CHAPTER THREE

CONTEMPOPARY MALAYSIAN INVESTEMNTS IN CHINA

I. Malaysian Investments in China Before 1985

There are many reasons for a developed country to invest abroad. Six main objectives include:

1) factor cost reduction,
2) risk diversification,
3) reduction of raw material supply uncertainty,
4) product exposure,
5) overcoming trade barriers, and
6) limitation to growth at home. (Lall 1986 : 2)

Although there are studies showing that most of the FDI in Asia in the late 1980s and early 1990s were aimed at cost reduction and at overcoming trade barriers (Fukushima 1995: 8), this may not be true for all investments in China. In an interview, social scientist Lynn Pan said,

> "The overseas Chinese are going back for the same reason they left China—the pursuit of opportunities. They left China because they would do better elsewhere; now they are putting their money in China because they think they'll get a faster or higher return on it than if they put it elsewhere. Ultimately, it's opportunity they are after."
> (World Executive's Digest 4/94: 42)

However, in this writer's view, Malaysian investments in China cannot be understood merely from the economic or business point of view. This is especially true if we take into account the fact that most of the investments to China have been by Malaysian Chinese. Robert Kuok, the first Malaysian Chinese to invest in China, was of the view that "the breakeven point for investment in China may be slower than that of in Hong Kong or Southeast Asia, but Overseas Chinese investment can help China to develop it's economy." (He 2/93: 36). His words support the idea that investments in China by Overseas Chinese are not decided merely on profit margins. Of course, we must not lose sight of political influences, which have been discussed in the previous chapter. After interviews with several businessmen whose companies invested in China, the writer discovered that in fact, for most of the early Malaysian Chinese investors, the factor that encouraged them to invest in China was partly based on sentiment. As observed by Lydia Echauz, "most overseas Chinese never gave up their psychological ties with China. Going back to China is not only a business opportunity but also a homecoming." (World Executive's Digest 4/94: 42) The sentiment factor appears to be more evident in the early years. However, this factor may not play such a significant role in later stages. As observed by Wang Gungwu, "the motive of Overseas Chinese investing in China is profit seeking rather than emotional inclination." (NYSP, 23/1/94)

Some immigrant Chinese look upon China as their "motherland" and Malaya as a place to earn a living. Their emotions incline towards the motherland which can be reflected by the fact that they not only maintained contact with relatives in mainland China but have also made remittances back to their native place at regular intervals. Besides serving as a form of material help for the daily needs of relatively poor kinsfolk, this money has also been used to rebuild houses, develope farmland and factories. Their intention, apart from making a profit, is to improve kinsfolk's life

Thus investment are sometimes considered assistance as well. During various crisis in China, their desire to help can be seen from remittances which rose from 0.1 billion China currency in 1931 to 0.4 billion China currency in 1940 (Liao 3/91: 107). When the Nationalist government of China was resisting Japan's military adventure, the Chinese in Malaya effectively boycotted trade with Japan besides contributing funds to the Nationalist government.

One the other hand, although many *laozihao* (a Chinese term for old name shop) have maintained their relationships with commercial establishments in China for some decades, most of them have kept to their original business. A good example is Eu Yan San established in 1890 (NYSP, 4/5/98). However, there have been exceptions. According to a study, Malaysian *Huaqiao* (a Chinese term for Overseas Chinese, refering to Chinese sojourners, Chinese subjects or nationals temporarily residing abroad) Chen Yu Bo, Zhang Zhi Rui and Lu Feng Chi went back to China in 1919 and established the "First China Canton Brother Rubber Factory", which was considered the first rubber goods industry in China (Liao 3/91: 105). In 1923, other Malaysian *Huaqiao* established the "Fong Keong Rubber Factory" to produce the "elephant brand" rubber shoes (Liao 3/91: 105). Unfortunately, such studies have not been carried out in Malaysia.

In view of the difficulties encountered in obtaining relevant material from *laozihao* companies, this researcher has tried to approach some relatively new companies, that is, companies established after independence. However, to trace the activity of a business company is never an easy task, particularly when many Malaysian companies invest in China through their Hong Kong subsidiaries or associate companies. Furthermore, Malaysian companies are not obliged to report to any Malaysian government or statutory body such as MIDA. A further problem rose when nearly all the companies this writer approached refused to release relevant figures in the name of "business secret" despite the fact that the figures are now yesterday's story. Therefore, a picture has to be constructed from newspaper cuttings, articles from economic and business magazines and company annual reports in order to complete the jigsaw puzzle.

