

# **INDIA – MALAYSIA**

## **Bilateral Relations in the 21<sup>st</sup> Century**

**Editors**

**Dr. I. Parvin Banu**

**Dr. R. Sivaramakrishnan**



**Associate Editors**

**Mr. P. Keerthivasan**

**Mrs. S. Shajitha Banu**



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**First Edition**

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Sri Ramakrishna College of Arts & Science (Formerly known as SNR Sons College) continues its journey in the field of higher education in the 37th year. It is situated at the heart of the city and has a beautiful campus sprawling over an area of 15.9 acres with excellent infrastructure. It is affiliated to Bharathiar University and accredited by National Assessment and Accreditation Council since 2001, with A+ in its 4th cycle. It is recognized by the UGC Act under sections 2f & 12B from 2007. The college enjoys autonomous status since 2004. It is an ISO 9001:2015 certified college. The college is under the STAR College Scheme of the Department of Biotechnology (DBT), Government of India since 2019. The college secured 56th Rank in the National Institutional Ranking Framework (NIRF) in 2024.

## **ABOUT THE DEPARTMENT**

PG and Research Department of International Business was started in the year 1998. The department offers BCom IB and MCom IB programs, that offers exposure to complexities of International dimensions of several disciplines such as Foreign Trade, Export Import Documentation, Supply Chain Management, Logistics Management, Foreign Exchange Management, HR Management, International Marketing, International Finance as well as International Economics and Social culture. It helps students tackle challenges of a complex multicultural, multilingual and a globally competitive environment as well as expose them to managerial challenges of International trade and of working under different jurisdictions.

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**INDIA-MALAYSIA TRADE AND INVESTMENT OPPORTUNITIES: A  
PATHWAY TO ECONOMIC GROWTH**

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**Abstract----**India and Malaysia share a long-standing economic relationship, strengthened by historical ties, cultural affinities, and mutual trade interests. Both nations are key players in the Indo-Pacific region, with Malaysia being one of India's significant trade partners within ASEAN. This paper explores the current trade dynamics, investment opportunities, challenges, and future prospects for enhancing bilateral economic cooperation. The study highlights key sectors such as electronics, palm oil, pharmaceuticals, IT services, and renewable energy where both countries can expand collaboration. Additionally, the paper examines government policies, trade agreements, and strategic initiatives that can further boost India-Malaysia economic relations.

**Keywords---**India-Malaysia Trade, ASEAN, Bilateral Investment, Economic Cooperation, Free Trade Agreement (FTA).

**I. Introduction**

India and Malaysia have enjoyed strong diplomatic and economic relations for decades. Malaysia is home to a large Indian diaspora, contributing to cultural and economic linkages. Trade between the two nations has grown steadily, supported by the India-ASEAN Free Trade Agreement (AIFTA) and the Comprehensive Economic Cooperation Agreement (CECA). In 2022-23, bilateral trade reached US\$19.4 billion, with Malaysia being India's third-largest trading partner in ASEAN after Singapore and Indonesia (Ministry of Commerce, India, 2023).

This paper analyzes:

- Current trade and investment trends.
- Key sectors with untapped potential.
- Challenges in bilateral economic relations.
- Policy recommendations for future growth.

### II. Historical Overview of India-Malaysia Economic Relations

Economic ties between India and Malaysia date back to ancient maritime trade. In modern times, Malaysia emerged as a key partner for India, especially after the Look East Policy (1991) and later the Act East Policy (2014). Major milestones include:

- **2011:** Implementation of **India-Malaysia CECA**, reducing tariffs on over 90% of goods.
- **2015:** Malaysia joined the **Regional Comprehensive Economic Partnership (RCEP)** negotiations, though India later opted out.
- **2020s:** Increased collaboration in **digital economy, fintech, and renewable energy**.

### III. Current Trade and Investment Scenario

#### Bilateral Trade Trends

- **Total trade (2022-23): US\$19.4 billion**
  - **India's exports to Malaysia: US\$6.4 billion** (petroleum products, machinery, chemicals).
  - **India's imports from Malaysia: US\$13 billion** (palm oil, electronics, LNG).
- **Trade imbalance:** India has a **trade deficit** due to high imports of palm oil and electronics.

