The ‘reverse bamboo network’: Sociocultural dialectics of China’s FDI in housing (FDIH) in Iskandar Malaysia

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Abstract
The ‘bamboo network’ is used to conceptualise the investment flow into China from the Chinese diaspora, particularly those who resided in South-east Asia. However, global economic events have decimated the wealth of overseas Chinese whilst mainland Chinese businesses prospered, resulting in what is now reimagined as the ‘reverse bamboo network’. In Iskandar Malaysia (IM), which is a transnational economic region bordering Singapore, the foreign direct investment in housing (FDIH) from China has surpassed that of IM’s more prosperous neighbour Singapore, yet the interscalar interactions between market and actors in FDIH have yet to be unpacked. The aim of this paper is to examine how mainland Chinese developers operate within a bamboo network country by arguing that the similar socioculture helps in moderating institutionalised barriers, such as the unfamiliar legal framework and local personnel management. Framed by the ‘reverse bamboo network’ argument and underpinned by the sociocultural explanation, this paper explains the spatial and business transformations caused by FDIH from China. Data and information from desk research and fieldwork are used to construct macro-, meso- and micro-level dialectics in the paper. Ultimately, this paper argues that the sociocultural dialectic provides a complementary explanation of transnational shapers of the urban space in IM, and having political and cultural allies in the host country could tremendously improve business operations of international developers.

Keywords
China, housing development, internationalisation, Iskandar Malaysia, the bamboo network

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Introduction

The economic region of Iskandar Malaysia (IM) was a continuation, restructuring and rebranding of the previous South Johor Economic Region (SJER) (Rizzo and Glasson, 2012). Located in the state of Johor at the southernmost tip of Peninsula Malaysia opposite Singapore, IM was established in 2006 to capture investment from its more prosperous neighbour. Development in IM is highly planned, first under the Comprehensive Development Plan 2006–2025 (CDP) with a vision of ‘A Strong and Sustainable Metropolis of International Standing’ and now under its revision CDPi2 2014–2025. IM comprises five flagships with different development focuses (see Figure 1). At 2217 km² with a population size of about 1.3 million, IM is three times the size of Singapore and encompasses the state capital city of Johor Bahru (JB) and other surrounding areas (Rizzo and Khan, 2013). Its development authority, the Iskandar Regional Development Authority (IRDA), has acknowledged internationalisation as a strategy to bring economic growth in IM. For instance, IM’s Ten Year Progress Report mentioned ‘various nationalities in Johor’s annals of time … (that) have contributed to forming the present-day Johor’ (IRDA, 2016: 12). IM’s internationalisation had attracted approximately USD51.4 billion in foreign investment from 2006 to 2016, deemed one of the most successful economic regions in Malaysia (IRDA, 2016).

Malaysia is a country within the ‘bamboo network’. In its entirety, the bamboo network as depicted in literature is the intra- and inter-country investments of ethnic Chinese (see, for instance, Farley, 1994; Ren et al., 2014; Weidenbaum and Hughes, 1996). A more specific and common understanding of the bamboo network entails the web of transnational business linkage that connects the Chinese diaspora in South-east Asia – displaced by the 1940 political upheaval in China – and their ancestral family in China (Weidenbaum and Hughes, 1996). The bamboo network, comprising Taiwan, Hong Kong, Singapore, Malaysia, Thailand, Indonesia, the Philippines, Vietnam and
China, resulted from successful overseas Chinese businesses reaching out to their family and kin in China to channel capital into their original homeland. Nevertheless, the financial damages inflicted by the Asian Financial Crisis of 1997 and Global Financial Crisis of 2008 combined with China’s hugely successful economic policies have reversed the capital flow; now capital from China flows to the bamboo network countries. This situation is reimagined in this paper as the ‘reverse bamboo network’. The sociocultural approach befits this paper’s investigation of housing internationalisation in IM, a region within the ‘reverse bamboo network’. In the case of IM, housing development by mainland Chinese developers has steadily increased in magnitude to culminate in Forest City, a USD100 billion mega project billed as ‘the next Shenzhen’ (Ourbis, 2017). Various studies on the bamboo network’s foreign direct investment in housing (FDIH) in the host countries have been undertaken, mostly focusing on determinants (see, for instance, Cheng and Kwan, 2000; He et al., 2009; Hui and Ka, 2014; Ren and Pentecost, 2007; Zhao, 2003; Zhao and Zhu, 2000) and a smaller number on impact on the local market such as Singapore (Chow and Xie, 2016) and China (Coughlin and Segev, 2000) with Malaysia being overlooked despite major housing ventures by mainland Chinese developers.

