Does The Belt and Road Initiative in the East Coast of Peninsular Malaysia Create Win-win Partnership with China?

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Abstract
The China’s Belt and Road initiative (BRI) established by the President of the People’s Republic of China (PRC), Xi Jinping in 2013 has offered tremendous investment prospects to those countries along the land-based “Silk Road Economic Belt” and ocean-going “Maritime Silk Road”. In the Malaysian context, Malaysia and China have inked 14 business-to-business agreements and 16 government-to-government Memorandum of Understandings (MoU) in November 2016 amounting to approximately RM144 billion. By reviewing the literature of BRI, this paper identifies the two major projects in the east coast of peninsular Malaysia, namely East Coast Rail Link (ECRL) and Malaysia-China Kuantan Industrial Park (MCKIP), in particular. In addition, it also elaborates the benefits of these projects in helping to improve the economic and infrastructure; and to create more job opportunity in this region. Ultimately, through the initiative, Malaysia and China will be able to achieve the connectivity in policy, trade, finance and their people countries, followed by the realization of a “win-win” partnership for both countries. However, as BRI is still flawed in some ways, a few recommendations are made to ensure the people from this region as well as the country (Malaysia) are benefited from this initiative.

Key words: BRI, East Coast, ECRL, MCKIP, Peninsular Malaysia  
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Introduction

The Belt and Road Initiative (BRI), proposed by China in the autumn of 2013, has developed to a relatively large scale, demonstrating its progress and achievement beyond expectation (Yang, 2017). It was aimed to create the world’s biggest platform for economic cooperation, including policy coordination, trade and financing collaboration, and social and cultural cooperation (Tian, 2016). The vision and actions on jointly building this Belt and Road was issued by the top economic planner of the People’s Republic of China, the National Development and Reform Commission, and ministries of foreign affairs and commerce (Xinhua, 2015a). BRI attempts to create two trade routes – the land-based ‘Silk Road Economic Belt’ and the seagoing ‘21st Century Maritime Silk Road’, which will run through the continents of Asia, Europe and Africa, connecting the vibrant East Asia economic circle at one end and developed European economic circle at the other (Lau, 2017; Xinhua, 2015b).

The BRI covers five major areas of interest: policy coordination, infrastructure construction (including railways and highways), unimpeded trade, financial integration, and people-to-people ties. Among these, infrastructure construction is the dominant feature of the New Silk Road (Zhang, 2016). With regard to the funded parties of the initiative, during the opening ceremony of the Belt and Road
Forum for International Cooperation in the National Convention Centre in Beijing in May 2017, President Xi highlighted that the China Development Bank and the Export-Import Bank of China will set up special lending plans, which worth 250 billion yuan and 130 billion yuan respectively, to support the Belt and Road co-operation on infrastructure, industrial capacity, and financing (An, 2017).

Besides the targets of generating greater trade and enhancing connectivity between China and Africa, Eurasia, Europe, the Middle East, and South and Southeast Asia, the initiative also aims to ensure political stability and continuing economic growth in China, and to position China as a new major player within international affairs (Nünlist, 2016). Overall, the total population along the BRI route is more than 4.4 billion, covering developing areas with US$3,000 (RM12,071) GDP per capita as well as developed areas with GDP per capita exceeding US$10,000 (RM40,238) (Tan, 2016).

Given the economic importance of the Association of Southeast Asian Nations (ASEAN) to China, and its geographical proximity, ASEAN’s burgeoning economies are a key focus of the BRI initiative (HSBC, 2017). Against all these backgrounds, this paper, in particular, attempts to examine the BRI initiative happening in Malaysia. First, this paper summarizes the literature that provides two major projects in the notion of “21st-Century Maritime Silk Road” initiatives in east coast of peninsular Malaysia, followed by elaborating how the initiatives benefit the people in terms of economic and infrastructure improvement, and the increment of job opportunity in this region. Since the initiative is defective in some ways, propositions for the initiative are raised in order to create a win-win situation for both countries.

BRI: The Case of East Coast of Peninsular Malaysia

In May 2017, our Prime Minister Dato’ Sri Najib Razak and his delegates from both the Malaysian government and corporate sectors had graced the Belt and Road Forum which was hosted by the China President Xi Jinping in Beijing (Naj, 2017). During this visit, our prime minister has described the BRI as a 21st-century reimagining of the historical trading roads that link East and West, bringing spices and precious goods, knowledge of culture and scholarships to lands far apart (Razak, 2017). The second Minister of International Trade and Industry of Malaysia, Dato’ Seri Ong Ka Chuan also commented that the BRI is a good platform to strengthen intergovernmental cooperation between Malaysia and China (Li, 2017). Moreover, China has many renowned big parts that can motivate cooperation between Malaysia and China.

