

## **Analyzing the Impact of Implementation of the Belt and Road Initiative on the Malaysian Economy in 2018-2022**

**Megah Rahmat Ramadhan**

Slamet Riyadi University

E-mail: megahrahmatramadhan@gmail.com

**Ganjar Widhiyoga**

Slamet Riyadi University

E-mail: ganjar.widhiyoga@gmail.com

**Hasna Wijayanti**

Slamet Riyadi University

E-mail: Hasna.Wijayanti@unisri.ac.id

### **Abstract**

This research is motivated by the Belt and Road Initiative program, which aims to create a new trade route connecting China to various countries using the Silk Route. The project was created through cooperation between China and many countries, including Malaysia. Malaysia rejected the BRI in 2018 but continued with a new agreement. This study aims to determine the impact of the BRI scheme on Malaysia's geopolitics and economy. This research employs two analytical lenses: geopolitics and international cooperation. It examines the regional dynamics that have emerged due to Malaysia's partnership with the BRI and assesses the potential impact of BRI at the domestic level. Qualitative research methods were used, and data was collected through library research. The research indicates that Malaysia's geopolitics have shifted following the implementation of the BRI scheme, resulting in an economic upturn through the utilization of the newly constructed infrastructure. BRI has had a positive impact on Malaysia. Specifically, it has led to an increase in container traffic and contributed to the country's GDP. Additionally, the BRI has helped to develop Malaysia's Eastern region. The results of BRI have affected Malaysia's position in both geopolitical and economic aspects within ASEAN. In conclusion, the BRI has positively impacted Malaysia since its reinstatement in 2018.

**Keywords:** Belt and Road Initiative, China, Economy, Geopolitics, Malaysia

### **Abstrak**

*Penelitian ini dilatarbelakangi oleh program ambisius Belt and Road Initiative yang bertujuan membuat jalur perdagangan baru yang menghubungkan China menggunakan jalur sutra ke berbagai negara. Proyek ini dibuat dengan kerjasama antara China dengan banyak negara salah satunya Malaysia, keikutsertaan negara lain pada proyek China membuktikan bahwa dampak yang dihasilkan sangatlah besar bagi negara mitra. Malaysia sempat menolak BRI namun dilanjutkan lagi dengan kesepakatan yang baru. Penelitian ini bertujuan untuk mengetahui dampak dari implementasi skema BRI di Malaysia terhadap geopolitik dan ekonomi. Penelitian ini menggunakan dua perspektif, geopolitik dan kerjasama internasional untuk melihat perubahan dinamika kawasan akibat kemitraan Malaysia dengan BRI dan bagaimana BRI dapat berdampak kepada tingkat domestik. Metode penelitian pada penelitian ini menggunakan kualitatif dan pengumpulan data menggunakan metode library research. Penelitian menunjukkan bahwa terjadi perubahan geopolitik Malaysia setelah adanya BRI dan peningkatan ekonomi di Malaysia dengan memanfaatkan infrastuktur yang di bangun dengan skema BRI. BRI memberikan dampak positif kepada Malaysia ditandai dengan peningkatan peti kemas, kontribusi proyek pada*

*GDB dan kemajuan kawasan Timur Malaysia. Hasil BRI juga mempengaruhi posisi Malaysia di ASEAN dalam aspek geopolitik maupun ekonomi. Kesimpulannya BRI memberi dampak baik kepada Malaysia sejak BRI di berlakukan lagi pada 2018.*

**Kata Kunci:** *BRI, China, Ekonomi, Geopolitik, Malaysia*

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## **INTRODUCTION**

Malaysia has developed a close relationship with China under Prime Minister Najib Razak, who took office in 2009 with the Belt and Road Initiative (BRI) program (Blanchard, 2019). Malaysia as a maritime country has implications and advantages in BRI cooperation, Malaysia's mainland being connected to China and Malaysia's location on the Strait of Malacca, one of the world's trade routes. China considers Malaysia a strategic partner because of Malaysia's non-confrontational actions in resolving the South China Sea (SCS) dispute in the Joint Statement between the People's Republic of China and Malaysia on Deepening the Comprehensive Strategic Partnership towards a China-Malaysia Community with a Shared Future. China has collaborated with Malaysia on the BRI initiative since the Najib Razak administration in 2009. In 2013, the two countries formalized their Strategic Partnership Comprehensive, understanding that they would maintain the security and stability of the South China Sea through peaceful means (Xinhua, 2024).

