



WORKING PAPER

FEBRUARY 2025

How Will Prime Minister Anwar Ibrahim Advance Malaysia's Belt and Road Cooperation with China?

Ngeow Chow Bing

WP343



Abstract

Since being inaugurated as Malaysia's tenth prime minister in November 2022, Anwar Ibrahim has significantly strengthened Malaysia-China relations. In just over two years, he has visited China three times. He often lauded China as a reliable partner and a "true friend" of Malaysia. During his first visit to China in 2023, Anwar praised the Belt and Road Initiative (BRI) as a visionary initiative and urged China to give stronger support and renewed push to the BRI.¹

This paper reviews past developments in Malaysia-China BRI cooperation and discusses its prospects under Anwar and his Unity Government. It contends that the Anwar government will continue to support and consolidate the existing BRI projects and will broaden BRI cooperation beyond the infrastructure connectivity sector. It also evaluates several risk factors and challenges in Malaysia's BRI cooperation.

¹ Zunaira Saieed, "Malaysian PM Anwar Calls for Revived Push for China's Belt and Road Projects", *Straits Times*, 30 March 2023, <https://www.straitstimes.com/asia/se-asia/malaysian-pm-anwar-calls-for-revived-push-on-china-s-belt-and-road-projects>.

The Belt and Road Initiative

The Belt and Road Initiative (BRI) was proposed by China's leader Xi Jinping in late 2013. Xi first articulated the Silk Road Economic Belt (the Belt) during a visit to Kazakhstan, and then the 21st Century Maritime Silk Road (the Road), during a visit to Indonesia. (Hence, the initiative was originally called "One Belt One Road".) The BRI is China's most grandiose economic diplomacy initiative. It envisions connectivity across the vast Eurasian region and beyond, driven by China-supported mega infrastructure projects such as railways, roads, ports, bridges and pipelines. The initiative aims to address the lack of infrastructure in developing countries, particularly in Asia and Africa. The completion of these infrastructure connectivity projects is expected to contribute to an increase in both domestic and transnational flows of capital, goods and people, thus opening up more markets for China and also for the participating BRI countries. China's leaders also envisaged that a successful BRI will position the country as a leading power in the emerging multipolar world.

The "Vision and Mission" document jointly issued in 2015 by China's National Development and Reform Commission (NDRC), Ministry of Foreign Affairs and Ministry of Commerce serves as the guiding document in implementing the BRI. The document states that the main principles of the BRI are "extensive consultation, joint contribution, and shared benefits" (*gongshang, gongjian, gongxiang*). These principles suggest that the BRI will be implemented in a flexible way. Contrary to the fears of some, the BRI does not come with an overarching blueprint to dictate how it should be implemented in each partnering country; instead, it is up to each partnering country to discuss with China how the BRI is to be realised and jointly undertake concrete projects. The document also highlights five areas of connectivity: policy coordination, facilities connection, unimpeded trade, financial integration, and people-to-people exchanges. Hence, the BRI will broadly cover several dimensions, although infrastructure connectivity remains the core focus of the initiative. In tandem with the BRI, China proposed and steered the creation of the Asian Infrastructure Investment Bank (AIIB), a multilateral bank with the goal of financing infrastructure projects. The bank, which is headquartered in Beijing, began operations in 2016. The rationale and objectives of the AIIB are broadly in line with those of the BRI. However, Beijing tries to avoid direct

association between the bank and the initiative because although the AIIB is deemed a Beijing-proposed institution it is fundamentally a multilateral one distinct from the BRI, which mostly operates through bilateral cooperation frameworks and projects.

The BRI was enshrined into the constitution of the Communist Party of China through a 2017 amendment, signifying its importance and elevated status. Since 2013, Beijing has hosted three BRI summits (2017, 2019 and 2023), attended by high-ranking leaders from various states and international organisations, as well as prominent individuals such as entrepreneurs, executives and opinion leaders. The summits aimed to secure and consolidate international support for the BRI and reaffirm China's continued commitment to the initiative.

Since its inception, the BRI has generally been met with scepticism, heavy criticism or outright rejection in the West (and also in some important Global South countries such as India²). It has been criticised for creating financial burdens for BRI partners, entrapping some in heavy debt and causing their loss of sovereignty or undermining their national interests (the "debt trap" thesis). Other criticisms revolve around issues such as the environmental damage caused by some BRI projects and the general failure to observe good quality and governance standards in the implementation of projects, including the corrupt, exploitative and predatory practices surrounding some projects.

Despite these criticisms, the BRI, on balance, is well received by some countries, especially developing countries. Beijing firmly rejects accusations that the BRI constitutes a debt trap and has in fact been willing to draw lessons from the initial phase of the implementation of the initiative and make adjustments. At the second BRI

² Apart from sharing similar concerns with the West, India often sees the BRI as driven largely by China's strategic intent in consolidating its own interest at the expense of others, particularly India's in the South Asian context. The most explicit reason for India's refusal to join the BRI is that the China-Pakistan Economic Corridor (CPEC), one of the key BRI corridors, has violated India's territorial integrity and sovereignty as parts of it are implemented in the Kashmir region that is under Pakistani control but which India claims. In addition, India does not see the BRI as offering fair economic opportunities for partnering countries as most opportunities will go to China's firms. See Jabin Jacob, "What Does India Think of China's 'Belt and Road' Initiative?" ICS Occasional Paper No. 19 (Institute of Chinese Studies (Delhi), December 2017, <https://icsin.org/publications/what-does-india-think-of-chinas-belt-and-road-initiative>; and S. Y. Surendra Kumar, "China's Belt and Road Initiative (BRI): India's Concerns, Responses and Strategies", *International Journal of China Studies* 10, no. 1 (2019): 27-45.

summit, held in 2019, Beijing announced that future BRI projects would be smaller in scale, marked by high standards and quality, and focused on new sectors such as digital infrastructure and green energy.³ In a way, this adjustment demonstrates that China's approach to the BRI is flexible and adaptive in response to criticisms, and that the BRI is making improvement and progress.

