPS Tokyo are as follows:

Tokyo Seminar for the Lusaka Regional Investment Promotion Meeting	September 14, 1983
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Tokyo Seminar for the Peru Investors' Forum	October 14, 1983
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6 The Consultant's activities with respect to the Investment Promotion Meeting and the Investors' Forum are as follows:

- (1) giving assistance in publicizing the Meeting and Forum to the Japanese business community;
- (2) giving advice and assistance in the arrangement and organization of the Tokyo Seminars;
- (3) giving advice and assistance in compiling promotional documents for the Tokyo Seminars;
- (4) undertaking follow-up activities concerning the Meeting and Forum.

7 As a result of the publicity campaign, four industrialists took part in the Lusaka Regional Investment Promotion Meeting and five representatives of a leading Japanese trading company participated in the Peru Investors' Forum.

IV. ACTIVITIES FOR THE INVESTMENT PROMOTION MISSION FROM DEVELOPING COUNTRIES TO JAPAN

8 Developing countries regularly field investment promotion missions to Japan in order to encourage investment from Japan to their respective countries. IPS Tokyo provides support to the missions by publicizing their presence and disseminating information concerning the country to the Japanese business community and by helping them contact potential Japanese investors. Two such missions visited Japan during this project.

Investment Promotion Mission from Kenya	April 14-22, 1983
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Investment Promotion Mission from Barbados	June 18-25, 1983
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9 IPS Tokyo organized the following seminars in Japan in order to give the Missions an opportunity to present information concerning the countries' investment climate and policies, to introduce specific investment projects, and to hold discussion with the Japanese potential investors.

Kenya

Tokyo Investment Seminar	April 19, 1983
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Barbados

Tokyo Investment Seminar	June 21, 1983
Osaka Investment Seminar	June 24, 1983

10 The Consultant's activities with respect to the investment promotion missions are as follows:

- (1) assisting IPS Tokyo in the arrangement and organization of the Investment Seminars in Japan;
- (2) giving assistance and guidance in compiling promotional documents for the Mission;
- (3) giving assistance and guidance in publicizing the Missions' presence and the Investment Seminars;
- (4) arranging contacts with relevant firms and organizations as given below.

Kenya

Japan Overseas Development Corporation (JODC)	to study the role and function of JODC in promoting industrial development and trade between Japan and developing countries
Yoshida Kogyo, K.K. (YKK)	to have discussions on the possibility of a joint-venture Zipper Manufacturing Project in Kenya
Kokuyo Printing & Building Corporation	to have discussions concerning industrial co-operation and to observe the factory production process of notebooks

Barbados

Ministry of International
Trade and Industry

to exchange views and information concerning the possibility of furthering economic ties between Barbados and Japan

Japan External Trade
Organization (JETRO)

to receive an explanation concerning the function of the organization

Japan International
Co-operation Agency
(JICA)

"

Various Japanese firms

to undertake business discussions on possible investment projects and to observe manufacturing processes in factories

V. ACTIVITIES TO PROMOTE SPECIFIC INVESTMENT PROJECTS

11 In addition to the general dissemination of information to the Japanese business community with respect to specific investment promotion meetings and missions, in order to obtain maximum results, it is considered more efficient to adopt a strategy of pin-pointing specific sectors and projects for investment promotion and to target a concentrated approach of promoting investment from the Japanese business community.

12 In undertaking targeted investment promotion activities, the Consultant in consultation with IPS Tokyo, selected specific countries and/or industrial sectors as targets for investment promotion in the Japanese business community. In the course of selecting the target countries and sectors, the Consultants conducted a study of factors

influencing Japanese investment abroad such as the organizational and technical characteristics of Japanese industries, the current climate and policy measures in developing countries concerning investment, and the international economic environment. As a result of this study, the Consultant selected Indonesia, Malaysia, and Nepal as the target countries for promoting investment from Japan during this Project.

13 The Consultant then began concentrated investment promotion concerning these target countries. In doing so, the Consultant selected specific investment projects for promotion in the Japanese business community. This is because it is ECFA's belief that to promote investment successfully, it is necessary to approach firms with very concrete project proposals.

14 The Consultant therefore utilized the investment projects registered with UNIDO's Investment Co-operative Programme as the source for the project proposals. From UNIDO's roster of investment projects, the Consultant selected 32 projects in Indonesia and 18 in Malaysia for active promotion.