China has been collaborating with Malaysia through the BRI to establish a land trade route connecting China and Malaysia since the Najib Abdul Razak administration (2009-2018) (Razalli, 2020). This solution aims to decrease China's dependence on the Malacca Strait. The BRI program involves establishing diplomatic relations with China (Mobley, 2019). China's long-standing Silk Road was revitalized in 2013 when President Xi

announced the Maritime Silk Road and Silk Road Economic Belt policies. BRI connects land from Southeast Asia to Europe and connects sea lanes from Southeast Asia, South Asia, the Middle East, and Africa (Ferdinand, 2016).

The Chinese government aims to become a global economic influence by improving its strength. China is using the BRI to maintain its economy at a significant global level by forming economic partnerships with other countries in the hope that its economy will benefit from exports and foreign investments. China is progressing towards becoming a crucial player in the global economy by investing in infrastructure development in sub-regions to promote trade policies and facilitate barrier-free trade. BRI policies utilize investment funds to cover a wide area and develop investments. Partner countries are also engaged in a dialogue with China regarding their BRI policies (Dunford & Liu, 2019; Liu & Lim, 2020).

China implements four principles in the BRI framework: openness, cooperation, market-based operations, and mutual benefit for all partner countries. Geographically, the BRI framework established by President XI Jinping includes three primary routes. BRI connects China to Europe through Central Asia and Russia, with the final destination being the Baltic Sea. Several noteworthy achievements have been made in Malaysia's context of infrastructure development. These include the signing of the Belt and Road Initiative (BRI) Memorandum of Understanding (MoU)

with China and the commencement of two significant BRI projects: the East Coast Rail Link (ECRL) and the construction of the Kuantan Port. These developments occurred during the tenure of Prime Minister Najib Razak (Grassi, 2020).

Prime Minister Najib Razak made Malaysia an influential trading partner for China, which has since made substantial annual investments in Malaysia. However, in 2018, a change in leadership impeded the progress of BRI as the new regime rejected them. Prime Minister Mahathir Mohamad viewed BRI unfavorably, as specific BRI endeavors utilized substantial funds without generating new local jobs (Bussey, 2018). Furthermore, corruption was rampant in the approved projects. Consequently, Malaysia's reputation as a BRI power in Southeast Asia deteriorated due to project delays. In 2018, China invited PM Mahathir to visit to demonstrate their soft power and maintain investments through the BRI. After the visit, Malaysia and China reached an agreement to continue the BRI project (Grassi, 2020)

The Chinese government implemented the BRI to invest in developing the country's infrastructure according to importing and exporting commodities. Malaysia, in turn, implemented the BRI by constructing multiple infrastructures, such as the East Coast Rail Link (ECRL) railway project with a budget of US\$13 billion and the Kuala Lumpur - Singapore High-Speed Rail project with a construction budget of US\$16 billion (Liu & Lim, 2020). The robust Malaysia - China relationship significantly influences China's selection of Malaysia as a BRI partner and the mutual interests of both nations in leveraging BRI to expand China's market and reinforce its presence in the global economy.

This study examines the influence of the BRI in Malaysia, which was introduced to enhance the country's infrastructure and economy. The chosen time frame spans from 2018 to 2022. This choice is due to the temporary halt of the BRI project caused by its rejection by the new Prime Minister Mahathir Mohamad in 2018, after which the project resumed. The COVID-19 pandemic, however, hampered the progress of the BRI project in 2020, leading to a temporary halt, but subsequently, after the pandemic, the BRI project resumed. Therefore, this research will examine the effects of BRI on the Malaysian economy following the transition of the Prime Minister from 2018 to 2022.

In 2016, Christopher K. Johnson researched the Belt and Road Initiative in the Center for Strategic and International Studies journal. The research describes China's BRI Project as China's flagship project in building international trade relations with partner countries. The author's research, on the other hand, focuses on a different object of study. This research aims to explain BRI China. The author's research subject is the new information regarding implementing BRI in Malaysia from 2018 to 2022. The object under study is a geopolitical and economic analysis of implementing BRI in Malaysia.

### **Theoretical Framework**

Geopolitics studies the relationship between foreign policy and geographical conditions that can affect a country's foreign policy. Rudolf Kjellen defines geopolitics as the study of how geography influences a country's behavior (Kjellén, 1916). Ethnopolitics, on the other hand, focuses on the ethnic makeup of a country. While geopolitics examines a country, ethnopolitics analyses a nation. These two

disciplines are complementary and cannot be separated (Haggman, 1998).

Geopolitical analysis is not limited to state strategy alone but also encompasses the control of regions. Mackinder's concept of geopolitics, known as land power, emphasizes the importance of land areas in this field. According to Mackinder, the Middle East to Europe is a pivot area and a highly strategic region in geopolitics (Mackinder, 2017). Mahan, a historian, expressed his opinion on Geopolitics. He believed that sea power was the key to state power. Mahan saw Russia as a large country with great land military power but military weaknesses due to its confined territory. Therefore, Russia's position was less favorable. On the other hand, the sea had great potential because it could be used freely (Mahan, 2004).

