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Chinese Investments in Malaysia: Synthesising the Evidence Ten Years into the Belt and Road Initiative (BRI)

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Abstract: The launch of the BRI in 2013 raised the interests of Chinese investors in Malaysia. However, views of the BRI in Malaysia are often based on a few mega projects, which are financed by federal loans. This leads to a misleading view that Chinese investments are motivated by geoeconomic interests alone rather than commercial interests. This study synthesises the existing evidence on Chinese investments in Malaysia, ten years into the BRI, using an antecedent, decision and outcome (ADO) framework. It seeks to shed light on the nature, drivers and motivations as well as some of the outcomes of these investments. It is found that Chinese investments in Malaysia are diverse in terms of sectoral coverage, drivers and entry modes while the long-term impact on technology transfer remains unclear. The focus on geoeconomic considerations has led to a general neglect in research on examining the impact of these investments on Malaysia's economy.

Keywords: Foreign direct investment, Malaysia, China, BRI
JEL classification: F21, O12, O53

1. Introduction

Foreign direct investments (FDI) are deemed important for facilitating economic development and hence Malaysia has maintained an open door for FDI. The launch of the BRI in 2013 is viewed as an important source of FDI, especially when the country waned in its attractiveness as a host economy after 2016.

In this paper, I will take a broader definition of the BRI that encompasses all sectors rather than infrastructure alone as Chinese investments in services and manufacturing are important in Malaysia while the infrastructure needs of the country are less acute compared with other developing countries in Southeast Asia (SEA). Malaysia in fact has already a well-developed transport infrastructure, with roads, rail, airports and ports that facilitate the movement of goods, people and services in the country and with the rest of the world.

It should also be noted that there is also no official list of designated BRI projects in Malaysia because this would need a consensus from China for the projects to be listed as BRI projects and there is no such consensus between the two countries. Hence it is

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not possible to assign a value or even a number to the BRI projects in the country to track its changes over time. More importantly, the projects reported on the official website of the BRI – the Belt and Road Portal run by the Chinese government[1] cover more than physical infrastructure projects and includes manufacturing and services sectors.

The motivation for this synthesis of the existing evidence is to shed light on a highly contested issue whereby Chinese FDI is associated with the Belt and Road Initiative and by association, it is also deemed to be political/strategic in intent rather than commercial activities as in the case of FDI from other countries. The synthesis focuses on the commercial interests, and specifically seeks to clarify the nature, drivers and motivations as well as some of the outcomes of these investments as an investment initiative.

2. Literature Review

Due to the fragmented nature of the data on the BRI and Chinese investments in Malaysia, most studies have used a case study approach to make it tractable (Table 1). The East Coast Rail Link (ECRL) and Forest City are the two most popular cases studied based on the number of studies, due to the magnitude and scale of these two projects and the extensive media coverage on it. While the ECRL attracted studies using a political-economy framework, Forest City as a case study attracted studies examining it from the perspectives of urban geography as well as the environmental impact of this project due the use of land reclamation to develop the project.

Despite its significant role in the BRI, there were not many studies on the development of port projects in the country. Liu et al. (2020) showed that port investments in two ports, one in Pakistan and Kuantan Port in Malaysia can have strategic as well as economic interests. Hutchinson and Tham (2021) demonstrated the importance of local actors as these can change the outcomes in the two different port development.

Malaysia–China Kuantan Industrial Park (MCKIP) was also another popular case study. Liang et al. (2021) showed that policy transfer can take place in China's venture to build industrial parks overseas. But rescaling is needed through the interactions of the source and host country actors. Tham and Negara (2022), on the other hand, compared the use of FDI institutions in Malaysia and Indonesia to facilitate the entry of MCKIP in Malaysia and the Indonesia Morowali Industrial Park. Although both countries facilitated the entry of Chinese investments for these two parks, there are differences in the way FDI were facilitated. Camba et al. (2022) also compared the two parks through the use of different industrial policies. In Indonesia, the policies used enforced increase in domestic processing capacity while Malaysia's park did not encourage the development of linkages between the domestic economy and the Chinese enterprise producing steel at the park.

Two studies also used case studies on the park to assess the impact of China's BRI on the local communities. Cheng et al. (2022) in their survey found that although the respondents were positive on the impact of the MCKIP on the local community, there were also concerns on transparency and the environmental impact of the project.

1 See https://www.yidaiyilu.gov.cn/info/iList.jsp?cat_id=11432. The website is in Chinese.

Merdeka Centre for Opinion Research (2022), in comparing the response towards the park and another project, China Railway Rolling Stock Corporation's (CRRC) Rolling Stock Center, found that there were significantly more CRRC respondents (almost 70%) than MCKIP respondents (46%) who felt the project is having or will have a positive economic impact in the future. There were also reported conflicts between landowners and the local community when the MCKIP was originally developed.

Two of the few studies that examined the impact of Chinese investments are Li and Cheong (2017)'s and Rasiah and Ren (2023)'s studies on the telecommunication sector. The former demonstrated localisation efforts while the latter focused on the use of sustainable management to facilitate human resource development and technology transfer.

Zhang (2021) is the only study that analysed the case of a Chinese manufacturing firm producing solar in Sarawak using a FDI framework. Tariff circumvention and accessing the ASEAN market motivated this investment while a positive impact was observed in the upgrading of domestic capabilities.

