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The Belt and Road Initiative in Malaysia: New Challenges for South East Asia

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The Belt and Road Initiative (BRI) is one of the largest in scale infrastructure projects in our history, which was proposed by the PRC as far back as 2013. Its main aim is to link via roads, railways, deep water ports, wharfs and industrial zones all 5 continents and approximately 130 of the world's nations, which, on becoming a part of the BRI could promote trade and other activities and thus reap substantial economic benefits. The BRI had such a successful start that by 2020, projects worth almost US$4 trillion had already been completed.

Still, the ambitious nature and global scale of China's economic expansion caused reservations among some participating countries with low and medium GDPs. On the one hand, these nations viewed the initiative as the only source of funds for financing their own infrastructure projects, and on the other hand, they worried about their growing debts to Beijing.

In this context, the reaction to BRI in countries of South East Asia whose economic ties to China are strengthening with each passing day is noteworthy. It is no secret to anyone that some of the biggest projects of China's global initiative are being implemented in South East Asian countries. In fact, it would suffice to mention the cross-border railway between China and Laos (US$ 6 billion), high speed rail in Indonesia (US$6 billion), the Kyaukpyu deep water port in Myanmar (US$ 7.3 billion) and many others.

One of the leading South East Asian economies, i.e. Malaysia, is no exception to the rule. National and local media outlets, experts and political circles are increasingly more and more focused on China's infrastructure initiative. This is not surprising as Malaysia is among China's most important trade partners in South East Asia with the bilateral trade volume of US$124 billion in 2019. At the same time, Malaysia (along with Indonesia) is among top ten countries (the former being in 3rd place) in terms of BRI-related project size and costs (US$160.76 billion).

Closer economic ties between Malaysia and China prompted the two countries to cooperate more within the BRI framework. In addition, the most active period of collaboration between the two nations occurred under the Premiership of Najib Razak (2009-2018), when the Malaysian side signed a number of agreements with China on a number of new infrastructure projects.

Still, after the Malaysian general election, which took place in 2018, when **Mahathir Bin**

Mohamad (who was in power from 1981 to 2003) won, the country's policies towards the Chinese initiative changed noticeably under his leadership. For instance, Mahathir Bin Mohamad raised issues about terms and conditions of agreements with the PRC that were signed earlier. In fact, later on, several large infrastructure projects were re-examined as part of BRI implementation. The Prime Minister focused his attention on visibly high costs of Chinese infrastructure projects, which is why Malaysia had to shoulder an additional burden while its external debt was already quite high (US$252 in 2018).

The focus of Mahathir Bin Mohamed's criticism became the East Coast Rail Link project, whose cost increased from $US7 billion to US$10-13 billion (according to different estimates) because of changes in the exchange rate. The project started back up after the government of Malaysia reviewed the terms and conditions of the agreement and re-signed the deal with China on more beneficial terms.

At the same time, one of the larger-scale projects, tied to BRI, "Melaka Gateway", in the Malaysian state of Malacca (estimated to cost $10.5 billion) was cancelled. It entailed building a deep water port, a cruise terminal, a wharf, elite housing, hotels and other facilities on three artificially-made islands in the Strait of Malacca in order to attract almost a million tourists a year. The project was to span 246,45 square kilometers, while the planned deep water port was meant to compete with the neighboring one in Singapore.

The project Melaka Gateway was first announced by the **then Prime Minister Najib Razak** in 2014. However, very recently, the government in the state of Malacca terminated the contract with the local Malaysian company KAJ Development Sdn Bhd, which was working on the project together with a large Chinese government company PowerChina International and two port developers because the work on re-cultivating the vegetation on three artificial islands was never completed. One of the main reasons for the delay in construction was the COVID-19 pandemic in 2020. In addition, there is an ongoing discussion about excess port facilities in the country. In the opinion of experts, it is a good idea to use the three existing Malaysian ports and not to spread out to new facilities.

Despite certain obstacles, the implementation of China's BRI project is helping Beijing increase its regional and global influence, especially in those nations of South East Asia that are on board with this infrastructure initiative despite concerns about accruing too much debt hoping in the future to improve their economies thanks to it. In addition, the United States, which at present cannot provide so much funding to the nations of South East Asia is losing in influence to China in the region with each passing year.

As for Malaysia and South East Asian countries in general, it is worth noting that their collaboration with the PRC within the BRI framework is viewed by experts in a positive light but still there are concerns about the growing debt these countries owe to China. Nevertheless, at present, there is no choice as such because of a significant reduction in size of economies all over the world, hence these countries are unlikely to refuse funds that are so necessary and that only China can provide. The PRC, in turn, has substantially increased its leadership positions in South East Asia by the end of 2020.

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