

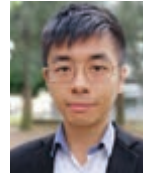
BELT ROAD INITIATIVE & MALAYSIAN ENGINEERS: ORIGIN AND CONCERNS



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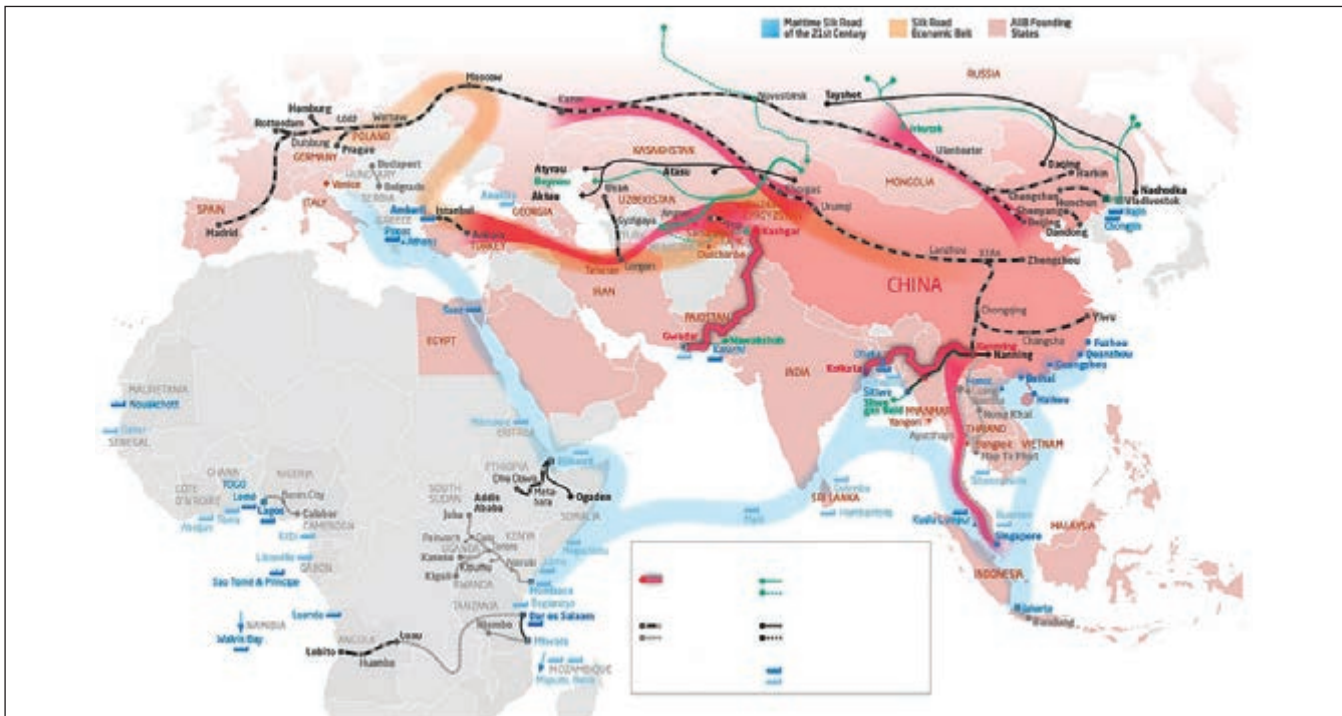


Figure 1: Mapping China's Belt & Road Initiative.
Source: Khan et al., (2018)

Since the 2013 announcement of the Belt Road Initiative (BRI) by President Xi Ji-Ping, up till 2017, a total of 1,700 BRI projects had been led by 50 state-owned enterprises (Enderwick, 2018). By 2016, more than 100 countries expressed their support and 39 international organisations signed 46 agreements to take part in railway, energy pipeline and electricity projects (Fang, 2019; Wang, 2019).

The BRI involves two-thirds of the world's population and contributes about US\$21 trillion to the global GDP, making it the most ambitious geo-economic project ever in recent history (Ullah, 2019).

