

INDIA – MALAYSIA

Bilateral Relations in the 21st Century

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Dr. I. Parvin Banu

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INFRASTRUCTURE AND THE DIGITAL ECONOMY: CATALYSTS FOR ENHANCED INDIA–MALAYSIA ECONOMIC RELATIONS IN THE 21ST CENTURY

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Abstract---India and Malaysia, two prominent economies in Asia, share a long-standing bilateral relationship encompassing trade, investment, and cultural exchange. As the global economic order transitions toward digital and knowledge-based models, infrastructure and digital connectivity have become critical pillars for growth. This paper explores the evolving dynamics of infrastructure development and the digital economy in shaping economic cooperation between India and Malaysia. It highlights key initiatives, investment trends, policy frameworks, and future prospects for mutual benefit in areas such as smart cities, fintech, logistics, digital trade, and digital public infrastructure. The paper also offers recommendations to institutionalize cooperation through joint platforms, regulatory harmonization, and innovation ecosystems.

Keywords---Digital- Economy-Infrastructure-Challenges.

1. Introduction

India and Malaysia have enjoyed historically robust ties rooted in shared civilizational connections and a dynamic post-colonial partnership. In recent decades, economic relations have gained prominence, with trade volumes crossing USD 19 billion in 2022. As the global economy embraces digitalization and infrastructure modernization, India and Malaysia find a strategic opportunity to recalibrate their bilateral cooperation with a forward-looking agenda focused on connectivity, smart infrastructure, and digital transformation.

2. Review of Literature

Calderon and Servén (2014) disclosed that infrastructure quality positively influences productivity and economic performance across nations, especially in emerging markets. In the context of India–Malaysia relations, bilateral infrastructure investments have

historically focused on highways, ports, and urban development (Ministry of External Affairs [MEA], 2023). Malaysia's infrastructure expertise, especially in large-scale construction and urban planning, has been utilized in Indian projects through companies such as Eversendai and IJM Corporation (ASEAN–India Centre, 2022). Gupta and Ariff (2020) found that fintech solutions can enhance financial inclusion, especially when integrated with cross-border payments infrastructure. Integration of India's UPI with regional payment systems, including Malaysia's DuitNow, could facilitate smoother financial flows, benefiting trade, tourism, and the Indian diaspora (Reserve Bank of India, 2023). Mohd-Yusof et al. (2022) suggests that innovation collaboration between India and Malaysia remains underexplored, especially in fintech, AI, and health tech. Bukht and Heeks (2018) define the digital economy as encompassing digital infrastructure, services, and digitally enabled business models. India's advancements in Digital Public Infrastructure (DPI) — such as Aadhaar, Unified Payments Interface (UPI), and DigiLocker — represent a successful case of inclusive digital transformation (Kapur et al., 2023).

3. Infrastructure as a Strategic Pillar of Economic Cooperation

1. Traditional Infrastructure: Transport, Energy, and Logistics

Malaysia's well-developed infrastructure and India's ambitious infrastructure programs like the PM Gati Shakti National Master Plan, Sagarmala, and Bharatmala create fertile ground for collaboration. Malaysian firms such as UEM Group and IJM Corporation have participated in Indian highway and urban development projects. Similarly, Indian infrastructure players are exploring opportunities in Malaysian logistics and port modernization.

2. Smart Cities and Sustainable Infrastructure

India's Smart Cities Mission aligns well with Malaysia's Smart City Framework (MCSF). Collaborative efforts in urban planning, smart mobility, waste management, and water infrastructure could be bolstered through technology sharing and public-private partnerships (PPPs).

4. The Digital Economy: Driving the Next Wave of Growth

1. Digital Trade and E-commerce

India's booming digital consumer base and Malaysia's role as a digital trade gateway in ASEAN present synergies for cross-border e-commerce, especially through platforms

like India's ONDC (Open Network for Digital Commerce) and Malaysia's Digital Free Trade Zone (DFTZ). Bilateral frameworks can boost MSME exports and digital entrepreneurship.

2. Fintech, Payments, and Digital Public Infrastructure

India's Digital Public Infrastructure (DPI), including Aadhaar, UPI, and DigiLocker, has transformed its financial landscape. Malaysia, with initiatives like DuitNow and its National Digital Identity Framework, offers a basis for dialogue on interoperable payment systems, fintech innovation, and cybersecurity. Cross-border UPI integration with Malaysia could facilitate trade, tourism, and remittance flows.

3. Innovation and Start-up Ecosystems

With over 100,000 start-ups in India and a rising innovation scene in Malaysia, joint incubators, digital parks, and start-up exchange programs can catalyze growth in AI, blockchain, health tech, and edtech sectors. Existing cooperation under the India–Malaysia Comprehensive Economic Cooperation Agreement (CECA) can be expanded to include digital services and IP collaboration.

5. Policy Frameworks and Institutional Linkages

1. Trade and Digital Cooperation Agreements

The CECA can be upgraded to incorporate digital trade rules, data governance, cloud services, and digital taxation frameworks. Bilateral Working Groups on ICT and infrastructure could facilitate structured dialogue and project implementation.

2. Regional and Multilateral Platforms

India and Malaysia are active participants in platforms like ASEAN–India, BIMSTEC, and the IMT-GT (Indonesia-Malaysia-Thailand Growth Triangle). Leveraging these can support regional digital connectivity corridors and infrastructure finance.

6. Challenges and Recommendations

Challenges

- Regulatory asymmetry in digital trade and data localization laws
- Cybersecurity vulnerabilities and digital trust gaps
- Financing gaps in infrastructure PPPs
- Limited awareness and coordination between business communities

Recommendations

- Establish an India–Malaysia Infrastructure & Digital Economy Forum
- Harmonize digital standards and promote mutual recognition of e-certifications
- Facilitate joint venture funds for digital start-ups and infrastructure tech
- Foster skill development through digital upskilling programs and academic exchange

7. Conclusion

Infrastructure and digital economy are no longer auxiliary sectors but central to bilateral economic diplomacy. For India and Malaysia, aligning their strategies in these domains offers a high-yield avenue to deepen economic interdependence while advancing inclusive growth and regional stability. The 21st century presents a timely opportunity to institutionalize such cooperation through visionary leadership and pragmatic action.

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