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SECURITY IMPERATIVE OF THE BELT AND ROAD:
A COMPARATIVE STUDY OF MALAYSIA AND PAKISTAN

HAMMAD MATEENA

MPHIL

LINGNAN UNIVERSITY

2021

Security Imperative of the Belt and Road Initiative:
A comparative study of Malaysia and Pakistan

by
HAMMAD Mateena

A thesis
submitted in partial fulfillment
of the requirements for the Degree of
Master of Philosophy in Political Science

Lingnan University

2021

ABSTRACT

Security Imperative of the Belt and Road Initiative:
A comparative study of Malaysia and Pakistan

by

HAMMAD Mateena

Master of Philosophy

There is a misconception that the Belt and Road Initiative is a grand economic scheme meant to expand Beijing's influence in the region by attracting smaller states into the Initiative with abundant financial investment, but ultimately overwhelming them in a "debt trap". Much attention has been given to China's geopolitical gains and motives as the chief stakeholder of the Initiative, but there is a significant gap in the understanding of the member countries as stakeholders with their own objectives and strategies, instead assumed to be vulnerable to Beijing's plans and only hopeful for economic development. This dissertation aims to explain how BRI member states are adept at navigating their own agenda and objectives through these mass scale projects. Rather than economic benefit being their only concern, this paper argues that two variables are more important considerations: the most important being the security factor, and then domestic political climate. When these two factors are aligned with the objectives of the Initiative, projects proceed smoothly and member state governments remain positive about the economic benefits even in the face of growing debt trap controversies, whereas, if the security and domestic political objectives clash with those of the BRI, member countries may remain suspicious and negative even in the absence of debt problems. To present the varying degrees of importance of these three variables, this study constructs a comparative case study of Pakistan, a staunch supporter of BRI since the beginning of its inception, and Malaysia, a member state that has been both positive and critical of the Initiative and Beijing's intentions, using the theories of balance of threat, and hedging respectively to explain the strategic reasoning behind their perceptions.

Keywords: Belt and Road, Pakistan, Malaysia, Security, Hedging, Balance of Threat

DECLARATION

I declare that this is an original work based primarily on my own research, and I warrant that all citations of previous research, published or unpublished, have been duly acknowledged.

SIGNED

(HAMMAD Mateena)

Date of submission of bound thesis

31-08-2021

CERTIFICATE OF APPROVAL OF THESIS





SECURITY IMPERATIVE OF THE BELT AND ROAD INITIATIVE:
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by

HAMMAD Mateena

Master of Philosophy

Panel of Examiners:

 SIGNED	(Chairman)
(Prof. DAVID Roman)	
 SIGNED	(External Member)
(Prof. WONG Seanon)	
 SIGNED	(Internal Member)
(Prof. CHUNG Chien-peng)	
 SIGNED	(Internal Member)
(Prof. ZHANG Baohui)	

Chief Supervisor:

Prof. CHUNG Chien-peng

Co-supervisor:

Prof. CHU Pok

Approved for the Senate |


SIGNED

(Prof. MOK Ka Ho Joshua)
Chairman, Postgraduate Studies Committee

15 JUL 2021

Date

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1. INTRODUCTION

On his first tour as President of the People's Republic of China, Xi Jinping visited Kazakhstan in September 2013, and Indonesia in October 2013. During this tour he revealed the grand plan of his foreign policy: The One Belt One Road (OBOR), now known as the Belt-and-Road Initiative (BRI). The Initiative involves over 70 countries (140 when including MoU signing countries), accounting for almost two-thirds of the human population and approximately 30% of the world's GDP. The BRI is divided into two mediums of transport: the land-based Silk Road Economic Belt (SREB) and the Maritime Silk Road (MSR). The announced investment of the initiative is as high as \$8 trillion for a vast network of transportation, energy, and telecommunications infrastructure linking Europe, Africa, and Asia.

According to Xi, the world economy has been recovering slowly since the 2007 Financial Crisis, which has made global development uneven. In today's world of multilateral international trade, many countries are missing out on opportunities for investment. Therefore, the BRI aims to invite countries to collectively come together and build the Belt and Road to encourage global free trade with an open and free flow of economic resources and deep integration with each other's markets. The BRI is marked by its inclusiveness for all who wish to become members and is said to be aligned with the UN Charter principles of peaceful coexistence,¹ a peaceful cooperation that will use openness and inclusiveness to promote mutual understanding and mutual benefit. The SREB will focus on jointly building a new Eurasian Land Bridge and developing China-Mongolia-Russia, China-Central Asia-West Asia, and China-Indochina Peninsula economic corridors by taking advantage of international transport routes, using core cities along the Belt and Road and using key economic industrial parks as cooperation platforms. The MSR will focus on jointly building smooth, secure and efficient transport routes connecting major seaports along the Belt and Road. China believes that the countries along the projected Belt and Road area have unique resource advantages and they all have "mutually complementary economies". Thus, Beijing urges these countries to partake in the BRI and pursue the following five main goals:

Policy Coordination: Promoting cooperation between governments neighbouring each other along the BRI area by developing communication mechanisms for macro policy exchange between governments.

¹ Jinping, X. (2017, May 14). Full text of President Xi's speech at the opening of the Belt and Road forum. Retrieved from http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm

Infrastructural connectivity: Infrastructural development plans to connect all subregions of Asia, to Europe and then to Africa step by-step by creating junctions, passageways and facilities, to bridge disconnected road sections, removing transport bottlenecks, advancing road safety facilities and traffic management facilities and equipment, and improving road network connectivity. There are also plans to improve aviation facilities, optical fibre cables, and oil and gas pipelines.

Unimpeded Trade: To reduce, if not eliminate, trade barriers and tariffs by opening more free trade agreement and economic zones, whilst ensuring implementation of the World Trade Organisation (WTO) Facilitation Agreement. China hopes to increase customs clearance and expand trade areas, venturing into technology, e-commerce and convention and non-conventional energy resource development. Beijing also stresses upon green projects and sustainability; also highlighting division of labour and skills training.

Financial Integration: Enhance financial cooperation by putting effort into building a currency stability system; promote signing of memorandums of understanding (MOUs) between member states; improve risk management and crisis management. Most importantly, China wants to support the countries interested in BRI by giving loans via syndicates of investment/commercial banks, who will also issue bonds in both Renminbi and foreign currencies to promote good credit-rating.

People to People Bond: Promoting friendly cooperation by increasing cultural and academic exchanges, tourism, and student exchange programmes in between BRI member states. Beijing plans to set up scholarships, vocation skill training and more cooperative development strategies.²

Research assessing the risk and success of the BRI's progress so far find that it is still too early to assess the results of the BRI; but if current progress is consistent, World Bank Group researchers predict that BRI infrastructure can reduce transport time for member states by 12%, and consequently travel times all over the world will fall at an average rate of 3%. Transport projects are estimated to increase BRI economies' trade from 2.8-9.7% and for non BRI economies 1.7-6.2%. BRI transport projects could contribute to lifting 7.6 million people from extreme poverty (less than \$1.90 a day at purchasing power parity (PPP)) and 32

² Wong, A. A., & Jia, S. (n.d.). Belt & Road: Opportunity & Risk - bakermckenzie.com. Retrieved from https://www.bakermckenzie.com/-/media/files/insight/publications/2017/10/belt-road/baker_mckenzie_belt_road_report_2017.pdf?la=en

million people from moderate poverty (less than PPP\$3.20 a day), mostly in corridor economies. Globally, by sector, the largest investment needs lie in transport and energy infrastructure. Road transport and energy supply infrastructure are expected to comprise around 60% of global investment needs. The BRI is thus a much-needed initiative to fill the investment gap. OECD experts indicate evidence of trade creation between OECD countries and BRI low-income countries increasing due to the BRI.³

There is also evidence that shows that inability to repay debts is a realistic problem for corridor states. Pakistan, by far the largest country at high risk, currently projects an estimated \$62 billion in additional debt, with China reportedly financing roughly 80 percent of that. Big-ticket BRI projects and the relatively high interest rates being charged by China add to Pakistan's risk of debt distress. The most recent IMF assessment stresses the extremely risky nature of Djibouti's borrowing program, noting that in just two years, public external debt has increased from 50 to 85 percent of GDP, the highest of any low-income country. Much of the debt consists of government-guaranteed public enterprise debt and is owed to China Exim Bank. China is heavily involved in the Maldives' three most prominent investment projects. The country is considered by the World Bank and the IMF to be at a high risk of debt distress. The \$6.7 billion China-Laos railway represents almost half the country's GDP, which led the IMF to warn that the project might threaten the country's ability to service its debts. Recognizing Mongolia's difficult situation, China Exim Bank agreed in early 2017 to provide financing under its US\$1 billion line of credit at concessional rates for a hydropower project and a highway project. If reports of an additional \$30 billion in credit for BRI-related projects over the next five to ten years are true, then the prospect of a Mongolia default is extremely high, regardless of the concessional nature of the financing. The World Bank estimates that public debt as a share of GDP will climb to a whopping 83 percent in 2018. The Montenegro authorities concluded an agreement with China Exim Bank in 2014 to finance 85 percent of the estimated US\$1 billion cost for the first phase of the projects, with the second and third phases likely to lead to default if financing is not provided on highly concessional terms. Debt to China, Tajikistan's single largest creditor, accounts for almost 80 percent of the total increase in Tajikistan's external debt over the 2007-2016 period. China Exim Bank is the largest single creditor, with reported loans by the end of 2016 totaling US\$1.5 billion, or

³ World Bank. (2019). Belt and Road Economics: Opportunities and Risks of Transport Corridors. Retrieved from <https://www.worldbank.org/en/topic/regional-integration/publication/belt-and-road-economics-opportunities-and-risks-of-transport-corridors>

roughly 40 percent of the country's total external debt. While currently considered to be at a “moderate” risk of debt distress, Kyrgyzstan remains vulnerable.⁴

The BRI has thus far been driven predominantly by China’s state-owned banks and state-owned enterprises (SOEs), with limited foreign and private participation. Chinese SOEs account for 50 percent of infrastructure projects already under construction or planned, and 70 percent of the contract value of those projects. State-owned banks, policy or commercially oriented, represent most BRI-related project financing so far. Strength of investment protection in international agreements of BRI projects between not only Chinese SOEs and corridor states (a.k.a BRI members) but also foreign and local privately owned enterprises (POEs) varies across the regions; poor protection in Pakistan, Turkmenistan, Iran and Myanmar; medium protection in Malaysia, Indonesia and high protection in Russia. Other than these few countries there is no data available on investment protection in other countries and this can discourage FDI in corridor states with lower protection.⁵

It is interesting to note that the general perception of the BRI is on average on the positive side according to research done by think tank Bruegel, citing the average to be +0.6 from a range of -4 to +6. However, this is because there are very positive and also very negative perceptions varying across the globe with very few countries having a neutral perception. The most important factors behind the perception of the BRI in the media of most countries are: Trade and Investment. The countries with the most negative perception, such as India, Bhutan and Maldives accuse China of having geopolitical agendas behind the BRI, citing Sri Lanka and saying that through debt trap China is looking to infringe on the sovereignty of a country by forcing them to lease land to repay debt. Also citing military bases in debt stricken Djibouti, US policy makers warn that China is employing the BRI for military and surveillance purposes.⁶

From the above information we can conclude that negative perception of BRI is due to debt sustainability issues, lack of transparency, and suspicion of geopolitical motives. While

⁴ Bartlett, S. (2018, March 4). China's Belt and Road Initiative Heightens Debt Risks in Eight Countries, Points to Need for Better Lending Practices. Retrieved from <https://www.cgdev.org/article/chinas-belt-and-road-initiative-heightens-debt-risks-eight-countries-points-need-better>

⁵Hurley, J., Morris, S., & Portelance, G. (2019). Examining the debt implications of the Belt and Road Initiative from a policy perspective. *Journal of Infrastructure, Policy and Development*, 3(1), 139. doi: 10.24294/jipd.v3i1.1123

⁶ Garcia-Herrero, A., & Xu, J. (2019). Countries’ Perceptions of China’s Belt and Road Initiative: A Big Data Analysis. *SSRN Electronic Journal*. doi: 10.2139/ssrn.3430318

positive perception of BRI is due to economic opportunities, investment, and development of transport infrastructure.

Research Questions

Upon focusing on individual cases however, one finds that the factors behind positive or negative perception of BRI are not as straightforward. Of the 8 BRI member countries that are unable to pay their debt, only Kyrgyzstan, Montenegro and Maldives display a negative perception of BRI. While the other 5 countries (Mongolia, Laos, Tajikistan, Djibouti and Pakistan) are still quite positive about the results of the BRI. Member countries that are not under debt risk and are gaining economic benefit, such as Malaysia, Turkey, Vietnam⁷ are cautious and critical of the BRI. So the natural question that arises: Are there any factors besides economic incentives that would give rise to positive perception of the BRI? Conversely, are there any factors besides debt risk that would give rise to critical perception of the BRI? If so, what are these factors?

The scope of the question is quite large as it is quite difficult to analyse and study every country's reasoning and involvement with the BRI. But a deep case study of one country that has a positive view of the BRI despite stunted projects and potentially non-repayable debts, with a country that has a negative view despite economic benefit and minimal debt concerns, may offer valuable insight on more factors behind their perception. For my study, I have chosen to compare Pakistan and Malaysia.

The flagship project of the BRI, the China-Pakistan Economic Corridor, runs through Pakistan and is the most funded of all BRI projects allegedly at \$68 billion. Yet after 7 years of CPEC being underway, less than one-third of announced CPEC projects have been completed, totaling about US\$19 billion according to government statements. CPEC has also agitated separatist movements in Balochistan, the region where Gwadar Port is being developed. Despite these challenges, the current government of Pakistan continues to champion CPEC as the key investment needed to boost Pakistan's economy and infrastructure, even though the Khan administration campaigned against CPEC initially and vowed to review projects to gain more local representation and fairer loan repayment terms. There are also claims that Khan has refused to look deeply into corruption charges into CPEC, especially those that involve military personnel.

⁷Huyen, P. T. T., & Thang, N. T. (2020). China's Belt and Road Initiative (BRI): Challenges and Opportunities for Vietnam. *Critical Reflections on China's Belt & Road Initiative*, 223–233. doi: 10.1007/978-981-13-2098-9_13

For the case of Malaysia, initially under the leadership of Najib Abdul Razak (Prime Minister 2009-2018), Malaysia was quite eager to join the Initiative, signing 14 deals worth US\$34.25 billion of infrastructure deals, a \$100 bn Forest City in Johor and vowed to boost defense, economic and trade cooperation after attending the first Belt and Road Forum in 2017. But with the victory of Mahathir Mohammad in the general elections in May 2018 (Prime Minister 2018-2020), things changed. During his four-day visit to Beijing in August 2018, he cancelled the East Coal Rail Link project worth 20 billion USD, and two gas pipeline projects worth 2.3 billion USD⁸. He only restarted these projects in April 2019, after successfully renegotiating the terms saying that Malaysia will only continue to cooperate under the BRI if trade routes remain free of “bureaucratic hassles” and are available for everyone to use.

Why is Pakistan unwilling to renegotiate and voice criticisms despite the alleged debt risk and concern that the economic benefit is not enough? Although a supporter of BRI, why does Malaysia remain critical despite renegotiations and assurances from Beijing?

⁸Ma, A. (2018, August 21). *Malaysia has axed \$22 billion of Chinese-backed projects, in a blow to China's grand plan to dominate world trade*. Business Insider. <https://www.businessinsider.com/malaysia-axes-22-billion-of-belt-and-road-projects-blow-to-china-2018-8>.

2: RESEARCH DESIGN AND METHODOLOGY

Rationale/ Significance of Study

The Belt and Road Initiative is a very happening topic in the realm of political studies, and substantive work is being done on its details, opportunities, challenges and impact of the BRI across the globe. Yet the focus has been on the Chinese state and the Chinese SOEs' FDI into BRI projects to expand Beijing's economic and geopolitical goals. Some, such as the Lowy Institute and Financial Times, call the Initiative a form of "colonialism" by luring BRI member states into "debt traps"⁹. Whereas the discourse on BRI member states, on the other hand, revolves around the narrative that they find the economic incentives of the Initiative so attractive that they are willing to wager that the development brought about will ultimately make up for the debts incurred. However, when countries are unable to repay debts in due time, Beijing will force these members to give up political influence or territory as compensation, often citing the case of Sri Lanka's Hambantota Port as an example. This is a justified argument but is one dimensional and regards member states as passive actors that are overwhelmed by Beijing's financial might. Research that does give importance to other factors such as domestic politics and international security, tends to list factors without properly explaining the significance of each variable individually. This is the literature gap that this research aims to fill, by giving a comprehensive explanation of the reasoning for the differing attitudes amongst BRI member states, this paper aims to understand how and to what extent the three factors economic benefit, domestic politics and international security impact member state perception and strategy for the Initiative in the context of their relationship with China.

Out of the 140 BRI member countries so far, Pakistan and Malaysia are an insightful and interesting pair of countries for this research problem; due to their very different strategic approach to and perception of the BRI and China, yet similar enough to give us a more clear understanding of the factors that give rise to their divergent decision making, and the level of importance of each variable. According to the International Monetary Fund World Economic Outlook, Pakistan and Malaysia have very similar GDP (PPP) ranking and a 10 position gap in nominal GDP ranking.¹⁰ Both countries have a Muslim majority; in both society and their current governments. Both countries have been previously colonised by Britain; Pakistan and Malaysia became independent in 1947 and 1957. And both countries have faced a partition

⁹ Smith, C. (2018, July 24). Belt and Road, or debt trap? <https://www.ft.com/content/418aac4a-d3b1-379d-8e34-e0ae2462d8e2>.

¹⁰ IMF Economic Outlook. (2020, October). *Projected GDP Ranking*. World GDP Ranking 2021 - StatisticsTimes.com. <http://statisticstimes.com/economy/projected-world-gdp-ranking.php>.

within their territory after they gained independence; namely the separation of East Pakistan into Bangladesh in 1971, and Singapore from Malaysia in 1965. Both countries started out as enclave economies but as of 2018, Malaysia's GDP per capita (11,072 USD) is much more than Pakistan's (1,565 USD); and Malaysia's Human Development Index is a high 0.804 compared to Pakistan's medium 0.560.

Presently, Pakistan is by far the largest country at high risk, with China reportedly financing about 80 percent of its estimated US\$62 billion in additional debt.¹¹ Yet it is also one of the staunchest supporters of the Initiative, being the centre of the flagship project of the BRI: The China Pakistan Economic Corridor. Malaysia on the other hand, does not have an alarming amount of debt owed to Chinese companies, and in fact has managed to renegotiate terms well to their favour. Even with that, Malaysian politicians and economists remain critical and suspicious of ongoing projects, worried about lack of transparency and domestic ownership. This fact alone debunks the assumption that economic considerations alone can explain these two countries' decision making and perceptions. Both countries elected new Prime Ministers in 2018, Imran Khan and Mahathir Mohammad for Pakistan and Malaysia respectively. Both were sworn in on their promise to fight corruption and bring their economies out of debt, specifically by reviewing BRI deals signed under the previous governments. The previous leaders: Nawaz Sharif in Pakistan and Najib Razak in Malaysia, were accused of signing unfair deals with China that they promised to review and change, but of the two new leaders only Mahathir was successful in doing so. When Imran Khan won the elections, he vowed to review and renegotiate "unfair" CPEC terms during his visit to Beijing in November 2018, but this was said to have irked China, and Imran Khan was criticised internally for the slowdown of the projects, due to which after a year of slow progress and work on the IMF bailout, CPEC grew and took on more projects than before under Phase 2. Their political behaviour may highlight more considerations involved behind BRI perception but is still not sufficient to explain the divergent behaviour.

The most significant factor that stands out and adequately explains this anomalous phenomenon is: security. In the case of Malaysia, China is essential for her economy as the latter is the former's largest trading partner and the top source of foreign investment especially in the manufacturing sector. However, when it comes to security, Malaysia has only one major source of external threat which is the South China Sea disputes; and even

¹¹Ming, C. (2018, March 5). China's mammoth Belt and Road Initiative could increase debt risk for 8 countries. Retrieved from <https://www.cnbc.com/2018/03/05/chinas-belt-and-road-initiative-raises-debt-risks-in-8-nations.html>

though Malaysia has overlapping claims with Vietnam and Philippines as well, it is Beijing who is the main source of tension and anxiety because of Beijing's ability to overwhelm the combined power of ASEAN states if the former was so inclined, and reluctance to sign any binding code of conduct. And judging by the recent increase in Beijing's aggressive patrolling and infringement upon Malaysia's claimed waters, it is understandable why Malaysia may view such a closely collaborative project such as BRI with skepticism and hesitance. Regardless of how valuable Chinese FDI is, there always remains a fear that Beijing may use its economic clout to gain more influence in the region and use that influence to gain more territory in the South China Sea. For the case of Pakistan, it is an almost reversed case; China and Pakistan have been "iron brothers" since the beginning of their strategic relationship after the successful demarcation of their shared border in 1963¹². The two countries grew closer due to their mutual perception of threat from India and supported each other when they had wars and border disputes with New Delhi. From that point onwards, their cooperation expanded to economic, diplomatic, and military alliances and now China has become Pakistan's largest arms exporter, second largest trading partner and biggest contributor of FDI. Beijing also sides with Pakistan in international forums like the UN regarding sensitive issues like Kashmir, an area with contested claims against India by both allies. Thus, a mammoth economic initiative like the BRI is not only an amazing opportunity to gain investment and development for Islamabad, but also an extended limb of Sino-Pakistan relations especially with CPEC being called the "flagship" project of the BRI. Pakistan cannot afford to upset its indispensable ally while sandwiched amongst hostile countries India and Afghanistan and considering how the BRI is the cornerstone of Xi Jinping's foreign policy, Islamabad cannot afford to be part of the resistance against it. With the Indo-US nexus increasing in alliance, Pakistan only has China (and vice versa) to counter their influence in the South Asian region

Methodology

This paper uses qualitative research to study and analyse the theoretical differences in the political behaviour of a country towards a transcontinental project known as the Belt and Road Initiative, and the aim of this research is to find and measure the independent variables that are responsible for the governments' decision making regarding BRI projects. Firstly, by using counterfactual analysis it is argued that economic benefit is not the only variable on which countries' perception of the BRI depends upon. "Economic benefit" is defined as the

¹²Munir, M. (2018). Pakistan-China Strategic Interdependence: Post-9/11 Imperatives. *Strategic Studies*, 38(2), 21-42. Retrieved April 24, 2021, from <https://www.jstor.org/stable/48539135>

level of investment in the local infrastructure and industries of the country; the job opportunities created; and percentage of local ownership of the BRI projects.

Once this is proven, it is argued that there are two other variables, domestic politics, and security, that member countries consider before they think about/assess the economic value of the BRI projects. The most important factor governments consider when taking on BRI deals is how the deepening cooperation with the Chinese government and Chinese SOEs impacts their international security in a geopolitical context. The second consideration that follows this is how the BRI projects aligns/conflicts with the domestic political atmosphere of the member country. Only when these two variables have been properly considered and aligned with their interests, do governments then focus on the economic detailing of the BRI projects. Therefore, it is argued that the three factors are not equal in terms of their explanatory power i.e., ability to explain the causation of their differing policies and reactions to the Initiative and if these factors were to be ranked, security would be ranked highest as it is the factor that most adequately explains Pakistan's confounding optimism and Malaysia's distrusting behaviour. To put this in simpler terms, if BRI is beneficial to the international security of a country, then BRI will be viewed positively regardless of the other two (or any other) factors. Domestic politics is ranked higher than economic benefit because it directly impacts the smoothness and pace of projects' completion. Economic benefit is subsequently ranked third, not only because of the superior importance of security and domestic politics, but also because the long-term investment nature and lack of transparency of projects makes it very difficult to analyse cost and returns accurately.

The Conceptual Framework section will explain the differences between Malaysia and Pakistan's priorities using the Balance of Threat theory. It is necessary to clarify that although this dissertation, by utilizing the balance of threat theory, is agreeing with the neoclassical/structural realism approach that states shape their security and foreign policy as a response to the power dynamics of the international system and respective domestic political situation, it is by no means a dissertation meant to add upon the discussion regarding the strengths and criticism of the school of thought itself. This dissertation strictly and solely focuses on the effect of security as a variable upon the perception of the BRI. Perhaps when this research evolves into a Ph.D. dissertation, more focus will be given to engaging the neoclassical realist theory in the context of the BRI.

In the case of Pakistan, Islamabad perceives China as her closest ally, with whom to balance India, who is seen as the biggest threat to its regional and national security. China also lays claim to 20% of Kashmir, however it is territory not claimed by Pakistan thus Islamabad sees

strategic value in balancing India with a China-Pakistan nexus to counterbalance that of India and US, not only within Kashmir but also in terms of geopolitical influence in the region of South Asia. Provided with this context of how China is indispensable, the balance of threat theory can be used to explain why CPEC projects that are fortifying Pakistan's security measures internally and externally, are so important to Pakistan.

