

# INDIA MALAYSIA BILATERAL RELATIONS

## MALAYSIA - HISTORY

Evidence of modern human habitation in Malaysia dates back 40,000 years. The first inhabitants are thought to be Negritos. Traders and settlers from India and China arrived as early as the 1st century AD, establishing trading ports and coastal towns in the 2nd and 3rd centuries. Their presence resulted in strong Indian and Chinese influence on the local cultures, and the people of the Malay Peninsula adopted the religions of Hinduism and Buddhism. Sanskrit inscriptions appear as early as the 4th or 5th century. The Kingdom of Langkasuka arose around the 2nd century in the northern area of the Malay Peninsula, lasting until about the 15th century. Between the 7th and 13th centuries, much of the southern Malay Peninsula was part of the maritime Srivijaya empire.

After the fall of Srivijaya, the Majapahit empire had influence over most of Peninsular Malaysia and the Malay Archipelago. Islam began to spread among Malays in the 14th



century. In the early 15th century, Parameswara, a prince of the former Srivijayan empire, founded the Malacca Sultanate, commonly considered the first independent state in the peninsula. Malacca was an important commercial centre during this time, attracting trade from around the region. Parameswara became a Muslim, accelerating the spread of Islam.<sup>1</sup>

## GEOGRAPHICAL PRESENCE

Located in Southeast Asia, the Malaysian peninsula is bordering Thailand, Indonesia, Brunei, and the South China Sea. With a coast line of 4,675 km (Peninsular Malaysia 2,068 km, East Malaysia 2,607 km), Malaysia has a total area of 329,847 sq km. The climate is majorly tropical with hints of monsoon during the year. Rich in natural resources like tin, petroleum, timber, copper, iron ore, natural gas, bauxite, the country has a strategic location along Strait of Malacca and southern South China Sea.<sup>2</sup>



BRIEF BIO

Malaysia, with Kuala Lumpur as its capital has a population size of 30,949,962 (July 2016 est.). The Malaysian Ringgit is the official currency and languages such as Bahasa Malaysia (official), English, Chinese (Cantonese, Mandarin, Hokkien, Hakka, Hainan, Foochow), Tamil, Telugu, Malayalam, Panjabi, Thai are commonly spoken. On the economic front, main export partners include Singapore 13.9%, China 13%, Japan 9.5%, US 9.4%, Thailand 5.7%, Hong Kong 4.7%, India 4.1% (2015) whereas the main import partners are China 18.8%, Singapore 12%, US 8.1%, Japan 7.8%, Thailand 6.1%, South Korea 4.5%, Indonesia 4.5% (2015). A statistical look from the economic stand point follows<sup>3</sup>:

GDP INDICATORS	GDP: \$863 billion External Debt: \$187.5 billion
TRADE	Exports: \$167.3 billion Imports: \$139.5 billion
MISCELLANEOUS	Unemployment Rate: 3.3% Inflation Rate: 2%

\*2016 (est)

INTRODUCTION – INDIA & MALAYSIA RELATIONS

India established diplomatic relations with the Federation of Malaya (predecessor state of Malaysia) in 1957. India is represented in Malaysia through the High Commission of India based in Kuala Lumpur. Malaysia is represented in India through their High Commission in New Delhi and Consulates General in Mumbai and Chennai. The two sides hold regular consultations between the two Foreign Ministries at the level of Secretary / Secretary General. Both countries have agreed in principle to establish a mechanism for cooperation on counter-terrorism. A bilateral Extradition Treaty was signed in January 2010 and a Treaty on Mutual Legal Assistance in Criminal Matters was signed in March 2012.<sup>4</sup>



## INDIAN COMMUNITY IN MALAYSIA

There are over 130,000 Indian expats legally employed in Malaysia in skilled and semi-skilled category. A bilateral MoU on Employment and Welfare of Workers signed in January 2009 establishes an institutional framework to deal with issues concerning Indian workers. Illegal immigration and human trafficking from India into Malaysia is a matter of concern to both Governments. Three Joint Working Group meetings at the Secretary-level have already been held so far.