#### Key Export-Import Commodities

India's Exports to Malaysia	India's Imports from Malaysia
Refined petroleum products	Palm oil & derivatives
Pharmaceuticals	Electronic integrated circuits
Iron & steel products	Petroleum gases (LNG)
Automobile components	Chemical products

### **Foreign Direct Investment (FDI) Flows**

- Malaysian FDI in India (2000-2023): US\$1.2 billion (mainly in infrastructure, oil & gas, real estate).
- Indian FDI in Malaysia: Significant investments in IT (TCS, Infosys), healthcare (Apollo Hospitals), and energy (Adani Ports).

### **IV. Key Sectors for Trade and Investment Expansion**

#### **Electronics and Semiconductor Manufacturing**

- Malaysia is a global hub for semiconductor production (12% of global market).
- Opportunity for Indian IT firms (Tata Electronics, HCL) to collaborate with Malaysian tech parks like Penang's Silicon Valley.

#### **Palm Oil Trade and Sustainability**

- Malaysia supplies 45% of India's palm oil demand.
- Potential for joint R&D in sustainable palm oil to meet India's Biofuel Policy 2023 targets.

#### **Pharmaceuticals and Healthcare**

- India is the "Pharmacy of the World", while Malaysia has strong medical tourism.
- Scope for generic drug manufacturing partnerships and Ayushman Bharat-style healthcare collaborations.

#### **Renewable Energy and Green Technology**

- Malaysia aims for 31% renewable energy by 2025, India for 500 GW by 2030.
- Joint ventures in solar power, hydrogen fuel, and waste-to-energy projects can be explored.

#### **Digital Economy and Fintech**

- Malaysia's Digital Free Trade Zone (DFTZ) aligns with India's Digital India initiative.
- Cross-border e-commerce, UPI-like payment systems, and AI-driven fintech solutions hold promise.



## **V. Challenges in India-Malaysia Economic Relations**

### **Trade Imbalance**

- India's heavy reliance on Malaysian palm oil creates a deficit.
- Solution: Encourage Malaysian investments in Indian agro-processing to balance trade.

### **Non-Tariff Barriers (NTBs)**

- Strict regulations on food imports (e.g., halal certification delays).
- Solution: Mutual recognition agreements for standards.

### **Competition from Other ASEAN Nations**

- Vietnam and Thailand offer similar export products at competitive prices.
- Solution: Focus on high-value niche products (e.g., specialty chemicals, IT services).

## **VI. Policy Recommendations for Strengthening Ties**

### **1. Expand CECA to Include Services & Digital Trade**

- Currently, CECA focuses on goods; adding IT, healthcare, and fintech will boost services trade.

### **2. Joint Ventures in Renewable Energy**

- Establish India-Malaysia Green Energy Fund for solar and hydrogen projects.

### **3. Promote SME Collaborations**

- Set up India-Malaysia SME Clusters in food processing, textiles, and electronics.

### **4. Enhance Air and Sea Connectivity**

- Increase direct flights (Kuala Lumpur-Chennai-Delhi) and shipping routes to reduce logistics costs.

### **5. Leverage Indian Diaspora in Malaysia**

- Over 2 million PIOs (Persons of Indian Origin) can act as trade ambassadors.

## **VII. Conclusion**

The India-Malaysia economic partnership holds tremendous potential across traditional and emerging sectors. Key findings suggest:

- **Trade** can grow to US\$25 billion by 2025 with focused efforts
- **Investment partnerships** in renewables and digital infrastructure offer high returns
- **Government-industry collaboration** is essential to address challenges

As noted by the Institute of Strategic and International Studies Malaysia (2023), "The complementarity of India's manufacturing capabilities and Malaysia's logistics hub status creates perfect conditions for deeper integration."

Strategic initiatives in **trade facilitation, SME partnerships, and green technology** can make this one of Asia's most successful bilateral relationships.

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