The BRI in Malaysia: 2013–2023⁴

In 2011 and 2012, Malaysia and China, under their then leaders, prime minister Najib Abdul Razak and premier Wen Jiabao, jointly initiated the “Two Countries, Twin Parks” cooperation. Under this cooperation framework, a Malaysia-China Kuantan Industrial Park (MCKIP, located in the Malaysian state of Pahang) and a China-Malaysia Qinzhou Industrial Park (CMQIP, located in Guangxi Zhuang Autonomous Region) were created and to be managed jointly. The objective of both parks was to attract foreign direct investment (FDI) for their respective countries, especially in the manufacturing sector. In addition, together with the partnership with China in establishing MCKIP, the Malaysian government permitted a Guangxi-based state-owned enterprise to invest in Kuantan Port, which is adjacent to MCKIP. This investment is aimed at boosting the capacity and efficiency of the port, thus allowing a greater volume of exports and imports to flow to and from MCKIP. These projects under the Two Countries, Twin Parks framework predated the BRI, but were later incorporated into the BRI among its signature projects between Malaysia and China.

In 2013, Xi Jinping paid his first and – as of the time of writing – only visit to Malaysia. During his visit, China and Malaysia upgraded their bilateral relationship to the level of Comprehensive Strategic Partnership and jointly initiated the bilateral Five-Year Economic and Trade Cooperation Programme. Then prime minister Najib consistently expressed strong support for the BRI. In the subsequent years under

³ Pradumna Bickram Rana and Xianbai Ji, “Belt and Road Forum 2019: BRI 2.0 In The Making?” RSIS Commentary, 2 May 2019, <https://www.rsis.edu.sg/rsis-publication/rsis/belt-and-road-forum-2019-bri-2-0-in-the-making/>.

⁴ For a concise and excellent overview of the BRI in Malaysia, see Shahadah Nur Jamil, “Ten Years into the Belt and Road Initiative in Malaysia: Shift, Continuity and Way Forward”, *East Asian Policy* 15 (2023): pp. 7–19; and Sergio Grassi, *The Belt and Road Initiative in Malaysia: China's Geopolitics and Geoeconomics Challenged by Democratic Transformation* (Friedrich Ebert Stiftung, 2020).

Najib's leadership, China's investment in Malaysia substantially increased, while several more BRI projects were launched.⁵ These projects include the East Coast Rail Link (ECRL), China-Malaysia Port Alliance, Gemas-Johor Bahru Electrified Double Track Project,⁶ Malacca Gateway, China Railway Rolling Stock's investment in Batu Gajah, Xiamen University Malaysia, Digital Free Trade Zone, and Bandar Malaysia.⁷ Both countries signed a Memorandum of Understanding on BRI Cooperation in 2017, with Najib attending the first BRI summit in Beijing in the same year. Within Malaysia's Ministry of International Trade and Industry (MITI), a Belt and Road National Secretariat was created to coordinate the various projects and China's FDI in the country. Furthermore, Malaysia was among the 20 founding members of AIIB in 2016.

Among the above-mentioned projects, ECRL courted the most intense scrutiny when it was first announced as it was one of the largest infrastructure projects ever undertaken by Malaysia. ECRL is financed by a loan from China and constructed mainly by a Chinese state-owned enterprise (China Communications Construction Corporation), while the process of concluding the agreement was not quite transparent and not in accordance with the regular procedure of using an open tender. Doubts were raised about its commercial viability and the financial burden created for Malaysia.⁸ Moreover, the project was alleged to be entangled in corruption related to Najib. In 2018, the Najib-led government fell from power after losing the general election, and the incoming government led by Mahathir Mohamad was a lot more critical of several BRI projects, including ECRL. The new government proceeded to suspend ECRL. China and Malaysia went through a long and difficult process of renegotiating new terms for the project, which was finally given the green light for resumption in April 2019.

⁵ There has never been an officially endorsed full list of BRI projects in Malaysia, either by the Chinese or Malaysian government. Hence it is difficult to conclude which ones were or were not part of the BRI. Generally speaking, projects were deemed to be BRI-related when they were in line with the rationale and vision of the BRI and were publicised and recognised as such by the governments or in state media (especially China's state media).

⁶ This project, like the Two Countries, Twin Parks, came before BRI was launched. It was contracted to a Chinese consortium but the work was mostly carried out by local subcontractors.

⁷ Some projects, such as Forest City (a gigantic real estate development project), billed themselves as part of the BRI and sometimes are included as such by scholars in analysing the BRI in Malaysia. However, it is likely that such private sector-led projects have not received official endorsement as BRI projects.