The High Commission of India, in collaboration with the Ministry of Culture of India, organized the first Festival of India in Malaysia between March-June 2015 where forty-five events were held in hundred days in all major cities of Malaysia. The Festival culminated after the holding of the first ever International Day of Yoga on 21 June 2015. During his visit to Malaysia in November 2015, Prime Minister released a bilingual (English and Bahasa Malaysia) book on Yoga, titled “Yoga for Holistic Health” at Ramakrishna Mission Malaysia where he also unveiled a twelve feet Bronze Statue of Swami Vivekananda.<sup>5</sup>

## INTRODUCTION – INDIA & MALAYSIA TRADE RELATIONS

In trade in goods both sides have offered ASEAN Plus commitments and in Trade in Services both sides have exchanged WTO Plus offers, with Malaysia making significant commitments in the categories of Contractual Service Suppliers and Independent Professionals in commercially meaningful sectors including accounting and auditing, architecture, engineering services, medical and nursing and computer related services. The first review meeting of India-Malaysia CECA took place at New Delhi in December, 2014. ASEAN-India Agreements on Trade in Services & Investment is also in place since April 2015.

Malaysia is India’s third largest trading partner in ASEAN besides Indonesia and Singapore. India is the largest trading partner for Malaysia among the countries of the South Asia, excluding Singapore and China. India-Malaysia bilateral trade in 2016 was US\$ 11.72 billion (RM 48.62 billion). Malaysia’s exports to India were worth US\$ 7.72 billion and imports from India were valued at US\$ 4.00 billion in 2016. In 2016, Malaysia – India total trade was RM 48.62 billion as against RM 46.94 billion in 2015. India was Malaysia’s 10th largest trading partner in the world, accounting for 3.3 per cent share of Malaysia’s global trade. Malaysia is India’s 11<sup>th</sup> largest trading partner during FY 2016-17 (Apr-Feb) moving 3 places up from 14<sup>th</sup> position in 2015-16. India is 7<sup>th</sup> export destination for Malaysia.

As per official figures (DIPP), Malaysia is currently the 25<sup>th</sup> largest investor in India with FDI inflows of US\$ 829.17 million from April 2000 to December 2016. However, if the Mauritius route is also included, the investment of Malaysia in India could be as high as US\$ 7 billion.



Notable among these are Maxis Communications in Aircel (US\$ 2 billion), Axiata in IDEA Cellular Ltd (US \$0.75 billion) and Khazanah in IDFC, Apollo Hospitals, Yes Bank, etc. (US\$ 1 billion). Malaysian construction companies' largest presence outside Malaysia is in India. The prime interest for Malaysian companies to invest in India is infrastructure and construction sector with a particular focus on roads and highways, railways and upgradation of airport and ports. Other sectors are telecommunications, ICT, engineering, power, Oil & Gas etc.

In addition to the investments, Malaysia has also undertaken US\$ 6 billion worth of projects in India. There has been a surge in Malaysian private sector initiatives in India, particularly in the infrastructure sector. According to Malaysia's Construction Industry Development Board (CIDB), as in December 2016, Malaysian companies have completed 98 highway & road projects worth US \$ 4.64 billion in India. In addition, there are 13 projects valued at US\$ 1.42 billion which are under construction.

Malaysia External Trade Development Corporation (MATRADE) set up its office at Mumbai in December 2010. In addition, Malaysia Palm Oil Board (MPOB) and Malaysian Palm Oil Council (MPOC) set up their offices at Mumbai. In June 2016, Malaysian Rubber Export Promotion Council opened its office at Mumbai. Malaysian Timber Council (MTC) opened its office in Bangalore in January 2017.

As per the latest data available, 87 Malaysian companies including joint venture companies are operating in India.