As a result of this approach, this researcher has to concentrate on PLCs. PLCs are obliged to announce to the public the progress of their business from time to time. However, first-hand information is hard to come by and the picture is often inconsistent or incomplete. Many businessmen invested in oversea markets through their private companies while maintaining a low-key attitude. For example, Wong Chik Lim from Sabah, the close friend of Sabah Chief Minister Harris Salleh, moved to Hong Kong in 1980 after the collapse of Harris politically and later expanded his business in China (He 3/95: 47). Thus, this research represents only the picture as reflected by the PLCs.

Beginning from the early 1970's, Malaysian tycoons began to invest in Hong Kong extensively. The sagacious Robert Kuok, for example, started to participate in Hong Kong in 1974. He was the first Malaysian Chinese who invested in China (He 2/93: 36). The low-profile Wong family of the Lam Soon Group went to Hong Kong during the 1970's while the Hong Leong Group bought into Dao Heng Bank 17 years ago and now owns three listed companies in Hong Kong (YZHZK 10/97: 30-33). According to a recent survey, there are currently 26 PLCs in Hong Kong which are deemed to have Malaysian interests, comprising nearly 3% of market capitalization of the Hong Kong share market (Table 3.1). 16 of the 26 PLCs are subsidiaries of Malaysian PLCs or believed to closely related with Malaysian PLCs.

Subsequently, these Malaysian Hong Kong companies began to invest in China. Companies controlled by Robert Kuok, for example, began to invest in China in 1981 by building Shangri-La Hotel in Beijing (He 4/94: 24). The Nan Yuan Yin Fong Group from Kluang, Johor, ventured into China's cosmetic market in the early 1980's (Business World 6/92: 4-10). These businessmen invested through their Hong Kong subsidiaries due to two factors. The first is to take advantage of the favorable business environment in Hong Kong. Hong Kong is famous for it's low corporate taxes, relatively few regulations, and stable social environment. They also took advantage of the free flow of information on China available in Hong Kong. The second is to avoid the politically sensitive issue of Malaysian Chinese (refering Malaysian of Chinese descent) investing in China. The question of affiliation with China of the Malaysian Chinese is constantly a sensitive political issue in Malaysia, which forces Malaysian Chinese businessmen to exhibit a certain amount of caution in dealing with any matter relating to China in order not to arouse the suspicion of their non-Chinese compatriots with regard to issues of loyalty to Malaysia.

Being one of the most successful Malaysian investors in China, Robert Kuok's experiences are worth mentioning. His investments in China was channeled through the Kerry Group in Hong Kong and not from Malaysia. His investments in China can be devided into three core areas: the hotel industry, edible oil refinery and property development. Besides two hotels in Hong Kong, he operates at least 12 hotels

Table 3.1 PLCs in Hong Kong with Malaysian Interest, 26/9/97

Name		Business Nature
1. Dao Heng Bank#	道亨银行	banking
2. Kerry Prop#	嘉里建设	property and infrastructure development
3. Guoco Group#	国浩集团	finance and property development
4. Shangri-La Asia#	香格里拉（亚洲）	hotel and property development
5. SCMP(Holdings)#	南华早报	publishing, investment holding
6.Allied Group	联合集团	conglomerate
7. Allied Prop(HK)	联合地产	property development
8. Sime Darby (HK)#	森那美香港	car and industrial product merchandiser
9. JCG Holdings#	日本信用保证	finance and investment holding
10.SHK Co	新鸿基	finance
11.Grand Orient	伟东集团	property development and finance
12.Tian An China	天安中国	property development
13.Guoco Land#	国浩地产	property development
14.Lee Hing	利兴发展	Construction and beer merchandiser
15.Lam Soon (HK)#	南顺香港	investment holding, food and circuit board manufacturer
16.Ming Pao Ent#	明报企业	publishing and tour operation
17.Lam Soon Food#	南顺食品	flour, edible oil and cleanser manufacturer
18.Winton Holdings#	运通泰	investment holding and restaurant
19.Keck Seng Inv.	激成投资	Property development
20.MUI Hong Kong#	马联香港	investment holding and trading
21.Lion Asia#	金狮亚洲	conglomarate
22.Magnum Intl#	万能国际	finance and stock broking
23.SHK China	新鸿基中国	investment holding
24.Kong Sun Hldgs	江山控股	property development, hotel and investment holding
25.Berjaya Hldgs#	成功控股	property development and securities investment
26.Team Concepts	群思集团	electrical and telecomunication product manufacturer and distributer

Source: YZHZHK, 6/10/97: 34,35.
Note: # = deemed to have Malaysian PLCs' interest.

