

**EMERGING MULTINATIONAL COMPANIES  
BEHAVIOR TO CHINA: MALAYSIAN CASE**

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**EMERGING MULTINATIONAL COMPANIES  
BEHAVIOR TO CHINA: MALAYSIAN CASE**

A thesis submitted to the Graduate School in partial  
fulfillment of the requirements for the degree  
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by

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## **ABSTRACT**

The purpose of this dissertation is to explain the opportunities offered by China as one of the fastest growing economy in this world and also to seek its main attraction that become as a push and pull factors to encourage the Malaysian MNCs to invest there. Besides, this dissertation also examines some theories of investment which is related to the factors why Malaysian MNCs decide to go out, especially to China. In order to portray a clear picture about China, this dissertation had generally explain about the business environment in China, the background of its economy, socio-cultural, government incentives and also its demographic factors of China. Furthermore, it also had discuss about the three main industries in China; manufacturing, construction and engineering and also automobile industry as a main contribution industries to the growth of China's economy. Thus, this study had attempt to analyze the three Malaysian MNCs which are operated in China; GAMUDA BERHAD, ENG TECH and SIME DARBY BERHAD, as a finding to discuss in depth about the real situation that happened to them. As a result, three simple models had been design derived from the basic model of push and pull factors for MNCs to go out.

## **ABSTRAK**

Tujuan kajian ini adalah untuk menerangkan tentang peluang-peluang yang disediakan oleh Negara China sebagai salah satu daripada ekonomi yang berkembang pesat di dunia dan juga bagi mencari daya penarik di China sehingga ia menjadi faktor menolak dan juga faktor menarik untuk menggalakkan syarikat Multinasional di Malaysia untuk melabur ke sana. Selain daripada itu, kajian ini juga melihat kepada teori teori pelaburan yang berkaitan dengan faktor mengapa syarikat Multinasional di Malaysia mengambil keputusan untuk keluar, terutamanya ke Negara China. Kajian ini juga secara amnya, menerangkan tentang persekitaran perniagaan di China, latar belakang ekonomi, faktor socio budaya, insentif yang ditawarkan oleh kerajaan dan juga factor demografik di China, sebagai memberi gambaran yang lebih jelas terhadap kerajaan China. Selain daripada itu, ia juga membincangkan tentang tiga industri utama di China yang menjana ekonomi Negara China, iaitu sektor pengeluaran, pembinaan dan juga sektor automobil. Sehubungan dengan itu, kajian ini telah menganalisis tiga buah syarikat Multinasional di Malaysia yang beroperasi di China; GAMUDA BERHAD, ENG TECH dan SIME DARBY BERHAD bagi membincangkan dengan lebih mendalam terhadap situasi sebenar yang berlaku terhadap mereka. Sebagai keputusannya, tiga model ringkas telah direka berasaskan daripada Model Asas Faktor Menolak dan Menarik bagi syarikat Multinasional untuk ke luar Negara.

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*Afifah Alwani Ramlee, 2008.*

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## **LIST OF ABBREVIATIONS**

<b>AHD</b>	Analytic Hierarchy Process
<b>APEC</b>	Asia Pacific Economic Cooperation
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>BNM</b>	Bank Negara Malaysia
<b>E&amp;E</b>	Electrical and Electronic Sector
<b>EU</b>	European Union
<b>ENGTEK</b>	Eng Technology
<b>FSA</b>	Firm Specific Advantage
<b>FDI</b>	Foreign Direct Investment
<b>GE</b>	Great Effect
<b>GDP</b>	Gross Domestic Product
<b>IBM</b>	International Business Machines Corporation
<b>IPR</b>	Intellectual Property Rights
<b>KRTC</b>	Kaohsiung Rapid Transit Corporation
<b>LDC</b>	Lesser-Developed Countries
<b>MIDA</b>	Malaysian Industrial Development Authority
<b>MNCs</b>	Multinational Corporations/Companies
<b>NIEs</b>	Newly Industrializing Economies
<b>NICs</b>	New Industrialized Countries
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PPP</b>	Purchasing Power Parity
<b>QM</b>	Quality Management

<b>TNC</b>	Transnational Corporations
<b>UNCTAD</b>	United Nations Conference of Trade and Development
<b>WTO</b>	World Trade Organization

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Background of the study**

##### **Foreign Direct Investment in Asia Pasific**

In recent decades, foreign direct investment (FDI) by multinational corporations (MNCs) has grown rapidly resulting in an increased share of FDI inflows among developing countries. For instance, in 2005 the increment amounted to \$334 billion or more than 36% of all FDI inflows (UNCTAD 2006). However, the amount and timing of increases in FDI varies greatly among developing countries. FDI has become an important source of private external finance for developing countries, since it differs from other major types of external private capital flows. Furthermore, it is motivated largely by the investors' long-term prospects for making profits in production activities that they directly control. According to the latest report from the United Nations Conference on Trade and Development's (UNCTAD, 2006), developing countries are attracting more foreign investment than ever before. In addition, the UNCTAD's World Investment Report claims that global flows of FDI rose by 29% in 2005 to US\$ 916 billion, with FDI in some developing regions recorded high.

The high FDI boom is due the rapid economic growth, especially in China and India, and the high prices in raw materials. Besides, the increasing liberalization of the economy in many of the developing countries has made investment a lot easier. Unfortunately, the benefits of the increased investment are spread unevenly across countries and industries, with South Africa receiving 21% of the region's total FDI.

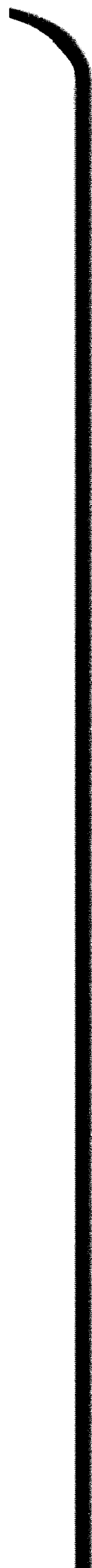
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