⁸ Jomo K. S., "ECRL Folly Bound to Fail and Burden the Nation", *Malaysiakini*, 11 August 2017, <https://www.malaysiakini.com/news/391563>.

Despite the misgivings about BRI projects negotiated during Najib's term of office, Mahathir did not disapprove of the BRI across the board, nor all things related to it. He felt strongly that Najib had failed to negotiate the best and fair terms for Malaysia, but the BRI idea remained valid and visionary, and hence it was incumbent upon the government to negotiate a better deal more aligned with the country's own developmental agenda. Mahathir attended the second BRI summit in Beijing in 2019 to show his support for the initiative. The successful renegotiation of ECRL was a major achievement during his administration. The renegotiated project reduced the project cost (from the estimated RM65 billion/SGD19 billion to RM44 billion/SGD13 billion, based on the current exchange rate), committed the Chinese partner to develop the transit points and stations and increase the local participation rate.⁹ More crucially, Malaysia and China agreed to form a joint venture to operate and manage the rail line once it is completed and operational, with a very unusual arrangement that benefits Malaysia. According to the renegotiated terms, if the joint venture operates at a deficit, both China and Malaysia will share the costs equally, but if it operates at a surplus, 80% of the profit will go to the Malaysian side while China retains the remaining 20%.¹⁰

Not all projects initiated under Najib's government survived. Some projects faded or collapsed due to lack of investment amid uncertainty, poor and over-ambitious planning, and fallout from the changing political circumstances. In 2020, internal fighting caused the downfall of the Mahathir government and ushered in a period of political instability lasting until November 2022 that saw the successive inauguration of another two short-lived prime ministers (Muhyiddin Yassin and Ismail Sabri Yaacob). Concomitant with this period of political instability was the unfolding COVID-19 pandemic, which significantly disrupted both internal and cross-border flows of people, goods and capital. Both Muhyiddin Yassin and Ismail Sabri Yaacob spent most of their energies and attention tackling domestic issues and political challenges. While both

⁹ Yiswara Palansamy, "ECRL: So, What's the Deal with Pakatan's New Deal?", *Malay Mail*, 16 April 2019, <https://www.malaymail.com/news/malaysia/2019/04/16/ecrl-so-whats-the-deal-with-pakatans-new-deal/1743409>.

¹⁰ *The Star*, "MRL Confirms ECRL Partnership Plans with CCCC Remain Unchanged", 12 July 2024, <https://www.thestar.com.my/business/business-news/2024/07/12/mrl-confirms-ecrl-partnership-plans-with-cccc-remain-unchanged>.

expressed support for the BRI, not much transpired other than the continuation of what had been agreed by their predecessors.

Malaysia-China Relations and the BRI under the Anwar Government

Since Anwar's coming to power in late 2022, Malaysia-China relations have taken an upbeat turn, riding on the momentum derived from the opportune timing of two crucial anniversaries – the 10th anniversary of the Comprehensive Strategic Partnership in 2023 and the 50th anniversary of the establishment of diplomatic ties in 2024.¹¹ During his first official visit to China in March–April 2023, Anwar not only restated Malaysia's support for the BRI but also endorsed the Chinese concept of "Community of Shared Future" and the three global initiatives put forth by Xi Jinping (the Global Development Initiative, Global Security Initiative and Global Civilisation Initiative). These endorsements were formally included in the "Joint Statement on Deepening the Comprehensive Strategic Partnership towards China-Malaysia Community with a Shared Future", issued during Chinese premier Li Qiang's visit to Malaysia in June 2024.¹² During the visit, both governments signed the second Five-Year Trade and Economic Cooperation Programme (2024–2028).

Other than Anwar, other members of his cabinet also regularly undertook visits to China. Sultan Ibrahim Iskandar from the state of Johor, installed as Malaysia's constitutional monarch in early 2024, paid a four-day state visit to China in September 2024, in conjunction with the celebration of the 50th anniversary of diplomatic ties and met both Xi Jinping and Li Keqiang.¹³ These frequent high-level visits point to the growing bilateral relationship, with more areas of cooperation being explored or strengthened. Overall, the BRI has substantially promoted and accelerated engagement

¹¹ Ngeow Chow Bing, "Malaysia-China Relations under Anwar Ibrahim's Unity Government: A Return to the Special Relationship?" IDSS Paper 77, 26 September 2024, <https://www.rsis.edu.sg/rsis-publication/idss/ip24077-malaysia-china-relations-under-anwar-ibrahims-unity-government-a-return-to-the-special-relationship/>.

¹² State Council of the People's Republic of China, "Full Text: Joint Statement between the People's Republic of China and Malaysia on Deepening the Comprehensive Strategic Partnership towards China-Malaysia Community with a Shared Future", 20 June 2024, https://english.www.gov.cn/news/202406/20/content_WS6673e985c6d0868f4e8e85e6.html.

¹³ Zhang Yuying, "Xi Meets Malaysia's King, Strengthens Ties", *Global Times*, 21 September 2024, <https://www.globaltimes.cn/page/202409/1320110.shtml>.

between Malaysia and China in different sectors since being introduced in 2013. China has become the largest foreign player in Malaysia's infrastructure and construction sectors, increased investments in the manufacturing and services sectors, and maintained its prominent role as Malaysia's largest trade partner. Chinese technology has become more widely adopted and used, while there have been more people-to-people, educational, and cultural exchanges as well.¹⁴

It was in this context that Anwar reaffirmed Malaysia's intention to continue BRI cooperation with China. For the existing BRI projects, the Anwar government has maintained its supportive attitude and even introduced new elements in some areas, reflecting the government's thinking on economic development.

