

CHAPTER 2

Malaysia-China Cooperation on the Belt and Road Initiative under the Pakatan Harapan Government: Changes, Continuities, and Prospects

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Introduction

Malaysia-China relations during the Najib Abdul Razak administration (2009-2018) experienced significant improvement across almost all fronts (politics, economics, culture, security, and so forth). Economically, China has become Malaysia's largest trading partner, somewhat coincidentally, with the beginning of the premiership of Najib in 2009. Chinese also topped as the largest source of Foreign Direct Investment (FDI) in Malaysia since 2015. Politically, bilateral visits between the top leaders, ministers, and provincial/state chiefs of both countries were very extensive and frequent, with Najib himself personally visiting China eight times throughout his tenure. Culturally the exchanges between the peoples of both sides also became more robust, symbolized by the opening of the first overseas branch of a Chinese university—Xiamen University Malaysia, in 2016. Even in the security sphere, there was a marked increase in military-to-military diplomacy and law enforcement cooperation between Malaysia and China. On the South China Sea, despite still being wary of China's intentions in the South China Sea, Malaysia continued and maintained an overall low-profile policy posture in the dispute.¹ All these developments led to the impression that Najib was a very pro-China Prime Minister.

In May 2018, the Pakatan Harapan (PH) coalition² government was voted into power. Given that the Najib government was very supportive of China's Belt and Road Initiative (BRI), and that leaders and politicians from the PH coalition, including its

¹ See Ngeow Chow-Bing, 2019. "A 'Model' for ASEAN Countries? Sino-Malaysian Relations during the Xi Jinping Era." In *China and Southeast Asia in the Xi Jinping Era*, edited by Alvin Cheng-Hin Lim and Frank Cibulka, pp. 103-122. Lanham, MD: Lexington Books.

² Pakatan Harapan is a coalition of four component parties: Parti Pribumi Bersatu Malaysia (PPBM), led by Prime Minister Mahathir, Parti Keadilan Rakyat (PKR), led by Anwar Ibrahim, the successor-designate, Democratic Action Party (DAP), led by Finance Minister Lim Guan Eng, and Parti Amanah Negara (Amanah), led by Defence Minister Mohammad Sabu. The coalition also has an ally in the state of Sabah, Parti Warisan Sabah (Warisan), led by Sabah's Chief Minister Mohd Shafie Apdal.

leader Mahathir Mohammad, criticized several major Chinese projects in Malaysia during and before the elections, there were real concerns and uncertainties to Malaysia’s stand on the BRI and even the trajectory of Malaysia-China relations. The fact that once voted into power, the Mahathir government proceeded to suspend and/or cancel a few China-contracted projects further gave rise to a kind of narrative that was especially popular among certain western media: that Malaysian citizens, disgusted with the authoritarian and corrupt leadership of Najib and his cronies, which were enabled and supported by China, heroically rose up to throw out these leaders through democratic means, and in the process also “pushed back” against China, setting back China’s predatory and debt-trapping BRI.³

However, on the whole, one should be careful in accepting such a narrative. Although China was a factor in the election, there was no evidence to show that PH actively campaigned on an anti-China platform, or that the Malaysian electorate voted for PH because of their disapproval of the China-friendly policy of Najib.⁴ A more objective analysis would reveal that while there were some discontents among the people about the China-related projects that Najib brought in, these were never decisive in influencing people’s voting choice in the elections. In addition, PH leaders, including Mahathir, have consistently argued that they were not against China but only the problematic projects, in which the primary responsibility laid in the Najib government, not China.⁵

This article aims to provide a basic analysis of the prospects of Malaysia-China cooperation on the BRI under the PH government. The first section briefly outlines what have been the major BRI accomplishments during the Najib government. The second section discusses the changes and continuities that have taken place after the PH government was formed. The third and final section will conclude and also offer an assessment of the prospects of BRI cooperation between Malaysia and China.

³ For typical examples of such reports or commentaries, see <https://www.bloomberg.com/view/articles/2018-05-07/malaysia-is-fed-up-with-chinese-cash>; <https://www.cfr.org/blog/strategic-implications-malaysias-election-stunner>; and https://www.washingtonpost.com/news/worldpost/wp/2018/11/14/malaysia/?utm_term=.95f203e2d2db. The *New Straits Time*, which before the election was staunchly pro-Barisan Nasional, adopted a similar theme in its report on the new government’s stance on the BRI. <https://www.nst.com.my/news/nation/2018/08/403620/we-cannot-afford-malaysia-pushes-back-chinas-big-projects>

⁴ Amrita Malhi. 2018. “Race, Debt and Sovereignty – The ‘China Factor’ in Malaysia’s GE14,” *The Round Table: The Commonwealth Journal of International Affairs*, Volume 107, pp. 717-728.

