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**EFFECTS OF INTERNATIONAL  
CONTRACTORS INVOLVEMENT IN  
CONSTRUCTION PROJECT**

Final Project submitted in partial fulfilment  
of the requirement for the award of  
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## **ABSTRACT**

International contractor is a contractor that resides in other target market in different country. In Malaysia, international contractors' involvement can be seen in some of the mega project in Malaysia. However, there are issues by local contractors where they are risk in become subcontractors, lack financial capabilities, advance technology and competitiveness among contractors.

Therefore, with the aim of this research to study the effects of international contractors' involvement in construction project in Sarawak, three objectives had been secured. There are to study the involvement of international contractors in construction industry, to gauge the issues and benefits encounter by international and local contractors in construction project and to analyse the effects of international contractor's involvement in construction industry. The method of data collection to be used is quantitative data which is questionnaire. SPSS software is used to produce statistics for the data analyzed. The type of data analysis to be used in this dissertation are reliability test, descriptive analysis and cross tabulation.

The findings shows that majority of local contractors aware on the influences of international contractor in the construction industry and economic development but the least involved in project joint venture with them. Apart from that, the research also reveals that international contractors has contributes in terms of skills and expertise and technology transfer in local construction industry whereby the least are in economy and innovation. Lastly, the involvement of international contractors' has resulted on the effects of construction market becoming tougher and the least is in terms of price factor.

For conclusion, in accordance of rapid development of the country, the government should implements more initiatives to increase the level of competitiveness among local contractor in line with accelerating industrialization, growth and modernization of the country.

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# CHAPTER 1: INTRODUCTION

## 1.0 BACKGROUND OF STUDY

Construction industry is one of the industries that play an important role in developing and enhancing economic sector. In Malaysia, the construction sector consist of two part which are engineering or civil works and other construction works. Example of other construction works are residential areas and commercial buildings (Report from Market Watch 2012). Construction sector has contributed US\$4.5million for the annual global construction output contributes to the worldwide market (Khan, 2008). Despite that, various incentives are prepared by the government to increase the growth of construction sector from time to time. According to Maznah (2006), the international construction sector consists mainly of contractors that are based in the major industrialized countries but have operations in a number of countries Followed by the fourth Strategic Trust which is Internationalisation, Malaysia also not excluded in finding a strategy to get involve with international market. As included in CITP, Internationalisation which to raise the performance of local construction players to meet expected international standards. It can be seen where the country has positioned themselves globally and have successfully penetrated the construction markets in the Gulf Countries, India, ASEAN and Africa.

Besides that, in December 2010, construction contracts worth RM89, 192 million in over 40 countries has been acquired by 108 contractors. From that, 548 project are successfully completed and 80 projects still ongoing which worth RM49, 953 million and RM39, 238 million respectively (CIDB, 2010). In order to implement the CITP into the industry, three Malaysian contractors has been identified as experienced in overseas and have significant international exposure. They are WCT Engineering with more than 65% of overseas projects, followed by IJM with 55% of overseas projects and Gamuda with 38% of overseas projects (Morgan, 2008).

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 MALAYSIAN CONSTRUCTION INDUSTRY**

Malaysia is moving towards a developed country with a view to accelerating industrialization, growth and modernization of the country. As cited by Intan Rohani et al. (2009) since seventies, the economic in Malaysia has undergone rapid growth. The construction industry is defined as a combination of many parties in multifaceted industry working together in a period of time towards completing a project (Bresnen and Marshall, 2000; Wood et. al., 2002; Sorrell, 2001; Meng et al, 2011).

According to Wibowo (2009), 40% to 60% has been contributed from the construction sector in the national income towards the Gross Fixed Capital formation as well in developing countries. Construction industry in Malaysia has become one of the largest sector that contributes the most in the development of the country as well as the Malaysian economy. The construction industry is an important element because of its extensive linkages with other sectors. It plays a huge role in the transformation, industrialization and urbanization process of Malaysia from developing nation status to developed nation status as include in Vision 2020.

Even though it accounts for only less than 5% of Malaysian Gross Domestic Product (GDP), it includes activities ranging from construction of buildings, roads, electricity or other transmission lines or towers, pipelines, oil refineries to other specific civil engineering projects (CIDB, 2007).