(6354 rooms) in China, spread around Beijing, Shanghai, Hangzhou, Beihai, Changchun, Shenzhen, Xian and Shenyang with eight more under construction (4253 rooms)(Wu 10/97: 66). His first edible oil refinery factory was built in 1986 at Shenzhen, Guangdong Province and subsequent refinery factories were built in Xiamen, Fujian Province; Shanghai, Shanghai Province; Fangcheng, Guangxi Province; Xian, Shaanxi Province; Chengdu, Sichuan Province; Yingkou, Liaoning Province; Qingdao, Shandong Province. Each factory was set up at an interval of one year and within 10 years he became the biggest player in the market, with eight factories scattered over the country. Although Robert Kuok owns a minority stake in some of the factories, he controls the management. Annual turnover for edible oil in China amount to RMB five billion. Due to palm oil's high solidifying point, it amounted to only 5% of the market share. His PLC in Hong Kong, Kerry Properties Ltd, has became one of the top five property development companies in Hong Kong (YZHZK 6/10/97: 36) and building numerous commercial, office and residential real estate (Forbes 28/7/97: 92-93).

During the 1970's and 1980's, bilateral trade between the two countries continued to grow in double-digit figures for most of the time. However, the volume of investment was relatively low or insignificant. Although China opened its door to the world in 1978 and subsequently declared four SEZs in 1981, where special economic policies and systems were implemented, the situation did not change accordingly. This can be attributed to the unfavorable political climate both locally and internationally, as explained earlier. It was not until mid of 1980's that the Malaysian government realized that a new world economic order was taking shape. It soon recognized that China would be the very hub of East Asia and was already the fastest growing region in the world. Not only was restriction on regulation relaxed, top government officials also encouraged investments in China in succession. Chinese businessmen were asked to make use of their advantages of cultural similarity to venture into China on various occasions.

II. Malaysian Investment In China By Public Listed Companies, 1985—1997, Trends And Characteristics

In the 1970's and early 1980's, there was virtually no overseas investments by PLCs except for some established conglomerates like Sime Darby Bhd. and large banks like Malayan Banking Bhd. Although the first stage of foreign trade reforms in China started in 1979 and ended in 1984, Malaysian businessmen lagged behind their Hong Kong, Macao and even ASEAN counterparts. Thai conglomerate Charoen Prokphand Group, controlled by a Chinese family, set up the first Overseas Chinese investment, a feedmill which opened in 1981 in the Shenzhen (AWSJ, 19/7/95). During this period, China opened four SEZs in Guangdong and Fujian provinces to serve as windows attracting foreign investment and technology.

In 1984, the PRC government decided to carry out the second stage of trade reforms and opened further 14 coastal cities and Hainan Island to foreign investment. A number of small and medium-sized enterprises were allowed to engage in foreign trade with the sole responsibility for gains and losses. This exposed domestic enterprises directly to the competitive international market. The stringent system of foreign exchange control was also relaxed in order to promote export performance. The more export driven plan reduced the gap with the international trade system and accelerated the pace of its integration into the world economy (Zhang Zhaoyong 1997: 184). A breakthrough began in the following year when the Malaysian government changed its attitude towards PRC adopting a more pragmatic policy. Thereafter, the economic relations between the two countries have changed rapidly.

One of the businessmen who joined the Malaysian Prime Minister's delegation to China in 1985 took the lead in investing in China—Lim Kim Hong, managing director of DSSB. Due to his efforts, the first Malaysian investment in China was set up in Tianjin which started operations in November 1986 (NYSP, 6/7/85). Initially, Malaysian investments in China started slowly. If we examine the investment trend of Malaysian PLCs in China, it can be divided into 3 phases based on the number of PLCs that invested in China as well as the pledged investment.

