



SOCIAL IMPACT AND COMMUNITY PERCEPTION OF BELT AND ROAD INITIATIVE PROJECTS IN MALAYSIA

by

**MERDEKA CENTER
FOR OPINION RESEARCH**

RESEARCH PARTNER



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in partnership with
**RONGZHI CORPORATE SOCIAL RESPONSIBILITY
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Foreword

Congratulations to The Asia Foundation, Merdeka Center and Rongzhi Institute on the publication of *Social Impact and Community Perception of Belt and Road Initiative Projects in Malaysia*.

This research report provides a timely, balanced, and evidence-based assessment of China's Belt and Road Initiative (BRI) in Malaysia. The report makes several important contributions that improve our understanding of the issues surrounding developmental dividends and deficits of BRI projects in the developing world. Three contributions are particularly pertinent, not only to the study of the BRI in Malaysia (and elsewhere), but also to the wider body of research on foreign-funded developmental ventures.

First, this report's bottom-up approach pays particular attention to the everyday, on-the-street insights on the social impact of BRI projects. The report uses surveys and interviews with local stakeholders and community-based actors to gauge public perceptions and opinions before determining and recommending community-based strategies for improving implementation and sustainability of the BRI projects. This micro-level analysis complements the majority of the existing studies that adopt a top-down, macro-level approach to focus on elite calculations, political drivers, as well as geopolitical and geo-economic ramifications of China's economic statecraft.

Second, in terms of the cases studied, the report focuses on two important but relatively neglected BRI projects in Malaysia, i.e., the China Railway Rolling Stock Corp's Rolling Stock Center (CRRC) in Batu Gajah, Perak and the Malaysia-China Kuantan Industrial Park (MCKIP) in Kuantan, Pahang. Although they receive relatively less media attention and analysis (compared to the controversial ventures such as the East Coast Rail Link and the two pipeline projects), the CRRC and MCKIP are representative of the more productive BRI ventures in Malaysia. While the origins of the two projects pre-dated the launch of the BRI, both involve more favorable partnership terms for Malaysia, in terms of job creation, resource mobilization, technology transfer, and developmental spillover effects.

Third, the reports' findings highlight numerous key themes discernible in China-related projects across Southeast Asia and beyond. Chief among these are: (a) active engagement of powerholders, but relatively passive and reactive engagement of stakeholders at the societal level; (b) good likelihood of bridging developmental gaps, but weak in bridging perceptual and sociopolitical gaps; and (c) mixed and uneven impact on different sectors of the local economy and different segments of local society. The report makes sound recommendations to tackle these issues, while underscoring the salience of host country agency in promoting sustainable, inclusive, and mutually beneficial inter-state developmental cooperation.

I encourage readers to further explore these themes in this report to better appreciate the complex, nuanced dynamics underpinning foreign-backed developmental projects in highly heterogeneous, multiethnic, and quasi-democratic countries such as Malaysia.

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EXECUTIVE SUMMARY

Official Malaysia-China diplomatic relations date back to 1974 when Malaysia became the first Association of Southeast Asian Nations (ASEAN) country to formally recognize the People's Republic of China. Since then, bilateral relations between both countries have developed steadily, and for the past 12 years China has remained Malaysia's largest trading partner, with exports to China expanding by 12.5 percent to RM 158.6 billion (almost USD 38 billion) in 2020.

Over the last decade, China's investments in Malaysia have primarily been in major infrastructure projects such as deep seaports and railway lines under the framework of the Belt and Road Initiative (BRI) to enhance connectivity and collaboration. The BRI is China's outreach strategy initiated in 2013 to achieve "shared growth through discussion and collaboration" with the aim of improving regional connectivity and cooperation, increasing trade, stimulating economic growth, and accelerating regional integration along the route of the historic Silk Road via land and maritime networks. According to the Chinese government, the Belt refers to the Silk Road Economic Belt, which covers the land routes among partner countries on the Eurasia continent, whereas the Road refers to the 21st century Maritime Silk Road, which comprises the sea routes, aimed at marine transportation and communications from China to other countries across the South China Sea, Straits of Malacca, Indian Ocean, Gulf of Bengal, Arabian Sea, Persian Gulf, and the Red Sea. With 140 countries now formally affiliated with the BRI and endorsing their bilateral projects, the BRI has proven to be a serious undertaking that has lasting impact on global power dynamics, political alliances, and economic structures.

Much has been written about the BRI from a high-level perspective, utilizing a macro lens. While these narratives serve as drivers for institutional change associated with globalization and deglobalization, little has been done to study the social impact that BRI projects have on communities in which they are located. Recognizing the need to evaluate the extent of the BRI's social impact on local communities in Malaysia, The Asia Foundation in partnership with the Merdeka Center carried out a study evaluating the community impact of two BRI projects in Malaysia, namely China Railway Rolling Stock Corp's Rolling Stock Center (CRRC) located in Batu Gajah, Perak

and the Malaysia-China Kuantan Industrial Park (MCKIP) located in Gebeng, Pahang. The CRRC Rolling Stock Center is CRRC's state-of-the-art train manufacturing plant, set up in 2012 as its Southeast Asia manufacturing hub. The MCKIP is an industrial park, established in 2013 as a government-to-government collaboration between Malaysia and China, and is the sister park to the China-Malaysia Qinzhou Industrial Park (CMQIP), as part of the "Two Countries, Twin Parks" partnership. Alliance Steel is the Chinese-owned primary company in the park and is often seen interchangeably with MCKIP by members of the community.

This research has taken a micro-level approach focusing specifically on the perceptions and experiences of individuals in two communities in Malaysia whose lives have been impacted by the BRI projects. This is not a comprehensive study on social impacts of the BRI, but rather it focuses on local perceptions and impacts. All the conclusions and recommendations are based on the data collected from the survey samples and interviews. A survey was conducted between November and December 2020 among 400 residents in each site, complemented by in-depth interviews with key stakeholders in each community. While findings are specific to these two project areas, many of the recommendations have relevance to the larger body of research on the BRI.

This report outlines the social and community level impact of the two projects mentioned, identifies locally driven issues and challenges, and provides community informed recommendations. These recommendations are offered to Malaysian and Chinese policymakers, as well as to BRI's bilateral and multilateral partners more broadly.

The key findings on knowledge and understanding of the project revealed that while knowledge of the BRI itself was limited, the majority of respondents associated both projects with China, with around 40 percent of the MCKIP respondents and 20 percent of CRRC respondents believing that the Chinese government or a company from mainland China was the main shareholder. In terms of the overall perceptions of the projects, a little over half of the respondents from both sites viewed them positively. That said, there were significantly more CRRC respondents (almost 70 percent) than MCKIP respondents (46 percent) who felt

the project is having or will have a positive economic impact in the future. This trend continues with regard to community consultations, with significantly more respondents from the CRRC project indicating that they were consulted on the project than those from MCKIP. Correspondingly, a third of the MCKIP respondents said there was conflict associated with the project compared to only 5 percent of CRRC respondents.

With the MCKIP project, a third of respondents registered complaints such as issues of “land grabbing,” which was listed as the main grievance. This refers to the conflicts with local landowners and the community when the MCKIP was originally developed, as the perception was that there was inadequate consultation with the community and due process of compensation for land from the outset. “Allocation of funds”; “corruption or transparency of decision-making”; and “disagreements with the implementing company” were other key issues. When respondents from both projects were asked which key people or groups were benefiting from the projects, responses were “investing corporations”; “local public”; “state government”; “local government” (33 percent); and the “federal government.”

When asked which groups were suffering on account of the project, responses were “local public”; “local contractors”, and “local businesses.”

The survey results and the in-depth interviews detailed below paint quite a nuanced picture of the perceptions and experiences of various elements of two communities in relation to the BRI projects. It is notable that the primary response is that the impacts are on balance positive, especially regarding job creation and economic stimulation of the local economy. It is also notable that in both communities, especially in the context of Covid-19, locals expressed hope and expectations that the companies behind the two projects will play a greater and more socially active role in assisting the needy and providing badly needed employment. The primary criticisms expressed were related to lack of engagement, consultation, and cultural/language related conflicts. Overall, the findings present a diversity of complex issues, including land rights, regulatory frameworks for joint ventures, labor rights and employment practices, public consultation, transparency and communication, community investment, as well as language and cultural issues.



Based on this assessment, key community-informed recommendations include:

1 *Greater public involvement and participation*

Respondents and key opinion leaders interviewed highlighted the need for CRRC and MCKIP/Alliance Steel to be more transparent and visible in the community and to improve their outreach especially in terms of social contribution, community assistance, and two-way communication between local Malaysians and mainland Chinese workers. Recommendations include higher allocation of resources for impoverished locals through cash donations and material assistance for children, to address education-based needs.



2 *Effective communication and project transparency*

CRRC and MCKIP-based surveys revealed substantial public dissatisfaction with the lack of engagement between the companies behind the two projects and the local communities. The consultation and engagement process revealed the need for stronger community awareness and participation in the planning and implementation of these projects. This could be addressed through arranging a series of multistakeholder dialogues and other forms of engagement. It should be noted that there was little detailed knowledge among the respondents of what companies (Chinese or Malaysian) or managing authorities (including Malaysian authorities) were involved; there was a generalized sense of dissatisfaction with the lack of outreach on the part of 'whomever is responsible' for these projects.

3 *Improved labor relations and policies*

Respondents noted frequent sources of tension between Malaysian and Chinese workers, as Chinese national employees held higher positions within the companies. Local workers were often placed in mid-to-low skilled positions, which respondents believed limited their potential, hampered the expected skills upgrade and eventual transfer of technology. As such, it may be helpful for CRRC and MCKIP/Alliance Steel to work with domestic authorities and agencies to re-evaluate hiring policies to increase the much-needed intake of local workers at all levels. That said, it is true that both companies hire through local agencies and that both have experienced challenges finding local workers with the particular technical skills required; this indicates that better communication about hiring and recruitment practices might defuse misperceptions and alleviate tensions.

4 *Closer collaboration with state and local governments and authorities*

Engagement with key opinion leaders and media checks revealed the lack of enforcement of labor regulations due to the lack of cooperation between the CRRC and Alliance Steel (the primary company operating within MCKIP) and district or municipal councils and state governments. To address this, managing noncompliant grievances through close collaboration and engagement with state and local authorities, should be prioritized.





Introduction

Image Source: IJM website

i. Background on BRI

The Belt and Road Initiative (BRI) is an infrastructure and connectivity initiative launched by the People's Republic of China in 2013 to achieve “shared growth through discussion and collaboration” with the aim of improving regional connectivity and cooperation, increasing trade, stimulating economic growth, and accelerating regional integration along the route of the historic Silk Road via land and maritime networks.¹

The BRI has been associated with a large program of investments in which Chinese state banks² and companies fund infrastructure development for ports, roads, railways, and airports, as well as power plants, fiber-optic cables and telecommunications networks around the world.³ The purpose in crafting this long-term policy and investment program is to create a transcontinental passage that places China at the starting points, connecting Asia with Africa, the Middle East, Latin America, and Europe by land and sea routes. The initiative defines six major priorities: policy coordination, infrastructure connectivity, unimpeded trade, industrial cooperation, financial integration, and connecting people.⁴

In 2017, China included the BRI in the Chinese Communist Party's constitution and has since expanded its reach with 140⁵ countries signing a Memorandum of Understanding (MoU). Together with China, these countries are home to 62 percent of the world's population and account for 40 percent of global GDP.⁶ While it is difficult to determine the varying levels of participation and the specificity of the BRI agreements,⁷ the implication is that China has extended its global presence as a source of financing for governments through these investment projects, garnering strong economic, social, and

cultural influence over half the world, and shaping the future in terms of trade, connectivity, and communication.

Due to its size and scope, the BRI has the potential to benefit a large number of the world's impoverished. Many BRI-participating economies struggle to meet their potential because of inadequate infrastructure, and if successful, the BRI projects would contribute to boosting international commerce by providing the tools needed for partner countries to fully integrate into the world economy. With improved connectivity, BRI projects not only have the potential to increase investment and accelerate growth for partner economies but also expand intra-regional trade, making trade flows smoother.⁸

The impact of the BRI varies across countries and there are risks attached to far-reaching projects of such large scale. Much caution has been raised over the opaque nature surrounding BRI projects and MOUs that lack transparency and circumvent internationally recognized institutional safeguards, which critics associate with intentionally limiting outside scrutiny. Some studies have shown a trend in which several large-scale infrastructure BRI projects defy donor transparency and global development norms⁹ and are associated with higher levels of local corruption, less stringent environmental and

¹ OECD (2018)

² Grassi, S. (2020, February)

³ Sacks, D. (2021, March 24)

⁴ The Belt and Road Initiative Progress, Contributions and Prospects

⁵ Nedopil, Christoph (2021)

^{6,7} Sacks, D. (2021, March 24)

⁸ Ruta, Michelle (2018, May 4)

⁹ Cordell, K. A. (2020, October 12)



Image Source: IJM website

social safeguards, and noncompetitive bidding requirements.¹⁰ Proponents of the BRI posit that China is filling a funding gap that exists in emerging markets¹¹ and BRI projects advocate on the side of international cooperation providing development dividends¹² through a diverse array of initiatives that enhance connectivity and release the growth potential of beneficiary economies.¹³

Today, the BRI is understood as a serious undertaking that has lasting impact on economic structures, political alliances, and geostrategic power constellations.¹⁴ Critical research perspectives tend to lean heavily into fears that the BRI is a front for aggressive Chinese hegemonic intentions and is a contemporary form of neo-colonialist expansionism by China to undermine security and subvert the economic architecture of the international order. Similar conclusions from critical perspectives identify the root problem as stemming from the design of the BRI, which targets emerging markets, causing China to benefit from lopsided bilateral relationships, inadequate enforcement, undermining labor standards, and promoting poor business practices.¹⁵ Conservative commentators push further the claim that BRI projects also cause environmental destruction, create untenable debt¹⁶ and do little to provide locals employment opportunities, which stems from excessive reliance on Chinese workers over locals.¹⁷ Such narratives accuse Beijing of yielding greater influence through economic and political coercion against smaller partner countries.

