

JAPANESE HALAL FOOD PRODUCTION IN MALAYSIA: A PROSPECTIVE SURVEY*

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Introduction

The Look East Policy¹ was introduced by Dr. Mahathir Mohammad in 1982 by which Japan was made a role model of economic development which had led to the increase in Japanese investments into Malaysia, subsequently increasing the number of Japanese citizens residing in Malaysia. Following the economic-political stability in Malaysia, the inclusion of the Foreign Direct Investment (FDI)² and large domestic capital in the socio-

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1 The first official announcement on the Look East Policy by Dr. Mahathir Mohamad was made on 8 February 1982 during the official launch of the MAJECA and JAMECA's 5th Annual Conference in Hilton Hotel Kuala Lumpur. However, his first statement about the Look East Policy was already mentioned in December 1981. In his speech during the MAJECA-JAMECA Conference, he had complimented on the attitude and commitment of the Japanese workers who are committed in their tasks and were ready to continue working, as a basis to reach a well-developed economy. At the same time, he requested that the Malaysian people adopt the work ethics, ethical values of the Japanese society, loyalty, and other characteristics that are considered important elements in the development of a country. The objective of the Look East Policy is ...*To provide opportunities to learn and emulate from developing countries of the East in the effort to develop Malaysia. Matters deserving attention in relation to work ethic and values of Japanese are diligence and discipline in work, loyalty to the nation and to the organizations or business where the worker is employed, priority of group over individual interest, emphasis on productivity and high quality, upgrading efficiency, narrowing differentials and gaps between executives and workers, management systems which concentrate on long-term achievement and not solely on increases in dividends or staff incomes in the short term, and other factors which can contribute to progress, for our country.*

2 Foreign direct investment is an international capital inflow process that is made by non-residents in the form of either individually or in corporations registered inside or outside a particular country. One form of this foreign investment is FDI, usually associated with investments by firms controlled by non-residents in a particular country. The main feature of FDI is its dominance in its business decisions that will be undertaken by the company with the objective of profit making until it maximizes the size of the firm. Generally, foreign investments contain two categories -direct investment and portfolio assets; including investments made by government corporations, private companies and individuals. On the other hand portfolio asset is different from FDI, because this type of investment does not cause any control over the invested capital. Those involved in the portfolio investment will attempt to minimize any sort of risks. It is also a 'floating fund' which is a form of investment

economic development sector; especially in the infrastructure and education sectors, as well as in the liberalization policy and the export promotion incentives during the 1980s; Malaysia in the early 1990s entered the 'take-off' stage in manufacturing, thus playing a key role in the nation's industrialization process.

During the administration of Dr. Mahathir which lasted between July 1981 and October 2003, Japanese investments in Malaysia recorded a high increase in the manufacturing sector. Despite it being relatively small, the food sector showed encouraging developments. For example, from the 1980s till September 1995, 37 projects related to Japanese food and beverage industry were approved by the Malaysian government. This contributed to capital investments amounting to almost RM238 million, and more importantly it provided employment opportunities for 3,665 Malaysians.³ Many Japanese firms, particularly after the Plaza Accord in 1985, expanded and transferred their businesses to Malaysia when the *endaka*⁴ occurred. Japanese investments in Malaysia was unaffected by the 1997 Asian financial crisis as till the third quarter of 2003, Japan was Malaysia's third largest trading partner after the United States of America and Singapore. In the first quarter of 2010, Japanese investment was the third highest after Singapore and Taiwan, all of which amounted to RM5.2 billion.

The Japanese Community and the Malaysia-Japan Trade 1945-1980

Since before World War II, a number of Japanese companies had been investing in rubber plantations and tin mines in Malaya. However, there was a significant increase in the number of Japanese firms coming into Malaya after World War II. This was partially influenced by the economic growth in Japan in the 1950s. Japanese firms relocated to Southeast Asia which is rich in raw materials, in order to expand their control in their respective industries. According to statistics produced by the Japan External Trade Organization (JETRO), till 1958, there were 10 Japanese corporate branch offices in Malaya.