Indeed, the Chinese government has put massive efforts into its going-global strategy under its BRI regional economic expansion initiative in Malaysia (Anonymous, 2016 July). For example, in November 2016, Malaysia and China inked 14 business-to-business agreements and 16 government-to-government Memorandum of Understandings amounting to approximately RM144 billion (Anonymous, 2017 April). Malaysia’s strategic position makes it the most natural and logical central node in the maritime belt, and also stands to be among the greatest beneficiaries of this new Chinese initiative (Teo, 2017). In relation to the east coast of peninsular Malaysia, the two major and huge projects that come under the initiative of 21st-Century Maritime Silk Road are East Coast Railway Link (henceforth, ECRL) and Malaysia-China Kuantan Industrial Park (henceforth, MCKIP).

The ECRL project is to be built by China Communications Construction Company Ltd (CCCC) with Malaysia Rail Link Sdn Bhd (MRL) tasked as the project owner. Besides, Malaysia also received “attractive” financing terms, with China Exim Bank financing 85% of the project, including a soft loan of 3.25% and a moratorium period of seven years. The remaining 15% would be funded through a sukuk programme managed by local investment banks (Anonymous, 2017 October), whereas MCKIP is 49% owned by Guangxi Beibu Gulf International Port Group Co Ltd, a China company owned by the Guangxi Autonomous Region government, and 51% owned by Kuantan Pahang Holding Sdn Bhd, comprising IJM Land Bhd, Sime Darby Property Bhd and the Pahang government (Yap, 2017). Following is an introduction of ECRL and MCKIP, and an overview of the benefits that these two projects will bring about.
How do ECRL and MCKIP Benefit from BRI?

Seemingly, there are wide disparities between the levels of development of the different parts of Peninsular Malaysia. The west coast of Peninsular Malaysia remains much more developed and more densely populated than the east coast of Peninsular Malaysia. To narrow down such disparities, Malaysian government is addressing the infrastructure inadequacies in the east coast of Peninsular Malaysia by building on the initial stock of infrastructure, and expanding and modernising infrastructure facilities. In this regard, the East Coast Economic Region (henceforth, ECER) is established by the government of Malaysia as one of Malaysia economic corridors within the East Coast Region (henceforth, ECR) (Zuraimi et al., 2013). The ECER covers the states of Kelantan, Terengganu and Pahang, as well as the district of Mersing in Johor (Economic Corridors, 2017). In terms of land area, ECER covers more than half of the Peninsular Malaysia. However, the population of about 3.9 million represents only 14.5% of the total population of Malaysia.

The Prime Minister of Malaysia, Dato’ Sri Najib Razak has given his foresight that the investments into ECER will surge, both from foreign and local investors; and surely will unlock new wealth and job opportunities for people in this region (ECER, 2013). For example, Pahang state attracted RM56.9 billion in investments as of May, creating 53,565 job opportunities (Hidir, 2017). In particular, the improvement of logistics systems in ECR should be highly taken care of for further economic development and integration within the states of this region (Zuraimi et al., 2013). As a whole, the initiative of logistics systems should pump in new investments and generate wealth creation opportunities in business and social fields, bringing out tremendous opportunities for jobs and incomes and, more importantly, creating vast opportunities of entrepreneurship (Mahbob, 2016).

In the realization of the importance of efficient and effective logistics systems in the east coast of Peninsular Malaysia, and in line with the BRI, the Ministry of Transportation of Malaysia is working closely with China to develop infrastructure such as railways and ports in ECER. For instance, in August 2017, China and Malaysia broke ground on a $13 billion rail project, which is the largest project that links the east and west coast of Peninsular Malaysia (Today, 2017). The planned 688-km (430-mile) East Coast Rail Link (ECRL), which was called a “game changer and a mindset changer” by Dato’ Sri Najib Tun Razak (Grey, 2017) will connect the South China Sea, large parts of which are claimed by China, at the Thai border in the east with the strategic shipping routes of the Straits of Malacca in the west, in which it will significantly reduce the traveling time from the east coast of the Peninsula (Lee, 2017). The estimated cost of ECRL is $13 billion. ECRL is, by far, the largest development project in Malaysia (Feng, 2017; Muhammad, 2017).

Evidently, positioning Kuantan as a Port City and gateway to the Asia-Pacific markets will help attract even more investments and trade activities in the ECER Special Economic Zone (henceforth, ECER SEZ), which covers Gambang and Pekan in Pahang. The spillover effects from these investments into the ECER will bring about better socio-economic benefits, especially job and entrepreneurial opportunities for the local communities in Pahang (Metro News, 2016). According to the Minister of Agriculture and Agro-based Industry of Malaysia, Datuk Seri Shabery Cheek, the farmers in the east coast of Malaysia will certainly benefit from the ECRL. For example, through the implementation of ECRL, Tok Bali, a fishing port in Kelantan, with its beautiful sandy beaches and pristine blue waters, will be touted to potentially become a tourist hotspot (Kana & Kaur, 2017). At the same time, the implementation of ECRL will ease transporting seafood from the port to Klang Valley, and the transportation cost will decrease (Toh, 2017).