15 For Nepal, the Consultant from a Project Profile supplied by UNIDO headquarters selected a sugar processing plant project as appropriate for promotion in the Japanese business community. A list of the specific projects is given in APPENDIX II.

16 After carefully reviewing the investment projects, the Consultant then selected firms with a potentially high interest in the project and in the target country. The Consultant selected the firms to be approached by making efficient use of various information sources, some of which are given below:

- (1) the Roster of Resources compiled by IPS Tokyo in 1982 to identify Japanese potential investors;
- (2) List of Potential Investors in Japan, 1982 and 1983, JETRO;
- (3) membership lists of relevant associations such as the Japan Chamber of Commerce and Industry and co-operation and "friendship" associations between Japan and the target countries;
- (4) list of participants in seminars and meetings related to investment promotion organized by various groups including IPS Tokyo, the ASEAN Center, and JETRO.

17 The Consultant first disseminated preliminary project information to selected potential investors through letters or phone-calls with the co-operation of the relevant industrial association. These contacts were followed up by additional phone-calls and direct visits. For firms which showed an interest, additional detailed information was supplied, and the Consultant also took the opportunity to gather relevant information from the potential investor such as the firm's investment strategy, financial conditions, and organization.

18 At the same time, the Consultant also continued to investigate and obtain detailed and supplementary information concerning the investment projects and to monitor the investment policy and climate, the economic and industrial development plans, and other factors related to investment in the target countries.

19 As a result of the Consultant's activities, Japanese firms showed interest in the following projects:

Nepal

Sugar Plant Project

Indonesia

Filter Aids Project (INS/015/V/05-80)
Cigarette Paper Project (INS/042/V/02-81)
Integrated Alcohol Plant (INS/130/V/08-82)
City Waste Composting Plants (INS/160)

Malaysia

Ceramic Floor Tiles Project (MAL/025/V/05-80)
Electronic Industry Project (MAL/036/V/05-83)
Industrial Chemicals Project (MAL/051/V/05-83)

20 Taito Co., Ltd., a sugar manufacturing firm, expressed interest in Nepal's sugar plant project and upon IPS Tokyo and ECFA's recommendation carried out a pre-investment study concerning the economic and technical aspects of the project by sending a survey team to Nepal in January 1984. As a result of the study and the discussions with local partners and relevant government officials, Taito determined that this project has a high feasibility and is continuing negotiations with the Nepalese side.

21 For Indonesia and Malaysia, the Consultant visited the two countries to investigate local conditions, collect supplementary information from local partners, and to contact relevant organizations to further investment promotion activities.

VI. INVESTMENT PROMOTION MISSION TO INDONESIA AND MALAYSIA

22 The Consultant visited Indonesia from February 26 to March 2 and Malaysia from March 2 to 9, 1984. The purpose of the mission was as follows:

- (1) to contact local partners for ascertaining their investment strategy;
- (2) to ascertain recent project progress;
- (3) to collect supplementary information not only from local partners but also from relevant organizations;
- (4) to hold discussions with potential local partners concerning follow-up activities.

23 The Consultant met with the representatives of the following firms and organizations concerning the specific projects:

Indonesia

P.T. Asima Standard	Filter Aids Project
P.T. Kertas Jatiluhur	Cigarette Paper Project
Stat Bina Perusahaan Negara	Integrated Alcohol Plant Project
Sektor Pertanian	
State Minister for Population and Environment	City Waste Composting Plants Project

Malaysia

Golmany SDN BHD	Electronic Industry Project
Gas Pantai Timur SDN BHD	Industrial Chemicals Project
Harom LPG Industries SDN BHD	LPG Cylinder Project
	(Proposed during mission)

From the contacts, the Consultant was able to gain valuable information including the current status of project progress, investment strategy of local partners, availability of financing for the project, and relevant investment studies.

24 Furthermore, the Consultant had discussions with various related organizations as follows:

Indonesia

Senior Industrial Development Field Advisor, UNIDO
Badan Koordinasi Penanaman Modal (BKPM)
(Indonesian Board of Investment)
Bank Pembangunan Indonesia (BAPINDO)
(Indonesian Development Bank)
United Nations Development Programme (UNDP)
Japan External Trade Organization (JETRO)
Jakarta Japan Club
Indonesia-Japan Entrepreneurs Association
Japanese Trading Companies, Local Office

Malaysia

Malaysian Industrial Development Authority (MIDA)
Malaysian Industrial Development Finance Berhad (MIDF)
United Nations Development Programme (UNDP)
Japanese Trading Companies, Local Office

A list of the persons and organizations contacted during the mission is given in APPENDIX III.