In line with those authors mentioned above, Morton Kaplan says that geography plays a vital role in geopolitics, as it determines a country's power in global affairs. Kaplan agrees with Mackinder that control of land is crucial (Kaplan, 2009). Specific characteristics, including topography, maritime access, borders, and geographic location, significantly affect a country's foreign policy. According to Kaplan, looking at ethnicity in geopolitics is essential, as it can help analyze tensions and conflicts. In achieving geopolitics, it is necessary to balance the power between countries to interact with each other and see conflicts that will arise (Kaplan, 2009). Likewise, Saul Bernard Cohen posits that geopolitics elucidates the connections between politics and geography, emphasizing geography's crucial role in international politics, as it impacts state strategies, global political dynamics, and national interests (Cohen, 2014).

Geopolitics has the potential to foster both cooperation and conflict between nations, as factors such as

borders, maritime access, and resources can contribute to competition and cooperation in pursuit of national interests (Marshall, 2016; Power, 2019). The concept of geopolitics aids in the understanding of the interplay between geography and politics, and is indispensable in comprehending the geographical context of global dynamics and a country's foreign policy formulation (Cohen, 2014).

Robert Kaplan, a specialist in national security, perceives geopolitics as a rivalry for space or a location without consideration for what exists within it. Another geopolitical perspective Kaplan presents is that countries are categorized into those located on the north side, considered wealthy, and those on the south side, perceived as poor. According to Kaplan, the world system only perceives the United States as having the ability to stabilize it (Kaplan, 2009).

Meanwhile, Cohen argues that geopolitical structures' formation and function extend beyond territorial control. Instead, such architectures take on a pattern-like form contingent upon various geographical characteristics, including shape and size. Cohen highlights that geography is affected by location, topography, and natural resources, which can lead to conflict or cooperation between nations (Cohen, 2014). This opinion differs from Kaplan's view of Geopolitics as a territorial battle by significant countries to gain power. Instead, Cohen believes that geopolitics is an interconnected pattern that impacts political or economic dynamics, which are influenced by geographical conditions.

BRI is China's extensive development project to expand its economy and position itself as a global economic force. The BRI strategy involves linking China to Singapore via Thailand,

Myanmar, Vietnam, Cambodia, Laos, and Malaysia. The impact of location on China's strategy is evident from its neighboring countries, which are connected to China by land. Additionally, the world trade route through the Malacca Strait aims to reinforce China's influence and ensure secure trade routes. Cohen's geopolitical theory supports the idea that geopolitics is a connected pattern that affects global dynamics by highlighting the significance of location, topography, and natural resources.

The relationship between countries must be mutually beneficial. International cooperation between countries should aim for mutual assistance and benefit. The forms that international cooperation can take depend on the objectives and achievements of the countries involved (Holsti, 1974). International Cooperation Theory is a standard for cooperative behavior among states that must be rational individually and collectively (Barrett, 1999). Individually rational means that if a country wants to become a party to an international agreement, it must be of its own free will because an agreement is voluntary. The agreement can be fully utilized because it is attended directly by diplomats.

In the theory of international cooperation, two central pillars exist. The first pillar involves maintaining cooperation to ensure justice and prevent ineffective and uncooperative activities with reciprocity. The second pillar entails several small countries supporting the cooperation (Barrett, 1999). According to K.J. Holsti's book "International Politics: A Framework for Analysis," it is the interconnected relations between two or more countries. This approach aims to negotiate and find solutions to the problems faced by cooperating countries.

Agreements between both parties regulate the cooperation (Holsti, 1974).

Problems that continue to grow in the world force countries to overcome them with cooperation between countries to achieve goals by putting aside differences. Such cooperation is needed in regions still in the developing stage because the impact of existing security can affect a country's growth rate (Grieco, 1990; Saadat, 2020).

Keohane states that cooperation arises when countries are interdependent and share common interests. Keohane emphasizes that countries of the world rely on each other in various aspects, including social, economic, and political. Despite conflict or competition among countries, cooperation is still possible (Keohane, 2019). The agenda-setting stage aims to identify an issue that requires global action as a critical element of negotiations. Negotiation can have a significant impact on policy-making. It is a cooperative process that aims to produce high-quality policies or decisions by considering the terms of all parties involved.

