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IT IS TIME TO GET GOING

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INDIA MALAYSIA RELATIONS

It is Time to Get Going

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India and Malaysia have a long history of trade and cultural relations. Diplomatic relations between India and Malaysia were established in 1957 and the two countries are celebrating in 2007 the 50th anniversary of the foundation of their diplomatic engagement. Though, bilateral relations have generally been cordial, the enthusiasm to engage deeper has remained absent. Bilateral ties have, however, improved during recent years due to the convergence of mutual interests in an economically globalizing world. Regular exchanges of high level visits have also contributed to the improved relations. Several Indian Presidents have visited Malaysia in the past such as Dr Rajendra Prasad in 1958, VV Giri in 1973 and Fakhruddin Ali Ahmed in 1977. Indian Prime Ministers have also visited Malaysia – Jawaharlal Nehru in 1954 and 1964, Indira Gandhi in 1968, V P Singh in 1990, P V Narsimha Rao in 1995 and Atal Bihari Vajpayee in 2001. Prime Minister, Manmohan Singh visited Malaysia in 2005 to participating in the First East Asia summit. Similarly various Malaysian Prime Ministers have also visited India in the past – Tun Hussein in 1980, Dr Mahathir Mohammad in 1983 for the Non-Aligned Movement (NAM) Summit, in 1994 For G-15 meetings and in 1987, 1993, 1996, 2002 for bilateral visits.

India-Malaysia cooperation also has its regional and international dimensions. Both are the common member of various fora such as the NAM, the G-15, the G-77, the Commonwealth, the WTO, ASEAN Regional Forum (ARF), the East Asia Summit and the Indian Ocean Rim-Association for Regional Cooperation (IORAC). India has always been extremely supportive of Malaysia's active role in NAM while Malaysia also extended its support in favor of India's status as an observer nation in the ASEAN.

However, during the tenure of Mahathir Mohammad, the nature of India-Malaysia relations remained extremely complex due to his attempt to 'be more Malay than the Malays.' Mahathir, due to his partly-Indian origin, was forced to choose a delicate balance in bilateral ties because his closeness with India could have aroused Malay nationalistic sentiments against him. However, despite domestic political compulsions, Mahathir was in favor of economic and defense cooperation with India. This is evident from the fact that during his tenure Malaysia also got its air force pilots trained on MIG-29s in India. During the Vajpayee's visit to Malaysia in 2001, a positive sign in India Malaysia relations was seen when Malaysia changed its previous view on the Kashmir issue and accepted the Indian position that the issue could be resolved only through bilateral negotiations.

However, Indo-Malaysian bilateral relations deteriorated in 2003 when some Indian IT professionals, working in Malaysia's Multimedia Super Corridor project were harassed and charged as illegal migrants. Following strong criticism from the Indian government, the Malaysian government conveyed its apology to India and clarified that this action was not directed against Indians and it was a mistake made by a few overenthusiastic officers during a campaign against illegal immigrants. Thereafter, Prime Minister Badawi's landmark visit to India in 2004 stimulated the bilateral relationship and opened new vistas for India-Malaysia cooperation. His visit culminated in the signing of 12 agreements and MOUs covering wide ranging cooperation in the areas of satellite technology, biotechnology, IT, infrastructure, education, and research. Despite such encouraging developments, Malaysia's hesitation in

inviting India for the first East Asia Summit reflects the fact that much still remains to be done for further strengthening the relationship.

DEFENCE AND SECURITY COOPERATION

India and Malaysia signed a MoU on Defence Cooperation in 1993 and a Malaysia-India Defence Cooperation Meeting (MIDCOM) established under its framework. Several MIDCOM meetings and reciprocal visits of high level defense personnel have been taking place since 1993. India's "defense diplomacy" towards Malaysia focuses on developing an integral defense relationship through joint military exercise, training of defense personnel and trade in military equipment. India has offered to train Malaysian defence personnel on Sukhoi fighter planes and Scorpene submarines and two Indian naval ships INS Delhi and INS Kora participated in the Langkawi International Maritime and Aerospace Exhibition – LIMA-03 in Malaysia. India and Malaysia are also participating in the MILAN naval exercises along with Bangladesh, Sri Lanka, Indonesia, Singapore, and Thailand. Defense cooperation with Malaysia is in the interest of India from the point of view of both economic and strategic aspects. Besides, a seller-buyer relationship with respect to military hardware, India and Malaysia can also cooperate to secure the Malacca Straits through joint patrols and other activities. India and Malaysia have discussed the issue of compulsory pilotage of the Malacca Straits at the 'Shangri La' security dialogue held in Singapore. India's expertise in maritime security can be useful for protecting the narrow channel of the Malacca Straits from emerging non-traditional security threats in Southeast Asia.