For the case of Malaysia, the country does not require China to counterbalance any threat or risk arising from neighbouring states, nor does it need China to contain any internal terrorism or nationalist extremism. In fact, rather contrarily, if there is any potential risk to Malaysia's freedom of navigation and sovereignty it emanates from China. Evidence of distrust and tensions towards China are seen externally upon investigating the South China Sea disputes that have been ongoing between the two countries since 1979, and internally due to China's exertion of soft power on the ethnic Chinese Malaysian population; a phenomenon that has sparked protests and ethnic tensions within Malaysia. This gives reason for Malaysia to adopt balancing measures towards Beijing however concurrently, the latter is the former's largest economic trading partner, and the Belt and Road Initiative entails scores of benefits for Malaysia's economy which also gives incentive for bandwagoning with Beijing. Given this complex situation for Malaysia, it gives grounds for Kuala Lumpur to employ a mixed strategy of both balancing and bandwagoning, known as "hedging". Hedging can be defined as a mixed policy approach to maximise benefits while preventing security risks from becoming a tangible reality of threat. Malaysia has adopted a strategy of hedging towards China since Mahathir's prime ministership in 1981 which is still seen today, especially amidst growing US-China tensions. Due to the non-alignment nature of this strategy, Malaysia displays both elements of support and criticism for the BRI, maximising the profit that can be gained from the projects, whilst also remaining critical of ownership and debt risks, and maintaining multiple political, economic and security channels with the United States, Japan, Australia, EU, and India in order to prevent reliance on China.

This descriptive research will mostly consist of textual analysis, specifically, content, and thematic analysis using journal articles, newspapers, press statement releases, and online BRI project archives. Interviews with experts and officials from both countries, with the target being 5 individuals for each country involved in the BRI will be used to triangulate the data and ensure that the arguments made are robust. To test the correlation between security challenges and BRI perception an inductive approach is initially applied because there is not enough existing literature on this topic. As for the conceptual framework, a deductive approach will be employed to analyse whether the theories of hedging and balance of threat adequately explain the countries' behavior and why security is the most important variable.

The reason I have chosen comparative analysis for this research, is because it is a powerful tool to assess real time patterns, similarities, and differences between two systems to find the correct variants and the causal mechanisms of how these variables affect political phenomenon, in this case being perception of BRI. Quantitative analysis would require a great amount of data analysis and may not be able to assess factors like security concerns which is the potential variable in this study; not to mention the lack of adequate statistical data available on the current and pipeline projects.

3: HISTORICAL CONTEXT

Before discussing the Belt and Road and the three research variables, it is important to present a brief historical context of China's relations with Malaysia and Pakistan, respectively, to provide a better understanding of events leading up to the start of the Initiative.

China and Malaysia

Relations between Malaysia and Communist China were belligerent during the Cold War Period due to the Malayan Communist Party (MCP) that took arms in 1930 vowed to take independence from the British and create a communist nation. They were endorsed by Mao Zedong which made the Malaysians view China as an enemy to their security. Upon independence in 1957, the Anglo-Malayan Defence Agreement was signed with former colonizer Britain, under which Malaysia pursued an anti-communist and anti-China policy and was vocal in its criticism of China during the 1959 Tibetan Revolt and during the Sino-Indian War of 1962. From 1963-1966 Indonesia and Malaysia had a violent conflict stemming from Indonesia's defiance to the creation of Malaysia, and this sentiment by Jakarta was supported by China, which heightened Malaysia's perception of China as a threat. To ensure that China could not influence the ethnic Chinese population of Malaysia, the government banned all PRC publications, travels to China, and Bank of China branches. However, in 1971 British presence withdrew from Southeast Asia and the AMDA was replaced by a non-binding "consulting" Five Power Defence Arrangements between Britain, New Zealand, Malaysia, Australia and Singapore. This led to structural changes in Malaysia's foreign policy which shifted with the leadership of Tun Abdul Razak from a pro-west to a neutrality-based policy¹³. This was apparent in May 1974 when Tun Abdul Razak visited Beijing and was the first ASEAN member to establish diplomatic ties.

Even though relations had taken a step in a positive direction, some points of contention persisted. The main one being the hesitance of the Chinese Communist Party (CCP) to sever ties with the CPM; PRC leaders reassured Malaysia that PRC had retracted their support for the CPM when they established diplomatic ties in 1974, but Malaysia's suspicions continued as the PRC seemed to still provide some unspoken support, such as allowing the CPM to maintain their radio station in Hunan, China which was not shut down until 1981. This suspicion was translated into the communique signed in 1974, whereby both countries agreed that if ethnic Chinese in Malaysia chose Malaysian citizenship they would have to forfeit Chinese citizenship; as the following Prime Minister Tun, Hussein Onn, said in June

¹³Kuik, Cheng-Chwee. (2015). Malaysia-China Relations: Three Enduring Themes.

1979, "The government has no intention of lifting restrictions on social visits to China as it continues to support the communist group operating within Malaysia."¹⁴ What made Kuala Lumpur even more suspicious was that they believed the PRC did not honour this agreement due to evidence that China was treating Malaysian Chinese as "Returning Overseas Chinese". These tensions were exacerbated with the beginning of the South China Sea dispute in 1979 with overlapping claims with China.¹⁵

With such persisting problems it would seem at that time that relations between the countries would remain scarce, but with the coming in of Deng Xiaoping's reforms in 1979 and especially the instatement of new Malaysian Prime Minister Dato Seri Dr. Mahathir Mohammad in 1981, Sino-Malaysian economic trade relations were renewed. In February 1984, Chinese Foreign Minister Wu Xueqian visited Kuala Lumpur, again reassuring them that CPM was Malaysia's internal problem they had no stake in, and that the Overseas Chinese issue would also be addressed properly; but more importantly, Malaysian Foreign Minister Ghazali Shafie and a delegation of top businessmen visited Beijing 3 months later where they signed major trade agreements such as the \$700,000 USD dried chilli contract and seven fold increase in Malaysian palm oil imports. This is where analysts believe that Malaysia began its strategy of hedging with China, as Mahathir succinctly explained his ideology of economic pragmatism with political wariness in his speech at Qing Hua University, Beijing in November 1985, "There have also been times when we have viewed each other with suspicion and distrust. I dare say that some of this lingers on. Nevertheless, despite these differences, we must not allow ourselves to be blinded to the realities of our involvement in the destiny of this region".¹⁶ By 1991 with the end of the Soviet Union, and also the disbanding of the MCP in 1989, diplomatic relations between Beijing and KL became even better which is why even though South China Sea disputes still persisted, the Sino-Malaysian Trade Agreement was signed in 1988, reducing 5% charges along with other restrictions for Chinese imports; in 1999 the two countries developed the Framework for Future Bilateral Cooperation. Malaysia was also the first to invite China to a multilateral meeting with the ASEAN members in the 24th Ministerial Meeting, after which China began its frequent participation in ASEAN, eventually becoming a member of the ASEAN+3. The economic pragmatism seems to have subsequently paid off; Malaysia-China Trade increased tenfold from 1.4 billion USD in 1992 to 14 billion USD in 2002; and since 2009,

¹⁴Leong, S. (1987). Malaysia and the People's Republic of China in the 1980s: Political Vigilance and Economic Pragmatism. *Asian Survey*, 27(10), 1109-1126. doi:10.2307/2644848

¹⁵ Ibid

¹⁶ Ibid

China has become Malaysia's top trading partner.¹⁷ The two countries have also steadily developed closer political ties, vowing to solve the South China Sea disputes via 'friendly consultations'¹⁸, and signing the first defence MOU with China in 2005, but Malaysia has been vigilant to ensure that channels of cooperation with other countries are kept equally well; as the defence cooperation with the US remains far stronger than with China, and level of economic relations with the US, Singapore and Japan follow closely behind those with Beijing. Using this context, we can see that the BRI is another means for Malaysia to foster closer economic ties with Beijing, whilst being aware of the developments in the South China Sea and otherwise.

China and Pakistan

Relations between Pakistan and China began on 9th of January 1950 when Pakistan became the first Islamic country and third non-Communist country to recognize the People's Republic of China and established diplomatic relations on 21st May 1951 and began trade relations in July 1951 and signed a trade agreement just two years after. Relations became strained when Islamabad officially joined SEATO in 1954 and CENTO (a.k.a Baghdad Pact) in the following year, both of which were military pacts created to contain the spread of communism and the Soviet Union which was China's ally at the time. Another move that irked China. Despite this, relations were not completely broken and continued through as Pakistani diplomats reassured Beijing that Pakistan did not join these pacts in intentional spite but rather due to her close alliance with the US and the West, mainly for security against any threat from India. Beijing, although still not pleased with the actions, understood the restrictions Islamabad faced and continued to sign on 7 more trade agreements by 1958 and various cultural exchanges and delegation visits continued, with Vice Premier Soong-Ching-Ling and Premier Zhou En Lai visited Pakistan in March and December of 1956 respectively, and Pakistani Prime Minister Suharwardy visited China in October of the same year. Relations again became tense when the Chinese Liberation Army went into Tibet to suppress the local rebellion in 1959, Pakistan voted for admonishing China's actions and did not vote in favour for China to become a permanent seat member at the UN (until later in 1961) and it was not surprising when Islamabad found out that Beijing had claimed some parts of its territory in its official maps along their shared border and refused President Ayub Khan's request to discuss it. Yet Islamabad did not allow that fact to sour their relations,

¹⁷Joseph Chin Yong Liow. (2000). Malaysia-China Relations in the 1990s: The Maturing of a Partnership. *Asian Survey*, 40(4), 672-691. doi:10.2307/3021188

¹⁸CHENG-CHWEE, K. (2008). The Essence of Hedging: Malaysia and Singapore's Response to a Rising China. *Contemporary Southeast Asia*, 30(2), 159-185. Retrieved April 24, 2021, from <http://www.jstor.org/stable/41220503>

especially at the beginning of 1960 when it began to reconsider the value of the alliance with the US after the latter's disappointing neutral stance on Kashmir, and with the win of pro-Indian Democratic party politician John F. Kennedy Islamabad was sure that the US support would be less favourable. Realising this, Pakistan ditched the idea of alienating Beijing for Washington, first by voting in favour of Beijing gaining a UN seat in 1961 and then by reaching out to settle the issue of their mutual border demarcation. Sensing Islamabad's change of heart especially during the Sino-Indian war in 1962, China agreed to talk about the border divisions in May 1962, and by March 1963 a landmark border agreement had been signed under which Pakistan gifted Aksai Chin and territory in northern Ladakh to China in goodwill, which the former reciprocated by ceding approx. 2000 square km south of the Khunjerab Pass to Pakistan and publicly stating that Kashmir was not yet part of India and that Pakistan had rightful claim of its administered regions of Kashmir, much to India's chagrin as latter denied the legitimacy of both China and Pakistan's claims on Kashmiri land.

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From this point forward, Pakistan and China agreed to give each other the most favoured nation treatment in trade and regular flights between the two countries began; as did the construction of the Khunjerab Pass in 1966, directly linking the two countries together. The United States was not happy with this development and, when Pakistan refused to agree that China was a threat during US Under Secretary of State's visit to Islamabad in December of 1963, Washington cancelled 4.3 million USD worth of loans, though Beijing offset this by providing Pakistan with a \$60 million USD interest free loan just a year later. But the point where Islamabad really appreciated Beijing's support was during the 1965 Indo-Pak War, calling out India for its "criminal aggression" and sending multiple ultimatums expressing "firm support for Pakistan"²⁰; this greatly helped deter India from attacking East Pakistan and from this point onward, China continued supplying Pakistan with military equipment including T-29 tanks and MiG 19 aircrafts, even more so after the '65 war when the United States decided to stop doing so. Aside from military equipment, China supported Islamabad's industrial development and provided technical expertise and machinery where needed. Pakistan also continued to reciprocate support for Beijing, most notably so when the former facilitated a secret meeting between the Chinese government and Henry Kissinger in July 1971 aiding the Sino-US rapprochement²¹. The 70s continued solidifying the relations;

¹⁹ Syed, A. (1969). SINO-PAKISTAN RELATIONS—AN OVERVIEW. *Pakistan Horizon*, 22(2), 107-119. Retrieved April 24, 2021, from <http://www.jstor.org/stable/41392965>

²⁰ Mahdi, N. (1986). SINO-PAKISTAN RELATIONS: HISTORICAL BACKGROUND. *Pakistan Horizon*, 39(4), 60-68. Retrieved April 24, 2021, from <http://www.jstor.org/stable/41394230>

²¹Institute of Strategic Studies Islamabad. (2017, May 31). Chronology of Pakistan-China Relations. Retrieved from <http://issi.org.pk/category/china-pakistan-study-center/data/chronology-of-pakistan-china-relations/>

China again gave as much support as possible to Pakistan during the Indo-Pak war of 1971 despite constraints placed on Beijing by the Sino-Soviet agreement of August 1971. After the defeat of Pakistan and the split of its Eastern wing, Beijing wrote off four loans in 1973 and deferred repayment of the \$200 million USD by 20 years. Even after the end of the war in May 1972 China sent Pakistan 60 MiG-19 fighters and 100 T-54 and T-59 tanks as part of a new \$300 million economic and military aid package. The 80s saw further intensification of both economic and military ties; in 1986 Pakistan and China signed a comprehensive nuclear agreement and Pakistan facilitated China's introduction to the Middle East Muslim countries; case in point being the secret meeting between Saudi ambassador to Washington and Chinese emissaries in Islamabad in 1985 and China reciprocated with full support to Islamabad regarding its opposition to the Soviet Invasion of Afghanistan.

Relations between the two countries remained warm throughout the 80s and 90s, as was obvious in Pakistan's support to Beijing even after the Tiananmen Square incident in 1989 and close military cooperation continued; a joint-ventured Chinese-Pakistani tank, the MBT-2000 (AlKhalid) was completed in 2001 and the first Sino-Pakistani joint-ventured multirole fighter aircraft JF-17 prototype (called Fierce Dragon -1) was showcased on the annual Pakistan Day parade march in 2007. It was later added to the Pakistan Air Force in 2010. Despite China's rapprochement with India and shift in stance regarding the Kashmir dispute to a more neutral one, it never hindered the respect and loyalty between the two partners. The China Pakistan relationship has been the most consistent relationship for Pakistan since its start in 1951. Pakistan and China celebrated "Pak-China Friendship Year" at the occasion of the 60th anniversary of bilateral Pak-China relations. On May 21, 2011, governments of two sides and common people sent messages to each other. The Prime Minister of Pakistan, Nawaz Sharif in 2013 claimed that Pakistan's friendship with China is "higher than the Himalayas and deeper than the deepest sea in the world, and sweeter than honey."²² On January 26, 2015, Chinese Foreign Minister Wang Yi during a conclusion of a two-day visit of Raheel Sharif to Beijing called Pakistan China's "irreplaceable, all-weather friend"²³ It is thus easier to understand how the BRI, and CPEC, is the next step in deepening economic, diplomatic, and political cooperation, and closer regional integration between the two allies. The success of BRI is crucial for the image of Pakistan and China's friendship as

²²AFP. (2018, July 20). China-Pakistan friendship 'sweeter than honey', says Sharif. Retrieved from <https://www.scmp.com/news/asia/article/1275930/china-pakistan-friendship-sweeter-honey-says-sharif>

²³Tribune.com.pk. (2015, January 26). Pakistan an 'irreplaceable' friend, Chinese foreign minister tells army chief. Retrieved from <https://tribune.com.pk/story/827836/coas-visit-chinese-foreign-minister-terms-pakistan-chinas-irreplaceable-friend/>

a rendition of their alliance in front of the world, especially the Indo-US nexus, which helps explain why India and the US are so critical of it.

4. LITERATURE REVIEW

This segment will discuss the current discourse in academic literature on the perspective and strategies of Pakistan and Malaysia regarding the BRI thus far. Due to the sparsity of the literature that involves comparative analysis of both countries, sections 1 and 2 will focus on studies on Pakistan and Malaysia's perceptions individually due to better availability of such research. The final section will discuss the piece of literature that compares both Pakistan and Malaysia and is most similar to this paper, in order to highlight how the ranking system constructed by this project is new and different from current discussions and contributes to a greater understanding of these two member states' strategy priorities.

Section I: Malaysia and the BRI

Majority of the discourse on Malaysia's perspective on the BRI published before the elections of 2018, tends to focus on the cost and benefit analysis of the economic impacts and how Malaysia has been the most benefited of all ASEAN countries by the Initiative. They discuss Malaysia's "Vision 2020" policy aimed to make Malaysia become an advanced industrial nation, however impediment in infrastructure enhancement and inadequate industrial capacity has been a long running issue, and the lack of foreign direct investment in Malaysia's manufacturing and industrial sectors was a cause of concern for Malaysian economists until 2014 when China began to invest heavily in these sectors along with the transport and technology.²⁴ This is why, analysts argue, the Belt and Road Initiative is a crucial impetus for the growth of Malaysia's economy. The industrial parks like the Malaysia-China Kuantan Industrial Park, expansion of the Kuantan Port and Melaka Deepwater Port, railway projects such as the East Coast Rail Link and Malaysia-Singapore High Speed Rail, are all infrastructure projects that can aid Malaysia achieve its long-term economic plan, as infrastructure and industrial sector expansion have been a priority in every fiscal year plan (FYP) since the early 2000s. Besides infrastructure, Beijing has also agreed to advance e-commerce facilities and make Malaysia the regional hub for global brands looking to pierce the economic union Association of Southeast Asian Nations (ASEAN) market, under the Digital Free Trade Zone (DFTZ).²⁵ On a regional level for Malaysia, as a member of ASEAN, BRI is highlighted to be the answer to the region's infrastructure 2.8 trillion USD gap, and

²⁴ Tham, S. Y. (2018). Tham Siew Yean. 2018. Chinese Investment in Malaysia: Five Years into the BRI. © ISEAS Yusof Ishak Institute. <http://hdl.handle.net/11540/8046>. *ISEAS Perspective*, 1(18).

²⁵ MATRADE. (n.d.). *Malaysia External Trade Development Corporation*. Digital Free Trade Zone DFTZ. <https://www.matrade.gov.my/en/digital-free-trade-zone-dftz>.

also the ASEAN goal to increase the economic integration of the region into a singular market. Such analysts who focus on the economic variable being the decisive factor behind the BRI for both China and host countries, consider political and security issues as internal and external “challenges” respectively that will impede China- Malaysia relations and cause hurdles for the development of the Initiative. Externally, regional tensions caused by the South China Sea Disputes and the Malaysia’s “need” to balance alignment with China with that of the US, and internally the ethnic tensions caused by the Muslim Malay majority who are suspicious of China’s involvement and the ethnic Chinese minority of Malaysia who are not against the BRI (such as DAP opposition leaders) are said to play an important role in Malaysia-China economic cooperation. These analysts argue that Malay perception of Chinese actors as a “threat” to their political advantage may “risk” the benefits Malaysia can gain.²⁶ They argue that for example for Malaysian SMEs, the BRI will bring more good than harm as even though there are concerns within the SMEs that Chinese competitions have a chance of flushing them out; this is more of an opportunity to learn from the Chinese and improve their innovative practices.²⁷ This is problematic as these types of arguments that give priority to economics tend to sideline or underemphasize the justified political and security dynamics of the BRI.

Other scholars that look at the “challenges” issue from a more neutral perspective treat the variables of domestic politics and security as valid points for consideration. They argue that although BRI is very attractive for ASEAN states, they worry that the massive investments will push them towards over-reliance on China’s economy and be obliged to adopt a pro-Beijing stance in the international political arena of the region. The fear of China’s growing assertiveness was seen when Beijing rejected the results of the Hague Tribunal in 2016 that ruled in favour of the Philippines, although all the ASEAN states deemed it legally binding. Due to their insecurity of China’s motives, analysts observe that they adopt a “cautious” approach.²⁸ A proportion of critics frame the BRI as a vehicle of China’s foreign policy engineered to reduce the impact of the United States’ Indo-Pacific (FOIP) strategy that is directed towards the containment of China and see ASEAN neutrality towards FOIP as a sign of BRI’s success in garnering trust. Although a fair assessment, it is likely that the ASEAN

²⁶Tuan Yuen, K. (2017). *Belt and Road Initiative: A New Impetus to Strengthen China-Malaysia Relations*. *East Asian Policy*, 09(02), 5–14. doi:10.1142/s1793930517000113

²⁷ Mui-Yin, C., Ho-Char-Fei, T., Poh-Chuin, T., Chu-Le, C., & Chew-Keong, W. (2020). The Belt & Road Initiative: A Study from Malaysian SMEs’ Perspective. *Proceedings of the 8th International Conference on Entrepreneurship and Business Management (ICEBM 2019) UNTAR*. <https://doi.org/10.2991/aebmr.k.200626.031>

²⁸Yu, H. (2017). China’s Belt and Road Initiative and Its Implications for Southeast Asia. *Asia Policy*, (24), 117-122. Retrieved April 24, 2021, from <https://www.jstor.org/stable/26403210>

states would have been neutral towards the FOIP regardless of BRI²⁹. Some critics go as far as to compare BRI with the economic benefits and infrastructure development during the British colonisation and predict that Malaysia will either use its geopolitical destiny to “connect the oceans” as a leverage to ensure that the BRI will be a win-win situation, or will be overwhelmed by Chinese “sinicization” of Malay culture to reduce Kuala Lumpur’s strength of sovereignty.³⁰ The fear extends to domestic politics of Malaysia as well; analysts have discussed how China is aware of the importance of overseas Chinese in Malaysia, implementing BRI strategies like overseas recruitment and incentive programmes in order to use them as a channel to exert soft power and promote a positive image of the BRI. While this has been effective to an extent, it has also sparked resentment amongst civilians as an attempt of China to use BRI incentives to influence politics within, the most famous examples being buying out 1MDB assets Edra Global Energy and its subsidies in exchange for preferential treatment when looking for contractors for projects like Bandar Malaysia and TRX City, and the other being Chinese ambassador Huang Huikang’s remarks during the 2015 protests, warning that Beijing will not tolerate such “racial discrimination” against Malaysian Chinese.³¹ Due to Najib’s compliance with China and the purchase of four littoral ships he was assumed to be “casting lots” with China.³² The problem with these assessments is that they do not differentiate in the level of importance between security challenges and domestic politics and make it seem that Malaysia is stuck between choosing to either give in to Chinese influence or rebuke economic benefits of closer ties with China in order to conserve their neutrality and sovereignty.

After the momentous win of Mahathir in 2018, the discourse on Malaysia’s perspective on China and BRI shifted dramatically from almost leaning towards China to a more pragmatic rebuke of unfair conditions. One of the pioneers of the concept of Malaysia’s hedging behaviour, Kuik Cheng-Chwee wrote a paper this year discussing Malaysia’s agency as a host country involved in BRI. Using the framework of legitimacy, it is argued that the differing views on the BRI of the ASEAN states is not as simple as to be defined just by South China

²⁹Gong, X. (2020). China’s Economic Statecraft: The Belt and Road in Southeast Asia and the Impact on the Indo-Pacific. *Security Challenges*, 16(3), 39-46. Retrieved April 24, 2021, from <https://www.jstor.org/stable/26924338>

³⁰Embong, R. H., Evers, H.-D., & Ramli, R. (2017). One Belt, One Road (Obor) and Malaysia: A Long-Term Geopolitical Perspective. SSRN Electronic Journal. <https://doi.org/10.2139/ssrn.3004655>

³¹ Parameswaran, P. (2015, October 4). *The Truth About China's 'Interference' in Malaysia's Politics*. The Truth About China’s ‘Interference’ in Malaysia’s Politics. <https://thediplomat.com/2015/10/the-truth-about-chinas-interference-in-malaysias-politics/>.

³²Chan, I. (2017). ASEAN AND THE INDIAN OCEAN: THE KEY MARITIME LINKS (pp. 42-51, Rep.) (Bateman S., Gamage R., & Chan J., Eds.). S. Rajaratnam School of International Studies. Retrieved April 24, 2021, from <http://www.jstor.org/stable/resrep05888.10>

Sea disputes or domestic ethnic tensions and politics. Rather than that, he theorizes that Malaysia's strategy is a "complex cohesion" of both security and domestic politics variables for the purpose of consolidating the ruling elites' political power and popularity amongst the masses. This is why Mahathir delivered on his election campaign promise of reviewing "unfair" deals, but he did so without antagonising China and blaming the Najib administration for corruption and lack of public accountability. This way, he was able to ensure that bilateral relations with China remained warm and also changed the scope of projects so that Malay elites were the main beneficiaries of BRI in order to dispel the idea that the Initiative would have a negative impact on Malay-Chinese ethnic tensions (which according to Kuik have been becoming less intense due to the Chinese minority identifying more as Malaysian and not overseas Chinese), and ensured more representation for locals in the renegotiated projects in order to uphold his image as a democratic leader committed to transparency unlike Najib Razak.³³ Similar to this, analysts focusing on Malaysia's political economy argue that the Malaysian government only speeds up projects that promote political and business elite domestic agendas, has low levels of state federal contestation and promotes Malaysia's geopolitical motives.³⁴ Building on this argument of Malaysia being an active stakeholder in BRI decision making using the framework of hedging, similar to this research, critics assess that "it is a requisite to combine the political, economic, and security dimensions in a hedging concept, as a successful hedging strategy must not be restricted to one of these spheres"³⁵, and that Malaysia's hedging strategy has not been changed by the introduction of the BRI and it has not made Malaysia lean towards China more. These critics argue that domestic politics is a very important factor due to the "institutional concentration" of economic and political power in the hands of the leader and because Mahathir has stressed on his traditional values of "neutrality and non-alignment", Malaysia will continue to perceive BRI as a great economic opportunity, but without denying that it comes with security risks as one critic succinctly says, "[Malaysia's] hedging approach [is] characterized by an inclination to prioritize immediate economic and political benefits from the BRI over other issues, while simultaneously attempting to keep its strategic options open for as long as the systemic conditions allow"³⁶.

