The Belt and Road Initiative from a Supply-Chain Trade Perspectives and Future Opportunities

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Abstract

Over the past four decades, Malaysia and China's economic relations have become stronger and their bilateral trade soared. China is Malaysia's biggest trading partner in the last decade. Today, the two countries are even more closely connected. Therefore, the paper attempts to study the accomplishments, particularly in strengthening the Malaysia-China ties in both investment and trade. These policy initiatives are analysed in relation to multinational corporations' plans and governments' developmental aims in Malaysia. Policy recommendations are made to ignite the desire of Malaysia and other developing countries to improve the possible development MNCs activities and their impacts. Besides, tor many Muslim consumers especially those countries in Belt and Road Initiatives (BRI) and Regional Comprehensive Economic Partnership (RCEP), Halal status products are depending on Halal logistics and its related chain especially with regard to Halal food. Halal logistics (HL) and Halal supply chain (HSC) are a growing concept as a spin-off from conventional logistics and supply chain concept due to the increasing awareness of delivering the Halal products. Recommendations are drawn not only for Malaysia but for other Belt and Road Initiatives (BRI) and Regional Comprehensive Economic Partnership (RCEP) nations.

Keywords
Belt and Road Initiatives (BRI), Halal Integrity, Halal Logistics, Halal Supply Chain, Regional Comprehensive Economic Partnership (RCEP)

1. Introduction
The Straits of Malacca has been a strategic shipping path for the past 2,000 years. Malaysia is strategically located in one of the busiest waterways, the Straits of Malacca. Malaysia ranked 23rd in the World Economic Forum (2017) Global Competitiveness Index 2017-2018. On the quality of the overall infrastructure, Malaysia ranked 22nd in the world, or second behind Singapore among ASEAN countries. In ASEAN countries, except for Singapore and Malaysia, the scores of infrastructure were lower than the overall scores on World Bank Logistics Performance Index 2016 (Table 1).

Table 1. Logistics Performance Index 2016 of ASEAN Countries

Country	LPI Rank	Customs	Infrastructure	rnational shipm	gistics compete	racking & tracii	Timeliness
Singapore	5	1	6	5	5	10	6
Malaysia	32	40	33	32	35	36	47
Thailand	45	46	46	38	49	50	52
Indonesia	63	69	73	71	55	51	62
Vietnam	64	64	70	50	62	75	56
Brunei	70	57	66	62	93	68	84
Philippines	71	78	82	60	77	73	70
Cambodia	73	77	99	52	89	81	73
Myanmar	113	96	105	144	119	94	112
Lao PDR	152	155	155	148	144	156	133

Source: World Bank, Global Logistics Performance Index 2016

Singapore ranked 5th (the top in ASEAN) while Malaysia was ranked 32nd globally. Singapore has been developed with modern ports and a high level of computerization in trade management. In short, efficient logistics and connectivity have a very high potential to reduce trade costs and boost the integration in regional, and global value chains and economy. Malaysia is one of the top 25 exporting countries in the world that practice open economy. Malaysia was placed on the 15th spot in the A.T. Kearney 2014 Foreign Direct Investment Confidence Index ranking. In the World Bank's Doing Business Report 2020, Malaysia sits comfortably at the 12th place out of the 190 countries. Malaysia is forecast to attain gross domestic product (GDP) per capita of USD 20,000 by 2025 and GDP exceeding $1 trillion by 2030. Its structure of economy will continue to change towards the manufacturing and services with high added value. Malaysia was named Asia's Next Advanced Economy, a progressively essential services-exporting economy in ASEAN (IHS Markit, 2016).

1.1 Objectives

This paper seeks to review and shed light on the spillovers from economic contributions on Malaysia-China bilateral trade policies and the economic globalization of Chinese Foreign Direct Investment (FDI) to Malaysia. Muslims population is expected to add further from 1.8 billion in 2015 to nearly three billion by 2060 based on Pew Research Centre. It is estimated that Muslims are expected to make up 26.4 percent of the population globally by 2030, over 60% of which live in Asia-Pacific. The Muslim consumer expenditure across Halal food and lifestyle. The Halal product does not only involve the Halal material or final products, the Muslims seek other interrelated dimensions of Halal product includes its logistics and supply chain.

2. Literature Review

The *eclectic paradigm* or the OLI-Model / OLI-Framework is an extension of the internationalization theory. An *eclectic paradigm* is a theory that offers a three-tiered framework for a company that determines if it is favorable to quest for foreign direct investment. It is found that technological learning by local firms is mainly through linkages, sub-contracting and technological transfer (Chandran, Rasiah and Wad, 2009). The severe competition in the local and international markets has affected companies where they leave their home countries and expand their manufacturing centers in China. For instance, Engtek has expanded its business into China (Hashim, 2012). According to Lim (2014), Malaysians have accomplished so much in the construction sector by encouraging the cooperation between government-linked corporations and mainland Chinese companies.