The complexities of navigating the dynamics of the subject matters of this paper (the ‘reverse bamboo network’ and the internationalisation of housing) and the context (Iskandar Malaysia, a special economic region influenced by transnational urbanism) necessitated an approach different from

![Figure 1. Iskandar Malaysia’s five flagship zones.](image-url)
mainstream economic analysis in housing studies. In their seminal 2000 paper, Guy and Henneberry (2000, 2002) broke from convention by suggesting a social approach in property research. They argued that ‘interrelationship between culture and capital may provide the key to understanding urban development processes’ and ‘… unpacking the cultural frames through which investment strategies are made … can show how a relatively small number of … decision-makers serve to structure socially property market processes’ (Guy and Henneberry, 2000: 2413). Their cultural explanation of urban development was critiqued by Ball (2002) mainly on its generalisability value, yet many urban and real estate researchers since then have agreed on the merit of Guy and Henneberry’s approach (see, for instance, Brill, 2018; Newell and Mcgreal, 2017; Smith et al., 2006). The work by Brill (2018) seemed to align the closest with the present study as it puts socioculture at the forefront of understanding foreign developers’ behaviour when operating in host countries. Brill outlined three specific strategies for international developers to successfully negotiate the operational environment in the host country; first, include local political actors; second, hire individuals who are familiar with the local context; and third, become part of ‘the club’. The significance of this study is in applying Brill’s strategies within the context of a ‘reverse bamboo network’, that is, by a mainland Chinese developer in Malaysia, by using the case study of Forest City.

This paper attempts to examine how mainland Chinese developers operate within a bamboo network country by arguing that the similar socioculture helps in moderating institutionalised barriers, such as the unfamiliar legal framework and local personnel management. Following this introductory section, the next section provides the literature review. Next, the research methodology is outlined. The following three sections are on the sociocultural dialectics; the macro-level dialectic that interpolates internationalisation, housing and the bamboo network to explain housing investment in the reverse bamboo network, the meso-level dialectic of developers’ behaviour, housing outcomes and the internationalisation of the IM housing sector to bring the context to the study area, and the micro-level dialectic of Forest City, a case study of a mega housing development by a mainland Chinese developer, to demonstrate how sociocultural factors play in housing processes. The final section is the concluding discussion whereby the significant points from the trifold dialectics would be drawn together.

**Literature review**

Real estate developers are described as coordinators of development in real estate markets that are ‘historically contingent’ and ‘hyper contextualised’ (Brill, 2018), a far cry from how earlier neoclassical work posited these urban shapers as homogeneous groups with only profit-maximising motivations (see, for instance, Goldberg, 1974). Subsequently, the mainstream approach of generalising the behaviour of developers for modelling was complemented with institutional approaches that view real estate markets as being temporally and spatially bounded with human agents’ motivations and decision-making; for instance, structure and agency (Healey, 1992; Healey and Barrett, 1990) and structure of provision (Ball, 1986). The early works of behaviourists were indeed informative; for instance, the study by Coiacetto (2001) revealed six types of developers’ behaviour in his work ranging from passive to opportunist developers. As entrepreneurs, developers must manage the multiple risks involved in international ventures and successfully adapt to the context’s specific institutional framework, something that was reported lacking
in European countries by Ball (2003). The local–foreign gap should also be adequately reduced to facilitate development activities (Brill, 2018). This gap is normally reduced by entering into partnership with local parties (Awil, 2007), yet some partnerships failed to solidify due to cultural disparity (Brill, 2018).

Housing firms may be limited by information deficiency and the ‘processing ability of the human brain’, causing decision-making to be based on ‘bounded information’ (Ball et al., 1998: 107) especially in the ‘hyper contextualised’ (Brill, 2018) real estate market. In this instance, the approach proposed by Guy and Henneberry (2000) that considers both social and economic aspects (which Ball later terms as a ‘cultural explanation’) has merit. Guy and Henneberry used the cultural explanation in an analysis of the commercial property investments that exclusively privileged London over other regions, which were deemed economically irrational decisions. Although Ball (2002) cautioned that the sociocultural approach can raise data validity and reliability issues, with adequate scientific rigour such approach enables a new understanding of a new urban phenomenon (see the work by Brill, 2018).

