

**ONE BELT, ONE ROAD: A NEW IMPETUS
TO STRENGTHEN CHINA-MALAYSIA
RELATIONS**

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Executive Summary

1. In November 2015, at a meeting in the Philippines, Chinese President Xi Jinping gave top priority to China-Malaysia relations while Malaysian Prime Minister Datuk Seri Najib Tun Razak had indicated that relations were at a historical high. Najib also visited China in turn for ‘new high’ relations in October 2016.
2. China-Malaysia relations could be traced back to ancient times when Malaysia was the first ASEAN countries to officially recognise China and establish diplomatic ties in 1974. China had been Malaysia’s largest trading partner for six consecutive years since 2009. Total trade amounted to US\$108 billion in 2014, up from US\$12 billion in 2000.
3. China-Malaysia investment is still not at par with trading volume, but the many developments such as Guangdong-Malacca memorandum of understanding (MoU), Malaysia-China Kuantan Industrial Park, Bandar Malaysia Development Project and Malaysia under the Renminbi Qualified Foreign Institutional Investor programme (RQFII) have been encouraging.
4. The “One Belt, One Road (OBOR) initiatives” first announced by Chinese President Xi Jinping in late 2013 is expected to inject new impetus to bilateral economic relations.
5. Malaysia is located in the sub-line of the third route of the Silk Road Economic Belt which includes constructing a Kunming-Singapore railway across mainland Southeast Asian countries. It is also a critical bridge in the second route of the Maritime Silk Road due to the strategic position of the Strait of Malacca.
6. China aims to tighten China-ASEAN relations with Malaysia as its chair in 2015; in particular it hopes to develop Free Trade Agreement with ASEAN via the Regional Comprehensive Economic Partnership.

7. Areas of cooperation include halal food and Muslim commodities, seaport alliances, cities' development and industrial park establishment. The latest agreements signed by Najib's visit to China include rail line construction and ship building.
8. China-Malaysia relations are likely to be further strengthened with the OBOR initiatives. China will provide more infrastructure investment fund and technology transfer will be generated, while Malaysia will gain further access to the Chinese market and introduce Chinese halal food and Muslim commodities to the Muslim world.
9. Challenges include the instability of Malaysia's political economy and disruptive ethnic issue, the economic slowdown of China, the geopolitics of the South China Sea and the need to maintain a balance between China and the United States.
10. Malaysia will adopt a two-hand strategy in its China policy to maximise economic interest with more bilateral collaborative projects, while subjecting such endeavours to comprehensive political considerations, both local and international.