

## **BOOK REVIEW**

*China in Malaysia: State-Business Relations and the New Order of Investment Flows* by Edmund Terence Gomez, Siew Yean Tham, Ran Li and Kee Cheok Cheong. Singapore: Palgrave Macmillan, 2020, 116 pp.

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Studies on China’s economic presence, political relations and soft power in overseas countries have been a hot topic for academic and political discourse since the mid-2000s. China’s presence in different countries over time serves to secure natural resources for its industrial expansion, opening out foreign markets for its consumer products, diffusing its soft cultural power and providing aid to third world countries. In this context, Africa stands out to be a very important continent for China. There are many books that capture “China in Africa” from the mid-2000 until the present day.

*China in Malaysia* offers an in-depth assessment of China’s Belt and Road Initiative (BRI) with seven case studies on different types of investments in the automotive, steel, textile, solar, rail transport manufacturing, e-commerce and industrial park. The book is slim but it offers analyses of institutional collaborations involving Chinese foreign investment that is not seen in mainstream Western theories of foreign investments. Three of four authors of the volume are prominent Malaysian economists who have made in-depth assessments of foreign direct investment by companies from China in the Malaysian economy.

The authors’ analyses capture the perspective of investors from Malaysia and China when analysing them in the context of China’s BRI. The analyses do not employ purely economic framework but rather lean more towards a political-economic approach. The analyses of the case studies pay attention to the history and background of the newly-formed state-business relations (SBRs) and their

connection with China's state-owned enterprises (SOEs). The book provides evidence that argues that SBRs involving SOEs from China and government-linked corporations (GLCs) from Malaysia show the emergence of a novel strategy in capitalism that is fundamentally different from the dominant neoliberal capitalism. Unlike Western multinational corporations that are clearly separated from state influence, these SBRs do not have clear boundaries separating between the Chinese state and private enterprises, thus resulting in controversy for some joint ventures.

The SBRs are classified as "state-state", "state-state-private", "state-private" and "private-private" relations. The assessment of the seven case studies reveals three major findings. First, there is no equitable distribution of power between these enterprises where the Chinese government has influence over decision-making. Second, the Chinese SOEs play a critical role in financing industrial joint ventures. Third, dominance over policy designs and financial architecture has a strong influence in shaping knowledge and technology transfer, production networks and supply chains, to include local small and medium enterprises (SMEs) into China's regional industrial ecosystems. However, the study shows that in all cases, there is no evidence of knowledge and technology transfer to local companies. The assessments show no evidence of China's investment in Malaysia contributing to the development of local SMEs in the automotive, steel, textile, solar and rail transport manufacturing. Out of these case studies, only Proton shows some positive outcomes after China's Geely automotive company turned around the loss-making national car project. Perhaps it is too early to see the desired outcomes from China's investments in Malaysia compared to indirect knowledge and technology spilled over from Western multinational corporations to local companies, especially the electrical and electronics sub-sector.

The BRI took off in 2013 but some of the Chinese companies covered in this book have already been present in Malaysia before 2013. Only one case study (Malaysia-China Kuantan Industrial Park) shows a direct link to the BRI. The state-private venture of Digital Free Trade Zone is an initiative by the Najib Razak administration to help develop Malaysia's e-commerce. The remaining five case studies involving four Chinese private companies and one SOE in Malaysia are the results of China's "going out" strategy. Companies that invested in Malaysia prior to the BRI could have provided important feedback for the BRI strategy for Malaysia that could enhance China's BRI strategies for Southeast Asia and beyond, to the benefit of China's interests. Malaysian companies can only benefit from the BRI strategies if they can complement China's needs in its regional supply chains.

*China in Malaysia* would serve academics' interests well in political economy and foreign direct investments. It is a good reference book for policymakers and the corporate sector involved with Chinese investments. The book is valuable for comparative studies on how Chinese enterprises function in different countries and how the host governments, private enterprises and industrial ecosystems perform in the context of the expansion of the BRI. In a narrower context, the findings could serve to assess Malaysia's institutional innovation capabilities, to bridge the technology and knowledge gaps between Malaysian and Chinese companies so that Malaysian companies, especially SMEs can improve their capabilities to complement China's regional industrial ecosystems.