There were also studies that used several multiple cases. Zhang et al. (2020) examined the nature and spatial politics involved in the dynamic process of specific capital flows in several case studies on infrastructure construction in Malaysia. Ngeow (2018) found local actors can make a difference in the cases that he examined, even when there are geopolitical considerations. Lee and Hameiri (2020)'s comparative study of Sri Lanka and Malaysia found economic motivations for the BRI to be more important than geopolitical strategies. Others like Gomez et al. (2020) and Hock and Gomez (2022) investigated different cases within the framework of state–business relations. Grassi (2020)'s case studies established a shift in China's soft approach from a power holder to a stakeholder, demonstrating China's adaptability in response to the host country's reaction to the projects.

Table 1. Literature using case study approach

Authors	Cases studied	Issues examined	Perspectives	Main findings
Lim (2018)	ECRL	Assessment of ECRL	Analytical	ECRL demonstrates China's growing influence but project faces several challenges
Liu and Lim (2019)	ECRL, Bandar Malaysia and Forest City	The role of domestic stake-holders in the advancement of BRI projects	Political economy	BRI projects require the cooperation of key domestic players in each project
Lim et al. (2021)	ECRL compared with Jakarta's High-Speed Rail	Examining the reasons between the different implementation speed in the two railway cases	Political contestation in host economy	Malaysia's centralised political structure enabled the ECRL to be rolled out more expeditiously compared to Jakarta

Table 1. Continued

Authors	Cases studied	Issues examined	Perspectives	Main findings
Lim et al. (2021)	ECRL and MCKIP	Role of central and provincial governments in Chinese infra-structure projects in Malaysia	Central–local relations and political–business cooperation	There are different roles played by central and provincial government in the two cases examined in this study
Williams (2016)	Evaluating Megaprojects: The Case of Forest City in Johor, Malaysia	To explore government–developer–community interactions surrounding megaproject development by an international investor operating outside their home country	Urban planning	Forest city's development reflects the interactions of the different actors in shaping the outcome on the environment and the local community
Moser (2018)	Forest City	The geopolitical implications of Forest City on Malaysia, Singapore and the region	Analytical	Forest City serves as China's neo-colonial outpost and endangers Malaysia's relations with neighbouring countries
Moser and Avery (2021)	Forest City	The politics of urban greening in the case of Forest City	Urban greening	The use of urban greening to promote Forest City while serving the project's economic and geopolitical goals
Wang and Reagan (2020)	Forest City	To examine media sentiments towards Chinese investments using Forest City as a case	Media content analysis	Malaysian mainstream media towards Chinese investments is aligned with government interactions between the two countries, while independent online media are less constrained by government control
Koh et al. (2022)	Forest City	The role of micropolitics in urban development	Urban greening	Green is used as a marketing tool to benefit investors at the cost of the local population

Table 1. Continued

Authors	Cases studied	Issues examined	Perspectives	Main findings
Lim and Ng (2022)	Forest City	The role of local politics in the development of Forest City	Analytical	Local politics can facilitate and also derail the development of Forest City
Avery and Moser (2023)	Forest City	Impact of urban speculation on the development of Forest city	Speculative urbanism	Outcomes of top-down Chinese investment and mega-development are shaped by local and transnational economic, political and social dynamics
Liu et al. (2020)	Port investments, including Kuantan Port	To show that BRI is driven by a range of Chinese stakeholders whose motives vary from achieving strategic geopolitical advantage to profit-maximisation	Analytical	Chinese SOEs situated at the city and province levels seek to maximise profits, while state-owned enterprises at the central government level can have strategic incentives in port investments
Hutchinson and Tham (2021)	Kuantan and Melaka Port	Impact of host country actors on the development of these two ports	Investment coalitions	Local actors in the two ports contribute towards the two different outcomes in these two port projects
Liang et al. (2021)	MCKIP	Examines the applicability and innovative development of China's overseas industrial parks from the policy transfer perspective	Policy transfer	Policy transfer needs to be complemented with scale reconstruction based on interactions between source and host countries for the project to work
Tham and Negara (2022)	MCKIP and Indonesia Morowali Industrial Park	Examines the use of FDI institutions to facilitate the development of these two parks	FDI institutions	FDI institutions facilitated the entry of China's investment in these two parks, although the facilitation differed in the two countries

Table 1. Continued

Authors	Cases studied	Issues examined	Perspectives	Main findings
Cheng et al. (2022)	MCKIP	The impact of MCKIP on the local community	Survey response	Positive but with concerns on transparency and the impact on the environment
Jones and Hameiri (2020)	8 cases	Compare BRI in Sri Lanka and Malaysia	Analytical	Economic factors are the primary driver of current BRI projects
Camba et al. (2022)	MCKIP and Indonesia Morowali Industrial Park	Examined the role of industrial policies used to develop the respective parks	Industrial policies	Indonesia's policies enforced the development of domestic processing while Malaysia's policies did not foster the development of linkages between the Chinese firm and the local economy
Merdeka Centre for Opinion Research (2022)	MCKIP and China Railway Rolling Stock Corp's (CRRC) Rolling Stock Center	Examine the social impact and community perception on the BRI	Survey response	MCKIP had a smaller response rate pertaining on a positive impact of project on local community compared with the CRCC project
Ngeow (2018)	6 Cases	To assess China's participation in infrastructure and cultural projects in the BRI	Analytical	Infrastructural projects can have geopolitical considerations. But the role of local stakeholders cannot be ignored, including local anxieties
Gomez et al. (2020)	7 Cases	Examine State–State Relations and new State–Business Relations in China's investments in the industrial sector	State–Business Relations (SBR)	There are different SBRs at play in the seven cases examined
Hock and Gomez (2022)	3 cases (ECRL, Melaka Gateway and Forest City)	Examines SBR in the context of the three case studies	State–Business Relations (SBR)	Diverse SBRs in the three cases due to different interactions between local power elites and transnational corporate elites

