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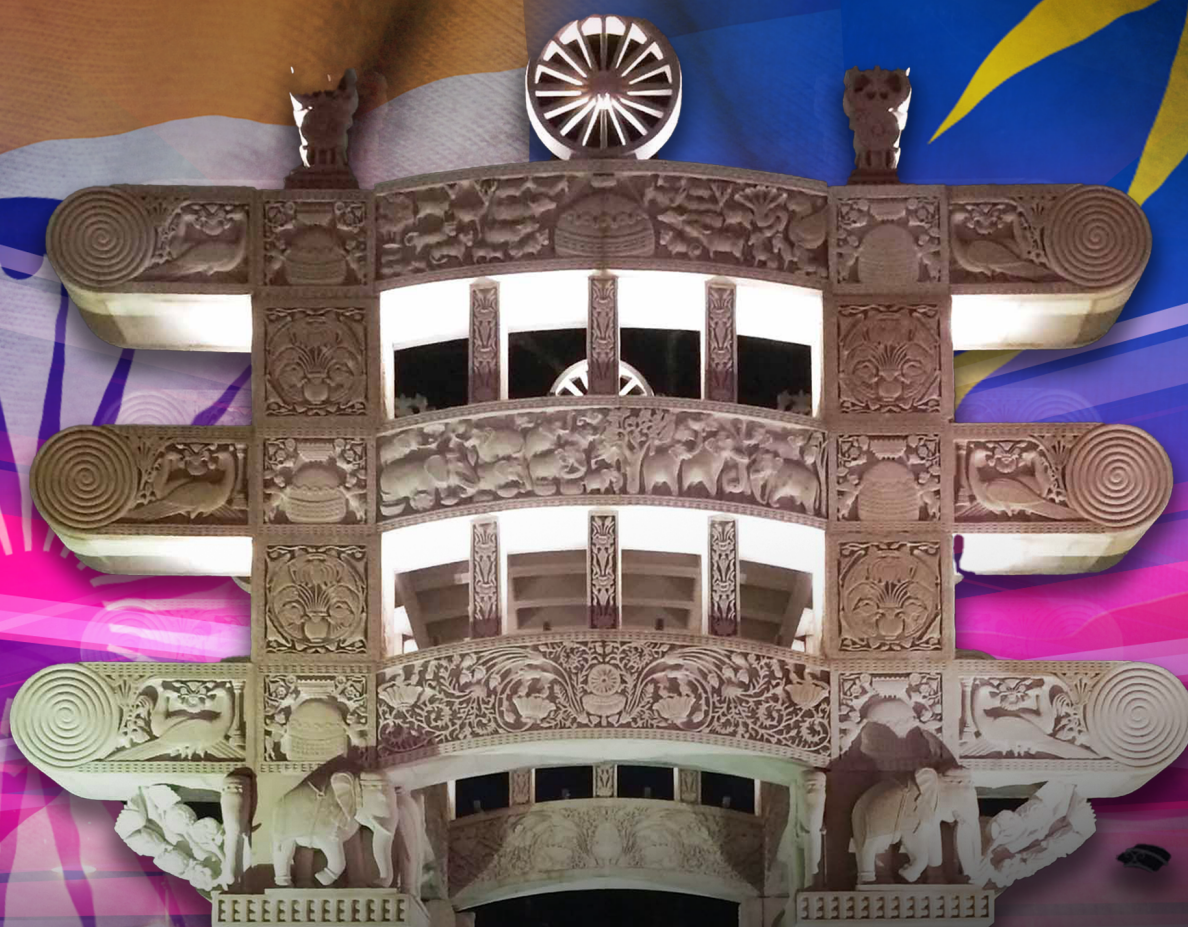
INSTITUTE OF STRATEGIC & INTERNATIONAL STUDIES (ISIS) MALAYSIA



focus

Malaysia-India @ 65

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Charting the way forward

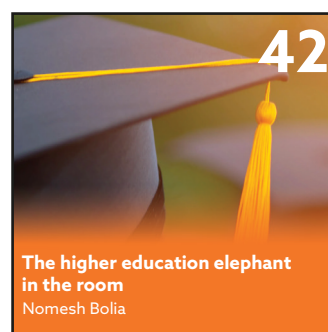
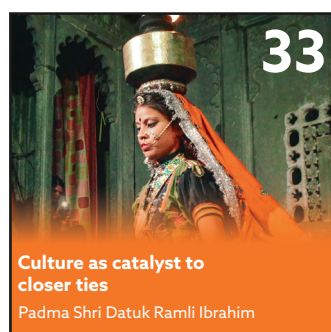
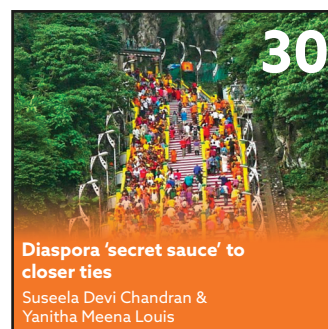
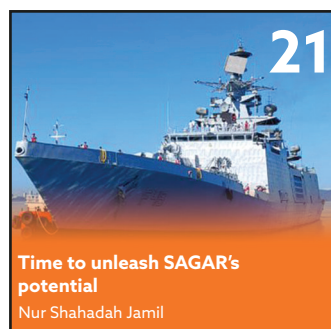
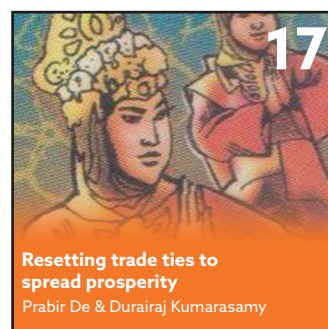
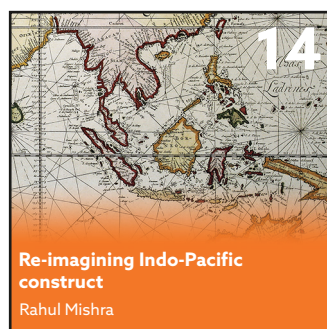
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Editor's Note

To commemorate the 65th anniversary of Malaysia-India ties, ISIS Malaysia is honoured to partner with the High Commission of India, Kuala Lumpur, to release this special *Focus* titled "Malaysia-India @ 65: Charting the way forward".

For this commemorative edition, we have commissioned articles from diplomats, academics, policymakers and industry leaders who are experts in aspects that shape the Malaysia-India bilateral relationship. We are deeply grateful for their time, perspectives and ideas that make this edition a valuable tool for both Malaysian and Indian policymakers.

The "focus" of this edition is an assessment of the 65-year-old relationship with analyses on the various aspects, faces and phases of Putrajaya-New Delhi ties. The sub-themes are perhaps the most significant factors of the bilateral relationship. They highlight both opportunities and pressing challenges in cooperation mechanisms as well as ways to overcome them.

In this edition, we look at the Indo-Pacific region and how Malaysia and India can find synergies for deeper cooperation. We have also gone a step further and curated a sub-theme assessing the 30 years of India-Asean dialogue partnership and how Malaysia can intensify Asean-India cooperation.

The authors have covered Malaysia-India defence and maritime cooperation; collaboration in fintech and frontier technologies; cooperation in manpower and skill development as well as in higher education, science and technology, and economic cooperation; and assessed ties on a deeper technical level while also providing substantive recommendations on how to enhance multi-level cooperation across the board.

With our bilateral ties deeply rooted in historical, cultural and civilisational linkages, this *Focus* would be incomplete without the sub-themes of shared culture and the role of the Indian diaspora in cementing bilateral ties. These articles will contextualise the relevance of culture, this diaspora and people-to-people connections in enhancing Putrajaya-New Delhi relations.

It is a privilege for ISIS Malaysia to work on this special project with the High Commission of India, Kuala Lumpur, to mark the blue sapphire anniversary. We hope that this will be the first of many projects. The editors remain ever grateful to all contributors and readers for your support.



Foreword by

Prof Dr Mohd Faiz Abdullah
Chairman, Institute of Strategic & International Studies
(ISIS) Malaysia

The Institute of Strategic & International Studies (ISIS) Malaysia is honoured to partner with the High Commission of India, Kuala Lumpur, to release this special edition of *Focus* titled “Malaysia-India @ 65: charting the way forward” to mark the 65th anniversary of Malaysia-India relations.

Focus is our flagship publication, which covers pertinent themes and issues for a wide audience. For this commemorative edition, we have commissioned articles from diplomats, academics, policymakers and industry leaders, who have carved their niche as experts in aspects that shape the Malaysia-India bilateral relationship. We are deeply grateful for their time, perspectives and ideas, which make this edition a valuable tool for both Malaysian and Indian policymakers.

This edition is an assessment of

Malaysia-India relations with analyses on the various aspects of Putrajaya-New Delhi ties. The sub-themes are perhaps the most significant determining factors of the bilateral relationship. They highlight both opportunities and challenges within cooperation mechanisms and solutions to overcoming them in the years to come.

In this edition, we cover how Malaysia and India can find synergies for deeper cooperation in the emerging Indo-Pacific and assess 30 years of India-Asean dialogue partnership and opportunities for Malaysia to intensify Asean-India cooperation.

The authors also cover Malaysia-India defence and maritime cooperation; collaboration in fintech and frontier technologies; cooperation in manpower and skill development; cooperation in higher education, science and technology and economic cooperation; and assess

ties on a more technical level while providing recommendations on how we can enhance multi-level cooperation.

With our bilateral ties rooted in cultural and civilisational linkages, this edition would be incomplete without sub-themes on shared culture and the role of the Indian diaspora cementing bilateral ties. These articles will contextualise the relevance of culture and people-to-people connections to enhance Putrajaya-New Delhi relations.

It is an absolute privilege for ISIS Malaysia to work on this project with the High Commission of India, Kuala Lumpur to mark the 65th anniversary of Malaysia-India relations. We hope that this will be the first of many projects and I would like to thank the authors once again.

Message from

Senator Datuk Seri Dr Zambry Abdul Kadir Minister of Foreign Affairs

I am delighted to note that ISIS Malaysia and the High Commission of India, Kuala Lumpur, are collaborating to produce this commemorative edition of *Focus* titled "Malaysia-India @ 65: charting the way forward". As we fast approach marking seven decades of Malaysia-India ties, I sincerely believe it is time we take stock of the strengths of our relationship and further build on our milestones.

If history is of indications, Malaysia's diplomatic relationship with India goes back decades, built on the foundations of the deep friendship between our former prime ministers, Tunku Abdul Rahman Putra Al-Haj and Shri Pandit Jawaharlal Nehru. Our honourable founders set the trajectory of the Malaysia-India relationship, whose mantle subsequent leaders have proudly taken up. What we are seeing today reflects all the effort that has been put in.

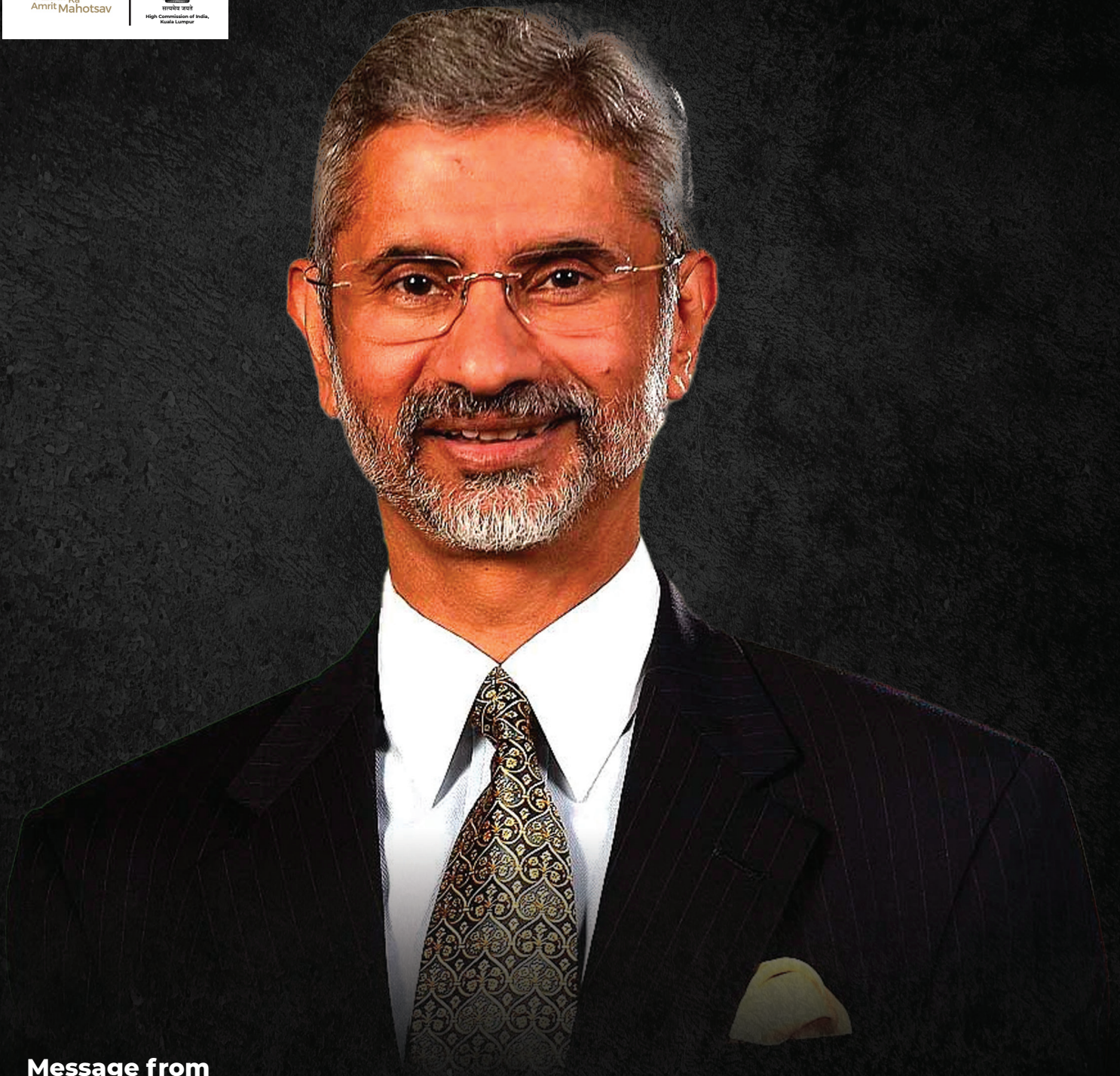
Beyond the bilateral foundations built, I am further proud to note that Malaysia and India relations have transcended into various multilateral domains and fora. This reflects not only our close and long-standing ties but active cooperation, which has contributed greatly to a shared productive and sustainable relationship. This cooperation is of paramount importance, at a time when the global and regional geostrategic temperature is in flux and the shared challenges are many.

The direction of the government today is clear – expand cooperation, furnish greater partnership to bolster collective efforts in the international arena. With the Enhanced Strategic Partnership between Malaysia and India at hand, I look forward to exploring more new opportunities to bring about both countries' ties to greater heights.

Indeed, this *Focus* is a significant piece of work as it presents the

valuable perspectives of academics, policymakers and captains of industry who understand the Malaysia-India partnership holistically. These experts have also shared their indispensable ideas on how we could enhance cooperation between Putrajaya and New Delhi as well as chart the way forward with both optimism and pragmatism.

I congratulate the authors, editors and the team at ISIS Malaysia and the High Commission of India, Kuala Lumpur, and wish readers a happy and productive reading.