In the meantime, the host country can also gain from the FDI inflows that suit their stages of economic development and stimulate the economic growth of the host economies. Apart from creating employment opportunities, consumers in the host country can also have wider kinds of locally made foreign products that are cost-effective. Under certain circumstances, it can lead to the death of domestic industries, excessive usage of host resources, and environmental destruction (Yeung and Liu, 2008). Technology policies tackle various aspects of businesses between MNCs and local firms which include policy, policy instrument and condition (UNCTAD, 2003: p.132). In terms of the policy, the strategies are to encourage associations with local economy, establish domestic technological capabilities, and promote more meaningful MNC activities. In terms of the policy instrument, schemes are business incubators, information clearing houses and industrial parks, supporting research and development (R&D), supporting joint ventures, licensing and collaboration, and the training of domestic human resources. The strategies are for the institutions to be able to deal with MNCs.

2.1 Malaysia – China Relations

In 1974, Malaysia was the first country in ASEAN to initiate diplomatic relations with China. China expressed its appreciation to Malaysia in the Joint Communique Between China and Malaysia in conjunction with the 45th Anniversary of the Establishment of Diplomatic Relations, and for Malaysia it was the first country in South East Asia to establish diplomatic relations with China and it played an instrumental role in bringing China into the ASEAN as a Dialogue Partner. Now, Malaysia and China are even more closely connected. China has been Malaysia's largest trading partner since 2009, and Malaysia is China's most important trading partner among ASEAN until 2015. The breakthrough of these bilateral relations with China was achieved in 2009 when the former Chinese President Hu Jingtao visited Malaysia. Another breakthrough happened in 2013 with the visit of Chinese President, Xi Jinping. Malaysia and China endorsed the 5-Year Development Programme for Economic and Trade Cooperation plan for an ambitious bilateral trade of USD160 billion ("The Official Launch," 2013). The strong economic bilateral bonds between the two countries have brought about among others, the development of the "Two Countries Twin Parks" – Malaysia-China Kuantan Industrial Park (MCKIP) and China-Malaysia Qinzhou Industrial Park (CMQIP). The

Malaysia-China Kuantan Industrial Park (MCKIP) was officially launched to reciprocate China-Malaysia Qinzhou Industrial Park launched in 2012. The project is expected to create 5,500 job opportunities by 2020 (Alagesh, 2013).

Malaysia-China Kuantan Industrial Park (MCKIP) is expected to attract almost RM20 billion (US$4.8 billion) in investments (Tashny, 2019).Reported in Malay Mail, Alliance Steel is the largest investor in MCKIP, taking up 710 acres with investments totaling RM12 billion ("Malaysia-China Kuantan Industrial Park a boost for export of Malaysian brands", 20 May 2019). Maxtrek Tyres is the first factory located in the phase two of the MCKIP, and its 300-acre plant will be the largest tire factory in Malaysia (符翠仪, 2019). Guangxi Beibu International Port Group bought a 40 per cent stake in a RM3 billion Kuantan port expansion project. Guangxi Beibu will invest RM5 billion ($1.6 billion) to build the steel, aluminum and palm oil plants. Other examples include the RM2.2 billion investments by Guangxi Zhongli and ZKenergy. 85 and 90 percent of MCKIP goods are to be exported ("Malaysia-China Kuantan Industrial Park a boost for export of Malaysian brands", 20 May 2019). China-Malaysia Qinzhou Industrial Park (CMQIP) is planned as an interconnected industrial zone for industries, businesses and residences ("20 investment projects confirmed for China-Malaysia Qinzhou Industrial Park", 2016). The CMQIP in China is 10 times larger and houses 110 factories ("Malaysia-China Kuantan Industrial Park a boost for export of Malaysian brands", 20 May 2019).

Chinese President Xi Jinping started the Belt and Road Initiative in 2013 to boost trade and investment in countries that have this ancient "silk road". China's US$40 billion Silk Road infrastructure fund boosts Asia linkages and the US$50 billion Asian Infrastructure Investment Bank renders a lot of investment opportunities. For Malaysia, BRI promises unprecedented massive investment and trade opportunities. To realize the BRI economic plan, China has taken positions in various industries in Malaysia (Khoo, 2016). However, the mysteriously disappearance MH370 on 8 March 2014 damaged Malaysia-China Relations with a significant decrease in the number of Chinese tourists travelling to Malaysia. Nevertheless, State Councillor Yang Jie Chi had visited Malaysia on 7 Oct 2014 to convey the message from Chinese President Xi Jinping and Chinese Premier Le Keqiang to affirm the good relationship with Malaysia.

