

**THE IMPACT OF CHINA'S ECONOMIC GROWTH
TOWARDS INVESTMENT OPPORTUNITIES IN
THE MALAYSIA PROPERTY INDUSTRY FOR
FDIs**

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2004334247**

**Submitted in Partial Fulfillment
of the Requirement for the
Bachelor of Business Administration
(Hons) International Business**

**FACULTY OF BUSINESS MANAGEMENT
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MELAKA**

2006

ACKNOWLEDGEMENT

All praises to the almighty Allah, the most merciful and the most benevolent for giving me the strength and patience in completing this research paper.

I would like to express my gratitude to my most respected advisor, Puan Zainah Jalil for her invaluable advice, suggestions, comments and guidance in every stage of this research and for her time and effort in ensuring the progress of this paper.

I also like to express my friends for their help especially in the reports findings of my study in order for me to complete this paper.

I wish to acknowledge gratitude to a number of sources for the assistance provided at different stages of preparation of this research paper; my supervisor, Mr. Sufian Abdullah, Manager of Business Development & Corporate Plan, and all the staff at Sime UEP Development Sdn Bhd for their cooperation and help throughout the duration of this research.

To my beloved parents, Encik Ibrahim bin Mahat and Puan Faridah binti Ismail, I am so grateful for all your support that has provided me the constant source of inspiration and encouragement over this period.

Thank you so much.

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TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENT	iii
LIST OF TABLES	v
LIST OF FIGURES	vi
ABSTRACT	vii
 CHAPTER 1: INTRODUCTION	
 1.1 Introduction	2
1.2 Background of Study	
1.2.1 Why China?	3
1.2.2 Foreign Direct Investments (FDIs)	5
1.2.3 Economic Growth	8
1.2.4 Malaysian Property Industry	8
1.3 Background of Company	
1.3.1 Sime Darby Property Division (Sime UEP)	11
1.4 Problem Statement	14
1.5 Research Questions	15
1.6 Research Objectives	15
1.7 Theoretical Framework	16
1.8 Significance of Research	17
1.9 Scope of Research	18
1.10 Limitations of Research	19
1.11 Definition of Terms	19

ABSTRACT

Foreign Direct Investments (FDIs) have become one of the major contributors to country economic growth. Since 1973 until 2003, the FDI inflows have give impact to the economic growth for both China and Malaysia. FDI inflows have indirectly affected the investment opportunities in the property industry since they need the office and land for their business operation. So, it is indirectly give affect to the growth of Malaysian property industry. However, the emerging China nowadays made them the major player in the global economy. Many investors like to invest there and this might be affecting the FDI growth in Malaysia.

To study the impact of FDI inflows in China to FDI in Malaysia, the researcher have use the secondary data. The data is for the total FDI inflows in million USD in China and Malaysia from 1973 until 2003. From the data, the researcher does the analysis for the impact of FDI inflows in China to the FDI in Malaysia by using the Microsoft Excel to compare the movement of the FDI in both countries. To analyze the level of significance of the FDI inflows in China and Malaysia, the researcher use the Statistical Package for Social Science (SPSS version 14.0) to analyze the correlation between the FDI for both countries.

As the objective of the study to analyze the impact of the FDI inflows in China to the FDI in Malaysia, the result shows that in thirty years period of time from 1973 to 2003, the movements of FDI in China have indirectly affected the FDI in Malaysia. From the correlation analysis, the level of significance has been achieved where the level is significance at 0.000 and the Pearson correlation is 0.649. It means that, when FDI inflows in China increase by 100%, the FDI inflows in Malaysia decrease by 64.9%.

1.1 Introduction

Foreign Direct Investment (FDI) is an investment that is made to acquire a lasting interest in an enterprise operating in an economy. According to **Agrawal, 2000**, there has been an enormous boom in FDI flows since 1993. In 1980', the world's share of inward FDI stock averaged 4.6% of world GDP. By 1994, it reached 9.4%. In 1999 it was 16%. For East and Southeast Asia, the numbers are even more dramatic. In 1980, the share of inward FDI stock averaged 3.8% of GDP. FDI is the largest source of external finance for developing countries. Since 1980, the country has maintained an open policy towards trade and investment. As a result, FDI has played an important role in the capital formation and hence, the development of the economy.

FDI can play a key role in the process of creating a better economic environment. FDI have accelerated the economic growth in Malaysia for many years. However, open-door policy in China might be slightly affected the number of FDI inflow in Malaysia and at the same time affect Malaysia economic growth. This study done to investigate whether FDI inflows in China have given impact to the FDI in Malaysia as China becomes favourite place for investors to make investment nowadays. Other than that, this study also evaluates the level of significance of FDI growth in China as compared to FDI in Malaysia. To complete this study, I have used the data of FDI inflows in China and Malaysia in real terms from 1973 until 2003. At the end of this study, I have recommended the actions that Malaysia Property Industry especially Sime Darby Property Division can take through its prestigious developers, Sime UEP Development Sdn Bhd in order to sustain existing investors and attract new potential foreign investors to come invest in Malaysia.