- **East Coast Rail Link (ECRL).** The controversy surrounding this flagship Malaysia-China BRI project effectively ended upon successful renegotiation in April 2019, although some criticism persisted.¹⁵ The project quietly went through another round of renegotiation in April 2021 (hence it was nicknamed "ECRL 3.0") following the collapse of the Mahathir government and return to power of the Barisan Nasional coalition that had first negotiated the agreement on this project during the Najib government.¹⁶ Upon assuming office, the Anwar government affirmed that there would be no further renegotiation and that it was satisfied with the existing arrangement. Anwar, in fact, expressed his wish for the project to be expedited and pledged the government's full support.¹⁷ Furthermore, the government signed an MOU with the port management of Kemaman Port (in the state of Terengganu) to introduce route connection between the port and ECRL. As of October 2024, the project was about 72%

¹⁴ Cassey Lee, "Malaysia-China Economic Relations: Riding the Dragon's Tail for Structural Transformation", *ISEAS Perspective*, 27 March 2024, <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2024-23-malaysia-china-economic-relations-riding-the-dragons-tail-for-structural-transformation-by-cassey-lee/>.

¹⁵ P. Gunasegaram, "China the Only Winner in ECRL Deal", *The Vibes*, 8 April 2021, <https://www.thevibes.com/articles/opinion/23170/china-the-only-winner-in-ecrl-deal>.

¹⁶ Mohamad Fadli, "It's Now ECRL 3.0 and Costs RM50 bil., Says Wee", *Free Malaysia Today*, 5 April 2021, <https://www.freemalaysiatoday.com/category/nation/2021/04/05/its-now-ecrl-3-0-and-costs-rm50bil-says-wee/>.

¹⁷ Bernama, "Anwar Wants ECRL Project Expedited", *Free Malaysia Today*, 19 June 2024, <https://www.freemalaysiatoday.com/category/nation/2024/06/19/anwar-wants-ecrl-project-expedited/>.

completed and its first phase was on track to be operational in December 2026. (The final phase, connecting the last stretch to Port Klang, is scheduled to be completed in December 2027.)¹⁸

- **MCKIP and Kuantan Port.** MCKIP is a stretch of roughly 12 sq km comprising three zones: MCKIP 1, MCKIP 2 and MCKIP 3. In 2022, an agreement was reached to develop, within MCKIP 3, a Malaysia-China Kuantan International Logistic Park (MCKILP), focusing on the logistics, warehousing, processing and light industrial sectors. The logistic park project commenced in April 2023.¹⁹ MCKIP 1 and 2, on the other hand, remain focused on the targeted heavy industry sectors including steel and non-ferrous metals, renewable energy, petrochemicals, machinery and equipment, and electricals and electronics. The largest investor is Alliance Steel; others include Maxtrek (tyre production) and Camel Group (battery production). All these investments are from China.

A Malaysian enterprise, Graphjet Technology, is also planning to invest in MCKIP. The adjacent Kuantan Port, after receiving investment from China, has expanded its capacity and serves as the primary outlet for MCKIP and other industrial areas in Kuantan. Anwar has spoken affirmatively about the Two Countries Twin Parks project.²⁰ MCKIP is expected to be aligned with the key economic development strategy of the Anwar government, encapsulated in its “New Industrial Master Plan 2030”.²¹ The targeted areas of the master plan are concentrated in the high technology and high-value sectors such as electronics, automotive, aerospace and medical devices, while, as of now, investments in

¹⁸ *Malay Mail*, “Anthony Loke: East Coast Rail Link on Schedule, 72.93pc Completed”, 9 October 2024, <https://www.malaymail.com/news/malaysia/2024/10/09/anthony-loke-east-coast-rail-link-project-on-schedule-7293pc-completed/153100>.

¹⁹ *Free Malaysia Today*, “New Logistics Park Set to Transform MCKIP into Premier Industrial Hub”, 7 April 2023, <https://www.freemalaysiatoday.com/category/business/2023/04/07/new-logistics-park-set-to-transform-mckip-into-premier-industrial-hub/>.

²⁰ *The Star*, “Anwar Receives Courtesy Call from China's Guangxi Committee Secretary”, 7 April 2023. <https://www.thestar.com.my/news/nation/2023/04/07/anwar-receives-courtesy-call-from-china039s-guangxi-committee-secretary>.

²¹ Tarrence Tan, Ragananthini Vethasalam, and Gerard Gimino, “MCKIP Generates RM31bil in Foreign Investments”, *The Star*, 7 November 2023, <https://www.thestar.com.my/news/nation/2023/11/07/mckip-generates-rm31bil-in-foreign-investments>.