Message from

Dr S Jaishankar Minister of External Affairs of India

I am happy to note that the Institute of Strategic & International Studies (ISIS) Malaysia in collaboration with the High Commission of India, Kuala Lumpur is bringing out the *Focus* publication: "Malaysia-India @ 65: charting the way forward" on the occasion of 65 years of establishment of diplomatic relations between the two countries. I extend my appreciation to ISIS Malaysia for the same.

At a time when the world is beset with multiple challenges, and when countries are gradually recovering from the Covid-19 impact and facing new geopolitical uncertainties, it is time to review India-Malaysia relations and leverage on synergies and complementarities, and the vast possibilities to raise the India-Malaysia Enhanced Strategic Partnership to a higher level.

The publication will be useful to policymakers, practitioners of diplomacy, academics, media, as well as all other stakeholders associated in the study of India's relations with Malaysia, Asean and the Indo-Pacific.

I commend the authors for their contributions.

Foreword by **Shri BN Reddy** High Commissioner of India to Malaysia

I am delighted that the Institute of Strategic & International Studies (ISIS) Malaysia has joined us to bring out its flagship publication – *Focus*, on the important occasion of 65 years of establishment of diplomatic relations between India and Malaysia, and also to coincide with India @ 75.

The *Focus* titled “Malaysia-India @ 65: charting the way forward” is both a commemorative piece highlighting the developments during the last 65 years, citing the deep historical and civilisational connect, and an analytical work examining ways of building the relationship in the endemic phase of Covid-19. India-Malaysia relations have stood the test of time; shaped by the friendship between the first Prime

ministers Jawaharlal Nehru and Tunku Abdul Rahman Putra; reinforced by strong camaraderie between subsequent leaders; forging of Enhanced Strategic Partnership in 2015 during the visit of Honourable Prime Minister Shri Narendra Modi to Malaysia; nourished throughout by the vibrant Indian diaspora in Malaysia; enriched by the shared flavours of culture, traditions and religion; catapulted by the dynamism of our trade relations and the enterprise of the business communities on both countries; and last but not the least preserved by the friends of India in Malaysia and vice versa. Given such strong pillars and proponents, our relations are poised to reach newer heights in the coming days.

The publication would serve as a good reference point for all those interested in India-Malaysia engagement in bilateral as well as in the regional and multilateral context.

I convey my deep appreciation to all the authors who have contributed their articles to this ISIS Focus publication. I also express my profound gratitude to ISIS Malaysia for partnering with the High Commission of India in this significant project.

Embracing past to forge ahead

***Unshakeable links between
both nations should be
impetus for greater
economic, strategic ties***

By Veena Sikri

Aniversaries are special occasions. The 65th anniversary of diplomatic relations between India and Malaysia provides a valuable opportunity to assess the achievements of our bilateral relationship and discuss the future.

In 1957, the year of Malaysia's independence, the leaders of both nations had a clear vision about the importance of India-Malaysia relations. In December 1958, president Rajendra Prasad was the first foreign head of state to visit the newly independent Malaya. Yang di-Pertuan Agong Tuanku Abdul Rahman welcomed Rajendra with the words that for countless years "the soul of India radiated through the history of Malaya".

Prime minister Tunku Abdul Rahman was no less lavish in acknowledging Malaya's close links with India. In his welcome speech, Tunku said the people of Malaya were "proud to acknowledge the debt which we and all other freedom-loving people of Asia owe to your great leadership of India".

Three years later, Yang di-Pertuan Agong Tuanku Syed Putra went on an India state visit. This was the first visit to India by a head of state of Malaya. Speaking at the banquet held in his honour, Tuanku Syed Putra said "the ties that link your country and mine are both old and new. The old ties stretch so far back in time and history that it is impossible to say with any precision when the first contacts were made... more than a thousand years ago... India and Malaya are like two arms embracing the same ocean".

But setting aside the undoubted evidence of history, and the questions of commerce and custom, or the presence of many words of Indian origin in the Malayan languages, or the still-living spirit of the Ramayana in our songs and stories, there are in modern times even stronger relations and personal

ties between our two lands". With such auspicious beginnings, the bilateral relationship between the two countries has grown by leaps and bounds. This was reflected through the joint decision announced during the visit to Malaysia by Prime Minister Narendra Modi in November 2015, elevating India-Malaysia relations to enhanced strategic partnership.

Solid foundations

High-level exchanges were significant contributors to developing bilateral relations. Over the last 65 years, at the level of head of state and government, there have been 18 visits from Malaysia to India, and 15 vice versa. Bolstering the summit-level exchanges have been the even more frequent exchanges at the cabinet level, including foreign, defence, higher education, commerce and agriculture ministers. Over the years, valuable bilateral institutional mechanisms have been established to nurture the relationship and bring the focus to implementation of decisions taken at higher levels. These include the joint commission, foreign office consultations, MIDCOM (Malaysia-India Defence Cooperation Meeting), parliamentary friendship group, CEOs' forum and joint working groups.

The economic partnership between Malaysia and India is developing rapidly, building upon a solid foundation of trade and two-way investments. Bilateral trade was US\$19.41 billion (RM87.5 billion) in 2021-2022, an impressive growth of almost 35% over the previous year.

Malaysian construction companies are strongly invested in India, their largest presence outside their home country, with a particular focus on roads and highways, railways, and upgrades of ports and airports. Malaysian companies have completed almost 100 highway and road projects in India, worth close to US\$5 billion.

More than 150 Indian companies, including 61 joint ventures and three public-sector undertakings, are currently operating in Malaysia, invested in around 250 manufacturing projects worth US\$2.62 billion. These include prominent Indian companies like Biocon India, which has set up its first overseas manufacturing and research facility in Johor Bahru. The Melaka Manipal Medical College is the single largest contributor of doctors to the Malaysian healthcare system. Ircon International Limited, meanwhile, spearheaded the Seremban-Gemas electrified double-track project worth US\$1 billion.

Building on historical legacy

Defence cooperation has been an important bulwark in the growing multi-sectoral ties between India and Malaysia. The MoU on defence cooperation signed in 1993 has greatly facilitated this cooperation. Since then, the defence secretaries have chaired 11 rounds of MIDCOM. The ministers held talks, albeit virtually, as recently as June 2022.

Regular staff talks between the Malaysian and Indian army, navy and air force are held at the apex level while Malaysian defence officers are enrolled in senior management courses in India, including at the National Defence College (New Delhi), Defence Services Staff College (Wellington), and Indian Military Academy, Dehradun. It is a matter of pride and great honour for India that the present Sultan of Kedah and Johor crown prince are alumni of the IMA (Indian Military Academy).

Malaysia has the world's second largest community of Persons of Indian Origin (PIOs) after the United States. There are 2.77 million PIOs in Malaysia, around 90% from Tamil Nadu, with good representation also from Kerala, Andhra Pradesh and Telangana, Punjab, West Bengal, Maharashtra and Gujarat. They are active and loyal Malaysians. India

visualises their role as a bridge of friendship, further strengthening the dynamic relationship between the two countries. In 1946, the Indian Scholarships and Trust Fund (ISTF) was created to benefit and assist Indian-Malaysian students through scholarships. Today, ISTF continues its mandate with an injection of RM3 million which Modi announced during his visit to Kuala Lumpur in 2015.

Malaysia holds a special place in India's foreign policy for several important reasons. Malaysia is a founding member of Asean and continues to play a key role in policy formation and the activities of this regional grouping. Today, India's Act East Policy, a principal driver in its foreign policy, seamlessly intermeshes the strengthening of bilateral relations with individual members with the continuous growth and development of the institutional framework for the regional India-Asean relationship.

India recognises and accords the highest importance to the Asean centrality in the evolving regional architecture. The year 2022 marked 30 years of Asean-India relations. Over these three decades, the strategic partnership has grown from strength to strength. Marking this milestone, the co-chairs' statement on the special Asean-India foreign ministers' meeting held in New Delhi in June 2022 detailed the work ahead to transform the relationship into a comprehensive strategic partnership. Malaysia and India should work together to achieve this.

Malaysia and India both belong to the recently formed Indo-Pacific Economic Framework (IPEF), launched by US President Joe Biden in Tokyo in May 2022. This opens up avenues of cooperation between the two countries, focusing on trade, supply chains and clean energy. Maritime cooperation, including security, connectivity and the Blue Economy are key areas of cooperation in the Asean-India

Malaysia holds a special place in India's foreign policy for several important reasons. Malaysia is a founding member of Asean and continues to play a key role in policy formation and the activities of this regional grouping.

partnership. Malaysia and India should collaborate to develop initiatives in this sector.

Malaysia and India have built a strong and sustainable foundation for future growth in bilateral relations, incorporating in its fold the relevant aspects of the Asean-India partnership. The synergies, the win-win outcomes for both nations are increasingly evident, especially in trade, investment and economic cooperation, defence and security collaboration, and education and health. Yet the full potential in these sectors has not been realised.

On the blue sapphire anniversary of our diplomatic relations, let us rededicate ourselves with fresh vigour to achieving and surpassing the set targets, so that we may fulfil the prescience of Tuanku Syed Putra when he said in 1961 that "India and Malaya are like two arms embracing the same ocean".



Prof Veena Sikri is based at Jamia Millia Islamia and a former high commissioner to Malaysia

Unlocking true potential of 65-year-old friendship

Indo-Pacific initiative, culture, food security present opportunities to reset ties

By Yanitha Meena Louis

As we mark Malaysia-India @ 65, it is important to analyse and understand the status quo, impediments and trajectory of this “time-tested” relationship. Like most long-standing bilateral relationships, it is possible that certain aspects of these ties are “taken for granted” and not actively worked on to reach full potential. Putrajaya-New Delhi relations are significant for both countries and for the wider Indo-Pacific region – a reality that policymakers must internalise.

The brief diplomatic spat in 2019 was a wake-up call and more importantly, underlined that even old friendships are not impervious to the convolutions that come with the influence of domestic politics on foreign relations. However, the momentary breakdown in ties and thereafter, determined (and necessary) restart of relations during the early days of the pandemic also showcased the resilience, interdependence and maturity of the 6½-decade-old relationship.

In the past year, we have been witnessing a much-anticipated reactivation of Malaysia-India ties. There has been a notable increase in ministerial engagements with the recent Foreign Office Consultations in April 2022, talks between former foreign minister Datuk Seri Saifuddin Abdullah and Indian External Affairs Minister Dr S Jaishankar on the sidelines of the June Asean-India Foreign Ministers’ Meeting and the virtual meeting between both defence ministers also in June.

Bilateral trade has also been on a steady upwards trajectory since the events of 2019. India’s exports to Malaysia in the first nine months of 2020 increased by 6.5% to US\$4.6 billion (RM20.24 billion) compared with the corresponding period in 2019. India’s imports from Malaysia during the same period reached US\$5 billion. In 2021, bilateral trade between both countries expanded by

26% and reached US\$17 billion.

Despite these recent “wins” for bilateral ties, it must be stressed that “reactivation” should be perceptive, conscientious, holistic and sustainable. What this means is, there must be an equal focus and acknowledgement of the challenges and pressure points of the relationship as much as there is a need to accelerate cooperation.

Relationship hiccoughs

The events of 2019 and the emerging international order demonstrated that Malaysia-India ties are greatly influenced by domestic politics, non-state actors and, of course, geopolitics. A combination of psychosocial and geopolitical forces impacted on Putrajaya-New Delhi relations and are far more challenging to address, given their “subliminal” nature.

There are several contentious issues in the relationship. The respective political contexts and narratives of Putrajaya and New Delhi on the issue of the extradition of Indian televangelist Zakir Naik are a Pandora’s box of sorts. It is no surprise that this issue is on the backburner with the focus now on resuscitating bilateral relations. There is also a “trend” of people-led protests in Malaysia against certain political factions, domestic policies and statements and national stances in India.

While on the one end the relationship is impacted because of domestic or national issues, the other connected to geopolitics is equally complex. Like most Southeast Asian countries, Malaysia has its own set of challenges when navigating relations with China’s strategic competitors. Whether it is on India’s Indo-Pacific Oceans initiative (IPOI) or even the QUAD, Putrajaya is careful with its posturing while maintaining an independent foreign policy approach. However, it is possible that attempting to take a balanced

approach limits opportunities to deepen strategic cooperation with New Delhi.

What is the way forward? For starters, there must be a greater focus and appreciation for the core elements indigenous to the

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There must be a greater focus and appreciation for the core elements indigenous to the relationship cultivated over the years, which have remained irrepressible in the face of change.

relationship cultivated over the years, which have remained irrepressible in the face of change. People-to-people connectivity, defence cooperation, labour mobility, trade and business and education cooperation are some key examples. There must also be a mutual and conscious effort at trust-building and compartmentalisation of interests, bolstered by a deeper understanding of each other’s national interests. Enhancing these aspects of the relationship cements the importance of ties in both countries and acts as a buffer against any future fraught relation.

Seize ‘other’ opportunities

Strengthening the core elements of relations and identifying shared challenges could also act as a “gateway” to exploring cooperation through frameworks like the IPOI or

even India's Coalition for Disaster Resilient Infrastructure (CDRI). Malaysia's "annual challenge" of nation-wide floods and related devastation to property and infrastructure could be addressed and mitigated with support from the CDRI initiative. Recognising its value, Malaysia could be the first Southeast Asian country to gain membership into CDRI.

On the IPOI, Malaysia has yet to "respond" officially to the framework but this could change if policymakers at Putrajaya recognise that elements of the IPOI align with the enhanced Malaysia-India strategic partnership – such as maritime security, science, technology and academic cooperation, and trade and connectivity. This understanding of synergies is crucial in the current geopolitical context and working with India within niche areas allows Malaysia to curate its own Indo-Pacific approach that is open and inclusive to all strategic partners.

Malaysia must also capitalise on other "routine" or "organic" aspects of its relationship with India, which are now gaining prominence and traction on the world stage. One is India's push for food security through focus on millet production. Following the United Nations' declaration of 2023 as International Year of Millets on India's proposal last year, New Delhi has embarked on several initiatives promoting food security by embracing the "superfood to fight hunger".

India has consistently been Malaysia's top exporter of cereals (including millets). In 2020, India exported US\$165 million worth of cereals with a share of 9.3% of Malaysia's total cereal imports. In 2021, Indian exports of cereals to Malaysia was US\$287.72 million, of which millets and buckwheat accounted for about US\$343,000. Here, similar to Modi's recent proposal at the Shanghai Cooperation Organisation to organise a "millet food festival" next

year, Putrajaya can work with India to launch programmes and initiatives to promote sustainable food security – a key priority for Malaysia in recent times.

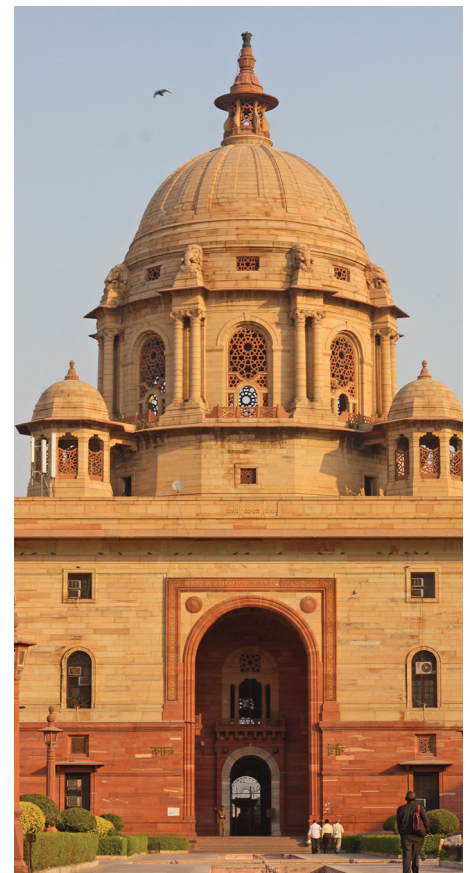
Cultural tools

Malaysia and India must also recognise the value of "culture-based cooperation systems" to mobilise this unique aspect of relations of "shared culture". This could include partnering to advance industries that rely on shared cultural practices, such as textile, toymaking, film and even performing arts industries.

