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Regional security structure and domestic political economy interests: Comparative analysis of belt and road initiative investments in the Philippines and Malaysia

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ABSTRACT

Why do regional states respond to BRI, especially when established financing mechanisms are in place? Second, what pathways shape the success and failure of BRI investments in these states? I compare Malaysia and the Philippines, from 2013 to 2023, which share common BRI infrastructure investments shaped by regional financing opportunities and domestic political economy interests. Employing a triangulation strategy with rich empirical sources, including interviews, policy statements, speeches, official statistics, and documents, I build on neoclassical realism and explain that the BRI provided new financing opportunities, defining the interaction capacity of Malaysia and the Philippines with China at the regional security structure. Meanwhile, the domestic political economy, combining elite leadership and historical institutional forces, determined BRI's timing, objectives, and outcomes. The predominant success of BRI investments in Malaysia is attributed to a responsive market structure and continuity in elite interests. Conversely, the fragmented market structure in the Philippines, along with the interests of the military bureaucracy, impeded most BRI investments. This research contributes original knowledge in Asian International Relations and Comparative Political Economy literature by explaining how regional states' responses and outcomes are shaped towards financing opportunities of China.

1. Introduction

A consensus amongst Belt and Road Initiative (BRI) scholars in the broad field of political science is “that the actual impact of the BRI should neither be easily dismissed nor overestimated” (Gong, 2018). This strand of thinking has theoretical and empirical implications. As such, the behavior of BRI partner states¹ remains essential in unraveling the vast scale of BRI and its successes and failures. Thus, two points of inquiry deserve merit. Firstly, why do regional states² respond to BRI, especially when established financing mechanisms³ are in place? Second, what pathways shape the success and failure of BRI investments⁴ in these states? Much of the existing literature in Asian International Relations and Comparative Political Economy can be divided into two

spectrums. First, the earlier literature offers a large China-centered image of the BRI. The second perspective discusses the responses and outcomes of partner states regarding the BRI in a one-directional manner, overlooking how BRI partners navigate both pressures and opportunities at the system level and within domestic political-economic structures. Thus, this research aims to fill these gaps in Asian International Relations and Comparative Political Economy literature by employing the neoclassical realist (NCR) framework, which offers a nuanced comparative analysis by systematically integrating systemic and unit-level variables to explain regional states' responses and outcomes to BRI investments.

This research examines BRI partner states in Southeast Asia, where existing Western-led multilateral institutions, such as the World Bank

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¹ BRI Partner states are classified as countries that have signed a memorandum of understanding (MOU) for China's infrastructure financing.

² Regional State means a sovereign entity belonging to a specific geographic region, such as Southeast Asia.

³ Established financing mechanisms include multilateral development banks such as the World Bank and the Asian Development Bank, Western allies, and private investors.

⁴ Chinese infrastructure investments are part of BRI “if they occur after 2013 in countries that have signed a memorandum to join the initiative.” Both Malaysia and the Philippines are signatories of BRI (Bloomberg News, 2024; GreenFDC, 2023). In this research, BRI investments include pledged investments, signed MoUs, and completed and in-progress projects.

and the Asian Development Bank (ADB), and private financing mechanisms were available. Still, these countries responded to the Chinese BRI call. Second, the current study explains the objectives of BRI investments in partner states, as well as their successes and failures. Studying Southeast Asia is significant in the context of the BRI due to China's policy considerations regarding its geographic proximity, strong economic ties with individual states, and ASEAN. In addition, Southeast Asian states hold mixed views about the BRI, as some states are more cautious about their engagement with the Chinese-led initiative (Albana and Fiori, 2021). I employ the method of agreement (Mill, 1843) to compare two BRI partners in Southeast Asia, specifically Malaysia and the Philippines, from 2013 to 2023, but with common BRI infrastructure investments shaped by regional financing opportunities and domestic political economy interests. A triangulation strategy⁵ is adopted in this research to validate findings through various rich empirical sources, including interviews,⁶ policy statements, speeches, official statistics and documents,⁷ and news articles. This research finds that new financing opportunities under the BRI defined the interaction capacity of Malaysia and the Philippines with China at the regional security structure. Meanwhile, the domestic political economy, combining elite leadership and historical institutional forces, determined BRI's timing, objectives, and outcomes. The predominant success of BRI investments in Malaysia is attributed to a responsive market structure and continuity in elite interests. Conversely, the fragmented market structure in the Philippines, along with the interests of the military bureaucracy, impeded most BRI projects.

The following section highlights existing accounts of the BRI and the responses and outcomes of its partner states. The third section builds my theory of NCR and describes the causal chain. The fourth section, the regional security structure, explains that with the introduction of the Belt and Road Initiative (BRI), new financing opportunities emerged that incentivized the Philippines and Malaysia's interaction capacity with China. The subsequent section discusses the domestic political economy interests of Malaysia and the Philippines, highlighting the timings and objectives of BRI investments. The sixth section discusses the BRI outcomes, mainly successes and failures. The final section presents a comparative analysis of BRI investments in Malaysia and the Philippines, discussing the original findings.

2. Emergence of BRI and partner states' responses

China's BRI was introduced in 2013 and encompasses infrastructure

⁵ Triangulation Strategy is a technique that collects data from multiple sources to cross-verify information and enhance the reliability of findings (see Iftikhar 2020).

⁶ In total, ten in-depth semi-structured interviews were conducted: in-person interviews in the Hong Kong Special Administrative Region of the People's Republic of China (n=2) and Manila, the Philippines (n=4). On the other hand, Zoom/Skype (Video Call) interviews (n=4*). One video call interview was a follow-up with "interviewee 4"* and was previously conducted in person in the Philippines—finally, an email interview (n=1). On average, each interview lasted around 20 minutes (apart from the email interview). The interviewees were selected based on purposive sampling, considering their technical qualifications, relevant on-the-ground experience, and academic knowledge of the political, economic, and social aspects of the Philippines and Malaysia. Snowball sampling was applied for in-person interviews in the Philippines. The interviewees included a diplomat, journalist, academic, and experts from multilateral organizations and think tanks. The confidentiality of the interviewees has been maintained where requested. The author simplified the interview text for convenience, and all interviews (discussions) in 2018 were conducted as part of the author's PhD dissertation. Please see the details about interviewees, location, date, and interview mode (discussion) in the Appendix.

⁷ Official statistics and documents, these include reputable sources such as ADB, ASEAN, AID Data, UNCTAD, World Bank, and Government Reports, Briefings, and Statements.

investments, including highways, roads, real estate, power plants, and ports. This Chinese initiative created a window of opportunity for most developing countries, as it offered financing prospects without the political and structural conditionalities typically associated with Western-led institutions. For instance, the World Bank has been observed to impose conditions such as liberal democracy, austerity, and human rights on developing countries (Carrai, 2018). By 2023, cumulative BRI engagements reached USD 1.053 trillion in more than 150 countries (Nedopil, 2024). During the introduction of BRI, scholars viewed it as China's domestic rationale. Szczudlik-Tatar (2013) explains that the BRI aims to "preserve stability on its borders and in the western part of China" (p. 1). The BRI has also been categorized as a geopolitical and geoeconomic development driven by China's long-term political-economic strategy and soft power diplomacy stemming from its financial power and expertise in infrastructure and dissatisfaction with existing financing institutions (Blanchard and Flint, 2017; Yu, 2020; Liu et al., 2018; Dinh et al., 2024; Zhang, 2024; Simonov, 2025).

Second, case studies on BRI partner states discuss various economic and political pathways that shape convergence with China. Scholars such as Liu and Lim (2018) and Camba et al. (2023) emphasize the role of elite leaders in steering BRI investments. Fulton (2020) explains that Saudi Arabia's cooperation with the BRI is reflected in its own strategy, Saudi Vision 2030. In the case of Southeast Asian states, BRI responses and outcomes diverge; for instance, local political economy dynamics are key factors in Cambodia (Loughlin and Grimsditch, 2020), Laos seeks new capital (Liang, 2021), Indonesia reacts with hedging (Yoshimatsu, 2022), Singapore opts for a soft and forward engagement (Ji, 2023), Thailand views its international trade strategy blending with the BRI (Punyaratbandhu and Swaspitchayakun, 2021) and Vietnam's selective response shapes from history, ideology and political proximity (Dinh et al., 2024). In contrast, Kuick (2021) explains that the variation among Southeast Asian states' responses to the BRI is an outcome of asymmetry (power gaps) and authority (elite interests). Strategic narratives have also been emphasized in dealing with the BRI by states such as Kazakhstan, Italy, the United Kingdom, the Netherlands, the United States (US), India, and Mexico (Van Noort and Chatterje-Doody, 2023). Flint and Noorali, 2024 highlight structural factors such as geopolitical codes shaping responses to the BRI.

Third, scholars have extended diverse arguments on the factors shaping partner states' BRI outcomes. These include bargaining power and negotiations (Oh, 2018), the role of local authorities (Dean, 2023), China's political involvement (Evron, 2019), levels of social and ideological polarization (Prates and Lages, 2020), regulatory strength (Calabrese and Wang, 2023), political structure and elite consensus (Lim et al., 2021), social resistance (Mora, 2021), quality of institutions (Bersch and Koivumaeki, 2019) and political stability (Dai, 2021). In Italy, the BRI project failed due to the populist agenda of political marketing (Insisa, 2023). Whereas the challenges of the BRI's rail project in Ethiopia are linked to domestic technical capacity and deep structural problems (Chen, 2024).