⁵ Blake Berger, “Malaysia’s Canceled Belt and Road Initiative Projects and the Implications for China,” *The Diplomat*, August 27, 2018. <https://thediplomat.com/2018/08/malysias-canceled-belt-and-road-initiative-projects-and-the-implications-for-china/>

Malaysia-China BRI Cooperation under the Najib Government

Malaysia under Najib was very supportive of the BRI.⁶ Najib attended the Belt and Road Summit in Beijing in May 2017, and under his government, Malaysia saw a boom of the economic presence of China,⁷ including mega-infrastructure projects. These projects⁸ included Malacca Gateway, Malaysia-China Kuantan Industrial Park (MCKIP), Kuantan Port's expansion, Digital Free Trade Zone, Forest City, Gemas-Johor Bahru electrified double-tracking railway project, Trans-Sabah Gas Pipeline, Multi-Product Pipeline, East Coast Rail Link (ECRL), and so forth (See Table 1).⁹ Arguably, China could have even a bigger presence in Malaysia had BN stayed in power, as a number of mega projects, such as the Kuala Lumpur-Singapore High Speed Rail and the Bagan Datuk-Bachok Gas Pipeline, were already being planned, and China could have been involved in one way or another in these projects.

Among these projects, some of them were mired in controversy from the very beginning. East Coast Rail Link (ECRL) was questioned early on by the then opposition coalition PH, the primary reasons being that the project was awarded to Chinese Communication Construction Corporation (CCCC) without transparency, too costly, and its commercial viability uncertain. Furthermore, since it was mostly financed by Chinese loan, it could potentially put Malaysia in a severe debt situation years later. There were also suspicions and allegations that corruption was involved in the whole ECRL deal.¹⁰

⁶ For a discussion of Malaysia-China cooperation on the BRI during the Najib era, see Ngeow Chow Bing. 2019. "Economic Cooperation and Infrastructure Linkage between Malaysia and China under the Belt and Road Initiative." In *Economic and Financial Cooperation: Hong Kong and the World under the Belt and Road Initiative*, edited by Fanny M. Cheung and Ying-yi Hong, pp. 164-191. New York: Routledge; Guanle Lim, 2018. "Resolving the Malacca Dilemma: Malaysia's Role in the Belt and Road Initiative." In *Securing the Belt and Road Initiative: Risk Assessment, Private Security and Special Insurances Along the New Wave of Chinese Outbound Investments*, edited by Alessandro Arduino and Xue Gong, pp. 81-99. New York: Palgrave Macmillan; Kuik Cheng-Chwee, "Malaysia's Response to China's Belt and Road Initiative: Interests, Authority, and Asymmetries." Paper Presented at the International Workshop on "Asymmetry and Authority: ASEAN States' Responses to China's Belt and Road Initiative." Universiti Kebangsaan Malaysia-Queen Mary University of London Workshop, Kuala Lumpur, Malaysia, February 10-11, 2018.

⁷ Cumulatively speaking China however is still far behind traditional FDI countries in Malaysia such as Japan, the United States, Singapore, and the Netherlands.

⁸ Here I only discuss projects in Peninsular Malaysia. Chinese involvement in the states of Sarawak and Sabah is also growing, but most of the projects have occurred in Peninsular Malaysia.

⁹ It should be noted here that not all these projects are officially endorsed as BRI. China has been ambiguous about what counts as BRI projects, and there has never been an official list of BRI projects.

¹⁰ Whistle blower website *Sarawak Report*, which was the primary source of exposure of corruption practices related to Najib (and therefore banned during the Najib era), alleged that ECRL was part of the plan to siphon off money to help the troubled Najib-linked firm 1 Malaysia Development Berhad (1MDB). See <http://www.sarawakreport.org/2016/07/outrage-najibs-secret-deal-with-china-to-pay-off-1mdb-and-jho-lows-debts-shock-exclusive/>

Table 1: Selected China-related Infrastructure or Real Estate Projects in Malaysia under Najib