On the other hand, official rhetoric from China seeks cooperation on an equal basis by embracing shared values, delivering mutual economic gain, and offering stakeholders opportunities to shape their future together. It provides glowing pronouncements of progress-oriented investments without the accompanying governance and environmental reforms that often are part of western investment packages. According to Beijing, all countries have been invited to board this “express train” to wealth and prosperity, openness, inclusiveness, and mutual benefit, all of which are the hallmarks of the Belt and Road.¹⁸

The contraposition between both perspectives provides insight and speaks to the benefits and challenges of the BRI. Most research and commentary on the BRI have taken a high-level approach, utilizing a macro lens. While these narratives serve as drivers of institutional change associated with globalization and deglobalization, our research takes a micro-level approach focusing specifically on communities whose lives have been impacted by two specific BRI investments. This is a small yet pertinent contribution to the greater body of research on the impact of the BRI.

¹⁰ Parks, B. (2019, July 24)

¹¹ Romann, A. (2019, April 27)

¹² Horvath, B. (2017). (rep.)

¹³ Guo, J., & Xu, S. (2021)

¹⁴ Li, Y., & Taube, M. T. (2021)

¹⁵ Shepard, W. (2020, January 29)

¹⁶ Ruta, M. (2018, May 4)

¹⁷ Russel, D. R., & Berger, B. (2019, June)

¹⁸ “Commentary: China’s ‘Belt and Road’ Initiative Delivering Benefits to the World,” Xinhua (2017, April)

ii. Sino-Malaysian Bilateral Relations

Malaysia became the first country in ASEAN to formally recognize the People's Republic of China in 1974. Since then, China has had a robust trade, investment, and people-to-people relationship with Malaysia that has supported bilateral relationships between the two countries for decades. In 2020, trade with China registered growth with a record high export rate making China Malaysia's largest trading partner for the 12th consecutive year.¹⁹ China remained Malaysia's largest export destination, with exports expanding by 12.5 percent to RM 158.6 billion (almost USD 38 billion) in 2020.²⁰ Higher exports in 2020 included iron and steel products, other electronics and electrical products, metal, palm oil and palm oil-based agriculture, rubber products, as well as paper and pulp products. In addition, both China and Malaysia signed the ASEAN-led Regional Comprehensive Economic Partnership (RCEP) in November 2020 at the 37th ASEAN Summit.²¹

While China has been Malaysia's largest trading partner since 2009, Chinese investment into Malaysia increased after Chinese President Xi Jinping came to power in 2012. In November 2016, after then Malaysian Prime Minister Najib Razak returned from China with 14 signed MOUs worth over USD31 billion, there was growing concern over the extent of Chinese influence in Malaysia, loss of sovereignty, geopolitical implications, and economic inequality.²²

At the center of these investments was the original One Belt, One Road (OBOR) that was later reframed in 2015 as the Belt and Road Initiative (BRI). Malaysian scholar Cheng-Chwee Kuik has noted that Malaysia has been one of the most enthusiastic embracers of the BRI in Southeast Asia, and he argues it has done so in order to leverage the power asymmetry between Malaysia and China by using the BRI to provide its political elites with greater legitimacy.²³

¹⁹ Xinhua. (2021, January 30)

²⁰ Ministry of International Trade and Industry (2021, January 30)

²¹ Kazushi Shimizu (2021)

²² Foon, H. W. (2019, November 28)

²³ Kuik, C.C. (2021)

In the lead up to the 2018 Malaysian general elections which resulted in the ouster of the ruling Barisan Nasional (BN) coalition for the first time since independence, anti-China investment sentiments were front and center of campaign rhetoric. The then-opposition candidate, who became prime minister for a second time (from 2018-2020) Mahathir Mohamad, said in an interview with *The Straits Times* that Chinese investment was welcome if companies set up operations in Malaysia, employed locals, and brought in capital and technology to the country. Indicating that this was not the case at the time, he added,

“Here we gain nothing from the investment, we don’t welcome that.”²⁴

Three months after his election win, Mahathir Mohamad concluded a five-day visit to Beijing by announcing that key China-financed projects in Malaysia, in particular the East Coast Rail Link (ECRL) as well as the Multi-Product Pipeline (MPP) and the Trans-Sabah Gas Pipeline (TSGP), would be cancelled. In a joint press conference with Chinese Premier Li Keqiang, Mahathir Mohamad spoke about “a new version of colonialism”; while he did not explicitly mention China, his words were enough to make Li visibly unhappy.²⁵ While the prevailing narrative is that Mahathir 2.0 was anti-BRI, and that he canceled multiple projects upon taking power, the reality is more nuanced than that.²⁶ The Mahathir administration did successfully renegotiate several large BRI projects (for example, bringing the ECRL price-tag down from USD 16 billion to USD 10.6 billion), resulting in large dividends for the government, and burnishing Mahathir’s nationalist credentials. But all along Mahathir maintained cordial relations with the Chinese, and made pointed public statements that Malaysia welcomed Chinese investment and was not anti-BRI. This, along with the successful renegotiation of the ECRL in 2019, resulted in a marked warming of public opinion towards Chinese investment in Malaysia.

By March 2020, at the start of continuous pandemic-induced lockdowns, Malaysia had a new government, and by the end of 2020, another BRI project worth USD 10.5 billion was terminated.²⁷ However, in April 2021 Malaysia signed a MOU on the establishment of a high-level committee for post-Covid-19 cooperation that aims to provide “policy guidance for all aspects” of relations including BRI projects.²⁸ Shortly after, the government, led by Muhyiddin Yasin, announced that it had agreed to an upward price revision of 14 percent for the proposed East Coast Rail Link (ECRL).²⁹ Following yet another change in government in August 2021, in October PN Finance Minister Tengku Zafrul Abdul Aziz announced in parliament that one of the two BRI pipeline projects mentioned above (Trans-Sabah Gas Pipeline, TSGP) was being revived, and the Multi-Product Pipeline was in negotiation but expected to resume as well.³⁰ As eloquently argued by Kuik, Malaysian political leadership, including Mahathir 2.0, have consistently taken an approach of pragmatically calculating the risks and benefits of the BRI, and more often than not that calculation has led to continued engagement with it, due to the development benefits and performance legitimacy accorded to Malaysia’s leaders.³¹

²⁴ Mahathir pledges to review CHINA investment after Malaysia vote. *The Straits Times* (2018, April 9)

²⁵ Ngeow, C. B. (2021, July 16)

²⁶ With thanks to Prof Cheng-Chwee Kuik for his insights on this point.

²⁷ *Nikkei Asia*. (2020, December 3)

²⁸ Povera, A. (2021, April 2)

²⁹ Thomson Reuters. (2021, April 5)

³⁰ *FreeMalaysiaToday*. (2021, October 23)

³¹ Kuik, C.C. (2021)

Objectives

The report outlines the social and community level impact of two specific BRI projects, namely the China Railway Rolling Stock Corp (CRRC) in Batu Gajah, Perak, and the Malaysia-China Kuantan Industrial Park (MCKIP) in Kuantan, Pahang. It provides community perspectives that inform the findings and recommendations, utilizing interviews with local stakeholders to understand the two projects' impact.

While much has been written about the impact of the BRI on Asian economies from a top-down approach, research gaps remain in less tangible areas of the social impact (both positive and negative) on communities and their environment. Large infrastructure projects often alter the assets base of communities and social impact assessments attempt to identify and, wherever possible, quantify these effects. It is widely recognized that attempts to identify, gauge, and measure social impact are often relative, normative, and subjective. However, it is still important to try to assess the consequent risk to these projects due to their positive and negative impact, as well as to try to understand the perception of these BRI projects among the people whose communities are affected by them. The main objective of this report, specifically, is to understand the impact and the perception of these BRI projects on the following communities in Malaysia: Semambu, Tebing Tinggi, Tronoh, Sungai Rapat, Menglembu and Tualang Sekah, as well as to identify locally driven issues and challenges related to these BRI projects. Finally, we seek to provide community informed strategies to address social impact challenges and to improve economic benefits for the communities directly engaging with the specific BRI-related initiatives.

Approach

The Asia Foundation launched this research based on previous activities with partner countries and Chinese companies around factors contributing to project sustainability. The research is based on the hypothesis that infrastructure projects impact communities and if communities are engaged and consulted before and during project implementation, the project is more likely to succeed, be sustainable, deliver benefits to local stakeholders, and avert possible negative impacts.

Pilot studies were conducted in Cambodia and Pakistan to test the hypothesis and research methodology. Pilots provided useful information about what communities and local stakeholders knew about projects, how and if they interacted

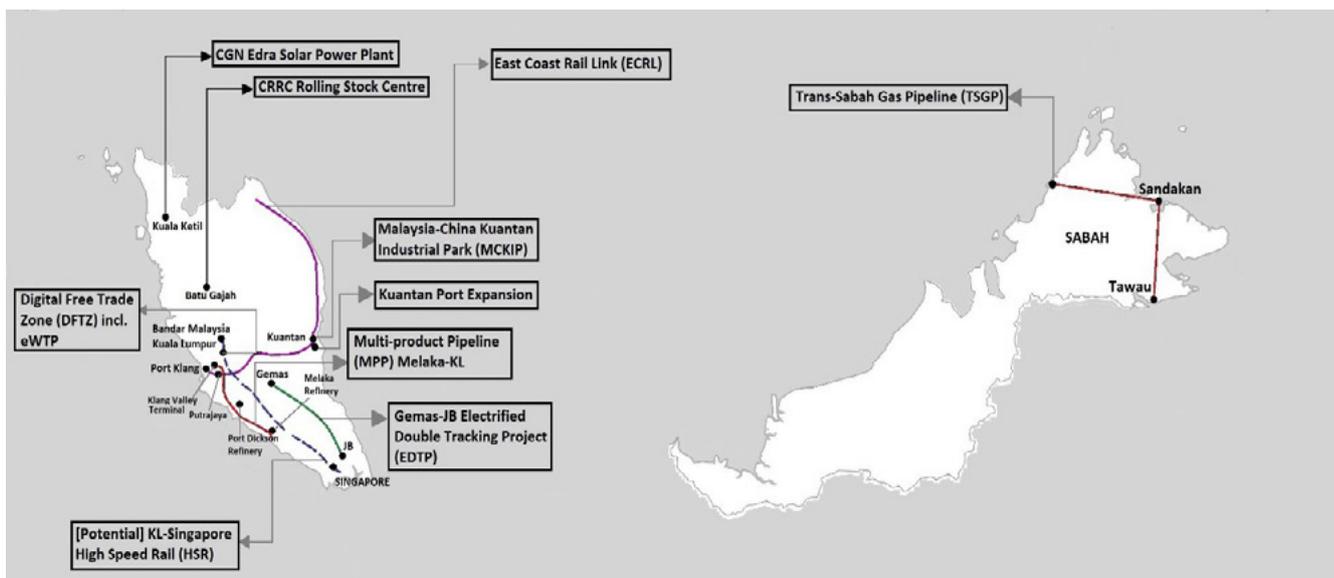
with project partners (e.g., national government, local government, contractors, lenders), and what expectations they had about the project. The studies also revealed that survey responses regarding knowledge and impact differed depending on the stage of project implementation.

Lessons from the pilots shaped subsequent studies. Therefore, in subsequent studies we selected projects that were in mid-implementation to improve the probability that respondents had some knowledge of the projects and experienced some impact. Mid-implementation projects would also allow time for course corrections to increase sustainability or mitigate risk.