In the November 2015 visit, Chinese Premier Li Keqiang pledged to support Malaysia in solving its economic issues. China has begun purchasing additional Malaysian Government Securities (MGS) amounting to RMB50 billion (about RM30 billion), i.e. 8.5% of total outstanding MGS. On 1 November 2016, Malaysian Prime Minister presided over the conclusion of signing the memoranda of understanding (MOUs) agreements of RM143.64 billion (USD 34.4 billion), equivalent to 12 per cent of the economy. China and Malaysia signed agreements on areas ranging from infrastructure, agriculture (bird's nest), education, property development, steel production, solar cell production, a port and a technology park. Malaysia and China also inked an MOU on the renewal of the Bilateral Defence Cooperation and an MOU on Edible Bird's Nest Agriculture Cooperation. On 14 May 2017, China inaugurated the Belt and Road Initiative summit to create a "new Silk Road linking Asia, Africa and Europe", participated by 29 foreign heads of states and governments, to spur the implementation of the initiative. There were nine Business-to-Business Memoranda of Understanding (MoU) between Malaysian and Chinese companies and approximately US$7.22 billion (RM31.26 billion) was inked. This impact of trade with China has already begun with the expected doubling of Malaysia's export of pineapples to China to RM320 million by 2020.

On 26 April 2019, China held the Second Belt and Road Forum. China President Xi Jinping stated that the Belt and Road projects should uphold the principle of shared benefits and joint contributions. The then Prime Minister Mahathir attended the program and expressed his full support for the Belt and Road Initiative. The BRI projects do not merely consist of public amenities or infrastructure projects but also development of industrial parks that promotes enhancement of industrial capacities. China is a significant part of the global industrial and supply chain, with many productions highly dependent on its supply chain, e.g. electronics and communications, automobile manufacturing, mechanical equipment production, and apparel. Most transportation-sector investments by Chinese corporations were in automotive manufacturing, rather than infrastructure. Recently, the aim of Chinese investment has gradually switched from exploiting production factors to getting advanced technology and brands to upgrade its international competitiveness.

Malaysia and China have agreed in principle to recognize each other's Covid-19 digital vaccination certificates which would ease cross-border movement. Malaysia has purchased SinoVac and CanSino Covid-19 vaccines, and the Chinese Government has announced to donate half a million doses of Sinovac to Malaysia. Both countries agreed for a sustainable global supply chain to ensure equal physical and economic access to sufficient, safe and nutritious food. The support for the BRI is based on the principles of mutual trust, mutual benefits and shared prosperity.

2.1 Geo-Political factors

Vietnam, the Philippines, and Malaysia have contended over the reefs, islands, and natural resources on the basis of international law. China is perceiving Malaysia as a "trusted, reliable and intimate friend" for Malaysia's mild management of the South China Sea dispute. Malaysia cooperates with the US forces in terms of the facilities and military exercises. The US, Singapore, Indonesia and Malaysia participated in Cobra Gold, the US-led yearly held Asia-Pacific military exercise, the largest military exercise ever. Malaysia and the US held joint exercises including Cope Taufan 18 (CT18) (Prashanth, 2018), "Cooperation Afloat Readiness and Training (CARAT)"3, the "Southeast Asia Cooperation Against Terrorism (SEACAT)"4 (Ministry of Defense Japan, 2018) and the 25th Maritime Training Activity (MTA) (Lopez, 2019) that demonstrated a continued defense cooperation under the new government. Malaysia also declared the acquisition of helicopters from the US in 2016. The United States also provided twelve surveillance drones or unmanned aerial vehicles (UAV) worth RM80 million under the Maritime Security Initiative (MSI) program ("US giving M'sia UAV drones", 8 June 2019). Malaysia is inclined to retain a low profile on its military collaboration with the US.

With China, Malaysia signed the Comprehensive Strategic Partnerships. It first performed its military exercise jointly with China in 2015. In 2016, Malaysia and China signed the first RM1.17 billion (US$278 million) major defense contract to jointly construct four littoral mission ships for coastal patrols ("How China is using military ties to expand its reach in Southeast Asia", 2017). Two ships will be built in China by China Shipbuilding and Offshore Company (CSOC) and two in Malaysia by Boustead Naval Shipyard. There is also an agreement in principle by Malaysia to purchase scanning machines capable of detecting drugs and weapons hidden in containers and vehicles from China (Prashanth, 2017). In 2017, two People's Liberation Army Navy vessels, identified as Chang Cheng 271, a submarine, and Chang Xing Dao 861, a submarine support ship, visited the port of Kota Kinabalu (Ngeow, 2017). Malaysian and Chinese armed forces began a joint exercise "Aman Youyi 2016," or "Peace and Friendship 2016," in Paya Indah on humanitarian assistance and disaster relief ("China, Malaysia begin joint military exercises amid closer ties", 2016). Regionally, China maintains friendly military ties with ASEAN countries, with joint exercises such as China-ASEAN Joint Maritime Exercise participated by nine ASEAN maritime countries i.e., Singapore, Thailand, Brunei, Vietnam, the Philippines, Cambodia, Indonesia, Malaysia and Burma and Peace and Friendship (Aman Youyi) 2018 participated by Malaysia and Thailand (Office of the Secretary of Defense USA, 2019).