India's renewed focus on these industries through Atmanirbhar Bharat Abhiyan 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. For this, Putrajaya and New Delhi can maximise the role of relevant agencies and mechanisms at their disposal, such as the Malaysia-India Comprehensive Economic Cooperation Agreement, memorandum of understanding between the Malaysian Investment Development Authority and Confederation of Indian Industry, Malaysia-India Business Council, Consortium of Indian Industries in Malaysia and the Netaji Subhash Chandra Bose Indian Cultural Centre.

The enhanced Malaysia-India strategic partnership is an important tool that can be strategically utilised to elevate bilateral ties. But considering how different global and geopolitical contexts are since 2015, perhaps it is sensible to review this framework and introduce initiatives and mechanisms that reflect current realities and priorities.

As important as it is to introduce new cooperation mechanisms, it is equally, if not more important, to divest from initiatives that cannot be realised or no longer a priority in the bilateral relationship. Streamlining cooperation will help manage



expectations and support the trust-building process.

As we chart the way forward for the Malaysia-India partnership, it is time to work on elevating and enhancing the relationship to reach its full potential. It is crucial that bilateral relations are in tune with changing social and geopolitical contexts.

For Malaysia-India relations, truly understanding "where we are, what we have and where we are going" will shape their future trajectory. Clear intent, political will and fore vision will support these endeavours.



Yanitha Meena Louis is researcher at ISIS Malaysia

Re-imagining Indo-Pacific construct

Greater synergies could bring about strategic, defence advantages to Malaysia, other Asean member states

By Rahul Mishra

India-Malaysia ties are embedded deeply in history. Waves of engagement between the two countries and their people for more than two millennia bear testimony to that fact. From the Chola and Pallava kingdoms to the British Indian empire, and Subhas Chandra Bose's Indian National Army, Malaya had always played a critical role in making India's eastward engagement a success.

On the strategic and defence fronts, too, the relationship has been multi-faceted. The British use of Indian troops to defend the Malay Peninsula in World War II only strengthened a sense of mutual interdependence between the two countries and their political leadership. Strong personal equations between the first prime ministers of India and Malaysia – Jawaharlal Nehru and Tunku Abdul Rahman – consolidated the ties.

During the Cold War years, Malaysia and India remained close partners with the latter leaning towards a fellow non-aligned country – Malaysia – rather than Singapore, Thailand and the Philippines. The launch of its Look East (1992) and Act East (2014) policies in the post-Cold War era widened and deepened bilateral and multilateral engagements between the two countries. The changing strategic dynamics in the region, manifested in the form of the rapidly evolving Indo-Pacific order, opened new vistas of cooperation between New Delhi and Putrajaya. India and Malaysia must align their shared concerns and interests and keep promises made over the years.

The term "Indo-Pacific" with its notion of being a "confluence of two seas" is not new. Indo-Pacific was launched as a policy pronouncement by the late Japanese prime minister Shinzo Abe in 2007 in a speech in the Indian parliament. The idea, along with Quadrilateral Security Dialogue (QUAD), has gained remarkable international attention, especially over the past five years.

The growing China-US strategic rivalry, technological competition and attempts to create exclusive spheres of economic influence have posed both challenges and opportunities for the region. With other major stakeholders, such as Japan, India, European Union, Australia, the United Kingdom, and even Russia, vying for greater influence, it is clear that the global strategic and diplomatic attention is shifting towards the Indo-Pacific region.

Stop hedging

Sensing that while the evolution and strengthening of the Indo-Pacific order might throw open new opportunities, a stiffer strategic race might also marginalise Asean member countries. While hedging has been a useful tool in Asean's diplomatic toolkit, yielding positive gains for some, its utility is fast depleting. Hedging is a luxury middle powers cannot afford for long, especially when the stakes are high, superpowers are pushy, and the rivalry is intensifying.

Notwithstanding its strategic ambiguity and measured policy preferences, especially vis-à-vis great power competition, the Asean outlook on Indo-Pacific (AOIP) should be seen as a confident move to engage the Indo-Pacific architecture and order at its own terms.

While Malaysia has not officially pronounced its Indo-Pacific strategy, it is one of the contributing members, which designed the AOIP. A closer look at its foreign policy priorities and practices shows that even though Malaysia has yet to launch its policy, at a broader level, the strategic design is very much in place.

In addition to being one of the leading proponents of the construct, India is a major beneficiary of the emerging Indo-Pacific order as it is the first time in several decades that

India was included in a regional architecture. Whether it is Asia-Pacific manifested as the Asia-Pacific Economic Cooperation (Apec) or the comprehensive and progressive agreement for Trans-Pacific partnership (CPTPP), India had been an outcast.

The Indo-Pacific construct changes that and brings India back to the regional dynamics and celebrates its rise, although not all are as forthcoming as Japan, the United States, Singapore, Indonesia and Australia were when it came to engagement.

Asean at centre

For the past several years, the naysayers have criticised Indo-Pacific for lacking a clearly defined geographical boundary. That issue has now been resolved largely due to Asean's efforts to keep Indo-Pacific premised on the Indian Ocean and Asia-Pacific regions.

Developing suitable institutional frameworks is another critically important issue. Indo-Pacific powers, such as India and the US, are coming up with their own initiatives to provide an institutional reality to the construct. Sensing the urgency of providing the Indo-Pacific construct some enabling institutional realities, India has come up with its own initiatives. The two major contributions include the Indo-Pacific oceans' initiative (IPOI) and security and growth for all in the region (SAGAR).

The Americans' Indo-Pacific economic framework (IPEF) and India's IPOI seek to give the Indo-Pacific architecture an institutional framework. As New Delhi's newest move to portray India as a responsible partner and a "rule-maker" rather than a "rule-taker", IPOI has been received well by countries, such as Australia, France, Japan, the UK and Vietnam, which have joined the IPOI. Prime Minister Narendra Modi

launched IPOI during the East Asia Summit on 4 November 2019 in Thailand. Keeping Asean at the centre, IPOI aims to act as a bridge between Asean and its dialogue partners in the Indo-Pacific region. It also aims to generate “greater coordination among the already existent institutional structures”. Asean’s centrality and its outlook on the Indo-Pacific are complementary to IPOI.

IPOI is not driven by any balance of power considerations. As Modi himself stated, IPOI is an “open-for-all initiative”. Another interesting feature of IPOI is that it is not tied around a binding or non-binding treaty and is based on seven pillars of cooperation – maritime security; maritime ecology; maritime resources; capacity building and resource sharing; disaster-risk reduction and management; and science, technology and academic cooperation.

Pragmatic outlook

IPOI’s strength lies in the fact that like the IPEF, it aims to be a “norm setter” trying to differentiate between what is good for the region and what might pose risks to regional countries. The fragility of the existing liberal international order and the delicate nature of emerging Indo-Pacific dynamics compel IPOI and its supporters to make this initiative an institutional reality by staying committed to the “whole of Indo-Pacific region approach” but without toning down its commitment to QUAD and other such mini-lateral mechanisms.

Non-traditional security is an important reason for Malaysia and other Asean members to cooperate with all their dialogue partners. Both nations face non-traditional security challenges on multiple fronts, including maritime piracy, terrorism and cyber attacks. It is a matter of vital interest to secure the Malacca Strait and secure the sea lanes of communication from non-traditional

security threats. Cooperation in humanitarian assistance and disaster relief is also an important focus area.

The changing strategic dynamics of the region, manifested in the form of the Indo-Pacific construct, open up a range of unexplored possibilities of cooperation between New Delhi and Putrajaya. As India and Malaysia celebrated 65 years of their diplomatic relations in 2022 – also termed as the “Asean-India year of friendship” – there is a deep realisation that this relationship has potential to scale new heights. This,

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It is a matter of vital interest to secure the Malacca Strait and secure the sea lanes of communication from non-traditional security threats.

however, is not a self-fulfilling prophecy. India, Malaysia and other Asean members must align their shared concerns and interests and work towards keeping the promises made over the decades.



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Azadi Ka
Amrit Mahotsav



सम्राट् जयंती
High Commissioner of India,
Kuala Lumpur

Resetting trade ties to spread prosperity

As Asean-India economic relations enter fourth decade, Malaysia could be key to deeper partnership

By Prabir De & Durairaj Kumarasamy



Malaysia is India's third largest trading partner in Asean and at US\$19.2 billion (RM87 billion) in 2021-2022, the figure represents almost 20% of India-Asean trade. India has had long-standing economic links with Malaysia whereby Indian industry played a pivotal role transforming the latter from an exporter of primary products into an industrialised and tech-based economy. Bilateral investment between the two countries has been growing steadily.

Malaysia's foreign direct investment (FDI) flows into India are about US\$1 billion (between 2000-2020), whereas India's FDI is about US\$1.70 billion (2008-2020) in Malaysia. Over time, India-Malaysia economic relations have moved faster than expected amid uncertainties. However, there remain several challenges in the trade and investment areas and unaccomplished tasks. Given Malaysia's technological prowess in manufacturing and India's in services, there could be many new opportunities. A healthy relationship between them can not only drive the Asean-India relations but also strengthen the Indo-Pacific.

Bilateral trade relations

Malaysia is India's third largest trading partner in Asean after

Indonesia and Singapore, whereas India is Malaysia's largest trading partner in South Asia. Bilateral trade increased by 17 times from the US\$600 million in 1992 to US\$10 billion in 2008, before it declined to the US\$8.4 billion in 2009 during the global financial crisis and rebounded to US\$9.55 billion in 2010.

With the Asean-India Free Trade Area (AIFTA) that came into force in January 2010 and the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) in 2011, India's bilateral trade with Malaysia increased from US\$10 billion in 2010 to US\$19.4 billion in 2021, with an annualised growth rate of 7.2% (table 1).

Another important development is that bilateral trade remains significantly imbalanced. The balance of trade is in favour of Malaysia. For instance, in 2021-2022, India's exports to Malaysia came to US\$6.9 billion, whereas imports from Malaysia were US\$12.4 billion. The imbalance with Malaysia widened during post-AIFTA and Comprehensive Economic Cooperation Agreement (CECA), witnessing almost US\$6 billion trade deficit with Malaysia in 2021-2022 (figure 1). India has drawn the attention of the Malaysian government to the importance of more balanced trade.

Investment relations

FDI inflows to India from Asean has been increasing rapidly since 2008 and reached about US\$22 billion in 2021 (figure 2). India's FDI outflows to Asean are almost stable at the range of US\$2 billion. Asean accounts for 18% of all investment flows into India since 2000 (US\$140 billion). India's FDI to Asean is about US\$26 billion since 2000 (figure 8).

Among Asean, beside Singapore, India's investment relation with Malaysia is one of the longest-standing commercial links. Indian industry has been associated for three decades with the transformation of Malaysia from an exporter of primary products into an industrialised and tech-based economy. Though there is no steady flow of bilateral investment between India and Malaysia, cumulative investment has grown steadily. For instance, Malaysia's FDI is close to US\$1 billion (US\$906 million since 2000 till 2020) in India whereas India's FDI is about US\$1.7 billion (2008-2020) in Malaysia (figure 3).

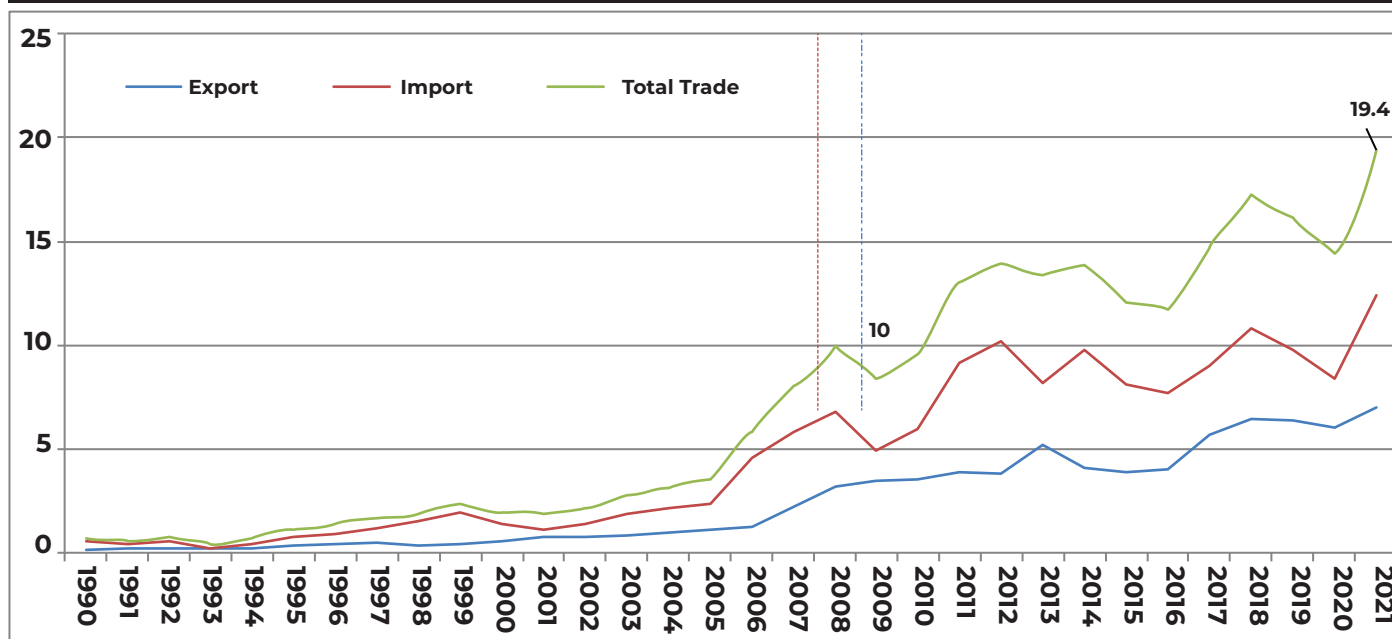
Despite the favourable account of Indian investments in Malaysia, Malaysia Investment Development Authority (MIDA) said Indian investors could still increase their footprints in the Malaysian economy.