Finally, we engaged research partners in China and partner countries. This collaboration allows us to prioritize projects, engage Chinese and local stakeholders for interviews, and to channel results to policy makers both in China and the partner country. Merdeka Center, an opinion research firm based in Malaysia, conducted all the research activities in Malaysia, including sampling design, questionnaire development, survey execution, qualitative interviews, focus group discussions, data processing, and report drafting. Beijing Rongzhi Corporate Social Responsibility Institute (Rongzhi), a China-based organization specializing in corporate social responsibility and sustainable development, was engaged in all stages of the research process by advising on the projects to be surveyed, reviewing and commenting on the questionnaire design, and contributing useful insights into the research findings from a Chinese perspective and context.

iii. Site Selection

For the purposes of this study, we selected two BRI projects to explore community perceptions about: China Railway Rolling Stock Corp (CRRC) – Batu Gajah, Perak, and Malaysia-China Kuantan Industrial Park (MCKIP) – Kuantan, Pahang, along with Alliance Steel, the primary operating company in the Park. The selection of these sites was based loosely on their difference, in an effort to capture as much range and variety as possible. That is, CRRC was chosen in part because it is a relatively small (by BRI standards) project, embedded within a small town, while MCKIP is a large industrial park with a much more complex governance and operating environment and a different relationship to adjacent communities.



Source: Authors' own, with thanks to Fikry Rahman and Kuik (2021)

China Railway Rolling Stock Corp (CRRC) – Batu Gajah, Perak

The China Railway Rolling Stock Corp (CRRC) plant is situated in the town of Batu Gajah within the Kinta district of Perak, approximately 200 km from Kuala Lumpur City Centre. The modest 80-year-old township has approximately 300 households, with most of the population engaged in small business activity, sales, retail, tourism, and agriculture. The town features two golf courses and a tourist attraction, Kellie's Castle, which is a pre-independence castle built by a Scottish rubber plantation owner. Apart from that, Batu Gajah has limited public infrastructure.

In federal constituency, Batu Gajah is represented by Y. B. Sivakumar Varataraju Naidu of the DAP. There are 34 polling districts with 81,399 registered voters. Based on the ethnic breakdown of 2018 electorate, Chinese made up of 75 percent of the registered voters, followed by Indian (14.6 percent), Malay (9.95 percent) and other (0.34 percent). In terms of socio-economy background, based on Department of Statistics Malaysia (DOSM), the average household income of Batu Gajah is approximately RM 3,000.

In 2012, the CRRC set up a state-of-the-art manufacturing plant with a total investment of approximately RM400 million (approximately USD 95 million). The plant, which offers an all-in-one rail solution comprising production, testing, and refurbishment for extensive rail rolling stock, is CRRC's manufacturing hub in Southeast Asia,

and became fully operational in October 2015. The 42-acre manufacturing base (privately held by Chinese company CRRC Sdn Bhd) employs 100-150 workers and is located near the Malayan Railways Limited hub (Keretapi Tanah Melayu Berhad), which is the main rail operator in Peninsular Malaysia. The CRRC site, which is not visible beyond its front gate, is also next to a premium outlet shopping center, currently under construction.

CRRC has the capacity to build trains for major railways, intercity lines, and urban mass transit. Besides building subway cars and light rail transit (LRT) cars for high-speed rail and electric locomotives, CRRC also constructs magnetic levitation cars as well as cars for both meter gauge and standard gauge. The plant has a manufacturing capacity of 200 carriages a year, while providing major overhaul for 150 carriages.

According to Bai Tian, the former Chinese ambassador to Malaysia, the CRRC is one of the most successful cooperation initiatives between China and Malaysia.³² It is one of 400 projects between the two countries that has created approximately 68,000 jobs in Malaysia, and CRRC has become a source of employment for locals in Batu Gajah. With regard to this, CRRC has strived to localize manufacturing, employment, procurement, service and marketing efforts in Malaysia. According to CRRC's management, more than 85 percent of



< CRRC Rolling Stock have provided local employability to local communities in Perak. Source: www.xinhuanet.com

✓ Main services in CRRC Rolling Stock include repair, installation and production of rail transport equipment. Source: www.xinhuanet.com



positions at the plant are filled by Malaysians, namely ethnic Malay and local Chinese; the reverse is true for the KL-based HQ, CRRC Sdn Bhd, whose employees are 70-80 percent non-Malaysian.

In 2017, Rapid KL, the public transportation system owned by Prasarana Malaysia announced that the CRRC facility in Batu Gajah would provide interior installation work of three cars in the first train set for the Light Rail Transit 3 (LRT3) line project, which is scheduled to begin operations from February, 2024. This agreement between CRRC and Malaysia has opened up an opportunity to introduce autopilot trains to Malaysia's public transportation system.

The Perak government has a 30-year lease with the CRRC ZELC's plant which gives the authority to the government to decide whether to reclaim the land or allow CRRC ZELC to continue their operation on the land after the lease ends.

Since the outbreak of Covid-19, CRRC Kuala Lumpur Maintenance company and CRRC Rolling Stock Center donated over 200,000 medical masks, 500,000ml disinfectant, and MYR 50,000 for epidemic control and prevention in Malaysia. During the outbreak, Datuk Goh Boon Keng, deputy police chief of Perak State, and his team visited CRRC and provided guidance on the prevention of COVID-19 and preparations for the operation during CMCO (Malaysia Conditional Movement Control Order 2020).

³² Malaysia China Chamber of Commerce, (2018, June 14)

Malaysia-China Kuantan Industrial Park (MCKIP) – Kuantan, Pahang

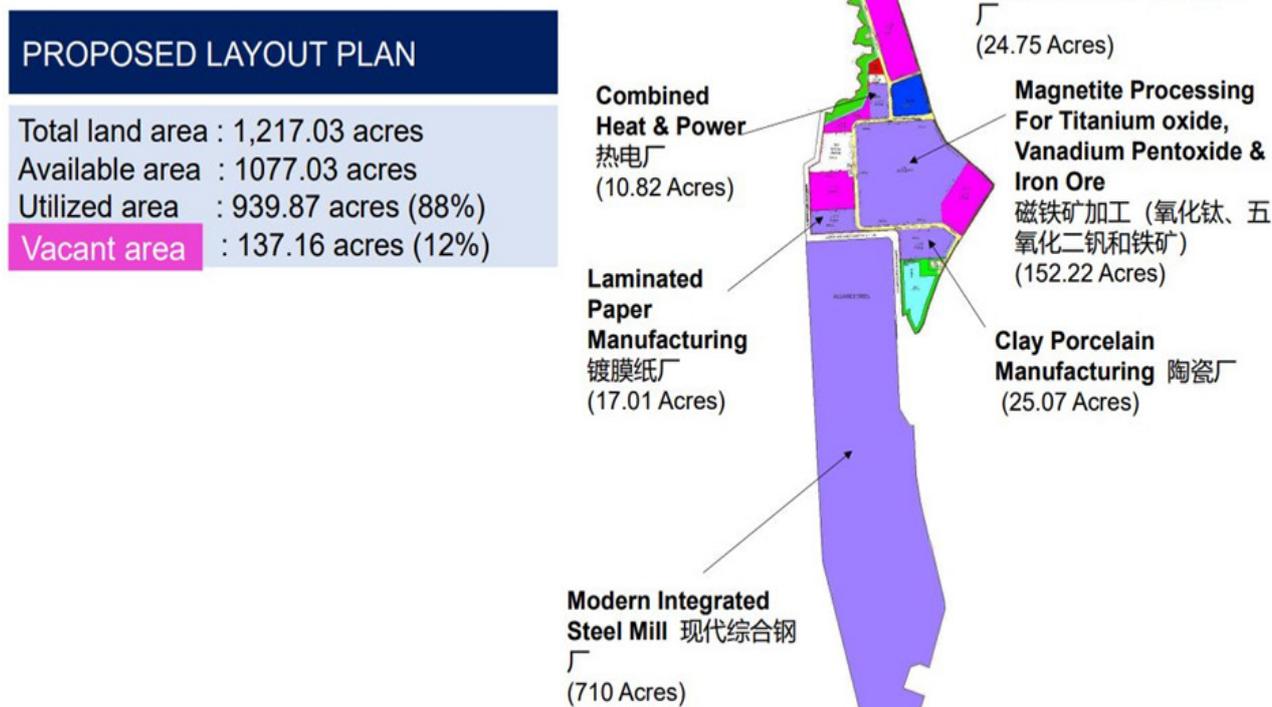
The Malaysia-China Kuantan Industrial Park (MCKIP) was officially launched on February 5, 2013 as a joint venture between Malaysia—with a 51 percent majority share held by Kuantan Pahang Holding Sdn Bhd, made up of Sime Darby Property Berhad (30 percent), IJM Corp Berhad (40 percent), and the Perak State Development Council (30 percent)³³—and China—with a 49 percent share held by Guangxi Beibu Gulf International Port Group (95 percent) and Qinzhou Investment Company (5 percent).³⁴

The MCKIP is the sister park of China-Malaysia Qinzhou Industrial Park (CMQIP), as part of the “Two Countries, Twin Parks” collaboration. It is the first Malaysian National Industrial Park developed jointly by both Malaysia and China. The industrial park is strategically located in the East Coast Economic Region (ECER) Special Economic Zone (SEZ) established by former PM Najib Razak in 2009, which is now one of the largest SEZs in Asia, covering 390,000 hectares. The MCKIP is also linked to the Kuantan Port Expansion, funded

by the same Chinese and Malaysian stakeholders (Guangxi Beibu Gulf International Port Group and IJM Corp Berhad), aimed at building the capacity of the South China Sea facing Kuantan Port.

The major industries clusters in MCKIP 1 and 2 are as follows: heavy and medium industries, machinery & equipment manufacturing, clean technology and renewable energy, chemical and specialised chemical industry, electrical & electronic industry, as well as research & development.

MCKIP 1 Master Plan



The layout of MCKIP Phase 1, consisting of six main industries as shown in the plan.
Source: MKCIP promotional material provided to authors

³³ Lawrence Todd and Meghan Slattery, (Oct 2018)

³⁴ Alice Tsang, (2017, May 16)



Source: MKCIP promotional material provided to authors

There are currently three active operating companies in MCKIP 1: Alliance Steel and Camel Power, both Chinese companies, and Malaysian-owned Industrial Concrete Products Sdn Bhd (ICP), which is a subsidiary of IJM.

Alliance Steel (M) Sdn Bhd with total of RM5.6 billion investment is the largest integrated steel project company in MCKIP, with a production capacity of 3.5 million tons of steel per annum, making it also the key project in this industrial park. This 710 acre modern integrated steel mill mainly produce high carbon steel and H-shape steel. It employs 5,500 people, over 3000 of which are Malaysian.

Photos above show the second investment project in MCKIP - a concrete spun pile manufacturing plant which commenced operation in 2019.

Kuantan, located near the mouth of Kuantan River, is the state capital of Pahang, Malaysia. It is the eighteenth largest city in Malaysia with a population of 503, 000 in 2020. The ethnic breakdown of the population is 79.0 percent Malay, 17.5 percent Chinese, and 3.2 percent Indian. In complying with the state's mission to expand its development and diplomacy, Kuantan has developed several projects with China investors, including the Kuantan Port City and Kuantan Port expansion, Malaysia-China Kuantan Industrial Park , and Kuantan Integrated Bi-opark and East Coast Rail Link (ECRL) which connects Kuantan to Putrajaya in Kuala Lumpur.

As Cheng-Chwee Kuik points out, it is important to note that Pahang is the home state of former PM Najib Razak, known for his affinity to Chinese investment, and the Kuantan projects began during his tenure as Prime Minister.³⁵ Furthermore, IJB Corporation Bhd is a private company that has the backing of the state of Pahang. These key political relationships are known to be crucial to the success or failure of BRI projects in many countries, including Malaysia.³⁶

³⁵ Kuik, C.C. (June 2021)

³⁶ Ibid

Methodology

To achieve the stated objectives, a mixed methods approach was used, including both quantitative surveys and qualitative interviews. The survey captures the public trends and perceptions on the subject matter, while in-depth interviews provide detailed feedback and insights into developments associated with the two projects, CRRC and MCKIP.

i) Quantitative Survey

Sampling

Stratified random sampling was used based on the ethnicity of the population in each selected location. Overall, 400 samples were targeted for each of the MCKIP and CRRC projects, with the primary selection of respondents done according to the closest state constituencies. In the MCKIP, case respondents were from the Pahang state constituency of Semambu. CRRC presented a bigger challenge as it is located at the intersection of four state constituencies in Perak (Tebing Tinggi, Tronoh, Sungai Rapat, and Menglembu), with another state constituency (Tualang Sekah) being close to the location as well. To capture the overall situation in the area and to provide a thorough understanding of CRRC's impact, we included respondents from all the aforementioned constituencies.

Figure 1. Sampling quota

Ethnicity of respondents	MCKIP	CRRC
Malay	299	163
Malaysian Chinese	85	182
Malaysian Indian	16	55
Total	400	400

Questionnaire

A structured questionnaire was used for the survey. Major areas of interest included knowledge and understanding of respondents toward BRI and the projects, level of engagement at local level and related issues, socioeconomic impact of projects, as well as future expectations. For respondents with little or no knowledge of the BRI-based projects, a separate and less rigorous version of the questionnaire was used to gauge their level of interest in BRI, as well as expectations for local development.