Table 1. Continued

Authors	Cases studied	Issues examined	Perspectives	Main findings
Grassi (2020)	14 cases	Assess the development of BRI projects	Analytical	China has shifted its soft-power approach from a power holder to a stake-holder in the evolution of domestic politics on the BRI projects
Zhang (2020)	Longyi (solar)	Analyses the motives, impact and acceptance of Chinese investment in Malaysia	FDI	Longi's relocation to Malaysia was motivated by tariff circumvention and access to the ASEAN market. There is upgrading of domestic capabilities
Li and Cheong (2017)	Telecom-munication	Examined the extent of localisation of Huawei and ZTE	Globalisation of Chinese transnational corporations	Localisation is observed in product, workforce, technology, organisation and management
Rasiah and Ren (2023)	Telecom-munication	Impact and contribution to local industry and Malaysia as the host country	Sustainable management	Human resource development and technology transfer to Malaysia via sustainable management

Source: Compiled by author.

The literature review shows the use of a variety of approaches to study different perspectives of Chinese investments in Malaysia. In particular, these studies tend to focus on the non-economic dimensions of these investments, leading to a neglect in the understanding of these ventures as business activities with commercial interests as well. The synthesis in this paper addresses this gap by focusing on the economic interests of Chinese investments in Malaysia.

3. Profile of Chinese Investments in Malaysia

Before synthesising the evidence, a brief profile of Chinese investments is first sketched, using foreign direct investment data. Based on the definition of FDI used by the Department of Statistics in Malaysia (DOSM) and Bank Negara Malaysia (BNM),[2] source of

2 Foreign direct investment (FDI) refers to Malaysia's direct investment enterprise's liabilities to and claims on the direct investor and affiliate from another economy. It reflects the lasting interest of the long-term investment in which the direct investor has a significant degree of influence on the management of the Malaysian direct investment enterprise. The items classified under foreign direct investment are equity capital, reinvested earnings, and other capital (debt securities, loans, trade credits and others). See https://www.bnm.gov.my/documents/20124/255480/x_en.pdf

project financing is important. Major BRI projects listed in the literature review that would not be classified as FDI projects in the DOSM/BNM data include the ECRL, which is financed by the federal government with concessional loans from China, rather than equity stakes in an affiliate. The ECRL would be classified as other official flows in the balance of payments data (AidData, n.d.). This will hold true for all projects financed by the federal government, such as the Trans Sabah Gas Pipelines (TSPG) and the Johor-Gemas double-line electrified railway reconstruction project. Chinese firms participate in these projects as contractors who are awarded contracts for the construction of these projects or parts of them, but not as funders of the project.

Inflows of FDI from China were insignificant prior to the announcement of the BRI in 2013. Investments from China only picked up after the announcement of the BRI and especially in 2016 and 2017. Thereafter it fell, but surprisingly there was some recovery during the Covid period in 2020 and a stronger recovery after Covid. The share of China in total FDI was 12.6% and 17.0% respectively in 2016 and 2017, thereafter it's share dropped to 4.9% in 2022 due to the rebound in FDI from other countries in 2021 and 2022.

It should be noted that it is not necessarily the case that all investments from China came through China due to the collection of data from immediate destinations rather than the ultimate destination. It can be argued that FDI from China should include investments from Hong Kong (HK) since the latter is part of China as well as the fact that some firms from China also have subsidiaries or affiliates there. For example, Geely

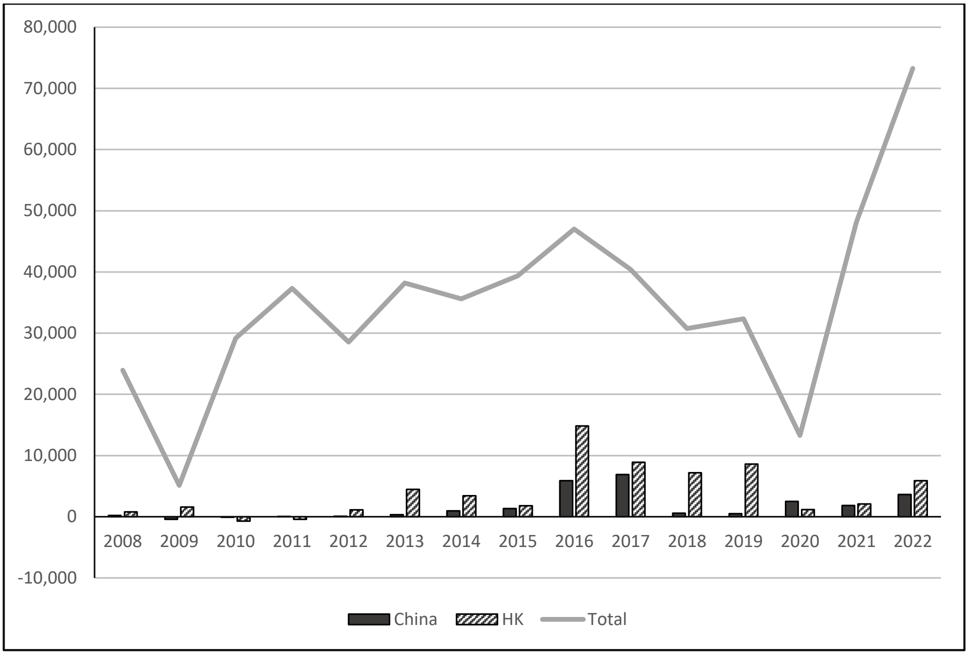

Figure 1. Net inflows of FDI into Malaysia, 2008–2022 (RM million)
Note: The inflows are net figures.
Source: Bank Negara Malaysia.