In the context of internationalisation of developers, Ball (2003) argued that structural factors such as familiarity with the host country’s regulatory framework are better predictors than economic factors such as economies of scale or market factors, Awil (2007) found success factors include ownership advantages, locational characteristics and internationalisation advantages yet underpinned by favourable housing policies, and Brill (2018) recently highlighted sociocultural success factors that are crucial for global developers. The early international ventures of Asian housing developers largely took place within Asian countries, with having local partners from either the state or private sector being the priority (Awil, 2007) as is the case with current transnational real estate development (Brill, 2018). Keeping in mind Ball’s caveat on the weak generalisability of the sociocultural approach, the internationalisation of housing developers in the Asia Pacific region indeed seems to be culturally guided.

Methodology

The methodology adopted in this study aimed at addressing these research questions: In what way is the sociocultural argument linked to the operation of international developers (RQ1)? How have mainland Chinese developers leveraged sociocultural factors in IM (RQ2)? How would Brill’s three strategies play out in a major housing development by a mainland Chinese developer in IM (RQ3)? Using a qualitative approach, the sociocultural dimension of international developers’ operation in a host country is presented as a trifold dialectic in this paper; the macro level as a broad overview of housing internationalisation to situate the sociocultural argument to address RQ1, the meso level to analyse Chinese developers’ behaviour in IM to address RQ2, and the micro level to illustrate the manifestation of Brill’s strategies within the case of Forest City in IM to address RQ3. In this study, the trifold dialectic is a triangulation technique used in qualitative research to improve research validity as suggested by Creswell (2014).

A combination of desk research and fieldwork was adopted in this study, using primary data from interviews with key informants and direct observation, and secondary data from publicly accessible online sources. Information and secondary data were obtained from IM’s ‘birth certificate’, that is the official Information Pack by Khazanah (IM’s planner-investor) for IM’s development details, IM’s first and second Comprehensive Development Plans for IM’s
internationalisation policy, CGP’s website for Forest City’s development details and the housing database maintained by the Ministry of Housing and Local Government of Malaysia. Literature from the real estate, economy, geography and sociology fields was interspersed within the dialectics to support the narrative and argument, as propounded by Creswell (2014). Whilst the macro-level dialectic was constructed from the synthesis of literature and secondary data, the meso and micro dialectics incorporated primary data from fieldwork in the form of quotes from interviews.

The micro dialectic involved an in-depth case study of Forest City, a mammoth project by a prominent mainland Chinese developer in IM. Housing researchers have used case studies of specific developments to elucidate an issue; for instance, Nasongkhla and Sintusingha (2013) used the single case study of Danga Bay in Johor Bahru to showcase the social production of space whilst Brill (2018) used the cases of Modderfontein, South Africa and London Docks, UK to compare how ‘global’ developers negotiate local institutions. The case study is particularly useful in practice-oriented fields, including property, where ‘how’ and ‘why’ were the guiding research questions on a given phenomenon (Yin, 2003). In the case study method, Yin promoted the use of multiple sources of data that can ensure the reliability of the case study. Thus, key informant interviews from different perspectives were used as a triangulation strategy in this research. Five key informants were interviewed from May to August 2018, comprising an investment officer at CGP (KI1), a manager at a government-linked local developer (K12), a local property market expert (K13), a senior officer at the Ministry of Housing and Local Government (K14) and a senior officer at IRDA (K15). Key informants were selected based on their inside knowledge of how the Chinese developer positioned themselves in IM’s housing market, as guided by Brill (2018). From the five key informants, two were from the private sector, two were from the public sector and one was from academia, ensuring a good representation of information. The interviews, typically lasting around an hour, were unstructured and fluid in nature as suggested by Yin (2003). Trigger questions such as ‘How have sociocultural factors facilitated foreign developers in IM?’, ‘How has political patronage played a role in the entrance of Chinese developers in IM?’ and ‘Was there any interaction between the developer of Forest City and other developers in IM?’ guided the direction of the interviews towards revealing the sociocultural explanation of Forest City. The interviews were audiotaped, which enabled the researcher to immerse in the ‘guided conversations’ necessary in the case study data collection method (Yin, 2003: 89) and receive the unadulterated meanings of the informants’ insights. Subsequently, the interviews were transcribed to enable the researcher to corroborate the impressions made during the interviews.

