

**High Commission of India
Kuala Lumpur

India-Malaysia Commerce Relations

India and Malaysia share centuries old ties rooted in shared culture and vibrant people-to-people contact. Historically, Malaysia has been a part of India's extended neighbourhood and contemporarily a significant element of India's Act East Policy. The two countries have been partners in mutually beneficial flow of not only goods and services but also ideas and values.

India and Malaysia have forged close economic and commercial ties which have emerged as the mainstay of their bilateral partnership. India-Malaysia bilateral trade in 2016-17 was US\$ 14.15 billion and witnessed a growth of around 4% to grow to US\$ 14.71 in 2017-18, with total exports from India to Malaysia amounting to around US\$ 5.7 billion while its imports from Malaysia stood at around US\$ 9 billion. With strengthening bilateral economic and commercial relations, Malaysia has moved up three places to emerge as the 11th largest trading partner for India while India figures among the ten largest trading partners for Malaysia. In 2018-19, the bilateral trade was US\$ 17.24 billion, with India's exports being US\$ 6.43 billion and imports being US\$ 10.81 billion.

Economic ties received a fillip with the two countries signing the Comprehensive Economic Cooperation Agreement (CECA) covering goods, services and investment which came into effect from 1 July 2011. Under CECA, which contains 16 Chapters and 15 Annexures, the two sides have offered ASEAN Plus commitments in Trade and in Services, they have exchanged WTO Plus offers. ASEAN-India Agreements on Trade in Services & Investment is also in place since July 2015.

The two Governments have also signed (in May 2012) and ratified (in December 2012) the Revised Double Taxation Avoidance Agreement. MoU on Customs Cooperation was signed in June 2013.

A snapshot of bilateral trade in US\$ billion may be seen in the table below:

Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Trade						
Export	4.19	5.81	3.70	5.22	5.70	6.43
Import	9.22	11.11	9.08	8.93	9.01	10.81
Total	13.41	16.92	12.78	14.15	14.71	17.24

[* Values in US \$ billion. (Source: Department of Commerce, GOI)]

8. Bilateral trade between India and Malaysia encompasses a diverse range of products and cuts across sectors

India's major export items to Malaysia are mineral fuels, mineral oils; aluminium and articles thereof, meat and edible meat offal, organic chemicals, iron and steel, nuclear reactors, boilers, copper and articles thereof, electrical machinery and equipment, machinery and mechanical appliances, etc.

India's major import items from Malaysia are mineral fuels, mineral oils, electrical machinery and equipment; animal or vegetable fats and oils and their cleavage products; nuclear reactors, boilers, machinery and mechanical appliances; copper and articles thereof, wood; wood charcoal, aluminium, organic chemicals, iron and steel and miscellaneous chemical products.

India's Top Ten Export Items to Malaysia (US\$ million)

S. No	Commodity	2017-2018	2018-19
1.	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	1624	2213.58
2.	Aluminum and articles thereof.	775.63	909.68
3.	Meat and edible meat offal.	370.59	529.38
4.	Organic chemicals	342.47	368.57
5.	Iron and steel	304.79	295.14
6.	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	285.37	242.37
7.	Copper and articles thereof.	280.50	171.17
8.	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	173.31	97.56
9.	Zinc and articles thereof.	121.13	93.29
10.	Edible vegetables and certain roots and tubers.	106.97	85.78

	India's total exports to Malaysia	5,700.09	6,435.25
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(Source: DGCIS, Department of Commerce, Government of India)

India's Top Ten Import Items from Malaysia (US\$ million)

S. No	Commodity	2017-2018	2018-19
1.	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	1642.88	2939.62
2.	Animal or vegetable fats and oils and their cleavage products; pre. Edible fats; animal or vegetable wax.	1597.30	1501.04
3.	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	1542.72	986.23
4.	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	577.57	767.76
5.	Copper and articles thereof.	545.50	601.84
6.	Wood and articles of wood; wood charcoal.	430.95	495.88
7.	Aluminum and articles thereof.	399.07	484.73
8.	Organic chemicals	378.35	475.96
9.	Iron and steel	283.26	348.26
10.	Miscellaneous chemical products.	254.05	302.41
	India's total import from Malaysia	9,011.58	10,818.60

(Source: DGCIS, Department of Commerce, Government of India)

BILATERAL INVESTMENTS

Malaysia ranks as the 25th largest investor in India with FDI inflow of US\$ 906 million which constitutes 0.23% of total FDI inflows of US\$ 377 billion into India during the period April 2000 to June 2018 (*Source: DIPP, GoI*). Indian companies have invested in 242 manufacturing projects of over US\$ 2.62 billion (RM 8.74 billion) in Malaysia (*Source: MIDA, GoM*).

Malaysian Investments in India: Malaysia's FDI in India is primarily focused on roads, highways, telecommunications, oil & gas, power plants, tourism and human resources, besides other sectors. The highest investment proposals have been in the telecommunications sector, followed by fuels (power and oil refinery), roads and highways. Total investment, including the Mauritius and Singapore route, are valued at around **US\$ 7 billion**. Notable among these are Maxis Communications in Aircel (US\$ 2 billion), Axiata in IDEA cellular Ltd (US\$ 0.75 billion) and Khazanah in IDFC, Apollo Hospitals, Yes Bank, etc.