Automobile Holdings Ltd. is listed on the HK Stock Exchange. Adding HK would increase the share of China in total FDI to a peak of 44% in 2016. The share subsequently fell to 27% in 2019 and fell further to 13% in 2022.

The services sector dominated in 2016, 2017 and 2019, while manufacturing dominated in 2018, 2020–2022. But it should be noted that China was the largest investor in the manufacturing sector (in terms of approved projects) for five consecutive years from 2016 to 2020, when Malaysia was facing a downward slide in total inflows of FDI.

This pattern does not differ from the overall pattern of Chinese investments in ASEAN. Of the total amount of investment made by China in ASEAN in the past five years, 24% flowed to financial and insurance activities, 21% to real estate, followed by the manufacturing industry (16.2%), wholesale and retail trade (13.1%), and construction (6%) (Fung, 2022). Singapore is the largest beneficiary of investments in financial and insurance activities due to its status as a financial hub. Although there is no data on the distribution of Chinese investments among the various service sub-sectors, anecdotal evidence suggests that it is spread over real estate, power generation, finance, logistics, telecommunications and education.

Approved investments within manufacturing are clustered over several sub-groups, namely basic metal products, petroleum products, non-metallic products, electrical and electronics (mainly solar), paper, printing and publishing and transport equipment (Figure 3).

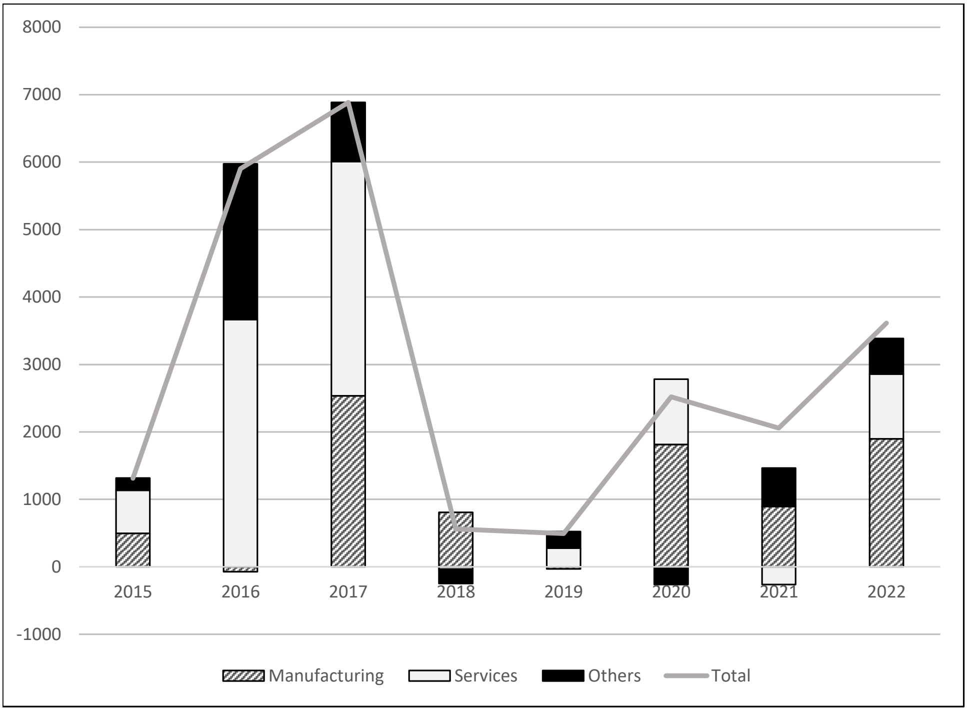

Figure 2. Net inflows of FDI into Malaysia by sectors, 2015–2022 (RM million)
Source: Department of Statistics, Malaysia (DOSM).

