

A Project Consigned of the Environment Agency in 1999

**Overseas Environmental Measures of
Japanese Companies
(Malaysia)**

Research Report on Trends in
Environmental Considerations related to
Overseas Activities of Japanese Companies
FY 1999

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Global Environmental Forum

Preface

Japanese companies have been prominent in setting up operations in Southeast Asia. They play a major role in spurring economic development in their host countries and are continuing to build and expand their business activities in the region.

However, as a legacy of its rapid economic growth and industrialization, Southeast Asia suffers environmental pollution problems which are now causing serious concern. Although the region has begun to address these problems through industrial pollution controls and other initiatives, measures are still not sufficient due to the shortages of financial and human resources, as well as technical expertise and experience.

Against this backdrop, Japanese companies, with their advantages of advanced environmental technologies and previous experience in overcoming severe industrial pollution at home, are expected to take positive steps toward tackling environmental issues in Southeast Asia. Furthermore, Japanese companies are seen as potential leaders in promoting industrial pollution controls by introducing innovative environmental practices. Within Japan, too, there is intensifying public scrutiny of the environmental considerations related to activities of Japanese companies operating in Southeast Asia.

In 1995, the Environment Agency of Japan asked the Global Environmental Forum to conduct a questionnaire survey of the measures being taken by Japanese companies to protect the environment in the four Southeast Asian countries of Malaysia, Thailand, Indonesia, and the Philippines. Many of the companies that participated in the survey indicated a need for further information. They requested a handbook or guide about environmental issues in the host country, to help them carry out more substantial environmental measures. There was also a demand for corporate case studies to be prepared, describing the model cases of innovative environmental practices that Japanese companies are implementing in their offshore facilities.

Following these requests, the Environment Agency in 1996 commissioned the Global Environmental Forum to carry out a research program into the environmental considerations related to overseas activities of Japanese companies. The research is aimed at collecting information and cases that might be useful in encouraging Japanese companies to implement environmental measures in the countries in which they operate. The results were published as a series of research reports; the Philippines edition in 1996, the Indonesia edition in 1997, and the Thailand edition in 1998. This Malaysia edition, the fourth in the series, reports the findings of the research project commissioned by the Environment Agency in 1999.

We hope that this report will enable Japanese companies already operating in Malaysia to improve their environmental practices, and serve as a useful resource for other companies contemplating a future move into Malaysia.

We would like to express our thanks and appreciation to all those who assisted us in this project. The Japanese Chamber of Trade and Industry in Malaysia (JACTIM) and its Management Committee provided invaluable assistance in obtaining reference materials and in introducing companies willing to participate in the survey. The Japan External Trade Organization (JETRO) Kuala Lumpur Center kindly arranged contacts with the Department of Environment, Malaysia and other environment-related government agencies. We are grateful to many Japanese companies in Malaysia, and to the Department of Environment and other government agencies, who gave generously of their time and cooperated in gathering information. In addition, we acknowledge the help and support received from the Japan Chamber of Commerce and Industry and from JETRO in Japan.

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How to Use This Book

This book consists of two chapters and appendices. Chapter 1 describes the environmental issues that Malaysia now faces, and summarizes Malaysian laws and regulations on the environment. Chapter 2 presents case studies illustrating the practical measures being taken by Japanese companies in Malaysia (manufacturing sector) to safeguard the environment. The appendices provide useful information for gaining a deeper understanding of the topics raised.

Note that the term *Japanese companies in Malaysia*, as used in this book, refers to corporate members of the Japanese Chamber of Trade and Industry in Malaysia (JACTIM) and members of the JETRO Kuala Lumpur Center, irrespective of any special criteria such as the percentage of equity invested from Japan.

It should also be noted that the Japanese companies who took part in the field research for this survey were all manufacturing companies. For this reason, the case studies discussed in Chapter 2 are all taken from the manufacturing industry, and the primary emphasis of this book is on environmental practices in the manufacturing sector.