Implementation is the decision-making process based on negotiations during implementation, which marks the beginning of policy transposition. Transposition is adjusting national legislation to comply with ratified international law. This involves adjusting provisions in the international scope, which may impact changes in national laws, regulations, or policies (Dimitrakopoulos, 2001; Paulo, 2014).

Adhering to cooperation commitments is crucial after the decision-making stage. In a legal context, monitoring entails evaluating results through the judicial body. Delegation is a monitoring mechanism that involves selecting other actors as delegates with

specific authorities granted by third parties. Malaysia and China have set the agenda for further discussing the BRI partnership. Malaysia is attempting to renegotiate the BRI agreement that has been made. The new agreement will be implemented in the MoU at the domestic level (Ministry of Foreign Affairs Malaysia, 2024). The MoU serves as a written document and as a basis for policies or developments that will be carried out in Malaysia. This step by the Malaysian and Chinese governments follows the concept of international cooperation articulated by (Paulo, 2014).

Paulo's concept of international cooperation is pivotal in elucidating how international cooperation conducted bilaterally or multilaterally can manifest at the domestic level. This is applied to ascertain how the impact of cooperation is formed. This pertains to how collaboration between Malaysia and China within the BRI framework can influence Malaysia.

### **Research Method**

The research method used is qualitative, using descriptive analysis methods because the data mainly consists of numerical principles, laws, theories, and social symptoms or social reality. Qualitative research uses an approach to explore and understand the meaning of problems that arise in society or humans. The process that occurs in qualitative research involves questions in the procedure that will arise, and the data used in the research is inductively made from specific things to general, and researchers make an interpretation in the form of meaning from existing data, and the final result is in the form of a flexible structure (Creswell & Creswell, 2017)

The Thomas Mann Library research employs advanced technology to utilize existing data sources for researching

problems that can be accessed through books and journals. Controlling the vocabulary used when searching for data and selecting the appropriate keywords is essential in the research process. Keywords used in this research are: Belt and Road Initiative in Malaysia, Belt and Road Initiative China, Belt and Road Initiative Project, and ECRL. The following steps should be taken: define the problem, create a search plan, and carefully evaluate the selected library resources to ensure the relevance and credibility of the information. Additionally, a search engine can find relevant data while recording data citations for future use. It is crucial to comply with research ethics and copyright regulations (Mann, 2015).

The data sources used in this study are primary data derived from official sources such as official releases and speeches. This journal also uses secondary data to support the primary data, which is derived from news sources from FES, CNN, the official website of the BRI, the official website of the Malaysian government, and credible data sources from books, journals, and previous research. The subject of research in this study is the impact of implementing the BRI in Malaysia on the Malaysian economy, official government websites, government articles, journals, research, news, and books related to infrastructure development in Malaysia and the implementation of the BRI in Malaysia.

The author faces the obstacle of being unable to collect direct data from Malaysia and China. To overcome this hurdle, the author utilizes data from websites managed by the BRI and the governments of China and Malaysia. Additionally, the author gathers information from sources of Malaysian citizens to ensure factual accuracy in the data. The data used in the research must

be relevant and trustworthy to maintain the quality of the journal; primary data obtained from first sources such as President Xi Jinping's speech in Indonesia, as well as obtained from the Belt and Road Portal website managed by the Chinese government for BRI-related publications on the website also contains data on all projects that have entered the BRI framework, as well as presenting statistical data on BRI developments, which continue to periodically and collective data on the Malaysian government website to obtain relevant and accurate data.

## **RESULTS AND DISCUSSION**

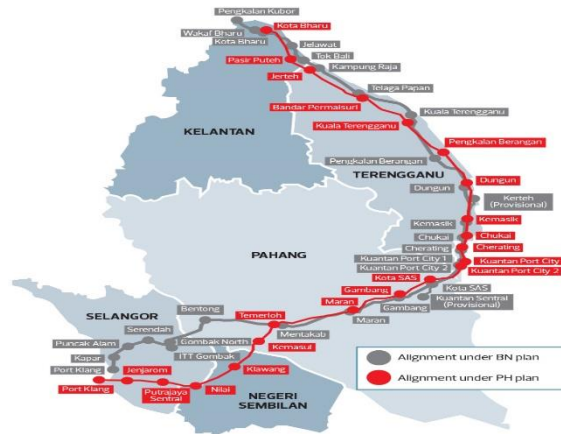
### **Belt and Road Initiative China**

BRI is a regional cooperation model President Xi of China proposed in September and October 2013 during his visits to Kazakhstan and Indonesia. The initiative aimed to create a Silk Road Economic Belt, after which, in November 2013, President Xi's idea officially became a proposal called the One Belt & One Road Initiative (Huang, 2016). BRI is a network of interconnected economic nodes spanning from China's west to its south and extending to Southeast Asia, South Asia, Central Asia, Russia, Europe, and beyond. The BRI includes a land-based pathway and a new maritime silk road, connecting China's coastal regions with Southeast Asia, South Asia, the South Pacific Sea, the Middle East, East Africa, and Europe (Pingchao, 2023).