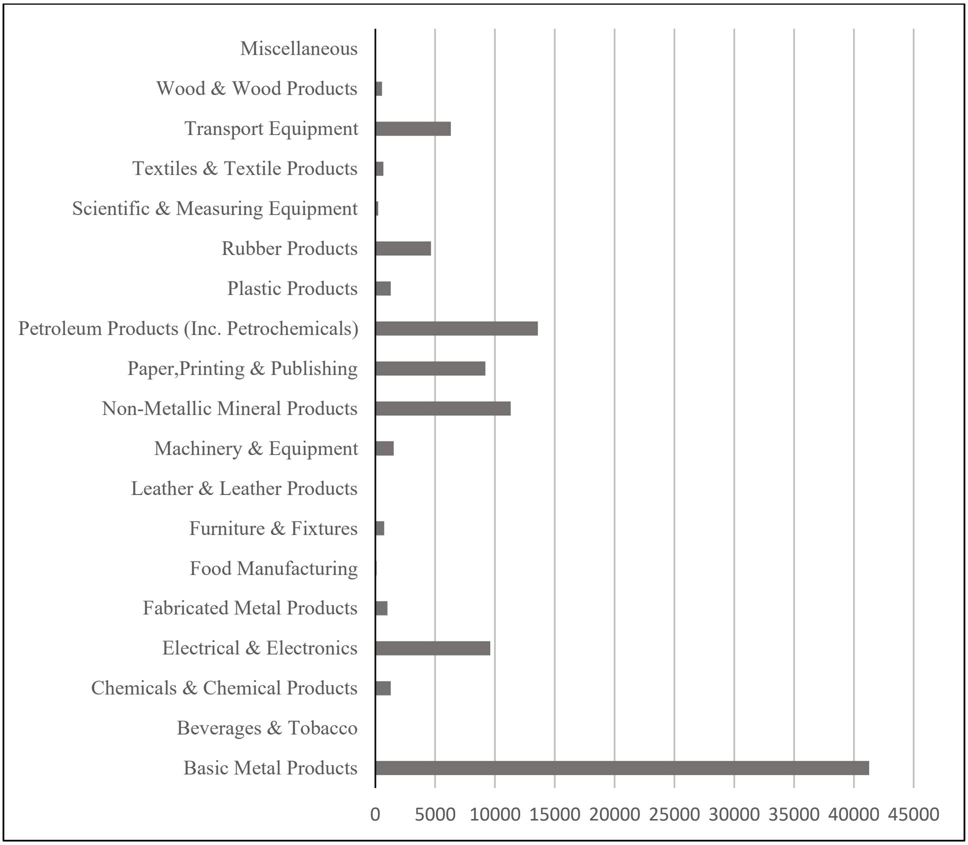

Figure 3. Total approved investments in manufacturing, 2013–2023 (June) (RM million)
Source: MIDA unpublished data.

4. Framework of Analysis

The paper adopts the Paul and Benito (2018)'s antecedents, decisions and outcomes (ADO) framework as an organising tool for synthesising the evidence because the framework covers the key dimensions and characteristics of FDI in economic analysis (Figure 4). Antecedents examines the key motivations behind a company's expansion into Malaysia through FDI. Dunning's ownership, location, and internalisation (OLI) eclectic paradigm is the most commonly theory used, despite the emergence of alternative theories. As noted by Nayak and Choudhury (2014) and Paul and Feliciano-Cestero (2021) in their respective reviews of FDI theories, although there are diverse types of direct investments made by multinationals (MNCs) in their cross-border expansion, MNCs seek to reap gains from their firm-specific advantages as well as the location of their investments. The theoretical framework is suitable for inward and outward FDI. Empirically, China's investment in BRI countries have been likened to be more like the "North to South" investment. In these investments, China acts like

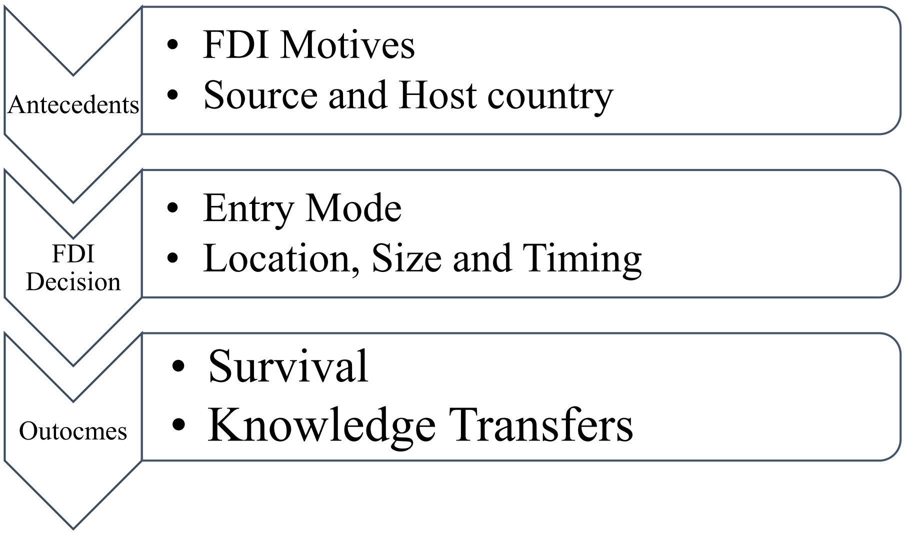

Figure 4. ADO framework
Source: Paul and Benito (2018).

a "developed country" investing in less-developed countries to seek markets, natural resources and cheap labour (Chang et al., 2021).

FDI decisions (D) cover location, mode of entry, as well as the size, volume and timing of investments. The paper will only focus on the mode of entry as it can affect outcomes while the data on size, volume and timing of investments remain sparse. Generally, developing countries prefer greenfield investments (GF) as it adds to the productive capacity and employment in a host economy, while merger and acquisition (M&A), is a transfer of ownership of existing facilities from domestic to foreign. GF is used when the investor has firm-specific advantages that are difficult to separate from the parent company. GF investments also uses the investor's technology, capital and know-how that can be internally transferred and can be used as a source of competitive advantage in the host market (Alon et al., 2020). By contrast, resources, including technology, market power, knowledge, managerial capabilities and/or capital, are held by the local firm in the case of M&A. Hence, there is lower institutional risk in M&A while the acquiring firm has greater control than the use of a joint venture. Joint ventures (JVs) are also sometimes established to pursue specific projects or new business activities whereby the JV is a separate entity from the partners' other business interests.