BRI literature offers valuable insights for my research on understanding various system and unit-level factors that explain the emergence of the BRI, partner states' choices, and outcomes. However, most studies in Asian International Relations and Comparative Political Economy remain inadequate in systematically linking system and unit-level variables to explain the responses and outcomes of BRI partner states. This requires further investigation. My theory draws on NCR and explains that the BRI provided new investment opportunities within the regional security structure, defining the interaction capacity of partner states and China. Meanwhile, BRI's timing, objectives, and outcomes were shaped by the role of elite leadership and historical institutional forces.

3. Neoclassical realism (NCR)

3.1. Background

NCR shares core tenets with neorealism, including anarchy and material power, and begins its analysis with the primacy of international structure. However, NCR systematically integrates domestic unit-level variables to understand policy outcomes (Korolev and Portyakov, 2018; Kuick, 2021; Iftikhar and Zhan, 2022). Over the last two decades, NCR has served as a promising framework for explaining the foreign policy outcomes of small states, great powers, and weak states. Scholars have examined a diverse range of unit-level variables to explain foreign policy outcomes, including ideology and nationalism (Taliaferro, 2006), perception of leaders (He, 2016), government stability (Cladi and Webber, 2011), strategic culture (Sherill and Hough, 2015), elite consensus (Gvalia et al., 2019), and domestic norms (Gill, 2023). In essence, the choice of domestic-level variables in NCR is “based on their respective pathways to political significance” (Ripsman et al., 2016, p. 60).

My theory of NCR explains that the BRI provided new financing opportunities within the regional security structure, which made perfect sense given the prevailing infrastructure investment gaps alongside the strict conditionalities of existing Western lenders, such as the World Bank and the ADB, and Western allies such as the US, Japan, the European Union, France, and Australia. This defined the interaction capacity of BRI partner states with China. Meanwhile, BRI's timing, objectives, and outcomes primarily success or failure were determined by the interests of the domestic political economy, primarily driven by the role of elite leadership and historical institutional forces. Fig. 1 illustrates the causal chain that explains a clear linkage between the system, unit-level variables, and outcomes.

3.2. Regional security structure

I define the regional security structure from Paul's (2012, p. 4) understanding of a region as a “cluster of states that are proximate to each other and are interconnected in spatial, cultural, and ideational terms in a significant and distinguishable manner.” Furthermore, this structure can be dominated by an outside great power or a rising power (dominant power) due to its military, economic, and institutional resolve, or it can be in a state of flux due to a lack of incentives provided by a dominant power, such as financial and military aid and investment opportunities. Structural modifiers determine the interaction capacity between a regional state and an outside power through forces that are not part of the structure but can modify it through diffusion of new technologies, geographic proximity, international economic pressures, and regional or dyadic military balances (Iftikhar and Zhan, 2022; Ripsman et al., 2016). These modifications occur when outside powers have superior capabilities (military, economic, and technological) and geostrategic interests in regional states (Taliaferro, 2000; Ripsman et al., 2016; Lobell, 2017).

3.2. Domestic political economy interests

The unit-level variable “domestic political economy interests” is explained by how elite leadership defines the timing and objectives of a policy choice, which then bargains and interacts through the prism of historical institutional forces. Elite leadership plays a vital role in assessing threats and opportunities not only at the external level but also at the domestic level. Their belief system about politics is also crucial in evaluating different situations (Ripsman et al., 2016). Based on Juego's (2015) understanding, Elite leadership is conceptualized as comprising incumbent government officials, such as the President and Prime Minister (including close political associates), and economic elites (those with considerable wealth and connections) who can influence policy. The interests of elite leadership can be a combination of vested,

ideological, and institutional interests.

Historical institutional forces are classified into formal rules and informal ideas, norms, and practices. These institutional forces shape policy adoption and implementation because actions by individual leaders are aggregated into formal rules and informal systems. Leaders may be able to change formal rules. However, informal norms resist change because the dominant hierarchy is deeply embedded (Hall, 1986; North, 1990). Önerheim and Wihlborg (2014) note that “institutions are resistant to flexibility; because of this, they have the power to create path dependence” (p. 5). In this research, I classify historical institutional forces primarily as deeply embedded market norms⁸ and the interests of the military bureaucracy.⁹ In sum, elite leadership may not fully maximize the expected payoff from their objectives because the underlying historical institutional forces constrain policies based on deeply grounded realities.

3.3. BRI outcomes

BRI outcomes are shaped while circumventing historical institutional forces. I define BRI outcomes from Castles' (2025) understanding of policy output, “the policy or programme deliverables, the activities, products, goods, and/or services produced by agencies or organisations that flow from the policy inputs in order to generate desired outcomes.” The BRI infrastructure outcomes are either successful, as completed projects, work-in-progress, or failures, as evidenced by cancellations or lack of progress beyond paper agreements.

4. Regional security structure: new opportunities and limitations

4.1. Background

Since the end of World War II, Western-led institutions and rules under the Bretton Woods system, such as the World Bank, the International Monetary Fund (IMF), and Western allies, have led developing countries to discontent over monopolized decisions and intrusive political and economic conditionalities, such as austerity, adhering to democracy and human rights over lending programs. For instance, by 2013, 60 % of the voting share in the World Bank and the IMF remained with developed countries despite developing countries contributing more than half of the global gross domestic product (GDP). Limpach and Michaelowa (2010) analyze “World Bank and IMF programs on democratization in 76 developing countries in Africa and Asia from 1974 to 2007... World Bank and IMF programs... induce changes in civil liberties and domestic oversight of the borrower government” (p. 1). In contrast, the BRI lacks a formal lending structure and conditionalities such as austerity and liberalization promoted by the World Bank. The Chinese government aims for the BRI not to be confined to state-led capital but also seeks to stimulate investments from Chinese and non-Chinese public and private sources (Carrai, 2018).

A juncture was the 2008 financial Crisis, which led to severe challenges for the Western-led neoliberalism and presented China as an alternative for global and regional development (Hung, 2012). For instance, the ADB estimated in 2009 that Asia's infrastructure investment needs would be USD 1.7 trillion annually until 2030 (ADB, 2017). Further, despite the presence of the World Bank, other Multilateral Development Banks (MDBs), and various bilateral development agencies, the resources remain limited compared to regional

⁸ Market norms describe a self-sustaining market structure, such as the functioning of public-private partnerships, speed of assessment and valuation, nepotism, ease of bureaucratic hurdles, and economic-diplomacy experiences.

⁹ The interests of military bureaucracy mean a resilient system where past practices and views about alliances, international law, security, and sovereign interests remain in force.



Fig. 1. Causal Chain.

Source: Author.

infrastructure gaps (Interviewee 1). As a result, China's BRI made perfect sense in Asia and globally because it was viewed as a failure by Western institutions to provide hard infrastructure (Interviewee 2).

4.2. Philippines

The strategic relationship between the Philippines and the US is deeply rooted in history, dating back to 1898 to 1946, when the Philippines was under US colonial rule. A crucial post-colonial development in this relationship was "the 1947 Military Bases Agreement, the 1947 Military Assistance Agreement, and the 1951 Mutual Defence Treaty (MDT)." These treaties and agreements enabled the US to exert political influence and maintain strategic bases in the Philippines (De Castro, 2022b). As Gregory B. Poling, a Geopolitical Expert on US and Southeast Asian relations, points out, "The alliance remained uneven. The US gained access to the Philippines' territory in exchange for the security assistance it provided" (Interviewee 2). However, in 1992, the Defense Treaty of 1951 was terminated due to concerns over the Philippines' sovereignty. Subsequently, the 1998 Visiting Forces Agreement (VFA) between the US and the Philippines was signed, which was also aimed at responding China's increasing presence in the South China Sea (SCS) (De Castro, 2007, 2022b).

As Lum (2012) points out, the US-Philippines' relationship is intricately woven through various bilateral and multilateral security arrangements. This is evident in the fact that when the BRI was introduced in 2013, the US was the largest arms exporter to the Philippines and had approximately 80 bilateral security arrangements (Kavanagh, 2014; Diola, 2015). Fig. 2 illustrates that the Philippines was the largest recipient of US foreign assistance for security among the key¹⁰ members of the Association of Southeast Asian Nations (ASEAN) from 2013 to 2022. A novel security arrangement, the Enhanced Defense Cooperation Agreement (EDCA), was signed in April 2014, marking a 21st-century alliance between the US and the Philippines. In short, this alliance provides shared guidelines and has components similar to those found in the US-Japan and US-Australia alliances, such as interoperability (Interviewee 2).

Infrastructure and connectivity are vital for shaping commercial opportunities. However, the World Bank (2014) highlights that compared to its Southeast Asian neighbors, the Philippines spends 30–50 % less on health, education, and infrastructure.¹¹ This is evident in Fig. 3, which shows the Philippines' lower ranking in the Liner Shipping Connectivity Index (LSCI) from 2006 to 2013 among the key ASEAN members. LSCI explains a country's integration into global

shipping networks.¹² The Global Competitiveness Index for Infrastructure (GCIF)¹³ also specifies that the Philippines' infrastructure value was 3.19 in 2012–2013, which is significantly lower than that of its neighbors: Singapore at 6.50, Malaysia at 5.09, Thailand at 4.62, Indonesia at 3.75, and Vietnam at 3.34 (Schwab, 2013).

