

Based on this research, we conclude that:



There are conflicting accounts of the impact of Chinese FDI on local firms, and the lack of available data make a comprehensive assessment difficult.



The evidence suggests that the value of new construction contracts created as a result of increased Chinese investment is primarily accruing to Chinese firms, but the construction sector as a whole in Malaysia also continues to grow.



The highly competitive financing of Chinese firms, including through support from the Chinese state, presents a potentially unfair advantage. Competition between Chinese and local firms should be conducted on a level playing field.



There is a wide number of examples and anecdotal accounts of local firms benefiting from increased Chinese investment but so too are their examples of Chinese companies favouring Chinese labour and subcontractors over local options.



The principle reasons identified for why local firms are excluded from projects are: i) skill requirements; ii) differences in working practices; iii) cultural preferences; iv) language barriers; v) local capacity; vi) access to finance; and vii) politically motivated preferences.



Evidence from other countries suggests that FDI is most beneficial to the local economy when there is a high level of technology and knowledge transfer, but this requires the involvement of human capital. There are indications that Chinese firms do not always provide opportunities for such transfers, particularly to local SMEs. The extent to which this is justified by a lack of skills among Malaysian firms is disputed.



In order to maximise the benefit of Chinese FDI to the local economy, local firms and in particular SMEs, should be involved in the high skilled aspects of these projects, to encourage technology and knowledge transfer. In other words, it is the quality of local involvement, not just the quantity that matters.



Similarly, investments outside of infrastructure and construction and in more human capital-intensive sectors such as IT could create more positive impacts for local firms and in particular SMEs which are overwhelmingly concentrated in the services sector.