Project	Nature of the Project	Project Value (estimated USD)	Major Chinese Investor/Partner	Years
Malacca Gateway	Port	10 billion	China Power International	2014-2025
Malaysia-China Kuantan Industrial Park	Industrial Park	806 million	Guangxi Beibu Gulf International Port Group	2013-2020
Kuantan Port’s Expansion (Deep Water Terminal)	Port	950 million	Guangxi Beibu Gulf International Port Group	2016-2039
Digital Free Trade Zone	Free trade zone, logistics base	100 million	Alibaba	2016-??
Forest City	Real estate	100 billion	Country Garden	2013-2035
Gemas-Johor Bahru Electrified Double-Tracking Railway	Railway	2 billion	A consortium of China Railway Engineering Corporation, China Railway Construction Corporation, and China Communications Construction Corporation	2016-2021
Trans-Sabah Gas Pipeline	Pipeline	1 billion	China Petroleum Pipeline Bureau	2017-??
Multi-Product Pipeline	Pipeline	1.35 billion	China Petroleum Pipeline Bureau	2017-??
East Coast Rail Link	Rail	13 billion, later revised to 20 billion	China Communications Construction Corporation	2017-2024

Another project that became a frequent target of criticisms was Forest City, a huge real estate project (in effect literally the creation of a medium-size city) on reclaimed land outside of the southern tip of the Malaya Peninsula. Most of the major subcontractors have been Chinese companies, and the property was being marketed primarily to foreigners (primarily Mainland Chinese) and priced out of range for most Malaysians. It was a real estate project built by the Chinese and for the Chinese and paid by the Chinese but not on Chinese land. The outcome will be the creation of a foreigners' (Mainland Chinese) enclave. Forest City advertizes itself as part of the BRI, although it has never received official endorsement as part of the BRI project.

One should be cautious, however, in treating China's involvements in all these projects as the same. Some were completely private initiatives, some were initiated by the governments of both sides but with significant private sector participation, and some were government-to-government projects. Some projects were driven by local (state-level) governments. The financing also differed from project to project, and not all of them would result in the increase of debt. Some projects are not strictly speaking "investment," rather the Chinese companies only won the construction contracts, although not always under the most transparent manner. Hence, the tendency by certain foreign and domestic media alike to lump together all these projects as if they're all the same and constitutive components of a strategically designed "debt-trap" diplomacy by China is misleading.

In addition, one should also take note that China's investment in the manufacturing sector in Malaysia has been extensive and increasing. Chinese companies have invested in steel, solar energy, glass, locomotive, automobile, telecommunications and many other sectors in Malaysia, creating jobs and transferring technology and knowledge. This side of China's economic presence in Malaysia is however usually overlooked.

Changes and Continuities under the Pakatan Harapan Government

ECRL, Trans-Sabah Gas Pipeline, Multi-Purpose Pipeline

After the change of government, the future of these projects immediately came into question. Three projects were almost immediately suspended: ECRL, Trans-Sabah Gas Pipeline, and Multi-Purpose Pipeline. The most problematic project for

the new government was ECRL. Accordingly, the new government revealed that the BN government has concealed the real costs of the entire ECRL project, which was revised from USD13 billion to USD20 billion by the PH government, which was deemed too costly. However, as ECRL was billed as the flagship BRI project between China and Malaysia during the Najib era, the diplomatic implications of outright cancellation would have to be seriously taken into account. In addition, the PH government also had to be concerned about the financial compensation and legal implications of termination of a commercial agreement.

The two gas pipeline projects, the Trans-Sabah Gas Pipeline and Multi-Purpose Pipeline, received not much attention before the elections as the terms and details of these projects were kept from public scrutiny. After PH took over, details about these projects were revealed, and according to the new Finance Minister Lim Guan Eng, the terms of these projects were “lop-sided.” The modus operandi of these two projects were similar to ECRL, in which China’s Export-Import Bank provided the loan, while a Chinese state-owned company, China Petroleum Pipeline Bureau, was awarded the project without open tender. Finance Minister Lim also revealed that the Malaysian partners to these two projects were also individuals connected to 1MDB, implying that these projects were perhaps involved in corruption.¹¹

However, the new government also understood the sensitivity of these problematic projects and cancellations could undermine Malaysia-China relations. The issue of ECRL especially was very sensitive. Following the elections, Mahathir sent Daim Zainuddin, his trusted aide and chairman of the Council of Eminent Persons (an advisory group to the new government) to China in July 2018 to explain Malaysia’s position on the projects, but apparently to no avail. In August, Mahathir undertook his first official visit to China since voted into power, and visited Hangzhou, Shanghai, and Beijing. The meeting with the Chinese leaders Xi Jinping and Li Keqiang in Beijing could not really resolve the matters about the three projects, however. Mahathir sought Chinese understanding of Malaysia’s financial situation and pledged to continue to support the BRI. Nevertheless, he announced that the projects would be canceled, on the last day of his visit to Beijing.