Lindio-McGovern (2024) states, "The Philippines is a good case study of the negative consequences of the IMF's tied-aid, and the World Bank's and WTO's structural adjustment...The Philippines has suffered from a debt crisis; it keeps borrowing to pay its debt" (p. 227). Additionally, due to poor governance and low investor confidence, ADB estimated that the average private infrastructure investment was 2.1 % of GDP from 2000 to 2008, down from 15.5 % in 1997 (Marusiak, 2012). It was reported in 2013 that the ADB would focus on nationally led programs, such as the KALAHI-CIDSS National Community-Driven Development Project and the Local Government Finance and Fiscal Decentralization Reform Program, instead of stand-alone projects. In the same year, Jim Yong Kim, the President of the World Bank, stated that conditional cash transfers in the Philippines are likely to increase, as they focus on macroeconomic stability, investment climate improvement, resilience, and public service delivery (Piccio, 2013). ADB Director General of private sector operations Philip Erquiaga (2012) emphasized that "ADB's contribution would leverage additional infrastructure funding from foreign and domestic private investors... the amount we contribute is secondary to the multiplier effect" (Marusiak, 2012). In short, the multilateral support for the Philippines was largely focused on development programs.

Before the BRI, foreign direct investment (FDI) inflows from 2006 to 2013 in the Philippines primarily originated from the US and its allies, such as Japan, Australia, and South Korea, as shown in Table 1. Additionally, in 2013, bilateral aid from these Western allies extended support to the Philippines primarily in governance, healthcare, climate change, fiscal decentralization, and disaster response in the Philippines (Piccio 2013). In contrast, China's FDI inflows to key ASEAN members from 2006 to 2013 primarily catered to Indonesia, Myanmar, Singapore, Thailand, and Vietnam, while the Philippines experienced negative inflows, as shown in Table 2. Also, as Fig. 4¹⁴ illustrates, China's construction investment from 2006 to 2013 was sizable in Indonesia, Vietnam, and Malaysia. According to a Financing Specialist at the ADB, "the Philippines is in the American camp and there is local pressure of not selling to China" (Interviewee 5).

These restricted economic ties between China and the Philippines worsened from contentions over the South China Sea (SCS) (Kreuzer,

¹² "World Bank Group DataBank," n.d., LSCI maximum value 100.

¹³ "World Bank Group Prosperity Data360," n.d., Quality of overall infrastructure, 1–7 (best),

¹⁴ The estimates of China's Construction Investment (ASEAN countries) in Fig. 3 are referenced from The American Enterprise Institute's China Global Investment Tracker. These estimates provide a comprehensive overview of Chinese outbound investment, which includes flows from the Chinese mainland, Hong Kong (SAR, China), and data from Chinese companies. In contrast, data from the ASEAN annual report excludes multi-stage capital movement and only includes inflows from China (Information from American Enterprise Institute).

¹⁰ Key ASEAN refers only to the few/major Southeast Asian states here.

¹¹ World Bank Group, "Philippines: Accelerating Investment in Infrastructure, Health, and Education to Sustain Growth That Benefits the Poor," World Bank, August 7, 2014, <https://www.worldbank.org/en/news/press-release/2014/08/07/philippines-accelerating-investments-in-infrastructure-health-education-to-sustain-growth-that-benefits-the-poor>

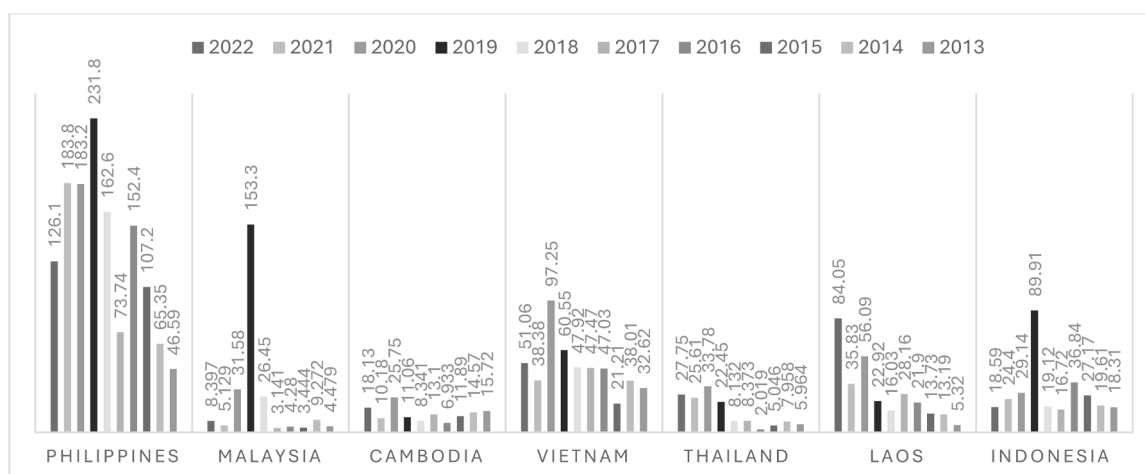


Fig. 2. US Foreign Assistance in Conflict, Peace, and Security among the Key ASEAN members from 2013 to 2022 (millions of USD).

Source: Based on data from [US Foreign Assistance \(2025\)](#).

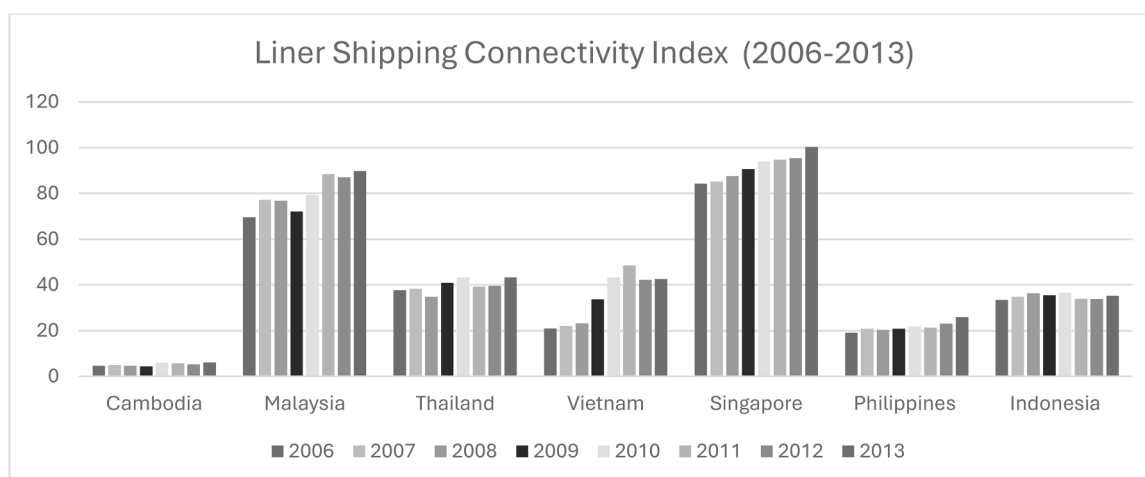


Fig. 3. Key ASEAN Members Liner Shipping Connectivity Index from 2006 to 2013.

Source: Based on data from [World Bank Group Prosperity Data 360 \(2024\)](#).

Table 1

FDI Inflows by Country to the Philippines from 2006 to 2013 (millions of USD).

USA	Australia	China	South Korea	Australia	Japan
3899	226	-1	96	226	2406

Source: Based on [The ASEAN Statistical Yearbook \(2014\)](#).

Table 2

China's FDI Inflows to key ASEAN members from 2006 to 2013 (millions of USD).

Cambodia	Indonesia	Malaysia	Myanmar	Singapore	Thailand	Vietnam	Philippines
1430	2625	144	4537	19,449	2174	2140	-1

Source: Based on [The ASEAN Statistical Yearbook \(2014\)](#).

2016). For instance, China and the Philippines' confrontation at the Scarborough Shoal in mid-2012 and the subsequent legal proceedings against China initiated by President Aquino at the Permanent Court of Arbitration (PCA), overshadowed the BRI, despite the Philippines' infrastructure needs being estimated at USD 6.9 billion in 2013 (De Castro, 2017; Swaine, 2016; Global Infrastructure Outlook, n.d.). In short, the entrenched US-led regional security, dependence on Western allies and their development-focused aid, limited support from

multilateral banks such as ADB and the World Bank, and a weak regional infrastructure connectivity model, insulated the Philippines from financing opportunities. These forces were intertwined by the protracted conflict over the SCS with China that circumvented the BRI.

4.3. Malaysia

Malaysia's strategic location is the shortest route between the South China Sea and the Indian Ocean.¹⁵ In 2013, approximately 30 % of global shipments traversed the Strait of Malacca ([US Energy Information Administration, 2014](#)). Following Singapore, Malaysia dominates

¹⁵ "Malaysia - the World Factbook," n.d., <https://www.cia.gov/the-world-factbook/countries/malaysia/>.

