

**THE MARITIME COOPERATION BETWEEN GUANGXI
BEIBU GULF ECONOMIC ZONE, CHINA AND EAST
COAST ECONOMIC REGION (ECER) UNDER THE
MARITIME SILK ROAD**

TIAN LINLIN

**FACULTY OF ARTS AND SOCIAL SCIENCE
UNIVERSITI MALAYA
KUALA LUMPUR**

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AND EAST COAST ECONOMIC REGION (ECER)
UNDER THE MARITIME SILK ROAD**

TIAN LINLIN

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Name of Candidate: TIAN LINLIN

Matric No:17220469

Name of Degree: Master of Southeast Asian Studies

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GULF ECONOMIC ZONE, CHINA AND EAST COAST
ECONOMIC REGION (ECER) UNDER THE MARITIME SILK
ROAD**

ABSTRACT

The China-Malaysia maritime economic and trade relationship has a long history. Since then, Malaysia had joined the 21st Century Maritime Silk Road Initiative and has developed close ties with China in terms of trade, regional development, and civil relations. "The Belt and Road Initiative" (BRI) initiated by China in 2013 has created different patterns of mutual trust in Malaysia's development landscape and has fostered closer regional cooperation in terms of maritime development. The Guanxi Beibu Gulf Economic Zone, China, and the East Coast Economic Zone, Malaysia as an important economic development zone of the two countries of the maritime trade, has very large location advantages and geographic advantages but lacking in terms of research. Therefore, this study aims to fill this gap by analyzing the ongoing cooperation between the two economic zones and China since the signing of the BRI. This study is examined in the context of the background of BRI and ongoing Malaysia-China cooperation projects. This study employs a combination of qualitative approach, as well as library research including interview. The finding shows that the background of the Silk Road, the location advantages of the two economic zones, and the current status of cooperation between the Guanxi Beibu Gulf Economic Zone and the East Coast Economic Zone in several ways, pointing out the positive effects of the cooperation projects between the two zones especially Kuantan port that has a potential to become a major hub port in the ECER area with major ports in southern China. It had also contributed to the development of the local economy, employment, and further improvement of the port

infrastructure. At the same time, the two economic zones are also facing uneven regional economic development, serious brain drain, as well as inconsistent policies towards China by Malaysia government, and the same trade structure. This study suggests some countermeasures to the problems that exist between the two economic zones, such as scientific planning, harmonious development of the various industries, a sound management system for the economic zones, and adapting the best practices from Singapore industrial park model and the role of the Chinese diaspora as a link between the two economic zones under the Belt and Road Initiative.

Keywords: Maritime cooperation, The Belt and Road Initiative, Gianxi Beibu Gulf Economic Zone, East Coast Economic Zone, port infrastructure

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**KERJASAMA MARITIM ANTARA ZON EKONOMI GUANGXI BEIBU
GULF, CHINA DAN WILAYAH EKONOMI PANTAI TIMUR (ECER) DI
BAWAH LALUAN SUTERA MARITIM**

ABSTRAK

Hubungan perdagangan maritim di antara dua buah negara iaitu China dan Malaysia telah lama wujud berdasarkan kajian sejarah. Pada hari ini, Malaysia telah terlibat dalam inisiatif perdagangan iaitu “The 21st Century Maritime Silk Road Initiative”. “The Belt and Road Initiative” (BRI) yang telah diperkenalkan oleh China pada tahun 2013 telah mewujudkan hubungan perdagangan yang rapat di antara China dan Malaysia dari segi perdagangan, pembangunan serantau dan pembangunan sivil. Melalui BRI ini telah memperkukuhkan lagi hubungan perdagangan di antara kedua-dua buah negara. Dua buah zon ekonomi iaitu “Guanxi Beibu Gulf Economic Zone”, China, dan “East Coast Economic Region,” Malaysia, merupakan dua buah zon ekonomi baru yang sangat penting dari segi pembangunan maritim yang kurang diberi perhatian oleh para pengkaji sebelum ini. Oleh itu, tujuan kajian ini adalah untuk mengisi kekosongan kajian berkaitan dengan pembangunan maritim dengan mengkaji bentuk-bentuk kerjasama di antara kedua-dua zon ekonomi ini sejak BRI diperkenalkan. Kajian ini menggunakan gabungan kaedah penyelidikan kuantitatif dan penyelidikan perpustakaan termasuk temubual. Antara penemuan penting adalah di mana kedua-dua buah zon ekonomi yang dikaji mempunyai banyak kelebihan terutama dari segi pembangunan ekonomi dan infrastruktur pelabuhan terutama Pelabuhan Kuantan yang berpotensi untuk menjadi hab pelabuhan utama di kawasan zon ekonomi pantai timur dengan pelabuhan-pelabuhan di China. Kerjasama ekonomi di antara kedua-dua zon ekonomi ini iaitu “Guanxi Beibu Gulf Economic Zone”, China dan “East Coast Economic Region”, Malaysia ini telah berjaya mewujudkan peluang pekerjaan, membangunkan ekonomi tempatan serta peminapan infrastruktur pelabuhan Kuantan di Zon Ekonomi Pantai

Timur. Dapatan kajian yang lain adalah dari segi cabaran-cabaran yang dihadapi oleh kedua-dua zon ekonomi ini termasuk dari segi polisi Malaysia yang tidak konsisten terhadap China, kekurangan perancangan strategik, dan trend perdagangan yang sama. Antara cadangan untuk mengatasinya termasuk dengan mengadaptasi amalan baik model pembangunan taman industri Singapura serta mempertingkatkan hubungan aspek sosio budaya dan diaspora yang boleh membantu memperkukuhkan lagi hubungan ekonomi di antara kedua-dua buah negara terutama dari segi kerjasama maritim di bawah “Belt and Road Initiative”.

Katakunci: Kerjasama maritim, *Belt and Road Initiative*, *Guanxi Beibu-Gulf Economic Zone*, *East Coast Economic Zone*, infrastruktur pelabuhan

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LIST OF SYMBOLS AND ABBREVIATIONS

BRI	:	Belt and Road Initiative
AMF	:	Asian Monetary Fund
MCKIP	:	Malaysia-China Kuantan Industrial Park
CKQIP	:	China-Malaysia Qinzhou Industrial Park
IMF	:	International Monetary Found
ASEAN	:	Association of Southeast Asia Nation
MIDA	:	Ministry Investment Development Authority
MITI	:	Ministry of International Trade and Industry
SEA		Southeast Asia
PTP		Port of Tanjung Pelepas
AIIB		Asian Infrastructure Investment Bank
ECER		East Coast Rail Link
CPC		Communist Party of Malaysia
MPAA		Malayan People's Anti-Japanese Army
MOFA		The Ministry of Foreign Affairs of the People's Republic of China
MOFCOM		Ministry of Commerce of the People's Republic of China
CAFTA		China-ASEAN Free Trade Area
SEZ		Special Economic Zone
FDI		China's foreign direct investment
NBS		National Bureau of Statistics

CHAPTER 1: INTRODUCTION

1.1 Problem Statement

In the current context of regional integration in the global economy, cooperation plays an increasingly important role in economic development. In more than 40 years since the formal establishment of diplomatic relations between China and Malaysia in 1974, the partnership between China and Malaysia has grown in terms of trade relations and maritime cooperation. One of the critical sectors that can be further developed is the port sector since China ports continue to dominate the global trade, especially in containerised trade (UNCTAD, 2019). Today, China's Shanghai port ranks number one among the top 20 container ports globally, followed by Singapore, Korea, UAE and Malaysia. Meanwhile, Malaysia's premier ports, Port Klang and Port of Tanjung Pelepas (PTP) ranked number 12 and 18, respectively, among the 20 top container ports in the world in 2019 (UNCTAD, 2017).

With the gradually increased exchange of visits between Chinese and Malaysian leaders, mutual trust between the two countries has grown. In 2017, China became Malaysia's largest trading partner (Tham, 2019). The two countries continue to capitalise on critical national strategies to take Sino-Malaysian maritime economic and trade cooperation to a new stage by continuously cooperating in new areas and encouraging a healthy maritime trade relationship that combines the geographical and economic advantages of both countries.

In 2013, Chinese President Xi Jinping proposed the initiative on building the Silk Road Economic Belt and the 21st Century Maritime Silk Road, known as the "Belt and Road Initiative" (BRI), with the aim to enhance regional connectivity and cooperation, particularly in maritime trade (Xi Jinping Delivers Speech at Indonesian Parliament: Hand in Hand to Build China-ASEAN Community of Destiny, 2013). Under the BRI,

China has been actively cooperating with countries in Asia and Europe, especially its neighbouring countries, based on extensive consultation, joint contribution and shared benefits. BRI can help create an excellent political, defence and ethnic environment in China's neighbourhood and promote inter-regional connectivity.

China's extensive 18,000-kilometer coastline underscores the significance of coastal economic development. The policy of opening up implemented after 1980 in China's port cities has driven rapid economic growth in its coastal regions. Positioned at the intersection of Asia, Oceania, the Pacific Ocean, and the Indian Ocean, Malaysia plays a vital role in Southeast Asia. Bordered by Thailand and connected to Singapore through the Straits of Johor, it, along with Indonesia and Singapore, governs the strategic Strait of Malacca, a crucial maritime route linking the South China Sea and the Indian Ocean. This historical waterway has solidified its position as a pivotal conduit connecting Europe, Africa, and Asia. The 21st Century Maritime Silk Road runs from China's major port cities and heads south to the Strait of Malacca through the South China Sea. Then, it connects to the Arabian Peninsula, East Africa via the Suez Canal, the Mediterranean and the North Sea. In Hamburg, Rotterdam and London, the Northern and Southern Silk Roads will meet, forming an intersection of the land route and the sea route, thus furthering regional trade integration (Vision for Maritime Cooperation Under the Belt and Road Initiative, 2017).

The Maritime Silk Road, with its historical and contemporary significance, provides an interesting platform for an in-depth study of the multifaceted interactions that have shaped the economic landscape of these two regions (Guangxi Beibu Gulf Economic Zone Development Plan, 2008). What symbolising the good Malaysia-China bilateral trade relations is the Malaysia-China Kuantan Industrial Park (MCKIP), which is jointly built by both Malaysia and China, is the first National Industrial Park in Malaysia.

MCKIP, along with China-Malaysia Qinzhou Industrial Park (CMQIP), are the first sister parks in different countries, creating a new model of international cooperation of "Two Countries, Twin Parks". The East Coast Economic Region (ECER), formed in 2007, covers three major east coastal cities of Kelantan, Terengganu, Pahang and the district of Mersing in Johor, and is one of Malaysia's major economic corridors. The development of ECER has been planned for 12 years with the ECER Master Plan (2008-2020) (Fatin, 2020).

The Maritime Silk Road encounters numerous challenges, including the potential for political instability in the countries it traverses. After the 2018 Malaysian general election (GE), the opposition coalition party Pakatan Harapan (PH) strategically leveraged the "China threat" narrative to contest the ruling elite. This narrative subsequently impacted the progress of the ambitious East Coast Rail Link (ECRL) infrastructure project. Under the PH administration, the ECRL underwent multiple revisions as a result of these influences.

The deepening maritime partnership between the Beibu Gulf Economic Zone in Guangxi, China, and the East Coast Economic Zone Malaysia of the Maritime Silk Road continues to have the potential to be mutually beneficial for both economic zones, but this cooperation also raises issues and concerns that need to be investigated. This study statement aims to address the challenges, opportunities, and impacts associated with the maritime partnership between the two regions. Through comprehensive research, this study aims to provide insights that will contribute to a deeper understanding of the complexities of the Maritime Silk Road initiative and its implications for regional development and global economic dynamics.

1.2 Research Questions

The following are the research questions of this study:

1. What are the factors that influence the development of maritime cooperation between China and Malaysia?
2. What are China's maritime strategies to enhance maritime cooperation with Malaysia?
3. How will the cooperation between China's Guangxi Beibu Gulf Economic Zone and Malaysia's East Coast Economic Region benefit both countries in terms of trade and maritime development?
4. What are the challenges faced by China and Malaysia in terms of financial, infrastructure projects and political development?

1.3 Research Objectives

The followings are the research objectives of this study:

1. To explain the factors that contribute to the development of maritime cooperation between China and Malaysia.
2. To examine China's maritime strategies in enhancing maritime cooperation with Malaysia.
3. To analyse the benefits of maritime trade cooperation between Guangxi Beibu Gulf Region, China, with ECER, Malaysia.
4. To identify the challenges faced by China and Malaysia in terms of financial, infrastructure projects and political development to promote maritime cooperation.

1.4 Research Methodology (Data gathering), Data analysis & ethics considerations)

1.4.1 Research Methodology

This research will utilise a qualitative research design to collect data through fieldwork research, primary data was obtained through the interview method, and secondary data was sourced from official government websites, organizational websites, school libraries, online articles, and academic literature.

1.4.2 Library research and archival research

The library's research involved a literature survey to identify gaps between past and current research. The library's primary work and archival research was to collect secondary information on the historical development and background of the Maritime Silk Road between China and Malaysia, as well as the geographical location between the two economic zones and the history of the development of the region.

1.4.3 Interviewing

The aim of the study is to analyse the main risks that need to be faced and the policy measures that can be taken in the context of the Maritime Silk Road between the Beibu Gulf Economic Zone in China and the East Coast Economic Zone in Malaysia. In addition, the researchers conducted interviews with personnel from Malaysia's East Coast Economic Zone, China's Beibu Gulf Economic Zone, Malaysian maritime trade researchers, and Chinese academics to gather their perspectives on the challenges of cooperation between the two economic zones and potential solutions. Also, this study already obtained an approval from the Research Ethics Committee of Universiti Malaya.

i) In-depth interviewing

The interview process will involve two types of interviews. In-depth interviews with Malaysian scholars in maritime trade studies and with the head of the Beibu Gulf Economic Zone in China. These interviews will provide insights into the current progress of cooperation between the Beibu Gulf Economic Zone and the East Coast Economic Zone as well as obtaining solutions to the current development dilemmas. In addition, semi-structured interviews were conducted with Chinese workers who have worked in the East Coast Region of Malaysia, as well as those working in the Beibu Gulf Economic Zone, to gain insight into the management and operations of the two economic zones, interviewee information and name below:

I. In-depth interviewing - Malaysian and Chinese scholars of maritime trade studies – Mr. Nazery Khalid and Dr. Pan Liuyong.

II. Semi-structured interviewing – Guang Xi MinZu University student Qin Yanhong and Gulf Port Group and BeiBu Gulf Economic Region officer.

A comprehensive qualitative research design was used to collect data through a variety of methods to gain insights into the collaborative projects of the two economic zones and their current status, as well as the main risks that need to be faced and the policy measures that can be taken in the context of the Maritime Silk Road.

1.4.4 Data analysis method:

Data analysis was conducted on data obtained from relevant economic, population and investment data on the websites of the Ministry of Foreign Affairs, the Ministry of Commerce, the China Belt and Road website, the World Bank, the official website of the East Coast Economic Zone of Malaysia and the Department of Statistics of Malaysia.

Secondary data: AIIB website, Belt and Road Portal, Ministry of Commerce of the People's Republic of China, National Bureau of Statistics, ASEAN Main Portal, and Beibu Gulf Economic Region Website.

1.5 Significance of Research

This study is of great significance for the study of China and Malaysia under the Maritime Silk Road. The study, carried out in the context of China's Belt and Road Initiative, focuses on the port development and trade cooperation between Guangxi Beibu Gulf Economic Zone, China and East Coast Economic Region, Malaysia and contributes to the study of seaport construction as well. It shows the current status of bilateral maritime trade and its potential, but also reveals some of the new difficulties and challenges that both countries are facing, based on which some feasible suggestions are made. This study also contributes to the study of international relations, particularly the study of maritime trade between China and Malaysia.

1.6 Scope and Limitations of the Study

1.6.1 Scope

The aim of this thesis is to study the cooperation between the East Coast Economic Zone and the Beibu Gulf Economic Zone through an overall study of the maritime economic and trade relations between the two regions and an analysis of the regional economic and trade cooperation between China and Malaysia under the influence of the Maritime Silk Road. This study examines the current development of the East Coast Economic Zone and the Beibu Gulf Economic Zone. It then analyses the difficulties and challenges affecting the development of the two economic zones and identifies measures that can be improved through the analysis of the many influencing factors, as well as ways that can be achieved at governmental, local and individual levels to further develop the China-Malaysia comprehensive strategic partnership in the future.

1.6.2 Limitations of the Study

Firstly, the current trade volume and economic exchanges between China and Malaysia have been significantly affected by the COVID-19 pandemic in the past few years. Secondly, Malaysian informants could only give online interviews and no fieldwork could be conducted on the East Coast of Malaysia. Moreover, the number of informants is not large enough and questionnaires returned from China are more than that from Malaysia.

1.7 Chapterisation

This thesis consists of six chapters.

Chapter one is the introduction. This chapter elaborates the background, research objectives and questions, research methods, literature review, limitation of the study and chapterisation.

Chapter two is a literature review with a theoretical and conceptual framework. In this chapter, the author summarises the research outcomes of current scholars and finds the research gaps in this study. Based on the literature review, the author has constructed a theoretical and conceptual framework that serves as an outline for research throughout the thesis.

Chapter three examines the connotation and history of the Belt and Road Initiative, and gives a detailed overview of Malaysia's geographical location, economic situation, population and other aspects of the country's economy and trade with China, and further elaborates on the importance of the Belt and Road and the key role and importance of Malaysia and Guangxi in the Belt and Road.

Chapter four discusses the current development status of the Guanxi Beibu Economic Zone and Malaysia's East Coast Economic Region. It the cooperation projects between the two zones under the Maritime Silk Road.

Chapter five discusses challenges faced by China's Guanxi Beibu Economic Zone and Malaysia 's East Coast Economic Region in terms of finance, infrastructure development and political disputes under BRI.

Chapter six is the conclusion with suggestions to further enhance China-Malaysia's maritime economic and trade cooperation in the future. It focuses on the development trend of ports in Guanxi Beibu Economic Zone and East Coast Economic Region.

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CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

On the whole, scholars have conducted studies on various areas of economic and trade cooperation between China and Malaysia, but they have been confined to China and ASEAN, with fewer studies looking at the overall situation of regional maritime trade cooperation between the two countries. Moreover, after the introduction of the Belt and Road Initiative, more studies by scholars have elaborated on the impact of the initiative on Malaysia and the ASEAN region as well as the dilemmas and challenges faced (Liao & Luo, 2020).

This study will analyse the current situation and problems in the promotion of economic and trade cooperation between the East Coast Economic Zone and the Beibu Gulf Economic Zone in the context of the historical background of the Belt and Road and the current situation of economic and trade relations between China and Malaysia. On this basis, the study will also discuss the issues that can help the two economic zones to continue to improve their economic and trade level and promote the development of the Belt and Road.

Overall, the literature review has been divided into five topics as mentioned below:

2.1.1 The Belt and Road Initiative (BRI)

There is a considerable historical among The Belt and Road Initiative, and a necessary requirement for social development. The Belt and Road Initiative was proposed by China to strengthen cooperation between regions. It includes two parts: the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road". Since its inception in 2013, the BRI project has been gradually transformed from an idea into a realistic project. It has been continuously promoted through inter-governmental

leadership, financial support given by the Asian Infrastructure Investment Bank (AIIB), actively building cooperation platforms, recommending internal and external docking, and realising the substantive implementation of projects.

Some studies indicate that there are strong historical reasons behind China's proposal of the BRI. During the Tang Dynasty (618-907 AD), China's expanding trade with the West nourished maritime the creation and development of maritime trade. During the Ming Dynasty (1368-1644 AD), the marine industry prospered, contributing to the boom of marine commerce (Tsui, Wong, Chi, & Tiejun., 2017). Besides, Bing. (2022) argues, China was also active in promoting its seafaring development by constantly sending navigators to Southeast Asia to expand overseas trade and drive economic exchanges between China and the West, for example, Zheng He, the famous navigator in history, reached the Kingdom of Malacca five times.

In terms of modern developments, these maritime trade activities were the origin of China's Maritime Silk Road. In 2013, the news showed that China's President Xi Jinping raised the Belt and Road Initiative. In 2017, the Chinese government released Vision for Maritime Cooperation under the Belt and Road Initiative, which suggests jointly protecting and sustainably utilizing marine resources for common development and enhancement of marine welfare (Xinhua, News 2017). It is necessary to create the maritime economy and build naval security with the theme of environmental protection of the sea between China and Malaysia (Huang, 2012). According to this document, under the BRI, port infrastructure will be improved, land and water transport be better linked, sea trade routes and frequencies be increased, cooperation between ports and in maritime logistics be deepened. The Belt and Road Initiative has also been well received by Malaysian companies and the public. The former Malaysian Minister of Transport, Liow Tiong Lai, said that China's Belt and Road Initiative was a huge

opportunity for Malaysia, which would facilitate the country's political and economic transformation, and that he hoped to increase cooperation with China in infrastructure development. According to public opinion polls, there are geopolitical concerns about the Belt and Road Initiative, but the geo-economic significance of the initiative is more important than the geopolitical threat (Ngeow, 2016).

However, there are also opposing views, with studies showing that the establishment of The One Belt One Road (OBOR) will affect Malaysia's container trade, seaport infrastructure and hinterland region, and it is another name for the BRI. Therefore, government policies, port expansion, investment, strategic planning and investment in new equipment need to be revisited to ensure the development of a symbiotic relationship between Malaysia and this global investment plan (Putri & Jeevan, 2018). Other sides show that, geopolitical implications, such as increased political dependency due to Chinese capital investment and acquisition of property rights in ports and flats (Rahman Haji Embong et al., 2017)

With the introduction of the theory of regional economic integration, scholars believe that promoting regional economic integration in developing countries and freeing themselves from dependence on developed countries can truly achieve economic development. Scholar pointed out that the Belt and Road Initiative is a new economic cooperation model with ambitious spillover effects that are not far from the concept of global governance. The article introduces cooperation in vast fields between countries from Central Asia, North Asia, the Indian Ocean and the Mediterranean region (Du & Ma, 2017). China and Malaysia can start with a community of interests (economic), and gradually make progress at the level of a security community and a social and cultural community (Song, 2017).

China has maintained good maritime trade relations with Malaysia since ancient times. Therefore, the Belt and Road Initiative is based on the fundamental attribute of common development, the basic principle of equality and mutual benefit, and the basic orientation of practical cooperation (Liu, 2015). The views of the Malaysian community on the Belt and Road, according to the survey are mixed on the Chinese coming to Malaysia for investment, but most of the statements that have been made about the Maritime Silk Road are positive and affirmative (Ngeow, 2016). To study the introduction of the Belt and Road Initiative, it is necessary to understand its historical reasons as well as the context in which it was proposed.

2.1.2 Guangxi Beibu Gulf Economic Zone and East Coast Economic Region

The Beibu Gulf Economic Zone and the East Coast Economic Zone are geographically crucial in both countries, and the development of both regions drives the further development of Sino-Malaysian relations. The Beibu Gulf Economic Zone of Guangxi is located in southwest China. It is an important international, regional economic cooperation zone composed of Nanning, Beihai, Qinzhou, Fangchenggang, Yulin and Chongzuo. It is also a key area for China's opening up to ASEAN and serves as a vital gateway port of China's 21st Century Maritime Silk Road. The Guangxi authority attempts to make Guangxi Beibu Gulf Economic Zone an important part of the "Maritime Silk Road of the 21st Century" and give it new dynamics for boosting economic development (Yang, 2015). In the Beibu Gulf Economic Zone, the port of Beibu Gulf in Guangxi is an important gateway port for China's 21st Century Maritime Silk Road.

However, the seaport has failed to play the role of an international port. It is claimed that the port competitiveness of Beibu Gulf Port is analysed from the perspectives of resource theory and institutional environment, and official data from 2010-2016,

comparing 13 ports such as Beibu Gulf Port, Shanghai Port and Yantian Port, the authors suggest that the overall competitiveness of Beibu Gulf Port is significantly weaker and its port resources have failed to be converted into port competitiveness (Zhu, 2010). In addition to this, the Beibu Gulf Economic Zone also has certain industrial advantages. In recent years, new breakthroughs have been made in the development of large industries on the seafront in the Guangxi Beibu Gulf Economic Zone, and the development of industrial chains such as electronic information, new chemical materials, automobiles and new energy vehicles, and new metal materials has been accelerated. The new pattern of industrial chain development has been formed with Nanning focusing on electronic information, advanced equipment manufacturing, biomedicine and new materials, Beihai on new materials, green chemicals and electronic information, Qinzhou on green chemicals and new materials and equipment manufacturing, Yulin on advanced equipment manufacturing, medicine and food, new materials and modern light industry and textiles, Fangchenggang on high-end new metal materials, biomedicine and grain and oil processing, and Chongzuo on new metal materials, sugar and high-end home furnishing (Li, 2022).