What followed, however, was not entirely clear. Mahathir’s announcement in Beijing

¹¹ <https://www.malaysia-today.net/2018/06/06/guan-eng-accuses-china-companies-of-corruption/>

did not amount to a formal cancellation in the legal sense, and what transpired was that negotiations of the term of the projects, primarily ECRL, were still ongoing. There were numerous instances of changes of decisions throughout late 2018 and early 2019, until April, in which the government announced that ECRL has been successfully renegotiated, with about 30 percent of the original price tag slashed, increased local content participation, and the commitment of CCCC to be part of the operation once the project is completed. Not long after the announcement of the renegotiated ECRL, the Mahathir government also surprisingly revived another project that was actually terminated by the Najib government, the RM140 billion/ USD34.5 billion Bandar Malaysia project, a huge urban development and transport hub project. China Railway Engineering Corporation (CREC) is a partner of a consortium that will be the master developer of this project. The revival of both ECRL and Bandar Malaysia created the positive momentum in Malaysia-China relations before the second visit of Mahathir to China, to attend the Belt and Road Forum in Beijing in late April 2019.

The ECRL episode was particularly illustrating of the complexity and difficulty of renegotiating a flagship BRI project that continues to divide opinions. Although the market welcomes the revival, critics continue to point to its commercially unviable nature, its huge debt (even if the cost is brought down), and perhaps more importantly, that the project is tainted with the corruption scandal of Najib and must be axed to convey the sense of clear clean-up of the mess left by the past government.¹² Supporters of ECRL however argue that the viability of infrastructure projects can never be measured by the project profitability alone, and that the costs of cancellation, whether in financial or in diplomatic terms, were probably too high for Malaysia to bear. Regardless, critical voices on the ECRL have dwindled down significantly, and the government is relieved that this stick issue has been resolved and removed from the bilateral agenda.

Forest City, Malacca Gateway, MCKIP

Other than the ECRL, some other projects have faced scrutiny as well, including Forest City, Malacca Gateway, and Malaysia-China Kuantan Industrial Park. However, the nature of these projects is very different from ECRL and the two

¹² P. Gunasegaram, "Cowardly, Controversial and Costly Capitulation to China," *Malaysiakini*, April 16, 2019, <https://www.malaysiakini.com/columns/472420>

pipelines. They involve the private sector and local governments and incur no loans (therefore no debt) but actual investment from China. The federal government is in no legal position to suspend or cancel any of them, in spite of the criticisms raised by Mahathir and some of his supporters within PPBM. Furthermore, Mahathir’s criticisms of these projects were later refuted or rebutted by members of the PH government, either cabinet ministers or chief ministers of the states under PH’s rule.

For instance, Forest City has been a project intensely and consistently disliked by Mahathir. The business model of the project, at least before Mahathir came into power, created very little local benefits. Mahathir also saw a bigger problem; the anticipated influx of foreigners (mostly Mainland Chinese) will upset the local racial balance. After the elections, he continued to have serious misgivings of the project, and tried to use federal immigration law to ban foreigners from buying the property units of the project.¹³ However, Osman Sapian, the then Menteri Besar (Chief Minister) of the state of Johor (where Country Garden is located), contradicted Mahathir and came out in support of Forest City,¹⁴ and this is not surprising considering the state government has a 40 percent stake in the project. More crucially, Forest City has enjoyed the strong support of the Sultan of Johor, an influential royal figure that even Mahathir cannot ignore. In addition, the Federal Housing Minister also walked back from Mahathir’s statement and said that no law can actually ban foreigners from local property,¹⁵ although the new government will try to look for ways to diversify the ownership.¹⁶

Given the fate of ECRL and Forest City, Malacca Gateway also faced an uncertain future after the elections, since Mahathir, one month before the election, once criticized the project for being unnecessary and costly.¹⁷ Officials from the main local developer of Malacca Gateway, KAJ Development, visited the federal government in July, and revealed that in addition to Chinese investors, the project has also attracted American, German, and Korean partnership,¹⁸ showing that it is more than just a Sino-Malaysian project. Despite the criticism by Mahathir, the PH government actually has not been negative about the project. Minister of Economic

¹³ <https://www.reuters.com/article/us-forest-city-development/mahathir-takes-aim-at-country-gardens-giant-development-in-southern-malaysia-idUSKCN1LC0KX>

¹⁴ <https://www.straitstimes.com/asia/se-asia/forest-city-beneficial-to-johor-and-malaysia-chief-minister>

¹⁵ <https://www.thestar.com.my/news/regional/2018/08/29/malaysian-housing-minister-walks-back-mahathirs-ban-of-overseas-buyers-in-country-garden-project/>

¹⁶ <http://www.theedgemarkets.com/article/zuraida-looking-reduced-forest-city-foreign-ownership>

¹⁷ <https://www.freemalaysiatoday.com/category/nation/2017/04/16/chinas-port-project-in-malacca-under-scrutiny/>

¹⁸ <https://www.nst.com.my/property/2018/07/391345/melaka-gateway-developer-meet-govt-authorities-clear-air>

Affairs Azmin Ali stated that the project could bring economic benefits to Malaysia and can go on,¹⁹ and the new PH Chief Minister of Malacca, Adly Zahari, has also stated his support for the project.²⁰ Nevertheless, media reports emerged in late 2018 alleging that the project has slowed down due to an uncertain political environment, but that could also be attributed to purely business reasons and not necessarily from political pressure.²¹ As of January 2019, the project is still proceeding.