### **Belt and Road Initiative Project in Malaysia**

In 2013, under Prime Minister Sri Najib Razak, Malaysia became one of the first countries to support the BRI. The Prime Minister views the BRI as a modern economic regime that utilizes ancient trade routes for contemporary 21st-century trade. This trade contributes to the distribution of the spice trade and impacts technological and cultural development between countries (Razak, 2017). In 2018, Malaysia's stances towards the BRI diverged due to the change in Prime Minister from Najib Razak to Mahathir Mohamad. Mahathir delayed the construction of some BRI projects but did not wholly reject the initiative as a potential contributor to Malaysia's economic development.

Mahathir's stance changed after visiting China in 2019 to support BRI fully. He chose not to oppose China because of the significant benefits it offers Malaysia (Liu, 2019). After Mahathir decided to proceed with BRI, Malaysia became the third-largest recipient of project investment funds in Southeast Asia (Fook, 2019; Hutchinson & Yean, 2021). There are several infrastructure investments projects in Malaysia under BRI. ECRL is the primary BRI investment project, forming a crucial part of the BRI development corridor. The ECRL is a railroad that aims to connect Malaysia with China. It is being built along the underdeveloped East Coast.



Source: (Malay, 2020)

**Figure 1.**  
ECRL railroad track

The project aims to stimulate economic development along the BRI corridor by connecting to the Malaysian peninsula and extending northward through other ASEAN countries to China. Additionally, it is expected to reduce trade routes in the Malacca Strait by connecting Kuantan Port in SCS with Klang Port in the Malacca Strait by land (BRI Monitors, 2020a).

Malacca Gateway is a project under the BRI located in the coastal area of Malacca. The project aims to establish a maritime center in Southeast Asia, reviving Malacca's reputation as a trading zone and boosting the country's economy. The project is being developed by three local Malaysian companies and one private company. The participating companies will develop each of the islands that are part of the Malacca Gateway (BRI Monitors, 2020b). The Malacca Gateway development is projected to utilize RM 42 billion, create 40,000-45,000 new jobs, attract 2.5 million visitors annually, and generate RM 1.19 trillion in revenue (Hutchinson, 2019).

China's primary objective is to develop ports along maritime routes. Malaysia and China have collaborated on several port projects, including the privatized Kuantan Port on Malaysia's east coast. This port offers faster shipping routes compared to the route through Singapore. Kuantan Port plays a crucial role in meeting the demands of trade shipping. It is an essential contributor to the development needs and future trade demands, especially in the event of an increase in shipping demand (Yean, 2019).

### **Implementation of Malaysia-China Cooperation within the BRI Framework**

ECRL is a Malaysian initiative to facilitate trade by providing more accessible and more affordable access. The rail project is expected to enhance trade efficiency, create new job opportunities, and promote a higher standard of living for the community (Razak, 2017). The ECRL was built from the eastern seaboard to the western seaboard of Selangor, starting at Kota Bharu to Kuantan port and continuing westward to Klang port in



Malacca. The ECRL project has not yet been completed. The construction progress is still in Maran, Pahang. If the ECRL project is completed, China can pass through the Strait of Malacca with a 3-hour drive from Kuala Lumpur.

The Malacca Gateway project aims to transform the Malacca coast into a maritime center and world trade zone. However, the project has not yet been built as it was canceled and is currently in the investment phase. The Malacca Gateway is expected to provide China with direct access to the Malacca Strait, which Singapore currently dominates. This condition allows Chinese export and import commodities to pass through the Malacca Gateway and into the Malacca Strait in the future. Implementing BRI, China aims to control strategic locations and carefully considers foreign political conditions and geography when choosing its path. In this context, China tries to control the Malacca Strait through ECRL and Malacca Gateway in the framework of BRI (Nugraha, 2021).

The Malacca Strait is a promising trade route because it is the shortest maritime trade route. The volume of trade passing through the Strait is substantial, amounting to USD 3.5 trillion, representing two-thirds of China's maritime trade volume, 40% of Japan's maritime trade, and one-third of the world's total trade (Dent, 2023). China is constructing the ECRL railway in Malaysia to connect the Strait of Malacca, creating a trade route between the Klang port in Malacca and the Kuantan port on the east coast of Malaysia, which is connected to the SCS.