Three screening criteria were used to ensure suitable respondents were included in the survey:

1. Residents of the selected state constituencies (CRRC – Tebing Tinggi, Sungai Rapat, Menglembu, Tronoh, Tualang Sekah; MCKIP – Semambu, Beserah, Air Putih)
2. Awareness of the project (CRRC / MCKIP)
3. Possession of a certain level of knowledge/ understanding of the projects (on a scale of 1-5, those who answered 1 or 2 had a lower level of understanding of the project and were asked only a few of the questions from the survey, while those answering 3, 4, or 5 were administered the extended questionnaire)

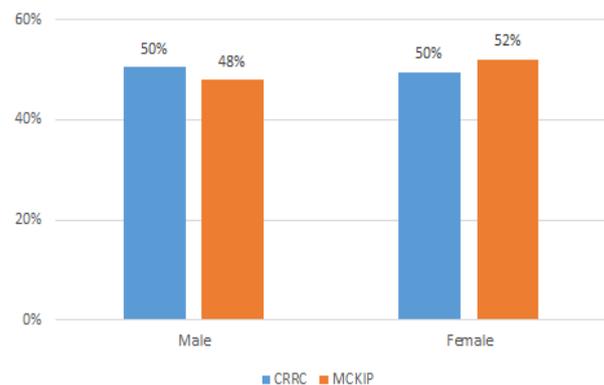
Data collection and analysis

The survey was conducted by Merdeka Center's own call center personnel (supervisors and interviewers) using the computer-assisted telephone interviews (CATI) method. The Survey CTO application was deployed as the main platform for data collection. The entire data collection was completed for both projects over three to four weeks, concluding in mid-December 2020. For data analysis, SPSS version 23 was used as the main tool.

Demographics

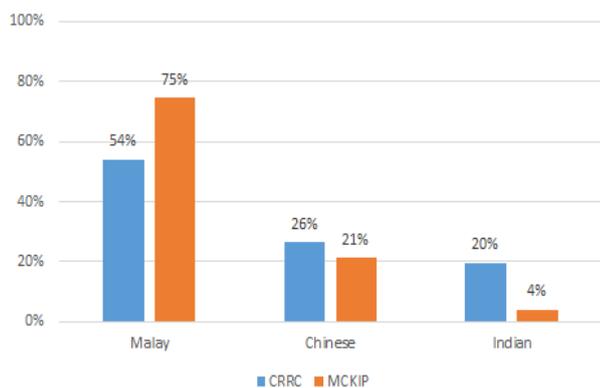
The survey aimed to interview an equal number of male and female respondents. The CRRC project respondents were equally split while there was a slightly lower percentage of male respondents (48 percent) than female respondents (52 percent) for the MCKIP project.

Fig 2: Respondents by gender



The ethnicities in each project sample varied as per the project location. Among the CRRC project respondents more than half (54 percent) were Malay, about a fourth (26 percent) were Chinese Malaysian and the remaining fifth (20 percent) were Indian Malaysian. Among the MCKIP respondents, three-fourths (75 percent) were Malay, a fifth (21 percent) were Chinese, and only 4 percent were Indian.

Figure 3: Respondents by ethnicity



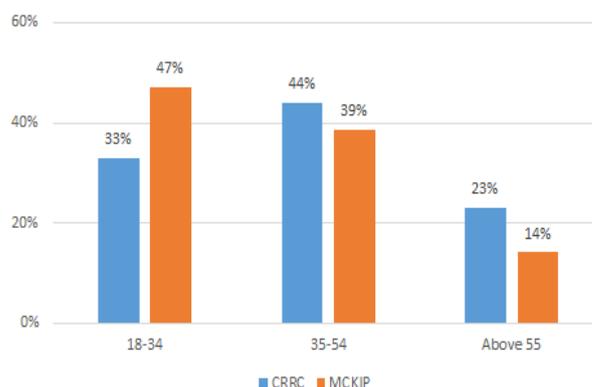
Over half the respondents in both projects CRRC (61 percent) and MCKIP (54 percent) had a monthly income below RM 4,000 (roughly USD 1000) with most in the RM 2,000-3,999 (USD 500-1000) income bracket (CRRC – 38 percent, MCKIP – 32 percent).

Figure 4: Respondents by monthly income



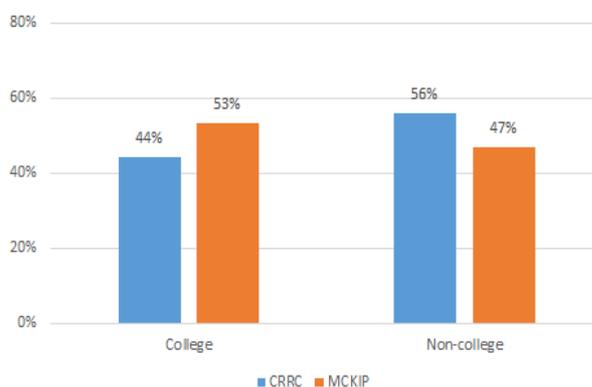
Most of CRRC respondents (44 percent) were in the 35 to 54 years age group while most of the MCKIP respondents (47 percent) were in the 18 to 34 years age group. A third (33 percent) of the CRRC respondents were in the 18 to 34 age group and 39 percent of the MCKIP respondents were in the 35 to 54 age group.

Figure 5: Respondents by age



There were more college educated respondents among the MCKIP group than among the CRRC group at 53 percent versus 44 percent.

Figure 6: Respondents by education



ii) In-depth Interviews

To complement and provide more nuance to the survey, 10-15 in-depth interviews were conducted for each project. Face-to-face sessions were conducted with local assembly members, political leaders, community leaders, business figures, and local representatives. The first round of interviews was conducted with 17 individuals who were from the Batu Gajah area and familiar with CRRC. The next round of interviews was held in and around Kuantan-Gebeng areas where MCKIP is located, with 18 respondents.

Key Survey Findings

A. Quantitative Findings

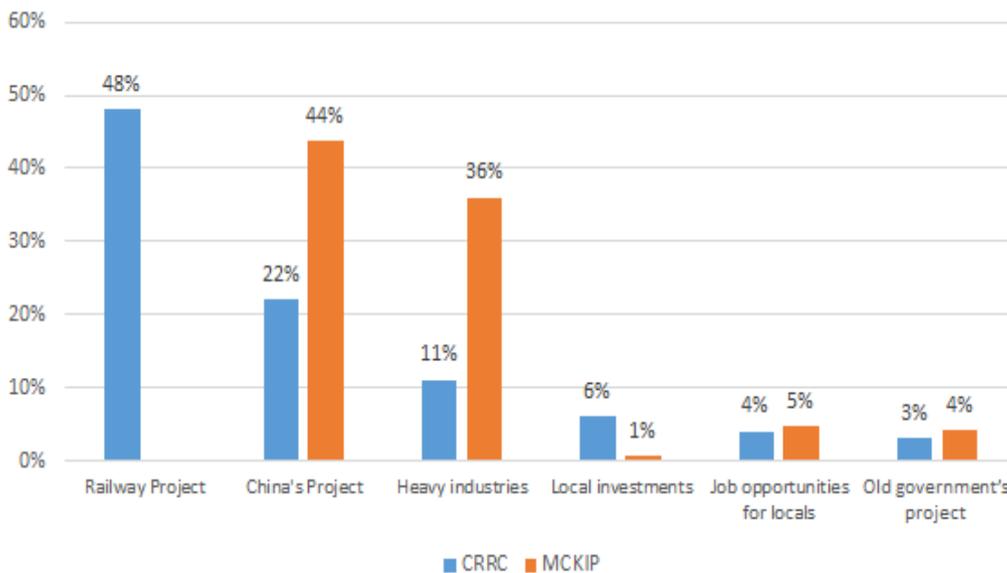
The findings below are from the survey interviews for both the CRRC and the MCKIP projects. For each section we provide responses for both projects side-by-side to enable a comparison and to highlight

some of the differences. These variations in responses can be attributed to a combination of the various differentiating factors between the projects that have been highlighted earlier in the report.

Knowledge and understanding of the project:

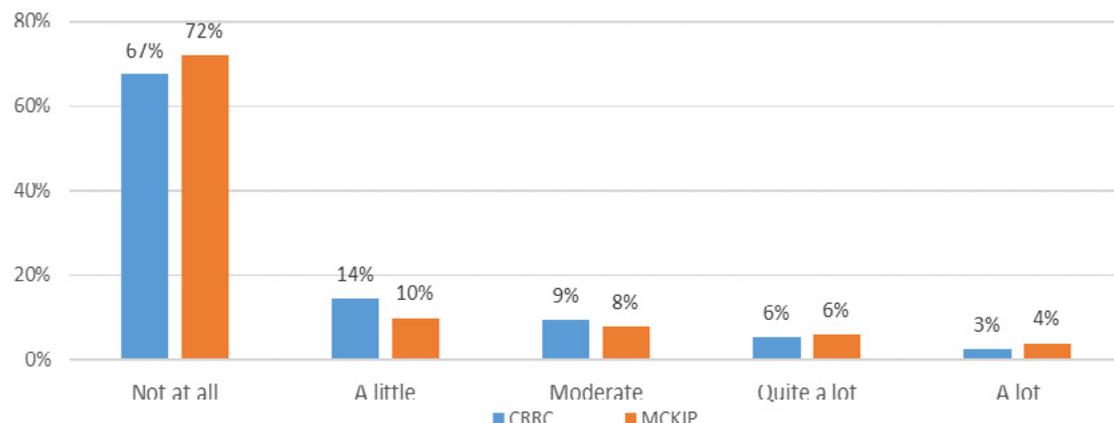
Respondents were asked about what they know about the projects. Almost half (48 percent) of those interviewed for the CRRC mentioned that it was a railway project. Another 22 percent identified the project as being a Chinese project, while 11 percent mentioned that it belonged to the heavy industries. A majority of those responding for the MCKIP project (44 percent) mentioned that it was a Chinese project followed by 36 percent who said it was part of the heavy industries.

Figure 7: What is known about the project?



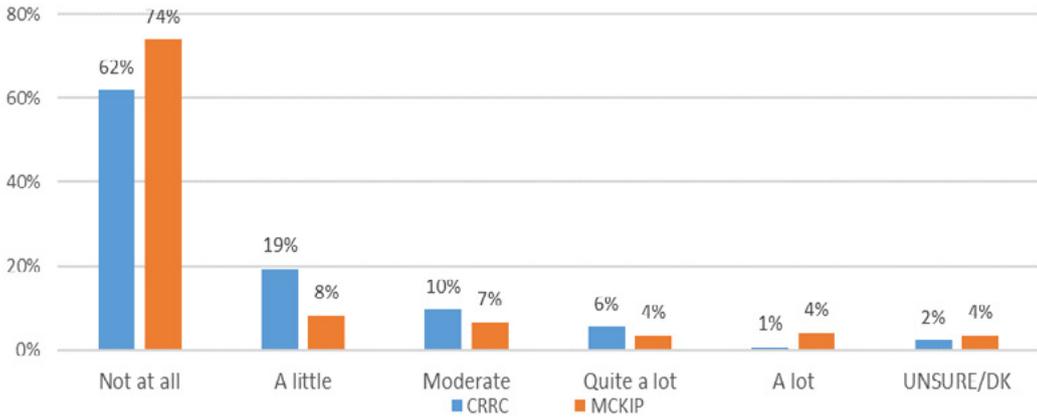
When asked about the BRI, a majority of respondents—67 percent for CRRC and 72 percent for MCKIP— said they did not have knowledge of BRI. Only 9 percent of CRRC and 10 percent of MCKIP respondents mentioned that they had either “quite a lot” or “a lot” of knowledge about BRI.

Figure 8: Awareness of BRI



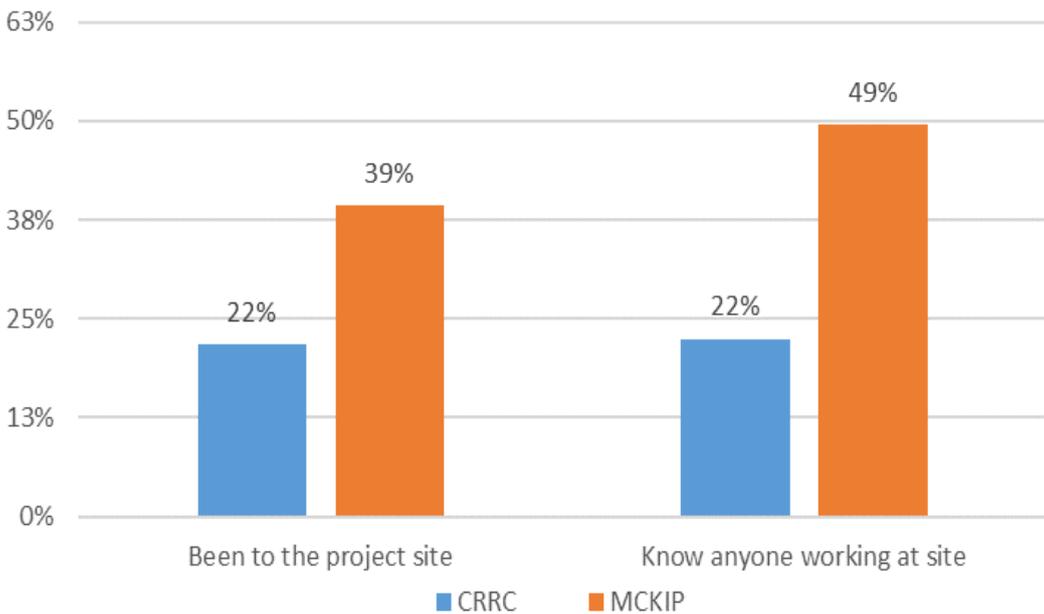
Over three-fifths (62 percent) of those interviewed for the CRRC project and about three-fourths (74 percent) of those responding for MCKIP, say that they have ‘no awareness at all’ about Malaysia’s involvement in BRI. Seven percent of CRRC respondents said they know “quite a lot” or “a lot” about Malaysia’s involvement, compared to 8 percent of MCKIP respondents.