The BRI has received endorsement from global leaders as well as criticism as outlined below. At the BRI Forum in 2017, world leaders welcomed it but stressed that the "BRI should accommodate the interests and concerns of all

parties involved, and seeks a conjunction of interests and the biggest denominator for cooperation so as to give full play to the wisdom and creativity, strengths and potentials of all parties" (Lee, 2017).

Firstly, China approaches her role in the BRI in the following ways:

- China's interest is high.
- China behaves like an investment partner, shifting risks to her partner countries.
- China has a no-strings approach to her partner governments.
- China's authoritarian approach may encourage corruption and debt, which will push the voters in affected countries to demand for greater accountability (Balding, 2018).

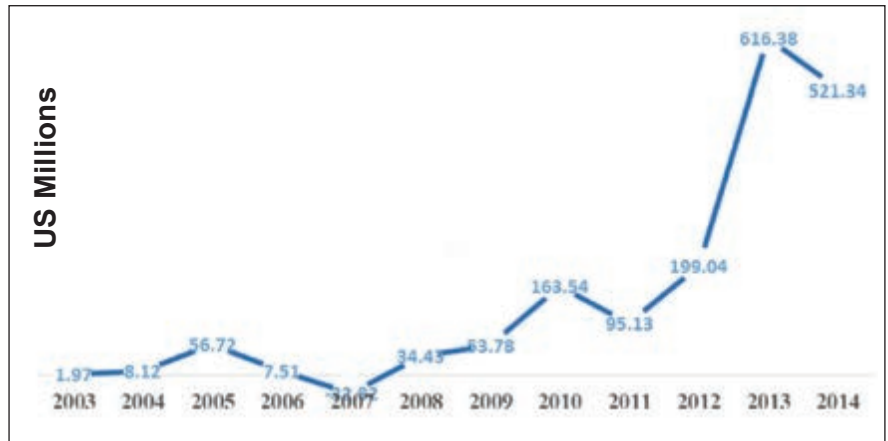


Figure 2: China's inward and outward Foreign Direct Investment (FDI) in Malaysia (US\$, million).
Source: Yeoh et al., (2018)

Secondly, and more recently, three BRI participating countries – Pakistan, Malaysia and Myanmar (Pantucci, 2018) – have asked that their contracts under the BRI be reviewed, downsized and renegotiated as they expressed their dissatisfactions.

Given the above-mentioned issues, the aim of this short paper is to explore the nature of the BRI and see how this promotes or otherwise, benefits for participating countries. Three questions are raised:

1. What is the origin and what are the motivations of the BRI?
2. Besides expecting economic growth, what are the concerns of the participating countries?
3. What is the real concern for Malaysian engineers?

We will discuss the origin and motivations of the BRI, followed by reflections on the BRI/FDI. The discussions and conclusion will round off this paper.

ORIGIN & MOTIVATIONS

The BRI is an evolving grand design calculated to allow China to reach greater heights, both economically and politically, on the world stage and this may well spell an end to the American-led unipolar civilisation. The BRI was made possible by a consistent and determined set of decision-makers in China, led by Deng Xiao-Ping when he took the helm in 1978. He opened up China to newly-found trade opportunities and, in the process, made China the world's "number one factory".

In the view of Khan, Sandano, Pratt, and Farid (2018), "BRI has its roots in the ancient Chinese philosophy of Silk Road Spirit, which advocates promoting peace, cooperation, openness, inclusiveness, mutual learning and mutual benefit among all civilisations".

The BRI is an evolving system of many clusters of Economic Corridors (ECs). Khan *et al.*, (2018) listed six ECs under the BRI that enjoyed widespread attention (Figure 1): China-Pakistan EC, China-Indochina Peninsula EC, Bangladesh-China-India-Myanmar EC, China-Mongolia-Russia EC, China-Central and West Asia EC and New Eurasia Land Bridge.

There is a number of scholarly interpretations about the real motives of the BRI. The most comprehensive assessment, by Enderwick (2018), noted the following four economic considerations as motives for China to push the BRI.

