

# **INDIA – MALAYSIA**

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

**Editors**

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**Dr. R. Sivaramakrishnan**



**Associate Editors**

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**First Edition**

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INDIA MALAYSIA TRADE INVESTMENT ANALYSIS: LEGAL AND  
STRATEGIC PERSPECTIVE ON INDIA-MALAYSIA RELATIONS

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**Abstract**---This paper explores global trade and investment opportunities, with a focus on how countries can leverage economic partnerships for sustainable development. It examines key trade routes, high-potential investment sectors, economic cooperation frameworks, and presents data and case studies to identify avenues for future growth. Special emphasis is placed on the *Role of Law and Regulations (ROLR)* in facilitating and shaping trade and investment between India and Malaysia. The paper illustrates how legal frameworks, trade agreements, and regulatory policies influence bilateral trade flows, foreign direct investment (FDI), and broader economic relations. Using recent empirical data, the study analyzes trends and offers strategic insights for deepening India-Malaysia economic ties. Additionally, it outlines the benefits and risks of foreign trade and investment, offering guidance for effective risk management and policy planning.

**Keywords**---Trade, Development, Investment, Export-Import.

**1. Introduction**

In today's globalized economy, international trade and investment are vital engines of economic growth and development. Nations seek to expand market access, boost productivity, and enhance competitiveness through cross-border economic integration. This paper outlines the scope of contemporary trade and investment opportunities, particularly in emerging markets and digital economies. For emerging economies like India and Malaysia, trade and investment are pivotal to industrial advancement and global relevance. The two countries share historical and cultural ties and have progressively strengthened economic cooperation through bilateral agreements and regional platforms. In this context, understanding the role of legal and regulatory frameworks is essential for policymakers, investors, and enterprises aiming to navigate global opportunities and associated challenges effectively.



## 2. Objectives

- To examine key global trade and investment trends.
- To assess the associated opportunities, risks, and constraints.
- To identify sectors with significant potential for international collaboration.

### Advantages and Disadvantages of Trade and Investment

Advantages	Disadvantages
Access to new markets and customer bases	Exposure to international market risks
Increased capital inflows and economic growth	Overdependence on foreign capital
Employment generation and technology transfer	Cultural, legal, and regulatory barriers
Economies of scale and enhanced competitiveness	Risk of exploitation or weakening of local industries

## 3. Scope of Study

This study offers a comprehensive review of various elements that shape international trade and investment. It delves into trade agreements such as Free Trade Agreements (FTAs) and Regional Trade Blocs, which play a pivotal role in reducing trade barriers and promoting economic integration. The analysis also covers diverse investment frameworks, including Foreign Direct Investment (FDI) and portfolio investments, highlighting their impact on capital flows and economic development. Furthermore, the study examines bilateral and multilateral economic relations that influence the strategic alignment between countries. A critical aspect of the review is the legal and regulatory environment, with particular emphasis on factors such as transparency, dispute resolution mechanisms, and the ease of doing business each of which significantly affects investor confidence and cross-border economic activity.

## 4. Role of Law in Trade

Legal frameworks are instrumental in regulating and facilitating trade. They encompass trade agreements, tariff policies, non-tariff barriers, and intellectual property rights (IPR) enforcement. India and Malaysia are parties to regional agreements such as the ASEAN-

India Free Trade Agreement (AIFTA), which reduce trade barriers and improve market access. Additionally, customs regulations, quality standards, and anti-dumping measures are key components of legal oversight in international trade.