TRADE AND ECONOMIC RELATIONSHIP

Bilateral trade has increased to US\$5.7 billion in 2006 from US\$2.25 billion in 1998. Palm oil is the main export to India

from Malaysia followed by mineral fuel and electronics goods. India's main exports to Malaysia are transport machinery, food items like meat, non-basmati rice and sugar. Although bilateral trade increased 21.59 per cent in 2006 over the previous year, the potential of bilateral trade has not been actualized so far, due to a narrow trade basket. Therefore, in order to expand trade relations a Joint Study Group (JSG) was appointed to explore the feasibility of a comprehensive economic cooperation agreement (CECA). This CECA comprises not only free trade agreement in services and goods but also covers the area of bilateral investment. The JSG recommended that the proposed CECA is feasible and favourable for expanding mutual trade relations.

Both India and Malaysia seek investment from each other. The JSG, in its report, has recommended that the issue of bilateral investment should be included in the proposed CECA and emphasized the need of investment liberalization and promotion of joint ventures between India and Malaysia. There are various possible areas where India and Malaysia can develop synergies, such as in infrastructure development, software development and tourism.

Malaysian companies are planning to enter India with both capital and expertise in areas such as roads, telecommunications, ports, automotive components, petroleum, tourism, property development, and software. Malaysia is 18th largest investor in India on the basis of cumulative FDI approvals from 1991 to August 2005 amounting to US\$1.6 billion. Malaysian construction companies have finished projects worth US\$350 million in India, including expressway development projects in Tamil Nadu, Karnataka and Kerala. At present, Malaysian companies are engaged in 28 projects worth US\$1.8 billion in India and several national highways projects are under consideration in states such as Haryana, Rajasthan and Uttar Pradesh. The Malaysian Government has shown interest in developing the

Colachel port in Tamil Nadu and Malaysian companies are involved in construction of the greenfield international airport in Hyderabad. A Malaysian company, 'the Malaysian Airports' is also a member of Delhi International Airport Private Limited (DIAL) which is a joint venture for the operations, management and development of Delhi's international airport. Recently, NAZA automotive of Malaysia also declared its intention to establish a car manufacturing unit in Tamil Nadu.

Malaysia also seeks investment from Indian side. The first Indian private sector investment in Malaysia was made in 1968 by Godrej. Thereafter, Indian public sector companies began investing in Malaysia through joint ventures in 1980s. Indian public sector undertakings have a remarkable track record in implementing projects in Malaysia. Indian Railway Construction Company (IRCON) had undertaken 11 major railway projects valued at US\$183 million. Bharat Heavy Electronics Limited (BHEL) has already completed 15 power projects and has also been supplying power transmission equipments and spare parts to Malaysian power projects since 1972. Malaysia's first Advanced Training Centre was established by Hindustan Machine Tools (HMT) in 1988. Presently, IRCON and BHEL, which maintain offices in Kuala Lumpur, are involved in various projects. In the Malaysian energy sector, Indian Oil Corporation (IOC) is involved in a joint venture with Petronas of Malaysia.

Information technology has emerged as another promising area where Malaysia expects Indian investment. Presently More than 36 Indian IT Companies including software giants such as HCL, Satyam and NIIT have established their units in Malaysia's Multimedia Super-Corridor project. Hyderabad Software Exports Association signed a MoU with Multimedia Development Corporation (MDC) of Malaysia. The bilateral cooperation in the IT sector has been reinforced further during PM Badawi's visit to India in December

2004 when five agreements on IT including agreements between NASSCOM and PIKOM (Malaysia) were concluded.

However, the mutual investment outlook for India and Malaysia is quite disappointing because only 3 per cent of total FDI in India is from Malaysia and just one per cent of total FDI in Malaysia is from India. Despite the availability of world class infrastructure in Malaysia, Indian companies are not very enthusiastic in investing in Malaysia due to their previous experiences with some unclear and non-commercial decisions of the Malaysian government. For example, Malaysia-India relations suffered a setback in 2003 when Malaysia denied IRCON the US\$3.4 billion double tracking contract despite having issued a letter of intent to company. ANTRIX, the marketing arm of the Indian Space Research Organization (ISRO) faced the same problem when its joint venture with Maxstar, a Malaysian private company that develops micro-satellites was cancelled after some preliminary progress. Thus, to increase the flow of mutual FDI such situations have to be avoided.

India is a major source of tourists for Malaysia which in 2006 received 225789 visitors from India. This points to the ample scope for enhancing cooperation in the various fields of tourism like health, adventure, sports and eco-tourism. The Malaysian government, in a bid to promote its tourism industry has declared 2007 as "Visit Malaysia Year." Tourists from India and 23 other nations now can apply for visa on arrival at a Malaysian airport. It also decided to allow Indian nationals to apply for multiple entry visas on condition their stay does not exceed 30 days on each visit.