Macro-level dialectic: The internationalisation of housing in the bamboo network

This section aims to provide the overall backdrop of the study by discussing the reimagining of the bamboo network and its interplay with housing internationalisation. In this study, the concept of internationalisation explains the operation of the bamboo network in terms of business motivation, trends and decisions of developer firms as manifest in the host country’s housing market. From various construction and business literature related to real estate development, internationalisation can be reduced to mean the process of investors’ expansion and venture from the home country to a host
country outside the country of origin (Abdul Aziz and Awil, 2010b; Awil, 2007; Ismail, 2014; Johanson and Mattson, 1988; Johanson and Vahlne, 1977) and mainly enabled by globalisation and economic liberalisation. Support from the government in host countries aimed at attracting foreign investments can further spur the process of internationalisation of firms (Usilappan, 2004). Generally, motivations for international ventures include to explore bigger markets, secure the supply of resources, strengthen the national currency, bolster diplomatic relationship and pursue a wider political agenda (Cheng, 2016). Crucially, the venturing firms must successfully navigate the host country’s institutional and legal environment, described as historically constructed and shaped by cultural forces (Howorth et al., 2006). In housing, international ventures by developers are driven by the need to establish an international brand and explore new markets (Abdul Aziz and Awil, 2010a; Awil, 2007; Brill, 2018). In countries that welcome FDIH, the state may implement various promotional measures, from institutional support – specialised agencies, customs and immigration, social support, etc. – to favourable financial packages (Usilappan, 2004).

At this juncture, the concept of the bamboo network is reintroduced as it is linked to housing internationalisation in the South-east Asian region. Entrepreneurs of Chinese descent in the region have adopted positioning strategies based on their ethnicity in order to survive in their adopted countries (Wee et al., 2006), including networking with mainland counterparts (Weidenbaum and Hughes, 1996). Small family businesses within the bamboo network have successfully leveraged social capital, mainly family and kinship, to become large conglomerates (see Ren et al., 2014; Weidenbaum and Hughes, 1996). This was the practice of family businesses of overseas Chinese that reached out to kith and kin in the homeland and, as the fortunes reversed after the Global Financial Crisis in 2008, became part of the mainland Chinese internationalisation strategy (Ren et al., 2014). At its peak, the bamboo network was described as ‘the seventh strongest economy in the world’ (Farley, 1994) and comprised various economic subsectors. Up until 2001, the flow of capital and commerce was from expatriate Chinese into China (Weidenbaum and Hughes, 1996) to the extent that the Special Economic Zones (SEZs) of the Open Door period were located in key areas of migrant origins to mobilise investments from the Chinese diaspora (Smart and Hsu, 2007).

Although China has adopted the open door policy since 1978, it was not until the 1990s when the pace of its outward foreign direct investment (OFDI) increased substantially (Buckley et al., 2007; Caseiro and Masiero, 2014; Kolstad and Wiig, 2012) before it finally became a net exporter of capital in 2016 with a net OFDI of USD49.4 million (UNCTAD, 2017). The aggregate value of China’s overseas investment as of August 2018 is estimated to stand at USD1.9 trillion, with investments in Malaysia amounting to USD19.06 billion for the period between 2010 and 2017 (AEI, 2018). With the rise of China’s economy, the bamboo network has changed in reaction to business environments, economic condition and socio-politics in both host and home countries (Ren et al., 2014). The increased prosperity of regions such as the Pearl River Delta and Hong Kong–Macau–Guangdong Triangle and the Asian Financial Crisis of 1997 reduced the significance of the capital of overseas Chinese (Smart and Hsu, 2007) before the Global Financial Crisis of 2008 essentially dealt a crippling blow to overseas Chinese capital and reversed capital flows from native Chinese firms flush with capital that sought investment and expansion opportunities elsewhere (Samphantharak,
This turnaround is reimagined as the ‘reverse bamboo network’ in this study.

Housing development involves a complex interaction of different actors and processes within a multitude of dimensions including law, finance, planning, management, construction and marketing. Different from conventional manufactured goods, housing is produced within specific institutional frameworks that may pose as barriers for foreign real estate developers (Ball, 2003), exacerbated by differences in local business culture (Brill, 2018) and policy risks (Zhang et al., 2013). The nature of housing as a wealth-building and wealth-distribution mechanism and its effect on society in general requires a delicate balance between facilitating foreign ownership and protecting local house buyers (Usilappan, 2004). Crucially, international housing development ventures are dependent on the extent of a host country’s foreign ownership and/or capital policies and the home country’s capital control.