Outcomes (O) of these investments can be explored in several dimensions as well, such as financial as in the profitability of investments, survival of the enterprise, innovation, and knowledge transfers. This paper focuses on technology transfer in the form of training and local content used as these are the main economic outcomes that are commonly aspired by host economies.

Due to the lack of a comprehensive database on Chinese firms operating in Malaysia, different illustrative cases are used to elucidate the nature of Chinese investments in the country.

5. Antecedents

China's insignificance as an investor in Malaysia prior to 2013, can be attributed to the changing needs and capabilities of Chinese investors during the different stages of China's development (Tong, 2021). In the first period after 2003, when China's outward foreign direct investment (OFDI) gained momentum and the Ministry of Commerce (MOFCOM) started publishing official OFDI statistical data, which is from 2004–2008, the capabilities of Chinese investors were relatively low. Thus, Chinese investments were focused on less developed countries in ASEAN, concentrating on resource-rich countries like Indonesia and Cambodia.

In the post-crisis period, from 2009–2013, resource needs were replaced in part by the need to expand and penetrate markets outside of China due to the saturation of domestic market as well as increasing costs within China. Hence, market-seeking and efficiency-seeking motives started to appear in China's outward investments. In the BRI period, China moved towards technology-seeking and strategic-asset seeking behaviour whereby foreign investment is made for accessing knowledge or strategic assets.

At the same time, China faces excess capacity in several sectors such as iron and steel, cement, shipbuilding, and solar power panel manufacturing. China has taken several initiatives to combat this by discarding ageing and outdated facilities, prohibiting manufacturers from blind expansion of their production scales, and attempting to streamline the industry through consolidation. Concurrently, there is also an ongoing effort to export its excess production capacities through outward investments. This can be seen in some of the sectors invested by Chinese firms in Malaysia.

<u>Constructing the dataset for use in the ADO framework</u>

The sources of data used in Tables 2–5 are taken from the literature, previous interviews conducted by author and Google search. Google search data is verified from original source documents such as firm announcements, or annual reports, where available.

5.1 Market-Seeking

Since Malaysia has a relatively small domestic market, especially when compared with larger neighbours, the market-seeking motivation is less important in manufacturing compared with services (Table 2). Moreover, export conditions are imposed on Chinese investments in some cases such as the steel and car battery investments in Malaysia–China Kuantan Industrial Park (MCKIP) (Goh, 2019). Even without export conditions, producing for the domestic market includes using Malaysia as an export platform as well, as in the case of CRRC ZELC (Gomez et al., 2020).

Market-seeking is more relevant in the construction and services sector where the investments are used to service consumers in the domestic market. CRCG (M) Sdn. Bhd (formerly known as China Railway Oversea Engineering (M) Sdn. Bhd.) has constructed several projects in Malaysia, including Four Seasons Hotel in Kuala Lumpur (CRCG (M) Sdn. Bhd. n.d.; Knight Frank, 2018). However, not all of these are FDI projects while the source of funding is not always revealed in construction and service projects.

Table 2. Motivations for investing in Malaysia

Motives	Sectors	Examples of sub-sectors with Chinese investments
Market seeking	Manufacturing	Rolling stock, steel, car battery
	Construction	Hotels
	Services	Education, real estate, telecommunications, logistic and financial services
Efficiency seeking	Manufacturing	Solar, steel, car batteries, industrial park and textiles
	Services	n.a.
Strategic assets	Manufacturing	Automobile
	Services	Power generation
Resource-seeking	Manufacturing	Pulp and paper
		Oil refinery
		Palm oil products
	Services	Real estate (land)

Note: n.a.: not available.
Source: Compiled by author.

For services, this is exemplified by investments in education, real estate, telecommunications, logistics and financial services. In the case of education and real estate, consumers are not confined to Malaysians but also consumers from abroad, such as foreign students for Xiamen University and foreign buyers in the case of Forest City.

As in the case of manufacturing, some firms like Cainiao's investment in KLIA Aeropolis, which is in the logistics segment, seek to serve the domestic and regional markets.

5.2 Efficiency Seeking

For Malaysia, investments in solar manufacturing were instigated by the anti-dumping duties on imports of solar panels from China in 2016 (Tham et al., 2019). This does not imply that efficiency-seeking is not at play as demonstrated in the case studies on Jinko and Longi (Gomez et al., 2020; Zhang, 2020). Likewise, Malaysia's participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) negotiations and the yarn forward rule as well as efficiency reasons also facilitated the entry of textile manufacturing (Gomez et al., 2020). Investment facilitation from Malaysia Investment Development Authority (MIDA) also helped to attract some of these investments as Malaysia promoted investments in Malaysia in China on numerous occasions. MIDA also opened a third office in China in 2015 (Ministry of Investment, Trade and Industry, 2015).

Alliance Steel's investment in MCKIP, and investment in the development of the park itself, while serving to export excess capacity of China, have also chosen Malaysia for its access to land and connectivity to Kuantan Port (Tham & Negara, 2022). In particular, the longer industrial land lease (a maximum of 99 years) compares favourably to China's industrial land lease (a maximum of 55 years according to Ye et al., 2018).

5.3 Strategic Assets Seeking

Geely acquired Proton to strengthen its internationalisation, obtain Lotus and develop a springboard into the regional market (Tan, 2017). Likewise, the acquisition of Edra Global Energy is a strategic acquisition for China to strengthen the internationalisation of China General Nuclear Power Group (CGN). With the acquisition, CGN extended its global expansion from Bangladesh, Egypt, Pakistan and United Arab Emirates (UAE) to Malaysia.