³³Kuik, C. (2021). Elite Legitimation and the Agency of the Host Country: Evidence from Laos, Malaysia, and Thailand's BRI Engagement. In Schneider F. (Ed.), *Global Perspectives on China's Belt and Road Initiative: Asserting Agency through Regional Connectivity* (pp. 217-244). Amsterdam: Amsterdam University Press. doi:10.2307/j.ctv1dc9k7j.12

³⁴ Hong L. & Guan L. (2019) The Political Economy of a Rising China in Southeast Asia: Malaysia's Response to the Belt and Road Initiative, *Journal of Contemporary China*, 28:116, 216-231, DOI: [10.1080/10670564.2018.1511393](https://doi.org/10.1080/10670564.2018.1511393)

³⁵ Gerstl, A. (2020). Malaysia's Hedging Strategy Towards China Under Mahathir Mohamad (2018–2020): Direct Engagement, Limited Balancing, and Limited Bandwagoning. *Journal of Current Chinese Affairs*, 49(1), 106–131. <https://doi.org/10.1177/1868102620964219>

³⁶ Chin, K. F. (2020). Malaysia's Perception and Strategy toward China's BRI Expansion: Continuity or Change? *The Chinese Economy*, 1–11. doi:10.1080/10971475.2020.1809814

Thus from this literature review we can assess that those that stress on economics being the only variable tend to sideline politics and security or just view them as “challenges”. And those that take the variables of politics and security as valuable indicators talk at length of the effects of both but not as separate indicators but rather a “complex” mesh of the two. This research paper is thus a contribution to the current discourse because it argues that while domestic politics is a undoubtedly a critical factor for Malaysia’s need to capitalise on the economic benefits of the BRI to consolidate their legitimacy and political power at home, it is eventually the security factor that sufficiently explains Malaysia’s critical attitude towards the Initiative’s potential as a tool that Beijing may use to exert economic and geopolitical influence on Malaysia that may risk its sovereignty.

Section II: Pakistan and the BRI

Pakistan being the star of the flagship corridor of the Initiative, which Chinese Foreign Minister Wangi Yi dubbed “the sweet melody of the (BRI) symphony’s first movement”³⁷ is not all too surprising given the close ties. Pakistan and China’s history as “iron brothers” has been explained in detail by many papers, including this one. The terms and conditions of CPEC were signed in April 2015 during Xi Jinping’s visit to then Prime Minister Nawaz Sharif whereby China pledged \$46 billion USD at a highly opportune time³⁸ as Pakistan has been facing multiple financial crises and debt deficits primarily due to its lack of foreign direct investment, lack of energy production, and failure to develop infrastructure to connect the urban cities, industrial zones and rural farmlands.

CPEC has been the largest foreign direct investment since the creation of Pakistan and the biggest connectivity project, aiming to connect Kashgar in Xinjiang, China to Gwadar Port via roads and railways that will have Special Economic Zones and industrial parks constructed along the East and Western Routes, in order to make Pakistan’s inter-connectivity efficient and capable of transport mass produced goods, oil, gas and precious items to and fro China and Central Asian Republics (CARs) with relative ease. Additionally, through CPEC, Pakistan’s geopolitically advantageous position will allow the country to become a transit hub for the trade that passes through the Straits of Hormuz, which if successful could increase

³⁷ Shah, S., Page, J. (2015, April 17). China Readies \$46 Billion for Pakistan Trade Route. The Wall Street Journal. <https://www.wsj.com/articles/china-to-unveil-billions-of-dollars-in-pakistan-investment-1429214705>.

³⁸ Houreld, K. (2015, April 20). China and Pakistan launch economic corridor plan worth \$46 billion. Reuters. <https://www.reuters.com/article/us-pakistan-china-idUSKBN0NA12T20150420>.

Pakistan's foreign trade by at least 400 million USD per annum. With such grand projects it is said that Pakistan's GDP is to increase by 5% annually till 2025, and was seen in 2017 when Pakistan's GDP growth was 5.7%, and at least 60,000 jobs have been created since 2015, which is expected to increase to 800,000 by 2030, and due to the "Early Harvest Projects" of CPEC completed in 2018, Pakistan's electric capacity is said to have doubled with an increase of 16,400 Megawatts of electricity.³⁹ Researchers looking into local perception of the Pakistani society have employed the social exchange theory, which states that an individual will respond to another if there is perceived benefit, and assess that the local perception is positively linked with CPEC.⁴⁰ Analysts in favour of economics being the main factor behind Pakistan's positive perception do not deny the financial worries that arise from the large scale investment plans, rather they highlight the need for the Pakistani government to be wary of the lack of transparency in the government to government deals that seem to be "shrouded in secrecy"⁴¹. They point out the lack of a third party evaluating the deals, the selection process for firms being granted contracts is not open to the public, and private firms feeling that they lost key contracts to Chinese SOE firms joint ventures to statutory organisations such as the military owned Frontier Works Organisation (FWO). Besides losing project opportunities, businessmen are concerned about the increase in trade deficit between Pakistan and China and competitiveness of Chinese goods. From 2013 to 2017, exports to China shrank from 2.69 billion USD to 1.6 billion USD whereas imports from China increased a staggering 123% from the 2012-2013 to 2016-2017 which has raised worry that with the import of cheaper Chinese goods increasing via CPEC, the domestic market of Pakistani businesses will become overshadowed.⁴²

Economic outlook researchers for CPEC, such as in the case of the Malaysian literature review, look at domestic politics and security as "challenges" similar to the financial concerns stated previously. Domestic politics is an immense concerning factor that could ruin the success of CPEC according to some critics because the weak bureaucratic capacity of Pakistan has been notorious for slowdown of projects and infrastructural development and there has been evidence of bribery and corruption being demanded for incentivising faster performance. Aside from weak bureaucracy, due to the dominance of different political parties in different

³⁹ Pakistan China Institute., ACCA. (2017, August). The economic benefits of the modern silk road. https://www.accaglobal.com/content/dam/ACCA_Global/professional-insights/The-modern-silk-road/pi-economics-modern-silk-road.pdf.

⁴⁰ Kanwal, S., Pitafi, A. H., Malik, M. Y., Khan, N. A., & Rashid, R. M. (2020). Local Pakistani Citizens' Benefits and Attitudes Toward China-Pakistan Economic Corridor Projects. SAGE Open. <https://doi.org/10.1177/2158244020942759>

⁴¹ Syed, J. (2018, May). China's belt and Road Initiative: A perspective from Pakistan. https://cpmi.lums.edu.pk/sites/default/files/user376/bri_pakistan_perspective_10may2018.pdf.

⁴² Ibid

provinces, provincial and federal assemblies have been bickering amongst each other and stalling projects that they believe do not match their party's interests, the main example being how the Punjab centric Nawaz Sharif changed the initial CPEC blueprint that prioritised the "Western Alignment" linking to Gwadar via the western provinces of Khyber Pakhtunkhwa (KPK) and Balochistan, to add Punjab cities to the route which incensed the provincial governments that have felt sidelined since even before CPEC. Analysts have highlighted the risk that CPEC may cause deeper fragmentation amongst the provinces, and instead of distribution of power, may actually cause more centralisation of power in the hands of the federal government.⁴³ Besides political apprehensions, these scholars argue that security is perhaps the main challenge for CPEC implementation; within CPEC, Gwadar Port and development of the surrounding Balochistan region is given the highest priority due to its crucial importance to the functioning of the corridor, which also happens to be the most underdeveloped, economically exploited and politically marginalised province. This has caused a rise in discontent in the region which has fuelled insurgency, separatism and Islamic extremism, mainly from terrorist factions Balochistan Liberation Army, Lashkar-e-Jhangvi, and Islamic State. These terrorist organisations are not only against Chinese projects because of exploitation of Balochistan, but also because they have employed Uighur militants of the East Turkestan Islamic Movement to fight for their cause, adding another layer of religious discontent against China for their treatment of Xinjiang Muslims. These terrorist groups have carried out multiple attacks against Chinese workers, due to which the Pakistan Army has stepped in to ensure safety and smooth progression of projects via the creation of a special 15,000 soldier task force commanded by the CPEC Authority which is a separate supervisory body with an ex-military chairman, and there is also a joint Pak-China Navy force TF-88 to ensure maritime security in the Gwadar Port.⁴⁴ However, these measures have reignited civilian-military tensions and the fear that the military will once again bypass the executive, legislative and judicial civilian authorities and create a 'quasi-parallel structure of governance' when CPEC could have actually been a great opportunity for the civilian government to regain more democratic control.⁴⁵

It is true that domestic politics has been a substantial hindrance for the progress of CPEC which has shrunk to a much less grandiose version of what it was said to be and has raised

⁴³ Boni, F., & Adeney, K. (2020). The Impact of the China-Pakistan Economic Corridor on Pakistan's Federal System. *Asian Survey*, 60(3), 441–465. <https://doi.org/10.1525/as.2020.60.3.441>

⁴⁴ Wolf, S. (2016, September 8). The China-Pakistan Economic Corridor: An Assessment of its Feasibility and Impact on Regional Cooperation. SSRN. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2834599.

⁴⁵ Wolf, S. (2016, September 14). China-Pakistan Economic Corridor, Civil-Military Relations and Democracy in Pakistan. SSRN. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2838520.

concerns that CPEC has been exacerbating debt problems⁴⁶ rather than alleviating them; however, it has not contributed to a negative overall perception of CPEC but rather the government in power's inability to ensure better success. This explains why when Imran Khan was in the opposition, he did not criticise CPEC as much as he criticised the way CPEC was being negotiated by Nawaz Sharif, similar to Mahathir's argument against Najib Razak. When Imran Khan came to power in May 2018, although he promised to review CPEC for corruption, he ensured that relations with Beijing remain a priority⁴⁷, and the new opposition that now includes the previously incumbent PML-N, has taken the role of criticising the way the incumbent government has been dealing with CPEC.

For scholars of international relations of the realist school in particular, security is not a "challenge" but quite oppositely, it is the main reasoning behind the importance of CPEC for Pakistan as much as China. There have been similar economic initiatives announced before that failed to take off; one RAND Corporation study compiled data of investment initiatives from 2001-2011 whereby China planned to invest a total of \$66 billion into Pakistan's infrastructure, but ended up only delivering 6% of that value⁴⁸. The reasons cited were economic and political instability of Pakistan due to which Chinese companies were skeptical of profits. So then why has China made Pakistan the flagship of its most momentous investment Initiative to date? This marked change in China's behaviour is taken as evidence that "Beijing's enthusiasm is better understood through a strategic prism—indeed, in some cases they even contend that economic considerations are entirely irrelevant."⁴⁹ Strategic value of CPEC can be condensed into two key reasons: external security balance against India due to the mutual perception of the threat that New Delhi poses to both China and Pakistan, and internal security challenges of terrorism and extremism that both countries want to overcome for Pakistan to become an influential and strong strategic partner for China in the South Asian region. The idea that China may be using economic investment as a leverage over Pakistan has been debunked because these scholars argue that China does not need CPEC to gain leverage over Pakistan, as Islamabad is already comfortable in the strategic relationship

⁴⁶ Hillman, J. E., & McCalpin, M. (2020, April 2). The China-Pakistan Economic Corridor at Five. The China-Pakistan Economic Corridor at Five | Center for Strategic and International Studies. <https://www.csis.org/analysis/china-pakistan-economic-corridor-five>.

⁴⁷ "Pakistan's future is linked to China: PM Khan". (2020, September 4). Pakistan's future is linked to China: PM Khan. China Pakistan Economic Corridor. <http://cpecinfo.com/pakistans-future-is-linked-to-china-pm-khan/>.

⁴⁸ Wolf, C., Wang, X., Warner, E. (2013). China's Foreign Aid and Government-Sponsored Investment Activities. https://www.rand.org/content/dam/rand/pubs/research_reports/RR100/RR118/RAND_RR118.pdf. P.38

⁴⁹Small, A. (2017). First Movement: Pakistan and the Belt and Road Initiative. *Asia Policy*, (24), 80-87. Retrieved April 25, 2021, from <https://www.jstor.org/stable/26403205>

with China to offer contracts to Chinese companies and military facilities alike⁵⁰. China genuinely wishes to see its strategic partner thrive economically and politically in order to be an equal contender to India's dominance in the region, which is detrimental to both Pakistan and China's strategic interests in border disputes over disputed Kashmir and also New Delhi's nexus with Washington, both of which wish to contain China and keep Pakistan in a weaker position.⁵¹ Due to this, realist theorists theorise that CPEC is evidence of China's growing strategic involvement with Pakistan to balance the mutual threat perceived from the US-India nexus. This is critically significant for Pakistan because China's economic support fills the vacuum that the US created when they imposed sanctions and refused aid to Pakistan, and also in international forums such as the United Nations, which is crucial for Pakistan's account against India's claim on Kashmir to be recognised, because China is the only powerful country in the world that supports Islamabad as they understand the problem of disputed territory with India in this region.⁵²

Internally, it is argued that CPEC is a means for China and Pakistan to connect the two lesser developed regions of Xinjiang and Balochistan via an economic development corridor is a new strategy for Pakistan and China's joint war on terrorism in order to increase restrictions and secure these regions that have been facing a rising influence of Islamic nationalists; in Xinjiang it is the East Turkestan Islamic Movement and in Balochistan it is the BLA, LeJ, and Islamic State; these organisations have claimed responsibility for multiple attacks on Chinese workers and CPEC project sites in Balochistan, and both Pakistan and China are worried that these militants will not only recruit Xinjiang militants but also spillover into and gain support from Afghan terrorist organisation activities, further destabilising the two partners' security situation⁵³. With the CPEC development now more focused on Balochistan to appease the local masses and lessen their support for insurgents, China and Pakistan have been increasing military presence such as the special task forces to protect Chinese workers, and Pakistan has been facilitating direct meetings between Beijing officials and Baloch opposition parties like Jamaat-ul-Islami and Taliban tribes in order to interrupt supply of arms to pro-Xinjiang independence support groups.⁵⁴ Due to such significant security reasons, Imran Khan's initial vows of opposition to CPEC 'modalities' and promise to review projects was significantly

⁵⁰ Ibid P.82

⁵¹ "Press Trust of India". (2021, January 13). Trump's Indo-Pacific strategy aimed to contain China: Chinese official. Business Standard. https://www.business-standard.com/article/international/trump-s-indo-pacific-strategy-aimed-to-contain-china-chinese-official-121011301413_1.html.

⁵² Siddiqi, F. (2016). Security Estimations in South Asia: Alliance Formation or Balance of Power. Strategic Studies, 36(2), 75-91. Retrieved April 25, 2021, from <https://www.jstor.org/stable/48535948>

⁵³ Kelemen, B. (2018, September 28). CHINA'S TWOFOLD CPEC STRATEGY IN PAKISTAN. https://ceias.eu/wp-content/uploads/2018/09/China-Pakistan_Kelemen_fin.pdf.

⁵⁴ Ibid

softened once his administration was formed and began consultations with Beijing. Although projects had taken a hiatus in mid-2018 till the end of 2019 the scaling back of projects is not due to Pakistan's negative perceptions, but because of the economy's inability to finance the massive projects, and also the strict loan ceilings imposed by the IMF bailout. Regardless of that, Pakistan and China are now focused on the completion of current projects and the viable ones waiting in the pipeline in order to ensure that the world sees CPEC as a success because it will directly impact the overall perception of the entire BRI. As one analyst succinctly says "the elevated position [of CPEC] as flagship of Xi Jinping's signature foreign policy initiative, necessitate a public narrative of progress and success" and how "it has become clear that trying to do too much in the economic sphere may even weaken cooperation on the security issues that matter most to both countries if it results in political tensions."⁵⁵

Concluding this assessment, it can be highlighted how security is indeed the most important factor behind Pakistan's perception of CPEC, and this paper's ranking of domestic politics and economic benefit as the second and third most important factors clarifies Pakistan's priorities, explains why domestic politics a salient source of opposition against the corridor is not, and dispels the notion that CPEC is a failure for not living up to the economic expectations of it.

Section III: Pakistan & Malaysia and the BRI

Tamar Annette Harrington, of Seoul University in her thesis "Analyzing the Response of Pakistan and Malaysia to China's Belt and Road Initiative: Balancing, Bandwagoning, or Hedging?" summarises the literature discussed above into her framework. The paper's framework stipulates that the response of Pakistan and Malaysia to the BRI is due to three factors: 'economic challenges', 'domestic politics', and 'relations with China'. The paper argues that these factors are seen "filtered through" the countries' IR strategies towards China, which is hedging for Malaysia and bandwagoning for Pakistan. She argues that Pakistan derives the most economic benefit from China and will continue to have a clientelist relationship with Beijing, due to which bandwagoning is the most fitting theory, whereas although Malaysia does have concern with China's rising power, it continues to prefer avoiding conflict and try instead to gain maximum benefit while keeping a close eye on any

⁵⁵Small, A. (2020, October 13). Returning to the Shadows: China, Pakistan, and the Fate of CPEC. The German Marshall Fund of the United States. <https://www.gmfus.org/publications/returning-shadows-china-pakistan-and-fate-cpec>.

infringement upon its sovereignty by Chinese objectives due to which hedging is the most accurate theory to describe Malaysia's behaviour.⁵⁶

While Harrington sufficiently describes the economic and domestic political factors impact on BRI response for the countries, she does not measure the level of importance of each variable and does not give sufficient attention to the importance of security imperatives to shape the countries' attitudes. By organising the importance of variables through ranking security, politics and economic benefit, this paper offers a comprehensive and clarified understanding of the rationale of these countries' perception and strategies towards the BRI. This paper has added contribution to the existing literature by pointing out that for Malaysia there is no substantial 'risk' to its sovereignty from neighbours, and if there is any potential enemy to territorial sovereignty, it is China thus the employment of balance of threat theory, but more specifically under the subcategory of 'hedging'. For Pakistan, this paper argues that bandwagoning is not an appropriate theory to describe CPEC phenomenon; Pakistan has been bandwagoning with China for decades prior to the Initiative. It is the mutual perception of security threats from India and Afghanistan, and internal terrorist organisations that drives the CPEC in trying to increase Islamabad's stability and security via economic, diplomatic and military means. Therefore, the balance of threat theory is more empirically useful in understanding the agency of Pakistan in the CPEC decision making.

⁵⁶Harrington, T. A. (2020, August). Analyzing the Response of Pakistan and Malaysia to China's Belt and Road Initiative: Balancing, Bandwagoning, or Hedging? SNU Open Repository. <https://space.snu.ac.kr/handle/10371/169513>.

5: ECONOMIC COST AND BENEFIT: The only variable for BRI participation?

In this chapter, this research aims to analyse and assess the economic benefit Malaysia and Pakistan have gained and level of satisfaction with the progress thus far. To clarify, it is not to be assumed that economic benefit is not important, as it most definitely is, but rather it is argued that it is not sufficient on its own to explain the strategic responses of two member states as explained in the following sections. This chapter is divided into two sections for Malaysia and Pakistan, respectively.

Section I: Malaysia

Malaysia became a part of the Belt and Road Initiative in 2016 during Razak's official visit to Beijing on 1st November when the two countries signed 14 Memorandums of Understanding worth a total of \$34.25 billion USD,⁵⁷ making Kuala Lumpur the central part of the China-Indochina Peninsula Economic Corridor, and also the Maritime Silk Road. The biggest project is the East Coast Rail Link which is worth approx. \$14 billion USD, connecting Port Klang on the Straits of Malacca to Kota Bharu in northeast Peninsular Malaysia, East Coast Economic Region states of Pahang, Terengganu and Kelantan to one another and to Peninsular Malaysia's west coast and Central Region.⁵⁸ Besides this we have the joint venture of the Malacca Gateway Port worth 9.69 billion USD, Kuala Lumpur- Singapore High Speed Rail, Kuantan Port and Industrial Park, Jasin Industrial Park and Gemas-Johor Bahru Double Track Railway.⁵⁹ These agreements came after the souring of relations between the US and Malaysia after the US Department of Justice filed a lawsuit against an investment firm 1malaysia Development Berhad (1MDB) which was under Razak's supervision in July 2016⁶⁰, which was an opportune timing for both China and Malaysia to further economic cooperation. The BRI coincides with China's "Made in China 2025 Policy" introduced in 2015 looking for increasing Beijing's competitiveness in the manufacturing sector, and due to Malaysia's own manufacturing based economy it presented Malaysia a great opportunity to fix its declining manufacturing exports due to Kuala Lumpur's comparative advantage in HS8542 products,

⁵⁷ The Star Online. (1969, December 31). M'sian, Chinese firms sign agreements worth RM144bil. Retrieved from <https://www.thestar.com.my/business/business-news/2016/11/01/malaysian-and-chinese-firms-sign-14-agreements-worth-rm144bil/>

⁵⁸ Malaysia Rail Link. (n.d.). Malaysia Rail Link Details. MRL. <http://www.mrl.com.my/en/ecrl/overview/>.

⁵⁹ Yang, Y., & Li, F. (2019). *The belt and road initiative: Asean countries perspectives*. Singapore: World Scientific.

⁶⁰ Huang, K. (2018, July 20). Xi Jinping seeks 'cooperation' as Najib Razak takes a swipe at West. Retrieved from <https://www.scmp.com/news/china/diplomacy-defence/article/2042773/xi-jinping-seeks-cooperation-razak-najib-takes-swipe>

mainly electrical circuits and components thereof which China is in need of. Both Chinese policies present an invaluable opportunity to attract Chinese multinational companies and Chinese investment and improved infrastructure and logistics with job creation has potential to facilitate Malaysia to become a high-income country. Due to the close economic relationship between Malaysia and China, the latter being the former's largest trading partner since 2009, and their mutual desire to increase regional connectivity especially in the ASEAN region, it was evident that the BRI would be mutually beneficial. According to Baker Tilly, the BRI has positive long- and short-term implications for Malaysia; in the long term, as China is expected to become the world's largest economy earlier than expected due to the "contributions of the BRI", the momentum of the world economy will shift from the West to the East, which will reconfigure global value and supply chains due to the increased connectivity and growth of Eurasian states via infrastructure development. In the short term, Malaysia's labour-intensive sector can follow Beijing's strategy and relocate to more labour abundant countries, especially the market potential in CARS. Additionally, Malaysian SMEs can gain advantage via e-commerce platforms planned under the Initiative.⁶¹

Despite the massive positive potential of the Initiative, it was quickly met with tense opposition from within and outside Malaysia, the main concern being lack of transparency and encroaching Chinese influence within the political affairs of Kuala Lumpur. When Najib was exposed to have been part of the 1MDB scandal, with China playing a part in buying out subsidies of 1MDB in order to gain influence over Najib to give preferential treatment to Chinese companies and contractors for projects, the fear was heightened and ultimately led to Najib being ousted by his former ally Mahathir Mohammad, who broke away from Najib's coalition and joined the opposition. Citing complaints of the local Malaysians in the southern state of Johor that the Chinese citizens were buying majority of the land in the Forest City Project under the BRI; Mahathir said "Coming in here, buying land, developing luxurious towns, is not beneficial for us," the 92-year-old former leader said of China's investments in an interview with Reuters before the election. "Quite definitely, we will review."⁶² During his 5 day visit in August 2018 to Beijing following his electoral win, Mahathir announced in a press conference that significant BRI projects, mainly the ECRL and two gas pipelines collectively worth \$23 billion USD would be cancelled until Malaysia would be able to

⁶¹Tilly, B. (n.d.). Understanding China's Belt and Road Initiative and its Implications for Malaysia. <https://www.bakertilly.my/public/files/c050c3039b827370a8106fb29a17967888c4d8e1a3aec72ae91a268835f63b52.pdf>.

⁶²Lee, L. (2018, April 27). Selling the country to China? Debate spills into Malaysia's election. Retrieved from <https://www.reuters.com/article/us-malaysia-election-china/selling-the-country-to-china-debate-spills-into-malaysias-election-idUSKBN1HY076>

“afford” them.⁶³ This also came with the suspension of other projects like the Kuala Lumpur-Singapore High Speed Rail, a few industrial parks and also the Malacca Gateway Port. Whilst in Beijing he reiterated that China was respectful of Malaysia’s desires; but he still remained worried about “a new version of colonialism”. He further added that Malaysia does not need to borrow so much money for projects it does not need.⁶⁴ After long lasting consultations and negotiations, Mahathir’s reasoning was that renegotiation was better than terminating the ECRL altogether due to the \$5 billion USD fee levied on project termination⁶⁵. In April of 2019 China and Malaysia reached a renegotiation of terms; whereby the ECRL’s price was reduced by a one third from 66.7 billion Malaysian ringgit to 44 billion (9.93 billion USD). Originally, the ECRL would have been built by state-owned China Communications Construction Company (CCCC) and operated by a Malaysian company that was to bear the entirety of the cost. This would have included repayment of an RM56.7bn loan from the Export-Import Bank of China, equivalent to about 85 per cent of the project’s original cost. But under the new terms, CCCC and Malaysia will operate the new rail line with either side facing 50% of the cost and the CCCC will also increase local participation in the projects to 40 per cent, while previously it was 30%. To smoothen the turbulence in the flow of BRI economic cooperation and facilitate the financial difficulties Malaysia is facing, China offered a further \$240 million USD financing scheme⁶⁶, promised to build 10,000 affordable housing units and a public park using more local subcontractors in Bandar Malaysia, and purchased an additional 1.9 million tonnes of palm oil; all these measures are seen as an appeasement for Malaysia to restart the projects.⁶⁷

Several other postponed BRI projects, such as the Bandar Malaysia, Malaysia-China Kuantan Industrial Park as well as the Malacca Gateway Port were reinstated as they were and the Kuala Lumpur Singapore High Speed Rail also resumed but with changes to the speed of the train to cut down costs in 2019,⁶⁸ although as of recent development, the HSR has been cancelled by

⁶³Lee, L. (2018, August 21). Malaysia's Mahathir cancels China-backed rail, pipeline projects. Retrieved from <https://www.reuters.com/article/us-china-malaysia/malaysias-mahathir-cancels-china-backed-rail-pipeline-projects-idUSKCN1L60DQ>

⁶⁴Hornby, L. (2018, August 20). Mahathir Mohamad warns against 'new colonialism' during China visit. Retrieved from <https://www.ft.com/content/7566599e-a443-11e8-8ecf-a7ae1beff35b>

⁶⁵Mitchell, T., & Woodhouse, A. (2019, April 15). Malaysia renegotiated China-backed rail project to avoid \$5bn fee. Retrieved from <https://www.ft.com/content/660ce336-5f38-11e9-b285-3acd5d43599e>

⁶⁶Sukumaran, T. (2019, November 20). US\$240m extra for Malaysian contractors on China-backed ECRL. Retrieved from <https://www.scmp.com/news/asia/southeast-asia/article/3038372/malaysian-contractors-track-benefit-china-backed-east>

⁶⁷ Grassi, S. (2020, February). The Belt and Road Initiative in Malaysia. <https://asia.fes.de/news/the-belt-and-road-initiative-in-malaysia/>.