Figure 9: Awareness of Malaysia’s involvement in BRI



Over one-fifth (22 percent) of the CRRC respondents and two-fifths (39 percent) of the MCKIP respondents have been to the project site. Again, just over a fifth (22 percent) of CRRC respondents said that they know of someone working on the project site while almost half (49 percent) of the MCKIP respondents knew of someone working at the project site.

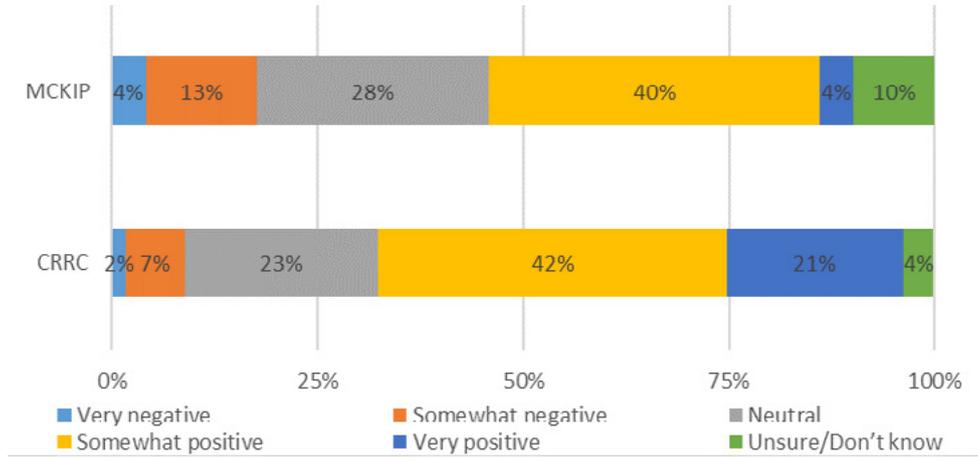
Figure 10: Whether they have been to project site and know someone working there



Perceived current and future impact of projects:

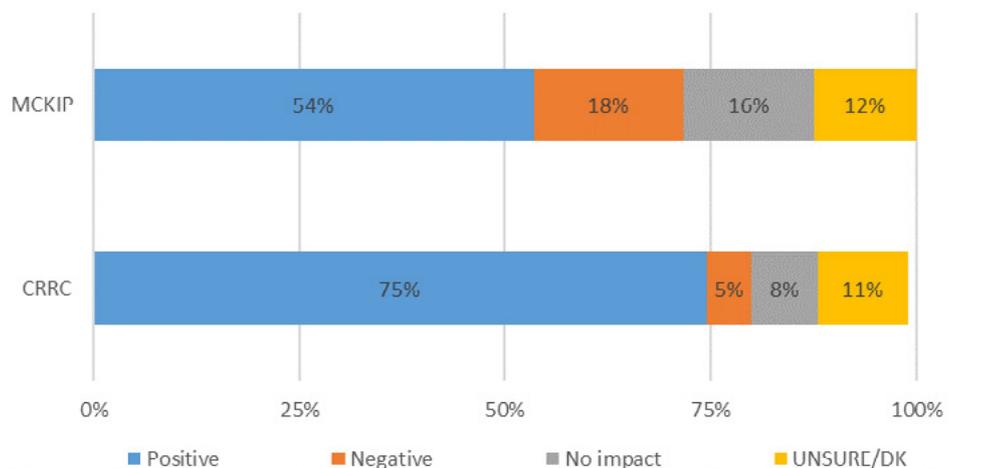
When asked about their perceptions on the economic impact of the projects, 63 percent of CRRC respondents, as compared to 44 percent of MCKIP respondents believed there was a “very positive” or a “somewhat positive” impact. Those who say there is a “very positive” impact are 21 percent of CRRC respondents and only 4 percent of MCKIP respondents.

Figure 11: Economic impact of the project



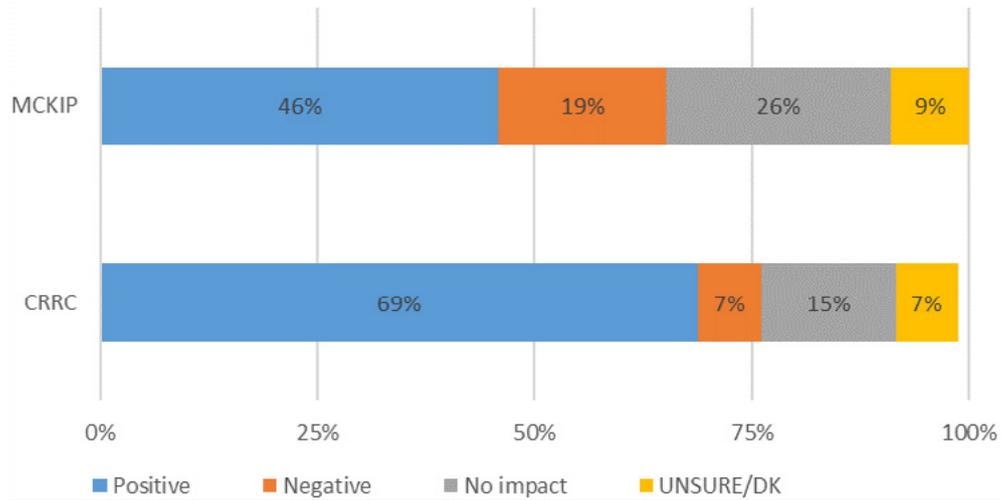
When asked whether they believe that the project would bring positive or negative impact on the local economy in the future, three-fifths (75 percent) of CRRC respondents and over half (54 percent) of MCKIP respondents believe that the project would have a positive impact on the local economy in the future. Only 5 percent of CRRC respondents as compared to 18 percent of MCKIP respondents believe there will be a negative impact on the local economy in the future.

Figure 12: Whether the project will positively or negatively impact on local economy in future



The respondents were then asked whether they believe the project would bring a positive or a negative social impact to the community. Again, there were more positive responses from the CRRC respondents. Over two-thirds (69 percent) of the CRRC respondents as opposed to slightly under half (46 percent) of the MCKIP respondents believed that the project would have a positive social impact.

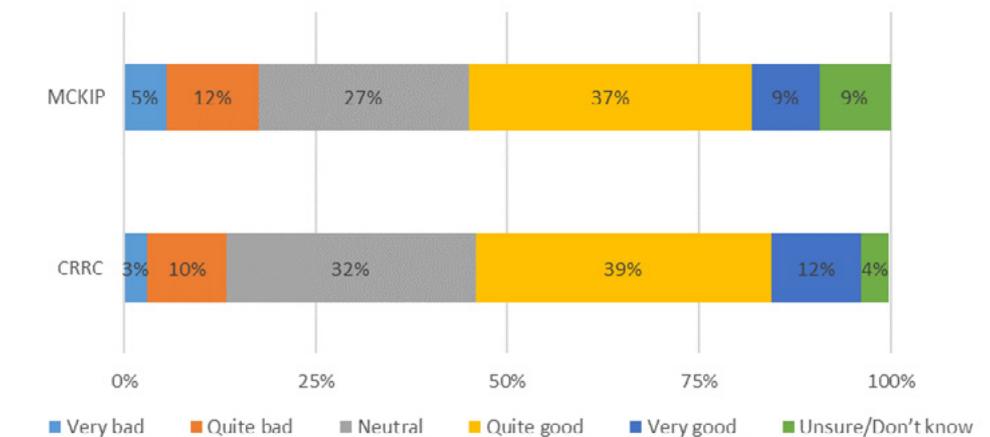
Figure 13: Whether the project brings positive or negative social impact to the local community



China and Malaysia’s engagement with project:

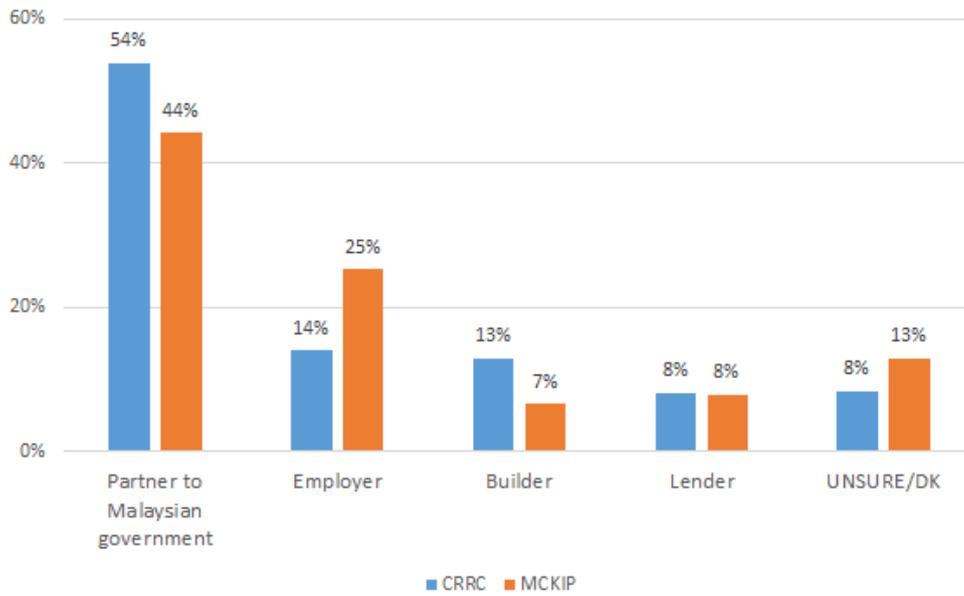
A majority have a positive perception of China’s investment in Malaysia with 51 percent of CRRC respondents and 46 percent of MCKIP respondents saying that they believe it is “quite good” or “very good.” This is opposed to only 13 percent of CRRC respondents and 17 percent of MCKIP respondents who say that China’s investment is “quite bad” or “very bad” from their perspective.

Figure 14: Perception on People’s Republic of China’s investments in Malaysia



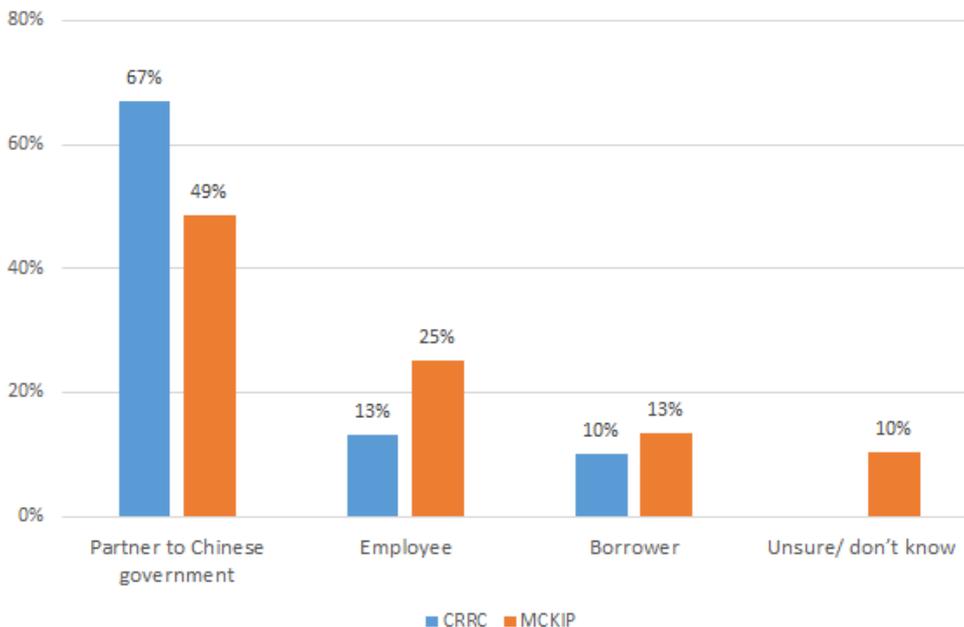
The respondents were asked about what they knew about China’s role in the project. Over half (54 percent) of the CRRC respondents, and 44 percent of the MCKIP respondents believed that China’s role was that of a partner to the Malaysian government. Among MCKIP respondents, a fourth (25 percent) mentioned China was the employer, 7 percent mentioned builder, and 8 percent mentioned lender.