The East Coast Economic Region of Malaysia covers three major east coastal cities of Kelantan, Terengganu, Pahang and the district of Mersing in Johor, and is one of the country's three major economic corridors. The ECER in Peninsular Malaysia is rich in agricultural resources, rubber and fisheries. In addition, tourism can be a rich contributor to the region's economic growth. By developing a Shift-Share model to analyse the unique industrial structure of ECER and its potential for local competitiveness in economic development, scholars have important implications for us in building ECER (Mondal, 2011). The Malaysia-China Kuantan Industrial Park (MCKIP) located in this Region is close to the Kuantan Port, thus can be directly

connected to the Beibu Gulf Economic Zone of China, having potential for radiate its influence to the China-Indochina Peninsula. It's point out that despite the positive transformation that has taken place in ECER since its inception in 2008, ECER should focus on continuing its efforts to move the region towards being a developed region. It is clear that there is still a lot of ongoing development in terms of physical and infrastructural aspects, and there are still unfinished projects that are yet to be completed that will benefit the people (Abdul & Norfatiha, 2021).

According to the mathematical algorithm, the port of Kuantan is the core port of EREC. In maritime trade, the distance between the port of origin and the port of destination is one of the factors assessed to determine the relevance of choosing a hub port. The Port of Kuantan is the best cost saving port compared to other hub ports in Malaysia (Rahman; Zakaria, 2015). The aim is to demonstrate the methodology for the selection of the most practical Malaysian port for enhancing the Malaysia-China Kuantan Industrial Park (MCKIP) business trade (Rahman et. al., 2017). It uses a quantitative approach via regression analysis to validate the impact of BRI on seaport capacity especially in peninsular Malaysia (Putri & Jeevan, 2018). The problem will focus on the social effect on immigrants, local activities, and education in Kuantan area and collect the data according to public perception (Abu Nawas et. al., 2018). there are fears and concerns in Malaysia about the unintended consequences of Chinese investment in the Belt and Road project on the environmental, social and debt traps of certain poor countries. Rapid and large-scale investments may overwhelm local capacities and fail to mitigate the challenges (Song & Fabinyi, 2022).

The author will achieve the present purpose by re-stating the importance of the location, policy and factor cost advantages of the East Coast Economic Zone and the Beibu Gulf Economic Zone of Guangxi. This effort shows that there are more

favourable factors for China's maritime trade with Malaysia (Li et. al., 2018). In other words, the reformulation of the advantages that the two economic zones have can further illustrate that China and Malaysia are inextricably linked as partners.

2.1.3 China-Malaysia Maritime Trade Development

For trade or investment between China and Malaysia, Ong Ka Chuan, Malaysia's Second Minister of International Trade and Industry, said in his article "Malaysia Meets China's Belt and Road Initiative - An Exploration of Background and Opportunities" that Malaysia's support for China's Belt and Road Initiative is beneficial to its economic interests, and that markets and technology will be the focus of economic and trade development of both Malaysia and China in the future, so Malaysia can expand its markets by integrating into a larger economy. The Chinese market is vital to it.

According to Chinese Investments in Malaysia: Five years into BRI by Dr Tham Siew Yean, Malaysia has a welcoming attitude towards China's Belt and Road Initiative. Chinese investments in Malaysia from 2008 to 2017 shows that China and Malaysia have closer investment and trade relations after the Belt and Road Initiative. Moreover, China's Beibu Gulf Economic Zone spearheaded inter-regional cooperation with Malaysia's East Coast Economic Region under the Belt and Road Initiative. Abdul Rahman and Ahmad Najib (2017) put forward the most practical approach for Malaysian ports to enhance their business and trade with China. A case study in this article shows that shipping between China's Shanghai Port and Malaysia's Kuantan Port can save many costs for the maritime trade between China and Malaysia.

Xu Guiling (2015) suggests that the Maritime Silk Road has a long history and profound impact on the world. The maritime trade between Guangzhou and the Strait of Malacca Strait once reached its peak in the 19th century. Ling Tek Soon (2017) points

out that Malaysia is a maritime nation with advantageous location at the confluence of Asia, Oceania, the Pacific Ocean and the Indian Ocean, thus playing an important role in China's 21st Century Maritime Silk Road.

Mobley (2019) argues that in the complex context of South and Southeast Asia, BRI is a solution to the "Malacca Dilemma" and can bring new opportunities for cooperation in commerce and military affairs between such regions. Chang and Xu (2020) compare in their paper the economic and trade cooperation between China and Malaysia before and after the Belt and Road Initiative. Malaysia's economic model, which relies on investment and export, is more likely to be affected by the international environment. According to the article, the financial flows between China and Malaysia increase after BRI, but their goods exchanges are not increased that much. It is also mentioned in the article that Malaysia's industrial advantages are not obvious enough because Malaysia mainly focuses on resource-based industries such as oil and tropical cash crops. However, China's industrial layout is significant, and industries it demands are not the same as what Malaysia has. Therefore, both China and Malaysia should seek staggered and complementary advantageous industries to further deepen their trade ties.

In recent years, scholars keep proposing constructing a coastal economic zone that includes Malaysia's northern coast and China's coastal economic circle. In the article by Abdul Rahman & Ahmad Najib, they propose the most practical approach for Malaysian ports to enhance China-Malaysia commercial trade. A case study in this article shows that shipping between China's Shanghai Port and Malaysia's Kuantan Port can save many costs for the maritime trade between China and Malaysia.

With the economic development of China's Pan-Beibu Gulf Economic Zone, Malaysia's trade with this Economic Zone continues to grow and expand. Moreover,

China and Malaysia have established national-level cooperation industrial parks in Qinzhou and Kuantan. Chen and Zheng (2014), noted that the cooperation between the Guangxi Beibu Gulf region and the ASEAN region is playing an increasingly important role. It is crucial to further deepen bilateral cooperation and expand the scale of bilateral trade.

The idea of forming a port alliance between China and Malaysia proposed by Huang (2015) is feasible. Forming a strategic regional port alliance, building an international large-scale commodity trading market, and establishing a resource allocation platform can protect the bilateral trade. At the same time, the "Maritime Silk Road" has also brought about more cooperative projects. China, Malaysia to Establish Cooperative Projects after Maritime Silk Road states that Malaysia and China will also cooperate in railways, industrial parks and ports.

2.1.4 Problems of the current maritime trade between these two economic regions

The socio-political environment of both Malaysia and China is relatively stable. With the continuous integration of the Southeast Asian, the sovereignty dispute over the South China Sea is becoming a multilateral and international issue, which affects the maritime trade activities between China and Malaysia. On one hand, according to Robert (2011), in recent years, non-traditional security threats like maritime terrorism, piracy, pandemics are hidden dangers to the South China Sea passage. Huang (2013) points out that maritime transport has a significant impact on trade in the Asia-Pacific region and that maritime cooperation is necessary to establish and maintain maritime order in the ASEAN region, mainly because of the security issues that arise along the transport routes. Malaysia's political instability also poses an invisible obstacle to the project's advancement.

On the other hand, the two economic zones each have their own economic development problems. The Guangxi Beibu Gulf Economic Zone has made certain achievements since its construction, but its development is unbalanced and insufficient, and the problems of overall synergy, coordination and systemic weaknesses in the zone are prominent, and there is still a large gap compared to the core area of the Pearl River Delta in the other economic zone, the Guangdong-Hong Kong-Macao Greater Bay Area (Li, 2022).

The economic development of China, Malaysia, and Southeast Asian countries are dependent on the sea, especially on the South China Sea and the Strait of Malacca. Maritime route security and navigation freedom will become common concerns for both China and Malaysia. Moreover, for a long time, most China-Malaysia trade is completed through land routes. Even with these years' promotion of maritime routes, the development of maritime trade is still below expectation.

On 9 May 2018, in the 14th parliamentary election in Malaysia, the opposition coalition, which strongly opposed some Malaysia-China cooperative projects under the BRI, came to power and suspended such cooperative projects and conducted a review, which continues to this day. In July 2018, Malaysian and Singaporean governments officially suspended four major projects of Chinese companies, including the East Coast Railway project and three projects of laying oil and gas pipelines between East and West Malaysia. Till date, they have not been restarted (“Malaysia Suspends Construction of East Coast Railway Link,” 2018).

However, The Belt and Road Initiative has also faced many challenges since its inception. The first challenge is the uncooperative attitude of the U.S. and Japan because they regard China as their competitor. Southeast Asia has been an important

direction of competition between China and the United States for the discourse in the Asia-Pacific region, and Japan is the facilitator of the United States (Wu, 2017). At the same time, how to maintain Malaysia's position at the centre of ASEAN and continue the ASEAN integration process is also a test of Malaysia's political wisdom in maintaining a balance between the major powers (Ge, 2017).

The second is that some partner countries remain some distrust of China. The Belt and Road Initiative aims to promote land and sea links between China, Asia, and Europe, but its risks are as significant as the ambitions, and there is a worrying attitude towards it (Ferdinand, 2016). Some scholars, hold a positive attitude. The Belt and Road Initiative has benefited both China and ASEAN, thus they have more shared views on development and form a community with a shared future (Lu, 2015). The Belt and Road Initiative is also essential for the world to develop bilateral or multilateral cooperation. China-ASEAN should keep innovating regional cooperation, enhancing development security, and promoting sustainable development (Li, 2015).

In addition to this, there are fears and concerns in Malaysia about the unintended consequences of Chinese investment in the Belt and Road project on the environmental, social and debt traps of certain poor countries. Rapid and large-scale investments may overwhelm local capacities and fail to mitigate the challenges (Song, & Fabinyi, 2022). The Malaysian East Coast Railway, for one, was unilaterally called off by the Malaysian government due to the high amount of money planned for the project, which placed a large financial burden and cost of living expectations on the Malaysian government and people (Financial, 2018). However, based on China's history of not being a political threat in Southeast Asia, Southeast Asian countries do not need to worry about China's economic expansion (Cahyo Pamungkas et al., 2020).

2.1.5 Suggestions for counter measures for maritime economic and trade cooperation between China and Malaysia

Transnational regional economic cooperation has a catalytic role in promoting regional economic development, urban development and the advancement of cities between the two countries (Schiff & Winters, 2002). By the history of China-Malaysia economic and trade cooperation and the current development of economic and trade cooperation between the two countries, scholars point out that the two countries, as geographically close and politically friendly neighbours, have broad prospects for trade development (Hu, 1995). Other shows based on the effectiveness of the economic and trade cooperation between Guangxi and Malaysia as well as the education industry trade, it is suggested that the dialogue between the leaders of both sides should be strengthened in the process of economic trade (Wu & Abdulwali, 2013).

Some scholars have focused on how China's maritime trade in the South China Sea can develop resources and resolve maritime transport security issues. For example, Valencia's (2007) suggest that China and ASEAN countries should jointly participate in cooperative projects by signing a declaration. Starting from the current situation of China's cooperation with Malaysia in production capacity, agriculture and fishery in the context of the Belt and Road, the two countries are considered to have favourable conditions such as strong desire for cooperation, close economic and trade contacts and high investment potential, and it is proposed that the two countries should strengthen cooperation in agriculture and fishery (Zou, 2010). However, Chinese scholars have focused more on the possibility of building a regional trade base between China and the Malaysian region from a strategic perspective. According to the opinion, Malaysia and China should implement a leapfrog development strategy based on opening, construct

the 21st Century Maritime Silk Road together and build an international shipping centre for both countries (Huang, 2017) .

It is also important to strengthen cultural exchanges between the two countries, which have taken place several times in recent years, to inject more Malaysian elements into China's open culture. China needs to further understand Malaysia's multicultural development and establish a Sino-Malaysian Cultural Exchange and Cooperation Centre and a Maritime Silk Road Cultural Exchange Centre (Chen, 2014).

We should also look at the situation from the Malaysian perspective, where "technology" and "market" are future focuses of Malaysia's economic and trade development, as mentioned by Huang (2017). The future development of maritime trade cannot ignore this trend of great integration. The two countries need to accelerate technological inventions, industrial transformation and network connections between them to promote scientific port construction and a rational layout of the industrial chain in coastal cities.

2.2 Research Gap

From the above literature review, it can be seen that there has been some research on various areas of economic and trade cooperation between China and Malaysia in the context of the "The Belt and Road", but there is still a gap in the research on regional economic cooperation between China and Malaysia. This study addresses the historical reasons for "The Belt and Road", analyses the respective geographical and industrial advantages of the two economic zones, analyses the current situation and problems in the process of promoting maritime trade cooperation between the two economic zones, as well as the favourable factors and challenges faced by the economic and trade cooperation between the two economic zones, and on this basis makes corresponding

On this basis, we will consider the corresponding countermeasures, to help China and Malaysia continue to improve the level of regional maritime economic cooperation in the future.

Overall, these study highlight the need for China's Beibu Gulf Economic Zone and Malaysia's East Coast Economic Zone, Some scholars focus more on the impact on the development of China-Malaysia relations in the context of the Maritime Silk Road from the perspective of geopolitical and economic interests, while other scholars tend to discuss the development status of the East Coast Economic Zone or the East Coast Economic Zone in specific areas, such as ports, trade and commerce, and maritime cooperation. However, such studies remain narrow in focus dealing only with discuss the development of the East Coast Economic Zone or the Beibu Gulf Economic Zone from the perspective of ports, economic and trade, and specific areas such as maritime co-operation. There is still a large gap in the research on the co-operation between China's Beibu Gulf Economic Zone and Malaysia's East Coast Economic Zone. Neither Chinese scholars nor international scholars have comprehensively addressed the development of maritime trade co-operation between China's Beibu Gulf Economic Zone and Malaysia's East Coast Economic Zone in the context of the Maritime Silk Road, as well as the problems, dilemmas, and challenges faced. Instead, this study focuses on the investigation of the current status of the cooperation between the two economic zones in maritime trade, as well as the substantive recommendations based on the existing dilemmas.

2.3 Theoretical Framework

Adam Smith's theory of absolute advantage and Ricardo's theory of comparative advantage discussed the benefits of division of labor and trade among countries (regions) from the perspectives of absolute and relative costs, respectively (Smith, 1776). Both

theories suggest that the division of labor and trade among countries (regions) can enhance benefits (Ricardo, 1821). Heckscher-Ohlin's theory of factor endowment explains the key factors leading to regional differences in the comparative costs of products. According to Heckscher-Ohlin's factor endowment theory, the primary reasons for regional differences in the comparative costs of products lie in variations in factor proportions and the relative factor endowments or abundances between regions (Leamer, 1995).

The study of regional convergence theory reveals that changes in trade volume among significant trading partners wield a substantial influence on income disparities between countries (regions). An escalation in trade volume contributes to hastening the rate of convergence among trading entities. The unfettered movement of labor, capital, and technology underscores this convergence. While automatic elimination of regional disparities might be elusive, constraints on capital and labor mobility conditions inevitably result in diminished economic growth levels and per capita income across distinct regions bolstering economic collaboration between regions emerges as a potent strategy for dismantling barriers, advancing factor mobility, and optimizing quality. Keller asserts that technological knowledge and labour mobility stand as paramount drivers of economic development.

Furthermore, fostering robust economic and technological cooperation between regions holds the potential to fuel the diffusion and transfer of technology, thereby accelerating the flow of innovation.

CHAPTER 3: BACKGROUND OF THE CHINA-MALAYSIA RELATIONS AND MARITIME SILK ROAD INITIATIVES

3.1 Introduction

Malaysia has a long history of maritime trade with China. As an important country along the Maritime Silk Road and the first country visited by Chinese President Xi Jinping after the "21st Century Maritime Silk Road" initiative, Malaysia has an irreplaceable role in China's maritime trade cooperation.

China-Malaysia relations have a history of over 2,000 years of interaction, with peaceful co-existence and mutual support being the mainstream (Zhu, 1994). With the globalisation of the economy, Sino-Malaysian relations have reached a new stage. Reviewing the history of maritime trade between China and Malaysia and studying the historical background of the Silk Road will help you understand the development process of China-Malaysia relations and enhance the traditional friendship between China and Malaysia, thus further promoting the development of China-Malaysia maritime trade relations.

3.2 The historical background of China-Malaya/Malaysia Relations

3.2.1 China-Malaya Relations in Ancient Times

Historically, Malaysia has a long history of relations with China. From the 1st century to the early 15th century, before the Malay Peninsula was a unified state, China had friendly relations with the large and small states of the peninsula. Archaeological findings show that Chinese people arrived in the south of the peninsula as early as the 1st and 2nd centuries B.C. and engaged in early trade with the local population. From the mid-5th century to the early 7th century, these states sent envoys to China and established friendly relations with the country. Later, during the Song and Yuan dynasties from the 10th to 14th centuries, with the advancement of Chinese navigation

and shipbuilding technologies, a large number of Chinese merchant ships went to the South Seas to carry out overseas trade, and trade and economic exchanges between China and the Malay Peninsula increased significantly and their relations grew closer (Zhu, 1994).

After the establishment of the Yuan Dynasty, Kublai, the founder of the Yuan Dynasty, attached great importance to the development of overseas trade, and in addition to the establishment of the Department of Maritime Affairs, he also sent emissaries to Southeast Asia. In the early 15th century, the unified Kingdom of Malacca emerged on the Malay Peninsula. During the Ming Dynasty (1368-1644 AD), and for more than 100 years the two sides exchanged political visits. According to the History of the Ming Dynasty, Malacca sent ambassadors to China 22 times, including five visits by the king himself; the Ming Dynasty also sent officials to Malacca (Cen, 2022).

The most famous of these was Zheng He's visit to the West and arrived in the Kingdom of Malacca five times and left behind many historical sites. The Malayan kings treated Zheng He with royal courtesy and dressed in Malay costume for his tours in Malacca. Malacca was an important geographical location on the ancient Silk Road. According to the history of Zheng Ho's seventh voyage, according to the laws of the monsoon currents, the voyage to and from the West must pass through Melaka and have a stopover in Melaka. It is therefore inevitable that Zheng Ho reached Melaka seven times during his seven voyages. In addition to Zheng He, the Ming Dynasty sent many other envoys to Malacca. The friendship between China and the Kingdom of Malacca further promoted cultural and economic ties between the two sides (Ming, 2004).

The Ancient Silk Road is extended as shown in Figure 3.1. The route show ancient China and foreign traffic, trade and cultural exchanges in the sea channel, the road is

mainly centred on the South China Sea, so it is also known as the South China Sea Silk Road, formed in the Qin and Han Dynasties, developed in the Three Kingdoms to the Sui Dynasty, and prospered in the Tang, Song, Yuan and Ming Dynasties, it is the oldest known sea route.

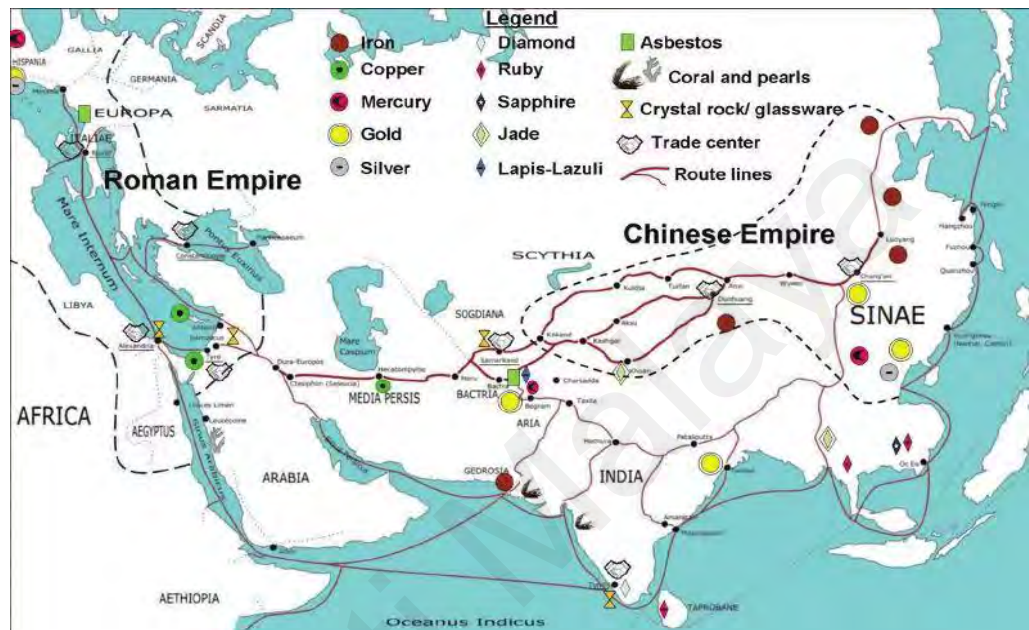


Figure 3.1: Picture of the Ancient Silk Road

Source: Sevillano-López and González, (2011).

3.2.2 China-Malaya Relations in 16 century to second World War

From the 16th century onwards, Malaysia came under Western domination. This lasted for more than four centuries. During the 16th and 18th centuries when Portugal and the Netherlands occupied the Strait of Malacca, Chinese officials gave political and economic support to the Kingdom of Malacca, denouncing the aggression of Portugal and the Netherlands and asking Chinese merchant ships to trade only with the Kingdom of Johor. From 1786 onwards, Malaya gradually became a British colony and was colonised by the British for more than 170 years; in 1840, the Sino-British Opium War saw China gradually become a semi-colony as well. The similar historical fate of the two peoples kept them close together, and the traditional friendship between the two

countries was consolidated and sublimated in the process of joint resistance against colonialism and imperialism (Mitrasing, 2014).

During this period of history, the Chinese diaspora played an important role as a bridge in the development of China-Malaya relations. Beginning in the 19th century, when British colonialists abducted nearly ten million Chinese workers from China to work in Malaya's factories and plantations, the Chinese began to become an important social force in Malaya. From 1875 to 1895, Chinese miners were involved in the struggle against the British in Perak, Pahang and Sarawak, and during the Second World War, the Malaya People's Anti-Japanese Army (MPAA), which was formed mainly by Chinese in Malaya, became the most important anti-Japanese organisation in ethnic Malaya. (Deng, 1999). A Malayan People's Anti-Japanese Army was the most important anti-Japanese armed force in Malaya and made a significant contribution to the liberation of Malaya; during the Xinhai Revolution (1911-1912 AD) in China, Malaya became the centre of support for the Xinhai Revolution by overseas Chinese in Southeast Asia (Zhou,&Tang, 2008).

Table 3.1 Contributions of Ethnic Chinese in Malaya for China in Modern Times

Period	Contributions of Ethnic Chinese in Malaya
Second Word War	Malayan People's Anti-Japanese Army
Xinhai Revolution	Support for the Xinhai Revolution by overseas Chinese

Source:(Xin Hua News,2023)

3.2.3 China-Malaya/Malaysia Relations after 1949

The establishment of New China in 1949 and the declaration of independence of the Federation of Malaya in 1957 did not lead to the establishment of formal diplomatic relations between the two countries, which shared a common destiny, and relations between the two countries even fell into confrontation in the following decade. When New China was founded, it expressed its support for the Malaysian people in their struggle for national independence against the colonialists, and it maintained civil trade with Malaysia through Hong Kong and Singapore, and immediately after the independence of the Federation of Malaya, it expressed its willingness to establish diplomatic relations with the Federation of Malaya, but this was rejected, and relations between the two countries became confrontational as Malaysia pursued a policy of hostility towards China (Tang, 2000).