⁶⁸Chang, N. (2019, December 17). Mahathir says Malaysia on board for KL-Singapore HSR project, but mulling slower train speeds. Retrieved from <https://www.channelnewsasia.com/news/asia/kl-singapore-hsr-high-speed-train-malaysia-mahathir-12191180>

the new Muhyiddin administration in January 2021.⁶⁹ Despite the successful renegotiation; the two gas pipeline projects remain cancelled and in July 2019 Mahathir confirmed that the government had taken back \$240 million USD from the Chinese company China Petroleum Pipeline Engineering (CPP) and that the compensation for cancellation would be done amicably. However, it is interesting to note that a CPP spokesperson was quoted “perplexed by the unilateral transfer of monies without notifying CPP” but also hoped that amicable terms would be reached with Malaysian counterparts.⁷⁰

Although Malaysia is now also a supporter of the BRI, they are not afraid to voice any concerns and criticism. This is evident in Mahathir’s address at the Second Belt and Road Forum in April 2019 where he commented on the trade routes in close proximity to the disputed South China Sea, “An essential element is the freedom of passage along these routes. A passageway is only as good as the freedom it provides. Both the sea and the land routes will pass through many countries. Bureaucratic hassles will slow the speed of travel. It is essential therefore for these passages be free and open to all.”⁷¹ This is evidence that Mahathir is listening to domestic reservations on BRI, for example at the Development and Transformation in Southeast Asia forum on July 9 2019, leading Malaysian Economists such as Terrence Gomez urged the government to demand more transparency, sharper monitoring and domestic ownership of the BRI projects.⁷² Despite the year long ordeal of renegotiations and trying to get Malaysia’s support for BRI back to as it was during Najib’s administration, the new administration of Yassin went on to cancel yet another Chinese-interest project, the Melaka Gateway. According to expert reports, the Gateway was not giving enough incentive to Malaysian political elites, and according to recommendations of the World Bank, it could actually “cannibalise” the other ports, and it was recommended that capacity enhancement of other ports would equalise the benefit of the Melaka Gateway.⁷³ Calls for more public transparency for BRI projects has led to scrutiny in 5G projects under the Digital Silk Road

⁶⁹Wei, T. T. (2021, January 1). Timeline of events for terminated KL-Singapore HSR project. The Straits Times. <https://www.straitstimes.com/singapore/transport/timeline-of-events-for-terminated-kl-singapore-hsr-project>.

⁷⁰Sukumaran, T. (2019, July 16). Malaysia's Mahathir confirms US\$240m seizure from Chinese firm. Retrieved from <https://www.scmp.com/news/asia/southeast-asia/article/3018700/malaysias-mahathir-mohamad-confirms-us240-million-seizure>

⁷¹Lo, K. (2019, April 26). Mahathir backs the belt and road but insists on open trade routes. Retrieved from <https://www.scmp.com/news/china/diplomacy/article/3007874/malaysias-mahathir-backs-chinas-belt-and-road-insists-open>

⁷²Sukumaran, T. (2019, July 9). Beware of 'grabbing hands' in Chinese projects: Malaysian economist. Retrieved from <https://www.scmp.com/news/asia/southeast-asia/article/3017880/beware-grabbing-hands-chinese-projects-malaysia-economist>

⁷³Hutchinson, F. E., & Yean, T. S. (2020, December 7). Tale of two Malaysian belt and road projects shows limits of Chinese money. South China Morning Post. <https://www.scmp.com/week-asia/opinion/article/3112665/tale-two-belt-and-road-initiative-port-projects-malaysia-shows>.

and calls for more diverse providers instead of just Huawei⁷⁴, and diplomatic remarks by Malaysian politicians that are regarded as pro-Chinese have received backlash, for example on April 3 2021, Foreign Minister Hishammudin had to clarify his statement whereby he called his Chinese counterpart his “elder brother” which angered Malaysian public and opposition leader Anwar Ibrahim accusing Hishammudin as being “subservient” to China and demanding he take back his statement and not display Malaysia as China’s “puppet”⁷⁵.

According to this analysis, we can see that Malaysia has been quite successful in renegotiating the BRI to their terms. Yet doubts and suspicions continue to persist, and as I will argue in the coming sections; not all reservations seem economic in nature.

Section II: Pakistan

CPEC is recognised as the “flagship” project of the BRI, with a total funding of \$62 billion USD in Chinese investments planned by 2030. The master plan of CPEC is to connect Kashgar in the northwestern region of Xinjiang, China to the port of Gwadar in Balochistan, Pakistan via railway and roads with industrial parks and SEZs constructed at key points along the way. The rail route from Kashgar to Gwadar is divided into three sections; Western route connecting cities of Khyber Pakhtunkhwa starting from Dera Ismail Khan to Gwadar in Balochistan; Central Route connecting Islamabad to the western cities of Punjab and Sindh like Multan and Sargodha to Gwadar; and lastly, Eastern Route connecting Peshawar, Islamabad and then central Punjab to the remaining areas in Sindh all the way to Karachi. The route continues on to Gwadar through N-10 Coastal East Bay Express Highway along the coastline. There are 9 planned Special Economic Zones (SEZs) to be constructed throughout the route from Mirpur in the North of Pakistan to the Bostan Industrial Zone in Balochistan. Besides these, according to the Pakistani government website on CPEC, there are 53 projects for energy, infrastructure, Gwadar port, and miscellaneous projects for social sector development, optical fibre connectivity, mineral and ore mining mills, seaports and road linkages.⁷⁶

⁷⁴Kumar, P. P. (2020, June 4). Malaysia delays 5G by 12 months as spectrum allocations nullified. <https://asia.nikkei.com/Business/Telecommunication/Malaysia-delays-5G-by-12-months-as-spectrum-allocations-nullified>.

⁷⁵Siregar, K. (2021, April 3). Malaysia is independent, says Hishammuddin who called Chinese counterpart 'elder brother'-. Malaysia is independent... <https://www.channelnewsasia.com/news/asia/malaysia-hishammuddin-hussein-wang-yi-elder-brother-criticism-14550200>.

⁷⁶ CPEC Secretariat at Ministry for Planning, Development & Special Initiatives. (n.d.). China-Pakistan Economic Corridor (CPEC) Official Website. CPEC. <http://cpec.gov.pk/>.

Currently, 40%⁷⁷ of Pakistani citizens are living under the poverty line; the unemployment rate is 4.45%⁷⁸, literacy rate is 60%⁷⁹ of which skilled labour training is low. On top of that, Pakistan suffers from poor infrastructure and connectivity between the developed and undeveloped parts of the country are mostly non-existent. Similarly, Pakistan has been unable to invest in the energy and industry sector to boost production, forcing them to import most of their energy supply and face energy outages across the country. This is rather unfortunate since the country possesses rich reserves of gas and coal but has not been able to develop the infrastructure and facilities for extraction, and the public sector has been unable to tackle these growing issues due to lack of investment, human resources, and skilled labour/ vocational training opportunities, and a reducing formal economy. From this, we can see the cyclical problem causing Pakistan's stunted growth and difficulty in solution generation. Pakistan's lack of funding shows Islamabad's dire need for foreign investment to make up for the financial deficit of their treasury but it must be emphasized that Pakistan can only do this once it breaks out of just being granted loans and foreign aid. And most importantly for the long-term economic benefit of the country, Pakistan needs more equal income distribution between the elite-, middle- and lower-class citizens by increasing social mobility. This will also help tackle the issue of "brain drain" also known as Human Capital Flight, whereby the educated and skilled individuals migrate to other countries in search for a better life.

The China Pakistan Economic Corridor thus comes at a time where it is a very much needed investment for Islamabad as it has the potential to solve problems spanning across all sectors from infrastructure to services and human resources. CPEC plans to create approximately 700,000 job opportunities by 2030, provide vocational training to advance human resources, offer donations to schools and develop good will projects like hospitals, clinics, and free medical examinations.⁸⁰ Results have indeed become apparent as 90 projects of the potential 200 under the umbrella of CPEC have been completed and 41 more are waiting in the pipeline⁸¹, with special focus in the rural areas of Gwadar now dubbed the "Shenzhen" of

⁷⁷ Rana, S. (2019, December 10). *In Pakistan, millions more to fall below poverty line*. In Pakistan, ... <https://tribune.com.pk/story/2115274/millions-fall-poverty-line>.

⁷⁸ O'Neill, A. (2021, March 31). Pakistan - Unemployment rate 2020. Pakistan: Unemployment rate from 1999 to 2020. <https://www.statista.com/statistics/383735/unemployment-rate-in-pakistan/>.

⁷⁹"The News International". (2020, June 11). Economic Survey reveals Pakistan's literacy rate increased to 60%. <https://www.thenews.com.pk/latest/671198-economic-survey-reveals-pakistans-literacy-rate-increased-to-60#:~:text=Economic%20Survey%20reveals%20Pakistan's%20literacy%20rate%20increased%20to%2060%25,-Pakistan>.

⁸⁰Tribune, E. (2019, January 8). CPEC to create 700,000 more jobs in Pakistan. Retrieved from <https://tribune.com.pk/story/1884057/1-cpec-create-700000-jobs-pakistan/>

⁸¹Shafa, M. (2020, July 24). 90 projects of CPEC completed so far: Alvi.

<https://www.brecorder.com/news/40007497>.

Pakistan. Gwadar projects include a port terminal and business centre with 9 out of the 20 planned energy projects completed and 3 more to become operational by March 2021. The Pak-China Friendship hospital and Technical and Vocational Institute, both of which are in Gwadar, began construction in December 2019 and are expected to become operational near the end of 2021 with expedited progress. Transport wise, the mass transit project Orange Line in Lahore was completed in October 2020, while Karachi Circular Railway and ML-1 are being finalised. But as of yet only 2 of the 7 infrastructural projects have been completed despite the plan for them to be completed by end of 2020, while the SEZs construction had been delayed until announced as part of Phase 2 of CPEC instead.⁸²

Even though Pakistan can still be hopeful of the economic benefits, the current situation is not promising. As of March 2020, only 1/3rd of the projects worth \$19 billion have been completed, and Pakistan's net debt has ballooned to approximately 107% of its GDP as of 2020⁸³, with 20% of it is owed to China due to the BRI investments.⁸⁴ Scholars blame Pakistan for the delay of most projects due to Islamabad's insufficient funds and inefficient bureaucracy. But Islamabad's insufficient funds come about due to depreciation of the rupee, strict terms and conditions by IMF due to the loan Pakistan took to alleviate debt, and a plunging GDP growth from 5.3% in 2017, to 3.29%⁸⁵ in 2019 and currently in 2021 at -0.38, which is also due to COVID-19.⁸⁶ It seems that Pakistan is stuck in a vicious cycle of loans to repay debts and thus incurring more debt for which are required more loans.

What is even more worrisome for the government is that CPEC is taking longer to kick off economic development than expected. A free-trade zone was established in Gwadar in 2015, and officials say nine or 10 companies, including a Chinese steelmaker and a Pakistani producer of edible oils, have signed up. But there are no signs of any factories operating. Similarly, the Gwadar International Airport is a project meant to be completed by 2017 October through a loan by China Communications Construction Co, but construction only began at the end of 2019. The construction has also been taken over from CCCC by state-

⁸²"CPEC Secretariat at Ministry for Planning, Development; Special Initiatives". (n.d.). Progress Update: China-Pakistan Economic Corridor (CPEC) Official Website. CPEC Projects Progress Update. <http://cpec.gov.pk/progress-update>.

⁸³Haider, M. (2020, August 29). Pakistan's debt, liabilities stand at 106.8pc of GDP. Pakistan's debt, liabilities stand at 106.8pc of GDP. <https://www.thenews.com.pk/print/707446-pakistan-s-debt-liabilities-stand-at-106-8pc-of-gdp>.

⁸⁴Khaliq, A. (2018, April 16). Is Pakistan falling into China's debt trap ? Is Pakistan falling into China's debt trap? <https://www.cadm.org/Is-Pakistan-falling-into-China-s>.

⁸⁵ "MacroEconomic Indicators" (PDF). *Pakistan Bureau of Statistics*. Retrieved 25 June 2019

⁸⁶"Trading Economics". (n.d.). Pakistan GDP Annual Growth Rate1952-2020 Data: 2021-2023 Forecast: Historical. Pakistan GDP Annual Growth Rate. <https://tradingeconomics.com/pakistan/gdp-growth-annual>.

owned China Railway Engineering Corp. who claim that the Airport will be delayed to 2022. Furthermore, the economic benefit of projects like the gas pipelines from Gwadar to Xinjiang seems negated by cost of development, argues Yang Shu, an international relations expert at Lanzhou University who has also been involved in the BRI project planning.⁸⁷ The delay in CPEC has already caught the eye of international skepticism, as Alyssa Ayres, Washington-based senior fellow for India, Pakistan and South Asia at the Council on Foreign Relations said, “It’s hard to imagine this as a viable freight corridor,” she says when talking about the Karakoram Highway supposed to connect Punjab all the way to Gilgit Baltistan and China. The long roads are treacherous and prone to criminal and terrorist attacks.⁸⁸ International skepticism seems to match worries at home; Mariyam Suleman, the Gwadar-based editor of the Balochistan Review, says life for people in the area has not improved. “Their neighbourhoods are still without good infrastructure; there’s a sewage issue; there isn’t electricity for long hours, especially in summer; and the water crisis has always been an issue,” she says.⁸⁹ Even in the case of successful implementation of projects, local Pakistani businessmen are worried that CPEC could cripple domestic industries. They explain that although job opportunities have increased for local businesses, especially small market businesses, the reality is that once these projects are completed, the jobs will end as well, leaving them without any long term plan.⁹⁰ Economist Akbar Zaidi pointed out that Chinese investors and companies had been given preferential treatment and when they would start manufacturing goods at the Special Economic Zones (SEZs), it would wreak havoc on Pakistan’s industry saying, “imports from China have been increasing that has forced many industries in Pakistan to shut down and when they start manufacturing here, imagine what will happen?”. Elaborating on this conundrum he continues, “when we buy a Chinese motorcycle assembled here, it costs Rs 50,000, but when a Chinese firm will start manufacturing bikes here, then it will cost much less, maybe Rs35,000. As buyers, we may enjoy the bike at a lower price, but local manufacturers will certainly suffer.”⁹¹ Policy makers not involved in the central government are almost pessimistic; “China has already eaten half of our economy, what else could it do?” Karachi Chamber of Commerce and Industry (KCCI) President

⁸⁷Zhou, L. (2018, November 24). Beijing has 'oversold benefits' of the US\$62 billion infrastructure link. Retrieved from <https://www.scmp.com/news/china/diplomacy/article/2174757/beijing-has-oversold-benefits-us62-billion-china-pakistan>

⁸⁸Prasso, S. (2020, March 3). One of China’s Most Ambitious Projects Becomes a Corridor to Nowhere. <https://www.bloomberg.com/news/features/2020-03-02/a-china-belt-and-road-project-becomes-a-corridor-to-nowhere>

⁸⁹ Ibid

⁹⁰Hussain, T. (2020, February 15). China's belt and road: after the gold rush, Pakistan sees the downside. Retrieved from <https://www.scmp.com/week-asia/economics/article/3048459/chinas-belt-and-road-after-gold-rush-pakistan-sees-downside>

⁹¹ Ibid

Mufassar Ata Malik told The Express Tribune while referring to the business community's apprehensions about CPEC.⁹²

It is now feared that due to Pakistan's inability to pay back China, Islamabad has begun to negotiate alternative and perhaps more detrimental ways of recompensation. The Gwadar Port, one of the main CPEC projects, has been leased to the state-owned China Overseas Port Holding Company that has been building it as Pakistan has not been able to procure the \$10 billion USD cost for the port. According to the terms, the Chinese company is to retain 90% of the revenue collected from the use of the maritime port.⁹³ Now with additional scrutiny from the Khan administration over corruption allegations in CPEC by the previous PML-N administration, and also due to the restrictions placed on Islamabad by the IMF for the 2019 bailout Khan requested, Pakistan will not be able to facilitate the initial grandiose blueprint of 70 billion USD projects. Andrew Small, author of the 2015 book *The China-Pakistan Axis* and a senior fellow at the Washington-based German Marshall Fund says Khan's government is simply trying to complete about US\$20 billion worth of CPEC projects already in the works, mostly power plants. "The full-scale version is not really in the cards," he says. "It's going to land in a far more modest place than envisaged. It's not going to be a game changer."⁹⁴ Still, CPEC is backed to the hilt by the Khan government.

⁹²"Tribune.com.pk." (2018, May 2). Businessmen fear dumping of Chinese goods under CPEC. Retrieved from <https://tribune.com.pk/story/1700182/2-industry-risk-businessmen-fear-dumping-chinese-goods-cpec>

⁹³"The Maritime Executive 04-27-2017" 09:30:19. (2017, April 27). Pakistan Gives China a 40-Year Lease for Gwadar Port. Retrieved from <https://www.maritime-executive.com/article/pakistan-gives-china-a-40-year-lease-for-gwadar-port>

⁹⁴ "Bloomberg". (2020, March 4). China's US\$62 billion project in Pakistan may become corridor to nowhere. China's US\$62 billion... <https://www.scmp.com/news/asia/south-asia/article/3064849/chinas-us62-billion-belt-and-road-project-pakistan-risks>.

6: DOMESTIC POLITICS

Domestic politics is a more weighted factor than just economic benefit as it reflects the internal perception of the BRI and has direct consequences on the smoothness and pace of projects. The reason for direct impact on project pace is because if there is widespread support for the Initiative, the government will have no problem prioritising and fast-tracking projects, and it could actually aid project progress by ensuring checks and balances on the government to hold them accountable. Alternatively, if there is widespread opposition and dissatisfaction with BRI projects, there may be protests and petitions pressuring the government to either cancel or change project details, promote and spread controversies and rumours to lower confidence in and credibility of projects, and in some extreme cases (like Pakistan) even planned attacks against project construction and government personnel.

Malaysian Politics

In the case of Malaysia, domestic political factors are very important in deciding the overall perception of the BRI projects, but they are also very complex and at some points contrasting. While Muslim Malays make up majority of the population, around 60%, Malaysian Chinese make up around 25% of the population and have more economic power than their Muslim counterparts, but less representation in political platforms and reserved quotas in the sectors of education and welfare by the ruling governments. Despite the ethnic tensions, it is too simplistic to say that Malaysian Chinese are pro-Beijing whilst Malays are not; in fact pro-Malaysia sentiments in the younger generations is more prevalent and Malaysian Chinese see themselves more as Malaysians than overseas Chinese; thus they also have diverse views regarding the rise of China. According to PEW Research Centre's survey in 2013, Malaysia was the second most favourable in their view of China, second only to Pakistan, with 81% favourability. In a second survey in 2016 from Malaysian firm Merdeka Centre, the favourable opinion stood at a lower 70%. In the same survey when asked about China's potential threat in the South China Sea, 45% of respondents agreed that it poses a threat to Malaysia, and regarding China's rise as a threat in general, 27% of the population agreed that they saw China as more of a threat than an ally.⁹⁵

⁹⁵ Emile Kok-Kheng Yeoh (2019) Malaysia: perception of contemporary China and its economic, political and societal determinants, *The Pacific Review*, 32:3, 395-418, DOI: 10.1080/09512748.2018.1480522

Economically, the Malaysian government and people of Malaysia collectively view Chinese positively due to their very close economic and trade relations. Now due to the COVID-19 and Malaysia's economy has become more stagnant, whilst China has not been as severely hit and is in fact economically rebounding, Malaysia will become more reliant on Chinese trade and investment.⁹⁶ However for the Malay Muslim majority population although the ruling UMNO party of Najib, and the Pakatan Harapan party of Mahathir from 2018-2020 were careful to ensure that Malay objective were prioritised in the BRI projects, especially catering to the development of the lesser developed Muslim dominated east coast regions, tensions and distrust still remain when it comes to politically sensitive projects such as the Malacca Gateway and East Coast Rail Link. This is due to the strategic value that these projects hold for the Chinese and there is fear that China will use these projects as a means to gain more influence and reduce Malaysia's ability to maneuver their strategic interests in the South China Sea. For the case of Malaysian ethnic Chinese perceptions, generational divides are more apparent. Malaysian Chinese business community leaders and educationists tend to be mostly from the older generation, and are reliant on their knowledge of their mother tongue and Chinese ancestry, thus they happen to be overwhelmingly pro-Beijing and promote positive imagery of China.⁹⁷ These community leaders (Huatuan) do not hold democratic values as important as the new generation, and they believe that China's rise and increasing military clout should be capitalised upon by the local Malaysian Chinese. Yet simultaneously, Malaysian businessmen especially SMEs, do view Chinese competition within Malaysia as a threat due to China's economic advantage and cheaper plus competitively priced exports and they fear that Malaysia may lose out in foreign plus their own domestic markets with the coming in of Chinese companies through the Belt and Road.

Politically, Malaysia represents a complex and mixed reaction towards China and Chinese investments as well, but ethnic tensions are more apparent than in the economic realm. The case of Najib's corruption in the 1MDB scandal, and China's discreet decision to buy subsidies in order to exert influence and lobby for preferential contracts in projects such as Bandar Malaysia, have been a cause of contention against Chinese interference and their use of economic clout to gain advantage has been viewed negatively by Malays⁹⁸ and ethnic Chinese

⁹⁶ Nambiar, S. (2021, January 29). Malaysia a case study in how China wins friends and influences Asia. Malaysia a case study... <https://asia.nikkei.com/Opinion/Malaysia-a-case-study-in-how-China-wins-friends-and-influences-Asia>.

⁹⁷Emile Kok-Kheng Yeoh (2019) Malaysia: perception of contemporary China and its economic, political and societal determinants, *The Pacific Review*, 32:3, 395-418, DOI: 10.1080/09512748.2018.1480522

⁹⁸Sipalan, J. (2016, November 7). Malaysia's Najib risks backlash at home after deals with China. Malaysia's Najib... <https://www.reuters.com/article/us-malaysia-china-idUSKBN1320EY>.

Malaysians alike, which is why Mahathir gained sweeping support in his electoral victory due to his promise to review BRI projects for corruption. Malays have been politically more sensitive about the Belt and Road Initiative than the ethnic Chinese, as was evident in the 2015 anti-Chinese protest when Chinese ambassador Huang Huikang walked around during the demonstration and criticised it saying that China will not “tolerate” racial discrimination in Malaysia, which was met with considerable backlash from the Muslims and further alienated the ethnic Chinese population⁹⁹. Furthermore, China’s treatment of Muslim Uighurs in Xinjiang has been another point of contention especially for the Malays. The government has tried to exhibit a firm stand on this issue by refusing to extradite Xinjiang nationals to the PRC and also banned a Belt and Road comic that promoted communism and showed the Uighur population in a negative light, while also referring to Muslim Malays as “radicals”. The comic was written by Hew Kuan Yau, a former member of the DAP (which was a component of Mahathir’s coalition) and the Secretary General of the DAP and Finance Minister Lim Guan Eng wrote its foreword, which greatly angered the Malay population who accused Mahathir’s government of being too favourable to the Chinese.¹⁰⁰ However, Mahathir has refused to confront China over the Xinjiang issue directly, arguing that pragmatically Malaysia can not do anything about it on its own and it is better to leave the issue to international Muslim forums. Ethnic Chinese representative parties like the Malaysia China Association (MCA) and the Democratic Action Party (DAP) hold more positive views of Beijing, but the newer generation of young Malaysian Chinese tend to be more critical. For the younger Malaysian Chinese, democratic values and freedom of speech are more important than their ancestral ties, therefore they tend to view China’s authoritarianism with suspicion and mistrust, as is evidenced by their support of Hong Kong’s pro-democratic rallies and annual submitting of memorandums to the Chinese embassy during the June Fourth anniversaries. This reflects their own anxieties regarding China’s authoritarian soft power having an influence at home, as the Malaysian government has shown tendencies of being more authoritarian in their regulation of public discourse against the Malaysian government’s lack of democratic values.¹⁰¹

⁹⁹Chang, P. T. C. (2018, May 11). Ethnic Chinese in Malaysia are celebrating China's rise – as multicultural Malaysians. *Ethnic Chinese in Malaysia...* <https://www.scmp.com/comment/insight-opinion/article/2145521/ethnic-chinese-malaysia-are-celebrating-chinas-rise>

¹⁰⁰Sukumaran, T. (2019, October 24). Malaysia bans controversial belt and road comic for cultural insensitivity. *Malaysia bans...* <https://www.scmp.com/week-asia/politics/article/3034279/malaysia-bans-controversial-belt-and-road-comic-cultural>.