This book is designed so that each chapter, and each section within each chapter, can be read independently. Readers may select relevant information according to their particular needs.

The following describes how this book is organized.

Chapter 1 is divided into seven sections which present up-to-date information about Malaysia's environmental problems, and laws and regulations:

- Section 1: Malaysia and Japanese Companies
- Section 2: Current Environmental Issues in Malaysia
- Section 3: Environmental Administration and Legislation in Malaysia
- Section 4: Water Pollution Management
- Section 5: Air Pollution Management
- Section 6: Industrial Waste Management
- Section 7: Environmental Impact Assessment in Malaysia

Section 1 sketches the history of Japan's relationship with Malaysia and the expansion of Japanese companies into the country. Section 2 describes specific environmental problems that affect Malaysia at present, namely water pollution, air pollution, and waste issues.

The remaining sections in Chapter 1 explain and provide detailed information, categorized by topic, about the environmental legislation and administrative structures in Malaysia that are of primary importance when formulating a corporate environmental management plan. Section 3 describes Malaysia's environmental administrative framework and the system of laws and regulations pertaining to industrial pollution, and summarizes the various environmental formalities that a company must complete to establish an industrial operation in Malaysia. Sections 4, 5, and 6 outline legal mechanisms and regulatory standards in three areas - water pollution, air pollution, and industrial waste - as essential aspects of industrial pollution control. The last section, Section 7, gives an overview of Malaysia's Environmental Impact Assessment (EIA) system.

The information in Chapter 1 was compiled mainly from interviews with officials of the Department of Environment and from materials published by the Malaysian government.

In Chapter 2, Section 1 summarizes the features and methods by which Japanese companies in Malaysia, particularly in the manufacturing sector, are attempting to protect the environment. This introduction is followed by thirteen examples of innovative environmental practices being carried out by companies covered in the field research. The case studies are divided into three sections:

- Section 2: Cases of Meeting Strict Wastewater Standards (five examples)
- Section 3: Cases of Establishing an Environmental Management System (four examples)
- Section 4: Other Examples of Innovative Environmental Practices (four examples)

Efforts by the manufacturing sector and other industries to protect the environment in Malaysia are aimed primarily at controlling water pollution, which was therefore the main focus of the cases we selected. In Section 3, we included examples of setting up an environmental management system, reflecting the strong commitment among Japanese companies in Malaysia in obtaining ISO 14001 certification and building environmental management systems. In addition, Section 4 includes examples of preventive efforts to safeguard the environment.

The following reference materials are provided in the appendices.

- Appendix 1: Environmental Quality Act 1974 (complete text of the 1998 amended Act)
- Appendix 2: Environmental Quality (Scheduled Wastes) Regulation 1989 (excerpts), which prescribes the treatment and disposal of scheduled wastes, together with the First Schedule of the Regulation which lists the wastes subject to this legislation.
- Appendix 3: Current State of Environmental Practices of Japanese Companies in Malaysia and Other Asian Countries
- Appendix 4: Sources of Environmental Information in Malaysia and Japan

Appendix 1 is the Environmental Quality Act 1974, discussed in Section 3 of Chapter 1. The complete text is included here for the better understanding of the reader. Appendix 2 contains excerpts from the environmental regulations setting out the precise requirements for the treatment and disposal of scheduled wastes in Malaysia.

The currency conversion rate used in this book is approximately 30 yen to one Malaysian ringgit, the rate as of February 2000.

As for the particulate matter measured in relation to air pollution, there are three definitions; (1) suspended particulate matter (SPM), which is measured after eliminating 100 percent of particles with a diameter of 10 microns or more, the measurement adopted in Japanese environment standards, (2) PM10, which is measured after eliminating 50 percent of particles with a diameter of 10 microns or more, (3) total suspended particulates (TSP), which includes all particles regardless of size, and (4) dustfall. Of these, PM10, TSP, and dustfall are used in Malaysia.