China is involved in several developments in each corridor of BRI, including Malaysia, which is strategically located at the intersection of the world trade route, the Malacca Strait. China's efforts to expand its economic influence align with Cohen's geopolitical theory, which suggests that geopolitical structures are not only based on territorial control but also on geographical location, resources, topography, and strategic points that affect conflict and state cooperation (Cohen, 2014). In 2018, PM Mahathir was invited by China to visit the country. After the visit, Mahathir and China agreed to continue the BRI project with new conditions, including cost-cutting measures (Sipalan, 2019).

BRI could be linked to the Malacca Strait as a means for China to control the southern trade route, shorten it by land, and ensure shipping safety. The BRI project in Malaysia could reduce the trade route through land, and Malaysia could become China's regional industrial center (Jia & Wong, 2017). Malaysia agreed to join BRI because it offers opportunities to build world-class infrastructure and boost the Malaysian economy through local ownership. The BRI scheme is expected to benefit Malaysia in various ways. BRI cooperation is implemented through an agreement between the two countries. As Holsti stated, the cooperation aims to find solutions to problems that may arise, and both parties regulate it according to a mutually agreed upon agreement. Malaysia aims to advance the country by promoting community prosperity and job creation, aligning with China's goal of creating new trade routes through infrastructure investments that provide

economic support and can be utilized by partner countries.

Development can address issues in Malaysia, and it is a shared interest that both countries can achieve through the BRI scheme. This aligns with Keohane's view that cooperation arises when countries are interdependent and share common interests. The agreement for the BRI project between China and Malaysia was made by considering existing provisions and following the ratification process outlined by Paulo. This process involves agenda setting, negotiation, implementation, and monitoring to ensure the project can operate within Malaysia's domestic space (Paulo, 2014).

Following the postponement of Mahathir's visit to China to discuss BRI in Malaysia, Malaysia and China are setting the agenda (Grassi, 2020). During the 2nd BRF meeting held on April 24-28, 2019, negotiations were conducted on the sustainability of BRI in Malaysia. During the Malaysian visit, it was agreed that the BRI should be continued with new provisions (Ministry of Foreign Affairs of Malaysia, 2019).

The implementation of BRI involves Chinese investment in countries that are BRI partners. To facilitate BRI cooperation, Malaysia has an investment policy to regulate incoming investment and to ensure domestic impact on international cooperation. Various BRI projects in Malaysia must comply with Malaysia's investment policy.

The Malaysian government should align its national interests with incoming foreign investment. However, it should not regulate foreign investment specifically. Malaysia must consider the local

participation of foreign investors, and there will be administrative requirements (Lim, 2023). Monitoring BRI projects during the Najib Razak government was insufficient and lacked proper supervision, making it vulnerable to criminal activity. The current Prime Minister, Mahathir, supports the BRI program but has also implemented measures to increase transparency and ensure full supervision. The Malaysian Ministry of International Trade and Investment (MITI) established the Belt and Road Initiative National Secretariat (BRINS) to monitor BRI projects in Malaysia. After signing the BRI memorandum of understanding between the Malaysian and Chinese governments, the name of BRINS was changed to China Section to reflect the cooperation between China and Malaysia in creating a monitoring body for BRI projects in Malaysia.

### **The Impact of BRI Implementation on Geopolitical and Economic Aspects of Malaysia**

After Malaysia continued its cooperation with China on the BRI, it had a series of geopolitical and economic impacts. One of the geopolitical impacts on Malaysia was its alignment with China in the South China Sea dispute, which reduced Malaysia's confrontation with China. However, this cannot be interpreted as Malaysia's bias towards China. From a geopolitical perspective, Malaysia's involvement in the BRI is shaped by the geographical proximity of the two countries in the Asia-Pacific region. Additionally, Malaysia and China share a common political objective,

namely, to emphasize shared interests within the region (Bing, 2023).

One of the issues that has arisen is Malaysia's rejection of the United States regarding military activities in the exclusive economic zone of other countries. Malaysia considers this unlawful (Department of Defense US, 2022). Before Mahathir's tenure, Malaysia's relationship with Japan transformed. Japan's engagement with Malaysia declined as a result of Malaysia's proximity to China (Lai & Moorthy, 2022). Malaysia's involvement in BRI has implications for the influence of ASEAN as an organization of Southeast Asian countries. In 2012, ASEAN released the "ASEAN Leaders Declaration on Upholding Multilateralism" to respond to the challenges of multilateralism with countries outside the ASEAN region (ASEAN, 2021).