¹⁰¹ Emile Kok-Kheng Y. (2019) Malaysia: perception of contemporary China and its economic, political and societal determinants, *The Pacific Review*, 32:3, 395-418, DOI: 10.1080/09512748.2018.1480522<https://www.tandfonline.com/doi/pdf/10.1080/09512748.2018.1480522?needAccess=true>

Due to this complex situation, successive Malaysian governments of Najib, Mahathir and now Muhyiddin Yassin have all made sure to cater to the majority Muslim Malay population votes by prioritising BRI projects that benefit them directly, in order to ensure their party's political legitimacy. In the case of Mahathir, he had been pragmatic and made sure that he could also secure ethnic Chinese votes, therefore he made sure to revise BRI projects that have been viewed as controversial and giving Chinese stakeholders too much power, but also made sure that he retained the PRC's and Malaysia's ethnic Chinese business elite support by blaming it on the corruption of the previous regime, and clarify that the Malaysian government is still very friendly and warm towards China. Therefore, we can see that any projects considered controversial or harmful for Malaysian sovereignty are protested until either the Malaysian government revises projects, and if the government is not able to get favourable conditions or do not believe the project fits their political and business elite legitimisation agenda, the projects are slowly ground to a halt or cancelled altogether.

Pakistani Politics

During Nawaz Sharif's administration when CPEC was inaugurated in 2015 officially the perception of the Pakistanis of China was very positive, as reflected by the previously mentioned PEW Survey. Due to the long-standing friendly relations with China, CPEC seemed to be a natural next step to the growing bilateral economic relationship between the 'iron brothers'. However, provincial problems arose immediately in the northern region of Gilgit Baltistan, northwestern region of Khyber Pakhtunkhwa (KPK), southeastern province of Sindh, and southern province of Balochistan. Their grievances that Nawaz Sharif was favouring his home province of Punjab were not assuaged despite Sharif's attempt to reconcile the provinces during the 3 annual All Party Conference on CPEC he arranged in between 2015-2017 before he was disqualified as Prime Minister in July 2017. While the new administration of Imran Khan established in 2018 was able to accelerate projects and satisfy the demands of KPK and Gilgit Baltistan, the provinces of Sindh and Balochistan believe they are still being neglected and have caused substantial roadblocks in the progression of CPEC. The most dangerous of these are the insurgents in Balochistan that have been carrying out terrorist attacks and kidnappings of local Pakistanis and later Chinese workers to deter completion of CPEC projects. This security situation is one of the main roadblocks to CPEC in the prioritised region of Gwadar where extra security personnel have been stationed to protect Chinese

workers. Besides insurgents, Balochi, and Sindhi activists¹⁰², Islamic nationalist parties and separatist groups¹⁰³ have all been protesting fostering a more negative perception of CPEC amongst the already dissatisfied local population in their provinces. The growing dissent in the local population has fuelled the insurgent groups that are becoming more radical and separatists as the Khan administration remains unable to provide the economic benefits to the provinces of Sindh and Balochistan that were promised since 2015.

Another major blockade to CPEC is the political instability caused by the parliamentary opposition to the incumbent government of Imran Khan since 2018. Khan's administration faces accusations from the opposition of being "selected" by the military, citing rigged elections and encroachment of military officials into civilian affairs, making the Pakistani government a hybrid rule instead of the democratic institution Khan promised.¹⁰⁴ Additionally, the IMF bailout plan that Khan had secured during the start of his term had also imposed restrictions on project spending.¹⁰⁵ Retired Lieutenant General, Asim Saleem Bajwa, was appointed as Chairperson in order to assure China that extensive security and priority would be given to CPEC projects especially in the tumultuous area of Gwadar in Balochistan. According to analyst Andrew Small, China lacked confidence in the new Khan administration and directly consulted with the Army for the supervision of CPEC. Due to civilian opposition the CPEC Authority (CPECA) was temporarily lapsed in May 2020 but was reinstated in October 2020 with Bajwa still as chairperson, despite demands to remove him due to his military history and also a scandal related to undeclared assets. Khan's administration has defended Bajwa and has allowed him to continue his chairperson duties, which caused the opposition in the Senate to stage a walkout.¹⁰⁶ Now the 11 political parties in the opposition have joined forces under the banner of the "Pakistan Democratic Movement Alliance". Although PDM has accused Imran of not expediting CPEC projects, they have ironically

¹⁰²Asian News International. (2017, January 19). Anti-China protests in Sindh to oppose economic corridor. <https://www.hindustantimes.com/world-news/anti-china-protests-in-sindh-to-oppose-economic-corridor/story-my9Qv2bO91YmJ8VZxCTSAO.html>.

¹⁰³Mohan, G. (2020, August 4). Baloch, Sindhi pro-freedom groups unite to oppose China-Pakistan CPEC project. <https://www.indiatoday.in/world/story/baloch-sindhi-pro-freedom-groups-unite-to-oppose-china-pakistan-cpec-project-1707745-2020-08-04>.

¹⁰⁴ Mangi, F., Qayum, K., & Dilawar, I. (2020, June 10). Army Tightens Grip on Pakistan as Imran Khan's Popularity Wanes. Retrieved February 08, 2021, from <https://www.bloomberg.com/news/articles/2020-06-09/army-tightens-grip-on-pakistan-as-imran-khan-s-popularity-wanes>

¹⁰⁵Lipton, D. (2019, July 3). IMF Executive Board Approves US\$6 billion 39-Month EFF Arrangement for Pakistan. <https://www.imf.org/en/News/Articles/2019/07/03/pr19264-pakistan-imf-executive-board-approves-39-month-eff-arrangement>.

¹⁰⁶ Guramani, N. (2021, January 22). Opposition walks out of Senate session over GOVT'S 'unsatisfactory' response ABOUT CPEC Authority. Retrieved February 08, 2021, from <https://www.dawn.com/news/1602956>

delayed progression by causing public disruptions in the form of protests and marches, and political bickering in the Senate and National Assembly.¹⁰⁷

According to a Senate official and political economist in Pakistan interviewed, the main hurdle for Pakistan is itself and its own system. They go on to explain that when projects are passed to provincial civil servants, they seldom meet the deadlines expected by the Chinese and when asked to expedite policy processes, make attempts to extort extra money or bargain for more prioritisation of their respective provinces' routes. Another notable issue according to these officials is the Customs department, specifically the Web Based One Customs (WeBOC) by the Pakistan Revenue Automation Ltd., that insists on taxing Chinese free grant and interest free loan investments and reviewing plans constantly for signs of corruption. This has greatly angered the provincial politicians that have engaged in legal battles with the federal government over the taxation of Chinese money, and the federal government has in turn accused them of tax evasion and corruption, filing complaints to the NAB. This cyclical system of disputes, according to the Senate official, has taken up to 2.5 years to settle before work could be started in Balochistan.¹⁰⁸

The Khan administration has responded to these delays and hurdles by promising the people of Balochistan that their projects will be prioritised and has increased pressure on provincial officials via the CPECA to meet deadlines and increase interagency cooperation. Calling bureaucratic delays to CPEC against “national interest”,¹⁰⁹ It is likely that the military and Khan administration will cooperate to supervise and expedite CPEC Phase 2 in order to make up for the delay caused.¹¹⁰ Meanwhile the military continues surveillance on negative media regarding CPEC within Pakistan and cracking down on anti-CPEC protests and activists.¹¹¹ To showcase the impact of different political objectives and policies of the two countries regarding BRI projects, two simple case vs case comparisons have been conducted; the ECRL in Malaysia to contrast with Pakistan's ML-1 rail, and Malacca Gateway Port in contrast to Gwadar Port.

¹⁰⁷ Interviews February 2021

¹⁰⁸ Interviews March 2021

¹⁰⁹ News Desk. (2021, February 4). CPEC projects marred by delay. <https://southasiamonitor.org/pakistan/cpec-projects-marred-delay>.

¹¹⁰ Ray, S. A. (2019, September 8). CPEC's second phase can put Pakistan's economy back on track. <https://tribune.com.pk/story/2052518/cpecs-second-phase-can-put-pakistans-economy-back-track>.

¹¹¹ Kovrig, M. (2018, July 24). National Ambitions Meet Local Opposition Along the China-Pakistan Economic Corridor. <https://www.crisisgroup.org/asia/north-east-asia/china/national-ambitions-meet-local-opposition-along-china-pakistan-economic-corridor.r>

Case Comparison #1 East Coast Rail Link vs Main Line-1

The ECRL in Malaysia was signed under Razak's administration during the first Belt and Road forum in 2017, is the largest railway link in Southeast Asia spanning 600 km and is meant to improve the connectivity (both passenger and freight) from Peninsula Malaysia's East Coast states of Pahang, Terengganu, and Kelantan to the developed state of Selangor to tackle the decades long issue of unbalanced economic distribution between the east and west coasts. Initially valued at 18.2 billion USD, CCCC is the main contractor with 85% of the entire cost financed through a soft-loan (3.25% interest rate) from China Exim Bank, and the remaining 15% handled by Islamic bonds owned by Malaysian merchant banks. Both the Najib administration and the CCCC claimed that the ECRL was a top priority, because it is touted as a "game changer" that would bring an annual growth of 1.5% via agriculture and tourism sectors to the less developed eastern states, and its success having a direct impact on how the BRI would be viewed across the world.¹¹² Originally meant to start in late 2017, it was expedited to begin in June 2017 and continues to progress ahead of target as reported in December 2020.¹¹³ The ECRL was vital for Razak's administration's pro-Malay agenda to advance a more rigid version of the NEP, as it benefitted mostly the Muslim majority states, and his UMNO party is known to attain political leverage via economic promises such as this project. The ECRL projects also helped the UMNO in gaining the support of the east coast electorate to rival the Malaysian Islamic Party whom they were able to win the confidence of due to the pro-Malay nature of the project. Further to this, geopolitical gains for both Malaysia and China are a huge reason for the positive response elicited during the project's onset; when completed it will connect the Kuantan Port in the east to Port Klang in the west that could to a great extent solve China's Malacca Dilemma, and for Malaysia although the ECRL route costs more than the current one via Singapore, the travel duration can be lessened by a maximum of 30 hours which would enable the transport of time sensitive trade products, and also reestablish valuable indirect trade between China and Malaysia, and reduce reliance on Singapore.¹¹⁴ Since the ECRL fulfilled favourable conditions, Malaysia was quick to

¹¹²Liu, H., Lim, G. (2018). The Political Economy of a Rising China in Southeast Asia: Malaysia's Response to the Belt and Road Initiative. *Journal of Contemporary China*, 28(116), 216–231. <https://doi.org/10.1080/10670564.2018.1511393>

¹¹³"ECRL construction progress ahead of target, Dewan Negara told". (2020, December 22). ECRL construction progress ahead of target, Dewan Negara told. KLSE Screener. <https://www.klsecreeener.com/v2/news/view/769411/ecrl-construction-progress-ahead-of-target-dewan-negara-told>.

¹¹⁴ Lim, G., Li, C., & Ji, X. (2021). Chinese financial statecraft in Southeast Asia: an analysis of China's infrastructure provision in Malaysia. *The Pacific Review*, 1–29. <https://doi.org/10.1080/09512748.2020.1868556>

expedite the project under Razak, but it came to a surprising halt with the equally surprising victory of Mahathir, with implications explained further below.

Meanwhile the Main Line-1 project in Pakistan was formally approved in the 6th Joint Cooperation Committee of CPEC held in Beijing 29th December 2016, it was declared “strategically important” with the Framework Agreement and commercial contract for preliminary design both signed on 15th May 2017, during ex-PM Nawaz Sharif’s visit to Beijing, and it was also decided that a dry port called Havelian port be established near Abbottabad which is 30 mins away from the capital Islamabad, in order to take and distribute freight traffic carried by the railway from Kashgar in China to Gwadar and vice versa.¹¹⁵ The first feasibility study on the ML-1 was done in July 2018 right before the elections, according to which the project would be completed in two phases by 2022. The 1872 km track was pegged at 8.2 billion USD and was to be implemented by China Railway Engineering Corporation (CREC) led consortium.¹¹⁶ It covers the expansion and upgradation of pre-existing railway tracks (1872 km) from Peshawar in the northwest region to Karachi in the southeast. This entire track has not been upgraded since its time of creation, in the present day most tracks slow down to 15km/h and accidents are commonplace therefore the majority of the population avoids using this service. The entire track will be doubled, and a computer based signaling control system will be installed. Grade separation is planned to ensure track safety and tackle Pakistan’s traffic congestion problem. Speed of passenger trains to be raised from 65/110km/h to 160 km/h. Freight trains operate from 80km/h to 120 km/h. Freight capacity to increase from 4% to 20% by 2025. Regarding political agenda, Pakistan Railways (PR) has been in decline since the 1990s, as there has been no efforts for its expansion since independence in 1947 and has been burdening the country’s economy by burning through taxpayer money as an example of this PR recently disclosed a loss of \$1.1 billion USD in the past 5 years¹¹⁷. Reviving Pakistan’s railway system is a feat that previous governments have not been able to accomplish, therefore any ruling government that manages to solve this solution would be granted valuable political legitimacy. During Sharif’s administration, there

¹¹⁵ Ministry of Planning, D. (n.d.). Expansion and reconstruction of existing line ML-1: China-pakistan economic Corridor (CPEC) official website. Retrieved February 08, 2021, from <http://cpec.gov.pk/project-details/30>

¹¹⁶ Ahmed, A. (2018, July 13). Feasibility study of main line 1 project completed. Retrieved February 08, 2021, from <https://www.dawn.com/news/1419744>
<https://www.dawn.com/news/598133/the-decline-of-pakistan-railways#:~:text=The%20major%20losses%20faced%20by,allocated%20for%20salaries%20and%20pensions.>

¹¹⁷ "Pakistan Railways incurs Rs187bn loss". (2020, September 16). Pakistan railways INCURS RS187BN loss in five years. Retrieved February 08, 2021, from <https://profit.pakistantoday.com.pk/2020/09/16/pakistan-railways-incurs-rs187bn-loss-in-five-years/>

was no noticeable state federal contestation regarding the ML-1 just like in the case of the ECRL. There is no denial that the ML-1 has geostrategic value to both China and Pakistan, as the Railway line is designed to connect and integrate Pakistan and China via a direct Railway, and it will open up a line of trade and cargo transfer between the two countries: providing China access to Gwadar by land and allowing Pakistan greater economic possibilities. Plus, they can transport cargo from Xinjiang to Afghanistan via ML-1¹¹⁸, and complete the Istanbul-Tehran-Islamabad Railway (ITI) which can create a geopolitical trade bloc with Central Asia and Turkey.¹¹⁹ Hassan Daud Butt, then Director of CPEC, said in February 2018 that ML-1 was underway according to plan.¹²⁰

The smooth sailing of both projects came to a rapid halt as both countries underwent historically momentous elections in 2018 that welcomed in unexpected victors Mahathir Mohammad and Imran Khan for Malaysia and Pakistan, respectively. Both leaders rode on anti-corruption campaigns and promised to review “unfair” BRI trade deals which both of them blamed on the previous government leaders, accusing them of mass corruption and money laundering. Mahathir accused Razak of giving CCCC the project without first holding an open tender due to the latter’s rent seeking agenda, and when it was uncovered that the ECRL was linked to the money laundering 1MDB scandal¹²¹ Mahathir decided to review the project details and successfully managed to do so as explained previously in the economic benefit section. The ECRL was also rerouted to include the state Negri Sembilan and city Putrajaya, and CCCC signed an MoU to develop industrial parks on the way to benefit more of the Malaysian population¹²², which helped Mahathir’s government in delivering the pre-election promise for better economic deals. During negotiations it was also decided that China would also import an extra 1.9 million tonnes of palm oil; a move analysts believe Mahathir had intended to achieve by putting pressure on China through the risk of key projects being

¹¹⁸ Amir, A. (2020, December 29). Turkey, Iran, Pakistan rail link to China's belt and road. Retrieved February 08, 2021, from <https://asia.nikkei.com/Spotlight/Belt-and-Road/Turkey-Iran-Pakistan-rail-link-to-China-s-Belt-and-Road>

¹¹⁹ Siddiqi, S. (2021, January 20). Belt and Road: What's holding up the trains from Pakistan to Turkey? Retrieved February 08, 2021, from <https://www.scmp.com/comment/opinion/article/3118348/chinas-belt-and-road-whats-holding-trains-pakistan-turkey-iran>

¹²⁰ News Desk, -. (2018, February 9). CPEC projects including ML – 1 progressing smoothly: CPEC Project Director. CPEC projects including ML – 1 progressing smoothly. <https://mettisglobal.news/cpec-projects-including-ml-1-progressing-smoothly-cpec-project-director>.

¹²¹ SCMP Reporter. (2019, June 6). China's largest builder finds itself in a scandal with Malaysian rail. China's belt and road builder finds itself embroiled in a scandal in Malaysian coastal railway link. <https://www.scmp.com/business/companies/article/2150411/chinas-belt-and-road-builder-finds-itself-embroiled-scandal>.

¹²² Lim, G., Li, C., Ji, X. (2021). Chinese financial statecraft in Southeast Asia: an analysis of China's infrastructure provision in Malaysia. *The Pacific Review*, 1–29. <https://doi.org/10.1080/09512748.2020.1868556>

cancelled and harming the BRI image, especially with the second Belt and Road Forum approaching in April 2019.¹²³ This has been considered a clever and risky tactic of economic pragmatism by Mahathir that ultimately paid off.

However, for the Imran Khan administration the result of negotiation attempts was not nearly as successful. When Khan was sworn in his party criticised Sharif's administration for making lop-sided deals with the Chinese, citing ML-1 as one of them. According to the National Engineering Services Pakistan (NESPAK) the cost of Phase 1 quoted by Chinese contractors was \$630 million more than what they had first quoted. With the debt constraints and ceiling of funding imposed on Pakistan by the IMF, Khan sought to reduce the price of this project, ideally to 4.2 billion USD instead, and also wished for the project to be undertaken under a Build-Operate-Transfer model to incur less debt.¹²⁴ Judging by the consequent delay of the project for 2 years, it shows that Chinese and Pakistani interests were not aligned. Ultimately, in July 2020 the Executive Committee of the National Economic Council (ECNEC) approved the project at a revised rate of 7.2 billion USD, cutting project management fees, price escalation, detail and construction design costs, insurance and contingency costs, and rolling stocks which deducted approximately \$2 billion USD. This is important because we can see that unlike in the case of the ECRL, the reduction of the cost was done by reducing the scope of the railway, not the price owed to China despite reports of inflated costs. Khan stated that he would renegotiate ML-1 to be done on a Build-Operate and Transfer mode which would be open to international bidders, but instead it was decided to be done on an engineering procurement and construction mode, and the tender bid has been restricted to Chinese contractors only. Furthermore, China will still be bearing 90% of the cost but now through a mixture of commercial and concessional loans against Pakistan's desire for cheapest lending.¹²⁵ The project has been broken into three phases instead of two and the duration of construction extended by 3 years due to the IMF ceiling, which does not allow Pakistan to borrow more than 2.5 billion per phase of the project. These terms are not ideal for the cash strapped economy of Pakistan and especially not good for Khan's promise of fairer deals and economic development, but Beijing is aware of the risky environment for investment and wants to ensure projects are viable under Islamabad's tight economic conditions. Beijing has

¹²³Sukarman, T., Jaipragas, B. (2019, April 15). Malaysia to 'take advantage' of rail link deal to sell China palm oil. <https://www.scmp.com/week-asia/geopolitics/article/3006171/malaysia-take-advantage-ecrl-deal-sell-china-more-palm-oil>.

¹²⁴ Bukhari, M. (2018, October 01). Pakistan cuts Chinese 'Silk Road' rail project by \$2 billion due to debt concerns. Retrieved February 08, 2021, from <https://www.reuters.com/article/pakistan-silkroad-railways/pakistan-cuts-chinese-silk-road-rail-project-by-2-billion-due-to-debt-concerns-idINKCN1MB300>

¹²⁵ Hasnain, K. (2020, September 10). Railways to invite bids For \$6.8bn ML-1 CPEC PROJECT. Retrieved February 08, 2021, from <https://www.dawn.com/news/1578880>

asked for additional guarantees besides the construction cost of ML-1 due to Islamabad's weakening situation. Furthermore, Beijing has not agreed to Pakistan's demand for a 1% interest rate cap on the project cost, and this disagreement has been seen as the reason for delay of the 10th Joint Cooperation Committee, CPEC's highest decision-making body.¹²⁶ This has led to a burgeoning opposition allying together under a combined opposition called the Pakistan Democratic Movement out to dethrone Khan for his failure to negotiate better deals and expedite CPEC. Yet, despite such undesirable conditions, Imran Khan continues to tout the ML-1 as the "backbone of CPEC" and Minister of Railways, Sheikh Rasheed promises that ML-1 will create 150,000 jobs, of which 90% will be given to locals and the remaining 10% to Chinese engineers,¹²⁷ even though analysts do not agree. As Jeremy Garlick, Director of the J. Masaryk Centre of International Studies at Prague University of Economics and Business, says, "Why would a railway line produce 150,000 jobs? It would produce some jobs, but it is not likely that the effects will be as rosy as the Pakistani government is claiming,"¹²⁸

This begs the question, why is Pakistan still prioritising the ML-1 despite Imran Khan not trying hard enough to get a better deal unlike Mahathir? Why is the Pakistani government willing to take unfair terms that may risk its political legitimacy? While domestic political factors explain the delay in the ML-1 progress, it does not adequately explain why Imran Khan completely changed his CPEC critical stance to a very pro one and bowed under Chinese pressure to accept disadvantageous terms. To explain why, this paper shall argue about the utmost importance of the security implications of CPEC, and how they are important enough to override Khan's promise of reviewing ML-1 terms for a fairer deal.

Case Comparison #2 Malacca Gateway Port vs Gwadar Port

In September 2016, KAJ Development Sdn Bhd signed a Memorandum of Agreement with PowerChina International Group Ltd. for a mixed development Malacca Gateway Project worth approx. \$10 billion USD, which includes the development of three reclaimed and one natural Island Palau Panjang, spanning across 1,500 acres of territory at the Straits of Malacca. The signing of the MoA was witnessed by high-ranking political officials such as the Secretary

¹²⁶ Amir, A. (2020, October 27). Pakistan belt and Road railway hits snag as china NIXES low rate. Retrieved February 08, 2021, from <https://asia.nikkei.com/Spotlight/Belt-and-Road/Pakistan-Belt-and-Road-railway-hits-snag-as-China-nixes-low-rate>

¹²⁷ Reporter, T. (2020, September 29). ML-1 project to CREATE 150,000 jobs, says Railways minister. Retrieved February 08, 2021, from <https://www.dawn.com/news/1582137>

¹²⁸ Amir, A. (2020, October 27). Pakistan belt and Road railway hits snag as china NIXES low rate. Retrieved February 08, 2021, from <https://asia.nikkei.com/Spotlight/Belt-and-Road/Pakistan-Belt-and-Road-railway-hits-snag-as-China-nixes-low-rate>

of State of Malacca and Ministers of Transport, and International Trade and Industry. The project also included a “game changer” Gateway port that the trade minister insisted would play a prominent role in the Belt and Road Initiative due to its strategic location aligning with the objectives of the Maritime Silk Road. The project was predicted to greatly benefit the local population by creating 45,000 jobs and boost trade volume in conjunction to other ports¹²⁹. It was said to be the largest private marina in the whole of Southeast Asia, with enough facilities and berthing for four cruise ships to be docked simultaneously, 8 million TEU per year cargo capacity terminals, a maritime high-tech park and a free trade zone as well. The consortium is such that the local KAJD Bhd would own 51% of the project and PowerChina the remaining 49; and for the port development three additional Chinese SOEs, the Rizhao Port Group, Shenzhen Yantian Port and Guangzhou Port Group are involved in the construction of the Port, which was to be completed by 2019, and the whole of the Melaka Gateway to be completed by 2025. The Najib administration was eager to push this project forward when it was first presented to him in February 2014, and fast tracked the arrangement of licenses and freehold status for Island 4 where the Port is to be developed. In June 2017, the consortium hired PowerChina affiliate SinoHydro as the management contractor on an engineering, procurement, and construction basis.¹³⁰ For China, the strategic importance of the Gateway was very straightforward; the location was optimal for China to have influence of a port in the Straits of Malacca to bypass the US dominated Singapore Strait choke point through which 80% of the country’s oil and gas trade flows through. Thus, it was a given that Beijing would eagerly back this project and be willing to invest heavily in it.

But problems began arising in October of the same year when the Chief Minister of Melaka urged the consortium to speed up work which was lagging at only 40% of the planned reclamation being completed. Concerns over its economic viability had begun to be vocalised by renowned economists such as Hoo Ke Ping who questioned why there was a need for an additional port in the first place when the other existing ports such as Port Klang were only operating at 70% of their capacity, and in fact analysts began to worry that the new Gateway Port may actually “cannibalise” the capacity and productivity of the other ports. Politically, there was another problem with the viability of the project which was that while KAJD was a local player and well connected with regional political elites of Malacca, it was not well

¹²⁹Rosli, L. (2016, September 1). KAJ Development signs MoU to develop Melaka Gateway: New Straits Times. NST Online. <https://www.nst.com.my/news/2016/09/170052/kaj-development-signs-mou-develop-melaka-gateway>.