3. Methods and Data Collection

This paper uses information from secondary sources, to analyze the investments in Malaysia from mainland Chinese firms. Data was gathered through a collection of written documents e.g. newspapers, magazines, websites, and others. This paper delves into the information and examine the trends. The contents of these documents were analysed before coming to the conclusions.

4. Results and Discussion

4.1 Malaysia and China Bilateral Trade

China and ASEAN bilateral trade had expanded from US$9 billion in 1991 to US$346 billion in 2015. The China-Indochina Peninsular Economic Corridor (CICPEC) consists of six ASEAN countries, namely Cambodia, Laos, Malaysia, Myanmar, Thailand and Vietnam. Malaysia has been China's Southeast Asian largest trading partner since 2009 through 2018, and the bilateral trade volume has reached US$100 billion. China is Malaysia's largest trading partner with the bilateral trade reaching RM313.81 billion in 2018, amounting to 16.7% of Malaysia's total trade. The bilateral trade between the two countries grew at 8 per cent in 2018. Malaysia's trade deficit with China has been swelling over the years. Imported items such as appliances and parts have been recorded. Exports to China include commodities such as palm oil, minerals, petroleum and gas (Table 2).

Table 2. Malaysia-China Trade Key Products, 2016

Exports to China ($23.8B)		Imports from China ($34.3B)	
Product	**% Share**	**Product**	**% Share**
Integrated Circuits	28.0%	Integrated Circuits	8.8%
Computers	5.8%	Computers	3.9%
Petroleum Gas	3.4%	Refined Petroleum	3.4%

Palm Oil	3.4%	Broadcasting Equipment	2.7%
Iron Ore	3.0%	Semiconductor Devices	2.3%
Refined Petroleum	2.7%	Office Machine Parts	2.2%
Asphalt Mixtures	2.4%	Telephones	2.2%
Semiconductor devices	2.3%	Broadcasting Accessories	2.1%
Synthetic rubber	2.2%	Printed Circuit Boards	1.8%
Coal Tar Oil	2.0%	Low Voltage Protection Equipment	1.5%

Source: Observatory Economic Complexity (OEC) Data is at 4-digit level (HS4)

China persisted as Malaysia's biggest import source. Besides the packed instant white coffee and bird's nest, the demand for fruits such as Musang King durians and MD2 pineapples was increasing. There was bird's nest market development collaboration with Fuzhou Xin Zibu Culture Communication, and bird's nest research with Peking University. The MOU between Aladdin Group and Suzhou Lian Cheng Yihao Information Technology to form a joint venture for cross-border Aladdin electric business platform to market halal products in China has also been signed. Ethnic Affairs Commission of Ningxia Hui Autonomous Region and Malaysia Halal Industry Development Corporation (HDC) negotiated on the Cooperation of Halal Products Certification (ChinaGoAbroad.com, 2015). Malaysia and China's cooperation in trade and investment will expand better in the future leveraging on the BRI of both countries. Since 2008, China has become Malaysia's largest trading partner. China's development made contribution to 16% of the export and 21% of import to Malaysia. In other words, GDP growth in China will have a similar pattern in Malaysia's GDP. Nevertheless, Malaysia can be a beneficiary in the midst of the United States-China trade conflict. The trade war has encouraged China companies to outsource their production activities to Malaysia, depending on the type of industry in which a Malaysian company is involved, and its financial capability to invest determines its opportunities. Penang companies producing plastic, tissue paper, fastener, radio frequency chip and semiconductor test-equipment are among the benefactors of the United States-China trade conflict (Tan, 2019b).

4.2 Outward Direct Investment (ODI)

Malaysia's FDI reached a peak of 3% of world total in 1997. On the other hand, outward foreign direct investment was zero in 1970 and it continued for a decade. Even though equity outflows grew steadily in the 1990s, this pattern was invented with the Asian Financial Crisis. Ever then, the outflows of equity investment have fluctuated, and its pre-crisis levels not attained. This reached 1%, and OFDI is not insignificant; 5.6% of GDP. Since 2007, OFDI flows have overtaken FDI flows in Malaysia *(European Union Delegation to Malaysia, 2013).*

The selection of overseas locations by local companies is based on considerations e.g. production costs, supply chains, market size and access, investment incentives and resources (Ariff & Lopez, 2007). Ariff and Lopez (2007) explain that as human resource becomes expensive and regulations restricted, the OFDI from Malaysia pursues new markets. Rasiah and Gammeltoft (2010) argue that companies in the emerging countries also go to advanced countries to obtain "technology, brands, and marketing capabilities".