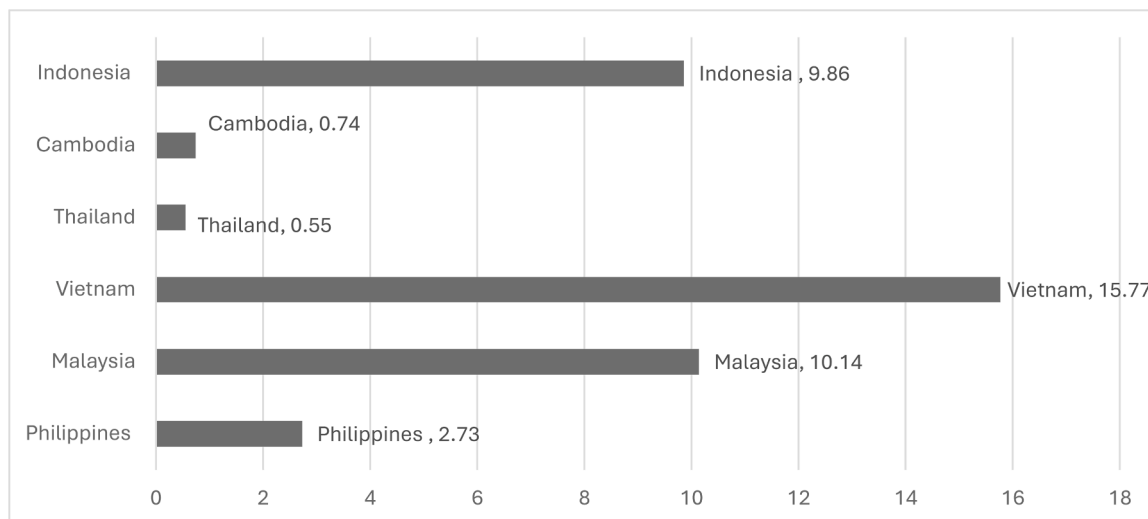


Fig. 4. China's Construction Investment in key ASEAN members from 2006 to 2013 (billions of USD).

Source: Based on data from the [American Enterprise Institute's China Global Investment Tracker](#).

regional infrastructure and connectivity. This is evident from Malaysia's higher LSCI values from 2006 to 2013, as shown in Fig. 2, and higher GCIF¹⁶ (see Section 4.2). Malaysia's quality infrastructure has been the outcome of its capital markets since the 1980s, primarily driven by conventional bonds and sukuk. Multilateral institutions have supported these capital markets. For instance, "the World Bank Group, through the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC), first issued ringgit-denominated sukuk in Malaysia in 2005, and IFC continued to issue in the international capital markets" (Kusuma and Silva 2014, p. 18). A Malaysian foreign policy expert, Fikry A. Rahman, points out, "In Southeast Asia, Malaysia is the most developed country and continues to progress" (Interviewee 3).

Concerning diplomacy, Malaysia has demonstrated an extraordinary ability to balance its relationship with global powers. As Kuik (2013) points out, military cooperation between the US and Malaysia is low-key, mainly due to Malaysia's deeply ingrained Asian values that shield against Western norms (Sani, 2010). Despite the absence of a formal alliance, the US and Malaysia have cooperated through institutional and bilateral forums such as Asia-Pacific (APAC), the World Trade Organization (WTO), ASEAN, US Navy's logistics access to the Malaysian port, Obama's rebalancing strategy, the Trans-Pacific Partnership (TPP), the US-led proliferation security initiative, and joint military exercises (Rinehart, 2015; Hassan et al., 2003).

On the other hand, systemic opportunities in the post-Cold War era, with the US unipolar moment, shaped the inception of China-Malaysia economic ties. However, the bilateral security relationship remains restricted because of mutual suspicions over the SCS (Kuick, 2021). This is evident as several security agreements signed were in 1999, 2004, 2005, 2009, and 2014; however, no concrete materialization occurred (Bing, 2015). A significant factor in the dynamic China-Malaysia economic relationship is that Malaysia views a non-confrontational and conciliatory approach to resolving the SCS issue (Kuik, 2013; Ahmed and Sani, 2017). A Director at the Asian Development Bank stated, "Malaysia has played its cards more wisely and maintained a good relationship with China and the West" (Interviewee 4). As shown in Fig. 4 (see Section 4.2), Malaysia ranks second in China's construction investments from 2006 to 2013. Consequently, it made perfect sense for

Malaysia to formally welcome the BRI as a new financing option in October 2013 (Lean and Smyth, 2016; Rahman, 2022). This window of opportunity was a viable option to address the estimated USD 10 billion Malaysian infrastructure needs (Global Infrastructure Outlook, n.d.).

5. Domestic political economy interests

This section explains how elite leadership in the Philippines and Malaysia influenced the timing and objectives of BRI investments and the constraints faced through the prism of historical institutional forces.

5.1. The Philippines

5.1.1. Background

Political parties in the Philippines are often based on personalities rather than ideological beliefs and are intertwined by a complex web of patronage networks, primarily involving elites and local clans. The President's personality holds considerable authority over the polity, but on sensitive issues such as the SCS, broader support for decision-making is required (Arugay, 2005). In sum, there are wild swings in the office of the President based on personality (Interviewee 2). The Philippines' historical institutional forces can be explained through the deeply embedded role of military bureaucracy and a weak market structure. The military bureaucracy has considerable influence due to the civilian government's reliance on the military (Arugay, 2023). A critical factor in shaping the military's agency is the longstanding post-World War II US-Philippines alliance, which provides military bureaucracy aid and support; hence, this alliance endures despite political leaders seeking change (Interviewee 2). Meanwhile, a weak market structure constitutes corruption and an unattractive foreign investment model. This path strengthened in 1972 under Marcos Sr., who, under his martial law, introduced nationalization, normalizing bribery and patronage. Later, in the 1980s, Corazon Aquino introduced privatization as part of her democratic reforms, but the process faced resistance (Chua, 1995). One of the core issues for development in the Philippines is land ownership, where the government has a limited share, and decision-making is very slow. (Interviewee 5). Additionally, the economy relies heavily on traditional overseas remittances; it is more of an export services economy than an industrial one. The system lacks political will, which diverts attention away from numerous opportunities. For instance, infrastructure-related industrialization is a hard sector and is highly politicized (Interviewees 4 and 8).

In the early 2000s, Gloria Macapagal Arroyo engaged with China,

¹⁶ The Philippines: the infrastructure value was 3.19 in 2012–2013, which is significantly lower than that of its neighbors: Singapore at 6.50, Malaysia at 5.09, Thailand at 4.62, Indonesia at 3.75, and Vietnam at 3.34

shelved the SCS dispute, and signed over 20 investment deals. However, only one project came through simply because Arroyo failed to manage pressures from the opposition and the rent-seeking behavior of her elites (Camba, 2017). A Transport Specialist at the ADB notes, “The Philippines is a disaster, the government is a mess. For instance, the government received funding from China in the early 2000s for the North-South Rail project, but no concrete progress was made due to corruption. Now Japan has taken over the project and is doing everything” (Interviewee 8). Corruption remains a significant factor in the Philippines’ poor infrastructure development, and public officials rarely face punishment. Legally, all infrastructure projects are subject to review by the National Economic and Development Authority (NEDA). However, since Arroyo’s period, NEDA’s autonomy has weakened due to ad-hoc policy processes. Additionally, foreign borrowing requires prior approval from the Central Bank of the Philippines, which only delays the execution of projects (Tabbada and Pacho, 2021). As pointed out by an ADB Economist, the Philippines’ market structure remains flawed and has many anti-trust issues that require change (Interviewee 10). In short, institutional forces, both military interests and weak market structure, are deeply ingrained in the Philippines’ domestic political economy, exerting a profound influence that often circumvents political and economic change.

5.1.2. Elite leadership and historical institutional forces

Benigno Simeon Cojuangco Aquino III, President of the Philippines from 2013 to 2016, took an uncompromising stance on the SCS and renamed it the “West Philippine Sea” (Gerona, 2021). This led to significant differences between the Philippines and China; for instance, China requested that Aquino cancel his trip to Nanning in August 2013 (Voice of America, 2013). Additionally, Aquino was vocal in emphasizing the defense modernization program and seeking US support.

Infrastructure spending confronted significant challenges under Aquino; in 2012, it was 1.66 % of GDP, lower than the previous administration: Marcos (3.22 %), Aquino I (2.24 %), Ramos (2.22 %), Estrada (2.17 %), and Arroyo (1.82 %) (Manasan, 2011, p. 35). Aquino voiced that complex market forces hindered infrastructure development, as he noted during his fourth national address in July 2013 that the law issued under the past leadership, namely Marcos Sr., favored his associates and hindered infrastructure development (Embassy of the Philippines, Lisbon, Portugal 2013). At the sixth State of the Nation Address in July 2015, Aquino stressed the importance of Public-Private Partnerships (PPPs) for infrastructure development (Rappler, 2015). However, on the ground, PPP faces severe corruption issues (Interviewee 8). According to Senate Economic Planning Office (2023), the PPP faced “unclear allocation of risks and responsibilities among stakeholders and the bureaucratic and time-consuming process of project approval” (p.1). In short, decades-old corrupt practices hindered Aquino’s infrastructure development plans; he strengthened ties with the US and took a principled stand on the SCS. This resulted in the peak of BRI opportunity being missed from 2013 to 2016 (Interviewee 2).

