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New spirit in India

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THE CONFEDERATION of Indian Industry (CII), the apex organisation of India's industry, is keen to use Malaysia as a stepping stone into the lucrative Southeast Asian market.

Prime Minister Datuk Seri Dr Mahathir Mohamad noted CII's enthusiasm during a recent visit to India. He highlighted the significance of Malaysia as a 'gateway' for Indian companies to penetrate the Southeast Asian region.

Mahathir also urged Indian businessmen to team up with Malaysians for projects in other countries in the region. The prime minister was on a four-day official visit to India from Dec 19 to receive the Jawaharlal Nehru Award for International Understanding. He was accompanied by a high powered business delegation scouting for business opportunities with Indian companies.

An Indian Commerce Ministry official in Delhi said the volume of bilateral trade had touched US\$ 1.3 billion in the 1995/96 fiscal year 'with considerable growth potential for the future'.

The CII representatives were impressed by the growth rates posted by the Malaysian economy. Indeed, their interest seemed to be further aroused by Mahathir's remarks at a CII gathering that Malaysia offered a good market for India's exports.

Apart from discussions with Indian politicians and senior government officials, Mahathir's itinerary was packed with talks with the Indian industry. Mahathir's own entourage included three ministers and a delegation of high-profile businessmen. The Malaysians also signed five memorandums of understanding (MOUs) to set up joint ventures with Indian companies.

India has emerged as the fifth largest investor in Malaysia, with cumulative Indian investments to date amounting to more than US\$ 400 million. Malaysia is among the leading 10 investors in India.

Mahathir averred that the recent bilateral agreements on avoidance of double taxation and guaranteeing the protection of investments would provide an impetus to further promote business. 'Our two governments continue to strengthen institutional arrangements to the private sectors of both countries to undertake business on a sustained basis,' Mahathir said.

However, Malaysian entrepreneurs are privately expressing concern over what they perceive as a slowdown in India's economic reforms. 'The signal which the Indian government is sending is constantly at yellow while other markets like China tend to be more investor friendly ... we at least know that their signal is either red or green,' says one Malaysian on condition of anonymity.

His view seemed to be echoed by his Indian colleagues. The CII, for instance, has openly expressed concern over the slowdown of industrial growth in India. The CII has blamed, among other things, the government for factors which had adversely affected the industrial climate in the country.

In a CII survey of 361 companies, 28 per cent complained of power shortages, 26 per cent said there were not enough roads, 13 per cent faced problems at ports and railways, and eight per cent at airports.

According to the survey, export hurdles came mainly in the form of delays in clearances by ports and customs. The survey also warned that

lack of infrastructure and rising production costs was likely to reduce the global competitiveness of Indian industries. But despite these bottlenecks, Malaysian businessmen saw 'tremendous room for improvement' and 'great potential' for business. They acknowledge that the size of India's market alone was 'awe-inspiring'. 'This coupled with the fact that India is a democracy with considerable transparency and has a judiciary that has its roots in the British judicial system, make the country an attractive site for foreign companies,' the same Malaysian says. Indian businessmen, on the other hand, find Malaysia's system of issuing visas and residence permits to Indian passport holders a very frustrating experience. Mahathir allayed this concern by saying that qualified and skilled workers would not have any visa problems. Mahathir visited Bangalore where he talked with Malaysian students. He also visited the Hindustan Aeronautics Ltd, The Bharat Heavy Electricals Ltd and the Indian Space Research Organisation (ISRO) which is one of the top five sellers of satellite-launch software. India's keenness to join the Asia Pacific Economic Cooperation (Apec) was also raised during the visit and it urged Mahathir to support India's desire to be a member of the forum. Somewhat of a 'Johnny-come-lately', India had been suspicious of the designs of the Association of South East Asian Nations (Asean) during the Cold War era when it carefully avoided contact with organisations perceived to be pro-Western or having the backing of the West. But a deep sense of vacuum emerged in India when its former mentor, the Soviet Union, collapsed along with its satellite East Bloc states at the start of the current decade. Global realities confronted the once staunchly pro-Soviet country. It began to search for new friends and allies. In the course of what Indian diplomats describe as the 'new spirit', India is now courting countries once perceived as pro-Western, particularly Asean members Malaysia and Singapore. While Apec has imposed a moratorium on the admission of new members, India was given full dialogue status with Asean in July 1996. 'If it (Apec) becomes a huge organisation like the G-77, then it will become unwieldy,' Mahathir told journalists at the president's palace in New Delhi. The Group of 77 has more than 125 members and is charged with looking after the interests of the developing countries.

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