

INDIA – MALAYSIA

Bilateral Relations in the 21st Century

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A ROADMAP TO PROSPERITY: INDIA–MALAYSIA TRADE RELATIONS

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Abstract—The changing commercial and economic relationships between Malaysia and India, two significant Asia-Pacific nations, are examined in this paper. The study examines bilateral trade trends, investment flows, institutional frameworks, and new areas of collaboration while drawing on historical, economic, and strategic viewpoints. The India-Malaysia corridor offers enormous potential for mutual expansion, especially in areas like the digital economy, renewable energy, healthcare, and education, given that bilateral commerce exceeds USD 20 billion. Non-tariff barriers, regulatory disparities, and geopolitical sensitivities are some of the difficulties the connection encounters, though. The plan suggested in the study places a strong emphasis on currency settlement procedures, MSME cooperation, digital integration, and trade diversification. India and Malaysia can create a strong alliance that supports regional peace and global economic success by utilizing their common interests and resolving current issues.

Keywords—Trade, MSME, Economic Relationship, India-Malaysia.

1. Introduction

India and Malaysia share a long-standing relationship shaped by history, cultural ties, and growing economic collaboration. Over the years, both nations have strengthened their bilateral relations through various strategic partnerships and trade agreements. India, as one of the fastest-growing major economies, and Malaysia, as a leading ASEAN economy, find themselves positioned to benefit significantly from a deepened trade engagement. With a robust economic foundation and a commitment to regional cooperation, the India–Malaysia trade corridor represents a promising roadmap to mutual prosperity. This paper explores the history, current trends, and areas of cooperation, challenges, and future potential of this dynamic bilateral relationship.

2. Historical Overview of India–Malaysia Relations

India and Malaysia's ties date back centuries through ancient maritime trade, religious links, and migration. Malaysia has a significant Indian Diaspora, especially of Tamil origin, contributing richly to its culture and economy. Modern diplomatic relations were formally established in 1957, with consistent high-level visits and policy engagements. Over time, the relationship has expanded from cultural and people-to-people ties to comprehensive strategic partnerships, particularly under the frameworks of ASEAN-India cooperation and the Look East (now Act East) Policy of India.

3. Bilateral Trade and Economic Cooperation

India and Malaysia have seen a steady rise in bilateral trade, with both countries engaging in diversified economic sectors. As of 2024, bilateral trade between India and Malaysia stood at approximately USD 20 billion, with balanced exports and imports. Malaysia is India's third-largest trading partner in ASEAN, while India is among Malaysia's top ten global trading partners

Table:1

Key Indian Exports to Malaysia:	Key Malaysian Exports to India:
Petroleum products	Palm oil and its derivatives
Machinery and mechanical appliances	Electrical and electronic goods
Pharmaceuticals	Chemicals
Rice and meat	Natural rubber
Iron and steel	Crude petroleum

Indian companies have invested in Malaysia in sectors like IT, pharmaceuticals, and infrastructure. Malaysian investments in India are focused on construction, palm oil processing, power generation, and telecom. Notable players include Petronas, IJM, and MMC, alongside Indian firms like L&T, TCS, and Biocon.

Emerging Areas of Cooperation

Digital Economy and IT: With India's strength in software and Malaysia's digital ambitions (under My Digital initiative), there is potential for collaboration in cyber security, fin-tech, and cloud computing.

Renewable Energy and Sustainability: Both countries are investing heavily in solar, wind, and bioenergy. Collaboration in clean energy research, battery storage technologies, and green hydrogen can open new avenues. **Healthcare and Pharmaceuticals:** India's pharmaceutical industry can help Malaysia lower healthcare costs and enhance access to generics. Joint R&D in biotechnology and medical devices is also emerging.

Education and Skill Development: Malaysia is positioning itself as a regional education hub. Indian universities and skill councils can collaborate in offering joint programs, exchange initiatives, and technical training.

Tourism and Cultural Exchange: Tourism is a strong pillar, with Malaysia being a popular destination for Indian travelers. The shared cultural heritage, especially among Tamil Malaysians, boosts this sector.

India's major exported items to Malaysia with value and details for FY24 and April–October 2024:

- Total Commodities Exported (FY24): 4,845 items
- Total Export Value (FY24): US\$ 7.27 billion
- Export Value (April–October 2024): US\$ 4.62 billion

Table:2

Commodity	Export Value (US\$ Billion)
Engineering Goods	2.31
Petroleum Products	1.70
Buffalo Meat	0.58
Organic Chemicals	0.49
Other Commodities	0.48

Miscellaneous (Others)	0.42
Total (Major Items)	6.00+

Challenges in The Trade Relationship

Despite strong ties, there are persistent challenges:

1. **Non-Tariff Barriers (NTBs):** Including product certification delays and custom duties on certain goods.
2. **Trade Imbalance in Palm Oil:** India's dependence on Malaysian palm oil occasionally causes economic and political sensitivities.
3. **Regulatory Differences:** Differences in legal frameworks and standards affect ease of doing business.
4. **Geopolitical Tensions:** At times, political statements or stances (e.g., on Kashmir or religious issues) have strained ties temporarily.

4. Central Government Schemes Supporting India–Malaysia Trade Relations

To strengthen and support bilateral trade between India and Malaysia, the Government of India has launched several strategic initiatives aimed at promoting exports, enhancing manufacturing, and modernizing logistics infrastructure. The following are key schemes and policies relevant to this partnership:

1. **Production Linked Incentive (PLI) Scheme**
2. **Remission of Duties and Taxes on Exported Products (RoDTEP)**
3. **Trade Infrastructure for Export Scheme (TIES)**
4. **Market Access Initiative (MAI)**
5. **National Logistics Policy (2022)**
6. **Digital India Programme**
7. **Champion Services Sector Scheme**
8. **Make in India**
9. **Startup India**

10. PM Gati Shakti – National Master Plan

5. Conclusion

India and Malaysia stand at a promising juncture in their trade and diplomatic journey. With complementary strengths and shared strategic interests, the future of this bilateral relationship is bright. A focus on innovation, sustainability, and inclusivity will ensure that both countries not only expand economic ties but also contribute to regional stability and global prosperity. By addressing existing challenges and capitalizing on emerging opportunities, India and Malaysia can craft a roadmap to mutual growth a partnership that thrives on trust, trade, and technology.

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