



## POLICY BRIEF

# A new self-reliant India: Priorities and opportunities for Malaysia

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### Executive summary

India's self-reliant campaign or *Atmanirbhar Bharat Abhiyaan* will change the face of Malaysia-India trade relations. With New Delhi recently approving the US\$1.4 billion (RM5.8 billion) National Mission on Edible Oils-Oil Palm (NMEO-OP) to become self-reliant in edible oil production, Malaysia would be hit hard, considering that India is one of the largest importers of Malaysian palm oil. This is an opportunity for Putrajaya to revisit the current trade, investment and business relationship with New Delhi to ensure that ties remain resilient. This policy brief suggests that Malaysia and India cooperate on enhancing industries based on shared cultural practices and promote *Parasparik Nirbharata* (interdependence).

### Introduction

Indian Prime Minister Narendra Modi launched the *Atmanirbhar Bharat Abhiyaan* (ABA) or the "Self-reliant India" campaign in May 2020, when he announced the special economic and comprehensive package of US\$265 billion<sup>1</sup> (RM1.108 trillion) to fight the Covid-19 pandemic in India.<sup>2</sup> This was also the first time the term *Atmanirbhar Bharat Abhiyaan* was used in mainstream Indian policymaking, despite "self-reliance" being a buzzword since 2014.

Modi outlined the five pillars of ABA – economy, infrastructure, systems, demography and demand. As part of this initiative, government reforms and enablers focused on reforming governance for ease of doing business (EoDB).

The investment climate in India has improved significantly since the opening of the economy in 1991. This is largely attributed to ease in foreign direct investment (FDI) across all sectors. The new consolidated FDI policy that came into effect in October 2020 allows for more sectors to come under the "automatic route" where a non-resident investor or Indian company does not require any government approval for an investment. India today ranks 63rd among 190 economies in the World Bank's 17th annual report on the EoDB.<sup>3</sup>

India has attracted a total FDI inflow of US\$72.12 billion from April 2020 to January 2021. It is the highest ever for the first 10 months of a financial year and 15% higher compared with the first 10 months of 2019–2020 (US\$62.72 billion).<sup>4</sup>

Despite the many upsides of ABA, there is also a dominant narrative that New Delhi should be cautious when balancing between self-reliance and liberalisation. While ABA aims to make India self-reliant in trade and business, it has many risks too. According to The Economist Intelligence Unit, trying to achieve economic and security goals, ABA has a conflicting dynamic. Modi's policy aims to reduce domestic market access to imports but, at the same time, open the economy and export to the rest of the world. There are indications of a more sustained push towards protectionism.<sup>5</sup>

### Context and implications for Malaysia

In January 2020, following a brief diplomatic spat between Putrajaya and New Delhi, India's palm oil imports from Malaysia dropped to 46,876 tonnes,

the lowest since 2011.<sup>6</sup> In January 2021, India imported more than 500,000 tonnes of palm oil from Malaysia out of its overall edible oil imports of about 1.07 million tonnes, coinciding with Malaysia's change of government in March 2020.<sup>7</sup>

With the consistent large-scale purchase of palm oil, the trade deficit to India is about US\$4 billion yearly.<sup>8</sup> In fact, India is the world's largest edible oil importer, depending mainly on Malaysia and Indonesia to meet about 60% of its needs.

However, with ABA gaining traction, this is set to change. In August 2021, New Delhi approved the US\$1.4 billion NMEO-OP aimed at making the country self-reliant in edible oil production. The national target is to achieve oil palm coverage of 1 million hectares. With this, the production of crude palm oil (CPO) is expected to go up to 1.12 million tonnes by 2025–2026 and up to 2.8 million tonnes by 2029–2030.<sup>9</sup>

The aforementioned series of events and the current trade scenario are indicative of:

- i. the dynamic and increasingly precarious nature of Malaysia-India relations
- ii. one-sided aspect in palm oil trade
- iii. threat to bilateral relationship in the face of ABA
- iv. the urgent need to diversify trade relations to promote interdependence or *Parasparik Nirbharata* in areas of mutual interest.

For Malaysia and India, the gradual unfolding of ABA should be an opportunity to revisit the current trade, investment and business relationship, take stock of existing connections and synergies, assess shortcomings and barriers, and bring to light lesser-known means of cooperation. India's pursuit of ABA should not deter the trajectory of a meaningful relationship with Malaysia.

To that end, Putrajaya must be proactive and pragmatic and utilise the relevant mechanisms and entities at its disposal. These include the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA); memorandum of understanding (MoU) between the Malaysian Investment Development Authority (MIDA) and Confederation of Indian Industry (CII); Malaysia

India Business Council (MIBC), Consortium of Indian Industries in Malaysia (CIIM); and the High Commission of India, Kuala Lumpur and the Netaji Subhash Chandra Bose Indian Cultural Centre, Kuala Lumpur.

## Opportunities for Malaysia: Promoting *Parasparik Nirbharata*

India's ABA presents new opportunities and concerns about the existing trade relations. In view of the threat to the "status quo", Putrajaya in partnership with New Delhi must initiate a new trade, investment and business campaign based on the concept of *Parasparik Nirbharata* or interdependence.

The idea is to capitalise on structures that are unique and indigenous to the Malaysia-India relationship. This will ensure resilient relations.