## INVESTMENT RELATIONS

Indian companies have invested over USD 2.3 billion with major acquisitions by Indian companies including **Reliance Industries Limited, Avantha Group, WIPRO, Larsen & Toubro, Tech Mahindra, TCS, Manipal Group, Biocon India and Veeda Clinical Research Organization**. There are over 150 major Indian companies, including more than 60 IT ventures, operating in Malaysia. As per latest data available from 1980 to 2016, Malaysian Investment Development Authority (MIDA) have informed that Indian companies have invested in 242 manufacturing projects over US\$ 2.62 billion in Malaysia including 8 projects in 2016 for USD 297 million.

As per official figures (DIPP), Malaysia is currently the 25<sup>th</sup> largest investor in India with FDI inflows of US\$ 827.88 million from April 2000 to September 2016. Malaysian Foreign Direct Investment in India is primarily focused on Roads and Highways, Telecommunications, Oil & Gas, Power plants, Tourism and Human Resources. The highest investment proposals have been in the Telecommunications, followed by Power Sectors, Oil Refining and Roads & Highways. Notable among these are investments by companies like **Maxis Communications**



in Aircel, Axiata in IDEA Cellular Ltd, Khazanah in IDFC and Apollo Hospitals, AirAsia in civil aviation and several other investments. Malaysian construction companies' largest presence outside Malaysia is in India. There has been a surge in Malaysian private sector initiatives in India, particularly in the infrastructure sector. There are about 87 Malaysian companies including joint venture companies operating in India which includes prominent entity like IJM (India) Infrastructure Limited, GMR Hyderabad International Airport Limited, Malaysia Airline System (MAS), Khazanah India Advisors Private Limited, AirAsia (India) Private Limited, Petronas Lubricants (India) Private Limited, Eversendai Construction Private Limited, Genting Lanco Power (India) Private Limited, Sunway Opus International Private Limited, etc.<sup>6</sup>

TRADE OVERVIEW (USD BILLIONS)<sup>7</sup>

Details	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<b>EXPORT</b>	<b>4.44</b>	<b>4.20</b>	<b>5.82</b>	<b>3.71</b>	<b>5.23</b>
%Growth		-5.54	38.56	-36.27	41.2
<b>IMPORT</b>	<b>9.95</b>	<b>9.23</b>	<b>11.12</b>	<b>9.08</b>	<b>8.93</b>
%Growth		-7.25	20.45	-18.29	-1.64
<b>TOTAL TRADE</b>	<b>14.39</b>	<b>13.43</b>	<b>16.94</b>	<b>12.79</b>	<b>14.16</b>
%Growth		-6.72	26.11	-24.47	10.78

The trade data shows a dip in trade relations during 2013-2014 and then again in 2015-2016 with a decrease in both import and export. However, the increase in 2014-2015 and then again in 2016-2017 are significantly higher resulting in an overall growth of 10.78% in 2016-2017. Trade has remained significantly biased in favour of Malaysia throughout.

FREE TRADE AGREEMENTS

India and Malaysia have a Comprehensive Economic Agreement (CECA) in place and are also engaged through India-ASEAN FTA which involves a total of eleven countries. The CECA is a single undertaking covering goods, services, investment and other areas of cooperation. The new framework provides significant new opportunities for economic collaboration and is expected to lead to stronger commercial and economic ties at the governmental as well as business-to-business levels.<sup>8</sup>

TRADITIONAL MEDICINE

India and Malaysia signed an MoU on cooperation in the field of Traditional Medicine in October 2010. Traditional and Complementary Medicine (TCM) Division, Ministry of Health of Malaysia



has been working to popularize AYUSH systems in Malaysia. Ayurveda, Siddha, Unani and Homeopathy systems are practiced in Malaysia. In addition to the AYUSH Information Cell in Netaji Subhash Chandra Bose Indian Cultural Centre (NSCBICC) since 2010, one Ayurveda doctor and two therapists have been deputed to Malaysia for the last 4 years. AYUSH experts (3 Ayurveda experts and two Siddha experts so far) are also being periodically deputed for short period to deliver lectures, consultations, conduct seminars and periodical training to Malaysian doctors, professionals and others. India also offers 20 scholarships for Malaysian Nationals to study Traditional medicine in Indian Institutes/ colleges. The Indian High Commission has brought out a book on Ayurveda in English and Bahasa Malaysia language for dissemination among Ayurveda practitioners which was released by MOS (VKS) during his visit to Malaysia in August 2015.<sup>9</sup>