Developer firms tend to adopt strategic behaviour in their decision-making. Strategic behaviour involves adopting strategies that can ‘affect property market outcomes’ that are mainly ‘positive’ for the firms (Ball et al., 1998: 106). As argued by Ball (1999), the motivation of developers in growth activities, including overseas ventures, can only partially be explained by the mainstream economic explanations, that is, profit maximisation, production cost minimisation and competition management. Yet, profit maximisation is still a powerful pull factor in the foreign endeavours of housing developers. In particular, strong housing demand caused by high rates of urbanisation, growing population and liberalisation of markets in other contexts has prompted the internationalisation of housing developers (Awil, 2007). High transaction costs that used to discourage foreign developers have now been managed by the opening of borders, which facilitates the mobility of skilled labour from home to host country and also institutional support from host and home countries that reduces business uncertainties. However, facilitative policy in host and home countries must be complemented by a culturally suitable environment for a foreign venture in housing development to be successful.

To summarise, FDIH is dependent on potential economic returns, internationalisation-friendly policy and most importantly, developers’ behaviour in adapting to the institutional and legal environment in host countries.

**Meso-level dialectic: Developers’ behaviour in internationalisation**

This section provides a meso-level sociocultural description of mainland Chinese developers’ behaviour in IM as part of the bamboo network.

A short historical account can facilitate the understanding of mainland Chinese developers’ presence in Malaysia. Malaysia is a federation of 13 states, divided into West Malaysia (i.e. Peninsular Malaysia) and East Malaysia (i.e. part of the Borneo Island). The country’s early history is often traced to the Malaccan Sultanate (1400–1511), which eventually fell to three colonial powers before attaining independence from the British in 1957. Official records show that Chinese migrants first came to Johor in the mid-19th century, some to open pepper and gambier plantations and most to work as plantation labourers, all under the benefaction of the Malay rulers (Khoo, 1981). Large-scale migration from China occurred during the British rule mainly in pursuit of a better life, with a significant number of Chinese migrants settling in Johor Bahru (JB), the second largest metropolitan area in Malaysia (after the capital Kuala Lumpur), which is now the nucleus of the Iskandar Malaysia (IM) economic
region (Nasongkhla and Sintusingha, 2013). Post-independence, the country underwent several watersheds which saw the creation of the federated nation of Malaysia in 1963 and the expulsion of Singapore from the federation in 1965. This historical background results in a three-tier government system at the federal, state and local levels with different constitutional powers, with significant bearing on the internationalisation and housing at the local level.

IM possesses locational advantages that have ensured its vision of internationalisation being part of the historic Singapore–Johor–Riau empire and the connecting link between Kuala Lumpur and Singapore (Rizzo and Khan, 2013). This location factor has been instrumental for the most part in its urban development, as manifest in the social, spatial and economic landscape of JB. JB and Singapore are only separated by a 1-km sea channel and connected by two bridges, the historic Causeway and the newer Second Link Bridge (Rizzo and Glasson, 2012). These physical connections have allowed JB to capture investments and economic spillovers from the island nation in the areas of employment opportunities, property and manufacturing (Rizzo and Glasson, 2012; Rizzo and Khan, 2013). Prior to the entry of mainland Chinese developers, the Malaysian Chinese developers, with the strong backing of the state government, also benefited from the Singapore link in terms of demand and higher prices for their residential units from the more affluent Singaporean house buyers, as evidenced by medium- to high-end developments such as Danga Bay (Nasongkhla and Sintusingha, 2013).

Whilst IM’s internationalisation is a natural product of its location, an important strategic factor is government policy characterised by strong political leadership (Ng and Lim, 2017). As with many emerging economies, the Malaysian government has adopted internationalisation in many sectors including housing as a strategy to enhance global competitiveness and improve economic sustainability (Abdul Aziz and Awil, 2010a; Ismail, 2014). Vision 2020, a blueprint to guide Malaysia towards being a developed nation by the year 2020, was implemented during the first premiership of Dr Mahathir Mohammad (1981–2004, 2018–), where internationalisation was highlighted as an expansion strategy. In this home policy environment, overseas ventures by Malaysian housing developers spanned across countries in Asia, Africa and Australasia (Abdul Aziz and Awil, 2010a). The national development policy facilitated IM’s growth as it treated the region as ‘part of a vast economic corridor stretching from Kuala Lumpur and Singapore’ (Rizzo and Glasson, 2012: 418). As planned by Khazanah, IM’s major planner-investor, the internationalisation of IM was deliberate and careful, beginning with undertaking a feasibility study, followed by drafting the regional development plan, forming a statutory development authority and establishing relevant agencies to expedite and implement strategic development and investments (Khazanah, 2007). From the outset, the development of IM received the unequivocal support of both Federal and State governments, an important factor considering that the constitutional authority over land matters gave the State government in Malaysia vast powers over land development. The Federal government allocated approximately USD1.5 billion in various programmes as contained in the Sixth Malaysia Plan (2006–2010) and set up a ‘super developer’ company with the State government to undertake strategic and catalyst developments (Khazanah, 2007). As was the case, the development master plan required a further USD100 billion investment from government-linked companies and FDI to complete the necessary infrastructure (Rizzo and Khan, 2013), amounts that were
pursued by investor-friendly institutional support, for instance the facilitative role played by the Malaysian Industrial Development Authority (MIDA).