Malaysian manufacturing companies showed that they were utilizing low labor-cost advantage in Vietnam. In services, the potential in other less developed markets and the saturation and competition in the local market are the prime motivations of global expansion. The main home country strategy that has helped from their foreign investment is the tax exemption on the overseas income and remittance (Tham, 2007). Malaysian firms have been progressive investors in China since it opened its country in 1979. For instance, Malaysia is Hubei's 5th largest foreign investor, investing in tires and edible oil-processing industries. (Nanyang Siang Pau, 31 May 2016).

4.3 Foreign Direct Investment (FDI)

China has historically emphasized FDI rather than outward direct investment (ODI). This policy is undergoing a major shift that encourages Chinese companies to go abroad. The BRI outlined by Beijing in 2013 was a key feature of this ODI push. China's accrued investments in Malaysia only amounted to US$1 billion compared with Malaysia's US$7 billion in China in 2013. China's net direct investment in Malaysia increased from just RM25 million in 2011 to RM975 million in 2014 and leaped to RM3.8 billion in 2016. The RM3.8 billion only represented less than 10 percent of the total net FDI in Malaysia. MITI statistics show that in 2015, China invested RM10.46 billion in Malaysia while Malaysia invested RM31.38 billion in China. China's investments in local manufacturing from 2009 to 2018 totaled RM41.9 billion. China is becoming more progressive since 2013 for its policy of encouraging investments abroad.

Malaysia has a large amount of manufacturing FDIs from major sources, i.e. Singapore, Japan, the Netherlands, Hong Kong and the United States, which constitute RM115.7 billion (21.2%), RM70.5 billion (12.9%), RM48.2 billion (8.8%), RM44.1 billion (8.1%) and RM36.2 billion (6.6%) of FDI stock respectively, as of 2016 (MIDA, 2017). China has invested RM15 billion in 142 projects in Malaysia from 2010 to 2016 (Figure 1), generating 28,598 jobs. China has moved to become the biggest investor in Malaysia for the manufacturing sector in 2016. The biggest Foreign Direct Investment (FDI) was in the metal industry, worth RM7.9 billion, followed by the electrical and electronics sector (RM5 billion), mineral sector (RM724.6 million), textile industry (RM552 million) and transport industry (RM158.5 million). Foreign investments in the manufacturing sector registered RM53.5 billion in 2020, of which China was the sector's biggest investor, followed by Singapore, the Netherlands, the US, and Hong Kong SAR, and they jointly contributed 83.3% of total foreign investments (MIDA, 2021). The Chinese investments mostly focus on basic metal, electronics and electrical, textiles and textile, non-metallic mineral, chemicals and chemical product manufacturing; with these investments, Malaysia has become a new leader in selected industries ("China investments transforming Malaysia", 2017). These investments are by Alliance Steel, Delong JC, Ye Chiu Non-Ferrous Metal (Pasir Gudang, Johor), and Ji Kang Dimensi (steel mill in Kuantan, Pahang). There is also a development of a RM17 billion steel plant in Bintulu, Sarawak by WenAn Steel.