Finally, Mahathir also criticized, rather weirdly, about the “Great Wall” surrounding MCKIP, alleging that it is a violation of Malaysian law.²² In this instance he was clearly not fully informed, as the so-called “Great Wall” is not built around MCKIP but the Alliance Steel, a state-of-the-art steel plant invested by a company from Guangxi, China. Again, Mahathir’s remark was rebuffed by his own colleagues from PH. Deputy Minister of International Trade and Industry Ong Kian Ming, after visiting the park, has clarified that the “Great Wall” is a very small matter, while the whole MCKIP, despite being clearly a legacy of Najib and the BN government, has strong economic potentials to benefit Malaysia and deserves to be supported by the PH government.²³ Ong in fact published a lengthy article defending MCKIP, in which he stated that “if done well, the investments in this industrial park have the potential to transform the whole of Kuantan into a thriving city of industry.”²⁴ Ong also noted that for MCKIP to thrive, the success of the neighboring Kuantan port, which has sold a 40 percent stake to a Guangxi-based SOE from China and is planning for port expansion, is also very crucial.²⁵ It is to be noted here that MCKIP is located in the state of Pahang, in which its BN government survived the onslaught by PH in the last general elections, and Pahang is also the home state of Najib, in which he continues to receive strong support. The state government of Pahang has a stake in the consortium that forms the joint Sino-Malaysian ownership of MCKIP. However, after the intervention by Ong Kian Ming, there are no further signs that the federal government under Mahathir will obstruct the developments of MCKIP.

¹⁹ <https://www.malaysiakini.com/news/441566>

²⁰ <https://www.thestar.com.my/metro/metro-news/2018/09/22/state-gives-the-green-light-to-melaka-gateway-project-project-involving-three-manmade-islands-to-car/>

²¹ <http://news.seehua.com/?p=404136>

²² <https://www.malaysiakini.com/news/440076>

²³ <https://www.freemalaysiatoday.com/category/nation/2018/09/06/deputy-minister-breaks-away-with-dr-ms-view-over-kuantans-china-wall/>

²⁴ <https://www.malaysiakini.com/news/441946>

²⁵ Ibid.

Gemas-Johor Bahru Electrified Double-Tracking Railway and Digital Free Trade Zone

As for the remaining two mega projects, Gemas-Johor Bahru Railway and Digital Free Trade Zone, there are no controversies. Transport Minister Anthony Loke has affirmed that the Gemas-Johor Bahru Railway project is on course to be completed by 2021 and will start operating in 2022.²⁶ The project was contracted to a Chinese consortium comprising China Railway Engineering Corporation, China Railway Construction Corporation, and China Communications Construction Corporation, but the actual work is mostly subcontracted to Malaysian companies YTL Group and SIPP.²⁷ Digital Free Trade Zone, on the other hand, has also received enthusiastic support from the new government. It is seen as being aligned with the efforts by the new government to boost the participation of Malaysian small and medium enterprises in the export of Malaysia, and the overall vision to upgrade the technological scale of Malaysian businesses in the era of e-commerce, big data, artificial intelligence, and robotics.²⁸

Several observations can be drawn from the above review of the developments of China-invested mega projects after PH came into power. First, other than ECRL and the two pipelines, all the other projects are actually continuing, although some of them initially faced an uncertain future due to the misgivings of them by Prime Minister Mahathir. In fact, looking at the overall picture, Chinese investment has continued in Malaysia since May 2018, although one has to look at the data in the full year of 2019 to make a more definitive conclusion about the confidence of Chinese investors in Malaysia. In fact, all PH leaders have continued to express support for the BRI. Table 2 is a selection of the sayings or speeches of PH leaders on or related to the BRI. They are clearly contrary to Western media’s portrayal of Malaysia as “pushing back” against the BRI. Although one could argue that all these sayings are rhetoric, the actual fact is that they do convey Malaysia’s position, in which Malaysia will continue to work with China on the BRI, albeit with stronger scrutiny to ensure that the BRI cooperation will serve Malaysia’s interests.