SCIENCE AND TECHNOLOGY COOPERATION

Indo-Malaysian cooperation is also growing in the area of science and technology. Both countries signed an agreement in 1998 on S&T cooperation in

the specific areas of biotechnology, IT, advanced manufacturing systems, and advanced materials. According to this agreement, an Indo-Malaysian Joint S&T Committee has been set up to monitor the progress of projects in above mentioned areas. This committee provides an institutional mechanism for coordinating India-Malaysia S&T cooperation and works under the chairmanship of the Secretary, Department of Science & Technology and Environment in the Malaysian government . The first meeting of the Joint Committee was held in New Delhi in March 2001 and in the next meeting in 2002, a Programme of Cooperation was concluded. Under the framework of this Programme, four workshops have been organized – two in India in the areas of advanced materials and biotechnology and two in Malaysia in the areas of bioinformatics and Ayurvedic medicine. India and Malaysia are also involved in various S&T collaborations under the aegis of ASEAN specifically in the fields of advanced materials, biotechnology and IT.

However, to usher deeper S&T cooperation, there is a need to develop an expanded, bilateral inter-institutional mechanism to facilitate interaction among the academia, research laboratories and industry in both countries. The benefits of achievements in S&T cannot be utilized fully without having an adequate supply of entrepreneur skills. Therefore, in the field of entrepreneur development both India and Malaysia could exchange their knowledge. The University of Malaya Putra has developed an entrepreneur development unit to encourage young entrepreneurs to establish themselves, to bring out technologies as may be relevant both within and outside the country. India is also giving due importance to this aspect and in the process has set up 12 Science & Technology Entrepreneur Development Parks across the country through the efforts of its Department of Science & Technology. Thus possibilities of joint projects in this area are going to be prominent in the coming years.

INDIAN DIASPORA IN MALAYSIA

Malaysia is a multiethnic, multi-religious society, and Islam is the official religion of Malaysia. Ethnic Indians are a significant minority group in Malaysia comprising 8 per cent of Malaysian population. Most of these are Tamils but there are also some Malayalam- and Telugu- speaking people. Under the British policy of indentured labor, Indians were forcibly moved to Malaysia for working as plantation labourers. As the years progressed, they integrated themselves with the society and culture of Malaysia while retaining their language and religion. About 80 per cent of ethnic Indians in Malaysia are Hindus and their problems are the same as the problems of minorities in a multicultural society. Being a minority they face an identity crisis while the majority group of Malays remains suspicious of them. Malaysia is a multicultural society in theory, but in reality the situation is far from ideal. Recently, the Malaysian Government in its move to develop infrastructure targeted some Hindu temples as illegal buildings lacking registration. The demolition of these temples has led to an increase in religious tensions in Malaysia. To prioritize infrastructure development is rational. However, plans to relocate such temples should also take into consideration the concerns of the Hindu minorities.

Despite having such domestic problematic political issues, a rapidly globalizing Malaysian economy cannot bear the cost of isolating itself from India which is a vibrant marketplace and a source of both skilled and non-skilled labour. Thus, in contrast to its previous hesitant approach, Malaysia is changing its perception towards India, evident from the fact that Malaysia is now ready to negotiate a MoU on labour-related issues. India has been seeking such an agreement for a long time with Malaysia.

Malaysia is also providing the facility of 'calling visa' to Indian workers. Now workers from India along with those from

Pakistan, Bangladesh, and Nepal can receive their visas on arrival at the Kuala Lumpur airport. They will no longer need to apply at respective Malaysian High Commissions. In its endeavor to bolster ties with India, the Malaysian government also invited IRCON to participate again in the double tracking railway project from Seremban to Gemas.

India and Malaysia have divergent interests on some issues such as palm oil

pricing, issues of the Indian diaspora and so on but there is no point in delaying cooperation in other areas of mutual interest. The two countries have realized the reality of a complex interdependent world where it is irrational to impede cooperation in areas of mutual interests due to clash of interests in other areas. Therefore, after spending a long period at the negotiation table both now appear ready to get going.

BILATERAL AGREEMENTS

Cultural Agreement	30 March 1978
Cooperation in Science and Technology	12 September 1998
Trade Agreement	October 2000
Exemption of the Visa requirement for holders of Diplomatic and Official Passports	14 May 2001
Avoidance of Double Taxation and the prevention of Fiscal Evasion with respect to Taxes on Income	14 May 2001
Agreements in cooperation on Information Technology between NASSCOM (India) and PIKOM (Malaysia)	December 2004

MEMORANDA OF UNDERSTANDING

Defense Cooperation	1993
Air Service Operation	12 September 2000
Mutual Cooperation Relating to Investment, Construction, Privatization and Management of Seaports in India	14 May 2001
Cooperation on Information Technology and Services	14 May 2001
Cooperation in the field of Civil Service, Personnel Management and Public Administration	14 May 2001
Between Securities Commission of Malaysia and the Securities and Exchange Board of India in relation to Assistance and Mutual Cooperation	14 May 2001

On Space Technology between Antrix Corporation (ISRO) and MEASAT Satellite Systems Sdn Bhd. December 2004

Technical Services Agreement concerning Hyderabad International Airport between Hyderabad International Airport Ltd and Malaysia Airport Holdings Bhd. December 2004

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