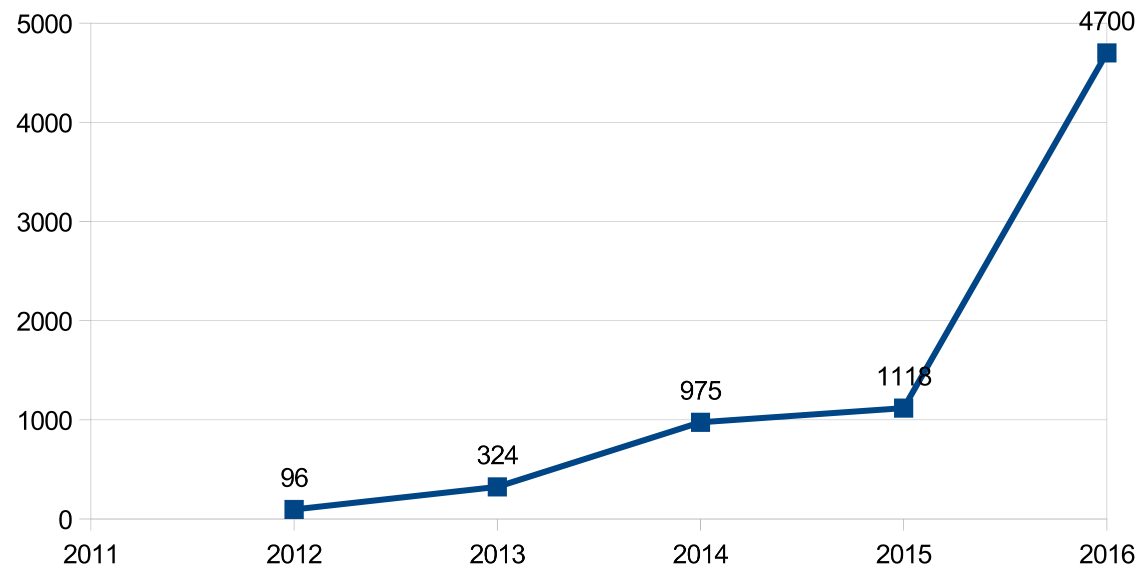

Figure 1. China Investment in Malaysia (RM million), 2012-2016
Source: MIDA (2017)

In the past, Malaysia had to import RM1.5 billion of glass annually. With US$190 million investment by Kibing Glass Group and US$400 million investment by Xinyi Glass, Malaysia has become a glass exporter instead. Xinyi Solar manufactures clear and coated photovoltaic functional glass (RM380 million). RM1 billion investment from Jinjing Technology Malaysia is channelled to the production of float glass. Another sector is solar cell manufacturing. Two Chinese companies (Jinko: US$100 million and JA Solar: RM220 million) have invested in Penang, and LONGi Kuching (also acquired Comtech and SunEdison) is the first to own a full supply chain for mono-crystalline silicon products in one location. Another solar cell investment planned is Wuxi Suntech Power. Green technology investments in Pekan are from companies such as BHS Industries and China Nuclear Huaxing Construction. With the establishment of manufacturing facilities by major solar photovaltaic suppliers (Table 3), Malaysia is currently the third largest producer of solar cells in the world after China and Taiwan. In the automobile manufacturing, there is a strategic partnership of Proton and Geely, and Foshan Feichi Automobile Manufacture Co. Ltd to provide expertise to produce hydrogen fuel as energy and for export in Sarawak. In railroad car manufacturing, RM400 million (US$131 million) has been invested in CSR Rolling Stock in Batu Gajah, Perak. Other sectors invested include wood pulp and textile. On 7 Nov 2014, CEC Engineering Corp agreed to establish a US$2.66 billion wood pulp factory in Sipatang, Sabah. Daiyin Textile Costume Group from Shandong Province had also invested US$200 million to set up a new plant in Malaysia.

Table 3. Solar Photovoltaic Manufacturing

NO.	STATE	LOCATION	COMPANY NAME
1	Kedah	Kulim Hi-Tech Park	First Solar, Panasonic Energy
2	Melaka	Alor Gajah	SunPower
		Jasin	Xinyi Solar
3	Penang	Bayan Lepas	JA Solar
		Prai, Penang	Jinko Solar
		Penang Science Park	TS Solar
4	Sarawak	Bintulu	OCI
		Sama Jaya, Kuching	LONGi Kuching
5	Selangor	Sepang, Selangor Science Park 2	Hanwha Q-Cells

China has invested US$7.2 billion in a mega seaport near the Strait of Malacca. China Shipping transferred its South East Asian Regional Headquarters from Singapore to Malaysia. The two purposes are to link Westport, Port Kelang with ASEAN countries and also to conduct more sales promotion activities. China Shipping was ranked second among the main operators in Westport, Port Kelang. The focus on shipping will be able to assist the growth of Port Klang into a competitive hub of shipping in Southeast Asia. This will potentially eclipse the roles of Singapore Port. Gansu Chamber of Commerce and Mestika and IEPU invested RMB1.3 billion to reclaim an island as a new integrated development landmark in Malacca. KAJ Development, is the main developer of Melaka Gateway Project (Huang Jing Gang or Emperor City Harbour in Mandarin) and it will work with Chinese company Powerchina International to develop four islands worth RM30 billion. The project would attract 2.5 million tourists a year and generate about 40,000 jobs. Chinese companies are also tasked with major construction projects in Malaysia. 1MDB subsidiary, Edra Global Energy was sold for RM9.83 billion to China General Nuclear Power Corporation (CGN) in 2015. Sarawak Energy Berhad (SEB) granted a construction contract for the 1,285 MW Baleh hydroelectric plant to a Chinese joint-venture company held by China Gezhouba Group and Untang Jaya in August 2017. Malaysia Rail Link and China Communication Construction agreed to resume the East Coast Rail Line (ECRL) at a reduced cost while the China ExIm Bank's soft loan to finance 85 percent of the project cost will be renegotiated. The revived cost of ECRL Phases I and II of the project amounted to RM44 billion, for a total of 348km to be completed in 2026. CRL would not only spur Malaysia's development in transportation, but also help to accelerate the development along the path. The project would also help in the technology transfer in the railway sector. An engineering, procurement and construction contract has been agreed with China Communication Construction Co. There are terms that the state has to work with local partners. The Gemas-Johor Baru electrified double-tracking rail project worth RM7 billion was also awarded to the state-owned China Railway Construction Corp. China is also eyeing the RM70 billion Kuala Lumpur-Singapore High-speed Rail (HSR) project.