²⁶ <https://www.malaymail.com/news/malaysia/2018/07/30/loke-gemas-jb-double-track-project-to-complete-west-coast-electrified-track/1657475>

²⁷ <https://www.thestar.com.my/news/nation/2018/01/13/rm94bil-gemasjb-rail-project-to-start-by-end-of-this-month/>

²⁸ <https://www.thestar.com.my/news/nation/2018/06/18/guan-eng-lauds-alibabas-role-in-strengthening-malaysia-china-ties/>

Second, Mahathir has been frequently contradicted by his own colleagues from PH, and usually eventually acquiesced to the views of his colleagues. This raised the questions of whether Mahathir was adequately informed about the nature of some of these projects, whether he purposely politicized these projects, and whether the PH coalition has still not been able to form a coherent partnership in governance.

Third, the interests of the state governments cannot be ignored. PH leaders in the states of Johor and Malacca see the Forest City and Malacca Gateway projects very differently from federal leaders including Mahathir. They have a stake to ensure that these projects in their locales turn out to be successful rather than being cancelled.

Conclusion: Pakatan Harapan Government and Prospects of Malaysia-China BRI Cooperation

The above review of the developments after PH formed the government showed that there are both continuities and changes in BRI cooperation between Malaysia and China, and so far there are actually more continuities than changes. The BRI also continues to receive at least rhetorical support from PH leaders. So, what will be the prospects of Malaysia-China cooperation on the BRI under the PH government? Here I would like to offer three points of observation.

First, in terms of hard infrastructure, the PH government is unlikely to embark on any new mega project. This government has always stressed that because of the failures of the Najib government it has inherited serious debts and therefore faced severe financial constraints. Mega projects involving public funds are therefore unlikely to be undertaken anytime soon. Hence, it is unlikely that China and Malaysia will have a new “big ticket” flagship project under the PH government. Rather, both governments should focus on consolidating and improving on the existing bilateral projects. MCKIP and Kuantan Port especially should get stronger emphasis and support from the PH government, as it could play a catalyst in the regional development of the east coast of peninsular Malaysia, draw more value-creation foreign direct investment, and enhance Malaysia’s export. Consolidation is a good policy actually, which can make the BRI cooperation more sustainable and avoid backlash.²⁹

²⁹ This is a remark made to the author by a deputy minister under the PH government.

Second, besides hard infrastructure, the PH government may likely cooperate with China more on policy coordination, or the so-called “soft infrastructure,” to further reduce the costs of trade and investment between China and Malaysia. The Port Alliance between Chinese and Malaysian ports, which began in 2015 and currently involves 12 Chinese ports and 9 Malaysian ports, and which aim to increase ports and logistics capacity, personnel development and training, mutual promotion and utilization of ports, will continue to receive the PH government’s support.³⁰ In addition, a new Malaysia-China Five-Year Economic Cooperation plan, which is to replace the previous version that expired in 2017, is currently being drafted by the Ministry of International Trade and Industry of Malaysia. The plan will form the foundation for both countries to identify areas of economic cooperation that are mutually beneficial.

Third, Chinese FDI in the manufacturing sector continues to be welcomed by the PH government, but with more stringent conditions that the investment projects bring projects that are of high quality, generate jobs, and bring business opportunities to Malaysian companies, especially the small and medium enterprises. In particular, Malaysia is very interested to tap into Chinese advances in robotics, artificial intelligence, big data, 5G, e-commerce—these so-called industries of the future. The continued support of the Digital Free Trade Zone, the strong support given by Mahatir to Huawei amidst the attack on the company by the US,³¹ and the reported opening of a joint China-Malaysia AI Park³² all testify to the huge potential that Malaysia will be fully interested in being part of the “Digital Silk Road.” The investment by Chinese automobile maker Geely into Malaysia’s national automobile company Proton will also be closely watched, as this will be a testing case of China bringing in and incorporating its technology to benefit Malaysia. If this partnership turns out to be successful, it could give greater confidence for both sides to enhance cooperation in the manufacturing sector.

To conclude, although Malaysia-China cooperation on the BRI seemed to face some backlash after the change of government in May 2018, the developments later showed that many Chinese-invested projects are actually continuing, and the PH

³⁰ <http://www.globaltimes.cn/content/1130740.shtml>

³¹ <https://www.scmp.com/week-asia/geopolitics/article/3012469/malaysias-mahathir-backs-huawei-snubbing-us-blacklist-chinese>

³² <https://www.nst.com.my/business/2019/04/483219/g3-global-and-chinese-firms-build-ai-park-malaysia>

government has expressed supportive stands over the BRI. While there may not be new bilateral mega projects to be undertaken, if both China and Malaysia are able to ensure and make the existing projects successful, it will be a clear signal that Malaysia stays committed to the BRI.