25 From these sources, the Consultant was able to obtain information relating to the respective target countries' investment climate and policies concerning investment from abroad, investment flows from foreign countries, Japan in particular, industrial development plans, financing systems for joint-ventures, and various studies related to investment. The Consultant confirmed that organizations such as BKPM and BAPINDO in Indonesia and MIDA and MIDF in Malaysia were preparing or intend to prepare a list of local partners and proposed projects. Furthermore these organizations wished to develop channels of contact and communication with organizations such as IPS Tokyo in order to promote investment flows into the country.

26 Upon his return, the Consultant undertook follow-up activities by passing on the information gathered in the two countries to the Japanese potential investors who expressed an interest in the potential projects. A detailed description of the projects handled by the Consultant during the mission is as follows.

27 Filter Aids Project, Indonesia (INS/015/V/05-80)

The Consultant contacted the local sponsor, A.T. Asima Standard and confirmed his eagerness to have this project materialize. The Consultant was informed that A.T. Asima Standard was preparing to submit an application to BAPINDO for a loan to finance this project, but in order for the loan to be approved, it is necessary to submit a technical feasibility study for the project to BAPINDO along with the loan application. A.T. Asima Standard was therefore looking for a Japanese firm who would be interested enough in the project to undertake such a feasibility study. The Consultant passed on this information and request to the potential Japanese investor.

28 Cigarette Paper Project, Indonesia (INS/042/V/02-81)

The Consultant visited P.T. Kertas Jatiluhur, the project's local sponsor, and held discussions as to the project's status. The Consultant confirmed the sponsor's interest in this project and also obtained a copy of the pre-feasibility study he undertook. The information was passed on to the potential investor upon the Consultants return to Japan. In this connection, it was revealed through a local information source that the national paper corporation (P.N. Kertas Padalarang), separately from this project, is planning to renovate its existing cigarette paper production unit and its technical study for modernization was under consideration. With this renovation plan, the cigarette paper supply in Indonesia will be substantially enlarged. The domestic market potential, as a result, would need further study to ascertain the viability of the said project.

29 Integrated Alcohol Plant Project, Indonesia
(INS/130/V/08-82)

The Consultant visited Staf Bina Perusahaan Negara Sektor Pertanian (SBPN) which acts on behalf of P.T. Perkebunan 24-25, the local sponsor since it is located in Surabaya. The Consultant discovered from the discussions that there is only a limited market for alcohol in Indonesia and also that the infrastructure at the project site is insufficient. Furthermore, the local sponsor seemed to be unclear as to his determination to undertake this project. However, since a study concerning the feasibility of alcohol industry in Sulawesi was being carried out at the time, the Consultant asked that a copy be sent to IPS Tokyo.

30 City Waste Composting Plant Project, Indonesia
(INS/160/V/05-83)

The Consultant held discussions with the office of the State Minister for Population and the Environment, the project's local sponsor and confirmed that they are preparing to implement this project. However, no preliminary or feasibility study report on this project has been undertaken until now. As the potential market of compost for agricultural fertilizer utilizing city waste has not yet been closely investigated, some assistance will be required for undertaking a detailed study hereafter. A Japanese potential partner, Fuji Car Manufacturing Co., was informed of the present status of the project by the Consultant and the firm, in turn, shows an active interest in follow-up action.

31 Ceramic Floor Tiles Project, Malaysia
(MAL/026/V/05-80)

Since a local sponsor for this project was not specified, the Consultant contacted the Malaysian Industrial Development Authority (MIDA). According to MIDA, there is only a limited market for ceramic floor tiles. MIDA is

therefore no longer interested in the promotion of this project but is more interested in promoting another project for ceramic artware. The Consultant obtained an investigation report concerning this project prepared by MIDA for dissemination to potential Japanese investors.

