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Malaysia's East Coast Rail Link: Bane or Gain?

By Johan Saravanamuttu

Synopsis

With the launch of East Coast Rail Link (ECRL), Malaysia has demonstrated its commitment to China's Belt and Road Initiative (BRI). However, the proliferation of mega infrastructural projects in the country involving China companies could lead to Malaysia's overdependence on China, undermining its foreign policy leverage with Beijing.

Commentary

THE GROUND-BREAKING on 9 August 2017 of the East Coast Rail Link (ECRL) was a low-key affair despite its significance. Connecting Port Klang on the Strait of Malacca to Kuantan and Kota Baru on the South China Sea coast, the site of the event was lined with China's flags and the occasion graced by its State Councillor Wang Yang. Malaysian Prime Minister Najib Razak said in his speech that the ECRL, to be completed by 2024, would be a game-changer for the country.

It is also a critical component of the Belt and Road Initiative (BRI), originally known as the One Belt, One Road (OBOR) launched by China last May. The 688 kilometre railway will cut travel time between the two end points by two-thirds, to four hours. The Malaysian minister of transport suggested that Malaysia could be China's gateway to ASEAN.

The Big Plan

The ECRL will cost RM55 billion, with China's Exim Bank financing the major expenditure with a RM38.5 billion loan, while the remaining RM16.5 billion funded through a sukuk issue. By 2030, cargo tonnage on the ECRL is estimated to be 53

million tonnes while 5.4 million travellers are projected annually for ratio of 70:30 of freight to passengers.

The ECRL is a logical development to a plethora of mega infrastructural projects in Malaysia that dovetail with China's BRI launched in 2013 by President Xi Jinping as its 21st century Maritime Silk Road (MSR), the sea-borne part of OBOR. Other infrastructural projects in Malaysia which could be seen as part of the MSR involving China companies include the following:

- > Melaka Gateway (RM43 bil) by Power China International, launched in 2014;
- > Carey Island Port and City Complex (RM 200 bil), with negotiations ongoing with China Merchants Group; and
- >Kuantan Port and Malaysia-China Kuantan Industrial Park (RM 19 bil), by Guangxi Beibu International Port Group, to be completed in 2020.

Projects of this sort are reckoned by the government to have their optimal multiplier effects up and down the supply chain in terms of job creation, contracts to government-linked and private companies. For example it is envisaged that Carey Port, to be linked to Port Klang, when completed, would have an annual capacity of 30 million TEUs (twenty-foot equivalent units) of container cargo. This compares well with Singapore's present 30.9 million TEUs capacity and is about equivalent to the 53 million tonnage capacity of the ECRL.

Debate over ECRL

Notwithstanding whether the prime minister or his detractors are correct about the ECRL, China's growing economic presence in Malaysia is already a reality. One could well argue that Prime Minister Najib's embrace of BRI makes for good foreign policy from both an economic and geopolitical standpoint.

Showing economic preference to a major power bestows a measure of political leverage. However, if there is overdependence, the leverage may swing in favour of the major power.

Policies of non-alignment and hedging by small powers vis-à-vis big powers involve the delicate balancing of relationships of interdependence. Given China's rise as a superpower in the Asia-Pacific, it would be logical for a small country or "middle power" (as Malaysia sees itself) to optimise economic engagement with China and take advantage of what Beijing has to offer.

The question that arises is whether Malaysia, in so doing, becomes too dependent on China and thus may lose its political leverage in fashioning an independent foreign policy vis-à-vis the superpower.

Naysayers have been quick to pounce on the "folly" of the ECRL project arguing that the borrowing from China will impose an unacceptable burden on the Malaysian government. One analyst has suggested that the project could eventually cost some RM100 billion.

Lessons from the Region

While admittedly BRI and the ECRL are strictly economic projects, the heavy reliance on China's technology, expertise and financing of major infrastructural and development projects are bound to have political costs.

There may be some lessons to be learnt from China's BRI projects with other countries. China helped the Sri Lankan government build its deep-water harbour in Hambantota, a financially troubled project which sparked street protests, charges of corruption and concerns that China could use the port as a naval base.

The new Sri Lankan government in 2017 negotiated a fresh deal, giving 70 percent ownership of the port to China and full management for 99 years. The new agreement may have reduced Sri Lanka's financial burden but has conferred control and practical ownership of the port to China.

Two projected Thailand-China highspeed rail projects have also hit snags since they were launched in 2010. However, in June 2017, a new deal was inked for the 252km Bangkok-Nakhon Ratchasima portion, to be linked eventually to Kunming in China. Concerns have ranged from the passing of a new law by the Thai government to allow Chinese engineers to work on the project to the issues of debt burden and the adverse impact of the project on forest reserves.

Both the Sri Lankan and Thai experiences show that circumspection towards China's BRI projects are imperative.

Era of Overdependence on China?

Malaysia is crucial to China's BRI, given its strategic location straddling the Strait of Malacca and the South China Sea. The Malaysian transport minister Liow Tiong Lai, who is also president of the Malaysian Chinese Association (MCA), extolled the virtues of OBOR in a Malaysia-China Business Dialogue in Kuala Lumpur last year. Malaysia he said, could be the crucial link to the 65 OBOR countries in Asia, Europe and Africa.

Has the Malaysian government, in its pronouncements and commitments, already conceded too much to China instead of hedging its bets more carefully?

Malaysia was the first Southeast Asian country to recognise the People's Republic of China when Prime Minister Najib's father, Tun Abdul Razak, visited Beijing four decades ago and shook the hand of Mao Zedong. Tun Razak's handshake presaged the era of non-alignment in Malaysia's foreign policy. Will Najib's handshake with Xi Jinping lead to an era of overdependence on China?

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