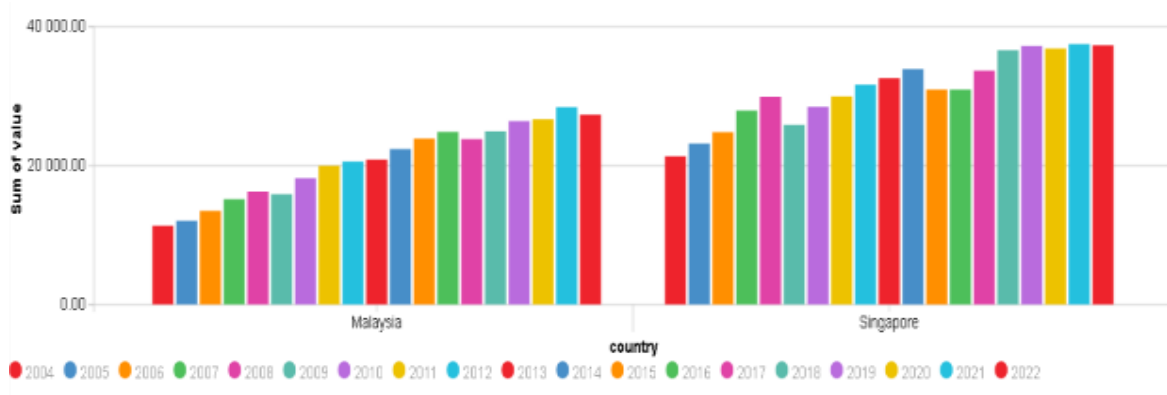
Thus, it might be safe to assume that ASEAN is maintaining its influence and continues to emphasize ASEAN centrality in ASEAN mechanisms, such as ASEAN Plus-One, ASEAN Plus-Three (APT), East Asia Summit (EAS), and ASEAN Regional Forum (ARF) (ASEAN, 2021). The shift in Malaysia's position on the dispute in the South China Sea could be seen in the following event. In 2019, Mahathir said "...it is better to choose another less violent way to conflict with China because China has good benefits for us" (Liu, 2019). In a different forum, Mahathir stated that Malaysia does not consider China's involvement in the South China Sea dispute a problem if China refrains from disrupting ships or blockading the area (Bussey, 2018).

Mahathir's change in stance as prime minister is a result of BRI. The BRI has the potential to alter Malaysia's geopolitical direction. Despite initially rejecting colonialism (McGregor, 2018), Malaysia now apparently adopts a more supportive stance toward the BRI (Fook, 2019). Thus, it might be safe to assume that China has effectively utilized the BRI to appease Malaysia over its interests in the South China Sea disputes (Zhang, 2017). Malaysia's change in its stance about conflict on the South China Sea conflict or the conflict intervention is consistent with Cohen's theory, which states that geopolitics has a centripetal force. This means that geopolitics can push countries towards regional unity, such as trade, military defense, or confederation with other countries (Cohen, 2014). In the case of Malaysia, the geopolitics effect of Malaysia-China cooperation resulted in Malaysia's shift toward accommodating China's interest in the South China Sea.

China's geopolitical strategy has an economic impact on Malaysia in several ways. Firstly, through the new trade scheme by BRI, Malaysia can become a new trade axis in ASEAN. Secondly, it impacts Malaysia's Gross Domestic Product (GDP). Thirdly, it increases Malaysia's Foreign Direct Investment (FDI). Finally, it has an indirect impact on Malaysia's socio-economy. This result aligns with Cohen's theory, which posits that a country's strategic location confers economic benefits due to its control of trade routes (Cohen, 2014). The first impact is that Malaysia has the potential to become a new trade center in ASEAN, as evidenced by data showing that from 2004 to 2022, Malaysia has been able to

compete with Singapore in container growth. Specifically, Malaysia experienced

an annual increase of 200,000-500,000 containers from 2018-2022.



Source: (Aseanstats, 2022)

**Figure 2.**  
Container Shipping, Malaysia and Singapore 2002 to 2022

In the next few years, if the project is well integrated, Malaysia has the potential to become a trade hub in the ASEAN region. Malaysia can match Singapore's growth by properly aligning its national interests with the BRI. This will enable Malaysia to surpass most ASEAN countries. Second, the ECRL Project is a transportation initiative that aims to

connect ASEAN, Asian, and European countries, thereby enhancing Malaysia's connectivity with other nations. The project's direct impact on Malaysia's annual GDP is significant, contributing 1.5% to the country's economy (Aziz et al., 2018).



Source: (Worldbank, 2022)

**Figure 3.**

## Malaysia Foreign Direct Investment 2017 to 2022

Third, Prime Minister Mahathir's visit encouraged Chinese companies to invest in Malaysia. According to data released by the Malaysian Investment Development Authority (MIDA), Malaysia's private investment amounted to RM 12.417 billion in 2017, which

decreased to RM 10.908 billion in 2018 due to political instability. However, there was an increase in 2019 (Bureau of Economic and Business Affairs, 2018; Malaysian Investment Development Authority, 2018).