Unlike Aquino, Duterte viewed the US as a colonizer and regarded China as an alternate option. This was evident in July 2016, as Duterte observed silence after the PCA concluded that China’s claim of the nine-dash line in the SCS was without merit, and a ruling was given in favor of the Philippines (De Castro, 2017). A breakthrough occurred with Duterte’s visit to China in October, where he noted, “my separation from the United States... so I will depend on you (China) at all times” (Herman, 2016). Despite Duterte’s blunt demeanor, the deep-rooted influence of the Philippines’ military, mainly “conventional-minded generals, diplomats, politicians, and opinion makers,” was in full action (Heydarain, 2017). For instance, regarding separation from the US, Duterte clarified that the “separation of foreign policy” does not entail the “severance of ties” (Griffiths et al., 2016). At the same time, Duterte had his own way of signaling independence from the US, as seen in January 2017, when it was reported that China was installing anti-missile weapons in the SCS; the Philippines responded with a quiet

protest (Petty and Morales, 2017).

Regarding infrastructure development by early 2017, 64 projects were under discussion, envisioned as the “golden age of infrastructure” (Philippines News Agency, 2017). This was part of a policy introduced in April 2017, known as “DuterteNomics,” which incorporated a “Build, Build, Build” program complementing the BRI (Xinhua, 2017a). The government is waking up; much of this is from President Duterte as he is mold to build (Interviewee 4). However, it was estimated that the “Build, Build, Build” program would increase the Philippines’ national debt from USD 123 billion to USD 290 billion, excluding China’s high interest rates (Corr, 2021). To expedite the approval of Chinese investments, Duterte established a Cabinet Committee that bypassed NEDA, which had previously reviewed foreign-funded projects (Tabbada and Pacho, 2021). This raised questions about transparency in the bidding process (The Philippines Reporter, 2018). Congress also approved the Tax Reform for Acceleration and Inclusion (TRAIN), expecting USD 1.8 billion in tax revenues to be generated in the first year through TRAIN, thereby facilitating infrastructure development (Lema and Cruz, 2017). According to an ADB Financing Specialist, the “Build, Build, Build” project by Duterte appears to be an imaginative infrastructure development initiative. The investors would explore this initiative’s finances, design, and feasibility” (Interviewee 5). At the end of 2017, infrastructure spending surged to 6.3 % of GDP, double the 3 % spent under Aquino (The Republic of the Philippines Department of Budget and Management, n.d.). In short, infrastructure development was central to Duterte’s policy; however, little attention was given to debt management, transparency, and implementation.

In the security realm, Duterte introduced the National Security Policy (NSP) 2017–2022 in April 2017, to modernize multi-modal transport systems (The Maritime Review 2022). On the contrary, Duterte also proposed joint military exercises with China in May 2017 (Xinhua, 2017b). These actions undermined the existing security apparatus (Camba, 2018), and Duterte even claimed that his military planned a coup to overthrow him (Magcamit, 2021). On top of this, after the US had provided arms and intelligence support to the Philippines during the Maute group’s seizure of Marawi City, Duterte stated that he never sought US help. Whereas he welcomed China’s offer of aid to rebuild the city of Marawi (Wong, 2017). Regardless of the fact, “terrorism in South Philippines had long been contained through the US support” (Interviewee 5). These diplomatic trends illustrated an ambivalent foreign policy. This is evident as, after Trump was elected President, he observed that he had a remarkable relationship with Duterte, whereas a Central Intelligence Agency (CIA) report noted that Duterte posed a threat to democracy (Rauhala and Nakamura, 2017; Voice of America 2017).

By mid-2019, Duterte and Xi had seven diplomatic interactions; such developments prompted Philippine Vice President Leni Robredo to caution against China (Xinhua, 2019; Calanzo, 2019). Nevertheless, the ambivalent foreign policy remained intact in 2019. For instance, the US confirmed its support in SCS and military pact with the Philippines. In contrast, Duterte stressed that the VFA security agreement should be revisited (Fonbuena and Lily, 2019; Radio Free Asia, 2019; SCMP, 2020; De Castro, 2022a). Unsurprisingly, in June 2020, Duterte withdrew his proposal to suspend the US defense pact, and during his first speech at the UN, he emphasized the Philippines’ legal victory against China over the SCS (Radio Free Asia, 2020; Magcamit, 2021). In short, Duterte abandoned his foreign policy ambitions by 2020, as little he could do to strengthen ties with China and move away from the US because the Philippines’ military interests acted as a constraining force (Interviewee 2).

The Joint Vision for 21st Century US-Philippines Relations was introduced in November 2021, signifying a partnership of sovereign equals (US Department of State, 2021). This political shift, alongside the 2022 Philippine presidential elections, raised concerns for China. In addition, a critical regulatory change under Duterte was the 85-year-old Public Service Act (PSA). While this reform permitted foreign investors

to own 100 % of domestic enterprises, it was a setback for China because foreign state-owned entities were prohibited from investing in public utilities and critical infrastructure (Standen and Medina, 2022; Galvez, 2022).

Subsequently, President-elect Ferdinand Marcos Jr. announced in May 2022 that he would pursue the 2016 PCA ruling over SCS (Elemia, 2022). On his visit to the US in September 2022, Marcos Jr. confirmed, “We have always considered the US our partner” (Aben, 2022). A key development was a policy view that the Philippines might provide US military access during a Taiwan¹⁷ crisis (Nakamura and Shiga, 2022). According to Poling, “While Taiwan is sensitive to the Philippines, one must consider geography; the distance here is almost 600 nautical miles. In case of a crisis, or even during non-combatant operations such as a blockade, there will be a severe refugee crisis. The announcement is linked to regional stability and contingency plans. However, the terms are being negotiated” (Interviewee 2). In sum, while Duterte could steer the country in China’s direction in the interim, he failed to navigate a fragmented market structure and the military bureaucracy’s deep-rooted interests, primarily its security association with the US.

5.2. Malaysia

5.2.1. Background

From the 1970s until Najib’s political demise in 2018, the Barisan Nasional (BN), a coalition of the United Malays National Organization (UNMO), the Malaysian Chinese Association (MCA), and the Malaysian Indian Congress (MIC), dominated Malaysia’s political landscape. Primarily, UNMO, the largest ethnic party, exerted considerable authority over media, bureaucracy, state institutions, and business (Case, 2001; Kuick, 2013). The logic of “business” can be explained through State-Business linkages, which allow ruling political elites to channel their interests through government-linked companies (GLC) and offer economic resources to those who serve their interests (Tan, 2014)—for instance, the elite political leadership awards infrastructure and public works contracts in Malaysia based on personal interests. According to Slater (2003), “In contemporary Malaysia, powerful regime organizations have not prevented the prime minister from monopolizing the effective power to make authoritative decisions” (p. 87). It was Dr Mahathir who centralized political control over two decades. In short, the Malaysian Prime Minister is the primary authority who can influence the bureaucracy and accommodate the business sector.

Malaysia’s historical institutional forces are conceptualized through a market structure that has long supported infrastructure development and has had positive experiences of economic diplomacy with China. Since the 1970s, infrastructure development has become an institutional facet in Malaysia. The New Economic Policy (NEP) transformed the infrastructure landscape and has been a strategic priority since the Malaysian Third National Development Plan (1976–1980). A critical juncture was the introduction of Malaysia’s privatization plan in the late 1980s, which cemented the way for infrastructure development. Since the sixth plan (1991–1995), the PPP has elevated the development of power, telecommunication, roads, ports, airports, and water infrastructure (Lee, 2022; Yong, 2017). This infrastructure development has been an integral part of Malaysia’s bond and sukuk markets, which have continued to grow since the 1980s (Kusuma and Silva, 2014). Ray (2015, p. 10) notes that “between 1990 and 2013, Malaysia was the largest contributor of private investment in infrastructure in the region.” Over time, the fiscal situation became stable, investments normalized, and Malaysia developed a superior capacity to design, implement, and evaluate infrastructure projects (Interviewee 3). However, private investment in Malaysia declined from 2001 to 2011, from an average of 22.9 % of GDP in the 1990s to 11.8 % due to the tech bubble, the severe acute respiratory syndrome (SARS) epidemic, and the 2007 financial

crisis. Nevertheless, due to private consumption and the diversification of Malaysia’s export structure, private investment reached 15.5 % of GDP in 2012. The Bank Negara Malaysia (2013) noted that upgrading infrastructure remains integral to increased private investment. According to an ADB Official, Malaysia does not borrow from multilateral banks; its focus has always been on knowledge, cooperation, and social sector development (Interviewee 4). Even Citibank offers cheaper loans than Multilateral Banks (Interviewee 5).

Simultaneously, due to Dr Mahathir’s economic pragmatism, China-Malaysia economic relations advanced through trade in the 1980s. This is evident in the increase of bilateral trade (China-Malaysia) from USD 370 million in 1985 to USD 6.26 billion in 2012. This was further cemented by the introduction of the China-ASEAN Free Trade Agreement in 2002 (Lean and Smyth, 2016). In 2009, “Bank Negara Malaysia entered into a Currency Swap Agreement (CSA) with the People’s Bank of China, which was renewed in 2012” (Aziz, 2013). By 2016, China had become Malaysia’s largest investor and trading partner in ASEAN (Kee, n.d.).

Despite the progressive economic engagement between Malaysia and China, the relationship is not ideal; there have certainly been times of contention, especially concerning China’s political ambitions and growing influence in the SCS. In short, infrastructure development alongside China-Malaysia economic ties is deeply rooted in Malaysian market norms due to continued government support and private-sector investments.