MCKIP are still mostly within the traditional industrial sectors. Hence, the Anwar government is likely to be more selective about the future investment projects coming into MCKIP. In addition, given the limited geographical span of MCKIP, the Malaysian government is open to the idea of enlarging it to include the surrounding areas or even other suitable areas in Malaysia via a “One Park, Multiple Zones” model.²²

Article 2.1 of the 2024 Malaysia-China Joint Statement states that “the two sides will seize the opportunities provided by the signing of the Belt and Road Cooperation Plan between the two countries, further synergise development strategies, enhance practical cooperation in all areas, promote integrated and coordinated development, jointly decide and launch mutually agreed projects, achieve deeper integration of industrial and supply chains, data chains and talent chains, and further improve the level and quality of China-Malaysia cooperation.” The “Belt and Road Cooperation Plan” referred to in the statement was signed in early November 2024 by Malaysia’s minister of investment, trade and industry, Tengku Zafrul Abdul Aziz, and the vice chairman of the NDRC of China, Liu Sushe, during Prime Minister Anwar’s third visit to China.²³ The Belt and Road Cooperation Plan is the second bilateral document pertaining to the BRI, after the 2017 MOU on BRI cooperation.

Prospects of the BRI in Malaysia

The Anwar-led government, hence, has clearly continued to be supportive of the BRI, but this support implies first and foremost the consolidation of the existing cooperation. Whether there will be any new BRI signature projects remains uncertain. One potential mega project that has often been brought up by observers is the Kuala Lumpur–Singapore High Speed Rail (KLSHSR) project. The project has a long and on-

²² This is something the author learned from a field trip in April 2024.

²³ *Malay Mail*, “PM Anwar, Li Qiang Witness Deal on Belt and Road Initiative Plan Spanning Trade, Infrastructure Collaborations”, 5 November 2024, <https://www.malaymail.com/news/malaysia/2024/11/05/pm-anwar-li-qiang-witness-deal-on-belt-and-road-initiative-plan-spanning-trade-infrastructure-collaborations/155929>.

off history involving various complications, and, as of the time of writing, its fate is still unsettled.

KLSHSR was conceived in the 2010s under the Najib government, and Malaysia and Singapore finalised an agreement in December 2016, with the terms of infrastructure construction, asset management and operations basically sorted out. The cost was estimated to be RM60 billion/SGD18 billion (later revised upwards to RM70 billion/SGD21 billion), and the project was envisaged to be completed by around 2027. Just as negotiations were completed and a tender was about to be issued, the Mahathir government, which had come into office in May 2018, suspended the project. Unlike the revived ECRL, KLSHSR was not revived, either by the Mahathir government or its successor. It was formally terminated in January 2021, under the then prime minister, Muhyiddin Yassin, reportedly due to disagreements with Singapore over the proposed changes made by Malaysia subsequent to the COVID-19 pandemic and the growing financial concerns on the Malaysian side.²⁴ For cancelling the project, Malaysia had to pay RM300 million /SGD91 million in compensation to Singapore.

The project drew renewed interest from the Anwar government. Anwar announced that his government was open to resuming the project, provided that costs (now estimated at RM100 billion/SGD30.3 billion) could be lowered and private sector financing obtained. In early 2024, up to seven proposals were submitted to the government, but eventually only three made it to the shortlist. Two of them were from the Malaysian private sector and the other was submitted by a Chinese consortium led by China Railway Construction. The project has the strong backing of the current king, Sultan Ibrahim Iskandar, who is keen to enlist China's investors to support the project.²⁵

The Anwar government's determination not to pledge government funding or financial guarantees to the KLSHSR project has deterred many potential private sector and foreign interested parties from considering a bid for the project. That has left China,

²⁴ Kathy Fong, "HSR Project Cancelled as Singapore Could Not Agree with Changes Proposed by Malaysia", *The Edge*, 1 January 2021, <https://theedgemaalaysia.com/article/singapore-says-hsr-link-agreement-malaysia-be-terminated>.

²⁵ *Business Times*, "Malaysia's King to Seek Funds for High-speed Rail on China Visit", 20 September 2024, <https://www.businesstimes.com.sg/companies-markets/transport-logistics/malaysias-king-look-for-funds-high-speed-rail-china-visit>.

with its strong state-owned sector in high-speed rail construction, seemingly well placed to secure the project. Should the Chinese consortium secure the KLSHSR project, it will be crowned as another flagship BRI project between Malaysia and China and a signature initiative by the Anwar government. However, despite many goodwill statements and positive signals, the Anwar government does not seem fully committed to reviving the KLSHSR. There are indications that not all cabinet members are convinced of the merit of resuming the project, at least not while the ongoing infrastructure projects are yet to be completed.²⁶ In January 2025, Anwar reiterated that the project could only be revived with minimal government involvement and the full participation of the private sector. Anwar listed poverty alleviation, flood mitigation, the building of basic infrastructure, education and public health as more pressing budgetary priorities in the coming two years and that his government is therefore not ready for another mega project.²⁷ In the absence of a definitive decision from the Malaysian cabinet, Malaysia-Singapore negotiations on the KLSHSR project have yet to take place. Moreover, even though Chinese state-owned companies enjoy certain advantages, there is no assurance that the consortium that has expressed interest will find the terms set by the Malaysian government agreeable. All these uncertainties suggest the project will not resume anytime soon.

At the sub-national level, the resourceful Sarawak government has continued to engage China in infrastructure construction, including hydroelectric projects, a bridge in Bintulu, and the autonomous rapid transit public transport system in the capital, Kuching. These projects are not initiated by the federal government and generally are not included as parts of BRI cooperation between Malaysia and China, although in substance these projects are well aligned with the infrastructure focus of the BRI and could be understood as BRI engagement at the sub-national level.