Below are some suggestions.

### 1. Traditional industries based on shared culture

Indo-Malaysian relations can be characterised by unique, shared cultural practices. These are reflected primarily in the traditional textile and toymaking industries. India's renewed focus on these traditional industries through ABA is compatible with Malaysia's focus on cultural diplomacy through the new foreign policy framework and the need to revitalise this sector in the country.<sup>10</sup>

As a means to revive the traditional textile industry, a working group can be set up to create opportunities for joint initiatives and investments; targeted interactions and deliberations to find specific routes for business-to-business (B2B), business-to-consumer (B2C) and government-to-government (G2G) cooperation and sharing of best practices.

Stakeholders can include industry leaders, textile artists, weavers, craftsmen and business owners; venture capital investors, business consultants, marketing and advertising experts; government representatives from the ministries

of culture, trade and industry along with investment promotion agencies and foreign/external affairs; and relevant members of civil society.

Policy provisions on the rules of origin for textile goods in MICECA support the trade of handmade textiles. Also, as part of ABA FDI norms, 100% FDI is allowed through the automatic route in the textile and apparel sector.<sup>11</sup> As for the toymaking industry, this is where Malaysia and India can kickstart a joint movement to revive the production of traditional toys, such as *gasing* or *lattu/pambaram* (spinning top), kites and puppets.

This partnership with New Delhi will not only promote national cultural heritage but strengthen Indo-Malaysian working relations. Key institutional cooperation here should begin with MOFA, MITI and MOTAC, Malaysia and Ministry of External Affairs, Ministry of Commerce and Industry, Ministry of Culture and Indian Council for Cultural Relations, India.

## 2. Performing arts and film industries

People-to-people connections form the core of Malaysia-India relations, and this is apparent in approaches to the performing arts and film industries. This is another area of cooperation. Playing into Malaysia's new focus on cultural diplomacy and capitalising on India's bid to rejuvenate and highlight indigenous forms of performing arts, a system can be developed to strengthen these contemporary industries.

This can be pursued through mutual investments in cultural centres and theatre and film production. Joint ventures to revive similar lost or dying art forms, such as *kompang* and *parai*, will also be mutually useful. To facilitate the movement of people, visa-free travel between Malaysia and India is one option. It must be noted that the pandemic has adversely affected the people in these industries. While Malaysia and India have put their plight in the backburner to deal with more urgent pandemic management matters, pursuing this will yield significant benefits.

## Conclusion

India's ABA would change the nature of trade relations with Malaysia in the near future. India's aim to be more self-reliant in the production of CPO could impact on Malaysia's trade revenue. As India is one of the largest importers of Malaysia's CPO, this could leave a significant dent in trade relations. This should be taken as an opportunity to diversify India-Malaysian relations and capitalise on structures and systems unique and indigenous to the relationship. This will ensure resilience in ties, despite any ABA-related flux.

Cooperation through *Parasparik Nirbharata* or interdependence will not only ensure the resilience of this "next phase" in Malaysia-India trade relations, but also provide a contingency plan when ABA comes in full force.

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<sup>1</sup> <https://www.financialexpress.com/economy/at-10-of-gdp-pm-modis-atma-nirbhar-bharat-abhiyan-ranks-among-biggest-in-world/1957874/>

<sup>2</sup> [https://www.investindia.gov.in/atmanirbhar-bharat-abhiyaan?title=fdi&field\\_sector\\_target\\_id=All](https://www.investindia.gov.in/atmanirbhar-bharat-abhiyaan?title=fdi&field_sector_target_id=All)

<sup>3</sup> <https://www.doingbusiness.org/en/data/exploreconomies/india>

<sup>4</sup> <https://www.investindia.gov.in/foreign-direct-investment>

<sup>5</sup> <https://www.financialexpress.com/economy/modis-atmanirbhar-bharat-has-downside-risks-too-will-india-take-pre-liberalisation-stand-again/2089891/>

<sup>6</sup> <https://thediplotom.com/2020/04/will-a-new-government-in-malaysia-reset-india-ties/>

<sup>7</sup> <https://www.thestar.com.my/business/business-news/2021/02/14/india-imported-over-500000-tonnes-of-palm-oil-from-malaysia-in-january>

<sup>8</sup> <https://www.malaysiakini.com/letters/512080>

<sup>9</sup> <https://www.news18.com/news/explainers/explained-why-pm-modi-wants-india-to-become-atmanirbhar-in-palm-oil-production-4099904.html>

<sup>10</sup> <https://www.thesundaily.my/home/new-foreign-policy-framework-to-include-cultural-diplomacy-YF8575980>; <https://www.thehindubusinessline.com/news/national/centre-targets-doubling-handloom-production-increasing-exports-four-fold-in-3-years/article35785910.ece>; and <https://www.news18.com/news/india/pm-modi-pitches-for-modern-local-methods-as-he-inaugurates-indias-first-toy-fair-3479885.html>

<sup>11</sup> <https://www.nst.com.my/opinion/columnists/2021/08/717566/redesigning-fabric-malaysia-india-ties-and-trade>; and <https://www.india-briefing.com/news/investing-in-indias-textiles-sector-key-points-for-foreign-investors-22160.html/>

<sup>12</sup> <https://www.mygov.in/campaigns/aatmanirbhartoy/>