Prior to the independence of the Federation of Malaya, foreign policy followed the British lead. After the end of World War II, in order to safeguard British interests in Malaysia and to curb the expansion of communism in Southeast Asia, Britain raised the strategic position of Southeast Asia in the Cold War, considering China to be the greatest threat facing Malaysia and advocating the creation of an anti-communist and anti-China encirclement in conjunction with the United States and other countries, which led the then Malaysian government to decide to adopt a policy of hostility towards China. Federation of Malaya was established on 16 September 1963. The new country consisted of Malaya, Sabah, Sarawak and Singapore. However, Singapore was later separated from Malaysia on 9 August 1965 due to political factors. After the independence of the Federation of Malaya, the Rahman government adopted a pro-British-American "one-sided" foreign policy, based on the domestic and international situation. Internationally, the Cold War was raging and the two camps were in fierce

confrontation. The newly independent Federation of Malaya adopted a diplomatic policy of following the US and Britain, and under pressure from the US, Malaysia chose the Western camp and adopted a hostile policy towards China. International and Chinese domestic political factors prevented the normalisation of relations between China and Malaysia.

3.2.4 Development of Relations after the Establishment of Diplomatic Relations between China and Malaysia

As history entered the early 1970s, there was an opportunity to improve relations between China and Malaysia. Internationally, the early 1970s saw a de-escalation of the international situation, and Malaysia did not have to suffer the enormous pressure on its foreign policy at the beginning of the Cold War, while the de-escalation of Sino-American relations led more countries to improve their relations with China, which was facing the strategic threat of the Soviet Union and sought to improve relations with more countries to ease the strategic pressure. Domestically, the conflict between the Chinese and Malays in Malaysia following the May 13 communal conflict led to the Malaysian government having to change its policy towards China, with Prime Minister Razak advocating the neutrality of Southeast Asia in the light of developments at home and abroad and actively taking steps to improve relations with China. Thanks to the joint efforts of the two governments and peoples, diplomatic relations between Malaysia and China were formally established in 1974, turning a new page in the relationship between the two countries.

After the establishment of diplomatic relations, relations between the two countries grew steadily, with the exchange of visits between Vice Premier Deng Xiaoping and Prime Minister Hussein and the implementation of direct trade between the two countries, which gradually increased; in the 1980s, Prime Minister Mahathir led a large

delegation of more than 300 people to China, and the two countries also signed mutually beneficial agreements in the areas of trade, investment and aviation. In the 1990s, with the collapse of the Soviet Union, the end of the Cold War, and the settlement of the Communist Party of Malaysia (CPC) issue, Malaysia's suspicion and vigilance towards China was greatly reduced and relations between the two countries grew steadily. Coupled with the rapid economic development brought about by China's reform and opening up, Malaysia saw China as a major opportunity for its national development, and the exchange of visits between senior leaders of the two countries increased, economic and trade relations were strengthened, and cooperation in the fields of culture, education and tourism were also launched. From the establishment of diplomatic relations in 1974 to the end of the twentieth century, relations between China and Malaysia went from cold to warm after a relatively long teething period, laying the foundation for the future development of Sino-Malaysian relations.

3.2.5 China-Malaysia Relations after the Maritime Silk Road Initiative

After China proposed the Belt and Road Initiative in 2013, Malaysia was arguably one of the most proactive countries in the world in responding to the Chinese government's initiative, with the most important manifestation of its active participation being becoming one of the 57 founding members of the Asian Investment Bank (AIIB) and seeing the Belt and Road. In 1991, the Malaysian government set out its national development goal of "Vision 2020", which aims to make Malaysia a developed industrialised country with a per capita income of US\$15,000 by 2020 (The National Mission, 2006). In 2010 and 2016, the government released the Tenth Malaysia Plan (2010-2015) and the Eleventh Malaysia Plan (2016-2020) respectively, which were timed to coincide with China's Belt and Road Initiative their contents are highly compatible with the BRI objectives

The year 2018 marks the fifth anniversary of the Belt and Road Initiative, and in the past five years, with the joint efforts of China and Malaysia, the two countries have made significant progress in the areas of political communication, economic and trade exchanges, humanistic exchanges and security cooperation around the general framework of the Belt and Road construction and the two five-year development plans of Malaysia, promoting the in-depth development of relations between the two countries, and Malaysia has also become an important strategic country along the 21st Century Maritime Silk Road.

The "Maritime Silk Road" is related to the early start of China's ancient maritime trade. Chinese civilisation started early and developed quickly in ancient times, engaging in land and sea-based trade activities earlier. China's Maritime Silk Road originated during the Qin and Han dynasties (221 BC-220 AD), and developed during the Northern and Southern Dynasties (420-589 AD) and the Sui and Tang dynasties (581-907 AD); it flourished during the Song and Yuan dynasties (960-1368 AD). During the Ming Dynasty (1368-1644 AD), the rulers' policy of banning maritime trade in the early part of the period led to a polarisation between official shipping and private shipping. In the latter part of the Ming Dynasty, the ban on shipping was lifted and overseas trade was revived. During the Qing Dynasty (1636-1912 AD), China's severe ban on sea trade led to the control of sea trade routes by Western countries, which gradually became dominant and were integrated into the world's maritime transport system. The main ports of the ancient "Maritime Silk Road" were concentrated along the south-eastern coast of China, and through these ports, dozens of countries and regions in Asia, Europe and Africa were connected over time. As history developed, the countries and regions involved, and the types of goods exchanged, were greatly expanded (Deng, 1997).

The term "Maritime Silk Road" was used by mainland Chinese scholar Feng Weiran in 1978 in his History of Shipping, and by mainland Chinese scholar Professor Chen Yan in 1980, when he proposed the study of the "Maritime Silk Road". A systematic theoretical system was formed, making the concept of the Maritime Silk Road and its history gradually gaining the attention of Chinese and foreign scholars. In the 1990s, with the rise of the study of the Maritime Silk Road and the international exploitation of the sea, the concept of the Maritime Silk Road was extended from the academic field to the economic and cultural fields, and in 1991, UNESCO identified Quanzhou as the starting point of the Maritime Silk Road.

While international attention was given to the Maritime Silk Road, China's own position on the Maritime Silk Road became increasingly clear. Since the reform and opening up of China, its people's living standards have improved and the domestic market has become increasingly market-oriented, especially after its accession to the WTO, China has re-entered the world, and the domestic market has become more closely linked to the world market, and the demand for overseas products and the world's demand for Chinese products has grown. China is in a pivotal position in the world trade. In the 21st century, the world economy has undergone several ups and downs, China still needs time to improve its domestic market, and overcapacity and industrial transformation make it urgent to unify the domestic market and expand overseas markets.

In 2013, during his visit to Central Asia and Southeast Asia, Chinese President Xi Jinping proposed the construction of the "Land-based Silk Road Economic Belt" and the "21st Century Maritime Silk Road" (collectively known as the "Belt and Road Initiative") (as shown in Figure 2). The construction of the Belt and Road has been elevated to a national strategic plan. This is a strategic vision of regional and global

economic and cultural communication based on historical facts and the characteristics of the times, and marks the beginning of a new type of regional and global communication and international relations that are more open, fair, mutually beneficial and based on history and reality. Since then, President Xi has put forward specific "Five Links" initiatives to develop the Belt and Road: policy communication, road links, trade flows, currency circulation and people-to-people contacts. The "Five Links" involve political, economic, diplomatic and cultural fields, greatly expanding the connotation of the original land and sea Silk Road and indicating the direction for the construction of the Belt and Road.

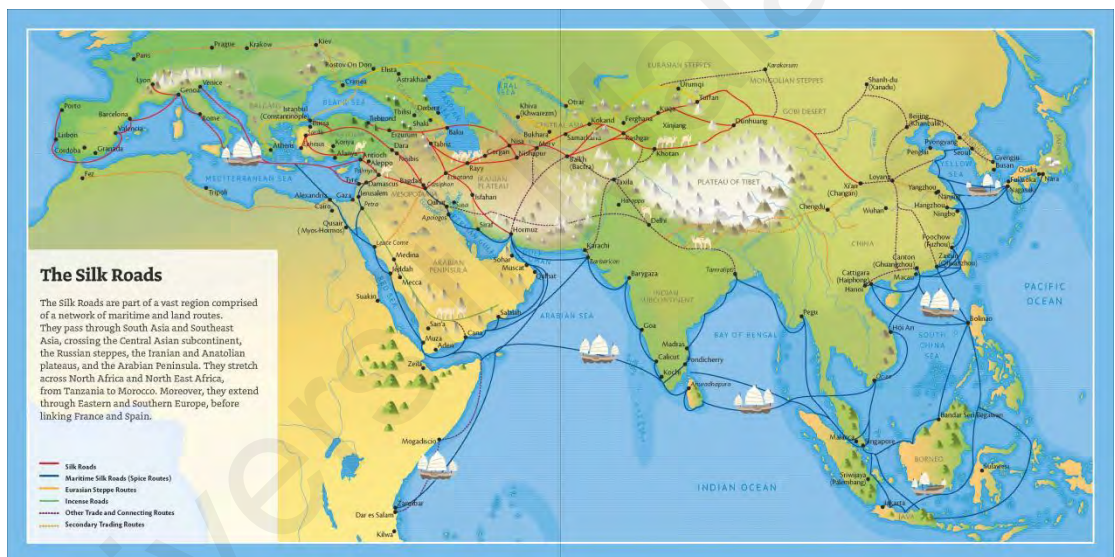


Figure 3.2: Picture of The Silk Road

Source: (UNESCO, 2023).

In 2015, the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce jointly issued the "Five Links" in Vision and Actions on Jointly Building the Silk Road Economic Belt and the 21st Century Maritime Silk Road, proposing to make use of the advantages of the Yangtze River Delta, the Pearl River Delta, the West Coast of the Strait, the Bohai Sea Rim and other economic zones in terms of high openness, economic strength and radiation, accelerate

the construction of the China (Shanghai) Pilot Free Trade Zone, and support Fujian in building the "21st Century Maritime Silk Road". The Chinese government has begun to actively advocate for the establishment of a government-to-government cooperation zone to promote the development of the "21st Century Maritime Silk Road".

The Chinese government has begun to actively advocate inter-governmental communication. The leaders of China and the coastal countries have exchanged visits and the Chinese government has initiated the "Belt and Road Initiative", which is the first of its kind in China. The Chinese government is actively engaged in multi-level diplomatic activities at government level. Chinese leaders have visited many countries and regions in Central Asia, South East Asia and Europe, greatly promoting understanding and trust between governments. Through inter-governmental exchanges, the promotion of private exchanges is encouraged, opening up new horizons in Chinese diplomacy and laying a good foundation for international relations for the construction of the Maritime Silk Road.

Table 3.2 Meetings Timeline between the leaders of China and Malaysia After “The Belt and Road”

Time	Events	Significance
Oct 3rd - 5st, 2013	Chinese President Xi Jinping pays state visit to Malaysia.	The two sides agreed to upgrade the relationship from a "strategic partnership" to a "comprehensive strategic partnership". Signing of the Five-Year Plan for China-Malaysia Economic and Trade Cooperation (2013-2017) sets out a clear roadmap for bilateral trade development in the next five years.
May 2014	Malaysian Prime Minister Najib's visit to China.	One aim is to celebrate the 40th anniversary of Malaysia's diplomatic relations, and the other aim is to gain understanding and support from the Chinese side and others for the Malaysia Airlines incident.
Nov 2015	Chinese Premier Li Keqiang visits Malaysia.	A number of cooperation agreements have been signed to promote cooperation on "Belt and Road" projects and to strengthen strategic docking, production capacity and technical

		cooperation.
Oct 2016	Malaysian Prime Minister Najib's visit to China	Emphasis was placed on strengthening cooperation with China in various fields, including the "Belt and Road" framework.
Aug 2018	Malaysian Prime Minister Mahathir's visit to China.	It was stressed that the "Belt and Road" construction would continue and the China-Malaysia comprehensive strategic partnership would remain unchanged.

Source: (Adapted from the Xin Hua News, 2022)

In 2013, China initiated the establishment of the Asian Infrastructure Investment Bank (AIIB); in December 2015, the AIIB was officially established. Through financing, the AIIB focuses on supporting infrastructure development, bringing economic and social development opportunities to its member countries and providing strong financial guarantees for the Belt and Road linkage. At the same time, the internationalisation of the RMB has been boosted by the RMB becoming an IMF SDR currency, and the ADB has become a vehicle for further internationalisation of the RMB.

In the new historical context, the Silk Road Economic Belt and the 21st Century Maritime Silk Road are connected to Asia, Europe and Africa by land and sea respectively. Although the routes of the "Belt" and "Road" are different for different countries and regions, they both start from China and are in fact one whole, realizing the docking of the two major arteries, which has profound strategic significance. Internally in China, it can link the developed south-eastern coast with the relatively backward north-western inland and promote balanced regional development. Externally, it will link Europe, Asia and Africa into a unified whole through the two land and sea routes, making it easier and freer for resources to circulate in the vast region.

3.3 Current Status of China-Malaysia Economic and Trade Relations and Cooperation

Diplomatic relations between China and Malaysia were formally established on 31 May 1974 and have been developing well since then. In 1997, against the backdrop of the Asian financial crisis, Prime Minister Mahathir proposed East Asian regional (ASEAN plus China-Japan-ROK 10+3) cooperation, which received strong support from China. China's insistence on the non-depreciation of the RMB was also praised by Malaysia and other ASEAN countries. Since then, relations between China and ASEAN have grown closer and closer, and as a result, Sino-Malaysian cooperation has developed rapidly.

On 31 May 1999, the 25th anniversary of the establishment of diplomatic relations between China and Malaysia, the two countries signed a joint declaration on the framework for future bilateral cooperation in Beijing, deciding to deepen cooperation in political, economic, cultural, educational, defence and other fields on the basis of equality, mutual trust and mutual benefit between China and Malaysia, and to establish good-neighbourly and friendly cooperation (MOFA,2000). In 2013, the leaders of the two countries signed the Five-Year Plan for China-Malaysia Economic and Trade Cooperation (2013-2017), thus the economic and trade relations and cooperation between China and Malaysia are developing for the better, and the RCEP will come into effect for Malaysia from 2022 (MOFA,2023).

3.3.1 Overview of China-Malaysian Trade

Malaysia is second only to Singapore in ASEAN in terms of economic development, and is recognised as a "newly industrialised country" that is actively moving towards the goal of becoming a "knowledge-based economy"(Tang, 2010). In 1992, bilateral trade between China and Malaysia exceeded US\$1 billion, at US\$1.332

billion, and in 1997, China became Malaysia's tenth largest trading partner, while Malaysia was China's fifteenth (Ding & Wei, 2005). In 1999, Malaysian economy began to recover and trade between China and Malaysia returned to normal, totalling US\$5,279 million, an increase of 23.63% over the previous year. China's exports to Malaysia also rebounded, increasing by 4.89% over 1998 to US\$1,674 million. In that year, Malaysia became China's 14th largest trading partner, second only to Singapore among ASEAN countries (Chen, 2014).

As we enter the 21st century, bilateral trade between China and Malaysia has had strong growth momentum, with China's trade with Malaysia growing at the highest rate among Asian countries. According to Chinese statistics, bilateral trade between China and Malaysia exceeded US\$10 billion for the first time in 2002; in 2003, bilateral trade between China and Malaysia exceeded US\$20 billion; in 2008, bilateral trade between China and Malaysia increased to US\$53.469 billion, achieving the target of US\$50 billion two years ahead of schedule; and in 2013, bilateral trade between China and Malaysia exceeded the US\$100 billion mark, reaching a record high (Tang, 2010).

At this time, the bilateral trade volume between China and Malaysia already accounted for about 25% of the total trade volume between China and ASEAN. Malaysia has thus become the third Asian country besides Japan and South Korea to have trade volume with China exceeding US\$100 billion, and has become China's top trading partner in ASEAN, while China has thus become Malaysia's largest import and second largest export market. According to Chinese statistics, bilateral trade between China and Malaysia still exceeded the US\$100 billion mark in 2014, US\$108.6 billion in 2018 and US\$123.96 billion in 2019, up 14.2% year-on-year, both passing the US\$100 billion mark; in 2020, bilateral trade between China and Malaysia continued to buck the trend, reaching US\$131.16 billion from January to December 2020, up 5.7%

year-on-year (see Figure 3.3). Bilateral trade between China and Malaysia reached US\$176.8 billion in 2021, up 34.5% year-on-year (MOFCOM,2021).

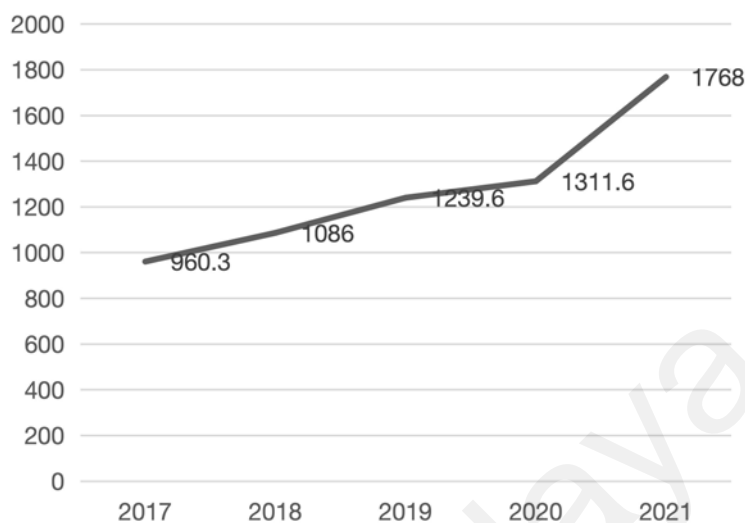


Figure 3.2 Total bilateral trade between China and Malaysia, 2017-2021 (USD 100 million)

(Source: Yearbook of China's Foreign Trade and External Economic Cooperation, 2017-2021)

Note: The statistical refer to the trade from China to Malaysia.

China's export trade to Malaysia has been growing steadily over the decade, with two peaks, but then both falling back slightly. Malaysia's export trade with China has likewise changed little and experienced a long period of decline after 2009. The similar level of development in export trade between the two countries indicates a high level of intra-industry trade in export trade between the two countries. Based on this, Malaysia is China's second largest trading partner in ASEAN and tenth largest in the world, and the fact that China became Malaysia's largest export destination for the first time in 2019, and that China became Malaysia's largest trading partner for the 13th consecutive year and a record high in 2021, is undoubtedly the best proof of the good trade partnership between the two countries.

On the other hand, the bilateral trade structure between China and Malaysia has been optimised (Lam, Li, & Ji, 2021). During the 1970s and 1980s, bilateral trade between China and Malaysia was mainly in primary products, with China's exports to Malaysia mainly being primary manufactured products, such as agricultural and sideline products, cereals, oil and foodstuffs, and light industrial products, while Malaysia's exports to China mainly being primary raw materials, such as timber, rubber, minerals and palm oil. Bilateral trade is aimed at mutual benefit.

However, since the early 1990s, the manufacturing industry in China and the electronics industry in Malaysia have developed rapidly. Today, Malaysia is not only one of the largest exporters of manufactured products of domestic origin, such as rubber, palm oil and timber, but also a major exporter of electronic and electrical products such as audio-visual products, computers, semiconductors and room air conditioners (manufacturing accounts for about 70% of total exports). The structure of bilateral trade between China and Malaysia has therefore changed significantly, gradually moving from a focus on primary products to a focus on higher value-added manufactured goods, such as industrial manufactured goods and electromechanical products. From 1997-2004, after Asian Financial Crisis, The exponential growth of Malaysia-China economic relations (Peng Er Lam et al., 2013). In 2008, Malaysia mainly imported electromechanical products, base metals and products, chemical products, optical clocks and medical equipment, etc. from China, of which electromechanical products accounted for 62.2%. Except for base metals and products, such imported products were mostly secondary processed products; while Malaysia's main exports to China were electromechanical products, animal and vegetable oils and fats, plastics and rubber, mineral products, chemical products, etc., with electromechanical products occupying almost a half (Tham, & Kam, 2015).

In 2013, Malaysia's main products imported from China did not change much from 2008, with electromechanical products accounting for 55.9%, a slight decline compared to 2008, while the proportion of base metals and their products increased. Malaysia's main exports to China also did not change significantly, with the exception of electromechanical products and animal and vegetable oils, whose share declined, while other major products such as plastics, rubber and minerals increased. In contrast, in 2017, Malaysia's imports of major products from China saw a higher increase in minerals. Some scholars believe that the reason for this change is the upgrading of the bilateral trade structure between China and Malaysia. China's manufacturing sector grew rapidly during this period, and Malaysia made great efforts to develop its electronics industry. Currently, China's main exports to Malaysia include computers and their components, integrated circuits, garments and textiles, crude steel, copper and products and optical instrument products, etc. China's main imports from Malaysia include electromechanical products, mineral products, machinery and equipment, chemical products, animal and vegetable oils, mineral fuels and rubber and products, optical clocks and medical equipment, food and beverage tobacco, transport equipment, etc (Dai, 2022).

As China and Malaysia have very similar economic structures and are at the same stage of development from labour-intensive to capital-and technology-intensive, the homogeneity of their industries leads to inevitable market competition between the two countries. However, in the dynamic competitive landscape, the mutual complementarity between the two is obvious and major, and is the main driver of the high growth of trade between the two sides. In the industrial transfer and industrial restructuring of both sides, there has been a gradual shift from traditional inter-industry trade to intra-industry trade forming a complementary division of labour. As the economic development of both China and Malaysia increases, the reliance on specific resources will decrease and the

industrial and trade structures of the two sides will converge, thus reducing the degree of specialisation and increasing the degree of intra-industry division of labour cooperation and complementarity. For example, China and Malaysia went from exporting manufactured goods of traditional raw materials, machinery and transport equipment, textiles, iron and steel, office machinery, and automated data processing equipment in 1994 to a higher degree of intra-industry trade between the two in 2008, including chemical products, electromechanical products, food, beverages, tobacco, transport equipment, optical clocks, and medical equipment (Dai, 2022).

After entering the 21st century, electromechanical products have become the main products of bilateral trade between China and Malaysia, especially electronic products, which have grown significantly. For example, in the first few years of the 21st century, automatic data processing machine parts and integrated circuits became the primary commodities of bilateral trade between the two countries. The main reason for this is that both countries are participating in the new international division of labour to the extent that they have become an essential part of the global industrial chain or multinational corporations, and many of the goods (including semi-finished products) in bilateral trade between them have become intra-industry and intra-company trade goods. It has been pointed out that the intra-industry trade index for E&M products has increased from 0.24 in 2000 to 0.93 in 2009 and remains high at present.

In addition, in June 2018, the visit the Malaysian Prime Minister to Hangzhou, during his visit to China, revealed that China and Malaysia would dig deeper into the potential for cooperation in the fields of technology, e-commerce, ecology and finance; in August 2018, the Chinese Ambassador to Malaysia pointed out in an interview in Kuala Lumpur, Malaysia, that both China and Malaysia believe that there is significant room for cooperation between the two countries in the fields of high-tech, agriculture,

digital economy and automobile manufacturing (Sina News, 2018). This shows that, under the current background of economic globalisation, intra-industry trade between China and Malaysia will continue to grow, and emerging industries may become a new hot spot for future intra-industry trade between the two sides.

3.3.2 China's Investment in Malaysia

China began investing in Malaysia more than 20 years ago. With the deepening of economic and trade relations between the two countries, China's investment activities in Malaysia have become more frequent, but still have room for growth compared to Singapore and other ASEAN countries. With the Belt and Road Initiative, China has become more active in foreign investment activities, but academic research on China's foreign direct investment (FDI) has attracted relatively little attention (Lim, G., 2015). The scale of Chinese investment in Malaysia is relatively small compared to that of Malaysian investment in China.

According to Chinese official statistics, by the end of 2001, there were 96 Chinese enterprises in Malaysia with a total agreed investment of US\$70.58 million, of which the agreed investment by the Chinese side was US\$34.7 million; at the end of June 2014, the accumulated non-financial direct investment by Chinese enterprises in Malaysia was US\$920 million (CAFTA, 2015). With the increasing investment cooperation between China and Malaysia, Chinese investment in Malaysia has shown an upward trend, especially in real estate, which has grown faster, with Chinese real estate enterprises' investment in Malaysia exceeding RMB 50 billion. During the decade 2008-2017, both investment flows and stocks in Malaysia have increased significantly, but compared to other ASEAN countries, the scale of investment cooperation between the two countries is in the middle of the range, which does not match the increasingly close economic and trade cooperation between the two countries and the good investment environment in

Malaysia. Malaysia reaching US\$211.62 million, followed by a sector-wide Chinese direct investment in Malaysia of US\$1.53 billion from January to November 2021. Of this, non-financial direct investment was US\$1.49 billion, up 64.5% year-on-year, ranking third in ASEAN(Yean,2018). Chinese investment in Malaysia has maintained a steady growth trend.