There are about 87 Malaysian companies including Joint Ventures companies operating in India. Notable among these are investments by companies like:

- Maxis Communications in Aircel,
- Axiata in IDEA Cellular Ltd.,
- IJM (India) Infrastructure Limited,
- Malaysian Airport Holdings Bhd in Hyderabad International Airport
- Genting Lanco Power (India) Private Limited,
- Sunway Opus International Private Limited, etc
- Eversendai Construction Private Limited
- Malaysia Airline System (MAS),
- Air Asia (India) Private Limited,
- Khazanah India Advisors Private Limited,
- Petronas Lubricants (India) Private Limited.
- IHH Healthcare Bhd., considered the largest healthcare group in Asia, has acquired 31.1% stakes in India's second largest hospital chain Fortis Healthcare. IHH has taken controlling 51% stake in Continental Hospitals Pvt Ltd in Telangana for US\$ 45 million and 74% stake in Global Hospitals Pvt Ltd in Hyderabad for US\$ 140 million (approx).
- Sapoor Energy and Buni Amada have partnered with Shapoorji Pallonji to bid for multi-million dollar offshore off-shore project in India.
- Binapuri Holdings (3 projects for rehabilitation and upgradation of National Highways in Rajasthan and Andhra Pradesh for a total of US\$ 140 million)
- DXN Industries is setting up a food processing plant in Siddipet, Telangana worth Rs 150 crore.
- IJM (India) Infrastructure Limited (is building 109 km highway between Solapur and Bijapur on a design-build-finance-operate-transfer basis worth around USD 375 million (RM 1.5 billion).
- MK Group has set up two auto component manufacturing units in Pune and Chennai.

In addition to investments, Malaysia has also undertaken over US\$ 6 billion worth of projects in India. There has been a surge in Malaysian private sector initiatives in India, particularly in the infrastructure sector. The largest presence of Malaysian construction companies outside Malaysia is in India. The prime interest for Malaysian companies to invest in India is infrastructure and construction sector with a particular focus on roads and highways, railways and up gradation of airport and ports. According to Malaysia's Construction Industry Development Board (CIDB), till December 2016, Malaysian companies have completed 98 highway & road projects worth US \$ 4.64 billion in India. In addition, there are 13 projects valued at US\$ 1.42 billion which are under construction. MRCB has also put in bids for a couple of railway land development projects in India. Other sectors of interest are telecommunications, ICT, engineering, power, oil & gas etc.

Indian Investments in Malaysia: As per data available from Malaysian Investment Development Authority (MIDA), Indian companies have invested in 242 manufacturing projects worth over US\$ 2.62 billion (RM 8.74 billion) in Malaysia including 8 projects in 2016 for US\$ 297 million. Indian investment projects are mainly in chemical and chemical products, machinery and metal, transportation technology, global establishments and hospitality.

Presently, there are **more than 150 Indian companies**, including 61 Indian joint ventures and 3 Indian Public-Sector Undertakings operating in Malaysia. Their areas of operations are diverse and include manufacture of Textiles and Yarn, Drugs and Pharmaceuticals, Glass Containers; Automobile associated activities, Specialty Chemicals, Steel Furniture, Rubber Products, Services in Information Technologies, Education, Biotechnology, Healthcare, etc. Details of some of the major Indian companies in Malaysia are as follows:

- Recron Malaysia Sdn Bhd (owned by the Reliance group) is the largest Indian company in Malaysia and is one of the largest Synthetic and Textile integrated plants in the world.
- Biocon India made an investment worth RM 1 billion (US\$ 300 million) to set up its first overseas biopharma manufacturing and research facility in Malaysia in partnership with Biotech Corporation of Malaysia.
- Ballarpur Industries Limited of the Avantha Group-owned Sabah Forest Industries.
- Larsen & Toubro Group's Tamco Switchgear.
- Around 60 Indian IT companies in Malaysia including Tech-Mahindra, TCS and Infosys.
- Manipal group has established the Melaka Manipal Medical College in Melaka and the Melaka International College in Nilai. Under its expansion plan, Melaka Manipal Medical College has established a university campus in Negeri Sembilan with an estimated investment of RM 659 million (US\$ 215.4 million) and capacity of 12,500 students by 2021.

- Veeda Clinical Research Organization, Ahmedabad set up its advanced research unit at Ampang Hospital in Kuala Lumpur.
- India International Bank, a consortium of three Indian banks - Bank of Baroda, Andhra Bank and IOB, has been carrying out commercial operations in Malaysia since July 2012 with a capital investment of about US\$ 83 million.

The legal framework governing bilateral trade and economic cooperation also includes, *inter alia*, a bilateral Investment Protection Agreement signed in 1997; a **Revised Double Taxation Avoidance Agreement** signed in May 2012. And an **MoU on Cooperation in Customs Matters** in June 2013. The **Air Services Agreement** between India and Malaysia signed in May 1974 has been revised in April 2017 renewing the respective traffic entitlements. The **India International Bank**, a joint venture of Bank of Baroda, Indian Overseas Bank and Andhra bank, was launched on July 11, 2012.

India-Malaysia CEO Forum: During Prime Minister Dr. Manmohan Singh's visit to Malaysia from 26 to 28 October 2010, both countries established an India-Malaysia CEOs Forum comprising 18 CEOs from both sides, which was jointly launched on 27 October 2010 by the Prime Ministers of India and Malaysia to develop enhanced partnership and cooperation at the business level. The Forum held its second meeting in Mumbai on 20 May 2011. The third meeting of the Forum was held in Kuala Lumpur on 22 November 2011. The fourth meeting of the Forum was held in Johor Bahru on 08 June 2012. The fifth meeting was held in New Delhi on December 19, 2012. First meeting of the **reconstituted India-Malaysia CEO Forum** was held on March 31, 2017 in New Delhi. The meeting coincided with the visit of Dato' Seri Mohd. Najib bin Tun Abdul Razak, Hon'ble Prime Minister of Malaysia to India from March 31-April 4, 2017.