Table 1. India's exports to and imports from Asean

Country	Export					Import				
	2010-11	2021-22	Share in Total Export to ASEAN 2010-11	Share in Total Export to ASEAN 2021-22	Annualized Growth Rate (2010-11 to 2021-22)	2010-11	2021-22	Share in Total Import from ASEAN 2010-11	Share in Total Import from ASEAN 2021-22	Annualized Growth Rate (2010-11 to 2021-22)
	US\$ Billion		%		%	US\$ Billion		%		%
Brunei	0.02	0.04	0.1	0.1	7.2	0.21	0.4	0.7	0.6	5.9
Cambodia	0.06	0.2	0.3	0.5	11.5	0.01	0.1	0.0	0.1	22.7
Indonesia	4.57	8.47	19.9	20.0	5.8	9.72	17.7	32.7	26.0	5.6
Lao PDR	0.01	0.01	0.0	0.0	3.5	0.02	0	0.1	0.0	-25.4
Malaysia	3.55	6.99	15.4	16.5	6.4	6.0	12.4	20.2	18.2	6.8
Myanmar	0.27	0.89	1.2	2.1	11.5	1.12	1	3.8	1.5	-1
Philippines	0.8	2.11	3.5	5.0	9.2	0.4	0.7	1.3	1.1	5.6
Singapore	9.09	11.15	39.5	26.3	1.9	7.27	18.9	24.5	27.8	9.1
Thailand	2.14	5.75	9.3	13.6	9.4	3.95	9.3	13.3	13.7	8.1
Vietnam	2.49	6.7	10.8	15.8	9.4	1	7.4	3.4	10.9	20
ASEAN	23.02	42.33	100.0	100.0	5.7	29.68	68.1	100.0	100.0	7.8

Source: Authors' calculation based on export-import databank, MOCI, govt of India

Figure 1. India's exports to and imports from Malaysia (US\$ billion)



Source: Authors' calculation based on DOTS, IMF

With the recent engagement with the Confederation of Indian Industry (CII) through the signing of MoUs, the exchange of business communities offers more opportunities and attracts quality investment proposals. Given the AIFTA and MICECA, the current scale of FDIs between them may be scaled up with investments in new business

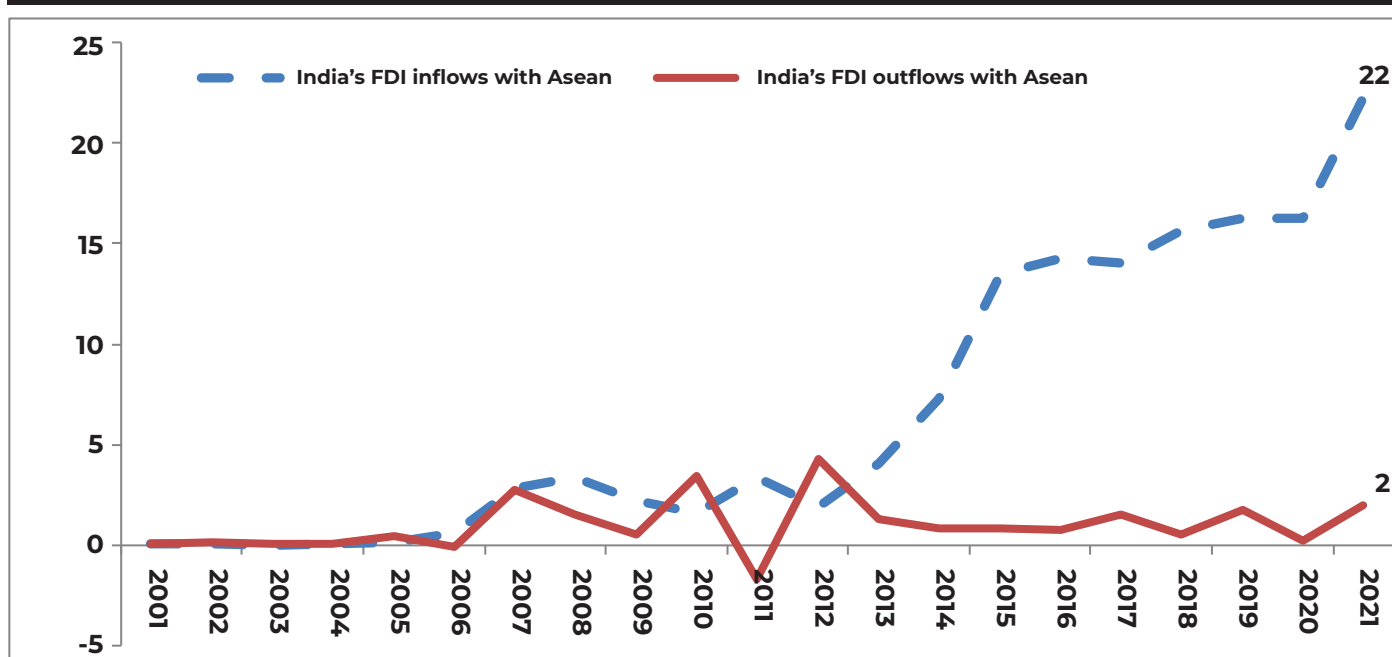
areas, such as digital economy, climate and environment, energy, health, among others.

Regional value chains

Among Asean members, the share of India's exports of parts and components (PC) to Malaysia is about 14% in 2018 of India's total

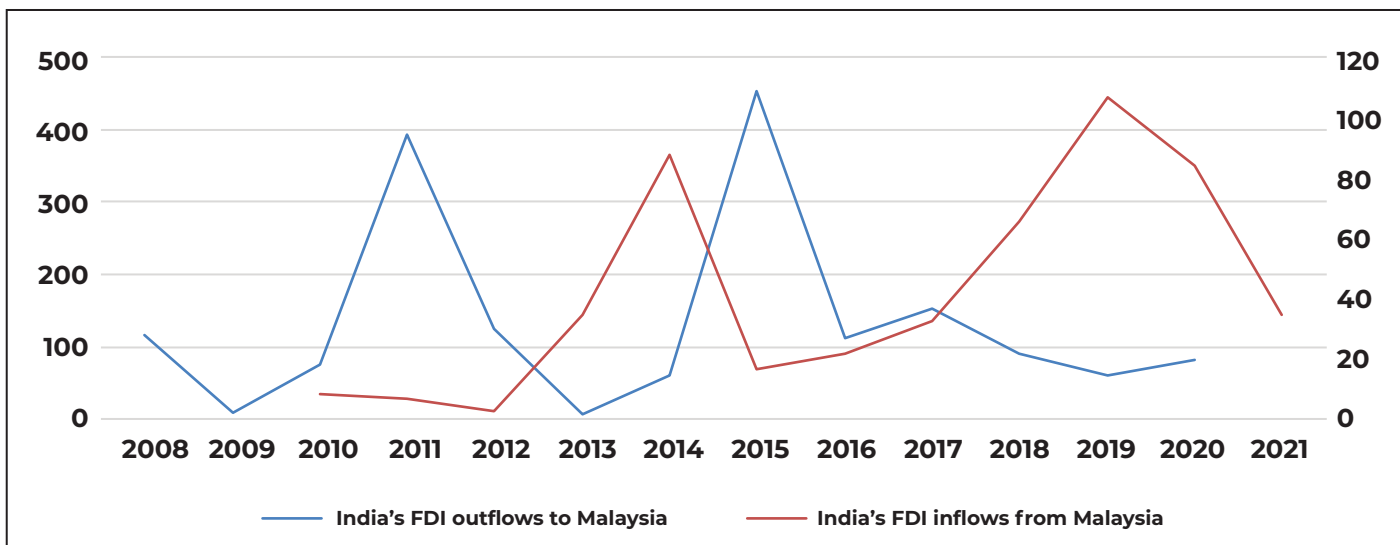
exports of PC to Asean. On the other hand, the share of India's imports of PC from Malaysia is about 23% in 2018 of total imports from Asean (figure 4). In terms of sectoral composition, most of the parts and components traded between India and Malaysia are electrical equipment, industrial equipment, metal working machinery, scientific

Figure 2. India's FDI flows with Asean and Malaysia



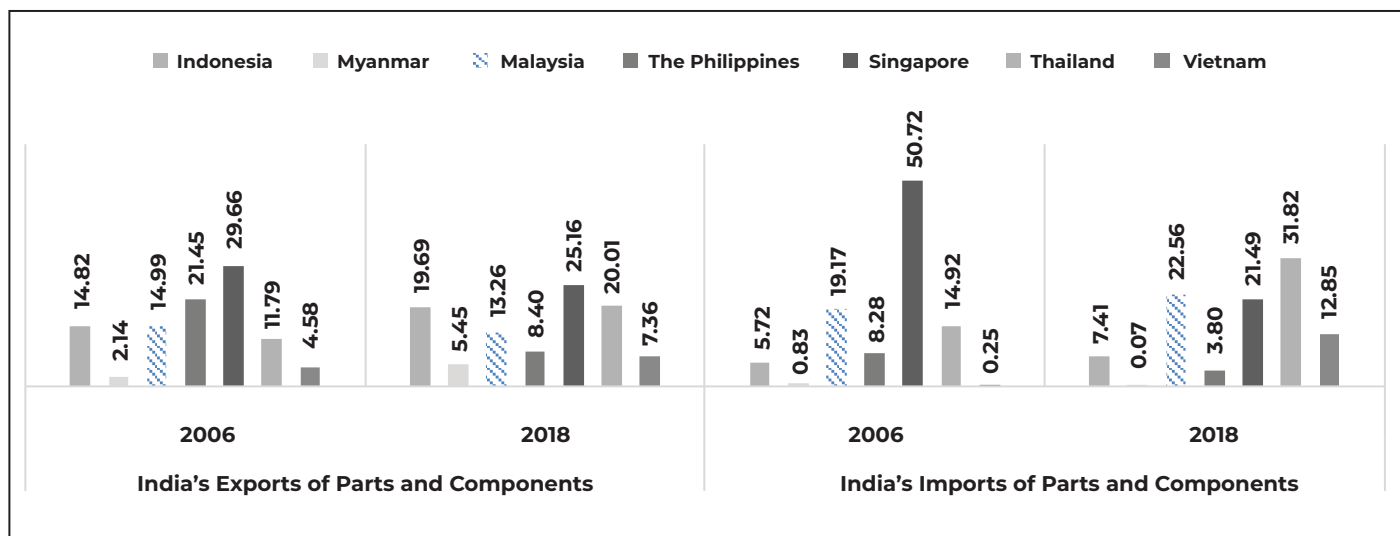
Source: Based on RBI and DIPP database

Figure 3. India's FDI inflows and outflows to and from Malaysia



Source: Based on RBI and DIPP database

Figure 4. Share of India's exports and imports of parts and components



Source: Authors' calculation based on WITS database

instruments and telecommunications (figure 5).

A deeper and liberalised trade in goods and global value chain (GVC) linkages generates services trade and pushes up the integration to a higher level. India and Malaysia have yet to unlock the services trade potentials, except tourism.

Easing trade procedures

India is the fastest growing economy and has developed a comparative advantage in services, particularly IT services. India is presently

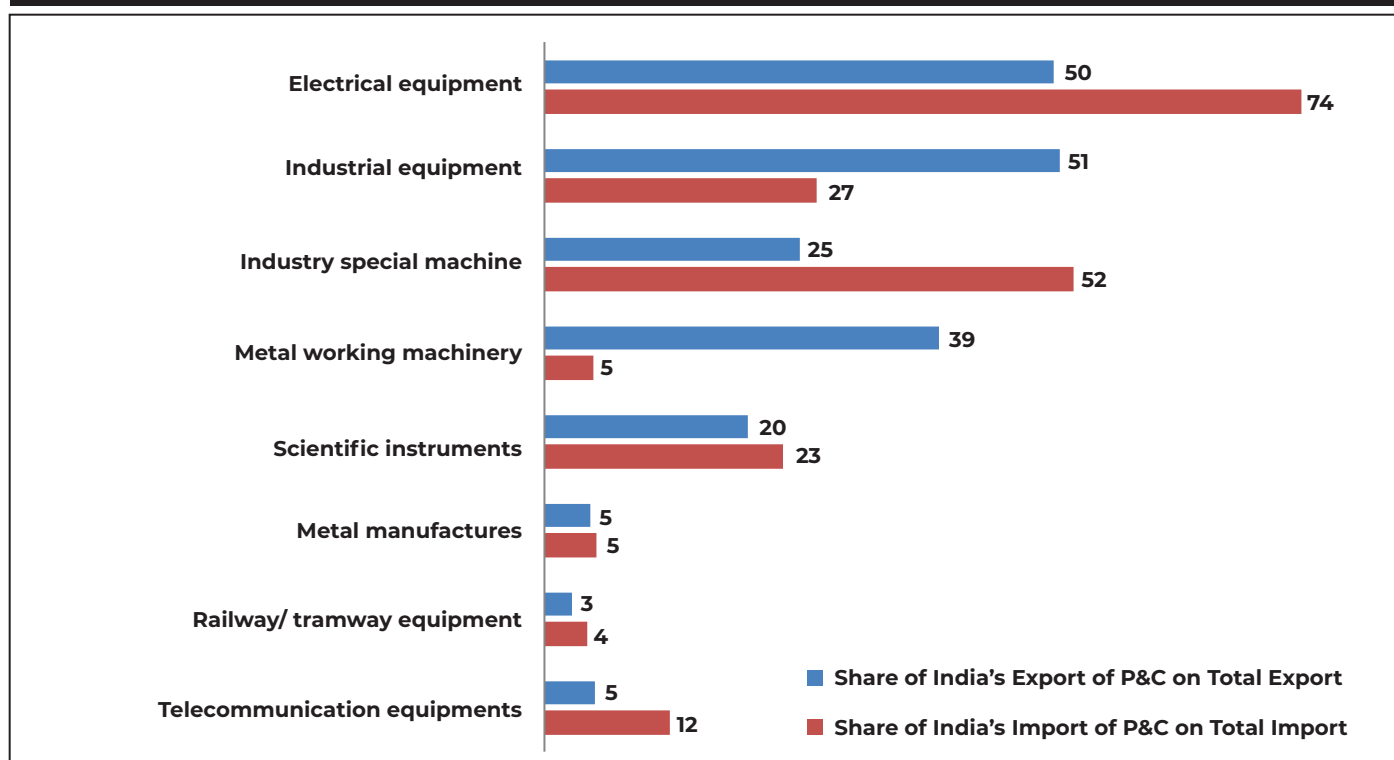


India is presently attempting to foster manufacturing development and linkages to global value chains through the 'Make in India' programme.

attempting to foster manufacturing development and linkages to global value chains through the "Make in India" programme. About 25% of India's global trade has been conducted with Southeast and East Asia. With

Indo-Pacific in prominence along with a simultaneous rise in trade restrictiveness across countries, both India and Malaysia should strengthen the economic and investment relations by easing the burdens of non-tariff measures (NTMs), mutual

Figure 5. Sector-wise share of India's export to and import from Malaysia on parts and components (P&C) of total exports and imports in 2018



Source: Authors' calculation based on WITS database

recognition and harmonisation of standards, process simplification, e-trade and transparency.

Malaysia and India should utilise the synergy that exists between manufacturing and services trade. Malaysia has a trade surplus in goods and has a stronghold in electrical, electronics and machinery in addition to being a major supplier of palm oil to India, whereas India has a stronghold in services sectors in the areas of logistics, finance, IT and business professionals. Both should promote the areas which offer maximum gains.

There is a need to promote sectoral and issue-based cooperation, such as information and communication technology (ICT), energy, research and development (R&D), health, digital technology, e-commerce, small and medium enterprises (SMEs) and GVC participation to maximise the trade and economic potential. Reducing tariffs and removing items from exclusion and sensitive lists for those products that are supporting regional value chain

processes would also help. There is a need for reforms in NTMs and maintain consistency in standards to help firms to engage in regional value chain. Harmonisation of standards and convergence of testing and certification requirements would help the traders to ease the complex trade procedures.

For example, signing of the mutual recognition agreements (MRAs) in higher education, tourism industries, electrical and machinery industries and pharmaceuticals will pave the way for higher trade, investment and value chains. This will also further deepen the Asean-India relations in the fourth decade.