Malaysia is one of the key markets for China to carry out contracted engineering and labour cooperation. Currently, China's major investment projects in Malaysia are mainly concentrated in ports, railways and water conservancy projects. For example, Power Construction Corporation of China has been authorised by the Malaysian government to develop Melaka Gateway, which is mainly planned to promote local tourism, real estate and deep-water supply terminals; China Communications Construction Company Limited is constructing the East Coast Rail Link (ECRL) Project, which links the Malaysian capital Kuala Lumpur with the East Coast of Malaysia to strengthen inter-regional connectivity and can also serve the Malaysia-China Kuantan Industrial Park. Country Garden (a real estate enterprise in China) has invested US\$100 billion in the "Forest City" project in Malaysia's southernmost Iskandar Special Economic Zone (SEZ) which is a tax-free zone and has preferential corporate income tax. However, both the East Coast Rail Link and the Melaka Gateway project have been suspended by the Malaysian government since 2018 and construction has not resumed as yet (MIDA, 2020).

China's investment in Malaysia has maintained a high growth rate and the investment fields have become more diversified, covering new energy, power, petrochemicals, rail transportation, agriculture and fishery, finance and many other fields, in addition to contracting engineering and labour services cooperation. For example, Geely Group acquired a 49.9% stake in Malaysian domestic car brand Proton, Alibaba Group built its

first overseas e-WTP digital hub in Malaysia, etc. Energy, real estate and manufacturing are the key investment sectors for Chinese enterprises.

According to the Malaysian Investment Development Authority (MIDA), in 2019, the amount of investment approved by MIDA for Chinese enterprises in Malaysia's manufacturing sector was US\$3.74 billion. China was the number one source of foreign investment in Malaysia's manufacturing sector for four consecutive years from 2016 to 2019. Projects such as the "Two Countries, Twin Parks", CGN's acquisition of Malaysia's Edra Power, CRRC's ASEAN Manufacturing Centre, D & Y Textile (M) Sdn Bhd established by DAIYIN GROUP (China), Alliance Steel (M) Sdn. Bhd. and Shandong Hengyuan Petrochemical Company Limited's acquisition of Shell's Malaysian oil refinery are progressing well. In 2022, China and Malaysia signed a memorandum of understanding (MoU) on digital telecommunications cooperation.

3.3.3 Malaysia's investment in China

Malaysia's investment in China started in 1984, five or six years later than other ASEAN countries, mainly due to the restrictions imposed by its domestic policies. The situation was only gradually improved after the signing of the Agreement between the Government of the People's Republic of China and the Government of Malaysia Concerning the Reciprocal Encouragement and Protection of Investments in 1988. Geographically, both countries were mainly located in coastal areas such as Guangdong and Fujian, and initially invested in industries such as rubber, food, cosmetics, furniture, feed and machinery manufacturing, with small-scale projects and mostly processing industries.

Since 1992, with the expansion of China's reform and opening up, the Malaysian government has lifted the restrictions on Malaysian Chinese visiting China and encouraged businessmen to invest in China, which has led to a boom in investment in

China by the Malaysian business community, especially the Malaysian Chinese (Gomez, 2006). As we enter the 21st century, Malaysian investment in China is in a wider range of sectors, including processing industries, manufacturing, communications, real estate, energy, entertainment, services, department stores and finance. In addition, the scale of Malaysia's investment in China has been expanding. According to Chinese official statistics, in 2004 Malaysia had 352 investment projects in China, with a contract value of US\$1.3 billion and actual usage of US\$390 million; by the end of 2005 Malaysia had 3,611 investment projects in China, with a contract value of US\$9.73 billion and actual investment of US\$3.84 billion; in 2014, Malaysia's actual investment in China reached 6.72 billion USD, thus becoming China's second largest foreign investment source in ASEAN (NBS, 2016). In 2019, there were 508 Malaysian direct investment projects in China, a year-on-year increase of 11.9%. In 2020, Malaysia invested US\$78.1 million in China, increasing 11.4% year on year (*Maritime Silk Road Big Data Index*, n.d.).

At present, Malaysia's investment in China extends to energy, transportation, infrastructure, water supply, power stations, finance and insurance, real estate, accommodation and catering, wholesale and retail, culture, sports and entertainment, medicine, IT and related service industries, in addition to larger production enterprises, and the investment territory is also gradually expanded from coastal areas to inland areas. Some of the famous projects include Parkson shopping centers in China invested by Malaysia's Lion Group and the Shangri-La Hotel in China invested by Malaysia's Kuok Group.

3.4 Reasons for Good Results of China-Malaysia Economic and Trade Cooperation

With the increasing economic and trade cooperation between China and Malaysia, their cooperation has yielded good results, which are analysed as follows.

3.4.1 Analysis of the favourable conditions for China-Malaysia economic and trade cooperation

The Chinese and Malaysian governments attach importance to friendly neighbourly relations.

Records of China's interaction with Malaysia date back as far as the 2nd century BC and the emergence of feudal dynasties in the Malay Peninsula led to numerous trade exchanges with Chinese dynasties. In modern times, since the establishment of diplomatic relations between China and Malaysia, there has been frequent exchange of high-level visits between the two countries and both governments attached importance to friendly neighbourly relations. As mentioned in Chapter 2, many major cooperation projects have been decided personally by the top leaders of the Chinese and Malaysian governments who have met and implemented policies at all levels of government.

In recent years, there are still disputes between China and Malaysia over the territorial issues in the South China Sea. However, for such territorial issues, China and Malaysia have been able to handle them calmly without causing too much impact on their relations and economic and trade cooperation. The main reason for this is that China and Malaysia are able to establish a number of effective dialogue mechanisms, such as mutual support and cooperation in dealing with energy security, international crises and regional affairs (Zhang, 2016).

3.4.2 The large population size of ethnic Chinese in Malaya/Malaysia

The Chinese diaspora has played an important role in the economic and trade cooperation and political exchanges between China and Malaysia at various times. Nearly 25% of Malaysia's population is of Chinese descent, thus laying a good foundation for economic and trade cooperation between China and Malaysia. For

example, the willingness of Chinese enterprises to invest in Malaysia and the willingness of Chinese tourists to visit the country are very much related to the "Chinese complex". The political development of China and Malaysia, as mentioned in the previous section, also has a significant contribution from the Malaysian Chinese. The history of Chinese migration in Malaysia dates back to the Han Dynasty (202 BC-220 AD), with intensive commercial and cultural exchanges between China and the Malay Archipelago during the Tang and Song Dynasties (618-1279 AD), and there are clear records of Chinese settlers in the region during the Yuan Dynasty (1271 -1368 AD).

From the Opium War (1840-1842 AD) to 1957, the British colonialists brought in a total of about 9 million Chinese from the coastal provinces of China to Malaysia to work as labourers. Initially, the Chinese economic groups were mainly involved in low-level manufacturing and small retail businesses, but as their overall strength increased, they began to enter the financial sector, creating favourable conditions for cooperation between the two countries. After the founding of the People's Republic of China, a Malaysian trade delegation visited China and a series of trade contracts were signed under the coordination of official agencies, bringing valuable foreign trade orders to China when it was in difficult times. And most of the Malaysian entrepreneurs who came to invest in China were of Chinese origin. In addition, Malaysia has the highest level of Chinese language education among the Southeast Asian countries, which also enhances the unparalleled conditions for economic and trade cooperation between China and Malaysia. The Chinese community relies on their wisdom and hard work to develop and grow their businesses, and return to China to invest or start their own businesses with the intention of "finding their roots". The struggle and perseverance of the Malaysian Chinese enabled them to integrate into the local Malaysian society, earned them a good living space and built an impregnable bridge between Malaysia and China.

The growing Chinese diaspora in Malaysia throughout history has made an indelible contribution to the political, economic and cultural exchanges between Malaysia and China (Shi, 2016).

In the 21st century, under the joint efforts of the leaders of the two countries, China-Malaysia relations have reached unprecedented heights. Since 2008, MCA has been actively developing its relationship with the Chinese government and civil society, and has achieved certain results. Since the Chinese government proposed the "Belt and Road Initiative", MCA has been actively responding to this call and promoting it in Malaysia. Malaysia has become a pivot country for China's promotion of the "Belt and Road" initiative and regional diplomacy (Li, 2019).

3.5 The Potential of China-Malaysia economic and trade cooperation

For economic and trade cooperation, China and Malaysia have their own characteristics in terms of industrial structure, resource composition and trade commodities, which are highly complementary. For example, Malaysia has a relatively strong advantage in resource products such as rubber, palm oil, petroleum and natural gas, while China has a stronger advantage in products such as garments, textiles, shoes, grains, food, electromechanical, construction materials and chemical products. In addition, the complementarity between China and Malaysia in terms of labour force is also very obvious (Edmund Terence Gomez et al., 2020). At present, Malaysia's per capita income has exceeded US\$10,000, and it belongs to the developed economies in ASEAN, with sound laws, perfect infrastructure and good investment environment, while China's rapid economic development provides a huge market for Malaysia. This shows that the conditions for China-Malaysia economic and trade cooperation are good and the potential is huge (Song & Fabinyi, 2022).

3.5.1 Future of China-Malaysia Economic and Trade Cooperation

At present, the economic and trade cooperation between China and Malaysia has the advantages of timing, location and human resources. It is the common wish of the two governments and peoples to further deepen the economic and trade cooperation between the two countries, and the future opportunities are promising.

In October 2013, during Chinese President Xi Jinping's visit to Malaysia, the two countries signed a five-year programme for economic and trade co-operation, which covered areas such as energy and mining, agriculture, transport, industrial parks, manufacturing and infrastructure development, and also set a target of US\$160 billion in bilateral trade between China and Malaysia by the end of 2017. According to the programme, tourism, agriculture, logistics, infrastructure, information and communications technology, energy and mineral resources, small and medium enterprises, engineering and construction services, halal products and retail are new highlights of bilateral trade cooperation between China and Malaysia.

Deepening China-ASEAN connectivity through China and Malaysia."China-ASEAN Connectivity" was proposed in 2015 to establish the ASEAN Community. Such cooperation aims to build an economic corridor linking China, Laos, Cambodia, Thailand, Malaysia and Singapore, and to work together to promote the establishment of the Asian Infrastructure Investment Bank (AIIB). In addition, China encourages its enterprises to participate in the construction of a high-speed rail link between Kuala Lumpur and Singapore in Malaysia, and also hopes that Malaysian enterprises will actively participate in the construction of this project.

The 25th China-ASEAN Leaders' Meeting in 2022 mentioned the need to actively promote cooperation in infrastructure development, accelerate the implementation of the

China-ASEAN Joint Declaration on the "Belt and Road" Initiative and the "Master Plan on ASEAN Connectivity 2025", improve the level of connectivity between China and ASEAN, and provide a platform for cross-border cooperation. ASEAN connectivity is to facilitate cross-border travel, trade and "people-to-people exchanges" (The State Council, 2022).

3.5.2 China and Malaysia's "Twin Parks" Project

China and Malaysia have a solid foundation for building the "Belt and Road" together, and it is a common task for the two countries to make the "Twin Parks" bigger and stronger. In recent years, China and Malaysia have continued to optimise the cooperation structure of the "Two Countries, Twin Parks" and played the role of coordinating the "Two Countries, Twin Parks" Joint Cooperation Council, which has held three consecutive meetings. Each meeting is not only a meeting between the senior leaders of China and Malaysia, but also a new starting point for the development of the "Twin Parks" in China and Malaysia.

In addition, the "Two Countries, Twin Parks" model is an innovation and exploration of industrial integration between China and Malaysia in building the 21st Century Maritime Silk Road, which accelerated the pace of upgrading China-ASEAN cooperation in the "Diamond Decade". The China-Malaysia Qinzhou Industrial Park (CMQIP) and the Malaysia-China Kuantan Industrial Park (MCKIP) give full play to the "Two Countries, Twin Parks" model. The year 2019 coincided with the 45th anniversary of the establishment of diplomatic relations between China and Malaysia. The acceleration of the "Belt and Road" construction, the new consensus reached between the leaders of China and Malaysia, and the new opportunities for the development of the "Twin Parks" had all given special significance to the fourth meeting of the China-Malaysia Joint Cooperation Council. In April 2019, Chinese

President Xi Jinping and Malaysian Prime Minister Mahathir put forward new positioning and new requirements for the construction and development of the "Twin Parks", which were guidelines for building the CMQIP and the MCKIP into landmark projects of "Belt and Road" Initiative (Wen, 2022).

3.5.3 New economic and trade cooperation between China and Malaysia under the Maritime Silk Road

In 2013, Chinese President Xi Jinping proposed the strategic concept of "21st Century Maritime Silk Road" when he visited ASEAN countries. This strategy also brings new opportunities for the economic and trade cooperation between China and Malaysia. Malacca was an important port on the ancient Maritime Silk Road, and the port's high status was evident from the fact that Zheng He, a famous Chinese mariner, stayed in Malacca five times during his ten trips to the West during the Ming Dynasty (1368-1644 AD).

On 12 December 2019, the Department of Commerce of Fujian Province and the Consulate General of Malaysia in Guangzhou jointly organised a China (Fujian)-Malaysia Economic and Trade Cooperation Promotion Conference at the Fuzhou Straits International Convention and Exhibition Centre. At the meeting, Wu Nanxiang, Director of the Department of Commerce of Fujian Province, said that Fujian was currently pushing forward high-quality development and continue to accelerate industrial transformation and upgrading; Malaysia was an important country along the "21st Century Maritime Silk Road" and was one of the first countries to respond to the "Belt and Road" initiative; it had a favorable business environment, a wide market, a well-developed manufacturing and service industry, and strong complementarities with Fujian in the economic and trade fields. Wu hoped that Fujian-Malaysia entrepreneurs would make good use of this Business Expo and promotion meeting to explore business

opportunities and establish business ties with each other under the framework of the "Belt and Road" cooperation (Fujian International Investment Promotion Center, 2019).

3.5.4 Sino-Malaysian cooperation in the regional economy

At present, regional economic integration in the Asia-Pacific region is forming a new situation in which the TPP, promoted by the US, and the RCEP, promoted by ASEAN, are progressing side by side, with some members of the RCEP overlapping with the Trans-Pacific Strategic Economic Partnership Agreement (TPP), including Malaysia. It is familiar with the TPP negotiations and also understands the trade rules of China and ASEAN countries, thus can play a unique role in the rule-making of the RCEP (Jose & Samudra, 2022). China and Malaysia should actively cooperate in the RCEP rule-making and negotiations for a win-win situation.

On 9 January 2022, a launch ceremony for the Blue Book of Malaysia: Annual Report on Development of Malaysia (2021) was held in Beijing, jointly hosted by the Academy of Regional and Global Governance, the School of Asian Studies and the Centre for China-Malay Studies at Beijing Foreign Studies University (BFSU), the Research Center for ASEAN Countries at Peking University (PKU) and the Social Sciences Academic Press (SSAP). The Report states that Malaysia attaches great importance to the Regional Comprehensive Economic Partnership Agreement (RCEP) and expects it to play a significant role in economic recovery.

According to the Report, the sudden outbreak of the COVID-19 pandemic in early 2020 has had different degrees of impact on China's and Malaysia's economy and society, but cooperation between the two sides has not diminished, but rather is deepening. China-Malaysia cooperation has both opportunities and challenges - in terms of opportunities, China and Malaysia will likely create new opportunities in health,

digital economy, sustainable development and regional cooperation; in terms of challenges, both sides face the triple challenges of political turmoil in Malaysia, economic impact from the epidemic and geopolitical impact (Su & Zhai, 2021). On 18 March 2022, the Regional Comprehensive Economic Partnership (RCEP) agreement came into force for Malaysia, further facilitating trade and investment between Malaysia and China.

3.6 Conclusion

The concept of the Maritime Silk Road has a long history, but with the development of the world economy, China, in the light of the new situation of maritime trade, has put forward a new initiative for regional cooperation between countries - the Belt and Road. As mentioned in this chapter, the Maritime Silk Road was proposed by President Xi Jinping of China in 2013 as a strategic initiative based on historical facts and in the context of today's times, which has a positive effect on economic and cultural communication in the region and the world. It is also a bridge for further communication and exchange of economic, political as well as maritime trade between China and the east coast of Malaysia (Tat et al., 2018). "The goal of the Maritime Silk Road initiative and the original intention of its creation is to benefit the countries involved in the initiative and to benefit the world. "The Maritime Silk Road Initiative has had a positive impact on Malaysia. It has upgraded the seaport infrastructure in the East Coast Economic Zone (ECEZ) of Malaysia and increased the volume of trade in the Malaysian seaports (Jeevan et al., 2021). It is not only that, but the Maritime Silk Road promotes more employment for the locals and urbanisation in the ECEZ as well as in the Beibu Gulf Economic Zone.

At present, trade cooperation between China and Malaysia is mainly carried out under the framework of the China-ASEAN Free Trade Area (FTA). With the rising

bilateral trade volume between the two countries, the areas of future cooperation will still mainly focus on electromechanical products, minerals and chemical products, with the level of cooperation being improved. If subdivided, products with a high level of intra-industry trade, such as plastics and their products, electrical and audio equipment and their components, miscellaneous chemical products, nuclear reactors, boilers, optical and medical equipment, machinery and their components, and plastics and their products, still have very broad prospects for cooperation and development, relying on the industrial chain of import of primary products, processing and export of processed products to meet the import and export needs of both countries in the above-mentioned industries.

The import/export chain of primary products, processing and export of processed products is used to meet the import/export needs of the two countries in these industries, and to promote the rationalization of the division of labour and the movement of labour, capital and technology. The industries of fossil fuels and their products, vehicles and their spare parts have a certain basis for cooperation, but due to the differences in the status of the two countries in the international division of labour and in the development of industrial sectors, technological exchanges and cooperation in production capacity should be strengthened in an effort to raise the level of cooperation between the two countries in these industries.

Industries such as iron and steel, rubber and its products, animal and vegetable oils and fats, and refined edible oils and fats are mainly constrained by differences in resource endowments, and should actively stabilise market prices and the transport environment, and closely combine resource production capacity with economic benefits. At the same time, China and Malaysia are actively participating in the Regional Comprehensive Economic Partnership (RCEP) agreement, furthering efforts to promote

the early completion and improvement of a new regional cooperation framework, laying a more solid foundation for China and Malaysia to continue to promote trade cooperation, and providing the necessary trade conditions for in-depth cooperation between the Beibu Gulf Economic Zone of China and the East Coast Economic Region (ECER) of Malaysia.

Universiti Malaya

CHAPTER 4: THE COOPERATION BETWEEN THE BEIBU GULF ECONOMIC ZONE OF GUANGXI AND THE EAST COAST ECONOMIC REGION OF MALAYSIA IN ENHANCING MARITIME CONNECTIVITY

4.1 Introduction

Regional economic integration and coordinated development have become an important feature of regional economic development in the world today. National economic strength is more and more reflected in the competitiveness of regional economy, and regional economic integration groups and metropolitan agglomerations play an increasingly important role in the world and national economic development (Jiang, 2009). China has a vast territory and Malaysia has rich marine resources. Both these two countries have very long coastlines with natural geographic advantages in terms of maritime trade areas. Peninsular Malaysia and the East Malaysian states of Sabah and Sarawak have a coastline of 4,675km, which is rich in natural resources such as oil, gas reserves, marine resources and biodiversity species (Idris, 2021). China's coastline is 18,400km long, with 40% of the country's GDP and population concentrated along the eastern coast. It is also rich in marine natural resources.

The regional economic development imbalance between the two countries has become increasingly prominent, and the sub-regional economic development is far from sufficient. With the proposal of a coordinated regional economic development strategy, China and ASEAN have gradually established economic zones according to regional characteristics, scientifically mastered and applied representative theories of regional economic integration and coordinated development, combined with their own national conditions and practical experience, and actively participated in international and domestic regional development (Ren, 2009).

The development of economic integration can improve the economic strength and international competitiveness of the two countries. The establishment of economic zones of the two countries is of reference significance for the realization of regional economic division of labor, cooperation and joint development (Schiff & Winters, 2002). Especially since the "Belt and Road" initiative was put forward in 2013, with the further promotion of trade along the Silk Road, various regions and cities in the world have formed mutual connection, division of labour and coordination according to the development vision and plan of the "Belt and Road" cooperation framework. Such as China-Singapore Suzhou Industrial Park, China (Hekou) – Vietnam (Lao Cai) Cross-border Economic Cooperation Zone and so on. China and Malaysia are also seeking new cooperation opportunities in regional cooperation.

4.2 Overview of Guangxi Beibu Gulf Economic Zone

Guangxi Beibu Gulf Economic Zone is located at the southwestern coast of China and the northwest of the South China Sea. It is composed of six cities, which are Nanning, Beihai, Qinzhou, Fangchenggang, Yulin and Chongzuo. The land area is 42,500 square kilometers, and the total population at the end of 2020 is 13 million [excluding Yulin, Chongzuo]. Among them, Nanning, Beihai, Fangchenggang, and Qinzhou are the core cities of the economic zone, and Yulin and Chongzuo are the cooperative cities. Chongzuo borders Vietnam and has the national first-class land port Pingxiang, which has the advantage of a land border; Yulin, close to Beihai, has a good foundation for agricultural development, and has an agricultural cooperation demonstration area (Yang, 2017). In general, the Beibu Gulf region has a superior geographical location, rich rain and heat resources, and good development conditions, which can promote the development of Guangxi Zhuang Autonomous Region and the development of maritime trade in Southwest China as well.



Figure 4.1 Map of Beibu Gulf Economic Zone

Source: China-Malaysia Qinzhou Industrial Park Introduction. (n.d.).

The construction of the Beibu Gulf Economic Zone has gone through a long period. On January 1, 2006, the Fourth Session of the Tenth People's Congress of Guangxi Zhuang Autonomous Region passed the Guangxi National Economic and Social Development Eleventh Five-Year Plan Outline, which accelerated the development of the Beibu Gulf Economic Zone and incorporated it into the provincial development focus, marking a substantial step in the construction of the Beibu Gulf Economic Zone. In March 2006, the Beibu Gulf Economic Zone Planning and Construction Management Committee was established, marking the official launch of the Beibu Gulf Economic Zone, and the development of marine trade in coastal areas of Guangxi has entered a

new historical stage. In July 2006, Guangxi held the first Pan-Beibu Gulf Economic Cooperation Forum, and put forward the concept of Pan-Beibu Gulf Economic zone and the construction of "one axis and two wings" (two wings refer to Beibu Gulf Economic Zone and the Greater Mekong Subregion). On January 16, 2008, the State Council approved the implementation of the Guangxi Beibu Gulf Economic Zone Development Plan. The functions of Guangxi Beibu Gulf Economic Zone include serving "three south" (southwest, south and central south), communicating with east, middle and west China, facing Southeast Asia.

It should play its role as an important channel connecting multiple regions, an exchange bridge and a cooperation platform, promote development through open cooperation, and strive to build a logistics base, business base, processing and manufacturing base and information exchange center for China-ASEAN cooperation. It should become a leading and strategic highland supporting the development of the western region and an important international regional economic cooperation zone with a high degree of openness, strong radiation, economic prosperity, social harmony, and good ecology. In 2014, to take advantage of its proximity to the Pearl River Delta, Guangxi actively promoted the concept of "Pearl River -West River Economic Belt" as a national strategy, and formally formed a "dual-core drive" strategy. "Dual-core" refers to the Beibu Gulf Economic Zone and the West River Economic Belt. Therefore, judging from its strategic position given by the Guangxi Zhuang Autonomous Region, the Beibu Gulf Economic Zone is endowed with important expectations, not only to achieve its own development, but also to link the development of surrounding areas.

In recent years, the Beibu Gulf Economic Zone is developing well, with rapid economic growth and continuous expansion of foreign trade. In 2006, when the Beibu Gulf region was established, the GDP was 141.809 billion yuan and it grew to 1069.41

billion yuan in 2020. In 2020, the loan balance of various financial institutions in Guangxi Beibu Gulf Economic Zone reached 409.26 billion yuan, an increase of 42% over the previous year, accounting for 55.6% of the loan balance of financial institutions in the region. In 2020, the GDP of Guangxi Beibu Gulf Economic Zone reached 1069.41 billion yuan as mentioned before, an increase of 3.1% over the previous year, accounting for 48.27% of the region's GDP (Guang Xi Statistical Yearbook, 2020).