The investment and trade of Malaysia and China will also be improved with a Renminbi (RMB) clearing arrangement, and the presence of Bank of China and Industrial and Commercial Bank of China (ICBC). Other Chinese investments include the establishment of Bank of China Renminbi clearing house in Kuala Lumpur and a Malaysian branch of China Construction Bank to provide financing facilities for major infrastructure projects.

TRX Tower is part of Malaysia's upcoming financial district TRX project with a gross development value of RM40 billion (10.24 billion U.S. dollars). The construction of the tower has been awarded to China State Construction Engineering Corp Ltd's (CSCEC) unit, China State Construction Engineering (M) Sdn Bhd. The influx of Chinese investment was partially responsible for the start of the development of US$100 billion Iskandar Malaysia. The China top developers there are Country Garden, Guangzhou R&F Properties and Greenland Group. Country Garden's Johor Straits project is actually its second Malaysian deal, following its 21-hectare 2012 project in Danga Bay. Country Garden said that it was purchasing 11 hectares of a prime waterfront land for almost RM1 billion ($328.97 million) in southern Malaysia. Guangzhou R&F Properties Co Ltd is investing RM4.5 billion to acquire six sites in Johor

Bahru. Greenland Holdings Group Ltd is investing RM2.4 billion. The Malaysian government restored the approval for 1,817-hectare residential project by Country Garden, which will rest largely on the reclaimed land. Launched in 2014, the Forest City which was promoted as the 'next' Shenzhen is an ambitious US$100 billion 'eco city' is developed through a joint venture ratio of 66:34 between Country Garden and Esplanade Danga 88 Sdn Bhd.

ZTE Corporation, China's leading global provider of telecommunication equipment and network solutions, is structuring their plans for revenue growth in the Malaysian market in 2012. ZTE has also made Malaysia its regional R&D hub since 2014. Huawei Technologies has set up a Global ICT centre / Global Training Centre (MGTC) in 2012 and Asia Pacific Digital cloud exchange (Regional Data Hosting Centre) in Iskandar Malaysia in 2015. Huawei Regional Office was opened in 2016 and had planned a RM15 million upgrade of the hub to a big data centre in next few years. The Huawei Innovation Hub was opened in October 2016. Huawei would build an OpenLab to drive a digital transformation in the Asia-Pacific region. The Prime Minister of Malaysia has also visited Huawei's Beijing Research Centre in 2019. Malaysia's Digital Free Trade Zone (DFTZ) and Alibaba Group started using Alibaba's iCloud e-commerce platform. Alibaba has set up a regional distribution hub in Malaysia and brings along the state-of-the-art automated warehousing system. The MOU signed between MATRADE and Alibaba Group is aimed at enabling Malaysian SMEs using Alibaba's B2B platform. The DFTZ is estimated to reinforce Malaysia's e-commerce which is targeted at hitting 20.8 percent by 2020.

Malaysia recorded 2.9 million Chinese tourists in 2018. The tourist arrivals from China ranked third, after Singapore and Indonesia (Jaafar, 2019). The average amount of money spent per person is RM5,000. China tourists are expected to benefit from e-Visa and visa exemption. Reported by BERNAMA, Malaysia and China have set 2020 as the Year of Culture and Tourism to promote the country in China and attract more Chinese tourists to Malaysia ("Year 2020 still special for Malaysians – Mahathir", 22 July 2019). Malaysia also offers a foreign residency scheme called "Malaysia My Second Home" (MM2H). Chinese are the single biggest nationality of about 8,000 Chinese citizens to have taken advantage of MM2H, followed by Japanese, out of a total of almost 32,000 foreigners that have been granted residency. MM2H brought RM2.9 billion (US$ 655.3 million) into the country's economy in 2016. In terms of education, Xiamen University Malaysia has set up its first overseas branch in Malaysia.

