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## **Is the Malaysia-China “Two Countries, Twin Parks” Project Meeting Expectations?**

*By Ngeow Chow Bing*

### **SYNOPSIS**

*The Malaysia-China twin industrial parks project in Kuantan and Qinzhou has made economic contributions to both countries. They are due for a thorough review to enhance their bilateral relevance for these shifting geoeconomic times.*

### **COMMENTARY**

The “Two Countries, Twin Parks” concept was launched as a cooperative economic initiative between Malaysia and China in the early 2010s by then Prime Minister Najib Abdul Razak of Malaysia and Premier Wen Jiabao of China. It sought to create a framework whereby two industrial parks – each established, developed and managed under a [joint bilateral consortium](#) involving state and provincial government, state-owned enterprises, and private sector actors – would play a major role in fostering mutual investment and trade.

In Malaysia, the industrial park was set up in Kuantan in the State of Pahang, hence known as the Malaysia-China Kuantan Industrial Park (MCKIP), while its sister park in China is the China-Malaysia Qinzhou Industrial Park (CMQIP), located in Qinzhou, Guangxi Zhuang Autonomous Region. Both parks share similar characteristics in that they are adjacent to ports (Kuantan Port and Qinzhou Port) and located in regions considered relatively less developed compared to their respective countries' more economically dynamic regions.

Both parks aim to serve as conduits for enterprises from both sides to enter each other's markets. As technology and innovation became more prominent, both parks were also expected to be industrial and technological hubs able to accelerate industrial upgrading and technological innovations. A bilateral mechanism in the form of a Joint

Cooperation Council convenes annually to assess and discuss the parks' development and progress.

The idea of a bilateral park is not new. The [Suzhou Industrial Park](#), a collaborative project between Singapore and China, was the pioneer which served as an exemplary model for the “Two Countries, Twin Parks” project. As Malaysia is a partner of China in Belt and Road Initiative (BRI) cooperation, the project is often highlighted as a major example of BRI cooperation between the two countries.

The leaders of both countries have often stressed the parks' importance. Chinese President Xi Jinping [positioned the two parks](#) as “flagship projects of China-Malaysia cooperation, demonstration zones of China-ASEAN cooperation”. Likewise, Malaysian Prime Minister Anwar Ibrahim [praised the two parks](#) for providing “a tremendous economic boost, particularly in Malaysia's East Coast region”.

However, beyond the optimistic rhetoric, have the two parks managed to fulfil expectations? Have they been able to enhance bilateral investment and trade, promote technology and innovations, and drive regional economic development?

Malaysia-China bilateral investment and trade have certainly boomed since the early 2010s, when the “Two Countries, Twin Parks” project was announced. Bilateral trade rose from [US\\$106 billion in 2013](#) to [US\\$212 billion in 2024](#), according to China's statistics. This booming trade reflected the growing integration of the two economies. The project plays a role, especially in garnering China's investments in Malaysia since the major investor inside MCKIP is a China-invested steel manufacturer, the Alliance Steel. Other investors, mostly from China, focus on tyres, ceramics, and batteries. Altogether, MCKIP has generated [about 5,000](#) jobs locally.

The two parks also catalysed major infrastructure development in both locales. In conjunction with the development of MCKIP, there was a significant upgrade of the adjacent Kuantan Port, which also received investments from Guangxi Beibu Gulf Port Group, the consortium partner in developing MCKIP. MCKIP will also likely benefit once the East Coast Rail Link (another signature BRI project between Malaysia and China) eventually connects Kuantan with other cities along both the east coast of Peninsular Malaysia and Port Klang on the west.

The land currently under CMQIP in Qinzhou was once a sleepy rural area, but after eleven years of development, it has seen a significant transformation into an urban town with paved roads and other basic infrastructure together with the instalment of urban services and facilities. [According to CMQIP authorities](#), the park has attracted at least 240 projects, ranging from biomedicine to birds' nests and palm oil industries. In 2019, CMQIP, together with the nearby Qinzhou Comprehensive Bonded Zone and Qinzhou Port Economic and Technological Development Zone, became part of the larger Qinzhou Port Area of China (Guangxi) Pilot Free Trade Zone, which entitled it to enjoy more supportive policy measures granted by the State Council.

In 2024, CMQIP was ranked [34th out of 229 national-level industrial parks](#) in a national ranking exercise conducted by China's Ministry of Commerce, an improvement from its previous 83rd place in the previous year. (The China-Singapore Suzhou Industrial Park [was ranked first](#) for the ninth consecutive year.)

On the other hand, these developments also illustrate an increasingly imbalanced role of the two parks. While MCKIP serves as one of the main conduits for China's investments into Malaysia, the idea of CMQIP being a main base for Malaysia's investments into China and entry point to the vast Chinese market, however, was not realistic.

Most of the investment projects in CMQIP are domestic. Only a handful of Malaysian enterprises are participating in CMQIP, mostly concentrated in the birds' nests and palm oil sectors, the two major Malaysian export commodities to China. Even in these two sectors, CMQIP faces stiff competition, as Malaysia's exporters also use other entry points (such as Xiamen) that are much closer to where the main market is and more attractive than Qinzhou to set up their operations. Hence, unlike MCKIP, the development of CMQIP has been much less driven bilaterally than domestically.

Notwithstanding its recent progress, CMQIP simply could not match other more dynamic and established destinations of foreign investment in China, whether in terms of location, market connections, industrial development, and entrepreneurship, among others. Malaysian enterprises generally did not find the place ideal from the business point of view. Its role in enhancing bilateral investment and trade is relatively minimal.

While MCKIP is undoubtedly doing better in attracting foreign direct investment, questions remain whether the existing and future investment projects could truly enhance Malaysia's industrial capacity in line with the current Malaysian government's economic transformation agenda, which is more oriented towards technological upgrading and innovation. The projects within MCKIP remain heavily concentrated in the heavy industries, some of which are tied to supplying the domestic markets and are not entirely export-oriented.

The Malaysian government does not have sufficient monitoring and enforcement mechanisms to ensure that the enterprises within MCKIP comply with the regulations upon entering the domestic market. Malaysia also lacks a strategy for enabling local processing capacity via foreign investments. As a [study](#) comparing Indonesia and Malaysia convincingly argues, while China's investments in MCKIP generate profits and deliver the numbers to boost Malaysia's exports, Malaysia's domestic industrial capacity otherwise has not been much positively affected.

The "Two Countries, Twin Parks" initiative represents a significant step forward in Malaysia-China relations, but the purpose of the two parks needs to be critically reexamined beyond the usual portrayal of them as symbols of bilateral friendship and cooperation and the positive outcome of foreign direct investments.

The project's initial ideas and design were based on the economic landscape of the early 2010s, but the regional and global economic landscape has transformed markedly. Is the joint consortium management model still effective or becoming irrelevant? If CMQIP is not able to foster mutual investment and trade, what role should it play? How can Malaysia's participation in it be enhanced or recalibrated? What are the feasible policies that can align MCKIP's developments towards building Malaysia's domestic capacity? How can the parks, together or otherwise, strengthen the resilience of the regional supply chain in the current geopolitical economic context?

Should the project continue to be confined to these two locations or should more locations be considered under the same framework?

Under existing trajectories, the two parks will continue to contribute to local economic activities, but a serious rethinking of the project's nature and the consequent policy adjustment could make it more impactful in driving mutual economic prosperity and technological advancement.

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