In the 1960s, Japanese investments in Malaysia continued to grow, and until 1969, there were 40 firms with a total registered capital of RM229, 854. By 1980, a total of 181 Japanese firms had invested capital amounting to RM648.8 million in the country. Some of the firms specialising in electrical goods and electronics, timber, textiles and chemicals included the Matsushita Electric Co., Hitachi, Sony and Toray.

In the period between 1957 and 1967, as a foreign minority, the number of Japanese nationals residing in Malaysia was small. They settled in urban areas like Kuala Lumpur, Penang and Johor Bahru and usually kept to themselves for various reasons. Lack of Malay language skills as well as worries about the acceptance of local community as a result of Japan's involvement in the Second World War were two of the major reasons for the small number of Japanese nationals living in Malaysia. By the year 1965, a Japan-Malaysia Activity Centre, intended to assist and bring together Japanese nationals living in Malaysia was established by Japan's corporate members in Kuala Lumpur. More importantly, the main purpose of this organization was to promote friendship

that is always made on a speculation basis that the capital can be moved from one place to another in order to make profit for the investors. This includes stock investments, bonds and others.

3 Statistics from MITI, 1996.

4 Refers to the increasing value of the Yen.

and cooperation between Japanese and Malaysian citizens. During its establishment, there were 200 Japanese and 35 associate members of which the majority were Chinese. Meanwhile, to overcome the problem of Malay language deficiency among the Japanese, social organizations worked together with the Japan-Malaysia Activity Centre not only in teaching Malay to Japanese nationals but also Japanese to the local community.

Overall, from 1959 to 1980, the presence of Japanese firms in Malaysia was limited due to the Malaysia' economic policy that gave priority to domestic institutions. Table 1 shows the number of Japanese firms from 1959 to 1980, totalling 181, mostly engaged in the agricultural and mining sectors as well as in small and medium industries.

Table 1 Additions of Japanese Companies in Malaysia 1959-1980

YEAR	QUANTITY
1959	2
1960-1969	26
1970-1972	30
1973-1976	80
1977-1979	24
1980	19

Source: *Kokusai Keizai*, August 1988, pp. 164.

Japanese Investments and Community in Malaysia After 1980

In line with the Look East Policy, the number of Japanese firms in Malaysia from the 1980s onwards increased dramatically. This, in turn led to a marked increase in Japanese nationals residing in Malaysia. In 1980, for instance, the number of Japanese nationals in Malaysia was merely 3,201 but increased to 11,653 in the year 2001. In 2009, the number of Japanese citizens was still high despite a slight drop compared to the year before when there were 9,152 people.

Table 2 shows the number of Japanese nationals in Malaysia from the year 1980 to the year 2009.

Table 2 The Number of Japanese Citizens in Malaysia 1980-2009

YEAR	QUANTITY
1980	3,201
1981	3,539
2001	11,653
2002	11,256
2003	10,769
2004	10,208
2005	10,347
2006	9,928
2007	10,231
2008	9,330
2009	9,152

Source: The ASEAN-Japan Centre and the National Institute of Population and Social Security Research, Japan, 2010.

In the year 2007, the number of Japanese nationals in Malaysia was at 10,231, but after the global financial crisis, employed Japanese citizens were asked to send their families back to Japan. As a result, the number of Japanese nationals living in Malaysia between 2008 and 2010 charted a decline.⁵

Table 3 Manufacturing Projects Approved with Japan's Involvement by Industry 1980-September 1995