¹³⁰Tham, S. Y., Hutchinson, F. E. (2020, November 23). The BRI in Malaysia's Port Sector: Drivers of Success and Failure <https://www.iseas.edu.sg/articles-commentaries/iseas-economics-working-papers/the-bri-in-malaysias-port-sector-drivers-of-success-and-failure/>.

connected with the federal political elites like other local heavy conglomerates such as the MMC Corporation Bhd whose stakeholders are rich bumiputera elites and federally linked corporations; the lack of clout for this project was explicit due to the fact that the Najib administration made no investments of its own and just briefly mentioned the project in the Economic Term Plans. There was also pushback on an environmental aspect from the local Portuguese descent Malaysians of Malacca, 200 of which protested in front of the KAJD office in May 2018 accusing the consortium of destroying the marine ecosystem and carried out symbolic funerals of around a dozen fishermen.¹³¹ According to the view of this paper, these reasons are very important to the halting of the port progress, but what stopped the project in its entirety are two reasons. Firstly, the staunchest of critics against the Malacca gateway was none other than Mahathir Mohammad himself, who criticised the lack of economic sense of the project, saying “we are very concerned, because in the first place we don’t need any extra harbour”; and secondly, because the Gateway Port was said to only be economically viable if it were to connect to the Bandar Malaysia Railway, but the latter was exposed to be a part of the 1MDB Scandal and was terminated in 2017 because China was attempting to buy its shares to keep it afloat in exchange for demanding that the railway between Malaysia and Singapore not be open to tender bid and be given directly to Chinese SOEs. More pressing than that was the consistent anxiety of the Malaysian people as well as the Malaysian political elites of the potential for the Gateway port project to be used as a Chinese military base¹³², given the proximity to the Straits of Malacca, China’s interest to counterbalance the US military presence via Singapore, and China’s claim to the South China Sea with Malaysia and the other ASEAN states.

Whether or not this concern was founded in truth, the electoral victory of Mahathir’s Pakatan Harapan effectively halted the project in November 2018 after the Federal Minister of Transport, Anthony Loke, assessed the progress and concluded that no substantial work was done and gave a vote of no confidence regarding KAJD’s ability to finish the projects by 2021.¹³³ KAJD appealed the decision in a judicial review and claimed almost 34 billion USD in damages. Consequently, in May 2019 the Ministry of Transport accepted the appeal and KAJD’s license was reinstated on the condition of more local representation in the project

¹³¹Shepard, W. (2020, January 31). Inside The Belt And Road's Premier White Elephant: Melaka Gateway. Inside The Belt And Road's Premier White Elephant. <https://www.forbes.com/sites/wadeshepard/2020/01/31/inside-the-belt-and-roads-premier-white-elephant-melaka-gateway/?sh=7dabd5e4266e>.

¹³²Grassi, S. (2020, February). The Belt and Road Initiative in Malaysia. <https://asia.fes.de/news/the-belt-and-road-initiative-in-malaysia/>.

¹³³Hutchinson, F. E. (2019, September 30). The Melaka Gateway Project: High Expectations but Lost ... ISEAS_Perspective. https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2019_78.pdf.

consortium, though many observers speculated that the project would remain slow and problematic. This turned out to be true as the Malacca government again terminated KAJD's license in November of 2020, and KAJD's subsequent judicial review was denied in February of 2021.¹³⁴

Now for the case of the China Pakistan Economic Corridor, the Gwadar Port has multiple projects being constructed under it to transform the port into an international shipping hub. The projects, that officially began construction in June 2016, subsumed under the port include the Gwadar New International Airport, industrial park Gwadar Free Zone, Gwadar Smart Port City, Gwadar Eastbay Expressway, fresh water supply and wastewater treatment facilities, and goodwill projects including a school, and Pak-China Friendship Hospital and Vocational Training centre for the local unskilled labour workforce. In its entirety, the Gwadar Port projects cost 700 million USD according to official estimates.¹³⁵ Of these projects, 230 million USD is to be provided by China as a grant, mainly for the construction of the airport, hospital and school. Other projects are financed by China through interest free loans and are built under the Build-Operate-Transfer (BOT) model. The Gwadar Port and Free Zone are a great opportunity to upgrade the mining and food processing industries to tap Balochistan's seafood procuring potential. China has also agreed to facilitate training and skill specialisation for fishermen in Gwadar via the Vocational Institute to understand how to sustain the blue economy and prevent overfishing.¹³⁶ Pakistan also stands to gain a lot of financial value from this development; becoming an international transit hub has the potential to increase trade revenues for which there is not enough port capacity currently. Currently Pakistan only has the port of Karachi and port Qasim that handle 95% of annual trade (69% and 31% respectively)¹³⁷ thus with Gwadar Port there will be more space and facilities for trade activity. Furthermore, Gwadar will become the shortest route to warm waters for landlocked Central Asian Republics (CARs) that would increase Islamabad's trade and political relations with the region.

But lack of tangible progress after 5 years of CPEC has started to increase doubts over the success of Gwadar Port, especially amongst the local people. The Gwadar Port and City

¹³⁴Yatim, H. (2021, February 17). Melaka Gateway developer fails to challenge state's directive to halt project. <https://www.theedgemarkets.com/article/melaka-gateway-developer-fails-challenge-states-directive-halt-project>.

¹³⁵ Ministry of Planning, D. (n.d.). Gwadar: China-pakistan economic Corridor (CPEC) official website. Retrieved February 14, 2021, from <http://cpec.gov.pk/gwader>

¹³⁶ Shaukat, R. (2020, October 21). Emerging fisheries sector in Pakistan & CPEC. Retrieved February 15, 2021, from <https://pakobserver.net/emerging-fisheries-sector-in-pakistan-cpec/>

¹³⁷ Dappe, M. H., & Aleman, A. (2016). Competitiveness of South Asia's Container Ports. Retrieved February 15, 2021.

projects have employed more Chinese than Pakistani workers¹³⁸ and fishermen have been displaced from Gwadar in the progress of construction without proper compensation.¹³⁹ The people of Balochistan are weary of grand promises by the government to bring prosperity to Balochistan, therefore the disillusioned masses are not confident in CPEC due to lack of clarity of the project logistics, financing, and progress. For example, Chinese investment in non-CPEC related Saindak gold-copper mining projects has angered the local population that claim that Pakistan has given too much leverage to Metallurgical Corporation of China Limited since it started leasing the mine in the 1970s. The Pakistani government has renewed the lease for the Chinese company after every ten years but has done so without consideration of the local opinion which believes that Pakistan is not getting enough benefit out of the mine.¹⁴⁰ In regards to energy production in Gwadar, there is still a lack of sufficient energy, and the emphasis on coal in the energy production in Gwadar is not in the best interest of Pakistan in two ways. Firstly, coal is not environmentally friendly or sustainable thus could harm the ecosystem of Gwadar and also Pakistan's position in the Paris Accord. Secondly, the world is shifting away from non-renewable energy sources and fossil fuels, thus investment in coal power plants will not be available from foreign investors, with the only exception being China. This may increase reliance on Chinese investments.¹⁴¹ According to experts involved on the ground in Gwadar, the output of desalination and power plants so far is being used solely by the Chinese engineers and constructors for their work.¹⁴² Most worrisomely, although the port is owned by the Pakistan Gwadar Port Authority, it has been operated primarily by the China Overseas Port Holding Company since February 2013, and as of 2015 it was agreed upon by both governments that the Port would be given to the Chinese company on a 43 year lease, with 91% of the revenues to go to the Chinese firm as a means of repayment for building the Port. This has sparked controversy that Gwadar Port is on the path to becoming the next Hambantota Port, and will become a Chinese naval base as compensation from Pakistan for not being able to finance the project.¹⁴³

¹³⁸ Zia, M & Waqar, S. (2018). Employment Outlook of China Pakistan Economic Corridor A Meta-Analysis.

¹³⁹ Khan, N. (2019, May 01). Fishermen hope, and worry, as China builds Giant port in Pakistan's Gwadar. Retrieved February 15, 2021, from <https://www.arabnews.pk/node/1490256/pakistan>

¹⁴⁰ "Why Chinese investment..". (2020, July 15). Why Chinese investment is stoking anger in Pakistan's Balochistan Province: DW: 15.07.2020. Retrieved February 15, 2021, from <https://www.dw.com/en/why-chinese-investment-is-stoking-anger-in-pakistans-balochistan-province/a-54188705>

¹⁴¹ Ambrose, J. (2019, November 20). China's appetite for coal power returns despite Climate pledge. Retrieved February 15, 2021, from <https://www.theguardian.com/world/2019/nov/20/china-appetite-for-coal-power-stations-returns-despite-climate-pledge-capacity>

¹⁴² Interviews Feb 11th 2021

¹⁴³ Amir, A. (2018, July 20). Will Gwadar go the way of Hambantota? Why Chinese loans to Pakistan are sparking takeover fears along the economic corridor. Will Gwadar go the way of Hambantota?

The political parties and provincial government of Balochistan share their sentiments that Balochistan is being exploited stating that unchecked central control of mass projects may lead to human right abuses and even violence in these regions.¹⁴⁴ Political elites such as Senator Mushahid Hussain and Mahfooz Ali Khan of the Planning and Development Department have said that lack of bureaucratic capacity has been a leading cause of ineffective project implementation, and that the government should prioritise their training to better equip provincial governments.¹⁴⁵ This has been echoed by a recent interview with Pakistani think tank Centre for Strategic and Contemporary Research officials who said that “severe bureaucratic red tape” has made it not only difficult for civil servants but also potential investors who are trying to get information on current projects¹⁴⁶. Chief Minister of Balochistan Jam Kamal Alyani who was sworn in after Khan’s electoral victory in August 2018, had said that the provincial government was still “blind” as to what the CPEC is and that more efforts must be made to include the province into the mega projects¹⁴⁷. In April 2019 he complained that the previous governments, both federal and provincial, did not provide the resources required for good governance.¹⁴⁸ Most notably, in June 2020, a main ally of the Khan administration’s coalition, the Balochistan National Party- Mengal, quit the coalition citing CPEC as the main reason for this decision because only 5% of the aid and loans taken under the Initiative have been used in Balochistan, says party leader Akhtar Mengal. He expressed worries that the local demographic of Balochistan would become a minority as “large numbers of outsiders” are coming in, not to mention the sidelining of local fishermen. He further stated that the party had demanded consistently that the situation of the scarcity of water in the region be addressed by the building of dams that Khan promised. Unfortunately, he said these promises have not materialised and have made the party lose confidence in Imran Khan’s government.¹⁴⁹

<https://www.scmp.com/comment/insight-opinion/article/2125783/will-gwadar-go-way-hambantota-why-chinese-loans-pakistan-are>.

¹⁴⁴ Shams, S. (2016, August 28). China's economic Corridor creating new conflicts in PAKISTAN: Dw: 29.08.2016. Retrieved February 15, 2021, from <https://www.dw.com/en/chinas-economic-corridor-creating-new-conflicts-in-pakistan/a-19510980>

¹⁴⁵ Boni, F., & Adeney, K. (2020). The impact of the China-Pakistan Economic Corridor on Pakistan's federal system: the politics of the CPEC. *Asian Survey*, 60(3), 441–465. <https://doi.org/10.1525/as.2020.60.3.441>

¹⁴⁶ Interview 11th Feb 2021 (Zoom call)

¹⁴⁷ Zafar, M. (2018, December 01). Balochistan reviews progress on cpec. Retrieved February 15, 2021, from <https://tribune.com.pk/story/1857619/balochistan-reviews-progress-cpec>

¹⁴⁸ News Desk - February 13. (2021, February 08). CM Balochistan BLAMES previous Govts for misappropriation of funds. Retrieved February 15, 2021, from <https://www.globalvillagespace.com/cm-balochistan-blames-previous-govts-for-misappropriation-of-funds/>

¹⁴⁹ “Baloch's party quits...” (2020, June 20). Balochs' party quits alliance with ruling PTI in Pakistan over missing persons. Retrieved February 15, 2021, from <https://sayhoon.com/post/12896/english>

If the Gwadar projects are facing terrorist violence from insurgent and extremist groups, is being delayed due to political bickering amongst the federal and provincial government bodies, and is not benefiting the local population as promised and is rather invoking fear in the economically marginalised population that their livelihood is threatened by Chinese competition and companies migrating from abroad, then why is the Gwadar Port still being touted as the most important “crown jewel” of CPEC? Why has the government not demanded fairer terms and prioritised the local population’s concerns and interests?

The reason is simple: security. Gwadar is strategically important to China due to the tactical position of Gwadar on the Makran coastline located directly in front of the bottleneck section of the Strait of Hormuz Sea lines of communication (SLOC); a chokepoint through which transit 90% of the world’s oil resources, 20% of the world’s supplies and 59.9% of the world population¹⁵⁰. China will benefit from the Gwadar Port as it acts as a gateway between western China and the Indian Ocean and Chinese presence at Gwadar Port could allow China an alternate route to the Middle Eastern countries and then on to Europe, other than the Straits of Malacca, via a land route from Kashgar in China to Gwadar Port. The reason China may want an alternate route to the Straits of Malacca is in the case of any conflict with the US; as the United States has naval bases stationed in the territory of Singapore to monitor the Malacca Straits, China can have more security of their energy sources through this Gwadar route. Secondly, China can use this geopolitical location to monitor the trade of the Indo-US Nexus and other rival countries that pass through the Strait of Hormuz. If China were to establish military bases in Gwadar like they did in Djibouti it would change the region’s dynamics in China’s favour.

For Pakistan, Gwadar Port offers more strategic depth for surveillance of rival country India, as the port is relatively less vulnerable to attack compared to bases in Karachi since Gwadar is 460 km away from the border with India which will provide ample time for assembly in case of any naval attack from New Delhi.¹⁵¹ And most importantly, CPEC in Gwadar is crucial for Pakistan to battle the decades long insurgency of separatists organisations like the Balochistan Liberation Army, and Lashkar-e-Jhangvi, that have started cooperating with religious extremist groups like the Islamic State and Tehreek-e-Taliban. Together with the Pakistan Army, China has given unwavering support and millions of dollars to help Pakistan

¹⁵⁰Weitz, R. (2021, February 12). Why is the Strait of Hormuz important? <https://theconversation.com/why-is-the-strait-of-hormuz-important-99496>.

¹⁵¹ Khetran, M. (2014). The Potential and Prospects of Gwadar Port. *Strategic Studies*, 34/35, 70-89. doi:10.2307/48527476

flush out the insurgents for good.¹⁵² Just like China's strategy for the integration of remote province Xinjiang into the economic corridor to enhance security and control of the region via non-military means, Pakistan hopes to use the economic industrialisation and urbanisation effects of CPEC economic development to establish a firmer grip on the region.

¹⁵² Kelemen, B. (2019, September 2). China's changing response to militancy in Pakistan. Retrieved February 15, 2021, from <https://www.iiss.org/blogs/analysis/2019/09/csdp-militancy-in-pakistan>

7: SECURITY IMPERATIVE

In this section, the variable of security will be discussed, specifically as to why this indicator is the most important regarding BRI perception. This chapter will explain how security is the only factor that can sufficiently explain why Malaysia harbours distrust in China's objectives for the BRI despite maximisation of economic benefit by the agency of the government of Malaysia; and why Pakistan continues to champion the CPEC as a game changer for the country, despite lack of economic benefit and domestic political hurdles.

Section I: Malaysia

Malaysia's cautious behaviour with the Belt and Road Initiative is more than just about economic concerns over unfair trade deals. Firstly, tensions between China and Malaysia still remain regarding the South China Sea Disputes. In 1979, Malaysia asserted claims on the South China Sea when they published a map demarcating their exclusive economic zone (EEZ) of 200 miles nautical radius in accordance with the United Nations Convention for Law of the Sea (UNCLOS) that was signed in 1982. Within the EEZ, Malaysia lays claim to a dozen Spratly Islands located off the east Malaysian coasts of (160-180 nautical miles from) Sabah and Sarawak. Out of these Islands Malaysia has a naval presence in 5 of the claimed features; Swallow Reef, Erica Reef, Investigator Shoal, Mariveles Reef and Adraiser Reef. The other area claimed by Malaysia, although without naval presence, includes the James Shoals and Luconia Shoals.¹⁵³ However, according to China's 9 dash line demarcation in 2009, Beijing claims the majority of the South China Sea as a historical right, despite overlapping claims from Malaysia, Brunei, Vietnam, and Philippines.

Malaysia's hedging strategy is quite apparent in this dispute. Whilst the other ASEAN countries, especially Philippines and Vietnam, have been vocal and confrontational with China and vice versa, Malaysia has tried to maintain a low profile approach and make efforts to restrict the discussion of the dispute strictly to bilateral talks within ASEAN only since as early as October 1995 when Malaysia and China reached a consensus in rejecting "any form of outside interference or mediation" in the dispute and in May 1999, they signed a Joint Statement and agreed "to promote the settlement of disputes through bilateral friendly consultations and negotiations". In July the same year, Malaysia opposed the Philippines' request to discuss the dispute at the ASEAN Regional Forum. This is because Malaysia and

¹⁵³David, A. (2019, March 3). Malaysia's right to stake claim to Spratlys. Retrieved from <https://www.nst.com.my/news/exclusive/2019/03/465397/malaysias-right-stake-claim-spratlys>

China share the same idea that Western interference, mainly from the US, should not be allowed regarding the ongoing disputes which should be amicably resolved within the ASEAN forums, as Malaysia believes this to be a better non-confrontational strategy that would be less provocative to Beijing. This has indeed led to China being less critical of Malaysia's claims and Beijing had, until before 2019, not intruded into Malaysia's claimed areas with naval presence mentioned before, and Beijing even seemed to take Malaysia's actions more into consideration than other ASEAN states, such as in August 1999, while Manila protested vehemently over Malaysia's construction of structures on Investigator Shoal and Erica Reef, but China did not raise much of a protest.¹⁵⁴ Malaysia's belief that ASEAN would be a better forum for settlement of the dispute seemed correct when China signed the Declaration on the Conduct of Parties in the SCS in 2002 along with the other ASEAN states in which they all promised to "exercise self-restraint" and "handle their differences in a constructive manner"¹⁵⁵ and was followed by formal negotiations for a binding code of conduct for the dispute in 2013. On the other hand however, this process was slow as it took 4 years for this to happen; during the 50th annual leaders meeting of ASEAN in Manila in 2017, it was agreed that negotiations would hopefully bear fruit by 2021.¹⁵⁶ Not only was progress on settlement slow, but as of recently the little progress that was made was suddenly reversed due to Beijing's change of heart and increasing assertiveness in the region; ultimately, tensions over the disputed claims have become more intensified and even Malaysia has become unable to remain quiet over China's actions. China has started to have more activity in the Luconia and James Shoals; conducting oath taking ceremonies by the PLA naval army in 2013 and 2014, erecting a China Coast Guard Ship to block Malaysian fishermen from using fishing in the Luconia Shoals and keeping the ship stationed there ever since; and then stationing their own fishing vessels there in 2016.¹⁵⁷

Naturally, it seems Malaysia's patience and regard for China for the sake of amicable relations has run out, because on December 12th, 2019, Malaysia submitted a query to the Commission on the Limits of the Continental Shelf (CLCS) seeking clarity for the limits on its continental

¹⁵⁴Kuik, C. (2008). The Essence of Hedging: Malaysia and Singapore's Response to a Rising China. *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*. 30. 159-185. 10.1353/csa.0.0023.

¹⁵⁵ASEAN. (2012, October 17). DECLARATION ON THE CONDUCT OF PARTIES IN THE SOUTH CHINA SEA - ASEAN: ONE VISION ONE IDENTITY ONE COMMUNITY. Retrieved from https://asean.org/?static_post=declaration-on-the-conduct-of-parties-in-the-south-china-sea-2

¹⁵⁶Zhou, L. (2018, July 20). The South China Sea code of conduct: what it is and why it matters. Retrieved from <https://www.scmp.com/news/china/diplomacy-defence/article/2105190/what-south-china-sea-code-conduct-and-why-does-it>

¹⁵⁷Liu, F.-K. (2017). *South China Sea lawfare: post-arbitration policy options and future prospects*. Taipei, Taiwan: South China Sea Think Tank. pg 64-67

shelf beyond the 200 nautical mile EEZ. This sparked an outcry by China on December 17th, 2019, saying that it “infringes on China’s sovereignty, sovereign rights and jurisdiction, and also violates the basic principles of international law”. To this Malaysian Minister of Foreign Affairs Saifuddin Abdullah’s response 4 days later was that China’s 9 dash line demarcation is “ridiculous” and has “no legal basis”. Earlier in October Saifuddin had also urged the Malaysian government that they needed to upgrade their naval capabilities for a possible coming conflict in the South China Sea. Therefore, this latest development is clear evidence of Malaysia’s growing distrust of China, which can also explain her cautious stance in the BRI.

Secondly, Malaysia’s strategic and defense cooperation with the United States remains very much relevant no matter the growing economic and regional connectivity relations with China. As many scholars argue and write about extensively, Malaysia’s hedging strategy is used to create a delicate balance of reliance on both China and the United States and prefers to remain neutral and maximise benefits from relations with both countries. In 2002, then Malaysian Minister of Defence Najib Razak, called US-Malaysian defense relations an “unsung” success story. Stating how the US and Malaysia have been developing steady defense cooperation since the 1990s, on their mutual goal of maintaining a peaceful world order and eradication of terrorism which was given even more importance since the 9/11 attack in 2001. The two countries have conducted numerous military cooperation exercises; more than 75 U.S. military ships visited Malaysia from 2000-2002. The United States conducts training exercises with the Royal Malaysian Air Force, flying with and against them in mock battles; 14 – 16 bi-lateral and multilateral exercises with the Malaysian Armed Forces and the Royal Malaysian Police each year such as the Cooperation Afloat Readiness and Training (CARAT), Cope Taufan, Keris Strike, Air Warrior, and Joint Combined Exchange Training.¹⁵⁸ U.S. Navy SEALs conduct training in Malaysia twice a year and the U.S. Army does field exercises with the Malaysian army during which 1,500 Malaysian defense personnel go through the U.S.-sponsored international military education and training (IMET) program. Najib also claimed that the United States is given “excellent” permission to Malaysian intelligence and due to Malaysia’s strategic location along the Strait of Malacca and southern South China Sea, Malaysian forces have been protecting U.S. ships in the Strait since the 2001 attack.¹⁵⁹ This relationship was deepened during Obama’s administration; in 2014, then President Obama visited Malaysia; the first US presidential visit to Malaysia since 1966, and the two countries

¹⁵⁸ US Embassy Malaysia. (n.d.). Office of Defense Cooperation.

<https://my.usembassy.gov/embassy/government-agencies/office-of-defense-cooperation/>.

¹⁵⁹ Razak, N. (2002, May 3). U.S.-Malaysia Defense Cooperation: A Solid Success Story.

<https://www.heritage.org/asia/report/us-malaysia-defense-cooperation-solid-success-story>.

decided to elevate their relationship to a “comprehensive partnership” and Malaysia became a part of Obama’s central foreign policy for the “pivot to Asia” by participating in the Trans Pacific Partnership (a free trade agreement between 12 countries including Malaysia) by February 2016. The United States disapproval of China’s 9 dash line in the South China Sea Dispute is also reassuring for Malaysia in case an aggressive confrontation with Beijing arises.¹⁶⁰

Although the Trump administration withdrew from the TPP in January 2017 (preventing it from coming into force) citing bilateral negotiations more beneficial in the future, in November of the same year during the Asia-Pacific Economic Cooperation (APEC) CEO Summit in Hanoi, President Trump unveiled his own new version called the “Free and Open Indo Pacific” vision, calling for closer cooperation with the ASEAN members and warning he would not “tolerate chronic trade abuses” and “territorial expansion” along with other threats like terrorism, clearly hinting at the South China Sea disputes, and in what experts deem a possibly competitive claim to the BRI to “provide strong alternatives to state directed initiatives that come with many strings attached”.¹⁶¹ On June 1st 2019, US Department of Defense released the Indo-Pacific Strategy Report, where they highlighted the depth of cooperation between American and Malaysian military, called Malaysia “a leader” and “key player” in the region with whom they intend to deepen security and defense cooperation even further as “Malaysia has demonstrated the capacity and resolve to contribute to regional security, and we continue to support Malaysia’s emerging security requirements”.¹⁶² Besides this, Japan has also promoted their own initiative, called the “Free and Open Indo Pacific”, to increase defense cooperation with Indo Pacific countries in an aim to counter Beijing’s expansion particularly. For Malaysia, although Japan is not seen as the ideal strategic balance to China because of the former being “too close” to the US¹⁶³, the two countries have a strong bilateral relationship as Japan has remained Malaysia’s 4th largest trading partner since 2016¹⁶⁴. Mahathir in particular is known to be quite fond of Tokyo as was evidenced with his first official visit as Prime Minister in 2018 was to Japan before China. In September of 2018

¹⁶⁰“Malaysia: Background and..”. (2017, May 18). Malaysia: Background and U.S. Relations. EveryCRSReport.com. <https://www.everycrsreport.com/reports/R43505.html#fn17>.

¹⁶¹Hurley, J., Morris, S., & Portelance, G. (2019). Examining the debt implications of the Belt and Road Initiative from a policy perspective. *Journal of Infrastructure, Policy and Development*, 3(1), 139. doi: 10.24294/jipd.v3i1.1123

¹⁶²US Dept of Defense. (2019). (rep.). Indo Pacific Strategy Report (1st ed.). Washington D.C.: US Government.

¹⁶³ Bussey, J. (2018, September 26). A Conversation With Mahathir Mohamad. <https://www.cfr.org/event/conversation-mahathir-mohamad>.

¹⁶⁴Workman, D. (2021, February 24). Malaysia's Top Trading Partners. <https://www.worldstopexports.com/malaysias-top-import-partners/>.

Japanese Defense Minister Itsunori Onodera and Malaysian counterpart Mohamad Sabu signed a memorandum of understanding to increase military communication and collaborate on defense equipment. They also agreed that the South China Sea Dispute must be peacefully resolved via international law,¹⁶⁵ and in February 2020 ex Deputy Foreign Minister of Japan Hitoshi Tanaka, urged ASEAN states, Malaysia in particular to stand their ground in the South China Sea disputes, and alluded to the BRI saying “a nation's or region's security cannot be compromised by economic prosperity”¹⁶⁶

As of 9th April 2021, the Royal Malaysia Air Force holds bilateral joint exercises with the US Navy¹⁶⁷, and has made progress with Vietnam on an agreement to settle their own South China Sea dispute, a vital move according to analysts as a lack of a united ASEAN front in the face of growing Chinese assertiveness has been a huge hurdle for dispute settlement¹⁶⁸. Keeping these arguments in the forefront, it is quite evident that if there is any threat to Malaysian sovereignty it stems from China, and with growing bilateral cooperation of Malaysia with the US and ASEAN, Malaysia's hedging behaviour in regard to the BRI is better understood by these security developments than just by looking at internal economic and political factors.