Within the bamboo network, real estate is currently one of the top three industries in family-controlled companies (Ren et al., 2014). In IM, real estate development used to be concentrated in the city of Johor Bahru because of its state capital status and was supported by its proximity to Singapore. Historically, the Johor real estate market was mainly shaped by Singaporean and national government-linked developers. The entrance of developers from mainland China in recent years changed this scenario. In the early 2000s, waterfront developments by foreign Chinese firms began to appear along JB's Danga Bay in continuous multi-storey apartment blocks that altered the city's urban landscape. Subsequently, the presence of foreign Chinese developers became more pronounced not just in JB but throughout IM with a number of mega developments such as Forest City, R&F Tanjung Puteri, Jade Palace and Macrolink Medini. In 2013, China took the top spot as the largest real estate investor in Malaysia having poured a total of USD1.9 billion compared with USD1.8 billion by Singapore (Chong, 2016). KI3 made this observation regarding how local developers were affected:

When they (mainland Chinese developers) first came here, they brought a lot of capital compared to local developers. When the local developers saw this, they pull [sic] out except the Government Linked Companies (GLCs). You can’t find any of them (small local developers) anymore, they have not been around for a long time. Previously there were a number of them ... The small ones are gone. They couldn’t compete, they (the Chinese developers) had a lot of capital.

The perceived marginalisation of capital-strapped local developers by mainland Chinese developers was also reported by housing researchers (see, for instance, Ng and Lim, 2017; Ong, 2017). Another concern was the seemingly partisan treatment by the Johor royal house towards mainland Chinese developers as widely reported by media (see, for instance, Ong, 2018; Wong and Benjamin, 2017), which created a political imbroglio between the Sultan of Johor and Dr Mahathir, before the latter was appointed as Prime Minister of Malaysia for the second time. However, KI4 stressed that there was ‘... no (preferential) treatment from federal government side …’ afforded in terms of development licences or procedures.

The scale of housing projects by mainland Chinese developers in IM in terms of number and prices has raised concerns about the saleability of the units, even more so in the current property market downturn. The property overhang situation in Johor was the worst in the country as at September 2018, worth over RM10.6 billion, which was more than one-third of the total overhang in the country estimated at RM27.4 billion (Thean, 2018). Our analysis using the Ministry of Housing and Local Government’s housing database yielded an additional 56,123 units by these developers (MHLG, 2018), which represents about 7% of the total residential stock for Johor within two decades of market entry. From our analysis, it was estimated that approximately 75% of the approved units by Chinese developers have remained unsold.

In sum, the entry of super developers from China had indeed significantly changed the real estate market in IM in terms of how housing is produced, financed and governed as reported by literature (see Ng and Lim, 2017). It is argued that the historically established sociocultural linkage between mainland China businesses and the state government, particularly the Johor Palace, has given leverage to mainland Chinese developers in their operation in IM.
Micro-level dialectic: Case study of Forest City

Forest City, a 60–40 joint venture development by a foreign Chinese developer (Country Garden Pacificview or ‘CGP’, a Fortune World’s Top 500 company) and a State-government linked company (Kumpulan Prasarana Rakyat Johor or ‘KPRJ’), was selected as a case study for this paper. Two factors determine the selection of Forest City, scale and linkages. First, the effect of Forest City on the local housing market would be tremendous because of its sheer scale. As depicted by Figure 2, the whole development that covers a total land area of 1386 ha involves constructing four islands in the Johor Strait and would contain approximately 30,000 units of landed and strata residences, with a projected population of 700,000 upon its projected completion in 2035 (CGP, 2018). This would form approximately 53% of total housing by foreign Chinese developers in the whole State of Johor. Second, there are physical and political linkages that can inform housing internationalisation within the bamboo network. The development site reflects its internationalisation features being next to Tuas Checkpoint for visitors from Singapore, an international ferry terminal for visitors mainly from Indonesia and 45 km from the Senai International Airport for global visitors. The ease of mobility positions Forest City to capture the international market, particularly from China. The