Altogether, touted as a key game-changer for the east coast states of Peninsular Malaysia, the interstate ECRL is expected to help the economy of the four states that it covers by an additional 1.5% per year over the next 50 years (Kana & Kaur, 2017). Likewise, ECRL is expected to benefit freight transport because it would link key economic and industrial areas within the East Coast Economic Region, such as the Malaysia-China Kuantan Industrial Park, Gambang Halal Park, Kertih Biopolymer Park and Tok Bali Integrated Fisheries Park to both Kuantan Port and Port Klang. All in all, the double-track railway system will upgrade east-west connectivity, help boost economic development along the east coast, and improve the well-being of residents in the states of Pahang, Terengganu and Kelantan in Malaysia (Ho, 2017).

Moreover, China and Malaysia are also building an industrial park in Kuantan, Malaysia for steel, aluminium, palm oil processing, etc. (Asia, 2017), which is officially named as Malaysia-China
Kuantan Industrial Park (henceforth, MCKIP). MCKIP is the first Malaysia National Industrial Park jointly developed by both Malaysia and China. On the one hand, in order to form a more perfect collaboration, MCKIP, together with its sister park, the China-Malaysia Qinzhou Industrial Park, has been identified by the Malaysian and Chinese governments as iconic projects in their bilateral investment cooperation (Xinhua, 2017). On the other hand, as MCKIP and the Kuantan Port are situated within the ECER’s special economic zone, Kuantan Port has been positioned to take advantage of the huge upturn in momentum, and is set to become a powerhouse in the region (Kuantan Port, 2016).

In such situation, Kuantan Port will become an important gateway for logistics services for MCKIP. In order to provide value-added services for trans-shipment cargoes, Kuantan Port has received approval from the Ministry of Finance of Malaysia to set up a Free Zone port in June 2016 (Tsang, 2017). As noted by the Chairperson of Malaysia-China Business Council, Tan Sri Ong Ka Ting, such establishment could help Malaysian consortium to leverage on the experience and network in the shipping industry of China to bring in more cargo ships and shipping services to Kuantan Port (Tho, 2017a). Indeed, the deepening of Kuantan Port is anticipated to help bring in billions of direct investments from China into MCKIP (Ho, 2017). As a whole, Kuantan Port will act as the catalyst for MCKIP, with the synergy between the port and the industrial park, forming a dynamic platform for investors, who plan to expand their business in the ASEAN region (Tsang, 2017).

As we are all aware, the main target of MCKIP is on the heavy industry and high-end/high technology industry. In this respect, the five major industries in MCKIP are steel and non-ferrous metal; clean technology and renewable energy; oil and gas, and petrochemicals; electrical and electronics; and research and development (Tho, 2017b). The first and largest investor of MCKIP, Alliance Steel (M) Sdn Bhd, is investing RM5.6 billion to develop a steel mill, with the capacity of 3.5 million tonnes, at the industrial park (Toh, 2017). Similarly, the East Coast Economic Region Development Council (henceforth, ECERDC), a statutory body in Malaysia, which was established to spearhead the socio-economic development of the ECER, has also secured potential investments of RM4.5 billion from China for the construction of renewable energy and advanced chemical factory in MCKIP (Bloomberg, 2016). Over the years, MCKIP has grown to become an important economic driver, attracting RM18.1 billion in domestic and foreign investments (The Sun Daily, 2017).

All in all, since the implementation, both countries have reaped the early benefits of economic investment, and have pledged to build a stronger all-round strategic partnership in areas including trade, finance, port development and logistics (HSBC, 2017). Presumably, the greatest benefit the BRI may bring to Malaysia is deeper understanding and tolerance of people with different backgrounds, and the recognition of the need to collaborate peacefully with each other in order to achieve the win-win objective (Tow, 2017). Generally, Malaysian government has been reacting positively to the BRI. Realizing this initiative will benefit in enhancing domestic transportation, tourism and industrial development, thereby promoting job creation in the east coast of Peninsular Malaysia; Malaysia is keen on fostering more and more economic partnership with China. Specifically, if Malaysia is looking at a bigger picture of the BRI, we should consider the initiative to be vital and significant to us because the initiative will move Malaysia towards achieving the status of a developed nation at the soonest possible time.