32 Electronic Industry Project (MAL/036/V/05-83)

The Consultant contacted Golmony SDN BHD, the project's local sponsor and discovered that they are interested only in video tape manufacturing and that they do not have any intention of promoting a video recorders project. The Consultant subsequently held discussions with MIDA, and according to their assessment, there is little potential market for video recorders. MIDA was in the process of undertaking a market study for video tapes, which they will send to IPS Tokyo upon completion.

33 Industrial Chemicals Project (MAL/051/V/05-83)

The Consultant visited Ariff Company which is representing the local sponsor, Gas Pantai Timur BHD. A senior officer from the Japanese potential investor had visited Ariff and held discussions concerning the project before the Consultant's visit. They were, unfortunately, unable to reach an agreement, and the Consultant obtained further information concerning the project from the local sponsor and MIDA for dissemination to other potential investors.

VII. CONCLUSION

34 It is recommended that the investment promotion activities with respect to the specific projects be followed-up in particular for Malaysia and Indonesia. For

the majority of the projects in Indonesia, it will be necessary to ascertain that the local sponsors will provide the additional information where required and that this is passed on to the Japanese potential investors. For Malaysia, since MIDA has an office in Tokyo, it seems beneficial to continue to maintain a channel of communication so that MIDA and IPS Tokyo may co-operate in the investment promotion activities. The Sugar Plant Project is proceeding smoothly between Taito and the Nepalese side so that at present, UNIDO does not need to take further action unless problems arise.

APPENDIX I

Schedule of Activities

April, 1983	Arrangement for receiving the mission from Kenya, organizing the Investors' meeting, and assisting in the mission's visits to Japanese firms and organizations.
May, 1983	Individual investment promotion activities and follow-up activities concerning the Kenya Mission.
June, 1983	Arrangement for receiving the mission from Barbados, organizing - the Barbados Seminar and assisting in the mission's visits to Japanese firms and organizations.
September, 1983	Arrangement and organization of the Tokyo Seminar for the Lusaka Regional Investment Promotion Meeting for Southern African Countries.
October, 1983	Arrangement and organization of the Tokyo Seminar for the Peru Investors' Forum.
November, 1983- February, 1984	Individual investment promotion activities and follow activities concerning the various investment promotion missions and forums.
February 26 - March 9, 1984	Mission Indonesia and Malaysia for individual investment promotion activities.
March 10 - March 31, 1984	Follow-up activities for mission to Indonesia and Malaysia.

APPENDIX II

List of Projects Handled by ECFA Consultant

<u>Country</u>	<u>Project Title</u>	<u>Reference No.</u>
Indonesia	Fish processing (Frozen skipjack)	INS-173
	Fish processing (Frozen skipjack)	INS-143
	Fish processing (Frozen skipjack)	INS-155
	Tuna fishing/canned fish factory	INS-144
	Fishery project (Frozen tuna, fish meal)	INS-176
	Dendro thermal power plant	INS-157
	Mini hydro power plants	INS-158
	Cocoa plantation (Dried bulk cocoa beans)	INS-175
	Cassava starch project	INS-164
	Agricultural project (Cassava chips, etc.)	INS-159
	Agro-industry (Passion fruit, Plantation and juice)	INS-168
	Fruit juice (Passion fruit)	INS-162
	Canned pineapple, juice	INS-148
	Palm oil project	INS-174
	Eucalyptus oil	INS-135
	City waste composting plants	INS-160
	Mineral products (Lightweight cellular concrete)	INS-134
	Petrochemical project (Lube oil)	INS-171
	Bottling plant	INS-163
Mineral products (Cement)	INS-149	
Aluminium sheet and foil manufacturing	INS-151	

<u>Country</u>	<u>Project Title</u>	<u>Reference No.</u>
Indonesia	Aluminium billet manufacturing	INS-152
	Shipbuilding and repair	INS-146
	Shipbuilding	INS-150
	Shipbuilding and repair	INS-170
	Life saving equipment (Boats, life rafts)	INS-156
	Electrical machinery	INS-133
	Woodworking industry (Joinery, furniture)	INS-166
	Rattan furniture	INS-165
	Plywood/blockboard factory	INS-161
	Alcohol plant	INS/130/V/08-82
	Cigarette paper	INS/042/V/02-81
	Filter aids	INS/015/V/05-80
Rattan processing	INS/097/V/11-81	
Malaysia	Aquacultural project (Monodon, prawn)	MAL-035
	Paper products (Recycling of waste paper)	MSL-045
	Paper products (Packaging and printing products)	MAL-040
	Industrial chemicals (Nitrogen gas and solid carbon dioxide)	MAL-051
	Industrial chemical (Mosquito coils)	MAL-053
	Mineral products (Clay bricks, etc.)	MAL-049
	Ceramic floor tiles	MAL-026
	Iron basic industry (Castings)	MAL-056
	Pump and pump parts, cast iron pipe fittings, etc.	MAL-034
Manufacturing of batteries	MAL-054	