There are several opportunities in connectivity projects, such as development of ports and shipping, coastal management, construction of harbours. India-Malaysia partnership in the maritime sector will add momentum to the Indo-Pacific cooperation. Synergies should be explored between

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There are several opportunities in connectivity projects, such as development of ports and shipping, coastal management, construction of harbours.

manufacturing and services trade to strengthen value chain linkages in areas like computer and related services, and various professional services, which are not undermined by regulatory barriers in the form of immigration, recognition and standard-related restrictions on the mobility of its service providers or by data

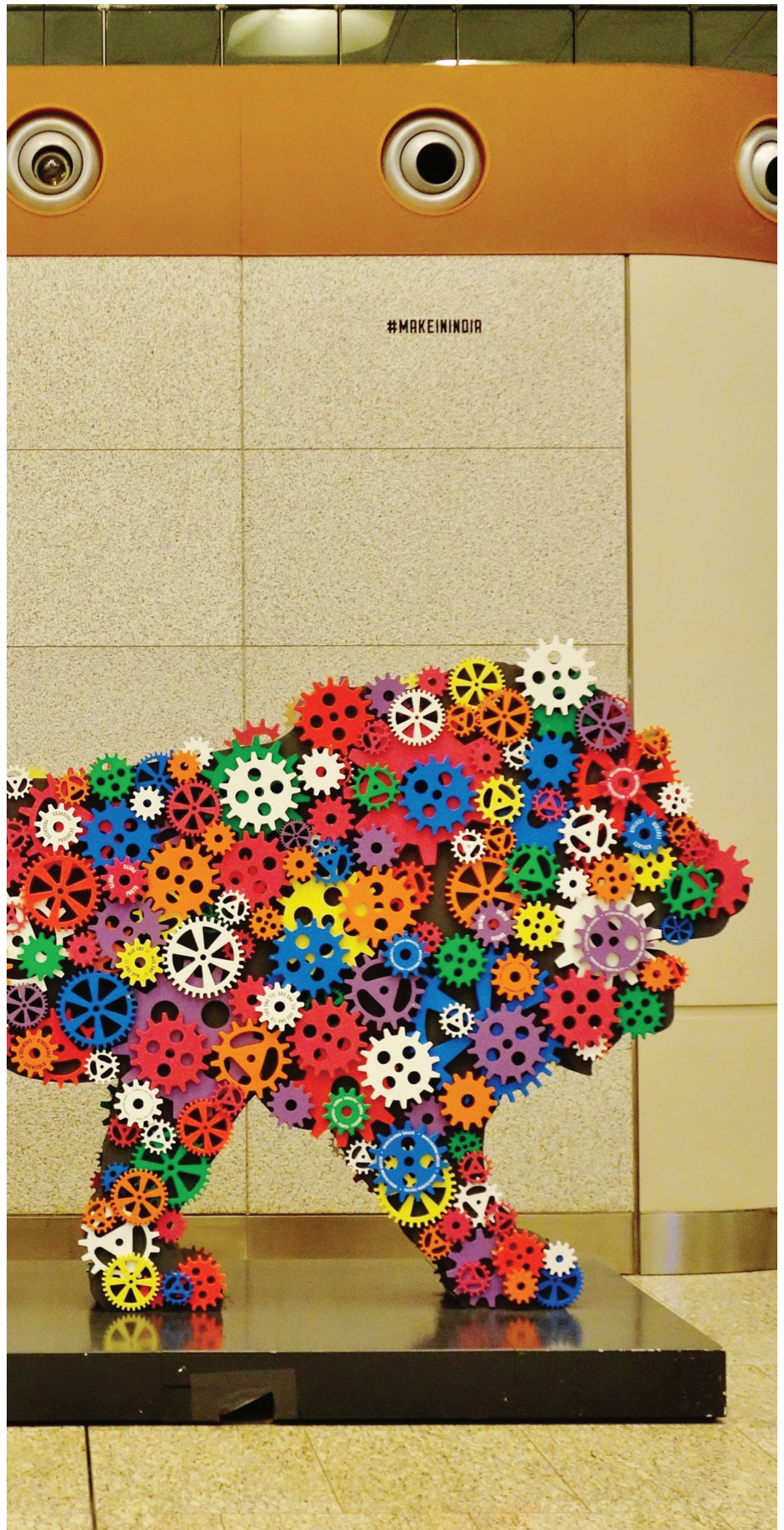
protection-related challenges to IT-enabled service exports. Finally, India and Malaysia are partners in the AIFTA in goods, services and investment. Both have also signed and implemented a bilateral CECA. Both are also partners in the US-led Indo-Pacific Economic Framework (IPEF). India-Malaysia trade relations, therefore, have multidimensional potentials. When the world is passing through economic and political uncertainties, deepening Asean-India regional partnership offers high dividends, economic and otherwise. The India-Malaysia partnership stands high on its own. It is now time to unlock these ever-changing multidimensional potentials to speed up economic prosperity.



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Time to unleash SAGAR's potential

***Amid great power transition,
Asean should leverage on New
Delhi's security pact with Putrajaya***

By Nur Shahadah Jamil



The great power rivalry in the Indo-Pacific region in the post-cold war era is driven by China's phenomenal economic growth – which underpins its rising military capability and United States' desire to "push back" to retain its geopolitical pre-eminence.

While Malaysia – like other Southeast Asian countries – does have concerns over regional polarisation and marginalisation of Asean's role as the primary regional convener, India is also walking the strategic tightrope between its US ally and Chinese economic partner. It would, therefore, be interesting to see how Malaysia and India can cooperate and operationalise their respective defence and maritime security strategies amid the current great power contention.

Indian Prime Minister Narendra Modi has made it clear that one of India's foreign policy priorities is to participate in issues concerning the Indian Ocean region (IOR). His vision is reflected through the SAGAR initiative (also known as security and growth for all in the region) introduced in 2015.

SAGAR represents a nexus of maritime cooperation and economic development between regional countries. There are five elements to SAGAR: safeguard India's mainland and islands and defend New Delhi's interests; deepen economic and security cooperation with regional states; deepen mutual understanding and strengthen collective ability in dealing with maritime challenges; promote sustainable development; and to engage other nations through dialogues, capacity building and economic partnerships.

SAGAR is also an integral part of India's Act East Policy and aims to deepen strategic and economic engagement with Southeast Asian countries to counter an increasingly powerful China. This is where Malaysia comes into play. Troubled by

China's growing assertiveness in the South China Sea and various maritime security threats in the Strait of Malacca, Malaysia appears to be quite receptive to a mini-lateral security framework to ensure the security and stability in its maritime sphere.

For instance, in March 2022, Malaysia, Indonesia and the Philippines reiterated the need to expand trilateral patrols in the Sulu Sea to tackle transnational organised crime and terrorist threats. This is one of the potential areas in which India can participate. However, New Delhi must be fully aware of Southeast Asian sensitivity towards sovereignty. Therefore, focus should be set on exploring collaborations in non-traditional security threats that will lead to the establishment of a response mechanism with relevant stakeholders.

Gateway to Asean engagement

Malaysia is not only critical to India's maritime connectivity strategies but also plays a role as a gateway to engaging with Asean. As one of its founding members, Malaysia has been supportive of India's engagement with the regional entity. From a sectorial dialogue partner in 1992 to a full member in 2005, India was able to utilise Asean-led mechanisms, for example, defence ministers' meeting (ADMM) and Asean regional forum (ARF) to discuss regional political and security issues, while promoting cooperation with member states on different fronts.

Bilaterally, the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) was signed in February 2011 and came into force in July the same year. The agreement – which contains 16 chapters and 15 annexes, value-adds to the benefits shared from Asean-India Trade in Goods

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Enhanced cooperation between Malaysia and India is mutually beneficial. Working closely with an Asean member state as like-minded partners will not only enable New Delhi to create a diplomatic space to hedge against the Sino-US rivalry, but also offers it an avenue to explore and expand its statecraft beyond its traditional security, economic and diplomatic partnerships.

Agreement (AITIGA) and will further facilitate and enhance two-way trade, services, investment and economic relations between New Delhi and Putrajaya.

Multilaterally, during the second Asean-India Summit in 2003, leaders from both sides signed a framework agreement on comprehensive economic cooperation, which laid the basis for further agreements, including trade in goods, trade in

services and investment, which formed the Asean-India Free Trade Area (AIFTA).

Meanwhile, Malaysia-India defence relations have also grown steadily since 1993 through the signing of a memorandum of understanding (MoU). Various defence activities were carried out under the Malaysia-India defence cooperation meeting (MIDCOM) framework, such as the annual joint military exercises known as Harimau Shakti. In fact, the Indian Navy Ship Satpura and the Royal Malaysian Navy (RMN) with the participation of two ships – KD *Badik* and KD *Perak* - took part the Samudra Laskhmana exercise in Kota Kinabalu, Sabah in May 2022.

Several months later in August, the two countries held their first ever bilateral air exercise known as Udara Shakti in Kuantan Airbase aimed at strengthening the professional relationship between the Indian Air Force and Royal Malaysian Air Force through field training exercises and subject matter expert exchange. In addition, as the Malaysian Air Force recently scouted for 18 light fighter jets, New Delhi offered an attractive package for its Tejas light combat aircraft (LCA) that would include maintenance for Malaysia's Russian SU-30 jets. Such cooperation, however, should be converted from a purely buyer-seller relationship to a more comprehensive long-term partnership covering the transfer of technology and joint research and development.

China factor

At the same time, multiple challenges continue to exist in the partnership. Among these is the China factor. Putting aside Southeast Asian countries' reservations to work closely with China in the security domain, Beijing's increasing economic might and Asean's growing development needs are undeniable facts.

China has been Malaysia's largest

trading partner for 13 consecutive years and largest foreign direct investment source in the manufacturing sector for the last five years. The country is also receptive towards China's belt and road initiative (BRI) on infrastructure projects. A similar trend can also be observed in other Southeast Asian countries. As a result, India will need to seek alternative paths and identify other niche areas to engage Southeast Asia.

Furthermore, with the People's Liberation Army's (PLA) constant and rapid modernisation, it would be difficult for India to secure its position as the first responder to search and rescue or humanitarian assistance and disaster relief (HADR) operations. Thus, SAGAR could easily be eclipsed by China. One good example would be the Malacca Straits patrol (MSP). Commenced in 2004, the MSP is a quadrilateral arrangement between Indonesia, Malaysia, Singapore and Thailand (joined in 2008) for intelligence exchange, coordinated air (eye-in-the-sky) and sea patrol through the vital strait.

India has been expressing its interest in joining the arrangement, but its request has been turned down mainly because of the issue of sovereignty and reservations from the littoral states that such a move might end up antagonising China. In addition, although India has a lot to offer, it has limited capability to execute its plans. The fact that there is no official document that lays down the fundamental elements or approaches of SAGAR also leads to the perception that the initiative lacks a whole-of-government approach.

Nevertheless, enhanced cooperation between Malaysia and India is mutually beneficial. Working closely with an Asean member state as like-minded partners will not only enable New Delhi to create a diplomatic space to hedge against the Sino-US rivalry, but also offers it

an avenue to explore and expand its statecraft beyond its traditional security, economic and diplomatic partnerships. On the other hand, the partnership would also enable Malaysia and Asean to benefit from greater connectivity and collaboration as laid out in SAGAR, where participation and support from India will help strengthen Asean centrality and enhance its leverage in dealing with other powers.



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Unleashing power of deeper economic ties

***Malaysian firms should capitalise
on India's infrastructure spending
spree***

By Tan Sri Kuna Sittampalam

India and Malaysia enjoy a long history of trade, cultural ties and exchange of ideas. In the mid-1980s, the Indian Ministry of Surface Transport (MOST), which is now the Ministry of Road Transport and Highways (MORTH), had an MoU with Malaysia's Economic Planning Unit (EPU) for capacity building and economic cooperation.

EPU advised that if MOST wanted to focus on national highways, it was important for India to create a national highway authority like the Malaysian Highway Authority (MHA). Subsequently, National Highways Authority of India (NHAI) was formed in the late 1980s following MHA's modules.

By the 1980s-90s, India had become a substantial trading partner, especially in palm oil. In the 1980s, India had a big trade deficit with Malaysia, which decided to award the former some projects to offset this trade imbalance. These included the Sg Piah and Cameron Highlands hydro projects, awarded to Bharat Heavy Electricals Limited (BHEL).

In the mid-1990s, a series of railway projects were embarked upon. There was a bilateral agreement that formalised this strategic partnership where both sides agreed to capitalise on each other's commercial strength. Tun S Samy Vellu, the then works minister, was instrumental in this strategic collaboration. Although this was crystallised when Tun Abdullah Ahmad Badawi became prime minister, the groundwork started in the 1990s. Both countries saw the benefits of collaborating on a G-to-G basis in infrastructure development, taking cognition of each other's strength.

In December 2000, a memorandum of agreement was signed to upgrade and improve sections of the NH-5 and NH-9 roads in the state of Andhra Pradesh. In May 2001, Swarna Toll Private Limited was incorporated as a special-purpose vehicle with the view of undertaking the concession

granted under an agreement dated 27 March 2001 through CIDB Inventures Sdn Bhd and NHAI. Malaysia signed an MoU with India pertaining to this arrangement in 2010 – between the National Highway Authority and Construction Industry Development Board (CIDB). So as these relations started to emerge over the years, many Malaysian companies moved into India to take advantage of opportunities there.

There are more than 150 Indian companies operating in Malaysia, such as Indian Railway Construction Limited (IRCON), which started operations in 1988 and till date, has commissioned 15 projects involving 580km of track rehabilitation and about 298km of new lines. The largest presence of Malaysian construction companies outside the country is in India whereby 87 companies, including IJM Corporation Bhd, Sunway Construction Group Bhd and HSS Engineers Bhd, are active.

The number of construction works these players have secured over the years and during the pandemic is pretty staggering. It goes a long way to show that despite the challenges, these companies have managed to dominate the waves and persevere. Malaysian companies have completed around 95 projects in India worth more than RM18 billion until 2019, while three projects worth RM2 billion remain under construction.

Landmark FTA

In July 2011, India and Malaysia concluded negotiations that had stretched over 32 months on a landmark free-trade agreement called the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA). MIBC was also actively involved in this breakthrough. The Confederation of Indian Industry (CII) also played its role. The idea at that point was to boost our bilateral trade,

which stood around US\$10 billion in 2011 to US\$15 billion by 2015.

MICECA sought to boost trade and investment by liberalising trade restrictions and installing a competitive investment regime to promote foreign investment. It was viewed as complementary to the Asean-India Trade in Goods Agreement (AITIGA) and took tariff liberalisation beyond the provisions in the Asean-India Free Trade Area (AIFTA).

MICECA was designed to transform the temporary movement of workers in commercial sectors, including accounting and auditing, architecture, urban planning, engineering services and medical, dental, nursing and pharmacy. In this regard, Malaysia removed the conditions of fulfilling economic need requirements or satisfying labour supply and demand provisions. The two governments are expected to review MICECA and how the flow of trade under it can be expanded and diversified to address the trade imbalance.

Infrastructure enabler

The innovative "Make in India" campaign, led by the Modi government, is aimed at attracting foreign investment, strengthening the private sector and increasing the country's overall competitiveness.

Due to India's strategic location in the Indian Ocean, proximity to Southeast Asia and eventual connection to Central Asia and Europe, coupled with Malaysia's close collaboration and partnership with Asean, both India and Malaysia should interpret this as a large infrastructure enabler.

India plans to spend US\$1.4 trillion (RM6.3 trillion) on infrastructure as per budget 2022 to ensure a robust local and foreign supply chain and linkages free from any external threat. It ought to be noted that FDIs in the Indian construction sector

stood at US\$25.38 billion despite the impact of Covid-19 pandemic as of June 2021 and India is poised to be the third largest construction market globally by 2025.



Due to India's strategic location in the Indian Ocean, proximity to Southeast Asia and eventual connection to Central Asia and Europe, coupled with Malaysia's close collaboration and partnership with Asean, both India and Malaysia should interpret this as a large infrastructure enabler.