The first phase was the period of breaking the ice. Although the Prime Minister's visit to China in 1985 spurred Malaysian businessmen to become more active in investing in China, the development of PLCs in China was very slow. In the first few years, investment of PLCs in China was minimal. From 1985 to 1990, only six PLCs announced their investments in China besides DSSB (DSSB was listed in the KLSE two years later after entering the China market)(Table 3.2). Throughout the 1980's, when Hong Kong, Taiwan and even Singapore were making numerous investments in China, Malaysia stood largely on the sideline. However, the "Tiananmen Incident" that took place in June 1989 drove out many western investors and created an investment vacuum. As a consequence, delegations from China visited Malaysia in succession hoping to attract investments. High ranking officials also urged Malaysian businessmen to grasp the investment opportunities in China. That paved the way for rapid development of Malaysian investment in China in the following years.

Table 3.2 Malaysian PLCs' Investment in China, 1985-1990

Name	Year	Type of Business	Location
1.DSSB	1985	manufacturing and marketing of mattress	Tianjin, Shanghai
2. FACB	1986	chemical factory	Dalian
3. Kinta	1987	plastic factory	Shanghai
4. Innovest	1987	fast food outlet	Beijing
5. Pilecon	1989	consultancy firm	Beijing
6. Leong Hup	1990	poultry	Liaoning

Sources: 1)NYSP, 18/6/88, 7/7/89, 8/10/92;
2)Tong Pao, 7/11/86;
3)SCJP, 29/9/87, 13/6/90.

The second phase was the period of rapid development. The massive influx of Malaysian investments into China began in the early 1990's in line with the PRC's effort on increasing transparency and moving closer to the requirement of general principles conducting international trade for re-entry to GATT/WTO (Zhang Zhaoyong 1997: 186). That was the period when Malaysian ministers were actively visiting China with delegations of potential investors.

The number of PLCs which announced their activities in China increased significantly within this period. From 1991 to 1994, there were a total of 61 PLCs that showed their interest with a contracted amount reaching RM8.167 billion. This was the period when everybody was talking about the China market. The idea of an untapped market of 1 billion was so compelling that besides the Chambers of

Commerce, clan associations were also promoting investments in China (SCJP, 24/7/94). Even local Chinese newspaper were organising seminar on "China Investment Policy" (SCJP, 10/11/92). The investment upsurge was so popular that some PLCs are believed to have made use of announcements on China projects, especially in the gaming business to boast their share price. In a short period of time, early birds like DSSB and the Lam Soon Group found that they had many more competitors from Malaysian PLCs in one form or another on "the last frontier". The "Chinese Fever" skyrocketed to its peak when 36 MoUs with pledged investments of RM 1.5 billion were signed during Mahathir's visit in mid 1993. In the same year, Malaysian PLCs' contracted investments reached RM 2 billion, higher than the cumulative total of the entire 1985-1992 period, making Malaysia one of the top ten largest investors in China (SCJP, 5/94).

The third phase was the period of consolidation beginning from 1995. Honeymoons do not last long, after a few years of 'Chinese Fever", businessmen began to evaluate the investment in China seriously. In fact as early as 1993, a Hong Kong scholar found that one in three Taiwanese investor reported losing money in China (Su 5/93: 33). Investing in China was not easy. Starting from 1994, some PLCs, a good example would be Resort World, announced their withdrawal from China (SCJP, 24/10/94). Kemayan, Sungai Way, SBC and Granite also announced their withdrawal from China (SCJP, 15/11/95). Although the total funds raised in KLSE increased every year (Table 3.3), and there were new PLCs that announced their participation in China, the number decreased (Table 1.11). In 1996, the companies which pulled out from China received wide coverage—among them were Renong and Ho Hup (SCJP, NYSP, Star, NST, 11/4/96).

Table 3.3 Some Figures of KLSE, 1991-1996

Year	Funds Raised	New Listed Company
1991	4 391 million	39
1992	9 182 million	46
1993	3 433 million	44
1994	8 458 million	66
1995	11 438 million	62
1996	15 924 million	85

Source: KLSE, in NYSP, 13/3/99, 8/9/95, 11/6/97 and Star, 16/4/95.