5.4 Resource Seeking

Natural resources sought in Malaysia include the acquisition of oil refinery, wood and pulp mill for paper manufacturing and palm oil products. In real estate, land is one of the important resources acquired.

6. FDI Choice

The modes of entry are diverse, ranging from greenfield, joint ventures, to mergers and acquisitions (M&A). The literature suggests that greenfield investments are more common for Chinese emerging market multinationals, especially in Asia and Africa (Alon et al., 2020; Casanova & Miroux, 2019).

Greenfield investments prevail in the solar sector whereby the firms are already in the international market and they are using Malaysia to circumvent trade restrictions (Table 3). These are firms with firm-specific advantages such as proprietary knowledge in solar manufacturing. It is not confined to the case of solar investments alone but extend to other manufacturing sub-sectors that have chosen to use Malaysia as an export platform in manufacturing such as the case of Alliance Steel. Within services, there are also greenfield investments in education (Xiamen University) and telecommunication services (Huawei). Huawei's investments in its ASEAN Academy aims to provide ICT training in Malaysia to produce digital talents for the country.

Joint ventures are established when local knowledge or local partners are needed to facilitate operations. As shown in Table 4, these types of partnership are project specific and can spread from infrastructure investments such as industrial parks to manufacturing and services.

Table 3. Examples of greenfield investments in manufacturing and services

Manufacturing	
• Solar	Jinko, Longi, Xingyi Solar Malaysia, Comtec Solar
• Steel	Alliance Steel
• Textile	D&Y Textile
• Auto Batteries	Camel Power (M) Sdn. Bhd.
Services	
• Education	Xiamen University
• Telecommunications	Huawei

Source: Compiled by author.

Table 4. Joint ventures

Infrastructure	
• Industrial Park	MCKIP: 51:49 joint venture between a Malaysian consortium and a Chinese consortium.
Manufacturing	
• Basic metal (steel)	Eastern Steel which is a joint venture between Beijing Jianlong Heavy Industry Group Co. Ltd. (“Beijing Jianlong”) and Hiap Teck Venture Bhd. (“HTVB”)
• Palm oil products	Chinese state-owned companies collaborate with local Malaysian companies, as well as the Malaysian Palm Oil Board (MPOB) to produce hydrotreated vegetable oil (HVO) and sustainable aviation fuel (SAF)
Services	
• Real estate	Country Gardens Pacific View, 60% owned by Country Garden and Esplanade Dangga (40%) in 2013
• Logistics services	Cainiao Aeropolis e-WTP Hub (ehub): 70% Cainiao and 30% MAHB in 2017
• E-wallet	Touch ‘n Go Sdn Bhd (“TNG”) joint-venture (“JV”) with Ant Financial Services Group (“Ant Financial”), parent company of Alipay for e-wallet services in 2017

Source: Compiled by author.

In services, the partnership for the development of Forest City has been highlighted in the media as well as past studies due to the initial reported scale of investments (USD100 billion). However, according to Country Garden’s Annual Report in 2016, the construction of Forest City is on a roll-over basis based according to the progress in its sales and market response (Country Garden, 2016). Reuters reported that in 2023, apparently the investments over the last seven years amounted to only RM20 billion or USD4.3 billion due to the poor response to this project for various reasons, including currency control from China and the emergence of the Covid-19 pandemic in 2020 (Kok & Ananthalakshmi, 2023). Thus, the initial announced investments for Forest City, has yet to be achieved, to date.

In the construction sector, joint ventures are established to facilitate meeting the requirements for registration with the Construction Industry Development Board (CIDB) which handles many of the related permits and licenses (The Legal 500, 2022.). This includes for example, the need to have local technical personnel and local financial capabilities.

In Table 5, China’s M&A activities in Malaysia are divided into two main types. In the first category are M&A activities that need approval from the Malaysian government. The cash sale of Edra Global Energy Bhd in power generation to China General Nuclear Corp from 1Malaysia Development Bhd (1MDB) in 2016 at USD3.8 billion was the largest single M&A in ASEAN up to 2018 (Tong, 2021). It required a waiver of the 49% foreign equity ownership in the power sector for the deal to go though. Other M&A activities that needed approval from the federal government include the sale of equity in Kuantan port consortium, as it is a federal port, and the sale of equity from

Table 5. Mergers and acquisitions (M&A) in manufacturing and services

Port	
• Kuantan Port	Guangxi Beibou Gulf International Port acquiring 40% stake in Kuantan Port Consortium
Manufacturing	
• Automobile	DRB-Hicom Bhd sold 49.9% stake in wholly-owned Proton Holdings Bhd to China-based Zhejiang Geely Holding Group Co Ltd
• Solar	LONGi Kuching acquired another Chinese solar manufacturing plant owned by Comtec Solar International (M) Sdn Bhd for 200 million yuan
• Hygiene product manufacturing	Vinda International in 2016 for USD175 million
• Pulp and Paper	Nine Dragons acquisition of paper mill in Malaysia, in 2019. This includes a pulp and paper factory
• Petroleum refinery	Shandong Hengyuan Petrolchemical Co Ltd acquisition of Shell Refining Co from Royal Dutch Shell pc in 2016 (USD370 million)
Services	
• Power	China General Nuclear Power Corp acquiring Edra Global Energy in 2016
• Retail	Fosan International acquiring Secret Recipe
• Real estate	Shanghai state-government linked, Greenland Holding Group, acquisition of land plots from Iskandar Waterfront Holdings Sdn. Bhd.
• Education	Hope Education Group (Hong Kong) Company Limited ('Hope'), a wholly-owned subsidiary of HKEX-listed Hope Education Group Co. Ltd., entered into an agreement with Exeter Street Holdings Sdn. Bhd. ('Exeter'), a subsidiary of NASDAQ-listed Laureate Education, Inc. to acquire all the issued shares in Inti Education Holdings Sdn. Bhd. ('IEHSB') for a purchase price of USD140 million
• Financial services	CIMB Group Holdings Bhd sold a 50% stake in CIMB Securities International Pte Ltd (CSI) to China Galaxy Securities Co Ltd for RM515 million, to facilitate joint collaboration in the banking group's regional brokerage assets in 2017