INDUSTRY	QTY.	WORKERS	EQUITY (RM)	Σ CAP. INVESTMENT (RM)
Electrical & Electronics	578	151,760	3,461,219,331	7,784,944,554
Chemical & Chemical Products	96	5,444	1,217,715,615	2,925,279,473
Basic Metal Products	100	8,187	532,629,800	1,729,155,216
Natural Gas	1	570	390,000,000	1,722,000,000
Non-Metallic Products	94	12,263	512,848,275	1,302,268,180
Wood & Wood Products	71	18,573	321,329,793	1,057,973,254
Transport Equ.Parts	104	16,080	311,050,087	912,498,925
Machinery	83	11,930	373,389,000	908,394,800
Plastic Products	94	6,585	326,197,500	825,029,236
Fabricated Metal Products	82	6,561	203,617,546	565,169,624
Scientific & Measuring Equip.	20	7,180	159,200,000	437,788,596
Textile & Textile Products	41	6,343	67,016,680	364,531,928
Food & Beverages	37	3,665	130,078,302	237,932,534
Rubber Products	42	3,796	58,835,420	132,960,821
Furniture & Fixtures	19	2,596	54,852,000	122,512,673
Paper, Print & Publishing	27	1,850	54,880,100	111,205,152
Miscellaneous	22	2,029	41,732,400	76,415,198

Source: MIDA, 1996

In terms of investments, Table 3 shows Japan's total investment in government-approved projects between 1980 and 1995. While the Japanese food and beverage industry charted a comparatively small amount of capital, that is RM238 million compared to other manufacturing segments like the electrical, electronics, chemical and petroleum sectors, the food and beverage industry had already begun to compete with other sectors like that of rubber manufacturing, furniture and printing.

Japanese Food Products

As a result of more and more Japanese nationals taking up residence in Malaysia, the entry of food products from Japan has also increased considerably. In fact Japanese companies have begun investing in Malaysia's food and beverage sector. This has livened up the entry of Japanese food and drinks into Malaysia. In the globalisation era, where the world is without borders; the local populace now has the opportunity to

5 Since the 1980s, Malaysia has shown an impressive economic transformation; from an agriculture-based to industrial-based economy, in order to prioritize export promotion. With a favorable investment climate during that time, Malaysia was successful in attracting investments from various countries. Until March 1994, for example, there were 566 Japanese manufacturing companies and 448 Japanese non-manufacturing companies in Malaysia, bringing the total up to 1,014 companies. By the end of March 2003, approximately 1,400 Japanese manufacturing and non-manufacturing firms were operating in Malaysia. According to JETRO, with these numbers, Japanese firms became the largest foreign companies operating in Malaysia.

enjoy delicacies from other countries without having to travel. Globalisation has also made it difficult to determine the origins of certain types of food at times.

For the purpose of this study, the researchers have categorised Japanese food products by referring to foods that originate from Japan and their usage in their original Japanese name, regardless of whether the food in question is a form of flavouring or a ready-to-eat meal. In general, the names of these foods are labeled in the Japanese language using kanji or hiragana, for instance sushi, udon, teriyaki, teppanyaki, okonomiyaki, onigiri, sashimi and so on.

Japanese Food and Beverage Companies in Malaysia

Based on a report released by JETRO,⁶ there are 1,421 Japanese companies that have invested in Malaysia up until July 2010, either in manufacturing or non-manufacturing sectors, such as services, banking and so on (refer to Table 4). Despite this, the number of Japanese companies that have been active in the food and beverage production industry is still fairly small, with only 19 companies registered. This is less than 0.02 percent of the total number of Japanese companies in Malaysia; in fact, this figure does not exceed 0.03 percent even when a comparison is made solely with the manufacturing industry.

Most manufacturers of food and beverages are based in Selangor, Johor, Pulau Pinang, Kuala Lumpur and Perak (refer to Figure 1). Selangor and Johor are home to six companies each, Pulau Pinang has three, and Kuala Lumpur and Perak have two companies each.