Furthermore, the highway sector is expected to grow exponentially. The national highway network is expected to expand by 25,000km in 2022-2023. The railway sector aims to contribute 1.5% to GDP by building infrastructure to support 45% of the freight modal share of the economy. There are plans for 400 new generation trains to be manufactured in the next three years. It is the highest ever planned capital expenditure of US\$29.5 billion in 2022 to 2023. Also in the development plans are 100 multimodal cargo terminals, including 12 major and 200 non-major ports.

In March 2017, the Indian government launched the ambitious Sagarmala programme with the vision of port-led development and growth of logistics-intensive industries. Under Sagarmala, US\$123 billion would be invested across 415 maritime projects.

Future of Malaysia-India ties

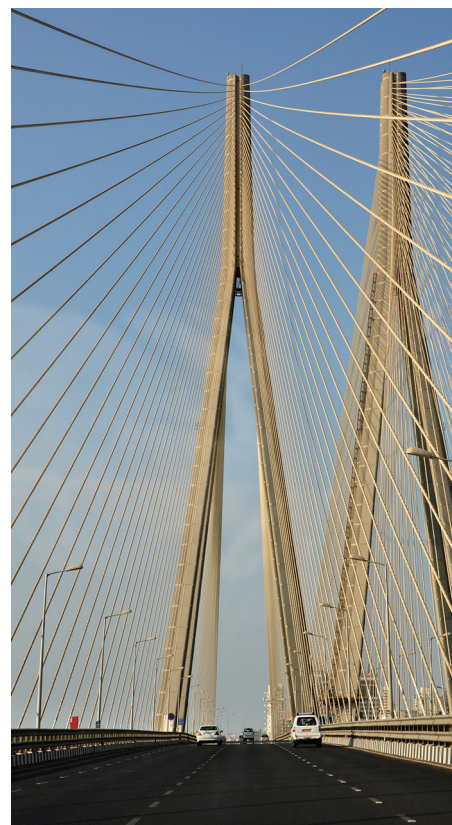
Malaysia-India cooperation can be elevated to the next level in view of the current geopolitical and geo-economical contexts. The Malaysian economy grew by 8.7% in 2022 as the 12th Malaysia Plan comes with a development expenditure allocation of RM400 billion compared with RM260 billion in 11MP.

MIBC has had a quiet but significant role to play in the re-awakening and the strengthening of our links with India, especially in trade and investments, beginning in 2010 with the prime minister's visit to India. In view of the enhanced strategic partnership with India, MIBC set up the Malaysia-India CEO Forum (MICEOF). MIBC has played a role with MITI on trade and investment matters between Malaysia and India. We have also established good relations with our Indian counterparts in sectors of special interest to us, such as infrastructure, health, education, information technology, biotechnology, tourism and SMEs through MICEOF and with organisations, such as CII and Federation of Indian Chambers of Commerce & Industry (FICCI).

Over the years, MIBC has upheld its values and goals of fostering closer links between Malaysia and India, notably in investments and services. MIBC acts as a channel providing the authorities with views and recommendations on how to intensify economic ties between Malaysia and India. The sectors that are covered via MIBC are construction, infrastructure, services, education, oil & gas, IT and healthcare. Notable MIBC members include CIDB, TCS, Manipal, IJM, ICICI,

GIC, MAHB, PwC, HSS, Petronas and AirAsia.

As relations between India and Malaysia are on the upswing, MIBC will continue to engage with various Malaysian government agencies, chambers and other conglomerates and public-listed companies seeking collaborations. The year 2022 marked an important one for India-Malaysia bilateral relations as it signified 65 years of diplomatic relations between the two nations. It also happened to be the 30th anniversary of Asean-India engagement. The hope is that with this deeper level of cooperation, both nations will prosper and flourish in the years to come.



Tan Sri Kuna Sittampalam is president of the Malaysia-India Business Council

Opportunities galore with shift in focus to SMEs

***Malaysia should focus on 2nd, 3rd
tier Indian cities, explore emerging
sectoral priorities***

By Datuk Umang Sharma

India and Malaysia's commercial links have helped the latter to transform itself from being an exporter of primary products to an industrialised and broad-based economy.

The first Indian joint venture, Godrej, commenced operations in 1968, and in the 1970s and early 1980s, Malaysia hosted the largest number of Indian joint ventures in any country. Indian companies' present involvement in Malaysia is in palm oil refining, power, railways, information technology, biotechnology, manufacturing industrial goods, higher education, civil construction and training.

While the bilateral trade between India and Malaysia improved significantly after the signing of the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) in 2011, the volume of trade could be much bigger.

MICECA covers goods, services, investments and other areas of cooperation. The framework provided significant new opportunities for economic collaboration and was expected to lead to stronger commercial and economic ties at the governmental and business-to-business levels. It is reported that more than 150 Indian companies have invested more than US\$3 billion (RM13.5 billion) in Malaysia, creating more than 30,000 direct and 100,000 indirect jobs. On the other side, there is now a significant presence of Malaysian companies in India that have invested US\$7 billion directly and through third countries.

Despite the Covid-19 pandemic, bilateral trade between the two countries expanded by 26% in 2021 and overall trade exceeded US\$17 billion. In 2022, the bilateral trade saw a 35% increase, reaching US\$20 billion. This shows that MICECA has had a positive impact and continues to play a significant part fostering India-Malaysia bilateral relations. One thing to note about MICECA, while it

has benefited both nations, the present balance of benefit tilts greatly in favour of Malaysia.

The legal framework governing bilateral trade and economic cooperation also includes a bilateral investment protection agreement signed in 1997 and a revised double-taxation avoidance agreement signed in May 2012. In fact, the Consortium of Indian Industries in Malaysia (CIIM) provided feedback to the Indian government on the issues faced by its members, which were incorporated in the double-taxation agreement. It is perhaps time to re-evaluate and enhance MICECA, considering the focus of both the countries on digital, renewables and other new sectors.

Targeting SMEs

An important area of liberalisation that the MICECA was designed to transform was the temporary movement of natural persons in commercial sectors, including accounting and auditing, architecture, urban planning, engineering services and medical, dental, nursing and pharmacy.

Malaysia had removed the conditions for professionals from India wishing to enter and work in the country to fulfil economic needs or satisfy labour supply and demand provisions. Having said that, issues remain getting timely approvals from the Malaysian side. Till today, there are challenges in the movement of skilled professionals.

While CIIM was the first organisation to highlight the business opportunities arising out of the CECA agreement through a full day seminar in Kuala Lumpur in May 2011, more could have been done to disseminate the information to all industry sectors. CIIM brought out a handbook, "Doing Business in Malaysia", in partnership with the High Commission of India and the Consortium of Indian Industries (CII).

While some of the larger Malaysian infrastructure companies have done a great job building highways and airports in India, there is lesser engagement at the small and medium enterprise (SME) level. SMEs are the engine of growth of both the countries. More than 90% of the businesses in both the countries are run by SMEs. To have a real meaningful business engagement and to grow both trade and investments, it is important to reach out to these SMEs.

For example, Singapore has more than 4,000 Indian companies while Malaysia has fewer than 200. Most SMEs are in second- and third-tier cities in India. So, if Malaysia is keen to engage with Indian SMEs, it is important to penetrate deeper into the states to really connect with them. While there is a Malaysia-India CEOs forum, but they are mainly comprised of large corporations and little SME representation and engagement is there from both the countries. Perhaps a separate SME forum could be established in that regard.

The Malaysian success story remains unsold in India. Few Indian businessmen are aware of the opportunities available in several sectors and the ease of doing business in Malaysia. India has 28 states with their own state industry and sector chambers of commerce and investment agencies like State Industrial Development Corporation (SIDC). One needs to be in touch with them and apprise them of the opportunities and incentives that the Malaysian government provides.

Agencies like Invest India and Malaysian Investment Development Authority (MIDA) can do more to promote trade and investments between the two countries. Now that the markets have re-opened and travel much easier, Invest India must engage with Malaysian industries and highlight to the various stakeholders, not only about opportunities but also focus areas

and extra incentives for investors. They should give presentations to these chambers of commerce, highlighting opportunities and incentives. Malaysia has identified several economic corridors which could be of interest to Indians. States like Penang, Johor, Melaka, Sabah, Sarawak and Selangor are progressive and Invest India should actively engage with them.

Tourism route to trade

Similarly, MIDA needs to penetrate and engage with the states and their state governments and chambers of commerce. Dedicated sector-wise delegations and trade missions to states could be valuable and decisions could be even faster as some states can take their own decisions without consulting the central government.

In terms of next generation trade and investment links, tourism is the number one factor that could kick start trade and investments. For tourism to happen, there must be better connectivity with more flights, ease of getting visas and promoting tourism in both countries.

It may also be a good idea to have an India desk under the Prime Minister's Office or MITI, headed by a senior person who has experience working in India and Malaysia. While there is a politically appointed desk, it is mainly focused on government-to-government relations and might be limited focus on business, especially SMEs. This person heading the India desk, having knowledge of working in India and how businesses operate in India, can leapfrog the trade and investment timeline and shorten the process immensely. Similarly, India can have a Malaysia desk.

There are several sectors where Malaysia and India businesses can cooperate, keeping in mind each party's competencies and needs. It is noteworthy that Malaysia is looking to enhance its digital economy. For it to succeed, Malaysia will need talent,

“The Malaysian success story remains unsold in India. Few Indian businessmen are aware of the opportunities available in several sectors and the ease of doing business in Malaysia.”

trained workforce and technology, which India specialises in. So, it's a win-win situation for both the countries to cooperate in this field.

India is looking to build 25,000km of roads and 100 cargo terminals. Malaysian companies already have inroads in India in this sector and are poised to exploit these opportunities.

India is working towards being a net-zero economy by 2070 and plans to instal 280GW solar capacity by 2030. Malaysia is one of the biggest manufacturers of solar panels and local manufacturers should capitalise on this opportunity.

Similarly, India is moving into manufacturing of semiconductors in a big way and again, Malaysian companies have great expertise in this field and should seize this opportunity to offer their expertise and equipment.

India has made great strides in pharma, biotech, drone technology, aerospace, fintech, innovation incubators, which Malaysian companies can tap into either for joint ventures or trade. India has

leapfrogged in the start-up field with 24 unicorns in 2022. India would be willing to help set up start-up incubators and guide the younger generation in Malaysia.

The way ahead should be greater engagements at the SME level, re-evaluating and reviewing MICECA with focus on emerging sectoral priorities like digital, renewable and frontier sectors and streamlining the approval process for easy movement of skilled and semi-skilled professionals.



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Diaspora 'secret sauce' to closer ties

***More people-to-people interactions
could strengthen economic
relationship, create new opportunities***

By Suseela Devi Chandran & Yanitha Meena Louis

One significant aspect of Malaysia-India relations is the presence of the Indian diaspora. The Indian diaspora has helped to strengthen ties between the two countries and brought bilateral relations closer – economically, socially and emotionally.

The total number of persons of Indian origin (PIOs) is around 2.77 million (about 8.5% of the Malaysian population). “PIO” refers to a foreign citizen who at any time held an Indian passport (but not currently) or if his ancestors were born and permanently resided in India as defined in Government of India Act 1935 or a spouse of an Indian citizen.

About 90% of PIOs in Malaysia speak Tamil and the rest Telugu, Malayalam, Punjabi, Bengali, Gujarati and Marathi. There are about 185,000 skilled and unskilled non-resident Indians (Indian citizens who are not residents of India) in Malaysia.

The term “diaspora” has a historical context. In general, “Indian diaspora” refers to all persons of Indian descent living outside India, as long as they preserve some major Indian ethno-cultural characteristics. In recent times, it has emerged as a generic term to describe communities residing beyond the boundaries of their culture and nation-states.

As for Malaysia, Indians mostly emigrated as kangani and voluntary labourers to work in rubber, tea and oil-palm plantations in the British colonies – known as “old Indian diaspora”. The “new Indian diaspora” includes engineers, doctors and IT professionals – “global citizens” who willingly move in search of better economic status.

This flow of “new Indian diaspora” started after Indian independence and gathered momentum with the emigration of IT professionals in the 1990s. There was also the flow of professionals, unskilled and

semi-skilled workers going mostly to the Gulf countries and Malaysia. Hence, a modern definition of diaspora amalgamates the art and aesthetics, culture and ethics between nations.

Schemes for Malaysians

Malaysia-India bilateral relations are mainly a government-driven endeavour from the political, economic and social-cultural dimensions. The government is seen as the prime mover and architect of the partnership. Hence, whenever high-level visits take place, these are formalised through many programmes, agreements and collaborations.

Malaysia has benefitted from various schemes initiated by India, such as “know India programme” (KIP) – a three-week orientation youth programme to promote awareness of different facets of Indian life – and overseas citizen of India (OCI) card for PIOs holding foreign passports.

A rich network of personal relationships through travel, study, work, sports and cultural exchanges have opened the doors of opportunity to foster understanding and enhance cultural appreciation between both countries. These play an active role in contributing ideas and views towards fostering closer friendship with the Indian community globally.

In this context, it is important to briefly discuss the role of the Netaji Subhash Chandra Bose Indian Cultural Centre (NSCBICC) – the Indian Council for Cultural Relations’ mission in Malaysia. NSCBICC prioritises working with Malaysian cultural organisations by complementing and supplementing their efforts to promote Indian art and culture.

While NSCBICC (formerly known as Indian Cultural Centre) has had a

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A rich network of personal relationships through travel, study, work, sports and cultural exchanges have opened the doors of opportunity to foster understanding and enhance cultural appreciation between both countries. This plays an active role in contributing ideas and views toward fostering closer friendship with the Indian community globally.

steady track record in being the nodal agency that promotes India’s rich and diverse culture in Malaysia, more can be done in terms of visibility, outreach and people-to-people connectivity.

However, despite the agency’s best efforts, some of these initiatives are not properly localised or targeted holistically at the diverse diaspora in Malaysia or Malaysian population. It must be internalised that while the

diaspora in Malaysia may relate to or identify with the basic rationale behind most initiatives of NSCBICC, in terms of appeal, the agency's means and methods fall short.

Broader appeal

One way to address this is to go beyond engagement with prominent cultural organisations and identify and target lesser-known groups involved in movements and projects that influence the cultural pulse in Malaysia. Examples would be parai isai, urumi and chenda melam, silambaatam, kalaripayattu groups or even wayang kulit groups with an emphasis on how much this artform shares with forms of shadow puppetry (bommalaattam) in India.

NSCBICC can also consider taking a pan-Indian approach when it comes to cultural programmes and initiatives. While it is appreciable that the rationale behind the current focus on the southern region of India is to appeal to the majority of the Malaysian diaspora who are Tamil, Telugu or Malayalam speakers, NSCBICC must also highlight the cultural vibrance of northeastern and northwestern states of India, such as Assam, Meghalaya, Manipur, Rajasthan and Gujarat. This will create an ecosystem which allows for mutual learning and appreciation for India's sheer cultural diversity and richness.

The role of diasporic connections promoting economic and trade ties between the two nations must also be recognised. The economic sector is the most successful component of the Malaysia-India relations. The free-trade agreement signed between Malaysia and India in 2011 contributed to the increase in trade volume and value by removing trade barriers to goods and services.

In 2021, India figured in the list of top 10 trading partners for Malaysia and the role of agencies, such as the Malaysia-India Comprehensive Economic Cooperation Agreement

(MICECA), Malaysia-India Business Council (MIBC) and Malaysia-India CEO forum, are perceived as prime movers in economic relations.

Diaspora-driven and targeted trade and business can be observed in the consistent efforts taken by companies like Agenda Surya Communications that organise annual fairs, such as Global Indian Shopping Festival. This allows Indian traders to sell their products, such as textiles, food and Indian crafts, in Malaysia.