The establishment of the Beibu Gulf Economic Zone has its important historical background. It is a manifestation of China's regional development and opening up strategies. It has important strategic significance for promoting the development of China's western regions and win-win cooperation between China and ASEAN.

4.2.1 Beibu Gulf Port Development

The construction of seaports in the Beibu Gulf region of Guangxi mainly began in the 1950s. Beihai Port and Fangchenggang were officially established in 1953 and 1968, respectively, and their port authority was established in 1966 and 1970, respectively. In the 1970s, Fangchenggang began to expand and gradually developed into a foreign trade port. In the 1980s, Fangchenggang was officially opened to foreign countries, and seven 10,000-ton deep-water berths were built within six years. Beihai Port also built 13 production berths in the same period, and was listed as an open coastal city in 1984. In the 1990s, Qinzhou Port, which had been used as a military port for a long time, was transformed into a public port and began large-scale construction. In 1997, Qinzhou Port was officially opened to foreign countries with the approval of the State Council of China.

In the 21st century, the construction of seaports in the Beibu Gulf region has begun to take shape, and port logistics services have gradually improved. The structure of

three major public ports, namely Beihai Port, Qinzhou Port, and Fangchenggang being main ports and the ports dedicated to enterprises being complementary ports has been formed, with such two kinds of ports complementing each other's advantages. Therefore, Beibu Gulf region is gradually becoming the main channel for foreign trade in southwest China. In March 2009, Guangxi integrated Beihai Port, Qinzhou Port and Fangchenggang, marking a new period of development for the ports in the Beibu Gulf region. Among such ports, Qinzhou Port was listed as a national key port, and has established a cooperative relationship with Malaysia's Kuantan Port.

Qinzhou Port, a state-level economic and technological development zone, is located in Qinzhou Bay in the Beibu Gulf on the southern coast of China. It is backed by the southwest China and faces Southeast Asia. Its geographical location is very advantageous. It was planned to be the second largest port in the southern China in Plan for National Reconstruction by Sun Yat-sen, the "Forerunner of the Revolution" in China, second only to Guangzhou Port. Qinzhou Port is a natural deepwater port on southwestern China (Chen, 2020). With wide waters, less wind and waves, less incoming sand, and stable beaches, it has favorable conditions for building deep-water berths. In recent years, Qinzhou Port has developed very rapidly. In May 2008, the State Council of China approved the establishment of the country's sixth coastal bonded port area - Qinzhou Bonded Port Area in Qinzhou Port, making Qinzhou Port the only bonded port area on the western coast of China. On December 7, 2009, the port was approved by the State Council as a vehicle import port and passed the national acceptance on November 1, 2011. As a result, Qinzhou Port has become China's fifth seaport that can import vehicles. On July 9, 2021, the Guangxi Beibu Gulf Port Qinzhou 300,000-ton oil terminal was officially opened to the public (Dong & Shen, 2022).

Table 4.1 Key Economic Indicators of Guangxi Beibu Gulf Economic Zone in 2021

Key Economic Indicators of Guangxi Beibu Gulf Economic Zone in 2021				
Region	Port throughput in Beibu Gulf			
	Total amount (million tons)	Ranking	Year-on-year growth (%)	Ranking
	Guangxi Beibu Port	35821.8		21.0
Beihai Port	4322.6	3	15.7	3
Qinzhou Port	14800.3	2	21.5	2
Fangcheng Port	16698.9	1	22.3	1
Containers	601.2		19.1	

Source: Yearbook of China's Foreign Trade and External Economic Cooperation, (2021).

4.2.2 The role of Qinzhou Port in Guangxi Beibu Gulf Economic Zone

The operation of Qinzhou Bonded Port Area is conducive to enhancing the competitiveness of Guangxi Beibu Gulf Economic Zone and improving Guangxi's competitiveness in the cooperation in the western region. As China's opening to ASEAN deepens, the positioning of Qinzhou Bonded Port Area is: domestically, serve the Southwest, Central South and South China, and strive to build a core platform for the opening and development of Guangxi Beibu Gulf Economic Zone; internationally, build the China-ASEAN Free Trade Zone, International Shipping Center, Logistics Center and Export Processing Base. The establishment of the Qinzhou Bonded Port Area could enhance the competitiveness of the economic zone in international regional cooperation, obtain the high ground in policies related to international regional cooperation, and enhance its strategic position in international and domestic cooperation; Therefore, it could make a difference in the western region.

The first step, Promoting the optimisation of the industrial structure of the Beibu Gulf Economic Zone, attracting industrial transfers and promoting industrial upgrading. The Beibu Gulf Economic Zone and operation of the Qinzhou Bonded Port Area will help develop key industries such as electronic information, agricultural product processing, and high-end clothing in the Qinzhou Bonded Port Area; it will help build regional industrial bases such as steel, petrochemicals, and machinery shipbuilding, and promote the implementation of large-scale project strategies, which is conducive to Guangxi to give full play to its resources and location advantages, expand multi-regional cooperation, and build the Beibu Gulf Economic Zone into a strategic highland for the development of the western region and an important international regional economic cooperation zone in my country.

Since the opening of Qinzhou Bonded Port Area, processing trade has been supported as a key industry. Since 2014, processing trade has made breakthrough progress, and trade projects such as cold chain logistics processing, food logistics processing, high-end furniture processing, and rubber processing have settled in; The investment amount is more than 1.5 billion yuan. The export-oriented enterprises in the east and south regard the cities around Guangxi as the priority destinations for industrial transfer. Judging from the processing trade industry projects introduced and under negotiation in the Qinzhou Bonded Port Area, the processing enterprises from the eastern region account for the vast majority. The mode of processing trade is also moving from extensive to deep processing and high-tech processing trade (Li, 2022).

The second, Promoting the integration with the China-ASEAN trade area and prospered the western economy. Qinzhou Bonded Port Area has played the role of a convenient channel for trade between China and ASEAN. In 2013, the trade volume between the bonded port area and ASEAN was 6.15 billion US dollars, an increase of 44%, accounting for 36.2% of Guangxi's total foreign trade. From January to August in 2014, the total import and export volume reached 1.809 billion US dollars. This bonded port area is a frontier of the southwestern sea passage, and most import and export volume in the southwest region is realized through it. Therefore, the Qinzhou Bonded Port Area creates an industrial base to prosper the economy in western China (Huang, 2015).

The pivotal role of the Beibu Gulf Economic Zone in the “Belt and Road” Initiative. Guangxi is an important part of China's "Belt and Road" Initiative. It is the frontier of opening up to ASEAN and the fulcrum for the opening and development of Southwest, Central and South China. It has been entrusted with important missions and responsibilities by the central government. First of all, Guangxi is a bridge that

promotes cooperation between Malaysia and Guangxi's neighboring regions, such as southwest and southern coastal regions in China. It can even be regarded as a fulcrum between China and ASEAN. By taking full advantage of the China-ASEAN Expo, Guangxi can strengthen friendly exchanges and promote marine trade and cooperation in various fields between China and ASEAN. Secondly, with Pan-Beibu Gulf Economic Zone as a platform for cooperation, Guangxi works together with neighbouring Hainan Province and the Leizhou Peninsula in Guangdong Province to strengthen the overall strength of the southern coastal region and jointly apply for support from the central government. Guangxi also seeks for mutually beneficial cooperation with ASEAN countries that cooperate with the Pan-Beibu Gulf Economic Zone in the "Belt and Road" construction projects.

Deepening the cooperation with ASEAN countries and broadening the cooperative fields are another important focus for the construction of the "Belt and Road"(Wong & Chan, 2003). To overcome the shortcomings of small scale and narrow scope in the current cooperation, strengthen cooperation with ASEAN countries in industry, service industry, social undertakings, etc., realize effective connection between the supply and the consumption, and promote the overall economy to grow bigger and stronger. Specifically, the Pan-Beibu Gulf Economic Zone can jointly build the Belt and Road Industrial Transfer Zone with Malaysia and other ASEAN countries, give full play to the advantages of resources of all parties, and build a platform for mutually beneficial cooperation (Liang, 2019).

4.3 Overview of the East Coast Economic Region in Malaysia

In 2007, the Malaysian government successively announced the establishment of three economic zones, and the East Coast Economic Region (ECER) is one of them. The East Coast Economic Region of Malaysia is also another important economic

development zone proposed by the Malaysian government after the Northern Corridor Economic Region (NCER) and the Iskandar Development Region. The region spans three states of Pahang, Terengganu, Kelantan and Mersing in Johor, covering an area of 66,736 square kilometers, 51% of the land area of the Malay Peninsula (West Malaysia).

The development projects in this area are mainly concentrated in the fields of public construction and tourism, among which infrastructure such as transportation accounts for 43%, tourism accounts for 15%, education accounts for 15%, manufacturing industry accounts for 9%, agriculture accounts for 4%, and others account for 14%. Among them, the tourism industry focuses on promoting home-stay projects and about 16 billion MYR will be invested in the next 12 years to promote 32 projects such as peninsula tourism, eco-tourism, urban and cultural traditional tourism, transnational tourism and island tourism (ECERDC, 2018).

The natural gas and petrochemical industries focus on the development of propylene oxide and ethylene products to promote the diversification of petrochemical products and downstream products. The manufacturing industry mainly develops ships, automobiles and other means of transportation, machinery, palm oil, handicrafts, halal food, etc., and establish industrial zones and free trade zones in the meanwhile. The agriculture focuses on the development of fishery, poultry, grain and related fields of processing industry services, and 18 research and cultivation centers and the first agricultural city in Malaysia will be built. For education, a Center of Excellence will be established to provide consulting, education, communication, technology and other services, and colleges and universities and Knowledge Park will be set up as well. The transportation industry actively strengthens the construction of transportation facilities, improves and expands roads and expressways, focuses on expanding three airports and three ports in the three states of ECER, and improves the service level. For other

infrastructure and buildings, flood control measures will be implemented to solve the water problem faced by people on the east coast. At the same time, more entertainment, commercial and residential industries will be built, and the more low-cost housing will be built by the government to meet the needs of consumers at different levels.



Figure 4.2: Kuantan Main Transportation

Source: (Kelantan - ECERDC, 2020)

The East Coast Economic Region has specially established the East Coast Economic Region Development Council (ECERDC), which initiates various influential projects and plans. However, due to the special population composition and insufficient development efforts, the economic development in ECER is relatively slow, lagging behind the average development level of Malaysia. To balance the economies of the east

and west coasts, reduce poverty, narrow regional disparities, increase employment opportunities, and promote simultaneous development, ECER increases private investment in the region, which can stimulate its socio-economic transformation. According to the government plan, the construction of the region will be completed within 12 years (2007-2020), with a total investment of MYR 112 billion. However, due to the COVID-19 pandemic and political reasons, the current development strategy falls into the ECER master plan 2.0 (2018-2025) stage.

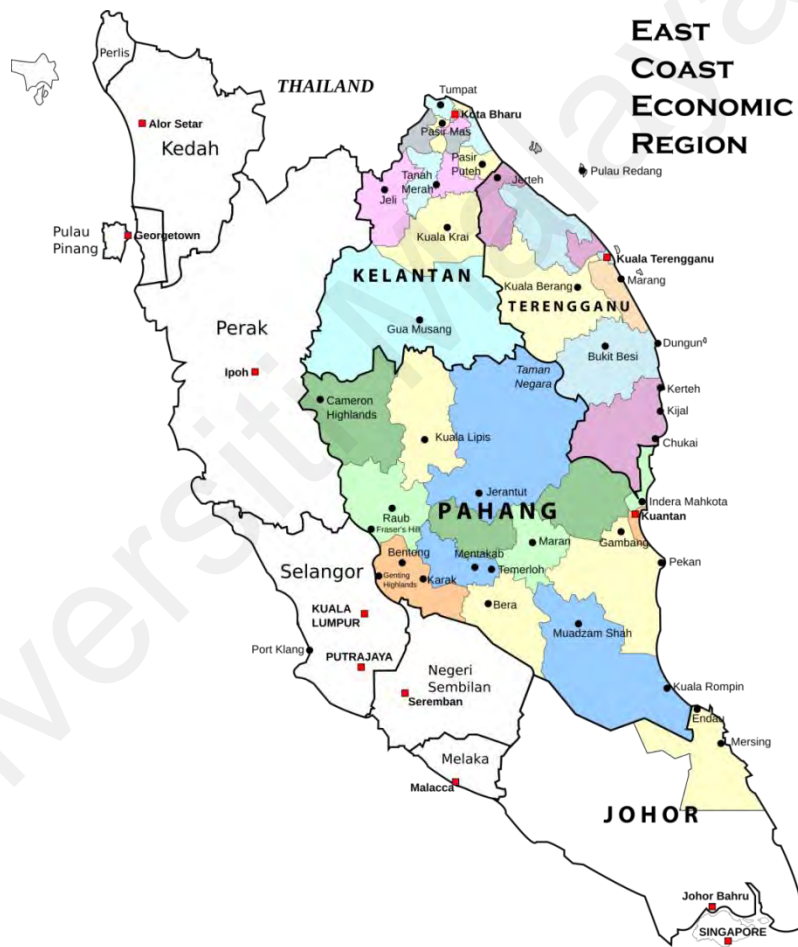


Figure 4.3: Picture of East Coast Economic Region

Source: (ECER,2022)

4.3.1 The Development of Kuantan Port

Located in Kuantan City, Pahang, Malaysia, Kuantan Port is the largest and most dynamic port on the east coast of Malaysia. It is divided into inner and outer ports, with a water depth of 13-14 meters, and each has a 1.6-kilometer-long breakwater. At present, the main export is palm oil and timber. Behind the port, there are Gebeng Industrial Area and Sunmam Industrial Area, with factories specializing in palm oil refining, cement, paint, steel, heavy machinery, glass, electronics, and sawmills. The interior part of the port includes the eastern half of Pahang State and Terengganu State, as well as two national reclamation areas of 14,000 square kilometers, with trunk roads leading to the capital Kuala Lumpur and Johor Bahru. The port has an advantageous location. The route from this port to the port in China is the shortest route between Malaysia and China. If by plane, it only takes 45 minutes from Kuala Lumpur to the port, and if drive via the Kuala Lumpur-Karak Highway (KLK), it takes three hours. Kuantan Port is a privatized port previously operated by the Kuantan Port Authority and is currently operated by Kuantan Port Consortium Sdn. Bhd. (KPC).

In October 2013, Beibu Gulf International Port Group signed an acquisition agreement which acquired 40% shares of Kuantan Port. After the acquisition was completed in 2015, Kuantan Port became the first overseas port that Beibu Gulf International Port Group was a shareholder. Now Kuantan Port is jointly owned by IJM Group and Beibu Gulf Holdings (Hong Kong) Co., Ltd. After Beibu Gulf International Port Group became a shareholder, cooperation, exchanges and business contacts between Kuantan Port and China have become increasingly close (*Kuantan Port | Connect to Opportunities*, 2022). Beibu Gulf International Port Group has also opened a direct shipping route from Beibu Gulf Port to Kuantan Port, which greatly shortens the

transportation time and provides a strong guarantee for logistics for projects in Malaysia-China Kuantan Industrial Park (MCKIP).

With the rapid development of the East Coast Economic Region, in order to meet the growing demand for freight, Kuantan Port has begun to build new deep-water berths. Up to now, Kuantan Port has 11 multi-purpose berths. The maximum frontal water depth of the wharf reaches 11.2 meters. The maximum length of ships entering the port can reach 229 meters, and it can reliably berth 45,000-ton ships. After the new deep-water berth is put into operation, the total handling capacity of Kuantan Port will double to 52 million tons (*Kuantan Port | Connect to Opportunities*, 2022). By then, Kuantan Port is expected to become a major shipping gateway connecting the Asia-Pacific and China. The new deepwater berth will be constructed in two phases, with Phase 1A completed in the third quarter of 2018 and Phase 1B completed in the second quarter of 2019. Currently, the 4.63km breakwater funded by the East Coast Economic Region Development Council (ECERDC) has been completed.



- | | | | | | |
|---------------------------|--|---------------------------------|-------------------------------|----------------------------|-----------------------------|
| 1. Wisma KPC | 7. Container Yard | 13. PK Fertilizers | 19. Petron Fuel International | 25. Shell Malaysia Trading | 31. Felda (FVOP) |
| 2. Kuantan Port Authority | 8. Bredero Shaw | 14. YAL Resources Holdings | 20. BASF Services | 26. Asta Chemicals | 32. FFG Oleochemicals |
| 3. FRM | 9. FGV Green Energy | 15. Enten Oil & Fat Specialties | 21. CSA Chemicals | 27. Petronas Dagangan | 33. Kuantan Bulking Sdn Bhd |
| 4. KP Depot Services | 10. FGV Biotechnologies | 16. Kaneka | 22. UPC Chemicals | 28. Felda Bulkers (KB) | |
| 5. CFS | 11. Wilmar Kuantan Edible Oils Sdn Bhd | 17. RP Chemicals | 23. Union Harvest | 29. Kuantan Flour Mill | |
| 6. Container Yard | 12. Bredero Shaw | 18. MTBE Malaysia | 24. Petron Fuel International | 30. Felda Bulkers | |

Figure 4.4: Picture of Malaysia-China Kuantan Industrial Park (MCKIP)

Source: (Kelantan - ECERDC, 2020)

4.3.2 The Role of Kuantan Port in the East Coast Economic Region of Malaysia

Promote the development of Malaysia's East Coast Economic Region. Kuantan Port is an important port on the 21st Century Maritime Silk Road. It is the largest port on the east coast of Malaysia. It is adjacent to the Malaysia-China Kuantan Industrial Park. It is also the first port in which China's Beibu Gulf International Port Group has invested overseas. In order to speed up the development of its eastern coastal areas, the Malaysian government has listed Kuantan Port as one of the key ports for development. At the same time, in order to cooperate with the construction of the Malaysia-China Kuantan Industrial Park, the government plans to build Kuantan Port into a regional hub on the east coast of Malaysia.

After decades of development, Kuantan Port has become a major petrochemical, bulk and container distribution center on the east coast of Malaysia. According to the official information of Kuantan Port, after all the new deep-water berths are put into operation, the handling capacity of the entire port will double to 52 million tons (Tham, 2019). At that time, Kuantan Port will most likely become the gateway seaport connecting China and ASEAN. In addition, as Malaysia's closest seaport to China, Kuantan Port has now opened a direct shipping route to China. The goods on the east coast of Malaysia no longer need to be transshipped to mainland China through Singapore or Hong Kong, which greatly shortens the shipping time. For example, after China's Beibu Gulf International Port Group became a shareholder of Kuantan Port in 2015, the cooperation, exchanges and business contacts between Kuantan Port and

China have become increasingly close. It can be seen that Kuantan Port will inject new development momentum into the East Coast Economic Region of Malaysia.

Become the core of the development of the East Coast Economic Region in Malaysia. Relying on the Kuantan Port and its advantageous location, Malaysia-China Kuantan Industrial Park takes advantage of Malaysia's rich resources, complete supporting facilities, convenient transportation network and superior natural environment to vigorously develop port logistics and port-vicinity industries, and strive to build itself into an international hub, an open eastern gateway, a high-level modern manufacturing cluster and a logistics base for Malaysia.

It also strives to build itself into a new platform for China-Malaysia economic and trade cooperation, a new highland for investment and entrepreneurship in the Asia-Pacific region, and a demonstration zone for China-ASEAN regional economic cooperation. At present, the Malaysia-China Kuantan Industrial Park has developed about 8 square kilometers of land, with a total investment of 1.3 billion yuan, a total of 10 contracted projects, and an agreed investment of 24 billion yuan, including two projects that have been put into operation, two projects that are under construction, and 5 launched projects. A total of about 12 billion yuan of industrial investment has been completed, which has driven the throughput of Kuantan Port to 18 million tons (Chen, 2017). In 2014, Guangxi Beibu Gulf International Port Group and Guangxi Shenglong Metallurgical Co., Ltd. established a joint venture Alliance Steel (M) Sdn. Bhd., which was the largest investor in the Malaysia-China Kuantan Industrial Park. In 2020, the operation of Kuantan Port remained stable, with a total throughput of 27.16 million tons, a year-on-year increase of 4.33%. The production and operation of the new deep-water port is improved, with the average unloading efficiency of iron ore and coal increasing by 19.34% and 40% year on year. As the first project- Alliance Steel (M) Sdn. Bhd.- in

the MCKIP reached design capacity, Kuantan Port transformed from a port that mainly exported ore to a port developed under the "port-industry-park" joint development model, and achieved all-win results and formed interactive development pattern among the port, industries and the park. It can be seen that Kuantan Port is expected to become the development core of the Malaysia's East Coast Economic Region (Pang, 2022).

4.4 Status Quo of Marine Trade Cooperation Between the Beibu Gulf Economic Zone and the East Coast Economic Region

The Beibu Gulf Economic Zone and the East Coast Economic Zone are established based on the needs of regional development and from the perspectives of national politics, economy, and culture. Through further expansion of opening up, the two countries will build a new global production value chain to further promote the economy between the two regions. The "Maritime Silk Road" initiative has greatly enhanced the diplomatic, political and economic ties between China and Malaysia, and also greatly promoted the maritime trade cooperation between the two sides. In the context of slowing global economic growth, China relies on its geographical advantages to actively promote industrial cooperation between China and Malaysia, and is committed to building a new regional cooperation model with the East Coast Economic Region of Malaysia (Leng, 2014).

4.4.1 Status of economic cooperation between East Coast Economic Region and Beibu Gulf Economic Zone

In 2013, with the proposal of the "Maritime Silk Road" construction, China's direct investment in Malaysia increased significantly compared to 2012, and China became Malaysia's largest source of foreign investment in manufacturing for three consecutive years. On April 1, 2012, the Chinese government and the Malaysian government jointly launched the China-Malaysia Qinzhou Industrial Park (CMQIP),

which is a breakthrough attempt in the field of bilateral economic and trade cooperation between the Chinese government and the Malaysian government. This is the third industrial park jointly established by China and a foreign government after the Suzhou Industrial Park (with the Singapore government) and Sino-Singapore Tianjin Eco-city. CMQIP is located in Qinzhou City in the Guangxi Beibu Gulf Economic Zone. It is expected to have a planned area of 55 square kilometers and a planned population of 500,000. At present, the phase I covers 15 square kilometers, of which 7.87 square kilometers of start-up area has been completed China-Malaysia Qinzhou Industrial Park.

CMQIP is divided into four functional areas: industrial area, technology research and development area, supporting service area, and living and residential area. When selecting industrial projects to be introduced in the park, priority is given to the following six industries: equipment manufacturing, electronic information, food processing, materials and new materials, biotechnology and modern service industries. At present, the phase I of the CMQIP has been completed, and the first batch of industrial projects such as grain and oil processing, biomedicine, and halal food have entered the park.

The China-Malaysia Qinzhou Industrial Park serves as a new international land-sea trade channel and closely revolves around its strategic positioning of "a flagship project for investment cooperation between China and Malaysia and a demonstration zone for China-ASEAN cooperation" proposed by China's President Xi Jinping. The goal is to build a bridgehead and a pilot zone for China-ASEAN cooperation and innovation, and create an important fulcrum for the integrated development of the Guangxi Beibu Gulf. CMQIP works together with Malaysian partners to attract investment and projects, and promote reform and innovation. After several years of hard work, the 7.87-square-kilometer start-up area of the park has been completed, which allows "immediate arrival

and immediate entry" for industrial and urban projects. By the end of 2015, the park's "three-year foundation" goal was basically achieved. In 2016, it entered a new stage of "achieving results in five years" (China-Malaysia Qinzhou Industrial Park Introduction, n.d.).

On February 5, 2013, the Malaysia-China Kuantan Industrial Park (MCKIP) was officially put into operation. It is the first industrial park jointly developed by China and Malaysia in Malaysia, and is also the first national-level industrial park established in Malaysia since its independence. MCKIP is strategically located in the East Coast Economic Region in Kuantan, the capital of Pahang. It is about 260 kilometers away from Kuala Lumpur, the capital of Malaysia, 40 kilometers away from Kuantan Airport, and 25 kilometers away from the downtown, adjacent to the Kuantan Port, and facing the South China Sea. Shipping from the Kuantan Port to the Qinzhou Port only takes three days. MCKIP is the gateway to the ASEAN market and the Asia-Pacific market with great potential for economic and trade cooperation.

