Vajiram & Ravi

India-Malaysia Bilateral Relationship

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What's in today's article?

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Why in the News?

- Malaysian Prime Minister Dato Seri Anwar bin Ibrahim is scheduled to visit India from August 19-21, marking his first visit as Malaysia's Prime Minister.

India – Malaysia Bilateral Relationship

- India established diplomatic relations with the Federation of Malaya (predecessor state of Malaysia) in 1957.
- The two countries enjoyed a strong relationship in the 1960s as a result of the personal friendship between Prime Ministers Nehru and Tunku Abdul Rahman Putra.
- Presently, India and Malaysia have developed close political, economic and socio-cultural relations.

- Malaysia is home to over **2.95 million large Indian diaspora** and the second largest PIO community in the world after the US.
- **Economic & Commercial Relations:**
    - **Malaysia has emerged as 13th largest trading partner for India** while India figures among the ten largest trading partners for Malaysia.
    - A bilateral Comprehensive Economic Cooperation Agreement (CECA) covering goods, services and investment has come into effect from 2011.

Trade	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 (Apr - Nov)
Export	5.22	5.70	6.43	6.37	6.06	6.99	7.156	4.32
Import	8.93	9.01	10.81	9.78	8.39	12.42	12.734	7.42
Total	14.15	14.71	17.24	16.15	14.45	19.41	19.89	11.74

- **Major Exports:**
    - Mineral fuels, mineral oils, aluminum and articles thereof, meat and edible meat offal, iron and steel, copper and articles thereof, etc.
- **Major Imports:**
    - palm oil, mineral fuels, mineral oils, electrical machinery and equipment; animal or vegetable fats and oils, etc.
- **Investments:**
    - As per official figures (DPIIT), **Malaysia ranks as the 26th largest investor in India** with FDI inflow of US$ 1.16 billion during the period April 2000 to September 2022.
    - The largest presence of Malaysian construction companies outside Malaysia is in India.
    - Indian companies have invested in around 250 manufacturing projects of over US$ 2.62 billion.
    - Presently, there are more than 150 Indian companies, including 61 Indian joint ventures and 3 Indian Public Sector Undertakings operating in Malaysia.
    - **Trade Settlement in Indian Rupees**: Trade between India and Malaysia can now be settled in Indian Rupee (INR) in addition to the current modes of settlement in other currencies.
- **Defense and Security:**
    - India-Malaysia defense relations have developed steadily since the signing of a Memorandum of Understanding (MOU) on Defence Cooperation in 1993.
    - Both nations participate in each other's biennial defense exhibitions, **LIMA** and **MILAN**.
    - Additionally, India is involved in the Cooperative Mechanism on the **Straits of Malacca and Singapore** (SOMS), contributing to projects that enhance navigational safety and environmental protection.

Challenges and Prospects in India-Malaysia Economic Ties

- The business relationship between India and Malaysia faces challenges that could slow down economic growth, such as **geopolitical tensions**, **global demand stagnation**, and **higher import tariffs**.
- However, the strong trade ties between the two countries are expected to persist.
- Despite these challenges, India and Malaysia have formed a strong strategic partnership, with both countries being members of important global forums like the Commonwealth of Nations, NAM, G-15, and G-77, which

support their cooperation.
- There are many opportunities to strengthen bilateral relations further.
- Efforts like avoiding double taxation, mutual customs assistance, improving air connectivity, and collaborations among airlines can boost trade and tourism.
- Additionally, factors such as a vibrant diaspora, steady GDP growth, a younger population compared to China, expected increases in Foreign Direct Investment (FDI), and rapid digitization are promising for future trade.
- The recent revival of the India-Malaysia Joint Commission Meeting after 12 years shows renewed commitment to cooperation.
- The upcoming amendment to the Malaysia-India Comprehensive Economic Partnership Agreement (MICECA), which will include new economic sectors, is aimed at reaching a trade volume of US$25 billion within the next three years.

By exploring new sectors, diversifying trade, and fostering beneficial collaborations, both countries can support India's goal of becoming the world's third-largest economy by 2027 and strengthen ties with ASEAN.

Q1. Where is Strait of Malacca located?

The Straits of Malacca is a narrow stretch of water in South East Asia that is 550 miles long and is located between the east coast of the Indonesian island of Sumatra and the west coast of the Malay Peninsula.

Q2. When was ASEAN established?

The Association of Southeast Asian Nations, or ASEAN, was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN: Indonesia, Malaysia, Philippines, Singapore and Thailand.

Source: Malaysian Prime Minister Anwar Ibrahim to visit India next week | GOV.IN