**Table 1.**

Malaysia National Bank Total Investment, 2018-2021

	2018	2019	2020	2021
Malaysian National Bank Investment (RM Million)	9,334	11,129	13,492	14,727

Source: (Bank Negara Malaysia, 2019, 2021)

In 2020, private investment in Malaysia declined by more than 50% compared to 2019, at least amounting to RM 1,978 million, due to the Covid-19 pandemic. However, in 2021, Malaysia experienced a significant increase in private investment, reaching RM 12,211 million. China ranked fourth among the countries with the largest foreign investment in Malaysia, with a total of RM 16.604 billion in 2021 (Malaysian Investment Development Authority,

2021). When examining the fourth impact, considering the effects of BRI's largest project in Malaysia, the ECRL is essential. Other BRI projects, such as the Malacca Gateway, have not yet been developed. East Coast Economic Region (ECER) utilizes the ECRL as its primary mode of transportation. The ECER aims to integrate and unite the East Coast and West Coast regions of Peninsular Malaysia into a trade and tourism area.

**Table 2.**  
ECER Achievement in 2018-2022

	2018	2019	2020	2021	2022
Investment	RM 113.5 Billion	RM 120.5 Billion	RM 125.9 Billion	RM 139.3 Billion	-
Employment	111.700	117.500	121.200	183.552	-
Business Opportunity	9.888	10.700	11.200	46.911	-
Domestic Direct Investment	46%	45%	85%	47%	-
Foreign Direct Investment	54%	55%	15%	53%	-

Source: (ECERDC, 2023)

The data indicates a yearly increase in both the target and achievement of ECER. However, in 2020, foreign investment decreased, likely due to the impact of Covid-19 on Malaysia's FDI data. Implementing ECRL in ECER has increased foreign investment and created employment and business opportunities. ECRL facilitates community and trade mobilization, which positively impacts the local economy. The transformation of the ECER has significantly impacted the Malaysian economy, mainly through infrastructure development. As shown in Table 2, the Indicators demonstrating that ECER has positively impacted the Malaysian economy include the rise in both domestic and foreign investment and the generation of employment opportunities. The amount of invested funds rises between 2019-2021, creating employment and business opportunity for Malaysians.

BRI can offer significant benefits to partner countries. The investment provided through BRI can have a positive impact on employment and technological development, as well as attract domestic investors and contribute to the country's GDP. It is important to note that any evaluations of the impact of BRI should be

objective and marked as such. The described cooperation aligns with Keohane's theory of international cooperation, which posits that sovereign states cooperate when they share common interests. China aims to expand its political influence while controlling trade routes, while Malaysia sees BRI as a means to address its economic challenges and promote progress.

## CONCLUSION

Malaysia's shift in stance on the BRI has had a significant geopolitical impact on the Southeast Asian region. By refraining from confronting China in the LCS, Malaysia may be strengthening China's position in the LCS dispute. Not only is political power in the LCS at stake, but geopolitically, China's influence is also more substantial in the Indo-Pacific region. The influence of the Quad may be diminishing due to numerous countries officially joining the BRI.

Malaysia's stance also has geopolitical implications for ASEAN. Its relationship with China can facilitate collaboration between ASEAN and China within the ASEAN-China Free Trade Area (ACFTA) and encourage other countries to engage with China. This, in turn, can

encourage intra-ASEAN cooperation to maintain a balance of power within the region. BRI has had a significant economic impact on Malaysia, as evidenced by the increased container growth projected from 2018 to 2022. The ECRL Project is also expected to contribute 1.5% of the country's GDP. While this figure is substantial, it is essential to note that the construction has not yet been completed, and the final impact may be even more significant.

The development of trade infrastructure has made Malaysia an attractive destination for investment. Following the continuation of the BRI project, China has become the fourth-largest investor in Malaysia, with USD 16,608 billion invested in 2021. It is important to note that the unfinished construction of ECRL may still have an economic impact on Malaysia. ECRL

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prioritizes development in the eastern coastal areas of Malaysia. The project began construction in Kota Bharu and will extend to Kuantan Port, significantly impacting the local communities.

Discussing geopolitics can help understand a policy or state's attitude toward the international world. Geopolitics allows us to see how China designs and implements the BRI goals in many countries. Discussing international cooperation can provide an advantage in seeing how international cooperation is formed and impacts the domestic. With international cooperation, it can provide an overview of how BRI is created through international cooperation and implemented to impact domestic affairs.

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