Section II: Pakistan

As discussed in the previous sections, Pakistan's economic crises and political apprehensions have not generated sufficient pushback towards negotiations with China on lop-sided deals, and in fact the Pakistani government has even backtracked on some of its attempts to reduce China's demands to expedite projects according to their own terms and conditions. As half of the CPEC projects stand uncompleted, China is becoming increasingly frustrated with “bureaucratic delays” and pushing Pakistan to guarantee project completion. The Pakistani government has decreased imports, devalued the Pakistani rupee and reduced R&D spending whilst also raising taxes in hopes to balance the deficits Islamabad is facing; yet very much needed export values are not increasing as they hoped. Imran Khan's government has tried to offset the financial burden by taking the IMF bailout package of \$6 billion USD, a decision he

¹⁶⁵Staff Writer. (2018, September 11). Malaysia joins Japan's list of Indo-Pacific security partners. Malaysia joins Japan... <https://asia.nikkei.com/Politics/International-relations/Malaysia-joins-Japan-s-list-of-Indo-Pacific-security-partners>.

¹⁶⁶David, A. (2020, February 8). Japan urges Asean, Malaysia to make firm stand on South China Sea: New Straits Times. NST Online. <https://www.nst.com.my/news/nation/2020/02/563674/japan-urges-asean-malaysia-make-firm-stand-south-china-sea>.

¹⁶⁷Haver, Z. (2021, April 7). Chinese Drones Fly Near Taiwan-held Island in South China Sea. <https://www.rfa.org/english/news/china/taiwan-drones-04072021180138.html>.

¹⁶⁸Strangio, S. (2021, April 7). Malaysia, Vietnam Set to Pen Agreement on Maritime Security. <https://thediplomat.com/2021/04/malaysia-vietnam-set-to-pen-agreement-on-maritime-security/>.

criticised before his electoral victory in 2018 but ultimately could not avoid. The bailout has cut fuel subsidies, increased interest rates and further devalued the value of the Pakistani rupee.¹⁶⁹ The Khan administration also attempted to invite Saudi Arabia into CPEC in October 2018 to help develop a refinery complex near the Gwadar Port, yet this invitation was awkwardly retracted mere days later saying that Saudi Arabia would not become a “collateral strategic partner” supposedly due to China’s disapproval.¹⁷⁰ In February of the next year during the visit of Crown Prince Mohammad bin Salman to Islamabad, Saudi Arabia invested \$10 billion as intended in the oil refinery, and a further \$12 billion via cash and delayed oil payments, giving Islamabad much needed breathing space amongst its debt crisis. But Saudi Arabia has not been mentioned as a partner but only as an investor in CPEC.¹⁷¹

Besides looking for other avenues of investment and to dispel the reputation of being a pushover for China, Pakistan has tried to push back on some deals it deems unfair; a controversial example being the Diamer Bhasha and Mohmand Dams. In November 2017 Pakistan withdrew the bid to include the \$14 billion USD project under CPEC. The project is located in the politically sensitive area of Gilgit Baltistan as it is located in the Pakistan administered, and in the eyes of India illegally occupied, northern area of Kashmir. Water and Power Development Authority (WAPDA) Chairman Muzammil Hussain explained that Beijing was demanding ownership of the project and against the interests of Islamabad, a decision that was announced days before the 7th annual Joint Cooperation Committee, the highest decision body of CPEC.¹⁷² But supposedly due to coaxing by Beijing, the project was revived on May 13 2020 awarded to a 70-30 joint venture worth \$2.6 billion, between Power China and military engineering company Frontier Workers Organisation respectively.¹⁷³ Another controversial project is the Mohmand Dam located on the Swat River in the KPK region; the contract has been awarded to a joint venture between China Gezhouba and Descon, a company founded by Khan’s adviser on commerce and industry, Abdul Razak Dawood. The opposition parties of Pakistan have expressed criticism of the conflict of interest in this project; and Dawood has also been known for his very anti-CPEC stance and demands for review, yet

¹⁶⁹Masood, S. (2019, May 12). Pakistan to Accept \$6 Billion Bailout From I.M.F. The New York Times. <https://www.nytimes.com/2019/05/12/world/asia/pakistan-imf-bailout.html>.

¹⁷⁰Kiani, K. (2018, October 3). Saudi Arabia not to be made part of CPEC. <https://www.dawn.com/news/1436506>.

¹⁷¹News Desk. (2019, January 23). Saudi Arabia and UAE have offered Pakistan over \$30 Billion in loans and Investments: WSJ. Mettis Global News. <https://mettisglobal.news/saudi-arabia-and-uae-have-offered-pakistan-over-30-billion-in-loans-and-investments-wsj>.

¹⁷²Rana, S. (2017, November 15). Pakistan stops bid to include Diamer-Bhasha Dam in CPEC. <https://tribune.com.pk/story/1558475/2-pakistan-stops-bid-include-diamer-bhasha-dam-cpec>.

¹⁷³Aamir, A. (2020, May 24). China ignores India over dam project in Pakistani Kashmir. Nikkei Asia. <https://asia.nikkei.com/Spotlight/Belt-and-Road/China-ignores-India-over-dam-project-in-Pakistani-Kashmir>

he is said to be the one who introduced Gezhouba to Imran Khan in the first place. Michael Kugelman, deputy director of the Asia program at US Think tank Wilson Center comments, "The fact that a Chinese company got a contract on [Mohmand] dam deal underscores the extent of Beijing's economic influence in Pakistan,".¹⁷⁴

Clearly Beijing's influence goes beyond economics as pressure to speed up projects has led to the Pakistani government appointing retired Army General Asim Saleem Bajwa as first chairman of the China Pakistan Economic Corridor Authority (CPECA) in November 2019 in an effort to streamline stalled projects. This has sparked heavy criticism from not only opposition parties but also religious party Jamiat Ulema-i-Islam-Fazl leader Maulana Fazlur Rehman saying that the Khan administration is actively making the projects more controversial.¹⁷⁵ Analysts have previously commented on possible geopolitical implications of CPEC due to Pakistan's strategically beneficial location to China; now concrete evidence has started to surface. In December 2018, the New York Times allegedly reviewed an undisclosed plan between China and Pakistan to advance the development of JF-17 Thunder, the Chinese designed fighter jets that have become an exceptional part of Pakistan's arsenal, and most importantly an alternative to F-16 fighters made by the US that Pakistan previously relied on. Furthermore, the Beidou navigation system which is integral to the "Information Silk Road" aspect of BRI and the Chinese alternative to America's GPS system, has both civilian and military purposes, and Pakistan is the first country in South Asia to agree to build satellite stations for it in their territory. Analysts believe that if the trial in Pakistan is successful, then China could offer the navigation system to more Belt and Road countries, making it hard for the United States and GPS users to monitor those on this platform.¹⁷⁶ Furthermore, China is also supplying Pakistan Navy with 8 submarines, costing an estimate of at least 5 billion USD; cited as the largest defense deal between two countries by the Nikkei Asian Review.

Judging from Pakistan's conciliatory behaviour and hesitance to anger Beijing, there are two very important security reasons for which Pakistan needs military support from China and the Belt and Road Initiative; Firstly, it is to control internal separatist movements and terrorist

¹⁷⁴Aamir, A. (2019, January 11). Pakistan dam in spotlight as contract goes to former China critic. Nikkei Asia. <https://asia.nikkei.com/Spotlight/Belt-and-Road/Pakistan-dam-in-spotlight-as-contract-goes-to-former-China-critic>.

¹⁷⁵Ians. (2019, November 27). Pakistan appoints retired army general as CPEC Authority head. Khaleej Times. <https://www.khaleejtimes.com/international/pakistan/pakistan-appoints-retired-army-general-as-cpec-authority-head>.

¹⁷⁶Abi-Habib, M. (2018, December 19). China's 'Belt and Road' Plan in Pakistan Takes a Military Turn. The New York Times. <https://www.nytimes.com/2018/12/19/world/asia/pakistan-china-belt-road-military.html>.

activity. The area of Balochistan is the most resource rich province of Pakistan, providing 90% of coal to other provinces; and has valuable materials like gold, copper and natural gas worth more than 1 trillion USD; not to mention the Gwadar Port. Yet Balochistan has the highest infant and maternal mortality rate, the highest poverty rate, and the lowest literacy rate in Pakistan.¹⁷⁷ Ever since the creation of Pakistan 5 insurgencies have arisen in the region by militants in contempt of the government for not giving Balochistan adequate representation in the central government. The decision of the Pakistan Army to quell tensions through counterinsurgent missions has caused the insurgent movements to expand though it is still limited to extremist factions. CPEC has caused yet another grievance for these insurgent groups, accusing the Pakistani government of the BRI being an attempt of further “colonizing” the province and selling the homeland to foreign powers. They fear that with the development and urbanisation of Balochistan through CPEC, the Pakistan Army aims to suppress their movements once and for all. Of these militant groups the most active against the BRI projects is the Balochistan Liberation Army (BLA), an ethnonationalist militant organization, comprised mostly of Marri and Bugti tribe members.¹⁷⁸ The BLA first attacked in May 2004, killing 3 Chinese engineers via suicide bombing on the bus carrying them¹⁷⁹; in November 2018 they attacked the Chinese consulate in Karachi; no Chinese citizens were harmed but 2 security personnel and 2 local citizens lost their lives; in late March 2019 a Chinese envoy of engineers was attacked near Hamdard University in Karachi, and most recent was the attack in May 2019 on the Pearl Continental Hotel in Gwadar where many Chinese and foreign nationals were staying; of those killed were 4 hotel employees and a Navy soldier. The BLA leadership has warned of future attacks as well.¹⁸⁰

Although Beijing has shown irritance and frustration towards the lack of successful CPEC implementation and bureaucratic hurdles, Beijing has not faltered in its consistent support for Islamabad and the belief in the gradual completion of CPEC even in the face of constant attacks and threat to Chinese citizen safety by the terrorists and insurgents. Following these attacks, Chinese Vice President Wang Qishan visited Islamabad in May 2019, the same month

¹⁷⁷Bokhari, F. (2019, October 11). China enables Pakistan to become a defense exporter. Nikkei Asia. <https://asia.nikkei.com/Politics/International-relations/China-enables-Pakistan-to-become-a-defense-exporter>.

¹⁷⁸Shukla, S. (2020, February 20). Who are Baloch Liberation Army? Insurgents who killed 30 in Pakistan in last one week. ThePrint. <https://theprint.in/theprint-essential/who-are-baloch-liberation-army-insurgents-who-killed-30-in-pakistan-in-last-one-week/368398/>.

¹⁷⁹Wu, W., France-Presse, A. (2018, August 11). Beijing condemns suicide attack on Chinese engineers in Pakistan. South China Morning Post. <https://www.scmp.com/news/china/diplomacy-defence/article/2159291/bus-carrying-chinese-engineers-targeted-pakistan>.

¹⁸⁰Klasra, K. (2019, May 16). Why China's investment in Pakistan is the No 1 target for Balochistan separatists. South China Morning Post. <https://www.scmp.com/news/asia/south-asia/article/3010528/chinese-are-our-no-1-enemy-why-beijings-us62-billion>.

of the attack, and said “No matter how the international landscape changes, China will always stand by Pakistan’s core interests ... CPEC will produce new outcomes and lend new impetus to the economic and social development of Pakistan and economic integration of the region.”¹⁸¹ Imran Khan said during the meeting that Pakistan had established a special committee dedicated to ensuring the safety of Chinese personnel. Back in 2016 the army deployed 15,000 soldiers to protect project progress and Chinese specialists working in Balochistan.

The second reason, arguably the most important one to this paper’s foundation for making security the highest value factor for CPEC, is that Pakistan’s largest and most immediately proximate threat emanates from India. India’s strategic alliance with the United States, that has alienated Pakistan to create a more solid Indo-US nexus, has also created hurdles for Pakistan in the international forum. The US has given more latent support to India in the Kashmir dispute, while China has constantly supported Pakistan’s isolated stance on Kashmir in the United Nations since the 1960s, which is the kind of support Pakistan truly cherishes as no other country has consistently supported Pakistan the way China has. Besides their good relations, a main reason for China’s tilt towards Pakistan rather than India is because both Sino-Indian and Pakistan-India relations are not on good terms due to their own respective disputes over their parts of Kashmir with India. China controls Aksai Chin in the Northeastern part of Kashmir, and has overlapping claims over the area of Ladakh with India whilst Pakistan administers the area of Kashmir called “Azaad Jammu and Kashmir” (Urdu: Untethered Jammu and Kashmir) which is the Northwestern area of Kashmir; and also the area of Gilgit Baltistan located in the North that borders China. The area of Gilgit Baltistan is claimed by India as part of the original Jammu and Kashmir (under Indian control) that Pakistan has illegally occupied. Tensions and mistrust between India and Pakistan over Kashmir have been ongoing for decades, since the partition of the two countries in 1947, and have fought three wars in 1947, 1965, and 1999 over their contested areas and the region entirely. China and Pakistan’s mutual problem with India seems to have had a positive impact on their relationship as was proven in 1962 when Pakistan and China solved their own issues of non-demarcated boundary between the two countries through the 1963 Pak China border

¹⁸¹Zheng, S. (2019, May 28). China seeks security guarantees for Pakistan belt and road projects. South China Morning Post. <https://www.scmp.com/news/china/diplomacy/article/3012171/china-seeks-security-guarantees-pakistan-belt-and-road>.

agreement, in which China gave the area of Hunza over to Pakistan and expressed its full support to Pakistan in resolving the Kashmir dispute.¹⁸²

Undoubtedly, India did not like this agreement and still refuses to acknowledge it, accusing Pakistan of ceding territory to China that is not even under Pakistan's control. Now CPEC has renewed the decades-long tension; CPEC routes run through Azaad Jammu Kashmir and Gilgit Baltistan to connect Kashgar in China to Gwadar in Pakistan due to which India has displayed sharp and vocal rejection of the economic corridor ever since its beginning in 2016. With Pakistan's refusal to halt CPEC projects despite India's criticism, New Delhi has begun to employ more aggressive foreign policy; attacking Balakot in Pakistan after the Pulwama attack in February 2019, the first attack since the 1999 war; this worried many scholars that tensions have again come to a flashpoint where another war between the two nuclear powers seemed likely.¹⁸³ Then on August 5th 2019, India made the shocking move of scrapping Article 370 of the Indian Constitution safeguarding Indian occupied Kashmir's autonomy and splitting it into two federal territories of Jammu and Kashmir in an attempt to integrate it fully into India. Indian Prime Minister Narendra Modi also ordered the deployment of around half a million Indian troops to impose curfew and subdue unrest in Kashmir.¹⁸⁴ The Minister of External Affairs of India, Raveesh Kumar said in September 2019, "J&K is an integral part of India. India has consistently expressed concerns to both China and Pakistan on the projects in the so-called China-Pakistan Economic Corridor, which is on the territory of India that has been illegally occupied by Pakistan since 1947."¹⁸⁵ The revocation of Article 370 has greatly angered Pakistan who claim this as inhumane and against all standards of human rights and freedom. They are lamenting this as a "holocaust" against the Muslim majority residing in Kashmir and a brutal act of oppression. In response, Pakistan has attempted to fast track CPEC, creating CPECA and employing their military to streamline as mentioned before, also in hopes

¹⁸²Cheema, P. (1986). SIGNIFICANCE OF PAKISTAN - CHINA BORDER AGREEMENT OF 1963. *Pakistan Horizon*, 39(4), 41-52. Retrieved April 25, 2021, from <http://www.jstor.org/stable/41394228>

¹⁸³Yasir, S. (2019, April 30). Kashmir attack: Tracing the path that led to Pulwama. *BBC News*. https://www.bbc.com/news/world-asia-india-47302467?intlink_from_url=https%3A%2F%2Fwww.bbc.com%2Fnews%2Ftopics%2Fcgmkz7g3xn0t%2Fpulwama-attack&link_location=live-reporting-story.

¹⁸⁴Ellis-Petersen, H. (2019, October 31). India strips Kashmir of special status and divides it in two. *The Guardian*. <https://www.theguardian.com/world/2019/oct/31/india-strips-kashmir-of-special-status-and-divides-it-in-two>.

¹⁸⁵Krishnan, A. (2017, May 15). China rejects India's OBOR statement, says international support speaks volumes. *India Today*. <https://www.indiatoday.in/india/story/china-india-one-belt-one-road-initiative-kashmir-dispute-pakistan-cpec-977169-2017-05-15>.

to get China's support against India over Kashmir.¹⁸⁶ Beijing has since then responded with full support to Pakistan, backing Pakistan's request to bring Kashmir to the table at the UN Security Council meeting. Chinese Foreign Minister Wang Yi visited Pakistan shortly after India's decision and said, "No matter how the situation in the region changes, China will firmly support the Pakistani side in safeguarding sovereignty, dignity and territorial integrity,".

As Dr. Zhang Baohui of Lingnan University aptly summarizes, "As long as China and India are embroiled in border disputes and strategic rivalry, Pakistan remains a significant strategic asset for Beijing. In return, China's support is also vital for the security of Pakistan, which is dwarfed by a rising India in terms of comprehensive national capabilities". Thus, Pakistan's dependence on China for its security challenges is an integral reason why Pakistan holds CPEC with utmost importance.

¹⁸⁶Aamir, A. (2019, August 18). Kashmir issue puts Pakistan's Belt and Road projects on fast track. Nikkei Asia. <https://asia.nikkei.com/Spotlight/Belt-and-Road/Kashmir-issue-puts-Pakistan-s-Belt-and-Road-projects-on-fast-track>.

8: CONCEPTUAL FRAMEWORK

To understand in-depth the strategic reasoning behind the two countries' decision making in regard to the BRI and explain the Initiative's significance for national security of these member states despite being an economic investment program, this section analyses the countries' behaviour through the lens of the Balance of Threat theory. For Pakistan, the balance of threat theory adequately explains Pakistan's desperate need to stay in China's good books and remain as close to Beijing as Islamabad can, especially as New Delhi's economy and military remains superior. As for Malaysia, the middle approach of this theory, the term coined as 'hedging', adequately explains Kuala Lumpur's cautious and diplomatic handling of the projects.

Balance of Threat Theory: Mutual threat perception to explain Pakistan's stance

"Threat" in international relations is defined as the probabilistic ability or intention of one state to inflict negative consequences on another, and they can be military, economic or cultural in nature. In relation to threat, power can be used by a state to either threaten or reward another to influence their decision making in the favour of the powerful state.¹⁸⁷ Building upon the Balance of Power theory by Kenneth Waltz, Stephen M. Walt wrote his famous work "Alliance Formation and Balance of World Power" in 1985 in which he argued that the balance of power theory is incomplete at best, because whilst power is definitely a significant factor, another equally important factor is the perception of threat emanating from a state. Accordingly, Walt defines his updated theory saying, "This conception should be revised, however, to account for the other factors that statesmen consider when deciding with whom to ally. Although power is an important part of the equation, it is not the only one. It is more accurate to say that states tend to ally with or against the foreign power that poses the greatest threat".¹⁸⁸ This theory states that when a state(s) is perceived as aggressive it becomes a potential threat, which makes other states form alliances to balance against them. The measurement of threat level is defined by four factors: aggregate power which means the strength of the state's economy and resources, offensive capacity which is the military power/resources used to threaten others sovereignty, and geographical proximity which is simply the distance between the state and the perceived threat; the shorter the distance the stronger the threat. According to Walt, balancing against threats is more likely than bandwagoning, but in some exceptional situations if a state has overwhelming aggregate capability, the state will be

¹⁸⁷Rousseau, D. L., & Garcia-Retamero, R. (2007). Identity, Power, and Threat Perception, 51(5), 744–771. <https://doi.org/10.1177/0022002707304813>

¹⁸⁸Walt, S. (1987). *The Origins of Alliance*. Cornell University Press. Retrieved April 25, 2021, from <http://www.jstor.org/stable/10.7591/j.ctt32b5fc>

more inclined to align with it rather than against it. As for the state with more power and capability, they will choose to balance with weaker states against their perceived threat.¹⁸⁹

The balance of threat theory has been effective to explain the triangular situation between China, Pakistan and India. The subcontinent which was united under British rule was partitioned in 1947 due to the insoluble religious divide that led to the creation of the Muslim land of Pakistan and the Hindu majority India. Mass riots, immigration, pogroms and clashes led to the death of an estimated 250,000 people and the displacement of around 20 million people. Resentments festered and grew as economic challenges of a severed system began to materialise, especially for Pakistan whose entire East wing was on the other side of now Indian territory. The direst problem between the two, which is still the flashpoint of animosity today, is the division and dispute over Kashmir. With an 80 percent Muslim majority, Pakistani tribesmen dashed to overtake the territory from its Hindu leader, Hari Singh, who immediately signed an accord to join India who sent in troops to defeat the Muslim crusaders, which was the first War between the two new states. Two years later, a ceasefire was reached due to the condition that Kashmir would get a free election to decide which side to go to, but when India denied them the chance in 1964, the two countries went to war again in 1965 which was also inconclusive but leaving the territory still under Indian control. An internal dispute regarding election outcomes between East and West Pakistan threatened to split the country for good, but before West Pakistan could quell the East's woes, India declared war on Pakistan which effectively led to the creation of Bangladesh, a fact that Pakistan blames entirely on India. The threat perception of India gained a military aspect when India successfully detonated its first nuclear device, making Islamabad scramble to initiate its own nuclear program. India's close relations with the Soviet Union and silence on the latter's invasion of Afghanistan made Pakistan feel sandwiched between two threats in 1979, and has been the reason why Pakistan has since then dedicated most of its military budget and arsenal to defence against India.¹⁹⁰ The most recent and intense standoff between the two countries occurred in Indian occupied Kashmiri district of Pulwama February 2019, when a Pakistan based militant group Jaish-e-Mohammad claimed responsibility for an explosive truck crash into Indian forces that caused a heavy toll led to an extremely intense and immediate buildup of tension, making it seem that the two countries would go to war then and there. India has since then followed with a revocation of Article 370 of Indian occupied Kashmir whereby the disputed territory no longer

¹⁸⁹Bock, A. & Henneberg, I. (2013). Why balancing fails. Theoretical reflections on Stephen M. Walt's 'Balance of Threat' theory. Working Papers on International Politics and Foreign Policy. 10.2139/ssrn.2409228.

¹⁹⁰Watson, M. P. (2001, November 30). Balance of Power vs. Balance of Threat: The Case of China and Pakistan. Homeland Security Digital Library. <https://www.hsdl.org/?abstract&did=450772>.

enjoys a separate territory status and had its separate constitution removed. This has greatly angered Pakistan and soured relations between them unlike ever before. As Imran Khan vows to continue to bring this issue to the UN table and international attention, it is safe to say that the two countries will never cease to see each other as its worst enemy.

For the case of China, relations with India began on a promising “Hindi-Chini Bhai Bhai (Hindu-China brother and brother)” note till the mid-1950s, with India refusing a US suggestion to replace China with India as a permanent UN Security Council member, hoping not to alienate Beijing.¹⁹¹ However, events quickly changed the amicable direction when, after the failed Tibetan Uprising in 1959, the Dalai Lama and hundreds of thousands of refugees were given sanctuary in India (they still reside in the Himachal area of India today), that made China suspicious of New Delhi’s involvement and has been a source of frustration for Beijing ever since. This has been exacerbated by border disputes involving the Tibetan region between the two countries due to its importance as a source of water for the Asian region. Both countries have disputed claims at their border between North India and the Tibet autonomous region mainly around the Aksai Chin which is currently under Chinese control but disputed by India, and Arunachal Pradesh currently under Indian control, which China moved to rename “South Tibet” in 2018, and even Skakhsam Valley although it was gifted to China by Pakistan, India refuses to accept both countries’ claim over it¹⁹². These disputed territories are the cause behind the Sino-Indian Wars of 1962, 1967 and 1987, and although multiple border agreements have been signed between the two in 1993, 1996 and 2001, though these have been violated consistently, with both sides ultimately deciding in July 2020 to stop efforts altogether as it would only create more disputes. This is a clear example of how China and India view each other as a threat, and it seems so unlikely for them to resolve this dispute in a peaceful manner that they have ditched diplomatic efforts for it altogether. During the Cold War, while Pakistan was developing ties with China as well as the US, India stopped its strategy of non-alignment and began fostering deeper ties with the Soviet Union when Nehru visited the USSR in June 1955, as the Soviet Union was willing to help India in regards to Kashmir, vetoing the UN decision to deploy troops into Kashmir in 1957, helped in the 1965 war and became India’s largest arms exporter after they signed The Indo-Soviet Treaty of Peace, Friendship and Cooperation in 1971, which had translated into an Indo-Russian treaty after the fall of the Soviet Union in 1991. Indo-Soviet relations were a huge threat for both China, after the Sino-

¹⁹¹Shukla, S. (2019, March 15). India never had an offer to become permanent UNSC member - this is a fact. India never had... <https://theprint.in/world/india-never-had-an-offer-to-become-permanent-uns-c-member-this-is-a-fact/206091/>.

¹⁹² Chopra, S. & Purohit, S. & Shamsuddin, N. & Lahoti, R. (2017). Sino-India Relations since 1949. 10.13140/RG.2.2.29690.90560.