- There is a need for China to secure new export routes. Relying only on the Straits of Malacca for export and import can pose risks in times of conflict.
- New routes open up the development potential of China's western provinces where poverty level is higher than that of the eastern provinces. In other words, the BRI provides a new level playing field for these less developed provinces.

Table 1: Structure of China's outward FDI flows

Economy	Amount (US\$, billion)	Year-on-Year Growth Rate	Share
Developed economies	13.83	2.40%	12.80%
Developing economics	91.73	31%	85.10%
Transition economics	2.28	-48.60%	2.10%
Total	107.84	22.80%	100%

Source: Yeoh et al., (2018)

- New routes address "imbalances within the China economy... any excess capacity from the industries can be exported". For example, excess production of steel, cement and aluminum can be exported overseas.
- The BRI allows China to promote an alternative development model. By taking a leading role in the BRI, China places her interests first, rather than depend on international grant-funding agencies such as the World Bank.

BRI/FDI: STRATEGIC REFLECTIONS

The BRI, as a form of Foreign Direct Investment (FDI), generally will drive human capital upgrading, increase productivity and boost economic growth. In this spirit, Yeoh, Chang & Zhang (2018) believed that the BRI and its associated projects should be welcomed into Malaysia. See Table 1 for China's outward FDI flows structure.

Figure 2 shows the rapid increase of China's outward FDI into Malaysia, from US\$1.97 million in 2003 to US\$521.34 million in 2014. Malaysia enjoys 2 advantages over other ASEAN countries (Yeoh et al., 2018). First, Malaysian businessmen have a traditional linkage with China's southeastern provinces. Second, Malaysia is, in fact, the holder of the Straits of Malacca and serves as China's gateway to the ASEAN Economic Community.

Put differently, the BRI induces economic growth in participating countries for three reasons, according to Enderwick (2018):

- Expected upgrading of critical infrastructure will fill the gaps in trade and production networks.
- It reduces trade costs, especially for land-locked economies.
- In the long term, technology, information and practices arising from the BRI will bring higher sustainable growth rates to participating countries.

However, the BRI is still in the infant stage as results may take 30-50 years to be appreciated. Decision-makers are being cautioned about the dangers of "quality failure" which may arise from a weak set of formal rules and informal constraints as evidenced from the dairy industry incident in China (Enderwick, 2009; Wang, 2019).

Liu, Tian and Liu (2018) also discussed the flip sides of the BRI: Diversity of aims, opportunistic behaviour of local

governments in China, BRI defined as not foreign aid and fear of China's strategic motivations.

First, while the big goal of BRI is identified as a "going out" policy for China, there are at least 10 different ways to define its "aims". The lack of a clearer policy may spell trouble under limited resources.

Second, many local governments in China capitalise on the BRI concept and try every means to bring the BRI to their doorsteps. In other words, the best projects may not be selected.

Third, the BRI is not considered a foreign aid project. Its success, by right, is linked to economic viability.

Fourth, China claims that the BRI is not another modern Marshall Plan. Unlike the United States, China has no grand plan other than the economic motives that strive for win-win situations. Is that so? This leads us to see, in the next section, the effect of China's FDI in Malaysia in recent years.

EMPIRICAL RESULTS OF CHINA'S FDI IN MALAYSIA

Many empirical studies on the relationship of FDI and economic growth have been conducted in the past, yet the results shown in these studies are unclear when applied to China and "Belt and Road" ASEAN countries. Based on the endogenous growth theory (Iamsiraroj, 2016), empirical evidences support the idea that economic growth is due to FDI.

Chin et al., (2019) undertook a study on the impact of China's FDI in Malaysia's economic growth by using the ordinary least square-based Autoregressive Distributed Lag (ARDL) method over the period 2012(Q1)-2018(Q4).

This study also disaggregated Malaysia's FDI into 9 categories: Agriculture, forestry and fishing, mining and quarrying, manufacturing, construction, services activities, wholesale and retail trade, information and communication, financial and insurance/Takaful activities and other services.