Agenda Suria Communications has served as a one-stop centre for shoppers to explore Indian goods. Traders from Kashmir, Rajasthan, Tamil Nadu, Gujarat, Kerala and Punjab are brought in to sell their products directly in Malaysia. This event has proven to be a success and has been conducted since 2002. These events, besides showcasing Indian culture, also benefit the Indian traders and Malaysian consumers alike.

Another important feature of the diaspora is the tourism industry. India has consistently figured among the top 10 nations in terms of volume of tourists visiting Malaysia while in 2019, Malaysia was the second largest source country from Southeast Asia for foreign tourists visiting India.

The presence of three overseas Tourism Malaysia representative offices in India – in New Delhi, Mumbai and Chennai – shows the importance of the Indian market. For Malaysia's Indian diaspora, consistent travel to India may be due to the presence of relatives still residing in the country, religious pilgrimage, shopping and other cultural activities. A significant number of Indian Malaysians still travel to India for "wedding shopping" even today.

Visa hassles

Low-fare airlines like AirAsia have increased the seating capacity and frequency of flights, making it easier

to travel between the two countries. The sole hindrance, however, lies with the visa system. The mutual high prices for the Indian tourist visa for Malaysians (RM420 for a year) and Malaysian tourist visa for Indians (RM425 for a 90-day e-visa with multiple entry) must be revisited and relooked at to encourage ease of travel.

It cannot be disputed that the Indian diaspora in Malaysia plays an immensely significant role in shaping Malaysia-India relations. Whether it is through culture, trade, business or tourism, the diaspora necessitates that both the Malaysian and Indian governments constantly ramp up efforts capitalising on this important and irreplaceable element of relations.

While it is clear that there is room for enhanced policies and approaches that target and are driven by the diaspora, there must be mutual acknowledgement and efforts to tap into this aspect of relations. Although it could be that Malaysia is inclined to push the frontiers of economic cooperation compared to social and cultural aspects, a comprehensive approach to bilateral relations would foster a solid foundation to elevate this relationship to a higher level.



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Culture as catalyst to closer ties

Governments must ensure money trickles down to activists, groups bringing both countries together

By Padma Shri Datuk Ramli Ibrahim

Since time immemorial, there has always been a continuous mingling of cultures between India and Southeast Asia.

The Malay peninsula, situated at the crossroads of the cultures of India and China, was inevitably influenced. The prevailing monsoon winds brought enterprising conquerors, merchants, priests and with them, a retinue of races, practices and ideas. In return, the indigenous cultures were fertilised and enriched.

One is reminded of the call of Malaya maruta (south Malaya winds), which brought in its wake the romanticism of spices, textiles, theatre, literature, songs, music – and more importantly – living the adventure of curiosity and making human connections.

These bonds acted as civilising agents of communities and nations. In those days when copyright was never an issue, ikat and batik, wayang kulit, the great epics (Ramayana and Mahabharata), literature, cuisine and medicine were constantly churned and transmogrified within the cultural cauldron of daily lives. Inter-marriages were not just between races but also cultural mores.

Arguably, it is with the Indian subcontinent that Malaysian culture finds its major inspiration. From centuries of proximity with India, the binding of culture between India and the Malay peninsula has been omnipresent. Contemporary Malaysia finds its belief, language, literature, food, medicine and ceremonies inextricably connected with the Indian subcontinent.

Individual drivers of culture

One, however, must not underestimate the numerous independent enterprises, which enabled the socio-cultural exchanges that took place over millennia between India and greater India – that is, the Southeast Asian archipelago. We have heard of

anecdotes of connections formed, motivated by individual initiatives. Rabindranath Tagore's forays into Asia were mainly to satisfy personal curiosity, but what an effect this had on the artistic direction of Shantiniketan.

Some of these independent forays were made for no other reason than to reaffirm and foster human connections. They may even have flourished simultaneously alongside larger state-sponsored economic and political enterprises.

Where the Indian communities in Malaysia were concerned, associations of the Tamil, Malayali, Telugu, Punjabi and Sri Lankan diaspora represented the patchwork map of the subcontinent itself. They mushroomed all over the peninsula. These "Little Indias" replicated the motherlands and continued to promote socio-economic and cultural exchanges with the subcontinent.

On the larger picture of India's influence, not only do Bharatanatyam, Odissi and Carnatic music find easy acceptance in contemporary Malaysian culture alongside Indian films, yoga, idli-dosa and ayurvedic massages, they thrive with other migrant cultural practices. With Cantonese, Hokkien and Teochew Chinese, the various Indian communities find themselves in the cauldron of the larger matrix of Malay culture.

As history played its role, the cultural amalgamation motivated by individuals by "the call of the heart", etched and dramatically accented the colourful tapestry of human endeavours. These age-old cultural exchanges are still happening today, thanks to the interactive religio-economic and political engagements between India and Southeast Asia. They reaffirm the diversity and genius of human cultures and survival.

It is in the milieu of this cultural mix that Sutra Foundation finds itself. In

the last four decades, Sutra Foundation has been forging a contemporary and interactive conversation between Malaysia and India. Sutra's presence reaffirms the moderating influence of the arts among the communities thirsting for good dance and theatre. The diverse cultural performances allow communities to meet and interact in a liberal atmosphere of universal ethos and awareness through exposure to broad-based cultural perspectives.

Rapturous reception

The medium of this vibrant cross-cultural phenomenon is through the Indian classical dance of Odissi, a classical dance style found in the eastern Indian state of Odisha. In the last 35 years, Odissi has been transplanted successfully to Malaysia and many Malaysians are now familiar with the dance form. Odissi now competes with Bharatanatyam as the leading and popular Indian classical style, taught by many institutions and performed regularly in the main cities, especially Kuala Lumpur.

Due to the high acclaim for Sutra's productions over the years, its Odissi performances are not racially polarised. This, in no small measure, is also due to the multiracial make-up of its dancers. Over the years, Sutra and agencies engaged in the promotion of culture and arts have consistently fostered collaborative ties with India through associations with dance gurus, dancers, visual artists and scholars. They have contributed towards multiculturalism and the promotion of bilateral cultural ties between the two nations and their people.

Sutra's "Stirring Odissi 2008", an international festival held for an entire month in Kuala Lumpur, was a case in point. The festival involved more than 150 performing and visual artistes scholars from Malaysia, India, the United States, Japan and Singapore.

One of the great highlights of Sutra's history must surely be when it was endorsed to represent Odissi at the 2008 India Dance Festival in Carnegie Hall, New York, with other troupes from India. That a Malaysian dance company was accepted to represent Odissi for India on the international stage said much about the munificence and trust that India had in Sutra's role in promoting Indian culture.

At the Konark Dance Festival in 2017, the Odissi and Bharatanatyam performances of Sutra Foundation and Temple of Fine Arts, Malaysia, celebrated the ancient Kalinga-Malaysia cultural links. One of Sutra's major performances was supported by the Indian Council of Cultural Relations (ICCR) and the Uttar Pradesh government at the great Kumbha Mela, Prayagraj/Allahabad in 2019, reaffirming the legacy of this age-old cultural link. Sutra recently performed Jaya Ram (Odissi), a seamless cultural encounter where Bharat meets Malaysia, at the Khajuraho Dance festival in Madhya Pradesh.

Many of the cultural links catalysed by large festivals need considerable funding. Usually, they can only be achieved through government-to-government support and agencies.

The scene in India, too, has changed over the last few years. India now reflects her new global economic status with more liberal and enlightened arts policies. ICCR, under the Ministry of External Affairs and the Sangeet Natak Akademi, an autonomous body under the Ministry of Culture, has provisioned ample arts budget to promote culture and arts in India and abroad. These government, quasi-government and state agencies are managed by artistically enlightened bureaucrats, who recognise the vital role the performing arts have in imaging India, nationally and internationally.

ICCR through its agencies, such as Indian Cultural Centres (ICCs), have pushed for proactive collaborations with its counterparts. The Netaji Subhas Chandra Bose Indian Cultural Centre, set up in 2010 in Kuala Lumpur, has emerged as a fulcrum for engaging with the vibrant academies in Malaysia promoting Indian arts and culture, apart from offering classes in yoga, dance and music. The close cultural connect of the people of the two countries, including the presence of a large Indian community in Malaysia, continues to enrich the bilateral cultural ties.

The MoU on cultural exchange (2015) between the two countries is a good start but the sincerity of efforts must be taken to the officers in charge downstream. The effective actions performed by downstream agencies matter a lot. They can either stimulate or dampen the enthusiasm of cultural activists, who generate and seek support for these

exchanges. The cooperation and right attitude of these agencies, which facilitate the last details of procedures for non-commercial cultural exchanges, are crucial to enhance and catalyse these links.



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Many of the cultural links catalysed by large festivals need considerable funding. Usually, they can only be achieved through government-to-government support and agencies.



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How to leapfrog a digital economy

***India's success with fintech, data
and entrepreneurship provides
invaluable lessons for Malaysia***

By Shravishtha Ajaykumar & Mihir Sharma

Data and the assets that utilise it have become key functional components of the Indian and global economy in the last decade. Its multidimensional attributes have made it central to the global conversation about trade, finance and development – as well as peace and security. This multifaceted nature of data governance and policy requires aligning action to global goals like the Sustainable Development Goals (SDGs), regional and national interests, and even private sector aspirations.

Malaysia and India share not only a region and a continent but also economic and social attributes that could jump-start an online economy structured to benefit their start-ups and young populations.

Synergies, areas of cooperation

India's digital economy road map has, so far, focused on three areas: fintech, data and entrepreneurship. They are a combined success. The digital infrastructure of the Indian payments market is overseen by the National Payments Corporation of India (NPCI). Unified Payments Interface (UPI) oversees data/user interface. The Reserve Bank of India (RBI) supervises UPI while it functions across platforms alongside a new e-commerce initiative, the Open Network for Digital Commerce.

This combination targets the prosperity of micro, small and medium enterprises (MSMEs). Similarly, the Malaysian government has successful MSME-focused ventures that can be built on and provide lessons to others. About 20% of the Malaysian population is engaged in early stages of entrepreneurship. The Malaysian government with six of its ministries and 12 agencies has spent the last 25 years investing in the cyber sector of entrepreneurship.

In both countries, there is a

fragmented data landscape, which risks failing to capture value that could accrue from digital technologies. It may also increase potential for privacy breaches, cyberattacks and other risks. Malaysia and India have dedicated a large amount of focus to fintech and employment. To optimise payments and ensure that there are both user access and enterprise seamlessness across platforms, RBI mandated an account aggregator, a system used to create data commonality across platforms, specifically payments. Similarly, Malaysia has policies to share financial data among banks and financial start-ups.

Despite these advancements, there are discrepancies in the goals the road maps wish to achieve and the present landscape. Most Malaysians rely on cash over digital payments and financing. Moving to digital transactions is dependent on a new regulation system supported by technologies and user acceptance.

Tapping Indian digital knowledge

Another challenge is the lack of cohesive data privacy regulations globally and regionally. India has no data privacy regulations and is re-examining its priorities in this realm and while Malaysia passed a bill in 2013, there is a need to amend and update such policies with innovating technologies.

Malaysia has reported a lack of mentorship in its start-up landscape. With India's start-up economy being the third largest in the world, Malaysia could tap into India's expertise to convert its population to embrace cashless transactions and create a supportive environment for entrepreneurs. India's digital knowledge, partnerships and execution could be utilised to set up a system across the supply chain, which could jump-start Malaysian MSMEs.

“With India's start-up economy being the third largest in the world, Malaysia could tap into India's expertise to convert its population to embrace cashless transactions and create a supportive environment for entrepreneurs.”

Malaysia's digital economy is a large contributor to GDP at 22.6% in 2020 with aims to reach 25.5% by 2025. With India's start-up economy already thriving and Malaysia's digital economy succeeding, collaborations across the regulatory and private sectors could reduce entry and set-up costs, which remain the biggest inhibitors to MSME growth. Inconsistencies in platform representation and access to power are among the barriers in set-ups. Among non-R&D innovations, partnership in marketing innovation has been identified as one of the ways to sustain MSME's long-term growth.

In terms of data privacy and digital divide, both are persistent in India and Malaysia. It is recommended that both countries associate and aim to create regional regulations or cohesive national regulations to ensure data privacy. Harmonising such policies will also remove discrepancies in how data is treated in both countries in terms of

localisation versus cooperation to create a more conducive environment for MSMEs. This will counter the lack of digitisation that increases costs and assist in the liability of data privacy that MSMEs face with a limited human capital and large global audience.

Increasing the adoption of digital transactions requires overhauling regulations and adapting technologies and business practices. The Malaysian government is leading the change through regulatory reforms. Bank Negara Malaysia's Financial Sector Blueprint 2011-2020 encourages the migration to electronic payments to promote efficiency, setting a target of 200 transactions per capita by 2020. India, too, launched a similar strategy and a framework for data governance.

Incorporating such changes and collaborations is an encouraging start but financial inclusion is still a challenge that cannot be negotiated on until there is complete participation. In India, players like Slice and Uni, which offer credit lines, have become competitors to banks. Their existence has led the way for new discussions on fintech regulations.

The lack of regulation and compliance initiatives can become a barrier to MSMEs aiming to cater to the global market. Conversely, the disruptive nature of technological innovation can make future enterprises vulnerable to unreliable markets, which can only be countered with far-sighted regulation.

Collaboration recommendations

The government, thus, plays a critical role enabling the digital ecosystem. Adoption of new technologies and creating regulatory backing and providing financial support for start-ups can be a primary step. The Indian Ministry for Electronics

Malaysia's e-marketplace policies already cover half the ground by stating most reliable platforms. This can be augmented by aligning with the Indian government's system of GeM, which can be expanded to help MSMEs in Malaysia counter the main issues in e-marketing akin to fake imaging, user access, fair pricing and advertising.

Information and Technology (MeitY) recently released a strategy for blockchain technology that will overlook distributed ledger technologies. As Malaysia also aims to introduce blockchain by 2025, this becomes an area where regional collaboration on strategies can be introduced. Such a move will assist directly the issue of financial aid by reducing opportunity costs.

The Indian government has also introduced the Government e-Marketplace (GeM). This venture sets up a common platform for wholesalers and retailers. Currently, 25% of the sellers on the portal are MSMEs accounting for more than

40% of the project sanction orders issued to MSMEs and projects amounting to more than Rs1,000 crores reserved for MSMEs. Malaysia's e-marketplace policies already cover half the ground by stating most reliable platforms. This can be augmented by aligning with the Indian government's system of GeM, which can be expanded to help MSMEs in Malaysia counter the main issues in e-marketing akin to fake imaging, user access, fair pricing and advertising.

The Indian government has also initiated formalisation processes for registration of MSMEs, creating a reliable marketplace and following the reliable method of government procurement. These ventures, Udyam, MSME Sampark and MSME Samardhan respectively, have all allowed MSMEs to function with older, larger, and well-established organisations without losing advantages because of bureaucratic hurdles.



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Labour relations ripe for reforms

Malaysia should capitalise on India's ability to provide skilled workers

By Muhammad Faliq Abd Razak & Andika Ab Wahab

India and Malaysia established diplomatic relations in 1957 and 2022 marked the 65th anniversary of the bilateral relationship. Both have developed close political, economic and socio-cultural relations and there is growing engagement in all aspects of the relationship. Bilateral ties also have improved in recent years because of the convergence of mutual interests in a globalised world.