It has a planned area of 12 square kilometers, which will be constructed in phases. Phase I covers an area of about 6.07 square kilometers, and phase II covers an area of about 5.93 square kilometers. The Park has industrial areas, logistics areas, and supporting areas (residential areas, comprehensive service centers). It aims to build a demonstration zone for cross-border international production capacity cooperation and drive the industrial cluster development of the two countries. Combining local resources and industrial development, it is based on China-ASEAN and faces the Asia-Pacific region to create characteristic industries. The Park focuses on the development of iron and steel and non-ferrous metals, machinery and equipment manufacturing, clean energy and renewable energy, processing trade and logistics, electrical and electronic

information industry, and scientific and technological research and development industries.

The trade radiation effect of the Kuantan Port will become an important factor in promoting the development of Malaysia-China Kuantan Industrial Park, and it will also provide an opportunity for enterprises investing in the Kuantan Port and Malaysia-China Kuantan Industrial Park to expand their business scale and regions. China-Malaysia Qinzhou Industrial Park and Malaysia-China Kuantan Industrial Park together constitute the "two countries, twin parks" model of China-Malaysia economic and trade cooperation, and are flagship projects and demonstration zones for China-Malaysia cooperation. The "two countries, twin parks" model can promote trade and investment exchanges as well as the industrial clusters development between China and Malaysia.

The Malaysia-China Kuantan Industrial Park and the China-Malaysia Qinzhou Industrial Park are the world's first "sister parks", creating a new model for international cooperation.



Figure 4.5 The Map of Qinzhou Port and Kuantan Port

**Source:Malaysia-China Kuantan Industrial Park Introduction.
(n.d.).**

4.4.2 Investment

As of December 2016, projects such as Alliance Steel (M) Sdn. Bhd. invested by Guangxi Beibu Gulf Iron and Steel Investment Co., Ltd. and Guangxi Shenglong Metallurgical Co., Ltd., and Guangxi Zhongli Ceramics Co., Ltd. had entered the Malaysia-China Kuantan Industrial Park with a total investment exceeding 20 billion yuan. In September 2020, the infrastructure of phase I covering 6 square kilometers in the Malaysia-China Kuantan Industrial Park was completed, and more than 10 projects have been signed and entered the park, with a total investment of about 42 billion yuan. Alliance Steel (M) Sdn. Bhd. with an investment of US\$1.4 billion started production in 2018.

By the end of 2018, the total area of land requisition and relocation in the China-Malaysia Qinzhou Industrial Park reached 22 square kilometers, and the project layout exceeded 15 square kilometers. By the end of 2021, the total investment in the park exceeded 190 billion yuan. The number of registered enterprises in the park has reached 380, and nearly 150 industry-city projects have been introduced. More than 10 high-tech projects involving medicine, new energy, optoelectronics, 3D printing and biotechnology have been put into production one after another. In addition, many well-known Guangxi enterprises, including Guangxi Investment Group and Guilin International Cable Group, have also expressed their intention to enter the park. These projects are expected to directly create a large number of local jobs, and indirectly drive the development of upstream and downstream industries, form industrial clusters, and boost local economic development.

4.4.3 Cultural aspects

In recent years, the Beibu Gulf Economic Zone of China and the East Coast Economic Region of Malaysia have had closer and more frequent cultural and educational exchanges. The year 2016 was the China-ASEAN Year of Educational Exchange. China and Malaysia took this opportunity to hold the "Overseas Study& Investment in Malaysia Forum and 'Belt and Road' Scholarship Promotion Conference" in Nanning, Guangxi. The "Belt and Road" scholarship totaled 2 million yuan, opening up a new channel for further in-depth cultural and educational exchanges and cooperation between Guangxi and Malaysia (He, 2022). In April 2021, Universiti Malaysia Pahang (UMP) and Beijing Jiaotong University signed a Cooperative Education Agreement for Double Degrees in Railway Engineering to jointly train railway engineering talents for Malaysia (Xin Hua News, 2021). On May 4, 2022, Chinese and Malaysian youths gathered in the China-Malaysia Friendship Garden to launch the Malaysia-China Diplomatic Establishment Month event. At the event site, young people from China and Malaysia shared their experiences of studying abroad and hoped for a better future.

At the 17th China-ASEAN Cultural Forum held in Beihai, Guangxi on June 2, 2022, Dato' Sri Nancy Shukri, the Minister of Tourism, Arts and Culture of Malaysia, expressed that he believed that through cultural forums and other activities, Malaysia and China would continue to learn from each other, exchange experience and expertise in the "revitalization" of cultural relics and the development of cultural and creative industries, and enhance the relationship between the two countries.

4.4.4 Cruise Tourism

More and more local residents in the Beibu Gulf region regard Malaysia as one of their travel destinations abroad. In February 2015, the Beibu Gulf Star cruise ship of

Guangxi Beibu Gulf Cruise Company set sail for the first time. The cruise ship set sail from Guangxi Beihai Port, passing through Da Nang and Nha Trang in Vietnam, Genting and Redang Island in Malaysia, and other Southeast Asian ancient towns and famous tourist attractions, and finally arrived at the Kuantan Port, opening a new route on the Maritime Silk Road for Guangxi's tourism industry (Setting Sail on the Maritime Silk Road, 2015). In 2022, with the advent of the post-COVID-19 era, flights to Malaysia had gradually resumed, and the density of flights to Malaysia is increasing. The recovery of the tourism industry is just around the corner.

4.5 Significance of cooperation between the two economic zones in enhancing maritime connectivity

4.5.1 Create an all-round interconnection pattern

Interconnection is a road under one's feet. Whether it is a road, a railway, an air route or a "network", wherever the road leads, openness and cooperation will be there. The Chinese government has endowed Guangxi with "three functions": build an international channel facing ASEAN, create a new strategic fulcrum for the opening and development of the Southwest, Central and South China, and form an important gateway for the organic connection of the "Belt and Road". As an important port connecting the "Belt and Road", Qinzhou Port is obliged to turn the great vision into reality.

Qinzhou Port has been listed as a key port in China, and its infrastructure has been gradually improved. Kuantan Port is an important port on the 21st Century Maritime Silk Road and the only port on the east coast of Malaysia that can handle containerized cargo. The Malaysian government plans to build it into a regional hub port on the east coast to accelerate the development of the eastern coastal area. Although the "sister ports" are separated by a vast area of waters, they can work together hand in hand. Ports

like Qinzhou Port and Kuantan Port can provide guarantee for the development of the industry, and the industry can also empower the port to improve its comprehensive competitiveness. On the one hand, enterprises entering CMQIP and MCKIP can increase the throughput and revenue of Qinzhou Port and Kuantan Port, respectively; on the other hand, the port's convenient transportation and logistics can attract more investment for the two parks, thus extending the industrial chain.

Qinzhou Port and Kuantan Port are located at both ends of the South China Sea, adjacent to the China-Malaysia Qinzhou Industrial Park and the Malaysia-China Kuantan Industrial Park respectively, with unique geographical locations. Since the launch of the "Two Countries, Twin Parks", relying on the advantages of ports, locations, and industries, China and Malaysia have jointly explored the establishment of a "port-industry-park" cooperative development model to bring about a strong, sustainable, and steady growth. Before they were called "sister ports" officially, Qinzhou Port and Kuantan Port have agreed to cooperate in various fields such as shipping routes, logistics, information, and talents to promote the interaction of "two countries, twin parks". As the Alliance Steel (M) Sdn. Bhd., the first project in the Malaysia-China Kuantan Industrial Park, goes into operation, the Kuantan Port has transformed from a port that mainly exported ore to a port developed under the "port-industry-park" joint development model. And the Qinzhou Port, focusing on the "three-area coordination" of China-Malaysia Qinzhou Industrial Park, Qinzhou Bonded Port Area, and Qinzhou Port Economic and Technological Development Zone, has attracted more capital, technology, and talents.

4.5.2 Community of interests achieves 1+1>2

Walking into the Dalanping Wharf of Qinzhou Port, one can see a busy but orderly scene with busy trucks, working heavy cranes, and orderly cargo dispatching. As a

natural deep-water port in southern China, Qinzhou Port is speeding up its construction as a container trunk port for the Western New Land-Sea Corridor. And Kuantan has also put the upgrading of the Kuantan Port on an important agenda, making it a gateway seaport connecting China and ASEAN as well as a free trade port.

After careful consideration, there are many potential complementary advantages between the Qinzhou Port and the Kuantan Port. Liu Bingtao, Director of Qinzhou Branch of Guangxi Beibu Gulf Port Administration Bureau, said: "Both Qinzhou Port and Kuantan Port are supported by industrial parks and industries, and have strong growth capabilities. In addition, Guangxi Beibu Gulf Port International Group Co., Ltd., where Qinzhou Port is located, has acquired part of the equity of Kuantan Port and obtained a franchise of 60 years."

In October 2013, under the joint witness of the leaders of China and Malaysia, Guangxi Beibu Gulf International Port Group and Malaysia IJM Group signed the Malaysia Kuantan Port Equity Transfer Agreement in Kuala Lumpur, Malaysia, in which the former acquired 40% equity of Kuantan Port (Guangxi Beibu to Buy 40% Stake in Kuantan Port, 2013). This marks the official participation of Guangxi Beibu Gulf International Port Group in the construction of Kuantan Port, and this was the first time that Chinese enterprises invested in the construction and operation of Southeast Asian ports. After becoming a shareholder of Kuantan Port, Guangxi Beibu Gulf International Port Group and its Malaysian partners jointly established Kuantan Port Consortium Sdn. Bhd. (KPC) to jointly accelerate the upgrading and transformation of Kuantan Port. Just more than a year later, Kuantan Port has doubled the port throughput and operating income, and the throughput of Qinzhou Port has also increased steadily. At the same time, the cooperation, exchanges and business contacts between China and Malaysia have become increasingly close.

Data shows that from January to September 2018, Kuantan Port completed a cumulative throughput of 12.11 million tons; from January to June 2019, Qinzhou Port completed a throughput of 1.269 million TEUs, a year-on-year increase of 25.4% (Container Throughput of Qinzhou Port Exceeds 1 Million TEUs in H1, 2019). The two ports are good "sisters" and a "community of interests", and can overcome difficulties and achieve win-win results through cooperation.

4.5.3 Construct a "highway" for maritime logistics

Interconnection is a road of rules. With more coordination and cooperation and fewer regulatory obstacles, our logistics will be smoother and transportation will be more convenient. Chinese President Xi Jinping once made a metaphor for interconnection - "If the 'Belt and Road' is compared to the two wings of the soaring Asia, then interconnection is the blood vessel of the two wings." Qinzhou Port is 1,225 nautical miles away from Kuantan Port. On February 8, 2015, the Beibu Gulf Star cruise ship departed from Qinzhou Port. After loaded with containers, it went to Beihai Port of Beibu Gulf Ports to pick international tourists, and then went all the way south, and finally arrived at Kuantan Port.

Formerly, it took more than 10 days to ship goods from Qinzhou to Kuantan, as goods detoured to Singapore, Shenzhen or Hong Kong for transit, but now it only takes five days as there is a direct shipping route. The official operation of direct regular ships for containers between Qinzhou Port and Kuantan Port has improved the transportation efficiency of containerized goods between the two places, and also promoted the economic and trade exchanges between the Guangxi Beibu Gulf Economic Zone and the Malaysian East Coast Economic Region. At present, in addition to traditional containers, such ships also provide low-cost "LCL express service" from Qinzhou Port to the east coast of Malaysia to meet different requirements of cargo owners.

To improve the convenience of customs clearance, the most urgent task is to resolve the system, policies, and standard issues that affect connectivity through negotiation, and reduce the cost and time of cross-border flow of personnel, goods, and funds. It is time to carry out customs cooperation on information exchange, mutual recognition of supervision, and mutual assistance in law enforcement, and to accelerate the construction of "single window" at border ports. "Open the international trade 'single window' app, and companies can check the status of customs declarations even in Kuantan in real time." Reply from the director of the comprehensive business department of Beibu Gulf Economic Zone. He also added: "all trades can be inquired in real time whether it is declaration of export from Qinzhou Customs to the Kuantan Port of Malaysia, or of the export from Kuantan port to Qinzhou" (interview,2022).

4.6 Conclusion

Since the Maritime Silk Road was proposed, in general, the maritime trade co-operation between the two countries has progressed gradually and smoothly, especially after 2015, when the pace of co-operation has accelerated significantly and co-operation projects in various fields have been advanced. For example, the establishment of the Twin Parks Project, the completion of the investment tender for the East Coast Railway, as well as the signing of a series of agreements to advance the development of maritime trade.

However, in 2020, economic co-operation projects between the two countries were affected by the epidemic. Malaysia's shipping, fisheries, marine tourism, and oil and gas sectors were all affected to some extent, with marine tourism being the most affected (Menhat et al., 2021). As the epidemic situation subsides, the world economy recovers. The maritime trade cooperation between China and Malaysia has achieved certain

results. China has been Malaysia's number one trading partner for thirteen consecutive years, and Malaysia is China's eighth largest trading partner in the world. A large number of Chinese enterprises have invested and set up regional centres in Malaysia. For example, China Railway Corporation, China CNR, Geely, Alibaba, Huawei and so on. Through the co-operation projects of these companies, the further development of maritime trade co-operation between China and Malaysia has been continuously strengthened. China and Malaysia have high economic and trade complementarity, and the international division of labour intra-industry trade chain is constantly being strengthened.

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CHAPTER 5: PROBLEMS AND CHALLENGES IN ENHANCING MARITIME COOPERATION BETWEEN GUANGXI BEIBU GULF ECONOMIC ZONE AND MALAYSIA EAST COAST ECONOMIC REGION

5.1 Introduction

The maritime trade between China and Malaysia has a long history and the Chinese diaspora has always played an irreplaceable role as a natural link between the two countries. At present, the maritime trade cooperation between China and Malaysia is mainly carried out under the framework of China-ASEAN FTA. Meanwhile, in March 2022, Malaysia officially signed the Regional Comprehensive Economic Partnership (RCEP) Agreement and actively promoted the full entry into force and implementation of RCEP. The Tariff Commission of the State Council of China issued an announcement to implement the first-year tariff rate suitable for ASEAN countries that signed RCEP agreement for some goods imported from Malaysia from 18 March 2022 (Wang & Zhao, 2020).

This will further promote the early completion and improvement of the new regional cooperation framework and lay a more solid foundation for further trade cooperation between China and Malaysia. Although a series of achievements have been made in the two economic zones, there are still a number of problems and shortcomings in their development due to factors such as the weak foundation, the short period of development and the insufficient resources. These shortcomings and problems are manifested in many aspects, which, if not addressed in a timely manner, will affect the long-term development of the two economic zones.

5.2 Problems In the Two Economic Zones

5.2.1 Economic Strength of the Two Economic Zones Is Underdeveloped

The Beibu Gulf Economic Zone is located in the southwestern Guangxi, and its economic development has always been relatively backward among China's provincial administrative regions, with a small regional economic output and insufficient momentum for subsequent development. In 2021, the GDP of the Beibu Gulf Economic Zone was RMB 908.908 billion, of which the core cities of Beihai, Fangchenggang and Qinzhou accounted for only RMB 396.814 billion, a quarter of the overall GDP of the Guangxi Zhuang Autonomous Region. The Yangtze River Delta region and the Pearl River Delta region, on the other hand, had a GDP of 27.59 trillion and 4.28 trillion yuan, respectively, in the same period (Economic Overview, 2023). Among coastal cities in China, Qinzhou, Beihai and Fangchenggang are in the bottom three in terms of economic output. This shows that the Beibu Gulf Economic Zone is a relatively backward and underdeveloped region in Guangxi and in China. From the economic development data of these years, it can be seen that the Beibu Gulf Economic Zone has shown upward and positive growth, but the rapid growth trend disappeared after the outbreak of COVID-19 due to the pandemic's impact on the maritime trade and reducing investment in major projects.

However, the fundamental reason is the limited development capacity of the economic zone itself. The underdevelopment of economy, together with problems of population, employment, education, health and social security measures, affects the sustainable development of the region and constrain the long-term development of the two economic zones in China and Malaysia. Secondly, the industrial chain in the Beibu Gulf region is not sufficiently extended and fails to form industrial clusters. In recent years, the construction of the Beibu Gulf Economic Zone is mainly promoted by the

government, and major projects in the zone such as petrochemicals, iron and steel, metallurgy, forest pulp and paper, and electromechanics are invested.

Due to the short development time, the number of large leading enterprises is small, there are few upstream and downstream enterprises in major industries, industrial clusters have not yet been formed, and the extension of industrial chains is not enough, thus failing to bring into play the advantages of clusters and economies of scale. From the perspective of overall economic development, the growth pole of coastal economy has not yet been formed, and the region's ability to agglomerate enterprises and resource elements is lacking. In terms of urban economic development, the level of industrialisation and urbanisation is relatively low, and the interaction between urban development and economic development is not obvious.

Malaysia's GDP growth was slow (1.8%) in 2021 and even negative (-6.9%) in 2020 due to the political turmoil, the heavy blow to tourism caused by the pandemic, and the world's economic downturn. Kuantan, the core city of the East Coast Economic Region, is the city with the greatest potential for development in the region, but is still an economically underdeveloped area compared to Kuala Lumpur, Johor and Penang. The East Coast Economic Region has the same underlying causes as the Beibu Gulf Economic Zone, with a small population base and a single industrial module affecting the region's development (ECER, 2018).

5.2.2 Large Trade Gap

Since 1980, China and Malaysia have had a trade deficit every year. The trade deficit between China and Malaysia was not large before 2000 but has grown larger since then with the increasing trade volume between the two countries. It exceeded US\$10 billion in 2004, US\$20 billion in 2010 and US\$30 billion in 2011. In 2012 the trade deficit

between China and Malaysia began to show a declining trend, falling to US\$14.2 billion in 2013. However, in recent years, the trade deficit between China and Malaysia has started to grow significantly again. The trade balance between China and Malaysia from January to October 2022 was USD -1338514.06 million and from January to October 2021 was USD -1842535.68 million. This phenomenon is mainly caused by the intra-industry trade by multinational companies, which is related to the world economic situation and the market cycle of electronic products and cannot be controlled by Chinese and Malaysian governments (Dar & Seng, 2022).

5.2.3 Competitive Market Factors

For International markets sides, China and Malaysia have relatively similar economic structures, and the homogeneity of their industries will lead to inevitable market competition. China's exports to Malaysia are characterised by a high proportion of competing goods, which exerts a lot of competitive pressure on Malaysian products and brings disputes for bilateral trade. Malaysia's exports to China are also characterised by a high proportion of competing goods, accounting for 60.76%, with competition among homogeneous goods. Malaysia's exports to China are mainly steel products, electrical and electronic products, metal products, palm oil and related products, rubber products, paper and paper products, etc (Maritime Silk Road Big Data Index, n.d.). Imports from China are mainly electrical and electronic products, equipment and parts, chemical and chemical products, etc. For China, its own market has a diverse range of products same as those imported from Malaysia. The products from both sides are both competitive and complementary. There is less complementarity between China's exports and Malaysia's imports and more complementarity between China's imports and Malaysia's exports, illustrating the expanding Chinese demand for Malaysian products.

In particular, competition in the steel sector is evident. The implementation of Malaysia's 11th Five-Year Plan (2016-2020), with a number of newly launched infrastructure projects and expanded government spending, has naturally boosted local demand for steel in Malaysia. Data published by the Malaysian Steel Association shows that in 2014 Malaysian steel consumption was approximately 10.17 million tonnes, a year-on-year increase of 1.2%, with imports of steel products from China reaching 2.65 million tonnes, accounting for more than a third of total steel imports. A specific analysis shows that the Malaysia is in urgent need of rebar and coil for the development of infrastructure and construction industry, and in fact imports of these two types of steel have increased significantly. Although Malaysia launched investigation on safeguard measures of imported rebar and coil bars, Chinese steel enterprises have obvious competitiveness as they can provide favorable prices due to their mass production scale and the controlled labor costs. The Chinese government not only does not subsidise steel exports, but even has some restrictions on export. In 2013, 259,300 tonnes of rebar and 786,600 tonnes of coil bars were imported by the Malaysia for infrastructure and construction needs, and import of rebar and coil bars grew over 60% in 2014 and 2015 (*Maritime Silk Road Big Data Index*, n.d.).

The import of manufactured steel products is not only large, but also mainly from China. This is because Chinese steel products are highly competitive, both in terms of price and quality, over other competitors including Malaysian steel companies. Faced with the influx of Chinese goods, the Malaysian steel mills could only cut production and close down, and by the end of 2015, more than 50% of the billet capacity had been shut down (*Maritime Silk Road Big Data Index*, n.d.). Then prices of China's exported steel began to soar, catching steel users in the Malaysian market who relied heavily on Chinese imports by surprise. Infrastructure projects that had just started under a series of

economic stimulus policies by the Malaysian government were forced to be postponed due to a shortage of steel and funds due to the rapid rise in prices. It is thus clear that the import of Chinese steel products into the Malaysian market has solved the immediate need of the infrastructure and construction industry, while at the same time the pressure brought by Chinese steel companies on Malaysian companies is self-evident, i.e. the competition for market share between Chinese and Malaysian steel companies is very intense.

The industrial and export structures of China and Malaysia are somewhat isomorphic and competitive. After the establishment of the FTA, the formation of a unified market will facilitate the redistribution of work among industries with homogeneous structures according to their comparative advantages.

For Intra-regional market competition of the Beibu Gulf Economic Zone within China is also fierce. The total volume of foreign trade in the Beibu Gulf Economic Zone is small. Regional cooperation needs to be strengthened. The economic development of the Beibu Gulf Economic Zone is based on opening up to foreign countries, but the economic volume of Guangxi is small and the nearby southwestern provinces can choose to ship goods from Guangzhou via the West River and the Pearl River or from the Port of Zhanjiang. Therefore, ports of the Beibu Gulf Economic Zone face enormous competitive pressure. In 2015, the total import and export of the Beibu Gulf Economic Zone was US\$24.088 billion and the total import and export of Guangxi was US\$51.262 billion, only accounting for 1.29% of China's US\$3.96 trillion of total export-import volume, much lower than the national average (*China-Malaysia Qinzhou Industrial Park Introduction*, n.d.). The second is the competition between different ports and bonded zones. Guangxi Beibu Gulf Ports nearest coastal port is Zhanjiang Port in Guangdong Province, which is the first modern port designed and built by itself

after the founding of the People's Republic of China. Zhanjiang Port is mainly engaged in the distribution and trading of oil products, ores and other bulk resource materials, and competes with ports of Guangxi Beibu Gulf in its main business.

Since the 11th Five-Year Plan period (2006-2010), Zhanjiang City has upgraded its strategy of "developing port transport" to "developing port economy" and proposed a development strategy of building itself into a bay city with a deep-water port, heavy industries, and modern logistics, which has posed a direct threat to the ports of Beibu Gulf in Guangxi in recent years. Besides between ports, competition also exists between bonded areas. In addition to the Qinzhou Bonded Port Area, the central government has also approved the Yangpu Bonded Port Area in Hainan Province within the Beibu Gulf. Yangpu Bonded Port Area is closer to ASEAN countries and foreign trade destinations such as Hong Kong and Japan than Qinzhou Bonded Port Area. Its superior geographical location and similar port-vicinity industries have brought multiple competitions to Guangxi Beibu Gulf Ports again. The third competition comes from the diversion of cargo sources in the economic hinterland. The economic hinterland of Guangxi Beibu Gulf Ports is vast, however, most cargo sources come from within Guangxi, which have insufficient driving force for logistics quantity in a short period of time.

To break the bottleneck of cargo sources, in addition to vigorously developing the economy of Guangxi, Beibu Gulf ports need to strive to the cargo sources of the outer hinterland. Guizhou Province, Sichuan Province, Yunnan Province and Chongqing Municipality are all economic hinterlands of Beibu Gulf Ports. As Beibu Gulf Ports in Guangxi is the most convenient access to the sea in the southwestern China, theoretically, the foreign trade goods of the above places should be shipped through the Beibu Gulf Ports. However, due to various factors, the cargo sources of Beibu Gulf

Ports is seriously diverted. Some cargo owners in southwest provinces choose ports in Guangdong as their freight rate is more affordable while the railway freight rate in Guangxi is high. Moreover, international shippers prefer Zhanjiang Port because ports of Beibu Gulf have fewer regular shipping routes and the uncertainty of shipping schedules will prolong the detention time and affect export process of the goods.