Figure 15: China’s main role in the project?



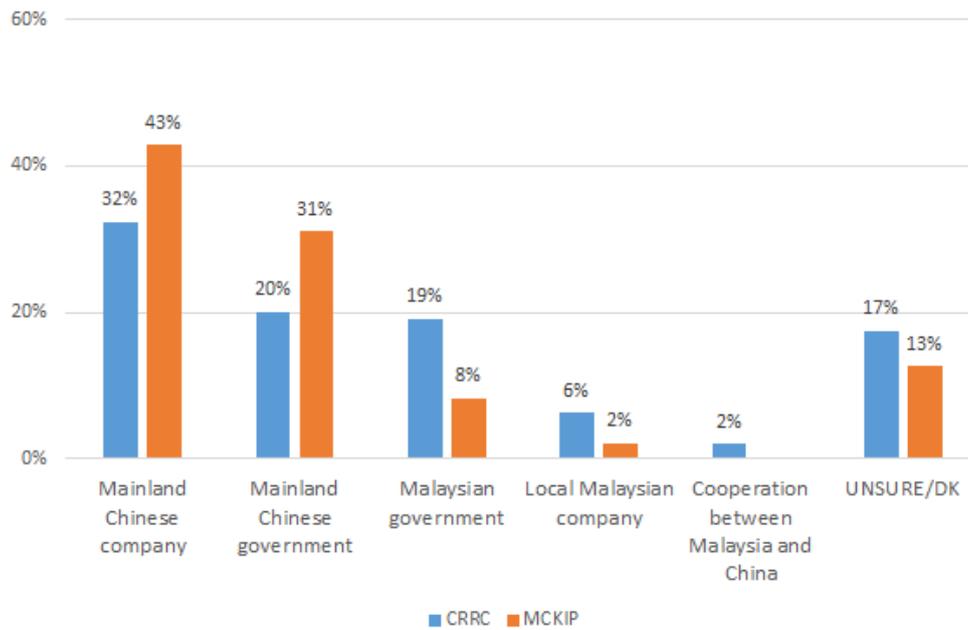
The respondents were then asked whether they knew what Malaysia’s role was in the project. Among CRRC respondents two-thirds (67 percent) said that Malaysia was in the role of a partner to the Chinese government, compared to half (49 percent) of the MCKIP respondents. Thirteen percent of CRRC respondents mentioned they were an employee and 10 percent said they were borrowers. Among MCKIP respondents, 25 percent said Malaysia was an employee and 13 percent said they were borrowers.

Figure 16: Malaysia’s main role in the project?



Respondents were asked if they knew who the main developer or company in charge of the project was. Seventeen percent of CRRC respondents and 13 percent of MCKIP respondents said they did not know or were unsure. A “company from mainland China” was mentioned by a third (32 percent) of the CRRC respondents and 43 percent of MCKIP respondents. The “mainland Chinese government” was mentioned by 20 percent of the CRRC respondents and 31 percent of the MCKIP respondents. The Malaysia government, being the main developer or company, was also mentioned by 19 percent of CRRC respondents and 8 percent of MCKIP respondents. The Malaysia government, being the main developer or company, was also mentioned by 19 percent of CRRC respondents and 8 percent of MCKIP respondents.

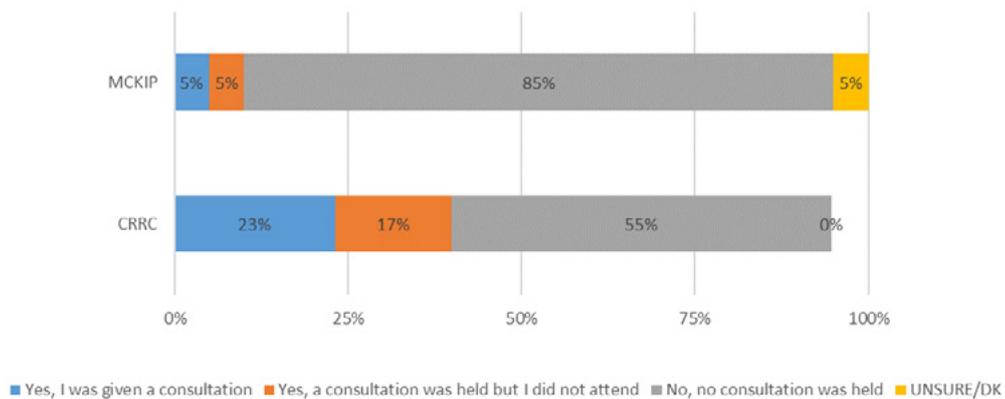
Figure 17: Main developer/ company(s) in charge of the projects



Project community consultations:

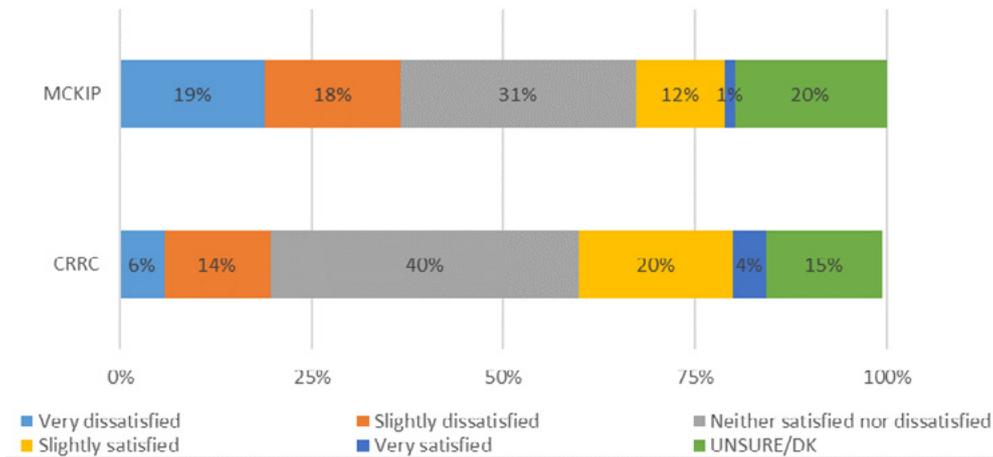
Respondents from the two projects had very different views on community consultations. From the CRRC project, 40 percent of the respondents said that a consultation was held, and a fourth (23 percent) of the respondents mentioned that they were personally consulted. But, from the MCKIP project only 10 percent mentioned that a consultation was held and 5 percent mentioned that they were consulted personally. Among MCKIP project respondents, 85 percent reported that no consultation was conducted, compared to 55 percent of CRRC respondents.

Figure 18: Were they consulted on the project?



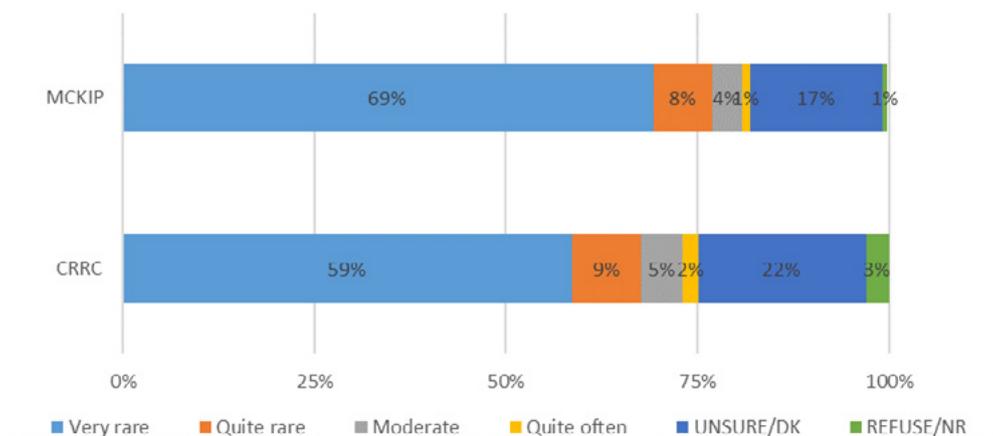
The survey asked the respondents whether they were satisfied with the level of engagement that the company undertaking the project had with the local community. A plurality of the respondents from both projects, 40 percent from CRRC and 31 percent from MCKIP, mentioned they were neither satisfied nor dissatisfied with the company’s engagement. Twenty percent of the CRRC respondents and 37 percent of the MCKIP respondents were dissatisfied with the company’s engagement while 24 percent of the CRRC and 13 percent of the MCKIP respondents were satisfied. A sizable percentage—15 percent of CRRC respondents and 20 percentage of MCKIP respondents—mentioned that they did not know or were unsure about the level of engagement.

Figure 19: Satisfaction with the level of engagement by the company with the local communities



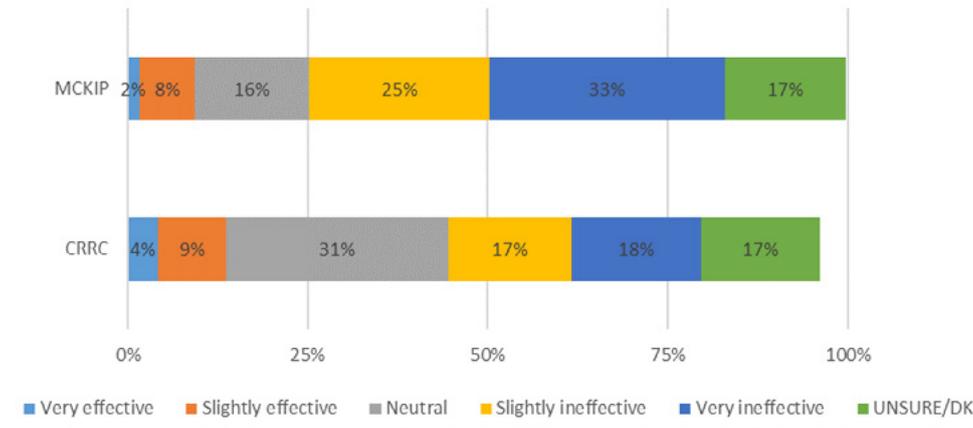
Community activities held by the project partners or officials were rare—two-thirds of the CRRC respondents and three-fourths of the MCKIP respondents said they were “very rare” and “quite rare.”

Figure 20: Frequency with which project partners/officials held community activities



When asked about the effectiveness of the ways in which project’s partners or officials have engaged the community, only 13 percent of CRRC respondents and 10 percent of MCKIP respondents felt they were effective. In comparison, 35 percent of CRRC respondents and 58 percent of MCKIP respondents felt they were ineffective.

Figure 21: Effectiveness on the ways project partners/officials have engaged the public



Very few respondents—only 7 percent of CRRC and 9 percent of MCKIP—said that the government agencies had briefed the community before the project started.

Figure 22: Whether a briefing on the project was given by any government agencies before its commencement



Conflicts and community complaints

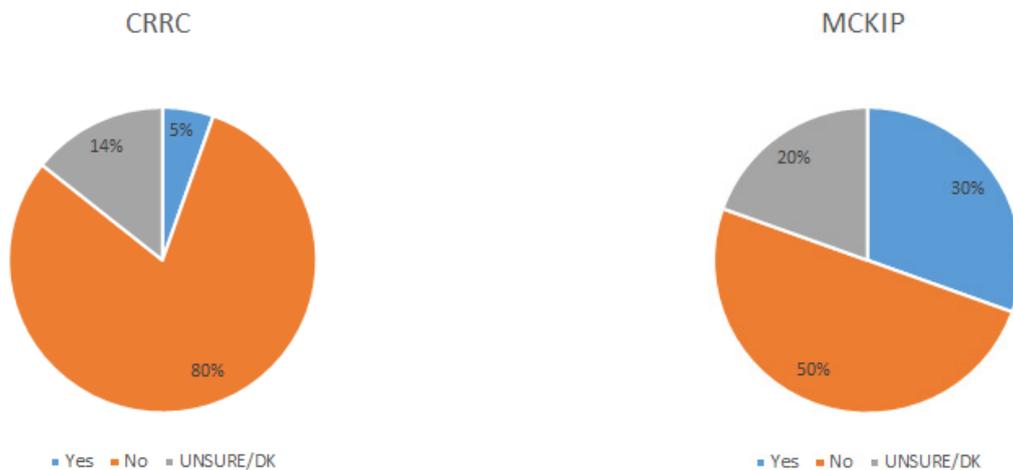
There was a clear difference in the extent of complaints made by the community regarding the projects. There were far fewer complaints made in relation to the CRRC project, with only 4 percent of respondents saying that complaints were made, as opposed to the MCKIP project where 30 percent of the respondents said that complaints against the project were made by the community. Most of the respondents were unable to distinguish between MCKIP and the operating companies, such as Alliance Steel, – more often than not the entities were generalized. However, upon further analysis, it can be said that regarding issues of internal operations such as employment structure, conflict resolution, and HR policies, respondents were referring to Alliance Steel as the main operating company. However, certain topics such as interethnic relations, workplace culture, and external facilities (i.e. Covid SOPs, housing, security, shopping outlets, etc.) were associated with MCKIP’s policies.