Table 2: Selection of Pakatan Harapan Leaders’ Remarks on BRI or Malaysia-China Economic Relations

Federal Government		Statements/Sayings/Speeches
Name	Position	
Mahathir Mohammad	Prime Minister	<p>“As far as the Belt and Road (OBOR) problem is concerned, we have no problem with that, except of course, we would not like to see too many warships in this area, because warships attract other warships, and this place may become tense because of the presence of warships.” “As you know, when the demand for oil grew, ships were built bigger and bigger until they were almost half a million tonne, but trains have remained small, and not long enough. So I suggested to Xi Jinping in a personal letter to him, that we should have big trains, and China has the technology to build big trains, which can carry goods from China to Europe, and will also make Central Asia-Kazakhstan and Uzbekistan, and all that, more accessible.” –May 10, 2018.³³</p> <p>Media report: “The new government of Malaysia will continue its ‘friendly’ relationship with China and ‘make best use’ of its initiative to create a 21st-century Silk Road to connect East Asia with Europe, Prime Minister Mahathir Mohamad said on Monday.” –June 11, 2018.³⁴</p> <p>“I am fully in support of the Belt and Road Initiative. I am sure my country, Malaysia, will benefit from the project.” -April 25, 2019.³⁵</p>
Lim Guan Eng	Finance Minister	<p>“The Malaysian government reaffirms our commitment to building on the existing close ties with China and will work to maintain friendly relations,” Lim said, adding that his country will continue to support and actively participate in the Belt and Road Initiative. –December 18, 2018.³⁶</p>

Azmin Ali	Economic Affairs Minister	“Indeed, Malaysia supports this vision of a connected ASEAN, and as a developing country and trading nation, infrastructure connectivity is of paramount importance to Malaysia so as to facilitate seamless movement of goods, services and people.” “The vision of Belt and Road Initiative is being promoted at a time when ASEAN too is moving towards greater integration, with the formation of the ASEAN Economic Community.” –October 29, 2018. ³⁷
Saifuddin Abdullah	Foreign Minister	“That’s why we are now focusing on efforts to attract more investors to China’s other investment areas in the country, including the Malaysia-China Kuantan Industrial Park (MCKIP).” “We want to continue the agenda to make Kuantan the East Coast industrial hub. For that purpose, we will focus on MCKIP’s development.” “We also still have a large space in Kuantan Port. All these are able to attract new investments, especially from Chinese investors.” – January 27, 2019. ³⁸
Anthony Loke Siew Fook	Transport Minister	“The historic presence of China in Malaysia, particularly in Melaka during the era of the ancient Silk Road, inspired the establishment of a ‘port alliance’ network between the two countries.” “It is my fervent hope that this alliance is further optimized in an effort to augment Malaysian ports capacity.” “In line with the Belt and Road Initiative, Malaysia and China has also jointly established two industrial parks -- one in Kuantan Malaysia, and the other in Qinzhou, Chinese region of Guangxi. In optimizing the flow of trade and investment between Malaysia and China, Kuantan Port offers investors in MCKIP the fastest route to China’s Qinzhou Port, its sister port, in just three to four days.” –December 6, 2018. ³⁹
Ignatius Daniel Leiking	Minister of International Trade and Industry	“We will make sure that trade relations continue to grow. Take it from me, or the Malaysian Government, that no matter what happens following the review of contracts or cancellation, it will not destabilise our relationship. It is for the good of the nation. We want to clean up any dealings that may have gone wrong.” –September 29, 2018. ⁴⁰

Yeo Bee Yin	Minister of Energy, Science, Technology, Environment and Climate Change	“I see China has some advantage and things that we can learn from, including technology, while at the same time, our strategic location has given us a lot of advantage with China.” – July 10, 2018. ⁴¹
Ong Kian Ming	Deputy Minister of International Trade and Industry	Media report: “Malaysia has no intention of abandoning China’s Belt and Road Initiative (BRI) and will continue to forge a closer relationship with the world’s second-largest economy. Deputy International Trade and Industry Minister Ong Kian Ming said the new government’s approach had been misunderstood following the recent decision to cancel China-Malaysia related projects.” –September 11, 2018. ⁴²
State Government		
Adly Zahari	Chief Minister of Malacca	Media report: “China’s One Belt, One Road initiative could also be a platform for Melaka to attract investments in the state’s port sector, said Adly, adding that the state was focused on the development of three main ports - the Melaka Gateway Port, Tanjung Bruas Port and Kuala Linggi Port.” –July 5, 2018. ⁴³
Mohd Shafie Apdal	Chief Minister of Sabah	Media report: “[Mohd Shafie] said the Warisan-led State Government is willing to make better use of the ‘Belt and Road Initiative’ to strengthen cooperation with China in various fields such as infrastructure, agriculture, forestry, fisheries and tourism.” “Mohd Shafie said the change of Malaysian Government will not change Malaysia’s friendly policy towards China, and the same is true of Sabah.” –September 29, 2018. ⁴⁴
Important Leaders not in the Government		
Anwar Ibrahim	President of PKR and Designated Successor as PM	Media report: “Former Malaysian deputy prime minister Anwar Ibrahim has lauded the China-proposed Belt and Road Initiative, saying the initiative, in which there is ‘a lot of wisdom’, aims for shared development for countries.” “I have seen countries’ very positive reaction to the [BRI] initiative so far.” –October 28, 2018. ⁴⁵