²⁶ *Malay Mail*, "KL-Singapore HSR Plans Pending Approval as Cabinet Prioritises Existing Rail Development Projects Like Gemas-JB line and ECRL, Says Amir Hamzah", 21 November 2024, <https://www.malaymail.com/news/malaysia/2024/11/21/kl-singapore-hsr-plans-pending-approval-as-cabinet-prioritises-existing-rail-development-projects-like-gemas-jb-line-and-ecrl-says-amir-hamzah/157538>.

²⁷ *Malay Mail*, "Govt Open to Reviving KL-Singapore HSR with Private Sector Support, Says PM Anwar", 7 January 2025, <https://www.malaymail.com/news/malaysia/2025/01/07/govt-open-to-reviving-kl-singapore-hsr-with-private-sector-support-says-pm-anwar/162331>.

Beyond the infrastructure sector, the Anwar government is keen to engage in more comprehensive BRI cooperation with China. The Belt and Road Cooperation Plan exactly points in such direction. The document, following the Chinese formulae of “five areas of connectivity”, highlights a comprehensive cooperative agenda that includes but goes beyond the infrastructure sector.²⁸ On policy coordination, both sides are committed to exploring bilateral exchanges and cooperation in areas such as poverty alleviation, law enforcement, anti-corruption, environmental protection, human resources and capacity training, and statistical research. For facilities and infrastructure connectivity, the document notes that while cooperation on roads, rails, ports or bridges will continue, attention will broaden to include the energy, telecommunication, aviation and aerospace sectors. Notably, the document highlights the deepening of cooperation in satellite manufacturing, satellite applications, space science and technology, as well as Malaysia’s willingness to join the Belt and Road Space Information Corridor (sometimes known as the Space Silk Road). Adding this dimension to the BRI cooperation with China is in line with the Malaysian government’s own commitment to enhance mastery of the space sector, which was reiterated in 2023 with the publication of a policy paper, *National Space Policy 2030*.²⁹

In terms of facilitating greater trade, the Belt and Road Cooperation Plan underlines the two countries’ shared commitment to a multilateral trading order and emphasises the deepening of cooperation in areas such as e-commerce, assistance to small and medium business enterprises, and a more efficient and integrated customs inspection and quarantine system. China remains committed to supporting imports from Malaysia, especially in the agriculture and plantation industries (palm oil and natural rubber). In the financial sector, the document stresses the two countries’ adherence to the Guiding Principles on Financing the Development of the Belt and Road,³⁰ exchanges between financial regulatory authorities, the use of local currency

²⁸ The Belt and Road Cooperation Plan has not yet been made public. The discussion here is based on the author’s interviews and discussions with relevant officials, who prefer to remain anonymous.

²⁹ Malaysian Space Agency, Ministry of Science, Technology and Innovation, *National Space Policy 2030* (Third Edition), 2023, <https://www.mysa.gov.my/dasar-angkasa-negara-2030/>.

³⁰ “Guiding Principles on Financing the Development of the Belt and Road” is a document signed by the foreign ministers of over 20 countries (including Malaysia and China) in 2017, outlining some general basic principles for implementing environmental and social responsibilities in financing BRI projects. See State Council Information Office, “Guiding Principles on Financing the Development of

in trade and investment, mutual participation in financial markets, technical exchanges and cooperation in stock and futures exchanges, cooperation in digital banking and digital payment, and cooperation in accounting and auditing matters. Finally, the “people-to-people” exchange component of the Belt and Road Cooperation Plan mentions bilateral exchanges in education (including technical and vocational education), science and technology, public health, traditional medicine, arts and culture, tourism, media, youth and sports, think tanks and non-governmental organisations.

Hence, Malaysia-China BRI cooperation under Anwar features a strong and continuous shared commitment to the BRI vision, continuation and consolidation of the existing projects, widening of the areas of cooperation, aligning China’s investments towards upscaling Malaysia’s industrial and technological standards and capacity, and capitalising on the direction of the BRI towards the green energy and digital sectors. Completing the existing major infrastructure projects will still be an important component of BRI cooperation, but the current direction will be defined less by infrastructure projects (whether there will be any introduction of new big-ticket infrastructure projects, such as KLSHSR, remains uncertain) than by comprehensive engagement across various domains (the “five areas of connectivity”).

Risks and Challenges

The most crucial issue that could unravel the cordial state of bilateral relations and BRI cooperation between Malaysia and China is the South China Sea dispute. This issue is not new, and tensions surrounding the South China Sea have increased, especially since the 2010s. Malaysia has also been alarmed by the more assertive posture of China in the region, with more frequent intrusions of China’s vessels into Malaysian waters. Nonetheless, this issue has not been as destructive to Malaysia-China relations as in the case of other claimant countries’ relations with China, such as the Philippines. Malaysia, across different administrations, has generally maintained a moderate approach and has sought to quarantine this issue from the overall relationship with

the Belt and Road”, 17 May 2017, http://english.scio.gov.cn/beltandroad/2017-05/15/content_76329553.htm

China, while remaining firm in securing its interests and claims in the disputed area. Anwar has basically maintained his predecessors' approach. There are signs that he is even open to the idea of direct negotiations with China on this issue.³¹ However, the official position of the government is still to reject the idea of direct negotiation with China on this matter. Malaysia's defence establishment also remains vigilant and guarded about China's intentions in the South China Sea, and still sees China as a potential adversary. Malaysia is planning to add a new naval base in Bintulu (facing the South China Sea), to be operational in 2030, exactly with an eye to the potential complications arising from the South China Sea dispute.³²

Malaysia's recent agreement to hold a bilateral dialogue on maritime cooperation and the South China Sea issue with China (held in October 2024 in the resort island of Langkawi) will reinforce and consolidate the existing approach and enhance mutual understanding and communication between both countries.³³ For now, the South China Sea issue is considered stabilised and manageable. As long as this is the case, Malaysia will examine the BRI much less as a geopolitical risk and more as an economic opportunity and a platform to foster cooperation.