5 Discussion

The Malaysian government has strongly emphasized the spillovers to be created by foreign investors. Policies aim to maximize the MNCs' impacts positively through inter-firm linkages. The internationalization strategies of Chinese firms were founded on cost-based competencies and other location-based advantages and aided by government encouragement and institutional framework. China invests sizeable funding in Southeast Asia's economic development via international development assistance: emphasizing trade and investment and offering opportunities to increase the national income generation. There are five main observations:

First of all, China has also moved to become the largest investor in Malaysia for the manufacturing sector in 2016 (Figure 1). One possible complicated nature of Malaysia's participation in the BRI is that it will be overly reliant on China for its positive impacts to FDI inflows (Ong et al., 2012) as well as the growth in the economy. Weighted against the potential for a progressive contribution from China, there will be the adverse costs of unresolved territorial disputes. Secondly, according to the SME Association of Malaysia, some Chinese companies involved in construction and rail development projects in Malaysia are adopting the self-sustenance approach and controlling the entire supply chain in their projects (Teoh and Leong, 2017). They use their own workers and materials specially brought from China. There are doubts over the transfer of technology or knowledge to Malaysians through the projects. Thirdly, Malaysia faces greater economic risks because of the high debt and risk exposure (Wang & Zadek, 2016) from the mega infrastructure projects. The Malaysian government's liabilities and debt guaranteed amount to RM799 billion and RM274 billion respectively as of the second quarter of 2019 (BNM, 2019). The fiscal position of the country could be hurt if the project fails to bring sufficient returns to pay back the escalating financial liabilities caused. The main concern highlighted is whether or not Malaysia has the ability to fulfill the loan payments of the infrastructure projects. Fourth, when opening up the local property market to the foreign investors, excess supply could be exported from China, but it will cause glut in the Malaysian market. For instance, Johor which received huge China's investment in properties experienced the highest property overhang, accounting for 51,400 units worth RM36 billion as of Q1 2019 (Tan, 2019a). Last but not least, there are also concerns of environmental impacts to the rich biodiversity in tropical rain forests of the East Coast in Peninsular Malaysia. In addition, there are concerns of environmental impacts (Yeung & Liu, 2008, Teo et al., 2019) of industries such as heavy industries, solar (electronics) industries, and paper and pulp industries.

On the other hand, it depends on the market force for any vision of the customer upon the industry for change. Trusted Halal assurance system is required for companies' further proliferation to global markets. Halal logistics is important in supply chain to embrace the opportunity to take part in the growing international Halal market. There has also been a market trend of merger and acquisition (M & A) among logistics service providers as well as to transform into Halal logistics service providers. Halal logistics operations related to transportation, warehousing and storage have to comply to the "syariah" standards, especially in preventing incidents of mixing with other products. The risk of Halal integrity is emphasised by the Muslim consumers. In the food supply chain, there are six dimensions of Halal integrity risk (Ali et al., 2014), namely (a) production, (b) raw materials, (c) food security, (d) outsourcing practices, (e) service and (f) logistics. This paper focuses on the logistics aspect of Halal integrity risk. To the Muslim customers, Halal and non-Halal food products should be segregated. However, many Halal and non-Halal products are transferred in the same truck or kept in the same storage**.** Besides transportation and warehousing, availability of infrastructure is also a highlight in Halal logistics especially when it involves cross-boundary trades.

6. Conclusion

Domestic competitive disadvantages in Malaysia can be useful predictors for the propensity of firms to engage in international expansion. Malaysia has to strive continuously to stay competitive, and to transform into a high value-added service economy to escape the middle-income trap and head towards a trillion-dollar economy. Malaysia can possibly gain from the new China greenfield manufacturing investments to expand the BRI and RCEP markets. However, the national debt and liabilities could have grave impacts from the future fiscal perspective. China investment in sectors that have excess capacity may also cause a glut in the Malaysian settings such as its property market. Consequently, the involvement and investment of China capital require very careful considerations.

It is possible for Malaysia to leverage on China's investment without losing the nation's interests. There are a few recommendations for the consideration of the policymakers. First of all, Malaysia is to look for a balance between the two big powers, the United States and China. Malaysia should actively pursue economic diversification strategies, in the midst of uncertainty of the 11 countries' Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Secondly, Malaysia has unique advantages for investors with a regional strategy. China companies are encouraged to look up to Malaysia as the entrance to the ASEAN Economic Community (AEC) and BRI countries. For example, the ASEAN rail center of CSR Rolling Stock which will be a pivotal nerve center in providing the technical know-how and transfer of technology to Malaysians. Third, an extra added value for the regional companies can be reached through robust advocacy and facilitation of local producers. There should be provisions put into place that some job packages are given to local firms. For instance, at least 40% (revived from previously 30%) of the ECRL civil engineering work, and 50% of the local civil construction works of the electrified double-track railway line between Gemas and Johor Baru for Malaysian contractors.

With the background of a relatively higher growth rate of the Muslim population, this is a market that the practitioners to take note. Products conforming to the Halal requirements will facilitate entrance into the expanding Muslim market via halal logistics and halal supply chain. The growing size of the Muslim population has stimulated strong business opportunities. Among the most prominent opportunity is the Halal food product. Halal certification in Halal supply chain system support companies' international credibility. Besides acquisition of Halal certification, a market trend of merger and acquisition.

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