## KEY INITIATIVES BY CII

In tandem with the government of India's "Look East" policy, CII set up South East Asia Regional Representative Office in September 1994 to broaden the relationship between ASEAN and India by encouraging and supporting contacts and assisting both Indian Industry and businesses in ASEAN countries.

In view of the importance of the India-Malaysia relationship in particular, CII had opened a temporary office in Kuala Lumpur from 2003 to 2005 to enhance and enrich the collaboration between the two countries. This office was instrumental in cementing CII's relationship with Malaysia.

CII continues to work with Malaysian companies and departments of Government on economic and business issues.

CII provides institutional support to the **India – Malaysia CEOs Forum**. Mr. Milind Kamble Chairman, Dalit Indian Chamber of Commerce & Industry (DICCI), is Co – Chairing the Forum. Some key MoU partners of CII in Malaysia are: -

- Asian Strategy Leadership Institute (ASLI)
- Malaysian Industrial Development Authority (MIDA)
- The Federation of Malaysian Manufacturers (FMM)
- The Malaysia External Trade Development Corporation (MATRADE)
- Melaka Indian Chamber of Commerce & Industry, Malaysia
- Construction Industry Development Board (CIDB), Malaysia
- Malaysia India Business Council (MIBC)

Outlined below are important meetings, visits and events with Malaysia over the last few years:





- CII organised a CEOs Delegation to Kuala Lumpur from 25-26 July 2017. The Delegation met Minister of Works, Minister of Health, Minister of Trade & Industry and Hon'ble Chief Minister of Selangor during its two day visit.
- Informal meeting with Indian and Malaysian CEOs in presence of Malaysian Minister for International Trade and Invest, H E Datuk Seri Mustapa Mohamed on 2nd May 2016 at New Delhi.
- Pre meeting of the India Malaysia CEOs Forum was held at Kuala Lumpur on 23rd August 2015, post which participants met Mr Y B Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry, Malaysia and Ms Nirmala Sitharaman, the Hon'ble Commerce and Industry Minister, India.
- Participation and address by Dato' Sri Mustapa Bin Mohamed, Minister of International Trade and Industry, Ministry of International Trade and Industry, Malaysia at the CII Partnership Summit 2015, 15-17 January in Jaipur.
- Malaysia's participation at Madhya Pradesh Global Investors Summit, 8-10 October 2014
- Industry interaction arranged for SME delegation from Malaysia in Bangalore on 28 January 2014
- 6th meeting of India-Malaysia CEOs Forum was held at Bangalore, India on 27 January 2014. The forum was held under the Co-Chairmanship of Tan Sri Dato' Ajit Singh, Advisor, Indian Prime Minister's Global Advisory Council from the Malaysian side and the Indian Co-Chair Mr Malvinder Singh, Executive Chairman, Fortis Healthcare Ltd.
- Participation and address by Dato' Sri Mustapa Bin Mohamed, Minister of International Trade and Industry, Ministry of International Trade and Industry, Malaysia at the CII Partnership Summit 2014 , 27-29 January in Bangalore

## REFERENCES

- <sup>1</sup> My Government - Malaysian Government's Official Website
- <sup>2</sup> CIA World Fact Book
- <sup>3</sup> IBID
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- <sup>5</sup> IBID
- <sup>6</sup> IBID
- <sup>7</sup> EXIM Data – Ministry of Commerce, India - Website
- <sup>8</sup> High Commission of India in Malaysia Website
- <sup>9</sup> MEA Foreign Relations Portal