These developments display a sign of the businessmen's desire to find practical solutions for the problems inherited from their investments in China. China was beginning to lose its shine as a prime overseas investment location for Malaysian companies (NYSP, 17/2/96). However, Malaysia's changing comparative advantages and structural economic transformation couple with liberalization and deregulation of investment policies in China are still likely to encourage economic relations between the two countries in the future, though not in such an unparalleled pace as witnessed during early 1990's.

Recent events have shown that overseas investments may not prove the easy task that it appears to be. After the currency crisis that took Asia by surprise in 1997, many PLCs were forced to re-align their cooperate strategy by selling off their oversea investments to consolidate their over-geared financial position and face the challenges ahead. Investments in China were also affected. The Lion Group, for example, tried to sell off some of its investments in China to raise cash to repay its loans (AWSJ, 18/12/98). Some PLCs involved in infrastructure development also sold their projects to their PRC partners because of disagreements over operational matters. FACB, for examples, re-sold its infrastructural project to the Chinese local government (Star, 20/3/99).

If we study the nature of Malaysian PLCs investment in China, several characteristics stand out:

1) The basic pattern of investment in China involved the provision of funds, and management expertise by the PLCs while Chinese partners supplied labour and land. In many cases, machinery and assorted equipment were imported from western countries. This coincided with the general trend of FDI in China. Since the inception of the reforms in 1978, the PRC government appear to recognise the need for foreign capital as well as foreign technology and management techniques.

2) Low percentage of successful implementation.

It is important to note that not all of the contracts signed actually became operative. It is found that most of the investments stopped at the very early stage of signing MoUs. Although 228 pledged investments amounted to more than RM12 billion in 1996, only RM 1.8 billion took off eventually, which represented a mere 15% of the total pledged investment. This was lower than the average percentage of foreign investors in China (Table 3.4).

Table 3.4 Percentage of Successful FDIs In China (US$ Million)

Year	Utilized FDI	percentage of Contracted FDI
1979—1992	34355	31.1%
1979—1983	1802	23.3%
1984	1258	47.5%
1985	1661	28.0%
1986	1874	66.1%
1987	2314	62.4%
1988	3194	60.3%
1989	3392	60.6%
1990	3487	52.9%
1991	4366	36.5%
1992	11007	18.9%

Source: Statistical yearbook of China (1993), in Huang 1996: 93 with additions.

3) Concentration in manufacturing, servicing and property development sectors.

In the early years, much of Malaysian PLCs' investment centered around manufacturing which was either labour-intensive or domestic consumer oriented (Table 3.2). After 1991, property development and infrastructure projects took the lime light. Most of the big investments announced were from the sector (Table 3.5).

Table 3.5 Top 10 Mega Investments in China Announced by PLCs

Company	Date	Description of Investment	Size of Project
1.Larut	12/94	develop housing project in Changchun	RM 2 500 million
2.Mancon	12/94	build highway in Hangzhou	RM 2 300 million

3.Renong, Resorts	6/93	construct highway in Fujian	RM 2 000 million
4.PSCI	8/94	develop housing project in Beijing	RM 1 500 million
5.YTL	8/96	operate power plant in Nanchang	RM 1 250 million
6.Farlim	7/95	build retail and commercial space in Quanzhou	RM 950 million
7.G. Plus	9/94	develop housing project	RM 620 million
8.Autoways	11/94	construct central link road in Beijing	RM 580 million
9.Berjaya Group, BC Bhd, SIG, CHHB	9/94	build 2nd Nanjing Bridge	RM 500 million
10.Sateras	7/95	manufacture car in Hefei	RM 400 million

Sources: 1)SCJP, 16/6/93, 28/8/94, 1/9/94, 21/9/94, 3/12/94;
2)Star, 3/11/94;
3)NYSP, 30/12/94.

With regard to the distribution of FDI in general, foreign investments was at first concentrated in labour-intensive industries especially in the processing and assembling of industrial products. Later investments diversified to include high-technology and capital-intensive industries, as well as in sectors such as construction and the hotel business (Qing 1996: 95). It would thus appear that Malaysian investments the general pattern of FDI in China.

4) Access to the China market being the main purpose.

It was discovered that a majority of PLCs look upon China as a mass market. Local market demand in China was the main attraction for PLCs. Malaysian companies, unlike their Taiwanese and Japanese counterparts, did not take advantage of the low labour costs in China to reduce production costs and compete in the world market.

5) Locations of investments.