5.3 Impact of Malaysia's Political Turmoil on China's Policies

Malaysia's economic and trade relations with China took a new phase of development with Prime Minister Najib's attendance at the Belt and Road International Cooperation Summit in 2017. However, the political turmoil has also affected Malaysia's relations with China as it has changed prime ministers four times between 2017 and 2022 since joining the BRI.

5.3.1 Najib's policy towards China (2013-2017)

The development of economic and trade cooperation between China and Malaysia entered a fast track during the administration of Malaysian Prime Minister Najib. In 2013, when Chinese President Xi Jinping made his first visit to Southeast Asia after assuming the presidency, Malaysia was the first country he visited. Najib was very supportive of Xi's proposals to maintain the tradition of continuous visits by leaders, enhance inter-party exchanges, expand economic and trade relations, strengthen technical cooperation, enhance cooperation in the defence and security fields, and expand people-to-people contacts. More importantly, the two sides signed the Five-Year Plan for China-Malaysia Economic and Trade Cooperation (2013-2017), which set out a clear roadmap for bilateral trade development in the next five years and laid the policy foundation for the implementation of the "Belt and Road" initiative in Malaysia.

During his official visit to China in October 2016, Prime Minister Najib considered that the current Sino-Malaysian relations had reached an all-time "highest level" and stressed the need to strengthen cooperation with China in various fields under the framework of the "Belt and Road". The joint press statement issued by the two sides after the meeting took up most of the space for economic and trade content and focused mainly on the implementation of the various cooperation agreements reached between China and Malaysia and the promotion of the "Belt and Road" cooperation in Malaysia in a big way.

5.3.2 Mahathir's policy towards China (2018-2020)

On May 11, 2018, Malaysia held a general election, and the 92-year-old Mahathir returned to power in Malaysia. Before taking office, Mahathir publicly stated that he would reconsider a series of economic and trade cooperation projects signed by the Najib government with China. Since Mahathir came to power, he has canceled three China-Malaysia economic and trade cooperative projects, including the railway project in the East Coast Economic Zone and two oil and gas transportation pipeline projects, with a total project cost of about 22 billion US dollars. There are two main reasons for the renegotiation and cancellation of the China-Malaysia economic and trade cooperation project by the Malaysian government.

The first reason is that the Mahathir government believed that most economic and trade cooperation projects signed between China and Malaysia were developed and constructed with loans provided by China, which made Malaysia bear a high national debt. Moreover, since the total population of the three provinces on the east coast of Malaysia is about 4.6 million, accounting for only 14.5% of Malaysia, the East Coast Railway project costing US\$13.6 billion is completely uneconomical (NST, 2019). The railway plus the later personnel, operation and maintenance costs are far beyond the

affordability of Malaysia. In addition, in the process of such a huge project, land acquisition, equipment procurement and other links are likely to become a breeding ground for corruption.

The second reason is that during economic and trade cooperation, the Malaysian government welcomes investors to bring advanced experience in capital, technology, management, etc., but requires them to hire local Malaysians for construction, so that Malaysia can have more employment and other benefits. However, most economic and trade investment projects between China and Malaysia are contracted by Chinese companies such as China Communications Construction and China Railway Construction. Most of the technical personnel and labor required for the project are Chinese. Malaysia is worried that the influx of labor brought by China will affect the local labor force.

Chinese companies also have labour concerns. It is difficult to recruit workers, which is a common problem faced by Chinese companies investing in Malaysia. On the one hand, Malaysia has a small population, and labor is mainly imported from abroad; on the other hand, Malaysia has not yet opened the general labor market to China, which limits the number of workers sent by China, and it is difficult to recruit local workers in Malaysia. For example, when a Chinese company wants to open a steel factory in Malaysia-China Kuantan Industrial Park, the local Chinese are basically employed, while most Malays are not willing to engage in heavy labor at all, so it is very difficult to recruit workers. This problem largely hinders Chinese labor-intensive enterprises from investing in Malaysia.

However, with the active advancement of China, on April 11, 2019, Malaysia and China reached an agreement to restart the construction plan of the East Coast Rail Link

(ECRL). However, the cost of the project was required to be cut by a third, from RM65.5 billion to RM44 billion. The Chinese government also agreed to increase the participation rate of Malaysian contractors to 40 percent from the previous 30 percent. In April 2019, Mahathir visited China for the second time and attended the second "Belt and Road" International Cooperation Summit Forum held in Beijing. At the forum, Mahathir delivered a speech expressing his support for the "Belt and Road" initiative. Through this trip to Beijing, Mahathir's government has established mutual political trust with China, signed three documents, and obtained China's commitment to import at least 1.9 million tons of palm oil from Malaysia within five years starting from 2019.

5.3.3 Muhyiddin's policy towards China

In March 2020, Muhyiddin became the new Prime Minister of the Malaysian government. However, during this period, the COVID-19 pandemic has swept the world, and Muhyiddin has faced the severe challenges of the pandemic. When COVID-19 broke out, Malaysia and China had working together, and the relationship between the two countries gradually restored the previous friendly relationship during Muhyiddin's administration. In May 2021, Prime Minister Muhyiddin Yassin held a video conference with Chinese Premier Li Keqiang, and talked about China's support for Malaysia's fight against the pandemic and that more cooperation was needed in the future. In terms of the "Belt and Road" cooperative projects, Prime Minister Muhyiddin expressed his positive welcome to Chinese enterprises to invest in Malaysia, and to promote cooperation in agriculture, aquatic products, electronics, digital economy and other fields between the two countries under the background of the Silk Road. In addition, in February 2021, it was decided to restart the Trans-Sabah oil pipeline project that was suspended by the previous prime minister.

5.3.4 Ismail Sabri's policy towards China

In August 2021, Ismail Sabri became the new Prime Minister of Malaysia. Ismail Sabri is focusing on COVID-19 prevention and economic recovery. In terms of vaccine cooperation, he promoted cooperation with Chinese companies to improve the localized production of vaccines. After the meeting of the Malaysia-China High-level Cooperation Committee in December 2021, the Malaysian Foreign Minister stated that "Malaysia welcomed well-known Chinese vaccine companies to set up factories in Malaysia, including production, data research and R&D." Regarding the "Maritime Silk Road", Prime Minister Ismail Sabri proposed that this initiative could be in line with Malaysia's vision of shared prosperity in 2030 and grow together with Malaysia. However, the Ismail Sabri government is more inclined to promote cooperation between the two countries in major potential areas such as the digital economy and renewable energy.

5.3.5 Anwar's policy towards China

In November 2022, Malaysia's regime changed again. The new Prime Minister of Malaysia, Anwar Anwar, has not had a clear policy message towards China in the news reports so far (Bing, 2023). However, he mentioned that China was an important cooperative country for Malaysia, and he would maintain contact with China in various ways. In 2023, the first year of Anwar Ibrahim's tenure as Prime Minister, his policy towards China was aimed at strengthening Malaysia-China relations in order to enhance Malaysia's economic growth and the political legitimacy of his government. 2023 saw Anwar Ibrahim achieve this goal through two visits to China (Han, 2023). 2024 saw the celebration of the 50th anniversary of the bilateral relationship between Malaysia and China, which has steadily increased, with the most influential being the mutual visa waiver between China and Malaysia, which greatly enhanced tourism as well as

promoting cultural exchanges between the two countries. The most influential was the mutual visa waiver between China and Malaysia, which greatly enhanced the development of tourism in both countries, as well as the promotion of cultural exchanges between the two countries. We'll look forward to what else he has in store for his dialogue policy in the future.

5.4 Delay on the Port Infrastructure Construction

5.4.1 Internal factors

The construction of Beibu Gulf ports in Guangxi lags behind their counterparts in China, and the size of the ports cannot meet the shipping demand. The small number of deep-water berths is the biggest problem at present. According to the statistics provided by the China Port Yearbook (2017), Guangxi Beibu Gulf International Container Terminal Co., Ltd. completed a total container volume of 412,000 tons, Zhuhai International Container Terminal Gaolan Co., Ltd. completed a total container volume of 1.3421 million tons with the net weight of containerized cargo being 26.0305 million tons, Zhanjiang Container Co., Ltd. completed a container volume of 902,600 tons with the net weight of containerized goods reaching 11.2381 million tons, Shekou Container Freight Co., Ltd. completed a container volume of 5.2593 million tons, Guangzhou Nansha Seaport Container Terminal Co., Ltd. completed a container volume of 5.8003 million tons with the net container weight reaching 90.17 million tons. The gap is so obvious (Zhu, 2010).

At present, Guangxi only has a 200,000-ton berth and a 200,000-ton waterway in Fangchenggang, while Qinzhou Port and Tieshan Port have only 100,000-ton berths, and the adjacent Zhanjiang Port already has a 300,000-ton wharf and waterway. Besides berth, there are other problems such as small yard behind the wharf. For example, the Qinzhou old port area is less than 300,000 square meters (Zhu, 2010). The current port

storage yard in Guangxi is far from meeting the needs of port production. Moreover, the infrastructure of Guangxi ports is very backward, which leads to low cargo transportation capacity and low loading and unloading efficiency, seriously affecting the construction of the port.

Secondly, the level of specialization of Guangxi Beibu Gulf ports is still not high enough, with poor handling equipment and process, weak operation capabilities, complicated and redundant handover procedures among national railway, local railway and ports, which greatly restricts the efficiency of vehicle turnover, resulting in shipping delays. When goods are delayed in the port for a long time, the owner have to use other ports such as Zhanjiang Port for shipping, which reduces the attractiveness of the Beibu Gulf ports for bulk cargo. Another problem is the poor conditions for collection and distribution. The road and railway network for collection and distribution are not complete, and the speed of railway construction in the Beibu Gulf lags behind the speed of economic development. Insufficient railway capacity has had a negative impact on logistics transportation between the ports and the economic hinterland.

At present, the in-port railway system of Qinzhou Port has not yet been completed. In the Lanping Port area, the railway line is still under construction, which hinders the smooth flow of coal mines, crude oil or large-scale bulk goods, as well as the production of the port-vicinity chemical industry, and also causes a mismatch between the port's acceptance capacity and output capacity. The technologies of railways in the economic hinterland is also not advanced. The railway line from Nanning, capital of Guangxi, to Qinzhou and Fangchenggang is not only a single line, but also invested by local governments. Thus, the freight is higher than that of the state-owned railway. The high freight reduces the efficiency of logistics, so goods owners prefer nearby Zhanjiang Port. In terms of road transportation, inter-city expressways are two-way,

four-lane, with too many roads toll stations, resulting in high road transportation costs, making it difficult to meet the needs of the development of the Beibu Gulf ports and the Beibu Gulf Economic Zone. The incoherence of waterways, highways, railways and other transportation methods and the poor container transportation system make it difficult to attract investors and sources of goods from other provinces (Dong & Shen, 2022).

The Kuantan Port in the East Coast Economic Region is also facing problems such as environmental pollution and congestion caused by the development of port cities. With its gradual development and expansion, Malaysia-China Kuantan Industrial Park will certainly have an impact on Kuantan City and Kuantan Port, bringing problems including noise, odors, water and soil pollution from chemicals, oils and other harmful substances. Movement of ships in ports brings air pollution, and movement of heavy vehicles over land releases flammable substances. Port development has always been associated with industrial activities, which often involve power plants, shipyards, steel mills, metal and paper industries, oil refineries, and chemical and petrochemical plants. All industrial activities in the port increases air, water, soil, waste and noise pollution. These are issues that need to be addressed by the East Coast Economic Region (Hutchinson & Tham, 2021).

5.4.2 External Factors

The integration of Beibu Gulf ports in Guangxi is to integrate three ports that were originally independent and spanned different administrative regions, and have them to be managed by a unified group. However, there is no precedent or similar integration method in China at present, so there is no experience for reference for management and planning after integration. There may be problems such as development bottlenecks, management loopholes, and decision-making mistakes. At the same time, from the

perspective of the market, although the integrated resources are more suitable for the planning of regional economic development and more convenient for the supervision and construction of regional port logistics, there will inevitably be conflicts between the local government who wants to improve its performance and enterprises who have their own overall development planning. When there is too much regulation, it seems that the government arranges everything and some economic behavioral do not conform to the laws of the market. These factors have led to the internal competition, repeated functions, and lack of strong core competitiveness among ports of the Guangxi Beibu Gulf, which have restricted the rapid development of port logistics. To solve these problems at the root, in addition to learning from successful experience, it also poses new challenges to the management and planning of port enterprises themselves.

For a long time, the development of social undertakings such as education, science and technology, culture and health in the Beibu Gulf Economic Zone has lagged behind other places in China. Due to the low level of education, the zone lacks professional and technical personnel. Guangxi is the only western oceanic province with a coastline in the southwest China, but there is no specialized marine and transportation college and only one comprehensive university-Beibu Gulf University-in the region. In addition, while the local talent cultivation for the marine industry is very poor, there is also a lack of emphasis on talent introduction, and the talent exchange mechanism is poor. At present, most logistics personnel in Guangxi Beibu Gulf ports did not major in ports and oceans in the university, but in transportation, warehousing, freight forwarding and foreign trade. They do not have enough understanding and theoretical knowledge of the port logistics system. They just explore and accumulate experience during their work, but this cannot meet the needs of the current accelerated development of Beibu Gulf port logistics. The lack of high-level management talents, technical leaders and

innovation talents will cause the logistics of Beibu Gulf ports to encounter bottlenecks in terms of internationalization and strategy (Hu, 2011).

5.4.3 Foreign Policy Interference by Major Powers and Threats in the South China Sea Region

Since the "Belt and Road" initiative was put forward, the relationship between China and Malaysia has also entered a stage of development. Comprehensive progress has been made in political, economic, cultural and other fields. The two sides have carried out extensive mutually beneficial cooperation, and their comprehensive strategic partnership has been continuously strengthened. While continuously achieving good results, their relation is also facing international diplomatic interference.

The world today is undergoing a period of major development, major changes and major adjustments. The international political and economic structure is undergoing profound changes, and the power of various countries is also undergoing constant adjustment. The liberal order dominated by the West is weakening, while a composite world order promoted by the emerging countries is rapidly emerging. Malaysia is one of the founding countries of the Association of Southeast Asian Nations (ASEAN), and it was the closest partner of the United States in political, economic and cultural activities in Southeast Asia in the early days. It is also actively participating in the US-led Trans-Pacific Partnership Agreement (TPP). Although the US has withdrawn from this agreement, the US-Malaysia relationship is still relatively close.

In recent years, the United States has been paying more and more attention to the Asia-Pacific region. The United States has always believed that it is an indispensable country to the world. And it has maintained its superpower status for a long time. Therefore, the rapid development of Malaysia and China has given the United States a

strong sense of crisis. The United States has always emphasized its "central position" in the Indo-Pacific. Politically, the United States has made a high-profile statement that it will fully participate in various affairs in Southeast Asia, and use APEC and other cooperation mechanisms to strengthen exchanges and cooperation with ASEAN countries to prevent being marginalized and infiltrate these countries with its systems and values, improve the impression of the United States on ASEAN countries, and enhance the sense of identity between the two sides. It implements a "re-guarantee" policy for Southeast Asia to ensure its leading role in politics, economy, and security in the Asia-Pacific region, and weaken China's influence in Southeast Asia.

Economically, the US has vigorously promoted the Trans-Pacific Partnership Agreement (TPP), actively explored the Southeast Asian market, and strengthened bilateral trade cooperation. In terms of security, the United States withdrew some of the troops previously invested in Europe and the Middle East and invested them in the Asia-Pacific region. The rise of China is the rise of its economic strength. For countries such as the United States, they believe that China's rise will pose a potential threat, so they have been talking about the "China threat theory" to ASEAN countries (Zohourian, 2020). The US, despite its clear military, economic, technological and cultural superiority and its dominant position in the international system, has always maintained an open and inclusive approach to maritime trade cooperation. However, Malaysia had always maintained an open and inclusive mindset towards maritime trade cooperation. It will not rely on any one country and will not support only a single country (Nazery Khalid, interview, 6 December, 2022). Marine security has always been a prerequisite for maritime trade co-operation. Correctly handling the South China Sea issue and maintaining friendly relations with Southeast Asian countries and coastal countries in the Indian Ocean can further promote mutual trade co-operation.

Besides diplomatic interference from other countries, there are also threats in the South China Sea Region. First of all, the geographical location of the South China Sea is special (Kang, 2009). The South China Sea is located in the south of mainland China, in the north of Taiwan, in the southeast of the Philippine Islands, in the southwest of Vietnam and the Malay Peninsula, in the east of the Pacific Ocean, and in the west of the Indian Ocean. It is an important branch of international maritime traffic routes. It is a necessary place for China to go south to the sea. On the South China Sea issue, China and Malaysia have always maintained a position of harmonious coexistence, and advocated a cooperative approach to resolve the South China Sea issue with a relatively moderate attitude. However, due to political turmoil in Malaysia in recent years, since 2018, there have been many disputes in the South China Sea where sovereignty overlaps, causing Malaysia to change its previous "moderate" attitude and adopt tough diplomatic means to protest. Disputes over maritime rights and interests in the South China Sea have a long history. Under the current situation, the South China Sea issue will continue to escalate.

5.5 Conclusion

This chapter analyzed through in-depth interviews and library research that there are many problems and difficulties between the two economic zones at present and that there are certain variables in cooperation projects. As mentioned in this chapter, the trade patterns of the two countries are converging and there is a certain trade competition between the two economic zones. It is very important to find out how to locate the positioning and areas of cooperation between the two sides. Secondly, the economic conditions of the two economic zones are relatively backward compared to developed regions, with problems such as sparse population and poor infrastructure. In addition, the frequent regime changes in Malaysia, the inconsistency of policies towards

China and the political turmoil have also affected the cooperation relationship with the economic zones, and the advancement of cooperation projects has been hindered. Finally, the governance crisis facing the Western-led international order and the South China Sea disputes have also affected the development of maritime trade between the two economic zones. The partial success of the ECRL, the collapse of Malaysia City, and the failure of Forest City, which have hindered the development of the cooperation projects, show that despite the wealth and technological expertise of the Chinese firms if they fail to understand the needs of the Malaysian stakeholders. The chances are very high that the cooperation project will go to failure if it is difficult to proceed as expected (Liu & Lim, 2018).

To better promote and strengthen the maritime trade cooperation between the two economic zones, and to facilitate the construction and development of the two economic zones, the two countries and the economic zones should work together to seek more developmental goals, to further realize the common prosperity of the two economic zones, and to promote the development of the relationship between China and Malaysia.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS TO FURTHER ENHANCE CHINA-MALAYSIA'S MARITIME ECONOMIC COOPERATION

In this study, the authors adopted the classical trade theory as a theoretical framework to support the logical development of the thesis. The study, which is based on the East Coast Economic Zone of Malaysia and the Beibu Gulf Economic Zone of China, was conducted through qualitative research, fieldwork, participant observation and in-depth interviews, supplemented by data based on library research and archival research. By incorporating a theoretical framework, the authors examine the factors that have contributed to the development of maritime trade co-operation between China and Malaysia, the current state of maritime trade co-operation between the East Coast Economic Zone and the Beibu Gulf Economic Zone, and the impact of China's maritime policy, the Maritime Silk Route, on it. The central theme of this study is the impact on the maritime trade cooperation projects between the East Coast Economic Zone and the Beibu Gulf Economic Zone under the Maritime Silk Road policy.

Through this dissertation, the researcher is more convinced of the significance of studying the maritime trade co-operation between China's Beibu Gulf Economic Zone and Malaysia's East Coast Economic Zone as suggested in the research question. The specific analyses are as described in the following paragraph :

Importance of the Maritime Silk Road: the origin of China's maritime trade with Malaysia can be traced back to China's long history, dating back to the Ming Dynasty, objectively speaking, the development of maritime trade co-operation between China and Malaysia is historical, has continued and maintained friendly relations. China's maritime trade policy has further promoted the development of trade with Malaysia as well as Southeast Asian countries. Malaysia's important geo-location has also

determined to become an important participant in China's Maritime Silk Road.

Special Historical Relationship: China-Malaysia bilateral relationship has a long history of steady and co-operative relations since the establishment of diplomatic relations in 1974. Moreover, the Chinese diaspora has always played a bridging role in the economic and trade co-operation and political exchanges between China and Malaysia at various times. The Chinese in Malaysia have also become a key factor in the development of bilateral trade between China and Malaysia.

The significance of cooperation between regions at the national level: through the study of the East Coast Economic Zone and the Beibu Gulf Economic Zone, we have analysed the cooperation between China's Beibu Gulf Economic Zone and Malaysia's East Coast Economic Zone, to understand the current status of maritime trade cooperation between the two countries and the significance of the realities brought by the cooperation between the economic zones of the two countries.

Through the results of this study, we can find that the two economic zones are currently facing real problems such as unbalanced regional economic development, large trade deficits as well as policy constraints and lack of human resources, and poor port infrastructure. The study of two national economic zones influenced by Chinese as well as Malaysian policies provides a valuable platform for understanding the complex interplay between Maritime Silk Road policies, maritime trade co-operation and the construction of national economic zones. It demonstrates the importance of examining the intersection of these areas, especially in the context of the Maritime Silk Road and the new international situation of the 10th anniversary of the China-Malaysia Binational Twin Parks project and the full implementation of RCEP.

The results of this study are relevant to the maritime trade cooperation between

China and Malaysia, as well as to the economic, infrastructural and political development of the Beibu Gulf and East Coast Economic Zones. From the perspective of the Maritime Silk Road, which is a Chinese policy, the study analyses the current situation and problems of maritime trade cooperation between the two economic zones under the context of the Maritime Silk Road, and analyses the favourable factors and the potential of the maritime trade cooperation projects between the two countries. maritime trade cooperation projects, analysing the favourable factors and challenges faced by the two countries, and on this basis, thinking about the corresponding countermeasures and putting forward the corresponding recommendations, which will provide a valuable example for the subsequent study of transnational economic zone cooperation.

In conclusion, this study highlights the importance of the Maritime Silk Road and the favourable factors for maritime trade cooperation with the two economic zones. By focusing on the two economic zones, the current status of maritime trade cooperation between China and Malaysia in various aspects as well as the dilemmas and challenges faced are analysed to further understand the theoretical value and practical significance of transnational economic zone cooperation.

6.1 Strengthen Political Mutual Trust and Build a Variety of Cultural Exchange Paths between China and Malaysia

6.1.1 Strengthen Inter-governmental Communication and Advocate New Cooperation between Government.

The Chinese government actively advocates inter-governmental communication. The leaders of China and Malaysia have exchanged visits, telephone calls and other forms of government-to-government communication and exchanges on many occasions to enhance mutual understanding and trust. The consensus on strategic cooperation between the two sides has been further promoted. China is a responsible power and

often plays a leading role when it comes to maritime cooperation. China and Malaysia still have internal problems such as maritime policies that are difficult to maintain continuity, too little resources and human capital, lack of coordination between internal agencies, and occasional one-way actions in maritime cooperation. China should be more respectful of differences when conducting maritime cooperation, pay attention to the adaptability of the Malaysian state, and should continue to play a positive guiding role and do a good job in increasing trust and clearing doubts (Feng & Liang, 2019).