Rapid globalisation has made it impossible to isolate the Malaysian economy from India, which is a vibrant marketplace and a source of both skilled and non-skilled labour. India-Malaysia cooperation also has its regional and international dimensions. Several agreements and memoranda of understanding cover commerce, avoidance of double taxation, customs, higher education, extradition, mutual legal assistance, tourism, traditional medicine, IT and services, cultural exchanges, public administration and governance, air service and employment. The presence of the Indian diaspora is a crucial and deciding factor in India's relations with the host nation. Every Southeast Asian country has either persons of Indian origin (PIOs) or non-resident Indians (NRIs), but Malaysia occupies an important position as it houses the largest number of Indian expatriates in Southeast Asia of 6.6% counted for 2.0 million of its population.

Nearly 80% of Indians are engaged in manual work, both as unskilled and semi-skilled labourers. Only 6% are in the administrative, professional or managerial categories. There are about 150,000 Indian expats legally employed in Malaysia in the skilled and semi-skilled category. Malaysia and India also signed an MoU on employment and welfare of workers in January 2009, which establishes an institutional framework to deal with issues, such as illegal immigration and human trafficking from India into Malaysia.

Diaspora power

Another significant effort that ties both governments is the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA), signed on 18 February 2011 and in force on 1 July 2011. MICECA covers trade in goods, trade in services, investments and movement of natural persons. It adds to the benefits from the Asean-India Trade in Goods Agreement (AITIGA) and will facilitate and enhance two-way trade, services, investment and economic relations in general.

Through MICECA, India has committed to allow Malaysian foreign equity shareholding ranging from 49% to 100% in 84 services sub-sectors, including professional services, healthcare, telecommunications, retail and environmental services while Malaysia allows Indian foreign equity shareholding in 91 services sub-sectors.

Malaysia has been one of India's three largest trading partners from Asean in terms of value and volume. There are about 60 Indian joint ventures operating from Malaysia. There are also about 90-100 Indian-owned companies in Malaysia, including 68 in the information and technology sector.

This shows that the position of Malaysia is vital in fulfilling India's ambition to become a US\$5 trillion (RM22.5 trillion) economy by 2024 as part of its Act East Policy. This dovetails with India giving more weight to bilateral engagement with individual Southeast Asian countries after their withdrawal from the multilateral mega free-trade agreement, the Regional Comprehensive Economic Partnership (RCEP) in 2020. To strengthen India's economy, policymakers should focus on economic engagement, trade liberalisation, military and defence cooperation, and courting the diaspora.

Malaysia began importing foreign labour in the wake of labour shortages in various critical sectors, such as plantation, construction, manufacturing and services. Foreign skilled, unskilled and semi-skilled labourers were allowed in the country to sustain economic growth. Since the demand for foreign labour in Malaysia is structural, it will continue to depend on migrant workers in the foreseeable future and India has been one of the main source countries among 15 senders.

Malaysia has always been the centre of attraction for Indian skilled and unskilled labourers from the colonial era to the present, given its geographical proximity, economic opportunities and cultural similarities. Malaysia should recognise that the bilateral relationship with India could be a tool to greater cooperation to fill the gaps in skilled labour and gradually reducing dependency on low-skilled labour.

With MICECA, Malaysia and India would need to identify any possibility of having bilateral mutual recognition arrangements (MRAs) to facilitate mobility of professional skilled labour. Enhancing the mobility of skilled labour under the services sector would help Malaysia meet its crucial need for workers in high value-added activities.

Call for further liberalisation

According to the World Bank in 2021, the inflow of foreign workers in Malaysia did not impact negatively on the employment rates or wages across the board nor did it lead to technological downgrading. However, the new norms on the future of work arising from the pandemic reiterated the importance of being resilient and continuing to adapt. To fulfil the need for skilled labour, Malaysia must further liberalise key services sectors.

The government should prioritise measures to build strong domestic

Malaysia has been one of India's three largest trading partners from Asean in terms of value and volume. There are about 60 Indian joint ventures operating from Malaysia.

services sectors and enhance access to foreign services, as these will play a key role in improving competitiveness mainly in the manufacturing sector.

For example, Malaysia could learn from India's efforts since the 1990s to liberalise heavily state-led financial, telecommunication and transport services and open them up to domestic and foreign competition. Although these efforts have been uneven and incomplete, there is empirical evidence showing that they have resulted in a stronger services sector, which, in turn, has benefited manufacturing firms.

In addition, creating enough well-paying, high-quality jobs is becoming more complex as Malaysia moves towards high-income status and as the nature of work changes. Gaps have emerged in the skills framework, with some activities being subject to automation. Reforms are needed to improve basic health and nutrition, strengthen learning outcomes, facilitate lifelong learning and digital literacy, and attract and retain talent.

Meantime, upskilling and reskilling the workforce by making the academic as well as technical and vocational education and training streams more cohesive, more adaptable and more responsive to market demands is crucial. Immigration and emigration policies should be systematic and clear to foster the retention of domestic talent and attract foreign talent.

Malaysia's foreign worker management system has several weaknesses that need to be addressed. The most crucial part is that the current system is not responsive to economic and labour market needs. Ceilings and levies do not ensure the admittance of either the right number of foreign workers or those with the right skills. Redundancy of mandates and a lack of coordination and integration among stakeholders have resulted in lengthy admission processes and limited clarity among key stakeholders. Hiring procedures and overreliance on recruitment agencies result in high labour mobility costs, burdening both workers and firms. Lastly, weak enforcement leads to an influx of illegals.

There has been continuity in labour migration practices from India to Malaysia in terms of origin, pattern of migration, methods of recruitment, status of migrants and unskilled labour work experience. Strengthening the Malaysia-India bilateral relationship will benefit both governments in terms of tapping new potential and possibilities for greater cooperation.



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The higher education elephant in the room

Cooperation between universities could unlock R&D potential, curricula reform, tech sharing and transfer

By Nomesh Bolia

India and Malaysia share centuries-old ties rooted in culture, people-to-people links and trade. Historically, Malaysia has been a part of India's extended neighbourhood and contemporarily, a key component of India's Act East Policy. Malaysia hosts the third largest persons of Indian origin community in the world after the United States and United Arab Emirates. India established diplomatic relations with Malaysia in 1957 and 2022 marked the 65th anniversary of their diplomatic relationship.

A deeper education partnership between India and Malaysia is crucial for fostering collaboration and building bonds between the two countries. While cooperation in social, cultural and economic relations has received much attention, relatively little progress has been observed in higher education.

Some of the agreements and scholarships on education include a memorandum of understanding (MoU) on cooperation in higher education, signed in January 2010; MoU on cooperation in the field of traditional systems of medicine 2010; MoU on mutual recognition of equivalence of educational qualifications 2017; Indian technical and economic cooperation programme; AYUSH scholarship scheme for Malaysia to pursue courses in Ayurveda, yoga and naturopathy, unani, siddha and homeopathy in Indian institutions; and scholarships and education exchange programme.

The Indian scholarship and trust fund provides a small amount of one-time financial assistance to Malaysian students of Indian origin. However, the full potential of these programmes is not being realised because of a lack of awareness about the opportunities in both countries.

Getting information out

Research collaborations between

India and Malaysia include participation from top-tier institutions, such as Indian Institute of Technology (IIT) Delhi, IIT Bombay, IIT BHU Varanasi, Aligarh Muslim University, Vellore Institute of Technology, Amity University, Universiti Malaya, Universiti Teknologi Malaysia, Universiti Sains Malaysia (USM) and Universiti Malaysia Pahang. India's National Institute of Ayurveda has collaborated with Universiti Tunku Abdul Rahman to enhance cooperation in research and popularisation of Ayurvedic medicine.

Similarly, Malaysian twinning programmes with Indian educational institutions include Melaka-Manipal Medical College, Penang International Dental College, USM-Karnataka Lingayat Education, Belgaum and Management & Science University's International Medical School Bangalore campus. Still, the number of collaborations and twinning programmes among the institutions of higher learning in both countries remained relatively low compared with other countries. Inadequate information about universities and funding opportunities is a potential barrier to university-university collaborations and institutional engagements.

Higher education is a rich cultural and scientific asset, enabling personal development and promoting economic, technological and social change. All of India's key scientific and technological programmes, such as those in space, start-ups and for-profit organisations as well as institutions in almost every sector, have benefitted from the higher education ecosystem. The sector has supplied some of the world's best talent. From leading global CEOs to famous scientists, from young entrepreneurs to offbeat performers, all are a product of the Indian education system.

The higher education institutions

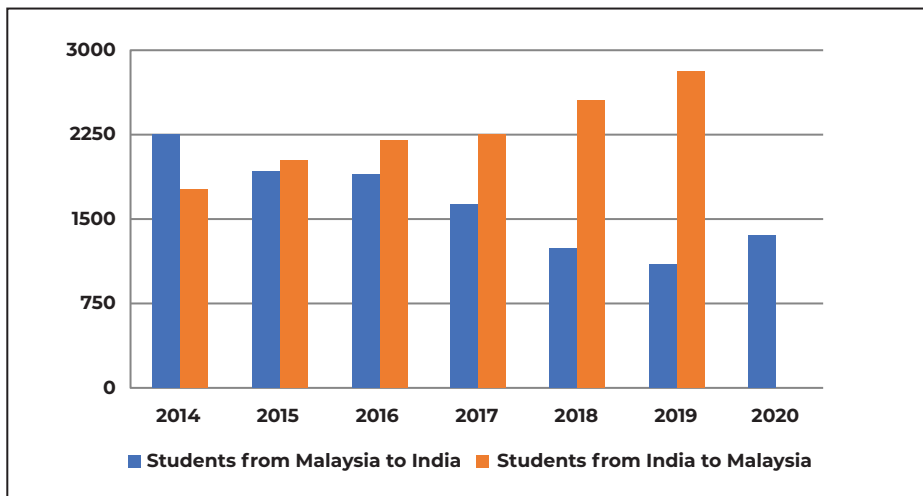
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encourage industry engagement for the promotion of research and development, curricula reform, people exchange and technology sharing and transfer. There have been many successful collaborations between universities, industry partners and start-ups.

World-class education

India has a long and glorious history in the field of higher education. Education there is comparable to the best institutions in the world and costs much less compared with other developed countries. Presently, about 38.5 million students are enrolled in 1,043 universities (including institutions of national importance), 44,343 colleges and 11,779 diploma-level institutions in India.

The IITs are known nationally and internationally for excellence in technical education, innovation, entrepreneurship and research. Several engineering programmes, such as petroleum engineering, mineral and mining engineering, electrical and electronic engineering, mechanical engineering, computer science and civil engineering, have made the top 100 list in the QS rankings. India is the third largest hub and IITs, taken together, the fourth largest producer of unicorns in the world.



India and Malaysia are emerging destinations for international students. Between 2019 and 2020, India hosted 49,348 students from 168 countries. India gets maximum students from Nepal (28.1%) followed by Afghanistan (9.1%), Bangladesh (4.6%), Bhutan (3.8%), the United States (3.3%), Nigeria (3.1%), Yemen (2.9%) and Malaysia (2.7%). In 2018, 81,953 international students were enrolled in Malaysia, with most coming from China (14.3%), Indonesia (10.3%), Bangladesh (8.4%), Yemen (6.9%), Nigeria (5.7%), Pakistan (5.6%) and India (3.4%).

While Malaysia continues to build its international enrolment and aims to host 250,000 international students by 2025, India has set a goal to attract 200,000 international students – more than four times the current total – by 2023.

According to Unesco Institute for Statistics, the percentage of Indian students in Malaysia constitutes a mere 3.4%, and only 2.7% of Malaysians study in India. Therefore, there is ample scope for both countries to increase student intake from each other. Intent and efforts from both governments in this sector exist and existing programmes need to be leveraged on to enhance cooperation. Efforts, such as identifying potential barriers, raising awareness about well-performing universities, opportunities and funding, and allowing more

collaboration between higher education and start-up ecosystems in both countries, could lead to expanded educational partnerships.

Science, IT areas of strength

Strengthening India-Malaysia cooperation in science and technology will spur economic expansion and enable the creation of novel solutions to common problems. Many universities in India and Malaysia are highly ranked worldwide and cooperation could spur growth.

India has made great strides in several advanced technology sectors. Space is a prime example. India is positioned as one of the top five nations in space exploration. Internationally, India is viewed as an emerging space power, capable of achieving its goals in a cost-effective manner. Several countries look to India for assistance in building up their capabilities to derive benefits from space technology.

India has signed space cooperation documents with agencies of 60 countries, including six Asean member states – Brunei, Indonesia, Myanmar, Singapore, Thailand and Vietnam. Malaysia is fully committed to driving the growth of its space sector and aspires to be one of the aerospace nations by 2030. Clearly, India and Malaysia can explore options for space cooperation. Both

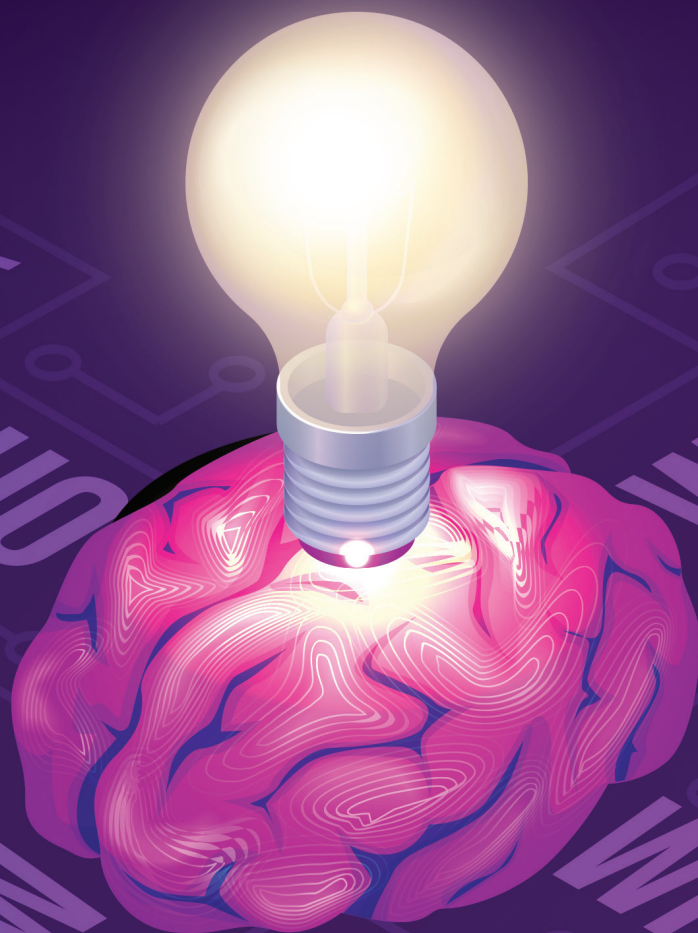
countries should encourage educational collaboration through networks of universities to support research and development, education and entrepreneurship in space-related fields.

The doctoral fellowship in India for Asean (DIA) funds scholars to pursue PhDs at prestigious IITs. It is the single largest capacity development initiative of India for non-citizens. The DIA programme attracts outstanding Asean students to carry out research at IITs. Faculty members from Asean universities and stakeholders from other institutions, including government and non-profit sectors, are welcome to explore collaborations and joint research projects with a part of the funding coming from DIA. Besides strengthening the long-standing ties, this programme has potential for cooperation in education and people-people exchange between India and Asean.

There is significant scope to expand higher education cooperation and science and technology collaborations between India and Malaysia by developing an expanded, bilateral inter-institutional mechanism, thus facilitating interaction among academia, research laboratories and industry in both countries. There are various areas where India and Malaysia can develop synergies, such as in space science, disaster mitigation, climate change, advanced materials, petroleum and global health.



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