Arguments and Propositions

While the objectives of the BRI are to open new markets for China, and to boost the economies of less developed countries like Malaysia by creating new routes to the less developed countries; however, the initiative is still defective in some ways. Particularly, there are concerns that the enormous infrastructure developments may have adverse environmental effects in a country as the area to be developed would be extremely detrimental to the wildlife and the forest, which would further contributing to the environmental impact (Sok, 2017). In this context, for example, the ECRL will traverse major river systems and cut through 357 hectares of protected forest where elephants, Malayan tapir, tigers roam, etc. will certainly affect the ecosystem (Mayberry, 2017). In other words, ECRL seems to shift traffic from roads to rails, but it also leads to habitat loss and fragmentation in the peninsula's forested heart. Luckily, the Environmental Impact Assessment (EIA) of Malaysia has
studied in depth and revised the ECRL route several times, while the decision to build more tunnels will ensure less fragmentation of animals’ habitat in order to minimize the environmental impact.

In another aspect, some detractors may say that such an optimistic prognosis for these two initiatives is wishful thinking, considering the colossal expenditure that would add to the national debt, which would further burden our country and its people (Nasuruddin, 2017). As such, a research on the ECRL’s cost-effectiveness should be carried out in order to ensure the cost-effectiveness will be able to weigh against the expected returns as well as to access to government spending information in this initiative as it provides a basis for the participation of our people, encourages greater operational efficiency and more importantly, shows government transparency in spending.

Besides, others questions raised by Dahal (2017) from Nepal, such as: Are the human resources capable of initiating and accomplishing the initiative?, How can we attract the initiative to favour our country?, etc. should also be taken into account by us as long as the BRI is concerned. Pertaining to human resources, for example, given high labour costs in Malaysia as compared to China, and the difficulty in finding suitable employees, some invested China firms may decide to export domestic labour to Malaysia. However, our country has special rules on foreign labour as well as labour export. As such, the China firms should ensure that they have a good grasp of our labour regulations as they design their BRI in Malaysia (Li, 2015).

Contrary to allegations that Malaysia’s BRI will threaten and undermine national sovereignty or the beginning of a form of colonisation by China, Malaysians are advised to take an optimistic approach and understand future strategic benefits of implementing BRI especially our country is still continuing on the transformation journey (Liow, 2017). As being viewed by the president of Federation of Chinese Associations Malaysia, Tan Sri Pheng Yin Hua, China's investments would not only help to make Malaysia’s economy more vibrant but also create more employment and business opportunities for the locals. In fact, our people should welcome such investments from China, considering that Malaysia is currently experiencing slower economic growth and we need foreign investments to stimulate our economy (Ting, 2017). Similarly, as highlighted by our Minister of Transport, Datuk Seri Liow Tiong Lai, China’s investments are in fact both timely and crucial for Malaysia amid the global economic slowdown and dwindling foreign investments (Ho & Tho, 2016).

However, it is one of our concerns that the investors from China will bring their own manpower, technical expertise and materials to Malaysia, instead of tapping into local resources. To deal with this concern, Pheng suggested that the Ministry of International Trade and Industry (MITI) of Malaysia should play its role to coordinate all the investments to ensure that China uses manpower and materials procured from Malaysia as well as undertakes joint ventures with local business entities. Likewise, Ka Ting also urged Malaysians should not view the BRI negatively because past experiences have shown it was, indeed, a catalyst for growth for the Malaysian economy (Ting, 2017).

Conclusion

On the whole, Malaysians should start “thinking out of the box” and look towards future potential economic opportunities that are worth billions of ringgit. Certainly, China foreign investments in Malaysia will essentially translate to improved infrastructure and logistics and high-value job creation which ultimately facilitates Malaysia to become a high-income country by 2020. In this context, in order for Malaysians to be able to benefit from and ride on BRI’s drive, they must be prepared and the trans-border transport infrastructure must be in placed when the trade boom unleashes (Alsagoff, 2017). In fact, Malaysia’s strategic position makes it the most natural and logical central node in the maritime belt. In the end, the connectivity in policy, trade, finance and people of Malaysia and China will be achieved through this initiative, in which on a wider scale, a win-win situation for both countries will also be accomplished.

To conclude, the recent economic development in China indicated that China is in the midst of enhancing its comprehensive strategic alliances with Malaysia based on their mega outbound investments in railway and port infrastructure. Malaysia stands to be among the greatest beneficiaries of this new Chinese initiative in our region. Prime Minister Dato’ Sri Najib Razak is a key participant of BRI, and, among the most enthusiastic national leaders for this new Silk Road (Teo, 2017). As such, the trade, investment activities between Malaysia and China will see mutual economic benefits.
for many decades to come. To a certain degree, Malaysia is expected to benefit from the creation of investment and job opportunities from the BRI because Malaysia is reaching out to chart a truly “win-win” partnership — as the Chinese leadership is fond of saying — with the rest of the world, through BRI.

References