Soviet split in 1960, and for Pakistan because of the Soviet involvement and threat coming from Afghanistan. Lastly, another major reason for their threat perception of each other is nuclear capabilities. China, India, and Pakistan are the three nuclear powers of Asia; China successfully carried out a nuclear test in October 1964, which alarmed India, already insecure by the lack of US and USSR support of India during the Sino Indian war of 1962, and the burgeoning ties of China with Pakistan made India feel that it had to catch up, and they did in 1974 when they succeeded in their own nuclear test. India has been steadily growing their arsenal and although at first this alienated the US that still had a military relationship with Pakistan, after deterioration of Pakistan-US ties in 1990s due to embargoes put on Islamabad who refused to stop nuclear testing, and following the 9/11 incident, US lifted the sanctions it imposed on India in 2001. This paved the way for the present Indo-US nexus against that Pak-China nexus; in 2005 Indo-US defence agreement in June and Civil Nuclear Deal in July led to the first strategic dialogue between the two countries in 2010 where President Obama announced India as Washington's most "indispensable ally"¹⁹³.

With this context we can understand how Pakistan and China perceive a mutual threat in India, which has been the main glue for the warm relations between the two countries as explained in the historical review part of the Literature Review. Using the balance of threat measurements, India is geographically bordering both Pakistan and China and has a perfect position in which it can attack the countries, proven by the border disputes with them since 1947. India has more aggregate and offensive power than Pakistan but not China, which explains aptly why Pakistan is in desperate need of Chinese support. And as Walt mentioned in his construction of the B.O.T theory, strong powers balance threats with weaker states so that they may be able to keep a dominant influence on the alliance; this is compatible with China's relationship with Pakistan, influencing Islamabad as her proxy against India's dominance in the South Asian region and supplying the smaller nation with economic aid, arms and support in the international arena when required. Walt's theory also helps us understand why the United States did not end up being Pakistan's priority courtship; because ultimately since the start of the 21st century the US chose India as its most important ally to balance against China, and because the US is too far away and not consistently supportive enough to reassure Islamabad the way Beijing's support does.

So then, how does an economic initiative like the Belt and Road play into the triangular politics of these three countries? Firstly, CPEC projects are being conducted in Gilgit Baltistan, a

¹⁹³"Zee News". (2010, May 29). India is an indispensable ally: US. https://zeenews.india.com/news/nation/india-is-an-indispensable-ally-us_629993.html.

Pakistan administered part of Kashmir, which India claims as part of her land because it was a part of the original territory of Kashmir during partition. These constructions drew sharp criticism from India as the Indian Union of Defense stated in its annual report to the Indian Parliament in March 2017, “The CPEC passing through Pakistan-occupied-Kashmir challenges Indian sovereignty.”¹⁹⁴, although Beijing rejects this and claims that it is neutral. Analysts at the Swedish think tank, Stockholm International Peace Research Institute surmise that India is threatened that CPEC and its operations in Gilgit Baltistan may internationalise the Kashmir dispute and tip the situation in Pakistan’s favour, as UNSC permanent seat member China will become more invested in the Kashmiri region’s development. Secondly, and most notably, CPEC prioritises and focuses on the development of the Gwadar Port, which is of immense geopolitical importance due to its location in front of the oil passage choke point Strait of Hormuz. If Pakistan and China are successful in operationalising the Port, Pakistan will gain exponential economic benefit by reducing the load on its limited ports in Karachi and Port Qasim, and become an international transit hub at one of the busiest trade routes. An economically stronger Pakistan will have more aggregate and offensive power, which would directly threaten India; this point was acknowledged by an expert from the Pakistan Defense Ministry who said that once CPEC has been fully realised, the cost and risk of debt trap will “be like peanuts” compared to Pakistan’s economic growth¹⁹⁵. Furthermore, Gwadar Port will become an important location for monitoring both the US and India, and the latter may feel that its energy and economic security may be threatened.¹⁹⁶ For China, an alternate route to the Malacca Straits and better access to the CARs will grow China’s presence in the South Asian region to a point that the US-Indian axis may not be able to match. Lastly, China and Pakistan wish to utilise the economic and cultural integration through CPEC to crack down on the security threat of terrorist organisations that have been creating national and international difficulties for both countries. Beijing has been promoting anti-terrorism ties with Pakistan and the latter has helped Beijing communicate with the Taliban and religious extremist organisations like the Jamiat Ulema-i-Islam (JUI) in order to quell religious sentiments and arms transfer to the pan-Turkic separatist movements in its Xinjiang region, and now with economic integration of the region via CPEC, China can gain a stronger foothold into the region and eradicate terrorists and separatists via more than just military force. Pakistan has

¹⁹⁴Pandit, R. (2018, July 12). India expresses strong opposition to China Pakistan Economic Corridor, says challenges Indian sovereignty. India expresses strong opposition...
<https://economictimes.indiatimes.com/news/defence/india-expresses-strong-opposition-to-china-pakistan-economic-corridor-says-challenges-indian-sovereignty/articleshow/57664537.cms>.

¹⁹⁵ Online interviews, 7th Feb 2021

¹⁹⁶Shah, F. (2017, February 23). Does the China-Pakistan economic corridor worry India? Does the China-Pakistan <https://www.aljazeera.com/features/2017/2/23/does-the-china-pakistan-economic-corridor-worry-india>.

been plagued by terrorism and separatism for decades, becoming a base for Islamic State and Al-Qaeda operations (and now their final foothold after leader Osama Bin Laden was killed in Abbottabad, a region just half an hour drive from the capital), and the Balochistan Liberation Army, for decades. With CPEC development and security measures especially in the Gwadar region of Balochistan, Pakistan has gained the support of China in countering the Baloch insurgency. Pakistan also claims that India is funding separatist movements in Balochistan in order to destabilise Islamabad's hold on the region to keep an advantage over Pakistan.¹⁹⁷ Therefore, when considering such advantages and necessary security implications of CPEC, Pakistan will not risk antagonising China by criticising the BRI for lack of transparency and unpayable debt arrangements.

Balance of Threat Theory: Hedging to explain Malaysia's stance

“Hedging” as a term was first used in the world of finance in the 19th century to describe risk management in investments made by using financial instruments and market strategies to offset the risk of monetary loss.¹⁹⁸ This term began to be used in the realm of international relations after Kenneth Waltz wrote his famous book “Theory of International Politics” in 1979, which built upon the Groatian tradition of balance of power, to describe the international political arena as an anarchic system where there is no central authority but rather great powers and weaker states. Only great powers have the power to change the status quo, and this usually occurs when a rising great power wishes to overtake the existing hegemon. In this case, weaker states are affected by the shift in power dynamic thus balance with other states in order to increase their chance of survival against the threat of the stronger power. Balancing involves allying in a coalition and also increasing internal military capabilities. The opposite strategy theory of bandwagoning, coined by Quincy Wright in 1947¹⁹⁹ is when weaker states align with the rising great power in hopes to not only be spared against attack, but also to gain profit from the great power's success in return for their subordination.²⁰⁰ However, in the post-Cold War era, scientists of international relations studying the behaviour of the south east Asian states of ASEAN, mainly in the context of US dominance and the rise of China, came to the conclusion that these states exhibited neither complete balancing nor complete bandwagoning strategies and instead seemed to have taken on some form of a ‘middle position’.

¹⁹⁷Correspondent, T. N. S. (2014, April 14). Separatist movement funded by India: Zehri. Retrieved from <https://www.dawn.com/news/1099743>

¹⁹⁸ Downey, L. (2021, March 04). Hedge. Retrieved March 17, 2021, from <https://www.investopedia.com/terms/h/hedge.asp>

¹⁹⁹ Wright, Q. (1942). *A Study of War* (Vol. 1). Chicago, Illinois: Chicago University Press.

²⁰⁰ Walt, S. (1987). *The Origins of Alliance*. Cornell University Press. Retrieved March 15, 2021, from <http://www.jstor.org/stable/10.7591/j.ctt32b5fc>

The term “hedging” began to be used to describe the security strategies of the ASEAN countries in the 1990’s such as by David A. Lake in 1996, who explained it as a form of “insurance against opportunism”, meaning that when states form alliances, they assume that their partners may break their promise/pact if given the opportunity to gain more profit or power by doing so. Hedging was operationalised and more finely defined by Chung Chien-peng and Evelyn Goh in 2004 and 2005 respectively, where Chung defined it as “pragmatic behaviour” motivated by the “need to optimise economic benefits and minimise security risks in response to an environment of uncertainty”²⁰¹, explaining Malaysia’s stance as wanting a neutral and economically linked region rather than US or Chinese dominance; and being an economically more developed nation in Southeast Asia, wanted to increase China’s interdependence with the ASEAN, hoping to encourage the rising power to have a stake in the peace of the region. Goh defines hedging slightly differently, explaining hedging as ASEAN employing a mixed policy strategy of “indirect/soft balancing”, “complex engagement” of China politically and economically in order to “socialise” Beijing into having reason to maintain peace in the region; and lastly and most differently, “enmeshing” multiple powers into the stability of the region but ensuring that the US remains the most dominant “ultimate guarantor” as it was the US that protected the region during the Cold War and also contributed to its economic development.²⁰²

Perhaps the most comprehensive literature on hedging is by Kuik Cheng-Chwee, who has written multiple works on the theory from 2008 to present. In his first paper he argued that the “China threat” is not certain but rather potential, and the main reason that ASEAN states hedge is because not only would an anti-Beijing alliance turn the risk into reality, but also because the weaker states are motivated by an “internal process of regime limitation”. By this he means that the representation of the China risk is not fixed, but rather constantly shaped by political elites who seek to justify their own agendas and political survival. He defines hedging similar to Chung as a multiple and opposite policy mix to minimize risk and maximise benefits. He further outlines 5 strategies of hedging as economic pragmatism (max benefits), binding engagement to socialise China such as ASEAN+3, limited bandwagoning, indirect balancing and dominance denial, with the last one meaning that he too disagrees with Goh about US dominance being favoured. He employs a case study of Malaysia as one of the main states to

²⁰¹Chung, C. (2004). SOUTHEAST ASIA–CHINA RELATIONS: Dialectics of "Hedging" and "Counter-Hedging". *Southeast Asian Affairs*, 35-53. Retrieved March 15, 2021, from <http://www.jstor.org/stable/27913250>

²⁰² Goh, E. (2005). (Rep.) (Alagappa M., Ed.). East-West Center. Retrieved March 15, 2021, from <http://www.jstor.org/stable/resrep06541>

hedge but also see China most positively after the end of the communist threat from Beijing, “cashing in” on likeminded views to advance Kuala Lumpur’s own interests by for example agreeing to solve the South China Sea disputes bilaterally, promoting an East Asian economic zone and always bringing businessmen along for diplomatic visits always seeking joint venture projects and trade deals. As Mahathir aptly said, the idea of China as a threat is a self-fulfilling prophecy²⁰³ which was seconded by then Prime Minister Abdullah in 2004: “Malaysia’s China policy has been a triumph of good diplomacy and good sense. ... I believe that we blazed a trail for others to follow. Our China policy showed that if you can look beyond your fears and inadequacies, and can think and act from principled positions, rewards will follow”.²⁰⁴ However, in his following work in 2016 he has commented on China’s growing assertiveness in the South China Sea disputes, explaining that Malaysia has responded by increasing defense cooperation with the United States, such as upgrading involvement in US led Cobra Gold exercises from observer to participant in 2011²⁰⁵, (this paper adds further examples of a meeting of Malaysia Defence minister and US defence secretary in September 2018 to advance security ties, and transfer of aircraft mission systems from the US to Malaysia in February 2020 to galvanise this point). Regarding post-pandemic Malaysia, Kuik argues against analysts who deem hedging as “irrelevant and irresponsible” saying that hedging is, and has always been, a survival tactic which is necessary as stopping hedging would result in one or the other great power becoming more aggressive and risking the entire region’s stability. He concedes that Malaysia, who has always refrained from reacting against China’s assertive claims and venturing into Malaysian disputed territory, feels that it is a “wake up call” and that China has betrayed Malaysia’s maritime goodwill and taken advantage of her regard for “saving face” culture. He deems Malaysia is still a “light hedger” but has shown signs of more assertiveness through the 2019 Defence paper calling out China’s “perceived aggressive actions” for the first time and submission of inquiry to the UN regarding the CLCS, and how even the Foreign Minister of Malaysia called China’s nine dash line claim “ridiculous”. These are signs of dominance denial against China and Kuik believes that in the future Malaysia’s

²⁰³ Cheng-Chwee, K. (2008). The Essence of Hedging: Malaysia and Singapore's Response to a Rising China. *Contemporary Southeast Asia*, 30(2), 159-185. Retrieved March 17, 2021, from <http://www.jstor.org/stable/41220503>

²⁰⁴ Weiss, M. L. (2018). *Routledge handbook of contemporary Malaysia*. London: Routledge/Taylor & Francis Group. Pg 423-424

²⁰⁵ Kuik, C. (2016). How do weaker STATES HEDGE? Unpacking ASEAN States’ alignment behavior towards China. *Journal of Contemporary China*, 25(100), 500-514. doi:10.1080/10670564.2015.1132714

growing frustrations against Beijing's refusal to sign a binding Code of Conduct regarding the disputes will become more and more apparent. ²⁰⁶

Another prominent piece of work done on hedging and based on Kuik's writing mentioned in the paragraph above, is that of Kei Koga written in 2018 in his work "The Concept of "Hedging" Revisited: The Case of Japan's Foreign Policy Strategy in East Asia's Power Shift"²⁰⁷. The conceptual framework of this dissertation has been inspired by Koga's operationalisation of the specific definition and conditions for hedging. In his work, Koga defines hedging as "a state behaviour that attempts to maintain strategic ambiguity to reduce or avoid risks and uncertainties of negative consequences produced by balancing or bandwagoning alone"²⁰⁸. The paramount argument that Koga provides for the conceptualisation of hedging is that both balancing and bandwagoning come with their own consequences; for balancing you have the risk of angering the greater power you are balancing against whereas for bandwagoning is isolation from all states that are against your alignment with the power you bandwagon with. With hedging, by combining both strategies you negate the risks mentioned in the previous sentence thus hedging must be taken in the context of the balance of power and threat theories and cannot be taken as a stand-alone theory. Furthermore, Koga states that secondary states are more prone to hedging in a region that is unstable due to great power competition, which holds true of Southeast Asia due to the tensions of the South China Sea and the competition therein between US and China. Lastly, Koga argues that hedging is not just diplomatic and must be understood to be economic and militarily in nature, which explains the importance of the Belt and Road to Malaysia's hedging strategy.

Analysts like Ngeow Chow Bing²⁰⁹, Ayame Suzuki, Lee Poh Ping²¹⁰ and Kok Fay Chin²¹¹ have also shared similar views to Kuik and Koga. In the context of the Belt and Road Initiative, these analysts have concluded that Malaysia, especially under the leadership of Mahathir Mohammad from 2018-2020, has continued the hedging strategy very carefully. Due to

²⁰⁶ Kuik C.. (2020, June 06). Hedging in Post-Pandemic Asia: What, How, and Why? Retrieved March 17, 2021, from <http://www.theasanforum.org/hedging-in-post-pandemic-asia-what-how-and-why/>

²⁰⁷ Koga, K. (2017). The Concept of Hedging Revisited: The Case of Japan's Foreign Policy Strategy in East Asia's Power Shift. *International Studies Review*, 20(4), 633–660.

²⁰⁸ Ibid page 638

²⁰⁹ Kuo, M. (2020, November 24). Malaysia in China's Belt and Road. Retrieved March 17, 2021, from <https://thediplomat.com/2020/11/malaysia-in-chinas-belt-and-road/>

²¹⁰ Suzuki, A., & Lee, P. P. (2017). Malaysia's hedging strategy, a RISING China, and the changing strategic situation in East Asia. *Southeast Asia and China*, 113-129. doi:10.1142/9789813146884_0006

²¹¹ Kok Fay Chin (2021) Malaysia's Perception and Strategy toward China's BRI Expansion: Continuity or Change?, *The Chinese Economy*, 54:1, 9-19, DOI: [10.1080/10971475.2020.1809814](https://doi.org/10.1080/10971475.2020.1809814)

Beijing's important role in Malaysia's economy and trade, an opportunity like BRI would be difficult to pass up, and due to Kuala Lumpur's economic pragmatism, they did not do so, gaining joint venture projects on a huge range of projects such as the ECRL, Bandar Malaysia, and trade reached the highest peak in 2019 at a whopping balance of 75 billion USD, although ASEAN states combined still supercede China, having 26.6% share of Malaysia's trade compared to China's solo 18%.²¹² ASEAN analysts found that Malaysia attracted increased FDI from USD 94 million in 2013 to 1.6 billion in 2017 from the PRC due to the Initiative projects. Although in 2019 this significantly decreased due to the US-China trade war, Malaysia was able to keep its FDI consistent via other avenues mainly Hong Kong, Japan, and the Netherlands. Malaysia's divergent economic avenues are also portrayed by active trade agreements such as with Australia, Chile, India, Japan, New Zealand, Pakistan, and Turkey; participation in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Japan as the second most important bilateral partner as underpinned by the Malaysia–Japan Economic Partnership Agreement of 2006, and the fact that Mahathir first visited Japan over any other country after coming into office.

Malaysia's economic pragmatism is further highlighted by Mahathir's immediate cancellation of the ECRL, Bandar Malaysia and the gas pipeline projects. Analysts explain that Mahathir never intended to outright cancel the projects, as this paper stated earlier it would be more expensive to do so, and also because via this pressure not only did Kuala Lumpur manage to gain a better deal, but it also signed an increased export of palm oil to the PRC during these negotiations; Kuik himself lauds Malaysia for this ingenious strategy and calls on other ASEAN states to follow suit.²¹³ Malaysia implied limited balancing against China's BRI whilst making sure that no statement would call out the PRC outright, for example Mahathir's election campaign utilised anti-Chinese sentiments and anti-corruption slogans but when he came to power and recalibrated his approach to the BRI, he always blamed Najib Razak for signing unfair and corrupt deals rather than giving Beijing any of the blame. He even made comments such as BRI being a new form of "colonialism" and warning the Philippines regarding BRI as a 'debt trap' but he always exonerated himself from such claims by balancing

²¹²Fitch Solutions. (2021, February 24). HKTDC Research. <https://research.hktdc.com/en/article/MzU4MDExMDI5>.

²¹³Bing, N. C., & Cheng-Chwee, K. (2019, April 30). 4th breakthrough in Malaysia-China relations. 4th breakthrough... <https://www.nst.com.my/opinion/columnists/2019/04/482714/4th-breakthrough-malaysia-china-relations>.

them with positive claims such as appreciating China for “understanding our problems” and being assured that BRI will benefit Malaysia.²¹⁴

Malaysia’s hedging can be seen in its hesitance to confront China on sensitive issues such as Xinjiang, admitting to Malaysia’s lack of power to influence will make it “something that will fail, and in the process, also, we will suffer”²¹⁵. Kuala Lumpur also refuses to pressure Beijing into any commitment regarding the South China Sea and continues to hope to reach a conclusion via bilateral and multilateral platforms; regarding this, BRI is an extension of Malaysia’s hope to “socialise” China into being attached enough to the stability and peace of the region to offer a compromise on its claims. But since China has been getting more and more assertive, Malaysia has been seen to implement stricter warning in diplomatic dialogue via the defence papers and US security exercises. Therefore, it can be rightfully argued that BRI is another means by which Malaysia hedges against both China and the US, in order to maximise economic benefit, whilst also trying to socialise and balance China into a breakthrough regarding security concerns over the South China Sea.

²¹⁴Wong, C. H. (2018, August 21). Malaysia Can't Afford \$22 Billion Beijing-Backed Projects, Mahathir Tells China. Malaysia Can't Afford... <https://www.wsj.com/articles/malaysia-cant-afford-22-billion-beijing-backed-projects-mahathir-tells-china-1534850997>.

²¹⁵Das, K. N. (2019, September 28). Malaysia PM says can't provoke Beijing on South China Sea, Uighur issue. Malaysia PM says... <https://cn.reuters.com/article/uk-malaysia-china/malaysia-pm-says-cant-provoke-beijing-on-south-china-sea-uighur-issue-idUKKBN1WD0C0>.

9: CONCLUSION

Academic and public discourse on the Belt and Road Initiative has been dominated by literature focusing on the risks and benefits mostly from the perspective of the Chinese government and Chinese SOEs. However, when it comes to understanding what factors give rise to a negative or positive perception of the Initiative and China's large-scale investment into these countries, the existing literature tends to fixate on the economic payoff of the Initiative, while chalking up political and security factors as challenges or by products of the massive economic investments. The few analysts that do look at domestic politics and security as substantial factors have made significant progress but tend to conjoin the two factors as one by arguing that these two variables are complex and intertwined. By studying the strategies and interests of stakeholder states Malaysia and Pakistan, this paper aims to contribute to the discourse by outlining and differentiating the three factors of security, domestic politics, and economic benefits according to their own usage and definition. Furthermore, this paper made efforts to rank the variables according to the impact they have had on the countries' decision making, differing attitudes, bargaining power and degree of affinity towards the global regional Initiative.

This paper chose Pakistan and Malaysia due to their unique empirical similarities and differences that made the two countries an optimal comparative study to highlight accurately the difference that these three variables make upon countries with very different relations with Beijing. Using textual analysis and deductive reasoning, this research tested the explaining power of economic benefit upon the decision making and concluded that economic benefit was the least powerful in explaining Malaysia's critical behaviour despite gaining more from the Initiative than Pakistan, which has not been gaining as much as it has been losing, yet remains one of the most positive towards the BRI, calling it its "future". Whilst discussing economics during the time between 2019 and 2021, it is very important to understand the impact of COVID-19 on the Belt and Road Initiative (being the mass economic investment program that it is) therefore adequate focus was given on monitoring how the pandemic affected project progression. Firstly, it was found that for these two member states, COVID-19 did not adversely affect BRI in its entirety but only delayed projects that were being constructed at the start of the pandemic around early 2020. Now that vaccination programs have begun and a sense of normalcy has returned, projects are being expedited to make up for the approximately half year worth of delay caused. Politically while COVID-19 has impacted relations between countries and escalated tensions between the world and China due to the latter being the location of the pandemic's origin; regarding Pakistan and Malaysia, there was

no negative effect on their perception on China and the BRI because of the pandemic. In fact, due to the Health Silk Road element of the BRI whereby Pakistan and Malaysia received vaccines, and also due to Beijing allowing deferment of debt repayments to alleviate the distress caused by COVID, relations with China and perception of the BRI for these member states was positively affected.

Next this paper analysed domestic politics; and while this factor had better credibility than solely economic gain in explaining the intricate interests of the internal political and business elites and their effect on the perception of the Initiative, it still did not sufficiently explain the governments' behaviours that did not cater to their interests. For the case of Malaysia, despite Malay prioritisation in the BRI projects and domestic ownership of majority projects, domestic politics remained insufficient in explaining the governments distrust of specific projects such as Malacca Gateway, and Pakistan's continuous support and prioritisation of Gwadar Port projects despite local opposition, terrorist violence and conflict of interests with the dominant political parties. Due to this, domestic politics was ranked second, higher than economic benefit, but not security.

Ultimately, security emerged as the top ranking explanatory variable because only security could effectively explain the importance of CPEC for Pakistan, and how China's centrality to Pakistan's geopolitical security against its biggest known threat, India, and internal security was the only reason valuable enough for Islamabad to take on such large scale economic loans and risk of unsustainable debt, and also the government's refusal to stop championing the Corridor as the best solution for Pakistan's economic crisis despite civil unrest and disillusionment of the political elites. For Malaysia, security sufficiently explained Malaysia's hesitance to allow China too much economic leverage into geopolitically sensitive areas like Malacca, but at the same time being vigilant and ensuring relations with Beijing remain warm and trusting. This balance of keeping Beijing at arm's length but not any further is reflective of Malaysia's hedging behaviour regarding geopolitical security. Because Malaysia is secure in the ASEAN region and the only potential threat that could arise, would be from Beijing due to its aggressive intention to dominate the South China Sea including Malaysia's territorial claims, it becomes much clearer why Malaysia distrusts Beijing but cannot afford to anger the rising power due to its economic significance for the middle economy country.

Therefore, this paper argues that the security imperative of the current political climate for these two countries is the main driving force behind their respective perceptions of the Belt and Road Initiative and shows that the BRI is a reflection of the nature of their relationship

with Beijing. While politics and economic benefits are significant factors for perception as well, they do not have the same weightage as security and as the evidence suggests, tend to be sidelined for the greater goal of security interests, especially more so in the case of Pakistan than Malaysia.

9.2 Limitations of Study

Due to the qualitative nature of this research and limited amount of time and resources available to address the questions, it does not use or yield significant statistical data, and is a deep case study of just two out of 138 (as of March 2020) countries involved in the BRI with China. Despite that, it is still useful at the very least as a starting point for future case studies looking at other member countries. Furthermore, both countries being studied are in Asia which may limit the usefulness of this research when analysing BRI member countries from Europe and the Middle East for example, as it focuses on the geopolitics of the Asian region specifically. As for theoretical limitations, as stated previously, this dissertation echoes but does not facilitate any arguments or contributions to the literature regarding the strengths and criticisms of the neoclassical realist theories.

Within the case study of Pakistan and Malaysia, it is still an overview of the overall progress of the projects, and only 4 case studies of specific projects have been analysed and compared briefly in the security and domestic political factor sections of the Literature Review. Another limitation is that this research focuses mostly on the strategies and perspective of the governments of Pakistan and Malaysia, and does not give enough individual, categorical attention to the motives and strategies of other stakeholders such as private businesses and SOEs, from both the Chinese side and the BRI member states. This leaves a lot of potential for further detailed analysis that could lead to an interesting Ph.D study.

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