The empirical result suggests that China's FDI in Malaysia contributes to a positive and significant impact on our economic growth, which is consistent with the endogenous growth theory. The result also indicates that trade between China and Malaysia will, in the long run, spur our country's economic growth significantly.

However and interestingly, the result also shows negative

Table 2: Disaggregated FDI correlational coefficients

	GDP	AGRI	MINING	MANUFAC	CONS	SERV	WHOLESALE	INFO	FIN	OTHER
GDP	1	0.167223	0.358196	0.427023	-0.01279	0.338101	-0.27031	0.115679	0.49605	0.423815
AGRI	0.167223	1	-0.16601	0.357309	0.05678	-0.06023	0.139203	-0.0377	-0.1581	-0.10015
MINING	0.358196	-0.16601	1	0.00481	0.14115	0.236675	-0.18189	-0.08262	0.429909	0.293833
MANUFAC	0.427023	0.357309	0.00481	1	-0.00526	0.233125	-0.00912	0.334702	0.044783	0.162569
CONS	-0.01279	0.05678	-0.14115	-0.00526	1	0.311948	0.021819	0.262525	0.149315	0.236226
SERV	0.338101	-0.06023	0.236675	0.233125	0.311948	1	0.486815	0.345144	0.537971	0.546137
WHOLESALE	-0.27031	0.139203	-0.18189	-0.00912	0.021819	0.486815	1	-0.12859	-0.12848	-0.05961
INFO	0.115679	-0.0377	-0.08262	0.334702	0.262525	0.345144	-0.12859	1	-0.12372	0.146462
FIN	0.49605	-0.1581	0.429909	0.044783	0.149315	0.537971	-0.12848	-0.12372	1	0.21177
OTHER	0.423815	-0.10015	0.293833	0.162569	0.236226	0.546137	-0.05961	0.146462	0.21177	1

Source: Chin et al., (2019)

correlational coefficients for the construction and wholesale sectors; engineers are categorised under the construction sector (Table 2).

DISCUSSION

In this section we return to the three questions raised earlier.

What is the origin and what are the motivations of the BRI? The origin of the BRI can be traced easily to an ancient land route that connected China to Central Asia and beyond, while the sea route connected China's southern coastal provinces to South East Asian countries through the South China Sea, the Straits of Malacca and beyond.

While the BRI may seem to place China in the world spotlight, economically and politically, other researchers believe that the BRI focuses more on building mega infrastructures such as ports, highways and railways, since most participating countries need them for trade and economic growth. Therefore, the BRI would serve as a means to export surplus materials such as steel, cement, and aluminum from China to countries along the route.

Besides expecting economic growth, what are the concerns of participating countries? According to Pantucci (2018), 14% of the BRI-implemented projects are facing problems. The participating countries will rightfully worry about 3 issues: Reduced job opportunities for locals, being stuck in a debt trap due to their weaker economies and potentially incurring all BRI-associated risks instead of China (Lee, 2017; Greer, 2018; Liu et al., 2018). In addition, the lack of a comprehensive set of rules may compromise both project costs and quality (Wang, 2019; Enderwick, 2009).

What is the real concern for Malaysian engineers? The construction and wholesale sectors have negative correlational coefficients in terms of GDP (Chin et al., 2019). Indeed, the influx of workers from China may mean fewer work opportunities for Malaysian engineers in mega infrastructure projects such as ports, highways, railways, etc. This issue, however, may have been addressed since the revised East Coast Rail Link (ECRL) contract stipulates that 40% of the contract ought to be reserved for Malaysian companies.

CONCLUSION

While the BRI brings tremendous opportunities to the participating countries as sufficient infrastructure is a pre-requisite for economic growth, its success, or otherwise, remains to be seen as the BRI projects have yet to go through the full life-cycle.

For China to succeed in the BRI and produce win-win results for her country partners, the procurement method must be looked into, an open and transparent procurement method must be promoted and all BRI projects should stick to the best practice method. Future researchers may wish to examine further the long-term benefits of the BRI for participating countries. ■