5.2.2. Elite leadership and historical institutional forces

Najib, as the Prime Minister, also headed the Finance Minister’s office, which provided him with considerable agency in mobilizing and allocating financial resources. In 2009, Najib established 1Malaysia Development Berhad (1MDB), a sovereign wealth fund, to encourage investments and development in Malaysia. To maintain control, Najib was the sole signatory and the chairman of the 1MDB board. For instance, from 2009 to 2013, 1MDB entered into deals with Arab firms, including PetroSaudi and International Petroleum Investment Company (IPIC), a subsidiary of Aabar Investments in Abu Dhabi (Iftikhar, 2020). However, on the ground, Najib’s associate, Low Taek Jho, had facilitated 1MDB deals through his connections with the Arabs (Interviewee 6). Consequently, due to the lack of transparency and discrepancies in these deals, the Central Bank of Malaysia traced USD 1.8 billion that was exported to PetroSaudi and later deposited into Najib’s accounts. Similarly, after 1MDB issued bonds estimated at USD 6.5 billion for a joint venture with IPIC, hefty commissions were paid to the underwriter, Goldman Sachs, and part of these funds was also investigated as having been returned to Najib’s accounts and the managers of Aabar Investments (Case, 2017). These 1MDB finances funded Najib’s 2013 election campaign and sponsored charities linked to the UNMO (Wright and Hope, 2015). As a result of Najib’s vested policy interests, a confidence crisis emerged in the public, which led to the BN coalition suffering a significant loss in the 2013 elections, securing only 133 seats in the 222-member parliament (Noh, 2014).

Whereas economic pragmatism was the pillar of Najib’s enthusiastic China policy. This is evident since 2009 (before BRI’s inception) when Najib signed various investment agreements with China. For instance, the opening of the Industrial and Commercial Bank of China (ICBC), the development of an industrial park in Qinzhou, China, and a similar industrial park in Kuantan (MCKIP), Pahang, Malaysia (Najib’s home state) (Kuick, 2012). This bilateral economic diplomacy was due to the limited choices of foreign investors in Malaysia, but it also posed concerns about overdependence on China (Interviewee 3). This is noticeable as some BRI investments in Malay-dominated and underdeveloped states, such as Pahang, displayed the political interests of Najib. Additionally, SCS claims against China were also shelved (Thayer, 2014; Freedman and Bekele, 2022).

To legitimize his financial decisions alongside engagement with China, Najib set priorities under the National Economic Model (NEM),

¹⁷ Taiwan Province, People’s Republic of China

comprising the Economic Transformation Program (ETP) and the Government Transformation Program (GTP). For instance, the Tenth Malaysia Plan (2011-2015) emphasized “physical infrastructure to enhance access and connectivity” (Yong, 2017, p. 26). This enabled Najib to accentuate FDI in infrastructure (Razak, 2013). Notably, President Xi’s visit to Malaysia in October 2013 marked a significant development, resulting in a comprehensive strategic partnership (Ng, 2013). Later, at the 40th Anniversary of China-Malaysia Diplomatic Relations in May 2014, both sides agreed to establish the 21st-century Maritime Silk Road and resolve the SCS under international law (Xinhua, 2014).

However, nationalist voices, such as Dr Mahathir, viewed 1MDB investments and China policy skeptically (The Edge Malaysia, 2014). For instance, “after the BRI, Chinese investments took over almost all sectors, such as consumer, labor, and construction, and created a perception of all the profit going to China. And Mahathir realized that no value was being added to the economy.” In addition, losses incurred by 1MDB led Najib to introduce the Goods and Services Tax (GST) to shift the financial burden to the public (Interviewee 7). Simply, “the government, through such deals, was only trying to fill the holes” (Interviewee 6).

By 2015, 1MDB had become a national concern (Reuters, 2015a). This is evident as Najib sacked high-ranking cabinet members and 1MDB officials (Reuters, 2015b; The Malaysian Insider, 2015). Additionally, the Malaysian Ringgit became the worst emerging market currency, having lost 19 % of its value against the USD, severely hampering investor confidence (Reuters, 2015c). It became a public record of some links between BRI and 1MDB (Interviewee 3). An ADB Financing Specialist notes, “the corruption cases can be viewed against Najib and his big projects” (Interviewee 5). Najib defended his actions: “There seem to be some who do not welcome this investment in the Malaysian economy and do not want the resulting jobs... this is absurd and false” (New Straits Times, 2016). By early 2016, 1MDB had lost USD 7–10 billion, prompting foreign governments, including Singapore and the US, to initiate legal proceedings regarding money laundering (Reuters, 2016). This caused a political catastrophe; Dr Mahathir quit UNMO and formed his party, “the Malaysian United Indigenous Party,” which allied with the Democratic Action Party (DAP) and People’s Justice Party (PKR) led by Anwar Ibrahim (a critique of Dr Mahathir). This new coalition was called Pakatan Harapan (PH). Dr Mahathir promised that during his first 100 days as Prime Minister, an inquiry would be initiated into 1MDB, and the GST would be reversed (Azhar, 2017).

The BN lost decades of political hegemony in the 2018 elections to Dr Mahathir’s new coalition (PH). This also led to a reevaluation of Chinese investment terms because they were viewed as highly inflated loans linked to Najib’s interests. Dr Mahathir’s administration also alleged that China protected Najib’s associate, Low Taek Jho. Primarily because Low “made the deals with the Chinese, he knows Chinese CEOs and companies” (Interviewee 6). However, this stance was short-lived as during his visit to China in August 2018, Dr Mahathir informed President Xi that there would be no policy change towards China (Liu, 2019). In April 2019, during his second visit to China, Dr Mahathir pledged support for the BRI and emphasized the need for longer, bigger trains to bridge the distance between the East and the West (Liu, 2019; Jamil, 2023). In essence, BRI investments had sunk costs that prevented Dr Mahathir from disengagement. Firstly, China had been Malaysia’s long-standing and most significant economic partner, and any disengagement would have been very costly. Secondly, Dr Mahathir wanted to keep his political competitors at bay and garner the support of Malay voters.

Despite high-profile political attention, Dr Mahathir’s tenure was brief. In February 2020, he resigned to form a broader coalition, excluding his successor, Anwar Ibrahim. However, this opened the path for his former deputy, Muhyiddin Yassin, to take over, backed by UNMO (Barker, 2020). While Muhyiddin Yassin, as Prime Minister, had a favorable China Policy, he faced domestic obstacles, including economic

and political instability and COVID-19, leading to his resignation in August 2021 (Reuters, 2021). Yassin’s successor, Ismail Sabri Yaakob, adhered to his predecessors’ China engagement policy; however, he resigned in November 2022 due to political crises within his party, UNMO (NG, 2022). The new Prime Minister, Anwar Ibrahim, also prioritized ties with China and emphasized that China’s global security, development, and civilization initiatives align with his vision of Malaysia Madani, which focuses on good governance, sustainable development, and racial harmony (Xinhua, 2023). It was the long-standing economic diplomacy between China and Malaysia that was able to circumvent political uncertainties (CGTN, 2022). After all, Dr Mahathir, in the 1980s, laid the foundation for this relationship, which, over time, continued to evolve in the economic realm.

In short, Najib’s excessive accommodation of China was linked to his political legitimacy from vested policy decisions such as 1MDB investments. Consequently, the BN coalition lost decades of hegemony to Dr Mahathir’s new coalition, which revisited the BRI due to unfavorable investment terms. However, Dr Mahathir’s policy actions were short-lived as he was able to renegotiate with China due to his political interests and high economic costs. Subsequently, Dr Mahathir’s successors, Yassin, Yaakob, and Anwar, viewed BRI favorably because it advanced their political ambitions and simultaneously pursued development objectives with a well-known partner.

6. BRI outcomes

This section explains BRI investment outcomes, mainly successes and failures, following a bargain through the prism of historical institutional forces.

6.1. The case of the Philippines

Duterte’s first diplomatic visit to China in October 2016 marked a paradigm shift, resulting in unprecedented Chinese investments of USD 24 billion (USD 15 billion from the private sector and government pledges of USD 9 billion) (Phillips, 2016). Key Chinese pledged investments included a steel plant, a Port project in Davao City, the Cebu International and Bulk Terminal project, Sangley Airport, the Manila Epifanio de los Santos Avenue (EDSA) Bus Transportation program, Hydro Project, Nationwide Island Provinces Link Bridges and Rail projects, and development of four artificial islands off Davao city (Ranada, 2016; Paz, 2016; Global Construction Review, 2016). However, concerns were raised about the integrity of Chinese companies. For instance, the US and the World Bank had blacklisted China Communications Construction Co., Ltd. (CCCC) and its subsidiaries for their roles in reclamation activities in the disputed Spratly Islands and alleged corruption (Morales and Lema, 2021).

In March 2017, after a five-year hiatus, the Philippine-Chinese Joint Commission on Economic and Trade Cooperation (JCETC) was reactivated. China prioritized funding for the Chico River Pump Irrigation project, the New Centennial Water Source-Kaliwa Dam project, and the North-South railway project (Clark-Calamba Railway) (Ji, 2017; Siow, 2023). Moreover, the Bank of China became the first (Chinese) financial institution to offer credit lines for infrastructure in the Philippines, and a six-year China-Philippines bilateral development program (SYDP) came into place (Perez, 2017; The Philippines Star, 2017). The Chinese investments were classified under official development assistance (ODA) instead of the PPP. However, Filipino politicians emphasized that Chinese ODA was costlier due to its shorter lending period (Felipe, 2023).