Generally, in the initial stage of economic reforms, FDI was concentrated mostly in the southern coastal areas. Later, they gradually moved to the eastern coastal and inland areas. Although there were strong ethnic ties between Malaysian Chinese and the inhabitants of Guangdong and Fujian Provinces, majority of the investments did not concentrate in Guangdong and Fujian Province alone (Table 3.6). Instead, investments were spread evenly in Guangdong, Beijing, Shanghai and Jiangsu. This is contrary to the general pattern of Singapore investors (Bolt 1996: 89). However this may be due to the late entry of Malaysian PLCs in China at a time when other more experienced investors had already established themselves in these areas.

Table 3.6 Regional Distribution of Malaysian PLCs Investment

Industry	Guangdong		Fujian		Beijing		Shanghai		Jiangsu		Liaoning	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Consumer	2		1		6		2		3		-	
Industrial	6		2		5		11		13		2	
Property	3		3		1		1		-		3	
Trading	5		-		2		2		1		7	
Construction	2		1		2		2		1		-	
Finance	-		-		1		1		-		-	
Plantation	1		-		1		-		1		-	
Mining	-		1		-		1		-		1	
2nd Board	5		1		2		3		1		-	
Total	24	11.7	9	4.4	20	9.8	23	11.2	20	9.8	13	6.3

	Tianjin		Shandong		Zhejiang		Hainan		Anhui		Jilin	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Consumer	2		1		3		-		-		-	
Industrial	1		7		-		1		1		5	
Property	2		-		1		0		3		4	
Trading	1		-		-		1		1		1	
Construction	-		1		2		1		-		-	
Finance	1		-		-		1		-		-	
Plantation	-		-		-		1		-		-	
Mining	-		-		1		-		-		-	
2nd Board	1		1		3		-		-		-	
Total	8	3.9	10	4.9	10	4.9	5	2.4	4	2.0	10	4.9

	Hubei		Hebei		Sichuan		Guangxi		Mongolia		HLJiang	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Consumer	2		-		-		-		-		-	
Industrial	2		-		3		-		-		-	
Property	2		1		-		-		-		-	
Trading	0		1		1		-		1		1	
Construction	-		-		2		1		-		-	
Finance	-		-		-		-		-		-	
Plantation	1		-		-		-		-		-	
2nd Board	2		-		-		1		-		-	
Total	9	4.4	2	0.9	6	2.9	2	0.9	1	0.5	1	0.5

	Shaanxi		Jiangxi		Hunan		Yunnan		Xinjiang		Unknown	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Consumer	-		1		1		1		-		2	
Industrial	2		1		1		-		-		6	
Property	-		-		-		-		-		1	
Trading	1		-		-		-		-		1	
Construction	-		1		1		-		-		1	
Finance	-		-		-		-		-		0	
Plantation	-		-		-		-		-		1	
Hotel	-		-		-		-		-		1	
2nd Board	-		-		-		-		1		4	
Total	3	1.5	3	1.5	3	1.5	1	0.5	1	0.5	17	8.3

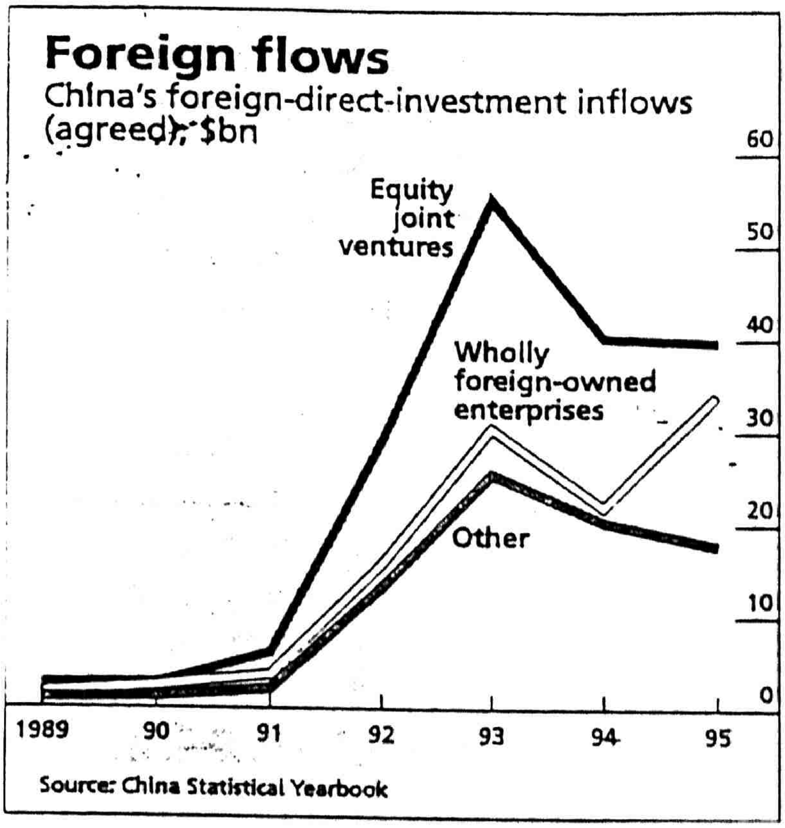
Source: Estimates by author from a survey of reports in newspapers in investment in China.