Nevertheless, recently, the number of Japanese companies participating in this field has increased to 20 with the establishment of yet another Japanese company in the *Halal* hub of Melaka. But it must be emphasised that while these companies are Japanese investors, not all of them are involved in the manufacturing of Japanese food products. Out of 20 companies, only three produce items that have Japanese characteristics, namely Momotaro Foods Sdn Bhd which produces Japanese noodles, Starlet Food Industries (M) Sdn Bhd which produces tempura-based items, and Bigwest Industries Sdn Bhd which produces *shirozake* (white sake) and *mirin*.

In addition to this, another important factor is the fact that many of these Japanese companies have received *Halal* certification for their products. Of the 20, 15 have been officially certified as being *Halal*. This proves the commitment of Japanese investors in fulfilling the needs of the Malaysian market. Table 5 shows the details of the Japanese companies participating in food and beverage manufacturing in Malaysia.

Japanese Restaurants in Malaysia

Japanese food is easily attainable in Malaysia. An obvious source would be restaurants that serve Japanese cuisine. Despite this, it is difficult to determine the exact number of restaurants that serve Japanese food in Malaysia, due to several factors such as the lack of concrete data that could be used for research purposes, as well as the operation trends in Malaysian restaurants that usually serve a variety of cuisines and rarely specialise on one particular fare.

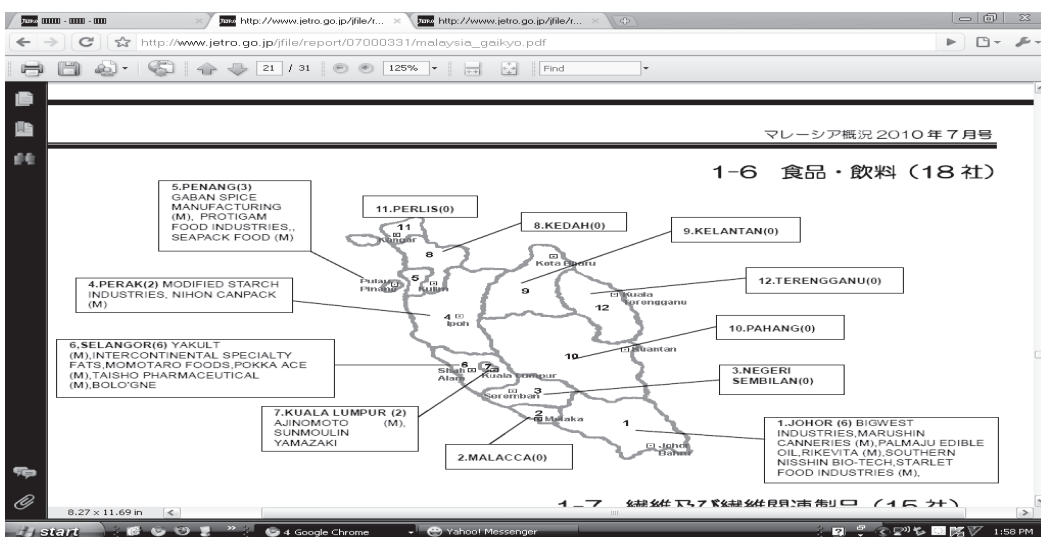
6 See Malaysia Gaikyo July 2010 edition. http://www.jetro.go.jp/jfile/report/07000331/malaysia_gaikyo.pdf.

Table 4 Number of Japanese Companies in Malaysia (July 2010)

FIELDS		QUANTITY
MANUFACTURING	Electrics and Electronics	270
	Petroleum and Chemistry	89
	Steel and Alloy	78
	Transportation and Spare Parts	61
	Timber	28
	Food and Beverage	19
	Textile	15
	Others	175
TOTAL OF MANUFACTURING COMPANIES		735
NON-MANUFACTURING	Sales Officers / Representatives	149
	Foreign Trading	145
	Services	128
	Construction	94
	Shipping and Warehousing	53
	Banking, Finance, Insurance	29
	Agriculture, Fisheries and Others	88
	TOTAL OF NON-MANUFACTURING COMPANIES	
GRAND TOTAL		1,421