The Chico River project encountered opposition from indigenous tribes who emphasized that “land is the source of our living and also where we buried our ancestors” (Cimatu, 2017). It is worth noting that projects, such as the Chico River Dam and the Kaliwa Dam, were abandoned in the 1970s due to pressure from civil society and opposition (Camba, 2019). Despite these informal institutional challenges, massive Chinese investment pledges continued, especially for rail

projects in late 2017 and early 2018. These include the Philippine National Railway's 683 KM Bicol Express under the Chinese ODA, 70 KM long Subic-Clark Railway Project, and Phase 1 (102 km) of the Mindanao railway project in March 2018 (Escandor Jr., 2017; Talavera, 2018; Aid Data, n.d.).

To some extent, Chinese investment pledges reflected a political trend at global forums. For example, on the sidelines of the Boao Forum in April 2018, business deals estimated at USD 9.5 billion were signed with Chinese companies (Salaverria, 2018). However, a July 2018 Bloomberg article reported, "China has not delivered on its \$24 billion Philippines Promise." Despite such concerns, the Philippines continued to sign BRI pledges (Koutsoukis and Yap, 2018). A Peso-Yuan spot market was established in October 2018, following President Xi's visit to the Philippines in November, which culminated in the signing of 29 agreements. Richard Heydarian (2023), a political scientist, noted that "the bulk of those agreements were just memorandums of understanding and vague frameworks" (Rivas 2018; Chandran, 2018). By the end of 2018, only USD 62 million had been allocated from the USD 9 billion Chinese pledged ODA, and USD 693 million had been disbursed from the pledged FDI of USD 15 billion (Robles, 2019). An ADB Director noted that "there have been high-level Chinese visits, but many things are in the pipeline" (Interviewee 4). In addition, Chinese workers in the Philippines surged from 15,000 in 2016 to 200,000 in 2018, raising questions about local employment (Tabbada and Pacho, 2021). In summary, no significant Chinese investments materialized in the first two years, except for ribbon cuttings (Interviewee 2).

In 2019, BRI bilateral deals continued to grow despite the harsh realities of massive delays and bureaucratic hurdles. Some Chinese investment pledges and interests mirrored its strategic interests, such as the Subic Bay shipyard, once part of the US naval base. Further, a Chinese investment pledge of USD 3.9 billion was made for the Cagayan Economic Zone Authority,¹⁸ which was concerning due to the project's proximity to Taiwan. Additionally, an earlier Chinese investment proposal for upgrading Sangley Airport raised security concerns among retired naval officials. Other Chinese proposals, including the development of the Davao-Samal Bridge Project and the Panay-Guimaras-Negros Inter-Island Bridge, were integrated into the BRI and "Build, Build, Build" program. At the second BRI forum in April, 19 business bilateral deals were signed, estimated at USD 12.165 billion. Chinese company Ming Tu Investment Holdings also assured a USD 100 million investment in the Makati subway project, and HBIS Group Limited also agreed to invest USD 1 billion in a steel plant (Baguisi, 2019; Crismundo, 2019a,b; Desiderio, 2019; Lucas, 2019; Venzon, 2019; Woody, 2019; Padin, 2019). In summary, while Duterte proactively signed new deals, they did not materialize beyond paper agreements due to regulatory and security complexities.

The year 2020 was marked by the COVID-19 pandemic, and its implications were no stranger to BRI investments. According to Jed Rabena (2020), "high-level meetings and bureaucratic talks on Chinese Official Development Assistance (ODA) projects have likewise been postponed, which means implementation delays and a possible rechanneling of slow-moving China-funded projects to other donors like Japan...the United Nations Conference on Trade and Development (UNCTAD) indicated that the Philippines is the 18th most exposed country to disruptions in Chinese production." For instance, Visa restrictions and supply delays of raw materials such as steel from China due to COVID-19 added to the already weak Philippines' market structure. Despite the COVID-19 pandemic, BRI pledges continued, such as China Construction's Second Engineering Bureau (CCSEB), which made a USD 1.2 billion investment pledge for the Manila subway. Interestingly, CCSEB, like the CCCC, was blacklisted by the World Bank, and projects such as the Mindanao railway and EDSA bus projects were stalled, with no feasibility studies (Venzon, 2020; Perez-Rubio, 2020; Robles, 2021).

While COVID-19 exacerbated diplomatic and supply chain delays, existing market forces and military interests had already created a snowball effect, hindering BRI investment pledges. This is evident in the case of the USD 7.3 billion Panay-Guimaras-Negros Inter-Island Bridge Project, which was cancelled in 2020 (Chi, 2025). Some projects, such as upgrading Sangley Airport, were terminated due to sovereign concerns (Morales and Lima, 2021). Projects, including the Kaliwa Dam and Chico River Pump Irrigation, also raised concerns due to their asset seizure clauses and environmental concerns (SCMP Asia Desk, 2019; Coca, 2021).

By 2022, most BRI projects had been stalled under the new Marcos Jr. administration due to alleged financing issues from China, and only the Chico River Pump Irrigation Project was inaugurated (Ridon, 2021; Reuters, 2022; Chi, 2025). This prompted China to initiate bilateral discussions, resulting in Marcos Jr. signing investment pledges estimated at USD 22.8 billion in agribusiness, renewable energy, electric vehicles, and mineral processing during his visit to China in January 2023 (Venzon, 2023). However, this was short-lived. By late 2023, rail and other BRI projects were either under review or had been stopped altogether, and only a few projects had been completed (Interviewee 2). In 2023, the Kaliwa Dam project was 22 % complete. A project administrator noted, "We had delays on the Kaliwa Dam because it took us eight years to get the clearances and permits" (Romero, 2024).

In sum, China-Philippines economic relations took a grand turn in late 2016 with billions of USD in BRI investment pledges. However, with a weak market structure and the military bureaucracy's interests, Chinese investments could not navigate the domestic political economy smoothly. In most Chinese-backed projects, the Philippines' unattractive foreign investment frameworks, bureaucratic delays, and a lack of feasibility studies and documentation hampered progress. Moreover, Chinese investment interests in Cagayan, Sangley, and Subic Bay were viewed as undermining national security.

6.2. The case of Malaysia

In February 2013, during the Chairman of the Chinese People's Political Consultative Conference's visit to Malaysia, the MCKIP was inaugurated, and pledges were made for the expansion of Kuantan port, financial cooperation, an oil refinery, a palm oil refinery, and an aluminum plant. These investment pledges, estimated at RM10.5 billion, aligned with the Ninth Malaysian Plan (2006–2010) to develop the East Coast region (Economic Planning Unit, Prime Minister's Department, 2006; East Coast Economic Region Development Council, 2013). In September, China's Guangxi Beibu Gulf International Port Group Ltd. acquired a 40 % stake in Kuantan Port, which was expected to increase the port's throughput to 52 million freight weight tonnes (FWT) of bulk and container cargo from 16 million FWT (East Coast Economic Region Development Council, 2013).

However, these new bilateral dealings also reflected China's interests. In early 2014, it was alleged that China's Country Garden Holdings Ltd. and Kumpulan Prasarana Rakyat Johor's joint development of Forest City mainly attracted buyers from China (Netto, 2014; The Straits Times Asia, 2018). Additionally, establishing the first Chinese overseas university, Xiamen University Malaysia, echoed the pro-China international strategy (Interviewee 7). In late 2015, China also announced its intention to invest in Malaysian treasury bonds and acquire 1MDB's energy assets. To some extent, these developments aimed to establish confidence in the Malaysian markets (Reuters, 2015a, b; Roughneen, 2015).

The BRI-related agreements aligned with Malaysian national plans, focusing on infrastructure, particularly for the tenth (2011–2015) and the eleventh (2016–2020) (Economic Planning Unit, 2010; Economic Planning Unit, 2015). In December 2015, China Railway Construction Corp (CREC) was awarded a contract to develop the Gemas-Johor electrified double-tracking project (EDTP), aimed at reducing the travel time between Kuala Lumpur and Johor Bahru from 7 to 4 h (Kaur,

¹⁸ CEZA, a publicly owned special economic zone

2015; Hutchinson and Zhang, 2020). Additionally, Chinese-backed energy projects introduced in 2016 included the Trans-Sabah Gas Pipeline and Multi-Product Pipeline, valued at RM 4.06 billion and RM 5.35 billion, respectively (Aid Data, n. d.). A juncture was Najib's visit to China in November 2016, where 14 MoUs were signed, estimated at USD 34.25 billion which included: i) the construction of the 688-km East Coast Rail Link (ECRL), ii) the development of the Melaka Gateway project, which also included port development, iii) Bandar Malaysia comprising Kuala Lumpur-Singapore High-Speed Rail (HSR), as well as iv) investments in steel plant, pulp and paper mill (Lee, 2016).