Daim Zainnuddin	Chairman of the Council of Eminent Persons, Senior Advisor to Government	“China is very important to us. We enjoy very close relations, but unfortunately under the previous administration, a lot of China contracts are tainted, difficult to understand and the terms are one-sided.” –June 4, 2018. ⁴⁶
Lim Kit Siang	Senior Leader of DAP	“DAP and Pakatan Harapan fully support China’s Belt and Road Initiative (BRI). We want it to be a win-win formula for all the 65 countries which are to be connected by sea, air, road and rail links. If the great BRI vision succeeds, it will be an unprecedented human achievement, for it would bring together people with different languages, religions, values, way of life, customs, technologies and even civilisations.” –November 10, 2018. ⁴⁷
Tan Kok Wai	Chairman of DAP, Malaysia’s Special Envoy to China, President of Malaysia-China Business Council	Media report: “The Belt and Road is a road of mutual respect and mutual trust; a road of win-win cooperation and a road of mutual understanding, said Tan.” –September 28, 2018. ⁴⁸ “There was some scepticism and reservations as to how ties with China would be developed after Pakatan Harapan formed the new federal government last year. However, Prime Minister Tun Dr Mahathir Mohamad repeatedly assured China that our policy will not change. Bilateral relations have seen improvement since then.” –January 16, 2019. ⁴⁹

³³ <https://www.malaymail.com/news/malaysia/2018/05/10/dr-m-we-support-chinas-belt-and-road-initiative-but/1629327>

³⁴ <https://asia.nikkei.com/Spotlight/The-Future-of-Asia-2018/Malaysia-should-make-best-use-of-Belt-and-Road-Mahathir-says>

³⁵ <https://www.scmp.com/news/china/diplomacy/article/3007874/malysias-mahathir-backs-chinas-belt-and-road-insists-open>

³⁶ http://www.xinhuanet.com/english/2018-12/19/c_137685319.htm

³⁷ http://www.xinhuanet.com/english/2018-10/30/c_137569220.htm

³⁸ <https://www.thestar.com.my/news/nation/2019/01/27/axing-of-ecri-wont-affect-ties-with-china-says-saifuddin/>

³⁹ http://www.xinhuanet.com/english/2018-12/06/c_137655114.htm

⁴⁰ <https://www.nst.com.my/news/nation/2018/09/415865/china-urged-buy-more-malaysian-products>

⁴¹ <http://www.theborneopost.com/2018/07/11/malaysia-china-relations-to-continue-on-mutual-benefit/>

⁴² <https://www.malaysia-today.net/2018/09/12/malaysia-abandons-plan-to-abandon-belt-and-road-initiative-says-kian-ming/>

⁴³ <https://www.nst.com.my/news/nation/2018/07/388004/melaka-focus-attracting-investments-china>

⁴⁴ <http://kepkas.sabah.gov.my/beijing-group-keen-on-investing-rm2b-in-sabah-cm/>

⁴⁵ <http://www.ecns.cn/news/economy/2018-10-29/detail-ifyzfmpy6335733.shtml>

⁴⁶ <https://www.thestar.com.my/news/nation/2018/06/04/we-will-handle-china-deals-with-care-exclusive-for-excerpts-of-interview-daim-review-of-projects-to/>

⁴⁷ <https://blog.limkitsiang.com/2018/11/10/dap-and-pakatan-harapan-in-full-support-of-chinas-belt-and-road-initiative-bri-but-make-it-an-all-win-formula-and-it-might-even-contest-the-clash-of-civilisation-theo/>

⁴⁸ <https://www.chinadailyhk.com/articles/128/39/67/1537790782296.html>

⁴⁹ <https://www.thestar.com.my/news/nation/2019/01/16/msiachina-ties-to-be-further-cemented-this-year/>