Source: Compiled by author.

DRB Hicom to Geely since soft loans were provided by the federal government to tide Proton's losses during the search for a purchaser (Tham, 2021).

The other M&A activities are market-led and cover various sectors in manufacturing and services. It should be noted that it is not confined to M&A for natural resources alone, but includes a mixture of sectors, including retail and education. Of particular interest is the purchase of other foreign companies in Malaysia, including companies from China from 2016–2018, that were operating in Sarawak, by Longi Kuching, to create a vertically integrated supply chain there (Zhang, 2021). Thus, observed M&A activities are not confined to activities between Chinese companies and Malaysian-owned companies alone.

Tables 3–5 illustrate a variety of entry modes being used. However, since selected cases are used to illustrate each entry mode, it is not possible to conclude if on aggregate, one mode is preferred to the other.

7. Economic Outcomes

Host economies like Malaysia seek foreign capital for its contribution towards developing its economy, regardless of source countries.

Human resource development is one of the key contributions since workers have to learn to use Chinese machines be it in manufacturing, construction or services. Huawei's investments in ICT training helped to develop digital talents. Li and Cheong (2017) also found other forms of localisation such as product and technology development as well as transfer of organisational and management skills while Rasiah and Ren (2023) highlighted the transfer of technology in their telecommunication case study.

However, within manufacturing, the use of local inputs is limited as local small and medium enterprises cannot meet the standards and costs of inputs produced in China. Hence, backward linkages between the Chinese companies and local economy are also limited (Gomez et al., 2020; Ratan, 2023; Zhang, 2021). The growth of solar investments did not contribute to the growth of a local solar industry. Instead, imports of solar goods continue to serve local demand while produced goods are manufactured with imported inputs and exported to other countries (Ratan, 2023).

Due to the paucity of studies that examine the economic outcomes of Chinese FDI in Malaysia, it is difficult to conclude whether Malaysia has gained in development terms from these investments, including the aspired multiplier effects to the domestic economy. The focus on the strategic and political intent of these investments has led to a neglect on the understanding of the economic outcomes. Lack of data at the firm level has also hampered more robust research in this area.

8. Attracting Future Investments

Moving forward, as noted by Jamil (2023), it is exceedingly unlikely that Malaysia will seek for new mega projects from China due to the negative perceptions over the ECRL as well as the fiscal constraints of the current administration. China, after ten years of the BRI, has also scaled back to concentrate on "small but beautiful" projects in international cooperation (Yu, 2022), which is interpreted to mean high quality investments that can advance the interest of China in new areas of growth such as renewable energy, technology and electric vehicles.

This new focus coincides with Malaysia's New Investment Aspirations (NIA) that focus on investments that can increase complexity, create high value job opportunities, extend domestic linkages, develop new and existing economic clusters as well as improve inclusivity. Malaysia will continue to seek for FDI from China that can meet these new features.

9. Conclusion

Chinese direct investments in Malaysia show great diversity with investments in numerous sectors, which are driven by different motivations. The entry modes also differ from project to project. This diversity is contributed by Malaysia's stage of development, whereby it is a resource-rich country with a significant manufacturing sector and manufacturing exports. Thus, while there is interest in the natural resources of the country, this type of investment does not dominate as in the case of resource rich countries with limited manufacturing activities.

But the manufacturing activities in Malaysia are also driven by FDI and Malaysia does not have significant innovation of its own that can generate the kind of technology acquisition interests that Chinese firms have in developed economies. Instead, Chinese investments have used the locational advantages of Malaysia to advance its own interests such as the export of excess production capacity or to enhance their own competitive advantages be it in China or Southeast Asia, using Malaysia as a springboard into the region. Likewise, services investments in the country also extend beyond real estate and cover numerous other sub-sectors such as power generation, education, financial, retail and telecommunications. Some of these services also aim at the regional market as in the case of ASEAN e-commerce hub, at KLIA Aeropolis.

This diversity as well as the lack of available data at the firm level, has made it difficult to ascertain the impact of Chinese investments on the domestic economy, especially in facilitating the development of linkages with the domestic economy. Going forward, as Malaysia continues to court Chinese investments, it is important to note that getting high end investments from China that meets the new investment policy of Malaysia will require the use of appropriate policy tools for enabling these investments to develop linkages with the local economy. Domestic suppliers have to compete with the scale, efficiency, as well as costs of Chinese suppliers to meet the needs of Chinese transnationals operating in Malaysia. Therefore, even if Malaysia should manage to attract advanced manufacturing from China to the country, it may not gain from these investments, if linkage development continues to be weak.

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