Nonetheless, concerns were echoed in Malaysia about borrowing beyond the country's debt capacity, and whether mega developments, such as Carey Island, were essential. In May 2017, the Bandar Malaysia project was terminated because the Chinese and Malaysian consortium could not fulfill payment and regulatory obligations (The Straits Times, 2017; Rahman, 2020). As a Malaysian diplomat said, "There was only some need to develop new infrastructure" (Interviewee 9). For example, a high-speed rail (Interviewee 8). In mid-2018, the newly elected Dr Mahathir suspended Chinese infrastructure investments estimated at USD 22 billion, including the ECRL and gas pipeline projects (Wen, 2018). Additionally, the Mahathir administration announced that foreign visas would not be issued for property purchases in Forest City (The Straits Times Asia, 2018).

That said, in a short time, Dr Mahathir's administration renegotiated with China, scaled back project size, and secured better terms in some infrastructure deals (Interviewee 2). For instance, in April 2019, China agreed to reduce the cost of the ECRL project from RM 65.5 billion to RM 44 billion, shorten its length to 640 km from 688 km, and consented to a 50–50 joint venture (Teoh, 2019). The Bandar Malaysia project was reinstated, and the Forest City project was expected to deliver 20,000 units by September 2019 (Kaur, 2019; Today Online, 2019).

According to Chin and Fung (2020), regarding the implications of COVID-19, "domestic and foreign lockdowns have delayed many infrastructure BRI projects in Malaysia," such as ports, rail projects, and industrial parks. Meanwhile, "Outbound Chinese investment activity has continued at a slower pace." Due to supply chain disruptions, Forest City was a key project affected by COVID-19 (Marsh JLT Specialty, 2020). Despite delays posed by COVID-19, most projects continued. Following Mahathir's tenure, the Malaysian cabinet approved changes to the ECRL that were closely aligned with the original BN plan. The project's cost increased to RM50 billion from RM44 billion, and its length increased to 665 km from 640 km (The Institute for Democracy and Economic Affairs, n.d.).

Additionally, China agreed to increase its imports of Malaysian palm oil, which was crucial for the Malaysian economy following the EU's restrictions due to its deforestation laws (Interviewee 3). The Sabah gas pipeline was also revived in October 2021. However, because of the COVID-19 pandemic, the Forest City project faced a significant setback after China imposed capital controls, resulting in a loss of high-end buyers from China (Fong, 2021; Freedman and Bekele, 2022; The Straits Times, 2024). As of late 2023, 56 % of the ECRL project had been completed, and 93 % of its land had been acquired. It was decided that Bandar Malaysia would now provide affordable housing to residents of Kuala Lumpur, and the Melaka gateway project was also revitalized, as both state and federal governments supported it. In 2023, Malaysia secured Chinese investments estimated at USD 43 billion in green technology, energy, and the digital economy (Bernama, 2023; Sipalan, 2024).

China's BRI investments were welcomed from 2013 to 2016 but faced recalibrations in 2018 after Dr Mahathir stalled BRI projects. This resulted from two factors: one, the perception of all profits going to China, and two, Najib's vested interests. However, these actions were short-lived. Malaysia's market support for infrastructure, combined with China-Malaysia's past experiences, allowed BRI investments to be revived despite COVID-19 setbacks. Mega projects, including the ECRL, the Melaka Gateway, and Bandar Malaysia, are estimated to be

completed between 2025 and 2027. Additionally, Kuantan Port's cargo handling reached 52 million tons in 2023, double that of 2013, making it the largest port in Malaysia handling dry commodities (Sipalan, 2024; Li and Zhao, 2023).

7. Conclusion and findings

This comparative study contributes original knowledge to Asian International Relations and Comparative Political Economy literature by explaining the responses and outcomes of the BRI investments in partner states. By employing the neoclassical realist framework, my theory explains that both systemic and domestic-level factors shape BRI responses and outcomes and finds that new financing opportunities under the BRI defined the interaction capacity of Malaysia and the Philippines with China at the regional security structure. Meanwhile, the domestic political economy, combining elite leadership and historical institutional forces, determined the timing, objectives, and outcomes of the BRI. The predominant success of BRI investments in Malaysia is attributed to a responsive market structure and continuity in elite interests. Conversely, the fragmented market structure in the Philippines, along with the interests of the military bureaucracy, impeded most BRI projects.

My analysis begins with the neorealist assumption of the system by examining the regional security structure. From 2013 to 2016, the Philippines had a restricted regional environment for engaging with the BRI due to its longstanding security association with the US and dependence on Western allies and international institutions. Additionally, factors such as poor regional infrastructure and connectivity, and ongoing maritime disputes with China over the SCS, further exacerbated constraints towards the BRI. On the other hand, Malaysia's longstanding capacity to maintain balanced ties with the US and China in economic and security realms, as well as its leadership in regional infrastructure and connectivity, comparable to Singapore's, favorably positioned the BRI as a new financing opportunity.

The Philippines and Malaysia exhibit significant differences in the time horizons and objectives of their BRI responses and outcomes. The Philippines responded to the BRI in 2016 under the newly elected President Duterte. In contrast to his predecessor, Aquino, Duterte acted as a rebel by embracing the BRI and linking it to his development strategy, "Build, Build, Build." This posture shelved the SCS dispute and emphasized a shift away from the US security sphere. On the opposite end of the spectrum, Malaysia under Najib began engaging with China in 2009. Therefore, the emergence of the BRI in 2013 made perfect sense for addressing infrastructure inadequacies. However, the underlying causes of BRI enthusiasm were Najib's vested ambitions involving a government investment entity, 1MDB. This financial vehicle was used by Najib for corruption, secret deals, poor investments, and economic mismanagement, leading to a crisis of confidence.

Duterte faced his share of obstacles — deeply embedded historical institutional forces, primarily the influence of the military bureaucracy and an intricate market structure, acted as constraining forces towards the BRI. Because of historic ties with the US and concerns over disputes over the SCS, the military bureaucracy's agency in the domestic political economy viewed the BRI through a negative lens. For instance, Chinese investment interests, such as those in Cagayan, Sangle, and Subic Bay, were perceived as compromising national security due to their proximity to military assets and the Taiwan Strait. Simultaneously, market forces, mainly sluggish decision-making, a messy PPP model, complex laws, and societal pressures from indigenous communities, restricted BRI investment pledges as mostly ceremonial without any credible feasibility studies. On top of that, Duterte's vision of "Build Build Build" under DuterteNomics and its linkages with BRI were viewed as idealistic because various opposition voices questioned compromising the SCS issue and the real economic benefits, such as employment.

Like Duterte, Najib was enthusiastic about BRI and shelved the SCS dispute. Nonetheless, he was more strategic in aligning BRI investments with Malaysian national plans, highlighting infrastructure needs, such

as in the East Coast region. The market forces were receptive to BRI, as a separate government department was in place to monitor its projects. This can be traced back to market mechanisms and related bureaucratic procedures that have been self-sustaining in Malaysia since the 1980s privatization strategy. However, there were political costs. For instance, alongside opposition led by Dr Mahathir, 1MDB had garnered global headlines, leading to legal investigations in the US and Singapore about misappropriation of funds, only presenting BRI as simply filling out these cracks. Consequently, Najib and the BN coalition suffered a significant loss in the 2018 general elections.

By 2020, Duterte had given up as he failed to navigate his BRI ambitions in a complex, deeply embedded, military-based, and fragmented market structure. For instance, regarding an ambivalent foreign policy, every time Duterte made announcements about not wanting US support, this bounced back with announcements reaffirming the US security pact. Lack of feasibility studies, documentation, and delays in vetting BRI pledges defined the market complexities, which were also affected by COVID-19. This is evident in the cancellation of the BRI-backed Panay-Guimaras-Negros Inter-Island Bridge Project in 2020. Further, the BRI investment pledge to upgrade Sangley Airport was terminated due to security reasons. One of the few projects inaugurated was the Chico River Pump Irrigation Project. Finally, after Marcos Jr. assumed office as the President in 2022, he initially paused and later cancelled all rail projects due to alleged slow financial disbursements by China and reaffirmed ties with the US. In the case of Malaysia, Dr Mahathir had been vocal as an opposition leader, emphasizing the need to renegotiate BRI projects due to high interest rates and perceived benefits that favored China. He maintained his political stance as Prime Minister and initially paused most BRI projects. The COVID-19 pandemic also caused some delays due to various health-related restrictions. However, due to sunk costs, including political survival, infrastructure needs, and past experiences with China, key BRI projects, such as the ECRL, were scaled down in size and cost. Thereupon, post-Mahathir, his successors, Yassin, Yaakob, and Ibrahim, continued a favorable BRI policy. For instance, the length of the ECRL was restored to almost the original plan of Najib. Alongside this mega rail project, the Melaka Gateway and Bandar Malaysia are estimated to be completed between 2025 and 2027.

In conclusion, this paper opens new pathways for research under neoclassical realism, which remains a promising tool for systematically bridging systemic and unit-level factors to explain the responses and outcomes of regional states to a rising power's resources, such as China's BRI financing strategy. This strand of theoretical thinking deserves merit because today, with wars, trade conflicts, climatic changes, the rise of artificial intelligence alongside populist politics, inward-looking economic policies, and social-political fragmentation, it is vital to examine from comparative perspectives of how regional states navigate a global order in flux, alongside dealing with domestic political economy to shape optimal policy outcomes by reacting to strategies of great and rising powers for cooperation and economic development.

CRedit authorship contribution statement

Mohid Iftikhar: Writing – original draft, Visualization, Validation, Resources, Project administration, Methodology, Investigation, Funding acquisition, Formal analysis, Conceptualization.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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