Figure 2. Location (top right) and artist’s impression (bottom half) of the Forest City development. Source: Country Garden Forest City website (2018).
mainland Chinese have been described as the main target market of Forest City (Ong, 2017). The political linkage is apparent in the Sultan of Johor’s ownership of the majority share in KPRJ (CGP, 2018), as was also noted by KI1. As reported by Chinese media, CGP’s chairman Yang Guoqiang and the Sultan of Johor ‘were very close friends, meeting and having dinner together about every two months’ (Zhen, 2016). This royal patronage would be important for CGP to weather any political qualms and overcome procedural obstacles.

We attempted to determine if the three strategies applied by global developers as proposed by Brill (2018) were evident in Forest City. Brill’s first strategy was to include local political actors. The involvement of the Johor royalty with substantial political clout was an important determinant of Forest City’s development application as the Sultan still wields a significant authority in the state, influencing state politicians to a certain extent in economic matters. As mentioned by KI5, the four islands of reclaimed land that accommodated the whole development were not part of CDP and would not have been easily approved. The legal framework of property development in Malaysia was once described as one of the most opaque in the region (Bertaud and Malpezzi, 2001; Hannah et al., 1989; Malpezzi and Mayo, 1997) and, despite various streamlining exercises, had remained problematic to negotiate even for local developers. A strong political connection was able to cut through the red tape and assured favourable outcomes, especially when the economic benefits of the project were used as justification. Our argument that the Johor royalty’s role in ensuring Forest City’s development approval resounded with Guy and Henneberry (2000, 2002) in that a small number of actors, that is ‘decision-makers’ can influence property market processes. This partnership with local parties was also supported by Awil (2007).

Additionally, unlike the ‘global’ teams of developers in Brill’s study, CGP in IM comprised Malaysians and a mainland Chinese team from its top management, administration, operations and marketing departments. This fulfils Brill’s second strategy of local involvement in the project. According to KI1, CGP’s head of operations of Forest City was an expatriate Chinese who possessed prior real estate development experience in other parts of Malaysia and was married to a local, which signified a deep local knowledge. As confirmed by KI4, ‘They had their management hire local employees but they also hired a person who is very familiar with the system and that person would find people to work under him.’ The expatriate Chinese employees spoke Chinese and English whilst most of the people hired locally were Malaysian Chinese who spoke Mandarin as well as Malay and English, a tremendous benefit in communication as it facilitated local knowledge transfer into CGP, provided a bridge between CGP and the local authority and enabled reach to a larger customer base, that is, Malaysians, mainland Chinese, Singaporeans and other foreign nationalities. This information was provided by KI2 who stated: ‘On jobstreet.my they’re actually looking for a property manager but must be able to speak Mandarin. Yes, Malaysian who is able to speak Mandarin so if any Malaysian company that uses Malay language, that Malaysian employee will be able to deal with them. Easy for them.’ The cultural and language barriers reported by Brill in the South African case were almost absent in Forest City. Following Brill’s argument, cultural understandings can lead to better communications within the project team and pave the way for a successful outcome, something that was reported lacking in the European context by Ball (2003).

Nonetheless, we could not find evidence of the Forest City project team’s real effort
in ‘becoming part of the club’, Brill’s third strategy. We were informed by KI1 that the design and construction team were brought in from China and no interaction was made with local professionals. For that matter, this eliminated the ‘us or them’ division within the department, which could have been disruptive to the work environment. Therefore, Brill’s third strategy of ‘becoming part of the club’, whilst missing in Forest City, did not have any bearing on the project. In addition, the sheer operational size of CGP deemed it a market leader with no need for local rapport with other local developers. As KI1 stated, ‘Forest City is like the benchmark’, which reflected the leadership of CGP. Finally, CGP’s close relationship with the state government was more reassuring than connecting with local developers, who are also the competition.