Domestic politics in Malaysia could, however, be a complicating factor. At one level, the BRI enjoys broad support across the political spectrum in Malaysia. ECRL falls under several state jurisdictions that are governed either by Anwar's coalition partners or the political opposition. The project has received support from both sides of the political divide and is not subject to politicisation. A survey conducted in May–June 2024 shows that 77% of the polled respondents held favourable impressions of China. The same percentage of respondents also believed that Malaysia-China relations were

³¹ Reuters, "Malaysia Open to Talks with Beijing over Dispute in South China Sea – PM", 3 April 2023, <https://www.reuters.com/world/asia-pacific/malaysia-open-talks-with-beijing-over-dispute-south-china-sea-pm-2023-04-03/>.

³² Hadi Azmi, "Malaysia Eyes Strengthened South China Sea Defence with New Naval Base in Borneo", *South China Morning Post*, 8 October 2024, <https://www.scmp.com/week-asia/politics/article/3281496/malaysia-eyes-strengthened-south-china-sea-defence-new-naval-base-borneo>.

³³ This dialogue mechanism is not for negotiations to settle overlapping claims, so it does not go against the existing position. C. Adib Povera, "Malaysia, China Reaffirm Commitment to Strengthen Maritime Cooperation", *New Straits Times*, 19 October 2024, <https://www.nst.com.my/news/nation/2024/10/1122208/malaysia-china-reaffirm-commitment-strengthen-maritime-cooperation>.

heading in the right direction, and more than 82% had positive perceptions of China's investment in Malaysia.³⁴

At the local level, however, the communities affected by the BRI projects have had a more mixed response. A study of local community perceptions of key BRI projects (China Railway Rolling Stock's investment in Batu Gajah and MCKIP) found that, in terms of community outreach and communication, transparency, labour relations and respect for local customs, there is still much room for improvement.³⁵ These perceptions have not translated into political issues but should not be left unattended. The growing ties between Malaysia and China have already seen a large influx of Chinese enterprises and nationals into Malaysia. In the sensitive ethnic politics of Malaysia, such perceptions can grow into a delicate matter. The often acrimonious political contestations between various political groupings also suggest that issues related to Chinese nationals can be conflated with the animus towards local Chinese and exploited for political gains.³⁶

Beyond politics, there remains the challenge of aligning Chinese investments with Malaysia's own economic development agenda. MCKIP, for example, despite playing a positive role in increasing Chinese investment in Malaysia, has mostly hosted investment projects that are concentrated in the traditional heavy industry manufacturing sectors. As useful as they are, these projects are not quite on the same page with Malaysia's ambition to diversify into more high-value-added and technology-driven sectors. Similarly, China can be both a crucial partner and a challenge in Malaysia's stated effort to decarbonise its manufacturing sector and achieve eventual net zero emissions. China holds many advanced green technologies and its investment in green projects in Malaysia will be very much welcomed. Nonetheless, China's record in curbing emissions is mixed as China has also been the source of high-emitting

³⁴ Merdeka Centre for Opinion Research, "Perceptions towards China: Foreign Affairs, Current Issues, Diplomacy, Economy, 17 May to 10 June 2024", 18 December 2024, <https://merdeka.org/download/china-image-press-release-2024-report-final-v181224-2/>.

³⁵ Merdeka Center for Opinion Research, *Social Impact and Community Perception of Belt and Road Initiative Projects in Malaysia* (A report supported by the Asia Foundation), April 4, 2022. <https://asiafoundation.org/publication/social-impact-and-community-perception-of-belt-and-road-initiative-projects-in-malaysia/>.

³⁶ Ngu Ik Tien, "The Politics of Sinophobia in Malaysia", *ThinkChina*, 19 December 2024, <https://www.thinkchina.sg/society/politics-sinophobia-malaysia>.

investment projects in Malaysia.³⁷ The Anwar government will have to ensure that Malaysia can more fully tap into China's green technology capabilities rather than just blindly welcome any project initiated by China.

Conclusion

BRI developments in Malaysia should be viewed in the regional context of Southeast Asia.³⁸ The completion and operation of the China-Laos Railway and Bandung-Jakarta High Speed Rail have reconfigured regional expectations. Thailand and Vietnam, although still hesitant to fully partner with China, have been more open to aligning with the infrastructure network constructed by China.³⁹ ECRL, once completed, will reinforce this trend. In this sense, the BRI is making steady inroads in the region (with the exception of the Philippines). It remains resilient and robust, and its capacity to lay the foundation of an eventual Pan-Asian Railway Network cannot be underestimated.