**Key Trade Figures (2023–2024):**

- **Total bilateral trade:** USD 20.01 billion
- **India's imports from Malaysia:** USD 12.02 billion
- **Top imports:** Vegetable oils, electronics, fossil fuels (aluminum imports exceeded USD 505 million)
- **India's exports to Malaysia:** Mineral fuels (USD 1.8 billion), aluminum (USD 1.09 billion), meat and pharmaceuticals

**Key Trade Sectors:**

- Manufacturing (electronics, automobiles, machinery)
- Agriculture and food exports
- Textiles and apparel
- Energy resources (oil, gas, renewable)

**Emerging Trade Trends:**

- Digital trade and e-commerce
- Green and sustainable trade
- Regional integration (e.g., RCEP, AfCFTA)

**Investment Landscape**

Investment flows are increasingly shaped by legal instruments such as bilateral investment treaties (BITs), tax agreements, and dispute resolution mechanisms. Malaysia has liberalized several sectors to attract FDI, while India's policy reforms have encouraged Malaysian investment in infrastructure, palm oil, electronics, and education.

**Investment Highlights:**

- **Malaysian FDI in India:** Exceeds USD 6 billion across telecom, healthcare, infrastructure

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- **Upcoming Projects:** Petronas's USD 4.5 billion green ammonia and renewables project
- **Recent Trends:** Malaysian bonds witnessed record inflows (~USD 3.15 billion in May 2025)

### Investment Sectors:

- Infrastructure, technology, and real estate
- Venture capital and startup ecosystems
- Public-private partnerships in development projects

### Investment Destinations: Economic Relations and Bilateral Cooperation

Bilateral and multilateral relations play a crucial role in enhancing trade and investment. Robust diplomatic ties, mutual legal agreements, and stable political environments promote shared market access, investor protection, and knowledge transfer.

Table: UNCTAD World Investment Report 2024

Country	FDI Inflow (USD Bn)	Top Sectors	Key Trade Partners
India	70	IT, Pharma, Infrastructure	USA, UAE, China
Vietnam	30	Electronics, Textiles	China, USA, Japan
Brazil	60	Agriculture, Mining	China, USA, Argentina
UAE	20	Real Estate, Tourism	India, Saudi Arabia

### India–Malaysia Economic Relations

- Expansion of bilateral trade, now reaching USD 20+ billion
- Joint ventures in renewable energy, ICT, and manufacturing
- Enhanced labor and skills mobility via workforce exchange programs
- Strengthened regional integration via ASEAN–India relations (despite India's withdrawal from RCEP)

**Table: India–Malaysia Bilateral Trade Statistics**

<b>Year</b>	<b>India's Exports (USD Bn)</b>	<b>Malaysia's Exports (USD Bn)</b>	<b>Total Bilateral Trade (USD Bn)</b>
2020	5.5	8.0	13.5
2021	6.2	9.5	15.7
2022	7.8	11.0	18.8
2023	8.5	12.3	20.8

*Source: Ministry of Commerce & Industry, India; Malaysia External Trade Statistics*

### **5. Recommendations for Enhancing Bilateral Ties:**

To enhance bilateral ties between India and Malaysia, it is essential to improve the utilization of existing Free Trade Agreements (FTAs) and refine the rules of origin to ensure fair and efficient trade. Diversifying the range of traded goods and services can reduce dependency on a few sectors and open new avenues for growth. Strengthening institutional cooperation, particularly in areas like small and medium enterprises (SMEs) and digital finance will foster innovation and mutual development. Additionally, promoting local currency settlement mechanisms can enhance financial stability and reduce transaction costs in cross-border trade.

### **6. Conclusion**

Trade and investment serve as powerful levers for economic transformation. While they offer substantial opportunities for growth, challenges such as policy inconsistency, infrastructure bottlenecks, and geopolitical uncertainties persist. Strategic foresight, institutional resilience, and inclusive policymaking are essential to harness their full potential. The role of legal and regulatory frameworks is central to deepening India–Malaysia trade and investment ties. Transparent, stable, and predictable legal systems build investor confidence, facilitate fair trade practices, and ensure efficient dispute resolution. Strengthening current frameworks while addressing existing barriers can significantly enhance bilateral economic cooperation, driving inclusive and sustainable growth for both nations.



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