The Chinese and Malaysian governments have always taken a positive attitude towards further promoting exchanges and co-operation. In the interview with the scholars, Mr. Nazery said that Malaysia has always maintained a neutral attitude in the world trade order, and has actively welcomed any beneficial co-operation projects from Malaysia (Nazery Khaild, interview, 6 December, 2022). Chinese scholars also hold the same attitude, Dr Zhu Fangyang of Beibu Gulf University believes that Malaysia and China can further promote further cooperation between the two economic zones based on the maritime economic and trade foundation of the consensus of the two sides, to complete the existing co-operation projects, and to expand the possibilities of more co-operation (Zhu F.Y, interview, 12 October, 2022)

To promote the further development of maritime economic and trade cooperation between the two sides, Chinese and Malaysian leaders and relevant officials can make full use of the existing dialogue mechanisms and platforms to communicate in a timely and effective manner and prevent misunderstandings arising from the lagging information. Although the Beibu Gulf Economic Zone of Guangxi and the East Coast Economic Zone of Malaysia have already started in-depth docking on the implementation of the Belt and Road strategy, there are still some big powers that will interfere with political diplomacy, and the Malaysian side is prone to be guided by

external bad information, and the will to cooperate will waver, doubting the starting point and legitimacy of China's construction of the "Maritime Silk Road". Therefore, China should reaffirm its position through important diplomatic occasions, high-level meetings and other platforms, and make full use of the China-ASEAN Leaders' Meeting, etc. to actively promote exchanges and communication between senior political leaders of China and Malaysia, and further reach a strategic consensus with Malaysia on the construction of the Maritime Silk Road. In addition, the promotion of cooperation between official or private think tanks on both sides is conducive to better interpretation of relevant policies, the internal politics, economy and culture of Southeast Asia are complex, with different levels of development and aspirations. Specialised think tanks can provide timely and accurate information as advisory bodies. China should take the lead in establishing an exchange mechanism between Chinese and foreign scholars to facilitate communication between experts and scholars from both sides and to enhance the understanding and implementation of China-Malaysia maritime cooperation policies and plans (Lee, 2022).

The continued promotion of cultural exchanges between China and Malaysia is a necessary requirement in line with history and the trend of the times. At the level of Chinese and Malaysian government departments, in order to promote cultural exchange activities between China and Malaysia and to ensure the smooth and sustainable development of bilateral cultural activities, both countries need to actively create bilateral cultural exchange mechanisms, set up multi-level and multi-disciplinary institutions to plan, organise, participate in and expand cultural exchange activities, so that more and more institutions can be involved in the cause of bilateral cultural exchange between China and Malaysia. Firstly, government departments should actively plan and organise cultural exchange activities, and provide top-level design for

bilateral cultural exchange activities. Government departments responsible for cultural exchange between China and Malaysia, such as the Chinese Ministry of Culture and Tourism and the Malaysian Ministry of Tourism, Arts and Culture, should work closely together to actively organise various cultural exchange activities, and departmental officials or secretaries should also be present at the events to ensure that the two-way cultural exchange activities continue to be carried out effectively. Departments under the Chinese Ministry of Culture and Tourism and the Chinese Cultural Centre in Kuala Lumpur need to play a bridging role in the cultural exchange activities. Secondly, embassies, local governments and civic organisations abroad need to actively host cultural exchange activities to ensure that they are carried out in an orderly manner. The embassies of the two countries in each other need to attach great importance to cultural exchange activities, and the embassies need to organise cultural activities for the people of the other country during specific festivals in both countries.

6.1.2 Support and Encourage the Participation of NGOs and Chinese Nationals in Economic, Trade and Cultural Exchanges and Cooperation

The most important basis for exchange and cooperation between economic zones of two different countries is people-to-people contact. Exchanges and cooperation without people-to-people contact cannot be long-lasting. This, in turn, is based on a long-term friendship between people. Generally speaking, if people have frequent contact with each other and come into direct face-to-face contact with each other, they will be able to feel the characteristics of each other's culture first-hand, and then they will be able to truly understand the values and humanistic spirit of each other's culture. In recent years, the Guangxi Zhuang Autonomous Region has taken more initiatives to promote its own culture to Malaysia and carry out cultural exchange activities, while Malaysia has taken fewer initiatives to promote its own culture to China and carry out cultural exchange

activities. The Guangxi Zhuang Autonomous Region has more communication with the Chinese in Malaysia, and less contact with non-Chinese ethnic groups such as the Malays, and even less with other ethnic minorities such as the Indians and the Aborigines. However, folk activities and festivals with ethnic characteristics are the most direct way for cross-border ethnic groups to communicate their feelings and are widely welcomed by ethnic people. Malaysia should take the initiative to showcase its own Malay and Indian-specific folklore activities and make use of modern social media platforms such as Weibo, REDBOOK, Instagram and Facebook to actively showcase Malaysia's unique and outstanding culture to Guangxi and even China. Secondly, it is also necessary to further explore the deep-rooted common cultural factors of different ethnic groups in terms of historical origins, literature and art, ethics and morals, religious beliefs, etc., thereby further enhancing the sense of cultural identity between cross-border ethnic groups.

According to the statistics of the Chinese Overseas Chinese Affairs Office (2022), the total number of Chinese overseas Chinese in Malaysia is 32.7 million, accounting for 22.8% of the country's total population. Historically, overseas Chinese have played an important role in promoting exchanges and cooperation between China and Malaysia. Today, the Chinese diaspora still has an important role to play in promoting China-ASEAN cultural exchanges and cooperation. The Chinese diaspora's characteristic of connecting China with their country of nationality (country of residence) gives them a natural advantage in promoting China-ASEAN cultural exchange and cooperation. Therefore, we need to take further measures in order to bring into play the role of Chinese overseas Chinese in China-ASEAN cultural exchange and cooperation. It is worth mentioning that Guangxi is the second largest overseas Chinese community in Malaysia. Strengthening exchanges with the overseas Chinese community in Guangxi

and actively visiting the community and Guangxi General Association will help to promote further economic trade, tourism and cultural development in all aspects of the Beibu Gulf Economic Zone and the East Coast Economic Zone. Actively guide and encourage Chinese overseas Chinese, especially the new generation of Chinese overseas Chinese, to visit their home country more often, to understand and know Chinese culture, and to enhance their consciousness of spreading Chinese culture.

6.1.3 Provide Talent Support to Further Promote Cultural Exchanges

Strong support should be given to Chinese language schools, Chinese associations and Chinese newspapers in ASEAN countries to give them a role in cultural exchange and cooperation. Secondly, education exchanges and cooperation should be strengthened to enhance cultural exchanges between young people. Thirdly, higher education institutions should set up regional and country-specific research centres, conduct cultural academic research, and actively and continuously organise cultural academic forums to promote mutual exchanges between higher education institutions in China and Malaysia. Institutions of higher education should also work with book publishers to set up translation centres to publish bilingual works, using traditional classics to promote literary and cultural exchanges. Finally, there is a need to respect the cultural exchange between the youth groups of China and Malaysia. Young people are the future and hope of a country. Young people are also the driving force behind exchanges and cooperation between countries. China and Malaysia need to continue to explore and expand the content of cultural exchange and cooperation, and use fresh and interesting folk cultural exchange activities to promote a sense of mutual cultural identity between the two countries, thus facilitating further business exchange activities to maintain a continuous state of development. In order to provide talents and technology guarantee for the future development of Beibu Gulf Economic Zone and

East Coast Economic Zone, port enterprises constantly strengthen the cooperation with higher education institutions, such as the joint training between Beibu Gulf University and Guangxi University, to build characteristic port logistics related specialities and to cultivate high-level logistics talents. (Pan L.Y., Interview, 20 December,2022).Secondly, Beibu Gulf Port Group selects and sends excellent workers to Kuantan Industrial Park every year to cooperate with the work. Terengganu University has also increased the construction of marine disciplines to train high-level talents for the East Coast Economic Zone. Finally, it is necessary to establish and improve the talent mechanism of the two economic zones, to strengthen the exchange and training of talents in the two economic zones, to send employees into each other's relevant enterprises to understand and learn, or to the partner's ports to study and learn. Various kinds of generous treatment should be applied to encourage talents to stay.

6.2 Scientific Planning

6.2.1 Promoting Trade Balance between China and Malaysia

Trade imbalance is a major problem in the trade relations between the two economic zones. Although the Beibu Gulf Economic Zone has its own comparative advantages compared with the East Coast Economic Zone of Malaysia, these advantages are mainly concentrated in labor-intensive industries with low technological content and low added value, resulting in weak competitiveness. In addition, due to differences in resource endowments, influenced by factors such as the division of labor in intra-industry trade, the rapid growth of China's demand for productive energy, and the huge demand for agricultural products due to the huge size of the Chinese market, China has always been in a deficit position in bilateral trade. However, in an increasingly open international economic environment, it is normal for any country to have a trade deficit or surplus within a certain period of time. China's trade deficit with Malaysia will not have much

impact on China's economic development in the short term, but in the long run, China's trade deficit with Malaysia will affect China's trade balance, which is not conducive to economic development. Here are some suggestions for these issues:

The first is to use existing high-tech or imported technology to transform some traditional industries and national economy's bottleneck sectors. According to the development characteristics of each industry, it is positioned as an import-substitution or export-oriented industry, and some domestic demand that has no comparative advantage tends to increase. For saturated industries, production restrictions, production changes, and production suspensions are implemented. The second is to increase scientific and technological investment in existing high-tech industries, so that they can make full use of the existing low domestic wage costs to enter the Malaysian market, realize the scale and intensive operation of high-tech industries, and make full use of the manpower in the Beibu Gulf Economic Zone Resource advantage and latecomer advantage. The third is to focus on system innovation and technological innovation, strive to achieve diversification and differentiation of export levels, and establish their respective comparative and competitive advantages by widening the degree of product differentiation, so as to avoid excessive competition between China and Malaysia.

The fourth is to pay attention to supporting the country's leading industries, give full play to the multi-level and diversified industrial structure of the Beibu Gulf Economic Zone, and take advantage of the sustained high-speed economic development, huge domestic market, abundant labor resources and leading advantages in certain high-tech fields , to carry out key breakthroughs in Malaysia's domestic weak industries, and strive to realize the improvement of these industries before the realization of the China-ASEAN Free Trade Area. Fifth, use industrial policies to adjust a large number of resource and energy-consuming products to reduce resource and energy consumption.

At the same time, change the current extensive trade growth mode and actively encourage the export of capital and medium technology-intensive industries. Further expand the export of products with high added value and independent intellectual property rights, reduce the proportion of resource product exports, and gradually balance exports and imports. The sixth is to improve the investment environment, actively introduce foreign capital, and build high-quality projects to promote the optimization and upgrading of the domestic industrial structure, so as to achieve the purpose of increasing employment and taxation and reducing import dependence.

6.2.2 Best Practices from Singapore's Industrial Park Model

Singapore has rich and mature experience in the construction of overseas industrial parks, and has maintained strong competitiveness in the long run. At its root, Singapore's overseas industrial parks have advanced "software technology" and strong technical capabilities, including technologies and methods for developing social resources and creating social resource values. In terms of construction mode and operation method, Singapore's overseas industrial parks adopt the "replication method", that is, uphold the same construction and organization methods, apply the country's mature industrial park construction mode to overseas industrial parks, and introduce basic settings The "Singapore Standard" in construction and management methods. For example, the mature "Jurong model" is a set of standardized park infrastructure construction and service models formed during the construction of Singapore's Jurong Industrial Zone by government-linked enterprises represented by Singapore Jurong Group. Specifically, at the operational level, the joint venture company established by the Singapore government, government-linked companies and the host country government is responsible for the operation and management of the park; while at the national policy level, the two governments jointly establish a national-level coordination

committee. Responsible for the promotion of the park investment agreement and the implementation of policies.

In addition to basic real estate construction and operation, the "Singapore Model" also has management highlights, and its superstructure design is very complete. For example, in terms of welfare protection, Singapore's overseas industrial parks will establish a comprehensive labor contract system for all employees in the park and a "self-saving" social security provident fund system similar to Singapore's local. By replicating this method to build an "overseas enclave", Singapore not only has industrial parks with lower costs and more favorable tax policies, but also ensures that its overseas industrial parks have an investment and operating environment similar to Singapore's local ones, providing stability for overseas companies Guarantee and attract foreign investment.

The Suzhou Industrial Park jointly developed by Singapore and the Chinese government is a classic example of the infrastructure construction of Singapore's overseas industrial parks, and it is also one of the best examples for China and Malaysia to learn from the experience of the "two countries, two parks". In May 1994, the Sino-Singapore Suzhou Industrial Park was officially launched. In August of the same year, the governments of China and Singapore invested 35% and 65% of the shares respectively to establish Sino-Singapore Suzhou Industrial Park Development Group Co., Ltd. The carrier of cooperation between the two governments. Overall, the Sino-Singapore Suzhou Industrial Park has several characteristics: first, it was built with the support of the governments of the two countries, and has a clear coordination mechanism; second, the park focuses on the introduction of capital-intensive and technology-intensive industries, with obvious industrial advantages; The third is to attach importance to the industrial services of the park. The functional positioning of the

park is concentrated and can provide enterprises with one-stop comprehensive industrial services. As of 2019, the Suzhou Industrial Park has achieved a total regional GDP of 274.3 billion yuan, and achieved 14.21% of Suzhou's total production with a land area of 3.21% and a registered population ratio of 7.97% (Mao & Lin, 2021).

The construction and operation model of the "two countries, two parks" in China and Malaysia is similar to the Singapore model, but also has differences. Taking the China-Malaysia Qinzhou Industrial Park as an example, similar to the Singapore model, the China-Malaysia Qinzhou Industrial Park also has a similar "industrial real estate development" model, which is carried out from two aspects of operation: one is to conduct land management and obtain income from the land price difference ; The second is to carry out urban management and obtain income from the development of urban functional projects (such as the development and construction of youth apartments and high-level elite residences that are already underway).

The construction and operation model of the "two countries, two parks" in China and Malaysia is based on government support and promotion as the main force, and capital capitalization leads the investment of enterprises, so as to finally attract enterprises to settle in. In addition, as an important practical project of the "upgraded version" of the China-ASEAN Free Trade Area, the China-Malaysia "Two Countries and Two Parks" is also committed to building a new generation of international and innovative parks with free trade functions. An upgraded version of the traditional overseas park. Therefore, in the future construction of China-Malaysia Qinzhou Industrial Park, the following points need to be done:

- (1) Pay attention to the combination of domestic experience and local reality

China and Malaysia currently have certain differences in economic development level, culture and management system. Blindly copying the experience of other countries will hinder the local advancement of the park construction. Chinese-funded enterprises and management levels need to have a deeper understanding of Malaysia's local politics, economic culture, and pay close attention to the situation in Malaysia. During the construction of overseas parks, the Singapore government has always maintained economic rationality, which has ensured the final good progress of the construction of Suzhou Industrial Park. Although the ultimate goal of China and Malaysia to build sister industrial parks is not simply limited to the realization of their own economic interests, under certain circumstances, it is necessary to make judgments based on economic rationality and the actual sustainability of the project, and to match the construction of the park project with the actual local needs. Only by combining can we better complete the construction of China-Malaysia Qinzhou Industrial Park and Malaysia-China Kuantan Industrial Park, and successfully realize the cooperation and docking of "two countries, two parks".

(2) Accelerate the construction of the top-level mechanism of the "two parks"

China and Malaysia should be committed to improving the top-level design and grass-roots policy coordination of both the China-Malaysia Qinzhou Industrial Park and the Malaysia-China Kuantan Industrial Park, and provide basic institutional guarantees. Both China and Malaysia should strive to appropriately increase the level of cooperation in the existing cooperation mechanism of the "two parks" joint venture operators and the "two parks" joint cooperation council. While enriching the member units of the joint council, a permanent coordination secretariat for the cooperation of "two parks" will be established to normalize the construction of production capacity cooperation projects between China and Malaysia, and to help enterprises of the two countries use the "two

parks in two countries" as a springboard to open up foreign markets. It is necessary to learn from the success or failure experience of Singapore's overseas parks, commit to promoting the introduction of "two countries, two parks" policies in terms of laws, social security, financing, etc., and use legal force to ensure the real implementation of industrial preferential policies. At the same time, it is necessary to strengthen the policy collaborative innovation research of "two countries, two parks" and explore the construction of a "two countries, two parks" transnational free trade pilot zone, so as to provide China and Malaysia with a wider range, a wider field and a higher level of foreign exchange. Be open to accumulating experience.

(3) Seeking a balance between political interests and economic interests

Compared with traditional overseas industrial parks, the China-Malaysia "Two-National Parks" has had strong political significance since its inception, and the motivation for building parks is mainly policy-oriented. The joint establishment of the "Two-National Two Parks" by the Chinese and Malaysian governments will help the two countries to transfer their traditional advantageous industries and excess production capacity, and ultimately help the two countries to develop emerging markets faster and deepen bilateral industrial and economic and trade cooperation. But from a long-term perspective, in addition to realizing its policy functions, the park should also strive to realize its commercial functions, so as to maintain the sustainable development of the park with stable economic benefits. Under this appeal, China and Malaysia's "two countries, two parks" should further explore the park's profit plan in line with its own characteristics, refer to the successful overseas park construction experience, explore the development mode of the combination of industry and city, and do a good job for the "two countries, two parks" Sustained development planning to prevent the park from becoming a purely political cooperation product.

6.2.3 Regional Industrial Division of Labour with Reasonable Distribution of Industrial Gradients and Differences

Industrial cooperation is an important way to promote industrial development. The advantageous markets between the two economic zones are relatively close, economic exchanges and cooperation are relatively frequent, and the formation of a division of labor and cooperation system between the regions is imminent.

In terms of cooperation with ASEAN countries. One is to highlight key points in cooperation and strengthen cooperation with Indonesia, Singapore, Malaysia, and Thailand. The cooperative industries include petroleum, electronic information, mining, and high-tech. The second is to carry out two-way cooperation. It not only encourages enterprises from relatively developed countries in ASEAN to invest in the Beibu Gulf Economic Zone, but also encourages local enterprises to invest in ASEAN countries and make full use of the local advantages of abundant natural resources and labor resources. The third is to further enhance the industrial level of the Beibu Gulf Economic Zone, improve the development level in equipment manufacturing, automobiles, new materials, new energy, metallurgical deep processing, fine chemicals, etc., and form a gradient with ASEAN countries in technology, providing a basis for the division of labor between the two sides. Collaboration creates a better foundation for collaboration.

Cooperation with the Pearl River Delta region. One is to actively integrate into the industrial division of labor in the Pearl River Delta. The growth pole of the Pearl River Delta region has been formed, and the radiation capacity of the Pearl River Delta will continue to increase. From the perspective of industrial level, it is obviously higher than that of the Beibu Gulf Economic Zone. There is a good basis for division of labor and cooperation between the two parties. The Beibu Gulf economy should actively develop upstream and downstream industrial chains and actively participate in the industrial

division of labor in the Pearl River Delta region in accordance with the future development trend and market demand of the Pearl River Delta, combined with its own comparative advantages. The second is to actively undertake the transfer of industries in the Pearl River Delta region. With the economic transformation and industrial upgrading of the Pearl River Delta region, industries in the mature or declining stage will gradually transfer outward. At present, industries such as clothing, shoemaking, and electronic manufacturing have begun to transfer to Southeast Asian countries, and international capital is chasing cheap labor. The cost of labour in Guangxi is already relatively high. How to take advantage of the advantages of labor resources and market resources in ASEAN countries requires serious countermeasures.

On the one hand, expand international labor service cooperation, on the other hand, introduce preferential policies to attract capital inflows, and third, consider staggering the level of attracting and transferring industries with ASEAN countries from the perspective of human capital improvement. The third is to strengthen cooperation with the Pearl River Delta region in the field of technological innovation. Technological innovation has always been the weakness of the two economic zones. The Beibu Gulf Economic Zone should speed up cooperation with the Pearl River Delta region in the field of technological innovation services. On the one hand, expand international labor service cooperation, on the other hand, introduce preferential policies to attract capital inflows, and third, consider staggering the level of attracting and transferring industries with ASEAN countries from the perspective of human capital improvement. On the other hand, take the initiative to strengthen cooperation with the technical service market in the Pearl River Delta region, and cooperate in resource sharing, personnel training, business undertaking, etc., in order to solve the problem of insufficient supply of local technological innovation. In terms of cooperation with Southwest and other

regions. On the one hand, strengthen industrial cooperation with Sichuan and Chongqing.

The Chengdu-Chongqing economic circle continues to develop and its industrial structure is continuously optimized. It is likely to become the economic growth pole of the western region. Whether it is the import and export of goods or the transfer of industries, the scale will continue to increase. Therefore, it is necessary to further strengthen the channel construction in the southwest region, create the most convenient sea channel, and strengthen the economic construction of the channel; at the same time, there is a large complementarity in the industries of the two parties, which can strengthen the division of labor and cooperation within and between industries. The second is to strengthen cooperation with Yunnan, Guizhou and other provinces. Although there is a competitive relationship between them, deepening cooperation in technology development and market docking can be based on the cooperation of technology research institutes to strengthen common technological breakthroughs and realize talents, funds, mutually beneficial cooperation in technology. Strengthen port construction and enhance the radiation effect on the southwest region.

In order to speed up the industrial development of the Beibu Gulf Economic Zone, the Guangxi government or municipal governments can start from the following aspects: First, further improve the infrastructure. Strengthen the transportation interconnection with Guangdong, Guizhou, Yunnan and Vietnam, strengthen inter-regional interconnection, and promote the accelerated flow of elements in various regions; strengthen port infrastructure, and provide more convenient and preferential conditions for the development of trade and port-side industries. The second is to optimize the software environment for industrial development. Accelerate the development of productive service industries such as finance and technology to provide support and

guarantee for industrial development; promote the simplification and time-limited system of government affairs handling and administrative approval, and give special handling to key industries and enterprises to speed up the implementation of industries. The third is to strengthen the investment of state-owned enterprises in the field of public services. The author believes that basic research, technological transformation, information services, foreign trade, etc. are closely related to industrial upgrading and enterprise development.

The government can try to build professional service agencies to provide services such as information, innovation guidelines, and prospect analysis. Government subsidies should be given to reduce enterprise information search costs and investment risks. At present, the Beibu Gulf Economic Zone has established institutions such as Guangxi Beibu Gulf Investment Group, Guangxi Beibu Gulf International Port Group, and Guangxi Beibu Gulf Development Research Institute. On this basis, we can further strengthen our professional strength and enhance its ability to serve the industrial development of the Beibu Gulf Economic Zone. The fourth is to improve the means of government regulation. In terms of industrial planning, tax reduction and exemption, financial subsidies, product promotion, etc., increase support and guide industrial development and upgrading. Innovate regulatory means and service methods to effectively align government goals, industrial development, and enterprise growth.

6.3 Strengthen Port Infrastructure and Expand the Markets of the Two Countries

Relying on the new land-sea golden channel, the coordinated development of "Hong Kong-Railway-Park". Through rational division of labor spontaneously or in an organized way, ports use their respective advantages, coordinate and complement each other, and cooperate with each other to maximize the efficiency of route or regional port operations. Therefore, the integration and clustering of port resources has become a

trend. Throughout the world, there are roughly three frameworks for regional port cooperation: one is functional cooperation between non-government organizations (NGOs, enterprises, etc.) and local governments, and its main driving force is relatively loose; Institutional cooperation in regional agreements, this kind of cooperation is relatively close, and there are corresponding funds and policies as guarantees; the third is a transitional form of regional cooperation between the above two forms, or "quasi-institutional cooperation". "Cooperative form. It is a non-binding "soft system", but it is not a mess, and it involves long-term goals and planning for the realization of goals.

The port construction and development of the "21st Century Maritime Silk Road" is a form of "quasi-institutional" cooperation, that is, to use and give full play to the guiding and promoting role of the government, to explore and innovate in the cooperation mechanism, and all parties actively participate in the port Cooperation and development. The construction of the "21st Century Maritime Silk Road" cannot be realized by relying on the strength of one country. China and Malaysia, as two major economies with vitality and potential in the world, are connected by land and sea. The traditional friendship has a long history, strong complementarity and cooperation potential. As a specific geographical region and a region with close economic cooperation, all parties should pay more attention to the overall advantages and location advantages in order to enhance international competitiveness. The port construction between the two regions should not be the improvement of the software and hardware level of a certain country's port, but the overall improvement of the software and hardware level of ports along the route. Ports should not be isolated and unconnected. As key nodes and important hubs in interconnection and economic cooperation, ports along the China-ASEAN route should not only serve as connecting routes, but more importantly, connect ports along the China-ASEAN route. The role of the hub connects

China and ASEAN into a "maritime port network" with political mutual trust, convenient transportation, economic development and cultural exchanges, and promotes the prosperity and development of the China-ASEAN region.

6.4 Recommendations for Future Researchers

Based on this study, there are two suggestions that can be provided to those scholars who plan to study the "Two Countries, Two Parks" project between Malaysia and China, as well as the East Coast Economic Zone of Malaysia and the Beibu Gulf Economic Zone of China in the future. First of all, we can analyze the importance of the "Belt and Road" initiative and further discuss the economic and trade development between China and Malaysia. Secondly, in the "two countries, two parks" project, its development path and future realization goals can be further explored.

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