In contrast to the sell-then-build model adopted by local developers, CGP entered the IM market with a business model that focused on quality and completion. KI2, who was a senior manager with a major government-linked developer, observed that ‘They (CGP) work 24/7. Just look at their process, using 3 cranes at once for construction. They work fast and non-stop.’ Since Forest City was targeted for the foreign market, namely Singapore and China, and possessed the hallmarks of an international development, the development was sold at prices higher than the local products. At the sales gallery, prices per square foot of apartments in Singapore were prominently displayed and compared with those at Forest City, giving the impression of both affordability and competitiveness. The business model of CGP was unique because of its size and composition, which were unmatched by other developers in IM including government-linked companies. Apparently, speed and quality were assured because construction material and labour were brought in from the parent company in China.

In early 2017, China announced outward capital control measures to curb ‘irrational’ acquisitions, with adverse effects discernible almost immediately in countries with a strong Chinese investors presence, for instance in the real estate markets in Sydney and Melbourne (Carbines, 2017). Although China’s ambassador to Malaysia assured ‘the ruling would not prohibit Chinese citizens from buying overseas properties’ (Kok, 2017), Chinese housing projects in IM were reported to be affected by the capital policy. Ong (2017) used the Ministry of Housing and Local Government’s online housing development database to analyse unsold units for Forest City’s Phases 2 to 10 and reported an average of 77%. The key informants also expressed negative outlooks for Forest City. For instance, KI3 remarked: ‘This is what happens when you say that the development ripens at the wrong time. When Forest City is about to mature, the Chinese government implemented capital control, so who is going to buy?’ However, we replicated Ong’s methods to find that the average of unsold units had improved to 40% as at July 2018, with 97.3% of the sold units being purchased by foreign buyers. The latest sales figures for Forest City seemed to contradict the trends reported by Ong and also those of Australia, whilst assuaging the concerns of the key informants.

In May 2018, the 14th General Election in Malaysia saw the shock defeat of the National Front government, in power for 61 years, by the Hope Coalition. The newly appointed Prime Minister Dr Mahathir Mohammad who was a known critic of Forest City citing concerns over national sovereignty announced in August 2018 that ‘… (Forest City) that is going to be built cannot be sold to foreigner … We are not going to give visas for people to come and live here’ (Sipalan, 2018). However, his office later clarified the statement to mean that the purchase of property by foreigners
in Malaysia would not afford automatic residency (Straits Times, 2018).

In summary, CGP managed to capture a significant portion of IM’s residential market and avert a potential business crisis stemming from political and economic events owing to its close relationship with the Johor state government, besides its business acumen. This relationship is one that is culturally backed and temporally developed, a common occurrence throughout Johor’s history and by no means unique to CGP and the current Sultan.

**Concluding discussion**

Rather than examining China’s FDIH in IM as opening the black box of processes, this study’s approach was akin to unpacking Russian nesting dolls because of its trifold dialectics. Each of the three levels of dialectics shows the role of socioculture in housing internationalisation. For developers within bamboo network countries, the first hurdle in understanding the local culture is significantly lower than operating elsewhere and thus freeing the resources towards more productive activities such as marketing. As such, the mainland Chinese developers can be more resilient in bamboo network countries when faced with unfavourable changes in the policy environment in both home and host countries. Although it would be premature to conclude, this could explain why mainland Chinese developers can fare worse in Australia compared with Malaysia after the state-imposed capital restrictions.

The high levels of human agency in the process of real estate development from land assembly to disposal render mere analysis of quantitative housing outcomes inadequate in appreciating the full process and effect of housing internationalisation. The case study was an example of how to leverage social capital to initiate and operationalise property development within the bamboo network (now reverse bamboo network). Physical and political linkages were found to be critical determinants of project success in IM. Within our case study, the expat Chinese developers had combined the locational and political advantages of IM with the local Chinese workforce to navigate the pre-existing local institutions in IM’s housing provision structure to secure and expedite approval processes and intensify their marketing. Generally, however, differences in the business models between the foreign Chinese and local developers also saw vast numbers of unsold residential units in IM, but not in the case of CGP’s Forest City. It can be argued that CGP’s political and cultural allies in IM had helped to mitigate the potential losses from unfavourable government policy in both the home and host countries.

Whilst this study was focused on and has affirmed, to a certain degree, the sociocultural factors that facilitated mainland Chinese developers within a bamboo network context, it would not be imprudent to conjecture the existence of such dynamic in other countries with common cultural traits; for instance, the Scandinavian countries or the Arab states of the Persian Gulf. Future studies are therefore proposed in these contexts.

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