Source: JETRO, 2010

Figure 1 Distribution of Japanese Companies Producing Food and Beverages in Malaysia (July, 2010)



Source: JETRO, 2010

Table 5 List of Japanese Companies Producing Food and Beverages

NO.	COMPANY NAME	YEAR	LOCATION	PRODUCTS	HALAL
1.	Intercontinental Specialty Fats Sdn Bhd	1980	Selangor	Vegetable oil and fat	Halal
2.	Taisho Pharmaceu-tical (M) Sdn Bhd	1990	Selangor	Vitamin beverages	Halal
3.	Pokka Ace (M) Sdn Bhd	1992	Selangor	Soft drinks, non-carbonated beverages	Halal
4.	Yakult (M) Sdn Bhd	2004	Selangor	Cultured milk	Halal
5.	Momotaro Foods Sdn Bhd	n.a.	Selangor	Japanese noodles	n.a.
6.	Bolo'gne Sdn Bhd	n.a.	Selangor	Breads and pastries	n.a.
7.	Palmaju Edible Oil Sdn Bhd	1986	Johor	Palm oil	Halal
8.	Marushin Canneries (M) Sdn Bhd	1987	Johor	Canned food	Halal
9.	Rikevita (M) Sdn Bhd	1991	Johor	Cooking fat	Halal
10.	Southern Nisshin Bio-Tech Sdn Bhd	1995	Johor	Cooking oil and fat	Halal
11.	Bigwest Industries Sdn Bhd	1996	Johor	Shirozake and mirin	n.a.
12.	Starlet Food Industries (M) Sdn Bhd	n.a.	Johor	Agemada and other tempura-based products	Halal
13.	Protigam Food Industries Sdn Bhd	1986	Pulau Pinang	Canned sardines and tunas	Halal
14.	Gaban Spice Manufacturing (M) Sdn Bhd	1988	Pulau Pinang	Herbs and spices	Halal
15.	Seapack Food Sdn Bhd	1990	Pulau Pinang	Surimi-based products	Halal
16.	Ajinomoto (M) Berhad	1961	Kuala Lumpur	Additional flavourings	Halal
17.	Sunmoulin Yamazaki Sdn Bhd	1998	Kuala Lumpur	Breads and pastries	n.a.
18.	Nihon Canpack (M) Sdn Bhd	1996	Perak	Powdered drinks	Halal
19.	Modified Starch Industries Sdn Bhd	n.a.	Perak	Flour	n.a.
20.	Kewpie Sdn Bhd	2009	Melaka	Mayonnaise and egg-based products	Halal

Source: Various

What is certain is that the number of restaurants serving Japanese cuisine in Malaysia is increasing compared to several years ago. The latest is Watami Co., which, in collaboration with Chaswood Resources Sdn Bhd, opened the first Watami Restaurant branch in Malaysia at the end of 2010. This company aims to have 10 branches in Malaysia in six years' time.⁷

Another example of the encouraging response to Japanese restaurants in Malaysia is the famous sushi chain, Sushi King. Sushi King first opened in Malaysia in the year 1995, and in 15 years, this restaurant has managed to broaden its empire by opening as many as 64 branches throughout Malaysia. Table 6 shows the number of Sushi King branches in Malaysia by region. Despite this, the need for *Halal* status is still the main issue accompanying the growth of these restaurants. Several restaurants display the *Halal* logo produced by private companies. Others just display "pork-free" or "alcohol-free" signs at their entrances. In sum, Japanese restaurants displaying the *Halal* logo are still hard to come by.

7 'Chaswood goes Japanese with Watami', *Business Times*, 13 August 2010, Retrieved 2 Sept 2010, http://www.btimes.com.my/Current_News/BTIMES/articles/chzy-2/Article/index.html.