Figure 23: Were complaints made by the community?



Only 5 percent of CRRC respondents attested that there were conflicts associated with the project, while almost a third (30 percent) of MCKIP respondents spoke about conflicts associated with the project.

Figure 24: Whether any conflicts were associated with the implementation of the project



When respondents were asked about leading drivers of conflict associated with the project, both CRRC and MCKIP respondents mentioned “land grabbing” as the key issue (CRRC-29 percent, MCKIP-28 percent). Other key issues highlighted by CRRC respondents are “allocation of funds” (27 percent); “corruption or transparency of decision-making” (22 percent); and “disagreements with the implementing company” (20 percent). The MCKIP respondents mentioned “cultural intolerance or ignorance” (21 percent); “corruption or transparency of decision-making” (19 percent); and “clarity of project” (18 percent).

Figure 25: Issues that are considered most important and serious

	CRRC	MCKIP
Land grabbing	29%	28%
Allocation of funds	27%	9%
Corruption or transparency of decision making	22%	19%
Disagreements with the implementing company or corporation	20%	6%
Tensions with local or state government	17%	14%
Cultural intolerance or ignorance	12%	21%
Compensation amount	7%	10%
Clarity of project	4%	18%
None	12%	-
Others	12%	19%

The respondents were asked what people or groups would have benefitted or suffered most as a result the project. Key people or groups that are seen to have benefited from the CRRC project are “investing corporations”(47 percent); “local public” (47 percent); “state government” (45 percent); “local government” (33 percent); and the “federal government” (30 percent). People or groups seen benefitting from the MCKIP project are “investing corporations” (57 percent); “state government” (53 percent); “federal government” (34 percent); “local public” (29 percent); “local contractors” (28 percent); and “local government” (27 percent).

Figure 26: People/groups that have benefited the most from the project

	CRRC	MCKIP
Investing corporations	47%	57%
Local public	47%	29%
State government	45%	53%
Local government	33%	27%
Federal government	30%	34%
Local businesses	25%	16%
Local contractors	23%	28%
UNSURE/DK	3%	6%
REFUSE/NR	1%	1%
None	1%	3%

A third (32 percent) of CRRC respondents and 16 percent of MCKIP respondents believe that no one has suffered because of the project. However, of CRRC respondents, 35 percent believe the “local public” has suffered; 19 percent say “local contractors”; and 14 percent say “local businesses.” Among MCKIP respondents almost three-fifths (59 percent) say that the “local public” has suffered; 29 percent say “local contractors”; and 25 percent say “local businesses.”

Figure 27: People/groups that have suffered the most from the project – top 3

	CRRC	MCKIP
Local public	35%	59%
None	32%	16%
Local contractors	19%	29%
Local businesses	14%	25%
UNSURE/DK	11%	14%
State government	11%	13%
Investing corporations	10%	8%
Local government	10%	11%
Federal government	7%	7%
REFUSE/NR	3%	1%

B. Qualitative Findings

To complement the quantitative survey results, and to gain some insights into a more diverse range of perspectives, we conducted in-depth and open-ended interviews with community and government leaders, business owners, women's and youth organizations, and NGO representatives in both project sites, as well as with representatives of the affiliated Chinese companies. Insights from the two sites were quite divergent, and so are presented separately below.

i) CRRC

Community Leaders³⁷

Community leaders' perception is that the CRRC primarily employs mainland Chinese workers, and that communication is the major issue as the mainland Chinese workers are unable to interact in English or Malay, forcing sign language to be used at times. The community leaders also felt that interaction between the company and the community was lacking. According to the respondents no information sessions or briefings were held and community engagement activities were minimal. Furthermore, the lack of information on Malaysian involvement in the CRRC and expected benefits to the community from local or state governments led to rumors and misinformation among locals. The economic impact of the project was seen to be limited to job opportunities mainly for youth with experience in railroad or rail management, while women and other segments of society were less prioritized.

Government Representatives

- (MPs / State Assemblymen / Representatives in the State or Local Government)

Discussions were conducted with two local councilors currently serving in the Batu Gajah District Council. According to them, negotiations and discussions with CRRC were primarily done by the state government. As such, their involvement was quite limited. However, they did recognize the project's contribution to the local economy beyond job opportunities. They felt that the plant's location between Penang and Kuala Lumpur would allow the local area to thrive as a rail hub in the northern region of Malaysia, while the actual development of advanced rail coaches for up-and-coming projects in Southeast Asia would uplift the technological capacity and capability of the local workforce. They also stated their hopes and expectations regarding the future influence of CRRC, primarily the

interaction with local communities and expansion of employment to allow more locals to serve the company in the long run.

Local Businesses

Local businesses interviewed were not impacted much by CRRC, as the relatively small scale of the operations and size were perceived to be only significant for those in relevant sectors (manufacturing, construction, supplier of key materials, etc.). However, they also mentioned that having certain workers from CRRC as customers (especially for those in F&B business and retail) improved their prospects. The businesses seemed to know the scale of the project and knew China's role in it. They expressed concern about the presence of foreigners in the area (including the Chinese workers), the sometimes weak enforcement by local authorities regarding the project (particularly related to workers' safety, rights, and wellbeing) as well as environmental preservation of the surrounding areas.

Local NGOs

Local NGOs presented interesting views on Batu Gajah, a historical town touted as a possible tourist attraction, yet finding itself a transit point for those heading to the city of Ipoh or tourist spot of Lumut. As the local economy relies on basic and small industries (i.e., retail and services), large segments of the population have migrated away from the town, leaving residents who are either civil servants or self-employed. There is also a concern over the rising population of the urban poor community in the area as their needs are insufficiently met by the agencies and local authorities in charge. According to the respondents, the local authorities (namely the District Council) are less interested in local well-being and keen to pursue their own interests, creating a vacuum in terms of local economic development. NGO respondents welcomed any engagements, interaction, or contribution from CRRC to fill this gap and assist the needy segments within the community. While little communication has been held with CRRC and the company does not interact with NGOs frequently, this could be an opportunity for CRRC to build rapport with the community.

³⁷Community leaders' refers to heads or representatives of local residential areas located nearby the CRRC project site – these individuals tend to have some level of knowledge of CRRC through local networks, connections with political figures or public servants, or residents of townships and villages living close to CRRC.

Youth Representatives

According to the youth representatives interviewed, there has been some positive impact of CRRC in local development as some trained locals are employed by the company. While perceptions concerning work conditions were generally positive, there were some internal issues related to communication where regular disagreements and misunderstandings with the mainland Chinese workers took place, mainly because of the language barrier. It was also noted that in terms of work arrangements, the Malaysian workers are expected to resolve issues with local suppliers, as well as conduct out-of-scope assignments such as cleaning and related duties, while mainland Chinese workers just deal with the work in the facility. The use of technology has allowed work to be done smoothly, yet the small intake of local workers compared to Chinese workers creates challenges from time to time. Since Batu Gajah is a small town with minimal opportunities, respondents highlighted that a high number of youths are migrating out of the town upon completion of their secondary studies. At the same time, they believe that Batu Gajah is emerging as a residential area for outsiders (i.e., employees or workers from the nearby city of Ipoh or education hub of Tronoh). So, the younger generation of Batu Gajah who stay on are losing out with less opportunities for affordable housing and with lower qualifications than those traveling into the region for work. Moving forward, they hope that more local youths will be consulted and brought into CRRC as high-level job opportunities remain scarce in the area, and that more community engagements will be done to familiarize the mainland Chinese workers with local values and culture.

Return of The Hometown Kid

Din (not his real name) considers himself to be lucky – after completing a diploma in railroad maintenance 10 years ago, he was able to secure a job as a technician with Malayan Railways Limited (KTM), a prominent public railroad company. Living in Kuala Lumpur was expensive and Din needed to work long hours to make ends meet to support his wife and two young children. Having the urge to return to his hometown (Batu Gajah, Perak) to settle down, Din came across an advertisement seeking technicians for a China-based stock manufacturing plant in his hometown. He went for an interview and managed to obtain the position. After 2 months, he started his new position at CRRC Railway Stock Malaysia in 2017.

Din was given a starting salary of RM 2,500 plus other allowances, more than enough for him and his family. His job scope is similar to his previous positions. His main challenge is communication, as his contemporaries and colleagues are mostly from China. Being a relatively small plant, CRRC utilizes various advanced machines and robots brought from the mainland, thus keeping the number of workers to a minimum.

The working environment is supportive, and he is given regular technical training, plus Mandarin lessons. He has been sent to China for training and he appreciates the opportunity given to him. Din is happy to be working at CRRC, but wishes more locals worked with him. Many of his friends have been removed due to the Covid-19 pandemic, and he is thankful that he is able to stay on his job without any salary deduction. He hopes he can stay on and learn more.

Image Source: Freepik

Women Representatives

The respondents shared their views on women's participation in the workforce in Batu Gajah. Most of them are small traders or workers with local stores earning paltry salaries that are just enough to make ends meet. The women mentioned that CRRC does not employ many local women (according to their knowledge), as the heavy industry requires physical strength. However, they would like to see CRRC recruiting more women to be part of their workforce in any capacity, in both skilled and non-skilled positions.

Engagements with the Chinese Company in Charge

When contacted, a representative from CRRC Rolling Stock Malaysia declined to be interviewed, stating that internal operations are strictly private and confidential.

ii) MCKIP

Community Leaders

From conversations with the community leaders, it was apparent that the MCKIP project has helped many community members seek job opportunities and earn a living through low- and mid-skilled positions offered by the operating companies (Alliance Steel, etc.). Many people from Kuantan and its suburbs are employed by the project. However, as reflected in the survey results above, several drawbacks and issues were also associated with MCKIP, as shared by the community leaders. These included:

- Roads in and around the MCKIP were not well maintained and had many potholes that cause accidents.
- The areas around the facility were poorly lit.
- Trucks and vehicles exiting MCKIP were known to have caused some accidents (due to direct hit / dropped cargo), yet no one took responsibility for this.
- Food offered at the facility reportedly had issues with cleanliness and 'halal' tolerance, leading to workers' backlash.
- Some Muslim workers complained about not being allowed to perform Friday prayers.
- Workers known to have experienced workplace injuries or accidents did not receive insurance coverage or compensation.
- There were reports of abrupt salary cuts and retrenchments.
- State and local authorities were reportedly prohibited from entering MCKIP's compound for inspection and were offered no clarification or justification for this.
- MCKIP's management or companies turned up to donate items and participate in community activities right after its inception but no further engagements were planned. The latest interaction came involuntarily when complaints were lodged against them over reports that Muslim workers were not allowed to perform Friday prayers.

In light of the Covid-19 outbreak, community leaders highlighted the need for MCKIP and operating companies, in particular Alliance Steel, to step up and assist the locals by providing necessities or funds to those in need, and urgently absorb local workers desperate for work. MCKIP must also be more transparent in terms of its operations and policies to better fit the local sentiment and work culture. In addition, a few interviewees expressed the view that Alliance Steel should be more inclusive and avoid race-based policies in selecting suppliers and contractors.

Government Representatives (MPs/State Assemblymen/Representatives in State or Local Government)

According to the former state assemblyman representing the MCKIP area, there was minimal consultation between him and the companies involved at the planning stage of MCKIP due to the fact that the project was governed by the federal and state government under the Barisan Nasional government back in the early 2010s. According to him, upon MCKIP's completion, political leaders and government officers received various com-plaints related to MCKIP including:

- False advertising of jobs attracted prospective workers who were eventually only offered temporary positions.
- Abrupt termination of employees without prior notice or compensation.
- Theft involving water supply.
- Noncompliance of technical specifications for machineries, work procedures, safety standards, etc.
- Abuse of workers' rights (working hours, payments and allowances, minimal compassionate leave for affected workers – i.e., bereavement, death of close family members).
- Lack of employee protection (i.e., minimal medical coverage and insurance, minimal compensation for workplace accidents).
- Poor treatment of local workers including extensive use of abusive and foul language.
- Lack of cultural and religious tolerance (selective respect for religious beliefs, poor cultural sensitivity in terms of meal management).

The interviewees did point out that the MCKIP's management (i.e., top managers and representatives of operating Chinese companies) immediately reverted to them whenever an issue was reported and held regular meetings to address any arising issues. The management was quite transparent in terms of information and disclosure with the political figures and key leaders and shared the MCKIP's structure in detail. The interviewees mentioned that MCKIP recognized its flaws based on the ongoing developments and public feedback and conveyed that they intend to improve its working relationship with the public by responding to the issues in the most practical manner.