Malaysia-China BRI cooperation, hence, is a critical dimension in the evolving dynamics of Southeast Asian geopolitics, with implications for the consolidation of regional supply chains and connectivity. The signing of the Belt and Road Cooperation Plan is the clearest policy signal from the Anwar government, demonstrating the belief that the BRI can be leveraged and calibrated to reflect Malaysia's strategic priorities and regional aspirations. The regional aspect will be even more pronounced with Malaysia's assumption of the role of ASEAN chair in 2025, for instance, in regard to developments concerning the ASEAN Power Grid. Malaysia has stated that accelerating the construction of the power grid is one of its main objectives during its chairmanship. China, already a key partner in Laotian hydroelectric projects, could see its involvement in this ASEAN transnational power project deepen with Malaysia

³⁷ Tham Siew Yean, "Greening China's Belt and Road Initiative (BRI) in Malaysia: Rhetoric versus Reality", *Journal of Southeast Asian Economies* 41, no. 1 (2024): 13-27.

³⁸ See David Lampton, Selina Ho, and Cheng-Chwee Kuik, *Rivers of Iron: Railroads and Chinese Power in Southeast Asia* (University of California Press, 2020).

³⁹ Reuters, "Vietnam Signs Cooperation Agreement with China Railway Signal & Communication", 18 December 2024, <https://www.reuters.com/business/autos-transportation/china-railway-signal-communication-signs-agreement-vietnam-rail-development-2024-12-18/>.

having a supportive position of energy cooperation with China, especially in view of China's advanced energy technology.⁴⁰

Malaysia-China BRI cooperation can fulfil many objectives for both sides and also have positive regional spillover effects. Nonetheless, there remains the critical need to carefully monitor and align such cooperation to ensure that it can be a catalyst for mutual growth and sustainable development in the region.

⁴⁰ In early 2024, Tenaga Nasional Berhad, Malaysia's national electricity company, released a statement about its "transformative partnership" with China's state-owned utilities in adopting the latter's advanced high-voltage direct current (HVDC) technology, which reportedly could "revolutionise" the ASEAN Power Grid. See *New Straits Times*, "TNB forges alliance with China's utilities to revolutionise Asean power grid", 25 January 2024, <https://www.nst.com.my/business/corporate/2024/01/1005561/tnb-forges-alliance-chinas-utilities-revolutionise-asean-power>.

About the Author

Ngeow Chow Bing is Associate Professor and Director of the Institute of China Studies at Universiti Malaya and a Non-resident Scholar at Carnegie China. He received his PhD in Public and International Affairs from Northeastern University. He has written on various topics related to Chinese politics and foreign policy and Southeast Asian strategic issues, such as China-Malaysia relations, the South China Sea dispute, the Belt and Road Initiative, and the politics of think tanks and intellectuals in China. Dr Ngeow completed the first draft of this working paper while he was a Visiting Senior Fellow with the Malaysia Programme at RSIS in September 2024.

About the S. Rajaratnam School of International Studies

The S. Rajaratnam School of International Studies (RSIS) is a global think tank and professional graduate school of international affairs at the Nanyang Technological University, Singapore. An autonomous school, RSIS' mission is to be a leading research and graduate teaching institution in strategic and international affairs in the Asia Pacific. With the core functions of research, graduate education, and networking, it produces research on Asia Pacific Security, Multilateralism and Regionalism, Conflict Studies, Non-traditional Security, Cybersecurity, Maritime Security and Terrorism Studies.



For more details, please visit www.rsis.edu.sg. Join us at our social media channels at www.rsis.edu.sg/rsis-social-media-channels or scan the QR code.

RSIS Working Paper Series

343	How Will Prime Minister Anwar Ibrahim Advance Malaysia's Belt and Road Cooperation with China? <i>Ngeow Chow Bing</i>	2025
342	Anwar Ibrahim in Power: A Historical Locating of the Limits for Change in Malaysia <i>Ooi Kee Beng</i>	2024
341	Institutional Challenges for China's Chip Industry <i>Manoj Harjani</i>	2024
340	How Doctrinal Differences Among Distinct Islamist Strands of Thought Influence Malay-Muslim Political Actors and Political Outcomes in Malaysia <i>Ahmad Fauzi Abdul Hamid and Che Hamdan Che Mohd Razali</i>	2023
339	Malaysia's Changed Electoral Landscape <i>Meredith L. Weiss</i>	2023
338	From Competition to Cooperation: The Global Palm Oil "Sustainability Turn" as a Turning Point for the Malaysia-Indonesia "Special Relationship" <i>Helena Varkkey</i>	2022
337	Can Youth Save Malaysia's Democracy? <i>Meredith L. Weiss</i>	2022
336	Malaysia Policies and Interests in the South China Sea <i>Johan Saravanamuttu</i>	2021
335	Late Malaysian Politics: From Single Party Dominance to Multi Party Mayhem <i>William Case</i>	2021
334	Sabah's Unrelenting Exclusionary and Inclusionary Politics <i>Vilashini Somiah and Jose Ricardo Sto. Domingo</i>	2021
333	Measures of Economic Vulnerability and Inter-dependency in the Global Economy <i>Jikon Lai and Amalina Anuar</i>	2021
332	EU-Policies on Huawei and 5G Wireless Networks: Economic-Technological Opportunities vs Strategic Risks of Cybersecurity <i>Frank Umbach</i>	2020

To access the full list of past RSIS Working Papers, click [here](#).