Table 6 The Number of Sushi King Branches in Malaysia by Region

REGION	QUANTITY
Klang Valley	30
Johor	9
Pulau Pinang	6
Sarawak	5
Perak	5
Melaka	3
Sabah	3
Negeri Sembilan	1
Kedah	1
Pahang	1
Perlis	0
Terengganu	0
Kelantan	0
TOTAL	64

Source: <http://www.sushi-king.com>

Supermarkets Selling Japanese Food Products in Malaysia

In addition to restaurants, Japanese food is also available from supermarkets all over Malaysia. The JUSCO supermarket chain, for example, has dedicated several shelves especially for dried Japanese food imported straight from their country of origin. These products include various flavouring agents, instant food, snack and soft drinks, rice and many others. Frozen food is also available. The JUSCO supermarket chain also has ready-to-eat Japanese food such as sushi, sashimi, yakitori and o-bento at each of its branches. Table 7 shows the number of JUSCO outlets in Malaysia.

Aside from JUSCO, consumers in Malaysia can also source Japanese food from other well-known supermarkets such as ISETAN and SOGO, which also provide a variety of products imported straight from Japan. However, there aren't as many branches of ISETAN and SOGO compared to JUSCO and they tend to be limited to the Klang Valley. But sourcing Japanese food or ingredients is not an activity limited to just Japanese-owned supermarkets. Ready-to-eat Japanese food, especially sushi, is also easily available in most hypermarkets such as Carrefour, Tesco and Giant.

These supermarkets generally segregate the *non-Halal* items from the *Halal* ones. It is also common practice for these imported products to be accompanied by a sticker bearing a translation of their content or ingredient list. But some products which contain *non-Halal* ingredients such as alcohol are sometimes placed side by side with *Halal* products. And in some cases, the translation provided is incorrect.

Demand on Japanese Food Products

The increase in the number of restaurants and supermarkets providing Japanese food in Malaysia illustrates an overview of the increasing demand by Malaysian society for

Table 7: The Number of JUSCO Outlets in Malaysia by Region

REGION	QUANTITY
Klang Valley	13
Johor	4
Pulau Pinang	2
Melaka	2
Perak	1
Negeri Sembilan	1
Sabah	0
Sarawak	0
Kedah	0
Pahang	0
Perlis	0
Terengganu	0
Kelantan	0
TOTAL	23

Source: <http://www.jusco.com.my>

these products. Based on the bidding theory, bids will increase if the price increases. The price of these goods increases significantly when demand exceeds biddings. In other words, prices increase based on demand rather than supply factors. Thus, it can be concluded that the increasing number of restaurants and supermarkets are closely associated with the increasing demand by consumers in Malaysia.

In general, Malaysians generally perceive Japanese products as being of high quality. Hence, Japanese food and beverage products are viewed to be healthier, cleaner, fresher and not harmful. In addition, purchasing Japanese products is perceived to give higher prestige to consumers. This in turn has encouraged the increase of Japanese products into Malaysia.

This increase can be explained by several changing factors. Firstly, it is the result of the increase in the living standard and income of Malaysians in total. Secondly, change in the contemporary taste of Malaysian society is due to the impact of external influences. Contemporary Malaysian society is ready to pay for a product that meets their needs. Thirdly, in the case of the Malays, whereby the majority of whom are Muslims, the *Halal* status of a product determines their spending patterns. Products that are allegedly *Halal* products would get a positive feedback from the majority of the Malaysian population. Consequently, *Halal* products have tremendous opportunity to prosper, especially in the food industry in Malaysia and Japanese food products are no exception.

Japan's Participation in MIHAS

Malaysian International *Halal* Showcase (MIHAS) was initiated in 2004 to showcase the manufacturers of Halal food products from all over the world. Japan's first participation was in 2005, and in the Fourth MIHAS in 2007, out of 252 total entries, 8 entries were from Japanese companies. Table 8 shows the list of the eight Japanese companies that exhibited their products at the Fourth MIHAS in 2007 and the number of Japan's participation in MIHAS had been increasing since then.