This was due to an already highly competitive situation in the southern part of China where Hong Kong, Taiwanese and even Singaporean companies have already gained a foothold before the Malaysian companies arrived in China. Another reason was the PRC's promotion of areas further north and inland after 1991 by announcing a series of measures which made the northern and inland areas no less attractive than the southern and coastal areas. Furthermore, for enterprises whose aim is to tap into the China market, it made sense to be located in large developed cities rather than in the coastal provinces. Unlike export-oriented enterprises which require good infrastructural network, geographical location was of vital importance to enterprises whose aim is to tap into the China market.

6) Predominance of equity joint ventures.

Although there is a growing tendency for foreign investors to set up wholly owned ventures throughout China (Figure 3.1), nearly all Malaysian investments were equity joint ventures. EJVs and WFOEs are substantially the same in terms of taxation, corporate liability and foreign exchange rules. Their only real technical difference being that WFOEs take less time to establish than EJVs. WFOEs are also not required to have a board of directors and are more prohibited in some sectors in which EJVs are allowed access. The added advantage for WFOEs are flexibility and managerial control (Harvard Business Review 3/97: 130).

Figure 3.1 China's FDI Inflow



Source: The Economist 19/4/97: 18

7) Growing average size of investment.

Before 1990, there was not a single project that involved more than RM 10 million in investments and the average pledged investment was only RM 2.9 million per project. Compared with other countries investing in China, Malaysian PLCs' investment scale is considered small (Table 3.7). In the second wave of Malaysian PLCs' investment in China, the situation changed. More and more Malaysian PLCs ventured into the property market of China and contracts grew bigger (Table 3.5). Furthermore, many companies have expanded their operations and have thus increased their average capitalization.

Table 3.7 Average-scale of FDIs in China (Contracted FDI in million)

Country	1979-1991
Germany	9.06
United Kingdom	5.19
France	3.87
United States	2.35
Japan	2.01
Australia	1.80
Canada	1.68
Thailand	1.65
Singapore	1.42
Hong Kong	1.04
Taiwan	0.81

Source: Statistical Yearbook of China 1992, in Huang 1996: 96.

8) From "Lone Ranger" to alliance.

The early PLCs that ventured into China tended to act on their own. There was a lack of coordination and everyone went his or her own way. However, beginning from the 1990's, there were increasing incidents where PLCs would team up with other firms to invest in China (Table 3.8). This was due to the need for larger capital requirements in the China projects as well as growing number of "smart partnership" between Chinese and Malay businessmen. Given that the China market is still very attractive and that vast opportunities exist, it would be beneficial for the businessmen in Malaysia to establish links or alliances among themselves. Strategic alliances for different groups could pave the road towards a brighter future for investors in China.

Table 3.8 Examples of PLCs Alliance in China

Date	Parties Involved	Detail of Investment
8/96	Bridgecon and Jasatera	highway BOT
8/95	EON and Malayan Credit	property development
11/94	IJM and SAB	build power factory in Wuxi
4/94	Palmco, KLK, MISC and Felda	operate vegetable refining complex in Beijing and Wuhan
11/93	Kanzen, Tan Chong and SCK	build and operate power plant
11/93	S. Steel and Oriental	operate steel mill

Sources: 1)Star, 18/11/93, 10/8/95, 23/8/96;
2)China Press, 18/11/93;
3)NST, 14/4/94;
4)SCJP, 5/11/94.