<u>Country</u>	<u>Project Title</u>	<u>Reference No.</u>
Malaysia	Electronic industry (Video)	MAL-036
	Electrical products relevant to switchgear industry	MAL-057
	Mineral products (Fibrous ferrocement barges)	MAL-055
	Wood products (Knockdown furniture and Mouldings)	MAL-042
	Wood working industry (Particle board, etc.)	MAL-044
	Wood products (Wooden toys)	MAL-043
	Wood working industry (Timber mouldings)	MAL-038
	Rattan furniture and related products	MAL-039
Nepal	Cane Sugar Plant	-

APPENDIX III

List of Persons Contacted during the Mission

Indonesia

Mr. Masaaki Hanai Economist JICA Colombo Plan Expert	Directorate General of Small Industries, Department of Industry
Mr. Donald McLeod Team Leader	Industry Investment Project Development Team
Mr. V.A. Nelms Financial Analyst	"
Dr. G.D. Lindauer Industrial Economist	"
Ms. Chikako Takase Associate Market Analyst	"
Mr. Shuichi Sasaki Director of Industrial Affairs Japan Trade Center	Japan External Trade Organization
Dr. Sukehiro Hasegawa Resident Representative	United Nations Development Programme
Ms. Mika Iwasaki Junior Professional Officer	"
Mr. F.M. Iqbal Senior Industrial Development Field Advisor	United Nations Industrial Development Organization
Mr. Tetsuji Urasaki Representative	The Japan Chamber of Commerce and Industry
Ms. Wahjoe Soegiarti	Indonesia Japan Entrepreneurs Association
Mr. K. Inoue Jakarta Representative Office	Kanematsu-Gosho Ltd.
Ir. Rachmat Wiradisuria Assistant Minister	Office of the Minister of State for Population and the Environment

Ir. Soetjipto Wirjopranoto	Staf Bina Perusahaan Negara Sektor Pertanian
Mr. A.T. Simarmata Direktur Utama	P.T. Asima Standard
Mr. Jules Walandouw Presiden Komisaris	P.T. Kertas Jatiluhur
Mr. Wim Tiwatu Joseph President Director	"
Dr. G.M. Collado Senior Advisor	Bank Pembangunan Indonesia
Mr. Maman Abdurahman Manager, Project Promotion Department	"
Ir. Sri Iati Soebono Biro Perencanaan	Badan Koordinasi Penanaman Modal

Malaysia

Mr. Encik Geh Sim Hong Deputy Director General (Co-operation)	Malaysian Industrial Development Authority
Mr. Lee Leong Bee Industrial Promotion	"
Siti Maimun Bte Haji Kamso Deputy Director, Building Mate- rials, Textiles, and Miscellaneous Division	"
Ms. Mardziah Abdul Aziz Director, Electrical and Electro- nics Industry	"
Mr. Jaswant Singh Engineer, Food, Beverages & Chemicals Industries Division	"
Mr. A. Hirasawa Deputy General Manager Kuala Lumpur Branch	Kanematsu-Gosho Ltd.
Mr. Roger Leong Chee Keong Assistant Manager Kuala Lumpur Branch	"

Mr. Ariff Wan Hamzah	Ariff & Company
Mr. Ali Riza Bin A. Samad Managing Director	Harom LPG Industries SDN. BHD.
Mr. Gary Lim Jit Tong Executive Director	"
Mr. Syed Annuar B. Syed Amir Head, Promotion Section Bumiputra Development Department	Malaysian Industrial Development Finance Berhad
Mr. Oh Seong Keah Project Officer	"
Mr. A.J. Ibrahim Project Officer	"
Mr. Mike Lee Managing Director	Golmony SDN. BHD.
Mr. Yoon-Yul Kim Regional Representative and Resident Co-ordinator	United Nations Development Programme