According to Masahiko Horie, the Japanese Ambassador to Malaysia, the awareness of the preparation of *Halal* food has captured the interest of Japanese companies to undertake the production of *Halal* foods. He added,

Table 8 Eight Japanese Firms Participating in MIHAS 2007

COMPANY	PRODUCTS
Asian World Okayama Ltd, Japan	Halal processed meat products (e.g. nuggets, sausage, patty, etc.), batik (if possible)
Azhar Co. Ltd, Japan	ready -to-serve Halal meat products. also provide consultation to interested companies on marketing Halal meat products in Japan
Diamond Trading Co. Ltd, Tokyo, Japan	various Halal foods (meat products, etc.) products for consumer market
E-Antenna, Japan	Canned products and tropical beverages
Hachibun Co. Ltd, Japan	chocolate, biscuits, snacks, etc
Miyoshi Corporation, Japan	dried roselle (organic, no agricultural chemical, no additives, using raw sugar)
Nanyang Trading Inc., Japan	all kinds of Halal food products
Sato Pharmaceutical Co. Ltd., Tokyo, Japan	Halal raw materials (amino acid, vitamins, essences, food additives, royal jelly, collagen, glycerin, cyclodextrin, citric acid, etc.), carbonated canned soft drink, glass-bottled soft drinks, aluminium film-packed drinking jelly, cosmetics (cream)

Source: MATRADE 2007, <http://www.Halal.com.my/pdf/ibmform.pdf>

... If they are able to come out with Halal products, Japanese manufacturers will find that there is a big market among the Islamic countries," he said. Horie said that on his part, he would continue with his efforts to get more Japanese companies to become acquainted with the Halal industry.⁸

At the seventh MIHAS, held in June 2010, there were 381 entries by foreign companies from a total of 54 countries. 11 Japanese companies participated in the seventh MIHAS and one of the new products that was introduced was the Halal sausages that could be consumed uncooked. According to Hiroki Takahashi from JETRO, this product could act as a sustainable food supply for long journeys, such as during the Hajj season and others. The first joint-ventured factory is being constructed and the first product is estimated to be produced by 2012.

Conclusion

It can be concluded that Japan's Halal food products in Malaysia has the potential to be further developed. This is based on several important considerations in terms of supply and demand.

Firstly, in terms of demand, it has been proven that there is great response from the Malaysian public for such food products. The change in the Malaysian preferences for diversity in food consumption allows the expansion of Japanese Halal food products in Malaysia. Secondly, the changes in economic growth and purchasing power of the Muslim population equally provide Japanese companies with opportunities to increase their Halal food production. For example, the warm welcome given in Malaysia, to western chain restaurants that have received Halal certification such as KFC, McDonald's and Pizza Hut are such examples. Thirdly, with the government promoting Malaysia as a hub or gateway for Halal food, enables Japanese Halal food products to be exported to

8 'Japan Seeks Malaysia's Expertise To Tap Halal Market', *Bernama*, 8 May 2009, Retrieved 2 July, 2009.

international markets through Malaysia, particularly to the Middle East and Southeast Asia.

On the supply side, the increasing number of Japanese companies investing in food and beverage sectors in Malaysia proves the interest of the Japanese companies in marketing their products. Aside from this, the increasing number of restaurants and supermarkets offering Japanese food products demonstrates the keenness of the involved parties to meet the demand of local consumers. Another factor that needs to be considered is the increasing involvement of Japanese companies in exhibitions that promote *Halal* products such as the MIHAS shows their interest in participating in this particular market.

It is anticipated that the favourable increase in both supply and demand would eventually lead to further progress in marketing Japanese *Halal* food products in Malaysia. However, more effort is needed from the Japanese side to ensure their products are clean so as to earn the trust of consumers in order to sustain a positive market growth in the future.