Image Source: Freepik

Youth Representatives

Youth representatives believed that the key benefits they had with the MCKIP were job opportunities that attracted skilled workers to migrate and settle in nearby areas. While the promised salaries were satisfactory, there could be some shortage or missed payments from time to time. Key concerns they faced are associated with workplace communication as the main medium of instruction used is Mandarin. Local translators helping with communication were often accommodating both sides and being less transparent about the exchange to avoid confrontations between the Malaysians and the mainland Chinese workers. There was also some friction attributed to the long working hours and the fact that in some cases Malaysian workers were asked to perform nontechnical duties (such as cleaning or other menial work). Additionally, abrupt terminations have occurred with minimal justifications.

Moving forward, suggestions were given to promote job opportunities and retention among locals at MCKIP. Also included was the issue of employee welfare and wellbeing as there were rising cases of unreported and undercompensated workplace incidents. The influx of mainland Chinese workers was also suggested to be gradually reduced to integrate more Malaysian citizens in the companies' daily operations and management.

Local NGOs

Local NGOs noted the presence and positive impact of MCKIP on the local community in the state of Pahang especially in terms of employment and recognition. However, assistance received and interaction with MCKIP has been nonexistent despite hearing about their resources and possible capacity to donate. As such, the situation could be improved to boost MCKIP's image in the community.

The End of the Line: A Tale of Two Brothers

Izam and Xiu (both not their real names) came from vastly different backgrounds; Izam used to be a technician with a wiring company in Balok, Pahang while Xiu was a school teacher in Beijing. Both have young children and were offered jobs with MCKIP in 2017. Izam attended an open interview in MCKIP and Xiu was appointed as a supervisor in Izam's department. They were promised high salaries and good company benefits, attracting them to be part of the operations.

While language barriers were expected, Izam and Xiu connected from the moment they met. They communicated through sign language and English. Later, Izam learnt some Mandarin phrases and Xiu picked up basic Malay phrases. They bonded over their love for adventure and family and shared their experiences in managing households, regularly going on outings to nearby beaches as well as on hunting trips behind the MCKIP's facility.

As time progressed, they started to experience issues with their employer as salaries were not paid on time (and eventually reduced); they had to work long hours, were continuously reprimanded for minor matters, and had disagreements with the management. Similar problems were faced by other colleagues who either left or persevered before deciding to leave. In certain cases, their fellow colleagues were retrenched with minimal notice and unjustified reasons.

For a few months, Xiu contemplated staying; but his finances were affected when his monthly salary was reduced by RM 3,000, affecting his remittances to his family in Beijing. As for Izam, the continuous burden of long working hours and unpaid overtime took a huge toll. Eventually he was retrenched in mid-June 2020 during the Covid-19 pandemic, while Xiu returned to his hometown to continue teaching.

Engagements with Chinese Company in Charge

The representatives from MCKIP shared the overall plan for the project encompassing three phases. To date, only Phase 1 is underway while the other two are still in the planning stage (also disrupted by the change in government and Covid-19 pandemic – as factories faced operational restrictions and require workers to stay within the compounds). Presently, Alliance Steel is the biggest company operating in MCKIP, employing more than 2,000 workers including Malaysians. According to the interviewees, local traders were brought in to the MCKIP compound to promote their goods and products and serve the MCKIP workers.

In terms of consultation, MCKIP engaged with federal and state governments before proceeding with the project. Consultations were held with local traders and business figures (Malaysian Chinese), as well as key agencies and port authorities (as the Kuantan Port and MCKIP are packaged together). In the long run, MCKIP hopes to provide more job opportunities and businesses to locals, especially in Phase 2 and 3 of the project, which shall expand the area to Gebeng, Balok, and the Kuantan Port directly.

Women Representatives

The women interviewed noted the presence and impact of MCKIP in the community, although specific assistance towards women and special interest to promote them have been nonexistent. However, it was seen that MCKIP and operating companies did employ women as part of the staff.

Malaysian Chinese Association

The interviewee shared the current challenges faced by the project, namely the lack of basic infrastructure (such as water, electricity supply, roads) provided by the state government, which must be borne by the incoming Chinese companies; the change in federal government in 2018; as well as the travel restrictions posed by Covid-19.

In terms of local community consultation, the interviewee opined that the Chinese government's intention to work closely with the Chinese diaspora resulted in preference given to suppliers, contractors, and providers of Chinese descent. On the issue of work culture and retrenchment of local workers, it was noted that workers' attitude is a priority for the operating companies and full commitment is required.

Former Workers of MCKIP/Alliance Steel

Conversations with former MCKIP/Alliance Steel workers exposed significant observations on the working conditions and environment, including the following points:

- Top management and superiors were mostly from mainland China, while Malaysians held mid to lower-ranked positions
- There were cases of underpaid workers that were resolved upon complaint.
- Workers' safety was not prioritized and basic equipment was not supplied.
- Workplace communication was a major issue, often leading to verbal and physical altercations. Police involvement prevented these conflicts from escalating in most cases.
- Translators were required to communicate with mainland Chinese workers, and all of them were Malaysians.
- Mandarin and Malay language classes were provided, and incentives were given to those who passed examinations and improved their command of the language; that said, the classes were mandatory, and most workers attended to avoid salary cuts or retrenchments. The classes were also difficult due to the timing as they took place after the end of the workers' 12-hour shifts.

While the respondents acknowledged some positive impacts from the presence of MCKIP/Alliance Steel in the community (good job opportunities, high salaries), weaknesses and drawbacks were also apparent. One respondent believed that the emergence of Covid-19 has provided Alliance Steel with an 'excuse' to retrench workers due to the economic downturn and to lessen demand for raw materials supplied by the local plant. Certain conditions were also seen as too rigid – for example, after the Movement Control Order was imposed by the Malaysian government in March 2020, Alliance Steel stipulated that workers must either stay in the provided dormitories or to be retrenched. This condition was rejected by some local Malaysian workers with families who believed that the terms intended to remove problematic or nonessential workers. As such, a substantial portion of Malaysian workers decided to quit – they were given a small compensation upon leaving.



Conclusions & Recommendations

The quantitative survey and the in-depth interviews detailed above paint quite a nuanced picture of the perceptions and experiences of various elements of two communities regarding the BRI projects in their midst. It is notable that the primary response is that the impacts are on balance positive, especially around job creation and economic stimulation of the local economy. It is also notable that in both communities, especially in the context of Covid-19, locals expect and hope that the two projects will play a greater and more socially active role in assisting the needy and providing badly needed employment. The primary criticisms expressed were around lack of engagement or consultation, and cultural/language related conflicts. Overall, the findings present a diversity of complex issues including land rights, regulatory frameworks for joint ventures, labor rights and employment practices, public consultation, transparency and communication, community investment, as well as language and cultural issues.

Following are a compilation of recommendations informed by these findings. These recommendations are directed at both Malaysian and Chinese policymakers as well as the relevant private sector stakeholders.

a) Greater public involvement and participation

Respondents and key opinion leaders interviewed highlighted the need for the companies (CRRC and MCKIP/Alliance Steel) to be more visible and present within their communities. These community members expect that the two companies should improve their outreach especially in terms of social contribution, community assistance, and two-way communication between local Malaysians

and mainland Chinese workers (due to cultural and language differences and the lack of acceptance between the two groups). Recommendations include higher allocation of resources for impoverished locals through cash donations and material assistance for children, to address education-based needs. With the reduced output of facilities and suspended operations in Malaysia during the pandemic, there are many opportunities to forge positive ties through community support activities.

b) Improvement in communication and transparency

CRRC and MCKIP-based surveys revealed substantial public dissatisfaction with the level and type of communication the projects have had with the local communities. While CRRC is much smaller in scale and operations, its strategic location has led to increased expectations among the public. Meanwhile, MCKIP has earned a negative reputation for poor maintenance of public infrastructure including roads, prevalence of accidents in the surrounding areas, and social issues within its premises. MCKIP's management also lacks effective crisis communications which has led to a spread of misinformation.

As such, respondents are of the opinion that the top management of both projects (CRRC and MCKIP) need to go beyond traditional methods of public communication and interact more effectively with local communities. According to community leaders, negative perceptions are often due to biased information received from unreliable sources. Therefore, it would be helpful for the companies to discuss and clarify public complaints and concerns



openly, while also seeking recommendations from the public on ways to create a supportive environment. Respondents felt that there is a need for regular town hall sessions and increased community engagement. Respondents noted that such events were only conducted to divert attention from negative internal reports and grievances raised.

It is recommended that the operating companies fully leverage social media channels for communication and promotion. While both CRRC Malaysia and MCKIP have set up social media accounts and websites, their main purpose seems to be to release business news and seek cooperation. The webpages do not provide a channel for interacting with local stakeholders. Moreover, in Chinese overseas investments, social media management is commonly outsourced to third-party providers. The questions raised by a local audience through social media cannot be efficiently or effectively responded to by such companies.

It is undeniable that both CRRC and MCKIP/Alliance Steel strive to do their best to communicate with local stakeholders. For example, CRRC Malaysia holds an annual “Public Open Day,” bringing together customers, employees’ families, and local residents for station visits, and other activities. The purpose is to develop closer relations with local communities and shape the image of a good neighbor to the communities. However, this study shows that there are still questions and concerns over the companies, such as the high expectation of local employment expansion, recruitment of more women, etc. It is important for the company to use the public open day or establish regular communication mechanisms to learn more about local needs, expectations, and concerns, and provide positive responses and clarifications.

c) *Improved labor relations*

Many respondents observed that the high number of Chinese nationals living in the area has fueled some discontent, as Chinese-national employees held higher positions within the companies. Local workers are placed in mid-to-low skilled positions, which respondents believe limited their potential and hampered the expected skills upgrade and eventual transfer of technology.

As such, it would be helpful for CRRC and MCKIP/Alliance Steel to work with domestic authorities and agencies to re-evaluate hiring policies to increase the much-needed intake of local workers at all levels. While CRRC’s capacity of 100-150 workers and its preference of utilizing high-end technology and robotics may limit its ability to expand its workforce, the company can promote local employees and hire more skilled female workers. In Alliance Steel, a similar approach should be followed by incorporating an increased number of high-skilled local workers in higher positions, as well as expanding the pool of subcontractors to include a more racially diverse pool of suppliers. That said, it is also true that both companies hire through local agencies and that both have experienced challenges finding local workers with the particular technical skills required; this indicates that better communication about hiring and recruitment practices might defuse misperceptions and alleviate tensions.

At the same time, the cross-cultural management capacity of the Chinese companies urgently needs to be improved. Notably, some local employees’ complaints arise from the cultural difference. What some Chinese companies might value as a “hard-working spirit” might conflict with the local



concept that everything must be done in agreed and reasonable ways. Some practices which are normal in China might be unacceptable in other countries (i.e., the complaint about CRRC requesting local workers to conduct out-of-scope assignments such as cleaning and related duties). It is necessary to help employees fully understand the specific reasons for the assignment, try to reduce misunderstanding, and strengthen the enthusiasm of employees. Language training is an important way to enhance employees' knowledge and understanding of each other's cultures. It was noted that Mandarin and Malay language classes were provided in MCKIP, but the classes were difficult due to the timing, as the class took place after the end of the workers' 12-hour shifts. The management of the companies should strengthen their capacity to build an internal cultural communication and integration mechanism.

d) Closer collaboration with state and local governments and authorities

According to media reports and opinions of key thought leaders, challenges were faced in understanding the internal issues between the facilities and enforcement of operational and labor regulations. Restrictions placed by both CRRC and MCKIP/Alliance Steel on domestic monitoring procedures led to various acts of noncompliance being reported, including issues with working hours and environment, workplace injuries, and invalid retrenchments.

These developments could be resolved through closer cooperation between all parties involved, especially the district or municipal council and the state governments, to prevent any unwanted incidents in the future. Although CRRC and Alliance Steel dictate working conditions and oversee internal operations, respondents called for these companies to adhere to Malaysian law and regulations while also being respectful of cultural norms.

In conclusion, this study shows moderate public appreciation towards BRI projects in Malaysia, largely due to the local development and job opportunities brought about by MCKIP and CRRC. However, there were criticisms associated with the lack of engagement and clarification over the nature of the projects, transparency, local workers' welfare, and engagement of the Chinese corporations with the community.

The Covid-19 pandemic accentuates community need, which in turn provides opportunities for these corporations to improve public perception, particularly by providing jobs

and collaborating with local authorities and enforcement agencies in ways will be benefit the local communities in the surrounding areas.

The results of this study indicate that the BRI offers the opportunity to maximize development outcomes if measures are taken to ensure that overall impact is positive and fosters long-term sustainable results. The recurring themes in addressing the issues raised in this report revolve around clear and transparent policies, improved communication and consultation mechanisms, and clearer roles and responsibilities related to community engagement among various invested parties. While this report focused on two specific projects, the findings and recommendations provide actionable insights to mitigate the social tensions that may result from BRI projects elsewhere in Malaysia and in other partner countries.

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